



## **Research Report (Anno)**

### **M1 Kliniken AG**



- With the integration of HAEMATO AG the trading and product business will be expanded**
- Greater concentration on the beauty segment planned**
- Sales and earnings growth expected from 2021 onwards**

**Target price: 21.80 €**

**Rating: BUY**

#### **IMPORTANT NOTE:**

Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section § 85 WpHG und Art. 20 MAR on page 19

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 "1. Research under MiFID II"

Date and time of completion (german version): 19/06/2020 (10:20 am)  
Date and time of first distribution (german version): 22/06/2020 (12:00 am)  
Date and time of completion (english version): 22/06/2020 (11:00 am)  
Date and time of first distribution (english version): 22/06/2020 (12:00 am)  
Target price valid until: max. 31/12/2021

## M1 Kliniken AG<sup>\*5a,5b,11</sup>

**Rating: BUY**

**Target price: 21.80 €**  
**(previously: 21.30 €)**

current share price: 10.10  
19.06.20 / XETRA / 9:46 am  
Currency: EUR

### Key information:

ISIN: DE000A0STSQ8  
WKN: A0STSQ  
Ticker symbol: M12  
Number of shares<sup>3</sup>: 17,500  
(post money: 19,643)

Marketcap<sup>3</sup>: 176.75  
EnterpriseValue<sup>3</sup>: 146.83  
<sup>3</sup> in million / in million EUR

Level of transparency:  
Open market

Market segment:  
Open market

Accountin standardg:  
IFRS

End of GJ: 31.12.

Designated Sponsor:  
Oddo Seydler Bank  
Kepler Cheuvreux

### Analysts:

Cosmin Filker  
filker@gbc-ag.de

Marcel Goldman  
goldmann@gbc-ag.de

\* Catalogue of possible conflicts of interest on page 20

### Company profile

Industry: Clinic and services

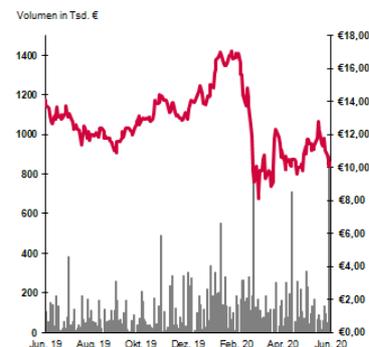
Focus: Medical beauty treatments

Foundation: 2007

Head office: Berlin

Board of Directors: Patrick Brenske, Dr. Walter von Horstig

The M1 Kliniken Group operates specialist medical centres for aesthetic and plastic surgery at locations in densely populated areas in Germany. In this area, the company covers a highly specialised spectrum of medical beauty treatments, which are carried out by experienced doctors to the highest quality and at very competitive prices. The subsidiary M1 Aesthetics GmbH specializes in the purchase and distribution of pharmaceutical, medical and medical technology products for aesthetic medicine, plastic surgery and cosmetic dermatology. With the integration of the pharmaceutical trading company HAEMATO AG, the trade and product development area will be addressed more strongly from July 1, 2020. Overall, the full consolidation of the Berlin-based company will result in a significant increase in sales and earnings.



P&L in EUR million \ FY end	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e
Sales	77.22	187.04	342.82	392.74
EBITDA	11.33	12.49	18.47	23.57
EBIT	7.93	8.24	13.14	18.22
Net profit for the year	9.73	6.48	9.67	13.75

### Key figures in EUR

Earnings per share	0.56	0.33	0.49	0.70
Dividend per share	0.00	0.30	0.35	0.40

### Key figures

EV/Sales	1.90	0.79	0.43	0.37
EV/EBITDA	12.95	11.76	7.95	6.23
EV/EBIT	18.51	17.83	11.18	8.06
P/E RATIO	18.17	27.27	18.28	12.86
KBV	2.59			

### Financial calendar

09.07.2020: Annual General Meeting  
26.08.2020: Half-year report

### \*\*last research by GBC:

Date: Publication / Target price in EUR / Rating

04.09.2019: RS / 21.30 / BUY

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](http://www.gbc-ag.de) or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

## EXECUTIVE SUMMARY

- On June 10, 2020, M1 Kliniken AG announced the acquisition of all HAEMATO shares previously held by MPH Health Care AG and thus becomes the new major shareholder of HAEMATO AG as of July 1, 2020. Through the HAEMATO acquisition, M1 Kliniken AG, which currently has a strong focus on the beauty treatment segment, is expected to return to its accustomed dynamism in the product and trade area in the future. On the one hand, the well-established HAEMATO trade channels can be used here. On the other hand HAEMATO AG has a high product development competence and the necessary certifications, so that for example the product area M1 Select could benefit from this. HAEMATO AG also has extensive know-how in the area of product manufacturing, so that in the future cost saving potentials can be raised. On the other hand, a possible outsourcing of the trade and product business to HAEMATO AG will allow a more focused expansion of the beauty area within the M1 Kliniken AG. The acquisition of the 11.01 million HAEMATO shares was paid for by issuing 2.14 million M1 shares as part of a capital increase through contributions in kind.
- This transaction will result in a significantly changed sales and earnings picture for M1 Kliniken AG. Since there is a de facto controlling majority, HAEMATO AG will be fully consolidated into the M1 Group in the future, which will lead to a significant increase in sales revenues and a visible increase in earnings. The mixture of the comparatively high profit margins of the treatment segment with the lower trading margins of HAEMATO AG will lead to a decrease in the profit margin overall, but the absolute EBIT will reach a higher level.
- In our still separate analysis, M1 Kliniken AG will continue on its growth course. However, due to the corona crisis, the company had to temporarily close all locations between 23.03.20 and 11.05.20. Even though high occupancy rates and high booking rates were recorded within a short period of time after the reopening, only constant revenue development or only slight revenue growth is therefore expected for the current fiscal year. While a growth in turnover of around 20 % was previously expected, the closures of locations are likely to have led to a loss of turnover of around 16 %. As a result of the corona crisis, the company should, according to our forecasts, have a total of 43 locations by the end of the 2020 financial year. Up to that point, we had expected 50 locations. Similarly, we assume that the medium-term plan to operate 100 locations by the end of 2023 will not be achieved until the end of 2023/2024, which nevertheless corresponds to dynamic growth.
- HAEMATO AG, which will be newly integrated as of 01.07.2020, will profit as a trading company from an increasing demand for pharmaceuticals in Germany as well as from increased cost-saving efforts on the part of the cost bearers. After the past financial year 2019 was characterized by various burdening factors, the HAEMATO management expects for 2020 a return to sales growth. As the company supplies pharmacies with drugs, particularly in the indication areas of oncology, cardiovascular diseases, neurological diseases and HIV/AIDS, the impact of the Covid 19 pandemic is expected to be minimal. Ongoing medication is necessary in the addressed indication areas. In addition, management does not currently see any significant impact on supply chains.
- On the basis of our estimates for both companies, we expect sales revenues of € 187.04 million for the current fiscal year. This includes the HAEMATO sales for a 6-month period. Due to the full-year inclusion in the coming business year 2021, there should be a significant increase in sales revenues to € 342.82 million and in 2022 to

