

MPH Health Care AG

Germany / Healthcare
 Frankfurt
 Bloomberg: 93M1 GR
 ISIN: DE000A289V03

2021
 Prelims

RATING
BUY

PRICE TARGET
€ 67.00

Return Potential 200.4%
 Risk Rating High

ENCOURAGING RESULTS FOR PORTFOLIO HOLDINGS

Prelims reflect the second year of covid-19 effects on the MPH NAV. The 2021 net loss narrowed to €-9m (2020: €-70m) and was occasioned by non-cash fair value write-downs of the listed holdings. The weak result is chiefly traced to the poor M1 stock performance last year (-19%) in the wake of pandemic headwinds in H1/21. However, the Lifestyle & Beauty specialist reported strong business momentum in H2 with record treatment numbers even during the Omicron outbreak. We think M1's Beauty operations are hitting their stride. CR Capital reported net income of €65m (+27% Y/Y) as the investment holding continues its strategic expansion with new investments into green construction technologies. Our rating remains Buy with an unchanged €67 price target.

Injectable cosmetics are booming Preliminary results for M1 Kliniken (63% MPH stake) confirmed our view that the company is well positioned at the sweet spot of the cosmetic treatment economy with its disruptive network of branded clinics and injectables-driven business model. M1's German clinics recorded peak daily turnover numbers in each of the Q4 months helping push full-year earnings above our forecasts (table 1 overleaf). These peak numbers were again eclipsed in February and management hinted that March could also be record-setting. Some 14m non-surgical procedures were performed worldwide in the covid-hit 2020. Research and Markets, a firm of analysts, reckons that global sales for non-invasive aesthetic treatments, currently at ~\$60bn, could triple by 2030, and injectables are spearheading this growth. These include Botox and other substances that relax / freeze facial muscles, and dermal fillers, which plump softer tissue. About 700k such treatments were performed in 2020 on Germans, not renowned for being beauty-obsessed. These factors suggest M1 is in the early stages of a strong growth phase. The beauty specialist now operates 35 aesthetics clinics in Germany and another 15 facilities abroad. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Operating rev. (€m)	39.53	41.22	3.43	11.85	47.60	43.51
Y/Y growth	0.2%	0.0%	-0.9%	2.5%	3.0%	-0.1%
EBIT (€m)	37.64	11.58	-71.02	-9.03	43.19	39.03
EBT (€m)	37.3	11.0	-71.5	-9.1	43.1	38.9
Net income (€m)	37.03	11.08	-70.38	-8.96	42.22	38.14
EPS (diluted) (€)	8.65	2.59	-16.44	-2.09	9.86	8.91
DPS (€)	2.00	0.00	0.00	0.00	1.60	1.68
NAVPS (€)	62.87	63.45	47.01	44.92	54.78	62.09
Net gearing	4.8%	6.1%	1.7%	-1.7%	-5.5%	-6.1%
Liquid assets (€m)	1.08	2.10	4.23	7.22	15.90	19.19

RISKS

Regulatory changes in healthcare systems, homogenization of pharmaceutical prices within the EU, and prolonged macro economic downturns that limit private healthcare spend.

COMPANY PROFILE

MPH Health Care AG is a Berlin-based investment company focused on the purchase and further development of companies positioned chiefly in growth segments of the healthcare market. These primarily entail specialty pharmaceuticals for chronic diseases and lifestyle and beauty treatments. The company also holds a stake in a residential property developer.

MARKET DATA

As of 29 Apr 2022

Closing Price	€ 22.30
Shares outstanding	4.28m
Market Capitalisation	€ 95.47m
52-week Range	€ 19.95 / 30.60
Avg. Volume (12 Months)	2,496

Multiples	2020	2021E	2022E
P/E	n.a.	n.a.	2.3
EV/EBIT	-1.4	0.0	2.3
P/NAV	0.5	0.5	0.4
Div. Yield	0.0%	0.0%	7.2%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 0.90m
Current Assets	€ 3.27m
Financial Assets	€ 227.95m
Total Assets	€ 231.26m
Current Liabilities	€ 1.51m
Shareholders' Equity	€ 224.72m

SHAREHOLDERS

Magnum	60.0%
Baring Fund Managers	1.7%
KBC Asset Management SA	1.3%
Free Float	37.0%



