

M1 Kliniken AG^{*5a,11}

Rating: BUY

Target Price: 21.30 €
(previous TP: 21.30 €)

Current price: 12.10
03/09/19 / XETRA / 2:09 pm
currency: EUR

Key information:

ISIN: DE000A0STSQ8
WKN: A0STSQ
Ticker symbol: M12
Number of shares³: 17.500
Marketcap³: 211.75
EnterpriseValue³: 174.82
³ in € million

Transparency level:
Open Market

Market segment:
Freiverkehr

Accounting standard:
IFRS

FY-End: 31/12

Designated Sponsor:
Oddo Seydler Bank
Kepler Cheuvreux

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* catalogue of potential conflicts of interest on page 6

Date (time) first completion:
03/09/2019 (2:55 pm)

Date (time) first distribution:
04/09/19 (11:00 am)

Target price valid until: max.
31/12/2020

Company profile

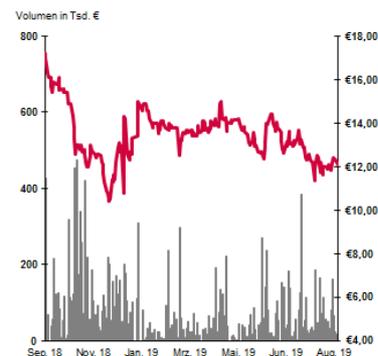
Sector: Clinic and services

Focus: Medical beauty treatments

Founded: 2007

Headquarter: Berlin

Executive Board: Patrick Brenske, Dr. Walter von Horstig



The M1 Kliniken Group operates specialist medical centres for aesthetic and plastic surgery at sites in densely populated areas of Germany. The company covers a highly specialised range of aesthetic medical treatments, which are performed by experienced doctors to the highest standards at very competitive prices. Its subsidiary, M1 Aesthetics GmbH, specialises in purchasing and distributing pharmaceutical, medical and medical technology products for aesthetic medicine, plastic surgery and cosmetic dermatology.

P&L in EURm \ FY-End	31/12/2018	31/12/2019e	31/12/2020e	31/12/2021e
Sales	65.21	81.75	100.45	117.63
EBITDA	7.17	8.38	10.36	14.66
EBIT	6.46	7.93	9.86	14.16
Net profit	6.61	7.62	8.60	11.00

Per Share Ratios in EUR

EPS	0.38	0.44	0.49	0.63
DPS	0.30	0.30	0.35	0.40

Ratios

EV/Sales	2.68	2.14	1.74	1.49
EV/EBITDA	24.38	20.86	16.87	11.92
EV/EBIT	27.06	22.05	17.73	12.35
P/E-Ratio	32.03	27.79	24.62	19.25
Book-Value	3.32			

Financial dates

****last research published by GBC:**

Date: Publication / Target Price in EUR / Rating

06/08/2019: RS / 21.30 / BUY

24/09/2018: RS / 19.00 / BUY

17/05/2018: RS / 18.50 / BUY

16/10/2017: RS / 16.15 / BUY

** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

COMPANY DEVELOPMENT 1.HY 2019

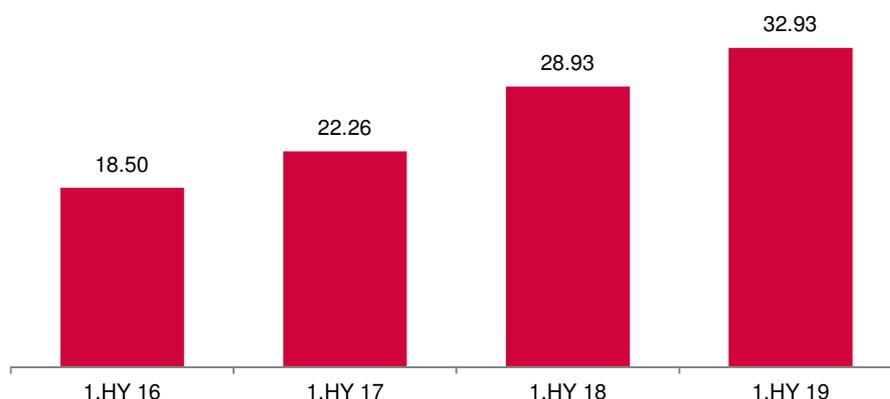
P&L (in €m)	1.HY 2017	1.HY 2018	1.HY 2019
Revenue	22.26	28.93	32.93
EBIT	4.16	3.46	4.65
EBIT-margin	18.7%	12.0%	14.1%
EAT	3.69	3.37	4.00

