

# 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	13.7 (13.2)	0.76 (-0.46)	2.99 (1.63)	4.9	1.2	0.00
2012e	13.7 (12.9)	0.38 (0.35)	2.25 (2.22)	12.9	2.2	0.00
2013e	13.7 (13.0)	0.61 (0.49)	2.21 (2.10)	8.1	2.2	0.00

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

### Results slightly better than expected; Upgrade to hold

- MeVis presented preliminary results for the 2011 financial year. Sales decreased by 4% to EUR 13.7 m (DZ BANKe 13.2), the EBIT was burdened by non-cash expenses and amounted to EUR -1.7 m. Before the non-recurring depreciation on the Visia applications (EUR 2.3 m) and the provision for the departing CEO (EUR 0.3 m), the EBIT amounted to around EUR 0.9 m (DZ BANKe 1.0). In addition, the financial result was impacted by depreciation on the Medis stake in the amount of EUR 0.9 m. As of 31.12.2011, liquid funds amounted to around EUR 7.6 m despite the payment made to Siemens of around EUR 3 m. The operating cash flow was thus clearly positive. The company can therefore definitely make the last payment to Siemens of another approximately EUR 3 m in 2012 using existing liquidity.
- With effect from March 1, Marcus Kirchhoff will be appointed new CEO of the company and thus successor to Dr. Carl Evertsz. No information was provided with regard to a strategic realignment. However, we expect news flow in the medium term with regard to the future focal areas in the course of the change of management.
- The results were slightly better than expected. In addition, the liquidity is higher than we had assumed. Our new estimates are based on the assumption that the new CEO will reduce the expenses for the Other Diagnostics segment and that the cash flow will remain positive in the medium term. Our new fair value is EUR 5 per share.

The presented results were slightly better than expected overall. Liquidity was also higher than expected. A crucial factor for the further development will be the extent to which the new management reduces development costs. On the basis of the new assumptions, we now recommend the share as a hold.

Selected Companies	Price on 14 Feb 2012	PER 12e 13e	EV / EBITDA 12e 13e	EV / Sales 12e	Re- com.
MeVis Medical Solutions	4.93 EUR	12.9 8.1	1.5 1.4	0.41	→
CompuGroup Medical	10.05 EUR	16.0 12.6	8.1 7.0	1.74	-
Merge Healthcare	5.99 USD	20.0 14.6	10.8 8.5	2.52	-
icad Inc.	0.57 USD	- -	- -	-	-
Sectra AB	48.50 SEK	18.7 15.8	8.2 6.8	1.53	-
<b>Median for all peer group companies</b>		<b>18.7 14.6</b>	<b>8.2 7.0</b>	<b>1.74</b>	<b>-</b>

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

### EQUITIES

Flash  
15 Feb 2012

Hold (prev. Sell)

Closing price 14 Feb 2012

(in EUR): 4.93  
Fair value: 5.00 (prev. 2.00)

Risk classification: 5

#### Financial ratios 2012e:

Book value per share (in EUR):	13.17
Equity ratio (in %):	72.0
Net margin (in %):	4.0
ROE (in %):	2.9
Dividend yield (in %):	0.0
Free cash flow (EUR m):	1.2
Net debt (EUR m):	-1.7

#### Number of shares

(million units): 1.7

#### Market cap

(in EUR m): 8.36

#### Free float (in %):

39.2

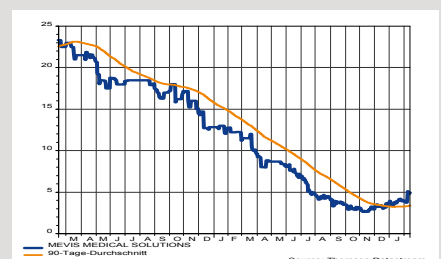
SIN: AOLBFE

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#### Next Newsflow:

Annual Report 2011 24.04.2012



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 presented results were slightly better than expected overall. Liquidity was also higher than expected. A crucial factor for the further development will be the extent to which the new management reduces development costs. On the basis of the new assumptions, we now recommend the share as a hold.

