

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAE GR
 ISIN: DE0006190705

2017
 Prelims

RATING
BUY

PRICE TARGET
€ 7.40

Return Potential 25.4%
 Risk Rating High

SOLID UPTICK IN H2 SALES AND EBIT MARGIN

HAEMATO AG reported preliminary KPIs for 2017. Both revenue and EBIT were ahead of our full year forecasts, thanks to a stronger than expected pick up in H2 sales. After a sluggish start to the year with H1 revenue slumping 14%, H2 sales grew 13% Y/Y to €151m (FBe: €141m; +7%). The company was thus able to beat the prior year top line figure by 5%. Full year EBIT of €9.4m implies a 3.2% margin and tops our estimate by 30 basis points. Management plans to distribute a €0.30 dividend to shareholders, equal to a 5% yield and matching the prior year payout. We stick to our Buy rating and €7.40 price target.

Uptick in sales has company back on track The overall positive performance (overleaf) in H2/17 is encouraging and underscores our positive views on the company's position as a supplier of speciality pharmaceuticals. H2 revenues grew 13% Y/Y to €151m and thus negated the 14% H1 revenue shortfall. HAEMATO thus beat our FY target (FBe: €280m; +3.5%). Although operating income (€9.4m vs €13.4m) failed to match the prior year performance, we note that last year benefited strongly from an exceptional "other income result" (€10.2m), which we expect to be lower this year when full year results are published. The preliminary 3.2% EBIT margin for the year implies a 4.1% H2/17 margin vs 2.3% in H1/17. We believe earnings benefited from the higher sales volume.

Full year results slated 4 May Prelims give us a high degree of confidence for current fiscal year operations. We will update our estimates with publication of the annual report as well as comment on the latest business developments including progress with the medical products pipeline. The company noted initial sales of its high margin Hyaluronic acid-based beauty products in December.

FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Revenue (€m)	202.67	229.73	275.61	289.89	309.57	340.53
Y-o-y growth	16.8%	13.3%	20.0%	5.2%	6.8%	10.0%
EBIT (€m)	8.23	8.22	13.44	9.37	11.02	12.85
EBIT margin	4.1%	3.6%	4.9%	3.2%	3.6%	3.8%
Net income (€m)	6.98	5.54	11.04	7.06	9.01	9.99
EPS (diluted) (€)	0.34	0.27	0.53	0.34	0.43	0.48
DPS (€)	0.30	0.30	0.30	0.30	0.30	0.34
FCF (€m)	4.73	0.95	10.95	-3.29	4.48	3.98
Net gearing	44.2%	53.8%	25.9%	26.4%	28.4%	30.6%
Liquid assets (€m)	2.42	2.45	9.79	8.44	11.64	14.34

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 speciality pharmaceuticals focused on the growth markets in the indication groups of oncology, HIV / AIDS and other chronic diseases. The company boasts a broad customer base of over 4,800 apothecaries and eleven wholesalers in Germany, while over 1,300 pharmacies and another five wholesalers in Austria also source from HAEMATO.

MARKET DATA

As of 26 Apr 2018

Closing Price	€ 5.90
Shares outstanding	21.98m
Market Capitalisation	€ 129.68m
52-week Range	€ 5.00 / 7.12
Avg. Volume (12 Months)	24,439

Multiples	2016	2017E	2018E
P/E	11.1	17.4	13.6
EV/Sales	0.5	0.5	0.5
EV/EBIT	11.2	16.0	13.6
Div. Yield	5.1%	5.1%	5.1%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2017

Liquid Assets	€ 4.94m
Current Assets	€ 59.55m
Intangible Assets	€ 34.58m
Total Assets	€ 119.76m
Current Liabilities	€ 29.77m
Shareholders' Equity	€ 66.11m

SHAREHOLDERS

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



Table 1: 2017 prelims vs forecasts

In EUR '000	2017P	2017E	% delta	2016	% delta	H2/17	H2/ 16	% delta
Revenue	289,900	280,154	3.5%	275,614	5.2%	151,086	133,340	13.3%
EBIT	9,400	8,130	15.6%	13,441	-30.1%	6,218	7,585	-18.0%
Margin (%)	3.2%	2.9%	-	4.9%	-	4.1%	5.7%	-
Net Income	6,980	6,503	7.3%	11,037	-36.8%	4,816	6,622	-27.3%
Margin (%)	2.4%	2.3%	-	4.0%	-	3.2%	5.0%	-

