

Recommendation: **BUY** (BUY) Risk: **MEDIUM** (Medium) Price Target: **EUR 9.00** (9.00)

25 August 2011

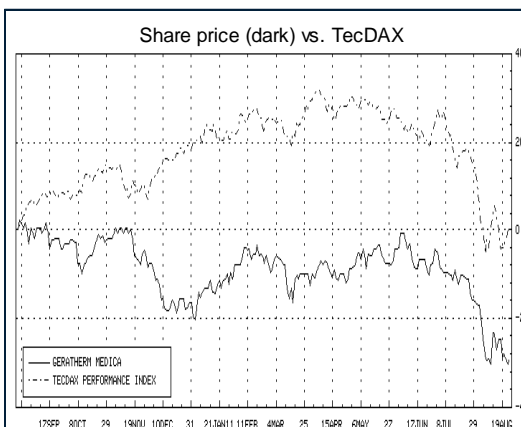
Security trading compensates for weak 2Q 2011

- Geratherm Medical AG published financial figures for 1H 2011. Sales amounted to EUR 8.53m, an increase of 6.7% compared to 1H 2010. On a quarterly basis, revenues decreased by 7.2% year-on-year. Whereas Germany (+3.4%), Europe (+13.6%) and South America (+48.9%) experienced growth in 1H 2011 compared to 1H 2010, sales generated in the US (-56.9%) and Middle East (-23.9%, segment "Others") contracted due to stock level reductions in the US and an unstable political environment in the Arab world. For the time being, we leave our revenue projections unchanged as the second half of Geratherm's fiscal year usually contribute a larger share to total revenues. Furthermore, adverse effects (stock level reductions, rioting in the Arab world) experienced in 2Q 2011 could be offset by the growth in Germany, South America and Europe as these three geographical segments contribute the lion's share to total revenues (88.4%).
- The EBITDA-margin reduced significantly from 21.1% in 2Q 2010 to 13.3% in 2Q 2011. Disproportional increases in personnel expenses (+13%), other operating expenses including marketing expenses (+35.2%) as well as costs of purchased services (+14.7%) caused EBITDA to decrease from EUR 1.56m in 1H 2010 by 19% to EUR 1.26m in 1H 2011.
- EBIT came in at EUR 0.33m in 2Q 2011, 52.9% lower than the year before. In 1H 2011 the company generated an EBIT of EUR 0.93m compared to EUR 1.26m in 1H 2010 (-26%). Net income attributable to Geratherm's shareholders decreased in 1H 2011 by 13.1% to EUR 1.33m year-on-year although 2Q 2011 showed higher net income. Here, income from security trading boosted Geratherm's financial result from EUR 0.1m in 2Q 2010 to EUR 0.63m in 2Q 2011, which compensated for the weak operational performance in 2Q and lift net income by 37.3% to EUR 0.86m. This implies an EPS of EUR 0.17 (2Q 2010: EUR 0.13) in 2Q 2011 and EUR 0.27 (1H 2010: EUR 0.31) for 1H 2011.
- We reiterate our BUY recommendation and price target of EUR 9.00 per share.

Key data

Y/E 31.12., EUR m	2009	2010	2011E	2012E	2013E
Sales	14.4	17.0	20.0	23.2	26.4
Total sales	15.0	17.8	20.9	24.2	27.6
Gross profit	8.7	10.6	12.0	14.2	16.2
EBIT	2.2	2.4	2.8	3.3	3.9
Net income	2.7	2.7	3.5	4.0	4.0
EPS	0.60	0.56	0.70	0.80	0.81
CPS	0.60	0.09	0.61	0.68	0.67
Gross profit margin	57.9%	59.7%	57.5%	58.5%	58.6%
EBIT margin	14.9%	13.2%	13.3%	13.7%	14.2%
EV/EBIT	11.7	11.1	9.4	7.9	6.7
P/E	10.8	10.7	8.3	7.3	7.3

Source: Geratherm Medical AG, CBS Research AG



Source: CBS Research AG, Bloomberg

Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	-	20.0	-	23.2	-	26.4
EBIT	-	2.8	-	3.3	-	3.9
EPS	-	0.70	-	0.80	-	0.81

www.geratherm.com Sector: Healthcare-Products
WKN: 549562 ISIN: DE0005495626
Reuters: GMEG.DE Bloomberg: GME GY

Short company profile

Geratherm is an internationally operating medical technology company. The company produces temperature and blood pressure monitors.

Share data:

Share price (last closing price, EUR)	5.75
Shares outstanding (m):	4.95
Market capitalisation (EURm):	28.96
Enterprise value (EURm):	26.16
Ø daily trading volume (3 m., no. of shares):	2,250

Performance data:

High 52 weeks (EUR):	8.86
Low 52 weeks (EUR):	5.20
Absolute performance (12 months):	-29%
Relative performance: (vs. TecDAX)	
1 month	-5.6%
3 months	-8.4%
6 months	-10.4%
12 months	-32.3%

Shareholders:

GMF Beteiligungs-beratung GmbH	52.0%
Freefloat	48.0%

Financial calendar:

3Q 2011 Results 18 November 2011

Author: **Enid Omerovic (Analyst)**

Close Brothers Seydler Research AG

Phone: +49 (0) 69-977 84 56 0

Email: research@cbseydlerresearch.ag

www.cbseydlerresearch.ag

Appendix

Geratherm Medical AG

Profit and loss account

	IFRS	EURm	2008	2009	2010	2011E	2012E	2013E
Sales			10.08	14.39	16.98	19.99	23.15	26.40
YoY growth			14.5%	42.7%	18.0%	17.7%	15.8%	14.0%
Change in inventory of semi-finished and finished products			-0.39	0.06	0.36	0.06	0.06	0.07
Other capitalized own work			0.33	0.06	0.00	0.38	0.44	0.50
Other operating income			0.33	0.53	0.45	0.45	0.52	0.60
Total sales			10.34	15.04	17.78	20.88	24.18	27.56
YoY growth			10.5%	45.4%	18.2%	17.4%	15.8%	14.0%
Cost of raw materials, consumables and goods for resale			-4.06	-6.09	-6.81	-8.40	-9.49	-10.82
Costs of purchased services			-0.24	-0.36	-0.48	-0.53	-0.58	-0.63
Gross profit			6.09	8.71	10.62	12.00	14.15	16.16
as % of Total sales			58.9%	57.9%	59.7%	57.5%	58.5%	58.6%
Personnel expenses			-2.56	-3.10	-3.90	-4.60	-5.56	-6.47
as % of Total sales			24.7%	20.6%	22.0%	23.0%	24.0%	24.5%
Amortization & Depreciation			-0.30	-0.37	-0.60	-0.63	-0.65	-0.50
as % of Total sales			2.9%	2.5%	3.3%	3.0%	2.7%	1.8%
Other operating expenses			-2.64	-3.01	-3.76	-4.00	-4.63	-5.28
as % of Total sales			25.5%	20.0%	20.0%	20.0%	20.0%	20.0%
EBIT			0.60	2.24	2.35	2.78	3.31	3.92
as % of Total sales			5.8%	14.9%	13.2%	13.3%	13.7%	14.2%
Net financial result			-3.50	0.56	0.98	1.01	1.03	1.07
as % of Total sales			-33.8%	3.7%	5.5%	4.8%	4.2%	3.9%
EBT			-2.90	2.80	3.34	3.78	4.34	4.99
as % of Total sales			-28.1%	18.6%	18.8%	18.1%	17.9%	18.1%
Income taxes			-0.12	-0.19	-0.79	-0.31	-0.37	-1.00
as % of EBT			4.0%	6.9%	23.7%	8.2%	8.6%	20.0%
EAT (Earnings after tax)			-3.02	2.60	2.55	3.47	3.96	3.99
as % of Total sales			-29.2%	17.3%	14.3%	16.6%	16.4%	14.5%
Results of the minority interests			-0.10	-0.08	-0.17	0.00	0.00	0.00
Results of the shareholders of the parent company			-2.92	2.68	2.71	3.47	3.96	3.99
as % of Total sales			-28.2%	17.8%	15.3%	16.6%	16.4%	14.5%
Shares outstanding (m), weighted			4.50	4.50	4.87	4.95	4.95	4.95
Basic earnings per share (EUR)			-0.65	0.60	0.56	0.70	0.80	0.81

Source: CBS Research AG; Geratherm Medical AG

Research



Schillerstrasse 27 - 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag	Kristina Kardum	+49 (0)69 -977 8456- 21 Kristina.Kardum@cbseydlerresearch.ag
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Rabeya Khan	+49 (0)69 -977 8456- 10 Rabeya.Khan@cbseydlerresearch.ag	Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag
Gennadij Kremer	+49 (0)69 -977 8456- 23 Gennadij.Kremer@cbseydlerresearch.ag	Enid Omerovic	+49 (0)69 -977 8456- 19 Enid.Omerovic@cbseydlerresearch.ag
Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag	Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag
Felix Parmantier	+49 (0)69 -977 8456- 22 Felix.Parmantier@cbseydlerresearch.ag	Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400



Close Brothers Seydler UK

25 Dowgate Hill
London EC4R 2GA

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 Raimar.Bock@cbseydler.com	Sule Erkan (Sales-Support)	+49 (0)69 -9 20 54-107 Sule.Erkan@cbseydler.com
Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 Ruediger.Eich@cbseydler.com	Klaus Korzilius (Benelux, Germany)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com
Uwe Gerhardt (Germany, Switzerland)	+49 (0)69 -9 20 54-168 Uwe.Gerhardt@cbseydler.com	Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com
Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com	Christopher Seedorf (Sales-Support)	+49 (0)69 -9 20 54-110 Christopher.Seedorf@cbseydler.com
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com	Bas-Jan Walhof (Benelux)	+49 (0)69 -9 20 54-105 Bas-Jan.Walhof@cbseydler.com
Janine Theobald (Germany)	+49 (0)69 -9 20 54-116 Janine.Theobald@cbseydler.com		

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Recommendation history over the last 12 months for the company analysed in this report:

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)
22.11.2010	BUY (BUY)	EUR 8.16	EUR 10.20 (EUR 10.20)
21.04.2011	BUY (BUY)	EUR 7.66	EUR 9.00 (EUR 10.20)
26.05.2011	BUY (BUY)	EUR 8.00	EUR 9.00 (EUR 9.00)
25.08.2011	BUY(BUY)	EUR 5.75	EUR 9.00 (EUR 9.00)

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Graurheindorferstraße 108

53117 Bonn

and

Lurgiallee 12

60439 Frankfurt

 Close Brothers Seydler
Research AG

Schillerstrasse 27 - 29

60313 Frankfurt am Main

www.cbseydlerresearch.ag

Tel.: 0049 - (0)69 - 97 78 45 60