

MPH Health Care AG

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

Nine month
 KPIs

RATING
BUY

PRICE TARGET
€ 62.00

Return Potential 294.9%
 Risk Rating High

M1 SHARES LIFT NAV

NAVPS stood at €50.4 at the nine month juncture vs €31.9 at 9M/22(+58%). The sluggish performance for German small caps continued in Q3 leading to mixed share price developments for MPH's core holdings. CR Energy AG (CRE) shares slumped 22%, while M1 Kliniken stock climbed some 16% during the July-to-September quarter. Business has been strong of late for the lifestyle and beauty specialist, which reported record operating margins the last two quarters. Meanwhile, CRE operations remain resilient despite the troubles for the home building sector. We trace much of the recent tumble in the CRE share price to generally poor sentiment for property stocks. We maintain our Buy rating on MPH with a €62 TP.

M1 Kliniken developments M1 is on track to open two new clinics in Q4, which would bring the total number of beauty centres to 60, which matches our projected total for YE23. The lifestyle & beauty specialist reiterated its sharpened focus on international expansion and is sizing up the American market. M1 wants to initially target the state of Florida. Meanwhile, Beauty segment EBIT nearly trebled to €12.5m (9M/22: €3.4m) prodding the margin to 23.5% (9M/22: 8.2%). Germany led regional performance racking up €41.8m in sales and an EBIT margin of 29.2%, which easily overshoot M1's targeted 15% to 20% corridor for the sub-group. Meanwhile, international clinic results showed 91% Y/Y sales growth to €11.4m alongside a first-time positive EBIT result of €0.3m (9M/22: €-1.1m).

CR Energy developments The investment holding does not publish 9M updates but reported six month EBITDA of €53m vs €68m in the prior year period with good contributions from its Terrabau and Solartec holdings. The PV system integrator now works in concert with the home builder, outfitting townhomes and condos with rooftop solar rigs. Solartec is on track to generate some €3.8m in pre-tax earnings on a €10m topline this year. Plus, the headaches . . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Revenue (€m)	41.22	3.43	13.55	30.66	29.89	37.08
Y-o-y growth	4.3%	-91.7%	294.6%	126.4%	-2.5%	24.1%
EBIT (€m)	11.58	-71.02	-9.07	29.56	27.31	34.46
EBIT margin	11.0%	-71.5%	-9.2%	29.5%	27.1%	34.5%
Net income (€m)	11.08	-70.38	-8.96	29.11	26.58	33.77
EPS (diluted) (€)	2.59	-16.44	-2.09	6.80	6.21	7.89
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	271.64	201.26	192.31	221.42	248.00	281.77
Net gearing	63.5%	47.0%	44.9%	51.7%	57.9%	65.8%
Liquid assets (€m)	2.10	4.23	4.44	3.82	3.35	10.72

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.

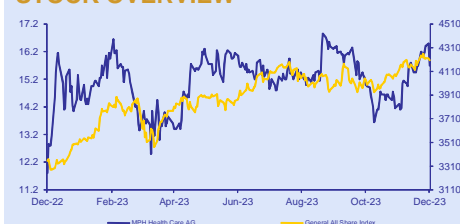
MARKET DATA

As of 12 Dec 2023

Closing Price	€ 15.70
Shares outstanding	4.28m
Market Capitalisation	€ 67.21m
52-week Range	€ 11.80 / 16.85
Avg. Volume (12 Months)	2,165

Multiples	2022	2023E	2024E
P/E	2.3	2.5	2.0
EV/EBIT	2.7	2.9	2.3
P/NAV	0.3	0.3	0.3
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets	€ 0.81m
Current Assets	€ 3.54m
Intangible 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%



