

# Alapis

Health Care

2007-12-18

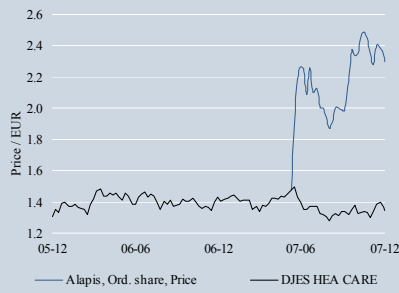
Applied disclosures can be found in the appendix

**Strong buy**

Fair Value EUR2.86

Price EUR2.30 (Closing price as of 2007-12-17)

## Price and rel. Performance



## Market Data

Reuters	ALAr.AT
Bloomberg	ALAPIS GA
Market cap €bn	2.3
Free float %	62.3

## Key Data

Yr.end 12/31	2006	2007e	2008e
Revenues m	273.5	380.5	698.3
Net profit m	20.1	67.1	129.9
Adj. EPS	0.02	0.07	0.13
PER		33.6	17.4
EV/EBIT		22.0	12.0
EBIT mgn. %	12.6	22.8	24.6
EPS CAGR 06-09e: 97 %			

## Next Events

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## RUNNING AT FULL STEAM

### INVESTMENT CASE AND PERFORMANCE TRIGGER

After a one on one with the management of Alapis, we confirm our strong buy recommendation as the company is more advanced in building an integrated healthcare company than we had expected. We expect a strong top and bottom line growth (sales CAGR 2007-11: 35% EPS CAGR: 39%) to be additionally fuelled by acquisitions in the coming weeks to strengthen the market position in the Greek healthcare market. We will most probably slightly increase our fair value after these acquisitions.

### FACTS

Alapis is more advanced in acquiring approval files for generics than we have thought. The company has acquired, up to now, approx. 85 files in up to four countries.

Alapis is working on a credit facility of approx. €700m to be prepared for further external growth. The risk premium Alapis has to pay is, in our view, approx. 100 basis points.

One of the important cornerstones of the business model, the securitization of debt is working despite the sub prime crisis. The company is paying a premium of approx. 60 basis points for this, which looks quite favorable for Alapis.

We have not included the recent acquisitions in our EPS and DCF model, but they will lead to additional sales of approx. €100m and an EBITDA of approx. €30m on first view. The sales contribution of the recent acquisition, Marinopoulos, will be approx. €100m (stand alone sales €315m in 2007) as Alapis is already doing wholesales business with this company and will replace generic sales of other companies by its own sales. On an EPS level this might lead to an increase of our estimate of approx. 2 cents for 2008.

### ASSESSMENT

Alapis is progressing in its growth strategy. After the acquisition of the wholesale market leader in Greece, Marinopoulos, for approx. 6.8 times EBITDA (excluding synergies) we expect acquisition prices for smaller acquisitions to come down. The company confirms its target price for acquisitions of 4-6 times EBITDA.

### VALUATION

Alapis has a PER 2008e of 17.4, which is approx. 27% above the Generics and 3% above our Cosmetic/Detergents peer group average. Nevertheless, this premium is clearly justified due to the excellent growth prospects and high liquidity for further enhancement of external growth.

