

Haemato AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAEK GR
 ISIN: DE000A289VV1

H1/23 results

RATING
BUY

PRICE TARGET
€ 34.00

Return Potential 56.0%
 Risk Rating High

A WINNING FORMULA

Six month reporting was close to our forecasts and highlighted the company's leaner operating cost structure. This helped offset margin pressure in the Specialty Pharma segment caused by regulatory headwinds in 2023. Sales were up 10% in the January-to-June period, and EBIT rose even more strongly (+20% Y/Y). The Lifestyle & Aesthetics (L&A) segment continued to be the workhorse of the company, accounting for around two-thirds of total gross profit. Management confirmed 2023 EBIT guidance of €6m to €8m, and the company will pay out the €1.20 per share dividend (prior year: €1.10) to shareholders approved at the July AGM. We remain Buy-rated on Haemato with a €34 target price.

A winning formula In prior years, a regulatory headwind year for Haemato's Specialty Pharma business spelled bad news for overall profitability. H1 provided further evidence that Haemato has evolved beyond its heritage as a low-margin parallel importer. The Specialty Pharma H1 gross margin nearly halved to 3.1% vs the prior year period in the wake of the increase in Germany's mandatory pharmaceutical discount from 7% to 12% for 2023. But L&A was able to compensate with a gross margin north of 30%, which also beat the segment's prior year comp (26%). The improved business mix allowed Haemato to post a 3.9% EBIT margin for the period equalling the figure recorded in 2021, which benefited from the one-time, high margin antigen test sales.

No setbacks for own-branded botulinum toxin Haemato is currently working with regulatory authorities to structure clinical trials for the highly anticipated private label botox. These will likely enrol 500 - 700 patients and might be conducted at M1 Kliniken premises to help keep costs in check. The company reckons the trials will run around 18 months setting up potential EU approval by YE25. Given that the botulinum toxin has already been approved in South Korea, management do not expect any issues in the European process. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Revenue (€m)	197.84	238.33	285.04	248.14	260.07	272.43
Y-o-y growth	-27.8%	20.5%	19.6%	-12.9%	4.8%	4.8%
EBIT (€m)	-0.02	1.63	11.16	8.30	10.12	12.76
EBIT margin	0.0%	0.7%	3.9%	3.3%	3.9%	4.7%
Net income (€m)	-1.17	-4.83	6.53	8.19	6.06	9.93
EPS (diluted) (€)	-0.51	-2.02	1.28	1.57	1.16	1.90
DPS (€)	0.00	1.00	1.10	1.20	1.20	1.30
FCF (€m)	-3.46	9.93	13.88	17.12	2.79	8.96
Net gearing	34.2%	6.5%	-10.5%	-16.9%	-14.3%	-15.8%
Liquid assets (€m)	4.86	10.29	31.73	27.51	21.04	23.80

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 15 Sep 2023

Closing Price € 21.80
 Shares outstanding 5.23m
 Market Capitalisation € 114.00m
 52-week Range € 13.60 / 24.20
 Avg. Volume (12 Months) 1,404

Multiples	2022	2023E	2024E
P/E	13.9	18.8	11.5
EV/Sales	0.4	0.4	0.4
EV/EBIT	12.1	9.9	7.9
Div. Yield	5.5%	5.5%	6.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets € 13.93m
 Current Assets € 77.31m
 Intangible Assets € 91.28m
 Total Assets € 183.45m
 Current Liabilities € 31.37m
 Shareholders' Equity € 149.45m

SHAREHOLDERS

M1 Kliniken AG 68.0%
 Free Float 32.0%



SIX MONTH REPORTING

Table 1: Six month results vs FBe and prior year

All figures in EUR '000	H1/23	H1/23E	variance	H1/22	variance
Revenue	133.6	127.7	5%	121.0	10%
Gross profit	10.2	11.8	-14%	5.1	102%
Margin	7.6%	9.2%	-	4.2%	-
EBITDA	5.7	5.2	9%	5.1	13%
Margin	4.3%	4.1%	-	4.2%	-
EBIT	5.3	4.6	15%	4.4	20%
Margin	3.9%	3.6%	-	3.6%	-

Source: First Berlin Equity Research; Haemato AG

Lifestyle & Aesthetics leads profitability The insurance-reimbursed Specialty Pharma segment contributed around €111m to the overall H1/23 topline (+14%), but as expected the segment showed lower profitability in H1 (table 1). This is traced to the increase in manufacturer discounts for reimbursable drugs in Germany from 7% to 12% for 2023.

