

Geratherm Medical AG

Germany | Health Care | MCap EUR 39.1m

20 July 2022

INITIATION



A fresh start in a new segment – Initiate with BUY

What's it all about?

Geratherm Medical AG (Geratherm) is a well-established international player in the medical devices market. The Geratherm brand is still closely associated with thermometers, where the company over decades has built a leading position in mercury-free products. Since its IPO in 2000, the company has complemented its portfolio with a lineup of products that address markets with significant potential, which however has not yet been fully exploited as the focus was on dividends and less on investments in the productive capital. With a (relatively) new management, incentivized via stock options, that focus could change, and be complemented with a more active portfolio management approach. For investors not deterred by the downlisting into the open market Scale segment, Geratherm could prove to be an attractive vehicle to participate in the structural growth of MedTech. Based on DCF, we recommend to BUY with a target price of EUR 11.00.

BUY (INITIATION)

Target price	EUR 11.00 (none)
Current price	EUR 7.18
Up/downside	53.2%



MAIN AUTHOR

Dr. Oliver Wojahn, CFA
 o.wojahn@alsterresearch.com
 +49 40 309 293-58

Geratherm Medical AG

Germany | Health Care | MCap EUR 39.1m | EV EUR 41.5m

BUY (INITIATION)

Target price EUR 11.00 (none)
Current price EUR 7.18
Up/downside 53.2%

MAIN AUTHOR

Dr. Oliver Wojahn, CFA
o.wojahn@alsterresearch.com
+49 40 309 293-58

A fresh start in a new segment – Initiate with BUY

An established player in MedTech. Geratherm is a MedTech company which originally started as a producer of clinical thermometers, and the strong Geratherm brand is still closely associated with thermometers. They today contribute almost 40% of revenues, and the company is world market leader in the mercury-free analog variant. Over time, the legacy core business has been supplemented with further promising product lines, e.g. blood pressure monitoring devices, products for lung function diagnostics, and software for the identification of atrial fibrillation from ECG data, supporting the prevention of strokes.

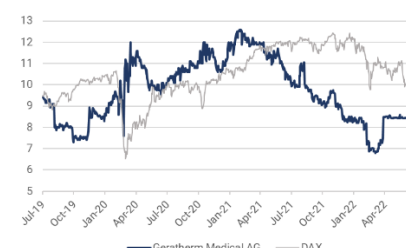
Niche markets with high barriers to entry. Geratherm is addressing niche markets that only have limited attraction to multinational MedTech giants like Medtronic, J&J or Abbott. Despite their small market size, regulatory requirements for these devices are demanding, and the know-how and resources required for certifications have even increased with the new Medical Device Regulation in the EU. This protects Geratherm's competitive position once certified, but at times can also inhibit new product development (as for Medical Warming Blankets).

High growth opportunities. The global medical devices market is huge at USD 550bn and growing at a 5.5% CAGR by 2030. Geratherm has the potential to significantly outgrow the market, especially driven by blood pressure monitoring, pulmonary functional diagnostics for long-Covid treatment and stroke prevention. Especially the latter scales very profitably as a software service. Supported by investments into automation of the thermometer production, the bottom-line profits disproportionately.

BUY, PT EUR 11.00. In the past, Geratherm's focus was on dividends – payouts above 100% were not uncommon – and less on investments in the productive capital. With a (relatively) new management, incentivized via stock options, that focus could change, and be complemented with a more active portfolio management approach. While the downlisting from the regulated market into the open market scale segment translates into less transparency and shareholder protection, it might prove to be a more fitting environment for a company of this size and shareholder structure. If Geratherm lives up to its potential, growth and margin expansion are visible. Based on DCF, we recommend to BUY with PT EUR 11.00 and more than 50% upside potential.

Geratherm Medical AG	2019	2020	2021	2022E	2023E	2024E
Sales	19.9	27.5	23.9	21.0	25.3	27.5
<i>Growth yoy</i>	-7.0%	38.4%	-12.8%	-12.3%	20.3%	8.8%
EBITDA	2.4	4.3	2.3	2.0	3.3	4.3
EBIT	1.0	3.0	0.6	1.0	1.7	2.3
Net profit	0.5	2.0	0.1	0.2	0.4	0.6
Net debt (net cash)	-1.9	-0.3	2.4	3.3	2.6	1.4
Net debt/EBITDA	-0.8x	-0.1x	1.0x	1.7x	0.8x	0.3x
EPS reported	0.11	0.41	0.02	0.04	0.08	0.11
DPS	0.25	0.28	0.12	0.03	0.05	0.06
<i>Dividend yield</i>	3.5%	3.9%	1.7%	0.4%	0.6%	0.9%
Gross profit margin	68.9%	64.1%	65.3%	63.5%	67.3%	69.0%
EBITDA margin	11.9%	15.8%	9.6%	9.4%	13.1%	15.7%
EBIT margin	5.3%	11.1%	2.5%	5.0%	6.8%	8.5%
ROCE	3.7%	9.6%	2.0%	3.6%	5.8%	7.7%
EV/EBITDA	15.8x	8.9x	18.0x	21.5x	12.6x	9.4x
EV/EBIT	35.4x	12.8x	70.5x	40.7x	24.3x	17.3x
PER	65.1x	17.4x	293.4x	163.5x	92.5x	66.4x
FCF yield	2.5%	9.2%	0.2%	6.6%	5.3%	6.9%

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

High/low 52 weeks 11.25 / 6.70
Price/Book Ratio 1.9x

Ticker / Symbols

ISIN DE0005495626
WKN 549562
Bloomberg GME:GR

Changes in estimates

		Sales	EBIT	EPS
2022E	old	21,0	1,0	-0,03
	Δ	0,0%	0,0%	na
2023E	old	25	1,7	0,08
	Δ	0,0%	0,0%	0,0%
2024E	old	27	2,3	0,11
	Δ	0,0%	0,0%	0,0%

Key share data

Number of shares: (in m pcs) 5.44
Book value per share: (in EUR) 3.74
Ø trading volume: (12 months) 32,000

Major shareholders

GMF Capital, Frankfurt 38.0%
JotWe GmbH 32.0%
Free Float 29.9%

Company description

Geratherm Medical AG is a Germany-based medical technology company. The Company operates through four segments: Healthcare Diagnostic, Incubator systems, Cardio/Stroke and Respiratory.

Product portfolio



A pie chart illustrating the geographical distribution of the company's sales. The chart is divided into five segments: Europe (excluding domestic) at 57%, Domestic at 22%, Rest of World at 9%, The Americas at 8%, and Asia at 4%.

Region	Percentage
Europe (excl. domestic)	57%
Domestic	22%
Rest of World	9%
The Americas	8%
Asia	4%

A pie chart illustrating the distribution of funding for various medical device categories. The chart is divided into four segments: a large dark blue segment for 'Healthcare Diagnostic' (58%), a yellow segment for 'Respiratory' (23%), a light blue segment for 'Cardio/Stroke' (11%), and a small light blue segment for 'Incubator Systems' (8%).

Category	Percentage
Healthcare Diagnostic	58%
Respiratory	23%
Cardio/Stroke	11%
Incubator Systems	8%

Medical Device	Percentage of Respondents
Blood Pressure Monitors	12%
Respiratory Devices	9%
Thermometer	9%
Stroke/ Cardio	7%
Incubators	7%

Country	Percentage
Germany	26%
France	15%
UK	12%
Italy	9%
Spain	6%
Switzerland	4%
Netherlands	4%
Belgium	3%
Sweden	3%
Austria	3%

Owner	Percentage
GMF Capital, Frankfurt	38%
JotWe GmbH	32%
Free Float	30%



Table of content

Investment case in six charts	3
Table of content	4
Company background	5
Quality	10
SWOT analysis	12
Growth	13
Valuation	17
Financials in six charts	22
Financials	23
Conflicts of interest	27
Important disclosures	28
Contacts	29

Company background

Products & services

Geratherm is a medical technology company based in Germany. The company was founded in 1993 and has been listed on the stock exchange since 2000. It operates in 4 segments, namely Healthcare Diagnostics, Respiratory, Cardio/Stroke and Incubator Systems. It has over 200 employees.

1. Healthcare Diagnostics

In this area, the company offers a broad range of analog and digital products like thermometers to measure body temperature, blood pressure monitors and other products for end users and related accessories. This segment contributes 58% to the company's revenue. The most popular product of this range is a mercury-free, environmentally friendly, analog clinical glass thermometer, which has contributed 37% to overall sales in 2021.

