

Reiterate: **Hold**

Lavipharm

Euro 3.1

Expansion continues while the US market still in red

Category:
Update

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Performance data

Price range 01: €5.36-2.94
Market Cap: €121.81m
Athens General Index: 2,804
No of Shares: 39,293,100
Reuters: LPHr.AT
Bloomberg: LAVI GA

- Lavipharm commenced its activity as a distributor of pharmaceutical products of international companies. Later on, the company got into the production of drugs and cosmetics to evolve today into a group that develops, manufactures and distributes pharmaceuticals and cosmetics, with activity both in Greece and abroad. In 1985 the company established its own R & D department in an effort to shift its activity from the low margin distribution of pharmaceutical and cosmetic products **towards the R&D of high value added proprietary products**. Lavipharm is **focusing on three drug delivery techniques** (transdermal and transmucosal patches as well as osmotic pills).
- **The group's activity takes place through three centres, in Greece, USA and France.** In Greece, a building of 11.000 sq.m is used as the headquarters of the group as well as the manufacturing and distribution activity. The Greek centre is also responsible for the commercial activity of the Greek market and the neighbouring countries. The U.S centre is responsible for R&D activity for patches and the commercial activity world-wide (excluding Greece and the surrounding countries). More specifically, the R&D department of Lavipharm Laboratories in the US develops transdermal, transmucosal and epidermal patches as well as film products, suitable for burns and wounds. Finally, in France is located the European co-ordinator, responsible also for the customer service and the R&D for Supercritical Fluids.
- At the end of 2000 Lavipharm announced the acquisition of the French Separex, an R&D company for drug delivery systems (especially on the technology of Supercritical fluids-SCF). In addition, it acquired 30% of the American Phasex a company operating also in the field of SCF, obtaining thus a significant presence in this field. In this company it holds the right to acquire also the remaining 70%. It also commenced the operation of a new laboratory unit in its subsidiary Lavipharm Laboratories. The latter's main activity is research and development and it has a rich pipeline of pharmaceutical patches in both transdermal and transmucosal technology.
- **The US activity is not consolidated yet in the Lavipharm's group financial results.** In 2000 the company presented turnover of \$20m and losses of \$12m. The management will consolidate the company either in 2001 or the latest in 2002. This depends on the agreements that the company will make with large pharmaceutical companies, which will finance the R&D of specific products, allowing thus the breakeven of the company. Lavipharm currently stopped the finance of the US activity. **29 patents are pending in the US market concerning mainly pharmaceutical products, while 15 patents have already circulated.**
- **Lavipharm Alliance Sante (LAS), which is the pharmacy wholesaler of the group, contributed 34% of the group's sales.** It also handles the physical distribution through out Greece for both the Lavipharm Group's and third parties' products, to hospitals, and warehouses for drugs as well as to pharmacies for cosmetics. Lavipharm made also cooperation with a large distributor in Cyprus and will establish three joint ventures through which it will distribute drugs and it will also represent the group's products.
- For 2001 we expect sales to increase by 14% to Grd 96 bn while profits we expect to reach Grd 1.8 bn (up 9%). In our 2001 results we did not consolidate the US activity. Therefore if we evaluate the company as a distribution company the EV/EBITDA of 9.33 and the 2001 P/E of 24.6x may appear high however the prospects look promising both in the US market and the neighboring countries.

Profitability figures

	Sales	Profit after-tax	EPS	EPS chng	P/E	P/CF	EV/ EBITDA
	(in Grd m)	(in Grd m)	(in Grd)	(%)	(x)	(x)	(x)
12/1999A	82,846	1,376	35	-65.6%	30.2	10.2	7.40
12/2000A	84,550	1,662	42	20.8%	25.0	11.6	12.23
12/2001E	96,400	1,814	46	9.1%	22.9	10.7	9.35
12/2002E	108,000	1,824	46	0.6%	22.8	9.6	8.52

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Lavipharm consolidated Balance Sheet

