

Geratherm Medical AG

Germany | Health Care | MCap EUR 22.6m

24 June 2024

UPDATE



FY23 sales miss, EBIT in line, cautious outlook, PT down, BUY

What's it all about?

Geratherm's annual report for FY23 shows a 19% drop in sales, primarily due to significant declines in Healthcare Diagnostics (-29% yoy) and Respiratory (-10% yoy), while Incubator Systems and Cardio/Stroke remained stable. Despite lower sales, gross profit remained stable due to lower energy costs and effective cost management, resulting in a slight increase in EBIT. Geratherm expects lower sales and negative EBIT in 2024, mainly due to the continued difficult market conditions for clinical thermometers, which already resulted in short-time working at the Geratal plant from 1 April 2024 to 31 October 2024. We adjust our estimates accordingly and arrive at a new price target of EUR 8.00 (old: EUR 9.15), while maintaining our BUY recommendation.

BUY (BUY)

Target price	EUR 8.00 (9.15)
Current price	EUR 4.18
Up/downside	91.4%

 ResearchHub 



MAIN AUTHOR

Dr. Oliver Wojahn, CFA

o.wojahn@mwb-research.com
+49 40 309 293-58

Geratherm Medical AG

Germany | Health Care | MCap EUR 22.6m | EV EUR 24.4m

BUY (BUY)

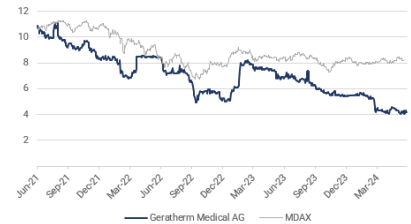
Target price EUR 8.00 (9.15)
Current price EUR 4.18
Up/downside 91.4%

MAIN AUTHOR

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

FY23 sales miss, EBIT in line, cautious outlook, PT down, BUY

Geratherm reports FY23. Geratherm has published its annual report with the final figures for FY23. Revenues were below expectations and declined by 19%, mainly driven by Healthcare Diagnostics (-29% yoy) and Respiratory (-10% yoy), while Incubator Systems and Cardio/Stroke were more or less stable. Despite the decline in sales, gross profit remained stable in absolute terms as energy costs eased somewhat. Good cost management (flat personnel costs and declining administration costs) led to a slight increase in EBIT over the previous year, in line with expectations, and to a 360 basis point improvement in the EBIT margin.



Source: Company data, mwb research

High/low 52 weeks 7.55 / 3.70
Price/Book Ratio 1.0x

Ticker / Symbols

ISIN DE0005495626
WKN 549562
Bloomberg GME:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	19.8	-0.3	-0.05
	Δ	-6.7%	na%	na%
2025E	old	23.3	2.4	0.21
	Δ	-10.6%	-50.2%	-56.4%
2026E	old	25.2	3.0	0.26
	Δ	na%	na%	na%

Key share data

Number of shares: (in m pcs) 5.41
Book value per share: (in EUR) 4.13
Ø trading vol.: (12 months) 1,113

Major shareholders

GMF Capital, Frankfurt 38.7%
JotWe GmbH 32.3%
Free Float 28.9%

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.

Stable outlook for other divisions. While the outlook for Healthcare Diagnostics remains clouded, the outlook for the other divisions is brighter: Respiratory (26% of FY23 sales) was hampered by supply chain issues in FY23, but these are expected to be resolved later in FY24, with some catch-up effects. In addition, product awareness is increasing. New products and MDR certifications also provide a platform for growth in Incubator Systems and Cardio/Stroke in FY24.

- continued next page -

Geratherm Medical AG	2021	2022	2023	2024E	2025E	2026E
Sales	23.9	25.9	21.0	18.4	20.8	22.1
<i>Growth yoy</i>	-12.8%	8.0%	-18.9%	-12.0%	13.0%	6.0%
EBITDA	2.3	4.1	4.6	1.0	3.3	4.0
EBIT	0.6	2.7	2.9	-0.8	1.2	2.1
Net profit	0.1	1.0	1.1	-0.5	0.5	0.9
Net debt (net cash)	1.9	-1.6	0.9	-2.3	-3.9	-5.8
Net debt/EBITDA	0.8x	-0.4x	0.2x	-2.3x	-1.2x	-1.4x
EPS reported	0.02	0.19	0.21	-0.10	0.09	0.17
DPS	0.08	0.15	0.10	0.00	0.05	0.08
<i>Dividend yield</i>	1.9%	3.6%	2.4%	0.0%	1.1%	2.0%
Gross profit margin	65.3%	63.0%	78.7%	62.5%	65.5%	67.5%
EBITDA margin	9.6%	16.0%	22.1%	5.5%	16.0%	18.0%
EBIT margin	2.5%	10.3%	13.9%	-4.1%	5.7%	9.3%
ROCE	2.1%	7.8%	8.9%	-2.5%	3.8%	6.4%
EV/Sales	1.0x	0.8x	1.2x	1.1x	0.9x	0.8x
EV/EBITDA	10.6x	5.1x	5.3x	20.0x	5.6x	4.2x
EV/EBIT	41.6x	7.9x	8.4x	-26.9x	15.8x	8.2x
PER	170.8x	22.2x	20.4x	-41.5x	45.0x	24.6x

Source: Company data, mwb research

Muted outlook, PT down. 2024 remains a challenging year for Geratherm and the company expects significantly lower sales and a negative EBIT, mainly due to declining demand for clinical thermometers, while other products stabilize. Geratherm is evaluating its product portfolio and is prepared to adjust it to make it fit for a profitable future. To ensure this, the company intends to focus on highly innovative products with complex approval processes. We update our model to reflect a more challenging market for clinical thermometers in 24E and a slower expected recovery thereafter. This leads to a new price target of EUR 8.00 (old: EUR 9.15) based on the DCF and still supports our BUY recommendation.

