

MPH Health Care AG

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

H1
 Results

RATING
BUY

PRICE TARGET
€ 75.00

Return Potential 221.9%
 Risk Rating High

NAV UPLIFT ON REBOUND IN M1 SHARES

Six month reporting reflected the YTD share price recovery of the holdings led by a 14% gain in M1 Kliniken shares. This propelled a strong Y/Y turnaround in H1 EBIT to €24m (H1/20: €-33m). Last year's figure was burdened by the rout of global bourses during the pandemic outbreak. NAVPS climbed to €52.5 at the end of H1 (+12% YTD). CR Capital reported strong H1 results and is on pace for a record year. M1 encountered further pandemic headwinds in H1, and the stock remains volatile. But clinic expansion is back on track setting the company up to address high demand for beauty treatments as vaccination rates climb. Our rating remains Buy with an unchanged €75 price target.

CR Capital developments The investment holding wants to demystify private equity (PE) and make it available to everyone, just as the company aims to make housing affordable for the masses. With its 50% stake in the recently launched CR Opportunities (CRO), the company is at the vanguard of mainstream private equity. CRO is developing products for (1) security-oriented capital investments; and (2) return-oriented capital investments with a higher risk profile. CR Capital brass wants to populate their own open-ended property funds with some of the homes developed by Terrabau with the goal of generating attractive returns. CRO contributed some €7m to the CR Capital 2020 bottom line.

M1 Kliniken developments Operations continued to be hampered by pandemic effects in H1. Clinics were widely open for business, thanks to upgraded hygiene protocols. But bookings suffered from an eight week black-out window instituted by M1 around a patient's vaccination—no procedures were scheduled less than two weeks pre-vaccination or less than six weeks post-vaccination. This precautionary interval led to a 20% clinic underutilisation in H1/21. M1 noted a pick up in March / April with the increased vaccination rates but conceded that it is too early to predict how the ongoing pandemic will impact operations. Meanwhile, clinic expansions. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Operating revenue (€m)	34.24	39.53	41.22	3.43	44.84	57.71
Y/Y growth	n.a.	0.2%	0.0%	-0.9%	12.1%	0.3%
EBIT (€m)	32.29	37.64	11.58	-71.02	41.50	53.29
EBT (€m)	32.10	37.34	11.05	-71.45	41.45	53.20
Net income (€m)	31.86	37.03	11.08	-70.38	40.57	52.12
EPS (diluted) (€)	7.44	8.65	2.59	-16.44	9.48	12.17
DPS (€)	2.00	2.00	0.00	0.00	0.00	1.60
NAVPS (€)	56.22	62.87	63.45	47.01	56.49	68.66
Net gearing	2.4%	4.8%	6.1%	1.7%	-0.9%	-4.0%
Liquid assets (€m)	8.29	1.08	2.10	4.23	5.58	14.96

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 17 Sep 2021

Closing Price	€ 23.30
Shares outstanding	4.28m
Market Capitalisation	€ 99.75m
52-week Range	€ 18.66 / 32.10
Avg. Volume (12 Months)	3,128

Multiples	2020	2021E	2022E
P/E	n.a.	2.5	1.9
EV/EBIT	n.a.	3.1	1.9
P/NAV	0.5	0.4	0.3
Div. Yield	0.0%	0.0%	6.9%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 0.90m
Current Assets	€ 3.27m
Intangible Assets	€ 227.95m
Total Assets	€ 231.26m
Current Liabilities	€ 1.51m
Shareholders' Equity	€ 224.72m

SHAREHOLDERS

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



. . . resumed after largely idling in 2020. M1 opened four new beauty centres in Germany during H1, and more are in progress including facilities in the UK, Australia, and the NL. The company reckons the number of clinics will hit 50 by YE21, and in a stable environment, we could see M1 opening up to another 10 to 20 beauty centres in 2022. We also expect a better beauty-clinic capacity utilisation in H2 from pent-up demand carried over from H1, while dermal fillers and botulinum toxin continue to drive product sales.

M1 KLINIKEN SIX MONTH REPORTING

M1 reported a sharp increase in H1/21 revenue to €165m with net income of €5.5m. The jump owes to the HAEMATO consolidation (69% stake), which contributed €134m to the six month M1 topline. On an adjusted basis, sales were in line with the prior year number at ~€31m.

