

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAE GR
 ISIN: DE0006190705

9M KPIs

RATING
BUY

PRICE TARGET
€6.20

Return Potential 30.0%
 Risk Rating High

Q3 SALES CONTRIBUTE TO IMPROVED 9M TOP LINE Y/Y

HAEMATO published 9M/2015 key financial performance figures with sales in line with our forecast. As anticipated, after the removal of quality control restrictions in Q2/2015, sales picked up during Q3/2015. HAEMATO generated €60.5m in sales and net income of €1.7m in Q3/2015, while the profit margin matched the H1/2015 level of 2.8%. We have slightly lowered our earnings estimates for 2015 to account for a lower other income figure. Subsequent years remain unchanged. Our updated DCF model yields a price target of €6.20 (previously: €6.00). We reiterate our Buy recommendation.

Sales increase by 43% Y/Y Q3/2015 sales rose 43% Y/Y to €60.5m (Q3/2014: €42.2m). The increase was high enough to push the 9M comparison into positive territory. On a 9M basis, sales increased by 3.6% from €156.4m to €162.0m whereas H1/2015 had fallen 11.1% compared to the previous year period due to the aforementioned regulatory restrictions. The company did not report EBIT for the nine month period.

Net profit margin lower than prior year level In Q3/2015, HAEMATO generated €1.7m in net income, equalling the Q3/2014 result. However, the 2.8% net profit margin in Q3/2015 was significantly lower than in the prior year period (Q3/2014: 4.1%) due to increased competition and price pressure for generics, which we factored into our forecasts after the H1/15 results.

Revenue estimates remain unchanged, net profit lowered slightly Q3/2015 sales were in line with our estimates (see figure 1 overleaf). On a 9M basis, revenues matched our target (9M/2015: €162.0m, FBe: €162.8m), but net income was almost 13% lower (9M/2015: €4.5m, FBe: €5.2m), due to a lower than expected other income result that contains revaluation adjustments from financial assets. Therefore, we have decreased our EBIT and net income forecasts for this year (see figure 2 overleaf). However, we adhere to our forecasts on the subsequent years, as the company has room to improve its profitability with a stronger product mix. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2012	2013	2014	2015E	2016E	2017E
Revenue (€m)	25.04	173.57	202.67	219.90	242.99	272.15
Y-o-y growth	130.7%	593.1%	16.8%	8.5%	10.5%	12.0%
EBIT (€m)	9.19	9.93	8.23	8.33	9.36	10.78
EBIT margin	36.7%	5.7%	4.1%	3.8%	3.9%	4.0%
Net income (€m)	6.84	7.94	6.98	6.05	7.06	7.93
EPS (diluted) (€)	0.34	0.41	0.34	0.29	0.34	0.38
DPS (€)	0.25	0.30	0.30	0.30	0.30	0.30
FCF (€m)	-4.00	-4.66	0.92	1.89	4.97	5.33
Net gearing	-31.5%	25.8%	39.6%	43.3%	45.0%	45.3%
Liquid assets (€m)	7.53	3.32	2.42	1.80	1.85	2.26

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.

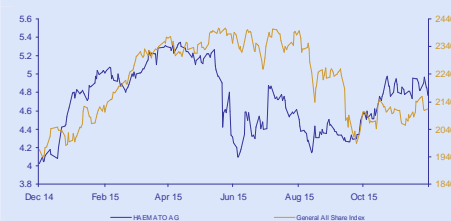
MARKET DATA

As of 11 Dec 2015

Closing Price	€ 4.77
Shares outstanding	20.78m
Market Capitalisation	€ 99.12m
52-week Range	€ 4.03 / 5.35
Avg. Volume (12 Months)	29,986

Multiples	2015E	2016E	2017E
P/E	16.4	14.0	12.5
EV/Sales	0.6	0.5	0.5
EV/EBIT	15.6	13.9	12.0
Div. Yield	6.3%	6.3%	6.3%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2015

Liquid Assets	€ 2.00m
Current Assets	€ 52.70m
Intangible Assets	€ 34.60m
Total Assets	€ 104.70m
Current Liabilities	€ 31.90m
Shareholders' Equity	€ 55.50m

SHAREHOLDERS

MPH AG	57.0%
Free Float	43.0%

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

in EURm	9M/15A	9M/15E	Delta	9M/14A	Delta
Sales	161.99	162.75	-0.5%	156.37	3.6%
Net income	4.49	5.15	-12.8%	6.60	-32.0%
margin	2.8%	3.2%	-	4.2%	-
EPS (in EUR diluted)	0.22	0.25	-12.8%	0.32	-32.5%

Source: First Berlin Equity Research, HAEMATO

Sales targets well within reach Given the current monthly run rate of €20m, we expect the company to hit our sales target for this year. This also gives us confidence in our 2016 numbers, leaving upward scope for increasing volumes as well as a more favourable product mix. Following the six month results, the company cited pricing pressure for generics as well as increased competition. The company is working on adding new products into its offerings to offset this. However, we do not expect any noticeable improvements until 2016. HAEMATO also books valuation gains from its financial assets as other income. We expect this line item to fall short by 15% of our previous forecast from €4.2m to €3.6m due to market developments. We have lowered our earnings estimates for 2015 accordingly. We stick to our 2016 forecasts, which have already accounted for the persistent price environment.

