

# M1 Kliniken AG

Germany / Healthcare Facilities &amp; Services

Frankfurt

Bloomberg: M12 GR

ISIN: DE000A0STSQ8

2023 prelims

**RATING****PRICE TARGET**

Return Potential

Risk Rating

**BUY****€ 18.00**

33.3%

High

## SMOOTH FACE, BIG BUCKS

**Preliminary 2023 results again featured a strong showing by the Beauty segment. Twelve month Beauty performance was led by the German clinic network that contributed €56m in turnover with a 28% EBIT margin, including a 24% margin in the October-to-December period. The group of international clinics narrowly missed a first-time positive EBIT result on an annualised basis, reporting €-0.2m (2022: €-2.4m). M1 opened four new beauty centres in three countries in 2023 and a further two YTD bringing the tally to 60. More openings are in the hopper for this year. We recently upped our forecasts to better reflect Beauty segment performance and see no reason to rein in our optimism. We are Buy-rated on M1 with an unchanged €18 TP.**

**Smooth face, big bucks** Beauty sales rose some 18% on an annualised basis to €71m. Segment EBIT more than doubled to €15.5m (2022: €7.0m) prodding the margin to 21.9% (2022: 11.7%). Germany led regional performance racking up €56m in sales, and the associated 28% operating margin easily overshot M1's targeted 15% to 20% corridor for the sub-group. Meanwhile, international clinic results showed 69% Y/Y sales growth to €14.5m and came within spitting distance (€-0.2m) of a first-time positive EBIT (2022: €-2.4m).

**International expansion to drag less on earnings** After opening 11 beauty centres abroad in 2020 - 2022, the company brought two more international clinics online last year in Bucharest, Romania and Sofia, Bulgaria. The international portfolio now has a much higher ratio of more established clinics to offset the start-up costs of planned openings abroad. This could help push earnings of the foreign sub-group into the black this year. The international network posted a positive operating result in Q3/23 and narrowly missed break even in the October-to-December period. M1 wants to plant its operational flag in the US this year, but domestic expansion is back on the agenda with a sharpened focus on Germany's smaller towns, where locals generally have few options for quality and affordable beauty treatments. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023P	2024E	2025E
Revenue (€m)	159.59	314.61	285.29	305.44	329.96	363.19
Y/Y growth	106.7%	97.1%	-9.3%	7.1%	8.0%	10.1%
EBIT (€m)	4.41	12.14	9.35	15.37	19.69	24.83
EBIT margin	2.8%	3.9%	3.3%	5.0%	6.0%	6.8%
Net income (€m)	6.83	8.90	4.32	7.14	9.12	11.47
EPS (diluted) (€)	0.37	0.45	0.22	0.37	0.48	0.60
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	12.65	15.90	19.65	9.57	14.49	20.23
Net gearing	7.5%	-10.8%	-20.4%	-20.9%	-23.7%	-29.1%
Liquid assets (€m)	21.96	37.87	35.15	34.94	42.26	56.73

### RISKS

Risks include, but are not limited to the ability to retain management and key medical staff, legal and market risks.

### COMPANY PROFILE

M1 Kliniken AG is a provider of aesthetic medical procedures at competitive prices. The company is headquartered in Berlin and controls an extensive network of ~60 beauty clinics across Germany, continental Europe, the UK, and Australia. The company also operates a pharmaceutical trade and parallel import business through its Haemato AG subsidiary.

### MARKET DATA

As of 29 Apr 2024

Closing Price	€ 13.50
Shares outstanding	19.64m
Market Capitalisation	€ 265.18m
52-week Range	€ 7.22 / 14.65
Avg. Volume (12 Months)	11,612

Multiples	2023P	2024E	2025E
P/E	36.6	28.4	22.6
EV/Sales	1.0	0.9	0.8
EV/EBIT	19.7	15.4	12.2
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



