

MPH Health Care AG

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

2023 prelims

RATING

PRICE TARGET

Return Potential

Risk Rating

BUY

€ 81.00

226.6%

High

M1 SPEARHEADS STRONG 2024 FINISH

Preliminary results were broadly in line with FBe. The YE23 NAV climbed some 16% vs end Q3 on the back of a 20% rally in M1 Kliniken shares in the October-to-December period. This was spurred by good operational momentum at the lifestyle and beauty specialist which delivered better than expected margin expansion in its injectables business. Meanwhile, CR Energy reported 2023 prelims with EBIT tallying €65m vs €75m in 2022, and prospects for its sharpened focus on renewable energy solutions remain excellent. Terrabau's affordable green-home business continues to differentiate it from the competition at a time when most property developers are being clobbered with eye-watering financing expenses in the world of higher rates. MPH will also propose a €1.2 per share dividend to the AGM on 18 July, which should cheer investors. We remain Buy-rated on MPH. Our TP climbs to €81 (old: €62) on the back of the increase in fair value of M1 to €18 per share (old: €11.9) since our previous update.

Smooth face, big bucks Beauty segment sales at M1 were up 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 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 a whisker (€-0.2m) of a first-time positive EBIT (2022: €-2.4m).

Foot firmly on the growth pedal 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. The beauty specialist wants to plant its operational flag in the US in 2024, but domestic expansion is also back on the agenda with a sharpened focus on Germany's smaller towns, where locals generally have few options for quality and... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023P	2024E	2025E
Operating rev. (€m)	3.43	13.55	30.66	32.80	37.37	38.97
Y/Y growth	-91.7%	294.6%	126.4%	7.0%	13.9%	4.3%
EBIT (€m)	-71.02	-9.07	29.56	30.22	34.75	36.29
Pre-tax income (€m)	-71.5	-9.2	29.5	30.0	34.7	36.3
Net income (€m)	-70.38	-8.96	29.11	29.46	34.05	35.56
EPS (diluted) (€)	-16.44	-2.09	6.80	6.88	7.95	8.31
DPS (€)	0.00	0.00	0.00	1.20	1.20	1.20
NAV (€m)	201.26	192.31	221.42	250.89	279.80	310.23
NAVPS (€)	47.0	44.9	51.7	58.6	65.4	72.5
Liquid assets (€m)	4.23	4.44	3.82	3.32	5.53	13.69

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 09 May 2024

Closing Price	€ 24.80
Shares outstanding	4.28m
Market Capitalisation	€ 106.17m
52-week Range	€ 13.65 / 25.30
Avg. Volume (12 Months)	1,870

Multiples	2023P	2024E	2025E
P/E	3.6	3.1	3.0
EV/EBIT	3.9	3.4	3.3
P/NAV	0.6	0.5	0.4
Div. Yield	4.8%	4.8%	4.8%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets	€ 0.81m
Current Assets	€ 3.54m
Financial Assets	€ 217.26m
Total Assets	€ 220.82m
Current Liabilities	€ 3.29m
Shareholders' Equity	€ 206.02m

SHAREHOLDERS

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



. . . affordable beauty treatments. We also think the improving size and maturity of the international network will make the sub-group less of a drag on Beauty segment earnings going forward.

Table set for good 2024 at CRE In January, CRE successfully completed a rights issuance for gross proceeds of €3.5m, and there is no shortage of targets for the replenished coffers. Nascent operations of the Solartec holding are dovetailing well with Terrabau's affordable green-home construction business. The PV system integrator works in concert with the home builder outfitting townhomes and condos with rooftop solar rigs. Now CR Energy (CRE) wants to marshal its green home expertise to help tackle Germany's aging residential stock. CR Opportunities, the third core holding, will add European Long-Term Investment Funds (ELTIF) to its financing toolbox to support the upcoming home revitalisation campaign, and we suspect the cash will be deployed to realise ELTIF plans. Terrabau has a good acquisition pipeline for its home construction business, and CRE is keen to bolster its position in the renewable space.



VALUATION MODEL

Sticking to Buy rating MPH's EBIT topped €30m for the year (2022: €29.6m), and net income came close to the same mark at €29.6m. The latter KPI propelled a 13% rise in NAVPS to €58.6 (2022: €51.7), while the equity ratio stood at 94% (YE22: 93%). The investment holding will also propose a €1.2 per share dividend to the AGM on 18 July. MPH will publish its 2023 annual report on 30 May, and we will fully update our model with the adjusted stakes of the investment shareholdings then. Since our previous update, we have upped our target price for M1 Kliniken to €18 (old: €11.9), which accounts for the material uplift of the MPH TP to €81 (old: €62).

