

# HEALTHCARE

A Research Publication by DZ BANK AG

## MeVis Medical Solutions<sup>6)</sup>

Reuters: M3VGn.DE

Bloomberg: M3V GY

Year *	Sales		Adj. IFRS earnings per sh.		Cash flow per share		PER	PCF	Dividend per share
	EUR m		EUR		EUR				
2010	14.3	(14.3)	-4.89	(-4.89)	-2.81	(-2.81)	-	-	0.00
2011e	13.5	(13.5)	-0.09	(-0.09)	2.00	(2.00)	-	4.2	0.00
2012e	13.3	(13.3)	-0.09	(-0.09)	1.95	(1.95)	-	4.3	0.00
2013e	13.2	(-)	0.34	(-)	2.12	(-)	24.4	4.0	0.00

\* Fiscal year end December – In brackets: Figures from the last publication

### Q1 slightly better than expected

- » **Report on first quarter:** In Q1 2011 MeVis achieved sales at the same level as the previous year (EUR 3.7m). While maintenance sales were up by 50% to EUR 1.5m, sales of new licences fell by 20% to EUR 2.1m. The reasons for the weak level of new business were saturation in the American market for digital mammography and a shift in the competitive situation. Thanks to reduced staff costs and increased own work capitalised the EBIT margin increased from 4% to 13.7%. Nevertheless, due to high tax charges – mainly for non-liquidity-impacting costs of deferred taxes – MeVis reported a loss of EUR 0.2m.
- » **Outlook:** The outlook was confirmed. Due to a fall in the number of new licences sold in 2010, a slight fall in sales, and additional savings measures a slightly positive EBIT is expected. The forecast will be finalised in the course of the year.
- » **DZ BANK assessment:** The Q1 figures at sales and EBIT level were stronger than expected. However, the new-licensing business continues to deteriorate.
- » **Valuation:** The DCF model indicates a value of EUR 8 per share. In our opinion the peer-group comparison is not currently meaningful.

**MeVis made a slightly stronger start to the new year than expected. However, sales of new licences continue to deteriorate. Visibility in respect of the development pipeline is poor. The opportunity-risk ratio is negative in our view. We continue to advise against investment in the share.**

Selected Companies	Price on 27 May 2011	PER		EV / EBITDA		EV / Sales 11e	Re-com.
		11e	12e	11e	12e		
MeVis Medical Solutions	8.39 EUR	-	-	4.2	4.6	0.98	↓
CompuGroup Medical	11.00 EUR	17.3	12.3	9.1	7.1	1.89	-
Merge Healthcare	6.00 USD	34.3	20.0	6.0	5.3	1.45	-
icad Inc.	1.00 USD	-	-	-	-	-	-
Sectra AB	34.00 SEK	33.3	20.2	9.4	6.4	1.09	-
<b>Median for all peer group companies</b>		<b>33.3</b>	<b>20.0</b>	<b>9.1</b>	<b>6.4</b>	<b>1.45</b>	<b>-</b>

↑ = Buy, → = Hold, ↓ = Sell, ● = not rated, n/a = not appropriate  
Source: DZ BANK, I/B/E/S, FactSet

## EQUITIES

Flash  
30 May 2011

**Sell** (prev. Sell)

Closing price 27 May 2011

(in EUR): 8.39

Fair value: 8.00 (prev. 8.00)

Risk classification: 5

Financial ratios 2011e:

Book value per share (in EUR):	14.52
Equity ratio (in %):	70.1
Net margin (in %):	-0.9
ROE (in %):	-0.6
Dividend yield (in %):	0.0
Free cash flow (EUR m):	2.6
Net debt (EUR m):	1.8

Number of shares

(million units): 1.7

Market cap

(in EUR m): 14.24

Free float (in %): 38.8

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Author: Michael Bissinger, Analyst

**DZ BANK**  
Bank on Germany

## AT A GLANCE

### Company profile

MeVis Medical Solutions AG was founded in Bremen in 1997 and has been listed on Deutsche Börse's Prime Standard since 16.11.2007. MeVis is an independent manufacturer of software products for image-based medicine, especially for digital radiology. MeVis software solutions create significant added value for physicians for early detection and diagnosis as well as for therapy and intervention planning in the areas of cancer diseases, especially breast cancer, neurology and lung diseases.

