April 2, 2012

Europe | Poland | Healthcare Services

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target price: PLN 3.11

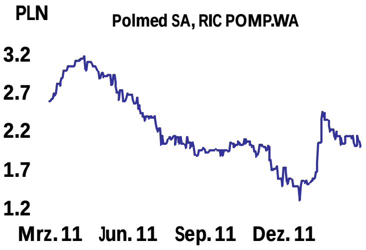
Industry:	Healthcare Services
Country:	Poland
ISIN:	PLPOLMD00011
Bloomberg:	POM PW
Reuters:	POMP.WA
Website:	www.polmed.pl

	High	Low
Last Price:		2.00
Price 52 W.:	3.18	1.31
Market Cap. (Mill. PLN)		56.70
No. of Shares (in Mill.)		28.35

Shareholders	
Polmed Medical	49.14%
Radoslaw Szubert	2.44%
Romuald Magdon	2.44%
NPN II Med S.a.r.l	42.45%
Free float	3.53%

Performance	
4 Weeks	-8.18%
13 Weeks	30.32%
26 Weeks	2.54%
52 Weeks	-21.71%
YTD	30.32%

Dividend	in PLN	in %
2008	0.17	8.50%
2009	0.04	2.00%
2010	0.04	2.00%
2011E	0.02	1.16%



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POLMED S.A.

Growth story intact despite weak 2011

- In 2011, Polmed generated sales of PLN 35m, which corresponded to an increase of 44.9% y-o-y. The growth was mainly driven by the segment Corporate clients/Private health insurances, which increased its share y-o-y from 36.7% in 2010 to 50.8%. Between January and December 2011, Polmed opened four new medical centers in Gdansk, Wroclaw, Poznan and Warsaw. An additional one was opened in Warsaw in February 2012.

- With 9.5% and 6.3% respectively, Polmed's EBIT and net margin were lower y-o-y. In 2011, the company's profitability was negatively affected by a higher share of CoGS, administration costs as well as interest expenses, which were related to new medical centers. Although Polmed missed our estimates on the EBIT and net profit level, its profit margins were still much better than of other medical service providers from the Warsaw Stock Exchange. One of them, Swissmed Centrum Zdrowia, even generated a net loss of PLN 7.9m in 2011.

- Between January and December 2011, Polmed generated an operating cash flow of PLN 0.5m. The company's net gearing figure, which at the end of Q4/11 amounted to 24.2%, remains low compared to its domestic and international peers. Given its relatively early stage of development, Polmed's current P/BVPS is in our view also moderate. With 1.3x, it is for example significantly below that of its major competitor ENEL-MED (2.1x).

- After lower than expected profitability figures in 2011, we have adjusted our DCF model accordingly. We forecast a sales CAGR 11-20 of 13.9% , which should mainly stem from a dynamic growth of Corporate clients/Private health insurance segment. For the EBIT margin, we expect that in 2012 it will improve to 10% due to better capacity utilization of new medical centers and grow further to 12.5% by 2016. Our new 12-months DCF-based price target, which at current level corresponds to an upside potential of 55.5%, is PLN 3.11 (previous PT: PLN 3.93). Polmed remains the only Polish provider of medical services, which pays out dividends.

PLN m	2008	2009	2010	2011	2012E	2013E
Net sales	13.82	18.64	24.18	35.05	45.56	57.41
EBITDA	3.54	3.94	3.82	4.99	6.73	8.53
EBIT	3.24	3.60	3.16	3.32	4.56	5.86
Net income	2.53	3.04	3.09	2.20	3.10	3.98
EPS	0.18	0.11	0.11	0.08	0.11	0.14
BVPS	1.42	1.35	1.48	1.51	1.62	1.76
RoE	13.14%	10.73%	7.86%	5.19%	6.97%	8.29%
EBIT margin	23.41 %	19.30 %	13.07 %	9.46 %	10.00 %	10.20 %
P/E	11.07	17.98	18.34	25.78	18.30	14.25
P/BVPS	1.41	1.49	1.35	1.32	1.23	1.13
EV/EBITDA	18.96	17.01	17.58	13.46	9.97	7.86

Content

1 Company profile

Polmed S.A provides healthcare services for individuals as well as corporate and insurance clients such as Michelin, Billa, E.LeClerc, PGNiG and PZU. Its services include among others basic and specialist medical care, full medical diagnostics, rehabilitation, vaccinations and laboratory treatments, which are offered through 22 proprietary medical centres and over 900 renowned medical partners across Poland. The company was founded in 1999 and is headquartered in Starogard Gdanski, approx. 40 km from the city of Gdansk. It consists of two fully-owned subsidiaries, Polmed Zdrowie Sp. z.o.o and Polmed Development Sp. z.o.o. Polmed has been listed on the Warsaw Stock Exchange since October 2010 and, according to our estimates, currently employs in total c. 600 people (own employees and external consultants/doctors).

