HAEMATO AG

Germany / Pharma
Frankfurt
Bloomberg: WIR GR
ISIN: DE0006190705

Initiation of Coverage

RATING	**BUY**
PRICE TARGET	**€5.70**
Return Potential	90.0%
Risk Rating	High

PRIME BENEFICIARY OF DRIVE TO CUT COST OF PHARMACEUTICALS

HAEMATO AG, a subsidiary of MPH Mittelständische Pharma Holding AG, is a pharma company focusing on the sale of generics and parallel imports in high priced niches. The company is targeting selected pharmaceutical products in a small number of clinical indications such as oncology or HIV. Since these niche indications tend to have a lower sales volume than larger indications such as antibiotics, the firm is facing less pricing pressure (particularly on generics). We initiate coverage of HAEMATO with a EUR5.70 price target and a Buy recommendation.

Parallel importing characterised by low risk and high yield The larger part of HAEMATO's sales are generated through parallel importing of pharmaceuticals. This is a pure trading business, with the benefit that German legislation has actually set a minimum level (and thus sales guarantee) for parallel imports to be dispensed at pharmacies (currently 5% of volume). HAEMATO and its holding MPH Mittelständische Pharma Holding AG (MPH) have quickly built up an impressive standing within several important niches. We anticipate this growth to continue going forward as the company will add additional products to its portfolio.

Generics bring margins While margins in the German generics market have been dropping steadily due to high competition, the past has shown that players in specialised indications can be very profitable. Currently generics only account for a very small part of HAEMATO due to the limited number of formulations on the market. We anticipate that the company will continue to expand its portfolio of generic drugs and expect top-line growth and increasing profitability in this segment.

Low valuation multiples and high dividend yield Our DCF valuation of HAEMATO yields a price target of EUR5.70. With a P/E ratio 2013E of 7.5 and 2014E of 7.0, the current valuation of the company is quite low. Moreover, the company's dividend yield at the current share price level is 9.4%. We thus initiate coverage with a Buy recommendation.

FINANCIAL HISTORY & PROJECTIONS

	2011A	2012A	2013E	2014E	2015E	2016E
Revenue (€m)	10.86	25.04	173.57	221.31	251.40	277.05
Y-o-y growth	n.a.	130.7%	593.1%	27.5%	13.6%	10.2%
EBIT (€m)	1.19	9.19	10.74	12.02	14.33	16.68
EBIT margin	10.9%	36.7%	6.2%	5.4%	5.7%	6.0%
Net income (€m)	1.66	7.41	8.33	8.87	10.70	12.55
EPS (diluted) (€)	0.12	0.54	0.40	0.43	0.51	0.60
DPS (€)	0.25	0.25	0.28	0.30	0.36	0.42
FCF (€m)	-8.88	-4.00	-6.17	3.90	7.73	9.95
Net gearing	10.3%	-31.5%	-32.2%	-26.9%	-28.1%	-30.5%
Liquid assets (€m)	3.32	7.53	24.53	22.57	24.09	26.63

RISKS

Regulatory changes in healthcare system, spending cuts in healthcare systems, homogenization of pharmaceutical prices within the European Union.

COMPANY PROFILE

HAEMATO AG, a subsidiary of MPH Mittelständische Pharma Holding AG, is a pharma company focusing on the sale of generics and parallel imports in high priced niches. The company is targeting selected pharmaceutical products in a small number of clinical indications such as oncology or HIV.

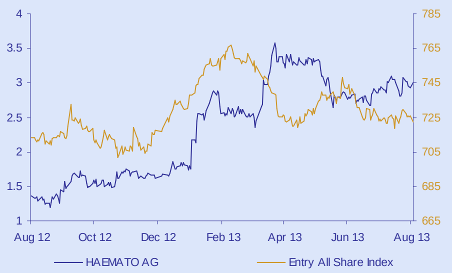
MARKET DATA

As of 8/26/2013

Closing Price	€ 3.00
Shares outstanding	20.78m
Market Capitalisation	€ 62.34m
52-week Range	€ 1.20 / 3.59
Avg. Volume (12 Months)	32,533

Multiples	2012A	2013E	2014E
P/E	8.4	7.5	7.0
EV/Sales	2.8	0.4	0.3
EV/EBIT	7.7	6.6	5.9
Div. Yield	8.3%	9.4%	10.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2013

Liquid Assets	€ 23.49m
Current Assets	€ 60.66m
Intangible Assets	€ 22.82m
Total Assets	€ 92.85m
Current Liabilities	€ 18.96m
Shareholders' Equity	€ 46.63m

SHAREHOLDERS

MPH AG	70.0%
Free Float	30.0%

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INVESTMENT CASE

Low risk, high return business model

While companies in the pharma field are generally plagued by high development risks and costs, this is not the case for companies such as HAEMATO. With a focus on parallel importing of pharmaceuticals and generics the company does not face high development costs for new products, or the risk of products failing in clinical trials. In fact, tailwinds on the regulatory front such as a mandatory minimum volume of parallel imports dispensed at pharmacies and increased prescription volumes of generics in the German market set the stage for profitable growth for the company through introducing new products and deeper penetration of the market.

Pressure in the healthcare system favours HAEMATO

Given the constant need to cut costs in the healthcare system, companies such as HAEMATO, which offer products and services to help curb expenditures in the healthcare market through generics and parallel imports, are set to benefit from the current pressures on the system overall. While there is a mandatory 16% discount on patent protected drugs, which have hurt HAEMATO's margins in the past, in general we do see a clear trend for success for generics companies and parallel importers. In our view, the company stands to benefit from cost cutting needs in the system and increased use of generics and parallel imports in terms of prescription volume going forward.

Attractive dividend policy

Given the fact that HAEMATO largely operates low capital intensive businesses, the need for hoarding cash within the company is low. Therefore, the company has disbursed a large part of its yearly earnings in the form of dividends and - more important - confirmed its dividend strategy upon publication of its half-year results on 16 August. We forecast that the company's future dividend payout will be around 70% of yearly earnings.

Low valuation multiples and high dividend yield

At the current share price level, the company's dividend yield is 9.4%. We see this level of yield continuing well in the future. At the same time the valuation of the company is quite low with a P/E ratio 2013E of 7.5. Given the low risk of the business, the future growth potential, the low valuation and the high dividend yield, HAEMATO AG's shares are a very attractive investment. We thus initiate coverage with a Buy recommendation and a price target of EUR5.70.

SWOT ANALYSIS

STRENGTHS

- **Healthy business environment** Given the constant need of the German (and globally many other) healthcare systems to cut costs, legislation favours companies such as HAEMATO. While the past decade has seen price measures installed on all pharmaceutical players including parallel importers and generics players, we believe that companies that help lowering overall cost to healthcare systems will be in a much stronger position in the long run than those with patent-protected "me too" products.

- **Solid position as a parallel importer** While HAEMATO is one of the smaller players in the market, the company since its inception has shown that it has the know-how to build a significant parallel importing franchise with the ability to grow rapidly in terms of revenues while maintaining comparably high margins even in the face of adversity - such as for example the 2010 enacted 16% mandatory discount granted to statutory health insurance funds (SHIFs) on all patent-protected pharmaceutical products in the German market.

- **Rapid growth, but low capital needs** As has been shown over the past years, HAEMATO is in a position where it can expand its generics and parallel importing business with a minimum of capital needs - as compared to other healthcare companies. While one of the most significant cost factors for most pharmaceutical companies is R&D (which affects innovative pharmaceutical and biotechnology companies) this is a cost block not faced by HAEMATO. Given the use of contract manufacturers for generics and a relatively small own production for parallel imports (manually repackaging pharmaceuticals), the firm does not require large scale production facilities. We thus see HAEMATO's growth continuing with only limited investment needs in the near-term.

WEAKNESSES

- **Small product portfolio in generics** While this point has already improved, the company still offers only a comparably small portfolio of generic drugs. This is partly due to the selected number of indications (with low competition and relatively high prices for generics) the company is focusing on. However, a broader portfolio within those indications would serve as a growth driver within the generics division. The company's current offering comprises twelve generic products. This number is expected to increase subsequently in the future.

- **A small player in the generics market** In the generics business (but not so much in parallel importing) size is important. The fact that HAEMATO is a smaller player is not an immediate problem, but weakens the company in terms of recognition factor amongst pharmacies. However, we believe that HAEMATO's concentration on just a few specialised clinical indication areas offsets this factor to some extent.

