

# HEALTHCARE

A Research Publication by DZ BANK AG

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

Reuters: M3VGn.DE

Bloomberg: M3V GY

Year *	Sales EUR m	Adj. IFRS- Earnings per sh. EUR	Cash flow per share EUR	PER	PCF	Dividend per share EUR
2010	14.3 (14.3)	-4.89 (-4.89)	-2.81 (-2.81)	-	-	0.00
2011e	12.9 (13.5)	-0.92 (-0.09)	1.16 (2.00)	-	3.7	0.00
2012e	12.5 (13.3)	-0.13 (-0.09)	1.74 (1.95)	-	2.5	0.00
2013e	12.5 (13.2)	-0.10 (0.34)	1.51 (2.12)	-	2.8	0.00

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

### Quo vadis, Mevis???

- » **Report 2nd Quarter:** Sales were down in Q2 by 17.6% to EUR 3.0m (new license business -26%; maintenance business +18%). While the Digital Mammography division revealed a clear decline of -12.2%, the development in the Other Diagnostics division was even more disappointing, with a decline of -32%. The weak sales had a direct impact on earnings (EBITDA EUR 0.5m; consolidated profit EUR -1.0m).
- » **Outlook:** MeVis has already been on the look out for a strategic partner since the end of 2010. The company is now also reviewing its strategic alignment. As evidenced in the business development of recent months, the current model appears to be too scientifically powered to be economically successful. We consider an adjustment to the corporate strategy, with a stronger alignment towards the development of buyer needs and greater collaboration in distribution with partners, to be indispensable for securing the success and existence of the company.
- » **Guidance 2011:** MeVis expects a slight sales decline for the whole of 2011 and slightly positive EBIT as a consequence of cost savings.
- » **Valuation:** A valuation is currently extremely difficult. A value can be derived for the Digital Mammography division, but this will only be eroded in the medium term by expenses in the Other Diagnostics division. Without a change in strategy we see the fair value being around EUR 2 per share. We would however calculate a value substantially above EUR 2 per share should the supervisory board vote for a change in strategy.

**The trend of the disclosed figures remains negative. A strategic change towards a business model aligned more to business management concept is in our opinion indispensable. We confirm our recommendation: Sell.**

Selected Companies	Price on 31 Aug 2011	PER 11e 12e	EV / EBITDA 11e 12e	EV / Sales 11e	Re- com.
MeVis Medical Solutions	4.28 EUR	- -	2.1 2.5	0.49	↓
CompuGroup Medical	8.86 EUR	15.1 10.5	8.7 6.5	1.65	-
Merge Healthcare	5.92 USD	32.9 21.1	12.4 10.0	3.06	-
icad Inc.	0.58 USD	- -	- -	-	-
Sectra AB	42.50 SEK	27.2 16.3	7.8 5.0	1.04	-
<b>Median for all peer group companies</b>		<b>27.2 16.3</b>	<b>8.7 6.5</b>	<b>1.65</b>	<b>-</b>

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

### EQUITIES

Flash  
1 Sep 2011

**Sell** (prev. Sell)

Closing price 31 Aug 2011

(in EUR): 4.28

Fair value: 2.00 (prev. 8.00)

Risk classification: 5

#### Financial ratios 2011e:

Book value per share (in EUR):	13.68
Equity ratio (in %):	69.9
Net margin (in %):	-10.3
ROE (in %):	-6.8
Dividend yield (in %):	0.0
Free cash flow (EUR m):	4.7
Net debt (EUR m):	0.3

#### Number of shares

(million units): 1.7

#### Market cap

(in EUR m): 7.26

Free float (in %): 38.8

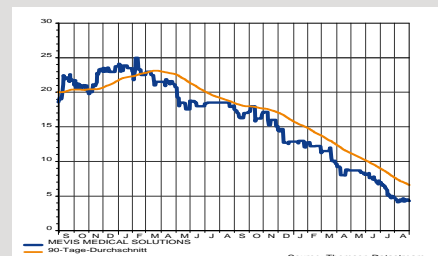
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Report Q3 21.11.2011



Author: Michael Bissinger, Analyst

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Bank on Germany

## AT A GLANCE

### Company profile

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

The figures presented were disappointing; the risk-reward profile has deteriorated in our view. The further success of the company will strongly depend on the acceptance of new products. The company has been actively seeking a strategic and financial partner since Q1. We currently advise against investing in MeVis.

