

MPH Mittelstaendische Pharma Holding AG

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

Q3/16 KPIs

RATING
BUY

PRICE TARGET
€5.20

Return Potential 61.7%
 Risk Rating High

STRONG PORTFOLIO PERFORMANCE IN Q3

MPH Mittelstaendische Pharma Holding AG has reported preliminary net income of €33.1m for the nine month period continuing the growth from the first half of the year. The company booked net income of €13.2m in the third quarter compared to €11.2m in Q2 and €8.7m in the first quarter. The performance was driven by the positive development of its core listed holdings: HAEMATO AG, M1 Kliniken AG and CR Capital Real Estate AG. We maintain our Buy rating and €5.20 price target.

Operational development of holdings drives bottom line MPH reported net income of €33.1m for the nine month period. As of 31 December 2015, the company reports as an investment entity according to IFRS 10, whereas it previously fully consolidated the majority stakes in the primary holdings. Therefore, there are no comparative figures for the period. The three key core holdings are the listed HAEMATO AG, M1 Kliniken AG, and CR Capital Real Estate AG. HAEMATO reported revenue and net income KPIs for 9M/16 showing exceptional growth. The company has nearly matched its FY15 revenue total of €229m with €213m in sales after nine months. Profitability remained solid with net income reaching €6.6m for the period (9M/15: €4.5m). HAEMATO reported steady margins in the first six months, and we believe this continued in Q3. We maintain our FY16 sales forecast of €280m, which would represent a record year for the company. M1 Kliniken AG has benefited from its clinic expansions thus far this year. In 2015, M1 established four outpatient clinics and an inpatient clinic in Berlin-Köpenick. The company added six more outpatient clinics to its network in H1/16. Thanks to this expansion, H1/16 sales rose 82% Y/Y to €18.5m with operating profit (EBIT) reaching €3.0m (H1/15: €0.2m) corresponding to a 17% margin. CR Capital Real Estate AG booked €8.4m in revenues in H1/16, driven chiefly by property sales (€8.1m). For H2/16, we look for a similar performance to H1 in terms of top line. The company has already communicated the handover of the Borgmannstraße 16 project, which has higher profitability than the properties sold in H1/16. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016E	2017E	2018E	2019E
Revenue (€m)	219.25	262.89	8.04	6.84	5.81	4.94
Pro-forma Rev. (€m) ²	219.2	262.9	353.7	383.3	426.8	472.0
EBT (€m)	9.31	87.30	38.49	38.52	37.42	31.52
EBT margin	4.2%	33.2%	478.6%	563.5%	644.1%	638.3%
Net income (€m)	8.45	84.10	37.72	37.75	36.68	30.89
EPS (diluted) (€)	0.20	1.96	0.88	0.88	0.86	0.72
DPS (€)	0.19	0.12	0.12	0.12	0.12	0.12
FCF (€m)	2.98	-7.85	11.63	11.81	10.98	10.36
Net gearing	29.1%	6.8%	1.8%	-1.8%	-4.0%	-5.6%
Liquid assets (€m)	17.70	0.53	6.96	13.63	19.47	24.60

¹ Please note the company changed to IFRS 10 reporting as of 31 December 2015 and deconsolidated its core holdings.

² We provide pro-forma revenue of M1 Beauty, HAEMATO and CR Capital as a reference.

RISKS

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

COMPANY PROFILE

MPH AG is a Berlin based management holding company. The strategic focus is the purchase and further development of companies positioned chiefly in growth segments of the healthcare market. The aim is to generate profitable growth through active development and create value in the portfolio companies and MPH AG.

MARKET DATA

As of 06 Dec 2016

Closing Price € 3.22
 Shares outstanding 42.81m
 Market Capitalisation € 137.69m
 52-week Range € 1.97 / 3.46
 Avg. Volume (12 Months) 30,997

Multiples	2015	2016E	2017E
P/E	1.6	3.7	3.7
EV/Sales	0.5	17.9	21.1
EV/EBT	1.7	3.7	3.7
Div. Yield	3.7%	3.7%	3.7%

¹ 2016 & 2017 reflect the change to IFRS 10 accounting

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2016

Liquid Assets € 0.70m
 Current Assets € 5.72m
 Intangible Assets € 159.50m
 Total Assets € 165.31m
 Current Liabilities € 3.41m
 Shareholders' Equity € 153.50m

