

GRIFOLS: From a family-owned business to a global impact multinational¹

1.INTRODUCTION

1.1 MOTIVATION

One of the main reasons why we chose Grifols is because we thought it would be interesting to pick a company that operated in several markets (including Spain) and whose products' demand was on the rise. The fact that this company paid a lot of importance to innovation and that it had a good reputation also helped.

Also, as it is a Catalan company and is listed since the 17th May 2006, we thought that finding information about the company from multiple sources (like articles in local newspaper, information of the Business Department of the Generalitat and so on) would be easier and of better quality.

Another reason why we chose Grifols is for its strategic importance: Wikileaks revealed that Grifols was considered by the U.S. Department of State (among the Strait of Gibraltar and the gas pipeline with Argelia) as one of the three strategic assets Spain has. It also has had some trials in the United States, because of which some of us knew the group.

¹ Case written by Neus Martí, Laura Pérez, Monika Shewani and Iván Troche; and supervised by Oriol Amat, BSM Universitat Pompeu Fabra, 2019.

1.2 GRIFOLS TIMELINE

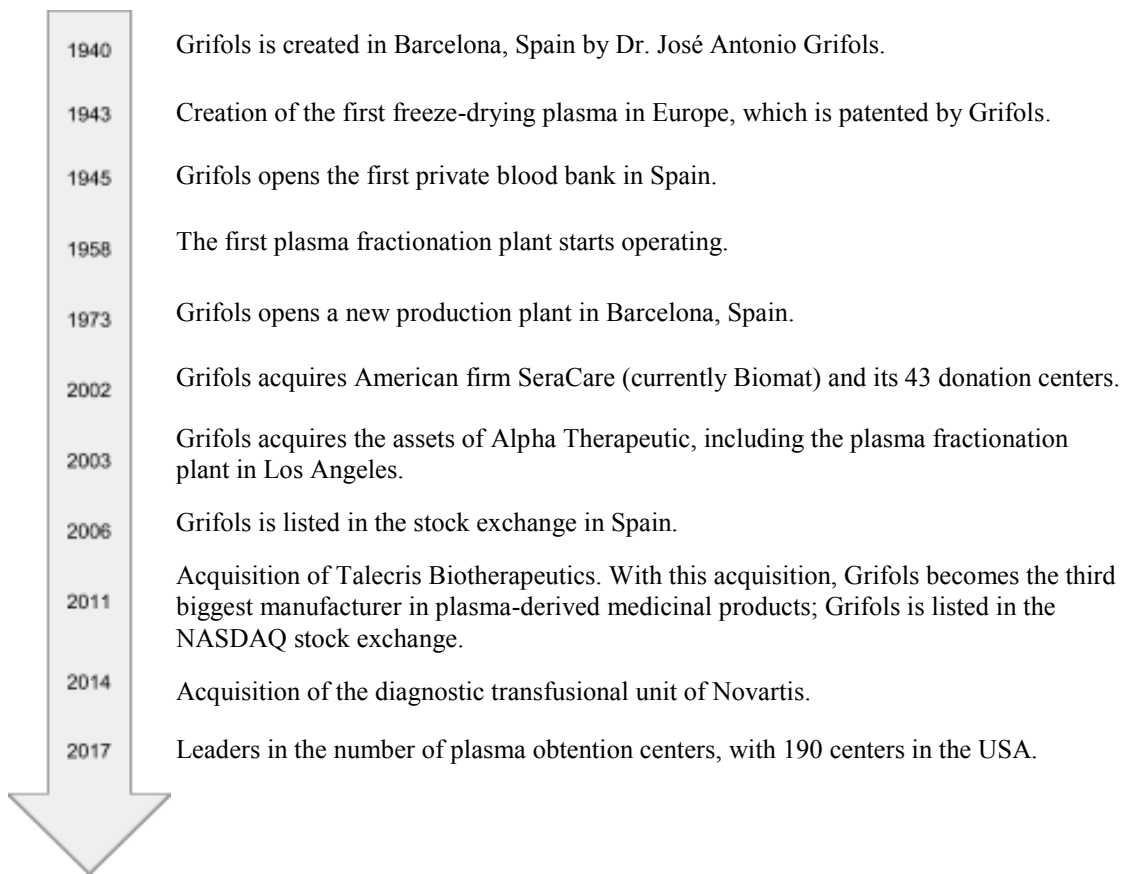


Figure 1: Grifols' chronological timeline

1.3 BRIEF HISTORY OF GRIFOLS

The hematology revolution arrived in the 20th century intensified by its necessity in a world in war with two important discoveries: the determination of blood types and the discovery of Rh factor, ending the mortal reactions because of blood incompatibility.

In Spain, the scientific example in the hematology and hemotherapy was José Antonio Grifols Roig, the Grifols fibula inventor —that opened the door to indirect transfusions and to the storage of blood— and founder, with his sons, of Laboratorios Grifols in Barcelona, November 1940.

GRIFOLS

Figure 2: Logo of Grifols. Source: grifols.com

Ten years later, Grifols was already a diversified company with four divisions: the blood and plasma bank (the first private bank in Spain), the Central Institute of Clinical Analysis, the Pharmaceutical Laboratory, and the Study and Research Division (with the development of the lyophilizer, the plasmapheresis...). Its corporate focus was the manufacture of vaccines and the performance of blood transfusions.

During the 70s, the company kept growing: motivated by the production of solutions and reagents for diagnostics, it had 350 employees, primarily in its new factory in Parets del Vallès. Its association with the American Hospital Supply Corporation (AHS) allowed it to be up-to-date with the scientific progress, and AHS supplied it with technical knowledge for its business structure reorganization, with the notable prioritization of the sale division (which was a success, as it soon grew to the \$13 million in sales).

