



CONCORDE CAPITAL

Ukraine / Pharmaceuticals

# Nord Star Pharmashare / Darnitsa

Analyst Day notes

February 11, 2010

Current price: USD 2.4 / EUR 1.7  
12M Target: USD 5.4 / EUR 3.6

**BUY**

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**Tickers**

Bloomberg 4SI1 GR

**Market information**

Market price, USD	2.40
MCap, USD mln	133.3
52Wk Hi/Lo, USD	11.85/1.72
No of shares, mln	55.5
Free float	7.0%
Free float, USD mln	9.3

**Shareholders**

Zagoriy family	93.0%
Other	7.0%

**Nord Star Pharmashare / Darnitsa (FSE: 4SI1 GR) hosted an analyst day yesterday. The company's CEO Gleb Zagoriy and Corporate Finance Head Mykhaylo Chupryna presented preliminary 2009 results and plans for 2010. See below for our notes from the meeting:**

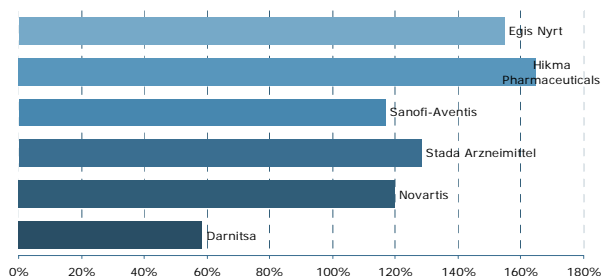
- The Ukrainian pharmaceuticals market in hryvnyas increased 27% over 2009, but dropped 8% in volume terms. The market structure in money terms (imports vs. domestic products) remained 75%/25%. In volume terms, the share of domestic producers increased 2 pp to 66% and the company expects this trend to continue in coming years
- In 2009 Nord Star's UAH-nominated sales increased 37% yoy to UAH 609 mln (USD-nominated declined 10% yoy to 72 mln), EBITDA was USD 41 mln, up 52% yoy
- As of January 2010, the company was debt free and its cash balance was USD 18 mln
- The company is targeting net sales, in 2010, of UAH 703 mln (USD 88 mln) and an EBITDA margin of 50%-55%.
- In 2010, the company is planning to increase its promotion budget 3.5 times to UAH 42 mln (USD 5.3 mln) and to boost its share of "promo" sales (promoted generic drugs that are Darnitsa branded) from 22% of 2009 sales to 38% in 2010
- The company is going to invest ~USD 15 mln to bring itself in line with GMP (Good Manufacturing Products) standards by February 2011
- Due to planned CaPex of USD 15 mln in 2010, the company is not going to pay dividends this year but will consider it in 2011
- Zagoriy mentioned that the company is considering listing its shares on the Warsaw Stock Exchange

FLASH NOTE

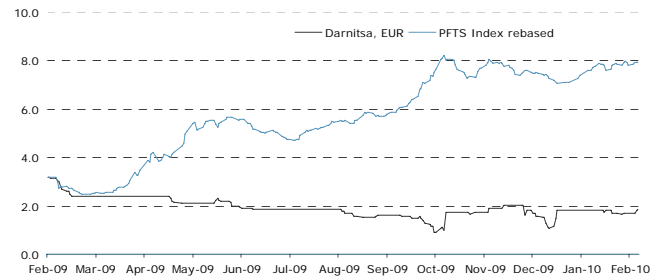
FLASH NOTE

FLASH NOTE

Sector performance, 12M



Stock performance vs. PFTS Index



Sources: PFTS, Deutsche Bourse

**Key financials & multiples, USD mln**

	Revenue	EBITDA margin	Net margin	EV/S	EV/EBITDA	P/E
2009	72.0	56%	51%	1.57	2.81	3.63
2010E	92.4	45%	38%	1.23	2.52	3.90

## Peer valuation

	MCap,	EV/EBITDA		P/E	
	USD mln	2009E	2010E	2009E	2010E
<b>International peer group</b>					
KRKA	3,160.0	5.93	5.80	14.13	13.69
RICHTER GEDEON NYRT.	3,811.8	10.99	10.27	15.01	13.50
PHARMSTANDARD-CLS	2,173.1	9.17	7.21	14.36	10.59
EGIS PLC	725.2	11.94	10.70	10.45	9.13
RANBAXY LABORATORIES LTD	3,655.9	n/a	n/a	86.26	22.42
ZHEJIANG HISOAR PHARM -A	289.7	n/a	n/a	43.42	30.18
SANOVI-AVENTIS	95,194.9	5.70	5.72	8.52	8.27
STADA ARZNEIMITTEL AG	1,930.8	5.80	5.43	14.38	12.95
HIKMA PHARMACEUTICALS PLC	1,583.9	43.60	36.19	20.67	16.51
TEVA PHARMACEUTICAL IND LTD	52,835.9	13.51	10.07	17.37	12.73
MYLAN INC	5,378.3	4.36	3.99	9.34	8.04
KING PHARMACEUTICALS INC	2,813.8	3.69	4.09	11.21	11.67
ONO PHARMACEUTICAL CO LTD	5,293.0	11.55	12.00	16.36	17.15
SHIONOGI & CO LTD	7,128.7	n/a	n/a	17.73	13.81
TOWA PHARMACEUTICAL CO LTD	875.9	8.20	6.57	17.36	14.10
SAWAI PHARMACEUTICAL CO LTD	1,014.1	10.04	8.20	23.16	18.83
PHARMACY CHAIN 36,6-CLS	285.0	4.19	2.93	n/m	n/m
PHARMSTANDARD-REG S GDR	2,721.1	12.08	9.71	17.49	13.20
VEROPHARM-CLS	290.0	163.59	126.05	9.22	6.80
ABBOTT LABORATORIES	83,106.3	9.29	8.45	12.61	11.26
GLAXOSMITHKLINE PLC	98,716.0	8.40	8.16	10.53	10.16
PFIZER INC	143,320.6	5.23	5.09	8.03	7.84
ROCHE HOLDING AG-BR	143,873.9	8.67	8.04	13.46	12.13
CVS CAREMARK CORP	45,870.9	5.59	5.19	12.19	11.18
RICHTER GEDEON NYRT.	3,811.8	8.17	7.63	15.01	13.50
WALGREEN CO	33,013.2	6.89	6.10	14.40	12.42
<b>Median</b>		<b>8.40</b>	<b>7.63</b>	<b>14.37</b>	<b>12.57</b>
<b>Nord Star</b>	133.3	2.81	2.52	3.63	3.90
Price, USD					
implied by peer median		6.45	6.54	9.50	7.74
Upside/Downside		169%	173%	296%	223%

Source: Company data; Bloomberg

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