€ 392.74 million. In combination, this results in a lower EBIT margin of 4.4% in 2020. Since the lower-margin HAEMATO sales revenues are included for the full year in 2021, the margin is expected to initially decline to 3.8% (EBIT: € 13.14 million). In 2022 we expect an improvement in profitability to 4.6 % and thus expect an EBIT of € 18.22 million. On the level of the after-tax result we have considered 52 % of the HAEMATO result as minority interests. These are only allocated to the HAEMATO shareholders and not to M1 Kliniken AG.

- As part of the updated DCF valuation model, we have determined a new price target of € 21.80 (previously: € 21.30). On the one hand, we have reduced the forecasts for 2020 at M1 Kliniken AG and expect a lower growth rate for the following years. The higher fair value due to the inclusion of HAEMATO AG was also partially diluted by the higher number of shares in the context of the capital increase through contributions in kind. We continue to assign the BUY rating.

## TABLE OF CONTENTS

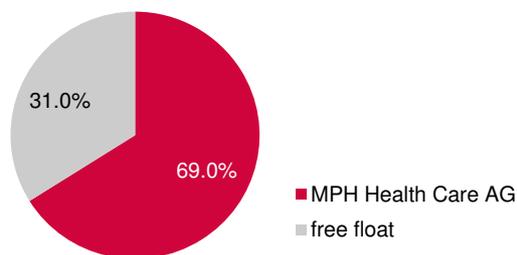
<b>Executive Summary .....</b>	<b>2</b>
<b>Company .....</b>	<b>5</b>
Shareholder structure .....	5
Acquisition of 48.2 % of the shares in HAEMATO AG .....	5
M1 Kliniken AG .....	5
Corporate strategy of M1 Kliniken AG .....	6
HAEMATO AG .....	7
<b>Market and market environment .....</b>	<b>8</b>
Market environment for beauty treatments .....	8
Market environment Trade in pharmaceuticals .....	8
<b>Corporate Development.....</b>	<b>10</b>
Key figures at a glance .....	10
Business development 2019.....	11
Revenue development 2019 .....	11
Development of earnings 2019 .....	12
Balance sheet and financial situation.....	13
<b>Forecast and Valuation .....</b>	<b>14</b>
M1 Kliniken AG .....	14
HAEMATO AG .....	15
Consolidated sales and earnings forecasts 2020 - 2022 .....	15
Valuation.....	17
Model assumptions .....	17
Determination of the cost of capital .....	17
Valuation result.....	17
DCF model.....	18
<b>Annex .....</b>	<b>19</b>

## COMPANY

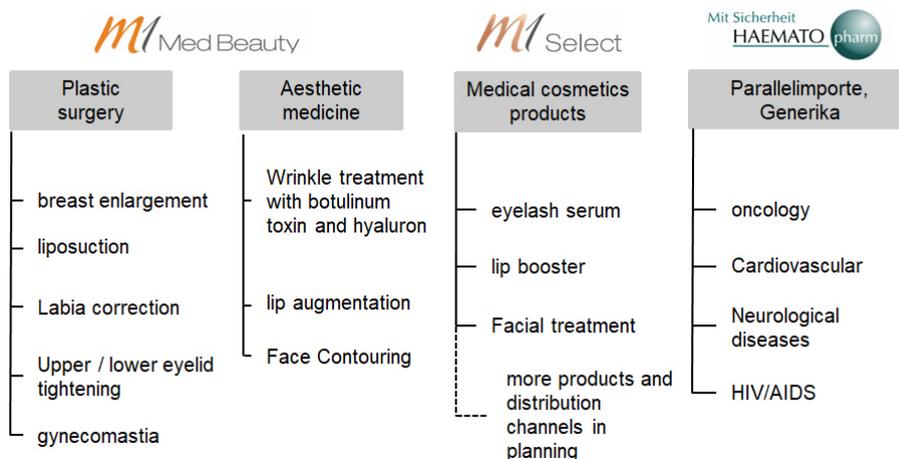
### Shareholder structure

Shareholder in %	
MPH Health Care AG	69.0%
Free Float	31.0%

Source: M1 Kliniken AG; GBC AG



### Current company structure



Source: M1 Kliniken AG; GBC AG

### Acquisition of 48.2 % of the shares in HAEMATO AG

On June 10, 2020 M1 Kliniken AG announced the takeover of all HAEMATO shares previously held by MPH Health Care AG and thus becomes the new major shareholder of HAEMATO AG as of July 1, 2020. According to the M1 management, the two companies are to strengthen their respective core competencies within the M1 Group. While the M1-Group will concentrate on the operation of the specialist centres and on further international growth in the future, the area of trading with pharmaceutical and medical products will be combined within HAEMATO AG. The acquisition of the 11.01 million HAEMATO shares was paid for by the issue of 2.14 million M1 shares within the framework of a capital increase through contributions in kind.

Through the HAEMATO acquisition, M1 Kliniken AG should also return to its accustomed dynamism in the product and trading area in the future. On the one hand, HAEMATO AG's well-established trade channels can be used here. On the other hand, HAEMATO AG has a high level of product development competence and the necessary certifications, so that, for example, the product area M1 Select could benefit from this. HAEMATO AG also has extensive know-how in the area of product manufacturing, so that cost saving potentials can be raised in the future.

### M1 Kliniken AG

The M1 Group offers medical services within the beauty industry at its 36 locations (35 specialist centres + one in-patient clinic). Plastic surgery is offered exclusively through the brand "M1 Med Beauty" at the Schlossklinik Berlin. The concession to operate the

private clinic was granted in June 2015. Within the four-storey building, the company has six operating theatres as well as several rooms for non-invasive treatments and 35 inpatient beds. In addition, the company operates a total of four inpatient clinics in Munich, Hamburg, Frankfurt am Main and Düsseldorf to regionalize its surgical services.

