

# Geratherm Medical AG

Germany | Health Care | MCap EUR 31.7m

25 November 2022

UPDATE



## Q3 reflects current challenges; confirm BUY rating

### What's it all about?

Geratherm Medical AG reported Q3 results. The return to yoy growth, first witnessed in Q2, continued in Q3. However, input price inflation, especially for energy, resulted in a gross margin decline. In absolute terms, gross margin was slightly up sequentially, as was EBITDA and EBIT. While short-term cost challenges persist, we reiterate our BUY recommendation with price target of EUR 11.30, based on the attractive medium to long term growth opportunities for Geratherm in the MedTech markets.

**BUY** (BUY)

|                     |                          |
|---------------------|--------------------------|
| <b>Target price</b> | <b>EUR 11.30 (11.30)</b> |
| Current price       | EUR 5.82                 |
| Up/downside         | 94.2%                    |

 **ResearchHub**



**MAIN AUTHOR**

**Dr. Oliver Wojahn, CFA**

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Germany | Health Care | MCap EUR 31.7m | EV EUR 34.1m

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## Q3 reflects current challenges; confirm BUY rating

**A challenging Q3.** Geratherm reported Q3 results. The return to yoy growth, first witnessed in Q2, continued in Q3 with a rate of 6.5%. However, input price inflation, especially for energy, resulted in a gross margin decline by c. 400bp yoy and 150bp qoq. In absolute terms, gross margin was slightly up sequentially, as was EBITDA and EBIT. Looking at the 9M numbers, EBITDA of EUR 2.7m and EBIT of EUR 1.4m have almost reached our expectations for the full year. We are still cautious to upgrade significantly as Q4 could see another thrust in input costs, especially personnel. This is a result of an increase in the statutory hourly minimum wage from EUR 9.82 per hour at the beginning of 2022, over EUR 10.45 from July to September to EUR 12.00 since October.

**Healthcare Diagnostic stabilizing.** The Healthcare Diagnostic segment remains the most important segment at 57% of Q3 sales. Products in this division include clinical thermometers, blood pressure monitors and women's health products. This segment showed a continued moderate yoy growth of 1.6% in Q3. It seems as if sales to pharmacies and drugstores are stabilizing after the Corona-boom and the post-Corona slump (40% growth in FY20, 24% decline in FY21).

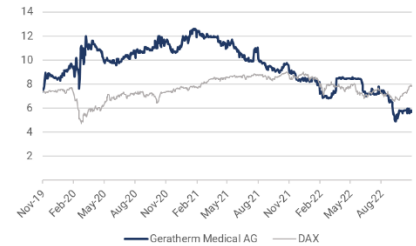
**Respiratory strong.** The products in the Respiratory segment (25% of Q3 sales) are used for lung function diagnostics and can be used in the treatment of long Covid. Consequently, the demand is high, and the division reported double digit growth in FY20 and FY21. After supply chain issues led to declining yoy revenues in H1, this trend reversed in Q3 with 41% yoy growth (against a weak comparable base).

**Incubators and Cardio down yoy.** The Incubator Systems division was down yoy versus a very strong comparable base, and roughly flat qoq. The Cardio / Stroke division was still held back by ongoing Covid and budget restrictions in hospitals, complicating sales of the stroke prevention software.

**Confirming BUY, PT EUR 11.30.** The return to yoy growth confirms that pent-up demand is supporting the top-line in the short term, but at the same time cost inflation is providing headwinds for profitability. Still, Geratherm is an attractive vehicle to participate in the long-term structural growth of MedTech. We confirm our recommendation to BUY with price target EUR 11.30.