However, in the 80s, the *peseta* devaluation and the health product price freeze put high pressure in Grifols' performance. Therefore, the company focused on the plasma products sector. Simultaneously, its alliance with AHS weakened, so they started to look for new partners in USA. Besides, as Spain entered the European Economic Community, Grifols had it easier to expand in Europe, that was soon accompanied with new alliances in the USA and Asia (with Alpha, the largest plasma collection company in the US, and the Japanese Green Cross Corporation, that couldn't export its product due to Japanese legislation). This accelerated internationalization managed to rise Grifols as a model in the plasma and hemoderivatives sector.

In 1987, the company was subject to another reorganization that culminated with the creation of the Grifols holding, with the goal of diversifying activities while still staying in the health sector.

Its growth and innovation would continue. In May 17, 2006 Grifols went public on the Ibex 35, with a 15% growth in their very first day (when, on average, that same day companies went down by 3%). From 2011, they are also present in the NASDAQ stock exchange.

1.4 GRIFOLS NOWADAYS

Nowadays, the company continues to develop its activity focusing on two different industries: Bioscience Product Manufacturing and Diagnostic and Hospital Supply and Wholesale; both of which can be included within the pharmaceutical industry.

* The Bioscience Product Manufacturing industry includes companies that manufacture drugs, vaccines, therapies and other products; in our case, Grifols is specialized in working with plasma. Firms on the Bioscience industry normally face a strong competition from big pharmaceutical manufacturers; and there's high pressure to be the first company to discover a new treatment. Demand is often really high for these kinds of companies, but they face some juridical regulations when it comes to releasing a new product in to the market. This industry is closely related to the Diagnostic work that Grifols does.

* The Hospital Supply and Wholesale industry includes companies which distribute medical equipment, instruments and supplies to professionals such as hospitals, as well as providing extended care facilities. Pressure on price is high on these kind of companies as sales can sometimes be affected by GTOs (group purchasing organizations) that make prices go down. For a better study of Grifols' Industry, we are going to add the two previous industries into the Pharmaceutical Industry which is the main one in which Grifols operates.

1.4.1 Grifols repercussion

Grifols is a Catalan multinational in the pharmaceutical sector which stands for some relevant characteristics. The following are some statements that highlight the importance of the company in its category.

- It is the largest company in Europe in the hemoderivatives sector.
- It is a global leader in the hospital provisions sector.
- It is the only vertically-integrated company in the transfusional sector.
- Its products and services are available in more than 100 countries.
- It has the largest worldwide network of plasma collection center.
- It employs more than 18,000 people.

2. OVERVIEW OF THE INDUSTRY AND COMPETITORS

2.1. ECONOMIC ANALYSIS AND PERSPECTIVES

The pharmaceutical industry is a big and highly globalized industry: as a whole, it was worth \$934.8 billion in 2017 and it's expected to increase its value in the following years with an estimated growth of almost 6% until 2021. It is highly dependent on research and development, and can be affected by many external factors, that we can divide into:

- Political, e.g. taxes can affect the development of the activity.
- Economic, e.g. high competition and low-cost production from countries like China.
- Sociocultural, e.g. elderly and more sedentary societies increase demand for drugs.
- Technological, e.g. ability to produce new drugs or produce them cheaper.

The pharmaceutical industry is expected to remain profitable in the future. China's pharmaceutical industry will continue to grow and may threaten the U.S. as well as the European one.

Analyzing the situation of the economy as a whole is also important to understand the functioning of the sector over a certain period of time. As Grifols' operates in Spain (even if it makes business all over the world) we are going to analyse the Spanish economic situation of the last ten years.

Spain's GDP had a decreasing trend until the year 2013 due to the economic crisis that started at 2008 and has had an increasing trend since then. Last year GDP levels were a slightly over 1.100.000 million of Euros. The evolution of the GDP can be seen in figure 3.

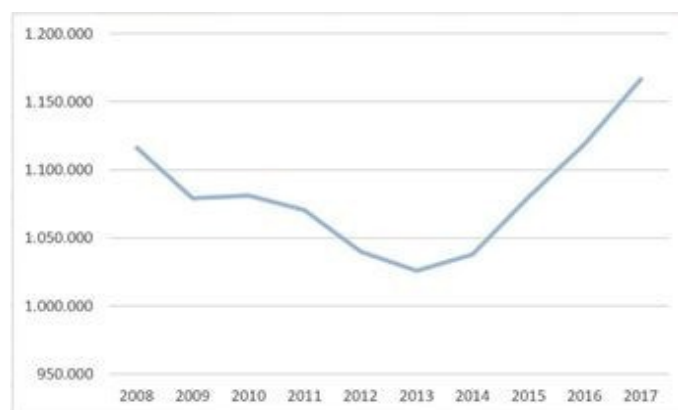


Figure 3: Evolution of GDP (in Millions of €) in Spain 2008 to 2017 (Source: INE)

This evolution, similar in other developed countries due to the 2008 crisis, hasn't been overall beneficial for the companies (that have also suffered from the recession), but it is nowadays boasting thanks to the expansion in its major markets.

About the consumer price index (CPI), it hasn't had a clear trend as it tends to fluctuate from month to month. However, we should highlight that there were some periods with a negative CPI such as from March to October of 2009 and from September 2014 to August 2016.

Another important indicator of the situation of an economy is the unemployment rate. Unemployment rate levels in Spain have been quite high over the last ten years; however, we can see an improvement on the last 5 years, when the trend of the rate has been mainly decreasing. This has been good for most companies, as it meant that they could decrease personnel expenses and didn't really affect sales, as the usage of their products is not correlated with income. We can observe the evolution of unemployment in figure 4.