Beauty segment (plastic and aesthetic surgery) sales were up some 40% on an annualised basis to €22m (H1/20: €16m), but the prior year comp was unchallenging, since M1 clinics were forced to close their doors for nearly two months during the first lockdowns.

Meanwhile, HAEMATO reported a strong uptick in H1 sales and profitability, thanks to the on going ramp-up of its lifestyle & aesthetics activities, which included the covid-19 diagnostic test business. The latter contributed some €25m in revenue to the topline, but the company is withdrawing from the antigen rapid test race, due to softening demand and shrinking margins.

Table 1: M1 Kliniken six month P&L

in € '000	H1/21	H1/21E	variance	H1/20	variance
Revenue	164,880	n.a.	-	31,700	420%
EBIT	7,067	n.a.	-	-47	-
Margin (%)	4.3%	-	-	-0.1%	-
Net income	5,545	n.a.	-	613	805%
Margin (%)	3.4%	-	-	1.9%	-

Source: First Berlin Equity Research; M1 Kliniken

Equity ratio hits 70% M1 subsidiary, HAEMATO, issued 475,000 new shares for net proceeds of €14.2m at the end of March to facilitate expansion into self-payer markets for branded cosmetics and clinical beauty treatments—hyaluronic acid and botulinum toxin.

Table 2: M1 Kliniken six month financial highlights

in € '000	H1/21	2020	variance
Cash	29,858	21,960	36%
Financial debt (short- and long-term)	18,407	30,563	-40%
Net debt	-11,451	8,603	-
Total assets	195,951	188,741	4%
Total equity	136,357	115,319	18%
Equity ratio	70%	61%	-

Source: First Berlin Equity Research; M1 Kliniken



CR CAPITAL SIX MONTH REPORTING

Table 3: Six month results vs prior year

All figures in EUR '000	H1/21	H1/20	Variance	2020
Operating revenue	63,688	40,465	57%	64,534
EBITDA	62,447	38,474	62%	51,265
Margin (%)	98%	95%	-	79%
Net income	61,637	37,941	62%	51,265
EPS diluted (€)	16.4	10.1	62%	13.6

Source: First Berlin Equity Research; CR Capital AG

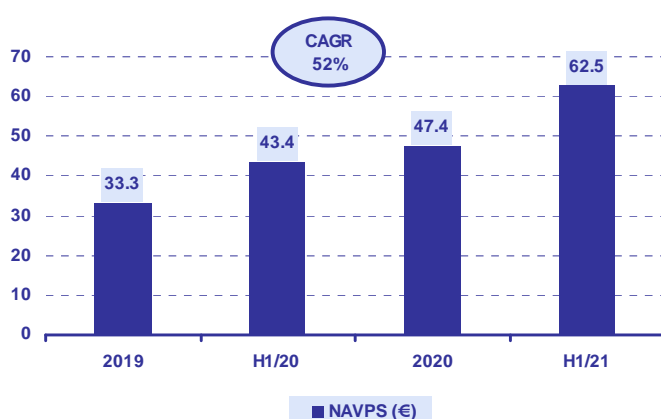
Six month results showcased the performance potential of the holdings, which now include a private equity component. Net income tallied €62m with operating revenue sifting abundantly to the bottom line, thanks to low operating costs and no interest expense. NAVPS reached €62.5.

Table 4: Financial highlights

All figures in EUR '000	H1/21	2020	Variance
Current assets	13,994	18,888	-26%
Financial assets	229,468	169,476	35%
Total assets	243,553	188,465	29%
Financial debt (short- and long-term)	0	0	-
Shareholders' equity	238,278	177,977	34%
Equity ratio	98%	94%	-

