

MPH Health Care AG ^{*5a,6a,11}

BUY

Price Target: 7.18 EUR
(until now: 6.18 EUR)

Current share price: 3.49
14/12/2017 / XETRA; 2:30 pm
Currency: EUR

Key Data:

ISIN/ST: DE000A0L1H32
WKN/ST: A0L1H3
Ticker symbol: 93M
Number of shares³: 42.814
Marketcap³: 149,38
³ in Mio. / in Mio. EUR
Freefloat/ST: 36,0 %

Transparency Level:
Basic Board
Market Segment:
Open Market
Accounting Standard:
IFRS

Financial year-end: 31/12

Designated Sponsor:
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* catalogue of potential conflicts of interests on page
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Date of completion /Date of publication:

Company Profile

Sector: Health Care
Focus: Pharmaceutical and health care related services

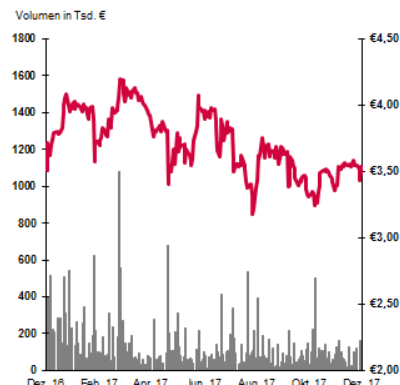
Employees: 258 (on investment level)

Founded in: 2008

Headquarter: Berlin

Executive Board: Patrick Brenske

MPH Health Care AG is a Berlin-based company specialised in pharma and patient care. The strategic focus of the group of companies is on chronic illnesses and aesthetics. These segments are expected to take part of the future dynamic growth of the German healthcare market and generate corresponding growth. The listed subsidiary HAEMATO AG covers unpatented and patented medicines. The hospital segment, which focuses on cosmetic surgery, is bundled in the subsidiary M1 Kliniken AG. CR Capital Real Estate AG has been included in MPH's scope of consolidation since financial year 2015. The MPH Group will use the expertise of the CR Group to develop healthcare properties.



P&L in EURm	31/12/2014	31/12/2015	31/12/2016	30/09/2017
Revenue	219.25	262.89	0.05	N/A
EBITDA	12.75	18.34	7.92	N/A
EBIT	10.92	13.15	7.89	N/A
Net Profit	4.95	82.59	80.07	11.22

Earnings per Share	0.12	1.93	1.87	0.26
Dividend per Share	0.12	0.12	0.12	0.00

Financial Schedule

**last research published by GBC:

Date: publication / price target in € / rating

08/06/2017: RS / 6.18 / BUY

20/03/2017: RS / 5.00 / BUY

07/12/2016: RS / 5.00 / BUY

05/09/2016: RS / 5.00 / BUY

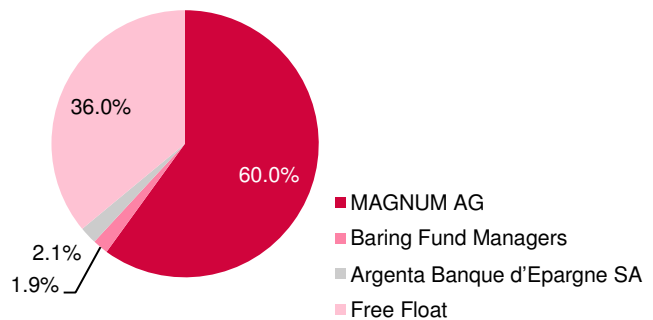
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COMPANY

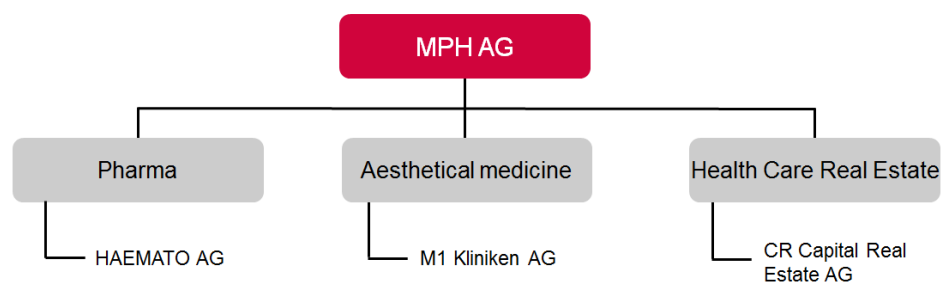
Shareholder Structure

Shareholder	in %
MAGNUM AG	60.0 %
Baring Fund Managers	1.9 %
Argenta Banque d'Epargne SA	2.1 %
Free Float	36.0 %

