

Recommendation:

**BUY** (BUY)

Risk:

**MEDIUM** (Medium)

Price Target:

**EUR 10.20** (10.20)

20 August 2010

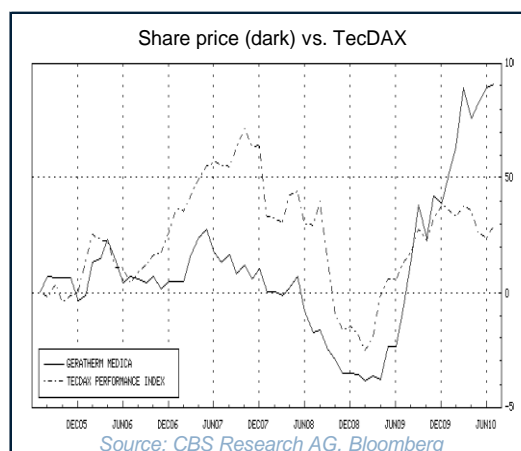
## Dynamic growth despite weak German market Sound 1H 2010 financials support our estimates for 2010E

- Yesterday Geratherm released financial figures for the first half of current fiscal year 2010. With **sales up 26% compared to the first six month of 2009**, Geratherm's growth dynamic showed to be above historical average. Between 2007 and 2009 sales growth rates in the first half of each fiscal year amounted to 15.42% (Median: 10.93%) on average. However, sales on the German market showed below average development with a minus of 16.5% and pulled total sales growth in 1H 2010 below the one observed in 1H 2009 (1H 2009: +34%).
- The company generated revenues of EUR 8m in 1H 2010. Whereas in the first quarter revenues in the amount of EUR 3.96m (1Q 2009: EUR 3.11m) were gained, the second quarter contributed EUR 4.04m (2Q 2009: EUR 3.23m). In relation to our sales estimate for the whole fiscal year 2010E (2010E: EUR 18.49m), the quarterly generated sales quoted in line with historical levels. Furthermore, between 2007 and 2009 the second half of each fiscal year not only showed a higher contribution to total sales but also steadily increasing growth rates. That is, in the second half of fiscal year 2007 sales gained 3.54% in comparison to the same period of the previous year. One year later, the equivalent growth rate jumped to 17.9% and in 2009 impressive 50.5% could be observed. **Our estimates for the fiscal year 2010E imply sales growth of 30.5% in 2H 2010**, which is approximately 6% above the historical average and 20% under the growth rate observed for the same period of the previous year. We feel confident with that projection and therefore do not change our sales estimate for the current fiscal year.
- Geratherm's operating result paralleled sales growth** and increased by 30.4% to EUR 1.26m in the first half of 2010. Our EBIT estimate of EUR 3.1m for fiscal year 2010E, which implies an EBIT contribution of EUR 1.8m in the second half of current fiscal year, gives us also no reason to adjust our estimates. The historical median for the share of 2H EBIT contribution amounted to 59%, which exactly matches our assumed EBIT contribution for the second half of 2010E.
- Unchanged price target:** Therefore, we reiterate our BUY recommendation and our price target of EUR 10.20 per share.

### Key data

Y/E 31.12., EUR m	2008	2009	2010E	2011E	2012E
Sales	10.1	14.4	18.5	23.4	29.2
Total sales	10.3	15.0	19.3	24.4	30.5
Gross profit	6.1	8.7	11.3	14.3	17.9
EBIT	0.6	2.2	3.1	3.7	4.6
Net income	-3.0	2.6	3.7	4.3	5.1
EPS	-0.65	0.60	0.74	0.87	1.02
CPS	0.31	1.27	1.84	2.02	2.43
EV/EBIT	50.0	13.3	9.7	8.0	6.5
P/E	-14.1	16.3	11.6	9.9	8.4

Source: Geratherm Medical AG, CBS Research AG



Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	-	18.5	-	23.4	-	29.2
EBIT	-	3.1	-	3.7	-	4.6
EPS	-	0.74	-	0.87	-	1.02

www.geratherm.com

WKN: 549562

Reuters: GMEG.DE

Sector: Medical devices

ISIN: DE0005495626

Bloomberg: GME GY

### Short company profile

Geratherm is an internationally operating medical technology company.