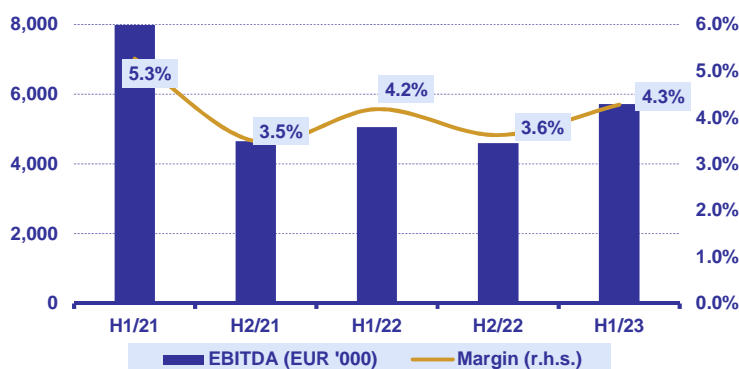
Table 2: H1 performance by segment

EURm	Specialty Pharma			Lifestyle & Aesthetics		
	H1/23	H1/22	variance	H1/23	H1/22	variance
Revenue	111.1	97.1	14%	22.5	23.9	-6%
Gross profit	3.4	5.9	-42%	6.8	6.2	10%
Margin	3.1%	6.1%	-	30.4%	26.1%	-

Source: First Berlin Equity Research; Haemato AG

Meanwhile, the self-payer Lifestyle & Aesthetics (L&A) segment notched €22.5m in sales and contributed €6.8m in gross profit equal to a 30.4% margin. The improvement owes to product mix, which included high volumes of neurotoxins and dermal fillers. It also meant that L&A gross profit was twice the amount contributed by the much larger Specialty Pharma segment.

Figure 1: EBITDA developments



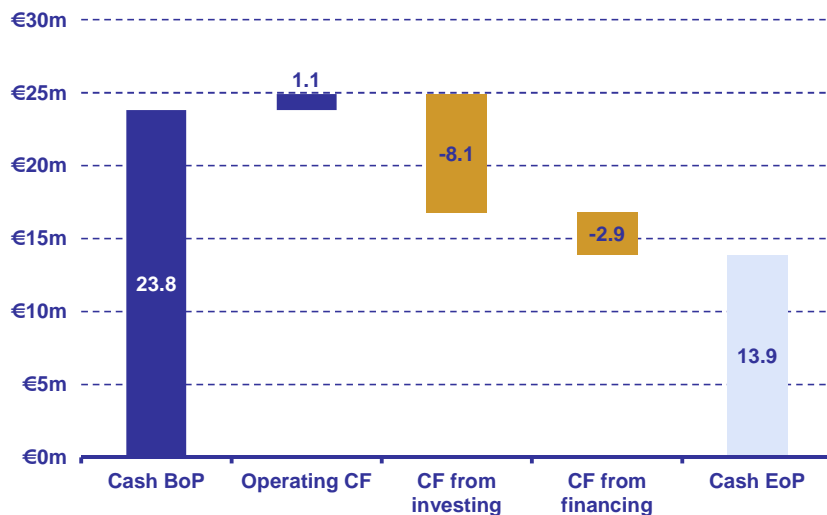
Source: First Berlin Equity Research; Haemato AG

EBITDA margin back above 4% Haemato's overall higher profitability also owes to a much leaner staff without a loss in overall productivity. The personnel costs ratio was compressed about 80 basis points vs the prior year KPI to 1.5% of turnover in the six month



period. This helped offset gross margin pressure in Specialty Pharma and propel 13% Y/Y growth in EBITDA to €5.7m for the six months to July.