Figure 2: Revised estimates, 2015E – 2016E

All figures in EUR '000	2015E			2016E		
	Old	New	% change	Old	New	% change
Sales	219,901	219,901	0.0%	242,991	242,991	0.0%
EBIT	8,986	8,326	-7.3%	9,360	9,360	0.0%
margin	4.1%	3.8%	-	3.9%	3.9%	-
Net income	6,607	6,053	-8.4%	7,059	7,059	0.0%
margin	3.0%	2.8%	-	2.9%	2.9%	-
EPS € (diluted)	0.37	0.29	-21.3%	0.34	0.34	0.0%

Source: First Berlin Equity Research

Reiterate our Buy rating at slightly increased price target With regulatory hurdles cleared, revenues have picked up and the company appears set to deliver solid top line growth in 2015 of 9%. We likewise believe this will carry over into 2016 and deliver another 11% growth. A more competitive pricing environment is also accounted for, and we believe we have seen a trough in pricing for now with upward scope with an improved product mix. Our recalibrated DCF model yields a new price target of €6.20 (previously €6.00).



DCF MODEL

All figures in EUR '000	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	219,901	242,991	272,150	302,086	332,295	362,201	391,178	414,648
NOPLAT	7,173	8,015	8,918	10,005	11,131	12,215	13,281	14,163
+ depreciation & amortisation	1,911	1,575	1,266	1,059	922	834	779	747
Net operating cash flow	9,084	9,590	10,184	11,064	12,053	13,049	14,060	14,911
- total investments (CAPEX and WC)	7,204	-3,663	-3,866	-3,702	-3,475	-3,174	-2,788	-1,813
Capital expenditures	-660	-486	-529	-571	-609	-644	-674	-691
Working capital	2,285	-3,177	-3,336	-3,131	-2,866	-2,530	-2,114	-1,122
Free cash flows (FCF)	16,288	5,927	6,318	7,363	8,578	9,875	11,272	13,097
PV of FCF's	16,216	5,344	5,159	5,445	5,746	5,990	6,193	6,517

All figures in thousands	
PV of FCFs in explicit period	93,016
PV of FCFs in terminal period	60,269
Enterprise value (EV)	153,285
+ Net cash / - net debt	-24,435
Shareholder value	128,850

Fair value per share in EUR	6.20
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WACC		Terminal growth rate						
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
6.4%	10.34	11.07	11.94	12.99	14.27	15.88	17.97	
7.4%	8.63	9.13	9.71	10.40	11.20	12.18	13.37	
8.4%	7.34	7.70	8.11	8.58	9.12	9.75	10.50	
9.4%	6.33	6.60	6.90	7.23	7.61	8.05	8.55	
10.4%	5.53	5.73	5.96	6.20	6.48	6.79	7.14	
11.4%	4.88	5.04	5.20	5.39	5.59	5.82	6.08	
12.4%	4.34	4.46	4.59	4.74	4.89	5.06	5.25	
13.4%	3.89	3.99	4.09	4.20	4.32	4.45	4.59	

* please note our model runs though 2028 and we have shown only the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EUR '000	2013A	2014A	2015E	2016E	2017E	2018E
Revenues	173,566	202,674	219,901	242,991	272,150	302,086
Cost of goods sold	161,848	186,376	202,309	224,767	252,283	280,250
Gross profit	11,718	16,298	17,592	18,224	19,867	21,836
Personnel costs	3,540	4,502	4,838	5,346	5,594	6,075
Depreciation and amortisation	1,813	2,056	1,911	1,575	1,266	1,059
Other operating income	8,403	4,501	3,640	4,617	5,110	5,605
Other operating expenses	4,837	6,009	6,157	6,561	7,335	8,097
Operating income (EBIT)	9,934	8,233	8,326	9,360	10,782	12,210
Net financial result	-927	-1,365	-1,120	-957	-990	-1,022
Pre-tax income (EBT)	9,006	6,867	7,206	8,403	9,792	11,188
Income taxes	627	-111	1,153	1,345	1,865	2,205
Earnings after tax (EAT)	8,380	6,979	6,053	7,059	7,928	8,983
Minority interests	-440	0	0	0	0	0
Net income / loss	7,940	6,979	6,053	7,059	7,928	8,983
Diluted EPS (in €)	0.41	0.34	0.29	0.34	0.38	0.43
EBITDA	11,747	10,288	10,237	10,935	12,049	13,269
Dividend per share (in €)	0.30	0.30	0.30	0.30	0.30	0.30
Ratios						
Gross margin	6.8%	8.0%	8.0%	7.5%	7.3%	7.2%
EBIT margin on revenues	5.7%	4.1%	3.8%	3.9%	4.0%	4.0%
EBITDA margin on revenues	6.8%	5.1%	4.7%	4.5%	4.4%	4.4%
Net margin on revenues	4.6%	3.4%	2.8%	2.9%	2.9%	3.0%
Tax rate	7.0%	-1.6%	16.0%	16.0%	19.0%	19.7%
Expenses as % of revenues						
Personnel costs	2.0%	2.2%	2.2%	2.2%	2.1%	2.0%
Depreciation and amortisation	1.0%	1.0%	0.9%	0.6%	0.5%	0.4%
Other operating expenses	2.8%	3.0%	2.8%	2.7%	2.7%	2.7%
Y-Y Growth						
Revenues	593.1%	16.8%	8.5%	10.5%	12.0%	11.0%
Operating income	8.1%	-17.1%	1.1%	12.4%	15.2%	13.2%
Net income/ loss	16.1%	-12.1%	-13.3%	16.6%	12.3%	13.3%