| Geratherm Medical AG  | 2019  | 2020  | 2021   | 2022E | 2023E | 2024E |
|-----------------------|-------|-------|--------|-------|-------|-------|
| Sales                 | 19.9  | 27.5  | 23.9   | 24.2  | 25.3  | 27.5  |
| <i>Growth yoy</i>     | -7.0% | 38.4% | -12.8% | 1.1%  | 4.4%  | 8.8%  |
| EBITDA                | 2.4   | 4.3   | 2.3    | 2.7   | 3.7   | 4.7   |
| EBIT                  | 1.0   | 3.0   | 0.6    | 1.4   | 2.1   | 2.7   |
| Net profit            | 0.5   | 2.0   | 0.1    | 0.9   | 0.9   | 1.2   |
| Net debt (net cash)   | -1.9  | -0.3  | 2.4    | 3.6   | 2.4   | 1.3   |
| Net debt/EBITDA       | -0.8x | -0.1x | 1.0x   | 1.3x  | 0.7x  | 0.3x  |
| EPS reported          | 0.11  | 0.41  | 0.02   | 0.16  | 0.17  | 0.22  |
| DPS                   | 0.25  | 0.28  | 0.08   | 0.09  | 0.10  | 0.13  |
| <i>Dividend yield</i> | 4.3%  | 4.8%  | 1.4%   | 1.6%  | 1.8%  | 2.3%  |
| Gross profit margin   | 68.9% | 64.1% | 65.3%  | 63.5% | 67.0% | 68.5% |
| EBITDA margin         | 11.9% | 15.8% | 9.6%   | 11.2% | 14.8% | 17.2% |
| EBIT margin           | 5.3%  | 11.1% | 2.5%   | 5.8%  | 8.4%  | 10.0% |
| ROCE                  | 3.7%  | 9.6%  | 2.0%   | 4.8%  | 7.2%  | 8.9%  |
| EV/EBITDA             | 12.6x | 7.2x  | 14.8x  | 13.0x | 9.1x  | 7.0x  |
| EV/EBIT               | 28.4x | 10.3x | 57.9x  | 25.1x | 16.0x | 12.0x |
| PER                   | 52.8x | 14.1x | 237.8x | 37.2x | 33.6x | 25.9x |
| FCF yield             | 3.1%  | 11.3% | 0.2%   | 7.9%  | 9.0%  | 9.3%  |

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

**High/low 52 weeks** 9.52 / 4.92  
**Price/Book Ratio** 1.6x

### Ticker / Symbols

ISIN DE0005495626  
WKN 549562  
Bloomberg GME:GR

### Changes in estimates

|              |     | Sales | EBIT  | EPS   |
|--------------|-----|-------|-------|-------|
| <b>2022E</b> | old | 23.5  | 1.4   | 0.09  |
|              | Δ   | 3.0%  | 0.8%  | 68.2% |
| <b>2023E</b> | old | 25.3  | 2.2   | 0.15  |
|              | Δ   | 0.0%  | -1.7% | 14.4% |
| <b>2024E</b> | old | 27.5  | 2.8   | 0.20  |
|              | Δ   | 0.0%  | -3.7% | 11.9% |

### 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.

| P&L data           | Q4 2020     | Q1 2021     | Q2 2021     | Q3 2021     | Q4 2021      | Q1 2022     | Q2 2022     | Q3 2022     |
|--------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| Sales              | 7.7         | 6.7         | 5.7         | 5.7         | 5.8          | 6.4         | 5.9         | 6.1         |
| yoy growth in %    | 71.2%       | 6.5%        | -24.4%      | -2.8%       | -24.8%       | -3.7%       | 2.7%        | 6.5%        |
| Gross profit       | 4.8         | 4.4         | 4.0         | 4.0         | 3.9          | 4.5         | 4.0         | 4.1         |
| Gross margin in %  | 62.1%       | 65.6%       | 70.0%       | 70.5%       | 66.8%        | 70.3%       | 68.0%       | 66.5%       |
| EBITDA             | 1.3         | 1.1         | 0.7         | 1.1         | -0.7         | 1.1         | 0.8         | 0.8         |
| EBITDA margin in % | 16.8%       | 15.8%       | 11.8%       | 19.6%       | -11.3%       | 17.7%       | 12.8%       | 12.7%       |
| EBIT               | 0.9         | 0.7         | 0.3         | 0.8         | -1.3         | 0.7         | 0.3         | 0.3         |
| EBIT margin in %   | 11.7%       | 10.1%       | 5.3%        | 13.2%       | -21.6%       | 11.2%       | 5.5%        | 5.6%        |
| EBT                | 0.7         | 0.6         | 0.3         | 0.7         | -1.3         | 0.6         | 0.3         | 0.3         |
| taxes paid         | 0.3         | 0.1         | -0.1        | 0.1         | -0.2         | 0.1         | 0.1         | 0.1         |
| tax rate in %      | 39.2%       | 22.8%       | -24.4%      | 17.7%       | 17.6%        | 21.5%       | 49.0%       | 27.7%       |
| net profit         | 0.5         | 0.4         | 0.2         | 0.4         | -0.9         | 0.4         | 0.3         | 0.2         |
| yoy growth in %    | na%         | 46.9%       | -73.6%      | -13.0%      | na%          | 3.3%        | 29.2%       | -54.3%      |
| <b>EPS</b>         | <b>0.10</b> | <b>0.09</b> | <b>0.04</b> | <b>0.09</b> | <b>-0.19</b> | <b>0.09</b> | <b>0.05</b> | <b>0.03</b> |

