

MPH Mittelstaendische Pharma Holding AG

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

Q1 2014 financial KPIs

RATING BUY
PRICE TARGET €6.10
 Return Potential 95.0%
 Risk Rating High

POSITIVE Q1 2014 DEVELOPMENT DRIVEN BY HAEMATO SUBSIDIARY

On 30 May, MPH Mittelstaendische Pharma Holding AG (MPH) published financial key performance indicators (KPIs) for Q1 2014. Due to the strong operating development of the HAEMATO AG subsidiary, sales and profit for the period increased y/y. Our updated DCF model yields an unchanged price target of EUR6.10. We reiterate our Buy recommendation.

Good start to the current fiscal year In Q1 2014, sales increased by 5% y/y to EUR56.17m (Q1/13: EUR53.42m). The sales contribution of MPH's most important subsidiary HAEMATO AG was 53.7m (+10% y/y). MPH's other non-HAEMATO AG activities thus contributed sales of EUR2.48m. The group reported an increase in profit for the period of 47% y/y to EUR2.95m (Q1/13: EUR2.01m), which is also mainly attributable to the strong performance of HAEMATO AG (net income Q1/14: EUR2.90m). During Q1 2014, HAEMATO AG benefitted from favourable changes in German legislation (see our comment dated 28 November) associated with the decreased mandatory discount and windfall profits (sale of inventories that were bought at a lower price before the reduction of the mandatory discount). Net income after HAEMATO AG minorities (MPH stake: 68.5%) amounted to roughly EUR2.04m.

Unchanged Buy recommendation MPH predicts sales and profitability will increase during the current fiscal year due to changes in the German legislation and the ramp-up of its beauty and lifestyle activities. We remain conservative with regard to the positive effect associated with the reduction of the mandatory discount due to the uncertainties related to pricing by wholesalers and competitors and thus stick to our financial forecasts for the time being - even though subsidiary HAEMATO AG's bottom-line development was very strong during the first three months of the current fiscal year. Our updated DCF model (see table 1 overleaf) yields an unchanged price target of EUR6.10. Given the attractive dividend yield, underlying sales growth and earnings base of subsidiary HAEMATO AG as well as the attractive growth opportunities in the beauty and lifestyle segment, 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	14.44	17.51	20.84
EBIT margin	7.3%	10.6%	5.5%	6.1%	6.8%	7.3%
Net income (€m)	8.63	14.71	6.45	6.97	8.85	10.42
EPS (diluted) (€)	0.23	0.36	0.16	0.16	0.21	0.24
DPS (€)	0.20	0.22	0.11	0.11	0.14	0.17
FCF (€m)	0.13	5.43	-5.70	9.09	12.28	10.10
Net gearing	6.2%	34.5%	42.2%	53.0%	74.2%	116.3%
Liquid assets (€m)	2.46	14.57	5.85	3.91	-0.68	3.73

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.

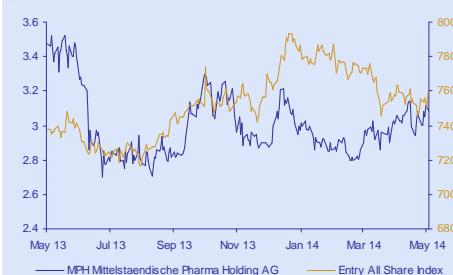
MARKET DATA

As of 03 Jun 2014

Closing Price € 3.13
 Shares outstanding 41.17m
 Market Capitalisation € 128.82m
 52-week Range € 2.70 / 3.52
 Avg. Volume (12 Months) 53,741

Multiples	2013A	2014E	2015E
P/E	19.6	18.1	14.3
EV/Sales	0.7	0.6	0.6
EV/EBIT	12.2	10.5	8.7
Div. Yield	3.5%	3.6%	4.6%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2013

Liquid Assets € 5.85m
 Current Assets € 55.97m
 Intangible Assets € 54.35m
 Total Assets € 127.48m
 Current Liabilities € 27.62m
 Shareholders' Equity € 61.57m

SHAREHOLDERS

Magnum AG 21.0%
 Free Float 79.0%



Table 1: Valuation*

DCF valuation model								
All figures in EUR m								
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Net sales	236.14	258.11	283.66	311.74	342.59	376.44	413.39	453.23
NOPLAT	10.39	12.52	15.02	16.47	17.92	19.39	21.16	23.36
+ depreciation & amortisation	1.73	1.84	1.43	1.55	1.56	1.55	1.52	1.49
Net operating cash flow	12.13	14.37	16.45	18.02	19.48	20.94	22.69	24.85
- total investments (CAPEX and WC)	-2.10	-1.20	-4.89	-5.30	-5.71	-6.13	-6.53	-6.87
Capital expenditures	-1.42	-1.29	-1.42	-1.45	-1.47	-1.49	-1.49	-1.47
Working capital	-0.68	0.09	-3.48	-3.85	-4.23	-4.64	-5.05	-5.39
Free cash flows (FCF)	10.03	13.17	11.56	12.72	13.77	14.81	16.16	17.99
PV of FCF's	9.48	11.30	9.00	8.98	8.83	8.62	8.52	8.61

All figures in EURm	
PV of FCFs in explicit period	159.4
PV of FCFs in terminal period	168.1
Enterprise value (EV)	327.6
+ Net cash / - net debt (pro-forma)	-22.2
+ Investments / minority interests	-42.1
Shareholder value	263.3

Fair value per share in EUR	
	6.10

		Terminal growth rate							
		0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	
WACC	10.2%								
Cost of equity	15.0%	6.2%	12.94	13.80	14.83	16.08	17.63	19.59	22.17
Pre-tax cost of debt	10.0%	7.2%	10.21	10.77	11.41	12.17	13.08	14.18	15.54
Tax rate	30.0%	8.2%	8.21	8.59	9.01	9.50	10.07	10.74	11.54
After-tax cost of debt	7.0%	9.2%	6.70	6.96	7.25	7.58	7.96	8.39	8.89
Share of equity capital	40.0%	10.2%	5.53	5.71	5.92	6.15	6.41	6.70	7.03
Share of debt capital	60.0%	11.2%	4.60	4.73	4.88	5.05	5.23	5.43	5.66
		12.2%	3.85	3.95	4.06	4.18	4.31	4.45	4.62
Fair value per share in EUR	6.10	13.2%	3.23	3.31	3.39	3.48	3.58	3.68	3.80

Source: First Berlin Equity Research

* Please note: In our DCF model we use a planning period until 2028.
For layout reasons the table above only displays figures until 2021.

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...3	↓	↓	↓	↓
4	6 September 2013	€2.80	Buy	€6.10
5	28 November 2013	€3.05	Buy	€6.10
6	22 May 2014	€3.02	Buy	€6.10
7	Today	€3.13	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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