Non-operative treatments, such as wrinkle treatment, lip augmentation and face contouring are offered in 27 specialist centres throughout Germany and in nine specialist centres abroad. In relation to the number of locations, the M1 Group has shown a high growth dynamic in recent years. In 2019, a total of 12 new locations have been added for the field of aesthetic medicine. Expansion abroad was particularly advanced with the opening of specialist centres in the Netherlands, Switzerland and Australia.

The product range is rounded off by medical cosmetic products marketed under the "**M1 Select**" brand. This product range was launched in December 2017 and is currently sold primarily through the M1 specialist centres and the online shop. It has also been planned to use the stationary retail trade as a distribution channel in the future. According to the management, this area has been experiencing very dynamic growth since the beginning of 2020. A further expansion of the product range is currently being implemented for its continuation and replenishment.

The purchase and logistics of drugs and medical products from the health and beauty sector are covered by M1 Aesthetics GmbH. For this activity the company has a wholesale license according to §52a AMG. The fact that this important business area is also addressed is to be seen as an overall vertical integration of the upstream stages of the value chain. For example, product deliveries to the M1 lock clinic and the specialist consulting centres are also covered, so that possible economies of scale remain within the M1 Group.

### ***Corporate strategy of M1 Kliniken AG***

In principle, the M1 Group's strategy is aimed at broad, regionally diversified customer access on the one hand and at achieving cost leadership on the other. At the same time, the international roll-out of business activities, which was implemented particularly successfully in 2019, is to be further accelerated. With the current 36 locations, there is already a high and regionally strongly diversified customer access. With 27 locations in Germany, the company is present in the major metropolitan regions such as Berlin, Munich, Frankfurt am Main, Cologne, Hamburg, etc.). The targeted cost leadership, an important strategic component for the M1 Group, has largely been achieved. For all treatments, the prices charged by the company are well below average market levels.

Various factors contribute to the M1 Group's cost leadership. The company offers only those treatments that are most frequently requested by customers. This ensures a high degree of standardization, combined with corresponding economies of scale. A further advantage of the high degree of standardisation is the possibility of optimising the process chain to such an extent that high capacity utilisation and effective and efficient use of resources (e.g. operating theatres) and employees is achieved. This generates cost advantages that smaller competitors - i.e. approx. 95 % of the competitive environment - cannot generate.

In addition, the combination of services for the beauty treatment sector with the procurement of pharmaceuticals and medical products is an important strategic cornerstone of the M1 Group. Particular emphasis is placed here on possible synergy effects such as the use of economies of scale. Through the standardised range of products and services, it is possible to achieve favourable purchase prices from suppliers in order to be able to offer customers comparatively favourable prices for products and services. On

the other hand, the horizontal coverage of the upstream value-added stages in beauty treatments gives the group a better understanding of the processes involved and enables it to leverage synergy effects. For example, the experience gained from the large number of beauty treatments carried out can be used profitably for the retail sector. It is planned to build up a product portfolio of pharmaceuticals and medical products that is optimised to meet existing customer requirements in order to achieve further cost advantages.

## HAEMATO AG

The business segment of **parallel imports** is of great importance for HAEMATO AG. This is currently where the majority of sales are generated. "Parallel imports" are the imports of low-priced original or branded products, which are exclusively purchased from member states of the EU. Here, the price differences resulting from the different pricing strategies of manufacturers in different countries are used. Overall, parallel imports account for 90 % of the brand name drugs imported in Europe. The imported drugs must be "reprocessed" (repackaged) for the German market.

In order to be able to cover the area of parallel imports as well as the **area of generic products**, HAEMATO PHARM GmbH has held a manufacturing license according to § 13 AMG since 2006 and is therefore subject to German drug legislation as well as the drug laws of the European Union. Important criteria for this are the production under controlled clean room conditions as well as the complete traceability of the products through proper documentation. The drug portfolio of HAEMATO AG currently comprises more than 1,000 approvals in this area.

Through the subsidiary HAMEATO Med GmbH, the field of pharmaceutical, medical and medical-technical products for **aesthetic treatments** and cosmetic dermatology is increasingly addressed. In 2018, the first hyaluronic acid-based care products were introduced to the market. The product range also includes medical technology products such as disposable needles and hypodermic needles for the injection of dermafillers or autologous fat. The products of this segment are distributed via the broad pharmacy network, similar to the two traditional business areas.

## MARKET AND MARKET ENVIRONMENT

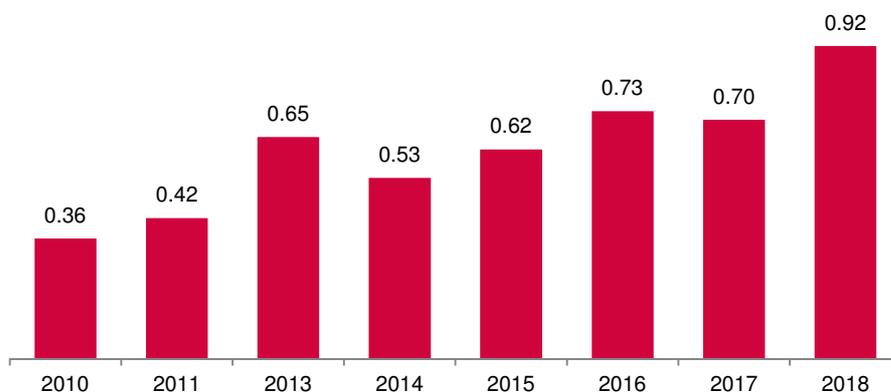
M1 Kliniken AG is active in a growing market environment with a focus on beauty treatments and on products and services from the beauty sector. With the acquisition of about 48% of HAEMATO AG, the M1 Group will in future also address the area of pharmaceutical trade, place a stronger focus on the purchasing and logistics of drugs and medical products and push the in-house development of products from the health and beauty sector.

### Market environment for beauty treatments

In addition to a generally greater willingness to spend on beauty treatments, the market environment is benefiting on the one hand from technological advances that enable treatments to be offered at lower cost, and on the other from an increasing willingness to spend on medical treatments.

The growth trend in beauty treatments is supported by ISAPS (International Society of Aesthetic Plastic Surgery) market data. In 2018, a total of 922,056 treatments were carried out in Germany, which represents a highly dynamic increase of 30.8 % compared to the previous year. Both surgical and non-operative procedures contributed to the strong growth. Measured by the number of treatments, Germany ranks fourth in the world and shows by far the greatest growth dynamic compared to other countries.

