

Haemato AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAEK GR
 ISIN: DE000A289VV1

Q2 / 22
 prelims

RATING
BUY

PRICE TARGET
€ 35.00

Return Potential 84.7%
 Risk Rating High

3.6% EBIT MARGIN HIGHLIGHTS H1 RESULTS

Preliminary six month figures were close to our targets but undershot the prior year comps due to the absence of non-recurring antigen test kit sales that inflated H1/21. Haemato continues to emphasise higher margin products in its revamped portfolio with biosimilars and self-payer products contributing to the solid 3.6% EBIT margin for the period. We also believe the Lifestyle & Aesthetics segment featuring self-payer products spurred group profitability. The company is in talks with authorities regarding the planned clinic trials for its proprietary botulinum toxin and should have further updates in the coming quarters. Management confirmed guidance (EBIT: €8m to €10m). We have adjusted our forecasts to account for the increasing regulatory headwinds for Specialty Pharma, which results in a new target price of €35 (old: €43). Our rating remains Buy.

3.6% EBIT margin highlights H1 results Stripping out the €25m in test-kit sales booked in H1/21, H1/22 revenues were only 3.9% off last year's pace. But compared to H1/20, sales rose 4.5%. Q2 turnover showed a 22% Q/Q increase to €66m (table 1 overleaf). The company reported a six month EBIT margin of 3.6% compared to 0.7% in H1/20, which is a better comp for the current business than the 4.8% margin notched in H1/21. The KPI was also 3.6% on a quarterly basis.

On track to reach confirmed guidance Management continue to look for EBIT in the range of €8m to €10m which looks achievable, given the stable operating margins. Second quarter EBIT tallied €2.4m and was 19% higher Q/Q with contributions from insurance-financed Specialty Pharma operations and the self-payer Lifestyle & Aesthetics (L&A) segment. We have adjusted our 2022 numbers to reflect the H1 performance. We have also reduced our targets for next year with regulatory headwinds building for the Specialty Pharma segment (overleaf). We continue to expect the fast-growing L&A business to compensate for Specialty Pharma volatility and keep Group margins at high levels going forward. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	197.84	238.33	285.04	250.11	272.07	295.32
Y-o-y growth	-27.8%	20.5%	19.6%	-12.3%	8.8%	8.5%
EBIT (€m)	-0.02	1.63	11.16	8.63	11.00	14.64
EBIT margin	0.0%	0.7%	3.9%	3.4%	4.0%	5.0%
Net income (€m)	-1.17	-4.83	6.53	6.54	8.61	11.38
EPS (diluted) (€)	-0.51	-2.02	1.32	1.25	1.65	2.18
DPS (€)	0.00	1.00	1.10	1.30	1.50	1.80
FCF (€m)	-3.46	9.93	13.88	8.85	6.43	9.16
Net gearing	34.2%	6.5%	-10.5%	-13.3%	-13.0%	-13.6%
Liquid assets (€m)	4.86	10.29	31.73	20.19	19.95	21.39

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 7,000 pharmacies and 16 wholesalers in Germany and Austria. Haemato is also currently making stronger inroads into the aesthetic product market.

MARKET DATA

As of 17 Aug 2022

Closing Price	€ 18.95
Shares outstanding	5.23m
Market Capitalisation	€ 99.10m
52-week Range	€ 18.95 / 27.70
Avg. Volume (12 Months)	2,009

Multiples	2021	2022E	2023E
P/E	14.3	15.2	11.5
EV/Sales	0.3	0.4	0.3
EV/EBIT	7.9	10.2	8.0
Div. Yield	5.8%	6.9%	7.9%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2021

Liquid Assets	€ 31.70m
Current Assets	€ 81.07m
Intangible Assets	€ 91.24m
Total Assets	€ 182.01m
Current Liabilities	€ 37.09m
Shareholders' Equity	€ 144.73m

SHAREHOLDERS

M1 Kliniken AG	68.0%
Free Float	32.0%

**Table 1: Six month results vs FBe and prior year**

All figures in EUR '000	H1/22	H1/22E	variance	H1/21	variance
Revenue	121,000	128,251	-6%	151,525	-20%
EBITDA	5,100	4,845	5%	7,985	-36%
Margin	4.2%	3.8%	-	5.3%	-
EBIT	4,400	4,152	6%	7,229	-39%
Margin	3.6%	3.2%	-	4.8%	-