SHAREHOLDERS

Magnum 60.0%
 Baring Fund Managers 1.9%
 BayernInvest Luxembourg 0.2%
 Free Float 37.9%



Maintain Buy rating and €5.20 price target We have adjusted our 2016 forecasts to account for the strong Q3 net income. Our revised net income target for 2016 is €38m (previously: €26m). The share price of M1 has developed particularly positively (+47%) since the end of the nine month reporting period, giving us a high degree of confidence in our full year figure. We note that revenues stem from shares that are sold opportunistically when market conditions are favourable, whereas revaluation gains are a function of underlying share price performance of the holdings. We believe the latter KPI climbed to €34m for the period and thus topped our previous full year figure. In our view, the share price of MPH fails to reflect the positive developments of the core holdings and we reiterate our Buy rating.

Table 1: Sum-of-the-parts valuation

in € '000	Shareholdings	SO	MPH stake	Share price	Fair value ¹	Projected value
HAEMATO AG	10,418	20,780	50%	5.35	7.00	72,926
M1 Beauty AG	12,857	15,000	86%	11.10	9.00	115,713
CR Capital Real Estate AG	11,625	18,780	62%	1.47	2.80	32,550
Projected value of listed holdings						221,189

Fair value of listed portfolio	221,189
Non-listed investment (book value)	5,870
Nett debt (30 June 2016)	6,317
Total fair value	220,742
MPH Shares outstanding	42,814
Fair value per share (€)	5.16

¹ First Berlin Equity Research currently covers HAEMATO AG (Buy / PT EUR7.00), M1 Kliniken AG (Add/ PT EUR9.00) and CR Capital (Buy / PT: EUR2.80)

Source: First Berlin Equity Research



INCOME STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E
Revenues	219,249	262,887	8,042	6,836	5,810
Change in inventories	-27	-3,720	0	0	0
Cost of goods sold	-197,433	-231,703	-9,087	-5,879	-4,997
Gross profit	21,789	27,464	-1,045	957	813
Personnel expenses	-6,479	-8,326	-643	-520	-433
Other OpEx	-8,006	-10,771	-563	-455	-379
Other income	5,442	9,978	20	20	20
Depreciation & amortisation	-1,829	-5,193	-7	-5	-4
Operating income (EBIT)	10,917	13,152	-2,238	-2	18
Net financial result	-1,604	-2,001	-349	-300	-300
Other financial result	0	7,860	7,482	6,983	6,983
Depreciation of financial assets	0	-6,417	-7,333	0	0
Revaluation result	0	74,707	40,929	31,836	30,724
Pre-tax income (EBT)	9,313	87,301	38,490	38,516	37,425
Income taxes	-860	-3,200	-770	-770	-748
Net income / loss	8,453	84,101	37,720	37,746	36,676
Minority interests	3,503	1,513	0	0	0
Net income after minorities	4,950	82,588	37,720	37,746	36,676
EPS (in €)	0.20	1.96	0.88	0.88	0.86
Ratios					
EBT margin on revenues	4.2%	33.2%	478.6%	563.5%	644.1%
Net margin on revenues	3.9%	32.0%	469.0%	552.2%	631.2%
Tax rate	9.2%	3.7%	2.0%	2.0%	2.0%
Expenses as % of revenues					
Personnel expenses	-3.0%	-3.2%	-8.0%	-7.6%	-7.4%
Other OpEx	-3.7%	-4.1%	-7.0%	-6.7%	-6.5%
Depreciation & amortisation	-0.8%	-2.0%	-0.1%	-0.1%	-0.1%
Y-Y Growth					
Revenues	26.3%	19.9%	-96.9%	-15.0%	-15.0%
Pre-tax income	-17.4%	837.4%	-55.9%	0.1%	-2.8%
Net income/ loss	-42.5%	894.9%	-55.1%	0.1%	-2.8%