2 SWOT

Strengths

- Market leader in Northern Poland
- Less indebted than most competitors
- Focus on medical centers, which require smaller investments and achieve the break-even much faster than hospitals
- Management owns majority of shares
- Both CEO and Vice President of the Board have studied medicine and management
- More profitable than most Polish and international peers
- Dividend-paying company
- Additional management support from major investor NPN/ Krokus

Weaknesses

- Extension of the scope of operations will be associated with higher costs e.g. for additional medical staff and sales personnel
- Very low free float
- Limited negotiation capability regarding remuneration with specialized doctors
- Dividend payouts mean less equity for investments and thus higher debt

Opportunities

- Opening of new medical centers across Poland and potential acquisition of a smaller competitor
- Increasing share of corporate clients, who generate highest gross margins
- Despite high income growth and a quickly ageing population, healthcare spending per capita in Poland is still far behind Western European levels
- The Polish President and the current government are strong supporters of private healthcare services; a new law is currently in preparation
- Share option plan in order to keep and attract most qualified personnel

Threats

- Intensifying competition
- Loss of qualified medical personnel
- Wrong choice of location for medical centers
- Liquidity risks relating to the development of medical infrastructure
- Risks relating to co-operation with external partners
- Change of conditions relating to co-operation with NFZ
- Legal risks relating to medical mistakes
- Challenges in terms of managing a larger and geo-graphically dispersed entity

3 Current development

Revenues

In 2011, Polmed generated total sales of PLN 35m, which were 44.9% higher y-o-y and 3.5% above our estimates. While the share of low-margin public insurance NFZ in total sales went down from 44.6% in 2010 to 36.8%, the share of corporate clients & private health insurances, which according to the company are most profitable, increased from 36.7% to 50.8%. In 2011, Polmed signed contracts with the public insurance NFZ and the largest Polish gas exploration & production company PGNiG worth in total PLN 11.8m and PLN 13m respectively. In addition, it increased the number of insurance policies with PZU Zycie, for which it is the main partner in Poland, by 40% y-o-y to 44,114. PZU Zycie is a subsidiary of the largest insurance company in the CEE region, PZU S.A.

Contracts with NFZ specify exactly the number of treatments as well as the remuneration per treatment and are usually renewed after 12 months. On the other hand, the contracts with PGNiG all have a duration of 24 months, with the remuneration per month being calculated as the number of employees, who received treatment from Polmed in a given month, multiplied by a certain lump sum per patient.

2011 results vs. our estimates and previous year

in PLNm	2011	2011E	2010	2011 vs 2011E	2011 vs 2010
Net sales	**35.05**	**33.85**	**24.18**	3.5%	44.9%
EBITDA	**4.99**	**5.51**	**3.82**	-9.5%	30.6%
EBITDA margin	*14.2%*	*16.3%*	*15.8%*		
EBIT	**3.32**	**3.85**	**3.16**	-13.9%	4.9%
EBIT margin	*9.5%*	*11.4%*	*13.1%*		
Net income	**2.20**	**3.27**	**3.09**	-32.8%	-28.9%
Net margin	*6.3%*	*9.7%*	*12.8%*		

Source: Company data, Dr. Kalliwoda Research GmbH

Company Analysis

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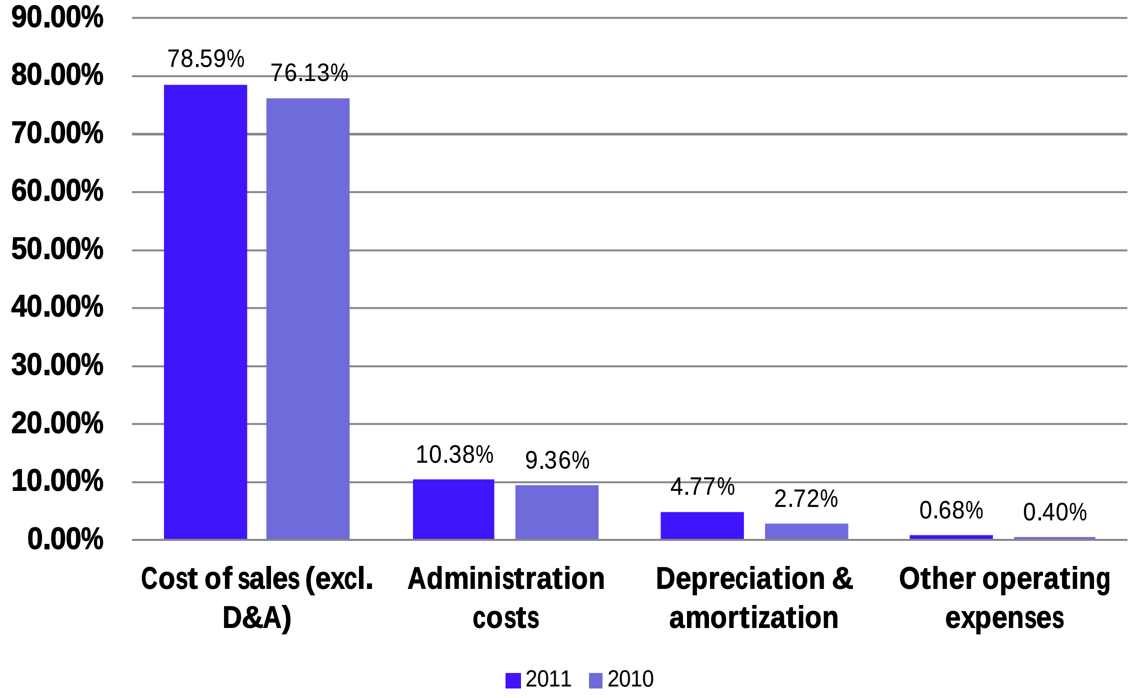
Sales split 2011 vs. our estimates and previous year

in PLNm	2011	2011E	2010
NFZ	**12.91**	**12.72**	**10.78**
Share in total sales	*36.8%*	*37.6%*	*44.6%*
Corporate clients/Private health insurances	**17.82**	**14.94**	**8.86**
Share in total sales	*50.8%*	*44.1%*	*36.7%*
Individual patients & medical centers	**2.42**	**4.09**	**2.65**
Share in total sales	*6.9%*	*12.1%*	*11.0%*
Others (e.g. rents, vaccinations)	**1.89**	**2.10**	**1.88**
Share in total sales	*5.4%*	*6.2%*	*7.8%*
Total net sales	**35.05**	**33.85**	**24.18**

