

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAEK GR
 ISIN: DE000A289VV1

H1/20
 Results

RATING
BUY

PRICE TARGET
€ 48.00

Return Potential 91.8%
 Risk Rating High

GOOD BUSINESS MOMENTUM EXTENDS INTO Q2

Six month reporting showed the impact of the improved product roster. H1 revenue and EBITDA were up some 23% respectively. The topline matched our target but EBIT missed FBe, due mainly to lower than expected 'other operating income' and higher personnel costs. The gross margin saw a strong sequential uptick to 7.8% approaching historically high levels, thanks to the enhanced product mix. After a marked sales slump in H1/19, we believe HAEMATO has turned the corner and is on track to hit FBe 2020 revenue growth of 16%. Our price target stays at €48, and we remain Buy-rated on HAEMATO.

Good sales and gross margin performances HAEMATO reported its best six month sales performance since H2/18 and appears to be hitting its stride again. Considering the issues involved in navigating the pandemic restrictions, the results are even more promising. Swift implementation of safety measures at the Schönefeld production facility meant that HAEMATO suffered almost no down time during the lockdown. Topline performance was supported by an encouraging gross margin (figure 1 overleaf) validating management's decision to cull the portfolio of low margin products. Although net income came in lower than we had thought on non-cash, non-recurring items, this does not diminish the improved sales momentum.

What else has changed? After several quarters shaped by portfolio optimisation, regulatory wrangling, and market headwinds, H1 was more focused on operational performance. We look for this momentum to continue. Earlier in the year, we reported that HAEMATO now holds the required legal permissions to import and distribute pain-relief narcotics. Their revenue streams are wholesale-driven for now, while applications for parallel import are being processed. Management hinted that they have completed all the red tape and hope the licenses will be granted in the coming calendar year. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019	2020E	2021E
Revenue (€m)	275.61	289.86	274.12	197.84	229.56	262.83
Y-o-y growth	20.0%	5.2%	-5.4%	-27.8%	16.0%	8.5%
EBIT (€m)	13.44	9.42	8.50	-0.02	3.64	6.69
EBIT margin	4.9%	3.2%	3.1%	0.0%	1.6%	2.5%
Net income (€m)	11.04	6.98	6.28	-1.17	0.12	4.73
EPS (diluted) (€)	0.53	3.22	3.54	-0.51	0.05	2.07
DPS (€)	3.00	3.00	1.00	0.00	1.50	2.50
FCF (€m)	12.80	-2.91	6.77	-3.46	12.26	2.29
Net gearing	15.9%	17.4%	19.7%	34.2%	18.7%	21.2%
Liquid assets (€m)	16.87	15.71	8.49	4.86	7.18	6.17

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 4,800 pharmacies and eleven wholesalers in Germany, while over 1,300 pharmacies and another five wholesalers in Austria also source from HAEMATO.

MARKET DATA

As of 04 Sep 2020

Closing Price	€ 25.02
Shares outstanding	2.29m
Market Capitalisation	€ 57.22m
52-week Range	€ 15.00 / 33.30
Avg. Volume (12 Months)	1,696

Multiples	2019	2020E	2021E
P/E	n.a.	n.a.	12.1
EV/Sales	0.4	0.3	0.3
EV/EBIT	n.a.	21.5	11.7
Div. Yield	0.0%	6.0%	10.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2020

Liquid Assets	€ 3.12m
Current Assets	€ 61.29m
Intangible Assets	€ 38.10m
Total Assets	€ 128.57m
Current Liabilities	€ 43.37m
Shareholders' Equity	€ 69.40m

SHAREHOLDERS

M1 Kliniken AG	48.0%
Free Float	52.0%



GOOD BUSINESS MOMENTUM EXTENDS INTO Q2

Six month sales were close to FBe and outperformed the prior year result by 23% Y/Y. Gross profit overshoot our target, thanks an uptick in gross margin to 7.8% on an improved product mix. The company has stripped low margin products from the portfolio the past quarters contributing to the 290 basis point sequential uptick in gross margin in H1 (figure 1).