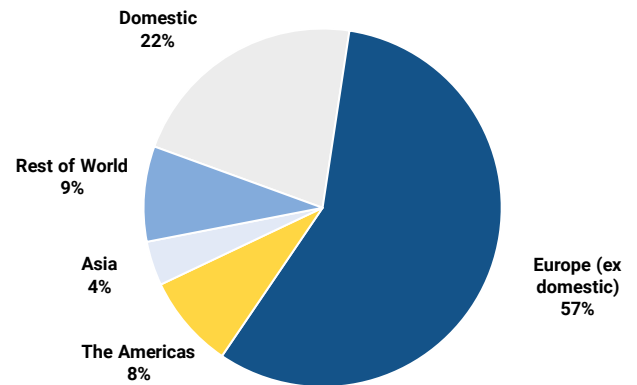
Source: Company data; AlsterResearch

# Investment case in six charts

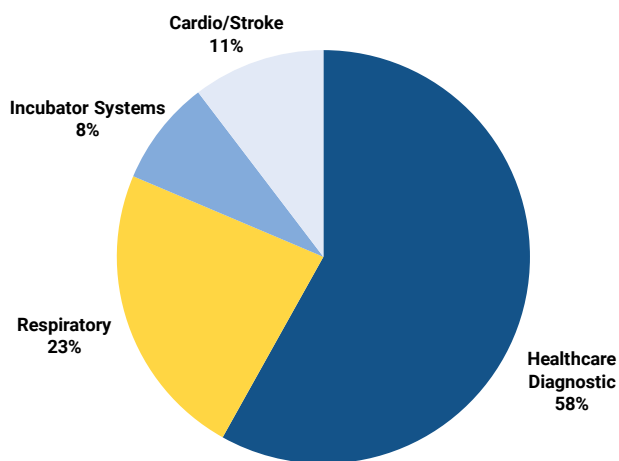
## Product portfolio



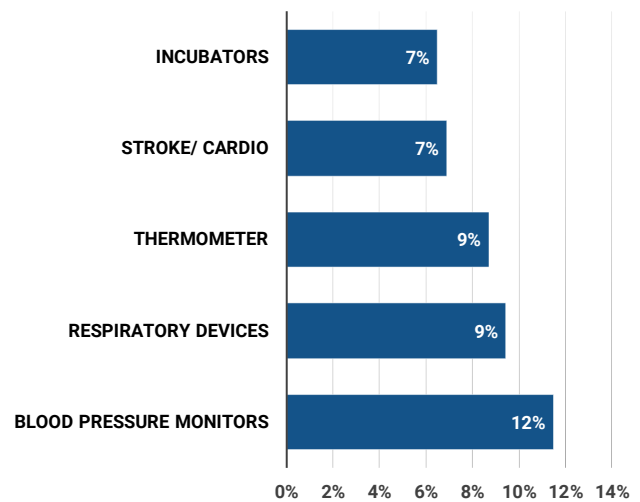
## Regional sales in %



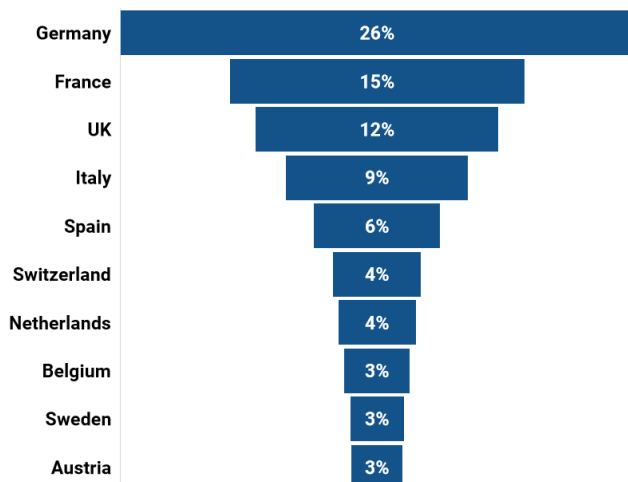
## Sales by segment in %



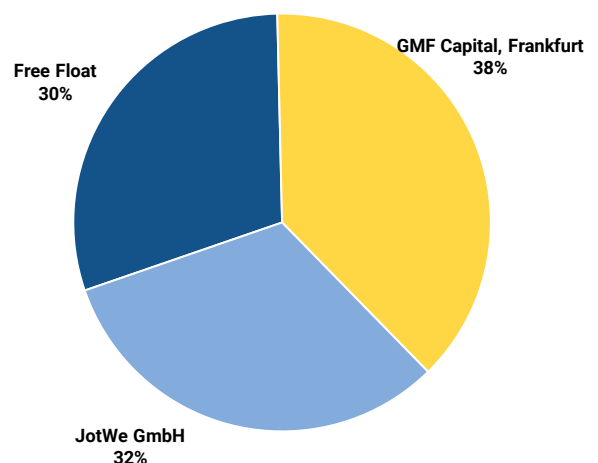
## CAGR by product 22E-30E



## European medical devices market share



## Major shareholder



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

# SWOT analysis

## Strengths

- focus on well defensible 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

# Valuation

## DCF Model

The DCF model results in a **fair value of EUR 11.27 per share**:

**Top-line growth:** We expect Geratherm Medical AG to grow revenues at a CAGR of 7.6% between 2022E and 2029E. The long-term growth rate is set at 2.0%.

**ROCE.** Returns on capital are developing from 4.8% in 2022E to 20.0% in 2029E.

**WACC.** Starting point is a historical equity beta of 1.16. Unlevering and correcting for mean reversion yields an asset beta of 0.98. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 8.7%. 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 7.9%.

| DCF (EURm)<br>(except per share data and beta) | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | Terminal value |
|------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| NOPAT                                          | 1.0   | 1.1   | 1.4   | 1.7   | 2.3   | 3.0   | 3.7   | 4.2   |                |
| Depreciation & amortization                    | 1.3   | 1.6   | 2.0   | 2.5   | 2.4   | 2.3   | 2.2   | 2.2   |                |