OPPORTUNITIES

- **Expanded penetration with pharmacies** HAEMATO's sales activities already have a fairly good penetration into Germany. However, since we believe that the firm's activities in both business areas will be expanded, HAEMATO can become an even more important partner for existing pharmacy clients and also open the door to additional pharmacies.

- **Regional expansion** HAEMATO's activities are currently focused almost exclusively on the German market. While the German market for pharmaceuticals is still amongst the largest in the world, we would welcome a diversification into other high priced European markets, mostly for reason of risk diversification regarding healthcare spending cuts in the company's home market. The company is aiming for a cautious international expansion starting in the near term and set up operations in the Netherlands (HAEMATO B.V.) and Thailand (HAEMATO Asia Co. Ltd.).

THREATS

- **Regulatory pressure to cut healthcare costs** Healthcare costs are predicted to rise steadily given ageing populations (at least in parts of the Western world) as well as increasingly costly treatments. Over the past decade a number of initiatives in the German (and other) markets aimed at reducing these rising costs. While HAEMATO's primary activities focus on lowering the burden on healthcare systems, it can not be ruled out that the firm will be hit by additional cost cutting initiatives in the future.

- **Pharmaceutical pricing levels within EU homogenising** In the field of parallel importing, HAEMATO acquires patent protected pharmaceuticals in a low-cost country to re-import them into Germany, where they can be sold at a higher price. Should pharmaceutical pricing levels in the EU homogenise, HAEMATO's profit margins would be negatively affected. However, given the current problems within the European Union, we do not see the risk of homogenising prices as an immediate threat.

- **Legal restrictions on parallel importing** A change in the legal framework of parallel importing is another threat. In our view this risk is currently low since parallel importing is one of the few activities where healthcare systems can save money on patent protected drugs. The German healthcare system actively encourages parallel importing and legally enforced a minimum volume of 5% of overall volume of pharmaceutical products sold at each pharmacy in Germany.

VALUATION

We set a price target of EUR5.70 for HAEMATO AG stock. We derive this fair value estimate from our DCF valuation model.

DISCOUNTED CASH FLOW ANALYSIS

In order to determine HAEMATO's Weighted Average Cost of Capital (WACC), we use our proprietary multi-factor risk model, which takes company-specific risk factors into account, such as management strength, balance sheet and financial risk, competitive position and company size. We assign a high risk rating to the company.

Our WACC calculation of 10.6% is based on a risk-free rate of 3.0%, a market risk premium of 4.0% and a terminal effective tax rate of 30%. In our DCF model we use a planning period until 2027 (table below only displays figures until 2020 due to layout reasons) and a terminal sales growth rate of 1.5%.

With regard to EBIT margin development, we model slight improvements from 5.4% in 2014E to 6.0% in 2016E. After 2018E, EBIT margins decrease to 5.7% in 2027E, which corresponds to our terminal EBIT margin. As outlined later in this report, our assumptions are based on a continued mandatory discount of 16% (please see "Market Environment" and "Financial Forecasts" sections of this report).

Our DCF analysis suggests a fair market value of EUR118.8m for HAEMATO, or EUR5.72 per share (based on 20.78m outstanding shares).

Figure 1: Valuation Model

DCF valuation model All figures in EUR '000	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net sales	**173,574**	**221,307**	**251,405**	**277,048**	**303,116**	**329,239**	**355,009**	**379,989**
NOPLAT	**8,277**	**9,398**	**11,168**	**12,966**	**14,101**	**15,163**	**15,987**	**16,882**
+ depreciation & amortisation	1,521	1,589	1,632	1,607	1,624	1,652	1,690	1,734
Net operating cash flow	9,798	10,988	12,800	14,574	15,725	16,815	17,677	18,617
- total investments (CAPEX and WC)	-16,017	-6,554	-4,597	-4,208	-4,409	-4,514	-4,566	-4,561
Capital expenditures	-1,041	-1,217	-1,257	-1,385	-1,488	-1,586	-1,678	-1,762
Working capital	-14,975	-5,337	-3,340	-2,823	-2,921	-2,927	-2,888	-2,799
Free cash flows (FCF)	-6,219	4,434	8,202	10,366	11,316	12,302	13,111	14,056
PV of FCF's	**-6,001**	**3,869**	**6,473**	**7,396**	**7,301**	**7,178**	**6,918**	**6,705**

All figures in thousands	
PV of FCFs in explicit period	78,051
PV of FCFs in terminal period	49,484
Enterprise value (EV)	127,535
+ Net cash / - net debt	-8,777
Shareholder value	118,759
Fair value per share in EUR	5.70

WACC	10.6%
Cost of equity	15.8%
Pre-tax cost of debt	6.0%
Tax rate	30.0%
After-tax cost of debt	4.2%
Share of equity capital	55.0%
Share of debt capital	45.0%
Fair value per share in EUR	5.70

WACC \ Terminal growth rate	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
6.6%	10.42	10.83	11.32	11.90	12.61	13.50	14.63
7.6%	8.65	8.91	9.22	9.57	9.99	10.49	11.09
8.6%	7.31	7.49	7.68	7.91	8.17	8.47	8.83
9.6%	6.27	6.39	6.52	6.67	6.84	7.03	7.26
10.6%	5.44	5.52	5.61	5.72	5.83	5.96	6.10
11.6%	4.76	4.82	4.89	4.96	5.04	5.12	5.22
12.6%	4.20	4.24	4.29	4.34	4.40	4.46	4.53
13.6%	3.73	3.76	3.80	3.83	3.87	3.92	3.97

COMPANY PROFILE

HAEMATO AG, formerly operating under the name "Windsor AG", is based in Schönefeld, Germany, and is a subsidiary of Berlin-based MPH Mittelstaendische Pharma Holding AG. Following the acquisition of HAEMATO PHARM AG in H1 2013, HAEMATO is active in the field of generics and parallel imports of pharmaceuticals.

MPH GROUP RE-ORGANISATION

In May 2012, HAEMATO's holding company MPH announced that it had acquired a 52% stake in Windsor AG, one of its main shareholders. Following the acquisition of this majority stake, MPH restructured its own activities, splitting its business into two main segments, pharmaceuticals and healthcare.

While the existing generics and parallel importing activities (HAEMATO PHARM AG) were integrated in the newly formed pharmaceuticals segment, the activities gained through the consolidation of Windsor AG, together with the MPH's own veterinary medicines business (HAEMATO Vet GmbH) and two newly formed entities (Healthcare Solutions GmbH and Nutri Care GmbH) were moved into the newly formed healthcare segment.

Figure 2: MPH Group Structure

MPH AG
Headquarter: Berlin, Germany

Pharmaceuticals	Clinic	Other Ventures
HAEMATO AG	**M1 Med Beauty AG**	**MPH Ventures GmbH**
Headquarter: Schönefeld, Germany	Headquarter: Berlin, Germany	Headquarter: Schönefeld, Germany
former Windsor AG		
MPH stake: 70%	MPH stake: 100%	MPH stake: 100%

Source: First Berlin Equity Research, MPHA AG

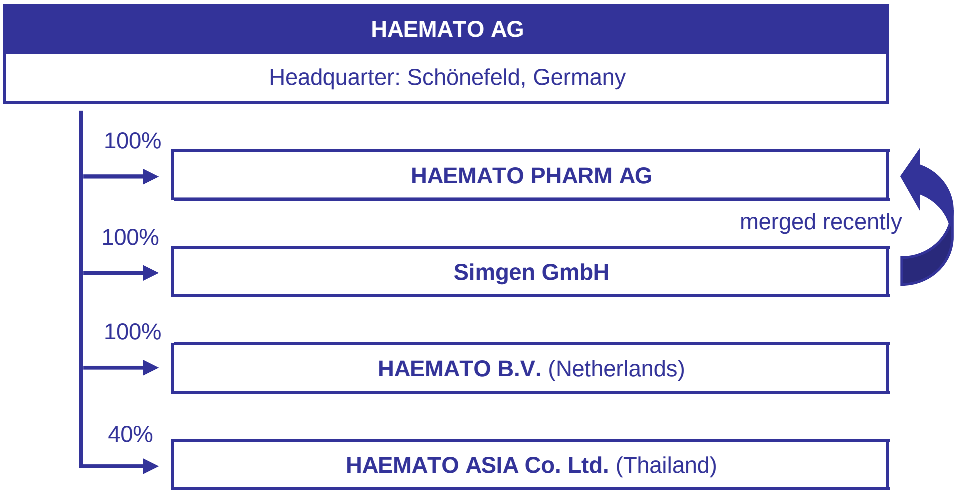
WINDSOR AG CONVERSION COMPLETED - NEW NAME "HAEMATO AG"

Through the acquisition of Windsor AG and its healthcare related businesses, MPH had the opportunity to exploit synergies when using Windsor's existing network of clients (currently roughly 3,100 pharmacies) as well as using Windsor AG's distribution channels s into non-EU markets to sell generics into these markets (through Windsor's subsidiary Simgen).