Healthcare Diagnostic Products



Source: Company data

2. Respiratory

In the Respiratory segment, Geratherm offers products for pulmonary and cardiopulmonary diagnostics for professional users. Products are used for screening, diagnosis and monitoring of restrictive and obstructive lung diseases such as pulmonary fibrosis, COPD or asthma. Further products allow for detailed diagnosis, grading and monitoring of pulmonary diseases and extend the diagnostic value of spirometry (i.e. the measurement how much air you can breathe out in one forced breath).

Respiratory Products

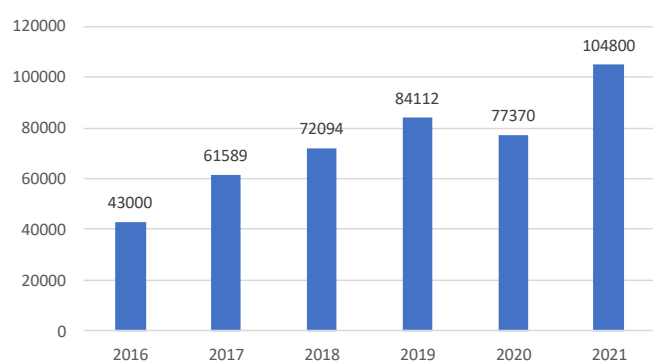


Source: Company data

3. Cardio/Stroke

In this segment, Geratherm offers products which help to analyze and prevent strokes. Under the name "SRAclinic", the company offers a solution for detecting atrial fibrillation, an abnormal heart rhythm, to prevent strokes. In 2021, more than 176 hospitals and clinics used the services of apoplex medical technologies (a subsidiary of Geratherm). Apoplex operates a cloud-based model, where the company gets paid for each analysis. The number of patients treated with SRAclinic in 2021 was 104.800, compared to on average 270.000 strokes in Germany per year.

Cardio/Stroke segment, number of patients for SRAclinic (Apoplex)



Source: Company data

4. Incubator Systems

In Incubator Systems, Geratherm under its subsidiary LMT Medical systems provides products to maintain body temperature, especially incubators for premature babies that are suitable for use in magnetic resonance tomography (MRI). As per the 2021 annual report, Geratherm has discontinued the Medical Warming Blanket activities, leading to a write-off of EUR 0.9m.

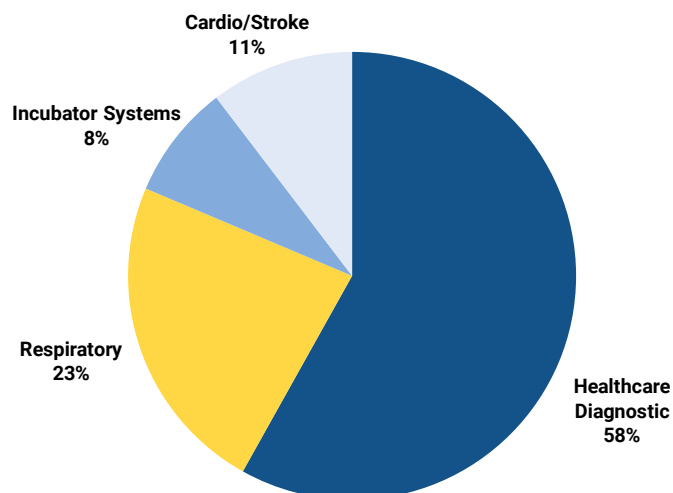
Incubator Systems



Source: Company data

The following chart displays a summary of Geratherm's sales by segment.

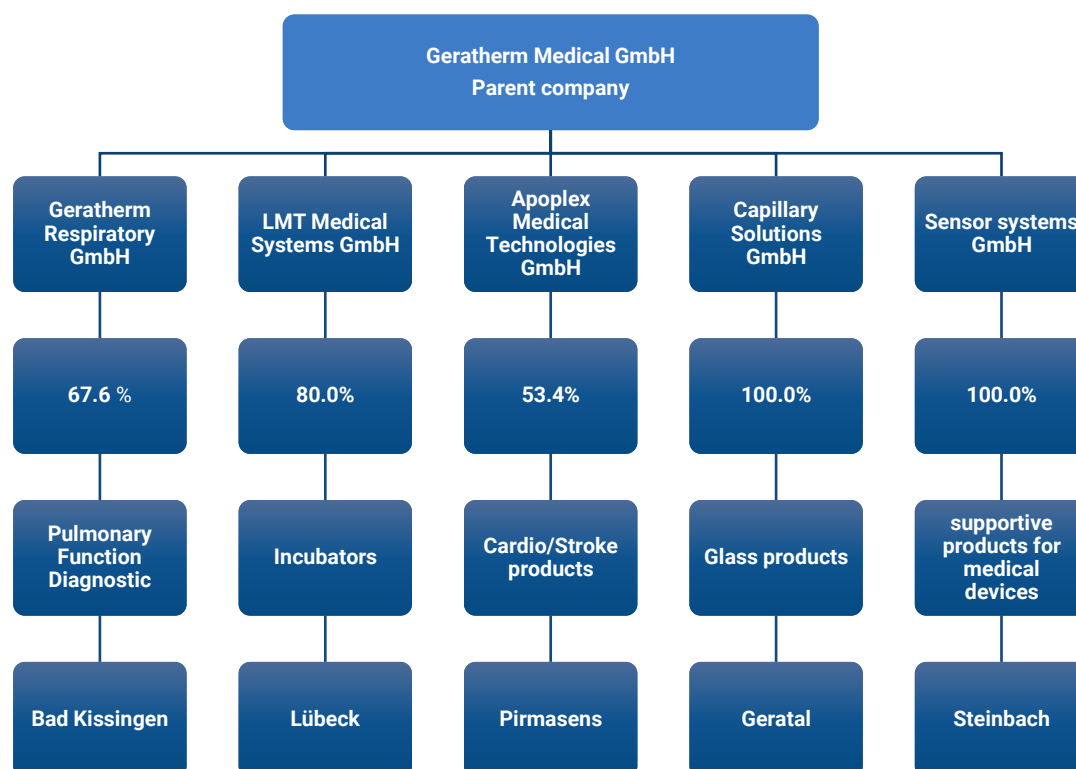
Sales by segment in %



Source: Company data

Subsidiaries and Business Locations

Geratherm has 5 subsidiaries, located in 5 different locations in Germany. The following graph displays the stake held by the company, their businesses, and the locations:



Source: Company data



Management

Dr. Gert Frank, Chairman of the Supervisory Board

Dr. Gert Frank is founder and since June 2021 also chairman of the Supervisory Board of Geratherm . Dr. Frank worked as head of corporate finance at Swiss bank corp. in the past. He holds a master's in business administration degree from University of Hamburg. He served as CEO for the company until June 2021. In addition to Geratherm, Dr. Frank is member of the board of 8 other companies.

Dipl.-Kfm. Christian Frick, Chief Executive Officer

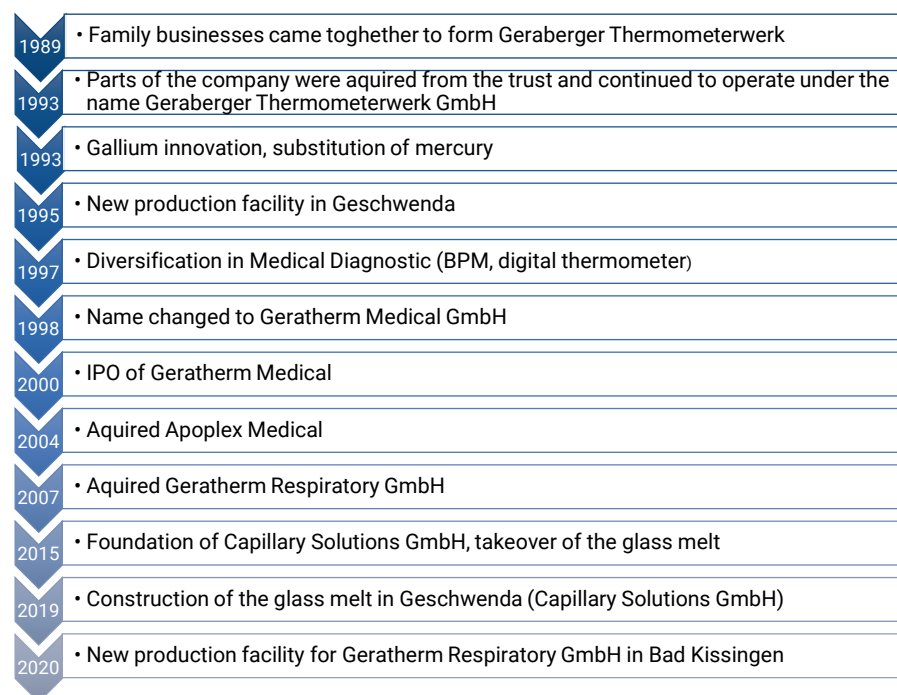
Mr. Frick was appointed CEO from January 2021. With a background in business and administration studies and several years of experience in various senior management positions at Capgemini, PWC and Voith Group, he now leads the operating business of Geratherm group.

