

MPH Mittelstaendische Pharma Holding AG

Germany / Healthcare
 Frankfurt
 Bloomberg: 93M GR
 ISIN: DE000A0NF697

Preliminary
 FY16 KPIs

RATING
PRICE TARGET

Return Potential
 Risk Rating

BUY
€5.50
 34.9%
 High

BUMPER FOURTH QUARTER

MPH Mittelstaendische Pharma Holding reported preliminary net income of €81.5m for FY16 - more than doubling the €33.1m for the nine month period. The company booked net income of €50.0m in the fourth quarter compared to €13.2m in Q3 and €11.2m in the second quarter. The strong performance was driven by the core listed holdings: HAEMATO AG, M1 Kliniken AG and CR Capital Real Estate AG. Management will propose a €0.12/share dividend to the AGM on 29 June. We have updated our sum of the parts model to reflect current portfolio stakes as well as the positive result of HAEMATO (FBe: fair value revised up from €7.00 to €8.40/share). We thus increase our price target for MPH to €5.50 (previously: €5.20) and maintain our Buy rating.

HAEMATO and M1 drive portfolio appreciation MPH reported net income of €81.5m for the year nearly matching the €84.1m achieved in the previous year following the switch to IFRS 10 reporting. Thanks to the very strong fourth quarter development of the portfolio, this figure was also well ahead of our projection (FBe: €37.7m). Net income result corresponds to EPS of €1.90 (2015: €1.96). HAEMATO reported solid preliminary Q4 revenue and net income KPIs continuing the momentum in 9M/16. Both revenue (€275.6m) and net income (€10.7m) set high water marks in the company's brief history. HAEMATO cited continued growth (4.1%) in the German pharmaceuticals market last year, which was spearheaded by growth of 17% - 22% for cancer therapy. HAEMATO generally achieves some 60% of its revenue with oncology products (see note of 17 March 2017). Positive operational results translated into share price appreciation of some 30% Y/Y to €6.44 year end. Thanks to the opening of further clinics, H1/16 sales at M1 rose 82% Y/Y to €18.5m with operating profit (EBIT) reaching €3.0m (H1/15: €0.2m) corresponding to a 17% margin. This fuelled a 98% increase in the M1 share price in 2016 to €10.55 year end. The company is expected to report preliminary figures on 31 March 2017. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2014	2015 ¹	2016E	2017E	2018E	2019E
Revenue (€m)	219.25	262.89	8.04	6.84	5.81	4.94
Pro-forma Rev. (€m) ²	219.20	262.90	353.70	383.30	426.80	472.00
EBT (€m)	9.31	87.30	83.16	51.51	50.49	42.39
EBT margin	4.2%	33.2%	1034.1%	753.5%	869.0%	858.3%
Net income (€m)	8.45	84.10	81.50	50.48	49.48	41.54
EPS (diluted) (€)	0.20	1.96	1.90	1.18	1.16	0.97
DPS (€)	0.19	0.12	0.12	0.12	0.12	0.12
FCF (€m)	2.98	-7.85	10.74	11.55	10.71	10.14
Net gearing	29.1%	6.8%	1.8%	-1.0%	-2.6%	-3.8%
Liquid assets (€m)	17.70	0.53	6.07	12.48	18.05	22.96

¹ Please note the company changed to IFRS 10 reporting as of 31 December 2015 and deconsolidated its core holdings.

² We provide pro-forma revenue of M1 Beauty, HAEMATO and CR Capital as a reference.

RISKS

Regulatory changes in healthcare systems, spending cuts in healthcare systems, homogenization of pharmaceutical prices within the European Union.

COMPANY PROFILE

MPH AG is a Berlin based management holding company. The strategic focus is the purchase and further development of companies positioned chiefly in growth segments of the healthcare market. The aim is to generate profitable growth through active development and create value in the portfolio companies and MPH AG.