### Basis for investment recommendation

MeVis made a slightly stronger start to the new year than expected. However, sales of new licences continue to deteriorate. Visibility in respect of the development pipeline is poor. The opportunity-risk ratio is negative in our view. We continue to advise against investment in the share.

### Price sensitive current issues

- » Search for a strategic and financial partner
- » Expected FDA approval for Visia Enterprise in H2 2011
- » Success of new products, especially of Visia Enterprise
- » Development of the market for lung-screening
- » Development of the market for digital mammography

### Opportunities and risks

Opportunities	Risks
Successful search for a partner	Declining cash and cash equivalents
Introduction of a lung-screening programme in the USA	No partner
Success of new products	Continuing low acceptance of CAD products
FDA approval of the Visa Enterprise	Declining income from the digital mammography segment
Development of the digital mammography market ex-US	Loss of OEM contracts und partners

<sup>1) - 9)</sup> Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

## PROFIT AND LOSS ACCOUNT

Euro m	2010	2011e	2012e	2013e	2014e	2015e
<b>Sales</b>	<b>14.3</b>	<b>13.5</b>	<b>13.3</b>	<b>13.2</b>	<b>13.3</b>	<b>13.3</b>
Change in inventory/Own work	2.8	2.8	2.8	2.4	2.0	2.0
<b>Total output</b>	<b>17.1</b>	<b>16.3</b>	<b>16.1</b>	<b>15.6</b>	<b>15.3</b>	<b>15.3</b>
% against prev. year	6%	-4%	-2%	-3%	-2%	0%
Cost of materials	-0.7	-0.7	-0.6	-0.6	-0.6	-0.6
Personnel expenses	-10.4	-10.1	-9.9	-9.5	-9.2	-9.2
Other operating income	1.1	1.1	1.1	1.0	1.0	1.0
Other operating expenses	-3.7	-2.9	-3.2	-2.8	-2.6	-2.6
Extraordinary income/expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>3.5</b>	<b>3.8</b>	<b>3.4</b>	<b>3.7</b>	<b>3.8</b>	<b>3.8</b>
For information: EBITDA adjusted	-1.9	3.8	3.4	3.7	3.8	3.8
Depreciation	-8.9	-3.6	-3.5	-3.0	-2.6	-2.2
thereof on goodwill	-4.2	0.0	0.0	0.0	0.0	0.0
<b>Operating profit (EBIT)</b>	<b>-5.4</b>	<b>0.2</b>	<b>0.0</b>	<b>0.7</b>	<b>1.2</b>	<b>1.7</b>
For information: EBIT adjusted	-5.4	0.2	0.0	0.7	1.2	1.7
% against prev. year	-432%		-116%		73%	35%
Interest paid / received	-0.2	-0.4	-0.2	0.1	0.1	0.2
<b>Profit before tax</b>	<b>-5.6</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.8</b>	<b>1.3</b>	<b>1.8</b>
For information: EBT adjusted	-5.6	-0.2	-0.2	0.8	1.3	1.8
% against prev. year	-580%				73%	36%
Income taxes from continuing operations	-2.7	0.0	0.1	-0.2	-0.3	-0.5
Tax rate	-49%	3%	27%	24%	26%	26%
<b>Net profit from continuing operations</b>	<b>-8.3</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.6</b>	<b>1.0</b>	<b>1.4</b>
Net profit from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>-8.3</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.6</b>	<b>1.0</b>	<b>1.4</b>
Profit or loss attributable to minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit or loss attributable to shareholders</b>	<b>-8.3</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.6</b>	<b>1.0</b>	<b>1.4</b>
thereof from continuing operations	-8.3	-0.2	-0.1	0.6	1.0	1.4
thereof from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average number of shares, diluted (m)	1.708	1.708	1.708	1.708	1.708	1.708
IFRS earnings per share, diluted	-4.89	-0.09	-0.09	0.34	0.58	0.79
Adjusted earnings per share, diluted (contin.)	-4.89	-0.09	-0.09	0.34	0.58	0.79