### Alapis - P&L (Cost of Sales)

EURm (Yr. end: 12/31)	2006	2007e	2008e	2009e
<b>Sales</b>	<b>273.5</b>	<b>380.5</b>	<b>698.3</b>	<b>871.5</b>
Cost of goods sold	-201.6	-225.6	-415.3	-525.4
<b>Gross profit</b>	<b>71.8</b>	<b>154.9</b>	<b>283.0</b>	<b>346.1</b>
Selling costs	-27.0	-35.9	-58.0	-72.4
Administrative costs	-14.1	-17.0	-25.4	-31.7
R&D costs	0.0	0.0	0.0	0.0
Other operating income/expenses (net)	3.6	1.8	0.0	0.0
<b>EBITDA</b>	<b>46.1</b>	<b>103.8</b>	<b>199.6</b>	<b>242.0</b>
<b>EBIT</b>	<b>34.5</b>	<b>86.9</b>	<b>171.6</b>	<b>202.9</b>
Interest result	-7.3	-9.0	-5.0	-5.5
<b>Financial result</b>	<b>-7.3</b>	<b>-9.0</b>	<b>-5.0</b>	<b>-5.5</b>
Participation result	0.0	0.0	0.0	0.0
Other income / expenses (net)	0.0	0.0	0.0	0.0
<b>Profit or loss on ordinary activities</b>	<b>27.1</b>	<b>77.9</b>	<b>166.6</b>	<b>197.4</b>
Extraordinary profit or loss	0.3	0.0	0.0	0.0
<b>EBT</b>	<b>27.4</b>	<b>77.9</b>	<b>166.6</b>	<b>197.4</b>
Taxes	-7.3	-10.8	-36.6	-43.3
<b>Profit / loss for the year (cont. operations)</b>	<b>20.1</b>	<b>67.1</b>	<b>129.9</b>	<b>154.0</b>
Minority	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>20.1</b>	<b>67.1</b>	<b>129.9</b>	<b>154.0</b>
+/- Net profit adjustments	0.0	0.0	0.0	0.0
<b>Adjusted net profit</b>	<b>20.1</b>	<b>67.1</b>	<b>129.9</b>	<b>154.0</b>

### Key ratios and figures

EURm (Yr. end: 12/31)	2006	2007e	2008e	2009e
<b>Valuation</b>				
PER		33.6	17.4	14.6
P/BV		1.4	1.4	1.3
Dividend yield %		0.0	1.8	2.2
EV/Sales		5.0	3.0	2.4
EV/EBITDA		18.4	10.3	8.7
Sustainable FCF yield %		-1.6	2.6	7.4
<b>Data per share</b>				
Weighted avg. number of shares	980.60	980.60	980.60	980.60
EPS (reported)	0.02	0.07	0.13	0.16
adj. EPS	0.02	0.07	0.13	0.16
Dividend	0.00	0.04	0.05	0.06
Book value per share	0.75	1.59	1.68	1.79
Sustainable FCFPS	0.0	-0.0	0.0	0.2
<b>Growth rates %</b>				
Sales		39.1	83.5	24.8
EBITDA		125.1	92.3	21.3
EBIT		152.2	97.4	18.3
Net profit		234.1	93.5	18.6
adj. EPS		234.1	93.5	18.6
<b>Margins %</b>				
Gross	26.3	40.7	40.5	39.7
EBITDA	16.9	27.3	28.6	27.8
EBIT	12.6	22.8	24.6	23.3
<b>Net profit</b>	<b>7.3</b>	<b>17.6</b>	<b>18.6</b>	<b>17.7</b>
<b>Expense ratios %</b>				
Personnel cost to sales	0.0	0.0	0.0	0.0
R&D to sales	0.0	0.0	0.0	0.0
Depreciation to sales (Cost of sales)	-4.3	-4.4	-4.0	-4.5
Tax rate	26.7	13.8	22.0	22.0
<b>Other ratios</b>				
EVA @ SOP	0.0	-49.3	42.5	67.9
Interest cover	-6.3	-11.5	-39.9	-44.0

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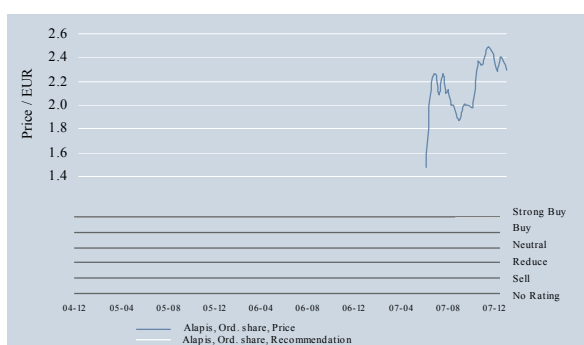
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Sell	0	0.0	0	0.0
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