

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAEK GR
 ISIN: DE000A289VV1

Q1/21
 Results

RATING
BUY

PRICE TARGET
€ 49.00

Return Potential 71.9%
 Risk Rating High

USHERING IN A NEW ERA OF HIGHER PROFITABILITY

First quarter figures showed further evidence that core operations continue to gain momentum, thanks to an improved product portfolio and business expansion. Sales climbed some 22% on an annualised basis in Q1. The €73m figure beat FBe (€66m) and was the best three month sales figure since 2017. The topline performance was topped by even more encouraging earnings led by an increase in gross margin. Full year reporting confirmed preliminary results, and HAEMATO will propose a €1 per share dividend at the AGM. We remain Buy-rated on HAEMATO with a €49 price target (old: €48).

Gross margin hits 9.8%; ushers in a new era of higher profitability HAEMATO is cashing in on its optimised and better focused portfolio of high-priced specialty pharmaceuticals. Moreover, the company is making inroads into medical marijuana, as well as branded cosmetic and self-care products. The combination helped propel the gross margin to a reported 9.8%. Gross margin volatility has often been the rub with the company's earnings performance. We think expanded and better diversified operations (see note of 22 April 2021) will result in a new period of higher margins and earnings as new segments continue to gain momentum.

Demand for antigen self-tests softening HAEMATO rolled out covid-19 rapid test kits early this spring to address then soaring demand. However, our recent checks with local distributors suggest that demand is losing steam in the wake of accelerated vaccinations and declining incidence rates—Berlin recently reported a rate of 34 vs 160 per 100k of its population in April. Unlike other distributors that jumped on the antigen test bandwagon with high volume commitments, HAEMATO is not handcuffed by fixed sourcing deals. We thus see no risk of inventory obsolescence if test-kit demand indeed falls off a cliff. Although HAEMATO has realised some €25m in test-kit sales, we continue to exclude this figure from our estimates until management give a stronger guidance signal. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Revenue (€m)	289.86	274.12	197.84	238.33	262.06	320.87
Y-o-y growth	5.2%	-5.4%	-27.8%	20.5%	8.5%	8.0%
EBIT (€m)	9.42	8.50	-0.02	1.63	7.01	14.67
EBIT margin	3.2%	3.1%	0.0%	0.7%	2.7%	4.6%
Net income (€m)	6.98	6.28	-1.17	-4.83	5.06	11.09
EPS (diluted) (€)	3.22	3.54	-0.51	-2.02	0.99	2.12
DPS (€)	3.00	1.00	0.00	1.00	1.20	1.50
FCF (€m)	-2.91	-2.91	6.77	-3.46	9.93	2.23
Net gearing	15.9%	17.4%	19.7%	34.2%	6.5%	-3.6%
Liquid assets (€m)	15.71	8.49	4.86	10.29	20.87	19.37

RISKS

Regulatory changes in healthcare systems, spending cuts in healthcare systems, homogenization of pharmaceutical prices within the European Union.

COMPANY PROFILE

HAEMATO AG is a supplier of specialty pharmaceuticals focused on growth markets in the indication groups of oncology, HIV / AIDS and other chronic diseases. The company boasts a broad customer base of over 5,000 pharmacies and eleven wholesalers in Germany, while over 2,000 pharmacies and another five wholesalers in Austria also source from HAEMATO.

MARKET DATA

As of 03 Jun 2021

Closing Price € 28.50
 Shares outstanding 5.11m
 Market Capitalisation € 145.77m
 52-week Range € 18.80 / 36.20
 Avg. Volume (12 Months) 3,296

Multiples	2020	2021E	2022E
P/E	n.a.	28.8	13.4
EV/Sales	0.7	0.6	0.5
EV/EBIT	96.2	22.3	10.7
Div. Yield	3.5%	4.2%	5.3%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2020

Liquid Assets € 7.54m
 Current Assets € 60.88m
 Intangible Assets € 37.98m
 Total Assets € 169.08m
 Current Liabilities € 42.93m
 Shareholders' Equity € 125.48m