Source: Company data, Dr. Kalliwoda Research GmbH

Profitability

Share in sales 2011 vs. 2010



Source: Company data, Dr. Kalliwoda Research GmbH

With +4.9% to PLN 3.3m and -28.9% to PLN 2.2m respectively, Polmed's EBIT and net income developed worse than sales y-o-y. The reasons were four new medical centers, which the company opened in Gdansk, Wroclaw, Poznan and Warsaw (as of 31 December 2011, it had in total 21 medical facilities across Poland). New medical centers initially require high investments into equipment and personnel, which lead to higher cost of sales, D&A and administration expenses. In addition, as they are mostly financed by debt, they also result in higher interest payments.

Although new medical centers need some time to reach the break-even (up to three years dependent on size and location), they reduce the dependence on external partners, who are very expensive. Moreover, with additional medical centers Polmed is able to gain more corporate clients.

Balance Sheet and Cash Flow

Between January and December 2011, Polmed generated an operating cash flow of PLN 0.5m, which was lower than in the previous year (PLN 1.9m). The reduction stemmed from (1) a lower net income y-o-y and (2) higher investments into working capital (PLN 5.7m vs. PLN 1.9m in 2010). Polmed's working capital comprises medical supplies, receivables from patients, corporate and insurance clients as well as liabilities towards e.g. suppliers and external contractors.

In 2011, the cash flow from investing activity amounted to PLN -11.2m and was higher than in 2010 (PLN -10.1m). The CAPEX were affected by investments into new medical centers (including acquisition of properties), medical equipment and a sales & customer relationship department.

The cash flow from financing activity (PLN 4.4m) was mainly impacted by (1) new debt of PLN 10.7m (2) dividend payouts of PLN 1.1m and (3) repayment of bank and leasing debt amounting to PLN 2.6m and PLN 3.3m respectively. Due to a total cash outflow of PLN 6.3m, the company's cash position at the end of December 2011 amounted to PLN 3.9m.

As of 31 December 2011, Polmed had interest-bearing debt of in total PLN 14.3m, which consisted of bank debt (PLN 11.3m), leasing liabilities (PLN 3m) and pension provisions (PLN 74k). With an equity position amounting to PLN 42.9m (equity ratio of 67.1%), the net gearing was equal to 24.2%.

Company Analysis

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4 Polmed's results compared to its Polish peers

Within the medical services segment of the main market of the Warsaw Stock Exchange, all companies performed worse than expected in 2011 in terms of profitability. Swissmed, which is an operator of specialised hospitals, even generated a net loss of PLN 7.9m.

When it comes to the whole sector, the issue seems to be the costs associated with new investments. All Polish providers of medical services conduct significant investments into new medical facilities, which dependent on size and location need up to 10 years to reach the break-even. While hospitals can cost up to PLN 100m, dependent on the kind of medical equipment they require, medical centers, on which Polmed focuses, usually cost between PLN 2m and PLN 10m and reach profitability after maximum three years.

As their investment needs are relatively limited, we generally favour companies, which focus on smaller medical facilities. In our view, concentrating on larger ones such as hospitals bears the risk of overinvestment and heavy indebtness.

Polish providers of medical services - summary of 2011 results

	Polmed		Centrum Medyczne ENEL-MED			EMC Instytut Medyczny		Swissmed Centrum Zdrowia**	
in PLNm	2011	2011E	2011	2011 guidance	2011E	2011	2011E	2011	2010
Net sales	**35.05**	**33.85**	**166.29**	**167.00**	**166.74**	**144.94**	**142.02**	**47.75**	**46.75**
y-o-y change	*44.9%*	*3.5%*	*20.7%*	*21.2%*	*21.0%*	*15.2%*	*12.9%*	*2.1%*	*5.2%*
EBITDA	**4.99**	**5.51**	**18.43**	**18.80**	**18.78**	**12.17**	**11.99**	**-1.37**	**3.30**
EBITDA margin	*14.2%*	*16.3%*	*11.1%*	*11.3%*	*11.3%*	*8.4%*	*8.4%*	*-2.9%*	*7.0%*
EBIT	**3.32**	**3.85**	**7.39**	**7.70**	**7.69**	**4.78**	**4.89**	**-5.83**	**-0.58**
EBIT margin	*9.5%*	*11.4%*	*4.4%*	*4.6%*	*4.6%*	*3.3%*	*3.4%*	*-12.2%*	*-1.2%*
Net income	**2.20**	**3.27**	**4.09**	**4.40**	**4.39**	**0.35**	**0.69**	**-7.94**	**-0.41**
Net margin	*6.3%*	*9.7%*	*2.5%*	*2.6%*	*2.6%*	*0.2%*	*0.5%*	*-16.6%*	*-0.9%*
Net gearing*	**24.20%**	**10.76%**	**110.32%**	**-**	**50.31%**	**73.72%**	**73.64%**	**234.80%**	**44.69%**

* in case of EMC, net gearing takes into account the capital increase of 1.2m shares at PLN 7.86 per share, which was completed at the end of February 2012
** there are no current analyst' estimates for Swissmed Centrum Zdrowia

Source: Company data, Dr. Kalliwoda Research GmbH

As shown in the table above, ENEL-MED, EMC Instytut Medyczny and Swissmed Centrum Zdrowia, which all invest into hospitals, reported weak 2011 results. While EMC breached its debt covenants in H1/11, ENEL-MED and Swissmed Centrum Zdrowia strongly increased their debt levels. Due to a new specialized hospital in Warsaw, which cost c. PLN 60m, Swissmed's net gearing reached a level of 234.8% at the end of 2011.