in Grd m

BALANCE SHEET ITEMS	1998	1999	2000	2001e	2002e
Net Fixed Assets	17,704	19,883	28,174	28,996	28,494
Fixed Assets	25,919	27,573	37,456	39,994	43,994
Accumulated Depr/Amortization	8,215	7,690	9,282	10,998	15,500
Net Set up Costs	375	225	416	453	0
Accumulated Depreciation	1,866	1,664	1,632	2,047	2,500
Set up Costs	2,240	1,889	2,047	2,500	2,500
Net Tangible/Intangible Assets	7,453	7,333	7,765	8,549	25,000
Accumulated Depr/Amortization	6,349	6,026	7,651	8,951	13,000
Tangible/Intangible Assets	13,802	13,359	15,415	17,500	38,000
Financial Assets	9,877	12,324	19,994	19,994	3,494
Current Assets	49,731	56,825	53,786	55,200	59,000
Inventories	7,036	6,109	8,563	9,400	11,000
Debtors	31,214	35,932	37,917	39,200	44,000
Cash (for balancing)	6,980	12,600	6,243	0	0
Liquid Assets	4,501	2,184	1,063	6,600	4,000
Transitory Accounts	1,285	2,294	808	1,200	1,200
TOTAL ASSETS	68,720	79,002	82,768	85,396	88,694
Net debt position	18,625	1,875	13,317	12,831	13,944
Shareholders' Equity	15,069	36,016	35,383	36,715	39,100
Capital	7,859	11,788	11,788	11,788	13,000
Reserves & Grants	7,334	24,235	23,961	25,128	26,300
Consolidation differences	-124	-7	-366	-200	-200
Minority interest on share capital	1,941	806	1,386	1,500	1,000
Provisions	546	1,710	2,139	2,300	2,300
Long-term Liabilities	6,595	0	9	9	9
Short-term Liabilities	44,263	40,264	43,590	44,522	45,935
Accounts Payable	16,792	15,955	13,228	15,000	16,500
Liabilities for taxes & insurance	1,568	852	1,539	1,600	2,000
Liabilities to Banks	23,511	16,659	20,614	19,422	17,935
Other Short-term liabilities	2,393	6,798	8,209	8,500	9,500
Transitory Accounts	305	207	262	350	350
TOTAL EQUITY & LIABILITIES	68,720	79,002	82,768	85,396	88,694
RATIO ANALYSIS ON BS ITEMS					
Liquidity: Current Ratio	1.12	1.41	1.23	1.24	1.28
Acid Test	0.96	1.26	1.04	1.03	1.04
Activity: Avg Receivables to Turnover days	135	144	155	142	137
Avg Trade Creditors to Purchases days	105	90	81	68	68
Avg Inventories to Turnover days	31	28	31	33	34
Financial Structure: Debt to Equity	3.38	1.12	1.23	1.21	1.18
Bank Debt to Equity	2.00	0.46	0.58	0.53	0.46
Fixed to Total Assets	25.76%	25.17%	34.04%	33.96%	32.13%
Profitability: Return on Total Assets	2.23%	1.86%	2.05%	2.16%	2.10%
Return on Equity	9.09%	5.39%	4.66%	5.03%	4.81%

Lavipharm Profit & Loss Account

In Grd m

	1998	1999	2000	2001e	2002e
Sales	69,332	82,846	84,550	96,400	108,000
<i>% chng</i>	22.51%	19.49%	2.06%	14.02%	12.03%
Less: Cost of goods sold	55,397	66,376	66,038	75,300	84,300
Gross profit	13,935	16,471	18,512	21,100	23,700
Plus: Other operating income	4,490	2,432	897	809	809
Total gross profit	18,425	18,903	19,409	21,909	24,509
<i>% chng</i>	2.11%	2.59%	2.68%	12.88%	11.87%
Gross profit margin	26.58%	22.82%	22.96%	22.73%	22.69%
Less: Administration/R&D expenses	4,083	4,375	5,220	5,800	6,500
<i>% of turnover</i>	5.89%	5.28%	6.17%	6.02%	6.02%
Less: Distribution expenses	7,953	8,671	9,708	10,300	11,500
<i>% of turnover</i>	14.36%	13.06%	14.70%	13.68%	13.64%
Less: Depreciation & amortization	1,735	1,530	1,471	1,715	2,300
<i>% of fixed assets</i>	7.53%	5.72%	4.53%	4.43%	5.48%
<i>x capex/depreciation</i>	1.71	-0.52	1.50	1.48	8.91
Operating profit	4,654	4,327	3,009	4,094	4,209
EBITDA	6,389	5,857	4,481	5,809	6,509
<i>% chng</i>	21.45%	-8.33%	-23.50%	29.65%	12.05%
EBITDA margin	9.22%	7.07%	5.30%	6.03%	6.03%
EBITDA per share (in Grd)	488	149	114	148	166
<i>% chng</i>	-1.68%	-69.44%	-23.50%	29.65%	12.05%
Less: Debit interest & similar charges	3,109	3,286	1,711	1,900	1,800
<i>% of avg debt</i>	13.70%	14.05%	9.18%	9.49%	9.63%
Plus: Financial & income from securities	1,032	1,820	666	500	500
Profit on ordinary activities	2,577	2,861	1,965	2,694	2,909
<i>% chng</i>	-17.08%	11.03%	-31.33%	37.09%	8.00%
Plus (Less): Extraordinary profit (loss)	-524	-742	595	100	-100
Pre-tax profit	2,053	2,119	2,560	2,794	2,809
<i>% chng</i>	-30.80%	3.24%	20.78%	9.13%	0.55%
Less: Income tax	720	743	898	980	985
<i>% effective tax rate</i>	35.07%	35.07%	35.07%	35.07%	35.07%
Profit after tax	1,333	1,376	1,662	1,814	1,824
<i>% chng</i>	-31.2%	3.2%	20.8%	9.1%	0.6%
Net profit margin	1.92%	1.66%	1.97%	1.88%	1.69%
EPS after tax (in Grd)	102	35	42	46	46
<i>EPS chng</i>	-44.3%	-65.6%	20.8%	9.1%	0.6%
Net cash flow	2,804	4,069	3,562	3,890	4,324
<i>CF margin</i>	4.04%	4.91%	4.21%	4.04%	4.00%
CFPS (in Grd)	214	104	91	99	110
<i>CFPS chng</i>	-50.22%	-51.63%	-12.46%	9.21%	11.14%
Dividends	472	707	776	847	852
<i>Dividend policy: Payout Ratio</i>	35.38%	51.40%	46.69%	46.69%	46.69%
DPS (in GRD)	36	18	20	22	22
<i>% chng</i>	-40.0%	-50.0%	9.7%	9.1%	0.6%
Retained Profit and Reserves	861	669	886	967	972
BVPS (in Grd)	1151	917	900	934	995
<i>% chng</i>	-3.9%	-20.3%	-1.8%	3.8%	6.5%
Market cap	25,671	41,494	41,494	41,494	41,494
EV	44,296	43,368	54,811	54,325	55,438