

MPH Health Care AG

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

Q1/21
 Results

RATING
BUY

PRICE TARGET
€ 75.00

Return Potential 163.2%
 Risk Rating High

Q1 RESULTS EVIDENCE REBOUND POTENTIAL

First quarter KPIs reflected the share price recovery of the holdings led by a 13% gain in M1 Kliniken shares during the period. This propelled a strong Y/Y turnaround in Q1 EBIT to €22m (Q1/20: €88m). Last year's figure was burdened by the rout of global bourses during the early stages of the pandemic. NAVPS climbed to €52 at the end of Q1 (+11% YTD). Full year reporting confirmed preliminary figures, and we see good share price rebound potential for M1, while CR Capital is primed for a strong year based on encouraging Q1 results. Our rating remains Buy with an unchanged €75 price target.

Latest developments at M1 First quarter results continued to be shaped by Covid-19 with the core beauty treatment business held back by pandemic countermeasures. Beauty Segment revenue reached €13.0m in the first quarter (Q1/20: €11.5m), thanks to a late quarter surge in treatments. The Trading Segment benefited from the first time consolidation of HAEMATO AG activities helping propel M1 group turnover to €81m vs €23m in the prior year period. The specialty pharma dealer is realising strong synergies with the re-homing of M1 Aesthetics under the HAEMATO roof leading to higher sales volumes and margins. M1's EBITDA tallied €4.0m vs €1.4m in Q1/20, and the company continues to expand its clinic network opening the doors at four new German sites as of May with another two planned by YE21.

M1 stock offers good rebound potential M1 shares tumbled some 35% last year in the wake of pandemic induced clinic closures and restricted capacity once facilities re-opened. And M1 still traded 33% below pre-lockdown levels at the end of Q1. Full year 2020 reporting confirmed the company was able to absorb the downturn without severe long-term effects on its balance sheet—the YE20 equity ratio was 61%, and pent up demand may trigger a boom in treatments. Germany is starting to loosen restrictions encouraged by declining incidence rates and accelerating vaccinations. Once M1 facilities. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020	2021E	2022E
Operating revenue (€m)	34.24	39.53	41.22	3.43	44.84	23.97
Y/Y growth	n.a.	0.2%	0.0%	-0.9%	12.1%	-0.5%
EBIT (€m)	32.29	37.64	11.58	-71.02	41.50	19.58
EBT (€m)	32.10	37.34	11.05	-71.45	41.45	19.50
Net income (€m)	31.86	37.03	11.08	-70.38	40.57	19.08
EPS (diluted) (€)	7.44	8.65	2.59	-16.44	9.48	4.46
DPS (€)	2.00	2.00	0.00	0.00	1.50	1.58
NAVPS (€)	56.22	62.87	63.45	47.01	56.49	59.44
Net gearing	2.4%	4.8%	6.1%	1.7%	-0.9%	-2.4%
Liquid assets (€m)	8.29	1.08	2.10	4.23	5.58	9.35

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 10 Jun 2021

Closing Price	€ 28.50
Shares outstanding	4.28m
Market Capitalisation	€ 122.01m
52-week Range	€ 18.66 / 32.10
Avg. Volume (12 Months)	2,947

Multiples	2020	2021E	2022E
P/E	n.a.	3.0	6.4
EV/EBIT	n.a.	3.1	6.6
P/NAV	0.6	0.5	0.5
Div. Yield	0.0%	5.3%	5.5%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2020

Liquid Assets	€ 0.37m
Current Assets	€ 4.32m
Financial Assets	€ 206.35m
Total Assets	€ 210.71m
Current Liabilities	€ 4.74m
Shareholders' Equity	€ 201.26m

SHAREHOLDERS

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



. . . get the green light to fully re-open, demand could spike to unprecedented levels. Elective beauty procedures were largely put on hold in spring of 2020. However, as the population adopted digital lifestyles and spent too much time looking at themselves on camera, we suspect many will desire a fresh start and look into a post-pandemic world.

Table 1: M1 2020 financial highlights

in € '000	2020	2019	variance
Cash	21,960	9,098	141%
Financial debt (short- and long-term)	30,563	2,460	1142%
Net debt	8,603	-6,638	-230%
Total assets	188,741	92,814	103%
Total equity	115,319	68,222	69%
Equity ratio	61%	74%	-

Source: First Berlin Equity Research; M1 Kliniken AG

BUSINESS IS BOOMING AT CR CAPITAL

CR Capital published headline KPIs for 2020 with total output hitting €154m vs €96m in the prior year. The company will propose a dividend of €1.50 per share on 2020 earnings to the 19 August 2021 AGM.