Table 1: Sum-of-the-parts model

	Shareholdings	SO	MPH stake	Share price*	Fair value per share ¹	Projected value
Unit	'000	'000	%	€	€	€m
M1 Kliniken AG	13,502	19,643	69%	16.4	18.0	243
CR Energy AG	2,661	4,544	59%	27.0	48.0	128
Projected value of listed holdings						371

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

	Unit	Value
Fair value of listed portfolio	€m	371
Non-listed investment (book value)	€m	25
Net debt / (cash) (2022)	€m	9
Present value of holding costs	€m	39
Total fair value	€m	348
MPH shares outstanding	m	4
Fair value per share	€	81

¹ First Berlin Equity Research covers CR Energy (Buy / PT: EUR48); M1 (Buy / PT: EUR18)

	Unit	New	Old	Variance
Fair value of listed portfolio	€m	371	288	29%
Non-listed investment (book value)	€m	25	25	0%
Net debt	€m	9	9	-
Present value of holding costs	€m	39	38	0%
Total fair value	€m	348	266	31%
MPH shares outstanding	m	4	4	0%
Fair value per share	€	81	62	31%



Table 2: M1 Kliniken DCF model

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales	305,438	329,963	363,195	395,052	422,513	442,485	456,171	469,325
NOPLAT	11,524	14,766	18,622	25,551	30,397	34,868	37,338	39,773
(+) depreciation & amortisation	6,651	7,581	8,037	7,923	8,102	7,590	7,668	7,056
(=) Net operating cash flow	18,175	22,346	26,659	33,474	38,499	42,457	45,007	46,829
(-) 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
(=) Free cash flows (FCF)	4,046	8,245	13,171	19,665	26,734	31,205	34,744	36,282
PV of FCFs	4,046	7,711	11,144	15,051	18,511	19,547	19,688	18,600

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

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

Table 3: CRE discounted dividend model

	Unit	2023E	2024E	2025E	2026E	2027E	2028E	TV
EPS	€	13.7	14.8	17.1	19.9	22.6	23.5	29.6
Payout ratio	%	17	17	15	15	15	15	15
Dividend (DPS)	€	2.5	2.5	2.6	3.0	3.4	3.5	4.4
NPV	€	2.5	2.3	2.2	2.3	2.4	2.2	24.3
CAGR 2023 -2028	%	5.8						
Terminal growth rate	%	2.5						
Discount factor	%	9.9						
NPV of dividends	€	23.8						
Terminal value (TV)	€	24.3						
Fair value per share	€	48.0						

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

Cost of equity	9.9%	After-tax cost of debt	6.4%
Pre-tax cost of debt	6.5%	Share of equity capital	100.0%
Tax rate	2.0%	Share of debt capital	0.0%
WACC	9.9%		



INCOME STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023P	2024E	2025E
Fair value gains on financial assets	33,747	0	9,185	23,816	26,214	25,522	26,291
Income from participations	780	0	766	207	400	400	400
Investment income	6,651	3,385	3,561	6,605	6,148	11,411	12,238
Other operating income	43	48	35	37	38	40	42
Operating revenue	41,221	3,433	13,547	30,665	32,800	37,373	38,971
SG&A	-934	-841	-923	-987	-1,037	-1,088	-1,143
Other OpEx	-330	-417	-328	-20	-21	-22	-23
Net loss from investments	-1,164	-12,453	0	0	0	0	0
Fair value loss on financial assets	-27,207	-60,720	-21,350	-70	-1,500	-1,500	-1,500
EBITDA	11,586	-70,998	-9,055	29,587	30,242	34,763	36,305
Depreciation & amortisation	-11	-17	-20	-25	-20	-15	-16
EBIT	11,575	-71,015	-9,075	29,562	30,222	34,748	36,290
Interest expense	-540	-510	-194	-169	-188	0	0
Interest income	15	75	80	80	0	0	0
EBT	11,050	-71,450	-9,189	29,473	30,035	34,748	36,290
Income taxes	27	1,071	233	-358	-571	-695	-726
Net income / loss	11,076	-70,379	-8,956	29,115	29,464	34,053	35,564
EPS (in €)	2.6	-16.4	-2.1	6.8	6.9	8.0	8.3