| Change in working capital                      | 0.9   | 0.6   | 0.0   | 0.1   | 0.2   | 0.2   | 0.1   | 0.0   |                |
| Chg. in long-term provisions                   | 0.1   | 0.1   | 0.2   | 0.2   | 0.2   | 0.2   | 0.2   | 0.2   |                |
| Capex                                          | -3.9  | -2.0  | -2.2  | -2.0  | -1.8  | -1.8  | -1.9  | -2.1  |                |
| Cash flow                                      | -0.6  | 1.4   | 1.4   | 2.4   | 3.3   | 3.9   | 4.3   | 4.5   | 78.4           |
| Present value                                  | -0.6  | 1.3   | 1.2   | 1.9   | 2.4   | 2.6   | 2.7   | 2.6   | 45.8           |
| WACC                                           | 7.8%  | 7.8%  | 7.9%  | 7.9%  | 7.9%  | 7.9%  | 7.9%  | 7.9%  | 7.9%           |

| DCF per share derived from                            |                        |
|-------------------------------------------------------|------------------------|
| Total present value                                   | 60.0                   |
| Mid-year adj. total present value                     | 62.3                   |
| Net debt / cash at start of year                      | 2.4                    |
| Financial assets                                      | 1.5                    |
| Provisions and off b/s debt                           | na                     |
| Equity value                                          | 61.4                   |
| No. of shares outstanding                             | 5.4                    |
| <b>Discounted cash flow / share upside/(downside)</b> | <b>11.27<br/>93.6%</b> |