	
Dr. Gert Frank Chairman of the Supervisory Board since 2021	Christian Frick CEO since 2021

Source: Company data

History

The significant milestones are represented in the graph below.



Source: Company data

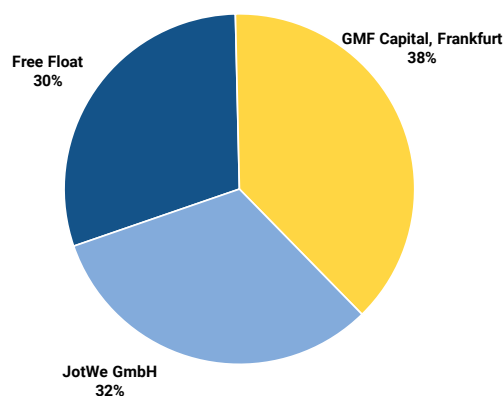
Shareholders

Geratherm has two anchor shareholders:

- 1) **GMF Capital** is the investment vehicle of Dr. Gert Frank, the founder of Geratherm who until recently was CEO and now is head of the supervisory board (see "Management").
- 2) **JotWe** is an investment company with its registered office in Steinbach am Wald. A large part of the position was built in subscription of a rights issue in April 2022 and a voluntary public takeover bid which expired 27 June 2022.

GMF Capital and JotWe have signed a pooling agreement for part of their shareholdings.

Major shareholder



Source: Company data; AlsterResearch

Quality

Customers

Geratherm has two types of customer groups: **End Users** who use the products at home, and **Professional Users** such as clinics and hospitals.

- **End Users**
In the Healthcare Diagnostics segment, the company offers analog thermometers, digital thermometers, blood pressure monitors and women's health and rapid tests for home use. The distribution channel to end users is via pharmacies, drugstores, clinics and E-commerce websites like Amazon, dm etc.
- **Professional Users**
All four business units sell to professional users. Professional users are hospitals, clinics and medical stores.

German medical technology companies generate approximately 65% of their sales from exports (*source: The German Medical Technology Industry, 2019-2020*). Geratherm surpasses this level: With regards to the regional breakdown, Geratherm achieves c. 22% of sales in the domestic German market and 57% in the rest of Europe where Italy dominates with a significant share. The remaining c. 21% are spread out over the U.S., South America, Middle East, Asia and the Rest of the World, in total more than 60 countries.

Regional sales split (EUR m)	2019	2020	2021	2022E	2023E	2024E
Domestic	4.0	4.9	5.2	4.6	5.5	6.0
Europe (ex-domestic)	11.2	16.4	13.6	12.0	14.4	15.7
The Americas	1.9	3.2	2.0	1.8	2.1	2.3
Asia	1.2	1.9	1.0	0.8	1.0	1.1
Rest of World	1.6	1.0	2.1	1.8	2.2	2.4
Sales	19.9	27.5	23.9	21.0	25.3	27.5

Source: Company data; AlsterResearch

Competition

The barriers to entry into the medical devices market are high, as each product needs to get approved by the regulatory authorities in each jurisdiction. Geratherm supplies products into niche markets, and here these regulatory costs can make up a large share of overall product costs. The limited size of these markets also makes them less attractive to MedTech giants like Abbott or Siemens Healthineers.

In its most important business line, thermometers, Geratherm has a long tradition. The company was the first to introduce mercury free analog thermometers as an environmentally friendly alternative and is world market leader in this segment (the WHO may ban mercury-filled products soon). Competitive quality in this segment is built on the know how accumulated over decades, a highly integrated production even starting with own glass production and establishing full control over quality, and a strong brand recognition.

Suppliers

Geratherm is dependent on suppliers for raw materials such as gallium and components like semiconductor chips. These dependencies sometimes entail the risk of supply bottlenecks or price increases for raw materials. To mitigate these risks, Geratherm has signed agreements with suppliers to fix the price for a certain period. Processes at Geratherm also require substantial energy, for example for the in-house production of glass for thermometers. The energy to a large part is sourced in the form of gas, where significant price increases cannot be ruled out. Also, the minimum wage in Germany has increased from EUR 9,60 per hour in H2 2021 to EUR 10,45 starting 01 July 2022 and further increasing to EUR 12,00 on 01 October 2022. Part of the activities of Geratherm take place in Eastern Germany, where costs of living and wage levels are relatively low, and Geratherm pays minimum wage to certain, so that the increase will drive up personnel costs.

Geratherm has also invested in a new production facility for medical capillaries, substituting suppliers. A few suppliers and some sales in the regions currently are affected by the Ukraine-Russia war, but the overall exposure seems limited.

SWOT analysis

Strengths

- focus on well defendable niche markets
- global leader in mercury-free clinical thermometers
- good footprint in the Cardio/Stroke segment.
- regular dividend payer
- solid balance sheet

Weaknesses

- relatively small-scale player
- historically sub-par returns on capital
- dependence on certain raw materials and components (gallium, multi-channel coils)
- strong control of family / promoter holding
- downlisting from regulated into open market with reduced transparency and fewer shareholder rights
- large minority holdings in core business units

Opportunities

- ongoing cost savings since arrival of the new CEO
- respiratory products could benefit from long-Covid diagnostic and treatments
- profitable scaling of Cardio/Stroke unit
- good incubator orders pipeline
- a ban of mercury-filled thermometers
- higher automation in production of clinical thermometers
- stronger focus on portfolio optimization and returns improvement

Threats

- more complex and costly certifications of medical products (new EU medical device regulation)
- prices and availability of raw materials, especially gas
- increasing minimum wage
- macro-economic factors like wars, inflation

Growth

The medical technology industry benefits from several trends like ageing populations and changing (more sedentary) lifestyles. As a result, certain conditions like hypertension are becoming more prevalent. On top, the pandemic has fueled the demand for certain medical devices. Overall, the global medical devices market was valued at USD 550bn in 2021 and is expected to raise at a **5.5% CAGR** to USD 850bn by 2030 (*Precedence Research*). German SMEs in this market have been able to gain a competitive advantage through their high innovative strength (*Geschäftsstelle Nationaler Strategieprozess "Innovationen in der Medizintechnik"*).

The size of the European medical technology market was approximately EUR 140bn in 2020, accounting for 27.6% of the world market. The largest market is the US at 41.6%. Germany's market share is around 7% of the global market (*The European Medical Technology Industry in Figures 2021*).

Medical Devices Market Size (USD Bn)



Source: Precedence Research

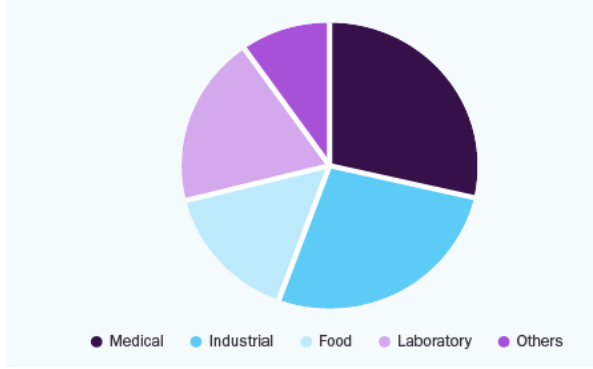
Thermometers

- The global market for **thermometers** was valued at USD 1.3bn in 2021 and it is expected to grow at **8.7% CAGR** from 2022 to 2030, to touch USD 2.8bn by 2030. The European market accounts for 32% of the market.
- In the thermometer division, **mercury-free thermometers** are expected to grow significantly at **11.3% CAGR** from 2022 to 2030. These types of thermometers are more accurate than mercury filled ones and environmentally safe. Therefore, they dominate the market with 64.2% of the total market size.
- The reasons for the growth of the thermometer market are the increasing demand by consumers for self-healthcare, an increase in diseases like dengue, malaria, and Covid-19, and technological advancements, for instance, easy measurements in 1 second and thermometers with one-button operation.
- The target customer groups are medical users such as hospitals, clinics and primary health care centers, industrial users such as pharmaceuticals, chemicals and biotechnology companies, the food industry to eliminate contamination and quality degradation, laboratories, and home users. (Source: Grand view research, and Technavio). Geratherm predominantly sells to home users via pharmacies.

