

MPH Health Care AG

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

Portfolio update
 Q1 KPIs &
 2023 report

RATING
BUY

PRICE TARGET
€ 113.00

Return Potential 242.4%
 Risk Rating High

POSITIVE NEWS FLOW FROM HOLDINGS

Q1 NAV was up some 34% Y/Y to €252m but unchanged YTD (YE23: €251m). The share performances of the M1 Kliniken and CR Energy portfolio holdings during the January-to-March period virtually negated each other. NAVPS moved in lockstep and stood at €58.8 at the end of Q1. M1 shares recently caught a sizable bid on publication of its bullish mid-term outlook and are now up some 87% YTD. The beauty specialist is now guiding for 150 to 200 clinics by YE29. Meanwhile, CRE shares moved higher on publication of its annual figures. Assuming these stock developments hold, MPH should report sizable NAV uplift with H1 reporting. We have upped our target price to €113 (old: €81). The jump owes to a 56% increase in our M1 TP to €28 (old: €18) spurred by the barnstorming growth now factored into our mid-term forecasts for the beauty specialist. We remain Buy-rated on MPH.

M1 is going all in M1 recently provided a bullish 5-year outlook calling for a massive expansion of the Beauty network to between 150 to 200 centres by YE29 (now: 61), which towers above our old target (105). M1 brass sees Beauty segment sales between €200m and €300m in 2029, while holding the EBIT margin north of 20%. The beauty specialist has traditionally been rather tight lipped about future expansion plans and guidance in general, so this is a bold departure from prior communication policies. M1 also reported a strong Q1 led by the Beauty segment. Group sales rose 10% Y/Y to €85m. Beauty chipped in turnover of €25m (+18% Y/Y) and EBIT of €5.4m (+50%) equal to a 21.9% margin for the January-to-March period. In Q4, M1 was able to buy a large quantity of injectables material at a discount, which certainly helped Q1 margins.

Full steam ahead at CR Energy The investment holding now controls a value chain that enables it to harness synergies between clean energy, affordable home building, and financial solutions. The combined operations are going full steam across various residential subsectors to tackle Germany's acute housing shortage for both middle class earners and. . . (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023	2024E	2025E
Operating rev. (€m)	3.4	13.5	30.7	34.5	37.2	38.8
Y/Y growth	-91.7%	294.6%	126.4%	12.4%	8.0%	4.3%
EBIT (€m)	-71.0	-9.1	29.6	30.2	34.5	36.0
Pre-tax income (€m)	-71.5	-9.2	29.5	29.8	34.2	35.7
Net income (€m)	-70.4	-9.0	29.1	29.5	33.5	35.0
EPS (diluted) (€)	-16.44	-2.09	6.80	6.90	7.82	8.18
DPS (€)	0.00	0.00	0.00	1.20	1.20	1.20
NAV (€m)	201.3	192.3	221.4	251.0	279.3	309.2
NAVPS (€)	47.0	44.9	51.7	58.6	65.2	72.2
Liquid assets (€m)	4.2	4.4	3.8	5.1	6.6	13.6

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 11 Jun 2024

Closing Price	€ 33.00
Shares outstanding	4.28m
Market Capitalisation	€ 141.27m
52-week Range	€ 13.65 / 34.60
Avg. Volume (12 Months)	2,470

Multiples	2023	2024E	2025E
P/E	4.8	4.2	4.0
EV/Sales	4.9	4.3	4.1
P/NAV	0.7	0.6	0.6
Div. Yield	3.6%	3.6%	3.6%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2023

Liquid Assets	€ 5.09m
Current Assets	€ 7.10m
Financial Assets	€ 259.20m
Total Assets	€ 266.40m
Current Liabilities	€ 5.00m
Shareholders' Equity	€ 250.90m

SHAREHOLDERS

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



. . . senior folk. Solartec will handle the energy efficiency upgrades, while CR Opportunities will serve as the financial mothership for the various projects. The latter is in the process of launching its maiden ELTIF for ~€100m this summer. The overall business surge is part of the recently unveiled 2027 strategy that aims for AuM (assets under management) of €1bn at CRO in 5 years.

