

# HAEMATO AG

Germany / Pharma  
 Frankfurt  
 Bloomberg: HAE GR  
 ISIN: DE0006190705

Final  
 FY 2013 Results

**RATING**  
**PRICE TARGET** **BUY**  
 Return Potential **€6.20**  
 Risk Rating 27.8%  
 High

## DIVIDEND PER SHARE TO INCREASE TO EURO0.30

On 14 April HAEMATO AG published final results for FY 2013. Preliminary key performance indicators for the past fiscal year, which the company had already published at the end of February, have been confirmed (only slight differences). Top and bottom line development during FY 2013 were in line with our expectations. For the current fiscal year, HAEMATO AG predicts sales and profitability to increase. At this year's AGM, which will be held on 28 May, management will propose a dividend of EUR0.30 per share to its shareholders. Our DCF model yields an unchanged price target of EUR6.20. We reiterate our Buy recommendation.

**A year of transition ends** FY 2013 was characterised by HAEMATO AG's transition into a pure pharmaceuticals player. Sales and net income increased y/y due to the consolidation of HAEMATO PHARM AG from the beginning of Q2 2013 onwards. Final results for FY 2013 did not differ dramatically from the already published preliminary key performance indicators (see our comment dated 27 February). Sales increased markedly y/y to EUR173.6m (FBe: EUR173.6m; FY12: EUR25.0m). EBIT came in at EUR9.9m (FBe: EUR10.6m; FY12: EUR9.2m). Net income after minorities was EUR7.9m (FBe: EUR8.3m; FY12: EUR6.8m).

**Financials characterised by changes in consolidation basis** Despite the increase in net income, HAEMATO AG's operating cash flow decreased y/y to EUR-3.8m (FY12: EUR2.0m) due mainly to changes in inventories (EUR-4.1m). Given FY 2013's changes in the consolidation basis, net cash flow amounted to EUR-4.2m (FY12: EUR4.2m).

The firm's cash position thus decreased to EUR3.3m (end FY12: EUR7.5m). Cash and cash equivalents (including short-term financial assets) amounted to EUR14.6m (end FY12: EUR16.0m) at year end 2013. Due to the increase in short- and long-term financial debt (total of EUR29.6m versus EUR5.7m at the end of FY12), HAEMATO AG's net debt position... (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

|                   | 2011A | 2012A  | 2013A  | 2014E  | 2015E  | 2016E  |
|-------------------|-------|--------|--------|--------|--------|--------|
| Revenue (€m)      | 10.86 | 25.04  | 173.57 | 224.77 | 246.35 | 270.49 |
| Y-o-y growth      | n.a.  | 130.7% | 593.1% | 29.5%  | 9.6%   | 9.8%   |
| EBIT (€m)         | 1.19  | 9.19   | 9.93   | 10.15  | 11.35  | 12.70  |
| EBIT margin       | 10.9% | 36.7%  | 5.7%   | 4.5%   | 4.6%   | 4.7%   |
| Net income (€m)   | 1.48  | 6.84   | 7.94   | 8.27   | 9.32   | 10.48  |
| EPS (diluted) (€) | 0.11  | 0.34   | 0.41   | 0.40   | 0.45   | 0.50   |
| DPS (€)           | 0.25  | 0.25   | 0.30   | 0.30   | 0.32   | 0.35   |
| FCF (€m)          | -8.88 | -4.00  | -5.29  | 5.96   | 6.90   | 7.79   |
| Net gearing       | 10.3% | -31.5% | 25.8%  | -11.2% | -11.6% | -12.5% |
| Cash (€m)         | 3.32  | 7.53   | 3.32   | 3.40   | 4.07   | 5.20   |

### 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 23 Apr 2014

|                         |               |
|-------------------------|---------------|
| Closing Price           | € 4.85        |
| Shares outstanding      | 20.78m        |
| Market Capitalisation   | € 100.78m     |
| 52-week Range           | € 2.65 / 4.85 |
| Avg. Volume (12 Months) | 48,653        |

| Multiples  | 2013A | 2014E | 2015E |
|------------|-------|-------|-------|
| P/E        | 12.3  | 11.8  | 10.5  |
| EV/Sales   | 0.6   | 0.5   | 0.5   |
| EV/EBIT    | 11.3  | 11.1  | 9.9   |
| Div. Yield | 6.2%  | 6.2%  | 6.6%  |

