

MPH Mittelstaendische Pharma Holding AG

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

9M 2014 Results

RATING	BUY
PRICE TARGET	€6.10
Return Potential	158.4%
Risk Rating	High

RAMP-UP OF HIGH MARGIN HEALTHCARE SEGMENT PROGRESSING WELL

MPH Mittelstaendische Pharma Holding AG (MPH) released 9M 2014 results on 25 November. Due to the successful ramp-up of its highly profitable healthcare and medical services segment M1 Med Beauty AG (M1), MPH's bottom-line result was better than anticipated. A listing of M1 is scheduled for 2015. Based on revised estimates, our updated DCF model yields an unchanged price target of EUR6.10. We reiterate our Buy recommendation.

Profit up 45% y/y MPH's 9M 2014 sales came in at EUR163.8m (FBe: EUR167.9m; 9M/13: EUR169.8m). MPH largest subsidiary HAEMATO AG contributed EUR156.4m to group level sales, which means that the group's healthcare and medical services segment M1 Med Beauty AG generated EUR7.4m in revenues. The decline in group level sales is a result of delays related to the introduction of additional drug release procedures for important medication by the Paul Ehrlich Institut at subsidiary HAEMATO AG. Profit for the period was higher than expected and amounted to EUR9.0m (FBe: EUR7.7m; 9M/13: EUR6.2m). While HAEMATO AG contributed EUR6.6m to the group's earnings after taxes, the remaining EUR2.4m are attributable to M1, corresponding to a margin of 32%.

MPH predicts profitability will increase during the current fiscal year due to the ramp-up of its beauty and lifestyle activities. The group has also announced that subsidiary M1 Med Beauty AG's listing is scheduled for 2015.

Confirmation of rating and price target We have adjusted our estimates for our revised forecasts for MPH's subsidiary HAEMATO and the higher profitability of the group's healthcare and medical services segment. Changes to our financial forecasts are shown in table 2 overleaf.

Following successful listing of subsidiary M1 next year, we will change our valuation method for MPH to sum-of-the-parts. However, for the time being, our fair value per share calculation is based on a DCF model. Our updated valuation model yields an unchanged price target of EUR6.10. We reiterate our Buy recommendation.

FINANCIAL HISTORY & PROJECTIONS

	2011A	2012A	2013A	2014E	2015E	2016E
Revenue (€m)	145.50	205.71	226.84	236.14	258.11	283.66
Y-o-y growth	n.a.	41.4%	10.3%	4.1%	9.3%	9.9%
EBIT (€m)	10.63	21.88	12.50	14.75	17.75	21.01
EBIT margin	7.3%	10.6%	5.5%	6.2%	6.9%	7.4%
Net income (€m)	8.63	14.71	6.45	6.14	7.95	9.42
EPS (diluted) (€)	0.23	0.36	0.16	0.14	0.19	0.22
DPS (€)	0.20	0.22	0.11	0.10	0.13	0.15
FCF (€m)	0.13	5.43	-5.70	9.33	11.83	10.19
Net gearing	6.2%	34.5%	42.2%	52.8%	74.2%	109.8%
Liquid assets (€m)	2.46	14.57	5.85	4.16	0.69	3.31

RISKS

Regulatory changes in healthcare systems, 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 01 Dec 2014

Closing Price	€ 2.36
Shares outstanding	42.81m
Market Capitalisation	€ 101.08m
52-week Range	€ 2.01 / 3.09
Avg. Volume (12 Months)	41,881

Multiples	2013A	2014E	2015E
P/E	14.3	15.1	11.6
EV/Sales	0.5	0.5	0.4
EV/EBIT	8.6	7.3	6.1
Div. Yield	4.7%	4.3%	5.5%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2014

Liquid Assets	€ 10.76m
Current Assets	€ 69.06m
Intangible Assets	€ 53.91m
Total Assets	€ 147.15m
Current Liabilities	€ 32.06m
Shareholders' Equity	€ 65.96m

SHAREHOLDERS

Magnum AG	21.0%
Free Float	79.0%

**Table 1: Estimates versus reported figures**

All figures in €m	9M-14A	9M-14E	Delta	9M-13A	Delta
Sales	163.80	167.93	-2.5%	169.78	-3.5%
Profit after tax	8.98	7.65	17.4%	6.18	45.3%
margin	5.5%	4.6%	-	3.6%	-

Source: First Berlin Equity Research, MPH Mittelstaendische Pharma Holding AG

Table 2: Changes to forecasts

All figures in €m	2014E			2015E			2016E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	236.15	217.57	-7.9%	258.11	258.11	0.0%	283.66	283.66	0.0%
EBIT	14.44	16.05	11.1%	17.74	17.75	0.0%	21.01	21.01	0.0%
margin	6.1%	7.4%	-	6.9%	6.9%	-	7.4%	7.4%	-
Net income*	6.14	7.28	18.5%	7.95	7.95	0.0%	9.42	9.42	0.0%
margin	2.6%	3.3%	-	3.1%	3.1%	-	3.3%	3.3%	-
EPS (€, dil.)*	0.14	0.17	18.5%	0.19	0.19	0.0%	0.22	0.22	0.0%

* after minorities

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...5	↓	↓	↓	↓
6	22 May 2014	€3.02	Buy	€6.10
7	4 June 2014	€3.13	Buy	€6.10
8	1 September 2014	€2.49	Buy	€6.10
9	Today	€2.36	Buy	€6.10

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BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

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

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