

MPH Mittelstaendische Pharma Holding AG

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

9M 2013
 Results

RATING
PRICE TARGET **BUY**
 Return Potential 99.9%
 Risk Rating High

NEW GOVERNMENT TO REDUCE MANDATORY DISCOUNTS

MPH published financial key performance indicators for 9M 2013 on 26 November. Sales increased by 7.1% y/y. EBIT and net income decreased y/y due to the positive one-off effect of the divestment of real estate properties in the previous year. Our updated DCF model yields an unchanged price target of EUR6.10. We reiterate our Buy recommendation

Slowdown in sales growth In 9M 2013 sales increased by 7.1% y/y to EUR169.8m (9M/12: EUR158.5m). Profit for the period amounted to EUR6.1m (9M/12: EUR15.6m - previous year including income from the sale of real estate properties). Consequently, Q3 2013 sales amounted to EUR57.4m (Q3/12: EUR59.8m) and profit for the period was EUR1.9m (Q3/12: EUR5.8m). However, comparability of the results is limited due to the divestment of real estate-related activities and the conversion of MPH group into a pure pharmaceuticals player during the current fiscal year.

HAEMATO stake with further increased value During the 9M reporting period the value of MPH's 70% stake in publicly listed subsidiary HAEMATO AG (Ticker: HAE) grew by EUR45.7m, thus increasing the subsidiary's hidden value for MPH shareholders.

Mandatory discount will be reduced to 7% Coalition talks in Germany are still ongoing, but the two parties SPD and CDU/CSU already agreed on a reduction of the mandatory discount granted to statutory health insurance funds on all patent-protected pharmaceutical products in the German market (from currently 16% to 7%, beginning on 1 January 2014).

Adjustments to our forecasts We have adjusted our forecasts for the current fiscal year for the slowdown in MPH's sales activities during the remainder of the current fiscal year. We believe that the company is currently postponing orders to the start of 2014E (when the mandatory discount will be reduced). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

| | 2011A | 2012A | 2013E | 2014E | 2015E | 2016E |
|--------------------|--------|--------|--------|--------|--------|--------|
| Revenue (€m) | 145.50 | 205.71 | 235.54 | 286.67 | 325.37 | 355.63 |
| Y-o-y growth | n.a. | 41.4% | 14.5% | 21.7% | 13.5% | 9.3% |
| EBIT (€m) | 10.63 | 21.88 | 14.87 | 22.17 | 25.88 | 29.32 |
| EBIT margin | 7.3% | 10.6% | 6.3% | 7.7% | 8.0% | 8.2% |
| Net income (€m) | 8.63 | 14.71 | 8.09 | 13.57 | 15.91 | 17.83 |
| EPS (diluted) (€) | 0.23 | 0.36 | 0.20 | 0.33 | 0.39 | 0.43 |
| DPS (€) | 0.20 | 0.22 | 0.20 | 0.23 | 0.26 | 0.29 |
| FCF (€m) | 0.13 | 5.43 | -0.94 | 6.79 | 17.39 | 16.04 |
| Net gearing | 6.2% | 34.5% | 4.5% | 3.8% | -5.3% | -4.3% |
| Liquid assets (€m) | 2.46 | 14.57 | 15.11 | 17.17 | 19.08 | 18.42 |

RISKS

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

COMPANY PROFILE

MPH is a Berlin, Germany based healthcare company, specializing in the fields of pharmaceuticals, medical and patient care. The strategic focus of the group's activities lays within the therapeutic areas of chronic diseases and aesthetics. It is expected that these segments will gain further growth also due to the future development of the German healthcare market.

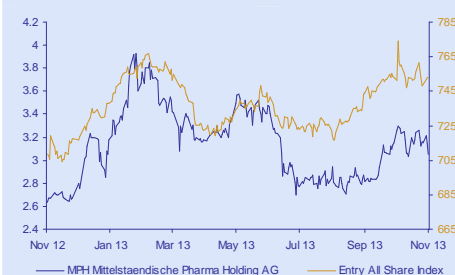
MARKET DATA

As of 27 Nov 2013

Closing Price € 3.05
 Shares outstanding 41.17m
 Market Capitalisation € 125.61m
 52-week Range € 2.64 / 3.93
 Avg. Volume (12 Months) 84,169

| Multiples | 2012A | 2013E | 2014E |
|------------|-------|-------|-------|
| P/E | 8.8 | 16.0 | 9.5 |
| EV/Sales | 0.6 | 0.5 | 0.4 |
| EV/EBIT | 5.6 | 8.2 | 5.5 |
| Div. Yield | 7.2% | 6.6% | 7.5% |

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2013

Liquid Assets € 21.13m
 Current Assets € 80.75m
 Intangible Assets € 46.67m
 Total Assets € 129.70m
 Current Liabilities € 27.32m
 Shareholders' Equity € 56.39m

SHAREHOLDERS

Magnum AG 21.0%
 Free Float 79.0%



For the time being, we stick to our forecasts for subsequent years. We believe that reduction of the mandatory discount should boost MPH's top-line growth in the future (lower charges for companies like MPH). However, a corresponding bill needs to be passed at first. Changes to our forecasts are shown in table 1 below.

Buy rating confirmed, attractive dividend yield Our updated DCF model yields an unchanged price target of EUR6.10. At the current share price level, the MPH stock is yielding 6.6%. We reiterate our Buy recommendation.

Table 1: Changes to forecasts

| All figures in €m | 2013E | | | 2014E | | | 2015E | | |
|---------------------|--------|--------|--------|--------|--------|-------|--------|--------|-------|
| | Old | New | Delta | Old | New | Delta | Old | New | Delta |
| Sales | 243.35 | 235.54 | -3.2% | 286.67 | 286.67 | 0.0% | 325.37 | 325.37 | 0.0% |
| EBIT | 16.65 | 14.87 | -10.7% | 22.17 | 22.17 | 0.0% | 25.88 | 25.88 | 0.0% |
| <i>margin</i> | 6.8% | 6.3% | - | 7.7% | 7.7% | - | 8.0% | 8.0% | - |
| Net income | 9.44 | 8.09 | -14.3% | 13.57 | 13.57 | 0.0% | 15.91 | 15.91 | 0.0% |
| <i>margin</i> | 3.9% | 3.4% | - | 4.7% | 4.7% | - | 4.9% | 4.9% | - |
| EPS (in €, diluted) | 0.23 | 0.20 | -14.3% | 0.33 | 0.33 | 0.0% | 0.39 | 0.39 | 0.0% |

Source: First Berlin Equity Research

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 | 6 November 2012 | €2.48 | Buy | €5.50 |
| 3 | 27 May 2013 | €3.39 | Buy | €6.10 |
| 4 | 6 September 2013 | €2.80 | Buy | €6.10 |
| 5 | Today | €3.05 | Buy | €6.10 |

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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