#### Number of beauty treatments in Germany (in million)



Source: ISAPS, GBC AG

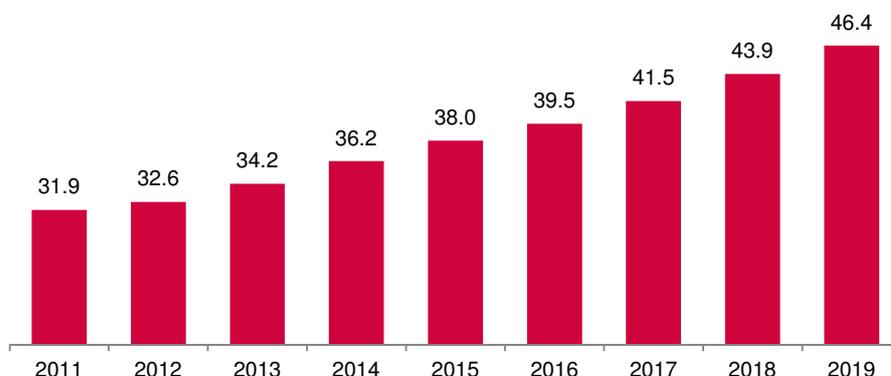
The most frequently used surgical treatments include breast augmentation (65,876 treatments), liposuction (63,694) and eyelid correction (57,417). Among the non-surgical procedures, injections of botulinum toxin (321,702) with hyaluronic acid (174,900) and non-surgical fat reduction (14,850) were in particularly high demand. The range of services offered by M1 Kliniken AG is particularly geared to these listed treatments, which allows a high degree of standardisation to be achieved.

### Market environment Trade in pharmaceuticals

The pharmaceutical trade is characterised by fundamentally high growth rates. In 2019, sales of medicines in the entire pharmaceutical market will also increase from € 43.9 billion to € 46.4 billion, which according to our calculations corresponds to growth of 5.7 %. Since 2011, pharmaceutical sales in Germany have grown by a dynamic 4.4 % on average since 2011. Demographic developments, but also the introduction of new drugs

and new forms of therapy have led to this strong increase in recent years and should also determine future developments.

#### Pharmaceutical sales in Germany (in billion €)



Source: IQVIA; GBC AG

Analogous to drug sales, the expenditure of cost revenues according to the GKV-Spitzenverband (central association of the statutory health insurance funds) also increased dynamically in the past financial years. According to the most recently available data for the period 2014 to 2018, this increased by an average of 3.7 % annually to € 38.67 billion (2018). As a result of this dynamic development, the health insurance company's efforts to save costs can be an important driver, especially in the area of parallel imports. Following the entry into force in 2004 of the reimportation clause, which has since been adjusted, the share of reimports increased continuously. In 2018, the reimport ratio remained stable at 8.7% for the third year in a row, which means that the volume of re-imports has the same dynamic as the pharmaceutical market as a whole. According to the IQVIA service provider, imports are primarily of patent-protected special therapeutics in the indication areas of oncology, HIV and CNS, which are generally assigned to the higher price segment. Exactly these indication areas represent the majority of the product portfolio for HAEMATO AG, the new company within the M1-group.

The high concentration on these indication areas is also an important factor against the background of the current Covid 19 pandemic. Although we do not currently have any current market estimates that take into account the current situation, it must be taken into account that in the areas of oncology, cardiovascular diseases HIV etc., therapies must continue to be provided even during the Covid-19 pandemic. Therefore HAEMATO AG should benefit from a stable demand situation. According to the management, there are currently no transport-related restrictions, so that a comparatively low corona effect can be assumed in this business area.

## CORPORATE DEVELOPMENT

### Key figures at a glance

P&L (in million €)	FY 2018	FY 2019	GJ 2020e*	GJ 2021e*	GJ 2022e*
Revenue	65.21	77.22	187.04	342.82	392.74
Other operating income	0.18	0.28	0.75	1.40	1.60
<b>Total Income</b>	<b>65.39</b>	<b>77.50</b>	<b>187.79</b>	<b>344.22</b>	<b>394.34</b>
Cost of materials	-42.26	-45.61	-147.38	-284.47	-322.13
<b>Gross profit</b>	<b>23.13</b>	<b>31.89</b>	<b>40.41</b>	<b>59.74</b>	<b>72.20</b>
Personnel expenses	-9.44	-12.62	-16.80	-24.82	-30.10
Depreciation	-0.71	-3.40	-4.25	-5.33	-5.35
Other operating expenses	-6.51	-7.93	-11.12	-16.46	-18.54
<b>EBIT</b>	<b>6.46</b>	<b>7.93</b>	<b>8.24</b>	<b>13.14</b>	<b>18.22</b>
Interest income	1.64	5.15	1.60	1.75	1.90
Interest expenses	-0.01	-0.34	-1.22	-2.15	-2.16
<b>EBT</b>	<b>8.09</b>	<b>12.74</b>	<b>8.62</b>	<b>12.74</b>	<b>17.96</b>
Taxes	-1.48	-3.02	-2.14	-3.07	-4.21
Minorities	0.00	0.00	-0.13	-0.98	-2.29
<b>EAT</b>	<b>6.61</b>	<b>9.73</b>	<b>6.48</b>	<b>9.67</b>	<b>13.74</b>
EBITDA	7.17	11.33	12.49	18.47	23.57
in % of sales revenue	11.0%	14.7%	6.7%	5.4%	6.0%
EBIT	6.46	7.93	8.24	13.14	18.22
in % of sales revenue	9.9%	10.3%	4.4%	3.8%	4.6%
Earnings per share in €	0.38	0.56	0.33	0.49	0.70
Dividend per share in €	0.30	0.00	0.30	0.35	0.40
Number of shares in millions	17.50	17.50	19.64	19.64	19.64

Source: M1 Kliniken AG; GBC AG; \*from the business year 2020 (01.07.2020) our forecasts include the full consolidation of HAEMATO AG

## Business development 2019

P&L (in million €)	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	35.96	47.19	65.21	77.22
EBITDA	4.65	6.18	7.17	11.33
EBITDA margin	12.9%	13.1%	11.0%	14.7%
EBIT	4.36	5.71	6.46	7.93
EBIT Margin	12.1%	12.1%	9.9%	10.3%
After-tax result	5.01	5.78	6.61	9.73
EPS in €	0.33	0.38	0.38	0.56