SHAREHOLDERS

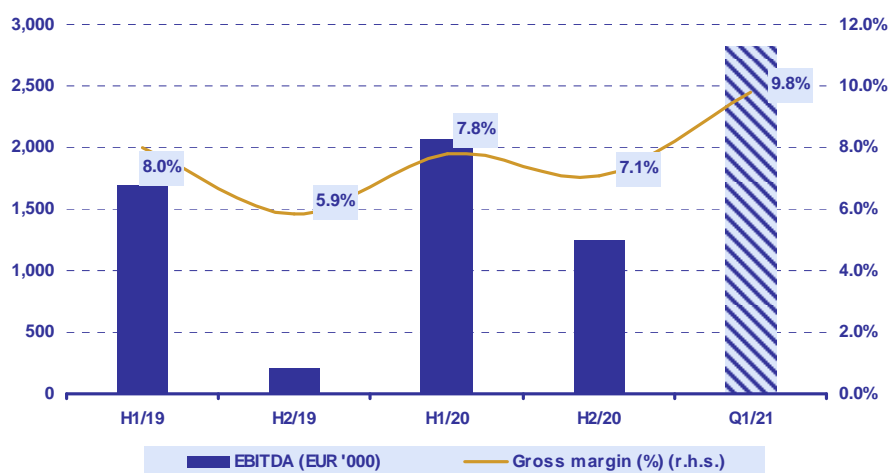
M1 Kliniken AG 69.0%
 Free Float 31.0%

**Table 1: First quarter KPIs vs FBe and prior year**

All figures in EUR '000	Q1/21	Q1/21E	variance	Q1/20	variance
Revenue	73,900	65,500	13%	60,600	22%
Gross profit	7,242	5,699	27%	4,363	66%
Margin	9.8%	8.7%	-	7.8%	-
EBITDA	2,823	2,096	35%	954	196%
Margin	3.8%	3.2%	-	1.6%	-
EBIT	2,428	1,769	37%	539	350%
Margin	3.3%	2.7%	-	0.9%	-

Source: First Berlin Equity Research; HAEMATO AG

On track for leap in earnings Thanks to a jump in gross margin, Q1 EBITDA eclipsed six month EBITDA performances over the past two years (figure 1). A low and volatile GM has often been the rub with HAEMATO's earnings, while EBITDA was also often helped by non-cash revaluation gains on financial assets. This is now changing and has the company on track for a leap in cash earnings this year.

Figure 1: EBITDA and gross margin developments

Source: First Berlin Equity Research; HAEMATO AG



ANNUAL RESULT HIGHLIGHTS

Audited 2020 results confirmed preliminary numbers and featured a return to growth after two years of declines (see note of 22 April 2021). Revenue increased some 20% on an annualised basis to €238m. Topline momentum continued in Q1 with a 22% Y/Y increase.

Table 2: Financial highlights

All figures in EUR '000	2020	2019	variance
Cash	7,541	2,100	259.1%
Short-term financial assets	2,750	2,761	-0.4%
Financial debt (short- and long-term)	18,459	28,897	-36.1%
Net debt	8,168	24,036	-66.0%
Total assets	169,058	128,567	31.5%
Shareholders' equity	125,480	72,219	73.7%
Equity ratio	74%	56%	-

Source: First Berlin Equity Research; HAEMATO AG

Total assets climbed to €169m in conjunction with the takeover of M1 Aesthetics GmbH in December 2020. HAEMATO issued €58m in new equity last December as part of a contribution in kind transaction helping boost the equity ratio to 74%. Net debt was reduced, thanks to a reduction in working capital that led to strong operating cash flow.

Table 3: Cashflow developments

All figures in EUR '000	2020	2019	variance
Net operating cash flow	10,776	-2,763	n.a.
Cash flow from investing	-844	-701	n.a.
Cash flow from financing	-4,491	49	n.a.
Net cash flows	5,441	-3,415	n.a.
Free cash flow (FCF)	9,932	-3,464	n.a.