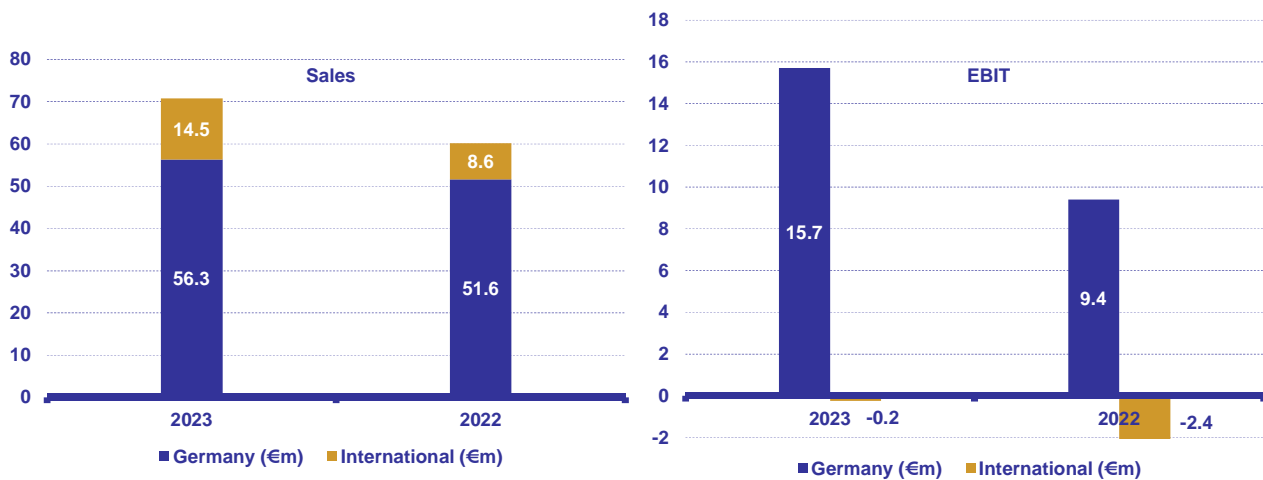
### COMPANY DATA

As of 30 Jun 2023

Liquid Assets	€ 23.30m
Current Assets	€ 115.29m
Intangible Assets	€ 60.23m
Total Assets	€ 203.23m
Current Liabilities	€ 42.19m
Shareholders' Equity	€ 146.35m

### SHAREHOLDERS

MPH Healthcare AG	69.1%
Free Float	30.9%

**Figure 1: Sales and EBIT performance of German vs international clinic network**


Source: First Berlin Equity Research; M1 Kliniken AG

**Other preliminary highlights** M1 reported operating cash flow of €8.5m in 2023. The decline vs last year's comp (€21m) owes to a rise in inventory occasioned by the opportunity to capitalise on attractive procurement terms. On a normalised basis, M1 contend that operating cash flow would have topped €24m.

Free cash flow tallied €-1.5m compared to €19m in 2022. FCF was consumed by share purchases of the now delisted Haemato AG in the amount of €15.5m. M1 now holds an 82% stake (old: 68%) in the specialty pharma operator.

**Table 1: Q4/23 results vs FBe and prior year**

EURm	Q4/23	Q4/23E	Variance	Q4/22	Variance	2023	2022	Variance
Revenue	79.7	68.8	16%	71.3	12%	316.3	285.3	11%
Beauty	17.6	15.8	11%	18.8	-6%	70.8	60.2	18%
Trade	62.1	53.0	17%	52.5	18%	245.5	225.1	9%
EBITDA	4.1	5.1	-20%	4.5	-9%	21.0	15.4	36%
Margin	5.1%	7.4%	-	6.3%	-	6.6%	5.4%	-
EBIT	2.8	2.5	12%	2.8	0%	15.7	9.3	69%
Margin	3.5%	3.6%	-	3.9%	-	5.0%	3.3%	-

Source: First Berlin Equity Research; M1 Kliniken AG

On our numbers, the Trade segment generated 2023 sales of €246m (+9% Y/Y). Audited figures should include sales and EBIT figures for Trade. Adjusting Group EBIT of €15.7m for the €15.5m Beauty contribution, we think Trade will report EBIT of some €0.2m. The low figure probably owes to the high eliminations we witnessed in the January-to-September reporting last year.



## VALUATION

**Maintain Buy rating with €18 TP** We continue to like M1 Kliniken for its disruptive beauty clinic network that capitalises on thriving prejuvenation trends with its injectables treatments. The company now operates a stable of 60 M1 Beauty centres and is aiming for 80 to 100 facilities by YE25.