ENCOURAGING RESULTS FOR PORTFLIO HOLDINGS

Table 1: M1 Kliniken 2021 preliminary results

EURm	2021	2021E	Variance	2020	Variance
Revenue	314.6	313.8	0%	160.0	97%
EBIT	12.1	11.0	10%	4.4	175%
Margin	3.8%	3.5%	-	2.8%	-
EBT	14.4	11.7	23%	8.8	64%
Margin	4.6%	3.7%	-	5.5%	-

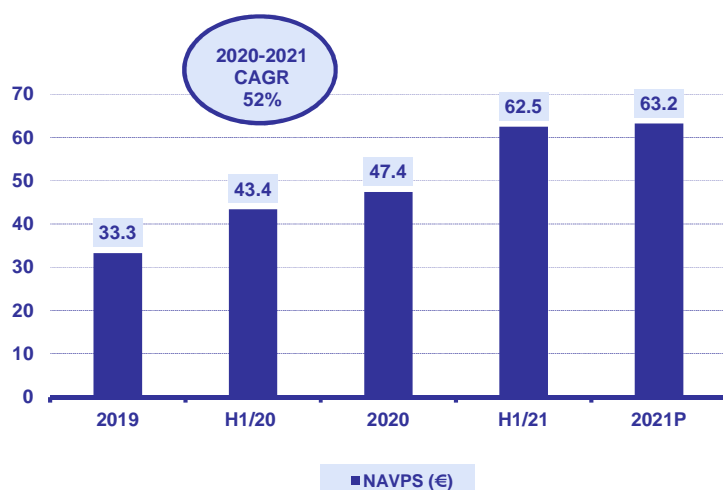
Source: First Berlin Equity Research; M1 Kliniken

Strong contributions from both M1 Beauty segment and Haemato 2021 Beauty segment revenue climbed 42% Y/Y to €53m and topped our estimate (€49.5m). On our numbers, EBIT for the segment amounted to ~€6m and includes around €1m in start-up costs for international clinics.

M1 also reported that it is on track to operate 51 beauty centres this spring including new facilities in Brisbane, Australia, plus new centres in Wolfsburg, Germany, and Salzburg, Austria. M1 will publish its annual report on 19 May.

The Haemato subsidiary reported 20% annualised sales growth to €285m (2020: €238m), and operating income rose significantly to €11.2m, although the 2020 EBIT comp was not hard (€1.6m). Specialty Pharma operations accounted for €220m of Haemato turnover, while the fast-growing Lifestyle and Aesthetics segment accounted for €65m of the topline. The latter contributed heavily to the strong earnings performance, thanks to its 33% gross margin, resulting in €22m in gross profit for Haemato.

Figure 1: CR Capital NAVPS development



Source: First Berlin Equity Research; CR Capital

CR Capital continues strategic expansion The investment holding reported a 27% annualised increase in net income to €65.4m, which was close to our €68.4m target. The company now makes its crust chiefly from the revaluation of its participations, which helped push the NAV to €241m equal to €63.2 per share (2020 €47.4). The 2021 annual reported is scheduled for publication by the end of April.



After expanding into private equity with CR Opportunities, the investment holding is on a quest to build greener homes and announced stakes in Solartec GmbH and Greentec GmbH. The former will supply solar PV modules to CR Capital's Terrabau GmbH. The home builder specializes in the fabrication of turn-key, solid construction terraced and multi-family houses located in the exurbs of German metropolises. Greentec GmbH will supply green steel materials essential to green home construction. Both companies have recently started pilot projects and will play a key role in CR Capital's commitment to Environmental, Social, and Governance (ESG) guidelines and practices.

MPH PRELIMINARY RESULTS

The reported figures undershot our targets by a wide margin (table 2), due largely to the poor H2/21 performance of the M1 Kliniken share price, which shed some 30% in value in the last half of 2021. This could not be compensated for by a 10% gain in CR Capital's stock value.