### 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>13.7</b>	<b>13.7</b>	<b>13.7</b>	<b>13.9</b>	<b>13.9</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>16.2</b>	<b>16.2</b>	<b>15.8</b>	<b>15.6</b>	<b>15.2</b>
% against prev. year	6%	-5%	0%	-2%	-2%	-3%
Cost of materials	-0.7	-0.3	-0.3	-0.3	-0.3	-0.3
Personnel expenses	-10.4	-9.4	-9.1	-8.9	-8.8	-8.6
Other operating income	1.1	0.8	0.8	0.7	0.7	0.7
Other operating expenses	-3.7	-3.2	-3.2	-3.3	-3.4	-3.6
Extraordinary income/expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>3.5</b>	<b>4.1</b>	<b>4.3</b>	<b>4.1</b>	<b>3.8</b>	<b>3.4</b>
For information: EBITDA adjusted	-1.9	4.1	4.3	4.1	3.8	3.4
Depreciation	-8.9	-5.8	-3.2	-2.7	-2.3	-1.9
thereof on goodwill	-4.2	-2.0	0.0	0.0	0.0	0.0
<b>Operating profit (EBIT)</b>	<b>-5.4</b>	<b>-1.7</b>	<b>1.1</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>
For information: EBIT adjusted	-5.4	0.3	1.1	1.4	1.5	1.6
% against prev. year	-432%		254%	22%	11%	4%
Interest paid / received	-0.2	-1.4	-0.2	0.1	0.1	0.2
<b>Profit before tax</b>	<b>-5.6</b>	<b>-3.1</b>	<b>0.9</b>	<b>1.4</b>	<b>1.6</b>	<b>1.7</b>
For information: EBT adjusted	-5.6	-1.1	0.9	1.4	1.6	1.7
% against prev. year	-580%			51%	15%	7%
Income taxes from continuing operations	-2.7	0.0	-0.3	-0.4	-0.4	-0.4
Tax rate	-49%	0%	31%	27%	26%	26%
<b>Net profit from continuing operations</b>	<b>-8.3</b>	<b>-3.1</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</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>-3.1</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</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>-3.1</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</b>
thereof from continuing operations	-8.3	-3.1	0.7	1.0	1.2	1.3
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	-1.81	0.38	0.61	0.70	0.76
Adjusted earnings per share, diluted (contin.)	-4.89	0.76	0.38	0.61	0.70	0.76

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	16.2	16.2	15.8	15.6
EBITDA margin	-11.0%	25.4%	26.6%	25.9%	24.5%
EBIT margin	-31.8%	1.9%	6.9%	8.6%	9.7%
Net margin	-48.9%	8.0%	4.0%	6.6%	7.7%
Investment ratio	66.2%	18.3%	18.5%	16.6%	14.6%
R&D as % of total output					
Net other operating costs as % of total output	14.9%	14.8%	15.1%	15.8%	17.2%
Net financial income as % of total output	-1.1%	-8.6%	-1.1%	0.4%	0.8%
Interest cover			7.1	16.0	18.6
Average sales growth next five years	-2.3%				
Average earnings growth next five years					

<b>Profitability ratios</b>					
ROE	-33.7%	6.0%	2.9%	4.4%	4.9%
ROCE	-20.6%	1.4%	4.9%	6.0%	6.7%

<b>Productivity ratios</b>					
Sales per employee ('000)	101.35	104.52	104.24	102.17	100.45
EBIT per employee ('000)	-32.21	2.03	7.19	8.76	9.76

<b>Balance sheet ratios</b>					
Equity ratio	63.9%	64.9%	72.0%	72.9%	73.9%
Long term debt and equity / Fixed assets	126.6%	113.6%	119.1%	124.5%	129.4%
Liquidity (quick ratio)	172.2%	124.6%	154.2%	172.7%	190.6%
Receivables as % of total output	30.1%	27.1%	27.0%	27.8%	28.5%
Investment (net of GW) / Depreciation		78.0%	94.0%	95.9%	98.4%
Working capital as % of total output	19.9%	16.5%	16.9%	17.7%	18.5%
Net debt (m)	1.5	-0.7	-1.7	-2.7	-3.7
Net debt complete (m)	1.6	0.0	-1.0	-2.0	-3.0

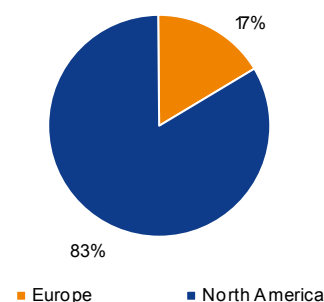
<b>Figures per share</b>					
Earnings per share, diluted	-4.89	0.76	0.38	0.61	0.70
Diluted cash earnings per share	-2.81	2.99	2.25	2.21	2.05
Dividend per common share	0.00	0.00	0.00	0.00	0.00
Cash per share, diluted	3.31	4.13	2.98	3.60	4.17
Net debt per share, diluted	0.91	-0.39	-1.00	-1.62	-2.20

<b>Valuation ratios</b>					
Enterprise value / Sales	1.4	0.3	0.4	0.4	0.3
Enterprise value / EBITDA		1.4	1.5	1.4	1.2
Enterprise value / EBIT		17.9	6.0	4.1	3.1
EV/Sales to sales growth	-1.79	-0.15	-0.18	-0.15	-0.13
PEG ratio - common shares					

