

MPH Health Care AG

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

2022 prelims

RATING	BUY
PRICE TARGET	€ 54.00
Return Potential	247.3%
Risk Rating	High

M1 STOCK RALLY DRIVES Q4 NAV GAINS

MPH published preliminary 2022 KPIs. As expected, the NAV rose some 61% Q/Q in the October-to-December period on the back of the strong Christmastime rally in M1 Kliniken shares. This was fuelled by insider buying in conjunction with the expansion of the executive board. MPH exited 2022 with an NAV of €221m vs €192m at YE21 (+15%). M1's clinic expansion is on track, while momentum for the injectables business remains strong. The beauty-specialist also announced a 1.5m share buy-back to commence on 28 April. Meanwhile, CR Capital reported 2022 prelims with EBIT climbing 15% Y/Y to €76m, and prospects for its affordable green-home strategy are excellent. Its Terrabau holding can finance home construction with equity and cash flows, whereas most landlords / property developers are being clobbered with eye-watering financing expenses in the world of higher rates. We remain Buy-rated on MPH with a €54 TP (old: €56).

Full steam ahead with clinic expansion. . . . M1 reported eight clinic openings in four countries in 2022, including M1's first centre in Budapest (Hungary). Several new beauty centres are already in the works to broaden the Eastern European footprint: Sofia (Bulgaria) and Bucharest (Romania). Local beauty doctors there are keen to join the M1 team, thanks to attractive remuneration packages and growth prospects. M1 brass expects the clinic network to reach 60 centres this year and reiterated its mid-term goal of operating between 75 and 100 M1 Med Beauty centres by YE25 (FBe: 82).

. . . to capitalise on booming injectables market Preliminary results confirmed our view that M1 is well positioned at the sweet spot of the cosmetic treatment economy with its disruptive network of branded clinics and injectables-driven business model. 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 . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021	2022E	2023E
Operating rev. (€m)	39.53	41.22	3.43	13.55	35.99	26.46
Y/Y growth	15.5%	4.3%	-91.7%	294.6%	165.7%	-26.5%
EBIT (€m)	37.64	11.58	-71.02	-9.07	29.65	22.06
EBT (€m)	37.64	11.58	-71.02	-9.07	29.65	22.06
Net income (€m)	37.03	11.08	-70.38	-8.96	29.06	21.62
EPS (diluted) (€)	8.65	2.59	-16.44	-2.09	6.79	5.05
DPS (€)	2.00	0.00	0.00	0.00	0.00	1.60
NAV (€m)	269.13	271.64	201.26	192.31	221.37	242.99
NAVPS (€)	62.9	63.5	47.0	44.9	51.7	56.8
Liquid assets (€m)	1.02	1.80	0.37	1.84	1.90	7.13

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 05 May 2023

Closing Price	€ 15.55
Shares outstanding	4.28m
Market Capitalisation	€ 66.57m
52-week Range	€ 8.90 / 21.70
Avg. Volume (12 Months)	2,975

Multiples	2021	2022E	2023E
P/E	n.a.	2.3	3.1
EV/EBIT	n.a.	2.3	3.1
P/NAV	0.3	0.3	0.3
Div. Yield	0.0%	0.0%	10.3%

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%



. . . growth. These include Botox and other substances that relax / freeze facial muscles, and dermal fillers, which plump softer tissue. About 560k such treatments were performed in 2021 on Germans, not renowned for being beauty-obsessed. These factors suggest M1 is in the early stages of a strong growth phase.

Table 1: M1 prelims vs FBe and prior year

EURm	2022	2022E	Variance	2021	Variance
Revenue	285.3	285.3	0%	314.6	-9%
EBIT	9.3	9.4	-1%	12.1	-23%
Margin	3.3%	3.3%	-	3.8%	-
EBT	10.2	9.7	5%	14.4	-29%
Margin	3.6%	3.4%	-	4.6%	-

Source: First Berlin Equity Research; M1 Kliniken

CR Capital's prospects are excellent The company has traditionally been able to self-finance growth with cash flows and equity. At a time when debt-loaded landlords and property developers are getting hit with eye-watering financing costs, CRC's zero leveraged capital structure will allow the company to execute on its 50k m² home construction pipeline. Plus, all key materials and labour required for 2023 are locked in.

We also think the latest portfolio holding, Solartec, is primed for a surge in growth. The company operates as a system integrator specialising in rooftop solar rigs combined with hydrogen technology to allow homeowners to store excess electricity produced during the sunshine months for winter usage. Solartec is working with Terrabau in outfitting residential projects with climate-neutral power production systems. Homeowners, tenants, and prospective buyers are all grappling with soaring gas bills, so the timing for ramping up operations is excellent.