Source: M1 Kliniken AG; GBC AG

Revenue and earnings development 1.HY 2019

In the first six months of 2019, M1 Kliniken AG opened a total of four new specialist centres, including centres in Dortmund and Melbourne, which serve as a second international location (each M1 Med Beauty) and two new centres in Hamburg and Frankfurt am Main for M1 Dental. In addition, a total of nine existing clinics were expanded to include the laser treatment offered by the M1 Laser brand. The M1 Group now has a total of 28 specialist centres in operation, up from 24 at the end of the 2018 financial year. According to the target communicated by the M1 management, there will be a total of 50 locations in operation by the end of 2020 financial year of which 20 are abroad. Given this target, we believe that the expansion strategy is somewhat behind schedule, but some new openings are planned for the second half of 2019.

Revenue (in €m)



Source: M1 Kliniken AG; GBC AG

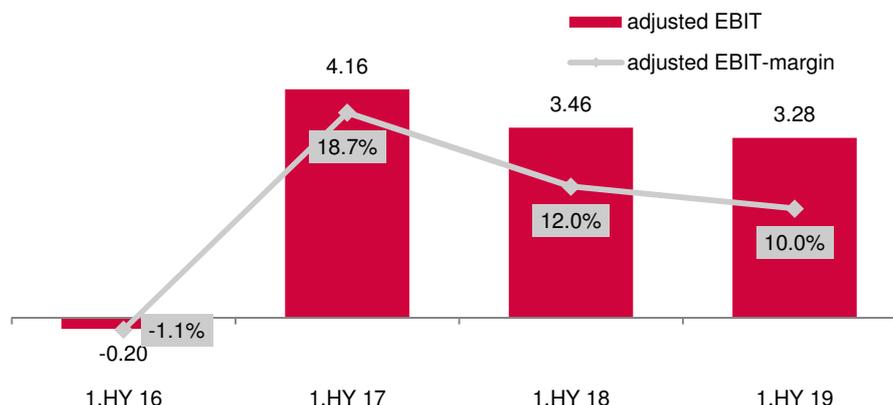
Revenue increased by 13.9% to EUR 32.93 million (previous year: EUR 28.93 million). This increase can be solely attributed to growth in high-margin treatment revenues (+42.0% to EUR 20.3 million). On the other hand, the trading segment, which is typically dominated by higher sales volumes, saw a decline in revenues by 13.7% to EUR 12.6 million (previous year: EUR 14.3 million).

The comparatively strong increase in high-margin treatment revenues is reflected in the significant improvement in the gross profit margin to 52.8% (previous year: 37.3%), which is also the highest result compared to previous reporting periods. The gross profit, adjusted for valuation income on securities held in the amount of EUR 1.36 million, also rose significantly by 48.4% to EUR 16.02 million (previous year: EUR 10.80 million).

We believe the fact that the EBIT did not participate on the strong gross profit increase is primarily due to the ongoing high initial costs of the new specialist centres. Typically, the newly opened centres make relatively low revenue contributions in the first few months, and show at the same time the full amount of operative costs. As a result, adjusted EBIT decreased to EUR 3.28 million (previous year: EUR 3.46 million). At the cost level, there

has been a significant increase in other operating expenses, in particular, to EUR 5.78 million (previous year: EUR 2.80 million), which can be attributed to investments in connection with the increase in the number of sites, among other things. Taking valuation income on listed securities into account, M1 Kliniken AG had a significantly higher EBIT of EUR 4.64 million (previous year: EUR 3.46 million).