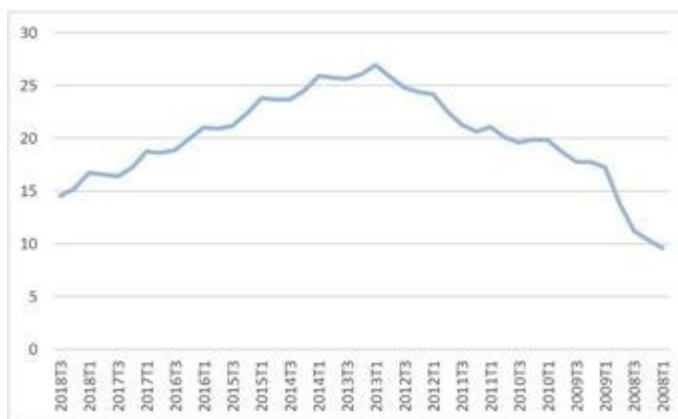


Figure 4: Evolution of unemployment rate (in %) in Spain 2018 T3 to 2008 T1 (Source: INE)

As Spain is part of the Euro Area, its monetary policy is determined by the European Central Bank, which chooses the interest rate for the Euro. The ECB decided, once the recession was already quite severe, to reduce the interest rate and has kept it low since then. You can see the evolution in figure 4:

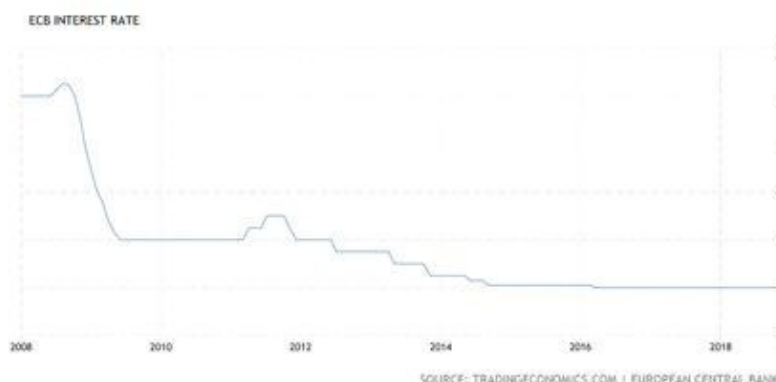


Figure 5: ECB interest rate evolution (Source: tradingeconomics.com)

Low interest rates have been greatly beneficial for the industry, as they mean fewer financial expenses to carry out their projects.

Overall, the economy has not been performing its best over the last years and that may have affected the performance of the industry, but the present expansion, not only in Spain but also in other of the major countries, has been of great help to achieve its results.

2.1.1 Sales evolution of the industry

The following figure shows the evolution of the sales of the global pharmaceutical industry:

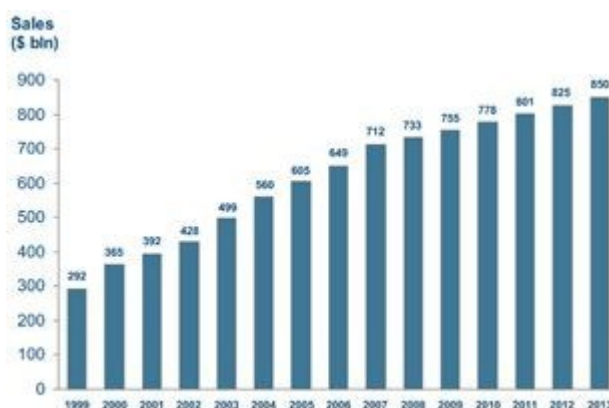


Figure 6: Sales evolution global pharma industry. Source: Source: IMS Health; SG Cowen – Therapeutic categories outlook (2009), Arthur D. Little analysis

As it can be appreciated on the graph, sales for the global pharmaceutical industry have been increasing over the years. There are multiple reasons for this increasing trend (which will be analyzed in more detail in the SWOT), like the escalating ageing population or the high degree of innovation, for example.

2.2. COMPETITORS IN THE HEMODERIVATIVES INDUSTRY

Within the hemoderivatives industry, we can identify three main competitors of Grifols:

1. Hemacare Corporation
2. CSL LIMITED
3. Caridianbct, Inc.

Hemacare Corporation is a U.S. based company which focuses of the supply of blood products and services to hospitals, and also conducts research. It uses blood donations from its centers (one in California and one in Maine) and mobile donor vehicles and processes it to create plasma and platelets that will be used in blood transfusions.

CSL Limited is an Australian company that operates through two subsidiaries: CSL Behring (developing plasma-derived product with the objective of treating infections, autoimmune diseases and bleeding disorders) and bioCSL (manipulating influenza vaccines that are sold globally).

Caridianbct, Inc. is another U.S. based company that focuses its business on the development and sales of blood collection and of processing systems to hospitals, blood banks, etc. Its systems can separate blood into different components (e.g. plasma, platelets, etc.). It also develops blood-based therapies for cancer and other diseases. The company operates in more than 30 countries.

2.3. SWOT OF THE INDUSTRY

In order to analyze the pharmaceutical industry, we are going to identify its main strengths, weaknesses, opportunities and threats that can affect its firms. This will give us a broad image of the environment in which Grifols operates.

Strengths:

- High degree of innovation; new products are being released.
- High vertical integration, which implies bargaining power: as they are the ones manufacturing, producing and developing new products, they can easily choose the price at which they are selling it.
- Low power of buyers due to the nature of products of the pharmaceutical industry.
- High level of investment: it has been revealed that the company will invest 1.200 million until 2020, mainly to enlarge production plants or build new ones.
- Moderate competition; in the pharmaceutical industry as a whole, competition levels are quite standard. Lower costs with more specialization.
- Increase in workforce hired.
- The products are protected by patents, which do not only protect the intellectual property of the products but also restrict the number of companies in the industry.
- Good brand reputation.
- Over 70 years of experience.

Weaknesses:

- High cost of R&D which discourages development of new technologies.
- Highly dependent on insurances as well as changes in demographics.

Opportunities:

- Increasing blood plasma market & collection (especially important for Grifols' activity)
- Escalating ageing population: older citizens need more health care and medicines.

- Globalization of the industry; high possibility of exporting the production.
- Discovery of new diseases that need treatment and, developments regarding existing diseases, for example Alzheimer.
- Solid and increasing demand for the products that the company manufactures.

Threats:

- Certain countries are decreasing their expenditure in healthcare.
- Substitutive products of already existing technologies or medicines; for instance, generic drugs.
- Increasing protectionism in the US.
- Rising price in raw materials.
- New products manufactured by competitors.
- Increasing competition (“*Little pharma*”).
- Increasing government regulations.

