



CONCORDE CAPITAL

Ukraine / Pharmaceuticals

Nord Star Pharmashare / Darnitsa

Conference call notes

November 6, 2009

Current price: USD 2.5 / EUR 1.7
12M Target: USD 5.4 / EUR 3.6

BUY

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Tickers

Bloomberg 4S11 GR

Market information

Market price, USD	2.58
MCap, USD mln	143.5
52Wk Hi/Lo, USD	11.85/1.72
No of shares, mln	55.5
Free float	10.0%
Free float, USD mln	14.4

Shareholders

Zagoriy family	90.0%
Other	10.0%

Concorde Capital hosted a conference call with Darnitsa CEO Gleb Zagoriy and Corporate Finance Head Mykhaylo Chupryna on November 3. See below for our notes from the call:

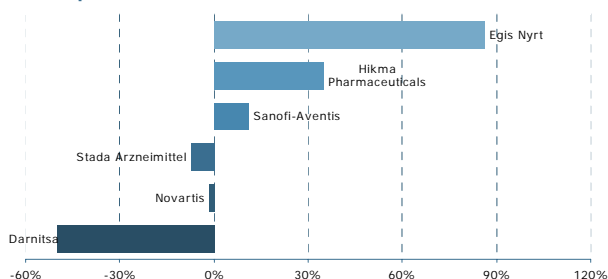
- The Ukrainian pharmaceuticals market in hryvnyas increased 15% over 9M09, but dropped 16% in volume terms. The market structure in money terms (imports vs. domestic products) remained unchanged (74%/26%). In volume terms, the share of domestic producers increased 4 pp to 69% and the company expects this trend to continue in coming years
- Darnitsa is targeting 2009 sales of USD 71 mln (management accounts)
- In 2010, the company is planning to increase sales 30%-32% to USD 92-94 mln and to keep its EBITDA margin at 52-55%
- The company's management expects its share of export sales to grow from 13% to 15% in 2010 and more in coming years after signing new agreements with Uzbek and Russian distributors. Darnitsa also plans to open an office in Syria and in other Middle Eastern countries
- The management expects demand for anti-flu and related drugs stimulated by the recent epidemic to last another two months (November and December), with a gradual decrease in the following 2-3 months to pre-epidemic levels. In mid-term, they expect Ukrainians to take better care of their health and consume more medicines, especially from domestic producers. Ukrainian medicines are cheaper and of roughly equivalent quality
- The company produces nearly ten anti-flu and related preparations, which typically account for ~10% in overall sales. Additional sales related to the recent flu and pneumonia outbreak should amount to USD 2.5-3.0 mln in 2009 (4%-5% of total annual sales) and USD 1-2 mln in 2010
- Darnitsa shed some light on its M&A activity: the company is currently holding negotiations to acquire small and medium-sized local players in regions and one company in Kyiv region, which confirms our previous expectations
- Zagoriy told us that the company plans to hold a site visit for investors; the company will provide more details in due course

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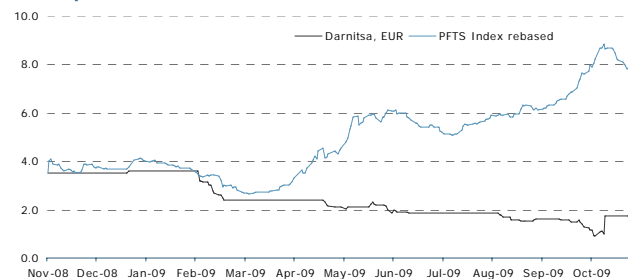
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Sector performance



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
2009E	77.0	47%	41%	1.73	3.69	4.54
2010E	92.4	45%	38%	1.44	3.21	4.09

Peer valuation

	MCap,	EV/EBITDA		P/E	
	USD mln	2009E	2010E	2009E	2010E
International peer group					
KRKA	3768.4	6.66	6.43	14.57	13.38
RICHTER GEDEON NYRT.	4133.5	n/a	n/a	16.48	15.17
PHARMSTANDARD-CLS	1880.2	7.93	6.81	12.53	10.50
EGIS PLC	805.2	10.31	10.17	9.12	9.27
RANBAXY LABORATORIES LTD	3562.0	n/a	n/a	618.84	31.44
ZHEJIANG HISOAR PHARM -A	216.3	n/a	n/a	32.42	22.54
SANOVI-AVENTIS	96216.2	5.44	5.50	7.85	7.90
STADA ARZNEIMITTEL AG	1642.8	4.72	4.38	11.88	10.76
HIKMA PHARMACEUTICALS PLC	1492.9	n/a	n/a	19.35	15.65
TEVA PHARMACEUTICAL IND LTD	46308.7	11.23	8.86	15.31	11.42
MYLAN INC	5096.0	4.02	3.64	9.06	7.68
KING PHARMACEUTICALS INC	2545.9	3.22	3.46	10.76	10.76
ONO PHARMACEUTICAL CO LTD	5759.2	12.43	12.72	18.41	18.76
SHIONOGI & CO LTD	7768.0	9.05	7.38	19.70	15.19
TOWA PHARMACEUTICAL CO LTD	865.6	8.82	7.80	17.13	14.78
SAWAI PHARMACEUTICAL CO LTD	929.8	n/a	n/a	23.42	18.39
PHARMACY CHAIN 36,6-CLS	114.0	1.12	0.74	n/m	n/m
PHARMSTANDARD-REG S GDR	2839.0	12.74	10.15	18.85	14.38
VEROPHARM-CLS	260.0	148.96	113.69	8.44	6.17
ABBOTT LABORATORIES	77960.4	10.25	9.43	13.31	12.18
GLAXOSMITHKLINE PLC	104230.5	8.02	7.89	10.57	10.45
PFIZER INC	136516.8	7.17	5.76	9.85	8.25
ROCHE HOLDING AG-BR	136172.7	8.32	7.62	14.37	12.14
CVS CAREMARK CORP	51133.7	6.39	5.84	13.42	12.18
RICHTER GEDEON NYRT.	4133.5	11.09	10.64	16.48	15.17
WALGREEN CO	38010.5	7.84	6.87	16.33	13.99
Median		8.02	7.38	14.47	12.18
Nord Star	143.4	3.69	3.21	4.54	4.09
Price, USD					
implied by peer median		5.41	5.70	8.22	7.70
Upside/Downside		109%	121%	219%	198%

Source: Company data; Bloomberg

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