Table 1: Six month results vs prior year and forecasts

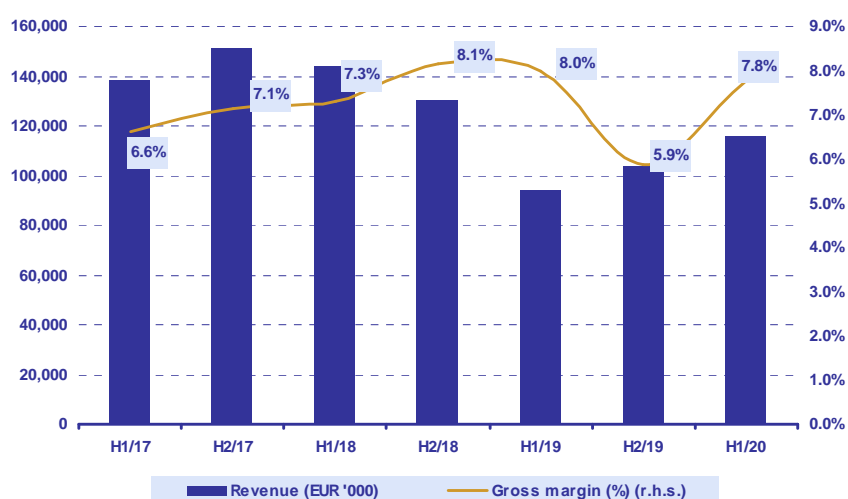
All figures in EUR '000	6M/20	6M/20E	variance	6M/19	variance
Revenue	115,808	114,691	1.0%	94,009	23.2%
Gross profit	9,005	8,602	4.7%	7,506	20.0%
Margin	7.8%	7.5%	-	8.0%	-
EBITDA	2,066	2,421	-14.7%	1,685	22.6%
Margin	1.8%	2.1%	-	1.8%	-
EBIT	1,230	1,825	-32.6%	713	72.5%
Margin	1.1%	1.6%	-	0.8%	-
Net Income	-2,820	-2,344	-	-2,100	-
Margin	-2.4%	-2.0%	-	-2.2%	-

Source: First Berlin Equity Research; HAEMATO AG

Other operating expenses were largely in line with our targets, but EBIT missed our estimate on a lower than expected 'other operating income result' and higher personnel expenses than we had modelled. The former normally contains realised gains on financial assets, which failed to materialise during the market downturn. The operating margin was slightly higher Y/Y helping spur the 73% rise in EBIT. Net income retreated on an annualised basis and missed FBe by a wide margin. This was occasioned by a €-3.4m non-cash write-down in the fair value of long-term financial assets.

On a quarterly basis, revenue increased 20% Y/Y to €54m (Q2/19: €45m). EBITDA improved some 240% to €1.1m in Q2 (Q2/19: €0.3m) on the higher sales throughput. The company does not publish other quarterly KPIs for comparison.

Figure 1: Revenue and gross margin development



Source: First Berlin Equity Research; HAEMATO AG

**Table 2: Balance sheet KPI's**

All figures in EUR '000	H1/20	2019	variance
Cash	3,130	2,100	49.0%
Short-term financial assets	2,550	2,761	-7.6%
Financial debt (short- and long-term)	23,808	28,897	-17.6%
Net debt	18,128	24,036	-24.6%
Total assets	113,274	128,567	-11.9%
Shareholders' equity	69,399	72,219	-3.9%
Equity ratio	61%	56%	-

Source: First Berlin Equity Research; HAEMATO AG

Balance sheet solid with stable equity ratio Total assets slipped to €113m (2019: €129m), stemming mainly from the decline in long-term financial assets and inventory reduction. Net debt declined to €18m (YE19: €24m), and the company exited the six month period with €3.1m in cash and cash equivalents. Shareholders' equity dipped on the net loss, while the equity ratio saw a sequential uptick to a healthy 61% owing to the smaller asset base.