Source: First Berlin Equity Research; HAEMATO AG

The company exited the year with cash of €7.5m and will propose a €1 per share dividend at the AGM on 13 July 2021 after having suspended the dividend last year during pandemic uncertainty.

New era of higher profitability First quarter results were ahead of our three month targets, thanks in large part to a higher gross margin. Management recently set sales guidance at €260m to €290m with EBIT of €7m to €9m. This outlook does not include €25m in announced sales of HAEMATO's antigen rapid tests, as management prefer to allow the pandemic to play out first.

We believe this is a prudent approach and will review our 2021 targets at the six-month juncture. Our 2021 figures continue to exclude test-kit sales. Beyond the potential of this covid-19 play, core operations are showing good momentum underpinned by an unprecedented margin structure that looks sustainable. Our rolled forward DCF-model results in a €49 price target (old: €48). We maintain our Buy rating.



VALUATION MODEL

In EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Sales	262,058	320,867	403,379	465,229	511,752	548,156	571,338	591,667
NOPLAT	5,329	11,150	16,131	21,899	25,188	27,449	28,933	30,025
(+) depreciation & amortisation	1,101	1,348	1,694	1,814	1,906	2,042	2,128	2,204
Net operating cash flow	6,429	12,498	17,825	23,713	27,094	29,491	31,061	32,229
(-) Total investments (CAPEX and WC)	-2,001	-9,175	-13,140	-10,461	-8,501	-7,202	-5,413	-5,106
(-) Capital expenditures	-996	-1,219	-1,533	-1,768	-1,945	-2,083	-2,171	-2,248
(-) Working capital	-1,006	-7,955	-11,607	-8,693	-6,557	-5,119	-3,242	-2,857
Free cash flows (FCF)	4,428	3,323	4,685	13,252	18,593	22,289	25,648	27,123
PV of FCF's	4,210	2,892	3,733	9,665	12,413	13,623	14,350	13,892

In EUR '000		Terminal EBIT margin							
		5.1%	5.6%	6.1%	6.6%	7.1%	7.6%	8.1%	
PV of FCFs in explicit period	100,686	6.2%	67.44	74.50	81.56	88.63	95.69	102.75	109.81
(+) PV of FCFs in terminal period	165,045	7.2%	54.83	60.16	65.49	70.82	76.15	81.49	86.82
Enterprise value (EV)	265,731	8.2%	45.94	50.09	54.24	58.40	62.55	66.70	70.86
(+) Net cash / (-) net debt	-8,168	9.2%	39.32	42.63	45.94	49.25	52.56	55.88	59.19
(+) Investments / minority interests	0	10.2%	34.20	36.89	39.58	42.26	44.95	47.64	50.33
Shareholder value	257,563	11.2%	30.12	32.34	34.55	36.76	38.97	41.18	43.40
Fair value per share (€)	49.00	12.2%	26.80	28.64	30.48	32.33	34.17	36.01	37.85

In EUR '000		Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	13.5%	6.2%	71.69	76.35	81.90	88.63	96.94	107.47	121.26
Pre-tax cost of debt	5.3%	7.2%	59.70	62.86	66.52	70.82	75.95	82.15	89.82
Tax rate	24.0%	8.2%	50.71	52.94	55.48	58.40	61.78	65.75	70.48
After-tax cost of debt	4.0%	9.2%	43.74	45.37	47.19	49.25	51.60	54.29	57.42
Share of equity capital	55.0%	10.2%	38.19	39.41	40.76	42.26	43.95	45.86	48.03
Share of debt capital	45.0%	11.2%	33.68	34.61	35.63	36.76	38.01	39.40	40.97
WACC	9.2%	12.2%	29.95	30.67	31.46	32.33	33.27	34.32	35.48