Source: First Berlin Equity Research; HAEMATO

Table 2: Valuation model

All figures in EUR '000	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Sales	309,570	340,527	374,580	406,419	438,932	469,658	497,837	522,729
NOPLAT	8,374	9,763	11,102	12,811	14,569	16,030	17,637	19,069
+ depreciation & amortisation	1,085	945	862	806	778	762	548	523
Net operating cash flow	9,460	10,708	11,964	13,616	15,346	16,792	18,185	19,592
- total investments (CAPEX and WC)	-2,874	-4,287	-4,702	-3,360	-3,317	-4,205	-2,612	-2,109
Capital expenditures	-585	-556	-591	-619	-644	-663	-625	-627
Working capital	-2,290	-3,730	-4,111	-2,741	-2,673	-3,542	-1,987	-1,482
Free cash flows (FCF)	6,585	6,422	7,262	10,257	12,029	12,587	15,573	17,483
PV of FCF's	6,185	5,497	5,665	7,293	7,796	7,435	8,384	8,578

All figures in thousands	
PV of FCFs in explicit period	95,394
PV of FCFs in terminal period	83,593
Enterprise value (EV)	178,986
+ Net cash / - net debt	-16,331
+ Investments / minority interests	0
Shareholder value	162,656
Fair value per share (€)	7.40

		Terminal growth rate								
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%		
WACC	Cost of equity	14.3%	6.7%	11.06	11.62	12.27	13.06	14.00	15.18	16.67
	Pre-tax cost of debt	5.5%	7.7%	9.24	9.61	10.04	10.55	11.13	11.84	12.69
	Tax rate	24.0%	8.7%	7.85	8.11	8.41	8.75	9.14	9.59	10.11
	After-tax cost of debt	4.2%	9.7%	6.77	6.95	7.16	7.40	7.67	7.97	8.32
	Share of equity capital	55.0%	10.7%	5.89	6.03	6.19	6.36	6.55	6.76	7.00
	Share of debt capital	45.0%	11.7%	5.18	5.29	5.40	5.53	5.66	5.82	5.99
	WACC	9.7%	12.7%	4.59	4.67	4.76	4.85	4.95	5.07	5.19

*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	2015	2016	2017E	2018E	2019E
Revenues	229,727	275,614	289,888	309,570	340,527
Cost of goods sold	-214,454	-256,145	-269,624	-287,126	-315,805
Gross profit	15,273	19,469	20,264	22,444	24,722
Personnel expenses	-5,409	-6,005	-6,350	-6,501	-6,708
Other OpEx	-6,462	-8,420	-7,984	-8,173	-8,990
Other income	6,622	10,202	5,105	4,334	4,767
EBITDA	10,024	15,246	10,987	12,104	13,791
Depreciation & amortisation	-1,799	-1,805	-1,619	-1,085	-945
Operating income (EBIT)	8,225	13,441	9,368	11,019	12,847
Net financial result	-2,197	-1,182	-1,270	-1,483	-1,749
Pre-tax income (EBT)	6,028	12,259	8,098	9,536	11,098
Income taxes	-489	-1,222	-1,035	-524	-1,110
Minority interests	0	0	0	0	0
Net income / loss	5,539	11,037	7,063	9,011	9,988
Diluted EPS (in €)	0.27	0.53	0.34	0.43	0.48
Ratios					
Gross margin	6.6%	7.1%	7.0%	7.2%	7.3%
EBIT margin on revenues	3.6%	4.9%	3.2%	3.6%	3.8%
EBITDA margin on revenues	4.4%	5.5%	3.8%	3.9%	4.1%
Net margin on revenues	2.4%	4.0%	2.4%	2.9%	2.9%
Tax rate	8.1%	10.0%	12.8%	19.0%	20.3%
Expenses as % of revenues					
Personnel expenses	2.4%	2.2%	2.2%	2.1%	2.0%
Other OpEx	2.8%	3.1%	2.8%	2.6%	2.6%
Depreciation & amortisation	0.8%	0.7%	0.6%	0.4%	0.3%
Y-Y Growth					
Revenues	13.3%	20.0%	5.2%	6.8%	10.0%
Operating income	-0.1%	63.4%	-30.3%	17.6%	16.6%
Net income/ loss	-20.6%	99.3%	-36.0%	27.6%	10.8%