Table 3: Cash flow overview

All figures in EUR '000	H1/20	H1/19	variance
Net operating cash flow	3,976	6,266	-36.5%
Cash flow from investing	-381	-387	-
Cash flow from financing	-2,950	-1,975	-
Net cash flows	644	3,904	-83.5%
Free cash flow (FCF)	3,595	5,879	-38.9%

Source: First Berlin Equity Research; HAEMATO AG

Operating cash flow despite weaker bottom line Net operating cash flow totalled €4.0m for the period compared to €6.3m in H1/19. The decline stems chiefly from higher working capital consumption. The solid inventory reduction in H1/20 was partially offset by a decrease in payables. The company had stockpiled the warehouse in Q4/19 during portfolio optimisation accounted for the high YE figures. The build-up paid off during the lockdown helping counter supply bottlenecks.

Cash flow from financing amounted to €-3.0m and was traced to repayment of bank debt. The change in cash for the six month time frame equalled €0.6m leaving HAEMATO with some €3.1m in cash and equivalents on the balance sheet (2019: €2.1m).



Confirming 2020 revenue forecast on H1 performance Six month revenue matched FBe, and we leave our full year topline intact. We also stick to our 2020 gross margin target of 7.5% after the encouraging H1 performance. HAEMATO is on track to deliver >16% annualised growth in 2020 after two years of revenue contraction.

We have adjusted our earnings forecasts to account for the higher staffing expenses, lower than expected 'other operating income', and the write-down on financial assets in H1/20. The latter two items are non-cash.

Table 1: Updates to FBe and price target

	old	new	revision	upside	dividend yield	total return
Price target (€)	48.0	48.0	0.0%	91.8%	6.0%	97.8%
	2020E			2021E		
All figures in € '000	old	new	revision	old	new	revision
Revenue	229,556	229,556	0.0%	262,890	262,831	0.0%
EBIT	5,482	3,636	-33.7%	7,324	6,690	-8.7%
Margin (%)	2.4%	1.6%	-	2.8%	2.5%	-
Net income	3,769	120	-96.8%	5,039	4,735	-6.0%
EPS diluted (€)	0.16	0.05	-96.8%	0.22	2.07	-6.0%

Source: First Berlin Equity Research estimates

VALUATION MODEL

In EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
Sales	229,556	262,831	294,371	323,808	346,474	367,263	385,626	401,051	
NOPLAT	2,763	5,084	7,233	8,149	9,351	10,340	11,190	11,776	
(+) depreciation & amortisation	1,565	1,104	1,236	1,360	1,351	1,368	1,437	1,494	
Net operating cash flow	4,328	6,188	8,469	9,509	10,702	11,708	12,627	13,270	
(-) Total investments (CAPEX and WC)	4,365	-5,072	-6,591	-2,235	-3,206	-1,766	-3,205	-553	
(-) Capital expenditures	-872	-999	-1,119	-1,230	-1,317	-1,396	-1,465	-1,524	
(-) Working capital	5,237	-4,073	-5,472	-1,004	-1,889	-370	-1,739	971	
Free cash flows (FCF)	8,693	1,116	1,879	7,274	7,496	9,942	9,422	12,717	
PV of FCF's	8,458	994	1,532	5,430	5,123	6,219	5,395	6,666	
	Terminal EBIT margin								
In EUR '000		3.2%	3.7%	4.2%	4.7%	5.2%	5.7%	6.2%	
PV of FCFs in explicit period	57,473	6.2%	59.55	70.39	81.23	92.08	102.92	113.76	124.60
(+) PV of FCFs in terminal period	77,014	7.2%	47.74	55.87	64.00	72.13	80.25	88.38	96.51
Enterprise value (EV)	134,488	8.2%	39.35	45.64	51.93	58.22	64.51	70.80	77.09
(+) Net cash / (-) net debt	-24,696	9.2%	33.07	38.05	43.03	48.01	52.99	57.98	62.96
(+) Investments / minority interests	0	10.2%	28.17	32.19	36.21	40.22	44.24	48.25	52.27
Shareholder value	109,792	11.2%	24.25	27.53	30.81	34.10	37.38	40.66	43.95
Fair value per share (€)	48.00	12.2%	21.03	23.74	26.46	29.17	31.89	34.60	37.32
	Terminal growth rate								
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	13.5%	6.2%	73.63	78.70	84.75	92.08	101.13	112.60	127.62
Pre-tax cost of debt	5.3%	7.2%	60.10	63.51	67.47	72.13	77.67	84.38	92.68
Tax rate	24.0%	8.2%	49.97	52.36	55.09	58.22	61.86	66.13	71.21
After-tax cost of debt	4.0%	9.2%	42.13	43.86	45.81	48.01	50.52	53.39	56.73
Share of equity capital	55.0%	10.2%	35.90	37.19	38.62	40.22	42.01	44.03	46.33
Share of debt capital	45.0%	11.2%	30.85	31.83	32.91	34.10	35.41	36.88	38.53
WACC	9.2%	12.2%	26.68	27.44	28.27	29.17	30.16	31.26	32.47