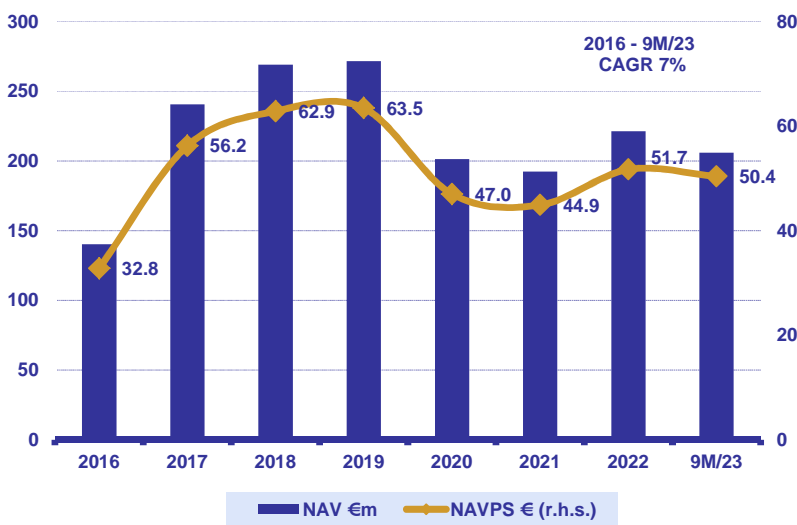
. . . currently hurting the property sector have not compromised Terrabau’s home construction business. The company operates as a general contractor and has run its business debt-free since 2019. Terrabau’s ample liquidity allows it to make speedy milestone payments to subcontractors furnishing them promptly with liquidity needed to purchase building materials, lock in construction hands, and keep projects on time.

Delisting of Haemato shares MPH holds 0.3% of the pharmaceutical company, which will delist its shares from the Open Market of the Frankfurt Stock Exchange. Shareholders have until the end of February 2024 to trade their shares, at which time trading on secondary exchanges will also cease.

NINE MONTH KEY PERFORMANCE INDICATORS

NAVPS up 58% Y/Y MPH’s NAV tallied €216m (YE22: €221m) at the 9M juncture corresponding to NAVPS of €50.4. The performance owes to €-5.7m in net income traced primarily to non-cash fair value write-downs of the listed participations. The equity ratio stood at 94% at the end of the period (YE22: 93%).

Figure 1: MPH net asset value developments



Source: First Berlin Equity Research; MPH Health Care AG



VALUATION MODEL

We use a sum-of-the-parts valuation methodology to value MPH. Value is chiefly driven by the projected fair value of M1 Kliniken and CR Energy, which we have valued separately on a DCF and DDM basis (overleaf). Shareholdings reflect six month reporting.

Table 1: MPH 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	13,502	19,643	69%	9.9	11.9	161
CR Energy AG	2,661	4,544	59%	25.8	48.0	128
Haemato AG	15	5,229	0.3%	24.4	34.0	0.5
Projected value of listed holdings						289

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

	Unit	Value
Fair value of listed portfolio	€m	289
Non-listed investment (book value)	€m	25
Net debt / (cash) (2022)	€m	9
Present value of holding costs	€m	39
Total fair value	€m	265
MPH shares outstanding	m	4
Fair value per share	€	62

¹ First Berlin Equity Research covers CR Energy (Buy / PT: EUR48); M1 (Buy / PT: EUR119); HAEK (Buy / PT: EUR34)

	Unit	New	Old	Variance
Fair value of listed portfolio	€m	289	289	0%
Non-listed investment (book value)	€m	25	25	0%
Net debt	€m	9	9	-
Present value of holding costs	€m	39	39	0%
Total fair value	€m	265	265	0%
MPH shares outstanding	m	4	4	0%
Fair value per share	€	62	62	0%



Table 2: M1 Kliniken DCF model

All figures in EUR '000	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales	297,899	305,874	336,491	371,262	398,448	416,701	430,446	442,131
NOPLAT	9,098	10,028	13,958	18,422	22,956	26,336	28,346	29,669
(+) depreciation & amortisation	6,747	7,663	7,504	7,787	7,919	7,339	7,472	7,295
(=) Net operating cash flow	15,845	17,691	21,463	26,209	30,875	33,675	35,818	36,964
(-) Total investments (CapEx and WC)	-11,642	-11,277	-12,552	-12,189	-10,710	-9,791	-9,307	-9,711
(-) Capital expenditures	-10,074	-10,866	-9,731	-9,299	-8,405	-8,133	-8,043	-8,521
(-) Working capital	-1,568	-411	-2,821	-2,890	-2,305	-1,658	-1,264	-1,190
(=) Free cash flows (FCF)	4,203	6,414	8,911	14,020	20,165	23,885	26,511	27,252
PV of FCFs	4,094	5,641	7,077	10,055	13,059	13,967	13,998	12,994