Equity Research

5 Outlook

Despite disappointing 2011 results, we maintain our positive view on Polmed. Although we have reduced our estimates and, consequently, the price target, we still rate the stock a Buy with an upside of 55.5% at current level.

Due to excellent prospects of the private healthcare sector in Poland and an expected introduction of a law, which is supposed to introduce tax incentives for individuals willing to buy a private health insurance, we forecast a sales CAGR 11-20 of 13.9%, with a yearly growth rate of at least 20% between 2012 and 2015. We still expect sales to grow by 30% (to PLN 45.6m) in 2012, whereby the main growth driven should again be revenues from corporate clients and private health insurances (+42.7% to PLN 25.4m). Between 2010 and 2011, Polmed opened in total 11 medical centers, which are situated in the main economic centers such as Warsaw, Katowice and Poznan. The company is thus able to serve more corporate clients, which, according to its management, generate the highest gross margins.

Financial forecasts 2012E-14E

in PLNm	2012E		2013E		2014E	
	old	new	old	new	old	new
Net sales	**44.00**	**45.56**	**55.44**	**57.41**	**67.64**	**70.03**
EBITDA	**6.66**	**6.73**	**9.00**	**8.53**	**11.77**	**10.41**
EBITDA margin	*15.1%*	*14.8%*	*16.2%*	*14.9%*	*17.4%*	*14.9%*
EBIT	**4.99**	**4.56**	**7.06**	**5.86**	**9.40**	**7.35**
EBIT margin	*11.3%*	*10.0%*	*12.7%*	*10.2%*	*13.9%*	*10.5%*
Net income	**3.61**	**3.10**	**5.17**	**3.98**	**7.03**	**5.13**
Net margin	*8.2%*	*6.8%*	*9.3%*	*6.9%*	*10.4%*	*7.3%*

Source: Dr. Kalliwoda Research GmbH

Sales forecasts 2012E-14E

in PLNm	2012E	2013E	2014E
NFZ	**15.24**	**17.42**	**19.90**
(change y-o-y)	*18.0%*	*14.3%*	*14.2%*
(% of net sales)	*33.5%*	*30.4%*	*28.4%*
Corporate clients/Private health insurances	**25.42**	**34.47**	**43.91**
(change y-o-y)	*42.7%*	*35.6%*	*27.4%*
(% of net sales)	*55.8%*	*60.0%*	*62.7%*
Individual patients & medical centres	**2.85**	**3.15**	**3.42**
(change y-o-y)	*17.7%*	*10.6%*	*8.5%*
(% of net sales)	*6.3%*	*5.5%*	*4.9%*
Others (e.g. rents, vaccinations)	**2.05**	**2.36**	**2.80**
(change y-o-y)	*8.2%*	*15.4%*	*18.6%*
(% of net sales)	*4.5%*	*4.1%*	*4.0%*
Total net sales	**45.56**	**57.41**	**70.03**

Source: Dr. Kalliwoda Research GmbH

Quarterly estimates 2012E

in PLNm	Q1 2012E	Q2 2012E	Q3 2012E	Q4 2012E	2012E
Sales	**10.48**	**10.02**	**10.93**	**14.12**	**45.56**
change y-o-y	55.1%	16.1%	36.7%	21.1%	30.0%
share of FY sales	*23.0%*	*22.0%*	*24.0%*	*31.0%*	
Gross profit	**1.99**	**2.10**	**2.57**	**3.18**	**9.84**
change y-o-y	24.7%	31.0%	1057.5%	-22.1%	31.2%
Gross margin	19.0%	21.0%	23.5%	22.5%	21.6%
EBIT	**0.89**	**1.10**	**1.15**	**1.41**	**4.56**
change y-o-y	-27.4%	9.6%	115.8%	157.2%	37.4%
EBIT margin	8.5%	11.0%	10.5%	10.0%	10.0%
Net income	**0.68**	**0.87**	**0.81**	**0.75**	**3.10**
change y-o-y	-32.6%	-12.4%	103.4%	-496.8%	40.9%
Net margin	6.4%	8.7%	7.4%	5.3%	6.8%
share of FY NI	*21.8%*	*28.0%*	*26.0%*	*24.2%*	

Source: Dr. Kalliwoda Research GmbH

In an interview with the Polish press agency PAP in January, Polmed's CEO Szubert announced some in our opinion positive things. First, he said that in 2012 the company would focus on sales and efficiency improvements, which we believe supports our expectation that this year Polmed will strongly grow sales and improve its EBIT and net income. Also, he now plans to open two new medical facilities vs. six, which were originally planned. Hence, Polmed's CAPEX should be lower this year (KRe: PLN 8.2m), which in turn should keep net gearing under control (KRe: 31.9% by the end of 2012).

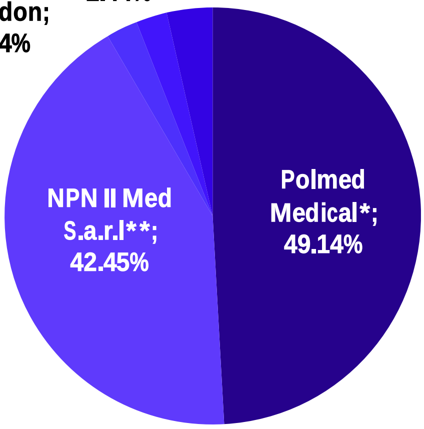
Unless Polmed enters the more CAPEX-intensive segments hospital care and diagnostic imaging or conducts expensive takeovers, the company should be able to reduce its net gearing from 2013, after most investments have been completed.