The following table displays the half-yearly performance of **Geratherm Medical AG**:

P&L data	H1 2020	H2 2020	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023	H2 2023
Sales	13.8	13.6	12.4	11.5	12.3	12.3	11.5	9.5
yoy growth in %	29.4%	48.9%	-10.4%	-15.3%	-0.7%	6.7%	-6.7%	-23.1%
Gross profit	8.6	9.0	8.4	7.9	8.9	8.4	9.5	7.0
Gross margin in %	62.1%	66.0%	67.7%	68.6%	72.0%	68.0%	82.7%	73.8%
EBITDA	2.1	2.3	1.7	0.5	1.7	1.9	2.5	2.1
EBITDA margin in %	14.8%	16.8%	13.9%	4.1%	13.5%	15.3%	22.0%	22.2%
EBIT	1.5	1.6	1.0	-0.5	1.0	1.0	1.8	1.1
EBIT margin in %	10.5%	11.6%	7.9%	-4.3%	8.0%	8.5%	15.6%	11.9%
EBT	1.4	1.3	0.9	-0.6	1.0	0.9	1.8	0.5
taxes paid	0.4	0.4	0.1	-0.1	0.3	0.3	0.5	0.2
tax rate in %	27.6%	32.5%	8.9%	17.5%	26.8%	30.0%	28.2%	28.7%
net profit	1.0	1.0	0.6	-0.5	0.8	0.7	0.7	0.4
yoy growth in %	83.6%	na%	-40.3%	na%	27.5%	na%	-10.9%	-41.3%
EPS	0.21	0.20	0.13	-0.10	0.15	0.14	0.13	0.08

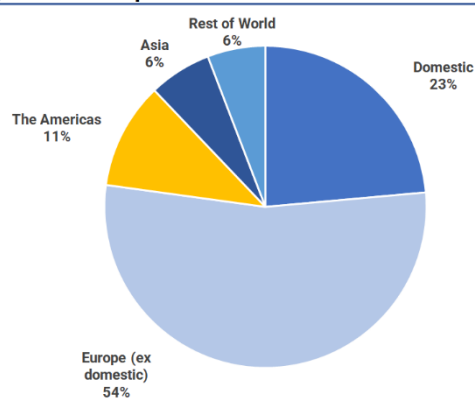
Source: Company data; mwb research

Investment case in six charts

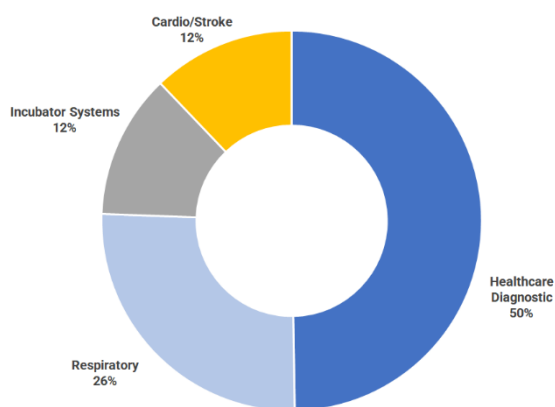
Products & Services



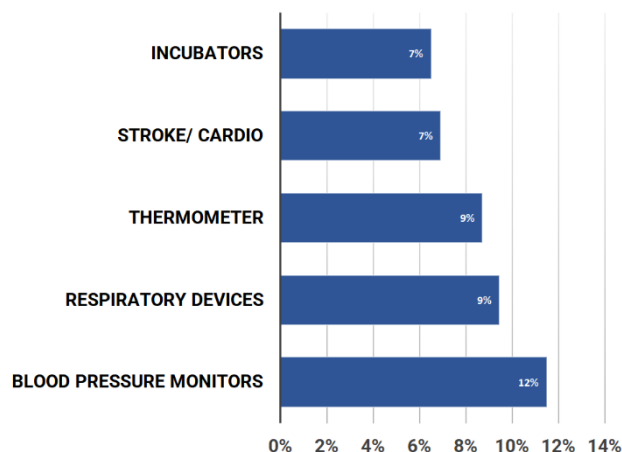
Regional sales split 2023 in %



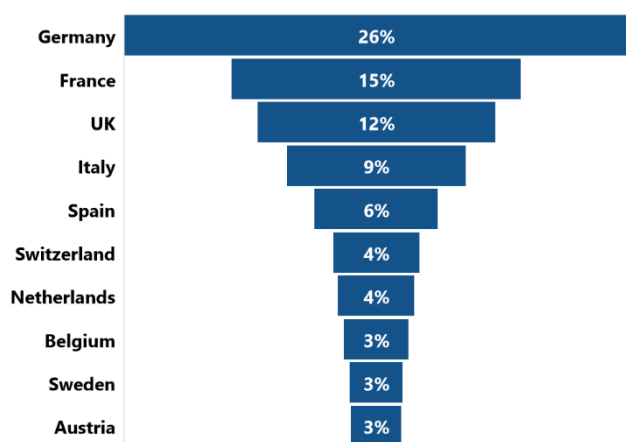
Segmental breakdown 2023 in %



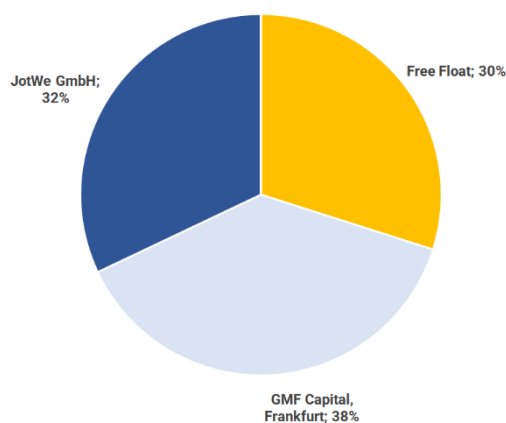
CAGR by product 22E-30E



European medical devices market share



Major Shareholders



Source: The European Medical Technology Industry in Figures, 2021, Multiple market research reports, mwb research

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
- increasing competition from Chinese low-cost suppliers

Valuation

DCF Model

The DCF model results in a **fair value of EUR 8.00 per share**:

Top-line growth: We expect Geratherm Medical AG to grow revenues at a CAGR of 7.0% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from -2.5% in 2024E to 11.1% in 2031E.