And the residential property developer is off to a good start in 2021 recently reporting the sale of 161 units in its Rousseau Park project for €54m in revenue. A full pipeline includes >600 units under development equating to a potential sales volume of around €190m. Management look for double-digit bottom line growth in 2021 and expect an increase in the dividend for next year.

No end in sight to the cycle We continue to like CR Capital for its position in the residential property segment. The company specialises in the construction of affordable housing predominantly in Leipzig, Berlin, and the Berlin exurbs and is benefiting from a residential market that continues to be shaped by an acute housing shortage, particularly for affordable homes, and soaring rents. Plus, owning a town house or flat has rarely been so attractive, thanks to rock bottom mortgage lending rates (~0.75%) coupled with an €18k KfW loan credit and another €12k child benefit subsidy.

Opening up the property market to investors of all sizes Now the company wants to create opportunities for non-institutional investors to participate in Germany's property boom via a new digital platform and the launch of a REIT. The new open-ended fund will provide access to opportunities normally reserved for high net-worth individuals and institutions. Investors will enjoy the tax benefits and potential returns normally associated with private equity but without the common six-digit buy-ins. Given current trends in German residential, we think demand for these products will be high.



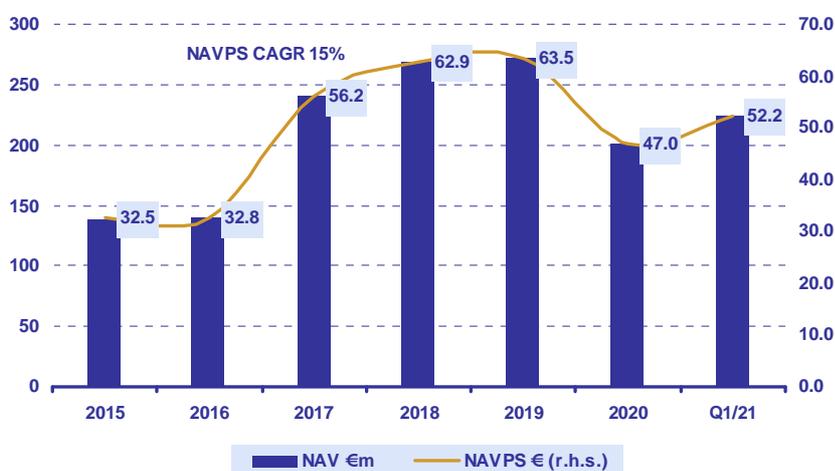
ANNUAL RESULT HIGHLIGHTS

MPH also published audited figures since our last update confirming prelims (see note of 6 May 2020). The sharp decline in total assets owes to the non-cash write downs of the investments, which now offer good rebound potential with pandemic restrictions easing.

NAVPS growth disrupted by pandemic NAV declined to €201m (2019: €272m) at YE20 corresponding to NAVPS of €47. The performance owes to the €-70m net loss traced to €-60m in non-cash fair value write-downs plus €-12m in investment income.

M1 was the primary culprit. Last year the company's earnings were burdened by clinic closures and restrictions limiting the number of treatments and fuelling a 35% decline in its share price.

Figure 1: NAV and NAVPS developments



Source: First Berlin Equity Research; MPH Health Care AG

Balance sheet in good shape with 96% equity ratio MPH management will propose to the 21 July AGM not to distribute a dividend on 2020 results to preserve financial firepower for potential expansion of the investment portfolio. Given the operational prospects for M1 Kliniken and CR Capital and their respectively undervalued share prices, this seems like a prudent decision.

Table 2: YE20 Financial highlights

All figures in EUR '000	2020	2019	variance
Cash	369	1,796	-79%
Financial assets	206,346	290,851	-29%
Financial debt (short- and long-term)	7,613	18,574	-59%
Net debt	7,244	16,778	-57%
Total assets	210,707	293,144	-28%
Shareholders' equity	201,262	271,641	-26%
Equity ratio	96%	93%	-
NAV	201,262	271,642	-26%
NAVPS (€)	47.0	63.5	-26%

Source: First Berlin Equity Research; MPH Health Care AG



VALUATION MODEL

We use a sum-of-the-parts valuation methodology to value MPH. Value is driven by the projected fair value of M1 Kliniken and CR Capital, which we have valued separately on a DCF basis. Shareholdings reflect 2020 reporting. We remain Buy-rated on MPH with an unchanged €75 price target.