| DCF avg. growth and earnings assumptions           |       |
|----------------------------------------------------|-------|
| Planning horizon avg. revenue growth (2022E-2029E) | 7.6%  |
| Terminal value growth (2029E - infinity)           | 2.0%  |
| Terminal year ROCE                                 | 20.0% |
| Terminal year WACC                                 | 7.9%  |

| Terminal WACC derived from           |       |
|--------------------------------------|-------|
| Cost of borrowing (before taxes)     | 5.0%  |
| Long-term tax rate                   | 30.0% |
| Equity beta                          | 1.16  |
| Unlevered beta (industry or company) | 0.98  |
| Target debt / equity                 | 0.2   |
| Relevered beta                       | 1.12  |
| Risk-free rate                       | 2.0%  |
| Equity risk premium                  | 6.0%  |
| Cost of equity                       | 8.7%  |

|                    |             |
|--------------------|-------------|
| <b>Share price</b> | <b>5.82</b> |
|--------------------|-------------|

| Sensitivity analysis DCF  |  |                  |      |             |      | Share of present value |             |             |
|---------------------------|--|------------------|------|-------------|------|------------------------|-------------|-------------|
| Change in WACC (%-points) |  | Long term growth |      |             |      |                        | 2022E-2025E | 2026E-2029E |
|                           |  | 1.0%             | 1.5% | 2.0%        | 2.5% | 3.0%                   |             |             |
| 2.0%                      |  | 7.4              | 7.7  | 8.1         | 8.5  | 9.0                    |             | 6.2%        |
| 1.0%                      |  | 8.5              | 8.9  | 9.4         | 10.0 | 10.7                   |             | 17.3%       |
| 0.0%                      |  | 9.9              | 10.5 | <b>11.3</b> | 12.1 | 13.2                   |             | 76.4%       |
| -1.0%                     |  | 11.8             | 12.8 | 13.9        | 15.2 | 16.9                   |             |             |
| -2.0%                     |  | 14.6             | 16.0 | 17.8        | 20.1 | 23.2                   |             |             |
|                           |  |                  |      |             |      |                        |             |             |

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 4.88 per share based on 2022E and EUR 13.47 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         |
|------------------------------------|---------------|-------------|--------------|--------------|---------------|
| <b>EBITDA</b>                      | <b>2.7</b>    | <b>3.7</b>  | <b>4.7</b>   | <b>5.8</b>   | <b>7.0</b>    |
| - Maintenance capex                | 0.7           | 0.8         | 1.0          | 1.0          | 0.9           |
| - Minorities                       | 0.0           | 0.4         | 0.5          | 0.6          | 0.9           |
| - tax expenses                     | 0.4           | 0.6         | 0.7          | 0.9          | 1.3           |
| <b>= Adjusted FCF</b>              | <b>1.7</b>    | <b>2.0</b>  | <b>2.5</b>   | <b>3.3</b>   | <b>3.9</b>    |
| <b>Actual Market Cap</b>           | <b>31.7</b>   | <b>31.7</b> | <b>31.7</b>  | <b>31.7</b>  | <b>31.7</b>   |
| + Net debt (cash)                  | 3.6           | 2.4         | 1.3          | -0.9         | -4.0          |
| + 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           | 0.4           | 0.9         | 1.5          | 2.2          | 3.1           |
| <i>EV Reconciliations</i>          | 1.7           | 0.1         | -1.7         | -4.6         | -8.6          |
| <b>= Actual EV'</b>                | <b>33.4</b>   | <b>31.8</b> | <b>30.0</b>  | <b>27.1</b>  | <b>23.1</b>   |
| <b>Adjusted FCF yield</b>          | <b>5.1%</b>   | <b>6.2%</b> | <b>8.2%</b>  | <b>12.1%</b> | <b>16.8%</b>  |
| 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%          |
| <b>Fair EV</b>                     | <b>28.3</b>   | <b>32.6</b> | <b>41.1</b>  | <b>54.8</b>  | <b>64.8</b>   |
| - <i>EV Reconciliations</i>        | 1.7           | 0.1         | -1.7         | -4.6         | -8.6          |
| <b>Fair Market Cap</b>             | <b>26.6</b>   | <b>32.6</b> | <b>42.8</b>  | <b>59.3</b>  | <b>73.3</b>   |
| No. of shares (million)            | 5.4           | 5.4         | 5.4          | 5.4          | 5.4           |
| <b>Fair value per share in EUR</b> | <b>4.88</b>   | <b>5.98</b> | <b>7.86</b>  | <b>10.90</b> | <b>13.47</b>  |
| <b>Premium (-) / discount (+)</b>  | <b>-16.2%</b> | <b>2.7%</b> | <b>35.0%</b> | <b>87.3%</b> | <b>131.4%</b> |