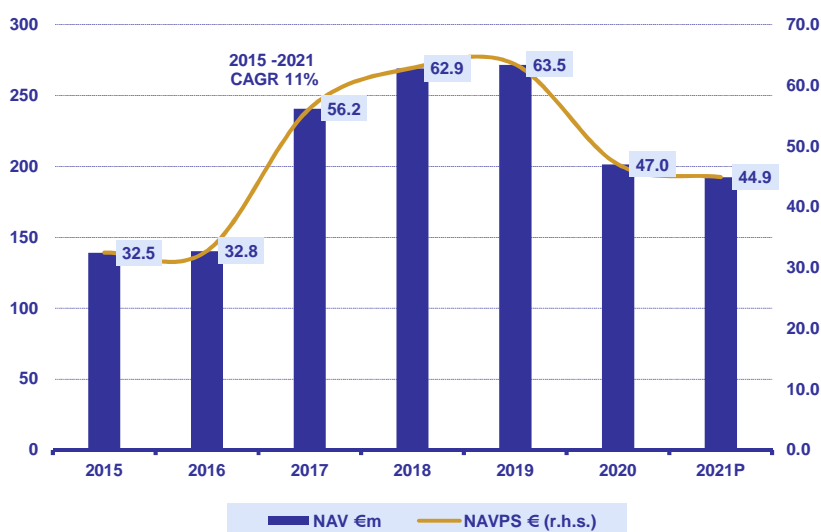
Table 2: Prelims vs FBe and prior year

All figures in EUR '000	2021P	2021E	variance	2020	variance
Operating revenue	11,849	44,840	-73.6%	3,433	245.2%
Operating income	-9,034	41,500	-	-71,015	-
Net income	-8,959	40,570	-	-70,379	-
NAVPS (€)	44.9	56.5	-20.5%	47.0	-4.5%

Source: First Berlin Equity Research; CR Capital

Equity tallied €201m at YE21 vs €192m in the prior year (-4.5%). The company used operating cash flows to reduce liabilities, including bank debt, to €5.7m (2020: €9.7m), which led to a 150 basis point increase in the equity ratio to 97.1%. As expected, MPH will propose to the AGM on 14 July 2022 that no dividend be distributed on the 2021 financial year in order to preserve financial firepower for further investments.

Figure 2: NAV and NAVPS developments



Source: First Berlin Equity Research; CR Capital



VALUATION MODEL

Unit	Shareholdings '000	SO '000	MPH stake %	Share price* €	Fair value per share ¹ €	Projected value €m
M1 Kliniken AG	12,310	19,643	63%	7.2	14.0	172
CR Capital Real Estate AG	2,192	3,811	58%	36.2	58.0	127
Projected value of listed holdings						299

*Source: Bloomberg (Previous day's closing price)

	Unit	Value
Fair value of listed portfolio	€m	299
Non-listed investment (book value)	€m	24
Net debt	€m	3
Present value of holding costs	€m	-35
Total fair value	€m	285
MPH shares outstanding	m	4
Fair value per share	€	67

¹First Berlin Equity Research covers CR Capital (Buy/ PT: €59); M1 (Buy/ PT: €4)

	Unit	New	Old	Variance
Fair value of listed portfolio	€m	299	300	0%
Non-listed investment (book value)	€m	24	24	0%
Net debt	€m	3	3	0%
Present value of holding costs	€m	-35	-35	0%
Total fair value	€m	285	285	0%
MPH shares outstanding	m	4	4	0%
Fair value per share	€	67	67	0%



INCOME STATEMENT

All figures in EUR '000	2018	2019	2020	2021E	2022E	2023E
Fair value gains on financial assets	31,019	33,747	0	6,401	38,137	33,499
Income from participations	170	780	0	400	400	400
Investment income	8,317	6,651	3,385	4,998	9,014	9,553
Other operating income	28	43	48	50	53	56
Operating revenue	39,534	41,221	3,433	11,849	47,604	43,507
SG&A	-1,146	-934	-841	-883	-927	-974
Other OpEx	-703	-330	-417	-438	-460	-483
Net loss from investments	0	-1,164	-12,453	0	0	0
Fair value loss on financial assets	0	-27,207	-60,720	-19,560	-3,000	-3,000
Depreciation & amortisation	-45	-11	-17	-2	-29	-25
EBIT	37,640	11,575	-71,015	-9,034	43,188	39,026
Interest expense	-507	-540	-510	-108	-108	-108
Interest income	209	15	75	0	0	0
EBT	37,342	11,050	-71,450	-9,142	43,080	38,918
Income taxes	-317	27	1,071	183	-862	-778
Net income / loss	37,025	11,076	-70,379	-8,959	42,219	38,139
Minority interests	0	0	0	0	0	0
Net income after minorities	37,025	11,076	-70,379	-8,959	42,219	38,139
EPS (in €)	8.65	2.59	-16.44	-2.09	9.86	8.91