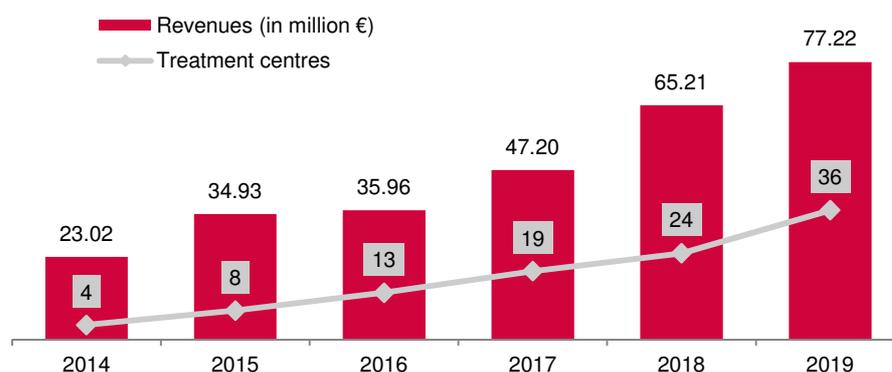
Source: M1 Kliniken AG; GBC AG

## Revenue development 2019

M1 Kliniken AG has further accelerated the pace of new store openings, particularly in the second half of 2019, and thus had a total of 36 stores by the end of the 2019 fiscal year, 27 of which were in Germany. Within twelve months, 12 new locations were opened, with the clear focus on expanding its international presence. New specialist centres were added in Australia (Melbourne, Sydney, Brisbane), the UK (Liverpool), the Netherlands (Amsterdam, Rotterdam), Austria (Linz) and Switzerland (Zurich). In addition, two new specialist centres were opened in Dortmund and Stuttgart in Germany.

On this basis, the number of treatments in 2019 climbed to over 240,000 (previous year: approx. 190,000), which corresponds to a growth rate of around 30%. Similarly, revenues increased by 18.4% to € 77.22 million (previous year: € 65.20 million), which means that M1 Kliniken AG once again achieved a new absolute record. Over the past five financial years (2014-2019), the company has achieved an impressive growth rate of 21.9% CAGR.

## Sales revenues (in € million) and number of locations at the end of the fiscal year



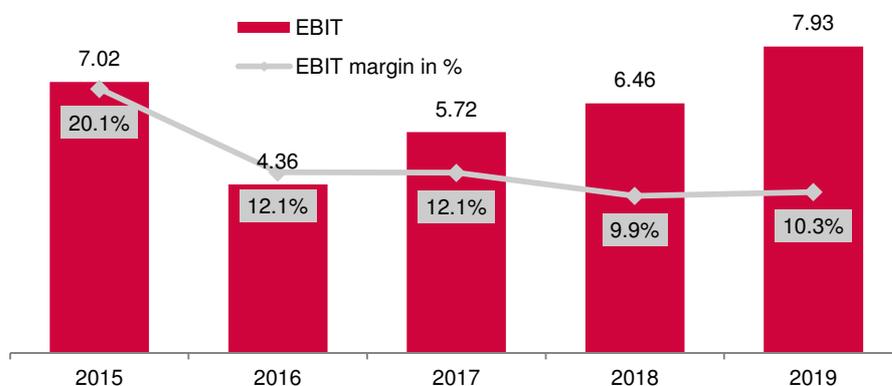
Source: M1 Kliniken AG; GBC AG

The relative growth strength of the beauty sector is shown separately for the two reporting segments "Beauty" and "Retail". In this higher-margin area, which includes treatment services, sales revenues climbed by 34.7% to € 40.12 million (previous year: € 29.78 million). M1 Kliniken AG generated € 37.09 million (previous year: € 35.43 million) from trading in drugs and medical products, which corresponds to a significantly lower growth rate of 4.7%.

### Development of earnings 2019

The continuation of dynamic sales growth also resulted in a dynamic increase in EBIT of 22.8 % to € 7.93 million (previous year: € 6.46 million). The fact that, despite the implemented expansion strategy and the investments in the M1 brand (establishment of brand presence and brand awareness), the EBIT margin rose to 10.3 % (previous year: 9.9 %) was achieved, we believe that this is particularly due to the above-average sales growth in the beauty segment. At the gross profit level, this had already led to a significant improvement in the gross profit margin to the new record level of 41.3 % (previous year: 35.5 %). However, this was offset by higher personnel expenses of 33.7 % to € 12.62 million (previous year: € 9.44 million) due to expansion and the higher proportion of sales accounted for by services (beauty segment), which meant that EBIT did not participate in the strong gross profit increase in the same way.

#### EBIT (in € million) and EBIT margin (in %)



Source: GBC AG; M1 Kliniken AG

It is noteworthy that EBT, at € 12.75 million (previous year: € 8.10 million), rose considerably more than EBIT. Overall, M1 Kliniken AG had only minor financial expenses of € -0.34 million, € -0.33 million of which is to be seen in connection with IFRS 16. Only minor investments are required for the construction of new locations, which are usually rented, and therefore the majority of the expansion strategy is financed from the company's own funds. More important for the financial result in 2019, however, was the high financial income of € 5.16 million (previous year: € 1.64 million). A large part of this is related to valuation income from listed securities held. Adjusted for this income of € 3.31 million, M1 Kliniken AG would have reported an EBT of € 9.44 million, with a plus of 16.6 %, a proportional increase over the previous year.

At the level of after-tax earnings, too, the figure of € 9.73 million (previous year: € 6.61 million) represents a new absolute record in the history of M1 Kliniken AG.