**Table 2: DCF model**

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Sales</b>	<b>305,438</b>	<b>329,963</b>	<b>363,195</b>	<b>395,052</b>	<b>422,513</b>	<b>442,485</b>	<b>456,171</b>	<b>469,325</b>
<b>NOPLAT</b>	<b>11,524</b>	<b>14,766</b>	<b>18,622</b>	<b>25,551</b>	<b>30,397</b>	<b>34,868</b>	<b>37,338</b>	<b>39,773</b>
(+) depreciation & amortisation	6,651	7,581	8,037	7,923	8,102	7,590	7,668	7,056
<b>(=) Net operating cash flow</b>	<b>18,175</b>	<b>22,346</b>	<b>26,659</b>	<b>33,474</b>	<b>38,499</b>	<b>42,457</b>	<b>45,007</b>	<b>46,829</b>
(-) Total investments (CapEx and WC)	-14,130	-14,101	-13,488	-13,809	-11,765	-11,252	-10,263	-10,547
(-) Capital expenditures	-9,713	-11,693	-10,100	-10,791	-8,912	-9,101	-8,789	-9,109
(-) Working capital	-4,417	-2,407	-3,388	-3,018	-2,853	-2,151	-1,474	-1,438
<b>(=) Free cash flows (FCF)</b>	<b>4,046</b>	<b>8,245</b>	<b>13,171</b>	<b>19,665</b>	<b>26,734</b>	<b>31,205</b>	<b>34,744</b>	<b>36,282</b>
<b>PV of FCF's</b>	<b>4,046</b>	<b>7,711</b>	<b>11,144</b>	<b>15,051</b>	<b>18,511</b>	<b>19,547</b>	<b>19,688</b>	<b>18,600</b>

All figures in EUR '000		Terminal EBIT margin							
		10.3%	10.8%	11.3%	11.8%	12.3%	12.8%	13.3%	
PV of FCFs in explicit period	163,812	7.5%	25.63	26.84	28.04	29.25	30.46	31.66	32.87
PV of FCFs in terminal period	186,115	8.5%	21.55	22.49	23.42	24.35	25.29	26.22	27.15
Enterprise value (EV)	349,927	9.5%	18.55	19.29	20.03	20.77	21.51	22.26	23.00
+ Net cash / - net debt	29,181	10.5%	16.25	16.85	17.45	18.04	18.64	19.24	19.84
+ Investments / minority interests	-32,793	11.5%	14.43	14.92	15.41	15.90	16.39	16.88	17.38
Shareholder value	346,315	12.5%	12.95	13.36	13.77	14.17	14.58	14.99	15.40
<b>Fair value per share in EUR</b>	<b>18.00</b>	13.5%	11.73	12.07	12.41	12.76	13.10	13.44	13.78
		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	11.3%	7.5%	24.87	26.11	27.55	29.25	31.29	33.78	36.89
Pre-tax cost of debt	4.5%	8.5%	21.35	22.22	23.21	24.35	25.68	27.26	29.14
Tax rate	25.0%	9.5%	18.64	19.26	19.97	20.77	21.69	22.74	23.97
After-tax cost of debt	3.4%	10.5%	16.47	16.94	17.46	18.04	18.70	19.44	20.28
Share of equity capital	90.0%	11.5%	14.72	15.08	15.47	15.90	16.38	16.92	17.52
Share of debt capital	10.0%	12.5%	13.27	13.54	13.84	14.17	14.54	14.94	15.38
<b>WACC</b>	<b>10.5%</b>	13.5%	12.05	12.26	12.50	12.76	13.03	13.34	13.68