3. GRIFOLS

3.1 NOTES ABOUT ACCOUNTING

Under the European Union regulations, all domestic listed companies (this is, those whose shares are listed on a stock exchange) must follow the International Financial Reporting Standards (IFRS) to prepare their consolidated financial statements. This should be taken into account when interpreting the different financial information about Grifols.

3.2 CORPORATE GOVERNANCE

As set by the law, the company's management is responsibility of the Board of Directors, that as of December 2018 is formed by 13 members.

Grifols, as a listed company, is owned by many shareholders. The major shareholders are:

Name	Equities	%
Deria SL	37,970,661	8.91%
Scranton Enterprises BV	36,953,048	8.67%
Thorthols Holdings BV	30,085,532	7.06%
Rodellar Amsterdam BV	26,224,374	6.15%

Figure 7: Participation of major shareholders of Grifols.

If we look further into it, we can see that the Grifols family has participation in all these companies:

- Deria SL is owned by the Grifols Roura brothers.
- Scranton Enterprises BV is owned by some directives of the company, among of which are Victor Grifols Roura, ex-president of Grifols SA, Ramón Riera Roa and Tomás Dagá Gelabert. Scranton is also the landlord of Grifols' headquarters and NC's factory.
- Thorthols Holdings BV is held by the sons of José Antonio Grifols Lucas, brother of the founder.
- Rodellar Amsterdam BV is owned by Nuria Roura Carreras, widow of the son's founder.

The other shareholders, who are not part of the Grifols family, each have up to 3% of the stocks. This makes Grifols quite independent from outside control. Also, it is important to note that three positions in the board of directors are occupied by Grifols

family members

-including the non-executive chairman and the CO-CEOs- as they own over 30% of the stocks, so they can have some bargaining power when choosing the future of the company.

3.3 MISSION

Grifols' main objective is to better the health and well-being of people worldwide. Therefore, their products are aimed at intermediaries (hospitals, pharmacies and other health related institutions) treating patients (final clients) and also others who are undergoing certain therapies. They focus on Bioscience, Diagnostic and Hospital, producing products that benefit the interested population.

3.4 SEGMENTATION OF PRODUCTS

Grifols main business is divided into 4 areas: Bioscience, Hospital, Diagnostic and Bio Supplies. The divisions are complementary and all of them are solid and unified.

- The bioscience division focuses on plasma derived medicines; all the way from research to commercialization, including the development and production. This plasma derived medicines are specially designed to treat patients with rare or chronic diseases, such as Alzheimer. This division features continued sales growth, with an annual revenue growth rate of 7,3% from 2015 to 2018.
- The hospital area specializes in products and services that meet the need of pharmacies in terms of safety, efficiency and regulation. These products and services are all related to healthcare; the main areas of specialization are intravenous solutions, pharmatech solutions for different medication stages, clinical nutrition and devices for interventional therapy for a range of hospital services.
- The diagnostic division works on the research, development, production and commercialization of diagnostic products. The main objective of this division is to increase transfusion safety; Grifols activity is highly related to blood and the company has a close relation with blood banks and transfusion centers.
- The Bio Supplies area supplies high quality biological materials for research, clinical trials, manufacturing of pharmaceutical products and others. They work in two areas: the bioscience business line (with customers that use Grifols products as intermediaries for their final product) and the diagnostic

business line (with customers that use Grifols products to develop diagnostic test and quality control products).

3.5 BUSINESS MODEL

3.5.1. Strategic plan

The strategy of the company involves reaching growth that is sustainable and progressive in the long-term. Also, its capacity for innovation is one of the main factors that differentiates the firm from others.

In order to attain this goal, it has been acquiring shares in companies that conduct research such as Kiro Grifols, Alkahest, Singulex and GigaGen.

The company has also acquired various manufacturing plants and assets, especially in the recent years. This has enabled the company to become a global leader by having a good amount of plasma collection centers. It currently has 190 centers in the US, with significant increases throughout the year. Only in 2017, this figure increased by 19 centers.

The firm has a 60% of the market share global in Blood and Plasma NAT testing and a dominant position in Serology and Immunoassay.

This past few years, a plan has been implemented to make Grifols one of the most competitive and efficient companies in the sector. The main growth pillars that have been implemented have been Business diversification, global expansion, leadership capacity, accelerate innovation and business optimization.

3.5.2. Goals

Grifols' strategic plan involves progressive yet sustainable growth, as mentioned before. Its capacity for innovation and its experience are differentiating factors from other companies. From 2018 to 2022, the goals of the company are: innovation (broaden the product portfolio), client focus (intensify the company's commitment to professionals), to become a global company (continue expanding with focus in the US), increasing growth (from the company itself and also in acquisitions) and talent development (to develop and attract talent).

3.5.3. Distinctive factors and keys to success

- **Vertical integration**

One of the main strategies that Grifols follows is the fact that it exercises an absolute control over the Bioscience division of the company, which manages all the activities it comprehends: from plasma collection, which is the raw material required for their activity, to the final product. Having a full control over the production process, which is very long due to its complexity, enables the firm to guarantee the quality, safety and traceability of the products they offer.

The company does everything in the production process: obtention of raw materials, manufacturing & logistics, marketing & sales and caring for the end user. Research and development is made during all the processes.

The reason why Grifols follows a vertical integrated model is because they want to guarantee the involvement from the company and the control required throughout all the value chain.

- **Traceability**

Grifols is actually the only firm that offers healthcare professionals information about the origin of the plasma that has been used in its products. This can be done thanks to the Pedigri® System.

- **Worker's training**

The number of workers has been increasing and there have been over 5700 hires since 2013. Also, the training hours for employees has been increasing as well, surpassing a total amount of 570,000 hours in 2017 (a total of 36 hours per employee). There's also been over 94,000 hours dedicated to employee development on the Health, Safety and Environment.

They have also established an internal program through leadership development initiatives for senior managers.

