

Lavipharm

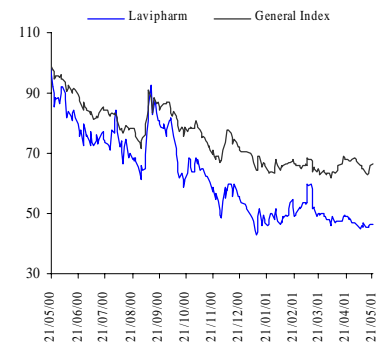
Sector: Pharmaceuticals/Cosmetics
Reuters: LPHr.AT

OUTPERFORM
EUR 3.96 / Grd 1,349
Target Price: EUR 5.03 / Grd 1,715

	Sales		EBITDA		Net Earnings		EPS	PER	EV /	EV /	P/BV	ROE	
	(Grd m)	(€m)	(Grd m)	(€m)	(Grd m)	(€m)	(Grd)	(€)	x	EBITDA	Sales	x	(avg.)
1999	82,846	243.1	5,857	17.2	1,019	3.0	39	0.11	34.8	9.4	0.7	1.5	4.0%
2000	84,550	248.1	4,481	13.1	1,193	3.5	30	0.09	44.4	14.8	0.8	1.5	3.3%
2001E	113,152	332.1	5,813	17.1	1,553	4.6	40	0.12	34.1	12.8	0.7	1.5	4.4%
2002F	130,647	383.4	6,478	19.0	1,696	5.0	43	0.13	31.3	11.8	0.6	1.5	4.7%
2003F	147,422	432.6	7,432	21.8	2,161	6.3	55	0.16	24.5	10.5	0.5	1.4	5.9%

1Q01 Results Disclosed

- Lavipharm Group disclosed 1Q01 results showing top line growth above expectations, due to robust increase on third party sales.** Total group revenues increased 39.8% to EUR89.6m from EUR61.2m in the respective 2000 period. Top line growth is attributed to a 17.8% increase on group's own sales, which grew in line with expectations and to a robust 100% rise in third party sales, which exceeded expectations. Growth on third party sales stems from the expansion of the group's existing clientele, which placed new products in the market.
- We revise our third party sales estimates upwards to EUR136m from EUR99m, translating to an expected 75% increase for the full year.** As a consequence, total group revenues are seen expanding 34% in 2001 to EUR332m, 13% higher from our previous estimates which called for EUR295m 2001 group revenues.
- Gross margins (including depreciation) squeezed to 19.3% from 24.6%-more than expected.** We further downgrade gross margins to 18.2% in 2001 from 21.9% in 2000. The squeeze is attributed to the higher contribution of LAS, wholesaler and logistics subsidiary, which yields lower margins but enjoys robust top line growth. Besides projected fall on gross margins, above mentioned upwards revision on top line growth brings minor chance on a gross profit level.
- Significant improvement on SG&A to 13.9% of group 1Q01 sales from 18.8% of 1Q00 sales- mirroring benefits from on-going restructuring and group's restraining costs policy.** To this end, EBITDA grew 44%, beating our expectations to EUR5.9m. Due to this favourable evolution, we revise our 2001 EBITDA growth estimate to 30% from 14%.
- EBT advanced 17% to EUR2.45m from EUR2.1m in 1Q00, slightly above expectations.** Increases on financial expenses and extraordinaires trimmed growth exhibited on an EBITDA level. We expect 2001EBT at EUR9m, 8.7% higher from our previous estimates.
- We reiterate our OUTPERFORM recommendation with our valuation methodology pointing to a target price of EUR5.03 per share.** As indicated by our previous coverages, we have valued Lavipharm shares by using two alternative DCF models based on growth to perpetuity of 2% and an exit 2004 EV/EBITDA multiple of 6.8x. Lavipharm Laboratories is valued using a peer group comparison, on Mcap/sales basis and a multiple of 8.2x.