Source: MPH AG; GBC AG



Company Strategy



Source: MPH AG; GBC AG

In conjunction with its subsidiaries, MPH Health Care AG (MPH AG for short) extensively covers the relevant areas of the healthcare market. The pharma segment, which is bundled in the 50%-owned subsidiary, has a special position within the MPH Group due to its comparatively high revenue and profit contributions. This segment covers the highly regulated area of prescription medication, offering unpatented and patented medicines. The MPH subsidiary HAEMATO AG has held manufacturing authorisation pursuant to Section 13 of the German Medicinal Products Act (AMG) since 2006 and is therefore subject to the medicines laws of the European Union. HAEMATO AG has achieved a solid position in recent financial years, particularly in the field of oncology and in therapeutic areas such as HIV, rheumatology and urology. HAEMATO is investing in own brand development in the field of dermatology. Hyaluronic acids for various applications and other medical products will be important areas for pharmaceutical production in future. Products are supplied directly to some 4,800 pharmacies.



The subsidiary M1 Kliniken AG covers aesthetic medicine and plastic surgery. M1 Kliniken AG is a group of specialist centres for aesthetic treatments, focusing on medical treatments and cosmetic surgery. M1 Kliniken AG operates a clinic in Berlin through M1 Med Beauty Berlin GmbH and in total 17 specialist centres throughout Germany. M1 Aesthetics GmbH is a subsidiary that focuses on developing and marketing pharmaceutical, medical and medical technology products for aesthetic surgery and cosmetic dermatology.



MPH AG also has an investment with high growth potential in CR Capital Real Estate AG. CR Capital Real Estate AG's activities focus on project development, predominantly residential construction in Berlin, Leipzig and the outskirts of Berlin. The Company is also set to increase its focus on healthcare properties in future.



BUSINESS DEVELOPMENT 9 MONTH 2017

MPH AG changed its accounting methods at the end of financial year 2015 as an investment entity pursuant to IFRS 10. As a result, the group's associated companies have not been consolidated since then, but they are valued in accordance with the stock exchange listing and the participation rate in the financial assets. Potential profit components, such as dividend payments or the valuation of financial assets, are only included in the financial result.

Based on the participation rates published at the reporting date 30/09/2017, the three listed investments were found to have the following carrying amounts based on the relevant share prices:

Investment	31/12/2016			30/09/2017		
	MPH-shares	Share Price	Market Value	MPH-shares	Share Price	Market Value
M1 Kliniken AG	12.73 Mio.	9.94 €	126.61 Mio. €	12.50 Mio.	11.48 €	143.55 Mio. €
HAEMATO AG	10.39 Mio.	6.44 €	66.88 Mio. €	11.01 Mio.	5.30 €	58.32 Mio. €
CR Capital Re. Es. AG	11.51 Mio.	1.90 €	21.85 Mio. €	11.51 Mio.	1.73 €	19.93 Mio. €
Total			215.34 Mio. €			221.80 Mio. €

Source: MPH Health Care AG; GBC AG

M1 Kliniken AG, the largest MPH investment, achieved significant value growth of EUR 16.95 million in the first nine months of 2017 due to the positive price increase to EUR 11.48 (31/12/16: EUR 9.94). In addition to the price increase, MPH AG also received dividend income amounting to EUR 0.30 per share which, based on the 12.50 million shares held (reporting date: 30/09/2017), corresponded to dividend income of EUR 3.75 million.

In contrast, the carrying amount of **HAEMATO AG** fell by EUR 8.56 million to EUR 58.32 million (31/12/16: EUR 66.88 million). In this context, an increase in the number of shares held to 11.01 million (31/12/16: EUR 10.39 million) prevented a stronger price decline (-17.7%). For HAEMATO AG, dividends of EUR 0.30 per share, or EUR 3.30 million in total, were distributed in June 2017.

The property project developer **CR Capital Real Estate AG** also saw a reduction in its investment value. In light of the unchanged number of shares, the share price at the reporting date 30/09/2017 stood at EUR 1.73, thus 8.8% lower than at 31/12/2016, which reduced the market value of the property investment by EUR 1.92 million.

Accordingly, write-ups on financial assets recognised in income that resulted from the positive overall performance of the investments were recorded in the first nine months of 2017 amounted to EUR 6.46 million. These were accompanied by dividend income of EUR 7.38 million, giving MPH AG an after-tax result of EUR 11.22 million.