Source: First Berlin Equity Research; CR Capital AG

Figure 1: NAVPS development



Source: First Berlin Equity Research; CR Capital AG

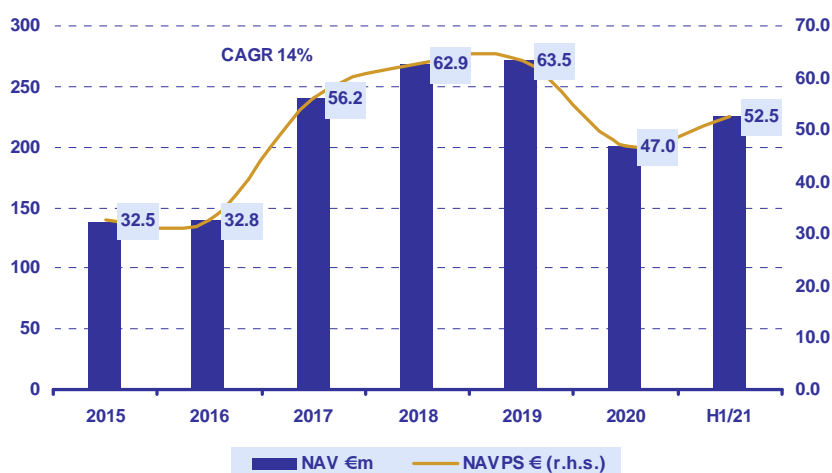
Dividend on 2020 earnings includes scrip dividend option The AGM recently authorised CR Capital to distribute a €1.5 per share dividend. Shareholders have the option to receive their tax-free payout through a scrip dividend at a 50% discount to the share price. The subscription period runs until 14 September 2021. Last year, some 70% of shareholders opted for the scrip dividend.



MPH SIX MONTH RESULT HIGHLIGHTS

NAVPS up 12% YTD NAV climbed to €225m (YE20: €201m) at the 6M mark corresponding to NAVPS of €52.5. The performance owes to €23.5m in net income traced primarily to non-cash fair value write-ups of €23.8m plus €0.6m in profit from the net sales of participations.

Figure 2: NAV and NAVPS developments



Source: First Berlin Equity Research; MPH Health Care AG

The good portfolio performance was spurred by a solid Q1 rebound in the M1 share price, which tumbled some 35% last year in the wake of pandemic-induced clinic closures and restricted capacity once facilities reopened.

Table 5: MPH six month results vs FBe and prior year

All figures in EUR '000	H1/21	H1/21E	variance	H1/20	variance
Operating revenues	24,458	19,695	24.2%	5,826	319.8%
EBIT	23,853	20,750	15.0%	-32,906	-
Net income	23,457	20,250	15.8%	-32,656	-
NAVPS (€)	52.50	51.60	1.7%	55.80	-5.9%

Source: First Berlin Equity Research; MPH Health Care AG

Table 6: MPH Financial highlights

All figures in EUR '000	H1/21	2020	variance
Cash	901	369	144%
Financial assets	227,954	206,346	10%
Financial debt (short- and long-term)	4,402	7,613	-42%
Net debt	3,501	7,244	-52%
Total assets	231,259	210,707	10%
Shareholders' equity	224,720	201,262	12%
Equity ratio	97%	96%	-
NAV	224,720	201,262	12%
NAVPS (€)	52.5	47.0	12%

Source: First Berlin Equity Research; MPH Health Care AG



VALUATION MODEL

Although pandemic uncertainties continue to fuel volatility in M1 shares, the business has shown good resiliency and we expect pent-up demand to supercharge bookings in the future. Meanwhile, we like the revamped CR Capital business model that now includes a private equity component to leverage core property development operations. The company's operations are running well and CRC is on track for a record year.

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

Unit	Shareholdings '000	SO '000	MPH stake %	Share price* €	Fair value per share ¹ €	Projected value €m
M1 Kliniken AG	12,310	19,643	63%	7.7	17.0	209
CR Capital Real Estate AG	2,192	3,811	58%	34.5	59.0	129
Projected value of listed holdings						339

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

	Unit	Value
Fair value of listed portfolio	€m	339
Non-listed investment (book value)	€m	24
Net debt	€m	3
Present value of holding costs	€m	-36
Total fair value	€m	323
MPH shares outstanding	m	4
Fair value per share	€	75

¹First Berlin Equity Research covers CR Capital (Buy / PT: €68); M1 fair value is based on a DCF

We have revised our M1 forecasts to reflect ongoing pandemic headwinds and now see fair value at €17 per share (old: €20). CR Capital now reports as an investment entity under IFRS 10. We thus switch to a discounted dividend model (DDM) to value the holding company and derive fair value of €58 / share (old: €37). We confirm our Buy rating with an unchanged €75 price target.