Key Statistics (21/05/2001):

Price range (52wks):

High: Euro 8.73 / Grd 2,975

Low: Euro 3.56 / Grd 1,213

Relative Performance:

1M: -2.97%

3M: -5.33%

12M: -30.19%

Avg. Daily Volume (shares):

1M: 26,920

3M: 68,336

12M: 76,063

M. Cap. (Euro m): 155.60

(Grd bn): 53.02

(US\$ m): 136.21

No. of shares: 39,293,100

ASE Index: 3,178.97

Euro / US\$: 0.8754

Table 1. 1Q001 Results (in EUR m)

	1Q00	1Q01	ch%
Sales	61.20	85.58	39.8%
own sales	44.84	52.83	17.8%
third party	16.37	32.75	100.1%
Cost of sales	(46.16)	(69.06)	49.6%
cost of own sales	29.79	36.31	21.9%
cost of third party sales	16.37	32.75	100.1%
Gross Profit	15.05	16.52	9.8%
Other income	0.62	1.34	114.6%
Administration expenses	(3.64)	(3.57)	-2.1%
Selling and distribution expenses	(7.89)	(8.34)	5.7%
Other operating expenses	(10.91)	(10.57)	-3.1%
Operating profit	4.13	5.95	43.9%
Extraordinary results, net	(1.56)	(2.65)	69.6%
EBIT	2.57	3.30	28.3%
Financial, net	(0.48)	(0.85)	76.9%
EBT	2.09	2.45	17.1%
minorities	(1.86)	(1.67)	-10.5%
EBT after minorities	0.23	0.78	245.3%

Table 2. Changes in forecasts (in EUR m)

In EUR m	2001			2002			2003		
	Previous	Revised	ch%	Previous	Revised	ch%	Previous	Revised	ch%
Revenues	294.7	332.1	13%	340.8	383.4	13%	386.1	432.6	12%
Gross profit	61.5	60.6	-2%	69.6	68.5	-2%	79.2	77.6	-2%
EBITDA	15.0	17.1	14%	17.3	19.0	10%	19.7	21.8	10%
EBT	8.3	9.0	9%	9.6	9.9	3%	11.5	12.0	5%

INCOME STATEMENT

Year to December (EUR m)	1999	2000	2001E	2002F	2003F
Sales	243.1	248.1	332.1	383.4	432.6
Gross profit	48.3	54.3	60.6	68.5	77.6
Other income	7.1	2.6	3.7	4.2	4.8
Operating expenses	(31.1)	(41.2)	(43.5)	(49.5)	(55.8)
EBITDA	17.2	13.1	17.1	19.0	21.8
Depreciation & Amortisation	(4.5)	(4.3)	(4.4)	(4.7)	(4.8)
EBIT	10.5	10.6	12.7	14.4	17.0
Net financial income	(4.3)	(3.1)	(3.7)	(4.4)	(5.0)
Extraordinary items (net)	(2.2)	1.7	-	-	-
Pre-tax profit	6.2	7.5	9.0	9.9	12.0
Tax	(1.9)	(2.1)	(2.5)	(2.8)	(3.4)
Minorities	(1.3)	(1.9)	(1.9)	(2.2)	(2.3)
Net profit	3.0	3.5	4.6	5.0	6.3

BALANCE SHEET

At December (EUR m)	1999	2000	2001E	2002F	2003F
Net Fixed Assets	22.2	24.0	25.5	23.8	21.9
Investments	30.2	58.7	66.0	67.5	68.9
Inventories	17.9	25.1	30.0	34.7	39.1
Accounts receivables	111.4	111.3	149.2	170.2	189.6
Other current assets	6.7	2.4	3.7	4.2	4.8
Cash & cash equivalents	43.4	21.4	0.7	2.3	6.2
Total assets	231.8	242.9	275.1	302.6	330.6
Shareholders funds	105.7	103.8	105.1	106.6	108.6
Minority interests	2.4	4.1	6.0	8.2	10.5
Provisions	5.0	6.3	3.9	4.4	4.0
Long-term loans	0.0	0.0	11.8	29.4	45.5
Short-term loans	48.9	60.5	51.4	42.6	35.3
Other current liabilities	9.8	11.5	14.3	15.7	17.8
Total liabilities	231.8	242.9	275.1	302.6	330.6