Source: First Berlin Equity Research; Haemato AG

Table 2: Changes to FBe and target price

	old	new	revision	upside	dividend yield	total return
Price target (€)	43	35	-18.6%	84.7%	7.9%	92.6%
All figures in € '000	2022E			2023E		
	old	new	revision	old	new	revision
Revenue	263,462	250,108	-5.1%	290,144	272,069	-6.2%
Gross profit	28,853	27,574	-4.4%	34,430	29,784	-13.5%
Margin (%)	11.0%	11.0%	-	11.9%	10.9%	-
EBIT	8,772	8,628	-1.6%	14,808	11,004	-25.7%
Margin (%)	3.3%	3.4%	-	5.1%	4.0%	-

Source: First Berlin Equity Research estimates

Reducing forecasts Our revised 2022 targets now better reflect the H1/22 performance. The topline reduction is largely offset by a cut in operating costs, which still factored in expenses related to the antigen tests. We have also lowered our 2023 numbers to account for building headwinds for the Specialty Pharma business. The German regulator is weighing options to increase the manufacturer's rebate for patented pharmaceuticals by 5% in 2023, which would impact the segment performance. Our updated DCF model now points to a €35 target price. We stick to our Buy rating.



VALUATION MODEL

In EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Sales	250,108	272,069	295,318	317,352	338,016	355,087	368,952	378,679
NOPLAT	6,557	8,363	11,130	13,705	15,415	16,602	17,160	17,174
(+) depreciation & amortisation	1,150	1,143	1,152	1,182	1,259	1,323	1,374	1,411
Net operating cash flow	7,708	9,505	12,282	14,888	16,674	17,924	18,534	18,585
(-) Total investments (CAPEX and WC)	3,170	-3,711	-3,799	-3,759	-3,690	-3,307	-2,978	-2,499
(-) Capital expenditures	-1,188	-884	-960	-1,031	-1,099	-1,154	-1,199	-1,231
(-) Working capital	4,358	-2,827	-2,839	-2,728	-2,591	-2,153	-1,779	-1,268
Free cash flows (FCF)	10,878	5,794	8,483	11,128	12,984	14,618	15,556	16,085
PV of FCFs	10,506	5,091	6,780	8,090	8,587	8,794	8,513	8,007

In EUR '000		Terminal EBIT margin							
		4.3%	4.8%	5.3%	5.8%	6.3%	6.8%	7.3%	
PV of FCFs in explicit period	71,822	6.9%	42.62	46.96	51.29	55.62	59.95	64.28	68.61
(+) PV of FCFs in terminal period	95,863	7.9%	36.40	39.73	43.06	46.40	49.73	53.06	56.39
Enterprise value (EV)	167,685	8.9%	31.94	34.58	37.22	39.85	42.49	45.13	47.77
(+) Net cash / (-) net debt	15,231	9.9%	28.57	30.71	32.84	34.98	37.11	39.25	41.39
(+) Investments / minority interests	0	10.9%	25.93	27.69	29.45	31.21	32.97	34.73	36.48
Shareholder value	182,916	11.9%	23.81	25.27	26.74	28.21	29.68	31.14	32.61
Fair value per share (€)	35.00	12.9%	22.06	23.29	24.53	25.77	27.01	28.24	29.48

		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	14.5%	6.9%	46.53	49.05	52.03	55.62	60.02	65.53	72.65
Pre-tax cost of debt	5.5%	7.9%	40.29	42.03	44.04	46.40	49.18	52.53	56.63
Tax rate	24.0%	8.9%	35.55	36.81	38.23	39.85	41.73	43.93	46.53
After-tax cost of debt	4.2%	9.9%	31.84	32.77	33.81	34.98	36.31	37.83	39.59
Share of equity capital	56.0%	10.9%	28.85	29.56	30.34	31.21	32.18	33.28	34.52
Share of debt capital	44.0%	11.9%	26.40	26.94	27.55	28.21	28.94	29.76	30.67
WACC	9.9%	12.9%	24.35	24.78	25.25	25.77	26.33	26.95	27.64

