

HAEMATO AG

Germany / Pharma
 Frankfurt
 Bloomberg: HAEK GR
 ISIN: DE000A289VV1

H1
 Results

RATING
BUY

PRICE TARGET
€ 50.00

Return Potential 97.6%
 Risk Rating High

H1 SHOWS STRONG INCREASE IN PROFITABILITY

Six month reporting featured a strong increase in sales and earnings that beat FBe by a wide margin, due to the inclusion of antigen test-kit sales that we had not factored into our numbers. A continually improving product mix that now includes M1 Select cosmetics sales to augment core parallel trade and wholesale activities also propelled the good performance. H1 revenue grew 31% on annualised basis to €152m, while EBIT was up nearly fivefold to €7.2m, owing largely to a surge in the gross margin to 11.3%. The company upped guidance, and we increase 2021 FBe on the H1 results. Our price target moves to €50 (dd: €49), and we maintain our Buy rating.

Gross profit outperforms Aside from core parallel import operations, the first six months were shaped by the on-going ramp-up of lifestyle & aesthetics activities, which included the covid-19 diagnostic test business. The latter contributed some €25m in revenue to the topline. HAEMATO was able to address a surge in demand for antigen testing as lockdowns and restrictions eased the past months. This was driven by pop-up citizen testing stations as well as self-testing kits, particularly for a workforce slowly returning to the office. However, we regard the springtime surge as a one-off event in a now oversupplied market. Antigen testing helped push the gross margin north of 11% for the first time in the company's history (figure 2 overleaf).

More than a parallel importer The pharmaceuticals portfolio has now been successfully repositioned to focus on drugs with unit pricing > €800 to harness the potential of the company's parallel import and wholesale operations. Attention has now shifted to its self-payer market strategy with the newly consolidated M1 Aesthetics to tap into the growth and high margins of the facial care market and clinical beauty treatments—dermal fillers and botulinum toxin. The latter is currently conducted as a wholesale agent, until HAEMATO can launch its own product line (FBe: 2023). But the company already markets its own line of beauty products under the M1 Select brand for. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Revenue (€m)	289.86	274.12	197.84	238.33	286.56	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	10.88	14.67
EBIT margin	3.2%	3.1%	0.0%	0.7%	3.8%	4.6%
Net income (€m)	6.98	6.28	-1.17	-4.83	9.66	11.15
EPS (diluted) (€)	3.22	3.54	-0.51	-2.02	1.86	2.13
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	-1.02
Net gearing	15.9%	17.4%	19.7%	34.2%	6.5%	-1.1%
Liquid assets (€m)	15.71	8.49	4.86	10.29	17.43	22.32

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 07 Sep 2021

Closing Price	€ 25.30
Shares outstanding	5.23m
Market Capitalisation	€ 132.30m
52-week Range	€ 18.80 / 36.20
Avg. Volume (12 Months)	4,012

Multiples	2020	2021E	2022E
P/E	n.a.	13.6	11.9
EV/Sales	0.6	0.5	0.4
EV/EBIT	88.0	13.2	9.8
Div. Yield	4.0%	4.7%	5.9%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

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

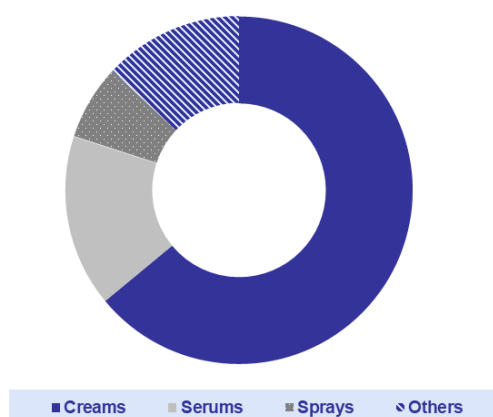
SHAREHOLDERS

M1 Kliniken AG	69.0%
Free Float	31.0%

. . . anti-aging, facial creams, daily cleansers, and lip conditioners. HAEMATO has also strengthened distribution for the M1 Select products with the rollout of a DTC (direct-to-customer) eCommerce platform, and further growth opportunities look attractive.

The facial care market is enormous The global facial care market is expected to top \$189bn in 2025 equal to an 8% CAGR. Enthusiasm for personal care is on the rise, and concerns over photo-aging, exposure to pollution and sunlight, and acne are spurring consumers to take better care of their skin and invest in facial care products: serums, toners, anti-aging creams, and washes.