CRC reported preliminary 2022 EBIT of €76m (FBe: €72m) vs €66m in the prior year. Earnings translated to operating cash flow per share of €3.7, while the equity ratio continues to hover around 97%. The AGM is being scheduled for June 2023, and management want to reward investors with a dividend at least in line with last year (€2.50ps).



VALUATION MODEL

Sticking to Buy rating MPH's EBIT and net income topped €29m for the year (2021: €-9m) propelling a 15% rise in NAVPS to €51.7, while the equity ratio increased to 97% (YE21: 93%). The company will publish its 2022 annual report on 26 May, and we will fully update our model then.

A recently recalibrated DCF model for M1 Kliniken points to fair value of €10.5 per share (old: €11.1) for the beauty specialist. Factored into our sum-of-the-parts model, our MPH price target is now €54 (old: €56).

Table 2: Sum-of-the-parts model

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	10.5	129
CR Capital AG	2,328	4,051	57%	30.2	53.0	123
Haemato AG	12	5,229	0.2%	17.2	33.0	0.4
Projected value of listed holdings						252

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

	Unit	Value
Fair value of listed portfolio	€m	252
Non-listed investment (book value)	€m	24
Net debt (2021)	€m	0
Present value of holding costs	€m	44
Total fair value	€m	231
MPH shares outstanding	m	4
Fair value per share	€	54

¹ First Berlin Equity Research covers CR Capital (Buy / PT: EUR53); M1 (Buy / PT: EUR10.5); HA EK (Buy / PT: EUR33)

	Unit	New	Old	Variance
Fair value of listed portfolio	€m	252	260	-3%
Non-listed investment (book value)	€m	24	24	0%
Net debt	€m	0	0	-
Present value of holding costs	€m	44	44	0%
Total fair value	€m	231	239	-3%
MPH shares outstanding	m	4	4	0%
Fair value per share	€	54	56	-3%



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	31,734	21,844
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	35,991	26,457
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	-5,000	-3,000
Depreciation & amortisation	-45	-11	-17	-20	-24	-16
EBIT	37,640	11,575	-71,015	-9,075	29,654	22,061
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	29,654	22,061
Income taxes	-317	27	1,071	233	-593	-441
Net income / loss	37,025	11,076	-70,379	-8,956	29,061	21,620
Minority interests	0	0	0	0	0	0
Net income after minorities	37,025	11,076	-70,379	-8,956	29,061	21,620
EPS (in €)	8.6	2.6	-16.4	-2.1	6.8	5.0



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	4,561	9,847
Cash and equivalents	1,018	1,797	369	1,843	1,898	7,131
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	218,479	234,824
Property, plant & equipment	2	56	43	41	43	44
Goodwill & other intangibles	1	1	0	0	0	0
Financial assets	285,098	290,851	206,346	193,502	218,436	234,780
Total assets	286,253	293,144	210,707	197,996	223,040	244,671
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	221,367	242,987
Minority interests	0	0	0	0	0	0
Total equity	269,128	271,641	201,262	192,306	221,367	242,987
Total consolidated equity and debt	286,253	293,144	210,707	197,996	223,040	244,671
NAV	269,128	271,641	201,262	192,306	221,367	242,987
NAVPS (€)	62.9	63.5	47.0	44.9	51.7	56.8



CASH FLOW STATEMENT

All figures in EUR '000	2018	2019	2020	2021	2022E	2023E
Net income	37,025	11,076	-70,379	-8,956	29,061	21,620
Depreciation and amortisation	45	11	17	20	24	16
Revaluation gains	-30,360	-6,540	60,720	12,165	-26,734	-18,844
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	593	441
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	-593	-441
Net operating cash flow	5,196	-1,352	-2,790	-1,086	-1,512	-1,425
CapEx	-11	-52	-4	-2	-25	-17
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	5,595	6,657
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	55	5,233
Cash, start of the year	1,239	1,018	1,797	369	1,843	1,898
Cash, end of the year	1,018	1,797	369	1,843	1,898	7,131
Free cash flow (FCF)	8,849	5,390	10,038	5,280	4,083	5,233
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%	-22.7%	28.2%

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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.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 October 2012	€24.55	Buy	€55.00
2...22	↓	↓	↓	↓
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	17 January 2023	€15.00	Buy	€56.00
31	Today	€15.55	Buy	€54.00

INVESTMENT HORIZON

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