At the beginning of April 2013, MPH announced that it had sold 35% of HAEMATO PHARM AG to Windsor for 6.9m new Windsor shares. The remaining 65% were also sold to Windsor during H1 2013. By acquiring 100% of HAEMATO PHARM and divesting its real estate-related activities, former Windsor AG completed its conversion into a pure pharmaceuticals business.

At the company's AGM at the end of May, shareholders approved the change of the company name to "HAEMATO AG" as well as the appointment of the new supervisory board members.

Figure 3: HAEMATO AG Structure



Source: First Berlin Equity Research, HAEMATO AG

BUSINESS MODEL

HAEMATO generates sales through parallel imports and generics. In our view, it is important to mention that rather than servicing the whole market using a broad product portfolio - which is the case for larger generics and parallel import players in the German market, requiring a large sales force with a high cost base - HAEMATO only targets selected pharmaceutical products in a small number of indications. These indications are:

- Oncology,
- HIV,
- Rheumatoid Arthritis,
- Neurology,
- Cardiovascular.

This stands in stark contrast to other generics and parallel import players who tend to look at the broader market and include as many indication areas as possible in their product offering. While this works for larger companies who have the ability to sustain a large sales force, we welcome HAEMATO's business model. Since indications served by the company are less interesting for larger players, as they tend to have a lower sales volume than indications such as antibiotics, HAEMATO faces less pricing pressure (particularly on generics).

We estimate that the company generates roughly 60% of revenues within the pharmaceutical segment from oncology products, 20% from HIV and the remaining 20% from rheumatoid arthritis, neurology and cardiovascular products.

In this part of the business there needs to be a clear differentiation as to what the company is doing for each of these pharmaceutical business areas:

PARALLEL IMPORTING - SO FAR THE MOST IMPORTANT PART

A large part of the company's sales is generated through parallel importing of pharmaceuticals, i.e. taking advantage of price discrepancies on patent protected products within different EU member countries.

Under the law parallel importers are allowed to purchase a drug in a low cost country and then re-sell it in a high price country (such as for example Germany). While barriers of entry to this business are quite low, given that legally all that is required is a registration with the Bundesinstitut für Arzneimittel (BfArM), which is relatively straight forward and does not require parallel importers to complete additional clinical trials, this business does require a high level of know-how in terms of sourcing and logistics in order to remain profitable and have good standing with German pharmacies.

We believe that HAEMATO has this high level of know-how. The company has proven over the past years that it can source products in such a way that it has established itself as a strong partner for the pharmacies. Moreover, the firm has been able to do so while maintaining solid profitability.

Furthermore, parallel importing is a business characterised by low capital intensity. HAEMATO can not just simply take packages of pharmaceuticals, sourced for example in Spain, and sell them to German pharmacies. German law requires that both packaging and labelling (i.e. package inserts) conform to German law.

This repackaging however does not require a large investment in machinery but can rather be completed through the use of low-skilled labour, allowing the company to expand rapidly without the need for investments in manufacturing or packaging equipment.

GENERICS – SMALL, BUT BEAUTIFUL

HAEMATO's second business activity is generics. Generic drugs are copies of drugs where patent protection has expired. While larger companies such as STADA, Hexal (owned by Novartis) or Ratiopharm (owned by Teva) are the biggest players in Germany, the market remains fragmented.

Unlike its larger peers, HAEMATO follows a strategy which offers generics for indications where competition and total volumes are quite low, but prices are high. In terms of business strategy, the sale of generics in the same indications as parallel import allows the company to utilise sales synergies when dealing with its pharmacy clients. The firm is able to offer attractive package deals of parallel imports and generics in order to bring maximum profitability from each of the roughly 3,100 pharmacies served by the company.

The firm's generics business is also characterised by a low capital need. HAEMATO can source generics through contract manufacturers to insure low prices in sourcing. Moreover, there is no need for significant investments into manufacturing capacities as the company grows. The contract manufacturer model is quickly becoming industry standard, with even larger players more often relying on such services to keep own operating costs low.

COMPETITIVE POSITION

GENERICS

In Germany, the competitive environment in the generics market can be described as intense with Ratiopharm, Hexal and STADA as the most prominent players. The remainder of the market is highly fragmented with generics companies of literally all sizes present in the market.

However, taking a look at HAEMATO's competitive situation as compared to the "big three" - or in fact any broad range generics player - would give a wrong impression. While the general strategic approach along Germany's generic players tends to be to offer as many different generics products in virtually all indications, this is not the case for HAEMATO. The firm focuses exclusively on a small number of indications where competition from other generics players is low and prices (and hence margins) are still relatively high.

When taking a look at the two different approaches in the generics market, it becomes clear that HAEMATO is on the right path. The "broad range" strategy focuses on high volume generics in a broad range of indications. This usually requires a significant sales force, i.e. significant costs, in order to have a solid position in the German market. For smaller players such as HAEMATO such a strategy would require significant funding to get their activities started. A successful outcome would still be difficult to achieve given that the incumbents have several decades head start.

In case of HAEMATO, the strategy to focus on a few selected indications - such as oncology and HIV - characterised by a lower number of competitors and less pricing pressure than on broad range generics - such as antibiotics - makes sense. These indication areas are lucrative for smaller players, but are not (due to lower volumes) indication areas which are targeted aggressively by larger companies. The other benefit is that the firm needs to target fewer pharmacies since the number of pharmacies who sell a significant volume of the respective medications is limited (HAEMATO needs to focus on less than 25% of the more than 20,000 pharmacies in Germany).

While these indications, particularly oncology, are becoming more interesting for other players, we do not anticipate competitive pressure to increase. Larger high volume indication areas continue to grow as well - with a large number of upcoming patent expirations. Another theme which has dominated the German generics market over the past years has been consolidation. Following the acquisition of Hexal by Novartis and Ratiopharm by Teva, number three in the German market, STADA, has long been rumoured to be a takeover candidate as well. One reason why the market is still consolidating is not to increase productivity and benefit from economies of scale, but rather to gain market entry (or in the case of Teva, a better footing in the market). We thus believe that specialised generics companies such as HAEMATO may also attract the eye of larger players in the future and could be viewed as takeover candidates.

PARALLEL IMPORTS

Currently, the parallel import in Germany is still highly fragmented with few bigger players such as privately held Kohlpharma and many smaller companies. Almost all companies (with the exception of HAEMATO) are privately owned companies, leading to very few insights into the particulars of any given company (such as their profitability). We thus have to assume how HAEMATO's own profitability in parallel importing compares to the larger players. However, anecdotal evidence leads us to believe that profitability is comparable.

While concrete data for the parallel importing field are scarce we do have some insights from IMS Health and others, which show that HAEMATO has a solid market position. We estimate that HAEMATO has a market share of roughly 7%, making it the 6th largest player. This means the company has progressed nicely and has moved up four spots since 2009, when it was ranked the 10th largest parallel importer of pharmaceuticals in Germany.

The largest company active in the field of pharmaceutical parallel imports is Kohlpharma. Founded in 1979, the privately held company generated EUR660m in revenues through parallel imports in 2011. The company, which has a very broad product portfolio with around 600 active ingredients marketed, has been hit harder by mandatory discounts in the German market than HAEMATO.

While we have seen negative impacts on HAEMATO's margins due to the increase of mandatory discounts to healthcare insurance companies, the company was still able to grow its top-line and bottom-line significantly. Kohlpharma has at the same time seen lower revenues and profitability and had to let go of roughly 300 employees to counteract the negative effects. We see this as evidence of the low cost base with which HAEMATO has been able to expand its parallel importing business in selected indications.

The top five pharmaceutical parallel importers generated roughly EUR2bn in sales in 2011. Beyond the top five the market becomes very fragmented. Currently we do not expect a wave of consolidation in the market, given that adding smaller operators into the portfolio will not likely bring significant operating benefits to the larger players.