## Balance sheet and financial situation

in million €	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Equity	30.26	47.28	63.74	68.22
Equity-ratio	94.0%	93.5%	91.6%	73.5%
Working capital	6.58	8.01	12.94	14.77
Goodwill	8.03	8.03	8.03	8.03
Fixed assets	1.28	4.26	5.84	16.50
thereof IFRS 16	-	-	-	11.27
Financial assets	5.88	8.76	11.06	32.37
Liquid Assets	5.81	14.69	25.38	9.10
Cash flow (operating)	7.94	2.09	2.86	-5.37
Cash flow (investment)	1.98	-4.65	-1.94	-3.36
Cash flow (financing)	-4.52	11.44	9.78	-7.58

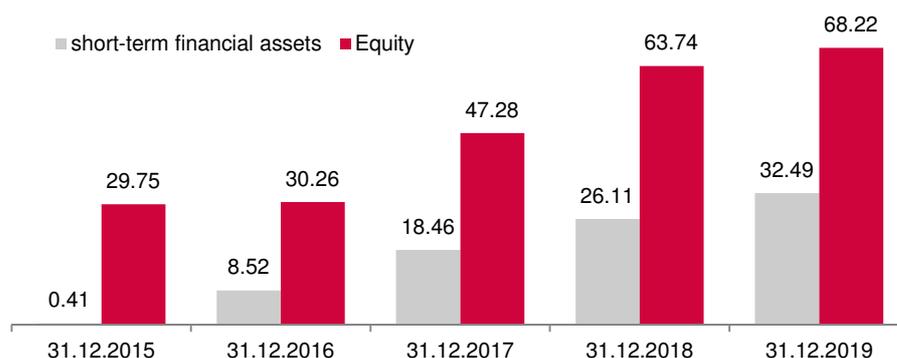
Source: M1 Kliniken AG; GBC AG

In 2019, the first-time application of IFRS 16 led to a significant balance sheet extension of € 11.27 million to € 92.81 million (31.12.18: € 69.55 million). On the assets side of the balance sheet, this led to a significant increase in property, plant and equipment to € 16.50 million (31.12.18: € 5.84 million). Correspondingly and in the same amount, there was an increase in short-term and long-term leasing liabilities on the liabilities side of the balance sheet.

In addition, M1 Kliniken recorded a strong increase in other current assets to € 23.39 million (31.12.18: € 0.73 million). In addition to new investments in financial assets, this is partly due to the positive market value development of the securities held. On the other hand, M1 Kliniken AG has built up receivables from affiliated companies in the course of its international expansion, which are included in this balance sheet item.

The overall expansion of the balance sheet total resulting from the two effects mentioned above as well as positive business development resulted in a further increase in equity to € 68.22 million (31.12.18: € 63.74 million) and a reduction in the equity ratio to 73.5% (31.12.18: 91.6%). However, this figure still offers a very good safety buffer, especially against the background of the current Covid 19 pandemic. Especially since the balance sheet of M1 Kliniken AG is free of bank liabilities. If the liquidity position is taken into account, to which the securities held by listed companies are added, there is no need for external financing even in the event of a longer-lasting crisis scenario. Overall, the company has short-term financial assets amounting to € 32.37 million (31.12.18: € 11.06 million).

### Equity and current financial assets (in million €)



Source: M1 Kliniken AG; GBC AG

## FORECAST AND VALUATION

P&L (in million €)	FY 2019	GJ 2020e*	GJ 2021e*	GJ 2022e*
Revenue	77.22	187.04	342.82	392.74
EBIT	7.93	8.24	13.14	18.22
EBIT Margin	10.3%	4.4%	3.8%	4.6%
EAT	9.73	6.48	9.67	13.75

Source: GBC AG; \*from the business year 2020 (01.07.2020) our forecasts include the full consolidation of HAEMATO AG

*Note: With the acquisition of 48.2% of the shares in HAEMATO AG, M1 Kliniken AG will have a significantly changed sales and earnings picture from July 1, 2020. As there is a de facto controlling majority, HAEMATO AG will be fully consolidated into the M1 Group in the future, which will lead to a significant increase in sales revenues and a rise in earnings. The mixture of the comparatively high profit margins of the treatment segment with the lower trading margins of the HAEMATO AG will lead to an overall decrease of the profit margin, but the absolute EBIT will be at a higher level.*

Through the HAEMATO acquisition, M1 Kliniken AG should also continue to grow dynamically in the product and trade area in the future. On the one hand, HAEMATO's well-established trade channels can be used here. On the other hand, HAEMATO AG has a high level of product development competence and the necessary certifications, so that the product area M1 Select, for example, could benefit from this. HAEMATO AG also has extensive know-how in the area of product manufacturing, so that in the future cost saving potentials can be raised. In the context of this study, we have not yet considered both the savings potential and possible synergy effects and these should therefore be seen as additional potential. Our estimates of the new M1 Group are currently still based on the sales and earnings forecasts made separately for the two companies.

### M1 Kliniken AG

Due to the corona crisis, all treatment sites of the M1 Group were temporarily closed as of 23.03.2020. Since 11.05.2020, almost all specialist centres in Germany have been reopened and the operating theatre operation started again on 18.05.2020. A similar picture emerges for the foreign locations, which were also closed since mid-March and are currently being gradually "ramped up" again. Following the successful reopening of the locations, where high capacity utilisation and high booking rates were recorded again within a short period of time, the M1 management is assuming a short-term corona-related effect, but does not expect any significant impact on the business model in the medium to long term.

Up to now, based on the new specialist centres opened in 2019 and taking into account planned new openings for the current 2020 financial year, sales growth of around 20% has been expected. However, as the eight-week store closures are likely to have led to a sales loss of around 16 % (2 % per week) of the target sales volume, only stagnating sales or sales growth in the lower single-digit percentage range is expected for the current fiscal year.

The dynamic growth of M1 Kliniken AG is primarily based on the company's strong expansion activities, which have led to a very dynamic development in the number of locations in recent years. Thus, a total of 12 new M1 locations were added in 2019, bringing the total number of locations to 36. Originally, the number of specialist centres was to increase further to 50 by the end of 2020, of which around 20 were abroad. However, as expansion activities were discontinued during the closure period, we do not believe that this target will be achieved. According to our forecasts, the company should have a total

of 43 specialist centres by the end of 2020. Similarly, we assume that the medium-term plan to operate 100 locations by the end of 2023 will not be achieved until the end of 2024.

On the basis of the reduced revenue expectations for 2020, we expect revenues of € 78.23 million (previous year: € 77.22 million) and thus only a constant revenue development compared to the previous year. The sales contribution of the new specialty centers we expect will thus be almost completely offset by the weeks of closure. The company should only return to its dynamic growth path in the coming financial year. We do not anticipate any further Corona-related closures and expect the new openings from 2020 and 2021 to contribute to disproportionately high sales growth to € 97.99 million (2021e) and € 117.31 million (2022e). By 2024, the company should reach the target of 100 specialist centers.

