

MPH Health Care AG

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

Update

RATING
BUY

PRICE TARGET
€ 56.00

Return Potential 273.3%
 Risk Rating High

EXPECT Q4 UPTICK IN NAV WITH PORTFOLIO REBOUND

The poor market environment deepened the gravity well that pulled MPH's NAVPS down to a six year low (€31.9) at the end of Q3/22. However, CR Capital and M1 Kliniken shares rebounded strongly in Q4 led by a 131% rise in the M1 stock during the October-to-December quarter. This was helped by insider buying in conjunction with M1's beefed up management board that now comprises Kilian Brenske and Attila Strauss. We expect the dual Christmas rally to have added ~€80m to MPH's YE22 NAV, which slid to €137m in Q3. We maintain our Buy rating with a €56TP (old: €58) after adjusting our M1 forecasts.

M1 Kliniken developments As of Q3 reporting, M1 had opened six new clinics including Budapest, Hungary. The beauty specialist is also sizing up Bulgaria, Romania, and Poland for its eastern expansion plans and sees room for up to 25 M1 Beauty centres with annual revenue potential of ~€20m. Q3 treatments topped 97k helping push the 9M figure north of 285k equal to a 15% improvement on the prior year period. Growth was propelled by a 60% surge in treatments at the expanding international clinic network to 45k. The Beauty segment generated 9M/22 EBIT of €3.4m (9M/21: €2.9m), while Trade (Haemat AG) contributed €3.1m in operating income. M1 was on track to hit our 2022 treatment target (395k), but we recently trimmed our EBIT estimate for the year to €9.5m from €10.6m to reflect higher than expected cost for the clinic rollout. Also, Kilian Brenske and Attila Strauss joined the executive board in November coinciding with the departure of Dr von Horstig to pursue external opportunities. Mr Brenske has a strong operational background and has been heavily involved in the international clinic rollout, while Mr Strauss previously served on the Haemato management board.

CR Capital developments The investment holding does not publish Q3 updates but reported six month EBITDA of €67.7m vs €62.4m in the prior year period (+8.5%). The performance owes mainly to Terrabau GmbH holding, which secured the needed materials and. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021	2022E	2023E
Operating rev. (€m)	39.53	41.22	3.43	13.55	8.13	11.78
Y/Y growth	0.2%	0.0%	-0.9%	2.9%	-0.4%	0.4%
EBIT (€m)	37.64	11.58	-71.02	-9.07	-9.69	7.39
EBT (€m)	37.3%	11.0%	-71.5%	-9.2%	-9.7%	7.4%
Net income (€m)	37.03	11.08	-70.38	-8.96	-9.50	7.24
EPS (diluted) (€)	8.65	2.59	-16.44	-2.09	-2.22	1.69
DPS (€)	2.00	0.00	0.00	0.00	0.00	1.60
NAVPS (€)	62.87	63.45	47.01	44.92	42.70	44.39
Net gearing	4.8%	6.1%	1.7%	-0.2%	-2.9%	-5.8%
Liquid assets (€m)	1.02	1.80	0.37	1.84	2.71	8.24

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 16 Jan 2023

Closing Price	€ 15.00
Shares outstanding	4.28m
Market Capitalisation	€ 64.21m
52-week Range	€ 8.90 / 25.60
Avg. Volume (12 Months)	2,542

Multiples	2021	2022E	2023E
P/E	n.a.	n.a.	8.9
EV/EBIT	n.a.	n.a.	9.0
P/NAV	0.3	0.4	0.3
Div. Yield	0.0%	0.0%	10.7%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2022

Liquid Assets	€ 1.49m
Current Assets	€ 4.23m
Intangible Assets	€ 157.17m
Total Assets	€ 161.43m
Current Liabilities	€ 4.18m
Shareholders' Equity	€ 156.31m