FINANCIAL HISTORY AND OUTLOOK

INCOME STATEMENT

Due to the consolidation of HAEMATO PHARM AG, H1 2013 sales increased markedly y/y to EUR63.2m (H1/12: EUR9.4m). Cost of goods sold of EUR57.6m (H1/12: EUR10.6m), personnel costs of EUR1.2m (H1/12: EUR0.4m) and depreciation & amortisation of EUR0.8m (H1/12: EUR0.4m) also increased significantly due to the consolidation. EBIT came in at EUR4.7m (H1/12: EUR3.8m). Net income was EUR3.8m (H1/12: EUR3.2m).

Table 1: Income Statement

in EURm	H1 2013	H1 2012	Delta
Sales	63.214	9.393	573.0%
EBIT	4.656	3.832	21.5%
EBIT margin	*7.4%*	*40.8%*	-
Net income	3.768	3.234	16.5%
Net margin	*6.0%*	*34.4%*	-

Source: First Berlin Equity Research, HAEMATO AG

BALANCE SHEET

Following the before mentioned consolidation of HAEMATO PHARM AG, the company's total assets increased significantly to EUR92.9m (end of FY12: EUR42.5m).
HAEMATO's cash position (excluding short-term financial assets) at the end of June 2013 amounted to EUR13.2m (end of FY12: EUR7.5m). Accounts receivable were EUR9.1m (end of FY12: EUR1.5m) and inventories EUR27.2m (end of FY12: EUR2.0m).

While property, plant & equipment of EUR1.1m (end of FY12: EUR1.0m) remained at a "pre-consolidation" level, intangible assets (EUR8.7m vs. EUR5.3m at year-end 2012) and goodwill (EUR14.2m vs. EUR2.8m at year-end 2012) were markedly higher than at the end of December 2012.

Financial debt (short- and long-term; including the company's participation certificates) was EUR32.0m (end of FY12: EUR5.5m).
Following the positive net income in H1 2013 and this year's capital contribution in kind (see "Company Profile"), HAEMATO's equity position improved to EUR53.6m (end of FY12: EUR33.6m). The equity ratio was 57.7% (end of FY12: 79.0%). As of 30 June, HAEMATO held 1.3m (end of FY12: 1.3m) own shares.

Table 2: Balance Sheet

in EURm	End of H1/13	End of FY12	Delta
Cash	13.205	7.529	75.4%
Financial assets	10.280	8.518	20.7%
Current assets	***60.659***	***19.913***	***204.6%***
Intangibles	8.672	5.318	63.1%
Goodwill	14.150	2.847	397.1%
Financial assets	7.966	13.380	-40.5%
Long-term assets	***32.193***	***22.577***	***42.6%***
Financial debt	13.306	0.274	4756.2%
Current liabilities	***18.956***	***2.435***	***678.5%***
Financial debt	13.500	0.000	-
Participation certificates	5.209	5.209	0.0%
Long-term liabilities	***20.331***	***6.476***	***214.0%***
Equity	***53.565***	***33.579***	***59.5%***
Total assets	***92.852***	***42.490***	***118.5%***
Equity ratio	***57.7%***	***79.0%***	***-***

Source: First Berlin Equity Research, HAEMATO AG

CASH FLOW STATEMENT

Due mainly to the above mentioned changes in working capital, HAEMATO's H1 2013 operating cash flow was negative again (EUR-8.3m vs. EUR-3.8m in H1/12). Following divestments (cash flow from investing activities of EUR9.9m; H1/12: EUR7.3m) and the changes in the consolidation basis, net cash flow amounted to EUR5.7m (H1/12: EUR3.0m).

Table 3: Cash Flow Statement

in EURm	H1 2013	H1 2012	Delta
Operating cash flow	-8.258	-3.840	-
Cash flow from investment activities	9.902	7.283	36.0%
Cash flow from financing activities	0.706	-0.421	-
Consolidation basis-related changes	3.325	0.000	-
Net cash flow	5.676	3.022	87.8%

Source: First Berlin Equity Research, HAEMATO AG

GUIDANCE

HAEMATO predicted an increase in sales for FYs 2013E and 2014E in its annual report 2012. The firm specified its guidance for the current fiscal year upon publication of its H1 2013 results and expects H2 2013 sales to amount to EUR100m and net income of at least EUR4m. Due to H1's positive development the company confirmed its dividend policy also for the current fiscal year (payout ratio of roughly 50% of net income in 2012).

Please note:
As already mentioned before, HAEMATO PHARM AG was consolidated from the beginning of Q2 2013 onwards, i.e. HAEMATO PHARM AG's Q1 2013 results are not included in the above mentioned financials. HAEMATO AG's holding company, MPH, reported strong Q1 2013 results which were a result of HAEMATO PHARM's good start to the current fiscal year (HAEMATO PHARM has been MPH's largest segment and accounted for roughly 90% of sales and 40% of EAT in FY 2012).

MPH's Q1 2013 sales grew 31% y/y to EUR53m (Q1/12: EUR41m) and EBIT grew 34% y/y to EUR4.2m (Q1/12: EUR3.1m), which corresponds to an improved EBIT margin of 7.8% (Q1/12: 7.6%).

FINANCIAL FORECASTS

FY 2013E

Due to the consolidation of HAEMATO PHARM AG, we expect full year sales to come in at EUR173.6m, which is slightly above the company's guidance for the second half of the current fiscal year.

Based on HAEMATO's changed business model (see "Company Profile" section of this report) and consolidation basis, we forecast a significant increase in costs of goods sold (EUR157.9m vs. EUR19.3m in FY12) and personnel costs (EUR2.8m vs. EUR0.8m in FY12). EBIT is thus forecast to come in at EUR10.7m (FY12: EUR9.2m).

Our estimate of net income of EUR8.3m (FY12: EUR7.4m) reflects the positive business development of HAEMATO we expect for H2 2013.

Table 4: Income Statement Forecasts

in EURm	FY 2013	FY 2014	Delta
Sales	173.574	221.307	27.5%
EBIT	10.740	12.021	11.9%
EBIT margin	*6.2%*	*5.4%*	-
Net income	8.327	8.868	6.5%
Net margin	*4.8%*	*4.0%*	-

Source: First Berlin Equity Research

Despite the predicted positive net income, we expect operating cash flow to be negative in FY 2013 (EUR-5.1m) due mainly to investments in working capital. Based on H1 2013' financing and divesting activities as well as consolidation-basis related changes in HAEMATO's cash position, we forecast net cash flow to amount to EUR17.0m.

Table 5: Cash Flow Statement Forecasts

in EURm	FY 2013	FY 2014	Delta
Operating cash flow	-5.127	5.121	-
Cash flow from investment activities	2.337	-1.217	-
Cash flow from financing activities	16.462	-5.859	-
Consolidation basis-related changes	3.325	0.000	-
Net cash flow	16.997	-1.955	-

Source: First Berlin Equity Research

Liquid funds are thus predicted to come in at EUR24.5m at year-end 2013. Based on the positive net-level result and taking into account the dividend payout, we forecast equity to increase to EUR56.9m at the end of December.

Table 6: Balance Sheet Forecasts

in EURm	End of FY13	End of FY14	Delta
Cash	24.525	22.570	-8.0%
Short-term investments	10.280	10.280	0.0%
Financial debt (short- and long-term)	18.709	18.680	-0.2%
Equity	56.873	59.533	4.7%
Total assets	89.261	93.910	5.2%

Source: First Berlin Equity Research

FY 2014E

We expect 2014E sales to increase to EUR221.3m. While we model a slight improvement in HAEMATO's gross margin (+0.3pp y/y), we expect the company's EBIT margin to decrease by 0.8pp. The increase in gross profit will be offset by higher operating expenditures. We forecast net income of EUR8.9m.

We expect HAEMATO's operating cash flow to be positive again in FY 2014E (EUR5.1m). However, due to the expected dividend payment amounting to EUR5.8m, we forecast negative net cash flow.

Thus, liquid funds as of the end of December 2014 are predicted to amount to EUR22.6m. We expect HAEMATO's equity position to improve further to EUR59.5m at the end of 2014.

Subsequent years

For the years ahead we project slowing top-line growth rates beginning in 2014E. We model sales growth of 27.5% in 2014E with subsequent years' growth rates flattening-out. Since burdens associated with MPH's group re-organisation are exceptional items, we project subsequent operating margin improvements from 2014E onwards. However, these improvements are based on a continued mandatory discount of 16% (please see "Market Environment" section of this report).