## HAEMATO AG

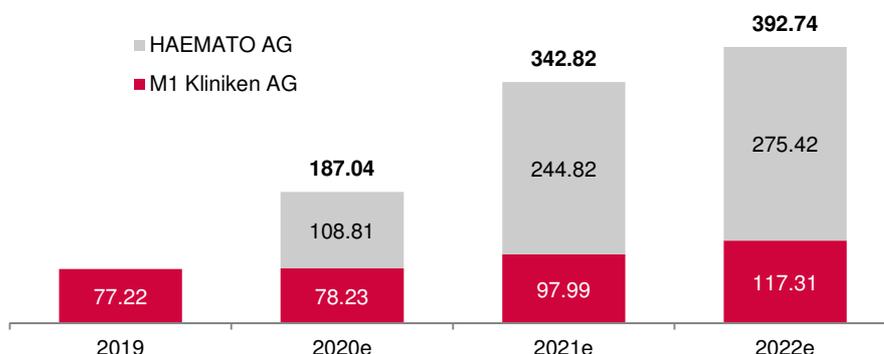
HAEMATO AG, as a trading company in the field of parallel imports and generics, profits from an increasing demand for pharmaceuticals in Germany as well as from intensified cost-saving efforts of the cost bearers. After the past fiscal year 2019 was characterized by various negative factors, the HAEMATO management expects a return to sales growth in 2020. As the company supplies pharmacies with drugs, particularly in the indication areas of oncology, cardiovascular diseases, neurological diseases and HIV/AIDS, the impact of the Covid 19 pandemic should be minimal. Ongoing medication is necessary in the addressed indication areas. In addition, management does not currently see any significant impact on supply chains.

For the current fiscal year 2020, we expect revenues to increase by 10% to € 217.62 million and thus remain somewhat below the company guidance, which expects an increase in revenues of more than 10%. This is due to the current uncertainty and the lack of visibility regarding a possible economic recovery. However, in the current situation, sales growth can still be considered outstanding. On the one hand, this is due to the business model and, after the decline in sales in 2019, catch-up effects. For the following years, we assume a rapid return to old sales levels. Thus, with an expected revenue growth of 12.5 % in 2022, revenues of € 275.42 million should be achieved.

## Consolidated sales and earnings forecasts 2020 - 2022

On the basis of our estimates for both companies, we expect sales revenues of € 187.04 million for the current fiscal year. This includes HAEMATO sales for a 6-month period. Due to the full-year inclusion in the coming business year, a significant increase in sales revenues to € 342.82 million is expected:

### Sales forecast (in million €)



Source: GBC AG

In our EBIT forecasts, we take into account an initially slightly declining earnings trend at M1 Kliniken AG. This is related to the loss of sales due to corona, which was not fully compensated for despite a reduction in parts of the fixed costs. In the following years EBIT should increase in proportion to sales. In the next two financial years, a margin level of slightly below 10 % should be achieved.

We also expect an improvement of the operating result at HAEMATO AG. In this respect, a portfolio adjustment for low-margin products was carried out in 2019 as well as in the first quarter of 2020, which should already have a positive effect on profitability in the current business year. By the 2022 financial year, the company should be able to build on the historical margin levels and achieve an EBIT margin of 2.5%.

In combination, the M1 Group will report an overall lower EBIT margin. However, the absolute EBIT will be higher by the HAEMATO earnings contribution.

### EBIT Forecast (in million €)



Source: GBC AG

On the level of the after-tax result, we have taken 52 % of the HAEMATO result into account as minority interests. These are only allocated to the HAEMATO shareholders and not to M1 Kliniken AG.

## Valuation

### *Model assumptions*

We have valued M1 Kliniken AG using a three-stage DCF model. Starting with the concrete estimates for the years 2020 - 2022 in phase 1, the second phase from 2023 to 2026 is used to forecast the recognition of value drivers. We expect revenue growth of 6.0 %. We have assumed an EBITDA margin target of 7.0%. We have taken the tax rate into account at 22.9% in phase 2. In the third phase, a residual value will also be determined by means of the perpetual annuity after the end of the forecast horizon. We assume a growth rate of 3.0% in the terminal value.

### *Determination of the cost of capital*

The weighted average cost of capital (WACC) of M1 Kliniken AG is calculated from the cost of equity and the cost of debt. To determine the cost of equity capital, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) (Technical Committee for Company Valuations and Business Administration). It is based on the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. **The currently used value of the risk-free interest rate is 1.00 % (previously: 1.00 %).**

As a reasonable expectation of a market premium, we apply the historical market premium of 5.50 %. This is supported by historical analyses of stock market returns. The market premium reflects by what percentage the equity market is expected to outperform low-risk government bonds.

According to the GBC estimation method, the current beta is 1.46. We have extended this beta by a market-oriented approach. Within the scope of a regression analysis of the M1 share price in relation to the SDAX and CDAX, we determined a market-oriented beta smoothed according to *Blume* of 0.64 (previously: 0.45). As the basis for calculating the weighted cost of capital, we added the market-oriented approach (weighting 1/3) to the previous fundamental beta (weighting 2/3) and calculated a beta of 1.19 (previously: 1.12). Using the assumptions made, the cost of equity is calculated at 7.55 % (previously: 7.16 %) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 90 % (previously: 100 %), the weighted average cost of capital (WACC) is 7.11 % (previously: 7.16 %).

### *Valuation result*

Our new price target of € 21.80 (previously: € 21.30) is based on the full consolidation of HAMEATO AG, for which we currently have a 48.2% stake. In addition, the new number of shares from the M1 non-cash capital increase was taken into account.

## DCF model

### M1 Kliniken AG - Discounted Cashflow (DCF) model

Value driver used in the DCF-model's estimate phase:

consistency - phase		final - phase	
Revenue growth	6.0%	Perpetual growth rate	3.0%
EBITDA-margin	7.0%	Perpetual EBITA margin	6.6%
Depreciation on fixed assets	10.0%	Effective tax rate in terminal value	22.9%
Working capital to sales	12.9%		

