

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAE GR
 ISIN: DE0006190705

9M 2013
 Update

RATING
BUY

PRICE TARGET
€5.90

Return Potential 29.6%
 Risk Rating High

Q3 2013 ANNUAL SALES RUN-RATE OF MORE THAN EUR200M

HAEMATO published 9M 2013 financial key performance indicators (KPIs) on 14 November. Due to the consolidation of HAEMATO PHARM AG from the beginning of Q2 2013 onwards, sales increased significantly y/y. Net income for the period was lower than in the previous year due to a positive one-off effect associated with the divestment of real estate properties in 9M 2012. Management confirmed its dividend strategy upon publication of the 9M financial KPIs. We stick to our forecast that HAEMATO's future dividend payout will be around 70% of yearly earnings. Our updated DCF model yields a new price target of EUR5.90 (previously: EUR5.70). We reiterate our Buy recommendation.

HAEMATO PHARM consolidation boosts top-line In 9M 2013 sales increased significantly to EUR118.3m (FBe: EUR118.4m; 9M/12: EUR21.0m) due to the consolidation of subsidiary HAEMATO PHARM from Q2 2013 onwards. With Q3 2013 sales of EUR55.1m (FBe: EUR55.2m), the company's annual sales run-rate was again above EUR200m (see our report dated 27 August). However, 9M net income of EUR6.15m (FBe: EUR6.05m; 9M/12: EUR6.73m) was below the prior year level due to a positive one-off effect in 9M 2012 (gain from the sale of real estate properties of EUR6.77m).

Confirmation of dividend strategy HAEMATO's dividend strategy (disbursement of a large part of yearly earnings in the form of dividends) was confirmed upon publication of the 9M financial KPIs.

Buy rating reiterated at slightly higher price target We stick to our forecasts for 2013E and subsequent years since HAEMATO's 9M 2013 performance was in line with our expectations. Based on our unchanged DPS forecasts, HAEMATO is yielding roughly 6% - despite the share's positive performance during the last months (+52% since we initiated coverage on 27 August). Our updated DCF model yields a new price target of EUR5.90 (previously: EUR5.70). We reiterate our 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	8.32	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%	-13.4%	-8.5%	-11.0%	-14.9%
Liquid assets (€m)	3.32	7.53	24.52	22.57	24.09	26.62

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 20 Nov 2013

Closing Price	€ 4.55
Shares outstanding	20.78m
Market Capitalisation	€ 94.59m
52-week Range	€ 1.61 / 4.65
Avg. Volume (12 Months)	41,165

Multiples	2012A	2013E	2014E
P/E	13.0	11.6	10.9
EV/Sales	4.2	0.6	0.5
EV/EBIT	11.5	9.8	8.8
Div. Yield	5.5%	6.2%	6.6%

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%

**Table 1: Estimates versus reported figures**

All figures in EURm	9M-13A	9M-13E	Delta	9M-12	Delta
Sales	118.30	118.39	-0.1%	21.02	462.8%
Net income	6.15	6.05	1.7%	6.73*	-0.09
margin	5.2%	5.1%	-	32.0%	-
EPS (in EUR, diluted)	0.30	0.29	1.7%	0.49	-0.39

* Positive one-off effect in 9M 2012: gain from the sale of real estate properties of EUR6.77m

Source: First Berlin Equity Research, HAEMATO AG

Table 2: 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	8,274	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	9,796	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)	-6,221	4,434	8,202	10,366	11,316	12,302	13,111	14,056
PV of FCF's	-6,154	3,966	6,635	7,581	7,484	7,357	7,091	6,873

All figures in thousands	
PV of FCFs in explicit period	80,001
PV of FCFs in terminal period	50,722
Enterprise value (EV)	130,723
+ Net cash / - net debt	-8,777
Shareholder value	121,947

Fair value per share in EUR	5.90
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WACC		Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	15.8%	6.6%	10.59	11.01	11.50	12.10	12.82	13.72	14.87
Pre-tax cost of debt	6.0%	7.6%	8.81	9.08	9.39	9.75	10.17	10.68	11.30
Tax rate	30.0%	8.6%	7.47	7.65	7.85	8.08	8.34	8.65	9.02
After-tax cost of debt	4.2%	9.6%	6.42	6.54	6.68	6.83	7.01	7.20	7.43
Share of equity capital	55.0%	10.6%	5.58	5.67	5.76	5.87	5.99	6.12	6.27
Share of debt capital	45.0%	11.6%	4.90	4.96	5.03	5.10	5.18	5.27	5.38
		12.6%	4.34	4.38	4.43	4.48	4.54	4.60	4.67
Fair value per share in EUR	5.90	13.6%	3.86	3.89	3.93	3.97	4.01	4.06	4.11

* Please note: In our DCF model we use a planning period until 2027.

For layout reasons the table above only displays figures until 2020.

Source: First Berlin Equity Research

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
	↓	↓	↓	↓
2	Today	€4.55	Buy	€5.90

Jens Hasselmeier

First Berlin
Equity Research GmbH

Mohrenstraße 34
10117 Berlin

Tel. +49 (0)30 - 80 93 96 83

Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

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%

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