BALANCE SHEET

All figures in EUR '000	2013A	2014A	2015E	2016E	2017E	2018E
Assets						
Current assets, total	53,470	51,559	49,170	53,258	58,287	62,192
Cash and cash equivalents	3,316	2,424	1,804	1,853	2,261	1,681
Short-term investments	11,277	2,743	2,743	2,743	2,743	2,743
Receivables	7,107	10,478	9,640	9,986	10,853	11,679
Inventories	30,786	34,188	33,256	36,948	40,703	44,362
Other current assets	144	174	174	174	174	174
Non-current assets, total	45,386	50,142	43,312	42,224	41,487	40,998
Property, plant & equipment	353	1,094	1,315	1,360	1,421	1,494
Goodwill & other intangibles	42,585	41,354	39,882	38,747	37,950	37,388
Other assets	2,448	7,695	2,116	2,116	2,116	2,116
Total assets	98,856	101,702	92,482	95,481	99,774	103,190
Shareholders' equity & debt						
Current liabilities, total	22,151	25,663	19,313	18,174	19,460	20,814
Short-term debt	12,543	12,554	5,688	3,688	3,688	3,688
Accounts payable	6,660	7,244	7,760	8,621	9,907	11,261
Current provisions	1,704	3,243	3,243	3,243	3,243	3,243
Other current liabilities	1,245	2,623	2,623	2,623	2,623	2,623
Long-term liabilities, total	18,468	17,056	22,069	25,381	26,694	26,006
Long-term debt	17,059	15,960	20,972	24,285	25,597	24,910
Other liabilities	1,409	1,097	1,097	1,097	1,097	1,097
Shareholders' equity	58,237	58,983	51,101	51,926	53,620	56,370
Total consolidated equity and debt	98,856	101,702	92,482	95,481	99,774	103,190
Ratios						
Current ratio (x)	2.41	2.01	2.55	2.93	3.00	2.99
Quick ratio (x)	1.02	0.68	0.82	0.90	0.90	0.86
Equity ratio	59%	58%	55%	54%	54%	55%
Net gearing	26%	40%	43%	45%	45%	43%
Book value per share (€)	2.97	2.84	2.46	2.50	2.58	2.71
Net cash	-15,009	-23,346	-22,112	-23,375	-24,280	-24,173
Return on equity (ROE)	13.6%	11.8%	11.8%	13.6%	14.8%	15.9%



CASH FLOW STATEMENT

All figures in EUR '000	2013A	2014A	2015E	2016E	2017E	2018E
EBIT	9,934	8,418	8,326	9,360	10,782	12,210
Depreciation and amortisation	1,813	2,056	1,911	1,575	1,266	922
EBITDA	11,747	10,474	10,237	10,935	12,049	13,132
Changes in working capital	-7,113	6,232	2,285	-3,177	-3,336	-3,131
Other adjustments	-8,898	-10,144	-9,973	-2,301	-2,854	-3,227
Operating cash flow	-4,264	6,562	2,549	5,457	5,858	6,911
CAPEX	-400	-5,645	-440	-243	-272	-302
Investments in intangibles	0	0	-220	-243	-257	-269
Free cash flow	-4,665	917	1,890	4,971	5,329	6,341
Debt financing, net	428	182	-1,854	1,313	1,313	-688
Equity financing, net	5,045	430	0	0	0	0
Other changes in cash	-6,262	-2,421	-655	-6,234	-6,234	-6,234
Net cash flows	-4,653	-892	-620	50	408	-580
Cash, start of the year	7,529	3,316	2,424	1,804	1,853	2,261
Cash, end of the year	2,875	2,424	1,804	1,853	2,261	1,681
EBITDA/share (in €)	0.60	0.50	0.49	0.53	0.58	0.64
Y-Y Growth						
Operating cash flow	n.m.	n.m.	-61.2%	114.1%	7.4%	18.0%
Free cash flow	n.m.	n.m.	106.1%	163.1%	7.2%	19.0%
EBITDA/share	22.0%	-17.5%	-0.5%	6.8%	10.2%	10.1%

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...7	↓	↓	↓	↓
8	2 December 2014	€4.22	Buy	€6.40
9	16 April 2015	€5.26	Buy	€6.70
10	13 November 2015	€4.88	Buy	€6.00
11	Today	€4.77	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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