As Polmed puts a stronger focus on corporate and insurance clients, the company invests more into sales, marketing and customer relationship management. We believe that this will negatively affect its cost base in 2012. On the other hand, as the capacity utilization in existing medical centers improves and there will be less additional ones than previously planned, the gross margin should increase compared to 2011. In our view, this will be particularly visible in Q2 and Q3 2012, when less people get sick than usual and more doctors are on holidays.

In general, our long-term expectation is that Polmed will continue to increase high-margin sales from Corporate clients/Private health insurances dynamically and that this growth will be at the expense of revenues from the public insurance NFZ. After the medical centers have started covering their costs, we think that operating margins will improve markedly and reach 12-12.5% in the long term. From 2013, when most investments are supposed to be completed, CAPEX should remain between PLN 4.5m and 5.5m, with Polmed generating a free cash flow for the first time in 2013.

We have determined our new price target of **PLN 3.11** by using a DCF model only as due to Polmed's free float of 3.5% we think that a peer group valuation is not appropriate. Despite the PT reduction from previously PLN 3.93, we still believe that Polmed is an interesting investment due to (1) its focus on less CAPEX-intensive medical centers, which reach the break-even relatively quickly (2) much lower level of debt than peers despite significant investments in the last 1.5 years (3) regular dividend payouts and (4) the current market price of PLN 2, which is still 42.9% below its IPO price.

6 Shareholder structure



Shareholder	Share
Polmed Medical*	49.14%
NPN II Med S.a.r.l**	42.45%
Radoslaw Szubert	2.44%
Romuald Magdon	2.44%
Free float	*3.53%*

* Both Radoslaw Szubert and Romuald Magdon own 50% of the shares

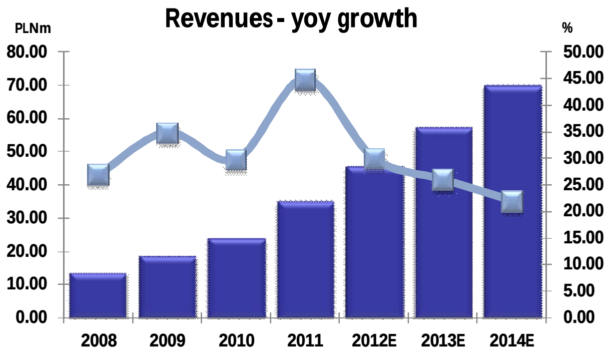
** Consultant to the fund is Krokus PE

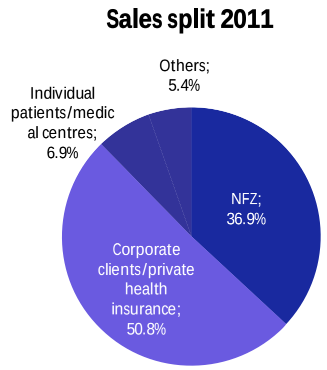
7 Financial ratios

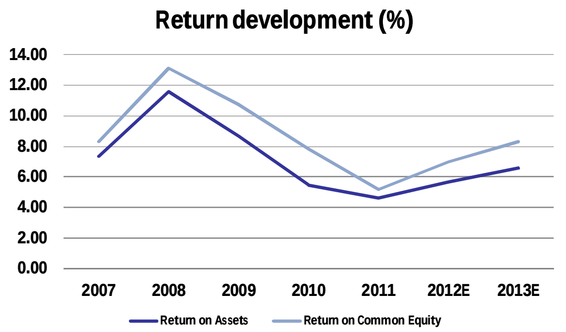
Fiscal year	2007	2008	2009	2010	2011	2012E	2013E	2014E
Gross margin	33.03%	37.13%	33.98%	23.87%	21.41%	21.60%	22.00%	22.50%
EBITDA margin	21.15%	25.60%	21.16%	15.79%	14.22%	14.77%	14.87%	14.87%
EBIT margin	18.44%	23.41%	19.30%	13.07%	9.46%	10.00%	10.20%	10.50%
Net margin	14.29%	18.31%	16.32%	12.78%	6.27%	6.80%	6.93%	7.32%
Return on equity (ROE)	8.34%	13.14%	10.73%	7.86%	5.19%	6.97%	8.29%	9.76%
Return on assets (ROA)	7.33%	11.61%	8.66%	5.48%	4.65%	5.66%	6.61%	7.56%
Return on capital employed (ROCE)	7.97%	12.25%	7.54%	6.00%	4.85%	6.30%	7.51%	8.71%
Net debt (in PLNm)	0.02	0.30	-14.86	-6.77	10.38	14.69	14.59	13.35
Net gearing	0.11%	1.49%	-40.35%	-16.17%	24.20%	31.92%	29.18%	24.22%
Equity ratio	84.20%	86.05%	86.58%	80.98%	67.07%	64.62%	64.31%	64.81%
Current ratio	1.77	2.58	4.68	2.35	1.47	1.41	1.54	1.68
Quick ratio	1.54	2.25	4.46	2.01	1.04	0.95	1.06	1.19
Net interest cover	29.53	33.71	-17.99	-6.21	6.77	6.24	6.21	7.18
Net debt/EBITDA	0.01	0.08	-3.77	-1.77	2.08	2.18	1.71	1.28
Tangible BVPS	1.33	1.42	1.35	1.48	1.51	1.62	1.76	1.94
Capex/Sales	n.a	-0.37%	-21.87%	-53.54%	-41.72%	-17.93%	-7.88%	-7.00%
Working capital/Sales	1.18%	13.23%	-0.83%	3.12%	15.53%	16.09%	16.32%	16.29%
EV/Sales	6.16	4.85	3.60	2.77	1.91	1.47	1.17	0.96
EV/EBITDA	29.13	18.96	17.01	17.58	13.46	9.97	7.86	6.44
EV/EBIT	33.41	20.73	18.64	21.24	20.24	14.72	11.46	9.12
P/Tangible BVPS	1.50	1.41	1.49	1.35	1.32	1.23	1.13	1.03
P/E	18.00	11.07	17.98	18.34	25.78	18.30	14.25	11.09
P/FCF	41.97	36.09	26.87	-6.95	-5.32	-11.28	572.07	45.77