SHAREHOLDERS

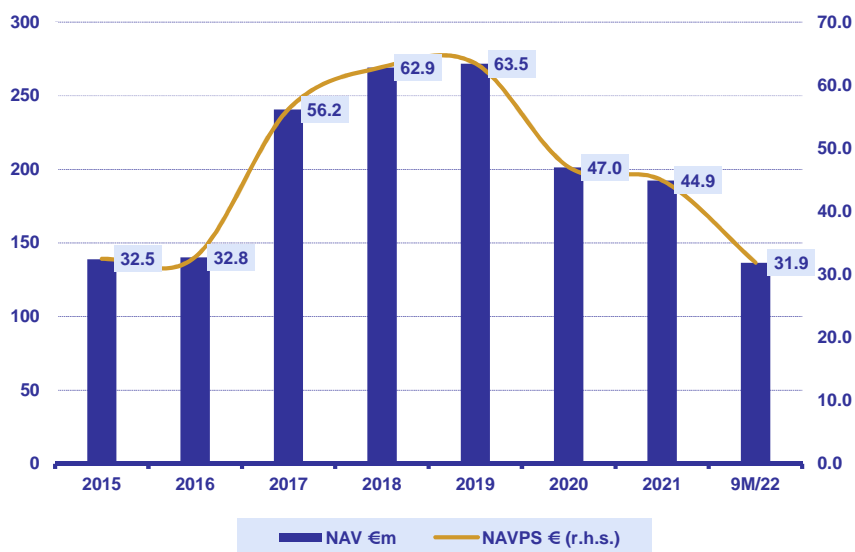
Magnum	60.0%
Baring Fund Managers	1.7%
KBC Asset Management SA	1.3%
Free Float	37.0%



. . . hands for the upcoming projects through 2023, whereas many rivals are handcuffed by material and labour shortages as well as rising interest rates. We note that Terrabau is differentiated from most home builders through its ability to self-finance construction without debt. The real estate sector has been hit hard by the rising interest environment. Investors have been dumping their property stocks this year and sector sentiment is bad right now.

NAVPS down 29% as of Q3; solid Q4 uptick expected MPH's NAV declined to €137m (YE21: €192m) at the 9M juncture corresponding to NAVPS of €31.9. The performance owed to €-56m in net income traced primarily to non-cash fair value write-downs of the listed participations. The equity ratio stood at 96% at the end of the period (YE21: 97%). We anticipate that the strong Q4 rally in CR Capital and M1 Kliniken shares will lead to a sizable uptick in YE22 KPIs.

Figure 1: NAV and NAVPS developments



Source: First Berlin Equity Research; MPH Health Care AG



VALUATION MODEL

Our MPH target price moves to €56 (old: €58) on our reduced M1 fair value estimate (overleaf) that now factors in €10m in CapEx for the upcoming botox clinical trials in 2023. We remain Buy-rated on MPH.

Table 1: MPH Sum-of-the-parts valuation

Unit	Shareholdings '000	SO '000	MPH stake %	Share price* €	Fair value per share ¹ €	Projected value €m
M1 Kliniken AG	12,241	19,643	62%	7.4	11.1	136
CR Capital AG	2,328	4,051	57%	29.3	53.0	123
Haemato AG	12	5,229	0.2%	19.1	35.0	0.4
Projected value of listed holdings						260

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

	Unit	Value
Fair value of listed portfolio	€m	260
Non-listed investment (book value)	€m	24
Net debt (2021)	€m	0
Present value of holding costs	€m	43
Total fair value	€m	239
MPH shares outstanding	m	4
Fair value per share	€	56

¹ First Berlin Equity Research covers CR Capital (Buy / PT: EUR53); M1 (Buy / PT: EUR11.1); HAE (Buy / PT: EUR35)

	Unit	New	Old	Variance
Fair value of listed portfolio	€m	260	267	-3%
Non-listed investment (book value)	€m	24	24	0%
Net debt	€m	0	0	-
Present value of holding costs	€m	43	43	1%
Total fair value	€m	239	247	-3%
MPH shares outstanding	m	4	4	0%
Fair value per share	€	56	58	-3%