*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	2017	2018	2019	2020	2021E	2022E
Revenues	289,862	274,121	197,835	238,333	262,058	320,867
Cost of goods sold	-269,778	-252,994	-184,236	-220,646	-239,349	-288,706
Gross profit	20,084	21,127	13,599	17,687	22,709	32,161
Personnel expenses	-6,209	-6,322	-6,308	-6,845	-7,071	-8,061
Other OpEx	-8,948	-8,520	-6,854	-8,015	-8,496	-9,685
Other income	6,476	3,675	1,460	488	970	1,604
EBITDA	11,270	9,959	1,897	3,315	8,112	16,019
Depreciation & amortisation	-1,854	-1,456	-1,915	-1,688	-1,101	-1,348
Operating income (EBIT)	9,416	8,503	-18	1,627	7,012	14,671
Net financial result	-1,958	-1,059	-764	-799	-749	-675
Other financial result	631	320	-406	-5,383	171	179
Pre-tax income (EBT)	8,089	7,764	-1,188	-4,555	6,433	14,176
Income taxes	-1,106	-1,488	15	-276	-1,369	-3,082
Minority interests	0	0	0	0	0	0
Net income / loss	6,983	6,276	-1,173	-4,831	5,064	11,094
Diluted EPS (in €)	3.22	3.54	-0.51	-2.02	0.99	2.12
Ratios						
Gross margin	6.9%	7.7%	6.9%	7.4%	8.7%	10.0%
EBIT margin on revenues	3.2%	3.1%	0.0%	0.7%	2.7%	4.6%
EBITDA margin on revenues	3.9%	3.6%	1.0%	1.4%	3.1%	5.0%
Net margin on revenues	2.4%	2.3%	-0.6%	-2.0%	1.9%	3.5%
Tax rate	13.7%	19.2%	1.3%	-6.1%	21.3%	21.7%
Expenses as % of revenues						
Personnel expenses	2.1%	2.3%	3.2%	2.9%	2.7%	2.5%
Other OpEx	3.1%	3.1%	3.5%	3.4%	3.2%	3.0%
Depreciation & amortisation	0.6%	0.5%	1.0%	0.7%	0.4%	0.4%
Y-Y Growth						
Revenues	5.2%	-5.4%	-27.8%	20.5%	10.0%	22.4%
Operating income	-29.9%	-9.7%	n.m.	n.m.	330.9%	109.2%
Net income/ loss	-36.7%	-10.1%	n.m.	n.m.	n.m.	119.1%



BALANCE SHEET

	2017	2018	2019	2020	2021E	2022E
Assets						
Current assets, total	67,349	60,684	72,768	60,884	78,641	89,331
Cash and equivalents	6,469	5,599	2,100	7,541	18,067	16,513
ST financial assets and securities	9,236	2,889	2,761	2,750	2,805	2,861
Trade receivables	8,320	7,320	10,944	14,214	14,359	17,582
Inventories	43,114	44,377	55,441	35,119	42,624	51,413
Other ST assets	210	499	1,522	1,260	786	963
Non-current assets, total	54,678	55,832	55,798	108,174	108,675	108,726
Property, plant & equipment	1,106	1,046	2,166	2,103	2,129	2,161
Goodwill & other intangibles	38,941	38,677	38,250	37,980	37,849	37,689
Financial assets	14,496	15,973	15,247	9,864	10,470	10,649
Shares in companies	0	0	0	58,092	58,092	58,092
Other LT assets	135	136	135	135	135	135
Total assets	122,027	116,516	128,566	169,058	187,316	198,057
Shareholders' equity & debt						
Current liabilities, total	31,569	25,483	55,530	42,925	28,568	34,295
Trade payables	7,522	8,469	19,622	13,028	19,672	23,729
ST debt	7,821	7,680	28,897	18,307	0	0
Provisions	7,249	361	1,357	1,535	1,558	1,581
Other ST financial liabilities	1,229	684	661	152	786	963
Other current liabilities	7,748	8,290	4,993	9,903	6,551	8,022
Long-term liabilities, total	19,531	15,357	818	653	15,855	15,914
Long-term debt	19,000	15,000	0	0	15,000	15,000
LT provisions	13	26	52	52	52	52
Deferred tax liabilities	518	332	203	60	262	321
Other non-current liabilities	0	0	563	541	541	541
Shareholders' equity	70,927	75,676	72,219	125,480	142,893	147,848
Total consolidated equity and debt	122,027	116,516	128,566	169,058	187,316	198,057
Ratios						
Current ratio (x)	2.1	2.4	1.3	1.4	2.8	2.6
Quick ratio (x)	0.8	0.6	0.3	0.6	1.3	1.1
Equity ratio	58%	65%	56%	74%	76%	75%
Net debt	12,344	14,875	24,696	8,168	-5,086	-3,411
Net debt / EBITDA (x)	1.1	1.5	13.0	2.5	-0.6	-0.2
Net gearing	17%	20%	34%	7%	-4%	-2%
Return on equity (ROE)	9.8%	8.3%	-1.6%	-3.9%	3.5%	7.5%
Capital employed (CE)	49,375	48,367	52,595	41,804	42,705	50,532
Return on capital employed (ROCE)	19%	18%	0%	4%	16%	29%