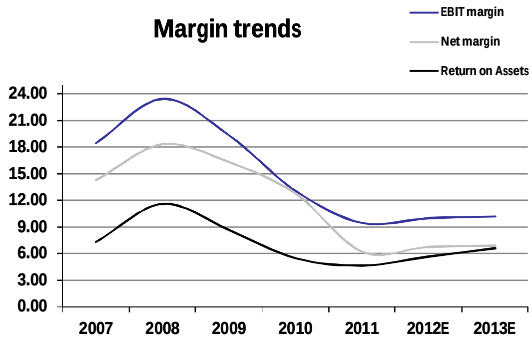
Source: Company data, Dr. Kalliwoda Research GmbH

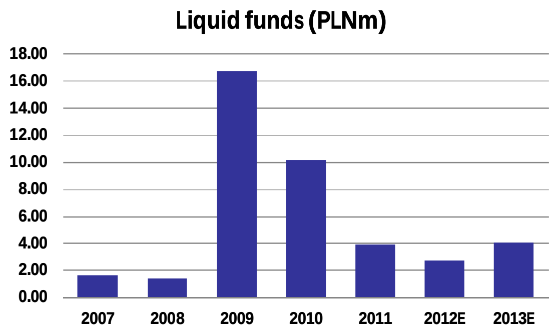
Company Analysis | DR. KALLIWODA | RESEARCH GmbH | Equity Research

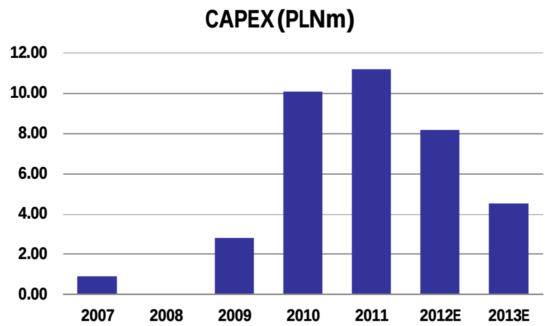


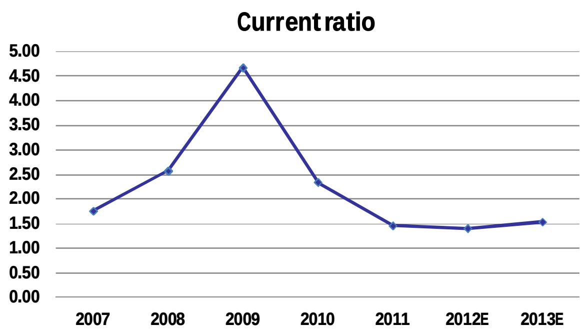


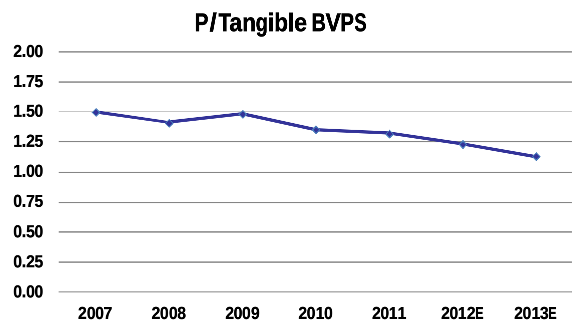












Source: Company data, Dr. Kalliwoda Research GmbH

8 Profit and loss statements

in PLNm	2007	2008	2009	2010	2011	2012E	2013E	2014E
Net sales	**10.89**	**13.82**	**18.64**	**24.18**	**35.05**	**45.56**	**57.41**	**70.03**
Cost of goods sold	-7.29	-8.69	-12.30	-18.41	-27.54	-35.72	-44.78	-54.28
Gross profit	**3.60**	**5.13**	**6.33**	**5.77**	**7.50**	**9.84**	**12.63**	**15.76**
Other operating income	0.20	0.29	0.39	0.40	1.36	1.20	0.90	0.92
Administration costs	-1.37	-1.71	-2.28	-2.26	-3.64	-4.10	-4.02	-4.20
Other operating expenses	-0.12	-0.17	-0.50	-0.10	-0.24	-0.21	-0.98	-2.06
EBITDA	**2.30**	**3.54**	**3.94**	**3.82**	**4.99**	**6.73**	**8.53**	**10.41**
Depreciation & Amortization	-0.30	-0.30	-0.35	-0.66	-1.67	-2.17	-2.68	-3.06
EBIT	**2.01**	**3.24**	**3.60**	**3.16**	**3.32**	**4.56**	**5.86**	**7.35**
Net financial results	-0.07	-0.10	0.20	0.51	-0.49	-0.73	-0.94	-1.02
EBT	**1.94**	**3.14**	**3.80**	**3.67**	**2.83**	**3.83**	**4.91**	**6.33**
Income taxes	-0.38	-0.61	-0.76	-0.58	-0.63	-0.73	-0.93	-1.20
Net income / loss	**1.56**	**2.53**	**3.04**	**3.09**	**2.20**	**3.10**	**3.98**	**5.13**
EPS	0.11	0.18	0.11	0.11	0.08	0.11	0.14	0.18
DPS	0.10	0.17	0.04	0.04	0.02	0.03	0.04	0.05

