

M1 Kliniken AG

Germany / Healthcare Facilities & Services
 Frankfurt
 Bloomberg: M12 GR
 ISIN: DE000A0STSQ8

9M/24 KPIs

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 28.00

71.3%
 High

ANOTHER SMOOTH QUARTER

M1 Kliniken's thriving Beauty business remained the group mainspring in Q3 paving the way for good sales and earnings growth. Group turnover was close to FBe, but operating income overshot our estimate by 9% on the back of 41% Y/Y EBIT growth registered by the Beauty segment. Meanwhile, Trade segment KPIs remained stable with a 2% EBIT margin on €67m in turnover for the September quarter. M1 now operates 63 treatment centres after opening 4 new practices in Germany and another one in Austria this year. We have nudged our 2024 targets higher to account for the 9M/24 outperformance and remain Buy-rated on M1 with an unchanged €28 target price.

Another smooth quarter The group topline eclipsed €257m at the nine month juncture (+9% Y/Y) and included €71m in Beauty segment sales (+33%) and Trade turnover of €186m (+2%). The injectables business notched a record EBIT margin of 28% in the July-to-September period on a €22.4m topline. M1 no longer breaks out the performances of its German and international clinic networks. But the strong margin performance fits with our assumption that the bigger stable of mature clinics can now better absorb roll-out costs traced to new centres, thereby keeping Beauty margins well north of the targeted 20% floor. Plus, M1's current expansion is focused on its home market, where business is cheaper to ramp up.

Staying the course The company now operates 63 treatment centres after opening 4 German clinics in Berlin, Regensburg, Bayreuth, and Zwickau, plus one abroad in Innsbruck, Austria this year. Aside from new clinics, M1 is also focused on boosting the overall doctor hours—either through new specialists or added shifts—as part of its growth path. Management confirmed its medium-term guide calling for 150 to 200 clinics and €200m to €300m in sales for its beauty business by 2029. The company also said it is still weighing strategic options for each business segment after drawing interest from several private equity outfits (see note of 6 September 2024). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€m)	314.6	285.3	316.3	342.7	371.7	414.8
Y/Y growth	97.1%	-9.3%	10.9%	8.3%	8.5%	11.6%
EBIT (€m)	12.1	9.3	15.7	23.8	25.8	30.5
EBIT margin	3.9%	3.3%	5.0%	6.9%	6.9%	7.3%
Net income (€m)	8.9	4.3	10.3	15.2	16.8	19.9
EPS (diluted) (€)	0.45	0.22	0.53	0.80	0.88	1.05
DPS (€)	0.00	0.00	0.50	0.55	0.60	0.65
FCF (€m)	15.9	19.7	-1.6	21.9	22.5	24.7
Net gearing	7.5%	-10.8%	-20.4%	-11.3%	-7.4%	-11.8%
Liquid assets (€m)	37.9	35.1	22.4	15.1	22.0	30.2

RISKS

Risks include, but are not limited to the ability to retain management and key medical staff, legal and market risks.

COMPANY PROFILE

M1 Kliniken AG is a provider of aesthetic medical procedures at competitive prices. The company is headquartered in Berlin and controls an extensive network of ~60 beauty clinics across Germany, continental Europe, the UK, and Australia. The company also operates a pharmaceutical trade and parallel import business through its Haemato AG subsidiary.

MARKET DATA

As of 16 Dec 2024

Closing Price	€ 16.35
Shares outstanding	19.64m
Market Capitalisation	€ 321.16m
52-week Range	€ 10.10 / 22.60
Avg. Volume (12 Months)	25,843

Multiples	2023	2024E	2025E
P/E	30.8	20.5	18.5
EV/Sales	1.1	1.0	1.0
EV/EBIT	22.7	15.0	13.8
Div. Yield	3.1%	3.4%	3.7%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2024

Liquid Assets	€ 10.30m
Current Assets	€ 99.70m
Intangible Assets	€ 87.80m
Total Assets	€ 202.70m
Current Liabilities	€ 56.80m
Shareholders' Equity	€ 136.40m