Figure 2: H1/22 cash flow development



Source: First Berlin Equity Research; Haemato AG

Haemato exited H1 with a comfortable cash position of €13.9m. Operating cash tallied only €1.1m in the six month period, due to an increase in accounts receivable, which should again normalise by YE. FCF was €-7m after the purchase of liquid fixed-interest securities.

Table 3: Financial highlights

All figures in EURm	H1/23	2022	variance
Cash	13.9	23.8	-42%
Short-term financial assets	12.1	3.7	227%
Financial debt (short- and long-term)	0.3	2.7	-89%
Net debt / (net cash)	-13.6	-21.1	-
Total assets	183.4	176.6	4%
Shareholders' equity	149.5	147.2	2%
Equity ratio	82%	83%	-

Source: First Berlin Equity Research; Haemato AG

The equity ratio remained steady at 82% thanks to the increase in shareholders' equity traced to the net profit generated in the January-to-June period. The balance sheet continues to feature a net cash position with debt further reduced in the period.



VALUATION MODEL

Buy rating and €34 target price maintained The company is tracking well towards our 2023 estimates and confirmed EBIT guidance ranging between €6m and €8m. We think the EBIT guide is too conservative, given the €5.7m H1 result, and stick to our €10m estimate.

Table 4: DCF Model

In EUR '000	2023E	2024E	2025E	2026E	2027E	2028E	2029E	
Sales	260,070	272,429	294,498	315,981	333,283	346,230	356,232	366,072
NOPLAT	7,694	9,701	12,239	14,275	15,848	16,628	17,139	17,592
(+) depreciation & amortisation	1,300	1,199	1,097	1,177	1,242	1,290	1,327	1,364
Net operating cash flow	8,994	10,900	13,336	15,452	17,090	17,917	18,466	18,956
(-) Total investments (CAPEX and WC)	-9,497	-2,352	-3,603	-3,621	-3,172	-2,720	-2,392	-2,373
(-) Capital expenditures	-936	-885	-957	-1,027	-1,083	-1,125	-1,158	-1,153
(-) Working capital	-8,560	-1,466	-2,646	-2,594	-2,089	-1,595	-1,234	-1,220
Free cash flows (FCF)	-503	8,548	9,733	11,832	13,917	15,197	16,074	16,583
PV of FCFs	-489	7,525	7,758	8,538	9,093	8,990	8,610	8,041

In EUR '000	
PV of FCFs in explicit period	78,634
(+) PV of FCFs in terminal period	74,970
Enterprise value (EV)	153,604
(+) Net cash / (-) net debt	24,831
(+) Investments / minority interests	0
Shareholder value	178,434
Fair value per share (€)	34.00

		Terminal EBIT margin						
		4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
WACC	7.4%	41.97	45.27	48.57	51.87	55.17	58.47	61.76
	8.4%	36.50	39.04	41.57	44.10	46.64	49.17	51.71
	9.4%	32.45	34.44	36.44	38.44	40.43	42.43	44.43
	10.4%	29.31	30.92	32.52	34.12	35.72	37.33	38.93
	11.4%	26.81	28.12	29.42	30.73	32.03	33.34	34.65
	12.4%	24.76	25.84	26.91	27.99	29.07	30.15	31.22
	13.4%	23.05	23.94	24.84	25.74	26.64	27.54	28.43

Cost of equity	15.4%
Pre-tax cost of debt	5.5%
Tax rate	24.0%
After-tax cost of debt	4.2%
Share of equity capital	56.0%
Share of debt capital	44.0%
WACC	10.4%

		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	7.4%	45.16	47.05	49.26	51.87	55.01	58.85	63.67
	8.4%	39.56	40.87	42.37	44.10	46.13	48.53	51.41
	9.4%	35.23	36.17	37.23	38.44	39.82	41.41	43.27
	10.4%	31.78	32.48	33.25	34.12	35.10	36.21	37.47
	11.4%	28.98	29.51	30.09	30.73	31.44	32.24	33.14
	12.4%	26.66	27.06	27.51	27.99	28.53	29.12	29.77
	13.4%	24.71	25.02	25.37	25.74	26.15	26.59	27.09