While there are discussions about rolling back this discount given the financial positions of SHIFs in Germany at the moment, we do not believe that discounts will be rolled back given the long-term prospects of SHIFs (mainly increasing costs due to an ageing population).

MARKET ENVIRONMENT

Even though HAEMATO has begun to set up operations abroad (such as the Netherlands and Thailand), the company is currently almost exclusively focused on the German pharmaceuticals market. Therefore the most important market to examine is the German pharmaceuticals market.

GERMANY -THE FOURTH LARGEST PHARMACEUTICALS MARKET

According to the IMS Institute for Healthcare Informatics, Germany is currently the fourth largest pharmaceuticals market in the world (but could be overtaken by Brazil until 2016). The German healthcare system is dominated by government health insurance funds (SHIFs), which cover roughly 90% of the population with the remaining 10% of insured persons covered under private health insurance plans.

Altogether virtually all of the population has access to healthcare coverage. Given the dominating standing of SHIFs in the role of payer of healthcare services within the system, it is a given that any changes to reimbursement behaviour (i.e. healthcare reforms and austerity programs) have a significant effect on all players in the market.

To get a better understanding as to the spending limitations and, more importantly, anticipated costs due to an aging population in Germany, it is important to take a look at the mechanics of SHIFs. Statutory health insurance funds are funded through a set percentage withheld by employers from wages.

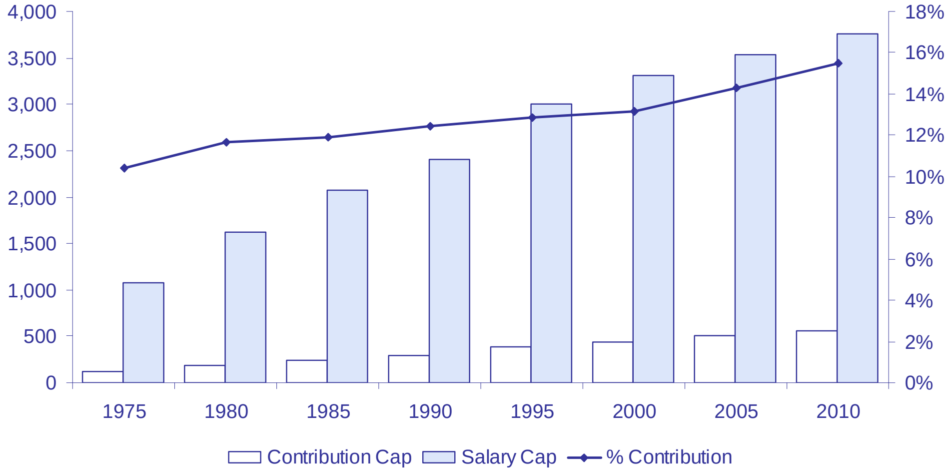
These contributions are split almost evenly between employees and employer and - when taking into account the services SHIF's offer - represent reasonable health insurance coverage rates for the employee and their non-working immediate family members (spouse and children). Over the past 10 to 15 years, the German healthcare system has seen several changes and shortfalls at SHIFs, which has been an issue plaguing the industry.

While many initiatives have been taken to curb rapid cost expansion, such as for example introducing small co-pays for doctor's visits (which in the meantime have been abolished again), the system has been consistently underfunded. In 2012, the situation for the first time has relaxed, with discussion regarding paybacks to insurance payers on the overage amassed (and first SHIFs already distributing some funds to their policy takers).

However, this should be seen more as a short-term effect rather than a change in the overall problem - an aging population with permanently increasing medical needs.

While the following chart paints a picture of large increases in terms of SHIF contribution paid by insured persons, we believe the real issue is future contributions into the system (see figure 4 – next page).

Figure 4: Contributions to German Statutory Health Funds



Source: First Berlin Equity Research, German Statistics Office

Germany's population, with an average age of 44.3 years, is one of the oldest populations on average in Europe. In connection with the lowest birth rate in Europe, this does not give an optimistic picture for the future funding of SHIFs. In 2002, the German government had several studies completed to investigate the effects of an aging population on the contribution rate of government health insurance.

Results from these studies range from 16% salary contribution to well above 30% by 2030. However, we do note that assumptions in many of these studies are unlikely to be realistic (for example some studies assume medical cost inflation of only 1%, i.e. below inflation rate for the entire economy). Other studies in the range below 20% assume a constant medical cost per capita until the year 2030, which is not realistic given that old age requires higher medical expenses and - perhaps even more important - old age diseases such as cancer, Alzheimer's and dementia are some of the most expensive medical issues to treat.

Table 7: Research Studies for German Healthcare Contributions

Research Study	Year	Contribution	Assumptions
Knappe 1995	2030	16%	Constant spending, rising share of retired people
Erbsland/Wille 1995	2040	15-16%	Constant spending, rising share of retired people
DIW 2000	2040	34%	Productivity growth 2.1% Medical cost inflation 1%, unchanged morbidity
Bzuttler/Fickel/Lautenschlager	2040	>30%	Rising costs
Hof 2001	2050	21-26%	Changing income and expenses
Pfaff 2002	2050	21.4%	Costs rising faster than income, lower retirement checks, equal share of female and male working population

Source: First Berlin Equity Research, German Government

While estimates above 30% are rare in the studies represented in the chart above, we believe that they are realistic if one takes into account that the basis of these studies was that healthcare benefits remain the same. Actually these assumptions in themselves are flawed as the amount of services offered through government healthcare insurances have been cut since the year 2000. Lower reimbursements for dental care or eyeglasses are just a few examples of this.

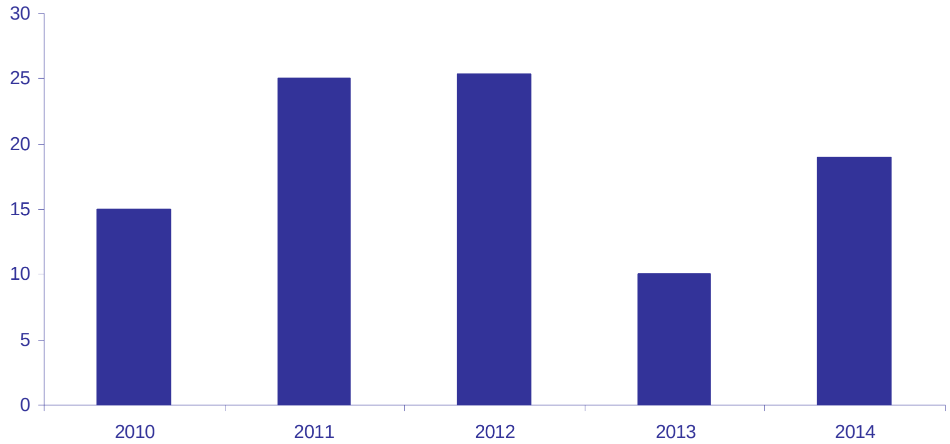
On the other hand, it is not viable to actually increase healthcare contributions to 30% without very forceful political headwind. Therefore, the only option (in our opinion) will be to curb healthcare spending even further going forward, i.e. favouring cheaper drugs with proven benefit rather than high priced experimental drugs.

One example of this in the German market - and other markets - can already be seen, as certain initiatives call for setting reimbursement levels of newly introduced drugs higher than existing treatments only if a significant clinical benefit in terms of treatment results can be shown.

GENERICS DRUGS - LOWER COST, SAME LEVEL OF CARE

One very effective method to curb the increases in healthcare costs has long been the use of generic drugs. Once patent protection for an originator product ends, the market is open for the introduction of generic drugs. Generics have the same active ingredient as the originator brand, but due to a much lower cost of development (very limited clinical trials, which only check for bioequivalence) and much lower marketing expenditures (doctors already know the brand for years) can be offered significantly cheaper than the original. The following chart illustrates the market volume of currently patent protected drugs which will lose market exclusivity during the next years.