CASHFLOW STATEMENT

Year to December (EUR m)	1999	2000	2001E	2002F	2003F
EBIT	10.5	10.6	12.7	14.4	17.0
Depreciation & Provisions	8.6	5.6	4.4	5.2	4.8
(Increase) /decrease in working capital	(14.3)	(6.6)	(17.9)	(12.0)	(10.8)
Operating cash flow	4.8	9.6	(0.8)	7.6	11.0
Taxes paid	(2.8)	(0.1)	(2.2)	(2.7)	(2.9)
Dividends paid	(2.4)	(3.3)	(3.5)	(3.2)	(3.6)
Net Interest	(4.3)	(3.1)	(3.7)	(4.4)	(5.0)
Net capital expenditure	(0.5)	(35.0)	(13.2)	(4.4)	(4.4)
Net cash used in financing activities	17.2	9.9	2.6	8.8	8.8
Increase / (decrease) in cash & cash equivalents	12.0	(21.9)	(20.7)	1.6	3.9
Change in share capital	-	-	-	-	-
Cash & cash equivalents @ beginning of year	31.4	43.4	21.4	0.7	2.3
Cash & cash equivalents @ year end	43.4	21.4	0.7	2.3	6.2

Source: Company, Egnatia Securities

PER SHARE ITEMS (EUR)	1999	2000	2001E	2002F	2003F
EPS	0.11	0.09	0.12	0.13	0.16
BVPS	2.69	2.64	2.68	2.71	2.76
CFPS	0.34	0.25	0.28	0.30	0.34
DPS	0.08	0.08	0.08	0.09	0.11
PROFITABILITY	1999	2000	2001E	2002F	2003F
Gross margin	19.9%	21.9%	18.2%	17.9%	17.9%
EBITDA margin	7.07%	5.30%	5.14%	4.96%	5.04%
EBIT margin	4.33%	4.26%	3.82%	3.74%	3.93%
Net margin	1.23%	1.41%	1.37%	1.30%	1.47%
Interest Cover (EBIT) (x)	1.09	2.34	2.93	2.99	3.13
RoE (avg.)	4.01%	3.34%	4.36%	4.70%	5.90%
RoA (avg.)	13.88%	15.16%	18.41%	20.20%	27.77%
MOMENTUM	1999	2000	2001E	2002F	2003F
Sales growth		2.06%	33.83%	15.46%	12.84%
EBITDA growth		-23.50%	29.73%	11.45%	14.73%
EBIT growth		0.53%	19.95%	13.14%	18.36%
Net profit growth		17.03%	30.20%	9.19%	27.43%
VALUATION	1999	2000	2001E	2002F	2003F
Market Cap (EUR m)	155.6	155.6	155.6	155.6	155.6
Net debt (cash) (EUR m)	5.5	39.1	62.5	69.7	74.5
Gearing	0.3	0.4	0.4	0.4	0.4
Enterprise Value (EUR m)	161.1	194.6	218.0	225.2	230.1
Mkt cap/sales (x)	0.6	0.6	0.5	0.4	0.4
EV/sales (x)	0.7	0.8	0.7	0.6	0.5
EV/EBITDA (x)	9.4	14.8	12.8	11.8	10.5
PER (x)	34.8	44.4	34.1	31.3	24.5
P/CF (x)	11.8	16.0	14.3	13.2	11.5
P/BV (x)	1.5	1.5	1.5	1.5	1.4
Dividend yield (%)	2.1%	1.9%	2.1%	2.3%	2.8%

Source: Company, Egnatia Securities

Egnatia Securities Rating System:

BUY:	<i>expected outperformance of over 15% relative to the Composite Index.</i>
OUTPERFORM:	<i>attractive valuation for long term outperformance.</i>
HOLD:	<i>expected neutral performance relative to the Composite Index.</i>
UNDEPERFORM:	<i>expected underperformance relative to the Composite Index.</i>
SELL:	<i>expected underperformance of over 15% relative to the Composite Index.</i>

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