**Pro-forma revenue of M1 Kliniken and CR Capital as a reference.*



BALANCE SHEET

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Assets						
Current assets, total	8,288	1,152	2,237	4,318	7,314	16,005
Cash and equivalents	1,239	1,018	1,797	369	3,279	11,882
ST financial assets	7,046	64	305	3,865	3,942	4,021
Trade receivables	0	3	4	0	0	0
Inventories	0	7	0	0	0	0
Other ST assets	3	60	131	84	92	102
Non-current assets, total	249,069	285,101	290,908	206,390	190,733	223,373
Property, plant & equipment	4	2	56	43	46	48
Goodwill & other intangibles	18	1	1	0	0	0
Financial assets	249,047	285,098	290,851	206,346	190,687	223,324
Total assets	257,357	286,253	293,144	210,707	198,047	239,378
Shareholders' equity & debt						
Current liabilities, total	229	327	15,724	4,742	1,032	135
Trade payables	37	28	24	36	36	36
Provisions	70	99	91	74	76	79
Other ST financial liabilities	90	87	15,578	4,613	900	0
Other current liabilities	32	113	31	19	20	21
Long-term liabilities, total	16,483	16,798	5,779	4,703	4,712	4,720
Long-term debt	14,000	14,000	3,000	3,000	3,000	3,000
Deferred tax liabilities & others	2,483	2,798	2,779	1,703	1,712	1,720
Shareholders' equity	240,665	269,127	271,641	201,262	192,304	234,522
Minority interests	0	0	0	0	0	0
Total equity	240,665	269,128	271,641	201,262	192,304	234,522
Total consolidated equity and debt	257,377	286,253	293,144	210,707	198,047	239,378
NAV	240,665	269,128	271,641	201,262	192,304	234,522
NAVPS (€)	56.2	62.9	63.5	47.0	44.9	54.8



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Net income	31,855	37,025	11,076	-70,379	-8,959	42,219
Depreciation and amortisation	21	45	11	17	2	29
Revaluation gains	-25,946	-30,360	-6,540	60,720	13,159	-35,137
Changes in working capital	2,485	7,058	-93	-3,581	-74	-76
Other adjustments	-457	-830	384	12,453	0	0
Net financial result	167	299	526	510	108	108
Tax expense	264	317	-26	-1,071	-183	862
Operating cash flow	8,389	13,554	5,337	-1,331	4,053	8,003
Investment income	-7,380	-8,317	-6,651	-1,500	-4,998	-9,014
Tax paid	0	-41	-38	41	183	-862
Net operating cash flow	1,009	5,196	-1,352	-2,790	-762	-1,872
CapEx	-11	-11	-52	-4	-5	-31
Payments from acquisitions of consolidated companies & other business units	-15,978	0	1,856	0	0	0
Proceeds from disposal of fixed assets	13,160	11,783	17,661	11,332	2,500	2,500
Payments for investment in financial assets	0	-16,644	-19,116	0	0	0
Investment income	7,380	8,317	6,378	1,500	4,998	9,014
Interest income	332	208	15	0	0	0
Cash flow from investing	4,883	3,653	6,742	12,828	7,493	11,483
Equity inflow, net	0	0	-1	-4	0	0
Debt inflow, net	0	0	4,492	-11,000	-3,713	-900
Dividend paid to shareholders	-5,137	-8,563	-8,562	0	0	0
Interest expense	-499	-507	-540	-462	-108	-108
Cash flow from financing	-5,636	-9,070	-4,611	-11,466	-3,821	-1,008
Net cash flows	256	-221	779	-1,428	2,910	8,603
Cash, start of the year	983	1,239	1,018	1,797	369	3,279
Cash, end of the year	1,239	1,018	1,797	369	3,279	11,882
Free cash flow (FCF)	5,892	8,849	5,390	10,038	6,731	9,611
Y-Y Growth						
Operating cash flow	n.a.	415.0%	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.a.	50.2%	-39.1%	86.2%	-32.9%	42.8%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 October 2012	€24.55	Buy	€55.00
2...18	↓	↓	↓	↓
19	15 August 2019	€37.62	Buy	€75.00
20	30 June 2020	€27.94	Buy	€75.00
21	16 September 2020	€26.00	Buy	€75.00
22	7 December 2020	€22.20	Buy	€75.00
23	6 May 2021	€27.40	Buy	€75.00
24	11 June 2021	€28.50	Buy	€75.00
25	20 September 2021	€23.30	Buy	€75.00
26	24 February 2022	€21.20	Buy	€67.00
27	Today	€22.30	Buy	€67.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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