

Valuation & Research Specialists (VRS)
Equity Research Team
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Share Price (25/7/2014) Swiss Exchange, in CHF	
	261.25
# of Shares (,000)	862,562.70
Market Cap (in CFH mn)	225,344.51
A.D. Volume (p)	29,171
Beta Co-efficient	0.87
Statistical Data	
Max 52 week, CHF	271.25
Min 52 week, CHF	231.80
1-M Rtn	1.65%
6-M Rtn	5.77%
12-M Rtn	12.46%

Source: VRS Calculations, Swiss Exchange.

ROCHE HOLDING AG

Listed on Swiss Exchange, Switzerland [Bloomberg Ticker: ROG:VX] [Reuters Ticker: ROG.VX]

Business Sector: Pharmaceutical Companies

Corporate & Investment Highlights

- Roche Ltd is a Swiss pharmaceutical corporation that operates worldwide. Roche stock is listed on Swiss Exchange (SIX) and the company's headquarters are located in Basel. The company operates under two divisions: Pharmaceuticals and Diagnostics, with a strong global presence. It is the sixth largest pharmaceutical company worldwide based on market share and is one of the few companies increasing their dividend every year with 2013 being the 27th consecutive year. This trend is noteworthy as historically very few companies in the healthcare industry pay a dividend.
- Roche, as many other companies in the healthcare sector, is very active in the field of M&As. Among the acquired targets from Roche are the Japanese biotechnology company Chungai Pharmaceuticals (2002), Arizona based Ventana (2008) and the American biotechnology company Genentech (2009) which was acquired for USD 46.8 billion.
- The total equity of Roche fell dramatically from CHF 44.479 billion to CHF 7.366 billion in 2009 due to the acquisition of Genentech. Since then, The Group has "recovered" almost half of its equity base prior to that acquisition. Both ROE and net profit margin are from the highest in the healthcare industry and much higher from the sector's averages. Furthermore, the operating margin is the highest in the whole pharmaceutical sector as compared to the other leading industry players. The total debt has been decreasing steadily during the last five years from CHF 42.416 billion in 2009 to CHF 18.643 billion in 2013 and debt to equity ratio has improved from 5.76 in 2009 to 0.97 in 2013.
- Based on the shareholders' structure of year end 2013, the founding Hoffmann and Oeri families owned slightly over half of the bearer shares with voting rights, while the Swiss pharmaceutical corporation Novartis held a further third of Roche shares.
- Roche stock has been outperforming the market over the past 12 months. Trailing P/E and P/S ratios stand at 20.95x and 4.85x respectively.

[As of the date of this report, the latest available financial statements of the Company/Group were of the 1st Half 2014.]

1st Half 2014 Results

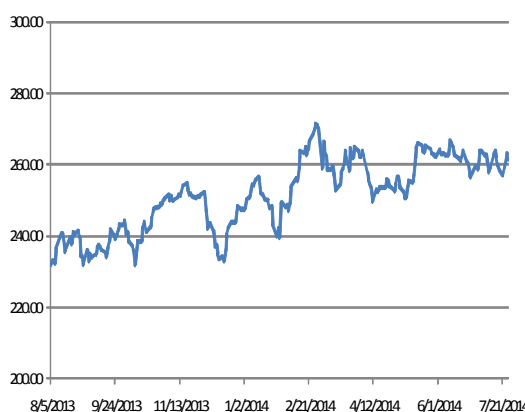
(CHF million)	6M 2014	%	6M 2013
Revenues	22,974.0	-1.38%	23,295.0
EBITDA	10,341.0	-0.77%	10,421.0
EBT	7,494.0	-3.38%	7,756.0
EAT	5,533.0	-6.87%	5,941.0

Source: The Company.

Important Note:

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Stock Price Performance (1 year, in CHF)



Note: Share price performance based on share price closes on Swiss Exchange.
Period as month/day/year.