Figure 5: Value of Products at Risk to Generic Competition (in USDbn)

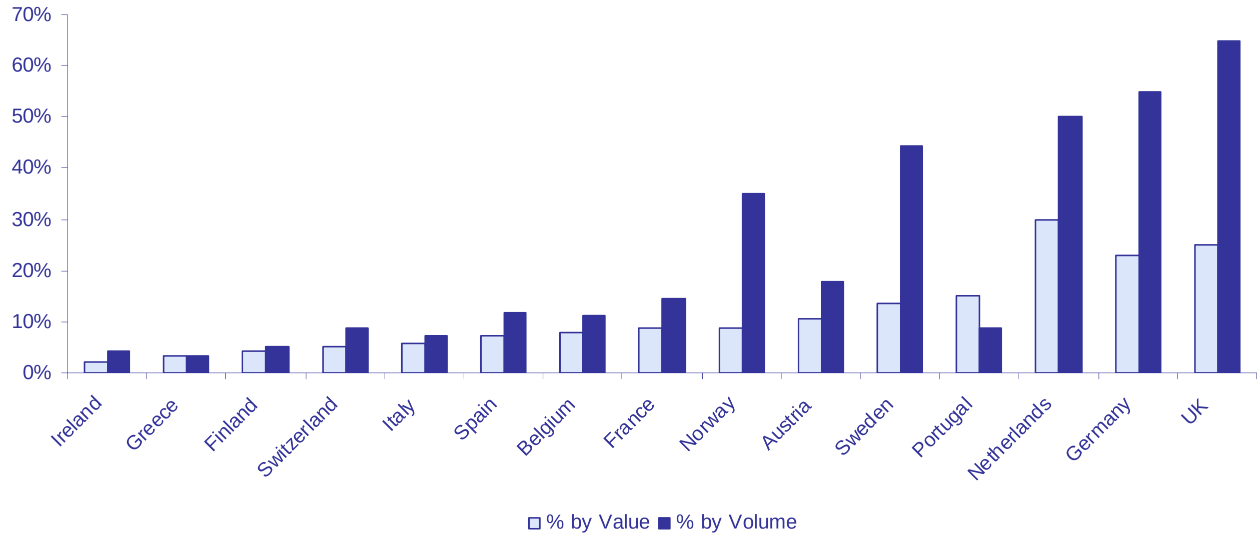


Source: First Berlin Equity Research, IMS Health

The use of generics has been increasing steadily in Germany. While in the 1980’s the percentage was still at a low level, accounting for roughly 30% of all prescriptions where the originator brand has gone off patent, by 2008 this has increased to 85%, while the percentage by price lags behind due to lower prices as indicated later in this section.

This large amount of growth in the number of generics dispensed can largely be attributed to political pressure resulting from the need to cut healthcare expenditures. In terms of total drug prescriptions, this relates to roughly 62% of scripts in 2008 (i.e. accounting for the total market of patent protected and off-patent substances). Within the EU, Germany is thus the second largest market in terms of generics market share (see figure 6 below).

Figure 6: Generics Market Share by Country (in %)



Source: First Berlin Equity Research, European Generics Association

GERMAN GENERICS ENVIRONMENT

The use of generics in Germany is extremely widespread in comparison to other European countries and only lags behind the UK. However, even though pricing levels of generics drugs are already lower than those of originator brands, the past several years have seen a significant amount of pricing pressure through the German government - especially in very competitive indications such as antibiotics. Price pressure has been observed to a lesser extent in the specialised niches where HAEMATO is active.

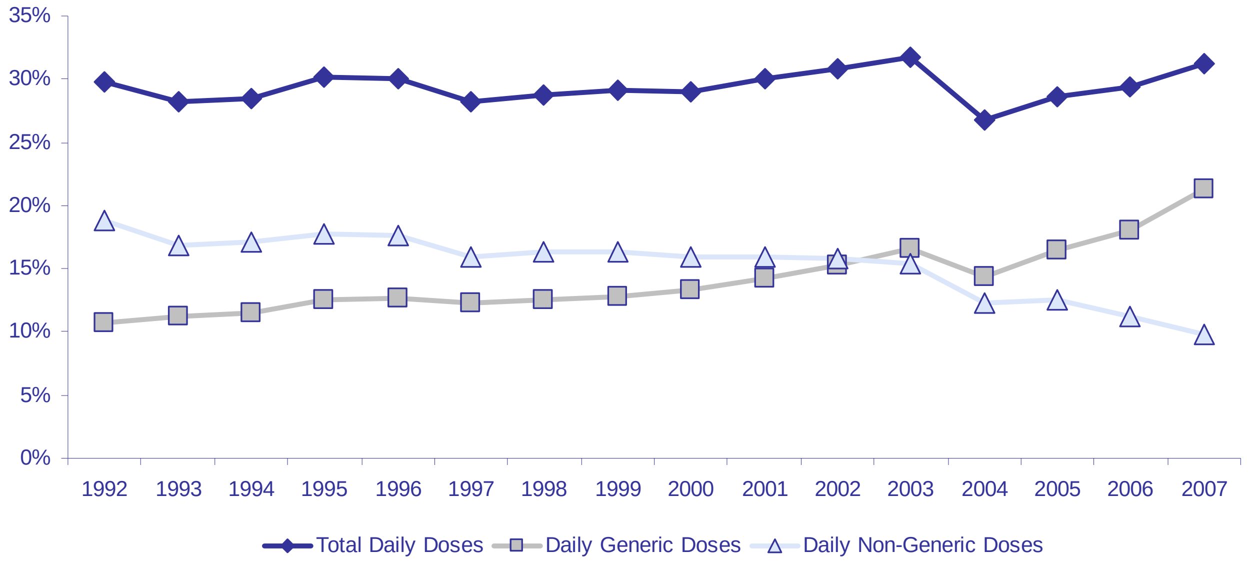
Since 2010, the pressure on generics pricing in Germany has decreased slightly given that pricing levels in the country for these types of drugs are already at very reasonable levels. Currently, we see a larger degree of price pressure on patent protected drugs with governmental influence on generics pricing waning in the country - one of the examples here is the mandatory 16% discount (6% before 2010) granted by drug manufacturers to German SHIFs. This of course spells good news for generics manufacturers and gives more clarity on the pricing development moving forward.

Nevertheless, as can be seen in the following chart (figure 7, see next page), the degree to which generics are used in the German healthcare market is increasing steadily and - especially since the introduction of the so called aut-idem rule in 2004 - has experienced another push. The following chart is not based on the value of prescriptions, but rather on the daily doses of pharmaceuticals consumed by patients in the country (as based on pharmaceuticals sales volume at pharmacies) for those medications for which generics exist.

The introduction of the aut-idem rule was a very large driver of generics penetration in the country. The rule pledges pharmacists to prescribe the cheapest possible drug that fulfils the prescription requirements set by the physician. In non-technical terms, this means that physicians write the prescription calling for an active ingredient rather than the brand name of a specific drug.

Since that time, many additional measures have been introduced which allowed generics to gain further penetration. At the same time, other measures that have lowered the cost of generics have led to some margin pressure within the German pharmaceuticals market. However, given the lower cost of introducing a generic drug to the market - even with measures to curb costs - the German market still remains quite profitable for efficiently run generics companies.

Figure 7: Pharmaceutical Prescription Trends in Germany (in %)



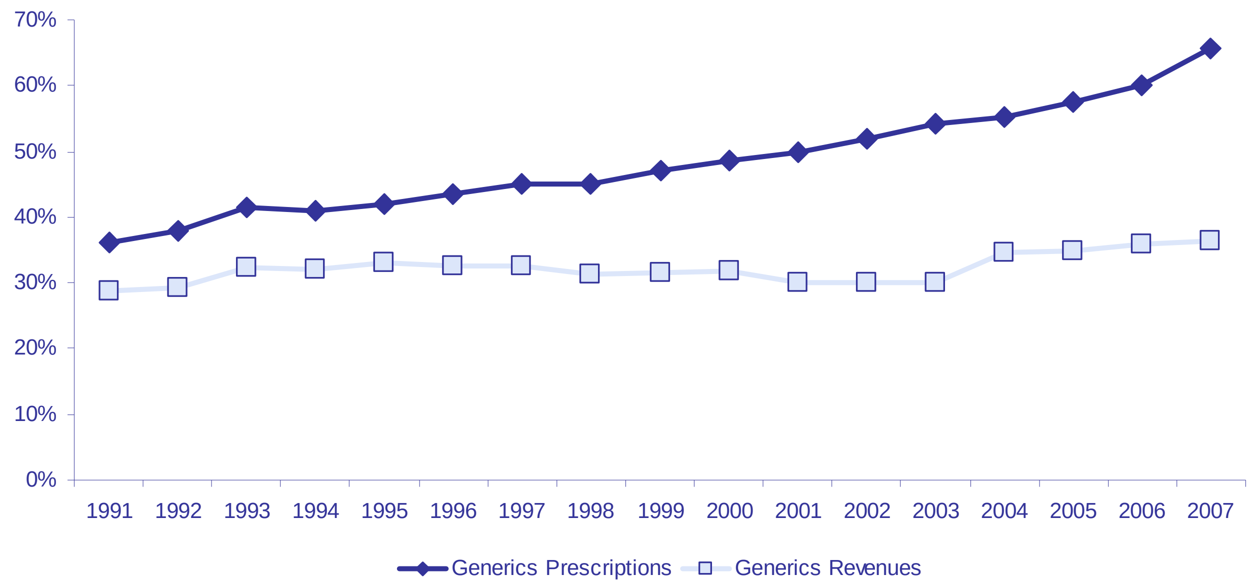
Source: First Berlin Equity Research, Arzneimittel Verordnungsreport

The following (see next page) chart illustrates more effectively the true dimension of generics penetration in Germany as a proportion of the off-patent pharmaceuticals sold in Germany. As can be seen, the trend clearly favours generics whenever they are available for a given product with penetration reaching close to 70%.