### Price sensitive current issues

- » Restructuring of the business model
- » Search for a strategic and financial partner
- » Development of the market for digital mammography
- » Development of the market for lung-screening
- » Development of liquidity

### Opportunities and risks

Opportunities	Risks
Successful Restructuring of the business model	No new business strategy
Acquiring an appropriate partner	No Partner
Introduction of an lung cancer screening program in the US	Declining cash and cash equivalents
Development of the digital mammography market ex US	Declining income from the digital mammography segment
Substantial cost reductions	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>12.9</b>	<b>12.5</b>	<b>12.5</b>	<b>12.4</b>	<b>12.4</b>
Change in inventory/Own work	2.8	2.5	2.5	2.1	1.7	1.3
<b>Total output</b>	<b>17.1</b>	<b>15.4</b>	<b>15.0</b>	<b>14.6</b>	<b>14.1</b>	<b>13.7</b>
% against prev. year	6%	-10%	-2%	-3%	-3%	-3%
Cost of materials	-0.7	-0.3	-0.3	-0.3	-0.3	-0.2
Personnel expenses	-10.4	-9.5	-9.3	-9.0	-8.8	-8.5
Other operating income	1.1	0.7	0.7	0.7	0.7	0.6
Other operating expenses	-3.7	-2.6	-3.1	-3.6	-3.9	-4.2
Extraordinary income/expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>3.5</b>	<b>3.7</b>	<b>3.0</b>	<b>2.4</b>	<b>1.8</b>	<b>1.5</b>
For information: EBITDA adjusted	-1.9	3.7	3.0	2.4	1.8	1.5
Depreciation	-8.9	-3.6	-3.2	-2.7	-2.3	-1.9
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>0.1</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.4</b>
For information: EBIT adjusted	-5.4	0.1	-0.1	-0.4	-0.5	-0.4
% against prev. year	-432%		-247%			
Interest paid / received	-0.2	-1.0	-0.2	0.1	0.1	0.2
<b>Profit before tax</b>	<b>-5.6</b>	<b>-0.9</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.2</b>
For information: EBT adjusted	-5.6	-0.9	-0.3	-0.3	-0.3	-0.2
% against prev. year	-580%					
Income taxes from continuing operations	-2.7	-0.7	0.1	0.1	0.2	0.1
Tax rate	-49%	-80%	29%	45%	49%	65%
<b>Net profit from continuing operations</b>	<b>-8.3</b>	<b>-1.6</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</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>-1.6</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</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>-1.6</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</b>
thereof from continuing operations	-8.3	-1.6	-0.2	-0.2	-0.2	-0.1
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	-0.92	-0.13	-0.10	-0.10	-0.05
Adjusted earnings per share, diluted (contin.)	-4.89	-0.92	-0.13	-0.10	-0.10	-0.05

Fiscal year end December

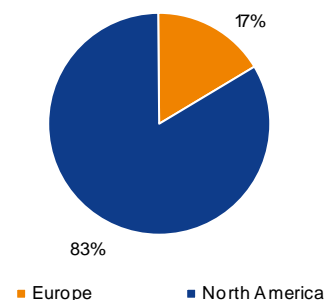
Source: MeVis Medical Solutions and DZ BANK estimates

**RATIOS**

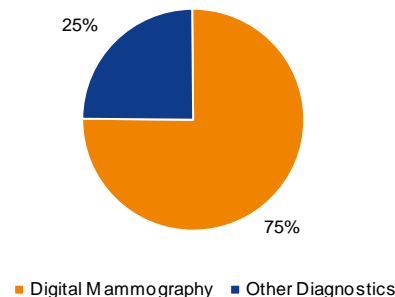
Euro	2010	2011e	2012e	2013e	2014e
<b>Profit and loss ratios</b>					
Total output (m)	17.1	15.4	15.0	14.6	14.1
EBITDA margin	-11.0%	23.9%	20.2%	16.2%	13.1%
EBIT margin	-31.8%	0.6%	-1.0%	-2.6%	-3.2%
Net margin	-48.9%	-10.3%	-1.4%	-1.1%	-1.2%
Investment ratio	66.2%	18.6%	19.2%	17.2%	15.1%
R&D as % of total output					
Net other operating costs as % of total output	14.9%	12.3%	16.0%	20.0%	23.1%
Net financial income as % of total output	-1.1%	-6.4%	-1.0%	0.5%	0.9%
Interest cover		0.1			
Average sales growth next five years	-4.3%				
Average earnings growth next five years					
<b>Profitability ratios</b>					
ROE	-33.7%	-6.8%	-0.9%	-0.7%	-0.7%
ROCE	-20.6%	0.4%	-0.6%	-1.6%	-1.9%
<b>Productivity ratios</b>					
Sales per employee ('000)	101.35	99.09	97.08	93.92	91.19
EBIT per employee ('000)	-32.21	0.63	-0.93	-2.46	-2.92
<b>Balance sheet ratios</b>					
Equity ratio	63.9%	69.9%	76.8%	76.7%	76.6%
Long term debt and equity / Fixed assets	126.6%	113.4%	113.7%	112.9%	111.3%
Liquidity (quick ratio)	172.2%	132.9%	156.8%	153.3%	146.4%
Receivables as % of total output	30.1%	20.9%	20.8%	21.4%	22.0%
Investment (net of GW) / Depreciation		80.3%	90.6%	91.5%	92.7%
Working capital as % of total output	19.9%	13.7%	14.0%	14.7%	15.5%
Net debt (m)	1.5	0.3	0.2	0.4	0.8
Net debt complete (m)	1.6	0.4	0.4	0.6	1.0
<b>Figures per share</b>					
Earnings per share, diluted	-4.89	-0.92	-0.13	-0.10	-0.10
Diluted cash earnings per share	-2.81	1.16	1.74	1.51	1.25
Dividend per common share	0.00	0.00	0.00	0.00	0.00
Cash per share, diluted	3.31	3.57	1.83	1.70	1.48
Net debt per share, diluted	0.91	0.15	0.12	0.25	0.47
<b>Valuation ratios</b>					
Enterprise value / Sales	1.4	0.5	0.5	0.5	0.6
Enterprise value / EBITDA		2.1	2.5	3.3	4.4
Enterprise value / EBIT		76.6			
EV/Sales to sales growth	-0.51	-0.11	-0.12	-0.12	-0.13
PEG ratio - common shares					
Fiscal year end December					