WACC. Starting point is a historical equity beta of 1.00. Unlevering and correcting for mean reversion yields an asset beta of 0.87. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 8.0%. 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 7.2%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	-0.4	0.7	1.1	1.4	1.6	1.8	2.0	2.2	
Depreciation & amortization	1.8	2.2	1.9	1.8	1.7	1.6	1.6	1.6	
Change in working capital	3.9	-0.0	0.2	0.1	0.0	-0.1	-0.1	-0.0	
Chg. in long-term provisions	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	
Capex	-1.5	-1.4	-1.2	-1.2	-1.3	-1.3	-1.4	-1.4	
Cash flow	4.1	1.6	2.1	2.2	2.2	2.2	2.3	2.4	47.4
Present value	3.9	1.4	1.8	1.7	1.6	1.5	1.5	1.4	28.1
WACC	7.2%	7.2%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.2%

DCF per share derived from	
Total present value	43.0
Mid-year adj. total present value	44.5
Net debt / cash at start of year	0.9
Financial assets	0.6
Provisions and off b/s debt	0.9
Equity value	43.3
No. of shares outstanding	5.4
Discounted cash flow / share	8.00
upside/(downside)	91.5%

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2024E-2031E)	7.0%
Terminal value growth (2031E - infinity)	2.0%
Terminal year ROCE	11.1%
Terminal year WACC	7.2%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30.0%
Equity beta	1.00
Unlevered beta (industry or company)	0.87
Target debt / equity	0.2
Relevered beta	0.99
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	8.0%

Share price	4.18
--------------------	-------------

Sensitivity analysis DCF							
Change in WACC (%-points)	Long term growth					Share of present value	
	1.0%	1.5%	2.0%	2.5%	3.0%		
2.0%	5.5	5.7	5.9	6.2	6.5	2024E-2027E	20.6%
1.0%	6.2	6.4	6.8	7.2	7.6	2028E-2031E	14.2%
0.0%	7.1	7.5	8.0	8.6	9.3	terminal value	65.2%
-1.0%	8.4	9.0	9.8	10.8	12.1		
-2.0%	10.3	11.4	12.7	14.6	17.3		

Source: mwb research

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 2.46 per share based on 2024E and EUR 10.84 per share on 2028E 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	2024E	2025E	2026E	2027E	2028E
EBITDA	1.0	3.3	4.0	4.4	4.8
- Maintenance capex	0.9	0.8	0.7	0.7	0.6
- Minorities	-0.1	0.1	0.2	0.3	0.4
- tax expenses	-0.3	0.3	0.6	0.9	1.0
= Adjusted FCF	0.6	2.1	2.4	2.6	2.8
Actual Market Cap	22.6	22.6	22.6	22.6	22.6
+ Net debt (cash)	-2.3	-3.9	-5.8	-7.7	-9.5
+ 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	0.6	0.6	0.6	0.6	0.6
- Acc. dividend payments	0.5	0.5	0.8	1.3	1.9
<i>EV Reconciliations</i>	-3.5	-5.0	-7.2	-9.5	-12.0
= Actual EV'	19.1	17.6	15.5	13.1	10.6
Adjusted FCF yield	3.1%	11.9%	15.6%	19.9%	26.4%
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	9.8	34.8	40.2	43.5	46.6
- <i>EV Reconciliations</i>	-3.5	-5.0	-7.2	-9.5	-12.0
Fair Market Cap	13.3	39.8	47.4	53.0	58.7
No. of shares (million)	5.4	5.4	5.4	5.4	5.4
Fair value per share in EUR	2.46	7.36	8.75	9.79	10.84
Premium (-) / discount (+)	-41.2%	76.1%	109.4%	134.3%	159.3%

Sensitivity analysis FV						
Adjusted hurdle rate	4.0%	3.4	10.6	12.5	13.8	15.1
	5.0%	2.8	8.6	10.2	11.4	12.6
	6.0%	2.5	7.4	8.8	9.8	10.8
	7.0%	2.2	6.4	7.7	8.6	9.6
	8.0%	2.0	5.8	6.9	7.8	8.7

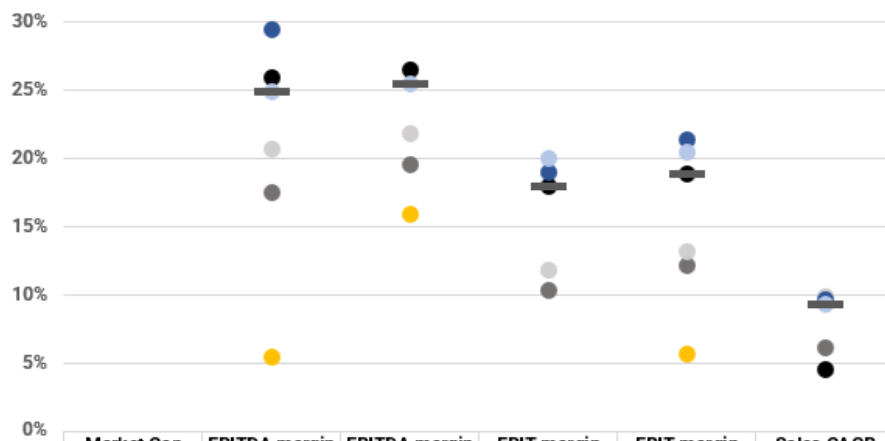
Source: Company data; mwb research

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. 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 analysis