Applications Insights

Global Thermometer Market

share, by application, 2021 (%)



Source: Grand View Research

Blood Pressure Monitors

- The global market for BP monitoring devices was USD 1.9bn in 2021 and it is expected to grow at **11.5% CAGR from 2022 to 2030**, to touch USD 5bn by 2030. According to the WHO, 1.28 billion people suffered from hypertension worldwide, which is causing premature death.
- The demand for digital BP monitoring devices is expected to grow as they are becoming easier to use and deliver more accurate results. This segment has the highest market share at 35.3%, followed by the other types of thermometers, sphygmomanometers (the mercury manometer, which consists of an inflatable cuff) (25.1%), ambulatory blood pressure monitors (measures BP at regular intervals for 24 hours) (20.3%), transducers (9.2%) and accessories (10.1%).
- The growth can be expected primarily from home-based BP monitors. The key reasons for the significant demand are an increase in cases of hypertension because of changing lifestyles, Covid-19, an increasing geriatric population, and an increasing prevalence of obesity and physical inactivity. (Source, Grand view research, Technavio, Precedence Research)

Incubators

- The global infant incubator market size was USD 131.7m in 2020, and it is expected to reach USD 249m by 2030 at a **CAGR of 6.5%**. (Source, Allied market research)
- According to the WHO, the number of premature babies rises every year by 15 million. Across 184 countries, the rate of preterm birth ranges from 5% to 18% of babies born. Europe secures 2nd place worldwide, in terms of market size for infant incubators.

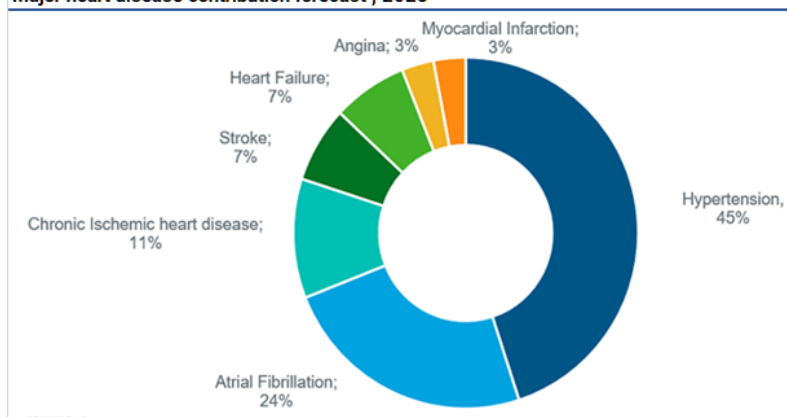
Respiratory Devices

- The respiratory devices market size is estimated to be USD 18.9bn in 2022 and USD 29.6bn by 2027.
- The European market for respiratory devices is expected to be valued at USD 5.1bn in 2022 and anticipated to reach to USD 8.0bn by 2027 at a **CAGR of 9.5%** (Source, Market Data Forecast report)
- The growing geriatric population, an increase in respiratory diseases like asthma and tuberculosis, an increase in tobacco smokers and Covid-19 are the reasons for the higher use of respiratory devices.

Stroke/ Cardio preventing devices

- The cardiovascular devices market size is USD 48.1bn in 2021 and is expected to grow to USD 76.5bn by 2028 at a **CAGR of 6.9%**.
- The Covid-19 pandemic has negatively impacted the demand for cardiovascular devices all over the globe, because of reserved resources for Covid-19. This has resulted in regular checkups and diagnoses being postponed.
- According to the WHO, 17.9m deaths every year are caused by heart diseases. (Source: *The Insight Partners*)
- An increasing number of heart and coronary artery diseases are the significant factors to promote growth in this segment.

Major heart disease contribution forecast , 2028



Source: IQVIA Forecast Link: Disease

Summing up, **Geratherm is addressing segments of the medical devices market that are characterized by above market growth.**

However, for 2022 there are reasons to remain cautious: a decline in sales seems likely as a result of market saturation due to stockpiling in 2020/2021. Also, supply bottlenecks still lead to limited availability of electronic components and circuit boards. Q1 22 already saw a moderate decline in sales.

From 2023 onwards, the structural growth of the target markets should reverse this trend. With the help of capex and expansions, Geratherm can accelerate its growth. Major drivers will be

- thermometers as new capacity comes online, and the demand mix shifts further to mercury-free
- the Cardio/Stroke segment, as the number of heart diseases is increasing and the number of patients for the cloud-based model scales up.

On top, there is the possibility of portfolio transactions, both acquisitions of promising and divestments of underperforming units.

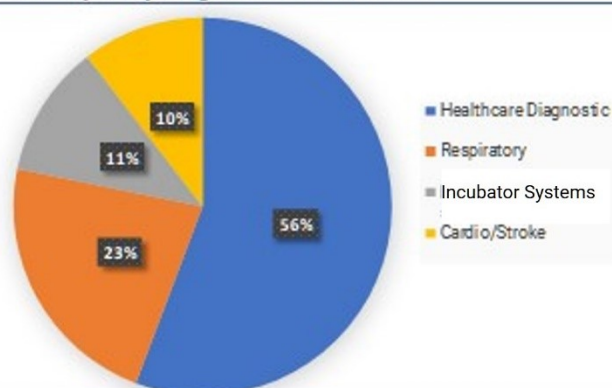
Growth table (EURm)	2019	2020	2021	2022E	2023E	2024E
Sales	19.9	27.5	23.9	21.0	25.3	27.5
Sales growth	-7.0%	38.4%	-12.8%	-12.3%	20.3%	8.8%
EBIT	1.0	3.0	0.6	1.0	1.7	2.3
EBIT margin	5.3%	11.1%	2.5%	5.0%	6.8%	8.5%
Net profit	0.5	2.0	0.1	0.2	0.4	0.6

Source: Company data; AlsterResearch

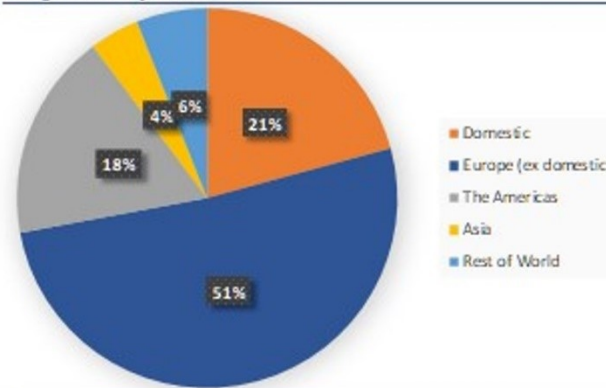
Quarter 1 2022 highlights

The following table and graphs display the quarterly performance of Geratherm. The gross and EBITDA margins have significantly improved for Q1 2022, both yoy and qoq. For the US market, sales growth was more than 100%. In the first quarter 79.2% products were exported by the company. As per the company's guidance, the Cardio/Stroke segment looks promising for 2022.

Sales split by Segments for Q12022



Regional Split for Q12022



Source: Company data

P&L data	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Sales	7.6	5.9	7.7	6.7	5.7	5.7	5.8	6.4
yoy growth in %	71.5%	27.3%	71.2%	6.5%	-24.4%	-2.8%	-24.8%	-3.7%
Gross profit	4.7	4.2	4.8	4.4	4.0	4.0	3.9	4.5
Gross margin in %	62.2%	71.1%	62.1%	65.6%	70.0%	70.5%	66.8%	70.3%
EBITDA	1.4	1.0	1.3	1.1	0.7	1.1	-0.7	1.1
EBITDA margin in %	18.2%	16.9%	16.8%	15.8%	11.8%	19.6%	-11.3%	17.7%
EBIT	1.1	0.7	0.9	0.7	0.3	0.8	-1.3	0.7
EBIT margin in %	14.2%	11.6%	11.7%	10.1%	5.3%	13.2%	-21.6%	11.2%
EBT	1.1	0.7	0.7	0.6	0.3	0.7	-1.3	0.6
taxes paid	0.2	0.2	0.3	0.1	-0.1	0.1	-0.2	0.1
tax rate in %	17.9%	25.7%	39.2%	22.8%	-24.4%	17.7%	17.6%	21.5%
net profit	0.8	0.5	0.5	0.4	0.2	0.4	-0.9	0.4
yoy growth in %	na%	149.9%	na%	46.9%	-73.6%	-13.0%	na%	3.3%
EPS	0.15	0.10	0.10	0.09	0.04	0.09	-0.19	0.09

Source: Company data; AlsterResearch

Valuation

DCF Model

The DCF model results in a **fair value of EUR 11.03 per share**:

Top-line growth: We expect Geratherm Medical AG to continue benefitting from structural growth. Hence our growth estimates for 2022-29E are in the range of 19.2% p.a. The long-term growth rate is set at 2.0%.

EBIT margins. We are assuming 8.5% EBIT margin by 2024E. With the help of coming capex and expansions, the company should be able to achieve this level.

