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MVS Pharm - Brcko

Descriptive Teaser



Bosnia and Herzegovina

Under the Dayton agreement, signed in August 1995, the republic of Bosnia and Herzegovina was founded as an independent state from Socialist Federal Republic of Yugoslavia. Under these accords two independent entities have been formed, based on the nationalities living in them: Republic of Srpska and the Bosniak-Croat federation. A third entity, Brcko district - comprising of all 3 nationalities, has also been formed in Northeast of the Country. Some of BIH key macro indicators are presented below:

- Population: 3.9 million
- Area: 51,197 km²
- GDP²⁰⁰⁷: EUR 10.6 billion
- Inflation (y-o-y): 5%
- Moody's rating: B2/stable
- Currency: (BAM) Bosnian convertible mark

1. Introduction

MVS Pharm was established in 2003 in Brcko district of Bosnia and Herzegovina, with the aim of becoming the leading local pharmaceuticals distributor.

The Company currently has a network of five pharmacies located in Brcko district, combined with a wholesale network operating locally and across the Bosnia and Herzegovina. The sales portfolio consists of a product base which includes human generic medicaments supplied from Bosnian, Serbian and internationally branded producers. In 2006 Company founded subsidiary MVS Pharmacy in Kikinda, Serbia, which currently has four pharmacies and employs 21 workers.

2. Investment Opportunity

MVS Pharm and MVS Pharmacy (or "Companies") are currently organized as a limited liability companies. Interested parties are presented with an opportunity to acquire 100% stake in capital of both Companies through a simplified tender procedure, or to acquire stake in MVS Pharm only. Some of key investment highlights include:

- **Network** – *A strategically positioned branch network enabling access to all of Brcko district's medical institutions and providing a strong supply position. The Company is currently one of the leading suppliers of district's healthcare system.*
- **Positioning** – *Operation from Brcko district enables purchase from and sale to both entities of Bosnia and Herzegovina which makes the positioning unique.*
- **Assets** – *The Company owns the building in which the HQ and the warehouse are positioned, while other buildings used are held under long term renewable leases (3-5 years).*
- **Portfolio** – *Wide product portfolio enables supply and retail sale of medicaments to all nationalities in the Country.*¹

¹ Bosnian pharmaceuticals environment is very specific as people of different nationalities are extremely biased towards origin of the medicaments (Serbs will hardly purchase Bosniak brands and vice versa)

General Info



MVS Pharm is 100% owned by Snezana Vukovic, a local entrepreneur.

The Company has a subsidiary company operating on the pharmaceuticals retail market in Serbia in town of Kikinda

Grcica pharmacy was closed with the end of 2006, but with the beginning of 2008 a new branch (Rijeke) was opened in Rijeke area.

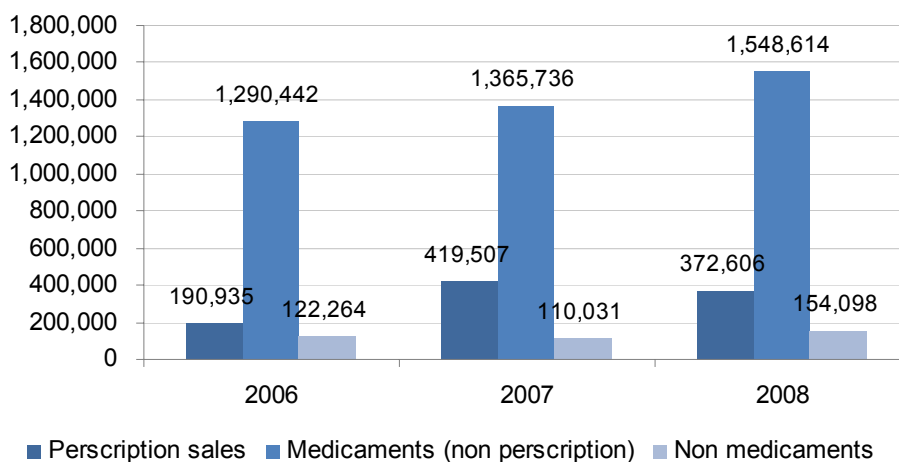
3. Company Information

MVS Pharm distributes pharmaceuticals, diet supplements and other products in Brcko district and on the Bosnian market through 3 channels:

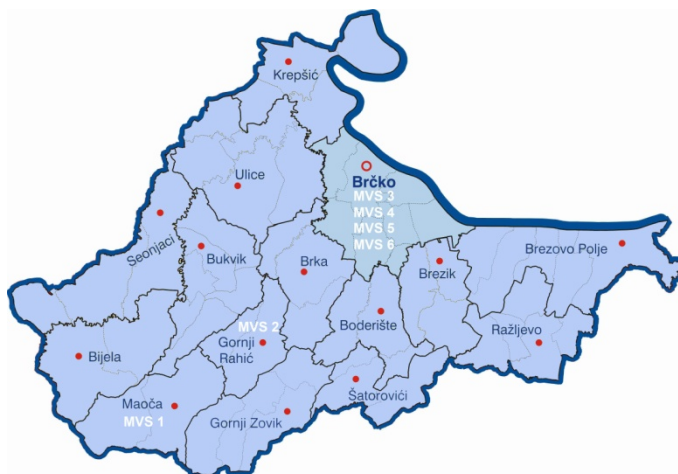
- Prescription sales
- Non prescription medicaments sales
- Non medicaments sales

Overall sales breakdown, by sales channels, is presented on the following chart:

Sales Breakdown by Sales Channel (in EUR)



Retail sale is carried out through a network consisting of 5 pharmacies distributed throughout the city of Brcko and the district itself.

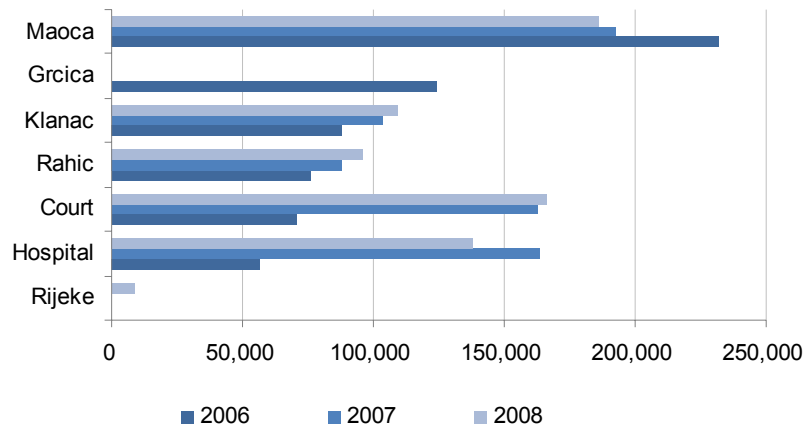


Distribution

MVS Pharm utilizes both its own and external resources for the purpose of goods delivery and distribution. In 2005 the Company has purchased 3 delivery vehicles (type: Citroen Berlingo) which are utilized for door to door delivery. The Company has also established cooperation with some of international shipment companies, to which it outsources deliveries when needed.

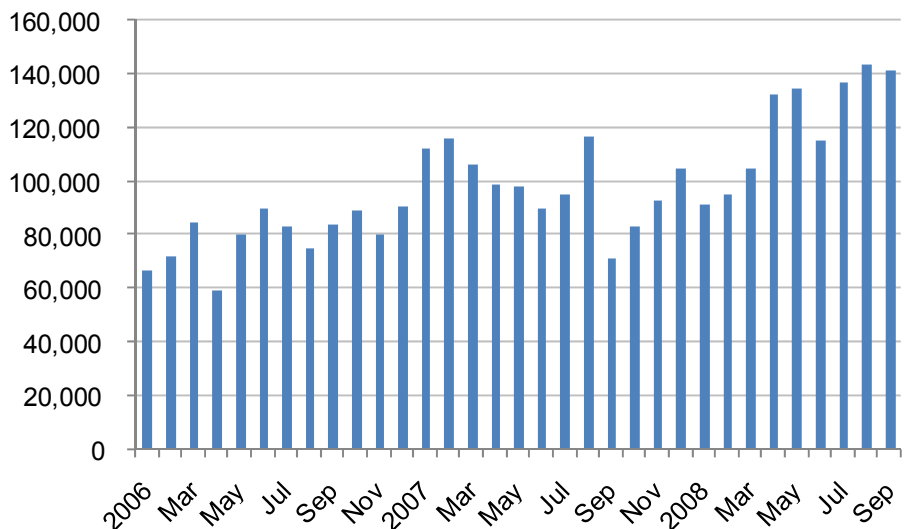
In 2008 retail sales amounted to EUR 0.71 million, contributing to overall revenues with 33%.

Retail Sales Breakdown by Pharmacy (in EUR)



One of Company's key objectives includes establishing the leading position on the Brcko district pharmaceuticals wholesale market. Wholesale revenues have recorded a constant annual growth over the last 3 years period (with seasonal highs and lows) as a result of MVS's competitive pricing policies and good knowledge of public procurement procedures.