*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	2020E	2021E	2022E
Revenues	289,862	274,121	197,835	229,556	262,831	294,371
Cost of goods sold	-269,778	-252,994	-184,236	-212,019	-243,119	-272,293
Gross profit	20,084	21,127	13,599	17,536	19,712	22,078
Personnel expenses	-6,209	-6,322	-6,308	-6,796	-6,925	-7,057
Other OpEx	-8,948	-8,520	-6,854	-7,404	-7,622	-7,359
Other income	6,476	3,675	1,460	1,864	2,628	3,092
EBITDA	11,270	9,959	1,897	5,201	7,793	10,753
Depreciation & amortisation	-1,854	-1,456	-1,915	-1,565	-1,104	-1,236
Operating income (EBIT)	9,416	8,503	-18	3,636	6,690	9,517
Net financial result	-1,958	-1,059	-764	-1,097	-923	-1,058
Other financial result	631	320	-406	-2,400	248	261
Pre-tax income (EBT)	8,089	7,764	-1,188	139	6,015	8,720
Income taxes	-1,106	-1,488	15	-19	-1,280	-1,896
Minority interests	0	0	0	0	0	0
Net income / loss	6,983	6,276	-1,173	120	4,735	6,824
Diluted EPS (in €)	3.22	3.54	-0.51	0.05	2.07	2.98
Ratios						
Gross margin	6.9%	7.7%	6.9%	7.6%	7.5%	7.5%
EBIT margin on revenues	3.2%	3.1%	0.0%	1.6%	2.5%	3.2%
EBITDA margin on revenues	3.9%	3.6%	1.0%	2.3%	3.0%	3.7%
Net margin on revenues	2.4%	2.3%	-0.6%	0.1%	1.8%	2.3%
Tax rate	13.7%	19.2%	1.3%	13.7%	21.3%	21.7%
Expenses as % of revenues						
Personnel expenses	2.1%	2.3%	3.2%	3.0%	2.6%	2.4%
Other OpEx	3.1%	3.1%	3.5%	3.2%	2.9%	2.5%
Depreciation & amortisation	0.6%	0.5%	1.0%	0.7%	0.4%	0.4%
Y-Y Growth						
Revenues	5.2%	-5.4%	-27.8%	16.0%	14.5%	12.0%
Operating income	-29.9%	-9.7%	n.m.	n.m.	84.0%	42.3%
Net income/ loss	-36.7%	-10.1%	n.m.	n.m.	3860.7%	44.1%