However, in terms of total market value, generics only make up roughly 37% of the total value of the off-patent pharmaceuticals market. This is a result of the heavy discount generics represent towards originator brands, which remain on a high pricing level even post patent expiration.

One might argue that since generics penetration is already high, it might be difficult to achieve an even higher penetration. However, that is only part of the story: Given that a large number of products are set to see their patent protections expire in the coming years, the market for generics products continues to grow. Experts have named this wave of patent expiration the "patent cliff".

Figure 8: Generics Market Share Development in Germany (in %)



Source: First Berlin Equity Research, Arzneimittel Verordnungsreport

PRODUCTS AND SERVICES

With a strong track record in both revenue growth and new product introduction, the company has been able to quickly become a strong partner to pharmacies and has established a good reputation among its customers.

PARALLEL IMPORTED PHARMACEUTICALS

One very powerful tool to cut healthcare expenditures (and one of the only measures without active government pricing controls to save money on those products which still enjoy patent protection) is to exploit the discrepancies in pricing for a particular pharmaceutical product within member states of the EU. A drug is acquired in an EU member country and then imported into Germany, where it is repackaged to comply with German regulations.

Particularly, harmonisation in terms of regulations, manufacturing standards, and quality control across the EU has made it easier for parallel importers to profit from these pricing differences given that the act of gaining approval to sell any given parallel imported drug acquired through documented (and legal) channels within the EU follows the legal framework of a safe drug - regardless of where in the EU it was acquired.

Since pricing for pharmaceuticals tends to be lower in other European member countries as compared to high priced countries such as Germany, companies such as HAEMATO can benefit from this arbitrage, profiting from a governmental push to increase the use of parallel imports to lower drug expenditures in the healthcare system.

There is currently a quota in place for pharmacists in Germany, which requires that 5% of the volume of prescription products dispensed must be parallel imported drugs from other EU member states in order to lower pricing levels on those drugs for which patent protection

- and hence no generics - exist. While there is currently no active discussion about increasing this mandatory level of parallel imports ongoing, we do believe that with rising pressure on the healthcare system this quota could increase one day. For the time being, our base case holds to this 5% quota going forward.

As already mentioned before, HAEMATO is active in selected indications for which the company provides parallel imported drugs - i.e. the same as is the focus for the company's generics activities. The firm focuses primarily on the indication areas oncology, HIV, neurology, rheumatoid arthritis and cardiovascular. These niches have a lower volume of prescriptions than other more popular indication areas such as anti-viral or antibiotic drugs. However, the pricing level for these types of products is generally quite high and competition from bigger players seems to be lower.

HAEMATO has currently more than 500 product approvals in this segment and therefore is a very strong player within the indication areas served. Another advantage in the field of parallel importing that needs to be mentioned is the potential for cross selling. Since pharmaceutical companies can judge quite efficiently how much stock they leave with wholesalers in low cost countries, there is only a limited supply for parallel imported drugs in Germany. HAEMATO is in a position where it can essentially choose to whom it sells the parallel imported drugs to. The company can convince pharmacists to also purchase their generics drugs in a bundle deal to get their hands on the firm's coveted parallel imports.

The mechanics of parallel importing

In the simplest of terms, parallel importing of pharmaceutical products can be described as "buy low, sell high". However, this simple expression to describe the business is only part of the story as price setting within a regulated market is difficult.

A parallel importing company takes advantage of the different pricing levels for pharmaceutical products among the member countries of the EU by purchasing the products at low cost, importing them into a country with higher medicine costs (in the case of HAEMATO this is currently Germany), repackaging the products to meet the country's specific regulatory requirements (such as language, package design, etc.) and selling it at a higher price - while maintaining a discount to the same product in the German market sold by the original manufacturer.

Due to a harmonised regulatory environment across the European Union, the issue of product safety is a non-issue, given that products sold for example in Greece have to meet the same standards on manufacturing practice, sourcing of raw materials and regulatory approval as those products marketed in Germany. Thus a parallel importing company faces a minimum of bureaucracy when gaining regulatory approval to sell their parallel imported products. No clinical trials are required, as long as the product was sourced in the EU and it can be assured that the product meets European approval guidelines.

One issue which is vitally important to profitability is low costs. Through the company's focus on specific niches and the resulting lower number of pharmacies which need to be worked with on a regular basis, HAEMATO requires only a very limited sales force (which works mostly through the telephone as opposed to costly site visits) of currently ten persons. We believe the company can sustain its current growth path by adding one or two persons per year to this sales force. This stands in stark contrast to other parallel import and sales operations, which sometimes employ several hundreds of people to service Germany's more than 20,000 pharmacies.

Every Industry has its Black Sheep

One recent example - which actually serves as a benefit to companies such as HAEMATO AG that comply with the legal framework - does show that in the future regulations on behalf of parallel importers might become more stringent. The case in question involved “parallel importers” who procured sacks of pills which were destined for the treatment of HIV in Africa, repackaged them according to German specifications, and sold them on the German market.

While the risk to patients were likely very small given that these pills were produced under GMP, this practice is illegal and will most certainly bring legal repercussions to the companies involved in this case or possible future cases. Even though the case involved HIV medications, an area HAEMATO is targeting, the company was not involved in this case. Following this criminal offense, we believe that companies involved in parallel importing could face tougher scrutiny as to their sourcing activities in the future.

While this tougher scrutiny might discourage new market entrants we do not believe additional regulations will cause a major burden for existing operations such as HAEMATO, who already perform their sourcing and re-selling activities with transparency and in full accordance with the legal framework.

GENERICS

HAEMATO’s activities in the generics field are likewise limited to a handful of low volume, low competition, high price indication areas such as oncology and HIV. While there are most certainly other attractive niches as well, we believe current off-patent products and those which are set to lose patent protection in the next years serve as a strong base for the company to continue to build its franchise.

At this time the company has twelve registrations in its portfolio and we believe that management will work diligently to continue to add new generics formulations as time goes on. Sales generation (once relationships with pharmacies have been built) tends to grow with each additional product added - likewise productivity goes up as well as fixed cost and sales expenditures do not increase significantly with each additional product.

HAEMATO is currently still a small player in the generics field and will likely never reach the size of such industry heavy weights in the German market such as STADA, Ratiopharm or Hexal. However, this is anyways not the company’s business model. We see the company’s generics activities as a supplement to trading activities in the parallel importing business and see generics as revenue and margin accretive when sold to pharmacies in combination.

MANAGEMENT

CEO

Dr. Christian Pahl was appointed to the board of HAEMATO in May 2012. Dr. Pahl is also on the board of MPH since May 2010, where he is responsible for group finances. Before joining HAEMATO's holding company, Dr. Pahl gained extensive business know-how through his studies of Business at University and subsequent doctorate in Finance. Dr. Pahl started his career with Arthur Andersen and from there on held CFO positions within several mid-sized companies in the technology and telecommunications sectors.

Supervisory Board

Andrea Grosse, Chairwoman and member of HAEMATO's supervisory board since May 2013, was born in 1965 in Nuremburg, Germany. Following her university studies in juris prudence at the Ludwig Maximilian University in Munich, Germany, and legal internship in Munich, Germany and London, England, Mrs Grosse began her career as a lawyer in 1995 in Munich, Germany.

Prof. Dr. Dr. Sabine Meck was born on 1955 in Hattingen, Germany, and is a member of HAEMATO's supervisory board since December 2007. Following her university studies, Professor Meck completed two doctorates in Philosophy and Sociology and currently chairs the courses of Financial Psychology and Sociology at the SMI Steinbeis-Hochschule in Berlin, Germany. Professor Meck is also active as a scientific journalist.