A peer group or comparable company (“comps”) analysis is a methodology that calculates a company’s relative value – how much it should be worth based on how it compares to other similar companies. Given that **Geratherm Medical AG** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of Geratherm Medical AG consists of the stocks displayed in the chart below. As of 24 June 2024 the median market cap of the peer group was EUR 1,954.4m, compared to EUR 22.6m for Geratherm Medical AG. In the period under review, the peer group was more profitable than Geratherm Medical AG. The expectations for sales growth are higher for the peer group than for Geratherm Medical AG.

Peer Group – Key data



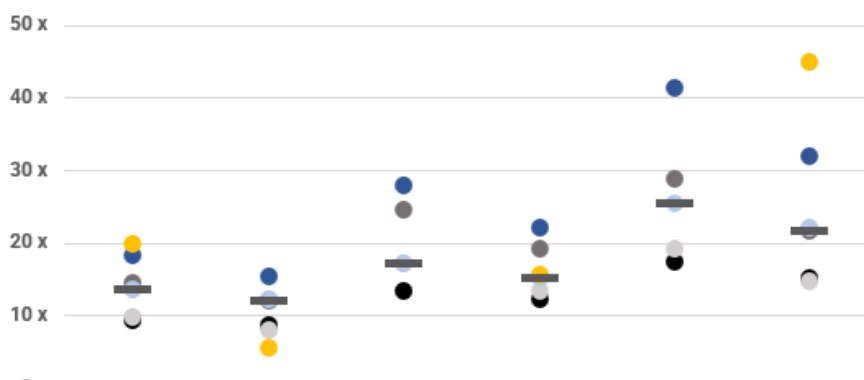
	Market Cap (EURm)	EBITDA margin 2024	EBITDA margin 2025	EBIT margin 2024	EBIT margin 2025	Sales CAGR 2023-2026
● Dermapharm Holding SE	1.954	26,0%	26,5%	18,0%	18,9%	4,5%
● Stratec SE	569	17,5%	19,6%	10,4%	12,2%	6,2%
● Gerresheimer AG	3.285	20,7%	21,9%	11,8%	13,2%	9,9%
● Sartorius AG	16.311	29,4%	31,3%	19,0%	21,4%	9,6%
● Eckert & Ziegler SE	935	25,0%	25,5%	20,0%	20,5%	9,3%
● Geratherm Medical AG	23	5,5%	16,0%	-4,1%	5,7%	-4,7%
– Peer Group Median	1.954	25,0%	25,5%	18,0%	18,9%	9,3%

Source: AlphaSense, mwb research

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025.

Applying these to Geratherm Medical AG results in a range of fair values from EUR 5.07 to EUR 7.88.

Peer Group – Multiples and valuation



23-Jun-24

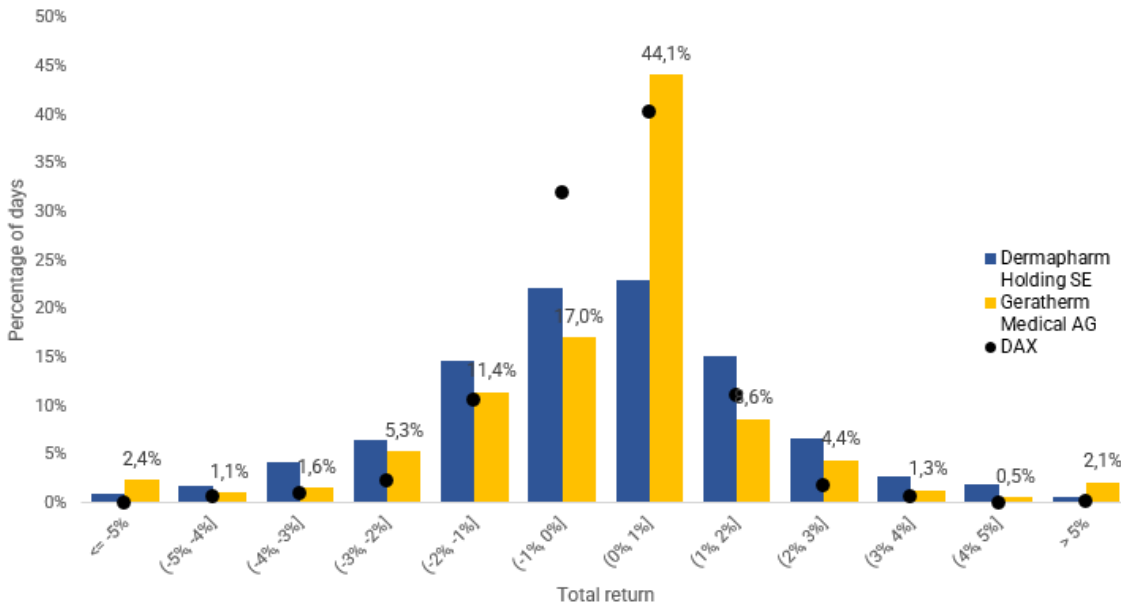
	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2024	EV/EBIT 2025	P/E 2024	P/E 2025
● Dermapharm Holding SE	9,4x	8,8x	13,6x	12,3x	17,6x	15,3x
● Stratec SE	14,7x	12,1x	24,8x	19,4x	29,0x	21,7x
● Gerresheimer AG	9,9x	8,2x	17,4x	13,6x	19,5x	14,9x
● Sartorius AG	18,4x	15,5x	28,0x	22,2x	41,6x	32,0x
● Eckert & Ziegler SE	13,9x	12,4x	17,3x	15,4x	25,5x	22,2x
● Geratherm Medical AG	20,0x	5,6x	-26,9x	15,8x	-53,6x	45,0x
– Peer Group Median	13,9x	12,1x	17,4x	15,4x	25,5x	21,7x
Fair Value (EUR)	3,03	7,88	-1,99	3,80	-2,58	2,02

