

MPH Health Care AG

Germany / Healthcare
 Frankfurt
 Bloomberg: 93M1 GR
 ISIN: DE000A289V03

Update

RATING
BUY

PRICE TARGET
€ 75.00

Return Potential 237.8%
 Risk Rating High

9M PRELIMS AND CAPITAL REDUCTION

MPH announced Q3 prelims with NAVPS of €45.4. This compares to €63.1 at YE19. The decline is traced to 9M/20 net income of minus €77m on the weak share price performance of the listed participations. Q3 net income tallied €-21m as results remain marred by market turbulence. The company also recently completed a reverse stock split at a 10:1 ratio. After withdrawing two no-par value shares and the capital reduction, shares outstanding now total 4.28m (old: 42.81m). The capital reduction aims to improve share price optics. We remain Buy-rated on MPH with a €75 price target.

Operational performance of holdings support higher share valuations CR Capital's prospects remain excellent, thanks to its position in Germany's affordable housing segment. The residential developer has a full pipeline (around 45k m² across 600 units) and operations have continued largely unhampered during the crisis. Full year reporting was highlighted by a jump in net income to €90m (2018: €12m) M1 Kliniken benefited from a good Q3 with injection and surgical treatments up ~20% Y/Y. Operations remain open despite new covid-19 measures, but clinic expansions are on hold until the pandemic eases. Meanwhile, HAEMATO's parallel import business continues to operate without interruptions. The company recently reported its third successive quarter of +20% annualised growth.

Patrick Brenske joins HAEMATO board Mr Brenske stepped down from the management board of M1 Kliniken to help with the integration of the HAEMATO Group into beauty and lifestyle specialist. Previously, he helped HAEMATO grow annual turnover from single digit millions to nearly €300m as head of purchasing and sales. M1 wants to increase its product business by leveraging HAEMATO's network and distribution infrastructure (see note of 30 June 2020). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Pro-forma rev. (€m) ¹	347.50	365.64	315.57	353.70	418.22	477.08
Y/Y growth	5.6%	5.2%	-13.7%	12.1%	18.2%	14.1%
Operating revenue (€m)	34.24	39.53	41.22	17.51	37.74	27.31
EBIT (€m)	32.30	37.64	11.59	-21.99	32.05	21.50
Net income (€m)	31.86	37.03	11.08	-22.02	30.88	20.53
EPS (diluted) (€)	7.44	8.65	2.59	-5.14	7.21	4.80
DPS (€)	2.00	2.00	0.00	1.50	1.58	1.65
NAV (€m)	240.66	269.13	271.64	249.62	274.08	287.86
Net gearing	2.4%	4.8%	6.1%	5.7%	4.1%	3.0%
Liquid assets (€m)	8.29	1.08	2.10	0.83	3.68	6.41

¹ We provide pro-forma revenue of M1 Kliniken, HAEMATO and CR Capital as a reference.

RISKS

Regulatory changes in healthcare systems, homogenization of pharmaceutical prices within the EU, and prolonged macro economic downturns that limit private healthcare spend.

COMPANY PROFILE

MPH Health Care AG is a Berlin-based investment company focused on the purchase and further development of companies positioned chiefly in growth segments of the healthcare market. These primarily entail specialty pharmaceuticals for chronic diseases and lifestyle and beauty treatments. The company also holds a stake in a residential property developer.

MARKET DATA

As of 04 Dec 2020

Closing Price	€ 22.20
Shares outstanding	4.28m
Market Capitalisation	€ 95.04m
52-week Range	€ 18.66 / 42.10
Avg. Volume (12 Months)	2,733

Multiples	2019	2020E	2021E
P/E	8.6	n.a.	3.1
EV/EBIT	9.2	n.a.	3.3
P/NAV	0.3	0.4	0.3
Div. Yield	0.0%	6.8%	7.1%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2020

Liquid Assets	€ 0.40m
Current Assets	€ 2.44m
Intangible Assets	€ 250.84m
Total Assets	€ 253.33m
Current Liabilities	€ 9.09m
Shareholders' Equity	€ 238.99m

SHAREHOLDERS

Magnum	60.0%
Baring Fund Managers	1.7%
KBC Asset Management SA	1.3%
Free Float	37.0%



Adjusting fair value per share to new share count MPH completed a reverse stock split at a 10:1 ratio. The 22 July 2020 AGM resolved to reduce the MPH share capital from €42,813,842 to €42,813,840 by withdrawing 2 no-parvalue shares. This paved the way for a smooth reverse split ratio, whereby MPH shareholders received one new converted share (ISIN DE000A289V03) with a proportionate amount of €1.00 in the share capital for every 10 old shares (ISIN DE000A0L1H32). The converted shares have a 23 September 2020 record date and participate in profits as of 1 January 2020.

Unit	Shareholdings '000	SO '000	MPH stake %	Share price* €	Fair value ¹ €	Projected value €m
M1 Kliniken AG	13,155	19,643	67%	9.2	20.5	270
CR Capital Real Estate AG	2,150	3,756	57%	32.2	37.0	80
Projected value of listed holdings						349

* Source: Bloomberg (Previous day's closing price)

Fair value of listed portfolio	€m	349
Non-listed investment (book value)	€m	27
Net debt	€m	16
Present value of holding costs	€m	-41
Total fair value	€m	319
MPH shares outstanding	m	4
Fair value per share	€	75

¹ First Berlin Equity Research currently covers CR Capital (Buy / PT: €37) and HAEMATO AG (Buy / PT: €48)