Fiscal year end December

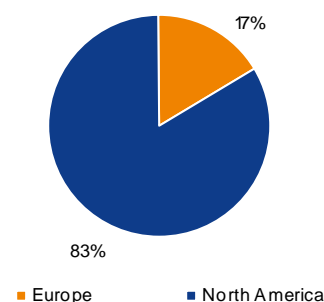
Source: MeVis Medical Solutions and DZ BANK estimates

**RATIOS**

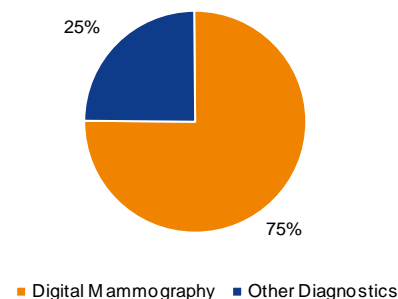
Euro	2010	2011e	2012e	2013e	2014e
<b>Profit and loss ratios</b>					
Total output (m)	17.1	16.3	16.1	15.6	15.3
EBITDA margin	-11.0%	23.2%	21.4%	23.9%	25.0%
EBIT margin	-31.8%	1.4%	-0.2%	4.6%	8.1%
Net margin	-48.9%	-0.9%	-0.9%	3.8%	6.5%
Investment ratio	66.2%	24.2%	19.7%	17.9%	15.8%
R&D as % of total output					
Net other operating costs as % of total output	14.9%	10.9%	13.0%	11.5%	10.4%
Net financial income as % of total output	-1.1%	-2.3%	-1.0%	0.4%	0.7%
Interest cover		0.9		8.9	15.9
Average sales growth next five years	-2.2%				
Average earnings growth next five years					
<b>Profitability ratios</b>					
ROE	-33.7%	-0.6%	-0.6%	2.3%	3.8%
ROCE	-20.6%	0.8%	-0.1%	2.7%	4.7%
<b>Productivity ratios</b>					
Sales per employee ('000)	101.35	105.28	103.64	100.86	98.45
EBIT per employee ('000)	-32.21	1.44	-0.23	4.61	7.96
<b>Balance sheet ratios</b>					
Equity ratio	63.9%	70.1%	76.7%	77.2%	77.9%
Long term debt and equity / Fixed assets	126.6%	110.9%	111.6%	114.9%	119.1%
Liquidity (quick ratio)	172.2%	126.5%	146.1%	162.6%	184.4%
Receivables as % of total output	30.1%	29.8%	29.7%	30.5%	31.3%
Investment (net of GW) / Depreciation		110.7%	91.3%	92.3%	93.5%
Working capital as % of total output	19.9%	20.0%	20.3%	21.2%	22.1%
Net debt (m)	1.5	1.8	1.6	0.9	-0.1
Net debt complete (m)	1.6	1.9	1.8	1.1	0.2
<b>Figures per share</b>					
Earnings per share, diluted	-4.89	-0.09	-0.09	0.34	0.58
Diluted cash earnings per share	-2.81	2.00	1.95	2.12	2.10
Dividend per common share	0.00	0.00	0.00	0.00	0.00
Cash per share, diluted	3.31	2.67	1.00	1.42	1.98
Net debt per share, diluted	0.91	1.05	0.95	0.53	-0.03
<b>Valuation ratios</b>					
Enterprise value / Sales	1.4	1.0	1.0	1.0	0.9
Enterprise value / EBITDA		4.2	4.6	4.0	3.7
Enterprise value / EBIT		71.5		21.2	11.5
EV/Sales to sales growth	-1.18	-0.44	-0.44	-0.43	-0.42
PEG ratio - common shares					
Fiscal year end December					