MARKET DATA

As of 17 Mar 2017

Closing Price	€ 4.08
Shares outstanding	42.81m
Market Capitalisation	€ 174.55m
52-week Range	€ 2.29 / 4.22
Avg. Volume (12 Months)	45,907

Multiples	2015	2016E	2017E
P/E	2.1	2.1	3.5
EV/Sales	0.7	22.5	26.5
EV/EBT	2.1	2.2	3.5
Div. Yield	2.9%	2.9%	2.9%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2016

Liquid Assets	€ 0.70m
Current Assets	€ 5.72m
Financial Assets	€ 159.50m
Total Assets	€ 165.31m
Current Liabilities	€ 3.41m
Shareholders' Equity	€ 153.50m

SHAREHOLDERS

Magnum	60.0%
Baring Fund Managers	1.9%
BayernInvest Luxembourg	0.2%
Free Float	37.9%



CR Capital booked €8.4m in revenues in H1/16, driven chiefly by property sales (€8.1m). The company is expected to publish initial figures this month. For H2/16, we look for a similar performance to H1 in terms of top line. The company has already communicated the handover of the Borgmannstraße 16 project, which has higher profitability than the properties sold in H1/16.

Raising price target to €5.50 from €5.20; maintain Buy rating We have adjusted our 2016 net income figure to match the reported preliminary number. Full MPH results are slated for 28 April 2017. Our updated sum-of-the-parts model reflects the current shareholdings in HAEMATO, M1 Kliniken and CR Capital as well as our new fair value estimate of €8.40 per share for HAEMATO. The number of MPH shares outstanding remains the same at 42.8m. We will make further updates to the model following publication of the annual results and the release of M1 and CR Capital numbers. Management will also propose a €0.12/share dividend to the AGM on 29 June, thereby matching the prior year dividend.

Table 1: Sum-of-the-parts valuation

in € '000	Shareholdings	SO	MPH stake	Share price	Fair value ¹	Projected value
HAEMATO AG	10,418	20,780	50.1%	5.35	8.40	87,511
M1 Beauty AG	12,848	15,000	85.7%	11.10	9.00	115,632
CR Capital Real Estate AG	11,268	18,780	60.0%	1.47	2.80	31,550
Projected value of listed holdings						234,694
Fair value of listed portfolio						234,694
Non-listed investment (book value)		5,870				
Nett debt (30 June 2016)		6,317				
Total fair value		234,247				
MPH Shares outstanding		42,814				
Fair value per share (€)						5.47

¹ First Berlin Equity Research currently covers HAEMATO AG (Buy / PT EUR8.40), M1 Kliniken AG (Add/ PT EUR9.00) and CR Capital (Buy / PT: EUR2.80)

Source: First Berlin Equity Research



INCOME STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E
Revenues	219,249	262,887	8,042	6,836	5,810
Change in inventories	-27	-3,720	0	0	0
Cost of goods sold	-197,433	-231,703	-9,087	-5,879	-4,997
Gross profit	21,789	27,464	-1,045	957	813
Personnel expenses	-6,479	-8,326	-643	-520	-433
Other OpEx	-8,006	-10,771	-563	-455	-379
Other income	5,442	9,978	20	20	20
Depreciation & amortisation	-1,829	-5,193	-7	-5	-4
Operating income (EBIT)	10,917	13,152	-2,238	-2	18
Net financial result	-1,604	-2,001	-349	-300	-300
Other financial result	0	7,860	7,482	6,980	6,980
Depreciation of financial assets	0	-6,417	-9,074	0	0
Revaluation result	0	74,707	87,342	44,832	43,795
Pre-tax income (EBT)	9,313	87,301	83,163	51,509	50,492
Income taxes	-860	-3,200	-1,663	-1,030	-1,010
Net income / loss	8,453	84,101	81,500	50,479	49,482
Minority interests	3,503	1,513	0	0	0
Net income after minorities	4,950	82,588	81,500	50,479	49,482
EPS (in €)	0.20	1.96	1.90	1.18	1.16
Ratios					
EBT margin on revenues	4.2%	33.2%	1034.1%	753.5%	869.0%
Net margin on revenues	3.9%	32.0%	1013.4%	738.5%	851.6%
Tax rate	9.2%	3.7%	2.0%	2.0%	2.0%
Expenses as % of revenues					
Personnel expenses	-3.0%	-3.2%	-8.0%	-7.6%	-7.4%
Other OpEx	-3.7%	-4.1%	-7.0%	-6.7%	-6.5%
Depreciation & amortisation	-0.8%	-2.0%	-0.1%	-0.1%	-0.1%
Y-Y Growth					
Revenues	26.3%	19.9%	-96.9%	-15.0%	-15.0%
Pre-tax income	-17.4%	837.4%	-4.7%	-38.1%	-2.0%
Net income/ loss	-42.5%	894.9%	-3.1%	-38.1%	-2.0%