Other CRE developments Audited 2023 reporting showed another good performance during a headwind year for the property sector. EBITDA tallied €66m vs €76m in 2022. The Y/Y decline stems from lower portfolio revaluations booked in 2023 compared with the prior year. However, operating cash flow (CFO) climbed 42% Y/Y to €23.5m allowing CRE to exit the year flush with cash (€19.5m) to deploy for growing operations. The company will propose the issuance of bonus shares at a 1:3 ratio in lieu of a cash payout to the 27 June AGM. We expect shareholders to nod this through and each CRE share will become four, which should help trading liquidity.

MPH 2023 ANNUAL RESULTS

Audited 2023 figures were close to prelims. MPH reported NAV of €251m at YE23 (+15% Y/Y), and NAVPS rose in lockstep to €51.7. The uplift owes to the €30m net profit traced to €27m in non-cash fair value write-ups plus €7.2m in investment income. The latter stems from dividend and profit distributions.

Table 1: 2023 results vs FBe and prior year

All figures in EUR '000	2023	2023E	variance	2022	variance
Operating revenue	34,457	29,887	15.3%	30,665	12.4%
Operating income	30,209	27,312	10.6%	29,562	2.2%
Net income	29,544	26,582	11.1%	29,115	1.5%
NAVPS (€)	6.9	6.2	11.1%	6.8	1.5%

Source: First Berlin Equity Research; MPH Health Care AG

Revaluation gains were mainly spurred by the 24% rally in M1 shares during 2023, the impact of which was lessened by 10% slide in the CR Energy stock price. MPH also upped its stake in CRE to 69% (old: 59%) after acquiring ~0.5m shares.

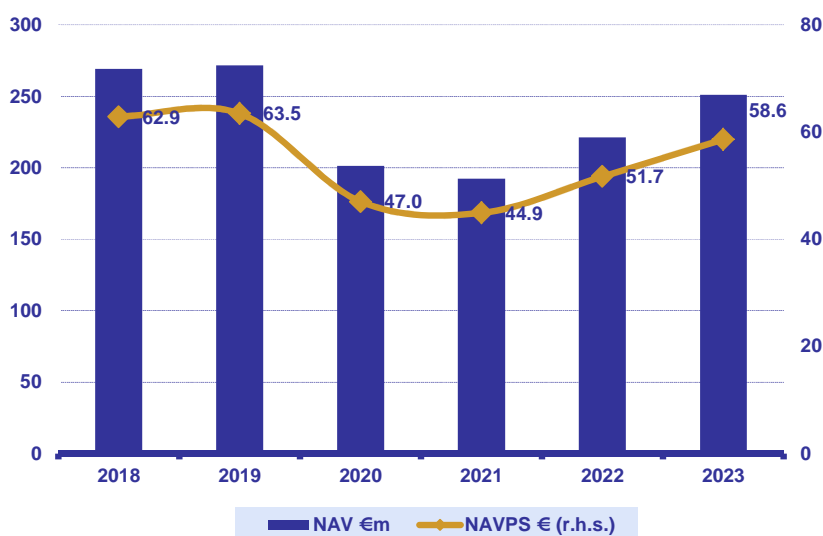
Both portfolio holdings kicked off 2024 strongly with M1 beating Q1 expectations and CR Energy reporting continued good business momentum and racking up some €66m in net income last year.

**Table 2: MPH financial highlights**

All figures in EUR '000	2023	2022	variance
Cash & liquid assets	5,094	3,817	33%
Financial assets	259,249	233,010	11%
Financial debt (short- and long-term)	13,047	12,991	0%
Net debt / (cash)	7,953	9,174	-
Total assets	266,352	236,992	12%
Shareholders' equity	250,966	221,421	13%
Equity ratio	94%	93%	-
NAV	250,966	221,421	13%
NAVPS (€)	58.6	51.7	13%

Source: First Berlin Equity Research; MPH Health Care AG

Dividend payment to resume after 4 year hiatus The 20% increase in total assets owes to the non-cash write ups of the investment portfolio—particularly the stake in M1 Kliniken—plus an increase in the holdings of CRE. The balance sheet was in good shape with a 94% equity ratio, and the KPI was unchanged in Q1. MPH management will propose to distribute a €1.2 per share dividend on 2023 results to the 18 July AGM after electing to preserve liquidity during the last four years.