Source: MeVis Medical Solutions, DZ BANK estimates

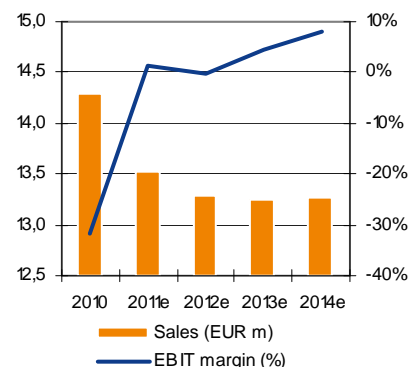
**SALES BY REGION 2010**



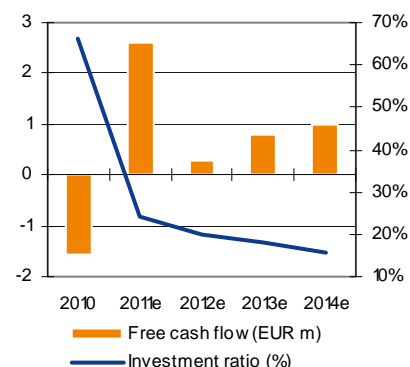
**SALES BY BUSINESS SEGMENT 2010**



**SALES AND MARGIN DEVELOPMENT**



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## BALANCE SHEET

IFRS - Euro m	2010	2011e	2012e	2013e	2014e	2015e
<b>ASSETS</b>						
<b>Non current assets</b>	<b>24.2</b>	<b>24.5</b>	<b>24.2</b>	<b>24.0</b>	<b>24.1</b>	<b>24.2</b>
Intangible assets	22.0	22.7	22.6	22.5	22.4	22.3
thereof goodwill	12.6	13.4	13.4	13.4	13.4	13.4
Tangible assets	0.9	0.7	0.5	0.3	0.3	0.2
Financial assets	1.3	1.1	1.1	1.3	1.5	1.7
Other long-term assets	0.0	0.0	0.1	0.0	0.0	0.0
<b>Current assets</b>	<b>14.6</b>	<b>10.7</b>	<b>7.7</b>	<b>8.4</b>	<b>9.4</b>	<b>10.7</b>
Inventories	0.1	0.1	0.1	0.1	0.1	0.1
Trade receivables	5.1	4.9	4.8	4.8	4.8	4.8
Financial assets	3.3	0.7	0.7	0.7	0.7	0.7
Other receivables and short-term assets	0.5	0.5	0.5	0.5	0.5	0.5
Liquid assets	5.6	4.5	1.7	2.4	3.4	4.6
Assets available for sale	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total assets</b>	<b>38.8</b>	<b>35.1</b>	<b>31.9</b>	<b>32.5</b>	<b>33.5</b>	<b>34.9</b>
<b>LIABILITIES</b>						
<b>Shareholders' equity</b>	<b>24.8</b>	<b>24.6</b>	<b>24.5</b>	<b>25.1</b>	<b>26.1</b>	<b>27.4</b>
Share capital	1.8	1.8	1.8	1.8	1.8	1.8
Reserves	25.3	25.2	25.0	25.6	26.6	28.0
Other equity	1.4	1.4	1.4	1.4	1.4	1.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Treasury stock	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8
<b>Non current liabilities</b>	<b>5.9</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>
Provisions for pensions	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.8	0.9	0.9	0.9	1.0	1.0
Financial liabilities	3.5	0.1	0.1	0.1	0.1	0.1
Other payables	1.6	1.6	1.6	1.6	1.6	1.6
<b>Current liabilities</b>	<b>8.1</b>	<b>8.0</b>	<b>4.9</b>	<b>4.9</b>	<b>4.8</b>	<b>4.8</b>
Trade payables	1.3	1.2	1.2	1.2	1.2	1.2
Other provisions	0.2	0.2	0.3	0.3	0.3	0.3
Financial liabilities	6.3	6.3	3.3	3.3	3.3	3.3
Other liabilities	0.3	0.3	0.2	0.1	0.1	0.1
Liabilities assoc. with assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
<b>Shareholders' equity and liabilities</b>	<b>38.8</b>	<b>35.1</b>	<b>31.9</b>	<b>32.5</b>	<b>33.5</b>	<b>34.9</b>
Fiscal year end December						

Source: MeVis Medical Solutions and DZ BANK estimates

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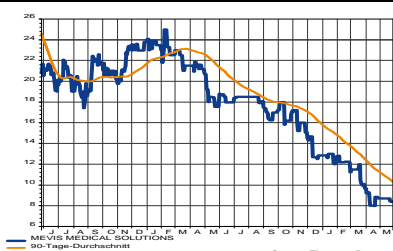
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**RATING HISTORY**

Recommendation	Date	Price
Sell	24 Mar 2011	10.08 EUR
Hold	1 Dec 2010	15.10 EUR

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