BUSINESS DEVELOPMENT INVESTMENTS

HAEMATO AG

in EURm	1.HY 2016	Δ vs PY	1.HY 2017
Revenue	142.27	-2.4%	138.82
EBIT (EBIT-margin)	5.93 (4.2%)	-46.4%	3.18 (2.3%)
Net Profit after minorities	4.49	-51.9%	2.16

Source: HAEMATO AG; GBC AG

After the very strong development in the first half of 2016, which was characterised by recovery effects (following the expiry of tightened import regulations), revenue for HAEMATO AG was somewhat below the previous year's level in the first six months of 2017. The lack of valuation gains from the financial instruments held also had an impact on the operating result. However, there are still strong foundations for further growth. The development of other business areas, such as the sale of high-margin medical products in the lifestyle and beauty segment, should ensure further revenue and earnings growth.

M1 Kliniken AG

in EURm	1.HY 2016	Δ vs PY	1.HY 2017
Revenue	18.50	+20.3%	22.26
EBIT (EBIT-margin)	3.05 (16.5%)	+36.4%	4.16 (18.5%)
Net Profit after minorities	2.89	+27.7%	3.69

Source: M1 Kliniken AG; GBC AG

M1 Kliniken AG continued on its growth path, recording revenue growth of +20.3% to reach EUR 22.26 million (previous year: EUR 18.50 million) during the first half of 2017. The basis for continued dynamic revenue development is the structure of the clinic network, which has been implemented during recent reporting periods and is still ongoing. The foundations for further growth were laid by opening another centre in Leipzig (March 2017). According to company plans, further centres will be opened in the second half of 2017 and in 2018. M1 Kliniken AG should also benefit from a gradual increase in profitability now that the occupancy and therefore higher revenue levels of the newly opened centres have been reached.

CR Capital Real Estate AG

in EURm	1.HY 2016	Δ vs PY	1.HY 2017
Revenue	8.44	+96.3%	0.31
EBIT (EBIT-margin)	-0.41	k.A.	0.98
Net Profit after minorities	0.17	+536.2%	1.11

Source: CR Capital Real Estate AG; GBC AG

In the first half of 2017, CR Capital Real Estate AG focused on the further development of the major project in Schkeuditz, Leipzig. The first construction work was carried out at the beginning of April 2017 for the project worth some EUR 150 million. The pre-sales rate of the first construction phase exceeded 50% at the end of the first half of 2017, which allowed CR AG to reduce its financing for the construction project thanks to purchasers' instalments. High revenue and profit growth is expected in future from the gradual implementation of this project.

SUM-OF-PARTS-VALUATION

The sum-of-parts valuation is based on the share portfolio reported by MPH AG at the balance sheet date 30/09/2017. The carrying amount of the three most important investments can be deduced from the fair value (DCF valuation). We determined the relevant fair values in separate research studies for HAEMATO AG (see research study dated 18/09/2017), CR Capital Real Estate AG (see research study dated 01/06/2017) and M1 Kliniken AG (see research study dated 16/10/2017).

Investment	Investment quota	Fair Value	MPH-Share
HAEMATO AG	50.1%	161.56 Mio. € ¹	80.94 Mio. €
CR Capital Real Estate AG	61.3%	53.51 Mio. € ²	32.78 Mio. €
M1 Kliniken AG	75.8%	266.21 Mio. € ³	201.97 Mio. €
Non listed companies			4.48 Mio. €
		Total	320.17 Mio. €

Source: MPH Health Care AG; GBC AG; ¹fair Value per share as of 31/12/18 (see GBC-research study dated 18/09/17); ²fair Value per share as of 31/12/18 (see GBC-research study dated 01/06/17); ³fair Value per share as of 31/12/18 (see GBC-research study dated 16/10/2017)

The non-listed investments are Pharmigon GmbH and MPH Ventures GmbH.

This fair valuation or the market value of MPH investments is adjusted for net debt in order to determine the intrinsic fair value of MPH equity:

in EURm	
MPH-Investments	320.17 Mio. €
Financial Assets	+6.34 Mio. €
Debt	-19.29 Mio. €
Fair Value MPH-Equity	307.22 Mio. €
MPH-Number of shares	42.81 Mio.
Fair Value per share	7.18 €

Source: MPH AG; GBC AG

In accordance with the sum-of-parts valuation method, the fair value per share amounted to EUR 7.18 (previously: EUR 6.18). The increase in the target price resulted exclusively from the higher valuation of the M1 Kliniken AG investment. In a separate research study (update) on M1 Kliniken AG dated 16/10/2017, we increased the fair value to EUR 16.15 (previously: EUR 11.90) based on higher forecasts and the first-time weighted inclusion of a market-oriented beta as the fundamental beta.

The MPH share price, currently EUR 3.49, is significantly below the determined intrinsic value of EUR 7.18, and we therefore assign the rating BUY.

ANNEX

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BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10 %.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10 % and < + 10 %.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10 %.

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