Table 7: M1 DCF model

All figures in EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Sales	303,577	362,733	455,368	532,690	599,683	655,330	697,763	732,013
NOPLAT	10,614	16,130	23,060	30,636	36,726	41,057	45,191	48,333
(+) depreciation & amortisation	3,910	4,301	4,860	5,559	6,268	7,107	8,061	9,119
Net operating cash flow	14,525	20,432	27,920	36,195	42,994	48,163	53,252	57,452
(-) Total investments (CAPEX and WC)	-3,773	-16,107	-21,579	-19,728	-19,830	-19,202	-18,259	-17,461
(-) Capital expenditures	-3,911	-5,588	-6,991	-7,088	-8,387	-9,542	-10,578	-11,360
(-) Working capital	138	-10,519	-14,588	-12,640	-11,444	-9,660	-7,681	-6,101
Free cash flows (FCF)	10,752	4,325	6,342	16,467	23,164	28,961	34,993	39,991
PV of FCF's	10,474	3,847	5,150	12,210	15,682	17,901	19,748	20,607

All figures in EUR '000	
PV of FCFs in explicit period	146,489
PV of FCFs in terminal period	276,024
Enterprise value (EV)	422,512
+ Net cash / - net debt	-17,360
+ Investments / minority interests	-70,247
Shareholder value	334,905
Fair value per share in EUR	17.00

		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	9.5%	6.5%	25.04	26.81	28.94	31.54	34.78	38.95	44.49
Pre-tax cost of debt	5.0%	7.5%	20.69	21.88	23.27	24.92	26.89	29.29	32.29
Tax rate	28.0%	8.5%	17.46	18.30	19.26	20.36	21.65	23.17	24.99
After-tax cost of debt	3.6%	9.5%	14.98	15.59	16.27	17.05	17.94	18.96	20.15
Share of equity capital	100.0%	10.5%	13.01	13.47	13.97	14.54	15.18	15.90	16.72
Share of debt capital	0.0%	11.5%	11.43	11.77	12.16	12.58	13.05	13.57	14.16
WACC	9.5%	12.5%	10.12	10.39	10.69	11.01	11.36	11.76	12.19

*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes

Table 8: CR Capital DDM

	Unit	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	TV
EPS	€	21.0	22.1	24.0	25.1	27.5	30.2	31.7	33.2	33.9
Payout ratio	%	13	13	13	13	13	13	13	13	13
Dividend (DPS)	€	2.7	2.9	3.1	3.3	3.6	3.9	4.1	4.3	4.4
Y/Y	%	81.8	5.3	8.7	4.3	9.7	9.7	4.9	4.9	-
NPV	€	2.7	2.6	2.6	2.5	2.5	2.6	2.5	2.4	38.2
Terminal growth rate	%	2.0								
Discount factor	%	8.5								
NPV of dividends	€	20								
TV	€	38								
Fair value per share	€	58								

Cost of equity	9.0%	After-tax cost of debt	3.9%
Pre-tax cost of debt	4.0%	Share of equity capital	90.0%
Tax rate	2.0%	Share of debt capital	10.0%
WACC	8.5%		



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Fair value gains on financial assets	25,583	31,019	33,747	0	39,391	14,397
Income from participations	848	170	780	0	400	400
Investment income	7,380	8,317	6,651	3,385	4,998	9,123
Other operating income	425	28	43	48	50	53
Operating revenue	34,236	39,534	41,221	3,433	44,839	23,973
SG&A	-1,177	-1,146	-934	-841	-883	-927
Other OpEx	-360	-703	-330	-417	-438	-460
Net loss from investments	0	0	-1,164	-12,453	0	0
Fair value loss on financial assets	-392	0	-27,207	-60,720	-2,000	-3,000
Depreciation & amortisation	-21	-45	-11	-17	-14	-11
EBIT	32,286	37,640	11,575	-71,015	41,505	19,575
Interest expense	-499	-507	-540	-510	-108	-108
Interest income	332	209	15	75	0	0
EBT	32,119	37,342	11,050	-71,450	41,397	19,467
Income taxes	-264	-317	27	1,071	-828	-389
Net income / loss	31,855	37,025	11,076	-70,379	40,569	19,078
Minority interests	0	0	0	0	0	0
Net income after minorities	31,855	37,025	11,076	-70,379	40,569	19,078
EPS (in €)	7.44	8.65	2.59	-16.44	9.48	4.46