SHAREHOLDERS

MPH Healthcare AG	69.1%
Free Float	30.9%

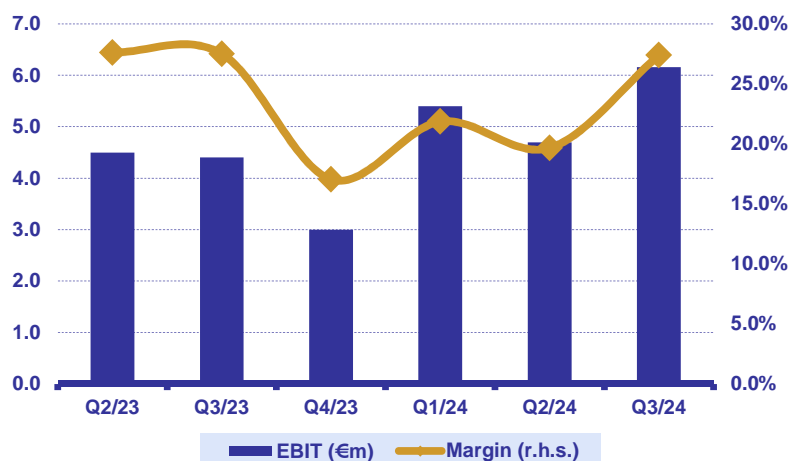


Table 1: Third quarter results vs FBe and prior year

EURm	Q3/24	Q3/24E	Variance	Q3/23	Variance	9M/24	9M/23	Variance
Revenue	89.5	84.0	7%	85.8	4%	257.2	236.6	9%
Beauty	22.4	20.0	12%	16.0	40%	71.0	53.2	33%
Trade	67.1	64.0	5%	69.8	-4%	186.2	183.4	2%
EBIT	7.6	7.0	9%	5.6	36%	22.1	12.9	71%
Beauty	6.2	5.4	15%	4.4	41%	16.3	12.5	30%
Margin	28%	27%	-	28%	-	23%	23%	-
Trade	1.4	1.6	-13%	1.2	17%	5.8	0.4	n.m
Margin	2%	3%	-	2%	-	3%	0%	-
Net income	4.4	4.2	5%	0.7	529%	14.3	4.1	249%
Margin	5%	5%	-	1%	-	6%	2%	-

Source: First Berlin Equity Research; M1 Kliniken AG

Figure 1: Beauty segment EBIT developments



Source: First Berlin Equity Research; M1 Kliniken AG

Third quarter sales overshoot FBe by 7%, but Beauty segment earnings generated a double digit beat (+15%). We have thus bumped up our Q4 estimates to reflect the overall September quarter performance with only minor adjustments to the following years.

Table 2: Changes to estimates and target price

	old	new	revision	upside	dividend yield	total return
Price target (€)	28.0	28.0	0.0%	71.3%	3.4%	74.6%
	2024E			2025E		
All figures in € '000	old	new	revision	old	new	revision
Revenue	333,149	342,728	2.9%	371,733	371,733	0.0%
Beauty sales	80,545	90,877	12.8%	99,116	105,078	6.0%
Trade sales	252,604	251,851	-0.3%	266,655	266,655	0.0%
EBITDA	23,772	29,199	22.8%	30,346	31,251	3.0%
Margin (%)	7.1%	8.5%	-	8.2%	8.4%	-
EBIT	19,745	23,771	20.4%	24,879	25,784	3.6%
Margin (%)	5.9%	6.9%	-	6.7%	6.9%	-

Source: First Berlin Equity Research estimates



VALUATION MODEL

Maintain Buy rating and €28 target price M1 delivered another solid quarter led by an injectables business that continues to grow sales and profits at a solid clip. We see no reason to temper optimism that these dynamics will continue, thanks to a business model tailored to capitalise on a thriving rejuvenation market.

Table 3: DCF model

in EUR'000	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	342,728	371,733	414,840	456,421	497,125	533,766	565,490	591,996
NOPLAT	17,828	19,338	22,839	28,976	34,760	41,213	46,856	51,910
(+) depreciation & amortisation	5,428	5,467	5,601	5,978	6,753	7,518	8,166	8,692
(=) Net operating cash flow	23,256	24,805	28,440	34,954	41,513	48,731	55,022	60,603
(-) Total investments (CapEx and WC)	-7,678	-8,882	-10,509	-10,741	-11,477	-11,773	-11,971	-11,907
(-) Capital expenditures	-5,349	-5,431	-5,638	-6,090	-6,949	-7,788	-8,495	-9,066
(-) Working capital	-2,329	-3,451	-4,871	-4,651	-4,528	-3,985	-3,476	-2,841
(=) Free cash flows (FCF)	15,578	15,923	17,931	24,213	30,036	36,958	43,051	48,696
PV of FCF's	15,526	14,430	14,775	18,143	20,464	22,896	24,252	24,944

All figures in EUR '000		Terminal EBIT margin							
		11.8%	12.3%	12.8%	13.3%	13.8%	14.3%	14.8%	
PV of FCFs in explicit period	290,384	7.0%	42.86	44.42	45.97	47.53	49.09	50.65	52.21
PV of FCFs in terminal period	233,884	8.0%	35.48	36.63	37.78	38.93	40.08	41.23	42.37
Enterprise value (EV)	524,268	9.0%	30.21	31.08	31.96	32.83	33.70	34.58	35.45
+ Net cash / - net debt	16,133	10.0%	26.26	26.94	27.62	28.29	28.97	29.65	30.33
+ Investments / minority interests	-2,746	11.0%	23.19	23.73	24.26	24.80	25.33	25.87	26.40
Shareholder value	537,655	12.0%	20.74	21.17	21.60	22.02	22.45	22.88	23.31
Fair value per share in EUR	28.00	13.0%	18.74	19.08	19.43	19.78	20.12	20.47	20.82