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2013

|                      |          |
|----------------------|----------|
| Liquid Assets        | € 14.59m |
| Current Assets       | € 53.47m |
| Intangible Assets    | € 42.59m |
| Total Assets         | € 98.86m |
| Current Liabilities  | € 22.15m |
| Shareholders' Equity | € 58.24m |

### SHAREHOLDERS

|            |       |
|------------|-------|
| MPH AG     | 70.0% |
| Free Float | 30.0% |



...as of the end of December was EUR15.0m (end FY12: net liquidity of EUR10.3m; solid net debt/EBITDA ratio of 1.3 for FY13).

Due to HAEMATO AG's realignment during the past fiscal year, goodwill increased to EUR34.6m (end FY12: EUR2.8m). Based on FY 2013's positive bottom line development and the capital contribution in kind (issue of 6.9m new shares) associated with the conversion into a pure pharmaceuticals company (see our report dated 27 August 2013), the firm's equity position increased to EUR58.2m (end FY12: EUR33.6m). Given the increase in total assets to EUR98.9m (end FY12: EUR42.5m), HAEMATO AG's equity ratio was 58.9% (end FY12: 79.0%) at year end 2013.

**Guidance 2014** In the current fiscal year HAEMATO AG expects sales to increase y/y. Given the favourable changes in German legislation (mainly mandatory discount of 7% from April 2014 onwards, see our comment dated 14 January), the company also predicts an increase in profitability (on a "post-realignment basis" excluding the discontinued real estate activities; HAEMATO PHARM was consolidated from Q2 2013 onwards).

**Management proposes dividend of EUR0.30 per share** HAEMATO AG had confirmed its dividend strategy (disbursement of a large part of yearly earnings in the form of dividends) upon publication of the preliminary FY 2013 results. At this year's AGM (will be held on 28 May), management will propose a higher than anticipated dividend of EUR0.30 (FBe: EUR0.28; FY12: EUR0.25) per share for the past fiscal year, which corresponds to a dividend yield of 6.2% at the current share price level.

**Adjustments to our forecasts** We have adjusted our forecasts for 2014E and subsequent years for the information given in the firm's annual report. This includes not only positive aspects such as the firm's guidance for the current fiscal year and the higher than anticipated dividend distribution, but also aspects such as the increased financial debt position and associated interest payments as well as increased competition (new players entered the market). In addition, even though recent changes in the German legislation are expected to be favourable for HAEMATO AG, there are still uncertainties regarding pricing by wholesalers and competitors from FY 2014E onwards. Changes to our financial forecasts are shown in table 1 below.

**Confirmation of Buy recommendation and price target** The higher than previously anticipated increase in long-term profitability associated with recent changes in the German legislation is offset by the higher net debt position as of the end of FY 2013. Our updated DCF model thus yields an unchanged price target of EUR6.20. Despite the recent increase in the firm's share price (+18.0% since our 27 February 2014 publication) HAEMATO AG is still yielding between 6% and 7% at the current share price level. We reiterate our Buy recommendation.

**Table 1: Changes to forecasts**

| in EURm            | 2014E  |        |        | 2015E  |        |        | 2016E  |        |        |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                    | Old    | New    | Delta  | Old    | New    | Delta  | Old    | New    | Delta  |
| Sales              | 221.31 | 224.77 | 1.6%   | 251.41 | 246.35 | -2.0%  | 277.05 | 270.49 | -2.4%  |
| EBIT               | 12.02  | 10.15  | -15.6% | 14.33  | 11.35  | -20.8% | 16.68  | 12.70  | -23.9% |
| margin             | 5.4%   | 4.5%   | -      | 5.7%   | 4.6%   | -      | 6.0%   | 4.7%   | -      |
| Net income         | 8.87   | 8.27   | -6.7%  | 10.70  | 9.32   | -12.9% | 12.55  | 10.48  | -16.5% |
| margin             | 4.0%   | 3.7%   | -      | 4.3%   | 3.8%   | -      | 4.5%   | 3.9%   | -      |
| EPS (in EUR, dil.) | 0.43   | 0.40   | -6.7%  | 0.51   | 0.45   | -12.9% | 0.60   | 0.50   | -16.5% |