All figures in EUR '000		WACC	Terminal EBIT margin							
			7.3%	7.8%	8.3%	8.8%	9.3%	9.8%	10.3%	
PV of FCFs in explicit period	114,979		7.7%	16.13	17.12	18.10	19.09	20.08	21.06	22.05
PV of FCFs in terminal period	119,166		8.7%	13.66	14.43	15.19	15.95	16.72	17.48	18.25
Enterprise value (EV)	234,145		9.7%	11.82	12.43	13.03	13.64	14.25	14.85	15.46
+ Net cash / - net debt	29,181		10.7%	10.40	10.88	11.37	11.86	12.35	12.84	13.33
+ Investments / minority interests	-30,304		11.7%	9.26	9.66	10.06	10.46	10.86	11.26	11.66
Shareholder value	233,023		12.7%	8.33	8.66	8.99	9.32	9.65	9.99	10.32
Fair value per share in EUR	11.90		13.7%	7.56	7.83	8.11	8.39	8.66	8.94	9.22

	WACC	Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	11.6%	7.7%	16.41	17.17	18.05	19.09	20.32	21.82	23.66
Pre-tax cost of debt	4.5%	8.7%	14.11	14.65	15.26	15.95	16.76	17.71	18.85
Tax rate	25.0%	9.7%	12.33	12.71	13.15	13.64	14.20	14.84	15.58
After-tax cost of debt	3.4%	10.7%	10.90	11.19	11.51	11.86	12.26	12.71	13.23
Share of equity capital	90.0%	11.7%	9.73	9.95	10.19	10.46	10.75	11.08	11.45
Share of debt capital	10.0%	12.7%	8.77	8.94	9.12	9.32	9.54	9.79	10.06
WACC	10.7%	13.7%	7.95	8.09	8.23	8.39	8.56	8.74	8.95

*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	€	15.8	17.0	20.1	22.2	24.3	26.2	32.3
Payout ratio	%	15	15	15	15	15	15	15
Dividend (DPS)	€	2.6	2.5	3.0	3.3	3.6	3.9	4.8
NPV	€	2.5	2.2	2.4	2.4	2.4	2.3	23.2
CAGR 2023 -2028	%	7.7						
Terminal growth rate	%	2.5						
Discount factor	%	10.3						
NPV of dividends	€	24.4						
Terminal value (TV)	€	23.2						
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	10.3%	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	10.3%		



INCOME STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023E	2024E
Fair value gains on financial assets	33,747	0	9,185	23,816	23,301	25,231
Income from participations	780	0	766	207	400	400
Investment income	6,651	3,385	3,561	6,605	6,148	11,411
Other operating income	43	48	35	37	38	40
Operating revenue	41,221	3,433	13,547	30,665	29,887	37,082
SG&A	-934	-841	-923	-987	-1,037	-1,088
Other OpEx	-330	-417	-328	-20	-21	-22
Net loss from investments	-1,164	-12,453	0	0	0	0
Fair value loss on financial assets	-27,207	-60,720	-21,350	-70	-1,500	-1,500
EBITDA	11,586	-70,998	-9,055	29,587	27,329	34,472
Depreciation & amortisation	-11	-17	-20	-25	-17	-15
EBIT	11,575	-71,015	-9,075	29,562	27,312	34,457
Interest expense	-540	-510	-194	-169	-188	-1
Interest income	15	75	80	80	0	0
EBT	11,050	-71,450	-9,189	29,473	27,124	34,456
Income taxes	27	1,071	233	-358	-542	-689
Net income / loss	11,076	-70,379	-8,956	29,115	26,582	33,767
EPS (in €)	2.6	-16.4	-2.1	6.8	6.2	7.9