Dr. med. Marion Braun was born 1953 in Heidelberg, Germany. Dr. Braun is a member of HAEMATO's supervisory board since May 2013. Following her university education in the field of medicine in Heidelberg, Germany and Rome, Italy, Dr. Braun continued her studies in the field of internal medicine. In 1993 Dr. Braun started practicing medicine in her own practice with a focus on diabetes in Schlüchtern, Germany. Furthermore, Dr. Braun holds leading positions in several diabetes- and medicine-related interest groups.

SHAREHOLDERS & STOCK INFORMATION

Stock Information	
ISIN	DE0006190705
WKN	619070
Bloomberg ticker	WIR
No. of issued shares	20,778,898
Transparency Standard	Entry Standard
Country	Germany
Sector	Pharma
Subsector	Pharmaceuticals

Source: Börse Frankfurt, First Berlin Equity Research

Shareholder Structure	
MPH AG	70.0%
Free Float	30.0%

Source: HAEMATO AG

INCOME STATEMENT ANALYSIS

All figures in EUR '000	2011A	2012A	2013E	2014E	2015E	2016E
Revenues	**10,855**	**25,043**	**173,574**	**221,307**	**251,405**	**277,048**
Cost of goods sold	10,574	19,332	157,866	200,615	227,144	249,343
Gross profit	**281**	**5,711**	**15,708**	**20,692**	**24,261**	**27,705**
Personnel costs	799	818	2,777	3,320	4,022	4,710
Depreciation and amortisation	2,633	785	1,521	1,589	1,632	1,607
Other operating expenses	1,765	4,476	3,298	3,762	4,274	4,710
Operating income (EBIT)	**1,187**	**9,188**	**10,740**	**12,021**	**14,332**	**16,678**
Net financial result	620	-489	50	-530	-469	-417
Pre-tax income (EBT)	**1,807**	**8,698**	**10,790**	**11,491**	**13,864**	**16,261**
Income taxes	141	1,283	2,463	2,623	3,164	3,712
Net income / loss	**1,662**	**7,414**	**8,327**	**8,868**	**10,699**	**12,549**
Diluted EPS (in €)	**0.12**	**0.54**	**0.40**	**0.43**	**0.51**	**0.60**
EBITDA	**3,820**	**9,972**	**12,261**	**13,610**	**15,964**	**18,285**
Dividend per share (in €)	**0.25**	**0.25**	**0.28**	**0.30**	**0.36**	**0.42**
Ratios						
Gross margin	2.6%	22.8%	9.1%	9.4%	9.7%	10.0%
EBIT margin on revenues	10.9%	36.7%	6.2%	5.4%	5.7%	6.0%
EBITDA margin on revenues	35.2%	39.8%	7.1%	6.2%	6.4%	6.6%
Net margin on revenues	15.3%	29.6%	4.8%	4.0%	4.3%	4.5%
Tax rate	7.8%	14.8%	22.8%	22.8%	22.8%	22.8%
Expenses as % of revenues						
Personnel costs	7.4%	3.3%	1.6%	1.5%	1.6%	1.7%
Depreciation and amortisation	24.3%	3.1%	0.9%	0.7%	0.6%	0.6%
Other operating expenses	16.3%	17.9%	1.9%	1.7%	1.7%	1.7%
Y-Y Growth						
Revenues	n.a.	130.7%	593.1%	27.5%	13.6%	10.2%
Operating income	n.a.	674.0%	16.9%	11.9%	19.2%	16.4%
Net income/ loss	n.a.	346.1%	12.3%	6.5%	20.7%	17.3%

BALANCE SHEET ANALYSIS

All figures in EUR '000	2011A	2012A	2013E	2014E	2015E	2016E
Assets						
Current assets, total	**9,882**	**19,913**	**61,233**	**66,254**	**72,133**	**78,342**
Cash and cash equivalents	3,316	7,529	24,525	22,570	24,092	26,625
Short-term investments	18	8,518	10,280	10,280	10,280	10,280
Receivables	916	1,497	10,462	13,339	15,153	16,699
Inventories	5,062	1,968	15,138	19,237	21,781	23,910
Other current assets	570	400	827	827	827	827
Non-current assets, total	**30,232**	**22,577**	**28,027**	**27,655**	**27,281**	**27,058**
Property, plant & equipment	764	763	1,173	1,465	1,592	1,745
Goodwill & other intangibles	4,195	8,165	18,578	17,914	17,412	17,037
Other assets	25,273	13,649	8,277	8,277	8,277	8,277
Total assets	**40,114**	**42,490**	**89,261**	**93,910**	**99,414**	**105,400**
Shareholders' equity & debt						
Current liabilities, total	**4,239**	**2,435**	**13,038**	**15,026**	**17,321**	**19,542**
Short-term debt	583	502	470	440	435	510
Accounts payable	1,231	734	6,055	7,695	8,712	9,564
Current provisions	959	1,173	2,683	2,683	2,683	2,683
Other current liabilities	1,466	27	3,830	4,208	5,491	6,785
Long-term liabilities, total	**7,221**	**6,476**	**19,350**	**19,350**	**19,350**	**19,350**
Long-term debt	5,628	5,209	18,240	18,240	18,240	18,240
Other liabilities	1,593	1,267	1,110	1,110	1,110	1,110
Shareholders' equity	**28,654**	**33,579**	**56,873**	**59,533**	**62,743**	**66,508**
Total consolidated equity and debt	**40,114**	**42,490**	**89,261**	**93,910**	**99,414**	**105,400**

Ratios						
Current ratio	2.33	8.18	4.70	4.41	4.16	4.01
Quick ratio	1.14	7.37	3.54	3.13	2.91	2.79
Financial leverage	1.44	1.29	1.79	1.79	1.78	1.77
Book value per share	2.01	2.37	2.40	2.53	2.69	2.87
Net cash	-2,877	10,336	16,097	14,171	15,697	18,156
Return on equity (ROE)	6.0%	22.6%	16.7%	16.9%	19.2%	21.1%
Days of sales outstanding (DSO)	30.8	21.8	22.0	22.0	22.0	22.0
Days of inventory turnover	174.7	37.2	35.0	35.0	35.0	35.0
Days in payables (DIP)	42.5	13.9	14.0	14.0	14.0	14.0

CASH FLOW STATEMENT ANALYSIS

All figures in EUR '000	2011A	2012A	2013E	2014E	2015E	2016E
EBIT	**1,183**	**9,186**	**10,740**	**12,021**	**14,332**	**16,678**
Depreciation and amortisation	2,633	785	1,521	1,589	1,632	1,607
EBITDA	**3,816**	**9,971**	**12,261**	**13,610**	**15,964**	**18,285**
Changes in working capital	-1,039	-7,453	-14,975	-5,337	-3,340	-2,823
Other adjustments	-1,063	-496	-2,413	-3,153	-3,633	-4,128
Operating cash flow	**1,714**	**2,023**	**-5,127**	**5,121**	**8,991**	**11,334**
CAPEX	-10,594	-6,021	-868	-996	-1,006	-1,108
Investments in intangibles	0	0	-174	-221	-251	-277
Free cash flow	**-8,880**	**-3,999**	**-6,168**	**3,904**	**7,734**	**9,949**
Debt financing, net	**-1,689**	**470**	**12,998**	**-30**	**-5**	**75**
Equity financing, net	**-23**	**-1,824**	**6,926**	**0**	**0**	**0**
Other changes in cash	**7,925**	**9,565**	**3,240**	**-5,829**	**-6,208**	**-7,490**
Net cash flows	**-2,667**	**4,212**	**16,997**	**-1,955**	**1,521**	**2,534**
Cash, start of the year	5,983	3,316	7,529	24,525	22,570	24,092
Cash, end of the year	**3,316**	**7,528**	**24,525**	**22,570**	**24,092**	**26,625**
EBITDA/share (in €)	**0.28**	**0.72**	**0.59**	**0.66**	**0.77**	**0.88**

Y-Y Growth						
Operating cash flow	n.a.	18.0%	n.m.	n.m.	75.6%	26.1%
Free cash flow	n.a.	n.m.	n.m.	n.m.	98.1%	28.6%
EBITDA/share	n.a.	161.1%	-18.0%	11.0%	17.3%	14.5%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	27 August 2013	€3.00	Buy	€5.70

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BUY: Expected return greater than 25%
ADD: Expected return between 0% and 25%
REDUCE: Expected negative return between 0% and -15%
SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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