Figure 1: Facial care product market shares



Source: First Berlin Equity Research; Statista

H1 SHOWS STRONG INCREASE IN PROFITABILITY

Six month sales beat FBe (+24%) and outperformed the prior year result by 31% Y/Y. The good performance owes to the inclusion of antigen test sales, which we had not built into our numbers, and an acceleration of core parallel import activities. Gross profit overshoot our target by a wide margin, thanks a surge in gross margin to 11.3% on an improved sales mix that included lifestyle & aesthetics as well as the antigen test contribution.

Table 1: Six month results vs prior year and forecasts

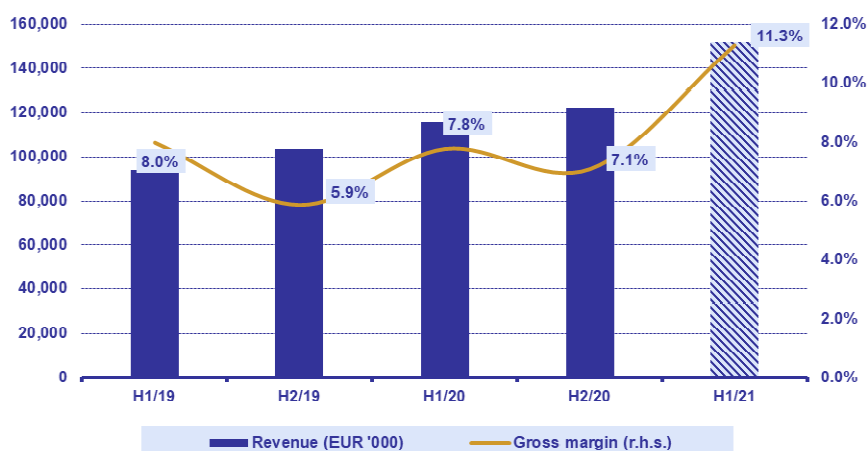
All figures in EUR '000	H1/21	H1/21E	variance	H1/20	variance
Revenue	151,525	122,525	24%	115,808	31%
Gross profit	17,088	10,936	56%	9,005	90%
Margin	11.3%	8.9%	-	7.8%	-
EBITDA	7,985	3,856	107%	1,230	549%
Margin	5.3%	3.1%	-	1.1%	-
Net Income	7,037	2,394	194%	-2,820	n.a.
Margin	4.6%	2.0%	-	-2.4%	-

Source: First Berlin Equity Research; HAEMATO AG

Adjusted for diagnostic testing, we estimate HAEMATO realised a 120 basis point sequential uptick in gross margin (GM) to ~8.6% in H1. Including antigen test sales, the GM reached double digits for the first time since 2014.



Figure 2: Sales and gross margin developments

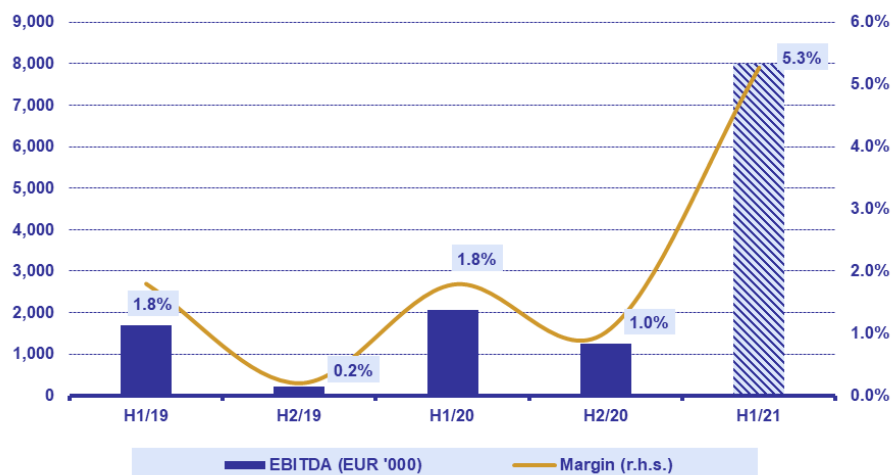


Source: First Berlin Equity Research; HAEMATO AG

Other operating expenses were up some 46% Y/Y, due to the jump in sales and advertising costs in conjunction with the M1 Aesthetics consolidation, plus one-time costs in conjunction with the self-test kits.