Table 2: M1 Kliniken DCF Model

All figures in EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Sales	285,319	315,088	351,703	387,362	418,791	444,738	463,104	477,275
NOPLAT	7,089	9,830	13,384	18,085	21,920	25,795	28,775	30,460
(+) depreciation & amortisation	6,544	7,084	8,410	8,344	8,528	8,324	7,482	7,369
(=) Net operating cash flow	13,634	16,914	21,794	26,428	30,448	34,120	36,257	37,829
(-) Total investments (CapEx and WC)	-868	-16,461	-17,700	-12,718	-12,129	-10,875	-10,198	-9,649
(-) Capital expenditures	-7,763	-13,417	-14,287	-9,413	-9,125	-8,398	-8,311	-8,183
(-) Working capital	6,895	-3,043	-3,414	-3,305	-3,004	-2,477	-1,887	-1,466
(=) Free cash flows (FCF)	12,766	453	4,094	13,710	18,319	23,245	26,059	28,181
PV of FCFs	12,766	410	3,353	10,155	12,272	14,084	14,281	13,968

All figures in EUR '000		Terminal EBIT margin							
		6.6%	7.1%	7.6%	8.1%	8.6%	9.1%	9.6%	
PV of FCFs in explicit period	127,185	7.6%	15.42	16.51	17.60	18.69	19.77	20.86	21.95
PV of FCFs in terminal period	116,589	8.6%	12.86	13.69	14.53	15.36	16.19	17.02	17.86
Enterprise value (EV)	243,774	9.6%	10.96	11.61	12.27	12.92	13.57	14.23	14.88
+ Net cash / - net debt	15,061	10.6%	9.50	10.02	10.54	11.06	11.58	12.11	12.63
+ Investments / minority interests	-41,497	11.6%	8.33	8.75	9.18	9.60	10.02	10.45	10.87
Shareholder value	217,338	12.6%	7.38	7.73	8.07	8.42	8.77	9.12	9.46
Fair value per share in EUR	11.10	13.6%	6.59	6.88	7.17	7.45	7.74	8.03	8.32

All figures in EUR '000		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	11.4%	7.6%	15.92	16.71	17.62	18.69	19.98	21.55	23.50
Pre-tax cost of debt	4.5%	8.6%	13.49	14.03	14.65	15.36	16.19	17.17	18.35
Tax rate	25.0%	9.6%	11.60	11.99	12.43	12.92	13.49	14.14	14.90
After-tax cost of debt	3.4%	10.6%	10.11	10.39	10.71	11.06	11.46	11.91	12.43
Share of equity capital	90.0%	11.6%	8.89	9.10	9.34	9.60	9.89	10.22	10.58
Share of debt capital	10.0%	12.6%	7.88	8.05	8.23	8.42	8.64	8.88	9.15
WACC	10.6%	13.6%	7.04	7.16	7.30	7.46	7.62	7.80	8.00

*Please note our model runs through 2033 and we have only shown the abbreviated version for formatting purposes

Table 3: CR Capital discounted dividend model

	Unit	2022E	2023E	2024E	2025E	2026E	2027E	2028E	TV
EPS	€	17.0	17.0	19.1	21.1	23.2	25.1	26.4	30.1
Payout ratio	%	15	16	15	15	15	15	15	15
Dividend (DPS)	€	2.6	2.7	2.9	3.2	3.5	3.8	4.0	4.5
Y/Y	%	4.0	3.8	7.4	10.3	9.4	8.6	5.3	-
NPV	€	2.6	2.5	2.4	2.5	2.5	2.5	2.4	26.0
CAGR 2022 -2026	%	7.0							
Terminal growth rate	%	2.0							
Discount factor	%	8.9							
NPV of dividends	€	27							
Terminal value (TV)	€	26							
Fair value per share	€	53.0							

*Our model runs through 2033 and we have only shown the abbreviated version for formatting purposes

Cost of equity	8.9%	After-tax cost of debt	4.9%
Pre-tax cost of debt	5.0%	Share of equity capital	100.0%
Tax rate	2.0%	Share of debt capital	0.0%
WACC	8.9%		



