

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAE GR
 ISIN: DE0006190705

Q1 2014 KPIs & AGM

RATING	BUY
PRICE TARGET	€6.40
Return Potential	42.5%
Risk Rating	High

GOOD START TO THE CURRENT FISCAL YEAR

On 23 May HAEMATO AG published financial key performance indicators (KPIs) for Q1 2014. Sales and income increased significantly y/y since Q1 2013's figures did not include HAEMATO PHARM's activities (consolidation from Q2 2013 onwards). At this year's annual general meeting, which was held on 28 May, shareholders voted in favour of all agenda points. In addition, the company provided further information regarding operating development during the current fiscal year. Our updated DCF model yields a new price target of EUR6.40 (previously: EUR6.20). We reiterate our Buy recommendation.

HAEMATO PHARM business grows +10% y/y In Q1 2014, HAEMATO AG's sales increased markedly y/y to EUR53.7m (Q1/13: EUR5.5m). Profit for the period amounted to EUR2.9m (Q1/13: EUR2.6m; Q1/13 excluding discontinued activities: EUR0.2m). However, since the AG's most important subsidiary HAEMATO PHARM was consolidated from Q2 2013 onwards, comparison of the Q1 financial KPIs is not meaningful. According to management, the growth rate of HAEMATO PHARM's activities during the first three months of the current fiscal year was 10% y/y.

Additional information provided at this year's AGM HAEMATO AG's AGM was held on 28 May. All agenda items such as the proposed dividend of EUR0.30 per share were approved by the company's shareholders. During the Q&A session management provided further information about Q1 2014, the anticipated development during 2014E and the firm's recent news flow:

- Q1 2014 development was extremely positive due mainly to the favourable changes in German legislation (see our comment dated 14 January) associated with the decreased mandatory discount (+EUR0.5m sales in Q1 2014) and windfall profits (sale of inventories that were bought at a lower price before the reduction of the mandatory discount). (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%
Liquid assets (€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 03 Jun 2014

Closing Price	€ 4.49
Shares outstanding	20.78m
Market Capitalisation	€ 93.30m
52-week Range	€ 2.65 / 5.26
Avg. Volume (12 Months)	52,622

Multiples	2013A	2014E	2015E
P/E	12.3	11.8	10.5
EV/Sales	0.6	0.5	0.4
EV/EBIT	10.9	10.7	9.6
Div. Yield	6.7%	6.7%	7.1%

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	68.5%
Free Float	31.5%



- Management remains cautious with regard to operating development from Q2 2014 onwards due to increased competition and pricing of wholesalers. However, guidance for the current fiscal year has been confirmed. HAEMATO AG predicts sales and profitability to increase.
- In order to fuel top line growth, the company is evaluating new business opportunities in the pharma sector. Management announced that it is planning to enter the market for OTC (over the counter) products to complement the product range in certain indications such as cancer treatment.
- On 22 May, HAEMATO AG swapped receivables in the amount of EUR3.8m into equity (asset swap) in Berlin-based CR Capital Real Estate AG (CR) through a capital contribution in kind (capital increase in kind at the nominal value per CR share of EUR1.00; closing price of the CR share on 22 May: EUR0.88). Management knows CR Capital Real Estate's business very well and is confident to sell the shares of this non-strategic investment at a profit in the future.

Buy recommendation reiterated at slightly higher price target We stick to our financial forecasts for the time being, even though HAEMATO AG's bottom-line development was very strong during the first three months of the current fiscal year. In our view, the uncertainty regarding increased competition and the pricing of wholesalers remains unchanged. However, due to the higher pro-forma liquid assets position (including short-term investments) following the capital contribution in kind at CR Capital Real Estate AG, our updated DCF model yields a new price target of EUR6.40 (previously: EUR6.20). We reiterate our Buy recommendation.

Table 1: Valuation*

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	
NOPLAT	7,947	8,872	9,911	11,154	12,634	14,102	15,548	16,953	
+ 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	
PV of FCF's	5,321	5,503	5,567	5,623	5,827	6,040	6,230	6,381	
All figures in thousands									
PV of FCFs in explicit period	89,558								
PV of FCFs in terminal period	55,252								
Enterprise value (EV)	144,810								
+ Net cash / - net debt (pro-forma)	-11,209								
Shareholder value	133,600								
Fair value per share in EUR	6.40								
WACC									
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	6.40								
		Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
6.6%	11.58	12.08	12.68	13.39	14.26	15.34	16.72		
7.6%	9.61	9.94	10.32	10.75	11.27	11.89	12.64		
8.6%	8.13	8.35	8.60	8.89	9.21	9.59	10.04		
9.6%	6.98	7.14	7.31	7.50	7.71	7.96	8.25		
10.6%	6.07	6.18	6.30	6.43	6.58	6.74	6.93		
11.6%	5.33	5.40	5.49	5.59	5.69	5.81	5.94		
12.6%	4.71	4.77	4.83	4.90	4.98	5.06	5.15		
13.6%	4.20	4.24	4.29	4.34	4.40	4.46	4.52		

Source: First Berlin Equity Research

* 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...	↓	↓	↓	↓
3	14 January 2014	€4.44	Buy	€6.20
4	27 February 2014	€4.11	Buy	€6.20
5	24 April 2014	€4.85	Buy	€6.20
6	Today	€4.49	Buy	€6.40

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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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