BALANCE SHEET

All figures in EUR '000	2019	2020	2021	2022	2023E	2024E
Assets						
Current assets, total	2,237	4,318	4,453	3,960	3,512	10,890
Cash and equivalents	1,797	369	1,843	1,669	1,164	8,482
ST financial assets	305	3,865	2,599	2,148	2,191	2,235
Trade receivables	4	0	0	0	0	0
Inventories	0	0	0	0	0	0
Other ST assets	131	84	11	143	157	173
Non-current assets, total	290,908	206,390	193,543	233,032	252,334	273,567
Property, plant & equipment	56	43	41	22	23	26
Goodwill & other intangibles	1	0	0	0	0	0
Financial assets	290,851	206,346	193,502	233,010	252,311	273,542
Total assets	293,144	210,707	197,996	236,992	255,846	284,457
Shareholders' equity & debt						
Current liabilities, total	15,724	4,742	4,200	13,740	6,003	839
Trade payables	24	36	51	49	49	49
Provisions	91	74	101	87	90	93
Other ST financial liabilities	15,578	4,613	4,028	12,984	5,214	14
Other current liabilities	31	19	20	619	650	682
Long-term liabilities, total	5,779	4,703	1,490	1,831	1,840	1,849
Long-term debt	3,000	3,000	0	0	0	0
Deferred tax liabilities & others	2,779	1,703	1,490	1,831	1,840	1,849
Shareholders' equity	271,641	201,262	192,306	221,421	248,003	281,770
Minority interests	0	0	0	0	0	0
Total equity	271,641	201,262	192,306	221,421	248,003	281,770
Total consolidated equity and debt	293,144	210,707	197,996	236,992	255,846	284,457
NAV	271,641	201,262	192,306	221,421	248,003	281,770
NAVPS (€)	63.5	47.0	44.9	51.7	57.9	65.8



CASH FLOW STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023E	2024E
Net income	11,076	-70,379	-8,956	29,115	26,582	33,767
Depreciation and amortisation	11	17	20	25	17	15
Revaluation gains	-6,540	60,720	12,165	-23,746	-21,801	-23,731
Changes in working capital	-93	-3,581	1,619	897	-15	-15
Other adjustments	384	12,453	-761	-207	0	0
Net financial result	526	510	195	170	188	1
Tax expense	-26	-1,071	-233	359	542	689
Operating cash flow	5,337	-1,331	4,049	6,612	5,514	10,725
Investment income	-6,651	-1,500	-5,173	-6,605	-6,148	-11,411
Tax paid	-38	41	38	-3	-542	-689
Net operating cash flow	-1,352	-2,790	-1,086	4	-1,176	-1,374
Cash flow from investing	6,742	12,828	6,366	-8,956	8,629	13,893
Equity inflow , net	-1	-4	0	0	0	0
Debt inflow , net	4,492	-11,000	-12	8,956	-7,770	-5,200
Dividend paid to shareholders	-8,562	0	0	0	0	0
Interest expense	-540	-462	-194	-179	-188	-1
Cash flow from financing	-4,611	-11,466	-206	8,777	-7,958	-5,201
Liabilities due at beginning of the period	0	0	-3,600	0	0	0
Net cash flows	779	-1,428	5,075	-174	-505	7,318
Cash, start of the year	1,018	1,797	369	1,843	1,669	1,164
Cash, end of the year	1,797	369	1,843	1,669	1,164	8,482
Free cash flow (FCF)	5,390	10,038	5,280	-8,951	7,453	12,519
Y-Y Growth						
Operating cash flow	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.	68.0%

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Anschrift:

First Berlin Equity Research GmbH
Friedrichstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

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First Berlin Equity Research GmbH

Authored by: Ellis Acklin, Senior Analyst

All publications of the last 12 months were authored by Ellis Acklin.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

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Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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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...25	↓	↓	↓	↓
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	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	Today	€15.70	Buy	€62.00

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/>

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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