Company Report

FLASH NOTE
July 25, 2014

ROCHE HOLDING AG

Listed on Swiss Exchange, Switzerland [Bloomberg Ticker: ROG:VX] [Reuters Ticker: ROG.VX]

Business Sector: Pharmaceutical Companies

BASIC FINANCIAL INDICATORS

(in CHF mn)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT / EQUITY (x)	ROE %
2008	45,617.0	16,637.0	14,161.0	8,969.0	25.1	5.1	13.5	0.1	20%
2009	49,051.0	18,028.0	10,232.0	7,784.0	28.9	30.6	14.7	5.8	106%
2010	47,473.0	18,517.0	11,211.0	8,666.0	26.0	23.8	13.7	3.2	92%
2011	42,531.0	16,933.0	11,885.0	9,343.0	24.1	18.6	14.7	2.2	77%
2012	45,499.0	19,040.0	12,159.0	9,427.0	23.9	15.5	12.9	1.7	65%
2013	46,780.0	19,802.0	14,677.0	11,164.0	20.2	11.7	12.1	1.0	58%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price. Source: Official Consolidated Financial Statements (based on IFRS), VRS Calculations. n/c stands for non calculable.

Group Sales Breakdown Per Business (Period 2011 – 6M 2014)

CHF million, consolidated figures

	6M 2014	2013	2012	2011
Pharmaceuticals				
Sales	17,834	36,304	35,232	32,794
EBITDA	9,104	17,148	16,538	14,422
Diagnostics				
Sales	5,140	10,476	10,267	9,737
EBITDA	1,413	3,028	3,011	2,940
Corporate				
Sales	-	-	-	-
EBITDA	-176	-374	-509	-429

Source: The Company.

Working Capital Ratios

in CHF million		2008	2009	2010	2011	2012	2013
Revenues	CHF mn	45,617.00	49,051.00	47,473.00	42,531.00	45,499.00	46,780.00
Cost (net of depreciation)	CHF mn	13,661.00	14,615.00	13,293.00	11,942.00	12,175.00	11,948.00
Gross Profit Margin	%	70.05%	70.20%	72.00%	71.92%	73.24%	74.46%
Net Income / Profit	CHF mn	8,969.00	7,784.00	8,666.00	9,343.00	9,427.00	11,164.00
Net Profit Margin	%	19.7%	15.9%	18.3%	22.0%	20.7%	23.9%
Cash & Cash Equivalents	CHF mn	4,915.00	2,442.00	1,841.00	3,854.00	4,530.00	4,000.00

Stock Days

Days	156	141	137	155	166	180
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Stock Inventory	CHF mn	5,830.00	5,648.00	4,972.00	5,060.00	5,542.00	5,906.00
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Debtors Days

Days	78	78	72	84	76	69
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Debtors - Receivables	CHF mn	9,755.00	10,461.00	9,403.00	9,799.00	9,465.00	8,808.00
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Creditors Days

Days	54	57	57	63	58	66
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Creditors - Suppliers	CHF mn	2,017.00	2,300.00	2,068.00	2,053.00	1,945.00	2,162.00
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Operating Cycle (Days)

Days	234	219	209	239	242	249
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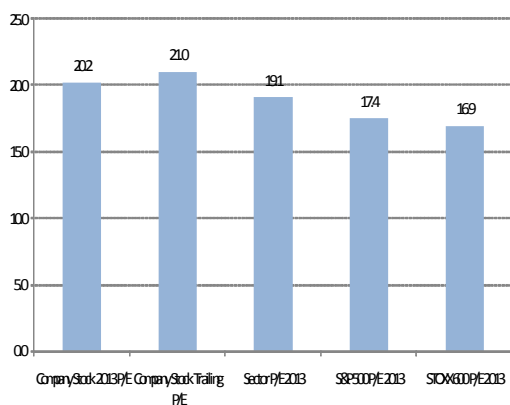
Cash Cycle (Days)	Days	180	161	152	176	184	183
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Source: Official Consolidated Financial Statements, VRS Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation, wherever applicable) from revenues.

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Company Historic P/E Multiple versus Market P/E Multiples (x)



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Page 2

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
ROCHE HOLDING AG	ROG:VX	ROG.VX	CHF 261.25	July 25, 2014	----

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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
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