Unit	Shareholdings '000	SO '000	MPH stake %	Share price* €	Fair value per share ¹ €	Projected value €m
M1 Kliniken AG	12,676	19,643	65%	11.2	20.0	254
CR Capital Real Estate AG	2,150	3,756	57%	33.6	37.0	80
Projected value of listed holdings						333

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

	Unit	Value
Fair value of listed portfolio	€m	333
Non-listed investment (book value)	€m	24
Net debt	€m	3
Present value of holding costs	€m	-32
Total fair value	€m	321
MPH shares outstanding	m	4
Fair value per share	€	75

¹ First Berlin Equity Research covers CR Capital (Buy / PT: €37); M1 fair value is based on a DCF



COMPANY PROFILE

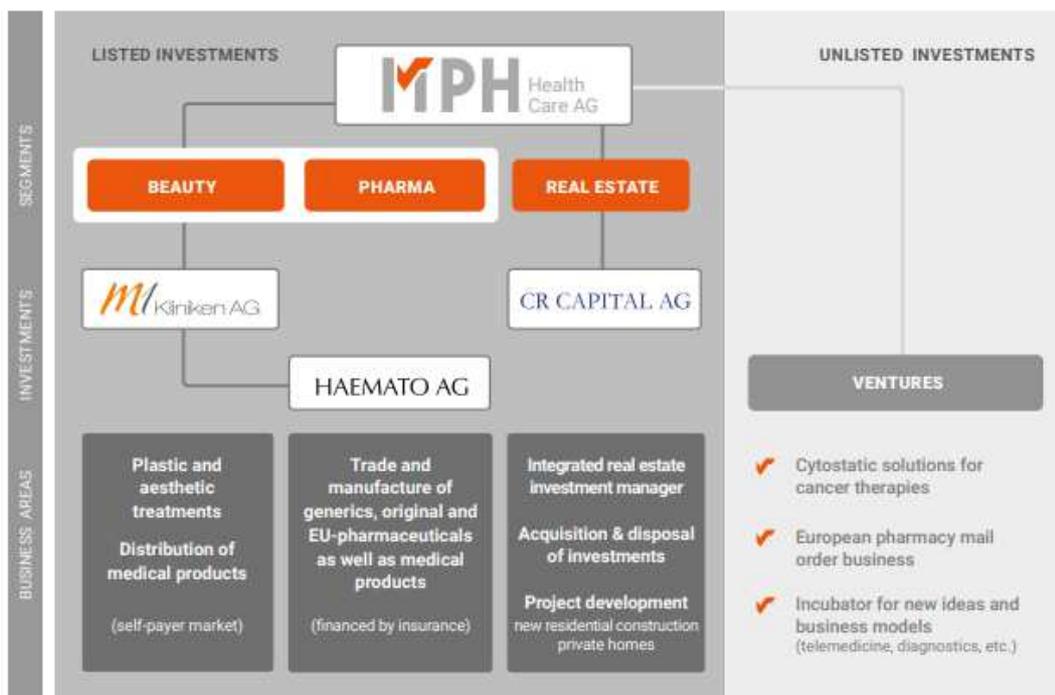
MPH Health Care AG is an investment company focused on the high-growth segments of the health care market and the residential property industry. The health care holdings are exposed to both the health insurance financed segment (first health care market) and the privately financed segment (second health care market), which is spurred by elective procedures.

German and European populations are aging and life expectancies are lengthening, thus heightening the importance of affordable health care and pharmaceuticals. Meanwhile, beauty-lifestyle services are rising in popularity supported by greater prosperity to afford vanity treatments.

The German residential property market is in the midst of a supercycle fuelled by a large demand / supply gap for affordable housing. Given the acute shortage of centrally located housing stock across German metropolises, urbanites are increasingly looking to the exurbs for affordable space.

MPH works closely with its portfolio companies to exploit these opportunities and generate profitable growth of its participations and accretive value for MPH shareholders. The company also continues to assess investment opportunities in other high-growth sectors for expansion.