Figure 1: MPH NAV and NAVPS developments

Source: First Berlin Equity Research; MPH Health Care AG



VALUATION MODEL

Our price target for MPH makes a sizable jump to €113 (old: €82) on the barnstorming growth we now expect for M1 Kliniken after management unveiled their 2029 plan. M1 brass is now calling for Beauty segment turnover of €200m to €300m by YE29, which towers over our previous target (€139m). We now model Beauty sales of €220m accounting for the jump in our M1 TP to €28 (old: €18). This in turn drives our sum-of-the-parts model for MPH. We maintain our Buy rating.

Table 3: MPH Sum-of-the-parts

Unit	Shareholdings '000	SO '000	MPH stake %	Share price* €	Fair value per share ¹ €	Projected value €m
M1 Kliniken AG	12,721	19,643	65%	21.0	28.0	356
CR Energy AG	3,182	4,630	69%	27.3	48.0	153
Projected value of listed holdings						509

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

	Unit	Value
Fair value of listed portfolio	€m	509
Non-listed investment (book value)	€m	25
Net debt / (cash) (2022)	€m	8
Present value of holding costs	€m	41
Total fair value	€m	484
MPH shares outstanding	m	4
Fair value per share	€	113

¹ First Berlin Equity Research covers CR Energy (Buy / PT: EUR48); M1 (Buy / PT: EUR28)

Table 4: Changes to SotP line items

	Unit	New	Old	Variance
Fair value of listed portfolio	€m	509	371	37%
Non-listed investment (book value)	€m	25	25	0%
Net debt	€m	8	9	-13%
Present value of holding costs	€m	41	39	7%
Total fair value	€m	484	348	39%
MPH shares outstanding	m	4	4	0%
Fair value per share	€	113	81	39%

Source: First Berlin Equity Research; MPH Health Care AG



Table 5: M1 Kliniken DCF model

	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	333,149	371,733	414,840	456,421	497,125	533,766	565,490	591,996
NOPLAT	14,808	18,659	22,839	28,976	34,760	41,213	47,286	52,869
(+) depreciation & amortisation	5,028	5,467	5,601	5,978	6,212	6,483	6,562	6,718
(=) Net operating cash flow	19,836	24,126	28,440	34,954	40,972	47,696	53,848	59,587
(-) Total investments (CapEx and WC)	-3,731	-9,544	-10,203	-10,448	-10,634	-10,454	-10,098	-9,691
(-) Capital expenditures	-4,918	-5,431	-5,638	-6,090	-6,391	-6,721	-6,842	-7,031
(-) Working capital	1,187	-4,113	-4,565	-4,358	-4,243	-3,733	-3,256	-2,661
(=) Free cash flows (FCF)	16,105	14,582	18,237	24,506	30,338	37,242	43,750	49,895
PV of FCFs	15,289	12,602	14,348	17,552	19,782	22,107	23,642	24,546

All figures in EUR '000	WACC	Terminal EBIT margin							
		11.9%	12.4%	12.9%	13.4%	13.9%	14.4%	14.9%	
PV of FCFs in explicit period	199,885	6.8%	43.03	44.89	46.74	48.59	50.44	52.29	54.14
PV of FCFs in terminal period	325,187	7.8%	35.13	36.54	37.94	39.34	40.75	42.15	43.56
Enterprise value (EV)	525,072	8.8%	29.57	30.67	31.76	32.86	33.96	35.05	36.15
+ Net cash / - net debt	16,133	9.8%	25.44	26.32	27.20	28.07	28.95	29.83	30.71
+ Investments / minority interests	-2,402	10.8%	22.27	22.98	23.70	24.41	25.12	25.84	26.55
Shareholder value	538,803	11.8%	19.75	20.34	20.93	21.52	22.11	22.70	23.29
Fair value per share in EUR	28.10	12.8%	17.72	18.21	18.70	19.19	19.68	20.17	20.66