WACC. The unlevered beta of 0.85 is set on a level with a group of Western European health care product suppliers. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% these yield cost of equity of 7.8%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30.0% and target debt/equity of 0.2 this results in a long-term WACC of 7.1%.

DCF (EUR m) (except per share data and beta)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal value
NOPAT	0.4	0.6	0.8	1.0	1.5	2.2	3.3	4.3	
Depreciation & amortization	0.9	1.6	2.0	2.5	2.4	2.3	2.3	2.4	
Change in working capital	1.7	-0.1	0.1	-0.2	-0.3	-0.5	-0.9	-1.3	
Chg. in long-term provisions	-0.2	0.3	0.2	0.3	0.4	0.6	0.9	1.2	
Capex	-3.4	-2.0	-2.2	-2.1	-2.0	-2.3	-2.7	-2.4	
Cash flow	-0.6	0.4	0.8	1.4	2.0	2.4	2.8	4.2	83.3
Present value	-0.6	0.3	0.7	1.1	1.5	1.7	1.8	2.5	49.9
WACC	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%

DCF per share derived from	
Total present value	58.9
Mid-year adj. total present value	61.0
Net debt / cash at start of year	2.4
Financial assets	1.5
Provisions and off b/s debt	na
Equity value	60.1
No. of shares outstanding	5.4
Discounted cash flow / share	11.03
upside/(downside)	53.6%

Share price	7.18
--------------------	-------------

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2022E - 2029E)	19.2%
Terminal value growth (2029E - infinity)	2.0%
Terminal year ROCE	28.9%
Terminal year WACC	7.1%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30.0%
Equity beta	0.90
Unlevered beta (industry or company)	0.85
Target debt / equity	0.2
Relevered beta	0.97
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	7.8%

Sensitivity analysis DCF

		Long term growth					Share of present value	
		1.0%	1.5%	2.0%	2.5%	3.0%		
Change in WACC (%-points)	2.0%	6.6	7.0	7.4	7.9	8.4	2022E - 2025E	2.6%
	1.0%	7.8	8.3	8.9	9.6	10.4	2026E - 2029E	12.6%
	0.0%	9.4	10.1	11.0	12.1	13.5	terminal value	84.7%
	-1.0%	11.7	12.8	14.2	16.0	18.4		
	-2.0%	15.0	17.0	19.5	23.0	28.1		

Source: AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size, or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 2.51 per share based on 2022E and EUR 10.69 per share on 2026E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2022E	2023E	2024E	2025E	2026E
EBITDA	2.0	3.3	4.3	5.5	7.3
- Maintenance capex	0.5	0.8	1.0	1.0	0.9
- Minorities	0.4	0.6	0.9	1.2	1.9
- tax expenses	0.3	0.4	0.6	0.8	1.4
= Adjusted FCF	0.9	1.4	1.8	2.5	3.1
Actual Market Cap	39.1	39.1	39.1	39.1	39.1
+ Net debt (cash)	3.3	2.6	1.4	-0.7	-3.9
+ Pension provisions	0.0	0.0	0.0	0.0	0.0
+ Off B/S financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	1.5	1.5	1.5	1.5	1.5
- Acc. dividend payments	0.6	0.7	1.0	1.3	1.8
<i>EV Reconciliations</i>	1.3	0.4	-1.1	-3.5	-7.2
= Actual EV'	40.4	39.5	38.0	35.6	31.9
Adjusted FCF yield	2.2%	3.6%	4.8%	7.2%	9.6%
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
Fair EV	14.9	23.8	30.5	42.5	51.0
- <i>EV Reconciliations</i>	1.3	0.4	-1.1	-3.5	-7.2
Fair Market Cap	13.6	23.4	31.5	45.9	58.2
No. of shares (million)	5.4	5.4	5.4	5.4	5.4
Fair value per share in EUR	2.51	4.30	5.79	8.44	10.69
Premium (-) / discount (+)	-65.1%	-40.2%	-19.4%	17.5%	48.9%

Sensitivity analysis FV

	4.0%	3.9	6.5	8.6	12.3	15.4
Adjusted hurdle rate	5.0%	3.1	5.2	6.9	10.0	12.6
	6.0%	2.5	4.3	5.8	8.4	10.7
	7.0%	2.1	3.7	5.0	7.3	9.4
	8.0%	1.8	3.2	4.4	6.5	8.3

Source: Company data; AlsterResearch

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Peer Group

A peer group analysis has been conducted consisting primarily of other German MedTech companies. However, there are considerable differences between the companies in terms of geographic orientation, focus, size, profitability, and growth prospects. Therefore, we consider our peer group only as a "proxy" to determine a fair valuation for Geratherm.

The following table gives an overview of a peer group of other German MedTech companies. These are significantly larger than Geratherm and also differ in many other characteristics, which is why the peer group comparison is only for informative purposes and not basis for valuation.

Company name	Market data					
	Sales	ROCE	Share price	% of 52 wk high	Market Cap	EV
	2021	2021	EUR		EURm	EURm
Siemens Healthineers AG	17.997	9,2%	47,86	-29%	53.731	67.676
Dermapharm Holding SE	943	18,2%	53,00	-42%	2.854	3.306
Stratec SE	287	15,0%	92,70	-37%	1.124	1.178
Gerresheimer AG	1.498	6,9%	57,90	-38%	1.818	2.941
Sartorius AG	3.449	15,6%	370,90	-41%	27.614	29.935
Eckert&Ziegler Strahlen und Md.	180	13,4%	36,60	-74%	760	707
Median		14,2%			2.336	3.124
Mean		13,0%			14.650	17.624
Geratherm Medical AG	24	1,9%	7,18	-36%	39	42

Source: FactSet Estimates as per 19JUL2022

Siemens Healthineers AG is a Germany based company that supplies technology to the healthcare industry. The company offers a wide range of products and services in the field of diagnostic and therapeutic imaging, laboratory and point of care diagnostics and molecular machine. It provides medical technology and software solutions, as well as clinical consulting services. Additionally, the company develops its digital health and enterprise services through expanding precision medicine, transforming care delivery, improving patient experience, and digitalizing healthcare. The company is worldwide active.

Dermapharm Holding SE is a Germany based company engaged in manufacturing of patent free branded pharmaceuticals. The company operates through two segments: Branded pharmaceuticals and other healthcare products, such as in house development, in house production and distribution of branded pharmaceuticals and other healthcare products and parallel import business, which operates under the axicorp brand. It holds around 950 marketing authorization for more than 250 active pharmaceutical ingredients, which are marked as pharmaceuticals, dietary supplements, or supplemental balanced diets. The company is primarily active Germany, Switzerland, and Austria. Trommsdorff & GmbH Co KG is a subsidiary of the company.

Stratec SE is a German based company engaged in the development and manufacture of fully automated systems based on its own patented technologies for its partners in the field of in vitro diagnostics and life sciences in Germany and internationally. Its business activities are divided into three segments, namely Instrumentation, which designs and manufactures fully automated analyzer systems for its clinical diagnostics and biotechnology customers; Diatron, which offers systems, system components, consumables, and tests for the low throughput hematology and clinical chemistry applications, and Consumables, which develops and sells scientific materials, such as nucleic acid purification and designs and produces smart consumables in the field of diagnostics, life sciences and medical technology.

Gerresheimer AG is a Germany based company that is active in the pharmaceuticals and healthcare industry. It operates through two business segments: Plastic and Devices, and Primary packaging glass. The plastics and devices segment produces standard and customized products for drug delivery, such as insulin pens, inhalers and prefillable syringes. The primary packaging glass segment focuses on the production of packaging of glass for medicines and cosmetics, such as pharmaceuticals jars, ampoules, injection vials, cartridges, perfume flacons and cream jars, as well as glass containers for the food and beverage industry. The company operates approximately 40 production facilities in Europe, North America, South America, and Asia.

Sartorius AG is a Germany based suppliers of pharmaceutical and laboratory equipment. It operates through two segments: Bioprocess Solutions and Lab products and services. The Bioprocess solutions segment offers integrated solutions for biopharmaceuticals manufacture, such as filters for sterilization of biopharmaceutical media, single used bags for cell cultivation and storage of biopharmaceuticals, membrane adsorbers for purification in bioprocesses, and filter technology for clarification, among others. The lab products and services segment provide instruments, consumables and services for laboratories, including laboratory balances, laboratory water systems for storage of purified water, electronic pipettes, filter systems for sample preparation and membrane filter systems for sterility testing of parenterals.

