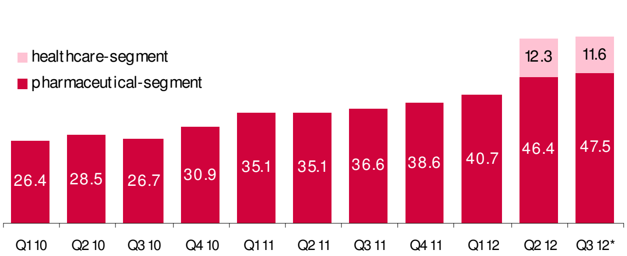
16.11.2012 - GBC Research Comment - MPH Mittelständische Pharma Holding AG - Sales revenues continue at a high level; Results slightly below expectations; We are maintaining our forecasts and our BUY rating

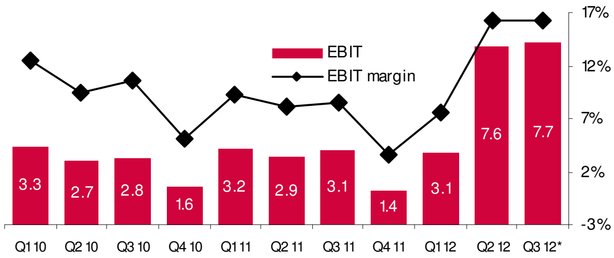
Company: MPH Mittelständische Pharma Holding AG*5;6
ISIN: DE000A0NF697
Purpose of Study: Release of 9-month figures 2012
Rating: Buy
Target Price: €4.70
Analyst: Cosmin Filker

MPH Mittelständische Pharma Holding AG (MPH AG) was able to continue its growth trajectory successfully in the past 3 months. According to current interim reports, sales in the third quarter of 2012 improved significantly rising by +61.5% to €59.17m compared to the previous year (PY: €36.63m) . It should be noted here that half of the sales dynamics is attributable to the new healthcare business and is thus of inorganic origin. This area of the business, which contributed €11.63m to sales in the previous reporting period, is linked to the newly-acquired subsidiaries included in the Windsor acquisition. But the fact should also be mentioned here that the healthcare business was also affected positively by real estate sales in Q3 2012. Based on this, the level of sales in this segment should therefore be "normalised" in future quarters to approximately €4 - 5m per quarter. Adjusted for inorganic effects, MPH AG would have shown revenues of €47.54m, which also corresponds to a significant growth in sales of +29.8% compared to the previous year.

Sales revenues (in million €)



EBIT (in million €) and EBIT margin (in %)



*Quelle: MPH AG; GBC AG; *gemäß eigenen Berechnungen*

According to interim reports, the essential drivers behind organic growth were the expansion of new markets and new product approvals in the field of oncology.

The major contribution to sales made by the healthcare segment can also be seen in the trend in profits. Sales in this area are especially profitable in the light of the fact that they are not subject to the compulsory manufacturer's discount. Real estate sales also likely made substantial contributions to profits so that, according to our calculations, MPH AG was in a position to repeat the high profit margins it achieved in the second quarter of 2012 (see chart). The absence of revenues from real estate sales should lead to a "normalisation" of profit margins in the future similar to the trend in sales.

Matching the positive trend in profits, profits after tax were also able to add disproportionate growth in the third quarter of 2012 of +88.4 % to €5.84m compared to the previous year (PY: €3.10m). However, minority shares at 48% of the Windsor result have to be taken into account in this figure (EAT after minority interests in Q3 2012: approx. €4.10m). On this basis, the company's management board has confirmed its previously published forecasts. We too are leaving our forecasts unchanged and expect revenues on a full year basis of €200.62m in 2012. In view of the positive trend in profits our earnings forecasts (EBIT: €19.99m) should also be easily achieved.

The unchanged fair value per share of €4.70 calculated on the DCF model brings with it an attractive upside potential for MPH shares. We maintain our BUY rating.

* Please note the disclaimer/risk warning and the disclosure of potential conflicts of interest as required by section 34b of the Securities Trading Act (WpHG) on page 2 ff.

Annex

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