Table 4: Haemato DCF model

In EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Sales	250,108	273,085	297,421	320,341	341,671	359,269	373,435	384,443
NOPLAT	6,543	8,384	11,087	13,675	15,443	16,887	17,724	18,170
(+) depreciation & amortisation	1,150	1,147	1,160	1,193	1,273	1,338	1,391	1,432
Net operating cash flow	7,693	9,531	12,247	14,869	16,716	18,225	19,115	19,602
(-) Total investments (CAPEX and WC)	3,063	-3,816	-3,965	-3,892	-3,789	-3,368	-3,007	-2,650
(-) Capital expenditures	-1,188	-888	-967	-1,041	-1,110	-1,168	-1,214	-1,249
(-) Working capital	4,251	-2,928	-2,998	-2,851	-2,679	-2,200	-1,793	-1,400
Free cash flows (FCF)	10,756	5,715	8,282	10,977	12,927	14,858	16,108	16,953
PV of FCF's	10,756	5,212	6,854	8,244	8,811	9,191	9,043	8,637
Terminal EBIT margin								
In EUR '000		4.1%	4.6%	5.1%	5.6%	6.1%	6.6%	7.1%
PV of FCFs in explicit period	95,008	7.2%	43.53	47.20	50.86	54.53	58.19	61.86
(+) PV of FCFs in terminal period	74,731	8.2%	37.74	40.52	43.29	46.07	48.84	51.62
Enterprise value (EV)	169,739	9.2%	33.49	35.65	37.81	39.97	42.13	44.29
(+) Net cash / (-) net debt	15,231	10.2%	30.22	31.94	33.65	35.37	37.09	38.80
(+) Investments / minority interests	0	11.2%	27.62	29.01	30.39	31.78	33.17	34.55
Shareholder value	184,970	12.2%	25.50	26.63	27.77	28.90	30.03	31.17
Fair value per share (€)	35.00	13.2%	23.73	24.67	25.60	26.54	27.48	28.41
Terminal growth rate								
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
Cost of equity	14.9%	7.2%	47.34	49.35	51.71	54.53	57.95	62.18
Pre-tax cost of debt	5.5%	8.2%	41.29	42.66	44.24	46.07	48.22	50.79
Tax rate	24.0%	9.2%	36.65	37.62	38.72	39.97	41.41	43.08
After-tax cost of debt	4.2%	10.2%	32.98	33.69	34.48	35.37	36.38	37.52
Share of equity capital	56.0%	11.2%	30.02	30.55	31.13	31.78	32.50	33.32
Share of debt capital	44.0%	12.2%	27.57	27.97	28.41	28.90	29.44	30.03
WACC	10.2%	13.2%	25.52	25.83	26.17	26.54	26.95	27.39

*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EUR '000	2018	2019	2020	2021	2022E	2023E
Fair value gains on financial assets	31,019	33,747	0	9,185	3,870	7,163
Income from participations	170	780	0	766	400	400
Investment income	8,317	6,651	3,385	3,561	3,820	4,175
Other operating income	28	43	48	35	37	38
Operating revenue	39,534	41,221	3,433	13,547	8,127	11,776
SG&A	-1,146	-934	-841	-923	-969	-1,018
Other OpEx	-703	-330	-417	-328	-344	-362
Net loss from investments	0	-1,164	-12,453	0	0	0
Fair value loss on financial assets	0	-27,207	-60,720	-21,350	-16,500	-3,000
Depreciation & amortisation	-45	-11	-17	-20	-3	-5
EBIT	37,640	11,575	-71,015	-9,075	-9,690	7,392
Interest expense	-507	-540	-510	-194	0	0
Interest income	209	15	75	80	0	0
EBT	37,342	11,050	-71,450	-9,189	-9,690	7,392
Income taxes	-317	27	1,071	233	194	-148
Net income / loss	37,025	11,076	-70,379	-8,956	-9,496	7,244
Minority interests	0	0	0	0	0	0
Net income after minorities	37,025	11,076	-70,379	-8,956	-9,496	7,244
EPS (in €)	8.6	2.6	-16.4	-2.1	-2.2	1.7