Source: AlphaSense, mwb research

Risk

The chart displays the **distribution of daily returns of Geratherm Medical AG** over the last 3 years, compared to the same distribution for Dermapharm Holding SE. We have also included the distribution for the index DAX. The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For Geratherm Medical AG, the worst day during the past 3 years was 24/02/2022 with a share price decline of -12.2%. The best day was 14/04/2022 when the share price increased by 13.1%.

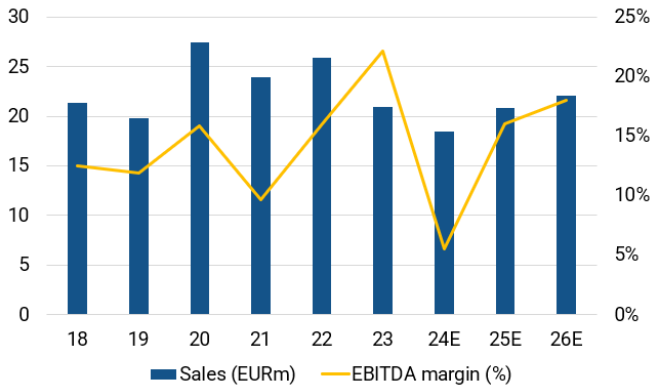
Risk – Daily Returns Distribution (trailing 3 years)



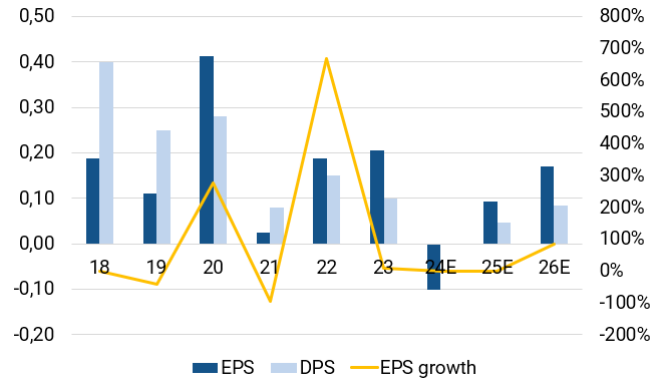
Source: AlphaSense, mwb research

Financials in six charts

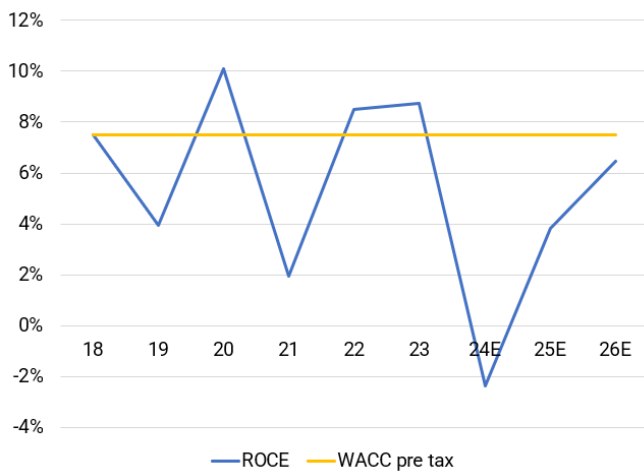
Sales vs. EBITDA margin development



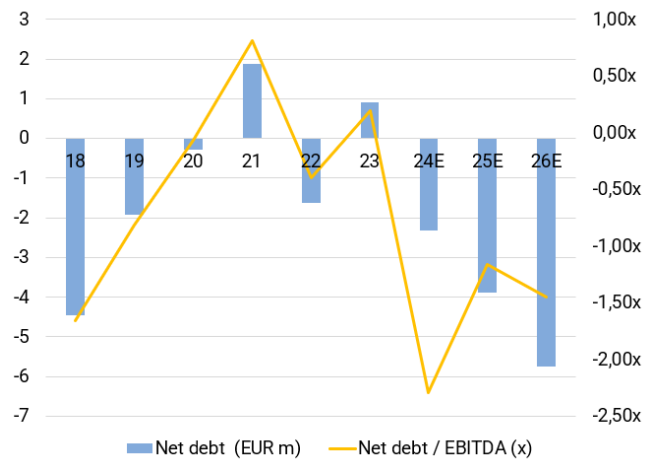
EPS, DPS in EUR & yoy EPS growth



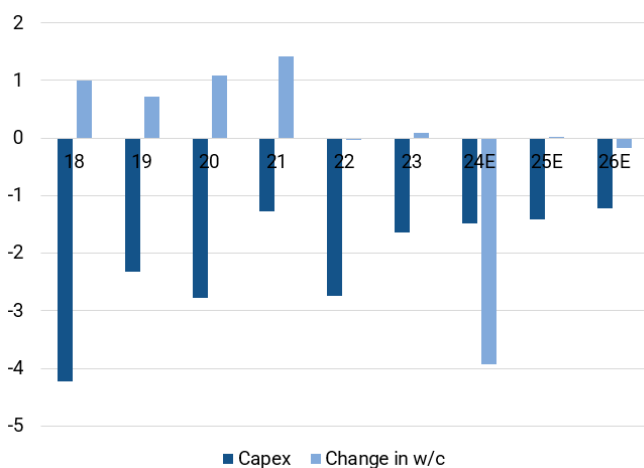
ROCE vs. WACC (pre tax)