Figure 2: Overview of portfolio and market exposure



Source: MPH Health Care AG



INCOME STATEMENT

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Fair value gains on financial assets	25,583	31,019	33,747	0	39,391	14,397
Income from participations	848	170	780	0	400	400
Investment income	7,380	8,317	6,651	3,385	4,998	9,123
Other operating income	425	28	43	48	50	53
Operating revenue	34,236	39,534	41,221	3,433	44,839	23,973
SG&A	-1,177	-1,146	-934	-841	-883	-927
Other OpEx	-360	-703	-330	-417	-438	-460
Net loss from investments	0	0	-1,164	-12,453	0	0
Fair value loss on financial assets	-392	0	-27,207	-60,720	-2,000	-3,000
Depreciation & amortisation	-21	-45	-11	-17	-14	-11
EBIT	32,286	37,640	11,575	-71,015	41,505	19,575
Interest expense	-499	-507	-540	-510	-108	-108
Interest income	332	209	15	75	0	0
EBT	32,119	37,342	11,050	-71,450	41,397	19,467
Income taxes	-264	-317	27	1,071	-828	-389
Net income / loss	31,855	37,025	11,076	-70,379	40,569	19,078
Minority interests	0	0	0	0	0	0
Net income after minorities	31,855	37,025	11,076	-70,379	40,569	19,078
EPS (in €)	7.44	8.65	2.59	-16.44	9.48	4.46



BALANCE SHEET

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Assets						
Current assets, total	8,288	1,152	2,237	4,318	5,677	9,447
Cash and equivalents	1,239	1,018	1,797	369	1,642	5,324
ST financial assets	7,046	64	305	3,865	3,942	4,021
Trade receivables	0	3	4	0	0	0
Inventories	0	7	0	0	0	0
Other ST assets	3	60	131	84	92	102
Non-current assets, total	249,069	285,101	290,908	206,390	241,298	250,195
Property, plant & equipment	4	2	56	43	61	62
Goodwill & other intangibles	18	1	1	0	0	0
Financial assets	249,047	285,098	290,851	206,346	241,237	250,133
Total assets	257,357	286,253	293,144	210,707	246,975	259,642
Shareholders' equity & debt						
Current liabilities, total	229	327	15,724	4,742	432	435
Trade payables	37	28	24	36	36	36
Provisions	70	99	91	74	76	79
Other ST financial liabilities	90	87	15,578	4,613	300	300
Other current liabilities	32	113	31	19	20	21
Long-term liabilities, total	16,483	16,798	5,779	4,703	4,712	4,720
Long-term debt	14,000	14,000	3,000	3,000	3,000	3,000
Deferred tax liabilities & others	2,483	2,798	2,779	1,703	1,712	1,720
Shareholders' equity	240,665	269,127	271,641	201,262	241,831	254,487
Minority interests	0	0	0	0	0	0
Total equity	240,665	269,128	271,641	201,262	241,831	254,487
Total consolidated equity and debt	257,377	286,253	293,144	210,707	246,975	259,642
NAV	240,665	269,128	271,641	201,262	241,831	254,487
NAVPS (€)	56.2	62.9	63.5	47.0	56.5	59.4



CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019	2020	2021E	2022E
Net income	31,855	37,025	11,076	-70,379	40,569	19,078
Depreciation and amortisation	21	45	11	17	14	11
Revaluation gains	-25,946	-30,360	-6,540	60,720	-37,391	-11,397
Changes in working capital	2,485	7,058	-93	-3,581	-74	-76
Other adjustments	-457	-830	384	12,453	0	0
Net financial result	167	299	526	510	108	108
Tax expense	264	317	-26	-1,071	828	389
Operating cash flow	8,389	13,554	5,337	-1,331	4,053	8,113
Investment income	-7,380	-8,317	-6,651	-1,500	-4,998	-9,123
Tax paid	0	-41	-38	41	-828	-389
Net operating cash flow	1,009	5,196	-1,352	-2,790	-1,772	-1,400
CapEx	-11	-11	-52	-4	-32	-12
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	11,332	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	4,998	9,123
Interest income	332	208	15	0	0	0
Cash flow from investing	4,883	3,653	6,742	12,828	7,466	11,612
Equity inflow, net	0	0	-1	-4	0	0
Debt inflow, net	0	0	4,492	-11,000	-4,313	0
Dividend paid to shareholders	-5,137	-8,563	-8,562	0	0	-6,422
Interest expense	-499	-507	-540	-462	-108	-108
Cash flow from financing	-5,636	-9,070	-4,611	-11,466	-4,421	-6,530
Net cash flows	256	-221	779	-1,428	1,273	3,682
Cash, start of the year	983	1,239	1,018	1,797	369	1,642
Cash, end of the year	1,239	1,018	1,797	369	1,642	5,324
Free cash flow (FCF)	5,892	8,849	5,390	10,038	5,694	10,212
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%	86.2%	-43.3%	79.3%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

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.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

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	7 December 2020	€22.20	Buy	€75.00
23	6 May 2021	€27.40	Buy	€75.00
24	Today	€28.50	Buy	€75.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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- key sources of information in the preparation of this research report
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