		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	10.5%	7.0%	40.69	42.59	44.83	47.53	50.83	54.96	60.29
Pre-tax cost of debt	7.0%	8.0%	34.51	35.77	37.23	38.93	40.94	43.35	46.30
Tax rate	25.0%	9.0%	29.84	30.71	31.70	32.83	34.13	35.65	37.45
After-tax cost of debt	5.3%	10.0%	26.20	26.82	27.51	28.29	29.18	30.19	31.36
Share of equity capital	90.0%	11.0%	23.29	23.74	24.24	24.80	25.42	26.12	26.91
Share of debt capital	10.0%	12.0%	20.91	21.25	21.62	22.02	22.47	22.97	23.53
WACC	10.0%	13.0%	18.94	19.20	19.47	19.78	20.11	20.47	20.88

*Please note our model runs through 2037 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

in EUR'000	2021	2022	2023	2024E	2025E	2026E
Revenues	314,610	285,291	316,319	342,728	371,733	414,840
Cost of goods sold	-259,305	-235,211	-266,075	-277,594	-298,089	-323,609
Gross profit	55,305	50,080	50,244	65,133	73,644	91,230
Personnel expenses	-22,129	-20,946	-17,375	-21,201	-25,012	-32,554
Other operating expenses	-16,232	-15,207	-13,533	-15,811	-18,653	-24,278
Other operating income	879	1,483	1,675	1,078	1,272	1,655
EBITDA	17,823	15,410	21,011	29,199	31,251	36,053
Depreciation & amortisation	-5,688	-6,062	-5,311	-5,428	-5,467	-5,601
Operating income (EBIT)	12,135	9,348	15,701	23,771	25,784	30,452
Net financial result	963	31	-565	-1,414	-1,485	-1,559
Other financial results	1,327	854	1,311	787	818	851
Pre-tax income (EBT)	14,425	10,233	16,447	23,143	25,117	29,743
Tax result	-3,545	-3,162	-4,779	-6,286	-6,479	-7,636
Minority interests	-1,975	-2,753	-1,392	-1,686	-1,864	-2,211
Net income / loss	8,905	4,318	10,275	15,172	16,774	19,897
Diluted EPS (in €)	0.45	0.22	0.53	0.80	0.88	1.05
Ratios						
Gross margin	17.6%	17.6%	15.9%	19.0%	19.8%	22.0%
EBITDA margin	5.7%	5.4%	6.6%	8.5%	8.4%	8.7%
EBIT margin	3.9%	3.3%	5.0%	6.9%	6.9%	7.3%
Net margin	2.8%	1.5%	3.2%	4.4%	4.5%	4.8%
Tax rate	24.6%	23.3%	36.6%	25.0%	25.0%	25.0%
Expenses as % of revenues						
Personnel costs	7.0%	7.3%	5.5%	6.2%	6.7%	7.8%
Other operating expenses	5.2%	5.3%	4.3%	4.6%	5.0%	5.9%
Depreciation & amortisation	1.8%	2.1%	1.7%	1.6%	1.5%	1.4%
Y-Y Growth						
Revenues	97.1%	-9.3%	10.9%	8.3%	8.5%	11.6%
Operating income	175.5%	-23.0%	68.0%	51.4%	8.5%	18.1%
Net income/ loss	30.5%	-51.5%	138.0%	47.7%	10.6%	18.6%