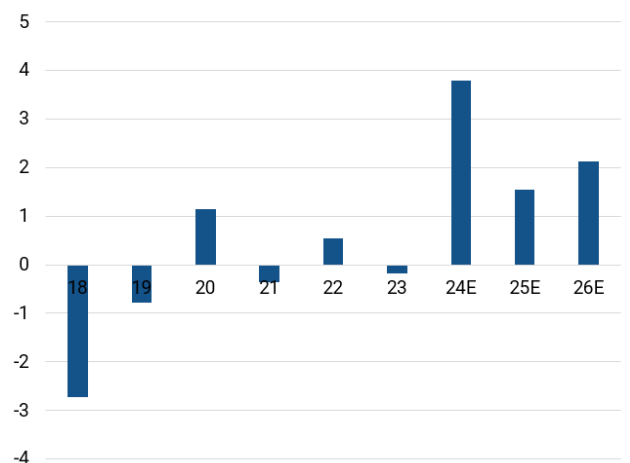
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; mwb research

Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
Net sales	23.9	25.9	21.0	18.4	20.8	22.1
Sales growth	-12.8%	8.0%	-18.9%	-12.0%	13.0%	6.0%
Change in finished goods and work-in-process	1.1	0.1	3.2	0.1	0.1	0.1
Total sales	25.1	26.0	24.2	18.5	20.9	22.2
Material expenses	9.4	9.7	7.7	7.0	7.3	7.3
Gross profit	15.6	16.3	16.5	11.5	13.6	14.9
Other operating income	0.8	1.8	1.6	0.7	0.8	0.9
Personnel expenses	8.8	8.4	8.5	7.0	7.0	7.4
Other operating expenses	5.3	5.5	4.9	4.2	4.2	4.4
EBITDA	2.3	4.1	4.6	1.0	3.3	4.0
Depreciation	1.7	1.5	1.7	1.8	1.7	1.4
EBITA	0.6	2.7	2.9	-0.8	1.7	2.5
Amortisation of goodwill and intangible assets	0.0	0.0	0.0	0.0	0.5	0.5
EBIT	0.6	2.7	2.9	-0.8	1.2	2.1
Financial result	-0.3	-0.9	-0.6	-0.3	-0.3	-0.3
Recurring pretax income from continuing operations	0.3	1.7	2.3	-1.0	0.9	1.8
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	0.3	1.7	2.3	-1.0	0.9	1.8
Taxes	-0.0	0.7	0.7	-0.3	0.3	0.6
Net income from continuing operations	0.3	1.1	1.7	-0.7	0.6	1.1
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	0.3	1.1	1.7	-0.7	0.6	1.1
Minority interest	-0.2	-0.1	-0.6	0.1	-0.1	-0.2
Net profit (reported)	0.1	1.0	1.1	-0.5	0.5	0.9
Average number of shares	4.95	5.45	5.41	5.41	5.41	5.41
EPS reported	0.02	0.19	0.21	-0.10	0.09	0.17

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	5%	1%	15%	1%	1%	1%
Total sales	105%	101%	115%	101%	101%	100%
Material expenses	39%	37%	37%	38%	35%	33%
Gross profit	65%	63%	79%	63%	66%	68%
Other operating income	3%	7%	7%	4%	4%	4%
Personnel expenses	37%	33%	41%	38%	34%	34%
Other operating expenses	22%	21%	24%	23%	20%	20%
EBITDA	10%	16%	22%	6%	16%	18%
Depreciation	7%	6%	8%	10%	8%	6%
EBITA	2%	10%	14%	-4%	8%	12%
Amortisation of goodwill and intangible assets	0%	0%	0%	0%	2%	2%
EBIT	2%	10%	14%	-4%	6%	9%
Financial result	-1%	-4%	-3%	-1%	-1%	-1%
Recurring pretax income from continuing operations	1%	7%	11%	-5%	4%	8%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	1%	7%	11%	-5%	4%	8%
Taxes	-0%	3%	3%	-2%	1%	3%
Net income from continuing operations	1%	4%	8%	-4%	3%	5%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	1%	4%	8%	-4%	3%	5%
Minority interest	-1%	-0%	-3%	1%	-1%	-1%
Net profit (reported)	1%	4%	5%	-3%	2%	4%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	4.1	4.1	4.6	5.0	4.9	4.7
Goodwill	0.1	0.1	0.0	0.0	0.0	0.0
Property, plant and equipment	8.8	10.0	9.5	8.8	8.2	7.6
Financial assets	0.7	0.6	0.6	0.6	0.6	0.6
FIXED ASSETS	13.7	14.8	14.7	14.4	13.7	13.0
Inventories	7.7	7.8	9.5	5.4	5.5	5.4
Accounts receivable	3.2	3.8	1.8	2.6	2.9	3.0
Other current assets	0.0	1.6	2.0	2.0	2.0	2.0
Liquid assets	6.5	10.9	7.7	10.0	11.5	13.2
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	1.5	0.2	0.1	0.2	0.2	0.2
CURRENT ASSETS	18.9	24.3	21.1	20.2	22.1	23.8
TOTAL ASSETS	32.6	39.2	35.9	34.6	35.7	36.7
SHAREHOLDERS EQUITY	18.0	22.4	22.3	21.1	21.7	22.6
MINORITY INTEREST	0.1	-0.1	0.3	0.3	0.3	0.3
Long-term debt	8.3	5.8	5.4	6.0	6.0	6.0
Provisions for pensions and similar obligations	0.0	0.0	0.9	0.0	0.0	0.0
Other provisions	2.0	2.5	0.4	1.6	1.8	1.9
Non-current liabilities	10.4	8.3	6.7	7.6	7.8	7.9
short-term liabilities to banks	0.0	3.5	3.2	1.7	1.6	1.4
Accounts payable	1.4	1.5	0.8	1.2	1.2	1.2
Advance payments received on orders	0.0	0.8	0.1	0.9	1.0	1.1
Other liabilities (incl. from lease and rental contracts)	2.4	2.0	1.6	0.9	1.0	1.1
Deferred taxes	0.0	0.1	0.0	0.0	0.0	0.0
Deferred income	0.3	0.7	0.6	0.9	1.0	1.1
Current liabilities	4.1	8.6	6.5	5.6	6.0	5.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	32.6	39.2	35.9	34.6	35.7	36.7