Eckert & Ziegler Strahlen- und Medizintechnik AG is a provider of isotope technology for medical, scientific, and industrial use. It operates through the following segments: Radiation Therapy, Isotope products, Radiopharma, and holding. The radiation therapy segment concentrates on product development, manufacturing, the market introduction, and the sale of radioactive products for cancer therapy. The Isotope products segment manufactures and distributes standard and radiation sources for medical and industrial purposes. The radiopharma segment comprises the device division for synthesis modules and accessories, short-lived radioactive agents imaging using positron emission tomography and longer-lived radioisotopes for pharmaceutical applications. The holding segment refers to the holding company of the firm. The company is headquartered in Berlin.

As is evident from the table below, the peer group has significantly higher margins, which on one hand could justify a premium versus Geratherm, but also shows the additional potential of Geratherm's business model:

Company name		EBITDA Margin			EBIT margin			Sales CAGR 2021-2024
		2022	2023	2024	2022	2023	2024	
SHL:GR	Siemens Healthineers AG	20,6%	20,8%	22,3%	15,6%	16,3%	17,6%	8,7%
DMP:GR	Dermapharm Holding SE	35,5%	33,2%	32,1%	30,2%	27,9%	26,9%	3,1%
SBS:GR	Stratec SE	23,9%	25,1%	25,6%	16,1%	17,3%	18,4%	7,2%
GXI:GR	Gerresheimer AG	20,0%	21,3%	22,6%	11,8%	12,9%	14,4%	9,0%
SRT3:GR	Sartorius AG	34,0%	33,7%	34,5%	28,1%	27,5%	28,0%	13,8%
EUZ:GR	Eckert&Ziegler Strahlen und Mdzn	26,2%	26,7%	27,5%	20,6%	20,1%	21,7%	11,8%
	Median	25,1%	25,9%	26,5%	18,4%	18,7%	20,1%	8,8%
	Mean	26,7%	26,8%	27,4%	20,4%	20,3%	21,2%	8,9%
GME:GR	Geratherm Medical AG	9,4%	13,1%	15,7%	5,0%	6,8%	8,5%	4,7%

Source: FactSet Estimates as per 19JUL2022

Valuation on EV/EBITDA shows that Geratherm is trading on a par with the peer group in 23E and with a discount in 24E:

Company name	EV/EBITDA		
	2022	2023	2024
Siemens Healthineers AG	15,6x	15,0x	13,2x
Dermapharm Holding SE	8,8x	9,5x	10,0x
Stratec SE	16,7x	14,6x	13,0x
Gerresheimer AG	8,6x	7,6x	6,7x
Sartorius AG	21,5x	19,5x	17,4x
Eckert&Ziegler Strahlen und Medizintechnik	13,3x	12,0x	10,2x
Median	14,5x	13,3x	11,6x
Mean	14,1x	13,0x	11,8x
Geratherm Medical AG	21,5x	12,6x	9,4x

Source: FactSet Estimates as per 19JUL2022

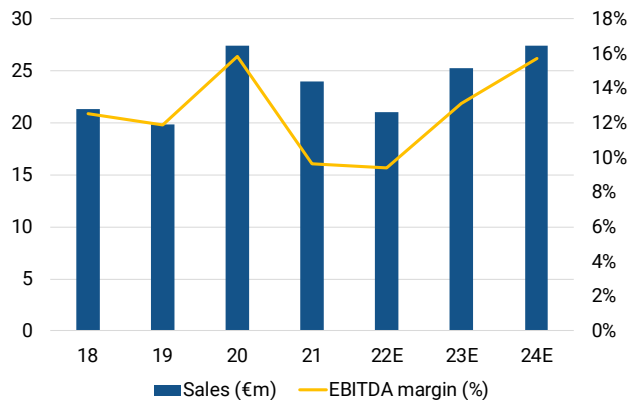
Basing valuation on 23E Geratherm has a slight upside potential. This potential increases to c. 20% on 24E:

Geratherm Medical AG	EBITDA	
	2023	2024
Financial data (eAR)	3,3	4,3
Fair multiple	13,3x	11,6x
Fair EV	44	50
Net debt (cash)	3	3
Pension provisions	0	0
Fair equity value	41	47
Number of shares	5,4	5,4
Fair value per share	7,45	8,61

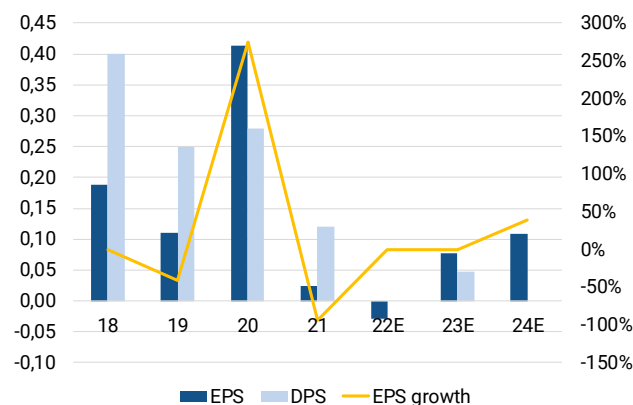
Source: FactSet Estimates as per 19JUL2022

Financials in six charts

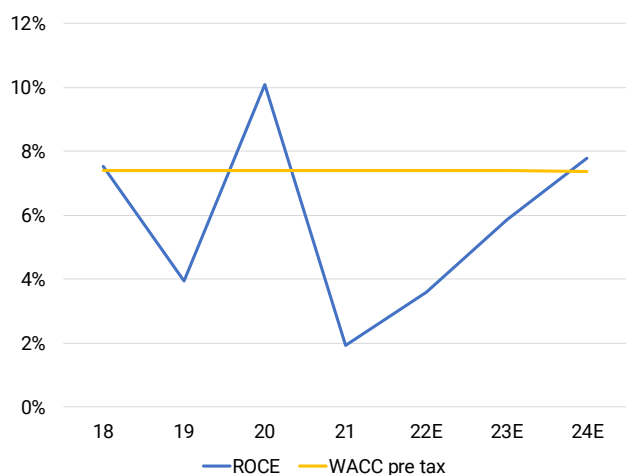
Sales vs. EBITDA margin development



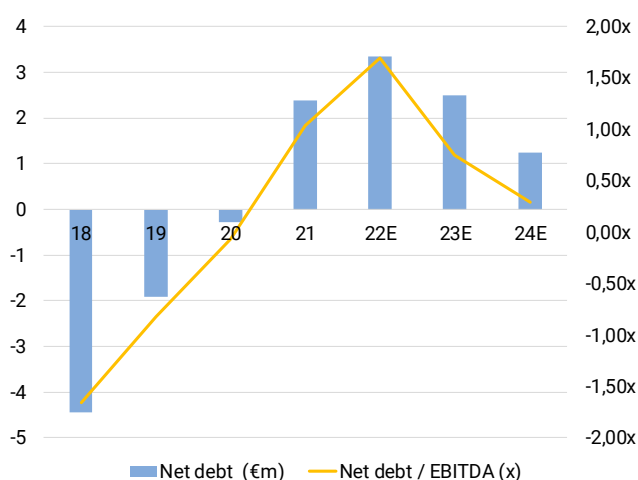
EPS, DPS in EUR & yoy EPS growth



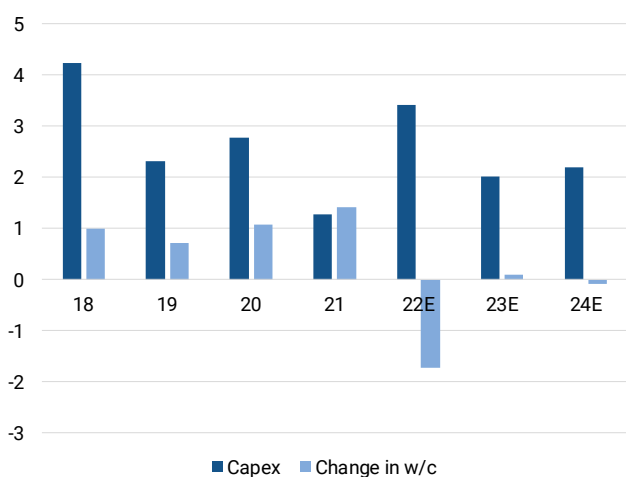
ROCE vs. WACC (pre tax)



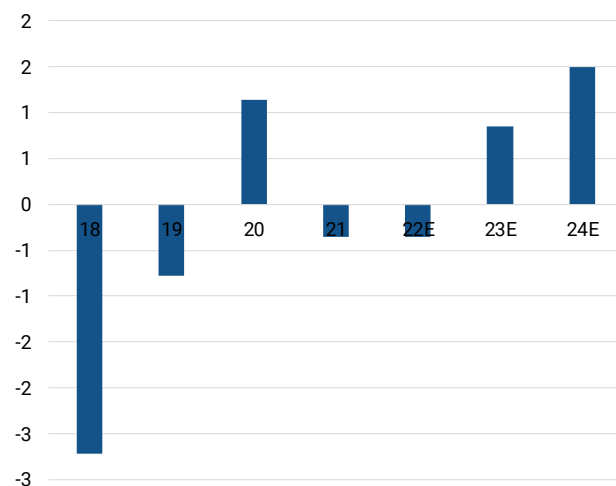
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data, AlsterResearch