- **Distribution channel**

The company sells its products and services in more than 100 countries and operates subsidiaries in 30. It has eight R&D centers, all located in the US and Europe, and ten manufacturing centers, located in the US, Europe, Australia and Brazil.

In these past decades, the company has experienced an international expansion. It has gone from being a Spanish company to a global one. In order to achieve this, Grifols has increased output and sales and also made acquisitions in the US, Latin America, Asia and other European Countries. The finished products have to be distributed from Grifols'

production plants to clients' facilities. Most of the sales in 2017 were actually made thanks to the firm's own sales network.



Figure 8: The international presence of Grifols. Source: grifols.com

4. SPECIAL ISSUES

4.1 ANTITRUST LAW

USA

In 2011, Grifols was required by the Federal Trade Commission (FTC) to sell some assets in order to acquire Talecris because they saw an anticompetitive behavior in this acquisition that would have resulted in higher prices to consumers. Grifols was required to sell the Talecris fractionation facility in Melville, New York, and Grifols' plasma collection centers in Mobile, Alabama, and Winston-Salem, North Carolina, to Kedrion Plasma. The order also required Grifols to manufacture three plasma-derived products for Kedrion for several years.

In 2018, an application of the antitrust law has been required by the FTC as a condition of acquiring Biotest U.S. corporation.

The main cause why Grifols has been required to divest some assets is that Biotest U.S. corporation and Grifols are the only companies that collect human blood plasma in Lincoln, Nebraska, Augusta, Georgia, and Youngstown and Ohio, so the acquisition in these cities would result in a merger-to-monopoly. According to the FTC, the acquisition of Biotest U.S. would also have harmed the market of Hepatitis B immune globulin as Biotest U.S. possessed the 41% of ADMA biologics, so the ownership of ADMA has been transferred to Biotest Divestiture Trust (the parent company of Biotest US, which Grifols is not buying). Under the agreement they followed, Grifols is prohibited neither to acquire any ownership interest in ADMA nor to design any member at the board of directors of ADMA.

Italy

The Italian Competition Authority is investigating a possible anti-competitive agreement between Grifols and Kedrion. The agreement consisted in a temporary joint venture which wanted to make an offer for domestic donor blood collection services, production of plasma-derived medicinal products and supply to the healthcare system. The investigation will determine if this association is a case of collusion.

Spain

In 2015, Grifols was fined by the *Comisión Nacional de los Mercados y la Competencia* (CNMC) 106.500€ for not notifying them prior to the acquisition of certain assets of Novartis. It was not notified because they had calculated that the target turnover was below 10.000.000€ and represented a share 49% of the parties' joint market. The CNMC disagreed, they calculated a share of 52,2% and as per legislation, if the share is above 50%, it is compulsory to notify prior to the turnover.

4.2 COUNTERFEIT DRUGS

The industry in which Grifols operates is disrupted by counterfeit drugs which cause thousands of deaths a year and reduce the profits of the companies operating in this industry, so it is a constraint for the investment in investigation and development. In the last years, some systems, such as the Radio Frequency Identifications devices, have been introduced in order to reduce the impact of counterfeit drugs in the industry. However, it is estimated that the 10% of the drugs existing worldwide are fake drugs and in some regions such as Asia, Africa and Latin America the situation is even worse, as the percentage of counterfeit drugs in these regions hits the 30%.

4.3 WIKILEAKS PAPERS AND US DEPARTMENT OF STATE

In the year 2010, Wikileaks revealed a 2008 inform by the US Department of State that considered a particular division of Grifols (the one responsible of the production of immunoglobulin for intravenous use) as one of the strategic assets Spain has among the Gibraltar Strait and the Gasoduct that connects Spain with Algeria.

4.4 ADVANCES IN ALZHEIMER TREATMENTS

In October 2018, Grifols announced some advances in Alzheimer treatments. They demonstrated that using their Ambar (Alzheimer Management by Albumin Replacement) Treatment Protocol (specially designed to treat Alzheimer diseases) they are able to reduce, by a 61%, the progression of moderate Alzheimer's disease. After this announcement, the value of Grifols shares went up by 8% in the stock exchange, reaching 25,4€.

4.5 RSC: GRIFOLS AND THE SPORTS

At the end of November 2018, many media channels reported a possible relation between Grifols and F.C. Barcelona. According to such information, Grifols could be the investor for the new stadium for such football club. If they end up making an agreement, we would be talking about the F.C Barcelona stadium as Camp Nou Grifols in the near future.

5. QUESTIONS

1. Prepare a qualitative analysis of Grifols including the main strengths and weaknesses.
2. Analyze the balance sheet, income statement, and cash flow statement from 2013 to 2017 (that you can find in the appendix) in order to identify the main financial strengths and weaknesses of Grifols.
3. Calculate the working capital and the working capital needed in order to analyze their financing necessities.
4. Calculate the Z score for predicting liquidity problems.
5. Calculate the EVA.
6. Analyze the ratios of Grifols and compare them to the ratios of some main competitors (Note to the reader: the ratios can be found in the annexes).
7. Does Grifols have capacity to grow? Why?
8. Prepare the cause & effect diagram
9. State recommendations for Grifols
10. Provide a quantitative demonstration of your recommendations.
11. Do you see a risk out of Grifols increasing workforce⁶?