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	12%	11%	13%	14%	14%	13%
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	27%	25%	26%	25%	23%	21%
Financial assets	2%	2%	2%	2%	2%	2%
FIXED ASSETS	42%	38%	41%	42%	38%	35%
Inventories	24%	20%	26%	16%	16%	15%
Accounts receivable	10%	10%	5%	7%	8%	8%
Other current assets	0%	4%	6%	6%	6%	5%
Liquid assets	20%	28%	22%	29%	32%	36%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	5%	1%	0%	1%	1%	1%
CURRENT ASSETS	58%	62%	59%	58%	62%	65%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	55%	57%	62%	61%	61%	62%
MINORITY INTEREST	0%	-0%	1%	1%	1%	1%
Long-term debt	26%	15%	15%	17%	17%	16%
Provisions for pensions and similar obligations	0%	0%	2%	0%	0%	0%
Other provisions	6%	6%	1%	5%	5%	5%
Non-current liabilities	32%	21%	19%	22%	22%	21%
short-term liabilities to banks	0%	9%	9%	5%	4%	4%
Accounts payable	4%	4%	2%	3%	3%	3%
Advance payments received on orders	0%	2%	0%	3%	3%	3%
Other liabilities (incl. from lease and rental contracts)	7%	5%	5%	3%	3%	3%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	1%	2%	2%	3%	3%	3%
Current liabilities	13%	22%	18%	16%	17%	16%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	0.3	1.1	1.7	-0.7	0.6	1.1
Depreciation of fixed assets (incl. leases)	1.7	1.5	1.7	1.8	1.7	1.4
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	0.5	0.5
Others	0.3	0.7	-1.8	0.2	0.2	0.1
Cash flow from operations before changes in w/c	2.3	3.3	1.6	1.3	3.0	3.2
Increase/decrease in inventory	-1.2	-0.1	0.0	4.1	-0.1	0.1
Increase/decrease in accounts receivable	-0.1	-0.6	0.0	-0.8	-0.3	-0.1
Increase/decrease in accounts payable	0.0	0.1	0.0	0.3	0.0	-0.0
Increase/decrease in other w/c positions	-0.1	0.6	0.0	0.3	0.3	0.2
Increase/decrease in working capital	-1.4	0.0	-0.1	3.9	-0.0	0.2
Cash flow from operating activities	0.9	3.3	1.5	5.3	3.0	3.3
CAPEX	-1.3	-2.7	-1.6	-1.5	-1.4	-1.2
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	1.3	2.0	-0.4	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	0.0	-0.8	-2.1	-1.5	-1.4	-1.2
Cash flow before financing	0.9	2.5	-0.6	3.8	1.5	2.1
Increase/decrease in debt position	-1.5	0.8	-1.9	-1.0	-0.1	-0.2
Purchase of own shares	0.0	0.0	-0.2	0.0	0.0	0.0
Capital measures	0.0	4.2	0.0	0.0	0.0	0.0
Dividends paid	-2.0	-0.7	-0.8	-0.5	0.0	-0.3
Others	-0.0	-0.0	-0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	-0.0	0.0	0.0	0.0
Cash flow from financing activities	-3.5	4.4	-3.0	-1.5	-0.1	-0.5
Increase/decrease in liquid assets	-2.6	6.9	-3.6	2.3	1.4	1.7
Liquid assets at end of period	2.1	9.0	4.8	7.1	8.5	10.2

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	5.2	4.9	4.9	4.3	4.9	5.2
Europe (ex domestic)	13.6	14.3	11.2	9.9	11.2	11.8
The Americas	2.0	3.0	2.2	2.0	2.2	2.4
Asia	1.0	1.6	1.3	1.2	1.3	1.4
Rest of World	2.1	1.9	1.2	1.1	1.2	1.3
Total sales	23.9	25.9	21.0	18.4	20.8	22.1