Financials

Profit and loss (EUR m)	2019	2020	2021	2022E	2023E	2024E
Net sales	19.9	27.5	23.9	21.0	25.3	27.5
Sales growth	-7.0%	38.4%	-12.8%	-12.3%	20.3%	8.8%
Change in finished goods and work-in-process	1.3	-0.5	1.1	0.4	0.5	0.5
Total sales	21.1	27.0	25.1	21.4	25.8	28.0
Material expenses	7.4	9.4	9.4	8.1	8.8	9.1
Gross profit	13.7	17.6	15.6	13.3	17.0	19.0
Other operating income	0.6	0.7	0.8	0.6	0.8	0.9
Personnel expenses	7.6	8.5	8.8	7.8	8.9	9.5
Other operating expenses	4.4	5.5	5.3	4.2	5.6	6.0
EBITDA	2.4	4.3	2.3	2.0	3.3	4.3
Depreciation	1.3	1.3	1.7	0.9	1.6	2.0
EBITA	1.0	3.0	0.6	1.0	1.7	2.3
Amortization of goodwill and intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.0	3.0	0.6	1.0	1.7	2.3
Financial result	-0.0	-0.3	-0.3	-0.2	-0.2	-0.3
Recurring pretax income from continuing operations	1.0	2.7	0.3	0.9	1.5	2.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	1.0	2.7	0.3	0.9	1.5	2.1
Taxes	0.7	0.8	-0.0	0.3	0.4	0.6
Net income from continuing operations	0.3	1.9	0.3	0.6	1.1	1.5
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	0.3	1.9	0.3	0.6	1.1	1.5
Minority interest	0.3	0.1	-0.2	-0.4	-0.6	-0.9
Net profit (reported)	0.5	2.0	0.1	0.2	0.4	0.6
Average number of shares	4.95	4.95	4.95	5.44	5.44	5.44
EPS reported	0.11	0.41	0.02	0.04	0.08	0.11

Profit and loss (common size)	2019	2020	2021	2022E	2023E	2024E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	6%	-2%	5%	2%	2%	2%
Total sales	106%	98%	105%	102%	102%	102%
Material expenses	38%	34%	39%	39%	35%	33%
Gross profit	69%	64%	65%	64%	67%	69%
Other operating income	3%	3%	3%	3%	3%	3%
Personnel expenses	38%	31%	37%	37%	35%	34%
Other operating expenses	22%	20%	22%	20%	22%	22%
EBITDA	12%	16%	10%	9%	13%	16%
Depreciation	7%	5%	7%	4%	6%	7%
EBITA	5%	11%	2%	5%	7%	9%
Amortisation of goodwill and intangible assets	0%	0%	0%	0%	0%	0%
EBIT	5%	11%	2%	5%	7%	9%
Financial result	-0%	-1%	-1%	-1%	-1%	-1%
Recurring pretax income from continuing operations	5%	10%	1%	4%	6%	8%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	5%	10%	1%	4%	6%	8%
Taxes	4%	3%	-0%	1%	2%	2%
Net income from continuing operations	1%	7%	1%	3%	4%	5%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	1%	7%	1%	3%	4%	5%
Minority interest	1%	1%	-1%	-2%	-3%	-3%
Net profit (reported)	3%	7%	1%	1%	2%	2%

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2019	2020	2021	2022E	2023E	2024E
Intangible assets (exl. Goodwill)	2.2	3.1	4.1	4.5	5.0	5.5
Goodwill	0.0	0.0	0.1	0.1	0.1	0.1
Property, plant and equipment	8.6	9.7	9.3	11.4	11.3	11.0
Financial assets	1.7	1.8	1.5	1.5	1.5	1.5
FIXED ASSETS	12.5	14.6	14.9	17.4	17.9	18.1
Inventories	7.9	7.3	8.5	6.6	7.1	7.2
Accounts receivable	2.5	3.2	3.2	2.7	3.2	3.4
Other current assets	0.5	0.2	1.0	1.0	1.0	1.0
Liquid assets	9.5	10.3	6.5	5.3	5.4	6.3
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.3	0.4	0.4	0.3	0.4	0.4
CURRENT ASSETS	20.8	21.4	19.6	16.0	17.1	18.4
TOTAL ASSETS	33.3	36.0	34.6	33.4	34.9	36.4
SHAREHOLDERS EQUITY	19.8	20.3	18.5	18.5	19.4	20.7
MINORITY INTEREST	-0.6	-0.4	0.1	0.1	0.1	0.1
Long-term debt	5.3	6.5	5.7	6.0	6.0	6.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	1.8	1.7	1.8	1.6	1.9	2.1
Non-current liabilities	7.1	8.2	7.5	7.6	7.9	8.1
short-term liabilities to banks	2.3	3.5	3.1	2.6	2.0	1.7
Accounts payable	1.4	1.5	1.4	1.2	1.4	1.5
Advance payments received on orders	1.3	0.9	1.8	1.5	1.8	1.9
Other liabilities (incl. from lease and rental contracts)	0.9	0.8	0.9	0.8	1.0	1.1
Deferred taxes	0.0	0.1	0.0	0.0	0.0	0.0
Deferred income	1.0	1.1	1.2	1.1	1.3	1.4
Current liabilities	7.0	7.8	8.4	7.2	7.5	7.6
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	33.3	36.0	34.6	33.4	34.9	36.4

Balance sheet (common size)	2019	2020	2021	2022E	2023E	2024E
Intangible assets (excl. Goodwill)	7%	9%	12%	13%	14%	15%
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	26%	27%	27%	34%	32%	30%
Financial assets	5%	5%	4%	4%	4%	4%
FIXED ASSETS	38%	41%	43%	52%	51%	50%
Inventories	24%	20%	25%	20%	20%	20%
Accounts receivable	8%	9%	9%	8%	9%	9%
Other current assets	2%	1%	3%	3%	3%	3%
Liquid assets	29%	29%	19%	16%	15%	17%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	1%	1%	1%	1%	1%	1%
CURRENT ASSETS	62%	59%	57%	48%	49%	50%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	60%	56%	54%	55%	56%	57%
MINORITY INTEREST	-2%	-1%	0%	0%	0%	0%
Long-term debt	16%	18%	17%	18%	17%	16%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	5%	5%	5%	5%	5%	6%
Non-current liabilities	21%	23%	22%	23%	23%	22%
short-term liabilities to banks	7%	10%	9%	8%	6%	5%
Accounts payable	4%	4%	4%	4%	4%	4%
Advance payments received on orders	4%	2%	5%	4%	5%	5%
Other liabilities (incl. from lease and rental contracts)	3%	2%	2%	3%	3%	3%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	3%	3%	4%	3%	4%	4%
Current liabilities	21%	22%	24%	22%	21%	21%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2019	2020	2021	2022E	2023E	2024E
Net profit/loss	0.3	1.9	0.3	0.6	1.1	1.5
Depreciation of fixed assets (incl. leases)	1.3	1.3	1.7	0.9	1.6	2.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.7	1.8	0.3	-0.2	0.3	0.2
Cash flow from operations before changes in w/c	2.3	5.0	2.3	1.3	3.0	3.6
Increase/decrease in inventory	-0.5	0.6	-1.2	1.9	-0.4	-0.1
Increase/decrease in accounts receivable	0.4	-0.8	-0.1	0.5	-0.5	-0.2
Increase/decrease in accounts payable	0.0	0.0	0.0	-0.2	0.2	0.0
Increase/decrease in other w/c positions	-0.6	-0.9	-0.1	-0.5	0.6	0.3
Increase/decrease in working capital	-0.7	-1.1	-1.4	1.7	-0.1	0.1
Cash flow from operating activities	1.5	3.9	0.9	3.1	2.9	3.7
CAPEX	-2.3	-2.8	-1.3	-3.4	-2.0	-2.2
Payments for acquisitions	0.0	-0.2	0.0	0.0	0.0	0.0
Financial investments	-2.2	-0.8	1.3	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-4.5	-3.8	0.0	-3.4	-2.0	-2.2
Cash flow before financing	-3.0	0.1	0.9	-0.4	0.8	1.5
Increase/decrease in debt position	3.7	1.9	-1.5	-0.3	-0.6	-0.3
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	-2.0	-1.2	-2.0	-0.6	-0.1	-0.3
Others	0.0	0.0	-0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	-0.1	0.0	0.0	0.0	0.0
Cash flow from financing activities	1.7	0.6	-3.5	-0.9	-0.7	-0.6
Increase/decrease in liquid assets	-1.2	0.7	-2.6	-1.2	0.1	0.9
Liquid assets at end of period	4.1	4.9	2.3	1.1	1.2	2.1