*Please note our model runs through 2033 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023E	2024E
Revenues	197,835	238,333	285,043	248,142	260,070	272,429
Cost of goods sold	-184,236	-220,646	-254,312	-226,534	-239,178	-249,464
Gross profit	13,599	17,687	30,731	21,608	20,892	22,965
Personnel expenses	-6,308	-6,845	-7,503	-4,942	-4,068	-4,211
Other OpEx	-6,854	-8,015	-11,050	-7,938	-5,945	-6,153
Other income	1,460	488	458	932	545	1,362
EBITDA	1,897	3,315	12,591	9,661	11,424	13,963
Depreciation & amortisation	-1,915	-1,688	-1,474	-1,365	-1,300	-1,199
Operating income (EBIT)	-18	1,627	11,161	8,295	10,123	12,765
Net financial result	-764	-799	-65	273	-68	0
Other financial result	-406	-5,383	-1,740	1,916	-1,411	60
Pre-tax income (EBT)	-1,188	-4,555	9,356	10,484	8,644	12,825
Income taxes	15	-276	-2,823	-2,292	-2,579	-2,898
Minority interests	0	0	0	0	0	0
Net income / loss	-1,173	-4,831	6,533	8,192	6,065	9,927
Diluted EPS (in €)	-0.51	-2.02	1.28	1.57	1.16	1.90
Ratios						
Gross margin	6.9%	7.4%	10.8%	8.7%	8.0%	8.4%
EBIT margin on revenues	0.0%	0.7%	3.9%	3.3%	3.9%	4.7%
EBITDA margin on revenues	1.0%	1.4%	4.4%	3.9%	4.4%	5.1%
Net margin on revenues	-0.6%	-2.0%	2.3%	3.3%	2.3%	3.6%
Tax rate	1.3%	-6.1%	30.2%	21.9%	29.8%	22.6%
Expenses as % of revenues						
Personnel expenses	3.2%	2.9%	2.6%	2.0%	1.6%	1.5%
Other OpEx	3.5%	3.4%	3.9%	3.2%	2.3%	2.3%
Depreciation & amortisation	1.0%	0.7%	0.5%	0.6%	0.5%	0.4%
Y-Y Growth						
Revenues	-27.8%	20.5%	19.6%	-12.9%	4.8%	4.8%
Operating income	n.m.	n.m.	586.0%	-25.7%	22.0%	26.1%
Net income/ loss	n.m.	n.m.	n.m.	25.4%	-26.0%	63.7%



BALANCE SHEET

	2019	2020	2021	2022	2023E	2024E
Assets						
Current assets, total	72,768	60,884	81,070	69,268	67,521	72,348
Cash and equivalents	2,100	7,541	25,604	23,810	17,260	19,945
ST financial assets and securities	2,761	2,750	6,131	3,703	3,777	3,852
Trade receivables	10,944	14,214	14,563	12,615	14,250	14,928
Inventories	55,441	35,119	34,014	26,147	31,454	32,806
Other ST assets	1,522	1,260	758	2,994	780	817
Non-current assets, total	55,798	108,174	100,940	107,301	102,931	102,678
Property, plant & equipment	2,166	2,103	1,503	3,741	3,767	3,780
Goodwill & other intangibles	38,250	37,980	91,241	91,247	90,856	90,530
Financial assets	15,247	9,864	8,053	12,171	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	176,569	170,452	175,026
Shareholders' equity & debt						
Current liabilities, total	55,530	42,925	37,089	26,773	20,845	21,762
Trade payables	19,622	13,028	12,224	14,724	13,106	13,669
ST debt	28,897	18,307	14,588	2,682	0	0
Provisions	1,357	1,535	1,048	451	458	465
Other ST financial liabilities	661	152	1,916	2,282	780	817
Other current liabilities	4,993	9,903	7,313	6,634	6,502	6,811
Long-term liabilities, total	818	653	195	2,628	2,648	2,654
Long-term debt	0	0	0	0	0	0
LT provisions	52	52	60	54	54	54
Deferred tax liabilities	203	60	82	110	130	136
Other non-current liabilities	563	541	53	2,464	2,464	2,464
Shareholders' equity	72,219	125,480	144,726	147,168	146,958	150,610
Total consolidated equity and debt	128,566	169,058	182,010	176,569	170,452	175,026
Ratios						
Current ratio (x)	1.3	1.4	2.2	2.6	3.2	3.3
Quick ratio (x)	0.3	0.6	1.3	1.6	1.7	1.8
Equity ratio	56%	74%	80%	83%	86%	86%
Net debt	24,696	8,168	-15,231	-24,831	-21,037	-23,797
Net debt / EBITDA (x)	13.0	2.5	-1.2	-2.6	-1.8	-1.7
Net gearing	34%	7%	-11%	-17%	-14%	-16%
Return on equity (ROE)	-1.6%	-3.9%	4.5%	5.6%	4.1%	6.6%
Capital employed (CE)	52,595	41,804	40,870	30,798	38,994	40,147
Return on capital employed (ROCE)	0%	4%	27%	27%	26%	32%