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	21.8%	19.0%	23.6%	23.6%	23.6%	23.6%
Europe (ex domestic)	57.0%	55.5%	53.6%	53.6%	53.6%	53.6%
The Americas	8.4%	11.8%	10.7%	10.7%	10.7%	10.7%
Asia	4.0%	6.2%	6.3%	6.3%	6.3%	6.3%
Rest of World	8.6%	7.5%	5.8%	5.8%	5.8%	5.8%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	0.02	0.19	0.21	-0.10	0.09	0.17
Cash flow per share	0.19	0.60	0.27	0.81	0.40	0.48
Book value per share	3.63	4.11	4.13	3.90	4.02	4.18
Dividend per share	0.08	0.15	0.10	0.00	0.05	0.08
Valuation						
P/E	170.8x	22.2x	20.4x	-41.5x	45.0x	24.6x
P/CF	22.6x	6.9x	15.4x	5.2x	10.6x	8.6x
P/BV	1.2x	1.0x	1.0x	1.1x	1.0x	1.0x
Dividend yield (%)	1.9%	3.6%	2.4%	0.0%	1.1%	2.0%
FCF yield (%)	4.4%	14.4%	6.5%	19.3%	9.5%	11.6%
EV/Sales	1.0x	0.8x	1.2x	1.1x	0.9x	0.8x
EV/EBITDA	10.6x	5.1x	5.3x	20.0x	5.6x	4.2x
EV/EBIT	41.6x	7.9x	8.4x	-26.9x	15.8x	8.2x
Income statement (EURm)						
Sales	23.9	25.9	21.0	18.4	20.8	22.1
yoy chg in %	-12.8%	8.0%	-18.9%	-12.0%	13.0%	6.0%
Gross profit	15.6	16.3	16.5	11.5	13.6	14.9
Gross margin in %	65.3%	63.0%	78.7%	62.5%	65.5%	67.5%
EBITDA	2.3	4.1	4.6	1.0	3.3	4.0
EBITDA margin in %	9.6%	16.0%	22.1%	5.5%	16.0%	18.0%
EBIT	0.6	2.7	2.9	-0.8	1.2	2.1
EBIT margin in %	2.5%	10.3%	13.9%	-4.1%	5.7%	9.3%
Net profit	0.1	1.0	1.1	-0.5	0.5	0.9
Cash flow statement (EURm)						
CF from operations	0.9	3.3	1.5	5.3	3.0	3.3
Capex	-1.3	-2.7	-1.6	-1.5	-1.4	-1.2
Maintenance Capex	0.0	0.0	0.0	0.9	0.8	0.7
Free cash flow	-0.4	0.5	-0.2	3.8	1.5	2.1
Balance sheet (EURm)						
Intangible assets	4.2	4.2	4.6	5.0	4.9	4.7
Tangible assets	8.8	10.0	9.5	8.8	8.2	7.6
Shareholders' equity	18.0	22.4	22.3	21.1	21.7	22.6
Pension provisions	0.0	0.0	0.9	0.0	0.0	0.0
Liabilities and provisions	10.4	11.7	10.0	9.3	9.4	9.3
Net financial debt	1.9	-1.6	0.9	-2.3	-3.9	-5.8
w/c requirements	9.5	9.3	10.3	5.9	6.2	6.1
Ratios						
ROE	1.8%	4.8%	7.5%	-3.2%	2.9%	5.1%
ROCE	2.1%	7.8%	8.9%	-2.5%	3.8%	6.4%
Net gearing	10.4%	-7.2%	4.1%	-11.0%	-17.8%	-25.4%
Net debt / EBITDA	0.8x	-0.4x	0.2x	-2.3x	-1.2x	-1.4x

Source: Company data; mwb research

Conflicts of interest

Disclosures regarding research publications of mwb research 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 and 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 mwb research 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 terms 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 mwb research 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 mwb research 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 mwb research AG. Reproduction of this document, in whole or in part, is not permitted without prior permission mwb research AG. All rights reserved. Under no circumstances shall mwb research 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 mwb research 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 mwb research 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.mwb.-research.com>.

mwb research AG uses the following three-step rating system for the analyzed companies:

- **Speculative (Spec.) BUY:** Sustainable upside potential of more than 25% within 12 months, above average risk
- **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 mwb research 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 mwb research AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of mwb research 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
24-Jun-24 09:09:25

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. mwb research AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority mwb research 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.mwb.-research.com..](https://www.mwb.-research.com..)

Contacts

mwb research AG
Mittelweg 142
20148 Hamburg
Germany

Tel.: +49 40 309 293-52
Email.: contact@mwb-research.com
Website: www.mwb-research.com
Research: www.research-hub.de

Research

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-53
E-Mail: h.hof@mwb-research.com

LEON MÜHLENBRUCH
Analyst
Tel: +49 40 309 293-57
E-Mail: l.muehlenbruch@mwb-research.com

ABED JARAD
Junior Analyst
Tel: +49 40 309 293-54
E-Mail: a.jarad@mwb-research.com

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

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

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

Sales

HOLGER NASS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: h.nass@mwb-research.com

Team Assistant

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-52
E-Mail: h.gabert@mwb-research.com

mwb fairtrade
Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

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

Sales / Designated Sponsoring / Corporate Finance

ALEXANDER DEUSS
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

JAN NEYNABER
Institutional Sales
Tel: +49 69 1387-1255
E-Mail: jneynaber@mwbfairtrade.com

DIRK WEYERHÄUSER
Corporate Finance
Tel: +49 69 1387-1250
E-Mail: dweyerhaeuser@mwbfairtrade.com

Locations

HAMBURG (Research)
Mittelweg 142
20148 Hamburg
+49 40 309 293-52

HAMBURG (Corporates & Markets)
Kleine Johannisstraße 4
20457 Hamburg
+49 40 360 995-0

FRANKFURT A.M.
Unterlindau 29
60323 Frankfurt am Main
+49 40 360 995-22

MUNICH
Rottenbucher Str. 28
82166 Gräfelfing
+49 89-85852-0

BERLIN
Kurfürstendamm 151
10709 Berlin

HANNOVER
An der Börse 2
30159 Hannover

Our research can be found at

ResearchHub
Bloomberg
FactSet
Thomson Reuters / Refinitiv
CapitalIQ

www.research-hub.de
www.bloomberg.com
www.factset.com
www.refinitiv.com
www.capitaliq.com