EBITDA more than doubled our target, thanks to the gross profit outperformance, while the EBITDA margin eclipsed 5% for the first time since 2016. Net income benefited from a €1.6m non-cash write-up in the fair value of long-term financial assets and was well above FBe.

Figure 3: EBITDA and margin development



Source: First Berlin Equity Research; HAEMATO AG

On a quarterly basis, revenue increased 41% vs the prior year result to €78m (Q2/20: €55m) and was up 5% sequentially. EBITDA improved some 364% to €5.2m in Q2 (Q2/20: €1.1m) on the aforementioned activities.

**Table 2: Financial highlights**

All figures in EUR '000	H1/21	2020	variance
Cash	12,773	7,541	69%
Short-term financial assets	3,654	2,750	33%
Financial debt (short- and long-term)	13,337	18,459	-28%
Net debt	-3,090	8,168	-138%
Total assets	187,498	169,058	11%
Shareholders' equity	147,991	125,480	18%
Equity ratio	79%	74%	-

Source: First Berlin Equity Research; HAEMATO AG

Balance sheet flush with cash for growth Total assets climbed to €187m (2020: €169m), stemming mainly from the consolidation of M1 Aesthetics GmbH as of 1 January 2021. Net debt declined to €-3.1m (YE20: €8.2m), and the company exited the six month period with €12.8m in cash and cash equivalents.

HAEMATO issued 475,000 new shares for net proceeds of €14.2m at the end of March to facilitate expansion into self-payer markets for branded cosmetics and clinical beauty treatments—hyaluronic acid and botulinum toxin. Consequently, the equity ratio saw a healthy sequential uptick to 79%.

Table 3: Cash flow overview

All figures in EUR '000	H1/21	H1/20	variance
Net operating cash flow	-548	3,976	n.a.
Cash flow from investing	-118	-381	n.a.
Cash flow from financing	7,843	-2,950	n.a.
Net cash flows*	4,199	645	551%
Free cash flow (FCF)	-666	3,595	n.a.

*6M/21 reflects changes in liquid funds from consolidation effects

Source: First Berlin Equity Research; HAEMATO AG

Working capital consumption offset the good net income result, due to a temporary rise in account receivables. We expect this to normalise in the second half of the year. The €-0.5m OCF shortfall was more than compensated by the aforementioned cap hike, giving the company excellent financial firepower to execute its growth strategy.

**Table 4: Updated guidance vs FBe**

	Unit	New guidance	Old guidance	FBe
Revenue	€m	280 - 300	260 - 290	287
EBIT	€m	9 - 11	7 - 9	11

Source: First Berlin Equity Research; HAEMATO AG

Raising forecasts in line with new guidance Management now look for 2021 sales in the range of €280m to €300m (old: €260m to €290m) with EBIT of €9m to €11m (old: €7m to €9m). Our 2021 sales figure moves up 9% to €287m, while profitability accelerates even stronger after H1 eclipsed FBe targets. We do not include any further covid-19 test kits in our numbers.

Table 5: Changes to forecasts

	old	new	revision	upside	dividend yield	total return
Price target (€)	49.0	50.0	2.0%	97.6%	4.7%	102.4%
All figures in € '000	2021E			2022E		
	old	new	revision	old	new	revision
Revenue	262,058	286,564	9.4%	320,867	320,867	0.0%
EBIT	7,012	10,882	55.2%	14,671	14,673	0.0%
Margin (%)	2.7%	3.8%	-	4.6%	4.6%	-
Net income	5,064	9,661	90.8%	11,094	11,153	0.5%
EPS diluted (€)	0.99	1.86	88.2%	2.12	2.13	0.5%

Source: First Berlin Equity Research; HAEMATO AG

Buy rating maintained We model a three year 19% sales CAGR for 2021 to 2023 with a 32% CAGR at the gross profit level. Our 2023 numbers do not include the expected launch of own-brand hyaluronic acid and botulinum products to address surging demand for non-surgical beauty procedures. We would expect to revisit the mid-term forecasts, once HAEMATO enters this market with these high margin own-brand products. Our price target edges higher to €50 (old: €49) on the H1 results. We expect good business momentum to continue in H2 and confirm our Buy Rating.