Source: Company data; AlsterResearch

Regional sales split (EURm)	2019	2020	2021	2022E	2023E	2024E
Domestic	4.0	4.9	5.2	4.6	5.5	6.0
Europe (ex domestic)	11.2	16.4	13.6	12.0	14.4	15.7
The Americas	1.9	3.2	2.0	1.8	2.1	2.3
Asia	1.2	1.9	1.0	0.8	1.0	1.1
Rest of World	1.6	1.0	2.1	1.8	2.2	2.4
Total sales	19.9	27.5	23.9	21.0	25.3	27.5

Regional sales split (common size)	2019	2020	2021	2022E	2023E	2024E
Domestic	20.3%	18.0%	21.8%	21.8%	21.8%	21.8%
Europe (ex domestic)	56.2%	59.7%	57.0%	57.0%	57.0%	57.0%
The Americas	9.4%	11.5%	8.4%	8.4%	8.4%	8.4%
Asia	6.2%	7.1%	4.0%	4.0%	4.0%	4.0%
Rest of World	7.8%	3.7%	8.6%	8.6%	8.6%	8.6%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Ratios	2019	2020	2021	2022E	2023E	2024E
Per share data						
Earnings per share reported	0.11	0.41	0.02	0.04	0.08	0.11
Cash flow per share	0.18	0.66	0.01	0.48	0.38	0.50
Book value per share	4.01	4.10	3.74	3.40	3.57	3.79
Dividend per share	0.25	0.28	0.12	0.03	0.05	0.06
Valuation						
P/E	65.1x	17.4x	293.4x	163.5x	92.5x	66.4x
P/CF	40.0x	10.9x	595.8x	15.1x	18.9x	14.5x
P/BV	1.8x	1.8x	1.9x	2.1x	2.0x	1.9x
Dividend yield (%)	3.5%	3.9%	1.7%	0.4%	0.6%	0.9%
FCF yield (%)	2.5%	9.2%	0.2%	6.6%	5.3%	6.9%
EV/Sales	1.9x	1.4x	1.7x	2.0x	1.7x	1.5x
EV/EBITDA	15.8x	8.9x	18.0x	21.5x	12.6x	9.4x
EV/EBIT	35.4x	12.8x	70.5x	40.7x	24.3x	17.3x
Income statement (EURm)						
Sales	19.9	27.5	23.9	21.0	25.3	27.5
yoy chg in %	-7.0%	38.4%	-12.8%	-12.3%	20.3%	8.8%
Gross profit	13.7	17.6	15.6	13.3	17.0	19.0
Gross margin in %	68.9%	64.1%	65.3%	63.5%	67.3%	69.0%
EBITDA	2.4	4.3	2.3	2.0	3.3	4.3
EBITDA margin in %	11.9%	15.8%	9.6%	9.4%	13.1%	15.7%
EBIT	1.0	3.0	0.6	1.0	1.7	2.3
EBIT margin in %	5.3%	11.1%	2.5%	5.0%	6.8%	8.5%
Net profit	0.5	2.0	0.1	0.2	0.4	0.6
Cash flow statement (EURm)						
CF from operations	1.5	3.9	0.9	3.1	2.9	3.7
Capex	-2.3	-2.8	-1.3	-3.4	-2.0	-2.2
Maintenance Capex	0.7	0.7	0.9	0.5	0.8	1.0
Free cash flow	-0.8	1.1	-0.4	-0.4	0.8	1.5
Balance sheet (EURm)						
Intangible assets	2.2	3.1	4.2	4.6	5.1	5.6
Tangible assets	8.6	9.7	9.3	11.4	11.3	11.0
Shareholders' equity	19.8	20.3	18.5	18.5	19.4	20.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	9.4	11.7	10.6	10.2	9.9	9.8
Net financial debt	-1.9	-0.3	2.4	3.3	2.6	1.4
w/c requirements	7.7	8.1	8.5	6.6	7.1	7.2
Ratios						
ROE	1.5%	9.4%	1.8%	3.2%	5.4%	7.1%
ROCE	3.7%	9.6%	2.0%	3.6%	5.8%	7.7%
Net gearing	-9.7%	-1.4%	12.9%	18.0%	13.6%	6.8%
Net debt / EBITDA	-0.8x	-0.1x	1.0x	1.7x	0.8x	0.3x

Source: Company data; AlsterResearch

Conflicts of interest

Disclosures regarding research publications of SRH AlsterResearch AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures. It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analyzed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if SRH AlsterResearch AG

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analyzed company,
- (2) has entered into an agreement on the production of the research report with the analyzed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analyzed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analyzed company, or b) the analyzed company holds 5% or more of the share capital of SRH AlsterResearch AG or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analyzed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analyzed company such as, for example, exercising mandates in the interest of the analyzed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
Geratherm Medical AG	2, 8

Important disclosures

1. General Information/Liabilities This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by SRH AlsterResearch AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of SRH AlsterResearch AG. Reproduction of this document, in whole or in part, is not permitted without prior permission SRH AlsterResearch AG. All rights reserved. Under no circumstances shall SRH AlsterResearch AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analyzed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organizational Requirements SRH AlsterResearch AG took internal organizational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of AlsterResearch AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made. The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate. The operating cash flow is calculated as EBITDA less maintenance capex and taxes. Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at <https://www.alsterresearch.com>.

SRH AlsterResearch AG uses the following three-step rating system for the analyzed companies:

- **Buy:** Sustainable upside potential of more than 10% within 12 months
- **Sell:** Sustainable downside potential of more than 10% within 12 months.
- **Hold:** Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of SRH AlsterResearch AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analyzed in this document was solely made by SRH AlsterResearch AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of SRH AlsterResearch AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Date and time of first publication of this financial analysis
21-Sep-22 13:24:47

6. Risk information

- Stock exchange investments and investments in companies (shares) are always speculative and involve the risk of total loss.
- This is particularly true in respect of investments in companies which are not established and/or small and have no established business or corporate assets.
- Share prices may fluctuate significantly. This is particularly true for shares with low liquidity (market breadth). Even small orders can have a significant impact on the share price.
- In the case of shares in narrow markets, it may also happen that there is no or very little actual trading there and that published prices are not based on actual trading but have only been provided by a stockbroker.
- In such markets a shareholder cannot expect to find a buyer for his shares at all and/or at reasonable prices. In such narrow markets there is a very high possibility of manipulating prices and in such markets there are often considerable price fluctuations.
- An investment in shares with low liquidity and low market capitalization is therefore highly speculative and represents a very high risk.
- There is no regulated market for unlisted shares and securities and a sale is not possible or only possible on an individual basis.

7. Major Sources of Information Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. SRH AlsterResearch AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority SRH AlsterResearch AG are under supervision of the BaFin – German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M. This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

9. Specific Comments for Recipients Outside of Germany This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

10. Miscellaneous According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published free of charge under <https://www.alsterresearch.com>.

Contacts

SRH AlsterResearch AG
Himmelstr. 9
22299 Hamburg

Tel: +49 40 309 293-52
E-Mail: info@alsterresearch.com

Sales

MARKUS KÖNIG-WEISS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: mkw@alsterresearch.com

Team Assistant

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-53
E-Mail: h.gabert@alsterresearch.com

Research

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-52
E-Mail: h.hof@alsterresearch.com

PRATIKSHA PATIL
Analyst
Tel: +49 40 309 293-53
E-Mail: p.patil@alsterresearch.com

KATHARINA SCHLÖTER
Analyst
Tel: +49 40 309 293-52
E-Mail: k.schloeter@alsterresearch.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@alsterresearch.com

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-55
E-Mail: o.wojahn@alsterresearch.com

ALEXANDER ZIENKOWICZ
Senior Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowicz@alsterresearch.com

mwb fairtrade Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
E-Mail: info@mwbfairtrade.com

Equity Capital Markets / Trading

KAI JORDAN
Member of the Board
Tel: +49 40 36 0995-22
E-Mail: kjordan@mwbfairtrade.com

ALEXANDER DEUSS
Head of Institutional Sales
Tel: +49 40 36 0995-22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995 - 23
E-Mail: sguenon@mwbfairtrade.com

Our research can be found under



RESEARCH HUB	www.research-hub.de
BLOOMBERG	www.bloomberg.com
FACTSET	www.factset.com
THOMSON REUTERS / REFINITIV	www.refinitiv.com
CAPITALIQ	www.capitaliq.com