

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAE GR
 ISIN: DE0006190705

9M 2014 Results

RATING
BUY

PRICE TARGET
€6.40

Return Potential 51.6%
 Risk Rating High

SUSTAINED GROWTH, GUIDANCE CONFIRMED

HAEMATO released 9M 2014 financial key performance indicators on 25 November. As anticipated, sales and income increased y/y due to last year's changes in the consolidation basis (consolidation of HAEMATO PHARM activities from Q2 2013 onwards). However, HAEMATO's top-line development was slightly below our expectation due to delays related to the introduction of additional drug release procedures for important medication by the Paul Ehrlich Institut. Based on slightly revised estimates, our DCF model yields an unchanged price target of EUR6.40. We reiterate our Buy recommendation.

Markedly increased 9M sales In 9M 2014, sales increased to EUR156.4m (FBe: EUR160.4m; 9M/13: EUR118.3m). HAEMATO's top line development during the reporting period was positively affected by the favourable changes in German legislation (see our comment dated 14 January) associated with the decreased mandatory discount and last year's changes in the consolidation basis (consolidation of HAEMATO PHARM activities from Q2 2013 onwards). However, the company's top-line was slightly below our expectation due to delays related to the introduction of additional drug release procedures for important medication by the Paul Ehrlich Institut (PEI). Net income of EUR6.6m (FBe: EUR6.6m; 9M/13: EUR6.2m including discontinued activities) was in line with our forecast. For 2014E, HAEMATO predicts sales of more than EUR200m.

Confirmation of price target and rating Management remains cautious with regard to future operating development due to increased competition, higher prices from wholesalers and the above mentioned introductions by the PEI. HAEMATO predicts that sales will increase to more than EUR200m for the current fiscal year. The company launched botulinum preparations as well as hyaluronic acid and is currently developing its business in the fast growing lifestyle segment. We have slightly adjusted our financial forecasts (see table 2 overleaf). However, our updated DCF model yields an unchanged price target of EUR6.40. HAEMATO AG is yielding between 7% and 8% at the current share price level. We reiterate our Buy recommendation.

FINANCIAL HISTORY & PROJECTIONS

	2011A	2012A	2013A	2014E	2015E	2016E
Revenue (€m)	10.86	25.04	173.57	206.20	246.35	270.49
Y-o-y growth	n.a.	130.7%	593.1%	18.8%	19.5%	9.8%
EBIT (€m)	1.19	9.19	9.93	10.10	11.60	12.91
EBIT margin	10.9%	36.7%	5.7%	4.9%	4.7%	4.8%
Net income (€m)	1.48	6.84	7.94	7.96	9.01	9.89
EPS (diluted) (€)	0.11	0.34	0.41	0.38	0.43	0.48
DPS (€)	0.25	0.25	0.30	0.30	0.32	0.33
FCF (€m)	-8.88	-4.00	-4.22	12.52	-0.18	7.17
Net gearing	10.3%	-31.5%	25.8%	7.2%	16.6%	15.1%
Liquid assets (€m)	3.32	7.53	3.32	9.96	3.55	4.07

RISKS

Regulatory changes in healthcare systems, 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 01 Dec 2014

Closing Price	€ 4.22
Shares outstanding	20.78m
Market Capitalisation	€ 87.71m
52-week Range	€ 3.58 / 5.26
Avg. Volume (12 Months)	51,414

Multiples	2013A	2014E	2015E
P/E	11.0	11.0	9.7
EV/Sales	0.6	0.5	0.4
EV/EBIT	10.7	10.5	9.2
Div. Yield	7.1%	7.1%	7.6%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2014

Liquid Assets	€ 10.22m
Current Assets	€ 51.86m
Intangible Assets	€ 41.92m
Total Assets	€ 99.22m
Current Liabilities	€ 24.06m
Shareholders' Equity	€ 56.88m

SHAREHOLDERS

MPH AG	68.5%
Free Float	31.5%

**Table 1: Estimates vs. reported figures**

in EURm	9M-14A	9M-14E	Delta	9M-13A	Delta
Sales	156.37	160.43	-2.5%	118.30	32.2%
Net income	6.60	6.59	0.2%	6.15	7.3%
margin	4.2%	4.1%	-	5.2%	-
EPS (in EUR, dil.)	0.32	0.32	0.2%	0.30	7.3%

Source: First Berlin Equity Research, HAEMATO AG

Table 2: Changes to forecasts

in EURm	2014E			2015E			2016E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	224.77	206.20	-8.3%	246.35	246.35	0.0%	270.49	270.49	0.0%
EBIT	10.51	10.10	-3.9%	11.60	11.60	0.0%	12.91	12.91	0.0%
margin	4.7%	4.9%	-	4.7%	4.7%	-	4.8%	4.8%	-
Net income	8.30	7.96	-4.1%	9.01	9.01	0.0%	9.89	9.89	0.0%
margin	3.7%	3.9%	-	3.7%	3.7%	-	3.7%	3.7%	-
EPS (EUR, dil.)	0.40	0.38	-4.1%	0.43	0.43	0.0%	0.48	0.48	0.0%

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...4	↓	↓	↓	↓
5	24 April 2014	€4.85	Buy	€6.20
6	4 June 2014	€4.49	Buy	€6.40
7	26 August 2014	€4.07	Buy	€6.40
8	Today	€4.22	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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