*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	2019	2020	2021	2022E	2023E	2024E
Revenues	197,835	238,333	285,043	250,108	272,069	295,318
Cost of goods sold	-184,236	-220,646	-254,312	-222,534	-242,286	-261,326
Gross profit	13,599	17,687	30,731	27,574	29,784	33,992
Personnel expenses	-6,308	-6,845	-7,503	-7,578	-7,199	-7,559
Other OpEx	-6,854	-8,015	-11,050	-10,719	-11,254	-11,817
Other income	1,460	488	458	500	816	1,181
EBITDA	1,897	3,315	12,591	9,778	12,146	15,797
Depreciation & amortisation	-1,915	-1,688	-1,474	-1,150	-1,143	-1,152
Operating income (EBIT)	-18	1,627	11,161	8,628	11,004	14,645
Net financial result	-764	-799	-65	-328	0	0
Other financial result	-406	-5,383	-1,740	55	57	60
Pre-tax income (EBT)	-1,188	-4,555	9,356	8,354	11,061	14,705
Income taxes	15	-276	-2,823	-1,816	-2,453	-3,323
Minority interests	0	0	0	0	0	0
Net income / loss	-1,173	-4,831	6,533	6,538	8,608	11,382
Diluted EPS (in €)	-0.51	-2.02	1.32	1.25	1.65	2.18
Ratios						
Gross margin	6.9%	7.4%	10.8%	11.0%	10.9%	11.5%
EBIT margin on revenues	0.0%	0.7%	3.9%	3.4%	4.0%	5.0%
EBITDA margin on revenues	1.0%	1.4%	4.4%	3.9%	4.5%	5.3%
Net margin on revenues	-0.6%	-2.0%	2.3%	2.6%	3.2%	3.9%
Tax rate	1.3%	-6.1%	30.2%	21.7%	22.2%	22.6%
Expenses as % of revenues						
Personnel expenses	3.2%	2.9%	2.6%	3.0%	2.6%	2.6%
Other OpEx	3.5%	3.4%	3.9%	4.3%	4.1%	4.0%
Depreciation & amortisation	1.0%	0.7%	0.5%	0.5%	0.4%	0.4%
Y-Y Growth						
Revenues	-27.8%	20.5%	19.6%	-12.3%	8.8%	8.5%
Operating income	n.m.	n.m.	586.0%	-22.7%	27.5%	33.1%
Net income/ loss	n.m.	n.m.	n.m.	0.1%	31.7%	32.2%



BALANCE SHEET

	2019	2020	2021	2022E	2023E	2024E
Assets						
Current assets, total	72,768	60,884	81,070	65,125	68,860	74,252
Cash and equivalents	2,100	7,541	25,604	13,932	13,567	14,880
ST financial assets and securities	2,761	2,750	6,131	6,254	6,379	6,506
Trade receivables	10,944	14,214	14,563	13,705	14,908	16,182
Inventories	55,441	35,119	34,014	30,484	33,190	35,798
Other ST assets	1,522	1,260	758	750	816	886
Non-current assets, total	55,798	108,174	100,940	101,032	100,831	100,699
Property, plant & equipment	2,166	2,103	1,503	1,615	1,629	1,644
Goodwill & other intangibles	38,250	37,980	91,241	91,166	90,894	90,687
Financial assets	15,247	9,864	8,053	8,108	8,165	8,225
Shares in companies	0	58,092	0	0	0	0
Other LT assets	135	135	143	143	143	143
Total assets	128,566	169,058	182,010	166,157	169,691	174,951
Shareholders' equity & debt						
Current liabilities, total	55,530	42,925	37,089	20,260	21,974	23,684
Trade payables	19,622	13,028	12,224	12,194	13,276	14,319
ST debt	28,897	18,307	14,588	0	0	0
Provisions	1,357	1,535	1,048	1,064	1,080	1,096
Other ST financial liabilities	661	152	1,916	750	816	886
Other current liabilities	4,993	9,903	7,313	6,253	6,802	7,383
Long-term liabilities, total	818	653	195	238	249	261
Long-term debt	0	0	0	0	0	0
LT provisions	52	52	60	60	60	60
Deferred tax liabilities	203	60	82	125	136	148
Other non-current liabilities	563	541	53	53	53	53
Shareholders' equity	72,219	125,480	144,726	145,659	147,468	151,007
Total consolidated equity and debt	128,566	169,058	182,010	166,157	169,691	174,951
Ratios						
Current ratio (x)	1.3	1.4	2.2	3.2	3.1	3.1
Quick ratio (x)	0.3	0.6	1.3	1.7	1.6	1.6
Equity ratio	56%	74%	80%	88%	87%	86%
Net debt	24,696	8,168	-15,231	-19,436	-19,130	-20,500
Net debt / EBITDA (x)	13.0	2.5	-1.2	-2.0	-1.6	-1.3
Net gearing	34%	7%	-11%	-13%	-13%	-14%
Return on equity (ROE)	-1.6%	-3.9%	4.5%	4.5%	5.8%	7.5%
Capital employed (CE)	52,595	41,804	40,870	36,549	39,118	41,765
Return on capital employed (ROCE)	0%	4%	27%	24%	28%	35%