Source: First Berlin Equity Research



Table 2: Valuation model\*

| DCF valuation model                |              |              |              |               |               |               |               |               |
|------------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| All figures in EUR '000            | 2014E        | 2015E        | 2016E        | 2017E         | 2018E         | 2019E         | 2020E         | 2021E         |
| Net sales                          | 224,768      | 246,346      | 270,488      | 296,802       | 323,796       | 350,805       | 377,159       | 402,137       |
| <b>NOPLAT</b>                      | <b>7,947</b> | <b>8,872</b> | <b>9,911</b> | <b>11,154</b> | <b>12,634</b> | <b>14,102</b> | <b>15,548</b> | <b>16,953</b> |
| + depreciation & amortisation      | 1,857        | 1,829        | 1,773        | 1,447         | 1,241         | 1,120         | 1,057         | 1,034         |
| Net operating cash flow            | 9,804        | 10,701       | 11,684       | 12,600        | 13,875        | 15,221        | 16,605        | 17,988        |
| - total investments (CAPEX and WC) | -4,166       | -4,253       | -4,468       | -4,541        | -4,640        | -4,635        | -4,527        | -4,309        |
| Capital expenditures               | -1,011       | -985         | -811         | -876          | -939          | -1,000        | -1,056        | -1,106        |
| Working capital                    | -3,154       | -3,268       | -3,657       | -3,666        | -3,701        | -3,635        | -3,471        | -3,203        |
| Free cash flows (FCF)              | 5,639        | 6,448        | 7,216        | 8,059         | 9,235         | 10,586        | 12,078        | 13,678        |
| <b>PV of FCF's</b>                 | <b>5,261</b> | <b>5,441</b> | <b>5,505</b> | <b>5,560</b>  | <b>5,761</b>  | <b>5,972</b>  | <b>6,160</b>  | <b>6,309</b>  |

| All figures in thousands      |         |
|-------------------------------|---------|
| PV of FCFs in explicit period | 88,551  |
| PV of FCFs in terminal period | 54,630  |
| Enterprise value (EV)         | 143,181 |
| + Net cash / - net debt       | -15,009 |
| Shareholder value             | 128,172 |

|                             |      |
|-----------------------------|------|
| Fair value per share in EUR | 6.20 |
|-----------------------------|------|

| 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%                 | 11.31 | 11.81 | 12.40 | 13.11 | 13.97 | 15.04 | 16.41 |
| Pre-tax cost of debt        | 6.0%  | 7.6%                 | 9.35  | 9.67  | 10.04 | 10.48 | 10.99 | 11.61 | 12.35 |
| Tax rate                    | 30.0% | 8.6%                 | 7.87  | 8.09  | 8.34  | 8.62  | 8.94  | 9.32  | 9.76  |
| After-tax cost of debt      | 4.2%  | 9.6%                 | 6.72  | 6.87  | 7.04  | 7.23  | 7.45  | 7.69  | 7.97  |
| Share of equity capital     | 55.0% | 10.6%                | 5.81  | 5.92  | 6.04  | 6.17  | 6.32  | 6.48  | 6.67  |
| Share of debt capital       | 45.0% | 11.6%                | 5.07  | 5.15  | 5.23  | 5.33  | 5.43  | 5.55  | 5.67  |
|                             |       | 12.6%                | 4.46  | 4.52  | 4.58  | 4.65  | 4.72  | 4.80  | 4.89  |
| Fair value per share in EUR | 6.20  | 13.6%                | 3.95  | 3.99  | 4.04  | 4.09  | 4.14  | 4.20  | 4.27  |

Source: First Berlin Equity Research, HAEMATO AG

\* Please note: In our DCF model we use a planning period until 2028.  
For layout reasons the table above only displays figures until 2021.

**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              | 21 November 2013    | €4.55                      | Buy            | €5.90        |
| 3              | 14 January 2014     | €4.44                      | Buy            | €6.20        |
| 4              | 27 February 2014    | €4.11                      | Buy            | €6.20        |
| 5              | Today               | €4.85                      | Buy            | €6.20        |

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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%

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