Adjusted EBIT (in €m) and adjusted EBIT-margin (in %)



Source: M1 Kliniken AG; GBC AG

Balance Sheet and Cashflow as of 30/06/2019

in Mio. €	31/12/2017	31/12/2018	30/06/2019
Equity (Equity ratio)	47.28 (93.5%)	63.74 (91.6%)	67.75 (77.2%)
Operating assets	4.26	5.84	17.79
Leasing debt (IFRS 16)	0.00	0.00	12.46
Long- and short-term financial assets	12.54	11.78	22.83
Cash	14.69	25.38	15.33
Cashflow - operating	2.09	2.86	0.64
Cashflow - investing	-4.65	-1.94	-9.66
Cashflow - financing	11.44	9.78	-1.03

Source: M1 Kliniken AG; GBC AG

The first-time application of IFRS 16 resulted in a EUR 12.46 million increase in the balance sheet for M1 Kliniken AG. This is reflected in an increase in fixed assets, while the short and long-term leasing liabilities increased at the same level on the liabilities side. Based on this alone, M1 Kliniken AG's equity ratio decreased to 77.2% (31/12/18: 91.6%). However, shareholders' equity still dominates the liabilities side of the M1 balance sheet, which continues to show very low bank liabilities.

The assets side of the M1 balance sheet is still characterised by the liquid assets and securities of listed companies in the amount of EUR 38.16 million (31/12/18: EUR 37.16 million). In the first six months of 2019, the stock of securities has been expanded, which resulted in a sharp decline in investment cash flow. However, the investment requirements for the operating business are generally limited and are usually restricted to the equipment of the specialist centres and to the necessary treatment devices. The investment volume for each location is in a low six-digit range.

FORECASTS AND VALUATION

P&L (in €m)	FY 2018	FY 2019e	FY 2020e	FY 2021e
Revenue	65.21	81.75	100.45	117.63
EBIT	6.46	7.93	9.86	14.16
EBIT-margin	9.9%	9.7%	9.8%	12.0%
EAT	6.61	7.78	8.82	11.00
EPS in €	0.38	0.45	0.50	0.63

Source: GBC AG

The first six months of 2019 are in line with the business development of M1 Kliniken AG, which has thus far been characterised by continued growth. With a 13.9% growth in revenues to EUR 32.93 million, this is a good basis for achieving our 2019 sales forecasts (EUR 81.75 million; +25.3%). In the second half of 2019, however, a significant increase of revenues is still needed. We expect that the four treatment centres that were added in 2019 will make significant sales contributions in the second half of the ongoing financial year 2019. There are also currently other treatment centres in their opening phase, which should also have a positive impact on Group sales. In parallel with the new openings, the company is also planning to extend the treatment capacities of the existing sites, which can be implemented relatively quickly. Finally, the volume of trading revenues, which is generally significantly stronger, should increase in the second half of the year.

In principle, the company's mid-term planning, which states that the number of specialist centres for the beauty segment is expected to increase to 50 by the end of 2020 (of which, 20 are abroad), is still valid. As well as expanding the network of clinics in the beauty sector, there is an increasing focus on new treatments such as laser treatments (M1 Laser) and aesthetic dentistry (M1 Dental). While M1 Laser can be readily implemented into the existing network of clinics, M1 Dental is operated each in individual centers.

In future, trading the company's own products under the brand name M1 Select will also gain in importance. The high-quality cosmetic products currently distributed through the company's own online channels and its network of clinics are to be gradually more strongly positioned for sale in the B2C sector. Here, for example, there should be potential to tap into new revenue through the planned medium-term implementation of over-the-counter retailing.

Our revenue and earnings forecasts remain unchanged from our last research study (see study dated 06/08/2019). The expected double-digit revenue growth includes the planned location expansions, expanding the range of treatments and the launch of the B2B business. With regard to EBIT, we continue to expect only a disproportionate increase at first, which is due to the initial costs for the new clinics. The EBIT margin level is expected to rise from 2021.

Based on the unchanged forecasts, we confirm our stock price target of EUR 21.30 and therefore continue to issue a BUY rating.

ANNEX

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2. The research report is simultaneously made available to all interested investment services companies.

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BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
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