

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAE GR
 ISIN: DE0006190705

Preliminary
 FY/16 KPIs

RATING
PRICE TARGET

Return Potential
 Risk Rating

BUY
€8.40
 38.8%
 High

RECORD YEAR DRIVEN BY STRONG SALES MOMENTUM

HAEMATO AG reported preliminary KPIs for FY/16. Revenue was just below our target, whereas EBIT and net income beat our projections by 27% and 33% respectively. Although the company has yet to publish information regarding operating expenses, we believe the strong profitability stems partly from a better than anticipated gross margin, given our conservative assumption for H2/16. Based on the solid operational performance in the past two years, we have lowered our risk profile and WACC. Our recalibrated DCF model results in a new price target of €8.40 (previously: €7.00). Our rating remains Buy.

Growth propels sales to record level Preliminary KPIs included 20% Y/Y revenue growth to €275.6m. This represents absolute and relative sales records since HAEMATO PHARM AG was first consolidated in H1/13. The company cited continued growth (4.1%) in the German pharmaceuticals market last year, which was spearheaded by growth of 17% - 22% for cancer therapy. HAEMATO generally achieves some 60% of its revenue with oncology products. Profitability for the year was even stronger with EBIT climbing some 63% Y/Y to €13.4m (2015: €8.2m) and net income nearly doubling to €10.7m (2015: €5.5m). We believe the gross margin (GM), which stood at the 6.9% in H1, was stronger than expected in H2/16 spurring overall profitability. We had taken a more conservative view in H2 (GM: 6.6%) to account for potential volatility in the product mix. We assume a positive market development likely drove other income higher than expected in H2. Thus, EBIT and net income topped our forecasts by 27% and 33% respectively (see overleaf) and set a new high mark in the company's brief history.

Operational stability and steady regulatory environment warrant lower risk profile Management appear to have struck the right balance in sourcing and sales activities. This resulted in steady growth and profitability the past two years, to go alongside a solid capital structure to facilitate further growth. Political support to curb healthcare costs ... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (€m)	173.57	202.67	229.73	275.65	311.67	345.95
Y-o-y growth	593.1%	16.8%	13.3%	20.0%	13.1%	11.0%
EBIT (€m)	9.93	8.23	8.22	13.41	10.86	12.63
EBIT margin	5.7%	4.1%	3.6%	4.9%	3.5%	3.6%
Net income (€m)	8.38	6.98	5.54	10.73	8.16	9.18
EPS (diluted) (€)	0.41	0.34	0.27	0.52	0.39	0.44
DPS (€)	0.30	0.30	0.30	0.30	0.30	0.30
FCF (€m)	-0.25	4.73	0.95	12.36	4.44	7.29
Net gearing	23.6%	39.6%	49.0%	35.8%	37.5%	34.3%
Liquid assets (€m)	14.59	5.17	5.24	7.73	6.25	8.62

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 16 Mar 2017

Closing Price	€ 6.05
Shares outstanding	20.78m
Market Capitalisation	€ 125.80m
52-week Range	€ 4.72 / 6.93
Avg. Volume (12 Months)	21,359

Multiples	2015	2016E	2017E
P/E	22.7	11.7	15.4
EV/Sales	0.6	0.5	0.5
EV/EBIT	17.3	10.6	13.1
Div. Yield	5.0%	5.0%	5.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2016

Liquid Assets	€ 4.64m
Current Assets	€ 63.90m
Intangible Assets	€ 34.60m
Total Assets	€ 120.00m
Current Liabilities	€ 50.40m
Shareholders' Equity	€ 56.50m

SHAREHOLDERS

MPH AG	50.1%
Baring Asset Management	2.9%
Free Float	47.0%



Table 1: Preliminary KPIs vs our forecasts and prior year

All figures in EUR '000	2016P	2016E	% delta	2015	% delta
Revenue	275,613	280,780	-1.8%	229,727	20.0%
EBIT	13,435	10,591	26.9%	8,223	63.4%
Margin (%)	4.9%	3.8%	-	3.6%	-
Net Income	10,731	8,078	32.8%	5,540	93.7%
Margin (%)	3.9%	2.9%	-	2.4%	-

Source: First Berlin Equity Research

... also looks positive after the German Federal Council voted in late November 2016 not to overturn the import quota subsidy program as proposed by the state of Bavaria. We therefore lower our cost of equity from 15.0% to 14.3% resulting in a WACC of 9.7% (previously: 10.1%). We believe the company is poised for another year of growth, but leave our forecasts unchanged until we can review the full annual figures. Our current revenue target corresponds to growth of 13% in 2017. We have also adopted the reported preliminary net debt figure of €16.3m (2015: €31.3) into our model. This combined with the improved risk profile generates a new price target of €8.40 (previously: €7.00). Our rating remains Buy.