BALANCE SHEET

	2017	2018	2019	2020E	2021E	2022E
Assets						
Current assets, total	67,349	60,684	72,768	58,692	63,220	71,414
Cash and equivalents	6,469	5,599	2,100	4,367	3,302	4,594
ST financial assets and securities	9,236	2,889	2,761	2,816	2,873	2,930
Trade receivables	8,320	7,320	10,944	11,321	12,962	14,517
Inventories	43,114	44,377	55,441	39,500	43,295	48,491
Other ST assets	210	499	1,522	689	788	883
Non-current assets, total	54,678	55,832	55,798	51,704	51,847	51,990
Property, plant & equipment	1,106	1,046	2,166	1,817	1,844	1,873
Goodwill & other intangibles	38,941	38,677	38,250	37,906	37,775	37,627
Financial assets	14,496	15,973	15,247	11,846	12,094	12,355
Deferred taxes	135	136	135	135	135	135
Total assets	122,027	116,516	128,566	110,397	115,067	123,405
Shareholders' equity & debt						
Current liabilities, total	31,569	25,483	55,530	22,099	24,415	26,597
Trade payables	7,522	8,469	19,622	9,294	10,657	11,936
ST debt	7,821	7,680	28,897	5,000	5,000	5,000
Provisions	7,249	361	1,357	1,377	1,398	1,419
Other ST financial liabilities	1,229	684	661	689	788	883
Other current liabilities	7,748	8,290	4,993	5,739	6,571	7,359
Long-term liabilities, total	19,531	15,357	818	15,959	17,009	22,057
Long-term debt	19,000	15,000	0	15,000	16,000	21,000
LT provisions	13	26	52	52	52	52
Deferred tax liabilities	518	332	203	344	394	442
Other non-current liabilities	0	0	563	563	563	563
Shareholders' equity	70,927	75,676	72,219	72,338	73,643	74,751
Total consolidated equity and debt	122,027	116,516	128,566	110,397	115,067	123,405
Ratios						
Current ratio (x)	2.1	2.4	1.3	2.7	2.6	2.7
Quick ratio (x)	0.8	0.6	0.3	0.9	0.8	0.9
Equity ratio	58%	65%	56%	66%	64%	61%
Net debt	12,344	14,875	24,696	13,505	15,614	19,359
Net debt / EBITDA (x)	1.1	1.5	13.0	2.6	2.0	1.8
Net gearing	17%	20%	34%	19%	21%	26%
Return on equity (ROE)	9.8%	8.3%	-1.6%	0.2%	6.4%	9.1%
Capital employed (CE)	49,375	48,367	52,595	46,665	50,634	55,988
Return on capital employed (ROCE)	19%	18%	0%	8%	13%	17%



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020E	2021E	2022E
Net income	6,983	6,276	-1,173	120	4,735	6,824
Depreciation and amortisation	1,854	1,456	1,915	1,565	1,104	1,236
Change to LT accruals	1,031	0	1,023	20	21	21
Change in financial asset valuations	-3,559	-1,943	726	3,401	-248	-261
Asset disposals	-811	-546	0	0	0	0
Income from participations	-631	-320	-320	-200	-200	-200
Tax result	-636	1,485	-19	19	1,280	1,896
Net interest expense	1,958	1,059	745	1,097	923	1,058
Operating cash flow	6,189	7,467	2,897	6,022	7,614	10,574
Change in inventory	-5,221	525	-11,064	15,941	-3,796	-5,195
Change in trade rec & other assets	-5,627	1,064	-3,704	457	-1,741	-1,650
Change in payable & other liabilities	-3,111	-7,468	10,054	-9,413	2,345	2,209
Tax paid	-582	-1,031	-946	-19	-1,280	-1,896
Net operating cash flow	-8,352	557	-2,763	12,988	3,142	4,042
CapEx	4,805	-1,134	-1,029	-872	-999	-1,119
Income from investments	631	7,326	320	145	144	143
Interest income	2	16	8	3	0	0
Cash flow from investing	5,438	6,208	-701	-725	-855	-976
Free cash flow (FCF)	-2,914	6,765	-3,465	12,264	2,287	3,066
Equity inflow, net	7,447	5,198	0	0	0	0
Debt inflow, net	701	-5,165	3,583	-8,897	1,000	5,000
Financing expenses paid	-1,959	-1,074	-714	-1,100	-923	-1,058
Dividend paid to shareholders	-6,594	-6,594	-2,285	0	-3,430	-5,717
Other adjustments	0	0	-536	0	0	0
Cash flow from financing	-406	-7,635	48	-9,997	-3,353	-1,774
Net cash flows	-3,320	-870	-3,499	2,267	-1,065	1,292
Cash, start of the year	9,789	6,469	5,599	2,100	4,367	3,302
Cash, end of the year	6,469	5,599	2,100	4,367	3,302	4,594
EBITDA/share (in €)	5.22	4.36	0.83	2.27	3.41	4.70

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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	€3.00	Buy	€57.00
2...19	↓	↓	↓	↓
20	13 September 2018	€5.36	Buy	€76.00
21	17 May 2019	€4.99	Add	€58.00
22	9 September 2019	€3.11	Buy	€48.00
23	15 June 2020	€2.17	Buy	€48.00
28	Today	€25.02	Buy	€48.00

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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The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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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