BALANCE SHEET

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Assets						
Current assets, total	8,288	1,152	2,237	4,318	5,677	9,447
Cash and equivalents	1,239	1,018	1,797	369	1,642	5,324
ST financial assets	7,046	64	305	3,865	3,942	4,021
Trade receivables	0	3	4	0	0	0
Inventories	0	7	0	0	0	0
Other ST assets	3	60	131	84	92	102
Non-current assets, total	249,069	285,101	290,908	206,390	241,298	250,195
Property, plant & equipment	4	2	56	43	61	62
Goodwill & other intangibles	18	1	1	0	0	0
Financial assets	249,047	285,098	290,851	206,346	241,237	250,133
Total assets	257,357	286,253	293,144	210,707	246,975	259,642
Shareholders' equity & debt						
Current liabilities, total	229	327	15,724	4,742	432	435
Trade payables	37	28	24	36	36	36
Provisions	70	99	91	74	76	79
Other ST financial liabilities	90	87	15,578	4,613	300	300
Other current liabilities	32	113	31	19	20	21
Long-term liabilities, total	16,483	16,798	5,779	4,703	4,712	4,720
Long-term debt	14,000	14,000	3,000	3,000	3,000	3,000
Deferred tax liabilities & others	2,483	2,798	2,779	1,703	1,712	1,720
Shareholders' equity	240,665	269,127	271,641	201,262	241,831	254,487
Minority interests	0	0	0	0	0	0
Total equity	240,665	269,128	271,641	201,262	241,831	254,487
Total consolidated equity and debt	257,377	286,253	293,144	210,707	246,975	259,642
NAV	240,665	269,128	271,641	201,262	241,831	254,487
NAVPS (€)	56.2	62.9	63.5	47.0	56.5	59.4



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Net income	31,855	37,025	11,076	-70,379	40,569	19,078
Depreciation and amortisation	21	45	11	17	14	11
Revaluation gains	-25,946	-30,360	-6,540	60,720	-37,391	-11,397
Changes in working capital	2,485	7,058	-93	-3,581	-74	-76
Other adjustments	-457	-830	384	12,453	0	0
Net financial result	167	299	526	510	108	108
Tax expense	264	317	-26	-1,071	828	389
Operating cash flow	8,389	13,554	5,337	-1,331	4,053	8,113
Investment income	-7,380	-8,317	-6,651	-1,500	-4,998	-9,123
Tax paid	0	-41	-38	41	-828	-389
Net operating cash flow	1,009	5,196	-1,352	-2,790	-1,772	-1,400
CapEx	-11	-11	-52	-4	-32	-12
Payments from acquisitions of consolidated companies & other business units	-15,978	0	1,856	0	0	0
Proceeds from disposal of fixed assets	13,160	11,783	17,661	11,332	2,500	2,500
Payments for investment in financial assets	0	-16,644	-19,116	0	0	0
Investment income	7,380	8,317	6,378	1,500	4,998	9,123
Interest income	332	208	15	0	0	0
Cash flow from investing	4,883	3,653	6,742	12,828	7,466	11,612
Equity inflow, net	0	0	-1	-4	0	0
Debt inflow, net	0	0	4,492	-11,000	-4,313	0
Dividend paid to shareholders	-5,137	-8,563	-8,562	0	0	-6,422
Interest expense	-499	-507	-540	-462	-108	-108
Cash flow from financing	-5,636	-9,070	-4,611	-11,466	-4,421	-6,530
Net cash flows	256	-221	779	-1,428	1,273	3,682
Cash, start of the year	983	1,239	1,018	1,797	369	1,642
Cash, end of the year	1,239	1,018	1,797	369	1,642	5,324
Free cash flow (FCF)	5,892	8,849	5,390	10,038	5,694	10,212
Y-Y Growth						
Operating cash flow	n.a.	415.0%	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.a.	50.2%	-39.1%	86.2%	-43.3%	79.3%

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INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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...16	↓	↓	↓	↓
17	23 November 2017	€35.41	Buy	€69.00
18	13 June 2018	€50.63	Buy	€71.00
19	15 August 2019	€37.62	Buy	€75.00
20	30 June 2020	€27.94	Buy	€75.00
21	16 September 2020	€26.00	Buy	€75.00
22	7 December 2020	€22.20	Buy	€75.00
23	6 May 2021	€27.40	Buy	€75.00
24	11 June 2021	€28.50	Buy	€75.00
25	Today	€23.30	Buy	€75.00

INVESTMENT HORIZON

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

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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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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