VALUATION MODEL

All figures in EUR '000	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Sales	311,670	345,953	384,008	424,329	466,762	508,770	549,472	582,440
NOPLAT	8,253	9,595	11,048	12,774	14,389	16,062	17,770	19,494
+ depreciation & amortisation	1,450	1,213	1,065	976	925	902	891	641
Net operating cash flow	9,703	10,808	12,113	13,750	15,315	16,963	18,661	20,134
- total investments (CAPEX and WC)	-5,566	-3,433	-3,539	-4,585	1,290	-5,202	-5,093	-2,743
Capital expenditures	-606	-653	-627	-669	-711	-746	-775	-731
Working capital	-4,960	-2,780	-2,912	-3,915	2,001	-4,456	-4,317	-2,012
Free cash flows (FCF)	4,137	7,375	8,574	9,165	16,605	11,761	13,569	17,391
PV of FCF's	3,845	6,247	6,620	6,449	10,650	6,875	7,229	8,445

All figures in thousands	
PV of FCFs in explicit period	103,537
PV of FCFs in terminal period	87,046
Enterprise value (EV)	190,583
+ Net cash / - net debt (2016P)	-16,300
+ Investments / minority interests	0
Shareholder value	174,283
Fair value per share (€)	8.39

	WACC	Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	14.3%	6.7%	12.81	13.44	14.19	15.08	16.15	17.49	19.18
Pre-tax cost of debt	5.5%	7.7%	10.63	11.05	11.54	12.10	12.76	13.55	14.51
Tax rate	24.0%	8.7%	8.98	9.27	9.60	9.97	10.41	10.91	11.49
After-tax cost of debt	4.2%	9.7%	7.69	7.90	8.13	8.39	8.68	9.01	9.40
Share of equity capital	55.0%	10.7%	6.66	6.81	6.98	7.16	7.37	7.60	7.86
Share of debt capital	45.0%	11.7%	5.82	5.93	6.06	6.19	6.34	6.51	6.69
WACC	9.7%	12.7%	5.13	5.21	5.31	5.41	5.52	5.64	5.77

*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EUR '000	2013	2014	2015	2016E	2017E	2018E
Revenues	173,566	202,674	229,727	275,654	311,670	345,953
Cost of goods sold	-161,845	-186,376	-214,454	-256,350	-290,945	-322,428
Gross profit	11,721	16,298	15,273	19,303	20,724	23,525
Personnel expenses	-3,540	-4,501	-5,409	-6,036	-6,857	-7,265
Other OpEx	-4,837	-6,009	-6,462	-7,358	-8,415	-9,341
Other income	8,403	4,501	6,622	9,249	6,857	6,919
Depreciation & amortisation	-1,813	-2,056	-1,799	-1,752	-1,450	-1,213
Operating income (EBIT)	9,934	8,233	8,225	13,406	10,859	12,625
Net financial result	-927	-1,366	-2,197	-981	-1,254	-1,291
Pre-tax income (EBT)	9,007	6,867	6,028	12,425	9,605	11,334
Income taxes	-627	112	-489	-1,693	-1,441	-2,153
Minority interests	0	0	0	0	0	0
Net income / loss	8,380	6,979	5,539	10,732	8,164	9,180
Diluted EPS (in €)	0.41	0.34	0.27	0.52	0.39	0.44
EBITDA	11,747	10,289	10,024	15,158	12,309	13,838
Ratios						
Gross margin	6.8%	8.0%	6.6%	7.0%	6.6%	6.8%
EBIT margin on revenues	5.7%	4.1%	3.6%	4.9%	3.5%	3.6%
EBITDA margin on revenues	6.8%	5.1%	4.4%	5.5%	3.9%	4.0%
Net margin on revenues	4.8%	3.4%	2.4%	3.9%	2.6%	2.7%
Tax rate	7.0%	-1.6%	8.1%	9.0%	15.0%	19.0%
Expenses as % of revenues						
Personnel expenses	-2.0%	-2.2%	-2.4%	-2.2%	-2.2%	-2.1%
Other OpEx	-2.8%	-3.0%	-2.8%	-2.7%	-2.7%	-2.7%
Depreciation & amortisation	-1.0%	-1.0%	-0.8%	-0.6%	-0.5%	-0.4%
Y-Y Growth						
Revenues	n.a.	16.8%	13.3%	20.0%	13.1%	11.0%
Operating income	n.a.	-17.1%	-0.1%	63.0%	-19.0%	16.3%
Net income/ loss	n.a.	-16.7%	-20.6%	93.8%	-23.9%	12.4%