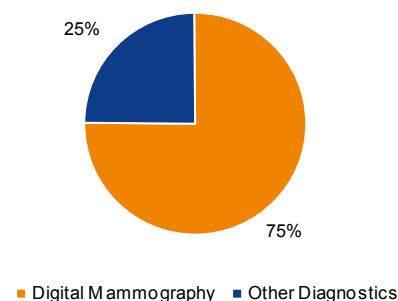
Fiscal year end December

Source: MeVis Medical Solutions, DZ BANK estimates

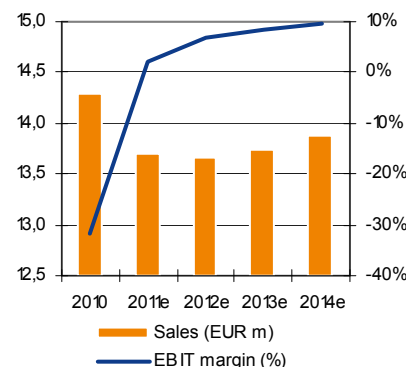
**SALES BY REGION 2010**



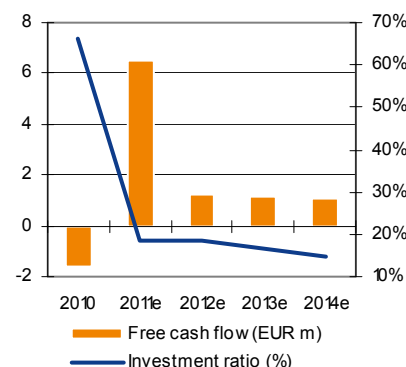
**SALES BY BUSINESS SEGMENT 2010**



**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>21.3</b>	<b>20.8</b>	<b>20.8</b>	<b>21.0</b>	<b>21.3</b>
Intangible assets	22.0	19.3	19.2	19.1	19.0	18.9
thereof goodwill	12.6	10.6	10.6	10.6	10.6	10.6
Tangible assets	0.9	0.8	0.7	0.7	0.7	0.9
Financial assets	1.3	1.2	1.1	1.3	1.5	1.7
Other long-term assets	0.0	0.0	-0.2	-0.3	-0.3	-0.3
<b>Current assets</b>	<b>14.6</b>	<b>12.2</b>	<b>10.2</b>	<b>11.3</b>	<b>12.3</b>	<b>13.4</b>
Inventories	0.1	0.1	0.1	0.1	0.1	0.1
Trade receivables	5.1	4.4	4.4	4.4	4.4	4.4
Financial assets	3.3	0.2	0.2	0.2	0.2	0.2
Other receivables and short-term assets	0.5	0.5	0.5	0.5	0.5	0.5
Liquid assets	5.6	7.0	5.1	6.1	7.1	8.1
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>33.4</b>	<b>31.1</b>	<b>32.1</b>	<b>33.3</b>	<b>34.6</b>
<b>LIABILITIES</b>						
<b>Shareholders' equity</b>	<b>24.8</b>	<b>21.7</b>	<b>22.4</b>	<b>23.4</b>	<b>24.6</b>	<b>25.9</b>
Share capital	1.8	1.8	1.8	1.8	1.8	1.8
Reserves	25.3	22.2	22.9	23.9	25.1	26.4
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>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</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	0.0	0.0	0.0	0.0	0.0
Other payables	1.6	1.6	1.6	1.6	1.6	1.6
<b>Current liabilities</b>	<b>8.1</b>	<b>9.3</b>	<b>6.2</b>	<b>6.2</b>	<b>6.1</b>	<b>6.2</b>
Trade payables	1.3	1.2	1.2	1.2	1.2	1.2
Other provisions	0.2	0.4	0.4	0.4	0.4	0.5
Financial liabilities	6.3	6.4	3.4	3.4	3.4	3.4
Other liabilities	0.3	1.3	1.2	1.2	1.1	1.1
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>33.4</b>	<b>31.1</b>	<b>32.1</b>	<b>33.3</b>	<b>34.6</b>
Fiscal year end December						

Source: MeVis Medical Solutions and DZ BANK estimates

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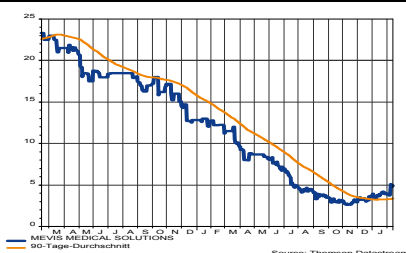
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**RATING HISTORY**

Recommendation	Date	Price
Hold	15 Feb 2012	4.93 EUR
Sell	24 Mar 2011	10.08 EUR
Hold	1 Dec 2010	15.10 EUR

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

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