BALANCE SHEET

in EUR'000	2021	2022	2023	2024E	2025E	2026E
Assets						
Current assets, total	110,195	107,309	110,590	90,263	102,405	117,542
Cash and cash equivalents	37,868	35,149	22,383	15,051	21,998	30,189
Short-term investments	18,155	17,102	4,103	4,226	4,353	4,483
Receivables	16,308	21,773	28,021	28,169	30,553	34,096
Inventories	35,202	27,586	45,526	31,942	34,301	37,237
Other current assets	2,662	5,699	10,557	10,874	11,200	11,536
Non-current assets, total	87,916	89,716	102,364	102,286	102,250	102,287
Property, plant & equipment	15,267	17,178	13,794	13,913	14,031	14,151
Goodwill & other intangibles	60,393	60,270	87,362	87,164	87,010	86,927
Financial assets	12,003	12,003	939	939	939	939
Other assets	253	265	270	270	270	270
Total assets	198,111	197,025	212,955	192,549	204,655	219,829
Shareholders' equity & debt						
Current liabilities, total	43,417	37,466	58,249	43,172	46,731	50,835
Short-term debt	18,432	2,842	4,375	3,000	3,000	3,000
Accounts payable	12,845	19,222	33,256	17,492	18,784	20,392
Accruals	3,821	3,977	7,269	7,996	8,795	9,675
Other current liabilities	8,319	11,425	13,349	14,684	16,152	17,768
Long-term liabilities, total	14,791	16,508	11,481	12,139	12,499	12,864
Long-term debt	4,375	3,125	1,875	1,875	1,875	1,875
Other liabilities	2,289	3,059	1,782	2,283	2,484	2,686
Shareholders' equity	95,026	95,520	113,250	105,578	111,900	120,396
Minority interests	44,877	47,531	29,975	31,661	33,524	35,735
Total equity	139,903	143,052	143,224	137,238	145,424	156,131
Total consolidated equity and debt	198,111	197,025	212,955	192,549	204,655	219,829
Ratios						
Current ratio (x)	4.1	2.1	2.5	2.9	1.9	2.1
Quick ratio (x)	4.0	1.4	1.7	2.1	1.1	1.4
Net debt/(net cash)	-6,638	8,603	-15,061	-29,182	-16,133	-10,176
Net debt / EBITDA	-0.8	-1.9	-0.8	-0.3	-0.5	-0.7
Net gearing	-7.0%	9.0%	-13.3%	-27.6%	-14.4%	-8.5%
Equity ratio	70.6%	72.6%	67.3%	71.3%	71.1%	71.0%
Book value per share (in €)	4.8	4.9	5.8	5.4	5.7	6.1
Return on equity (ROE)	9.4%	4.5%	9.1%	14.4%	15.0%	16.5%



CASH FLOW STATEMENT

in EUR'000	2021	2022	2023	2024E	2025E	2026E
Net income	10,880	7,071	11,668	16,857	18,638	22,108
Depreciation and amortisation	5,644	5,862	5,311	5,428	5,467	5,601
Tax expense	3,545	3,163	4,779	6,286	6,479	7,636
Other adjustments	-1,150	-729	-1,347	-787	-818	-851
Net interest result	437	199	629	1,414	1,485	1,559
Operating cash flow	19,356	15,566	21,039	29,199	31,251	36,053
Changes in working capital	-3,650	7,585	-8,851	-549	-1,475	-2,679
Tax paid	-30	-2,164	-4,381	-5,786	-6,279	-7,436
Net operating cash flow	15,686	20,769	7,809	22,864	23,497	25,939
CapEx	-1,335	-1,773	-1,009	-1,714	-1,859	-2,074
Other investments and disposals	1,069	28	-9,048	787	818	851
Interest income	479	630	694	0	0	0
Cash flow from investing	213	-1,115	-9,363	-927	-1,041	-1,223
Free cash flow	15,899	19,654	-1,554	21,936	22,456	24,715
Debt financing, net	-4,219	-13,405	-28,372	-1,375	0	0
Equity financing, net	14,485	0	0	0	0	0
Paid dividend	-1,658	-1,823	-1,981	-9,681	-10,451	-11,401
Interest expense	-506	-399	-888	-1,414	-1,485	-1,559
Share buy-back	0	-2,146	7,577	-13,163	0	0
Rights of use	-4,075	-4,594	-4,157	-3,635	-3,573	-3,564
Cash flow from financing	4,027	-22,367	-27,821	-29,268	-15,509	-16,524
Consolidation adjustments	0	0	16,536	0	0	0
Net cash flow	19,913	-2,719	-12,766	-7,332	6,947	8,191
Cash, start of the year	21,960	37,868	35,149	22,383	15,051	21,998
Cash, end of the year	37,868	35,149	22,383	15,051	21,998	30,189
EBITDA/share (in €)	0.91	0.78	1.09	1.54	1.64	1.90
Y-Y Growth						
Operating cash flow	104.5%	-19.6%	35.2%	38.8%	7.0%	15.4%
Free cash flow	25.6%	23.6%	n.m.	n.m.	2.4%	10.1%
EBITDA/share	89.7%	-13.5%	38.3%	41.6%	7.0%	15.4%

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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	2 December 2021	€6.98	Buy	€14.00
2...7	↓	↓	↓	↓
8	2 May 2023	€7.78	Buy	€10.50
9	26 June 2023	€7.28	Buy	€10.50
10	28 September 2023	€9.16	Buy	€11.90
11	20 December 2023	€10.10	Buy	€13.20
12	26 March 2024	€12.70	Buy	€18.00
13	4 June 2024	€21.40	Buy	€18.00
14	6 June 2024	€21.80	Buy	€28.00
15	6 September 2024	€16.45	Buy	€28.00
16	Today	€16.35	Buy	€28.00

INVESTMENT HORIZON

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

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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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Legally required information regarding

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

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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