Annexes

Grifols's Profit and loss

	31/12/17	%	31/12/16	%	31/12/15	%	31/12/14	%	31/12/13	%
Net revenue	4.318.073	100,00%	4.049.830	100,00%	3.934.563	100,00%	3.355.384	100,00%	2.741.732	100,00%
Cost of sales	(2.166.062)	-50,16%	(2.137.539)	-52,78%	(2.003.565)	-50,92%	(1.656.170)	-49,36%	(1.323.880)	-48,29%
Gross Profit	2.152.011	49,84%	1.912.291	47,22%	1.930.998	49,08%	1.699.214	50,64%	1.417.852	51,71%
Research and Development	(288.320)	-6,68%	(197.617)	-4,88%	(224.193)	-5,70%	(180.753)	-5,39%	(123.271)	-4,50%
Selling, General and Administrative expenses	(860.348)	-19,92%	(775.266)	-19,14%	(736.435)	-18,72%	(660.772)	-19,69%	(558.461)	-20,37%
Operating Result	1.003.343	23,24%	939.408	23,20%	970.370	24,66%	857.689	25,56%	736.120	26,85%
Finance income	9.678	0,22%	9.934	0,25%	5.841	0,15%	3.069	0,09%	4.869	0,18%
Finance costs	(263.344)	-6,10%	(244.829)	-6,05%	(240.335)	-6,11%	(225.035)	-6,71%	(239.991)	-8,75%
Change in fair value of financial instruments	(3.752)	-0,09%	(7.610)	-0,19%	(25.206)	-0,64%	(20.984)	-0,63%	(1.786)	-0,07%
Impairment and gains /(losses) on disposal of financial instruments	(18.844)	-0,44%	--	--	--	--	(5)	0,00%	792	0,03%
Exchange differences	(11.472)	-0,27%	8.916	0,22%	(12.140)	-0,31%	(18.472)	-0,55%	(1.303)	-0,05%
Finance result	(287.734)	-6,66%	(233.589)	-5,77%	(271.840)	-6,91%	(261.427)	-7,79%	(237.419)	-8,66%
Share of losses of equity accounted investees	(19.887)	-0,46%	6.933	0,17%	(8.280)	-0,21%	(6.582)	-0,20%	(1.165)	-0,04%
Profit before income tax from continuing operations	695.722	16,11%	712.752	17,60%	690.250	17,54%	589.680	17,57%	497.536	18,15%
Income tax expense	(34.408)	-0,80%	(168.209)	-4,15%	(158.809)	-4,04%	(122.597)	-3,65%	(155.482)	-5,67%
Profit after income tax from continuing operations	661.314	15,32%	544.543	13,45%	531.441	13,51%	467.083	13,92%	342.054	12,48%
Consolidated profit for the year	661.314	15,32%	544.543	13,45%	531.441	13,51%	467.083	13,92%	342.054	12,48%
Profit attributable to the Parent	662.700	15,35%	545.456	13,47%	532.145	13,52%	470.253	14,01%	345.551	12,60%
Loss attributable to non-controlling interest	(1.386)	-0,03%	(913)	-0,02%	(704)	-0,02%	(3.170)	-0,09%	(3.497)	-0,13%

Grifols's Balance sheets

	2017	%	2016	%	2015	%	2014	%	2013	%
Non-current assets	7,974,948	73.02%	7,007,258	69.17%	6,512,243	67.82%	5,536,627	65.52%	3,701,376	63.37%
Goodwill	4,590,498	42.04%	3,643,995	35.97%	3,532,359	36.79%	3,174,732	37.57%	1,829,141	31.31%
Other intangible assets	1,269,342	11.62%	1,195,302	11.80%	1,161,572	12.1%	1,068,361	12.64%	946,435	16.2%
Tangible assets	1,760,053	16.12%	1,809,852	17.87%	1,644,402	17.13%	1,147,782	13.6%	840,238	14.38%
Investments in equity-accounted investees	219,009	2.00%	201,345	1.99%	76,728	0.8%	54,296	0.64%	35,765	0.61%
Non-current financial assets	69,889	0.64%	89,545	0.88%	30,388	0.31%	9,011	0.00%	15,196	0.26%
Deferred taxes	66,157	0.60%	67,219	0.66%	66,794	0.7%	82,445	0.98%	34,601	0.6%
Current Assets	2,945,316	26.98%	3,122,514	30.82%	3,089,472	32.18%	2,913,122	34.48%	2,139,660	36.63%
Inventories	1,629,293	14.92%	1,642,931	16.22%	1,431,391	14.91%	1,149,057	13.6%	946,913	16.21%
Trade and other receivables	386,410	3.54%	533,668	5.27%	483,196	5.03%	615,748	7.3%	465,581	7.98%
Other current financial assets	10,738	0.09%	2,582	0.02%	1,294	0.01%	502	0.00%	1,200	0.02%
Other current assets	32,354	0.3%	48,324	0.48%	31,091	0.32%	23,669	0.28%	17,189	0.3%
Cash and cash equivalents	886,521	8.12%	895,009	8.84%	1,142,500	11.90%	1,079,147	12.78%	708,777	12.13%
Total Assets	10,920,264	100%	10,129,772	100%	9,601,715	100%	8,449,749	100%	5,841,036	100%
Net Equity	3,633,965	33.28	3,727,978	36.80	3,301,390	34.38	2,662,888	31.51	2,107,204	36.08
Share capital	119,604	1.09	119,604	1.18	119,604	1.24	119,604	1.41	119,604	2.05
Share premium	910,728	8.34	910,728	8.99	910,728	9.48	910,728	10.78	910,728	15.6
Reserves	2,027,648	18.57	1,694,245	16.725	1,371,061	14.279	1,088,337	12.88	883,415	15.12
Treasury stock	(62,422)	0.57	(68,710)	0.68*	(58,575)	0.61	(69,252)	0.82	-	
Interim dividend	(122,986)	1.12	(122,908)	1.21	(119,615)	1.24	(85,944)	1.02	(68,775)	1.12
Profit for the year attrib. to Parent	662,700	6.07	545,456	5.38	532,145	5.54	470,253	5.56	345,551	0.59
Total equity	3,535,272	32.37	3,078,415	30.39*	2,755,348	28.59	2,433,726	28.92	2,190,543	37.33
Other comprehensive expenses	93,807	0.85	643,066	6.35	540,855	5.63	224,397	2.65	(89,281)	1.53
Equity attributable to the Parent	3,629,079	33.23	3,721,481	36.74	3,296,203	34.33	2,658,123	31.46	2,101,262	35.97
Non-controlling interests	4,886	0.04	6,497	0.06	5,187	0.05	4,765	0.05	5,942	0.10
Non-current Liabilities	6,308,312	57.77	5,330,031	52.62	5,247,319	54.65	4,707,150	55.71	3,018,536	51.68
Grants	11,822	0.108*	12,196	0.12	13,120	0.13	6,781	0.08	7,034	0.12
Provisions	5,763	0.052	5,118	0.05	4,980	0.05	6,953	0.08	4,202	0.071
Non-current financial liabilities	5,901,815	54.04	4,712,071	46.517*	4,597,654	47.883*	4,154,630	49.168*	2,553,211	43.71
Deferred tax liabilities	388,912	3.56	600,646	5.929*	631,565	6.577*	538,786	6.376*	454,089	7.77*
Current Liabilities	977,987	8.95	1,071,763	10.58	1,053,006	10.97	1,079,711	12.78	715,296	12.24
Provisions	106,995	0.97	89,588	0.88	123,049	1.28	115,985	1.37	51,459	0.88
Current financial liabilities	155,070	1.42	230,065	2.271*	262,497	2.73	194,726	2.30	258,144	4.419*
Total trade & other payables	571,525	5.23	611,924	6.04	532,796	5.548*	621,117	7.35	321,626	5.50
Other current liabilities	144,397	1.322	140,186	1.383	134,664	1.40	147,883	1.75	84,067	1.439*
Total liabilities	7,286,299	66.72	6,401,794	63.2	6,300,325	65.62	5,786,861	68.49	3,733,832	63.92
Total Equity & Liabilities	10,920,264	100	10,129,772	100	9,601,715	100	8,449,749	100	5,841,036	100