VALUATION MODEL

In EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Sales	286,564	320,867	403,379	465,230	511,753	548,157	571,338	591,668
NOPLAT	8,270	11,152	16,133	21,901	25,190	27,451	28,935	30,027
(+) depreciation & amortisation	1,290	1,348	1,694	1,814	1,906	2,042	2,128	2,204
Net operating cash flow	9,560	12,499	17,827	23,715	27,096	29,493	31,063	32,231
(-) Total investments (CAPEX and WC)	-9,130	-2,140	-13,140	-10,461	-8,501	-7,202	-5,413	-5,106
(-) Capital expenditures	-1,089	-1,219	-1,533	-1,768	-1,945	-2,083	-2,171	-2,248
(-) Working capital	-8,041	-920	-11,607	-8,693	-6,557	-5,119	-3,242	-2,857
Free cash flows (FCF)	430	10,360	4,687	13,254	18,595	22,291	25,650	27,126
PV of FCF's	419	9,217	3,814	9,865	12,659	13,880	14,609	14,130

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	104,910	6.3%	67.62	74.59	81.57	88.54	95.52	102.50	109.47
(+) PV of FCFs in terminal period	165,536	7.3%	55.38	60.68	65.98	71.27	76.57	81.87	87.17
Enterprise value (EV)	270,446	8.3%	46.69	50.84	54.98	59.13	63.28	67.43	71.58
(+) Net cash / (-) net debt	-8,168	9.3%	40.19	43.51	46.83	50.15	53.48	56.80	60.12
(+) Investments / minority interests	0	10.3%	35.14	37.85	40.56	43.26	45.97	48.67	51.38
Shareholder value	262,278	11.3%	31.11	33.34	35.58	37.81	40.05	42.28	44.52
Fair value per share (€)	50.00	12.3%	27.81	29.68	31.54	33.41	35.28	37.14	39.01

		Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
Cost of equity	13.5%	6.3%	72.05	76.60	82.01	88.54	96.58	106.72	119.89
Pre-tax cost of debt	5.3%	7.3%	60.35	63.46	67.06	71.27	76.28	82.32	89.76
Tax rate	24.0%	8.3%	51.54	53.75	56.26	59.13	62.46	66.37	71.00
After-tax cost of debt	4.0%	9.3%	44.67	46.29	48.11	50.15	52.48	55.15	58.23
Share of equity capital	56.0%	10.3%	39.19	40.41	41.76	43.26	44.94	46.84	49.00
Share of debt capital	44.0%	11.3%	34.72	35.66	36.68	37.81	39.07	40.46	42.02
WACC	9.3%	12.3%	31.02	31.75	32.54	33.41	34.36	35.41	36.57

*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	286,564	320,867
Cost of goods sold	-269,778	-252,994	-184,236	-220,646	-257,773	-288,706
Gross profit	20,084	21,127	13,599	17,687	28,791	32,161
Personnel expenses	-6,209	-6,322	-6,308	-6,845	-7,324	-7,822
Other OpEx	-8,948	-8,520	-6,854	-8,015	-9,997	-9,922
Other income	6,476	3,675	1,460	488	702	1,604
EBITDA	11,270	9,959	1,897	3,315	12,171	16,021
Depreciation & amortisation	-1,854	-1,456	-1,915	-1,688	-1,290	-1,348
Operating income (EBIT)	9,416	8,503	-18	1,627	10,882	14,673
Net financial result	-1,958	-1,059	-764	-799	-683	-675
Other financial result	631	320	-406	-5,383	1,655	254
Pre-tax income (EBT)	8,089	7,764	-1,188	-4,555	11,854	14,252
Income taxes	-1,106	-1,488	15	-276	-2,193	-3,099
Minority interests	0	0	0	0	0	0
Net income / loss	6,983	6,276	-1,173	-4,831	9,661	11,153
Diluted EPS (in €)	3.22	3.54	-0.51	-2.02	1.86	2.13
Ratios						
Gross margin	6.9%	7.7%	6.9%	7.4%	10.0%	10.0%
EBIT margin on revenues	3.2%	3.1%	0.0%	0.7%	3.8%	4.6%
EBITDA margin on revenues	3.9%	3.6%	1.0%	1.4%	4.2%	5.0%
Net margin on revenues	2.4%	2.3%	-0.6%	-2.0%	3.4%	3.5%
Tax rate	13.7%	19.2%	1.3%	-6.1%	18.5%	21.7%
Expenses as % of revenues						
Personnel expenses	2.1%	2.3%	3.2%	2.9%	2.6%	2.4%
Other OpEx	3.1%	3.1%	3.5%	3.4%	3.5%	3.1%
Depreciation & amortisation	0.6%	0.5%	1.0%	0.7%	0.5%	0.4%
Y-Y Growth						
Revenues	5.2%	-5.4%	-27.8%	20.5%	20.2%	12.0%
Operating income	-29.9%	-9.7%	n.m.	n.m.	568.8%	34.8%
Net income/ loss	-36.7%	-10.1%	n.m.	n.m.	n.m.	15.4%