BALANCE SHEET

All figures in EUR '000	2013	2014	2015	2016E	2017E	2018E
Assets						
Current assets, total	53,470	51,559	52,860	57,562	62,776	69,513
Cash and equivalents	3,316	2,424	2,449	4,936	3,457	5,829
ST financial assets	11,277	2,743	2,791	2,791	2,791	2,791
Trade receivables	7,107	10,478	4,725	6,042	6,831	7,583
Inventories	30,786	34,188	41,677	42,140	47,827	51,235
Other ST assets	984	1,727	1,218	1,654	1,870	2,076
Non-current assets, total	45,387	50,142	54,129	55,493	55,192	55,190
Property, plant & equipment	354	1,094	1,308	1,393	1,462	1,546
Goodwill & other intangibles	42,585	41,354	40,213	38,927	38,013	37,370
Financial assets	2,237	7,480	12,474	14,898	15,405	15,928
Deferred taxes	211	214	134	276	312	346
Total assets	98,857	101,702	106,989	113,055	117,967	124,704
Shareholders' equity & debt						
Current liabilities, total	22,151	25,663	35,588	31,367	33,856	36,162
Trade payables	6,660	7,244	5,684	11,237	12,754	14,134
ST debt	11,271	12,554	21,636	12,688	12,688	12,688
Provisions	1,703	3,243	4,309	4,135	4,675	5,189
Other ST financial liabilities	1,272	474	539	551	623	692
Other current liabilities	1,245	2,148	3,420	2,757	3,117	3,460
Long-term liabilities, total	18,468	17,056	13,112	18,901	19,393	20,877
Long-term debt	17,059	15,959	12,190	17,502	17,814	19,127
LT provisions	79	20	21	21	21	21
Deferred tax liabilities	1,330	1,077	901	1,378	1,558	1,730
Shareholders' equity	58,238	58,982	58,289	62,787	64,718	67,664
Total consolidated equity and debt	98,857	101,702	106,989	113,055	117,967	124,704
Ratios						
Current ratio (x)	2.4	2.0	1.5	1.8	1.9	1.9
Quick ratio (x)	1.0	0.7	0.3	0.5	0.4	0.5
Net debt	13,737	23,346	28,586	22,462	24,254	23,194
Net gearing	24%	40%	49%	36%	37%	34%
Return on equity (ROE)	14.4%	11.8%	9.5%	17.1%	12.6%	13.6%
Capital employed (CE)	39,587.6	45,285.6	47,655.2	42,679.8	46,795.4	49,015.9
Return on capital employed (ROCE)	25%	18%	17%	31%	23%	26%



CASH FLOW STATEMENT

All figures in EUR '000	2013	2014	2015	2016E	2017E	2018E
Pre-tax income	8,991	6,867	6,028	12,425	9,605	11,334
Depreciation and amortisation	1,813	2,056	1,799	1,752	1,450	1,213
Changes in working capital	-7,196	6,175	-44	2,848	-4,059	-1,923
Other adjustments	-5,600	-7,632	-5,893	-2,424	-507	-524
Net financial result	928	1,366	1,621	1,613	1,254	1,291
Operating cash flow	-1,064	8,832	3,510	16,214	7,743	11,392
Interest income	23	183	8	14	10	10
Interest expense paid	-1,371	-1,551	-1,629	-1,627	-1,264	-1,301
Tax paid	-1,412	-902	-489	-1,693	-1,441	-2,153
Net operating cash flow	-3,824	6,561	1,400	12,908	5,048	7,947
CapEx	-27,282	-5,645	-796	-551	-606	-653
Proceeds from disposal of fixed assets	30,854	3,813	342	0	0	0
Cash flow from investing	3,572	-1,832	-454	-551	-606	-653
Free cash flow (FCF)	-252	4,729	946	12,356	4,442	7,293
Equity inflow, net	5,045	430	0	0	0	0
Debt inflow, net	427	183	5,313	-3,636	313	1,313
Dividend paid to shareholders	-3,407	-6,234	-6,234	-6,234	-6,234	-6,234
Cash flow from financing	2,065	-5,621	-921	-9,870	-5,921	-4,921
Net cash flows	-4,213	-892	25	2,487	-1,479	2,372
Cash, start of the year	7,529	3,316	2,424	2,449	4,936	3,457
Cash, end of the year	3,316	2,424	2,449	4,936	3,457	5,829
EBITDA/share (in €)	0.60	0.50	0.48	0.73	0.59	0.67
Y-Y Growth						
Operating cash flow	n.a.	n.m.	-78.7%	821.8%	-60.9%	57.4%
Free cash flow	n.a.	n.m.	-80.0%	1205.9%	-64.0%	64.2%
EBITDA/share	n.a.	-17.4%	-2.6%	51.2%	-18.8%	12.4%

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...11	↓	↓	↓	↓
12	4 May 2016	€5.40	Add	€6.10
13	5 September 2016	€5.25	Buy	€7.00
14	7 December 2016	€5.45	Buy	€7.00
15	Today	€6.05	Buy	€8.40

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

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