Source: Company data, Dr. Kalliwoda Research GmbH

9 Balance sheets

in PLNm	2007	2008	2009	2010	2011	2012E	2013E	2014E
Current assets	**3.48**	**4.64**	**20.28**	**17.14**	**15.83**	**17.84**	**22.53**	**27.99**
Cash and cash equivalents	1.67	1.47	16.73	10.17	3.91	2.76	4.06	6.10
Inventories	0.03	0.04	0.07	0.11	0.19	0.25	0.31	0.37
Trade accounts and notes receivables	1.36	2.58	2.63	4.53	7.28	9.27	11.45	13.68
Prepaid expenses, deferred charges and others	0.42	0.55	0.86	2.33	4.45	5.55	6.71	7.84
Non-current assets	**18.69**	**18.45**	**22.27**	**34.54**	**48.16**	**53.37**	**55.22**	**57.06**
Property, plant and equipment	6.95	6.70	10.40	22.65	35.64	41.64	43.49	45.34
Intangible assets	11.70	11.70	11.73	11.77	11.74	11.73	11.73	11.73
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax assets	0.04	0.04	0.13	0.12	0.07	0.00	0.00	0.00
Long-term prepaid expenses	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00
Total assets	**22.17**	**23.08**	**42.54**	**51.68**	**63.99**	**71.20**	**77.75**	**85.05**
Current liabilities	**1.97**	**1.80**	**4.34**	**7.30**	**10.77**	**12.64**	**14.60**	**16.63**
Trade payables	1.02	0.72	2.67	4.88	4.37	5.57	6.86	8.17
Short-term financial debt	0.29	0.46	0.63	1.09	4.30	4.90	5.50	6.15
Other liabilities	0.36	0.40	0.59	0.17	0.92	0.97	1.02	1.07
Advances received	0.30	0.22	0.44	1.17	1.18	1.20	1.22	1.24
Long-term liabilities	**1.53**	**1.42**	**1.37**	**2.53**	**10.31**	**12.55**	**13.15**	**13.30**
Long-term financial debt	1.39	1.29	1.22	2.27	9.93	12.50	13.10	13.25
Pension provision	0.01	0.02	0.01	0.05	0.07	0.05	0.05	0.05
Deferred tax liabilities	0.13	0.12	0.14	0.21	0.31	0.00	0.00	0.00
Shareholders equity	**18.67**	**19.86**	**36.83**	**41.85**	**42.92**	**46.01**	**49.99**	**55.12**
Total consolidated equity and debt	**22.17**	**23.08**	**42.54**	**51.68**	**63.99**	**71.20**	**77.75**	**85.05**

Source: Company data, Dr. Kalliwoda Research GmbH

10 Cash flow statements

in PLNm	2007	2008	2009	2010	2011	2012E	2013E	2014E
Net income	**1.56**	**2.53**	**3.04**	**3.09**	**2.20**	**3.10**	**3.98**	**5.13**
Depreciation	0.30	0.30	0.35	0.66	1.67	2.17	2.68	3.06
Working capital	0.07	-1.08	1.97	-1.93	-5.66	-1.89	-2.03	-2.04
Others	0.34	-0.16	-0.45	0.10	2.32	-0.24	0.00	0.00
Net operating cashflow	**2.26**	**1.60**	**4.91**	**1.92**	**0.54**	**3.14**	**4.62**	**6.14**
Cashflow from investing	**-0.91**	**-0.02**	**-2.80**	**-10.08**	**-11.20**	**-8.17**	**-4.53**	**-4.90**
Free cashflow	**1.35**	**1.57**	**2.11**	**-8.15**	**-10.66**	**-5.02**	**0.10**	**1.24**
Financial cashflow	-1.10	-1.77	13.15	1.60	4.40	3.88	1.20	0.80
Change in cash	0.25	-0.20	15.26	-6.55	-6.26	-1.15	1.30	2.04
Cash, start of the year	**1.42**	**1.67**	**1.47**	**16.73**	**10.17**	**3.91**	**2.76**	**4.06**
Cash, end of the year	**1.67**	**1.47**	**16.73**	**10.17**	**3.91**	**2.76**	**4.06**	**6.10**
Free cashflow per share	0.05	0.06	0.07	-0.29	-0.38	-0.18	0.00	0.04