Grifols's Cash flow statements

	2017	2016	2015	2014	2013
A) CASH FLOWS FROM OPERATING ACTIVITIES					
1) EBT	695,722	712,752	690,250	589,680	497,536
Adjustments for:	556,792	391,986	460,564	501,233	347,853
(+) Amortization and depreciation	215,490	201,869	189,755	189,472	128,469
Other Adjustments	341,302	190,117	279,809	311,761	219,384
(-) Impairment of assets and net provision charges	66,047	(23,079)	(564)	(21,388)	4,611
(-) Government grants taken to income	(286)	(1,681)	(1,854)	(704)	(1,130)
(+/-) Financial cost / (income)	263,657	236,034	256,129	233,954	228,308
(+/-) Other adjustments	11,884	(19,851)	17,098	99,899	(12,405)
3) Change in current capital	(65,800)	(164,319)	(77,058)	95,281	40,332
(+/-) Inventory	(165,508)	(173,003)	(120,641)	(97,023)	17,277
(+/-) Debtors and other accounts receivable	80,112	(25,180)	144,405	26,900	(35,694)
(+/-) Change in current financial assets and other current assets	(2,691)	(2,610)	(5,565)	(2,506)	(2,612)
(+/-) Creditors and other accounts payable	22,287	36,474	(95,257)	167,910	61,361
4) Other cash flows from operating activities	(344,968)	(387,141)	(330,978)	(207,266)	(293,710)
(-) Interest paid	(207,079)	(180,497)	(171,380)	(175,524)	(157,880)
(+) Interest recovered	9,492	8,685	4,316	3,401	5,423
(-) Income tax payment / (+) Income tax revenue	(147,015)	(215,329)	(163,914)	(35,143)	(141,253)
(+) Other recovered (paid)	(366)	--	--	--	--
5) Cash flows from operating activities (1+2+3+4)	841,746	553,278	742,778	978,928	592,011

B) CASH FLOW FROM INVESTING ACTIVITIES					
6) Payment for investments (-)	(2,209,667)	(509,078)	(647,417)	(1,535,527)	(252,827)
7) Divestments costs (+)	23,787	2,426	14,307	(1,234,952)	(69,172)
8) Cash flows from investing activities (6+7)	(2,185,880)	(506,652)	(633,110)	(1,521,104)	(236,034)
C) CASH FLOW FROM FINANCING ACTIVITIES					
9) Proceeds from and payments for equity instruments	0	(11,766)	12,695	(69,252)	35,221
10) Proceeds from and payments for financial liability instruments	1,808,771	(80,149)	28,953	1,226,339	(79,413)
11) Dividends and interest on other equity instruments	(218,260)	(216,151)	(216,772)	(156,007)	(69,138)
12) Other cash flows from / (used in) financing activities	(156,446)	(21,492)	17,086	(159,962)	8.184
12) Cash flows from financing activities (9+10+11)	1,434,065	(329,558)	(158,038)	841,118	(105,146)
E) INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (5+8+12)	(8,488)	(247,491)	63,354	370,369	235,450
Cash and cash equivalents at the beginning of the year	895,009	1,142,500	1,079,146	708,777	473,327
Cash and cash equivalents at the end of the year	886,521	895,009	1,142,500	1,079,146	708,777

Grifols's Ratios

	Average sector	Average sector with profits	2017	2016	2015	2014	2013
DEBT AND CAPITALIZATION							
Debt = Liability / Assets	0.5	0.63	0.67	0.63	0.66	0.68	0.64
Debt quality= Current Liabilities / Total Liabilities	0.34	0.33	0.13	0.17	0.17	0.19	0.19
Repayment capacity= Cash flow / Loans	0,17	0,13	0,09	0,09	0,08	0,08	0,09
Cost of debt= Financial expenses / Loans	0.19	0.29	0.04	0.04	0.04	0.04	0.06
Financial expenses= Financial expenses / Sales	0.028	0.07	0.06	0.06	0.06	0.07	0.09
LIQUIDITY							
Liquidity= Current Assets / Current Liabilities	1.64	1.617	3.01	2.91	2.93	2.70	2.99
Treasury= (Debtors + Cash) / Current Liabilities	0.63	0.599	1.30	1.33	1.54	1.57	1.64
Acid Test= Cash / Liabilities	0.095	0.07	0.12	0.14	0.18	0.19	0.19
ASSETS MANAGEMENT							
Non-current assets turnover = Sales / Non-Current assets	0.6349	0.4	0.51	0.58	0.60	0.61	0.74
Current assets turnover = Sales / Current assets	1.016	0.5	1.47	1.30	1.27	1.15	1.28
DEADLINES							
Inventories days = stocks / Daily cost of sales	88.4	225.83	274.5	280.5	260.8	253.24	261.1
Days receivable= Clients / Daily sales	89.7	167.32	32.7	48.1	44.8	67.0	62.0
Days payable (days) = Suppliers / Daily cost of sales	179.1	179.8	96.3	104.5	97.1	136.9	88.7
SALES							
Sales growth = Last year's sales / Previous years sales	1.0127	1.11	1.07	1.03	1.17	1.22	1.05
PROFITABILITY, SELF FINANCING AND GROWTH							
Return on assets (ROA or ROI) = EBIT / Assets	0.08	0.06	0.09	0.09	0.10	0.10	0.13
Return on equity (ROE) = Net Income / Equity	0.11	0.12	0.19	0.18	0.19	0.19	0.15
Cash flow / Sales	0.239	0.48	0.203	0.184	0.183	0.196	0.171
Cash flow / Assets	0.087	0.081	0.080	0.073	0.075	0.078	0.081