Source: MeVis Medical Solutions, DZ BANK estimates

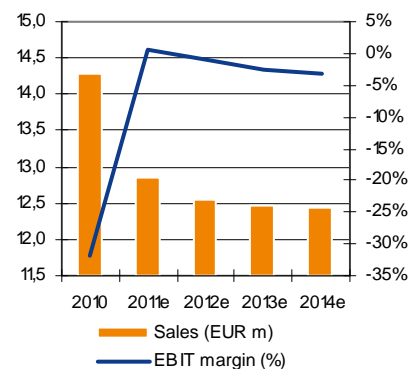
**SALES BY REGION 2010**



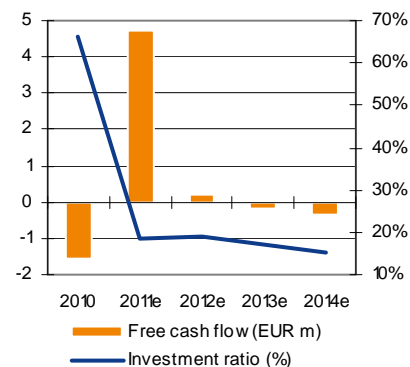
**SALES BY BUSINESS SEGMENT 2010**



**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>22.7</b>	<b>22.4</b>	<b>22.5</b>	<b>22.7</b>	<b>23.0</b>
Intangible assets	22.0	21.6	21.5	21.4	21.3	21.2
thereof goodwill	12.6	12.6	12.6	12.6	12.6	12.6
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	-0.7	-0.6	-0.5	-0.3	-0.2
<b>Current assets</b>	<b>14.6</b>	<b>10.5</b>	<b>7.5</b>	<b>7.3</b>	<b>6.9</b>	<b>6.6</b>
Inventories	0.1	0.1	0.1	0.1	0.1	0.1
Trade receivables	5.1	3.2	3.1	3.1	3.1	3.1
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	6.1	3.1	2.9	2.5	2.2
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>33.2</b>	<b>30.0</b>	<b>29.8</b>	<b>29.6</b>	<b>29.5</b>
<b>LIABILITIES</b>						
<b>Shareholders' equity</b>	<b>24.8</b>	<b>23.2</b>	<b>23.0</b>	<b>22.8</b>	<b>22.7</b>	<b>22.6</b>
Share capital	1.8	1.8	1.8	1.8	1.8	1.8
Reserves	25.3	23.8	23.5	23.4	23.2	23.1
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>7.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>
Trade payables	1.3	0.8	0.8	0.7	0.7	0.7
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	0.2	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>33.2</b>	<b>30.0</b>	<b>29.8</b>	<b>29.6</b>	<b>29.5</b>
Fiscal year end December						

Source: MeVis Medical Solutions and DZ BANK estimates

**IMPRINT**

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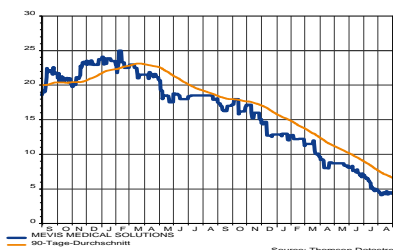
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**RATING HISTORY**

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

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

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