	WACC	Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	10.4%	6.8%	39.77	42.21	45.10	48.59	52.88	58.29	65.31
Pre-tax cost of debt	7.0%	7.8%	33.51	35.17	37.09	39.34	42.02	45.24	49.20
Tax rate	25.0%	8.8%	28.81	29.99	31.33	32.86	34.64	36.72	39.19
After-tax cost of debt	5.3%	9.8%	25.15	26.02	26.98	28.07	29.31	30.73	32.38
Share of equity capital	90.0%	10.8%	22.24	22.89	23.61	24.41	25.30	26.31	27.46
Share of debt capital	10.0%	11.8%	19.88	20.37	20.92	21.52	22.19	22.93	23.75
WACC	9.8%	12.8%	17.92	18.31	18.73	19.19	19.70	20.25	20.87

*Please note our model runs through 2033 and we have only shown the abbreviated version for formatting purposes

Table 6: CR Energy discounted dividend model

	Unit	2024E	2025E	2026E	2027E	2028E	2029E	TV
EPS	€	13.5	15.7	18.9	22.2	23.6	26.1	31.5
Payout ratio	%	71	61	59	58	61	61	16
Dividend (DPS)	€	2.4	2.4	2.8	3.2	3.6	4.0	4.9
NPV	€	2.3	2.1	2.2	2.3	2.3	2.4	26.7
CAGR 2023 -2028	%	33.9						
Terminal growth rate	%	2.5						
Discount factor	%	9.9						
NPV of dividends	€	21.4						
Terminal value (TV)	€	26.7						
Dividend paid (2023)	€	0.0						
Fair value per share	€	48.1						

*Our model runs through 2034 and we have only shown the abbreviated version for formatting purposes

Cost of equity	9.9%	After-tax cost of debt	6.4%
Pre-tax cost of debt	6.5%	Share of equity capital	100.0%
Tax rate	2.0%	Share of debt capital	0.0%
WACC	9.9%		



INCOME STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023	2024E	2025E
Fair value gains on financial assets	33,747	0	9,185	23,816	27,194	25,925	26,711
Income from participations	780	0	766	207	0	400	400
Investment income	6,651	3,385	3,561	6,605	7,237	10,865	11,679
Other operating income	43	48	35	37	26	27	29
Operating revenue	41,221	3,433	13,547	30,665	34,457	37,217	38,819
SG&A	-934	-841	-923	-987	-1,142	-1,199	-1,259
Other OpEx	-330	-417	-328	-20	0	-20	-21
Net loss from investments	-1,164	-12,453	0	0	-990	0	0
Fair value loss on financial assets	-27,207	-60,720	-21,350	-70	-2,097	-1,500	-1,500
EBITDA	11,586	-70,998	-9,055	29,587	30,228	34,498	36,039
Depreciation & amortisation	-11	-17	-20	-25	-19	-16	-16
EBIT	11,575	-71,015	-9,075	29,562	30,209	34,482	36,023
Interest expense	-540	-510	-194	-169	-576	-300	-300
Interest income	15	75	80	80	135	0	0
EBT	11,050	-71,450	-9,189	29,473	29,768	34,182	35,723
Income taxes	27	1,071	233	-358	-224	-684	-714
Net income / loss	11,076	-70,379	-8,956	29,115	29,544	33,499	35,008
EPS (in €)	2.6	-16.4	-2.1	6.8	6.9	7.8	8.2