BALANCE SHEET

All figures in EUR '000	2015	2016	2017E	2018E	2019E
Assets					
Current assets, total	52,860	59,431	60,312	66,432	73,896
Cash and equivalents	2,449	9,790	8,442	11,638	14,336
ST financial assets and securities	2,791	7,084	7,084	7,084	7,084
Trade receivables	4,725	4,118	4,765	5,089	5,598
Inventories	41,677	37,893	39,151	41,692	45,857
Other ST assets	1,218	546	870	929	1,022
Non-current assets, total	54,129	57,342	59,874	62,562	65,477
Property, plant & equipment	1,308	1,178	972	1,047	1,064
Goodwill & other intangibles	40,213	39,259	38,860	38,285	37,879
Financial assets	12,474	16,769	19,839	23,014	26,296
Deferred taxes	134	136	203	217	238
Total assets	106,989	116,772	120,186	128,994	139,373
Shareholders' equity & debt					
Current liabilities, total	35,588	28,709	23,775	28,794	29,423
Trade payables	5,684	6,410	8,864	9,440	10,383
ST debt	21,636	1,912	2,688	6,688	5,736
Provisions	4,309	7,187	7,295	7,404	7,515
Other ST financial liabilities	539	813	580	619	681
Other current liabilities	3,420	12,387	4,348	4,644	5,108
Long-term liabilities, total	13,112	24,972	25,404	26,775	33,132
Long-term debt	12,190	24,209	24,521	25,834	32,097
LT provisions	21	13	13	13	13
Deferred tax liabilities	901	750	870	929	1,022
Shareholders' equity	58,289	63,092	71,007	73,424	76,818
Total consolidated equity and debt	106,989	116,772	120,186	128,994	139,373
Ratios					
Current ratio (x)	1.5	2.1	2.5	2.3	2.5
Quick ratio (x)	0.3	0.8	0.9	0.9	1.0
Net debt	31,377	16,331	18,767	20,883	23,497
Net gearing	54%	26%	26%	28%	31%
Return on equity (ROE)	9.5%	17.5%	9.9%	12.3%	13.0%
Capital employed (CE)	47,655.2	41,453.5	40,299.8	42,088.7	45,430.4
Return on capital employed (ROCE)	17%	32%	23%	26%	28%



CASH FLOW STATEMENT

All figures in EUR '000	2015	2016	2017E	2018E	2019E
Pre-tax income	6,028	12,259	8,098	9,536	11,098
Depreciation and amortisation	1,799	1,805	1,619	1,085	945
Change to LT accruals	1,712	1,828	0	0	0
Change in financial asset valuations	-4,994	-9,657	-3,070	-3,175	-3,282
Asset disposals	-899	59	0	0	0
Interest income	-8	-44	-10	-10	-10
Interest expense	1,629	1,858	1,920	1,493	1,759
Change in trade rec & other assets	4,947	1,137	-1,037	-396	-623
Change in inventory	-7,489	3,784	-1,258	-2,541	-4,164
Change in payable & other liabilities	786	902	-5,590	1,078	1,673
Operating cash flow	3,510	13,931	671	7,070	7,394
Interest income	8	44	10	10	10
Interest expense paid	-1,629	-1,858	-1,920	-1,493	-1,759
Tax paid	-489	-1,222	-1,035	-524	-1,110
Net operating cash flow	1,400	10,895	-2,274	5,063	4,536
CapEx	-796	52	-1,015	-585	-556
Proceeds from disposal of fixed assets	342	0	0	0	0
Cash flow from investing	-454	52	-1,015	-585	-556
Free cash flow (FCF)	946	10,947	-3,288	4,478	3,979
Equity inflow, net	0	0	7,446	0	0
Debt inflow, net	5,313	1,695	1,089	5,313	5,313
Dividend paid to shareholders	-6,234	-5,301	-6,594	-6,594	-6,594
Cash flow from financing	-921	-3,606	1,941	-1,282	-1,282
Net cash flows	25	7,341	-1,348	3,196	2,698
Cash, start of the year	2,424	2,449	9,790	8,442	11,638
Cash, end of the year	2,449	9,790	8,442	11,638	14,336
EBITDA/share (in €)	0.48	0.73	0.51	0.55	0.63
Y-Y Growth					
Operating cash flow	-78.7%	678.1%	n.m.	n.m.	-10.4%
Free cash flow	-80.0%	1056.9%	n.m.	n.m.	-11.1%
EBITDA/share	-2.6%	52.1%	-30.6%	8.2%	13.9%

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...14	↓	↓	↓	↓
15	17 March 2017	€6.05	Buy	€8.40
16	9 May 2017	€6.66	Buy	€8.40
17	4 October 2017	€5.59	Buy	€7.40
18	Today	€5.90	Buy	€7.40

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BUY: An expected favourable price trend of more than 25% percent.

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- key sources of information in the preparation of this research report
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