Source: Company data, Dr. Kalliwoda Research GmbH

11 DCF model

in PLNm	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net sales	**45.56**	**57.41**	**70.03**	**84.04**	**92.45**	**99.84**	**105.83**	**110.06**	**113.37**
(y-o-y change)	30.0%	26.0%	22.0%	20.0%	10.0%	8.0%	6.0%	4.0%	3.0%
EBIT	4.56	5.86	7.35	9.66	11.56	12.48	13.12	13.65	13.94
(EBIT margin)	10.0%	10.2%	10.5%	11.5%	12.5%	12.5%	12.4%	12.4%	12.3%
NOPLAT	**3.69**	**4.74**	**5.96**	**7.83**	**9.36**	**10.11**	**10.63**	**11.05**	**11.29**
+ Depreciation & amortisation	2.17	2.68	3.06	3.42	3.48	3.56	3.56	3.59	3.59
= Net operating cash flow	5.86	7.42	9.01	11.24	12.84	13.67	14.19	14.65	14.88
- Total investments (Capex and WC)	-10.06	-6.56	-6.95	-7.40	-6.48	-6.31	-6.00	-5.68	-5.59
Capital expenditure	-8.17	-4.53	-4.90	-5.26	-5.33	-5.41	-5.41	-5.44	-5.44
Working capital	-1.89	-2.03	-2.04	-2.14	-1.16	-0.90	-0.59	-0.24	-0.15
= Free cash flow (FCF)	-4.20	0.86	2.07	3.84	6.36	7.36	8.19	8.97	9.29
PV of FCF's	**-3.91**	**0.73**	**1.60**	**2.72**	**4.10**	**4.32**	**4.39**	**4.38**	**4.14**

PV of FCFs in explicit period	22.47
PV of FCFs in terminal period	68.31
Enterprise value (EV)	**90.78**
+ Net cash / - net debt	-10.38
Shareholder value	**80.40**
Number of shares outstanding (m)	**28.35**
WACC	**9.7%**
Cost of equity	11.4%
Pre-tax cost of debt	7.0%
Normal tax rate	19.0%
After-tax cost of debt	5.7%
Share of equity	70.0%
Share of debt	30.0%
Fair value per share in PLN (today)	**2.84**
Fair value per share in PLN (in 12 months)	**3.11**

Terminal EBIT margin

WACC	9.3%	10.3%	11.3%	12.3%	13.3%	14.3%	15.3%
5.7%	7.32	8.16	9.00	9.84	10.68	11.52	12.37
6.7%	5.07	5.64	6.20	6.77	7.33	7.90	8.46
7.7%	3.79	4.20	4.61	5.02	5.43	5.84	6.25
8.7%	2.96	3.27	3.58	3.89	4.20	4.51	4.82
9.7%	2.38	2.62	2.87	**3.11**	3.35	3.60	3.84
10.7%	1.95	2.15	2.34	2.54	2.73	2.93	3.13
11.7%	1.62	1.78	1.94	2.10	2.26	2.42	2.58

Source: Dr. Kalliwoda Research GmbH

12 Peer group analysis

Currently, Polmed trades at a premium versus the median of its Polish and Western European peers. It should however be noted that the company is at a relatively early stage of development and is more profitable and less indebted than its competitors.

Domestic peers

	EV/EBITDA		EV/EBIT		P/E		EBITDA margin	Net gearing	P/BVPS
Company	2012E	2013E	2012E	2013E	2012E	2013E	Latest	Latest	Latest
Centrum Medyczne ENEL-MED S.A.	7.19	5.46	15.88	10.69	20.21	12.44	11.08%	110.32%	2.13
EMC Instytut Medyczny S.A.	8.40	6.38	19.64	12.39	31.38	17.00	8.40%	73.72%	1.01
Swissmed PSM S.A.	3.73	3.71	4.90	4.77	6.77	8.16	4.36%	39.31%	1.10
Median	**7.19**	**5.46**	**15.88**	**10.69**	**20.21**	**12.44**	**8.40%**	**73.72%**	**1.10**
POLMED S.A.	9.97	7.86	14.72	11.46	18.30	14.25	14.22%	24.20%	1.32
Premium/discount	***38.60%***	***44.05%***	***-7.26%***	***7.15%***	***-9.45%***	***14.57%***			

Source: Thomson Reuters Knowledge, Dr. Kalliwoda Research GmbH

Foreign peers

	EV/EBITDA		EV/EBIT		P/E		EBITDA margin	Net gearing	P/BVPS
Company	2012E	2013E	2012E	2013E	2012E	2013E	Latest	Latest	Latest
MediClin AG	7.13	6.43	13.98	12.52	18.04	15.03	5.00%	27.79%	1.05
Curanum AG	8.43	7.21	13.94	11.14	11.11	7.70	1.13%	348.86%	1.74
Rhön-Klinikum AG	7.50	6.86	11.93	10.84	13.58	11.93	13.31%	40.00%	1.37
Marseille-Kliniken AG	5.26	4.79	10.06	7.54	10.12	8.93	8.53%	129.89%	1.18
MATERNUS-Kliniken AG	8.18	7.39	13.79	11.27	n.a	10.83	6.84%	neg.	neg.
Oral Hammaslaakarit PLC	6.58	4.35	14.26	7.60	19.23	9.37	5.85%	40.25%	1.97
Le Noble Age SA	4.73	4.25	5.94	5.42	10.72	9.30	9.88%	28.40%	1.40
Global Health Partner AB	7.81	5.55	12.49	7.69	31.25	17.05	6.18%	0.97%	1.21
IASO S.A.	7.92	n.a	24.76	n.a	5.18	n.a	15.18%	119.81%	0.24
Median	**7.50**	**5.99**	**13.79**	**9.26**	**12.34**	**10.10**	**6.84%**	**34.20%**	**1.20**
POLMED S.A.	9.97	7.86	14.72	11.46	18.30	14.25	14.22%	24.20%	1.32
Premium/discount	***32.96%***	***31.24%***	***6.78%***	***23.70%***	***48.23%***	***41.08%***			

Source: Thomson Reuters Knowledge, Dr. Kalliwoda Research GmbH

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