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



## INCOME STATEMENT

	2020	2021	2022	2023P	2024E	2025E
<b>Revenues</b>	<b>159,591</b>	<b>314,610</b>	<b>285,291</b>	<b>316,596</b>	<b>329,990</b>	<b>363,224</b>
Cost of goods sold	-122,807	-259,305	-235,211	-260,654	-262,116	-282,404
<b>Gross profit</b>	<b>36,784</b>	<b>55,305</b>	<b>50,080</b>	<b>55,941</b>	<b>67,874</b>	<b>80,820</b>
Personnel expenses	-16,685	-22,129	-20,946	-21,693	-24,511	-28,864
Other operating expenses	-11,866	-16,232	-15,207	-14,314	-17,209	-20,484
Other operating income	655	879	1,483	1,065	1,114	1,155
<b>EBITDA</b>	<b>8,888</b>	<b>17,823</b>	<b>15,410</b>	<b>20,999</b>	<b>27,268</b>	<b>32,627</b>
Depreciation & amortisation	-4,483	-5,688	-6,062	-5,263	-7,582	-8,038
<b>Operating income (EBIT)</b>	<b>4,405</b>	<b>12,135</b>	<b>9,348</b>	<b>15,736</b>	<b>19,686</b>	<b>24,589</b>
Net financial result	-2,248	963	31	-643	-677	-714
Other financial results	6,622	1,327	854	863	897	933
<b>Pre-tax income (EBT)</b>	<b>8,779</b>	<b>14,425</b>	<b>10,232</b>	<b>15,956</b>	<b>19,906</b>	<b>24,808</b>
Tax result	-1,352	-3,545	-3,162	-3,989	-4,976	-6,202
Minority interests	-602	-1,975	-2,753	-4,667	-5,822	-7,256
<b>Net income / loss</b>	<b>6,825</b>	<b>8,905</b>	<b>4,317</b>	<b>7,300</b>	<b>9,107</b>	<b>11,350</b>
<b>Diluted EPS (in €)</b>	<b>0.37</b>	<b>0.45</b>	<b>0.22</b>	<b>0.38</b>	<b>0.48</b>	<b>0.59</b>
<b>Ratios</b>						
Gross margin	23.0%	17.6%	17.6%	17.7%	20.6%	22.3%
EBITDA margin	5.6%	5.7%	5.4%	6.6%	8.3%	9.0%
EBIT margin	2.8%	3.9%	3.3%	5.0%	6.0%	6.8%
Net margin	4.3%	2.8%	1.5%	2.3%	2.8%	3.1%
Tax rate	15.4%	24.6%	30.9%	25.0%	25.0%	25.0%
<b>Expenses as % of revenues</b>						
Personnel costs	10.5%	7.0%	7.3%	6.9%	7.4%	7.9%
Other operating expenses	7.4%	5.2%	5.3%	4.5%	5.2%	5.6%
Depreciation & amortisation	2.8%	1.8%	2.1%	1.7%	2.3%	2.2%
<b>Y-Y Growth</b>						
Revenues	106.7%	97.1%	-9.3%	11.0%	4.2%	10.1%
Operating income	-44.6%	175.5%	-23.0%	68.3%	25.1%	24.9%
Net income/ loss	-29.8%	30.5%	-51.5%	69.1%	24.8%	24.6%



## BALANCE SHEET

	2020	2021	2022	2023P	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>122,406</b>	<b>110,195</b>	<b>107,308</b>	<b>102,105</b>	<b>111,498</b>	<b>131,049</b>
Cash and cash equivalents	21,960	37,868	35,148	23,872	35,263	49,534
Short-term investments	32,184	18,155	17,102	17,615	18,144	18,688
Receivables	20,480	16,308	21,773	21,685	22,602	24,878
Inventories	42,327	35,202	27,586	33,064	29,443	31,722
Other current assets	5,455	2,662	5,699	5,869	6,046	6,227
<b>Non-current assets, total</b>	<b>66,336</b>	<b>87,916</b>	<b>89,716</b>	<b>99,136</b>	<b>103,483</b>	<b>105,790</b>
Property, plant & equipment	15,763	15,267	17,178	18,928	20,612	23,074
Goodwill & other intangibles	38,328	60,393	60,270	67,713	70,141	69,741
Financial assets	12,003	12,003	12,003	12,229	12,465	12,710
Other assets	242	253	265	265	265	265
<b>Total assets</b>	<b>188,741</b>	<b>198,111</b>	<b>197,025</b>	<b>201,241</b>	<b>214,981</b>	<b>236,839</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>58,070</b>	<b>43,417</b>	<b>37,466</b>	<b>31,939</b>	<b>33,717</b>	<b>36,748</b>
Short-term debt	25,536	18,432	2,842	0	0	0
Accounts payable	15,841	12,845	19,222	14,997	15,081	16,248
Accruals	3,506	3,821	3,977	4,375	4,812	5,293
Other current liabilities	13,187	8,319	11,425	12,568	13,824	15,207
<b>Long-term liabilities, total</b>	<b>15,353</b>	<b>14,791</b>	<b>16,508</b>	<b>16,719</b>	<b>16,936</b>	<b>17,157</b>
Long-term debt	5,027	4,375	3,125	3,125	3,125	3,125
Other liabilities	1,569	2,289	3,059	3,064	3,070	3,076
<b>Shareholders' equity</b>	<b>85,754</b>	<b>95,026</b>	<b>93,619</b>	<b>98,483</b>	<b>104,406</b>	<b>115,756</b>
Minority interests	29,565	44,877	49,432	54,099	59,922	67,178
<b>Total equity</b>	<b>115,319</b>	<b>139,903</b>	<b>143,051</b>	<b>152,583</b>	<b>164,328</b>	<b>182,934</b>
<b>Total consolidated equity and debt</b>	<b>188,741</b>	<b>198,111</b>	<b>197,025</b>	<b>201,241</b>	<b>214,981</b>	<b>236,839</b>
<b>Ratios</b>						
Current ratio (x)	7.9	4.1	2.1	2.5	2.9	3.2
Quick ratio (x)	7.6	4.0	1.4	1.7	2.1	2.2
Net debt/(net cash)	-25,234	-6,638	8,603	-15,061	-29,181	-20,747
Net debt / EBITDA	1.0	-0.8	-1.9	-1.0	-1.2	-1.4
Net gearing	-29.4%	-7.0%	9.2%	-15.3%	-28.0%	-17.9%
Equity ratio	61.1%	70.6%	72.6%	75.8%	76.4%	77.2%
Book value per share (in €)	4.4	4.8	4.8	5.0	5.3	5.9
Return on equity (ROE)	8.0%	9.4%	4.6%	7.4%	8.7%	9.8%