### Share data:

Share price (last closing price, EUR):	<b>8.70</b>
Shares outstanding (m):	4.95
Market capitalisation (EURm):	43.06
Enterprise value (EURm):	29.47
Ø daily trading volume (3 m., no. of shares):	4,505

### Performance data:

High 52 weeks (EUR):	9.40
Low 52 weeks (EUR):	4.77
Absolute performance (12 months):	66%
Relative performance: (vs. TecDAX)	
1 month	3.0%
3 months	-2.8%
6 months	19.1%
12 months	48.4%

### Shareholders:

GMF Beteiligungs-beratung GmbH	52.0%
Freefloat	48.0%

### Financial calendar:

3Q Results	18 November 2010
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## Appendix

### Profit and loss account

	IFRS	EURm	2007	2008	2009	2010E	2011E	2012E
<b>Sales</b>			<b>8.80</b>	<b>10.08</b>	<b>14.39</b>	<b>18.49</b>	<b>23.41</b>	<b>29.22</b>
YoY growth			2.5%	14.5%	42.7%	28.5%	26.7%	24.8%
Change in inventory of semi-finished and finished products			0.17	-0.39	0.06	0.05	0.07	0.08
Other capitalized own work			0.21	0.33	0.06	0.35	0.44	0.55
Other operating income			0.18	0.33	0.53	0.42	0.53	0.66
<b>Total sales</b>			<b>9.36</b>	<b>10.34</b>	<b>15.04</b>	<b>19.30</b>	<b>24.45</b>	<b>30.51</b>
YoY growth			5.0%	10.5%	45.4%	28.3%	26.7%	24.8%
Cost of raw materials, consumables and goods for resale			-3.91	-4.06	-6.09	-7.58	-9.60	-11.98
Costs of purchased services			-0.19	-0.24	-0.46	-0.56	-0.67	-0.78
<b>Gross profit</b>			<b>5.19</b>	<b>6.09</b>	<b>8.71</b>	<b>11.26</b>	<b>14.29</b>	<b>17.86</b>
as % of Total sales			55.4%	58.9%	57.9%	58.3%	58.4%	58.5%
Personnel expenses			-2.26	-2.56	-3.10	-4.07	-5.38	-7.01
as % of Total sales			24.1%	24.7%	20.6%	22.0%	23.0%	24.0%
Amortization & Depreciation			-0.31	-0.30	-0.37	-0.44	-0.48	-0.41
as % of Total sales			3.4%	2.9%	2.5%	2.3%	1.9%	1.3%
Other operating expenses			-2.00	-2.64	-3.01	-3.70	-4.68	-5.84
as % of Total sales			21.4%	25.5%	20.0%	20.0%	20.0%	20.0%
<b>EBIT</b>			<b>0.62</b>	<b>0.60</b>	<b>2.24</b>	<b>3.06</b>	<b>3.75</b>	<b>4.60</b>
as % of Total sales			6.6%	5.8%	14.9%	15.8%	15.3%	15.1%
Net financial result			0.82	-3.50	0.56	0.95	0.97	0.99
as % of Total sales			8.8%	-33.8%	3.7%	4.9%	4.0%	3.2%
<b>EBT</b>			<b>1.44</b>	<b>-2.90</b>	<b>2.80</b>	<b>4.01</b>	<b>4.72</b>	<b>5.59</b>
as % of Total sales			15.4%	-28.1%	18.6%	20.8%	19.3%	18.3%
Income taxes			-0.14	-0.12	-0.19	-0.34	-0.42	-0.51
as % of EBT			10.0%	4.0%	6.9%	8.4%	8.8%	9.2%
<b>EAT (Earnings after tax)</b>			<b>1.30</b>	<b>-3.02</b>	<b>2.60</b>	<b>3.67</b>	<b>4.30</b>	<b>5.07</b>
as % of Total sales			13.8%	-29.2%	17.3%	19.0%	17.6%	16.6%
Results of the minority interests			-0.10	-0.10	-0.08	0.00	0.00	0.00
<b>Results of the shareholders of the parent company</b>			<b>1.39</b>	<b>-2.92</b>	<b>2.68</b>	<b>3.67</b>	<b>4.30</b>	<b>5.07</b>
as % of Total sales			14.9%	-28.2%	17.8%	19.0%	17.6%	16.6%
Shares outstanding (m), weighted			4.50	4.50	4.50	4.87	4.95	4.95
<b>Basic earnings per share (EUR)</b>			<b>0.31</b>	<b>-0.65</b>	<b>0.60</b>	<b>0.74</b>	<b>0.87</b>	<b>1.02</b>

Source: CBS Research AG; Geratherm Medical AG

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Date	Recommendation	Price at change date	Price Target
05.07.2010	BUY (Initiating coverage)	EUR 8.50	EUR 10.20
20.08.2010	BUY(BUY)	EUR 8.70	EUR 10.20 (EUR 10.20)

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