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019	2020E	2021E	2022E
Pro-forma revenues¹	347,504	365,638	315,567	353,698	418,221	477,077
Fair value gains on financial assets	25,583	31,019	33,747	15,615	27,100	16,563
Income from participations	848	170	780	350	400	400
Investment income	7,380	8,317	6,651	1,500	10,199	10,302
Other operating income	425	28	43	43	45	47
Operating revenue	34,236	39,534	41,221	17,508	37,744	27,312
SG&A	-1,177	-1,146	-934	-981	-1,030	-1,081
Other OpEx	-360	-703	-1,494	-1,569	-1,647	-1,729
Fair value loss on financial assets	-392	0	-27,207	-36,933	-3,000	-3,000
Depreciation & amortisation	-21	-45	-11	-12	-20	-12
EBIT	32,286	37,640	11,575	-21,986	32,047	21,488
Interest expense	-499	-507	-540	-540	-540	-540
Interest income	332	209	15	55	0	0
EBT	32,119	37,342	11,050	-22,471	31,507	20,948
Income taxes	-264	-317	27	449	-630	-419
Net income / loss	31,855	37,025	11,076	-22,022	30,877	20,530
Minority interests	0	0	0	0	0	0
Net income after minorities	31,855	37,025	11,076	-22,022	30,877	20,530
EPS (in €)	7.44	8.65	2.59	-5.14	7.21	4.80

¹Pro-forma revenue of M1 Kliniken, HAEMATO and CR Capital as a reference.



BALANCE SHEET

All figures in EUR '000	2017	2018	2019	2020E	2021E	2022E
Assets						
Current assets, total	8,288	1,152	2,238	973	3,845	6,587
Cash and equivalents	1,239	1,018	1,798	514	3,365	6,085
ST financial assets	7,046	64	305	311	317	324
Trade receivables	0	3	4	4	4	4
Inventories	0	7	0	0	0	0
Other ST assets	3	60	131	144	159	174
Non-current assets, total	249,069	285,101	290,908	266,590	288,192	299,256
Property, plant & equipment	4	2	56	57	58	59
Goodwill & other intangibles	18	1	1	1	1	1
Financial assets	249,047	285,098	290,851	266,533	288,133	299,196
Total assets	257,357	286,253	293,145	267,564	292,037	305,842
Shareholders' equity & debt						
Current liabilities, total	229	327	15,724	150	155	159
Trade payables	37	28	24	24	24	24
Provisions	70	99	91	94	97	99
Other ST financial liabilities	90	87	15,578	0	0	0
Other current liabilities	32	113	31	33	34	36
Long-term liabilities, total	16,483	16,798	5,779	17,793	17,807	17,821
Long-term debt	14,000	14,000	3,000	15,000	15,000	15,000
Deferred tax liabilities & others	2,483	2,798	2,779	2,793	2,807	2,821
Shareholders' equity	240,665	269,127	271,642	249,621	274,076	287,862
Minority interests	0	0	0	0	0	0
Total equity	240,665	269,128	271,642	249,621	274,076	287,862
Total consolidated equity and debt	257,377	286,253	293,145	267,564	292,037	305,842
NAV	240,665	269,128	271,642	249,621	274,076	287,862
NAVPS (€)	56.2	62.9	63.5	58.3	64.0	67.2



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020E	2021E	2022E
Net income	31,855	37,025	11,076	-22,022	30,877	20,530
Depreciation and amortisation	21	45	11	12	20	12
Revaluation gains	-25,946	-30,360	-6,540	21,312	-24,107	-13,569
Changes in working capital	2,485	7,058	-93	5	4	3
Other adjustments	-457	-830	384	0	0	0
Net financial result	167	299	526	485	540	540
Tax expense	264	317	-26	-449	630	419
Operating cash flow	8,389	13,554	5,337	-657	7,965	7,935
Investment income	-7,380	-8,317	-6,651	-1,500	-10,199	-10,302
Tax paid	0	-41	-38	449	-630	-419
Net operating cash flow	1,009	5,196	-1,352	-1,708	-2,864	-2,786
CapEx	-11	-11	-52	-12	-22	-13
Payments from acquisitions of consolidated companies & other business units	-15,978	0	1,856	0	0	0
Proceeds from disposal of fixed assets	13,160	11,783	17,661	3,000	2,500	2,500
Payments for investment in financial assets	0	-16,644	-19,116	0	0	0
Investment income	7,380	8,317	6,378	1,500	10,199	10,302
Interest income	332	208	15	55	0	0
Cash flow from investing	4,883	3,653	6,742	4,543	12,677	12,788
Equity inflow, net	0	0	0	0	0	0
Debt inflow, net	0	0	4,492	-3,578	0	0
Dividend paid to shareholders	-5,137	-8,563	-8,562	0	-6,422	-6,743
Interest expense	-499	-507	-540	-540	-540	-540
Cash flow from financing	-5,636	-9,070	-4,611	-4,118	-6,962	-7,283
Net cash flows	256	-221	780	-1,284	2,851	2,719
Cash, start of the year	983	1,239	1,018	1,798	514	3,365
Cash, end of the year	1,239	1,018	1,798	514	3,365	6,085
Free cash flow (FCF)	5,892	8,849	5,390	2,834	9,813	10,002
Y-Y Growth						
Operating cash flow	n.a.	415.0%	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.a.	50.2%	-39.1%	-47.4%	246.2%	1.9%

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 October 2012	€24.55	Buy	€55.00
2...16	↓	↓	↓	↓
17	23 November 2017	€35.41	Buy	€69.00
18	13 June 2018	€50.63	Buy	€71.00
19	15 August 2019	€37.62	Buy	€75.00
20	30 June 2020	€27.94	Buy	€75.00
21	16 September 2020	€26.00	Buy	€75.00
22	Today	€22.20	Buy	€75.00

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