¹ Please note the change to IFRS 10 accounting as of 31 December 2015



BALANCE SHEET

All figures in EUR '000	2014	2015	2016E	2017E	2018E
Assets					
Current assets, total	68,150	685	7,033	13,694	19,524
Cash and equivalents	10,117	528	6,963	13,634	19,473
ST financial assets	7,581	0	0	0	0
Trade receivables	11,523	8	22	19	16
Inventories	35,401	0	0	0	0
Other ST assets	3,528	149	48	41	35
Non-current assets, total	82,051	150,419	174,916	200,873	226,601
Property, plant & equipment	2,406	14	15	16	17
Goodwill & other intangibles	53,562	24	25	25	25
Investment properties	13,436	0	0	0	0
Financial assets	12,371	150,360	174,868	200,825	226,553
Deferred taxes	276	21	8	7	6
Total assets	150,201	151,104	181,949	214,567	246,125
Shareholders' equity & debt					
Current liabilities, total	28,645	967	317	332	357
Trade payables	7,210	638	25	16	14
ST debt	14,359	60	0	0	0
Provisions	3,820	54	56	57	59
Other ST financial liabilities	510	205	226	248	273
Other current liabilities	2,746	10	11	11	12
Long-term liabilities, total	26,826	11,117	10,030	10,024	10,019
Long-term debt	23,356	9,990	9,990	9,990	9,990
LT provisions	27	0	0	0	0
Deferred tax liabilities	3,443	1,127	40	34	29
Shareholders' equity	68,771	139,020	171,602	204,210	235,749
Minority interests	25,959	0	0	0	0
Total equity	94,730	139,020	171,602	204,210	235,749
Total consolidated equity and debt	124,242	151,104	181,949	214,567	246,125
Ratios					
Current ratio (x)	2.4	0.7	22.2	41.2	54.7
Quick ratio (x)	1.1	0.7	22.2	41.2	54.7
Net debt	20,017	9,522	3,027	-3,644	-9,483
Net gearing	29%	7%	2%	-2%	-4%
Equity ratio	45.8%	92.0%	94.3%	95.2%	95.8%

¹ Please note the change to IFRS 10 accounting as of 31 December 2015



CASH FLOW STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E
Pre-tax income	9,308	87,279	38,490	38,516	37,425
Depreciation and amortisation	1,829	10,896	7,340	5	4
Revaluation gains	-4,953	-81,551	-40,929	-31,836	-30,724
Changes in working capital	-9	-533	-1,578	22	30
Other adjustments	-5,055	-15,342	9,087	5,879	4,997
Net financial result	1,604	2,000	349	300	300
Operating cash flow	2,724	2,749	12,760	12,886	12,031
Interest income	158	223	250	0	0
Interest expense paid	-1,779	-2,223	-599	-300	-300
Tax paid	-1,594	-406	-770	-770	-748
Net operating cash flow	-491	343	11,641	11,816	10,983
CapEx	-9,913	-26,814	-8	-7	-6
Proceeds from disposal of fixed assets	13,387	18,623	0	0	0
Cash flow from investing	3,474	-8,191	-8	-7	-6
Free cash flow (FCF)	2,983	-7,848	11,633	11,809	10,977
Equity inflow, net	2,485	3,652	0	0	0
Debt inflow, net	5,880	6,741	-60	0	0
Dividend paid to shareholders	-7,086	-8,223	-5,138	-5,138	-5,138
Cash flow from financing	1,279	2,170	-5,198	-5,138	-5,138
Net cash flows	4,262	-9,590	6,435	6,671	5,839
Cash, start of the year	5,855	10,117	528	6,963	13,634
Cash, end of the year	10,117	528	6,963	13,634	19,473
EBITDA/share (in €)	0.30	0.56	0.12	0.00	0.00
Y-Y Growth					
Operating cash flow	n.m.	n.m.	3293.8%	1.5%	-7.0%
Free cash flow	n.m.	n.m.	n.m.	1.5%	-7.0%
EBITDA/share	-50.4%	88.7%	-78.8%	-99.9%	657.0%

¹ Please note the change to IFRS 10 accounting as of 31 December 2015

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...11	↓	↓	↓	↓
12	4 September 2015	€2.02	Buy	€5.10
13	16 June 2016	€2.64	Buy	€4.90
14	6 September 2016	€2.70	Buy	€5.20
15	Today	€3.22	Buy	€5.20

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BUY: An expected favourable price trend of more than 25% percent.

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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