BALANCE SHEET

All figures in EUR '000	2019	2020	2021	2022	2023P	2024E	2025E
Assets							
Current assets, total	2,237	4,318	4,453	3,960	3,482	5,702	13,881
Cash and equivalents	1,797	369	1,843	1,669	1,133	3,294	11,411
ST financial assets	305	3,865	2,599	2,148	2,191	2,235	2,279
Trade receivables	4	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0
Other ST assets	131	84	11	143	157	173	190
Non-current assets, total	290,908	206,390	193,543	233,032	255,247	276,771	299,065
Property, plant & equipment	56	43	41	22	23	26	28
Goodwill & other intangibles	1	0	0	0	0	0	0
Financial assets	290,851	206,346	193,502	233,010	255,223	276,745	299,036
Total assets	293,144	210,707	197,996	236,992	258,728	282,473	312,946
Shareholders' equity & debt							
Current liabilities, total	15,724	4,742	4,200	13,740	6,003	824	861
Trade payables	24	36	51	49	49	49	49
Provisions	91	74	101	87	90	93	96
Other ST financial liabilities	15,578	4,613	4,028	12,984	5,214	0	0
Other current liabilities	31	19	20	619	650	682	717
Long-term liabilities, total	5,779	4,703	1,490	1,831	1,840	1,849	1,858
Long-term debt	3,000	3,000	0	0	0	0	0
Deferred tax liabilities & others	2,779	1,703	1,490	1,831	1,840	1,849	1,858
Shareholders' equity	271,641	201,262	192,306	221,421	250,885	279,800	310,227
Minority interests	0	0	0	0	0	0	0
Total equity	271,641	201,262	192,306	221,421	250,885	279,800	310,227
Total consolidated equity and debt	293,144	210,707	197,996	236,992	258,728	282,473	312,946
NAV	271,641	201,262	192,306	221,421	250,885	279,800	310,227
NAVPS (€)	63.5	47.0	44.9	51.7	58.6	65.4	72.5



CASH FLOW STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023P	2024E	2025E
Net income	11,076	-70,379	-8,956	29,115	29,464	34,053	35,564
Depreciation and amortisation	11	17	20	25	20	15	16
Revaluation gains	-6,540	60,720	12,165	-23,746	-24,714	-24,022	-24,791
Changes in working capital	-93	-3,581	1,619	897	-15	-15	-16
Other adjustments	384	12,453	-761	-207	0	0	0
Net financial result	526	510	195	170	188	0	0
Tax expense	-26	-1,071	-233	359	571	695	726
Operating cash flow	5,337	-1,331	4,049	6,612	5,514	10,725	11,499
Investment income	-6,651	-1,500	-5,173	-6,605	-6,148	-11,411	-12,238
Tax paid	-38	41	38	-3	-571	-695	-726
Net operating cash flow	-1,352	-2,790	-1,086	4	-1,204	-1,380	-1,465
Cash flow from investing	6,742	12,828	6,366	-8,956	8,627	13,893	14,720
Equity inflow , net	-1	-4	0	0	0	0	0
Debt inflow , net	4,492	-11,000	-12	8,956	-7,770	-5,214	0
Dividend paid to shareholders	-8,562	0	0	0	0	-5,138	-5,138
Interest expense	-540	-462	-194	-179	-188	0	0
Cash flow from financing	-4,611	-11,466	-206	8,777	-7,958	-10,352	-5,138
Liabilities due at beginning of the period	0	0	-3,600	0	0	0	0
Net cash flows	779	-1,428	5,075	-174	-536	2,161	8,117
Cash, start of the year	1,018	1,797	369	1,843	1,669	1,133	3,294
Cash, end of the year	1,797	369	1,843	1,669	1,133	3,294	11,411
Free cash flow (FCF)	5,390	10,038	5,280	-8,951	7,422	12,513	13,255
Y-Y Growth							
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	-39.1%	86.2%	-47.4%	n.m.	n.m.	68.6%	5.9%

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Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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The production of this recommendation was completed on 10 May 2024 at 12:27

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PRICE TARGET DATES

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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...26	↓	↓	↓	↓
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	8 May 2023	€15.55	Buy	€54.00
32	10 July 2023	€15.30	Buy	€59.00
33	18 October 2023	€14.60	Buy	€62.00
34	13 December 2023	€15.70	Buy	€62.00
35	Today	€24.80	Buy	€81.00

INVESTMENT HORIZON

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

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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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