¹ Please note the change to IFRS 10 accounting as of 31 December 2015



BALANCE SHEET

All figures in EUR '000	2014	2015	2016E	2017E	2018E
Assets					
Current assets, total	68,150	685	6,139	12,538	18,104
Cash and equivalents	10,117	528	6,069	12,478	18,053
ST financial assets	7,581	0	0	0	0
Trade receivables	11,523	8	22	19	16
Inventories	35,401	0	0	0	0
Other ST assets	3,528	149	48	41	35
Non-current assets, total	82,051	150,419	219,589	258,542	297,340
Property, plant & equipment	2,406	14	15	16	17
Goodwill & other intangibles	53,562	24	25	25	25
Investment properties	13,436	0	0	0	0
Financial assets	12,371	150,360	219,541	258,494	297,292
Deferred taxes	276	21	8	7	6
Total assets	150,201	151,104	225,728	271,080	315,444
Shareholders' equity & debt					
Current liabilities, total	28,645	967	317	332	357
Trade payables	7,210	638	25	16	14
ST debt	14,359	60	0	0	0
Provisions	3,820	54	56	57	59
Other ST financial liabilities	510	205	226	248	273
Other current liabilities	2,746	10	11	11	12
Long-term liabilities, total	26,826	11,117	10,030	10,024	10,019
Long-term debt	23,356	9,990	9,990	9,990	9,990
LT provisions	27	0	0	0	0
Deferred tax liabilities	3,443	1,127	40	34	29
Shareholders' equity	68,771	139,020	215,382	260,723	305,068
Minority interests	25,959	0	0	0	0
Total equity	94,730	139,020	215,382	260,723	305,068
Total consolidated equity and debt	150,201	151,104	225,728	271,080	315,444
Ratios					
Current ratio (x)	2.4	0.7	19.4	37.7	50.7
Quick ratio (x)	1.1	0.7	19.4	37.7	50.7
Net gearing	29%	7%	2%	-1%	-3%
Equity ratio	45.8%	92.0%	95.4%	96.2%	96.7%

¹ Please note the change to IFRS 10 accounting as of 31 December 2015



CASH FLOW STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E
Pre-tax income	9,308	87,279	83,163	51,509	50,492
Depreciation and amortisation	1,829	10,896	9,080	5	4
Revaluation gains	-4,953	-81,551	-87,342	-44,832	-43,795
Changes in working capital	-9	-533	-1,578	22	30
Other adjustments	-5,055	-15,342	9,087	5,879	4,997
Net financial result	1,604	2,000	349	300	300
Operating cash flow	2,724	2,749	12,760	12,883	12,028
Interest income	158	223	250	0	0
Interest expense paid	-1,779	-2,223	-599	-300	-300
Tax paid	-1,594	-406	-1,663	-1,030	-1,010
Net operating cash flow	-491	343	10,747	11,553	10,719
CapEx	-9,913	-26,814	-8	-7	-6
Proceeds from disposal of fixed assets	13,387	18,623	0	0	0
Cash flow from investing	3,474	-8,191	-8	-7	-6
Free cash flow (FCF)	2,983	-7,848	10,739	11,546	10,713
Equity inflow, net	2,485	3,652	0	0	0
Debt inflow, net	5,880	6,741	-60	0	0
Dividend paid to shareholders	-7,086	-8,223	-5,138	-5,138	-5,138
Cash flow from financing	1,279	2,170	-5,198	-5,138	-5,138
Net cash flows	4,262	-9,590	5,541	6,409	5,575
Cash, start of the year	5,855	10,117	528	6,069	12,478
Cash, end of the year	10,117	528	6,069	12,478	18,053
EBITDA/share (in €)	0.30	0.56	0.16	0.00	0.00
Y-Y Growth					
Operating cash flow	n.m.	n.m.	3033.4%	7.5%	-7.2%
Free cash flow	n.m.	n.m.	n.m.	7.5%	-7.2%
EBITDA/share	-50.4%	88.7%	-71.5%	-100.0%	657.0%

¹ Please note the change to IFRS 10 accounting as of 31 December 2015

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 October 2012	€2.45	Buy	€5.50
2...11	↓	↓	↓	↓
12	16 June 2016	€2.64	Buy	€4.90
13	6 September 2016	€2.70	Buy	€5.20
14	7 December 2016	€3.22	Buy	€5.20
15	Today	€4.08	Buy	€5.50

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