CASH FLOW STATEMENT

All figures in EUR '000	2019	2020	2021	2022E	2023E	2024E
Net income	-1,173	-4,831	6,533	6,538	8,608	11,382
Depreciation and amortisation	1,915	1,688	1,430	1,150	1,143	1,152
Change to LT accruals	1,023	728	-512	16	16	16
Change in financial asset valuations	726	5,387	1,861	-55	-57	-60
Asset disposals	0	15	-18	0	0	0
Income from participations	-320	-1	6	0	0	0
Tax result	-19	269	2,823	1,816	2,453	3,323
Net interest expense	745	799	252	328	0	0
Operating cash flow	2,897	4,054	12,375	9,794	12,162	15,813
Change in working capital	-4,714	7,640	2,847	2,183	-2,267	-2,246
Tax paid	-946	-918	-1,168	-1,816	-2,453	-3,323
Net operating cash flow	-2,763	10,776	14,054	10,160	7,442	10,244
CapEx	-1,029	-849	-293	-1,188	-884	-960
Income from investments	320	0	-50	-123	-125	-128
Interest income	8	5	171	0	0	0
Cash flow from investing	-701	-844	-172	-1,311	-1,009	-1,087
Free cash flow (FCF)	-3,465	9,932	13,882	8,850	6,433	9,157
Equity inflow , net	0	0	14,485	0	0	0
Debt inflow , net	3,583	-3,164	-3,566	-14,588	0	0
Financing expenses paid	-714	-777	-396	-328	0	0
Dividend paid to shareholders	-2,285	0	-2,760	-5,605	-6,798	-7,844
Other adjustments	-536	-550	-604	0	0	0
Cash flow from financing	48	-4,491	7,159	-20,521	-6,798	-7,844
Net cash flows	-3,499	5,441	18,063	-11,671	-365	1,313
Cash, start of the year	5,599	2,100	7,541	25,604	13,932	13,567
Cash, end of the year	2,100	7,541	25,604	13,932	13,567	14,880
EBITDA/share (in €)	0.83	1.39	2.47	1.87	2.32	3.02
Y-Y Growth						
Operating cash flow	n.m.	n.m.	30.4%	-27.7%	-26.8%	37.6%
Free cash flow	n.m.	n.m.	39.8%	-36.3%	-27.3%	42.3%
EBITDA/share	-81.0%	67.3%	78.0%	-24.3%	24.2%	30.1%

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PRICE TARGET DATES

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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...24	↓	↓	↓	↓
25	22 April 2021	€27.70	Buy	€48.00
26	4 June 2021	€28.50	Buy	€49.00
27	8 September 2021	€25.30	Buy	€50.00
28	9 December 2021	€25.30	Buy	€50.00
29	18 January 2022	€24.10	Buy	€50.00
30	24 February 2022	€24.90	Buy	€50.00
31	8 April 2022	€23.00	Buy	€43.00
32	2 June 2022	€21.60	Buy	€43.00
33	Today	€18.95	Buy	€35.00

INVESTMENT HORIZON

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

UPDATES

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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/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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