

PLASMASELECT AG

GERMANY / HEALTH CARE & PHARMACEUTICALS

Primary exchange: Frankfurt
Symbol: PM3

Prime Standard
ISIN: DE0005471809

RATING: Hold

PRICE TARGET: €1.00

RISK RATING: High

WEAK 2006/07 RESULTS – PRICE TARGET LOWERED

COMPANY PROFILE

Plasmaselect AG, based in Munich, Germany, is a specialist in the production and distribution of infusion and rinsing solutions, with a goal to become a European leader in health-care products and services.

KEY POINTS

On 31 March Plasmaselect published fiscal 2006/07 results which, when adjusted for the one-time income from the sale of the Generics business, were below our expectations. The company reported a 13.2% decline in revenues from continued operations to €36.0m in 2006/07, which excludes discontinued operations from the disposal of the Generics business. We explain this weak performance by the competitive environment of the Infusion and Rinsing Solutions (IRS) market as well as problems at production facilities. Disappointingly, due to declining sales and significant inefficiencies at production sites, the operating loss for continued operations increased far above our expectation to €2.8m from €3.7m in 2005/06, leading to a net loss of €28.7m (€5.5m in 2005/06). Net cash amounted to some €13m – with a cash position of €40.9m and financial debt of approx. €28m – equivalent to roughly €0.80 per share.

For now we maintain our projections for 2007/08 on. We forecast a moderate operating loss of €2.6m in 2008 and a slight operating profit of €0.3m in 2009, which we will fine-tune (upwards or downwards) after meeting management in the coming weeks.

Plasmaselect hired Roland Berger Strategy Consultants to advise on its troubled IRS business' future strategy. Roland Berger's analysis showed that 'competitive production under the current structure is impossible', leading to a €7.3m write-off and the initiation of a restructuring programme which should ensure that this unit returns to profitability. Plasmaselect intends to use part of its existing cash to expand its portfolio through the licensing and acquisition of new products, combined with internationalisation beyond its current core German and Italian markets. The company also plans to explore new health-care segments beyond the hospital market; Plasmaselect has already been offered an option into a water treatment company and is conducting a feasibility study.

RECOMMENDATION

Plasmaselect's fiscal 2006/07 results were disappointing. In particular, we were surprised by the significantly weaker-than-expected operating performance during Q4 2006/07 of the retained Infusion and Rinsing Solutions (IRS) business. Roland Berger Strategy Consultants is advising the company on the weak competitive position of IRS and restructuring has begun. Nevertheless, based on the large amount of technical problems at Plasmaselect's facilities, we prefer to stay cautious regarding the potential success of new measures, despite management's optimism. To be more bullish on the company's prospects, we need to have a clearer picture of IRS's future perspectives, as well as more concrete information on the potential new business unit. Based on low visibility, we see the company's current depressed valuation as fair. We therefore lower our price target from €2.60 to €1.00 – 25% above the company's current net cash position of some €0.80 per share. We maintain our Hold recommendation.

RISKS

The main risks to our price target include development, marketing and intellectual property risks, as well as changes in the legal environment and corporate governance concerns.

TRADING DATA

Market capitalisation (07.04.08)	€8.11m
Shares outstanding	16.92m
Closing price (07.04.08)	€1.07
52-week range	€0.97 / 2.76
Free float (according to company)	63%
Average daily share volume (year)	49,982

STOCK OVERVIEW



Source: Bloomberg & First Berlin

FINANCIAL HISTORY & PROJECTIONS

	05/06*	06/07*	07/08E*	08/09E*
Revenue €m	41.45	35.97	36.43	37.05
Yr/Yr growth	na	-13.2%	1.2%	1.7%
Operating profit €m	-3.73	-22.84	-2.58	0.30
Operating margin	-9.0%	-63.5%	-7.1%	0.8%
Net income €m	-5.55	-28.70	-3.77	-0.92
EPS €	-0.33	-1.70	-0.22	-0.05
P/E	na	na	na	na

*Figures for continued operations (less Generics business)

COMPANY DATA (as of 30 November 2007 unless noted)

Liquid assets	€41.06m
Current assets	€72.53m
Intangible assets	€4.23m
Total assets	€125.73m
Current liabilities	€26.74m
Shareholders' equity	€66.25m

ANALYST INFORMATION

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FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.	Date of publication	Previous day closing price	Recommendation	Price target	Interim high	% change to high
Initial Report	28 January 2005	€4.30	Strong Buy	€8.00	-	-
2...12	↓	↓	↓	↓	↓	↓
13	3 May 2007	€2.17	Hold	€2.20	€2.50	15.2%
14	2 August 2007	€2.00	Hold	€2.20	€2.75	38.0%
15	11 September 2007	€2.47	Hold	€2.20	€2.76	11.7%
16	Today	€1.07	Hold	€1.00	-	-

Source: Bloomberg & First Berlin

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BUY: Expected return greater than 15%

HOLD: Expected return between 0% and 15%

SELL: Expected negative return

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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