CASH FLOW STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023E	2024E
Net income	-1,173	-4,831	6,533	8,192	6,065	9,927
Depreciation and amortisation	1,915	1,688	1,430	1,365	1,300	1,199
Change to LT accruals	1,023	728	-512	-597	7	7
Change in financial asset valuations	726	5,387	1,861	-1,910	4,006	-60
Asset disposals	0	15	-18	118	0	0
Income from participations	-320	-1	6	-12	0	0
Tax result	-19	269	2,823	2,292	2,579	2,898
Net interest expense	745	799	252	-261	68	0
Operating cash flow	2,897	4,054	12,375	9,188	14,025	13,970
Change in working capital	-4,714	7,640	2,847	12,344	-7,961	-1,151
Tax paid	-946	-918	-1,168	-1,803	-2,579	-2,898
Net operating cash flow	-2,763	10,776	14,054	19,729	3,485	9,921
CapEx	-1,029	-849	-293	-1,025	-936	-885
Income from investments	320	0	-50	-2,201	-74	-76
Interest income	8	5	171	618	318	0
Cash flow from investing	-701	-844	-172	-2,608	-692	-961
Free cash flow (FCF)	-3,465	9,932	13,882	17,121	2,793	8,960
Equity inflow, net	0	0	14,485	0	0	0
Debt inflow, net	3,583	-3,164	-3,566	-12,155	-2,682	0
Financing expenses paid	-714	-777	-396	-320	-386	0
Dividend paid to shareholders	-2,285	0	-2,760	-5,750	-6,275	-6,275
Other adjustments	-536	-550	-604	-690	0	0
Cash flow from financing	48	-4,491	7,159	-18,915	-9,343	-6,275
Net cash flows	-3,499	5,441	18,063	-1,794	-6,550	2,685
Cash, start of the year	5,599	2,100	7,541	25,604	23,810	17,260
Cash, end of the year	2,100	7,541	25,604	23,810	17,260	19,945
EBITDA/share (in €)	0.83	1.39	2.47	1.85	2.18	2.67
Y-Y Growth						
Operating cash flow	n.m.	n.m.	30.4%	40.4%	-82.3%	184.7%
Free cash flow	n.m.	n.m.	39.8%	23.3%	-83.7%	220.8%
EBITDA/share	-81.0%	67.3%	78.0%	-25.2%	18.2%	22.2%

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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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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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...30	↓	↓	↓	↓
31	8 April 2022	€23.00	Buy	€43.00
32	2 June 2022	€21.60	Buy	€43.00
33	18 August 2022	€18.95	Buy	€35.00
34	21 September 2022	€16.15	Buy	€35.00
35	24 November 2022	€16.00	Buy	€35.00
36	23 March 2023	€18.30	Buy	€33.00
37	13 April 2023	€18.00	Buy	€33.00
38	21 June 2023	€23.40	Buy	€34.00
39	Today	€21.80	Buy	€34.00

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/>

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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