BALANCE SHEET

All figures in EUR '000	2019	2020	2021	2022	2023	2024E	2025E
Assets							
Current assets, total	2,237	4,318	4,453	3,960	7,096	8,823	15,999
Cash and equivalents	1,797	369	1,843	1,669	4,552	6,068	13,012
ST financial assets	305	3,865	2,599	2,148	543	554	565
Trade receivables	4	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0
Other ST assets	131	84	11	143	2,001	2,201	2,421
Non-current assets, total	290,908	206,390	193,543	233,032	259,256	281,184	303,898
Property, plant & equipment	56	43	41	22	8	10	13
Goodwill & other intangibles	1	0	0	0	0	0	0
Financial assets	290,851	206,346	193,502	233,010	259,249	281,173	303,885
Total assets	293,144	210,707	197,996	236,992	266,353	290,006	319,897
Shareholders' equity & debt							
Current liabilities, total	15,724	4,742	4,200	13,740	5,006	289	298
Trade payables	24	36	51	49	54	49	49
Provisions	91	74	101	87	139	143	147
Other ST financial liabilities	15,578	4,613	4,028	12,984	4,721	0	0
Other current liabilities	31	19	20	619	92	97	101
Long-term liabilities, total	5,779	4,703	1,490	1,831	10,380	10,390	10,401
Long-term debt	3,000	3,000	0	0	8,333	8,333	8,333
Deferred tax liabilities & others	2,779	1,703	1,490	1,831	2,047	2,057	2,068
Shareholders' equity	271,641	201,262	192,306	221,421	250,966	279,327	309,198
Minority interests	0	0	0	0	0	0	0
Total equity	271,641	201,262	192,306	221,421	250,966	279,327	309,198
Total consolidated equity and debt	293,144	210,707	197,996	236,992	266,353	290,006	319,897
NAV	271,641	201,262	192,306	221,421	250,966	279,327	309,198
NAVPS (€)	63.5	47.0	44.9	51.7	58.6	65.2	72.2



CASH FLOW STATEMENT

All figures in EUR '000	2019	2020	2021	2022	2023	2024E	2025E
Net income	11,076	-70,379	-8,956	29,115	29,544	33,499	35,008
Depreciation and amortisation	11	17	20	25	19	16	16
Revaluation gains	-6,540	60,720	12,165	-23,746	-25,097	-24,425	-25,211
Changes in working capital	-93	-3,581	1,619	897	1,027	-197	-212
Other adjustments	384	12,453	-761	-207	989	0	0
Net financial result	526	510	195	170	206	300	300
Tax expense	-26	-1,071	-233	359	224	684	714
Operating cash flow	5,337	-1,331	4,049	6,612	6,912	9,876	10,616
Investment income	-6,651	-1,500	-5,173	-6,605	-7,170	-10,865	-11,679
Tax paid	-38	41	38	-3	-1,759	-684	-714
Net operating cash flow	-1,352	-2,790	-1,086	4	-2,017	-1,672	-1,778
Cash flow from investing	6,742	12,828	6,366	-8,956	5,405	13,347	14,160
Equity inflow, net	-1	-4	0	0	0	0	0
Debt inflow, net	4,492	-11,000	-12	8,956	8,333	-4,721	0
Dividend paid to shareholders	-8,562	0	0	0	0	-5,138	-5,138
Interest expense	-540	-462	-194	-179	-591	-300	-300
Cash flow from financing	-4,611	-11,466	-206	8,777	7,742	-10,159	-5,438
Liabilities due at beginning of the period	0	0	-3,600	0	-8,247	0	0
Net cash flows	779	-1,428	5,075	-174	2,883	1,515	6,945
Cash, start of the year	1,018	1,797	369	1,843	1,669	4,552	6,068
Cash, end of the year	1,797	369	1,843	1,669	4,552	6,068	13,012
Free cash flow (FCF)	5,390	10,038	5,280	-8,951	3,388	11,674	12,382
Y-Y Growth							
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	-39.1%	86.2%	-47.4%	n.m.	n.m.	244.6%	6.1%

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PRICE TARGET DATES

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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...28	↓	↓	↓	↓
29	4 October 2022	€9.56	Buy	€58.00
30	17 January 2023	€15.00	Buy	€56.00
31	8 May 2023	€15.55	Buy	€54.00
32	10 July 2023	€15.30	Buy	€59.00
33	18 October 2023	€14.60	Buy	€62.00
34	13 December 2023	€15.70	Buy	€62.00
35	10 May 2024	€24.80	Buy	€81.00
36	10 June 2024	€33.20	Buy	€81.00
37	Today	€33.00	Buy	€113.00

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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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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