BALANCE SHEET

All figures in EUR '000	2018	2019	2020	2021	2022E	2023E
Assets						
Current assets, total	1,152	2,237	4,318	4,453	5,370	10,962
Cash and equivalents	1,018	1,797	369	1,843	2,707	8,245
ST financial assets	64	305	3,865	2,599	2,651	2,704
Trade receivables	3	4	0	0	0	0
Inventories	7	0	0	0	0	0
Other ST assets	60	131	84	11	12	13
Non-current assets, total	285,101	290,908	206,390	193,543	179,113	180,777
Property, plant & equipment	2	56	43	41	41	42
Goodwill & other intangibles	1	1	0	0	0	0
Financial assets	285,098	290,851	206,346	193,502	179,072	180,735
Total assets	286,253	293,144	210,707	197,996	184,483	191,738
Shareholders' equity & debt						
Current liabilities, total	327	15,724	4,742	4,200	176	180
Trade payables	28	24	36	51	51	51
Provisions	99	91	74	101	104	107
Other ST financial liabilities	87	15,578	4,613	4,028	0	0
Other current liabilities	113	31	19	20	21	22
Long-term liabilities, total	16,798	5,779	4,703	1,490	1,497	1,504
Long-term debt	14,000	3,000	3,000	0	0	0
Deferred tax liabilities & others	2,798	2,779	1,703	1,490	1,497	1,504
Shareholders' equity	269,127	271,641	201,262	192,306	182,810	190,054
Minority interests	0	0	0	0	0	0
Total equity	269,128	271,641	201,262	192,306	182,810	190,054
Total consolidated equity and debt	286,253	293,144	210,707	197,996	184,483	191,738
NAV	269,128	271,641	201,262	192,306	182,810	190,054
NAVPS (€)	62.9	63.5	47.0	44.9	42.7	44.4



CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020	2021	2022E	2023E
Net income	37,025	11,076	-70,379	-8,956	-9,496	7,244
Depreciation and amortisation	45	11	17	20	3	5
Revaluation gains	-30,360	-6,540	60,720	12,165	12,630	-4,163
Changes in working capital	7,058	-93	-3,581	1,619	-42	-43
Other adjustments	-830	384	12,453	-761	0	0
Net financial result	299	526	510	195	0	0
Tax expense	317	-26	-1,071	-233	-194	148
Operating cash flow	13,554	5,337	-1,331	4,049	2,901	3,191
Investment income	-8,317	-6,651	-1,500	-5,173	-3,820	-4,175
Tax paid	-41	-38	41	38	194	-148
Net operating cash flow	5,196	-1,352	-2,790	-1,086	-725	-1,131
CapEx	-11	-52	-4	-2	-3	-6
Payments from acquisitions of consolidated companies & other business units	0	1,856	0	0	0	0
Proceeds from disposal of fixed assets	11,783	17,661	11,332	6,248	1,800	2,500
Payments for investment in financial assets	-16,644	-19,116	0	-4,780	0	0
Investment income	8,317	6,378	1,500	4,901	3,820	4,175
Interest income	208	15	0	0	0	0
Cash flow from investing	3,653	6,742	12,828	6,366	5,617	6,669
Equity inflow, net	0	-1	-4	0	0	0
Debt inflow, net	0	4,492	-11,000	-12	-4,028	0
Dividend paid to shareholders	-8,563	-8,562	0	0	0	0
Interest expense	-507	-540	-462	-194	0	0
Cash flow from financing	-9,070	-4,611	-11,466	-206	-4,028	0
Liabilities due at beginning of the period	0	0	0	-3,600	0	0
Net cash flows	-221	779	-1,428	5,075	864	5,538
Cash, start of the year	1,239	1,018	1,797	369	1,843	2,707
Cash, end of the year	1,018	1,797	369	1,843	2,707	8,245
Free cash flow (FCF)	8,849	5,390	10,038	5,280	4,892	5,538
Y-Y Growth						
Operating cash flow	415.0%	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	50.2%	-39.1%	86.2%	-47.4%	-7.4%	13.2%

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INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

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PRICE TARGET DATES

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

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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...21	↓	↓	↓	↓
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	2 May 2022	€22.30	Buy	€67.00
28	27 June 2022	€16.95	Buy	€67.00
29	4 October 2022	€9.56	Buy	€58.00
30	Today	€15.00	Buy	€56.00

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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Legally required information regarding

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

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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