

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (MEDIUM) Price Target: **EUR 6.00** (7.00)

11 May 2010

9M figures are disappointing...

... but sale of rehab-segment will prevent losses

- Disposal of rehabilitation segment:** Marseille-Kliniken (MKA) already announced end of April to dispose all rehabilitation clinic operations, thereby discontinuing the group's rehabilitation business. MKA sold the rehabilitation segment to a joint venture held by funds which financial investor AUCTUS Capital Partners AG consults and the existing management team. According to the company, the book profit is a small two-digit EURm (CBSRe: ~21m). Despite the fact that this unit had been no core segment anymore for a few quarters MKA was able to successfully restructure this unit and within 9M 09/10 (ending March 2010) rehabilitation generated a positive EBIT of EUR 2.84m.
- 9M 09/10 key figures very disappointing:** The group reported revenues of EUR 186.07m of which EUR 147.52m consists to the continued business (Rehabilitation: EUR 38.55m). On EBIT-level MKA generated EUR 3.87m while continuing business came in only at EUR 1.04m. The overall net result however turned into negative with EUR -1.43m after deducting negative financial result of EUR -2.92m as well as taxes and minorities. The performance of the continuing business with a net loss of EUR -3.78m (discontinued: EUR +2.35m) was disappointing. We had been negatively surprised by the weak period of the core business of MKA but luckily the disposal profit came in at the right time to cover up the weak performance.
- Changed strategy and adjusted estimates:** In the 9M-report the management mentioned that they stopped for now the expansion plans for new facilities and also the take-over of minority holdings in the field of the acute business unit. In the course of the 'new' strategy and the modifications in the business model we adjusted our financial figures for the following years. We now expect net result to come in at EUR 10.38m (old: 7.6m) mostly given by the book profit of the rehabilitation-disposal.
- Reduced price target:** Although this fiscal year will be far better than previously expected, FY 10/11E is much more important. Currently, we estimate for next year a net income of EUR 2.87m (old: EUR 9.38m) and, therefore, lower our **price target down to EUR 6.00** (EUR 7.00) but reiterate our **BUY recommendation**.

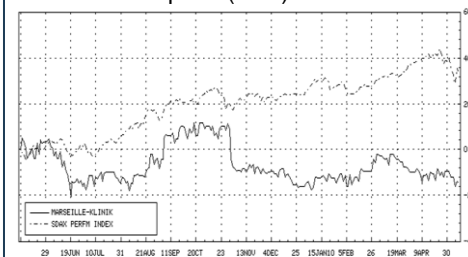
Key data

Y/E 30.06., EUR m	07/08	08/09	09/10E	10/11E*	11/12*
Sales revenues	228.1	235.5	238.4	204.1	214.3
EBITDA	32.3	3.6	28.1	17.8	20.9
EBIT	22.5	-6.8	18.6	7.5	10.3
Net income/loss	13.7	-13.5	10.4	2.9	5.0
EPS	1.13	-1.11	0.85	0.24	0.41
CPS	-0.36	0.60	1.65	1.08	1.34
DPS	0.25	0.00	0.00	0.00	0.00
EBITDA margin	14.1%	1.5%	11.8%	8.7%	9.7%
EBIT margin	9.9%	-2.9%	7.8%	3.7%	4.8%
EV/EBIT	5.3	n.m.	6.4	15.9	11.6
P/E	4.2	n.m.	5.5	19.9	11.5

Source: Marseille-Kliniken AG, CBS Research

*Excluding discontinued business

Share price (dark) vs. SDAX



Sources: CBS Research AG, Bloomberg

Change	09/10E		10/11E		11/12E	
	new	old	new	old	new	old
Sales	238.4	243.4	204.1	250.7	214.3	258.2
EBITDA	28.1	24.3	17.8	27.6	20.9	28.9
EPS	0.85	0.63	0.24	0.77	0.41	0.82

Internet: www.marseille-kliniken.de Sector: Healthcare-Services
 WKN: 778300 ISIN: DE0007783003
 Reuters: MKAG.DE Bloomberg: MKA GY

Share data:

Share price (last closing price):	EUR 4.70
Shares outstanding (m):	12.15
Market capitalisation (EURm):	55.9
Enterprise value* (EURm):	125.1
Ø daily trading volume (3m, no. of shares):	5,889
*EV excluding expected cash-inflow from disposal	
Performance data:	
High 52 weeks:	EUR 6.11
Low 52 weeks:	EUR 4.22
Absolute performance (12 months):	-19.1%
Relative performance (vs. SDAX):	
1 month	4.35%
3 months	-8.2%
6 months	-15.5%
12 months	-40.5%

Shareholders:

Marseille-family:	60%
Free float:	40%

Financial calendar:

Annual report 2009/2010	October 2010
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Appendix

Profit and loss account

	IFRS	EUR 1,000	07/08	08/09	09/10E*	10/11E	11/12E
Sales & Revenues			228,111	235,535	238,361	204,065	214,268
YoY growth			8.4%	3.3%	1.2%	-14.4%	5.0%
<i>of which continued business</i>			-	-	194,231	-	-
<i>of which discontinued business</i>			-	-	44,130	-	-
Change in inventory			0	0	263	271	285
as % of sales			0.0%	0.0%	0.1%	0.1%	0.1%
Other own work capitalized			134	0	274	283	297
as % of sales			0.1%	0.0%	0.1%	0.1%	0.1%
Other operating income			31,777	10,444	32,441	9,183	8,571
as % of sales			13.9%	4.4%	13.6%	4.5%	4.0%
Total output			260,022	245,979	271,340	213,802	223,421
as % of sales			114.0%	104.4%	113.8%	104.8%	104.3%
Cost of materials			-29,375	-32,451	-32,179	-20,407	-21,427
as % of sales			-12.9%	-13.8%	-13.5%	-10.0%	-10.0%
Personell cost			-119,350	-124,397	-128,715	-108,155	-113,562
as % of sales			-52.3%	-52.8%	-54.0%	-53.0%	-53.0%
Other operating expenses			-79,026	-85,488	-82,313	-67,422	-67,579
as % of sales			-30.4%	-34.8%	-30.3%	-31.5%	-30.2%
EBITDA			32,272	3,643	28,133	17,819	20,852
as % of sales			14.1%	1.5%	11.8%	8.7%	9.7%
Depreciation and amortisation			-9,799	-10,446	-9,583	-10,345	-10,538
as % of sales			-4.3%	-4.4%	-4.0%	-5.1%	-4.9%
EBIT			22,473	-6,803	18,551	7,474	10,314
as % of sales			9.9%	-2.9%	7.8%	3.7%	4.8%
Net financial results			-5,930	-5,264	-3,477	-3,300	-3,108
EBT (Earnings before income taxes)			16,728	-10,914	15,074	4,174	7,206
as % of sales			7.3%	-4.6%	6.3%	2.0%	3.4%
Income taxes			-3,317	-1,529	-4,372	-1,210	-2,090
as % of EBT			-19.8%	14.0%	-29.0%	-29.0%	-29.0%
Group net income including minorities			13,225	-13,596	10,703	2,963	5,116
Minority interests			-483	-83	321	89	153
Net income attributable to shareholders			13,708	-13,513	10,382	2,875	4,963
as % of sales			6.0%	-5.7%	4.4%	1.4%	2.3%
Shares outstanding (in thousands), weighted			12,150	12,150	12,150	12,150	12,150
Basic earnings per share (EUR)			1.13	-1.11	0.85	0.24	0.41

Source: Marseille-Kliniken AG, CBS Research AG

* Announced disposal of rehabilitation segment (not yet fully completed)

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HOLD: The expected performance of the share price is between 0% and +10%.

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
04 September 2009	BUY (Initiating Coverage)	EUR 5.20	EUR 7.50
04 November 2009	BUY	EUR 4.98	EUR 7.00
11 November 2009	BUY	EUR 4.90	EUR 7.00
09 February 2010	BUY	EUR 4.60	EUR 7.00
11 May 2010	BUY	EUR 4.70	EUR 6.00

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