REFERENCES

From websites:

"About Grifols." Grifols. (Accessed November 10, 2018)
<http://informes.grifols.com/public/rsc/assets/docs/en/about-grifols.pdf>

"Accounting Rules and Standards." European Union. (Accessed October 28, 2018)
https://europa.eu/youreurope/business/finance-funding/accounting/accounting-rules-standards/index_en.htm

"Board of Directors." Grifols Worldwide. (Accessed October 28, 2018)
<https://www.grifols.com/en/web/international/investor-relations/board-of-directors>

"España - Tasa De Interés." Trading Economics. (Accessed October 29, 2018)
<https://es.tradingeconomics.com/spain/interest-rate>

"History." Grifols Worldwide. (Accessed October 28, 2018)
<https://www.grifols.com/es/web/international/about-grifols/our-origins-beginning>

"Interest rates and exchange rates." Banco de España (Accessed October 29, 2018)
https://www.bde.es/webbde/en/estadis/infoest/tipos/tipos.html#chapa_9

"IPC De España IPC General 2018." Datosmacro.com. (Accessed October 29, 2018)
<https://datosmacro.expansion.com/ipc-paises/espana?sector=IPC-General&sc=IPC-IG>

"Major Holders and Treasury Stock." Grifols Worldwide. (Accessed October 28, 2018)
<https://www.grifols.com/en/web/international/investor-relations/significant-shareholders-and-treasure-stock>

From articles:

CNMC Council. 2015. "SNC/DC/037/15: GRIFOLS". CNMC. (Retrieved November 10, 2018)
<https://www.cnmc.es/expedientes/sncdc03715>

Corporate author. 2018. "Calls for tender for the production and supply of plasma-derived medicinal products to the healthcare system: Investigation initiated on a suspected collusion between Kedrion and Grifols." Autorità Garante della Concorrenza e del Mercato. (Retrieved November 10, 2018)
<http://en.agcm.it/en/media/detail?id=ef0b4337-f1ce-4a7f-a55a-7e890bcbbd7e>

Corporate Author. 2018. "Grifols revenues exceed EUR 4,300 million and reported profit reaches EUR 663 million." Grifols. (Retrieved November 10, 2018)
<https://www.grifols.com/es/view-news/-/new/grifols-revenues-exceed-eur-4300-million-and-reported-profit-reaches-eur-663-million>

Croufer, E. 2016. "Trends in the pharmaceutical industry." Arthur D. Little. (Retrieved November 10, 2018)
<http://i3health.eu/wp-content/uploads/2016/01/Presentation-E.Croufer-.pdf>

Martín Barnes, Núria. 2016. "Relevant Event." Grifols. (Accessed October 28, 2018)
<https://www.grifols.com/documents/10192/11868463/hr-20160308-en/663a6e87-ac16-4bab-8848-4fd51146e6b2>

Minimalist/Pharmacist (Admin). 2018. "Pharmaceutical Industry Analysis." Medium.com. (Retrieved October 28, 2018.)
<https://medium.com/minimalist-pharmacist/pharmaceutical-industry-analysis-f4834efbe947>

Nieto, Josep, Beatriz Martínez and Maria Ferrer. 2015. "When a Dream Comes True: An Illustrated History of 75 Years of Grifols." Grifols. (Retrieved October 28, 2018.)
<https://www.grifols.com/documents/10180/3870352/when-a-dream-comes-true/259c6e09-faca-4757-b9b1-64478a151924>

Office of public affairs. 2018. "FTC Approves Final Order Requiring Grifols S.A. to Divest Assets as Condition of Acquiring Biotest US Corporation." Federal Trade Commission. (Retrieved November 10, 2018)
<https://www.ftc.gov/news-events/press-releases/2018/09/ftc-approves-final-order-requiring-grifols-sa-divest-assets>

Office of public affairs. 2011. "FTC Approves Final Order Settling Charges That Grifols, S.A.'s Acquisition of Talecris Biotherapeutics Holding Corp. Was Anticompetitive." Federal Trade Commission. (Retrieved November 10, 2018)
<https://www.ftc.gov/news-events/press-releases/2011/07/ftc-approves-final-order-settling-charges-grifols-sas-acquisition>

Ortín Ramón, Alberto. 2010. "Wikileaks revela el "valor estratégico" que Grifols tiene para Estados Unidos." (Retrieved November 10, 2018)
https://cincodias.elpais.com/cincodias/2010/12/07/empresas/1291732802_850215.html

Por Expansión. 2016. "Grifols invertirá unos 228 millones en España hasta el año 2022." (Retrieved November 12, 2018)
<http://www.expansion.com/catalunya/2016/06/15/57615250468aebf4318b4593.html>

Wall, Matthew. 2016. "Counterfeit drugs: 'People are dying every day'." (Retrieved November 10, 2018)
<https://www.bbc.com/news/business-37470667>