#### Three-phase DCF - model:

Phase in mEUR	estimate			consistency					final TV
	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	
Revenue (RE)	187.04	342.82	392.74	416.30	441.28	467.76	495.82	525.57	
Revenue change	142.2%	83.3%	14.6%	6.0%	6.0%	6.0%	6.0%	6.0%	3.0%
Revenue to fixed assets	3.41	6.44	7.37	7.71	8.02	8.30	8.56	8.78	
EBITDA	12.49	18.47	23.57	29.14	30.89	32.74	34.71	36.79	
EBITDA-margin	6.7%	5.4%	6.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
EBITA	8.24	13.14	18.22	23.79	25.47	27.22	29.05	30.97	
EBITA-margin	4.4%	3.8%	4.6%	5.7%	5.8%	5.8%	5.9%	5.9%	6.6%
Taxes on EBITA	-2.01	-2.93	-4.10	-5.45	-5.83	-6.23	-6.65	-7.09	
Tax rate	24.5%	22.3%	22.5%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%
EBI (NOPLAT)	6.22	10.20	14.12	18.34	19.64	20.99	22.40	23.88	
Return on Capital	19.9%	9.4%	13.3%	17.6%	18.2%	18.7%	19.2%	19.6%	21.5%
Working Capital (WC)	54.00	53.20	50.80	53.85	57.08	60.50	64.13	67.98	
WC to sales	28.9%	15.5%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	
Investment in WC	-39.23	0.80	2.40	-3.05	-3.23	-3.42	-3.63	-3.85	
Operating fixed assets (OFA)	54.80	53.20	53.30	54.01	55.02	56.34	57.95	59.87	
Depreciation on OFA	-4.25	-5.33	-5.35	-5.35	-5.42	-5.52	-5.65	-5.82	
Depreciation to OFA	7.8%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
CAPEX	-42.55	-3.73	-5.45	-6.06	-6.43	-6.84	-7.27	-7.74	
Capital Employed	108.80	106.40	104.10	107.86	112.10	116.84	122.09	127.86	
EBITDA	12.49	18.47	23.57	29.14	30.89	32.74	34.71	36.79	
Taxes on EBITA	-2.01	-2.93	-4.10	-5.45	-5.83	-6.23	-6.65	-7.09	
Total Investment	-40.31	-2.93	-3.05	-9.11	-9.66	-10.26	-10.90	-11.59	
Investment in OFA	-42.55	-3.73	-5.45	-6.06	-6.43	-6.84	-7.27	-7.74	
Investment in WC	-39.23	0.80	2.40	-3.05	-3.23	-3.42	-3.63	-3.85	
Investment in Goodwill	41.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free Cashflows	-29.84	12.60	16.42	14.58	15.40	16.24	17.15	18.11	574.36

Value operating business (due date)	438.80	457.40
Net present value explicit free Cashflows	83.72	77.07
Net present value of terminal value	355.08	380.33
Net debt	-24.47	-30.78
Value of equity	463.27	488.18
Minority interests	-56.81	-59.86
Value of share capital	406.46	428.32
Outstanding shares in m	19.64	19.64
Fair value per share in €	20.69	<b>21.80</b>

#### Cost of Capital:

Risk free rate	1.0%
Market risk premium	5.5%
Beta	1.19
Cost of equity	7.5%
Target weight	90.0%
Cost of debt	4.5%
Target weight	10.0%
Taxshield	28.7%
WACC	<b>7.1%</b>

Return on Capital	WACC				
	6.1%	6.6%	7.1%	7.6%	8.1%
19.5%	26.58	22.66	19.71	17.41	15.58
20.5%	28.04	23.89	20.76	18.32	16.37
21.5%	29.51	25.11	<b>21.80</b>	19.23	17.17
22.5%	30.97	26.34	22.85	20.14	17.97
23.5%	32.44	27.57	23.90	21.05	18.77

## ANNEX

### I.

#### **Research under MiFID II**

1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

### II.

#### **Section 1 Disclaimer and exclusion of liability**

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever, or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:

This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

<http://www.gbc-ag.de/de/Disclaimer>

#### **Legal information and disclosures as required by section 85 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)**

This information can also be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

#### **Section 2 (I) Updates**

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

#### **Section 2 (II) Recommendation/ Classifications/ Rating**

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

**The recommendations/ classifications/ ratings are linked to the following expectations:**

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 $< + 10\%$ .
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is $\leq - 10\%$ .

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

**Section 2 (III) Past recommendations**

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung>

**Section 2 (IV) Information basis**

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

**Section 2 (V) 1. Conflicts of interest as defined in section 85 of the Securities Trading Act (WpHG)**

GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described, at the time of this publication, and in so doing meet the requirements of section 85 of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

**In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a,5b,11)**

**section 2 (V) 2. Catalogue of potential conflicts of interest**

- (1) At the time of publication, GBC AG or a legal entity affiliated with it holds shares or other financial instruments in the company analysed or the financial instrument or financial product analysed. (2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.
- (3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
- (4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
- (5) a) GBC AG or a legal entity affiliated with it has concluded an agreement with this company or issuer of the analysed financial instrument in the previous 12 months on the preparation of research reports for a fee. Under this agreement, the draft financial analysis (excluding the valuation section) was made available to the issuer prior to publication.
- (5) b) After receiving valid amendments by the analysed company or issuer, the draft of this analysis was changed.
- (6) a) GBC AG or a legal entity affiliated with it has concluded an agreement with a third party in the previous 12 months on the preparation of research reports on this company or financial instrument for a fee. Under this agreement, the third party and/or company and/or issuer of the financial instrument has been given access to the draft analysis (excluding the valuation section) prior to publication.
- (6) b) After receiving valid amendments by the third party or issuer, the draft of this analysis was changed.
- (7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
- (8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
- (9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
- (10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
- (11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).
- (12) At the time of the financial analysis, the analysed company is in a financial instrument or financial product (e.g. certificate, fund, etc.) managed or advised by GBC AG or its affiliated legal entity.

### **Section 2 (V) 3. Compliance**

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer, Karin Jägg, Email: [jaegg@gbc-ag.de](mailto:jaegg@gbc-ag.de)

### **Section 2 (VI) Responsibility for report**

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

**Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research**  
**Marcel Goldmann, M.Sc., Financial Analyst**

Other person involved:

**Manuel Hölzle, Dipl. Kaufmann, Head of Research**

### **Section 3 Copyright**

This document is protected by copyright. It is made available to you solely for your information and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law shall, in principle, require the consent of GBC or of the relevant company, should the rights of usage and publication have been transferred.

GBC AG  
Halderstraße 27  
D 86150 Augsburg  
Tel.: 0821/24 11 33-0  
Fax.: 0821/24 11 33-30  
Internet: <http://www.gbc-ag.de>

E-Mail: [compliance@gbc-ag.de](mailto:compliance@gbc-ag.de)



**GBC AG®**  
**- RESEARCH & INVESTMENT ANALYSEN -**

GBC INC.  
Halderstrasse 27  
86150 Augsburg  
Internet: <http://www.gbc-ag.de>  
Fax: ++49 (0)821/241133-30  
Phone: ++49 (0)821/241133-0  
Email: [office@gbc-ag.de](mailto:office@gbc-ag.de)