## CASH FLOW STATEMENT

	2020	2021	2022	2023P	2024E	2025E
<b>Net income</b>	<b>7,427</b>	<b>10,880</b>	<b>7,070</b>	<b>11,967</b>	<b>14,929</b>	<b>18,606</b>
Depreciation and amortisation	4,483	5,644	5,862	5,263	7,582	8,038
Tax expense	1,352	3,545	3,163	3,989	4,976	6,202
Other adjustments	-4,213	-1,150	-729	-863	-897	-933
Net interest result	417	437	199	869	913	959
<b>Operating cash flow</b>	<b>9,466</b>	<b>19,356</b>	<b>15,565</b>	<b>21,226</b>	<b>27,503</b>	<b>32,872</b>
Changes in working capital	-595	-3,650	7,585	-8,547	3,994	-2,029
Tax paid	-726	-30	-2,164	-3,989	-4,976	-6,202
<b>Net operating cash flow</b>	<b>9,538</b>	<b>15,686</b>	<b>20,769</b>	<b>8,464</b>	<b>26,285</b>	<b>24,396</b>
<b>Cash flow from investing</b>	<b>3,116</b>	<b>213</b>	<b>-1,115</b>	<b>-9,962</b>	<b>-6,620</b>	<b>-4,364</b>
<b>Free cash flow</b>	<b>12,654</b>	<b>15,899</b>	<b>19,654</b>	<b>-1,499</b>	<b>19,665</b>	<b>20,032</b>
Debt financing, net	4,043	-4,219	-13,405	-2,842	0	0
Equity financing, net	0	14,485	0	0	0	0
Paid dividend	-129	-1,658	-1,823	0	0	0
Interest expense	-335	-506	-399	-869	-913	-959
Share buy-back	0	0	-2,146	-2,435	-3,185	0
Redemption rights	-3,201	-4,075	-4,594	-3,632	-4,176	-4,803
<b>Cash flow from financing</b>	<b>378</b>	<b>4,027</b>	<b>-22,367</b>	<b>-9,778</b>	<b>-8,274</b>	<b>-5,761</b>
Consolidation adjustments	-4,175	0	0	0	0	0
<b>Net cash flow</b>	<b>8,857</b>	<b>19,913</b>	<b>-2,720</b>	<b>-11,276</b>	<b>11,391</b>	<b>14,271</b>
Cash, start of the year	9,098	21,960	37,868	35,148	23,872	35,263
<b>Cash, end of the year</b>	<b>21,960</b>	<b>37,868</b>	<b>35,148</b>	<b>23,872</b>	<b>35,263</b>	<b>49,534</b>
<b>EBITDA/share (in €)</b>	<b>0.48</b>	<b>0.91</b>	<b>0.78</b>	<b>1.08</b>	<b>1.43</b>	<b>1.71</b>
<b>Y-Y Growth</b>						
Operating cash flow	-23.3%	104.5%	-19.6%	36.4%	29.6%	19.5%
Free cash flow	n.m.	25.6%	23.6%	n.m.	n.m.	1.9%
EBITDA/share	-26.3%	89.7%	-13.5%	38.3%	31.6%	19.7%

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**PRICE TARGET DATES**

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**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

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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 <sup>1</sup>	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%

<sup>1</sup> 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	2 December 2021	€6.98	Buy	€14.00
2...4	↓	↓	↓	↓
5	18 August 2022	€5.02	Buy	€11.70
6	31 August 2022	€4.70	Buy	€11.70
7	24 November 2022	€4.84	Buy	€11.10
8	2 May 2023	€7.78	Buy	€10.50
9	26 June 2023	€7.28	Buy	€10.50
10	28 September 2023	€9.16	Buy	€11.90
11	20 December 2023	€10.10	Buy	€13.20
12	26 March 2024	€12.70	Buy	€18.00
13	Today	€13.50	Buy	€18.00

**INVESTMENT HORIZON**

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



### UPDATES

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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/>

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