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Net income	6,983	6,276	-1,173	-4,831	5,064	11,094
Depreciation and amortisation	1,854	1,456	1,915	1,688	1,101	1,348
Change to LT accruals	1,031	0	1,023	728	23	23
Change in financial asset valuations	-3,559	-1,943	726	5,387	-606	-179
Asset disposals	-811	-546	0	15	0	0
Income from participations	-631	-320	-320	-1	-200	-200
Tax result	-636	1,485	-19	269	1,369	3,082
Net interest expense	1,958	1,059	745	799	749	675
Operating cash flow	6,189	7,467	2,897	4,054	7,500	15,842
Change in inventory	-5,221	525	-11,064	20,321	-7,505	-8,790
Change in trade rec & other assets	-5,627	1,064	-3,704	-3,000	328	-3,399
Change in payable & other liabilities	-3,111	-7,468	10,054	-9,682	4,129	5,762
Tax paid	-582	-1,031	-946	-918	-1,369	-3,082
Net operating cash flow	-8,352	557	-2,763	10,776	3,084	6,334
CapEx	4,805	-1,134	-1,029	-849	-996	-1,219
Income from investments	631	7,326	320	0	145	144
Interest income	2	16	8	5	0	0
Cash flow from investing	5,438	6,208	-701	-844	-851	-1,075
Free cash flow (FCF)	-2,914	6,765	-3,465	9,932	2,233	5,258
Equity inflow, net	7,447	5,198	0	0	14,737	0
Debt inflow, net	701	-5,165	3,583	-3,164	-3,307	0
Financing expenses paid	-1,959	-1,074	-714	-777	-749	-675
Dividend paid to shareholders	-6,594	-6,594	-2,285	0	-2,388	-6,138
Other adjustments	0	0	-536	-550	0	0
Cash flow from financing	-406	-7,635	48	-4,491	8,293	-6,813
Net cash flows	-3,320	-870	-3,499	5,441	10,526	-1,554
Cash, start of the year	9,789	6,469	5,599	2,100	7,541	18,067
Cash, end of the year	6,469	5,599	2,100	7,541	18,067	16,513
EBITDA/share (in €)	5.22	4.36	0.83	1.45	1.55	3.06
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-71.4%	105.4%
Free cash flow	n.m.	n.m.	n.m.	n.m.	-77.5%	135.5%
EBITDA/share	611.8%	-16.6%	-81.0%	74.7%	7.0%	97.5%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	27 August 2013	€30.00	Buy	€57.00
2...19	↓	↓	↓	↓
20	13 September 2018	€53.66	Buy	€76.00
21	17 May 2019	€49.99	Add	€58.00
22	9 September 2019	€31.11	Buy	€48.00
23	15 June 2020	€21.70	Buy	€48.00
24	7 September 2020	€25.02	Buy	€48.00
25	22 April 2021	€27.70	Buy	€48.00
28	Today	€28.50	Buy	€49.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- **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: <https://firstberlin.com/disclaimer-english-link/>

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