Wholesale Monthly Breakdown (in EUR)²



² 2008 figures represent results for the first 9 months

Staff



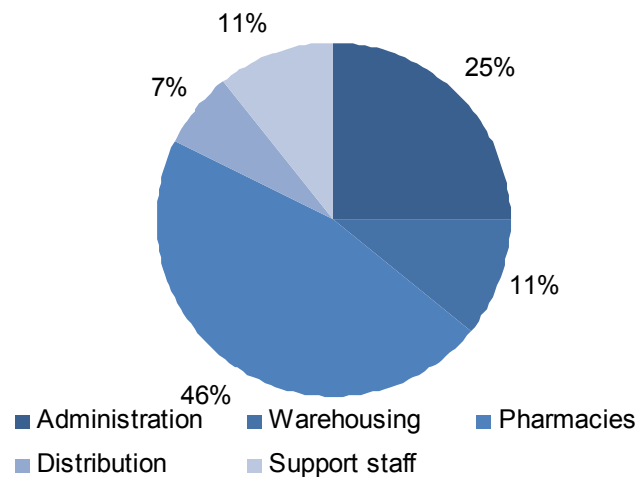
In terms of workforce structure the Company utilizes an efficient employment model, meaning that every organizational unit is optimally staffed. From the perspective of human capital management and provision MVS Pharm has entered a scholarship scheme program through which it is sponsoring pharmacy college students who will be working with MVS Pharm following their graduation.

Health sector supply in Brcko district is currently undergoing considerable changes in terms of supplier qualification and selection. MVS Pharm considers wholesale and government institutions supply as one of its key objectives, and is thus fully committed towards positioning itself as the leader in this market segment.

Expected outcome of reforms in the medicaments procurement procedures is narrowing down of the potential suppliers list to only several companies. The value of the hospitals supply program is estimated to at least EUR 2.75 million on an annual level. Short-listing of qualified suppliers is expected with the beginning of Q1 2009.

MVS Pharm currently employs 28 people in all of its organizational units. Detailed workforce breakdown is presented in the following chart:

Workforce Breakdown by Sector



Each pharmacy in MVS Pharm’s portfolio employs at least one pharmacy technician, while some have technicians, pharmacists and interns working together.

4. Financial Overview of MVS Pharm

Key Ratios '08

Current ratio: 0.50
Acid test: 0.42
ARDO (in days): 69
APDO (in days): 227
D/E: 4.3
EBITDA/interest: 1.29

Balance sheet (EUR)	2006	2007	2008
Fixed assets	402,099	430,956	413,602
Buildings	110,707	133,711	128,804
Equipment	131,016	108,267	95,465
Tools	36,012	34,619	34,975
LT financial placements	124,365	154,358	154,358
Current assets	1,031,358	1,055,327	1,119,226
Inventories	271,146	127,753	109,348
Receivables	346,582	337,369	401,446
Cash	332,787	450,022	446,285
Accruals	80,844	140,183	162,147
Total assets	1,433,457	1,486,283	1,532,828
Owner's equity	57,355	68,618	70,618
Equity	2,564	35,897	35,897
Retained earnings	54,791	32,721	34,721
Long-term liabilities	0	0	125,329
Long-term loans	0	0	125,329
Short-term liabilities	1,376,102	1,417,665	1,336,881
Short-term loans	337,296	396,968	303,336
Payables	1,034,708	1,008,074	990,009
Other liabilities	4,098	12,623	43,535
Total liabilities and Owners Equity	1,433,457	1,486,283	1,532,828

Working capital requirements are currently bridged with several short term revolving credits taken from local banks.

Low profitability in previous period is a result of significant investment into company in Serbia.

Income statement (EUR)	2006	2007	2008
Operating revenues	1,660,396	1,939,761	2,137,656
Sales revenues	1,625,524	1,939,761	2,137,656
Other operating revenues	34,872	0	0
Operating expenses	1,524,022	1,807,608	1,875,348
COGS	1,314,769	1,556,284	1,588,431
Materials	9,743	5,858	2,502
Energy expenses	34,252	29,469	30,965
Salaries	77,173	96,347	122,191
Production expenses	19,228	48,293	43,964
Other expenses	68,856	71,357	87,296
Other income	22,973	1,586	718
Other expenses	97,987	94,852	170,197
Financial income	8,985	16,921	12,546
Financial expenses	15,045	0	6,116
EBITDA	55,301	55,807	99,259
<i>EBITDA margin</i>	<i>3.3%</i>	<i>2.9%</i>	<i>4.6%</i>
Depreciation	22,529	19,642	20,553
EBIT	32,772	36,166	78,705
<i>EBIT margin</i>	<i>2.0%</i>	<i>1.9%</i>	<i>3.7%</i>
Interest expense	19,298	35,245	76,673
Net income	13,473	921	2,032
<i>Net margin</i>	<i>0.8%</i>	<i>0.0%</i>	<i>0.1%</i>



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