BALANCE SHEET

	2017	2018	2019	2020	2021E	2022E
Assets						
Current assets, total	67,349	60,684	72,768	60,884	83,823	92,274
Cash and equivalents	6,469	5,599	2,100	7,541	14,626	19,455
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	19,628	17,582
Inventories	43,114	44,377	55,441	35,119	45,905	51,413
Other ST assets	210	499	1,522	1,260	860	963
Non-current assets, total	54,678	55,832	55,798	108,174	110,063	110,188
Property, plant & equipment	1,106	1,046	2,166	2,103	2,045	2,077
Goodwill & other intangibles	38,941	38,677	38,250	37,980	37,837	37,677
Financial assets	14,496	15,973	15,247	9,864	11,954	12,208
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	193,886	202,462
Shareholders' equity & debt						
Current liabilities, total	31,569	25,483	55,530	42,925	30,769	34,295
Trade payables	7,522	8,469	19,622	13,028	21,187	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	860	963
Other current liabilities	7,748	8,290	4,993	9,903	7,164	8,022
Long-term liabilities, total	19,531	15,357	818	653	15,880	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	287	321
Other non-current liabilities	0	0	563	541	541	541
Shareholders' equity	70,927	75,676	72,219	125,480	147,238	152,253
Total consolidated equity and debt	122,027	116,516	128,566	169,058	193,886	202,462
Ratios						
Current ratio (x)	2.1	2.4	1.3	1.4	2.7	2.7
Quick ratio (x)	0.8	0.6	0.3	0.6	1.2	1.2
Equity ratio	58%	65%	56%	74%	76%	75%
Net debt	12,344	14,875	24,696	8,168	-1,571	-6,353
Net debt / EBITDA (x)	1.1	1.5	13.0	2.5	-0.1	-0.4
Net gearing	17%	20%	34%	7%	-1%	-4%
Return on equity (ROE)	9.8%	8.3%	-1.6%	-3.9%	6.6%	7.3%
Capital employed (CE)	49,375	48,367	52,595	41,804	49,644	50,436
Return on capital employed (ROCE)	19%	18%	0%	4%	22%	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	9,661	11,153
Depreciation and amortisation	1,854	1,456	1,915	1,688	1,290	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	-2,090	-254
Asset disposals	-811	-546	0	15	0	0
Income from participations	-631	-320	-320	-1	-200	-200
Tax result	-636	1,485	-19	269	2,193	3,099
Net interest expense	1,958	1,059	745	799	683	675
Operating cash flow	6,189	7,467	2,897	4,054	11,559	15,844
Change in inventory	-5,221	525	-11,064	20,321	-10,786	-5,509
Change in trade rec & other assets	-5,627	1,064	-3,704	-3,000	-5,013	1,943
Change in payable & other liabilities	-3,111	-7,468	10,054	-9,682	6,354	3,537
Tax paid	-582	-1,031	-946	-918	-2,193	-3,099
Net operating cash flow	-8,352	557	-2,763	10,776	-79	12,717
CapEx	4,805	-1,134	-1,029	-849	-1,089	-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	-944	-1,075
Free cash flow (FCF)	-2,914	6,765	-3,465	9,932	-1,023	11,642
Equity inflow, net	7,447	5,198	0	0	14,485	0
Debt inflow, net	701	-5,165	3,583	-3,164	-3,307	0
Financing expenses paid	-1,959	-1,074	-714	-777	-683	-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	8,107	-6,813
Net cash flows	-3,320	-870	-3,499	5,441	7,085	4,829
Cash, start of the year	9,789	6,469	5,599	2,100	7,541	14,626
Cash, end of the year	6,469	5,599	2,100	7,541	14,626	19,455
EBITDA/share (in €)	5.22	4.36	0.83	1.45	2.33	3.06
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	611.8%	-16.6%	-81.0%	74.7%	60.6%	31.6%

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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.

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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
26	4 June 2021	€28.50	Buy	€49.00
28	Today	€25.30	Buy	€50.00

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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**

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