### Sensitivity analysis FV

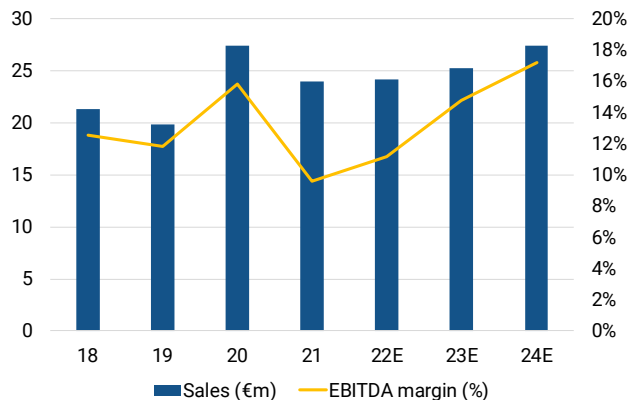
|                             |             |            |            |            |             |             |
|-----------------------------|-------------|------------|------------|------------|-------------|-------------|
|                             | 4.0%        | 7.5        | 9.0        | 11.6       | 15.9        | 19.4        |
| <b>Adjusted hurdle rate</b> | 5.0%        | 5.9        | 7.2        | 9.4        | 12.9        | 15.8        |
|                             | <b>6.0%</b> | <b>4.9</b> | <b>6.0</b> | <b>7.9</b> | <b>10.9</b> | <b>13.5</b> |
|                             | 7.0%        | 4.1        | 5.1        | 6.8        | 9.5         | 11.8        |
|                             | 8.0%        | 3.6        | 4.5        | 6.0        | 8.4         | 10.5        |

Source: Company data; AlsterResearch

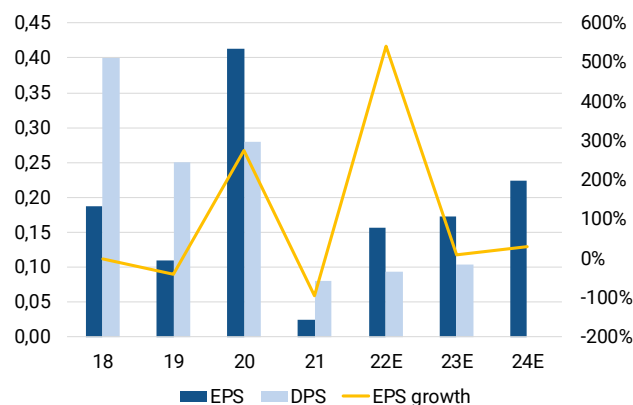
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments 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.**

# Financials in six charts

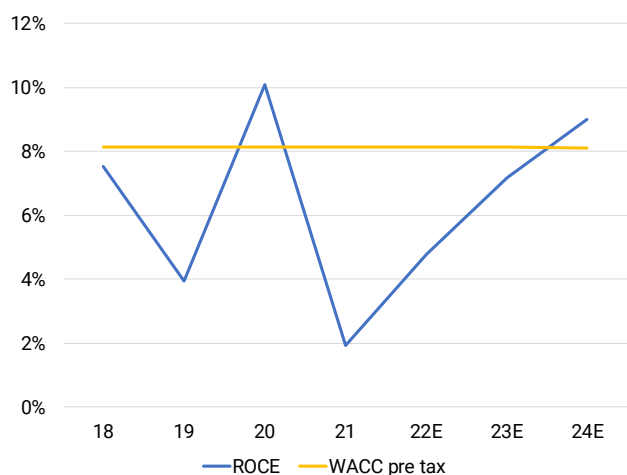
**Sales vs. EBITDA margin development**



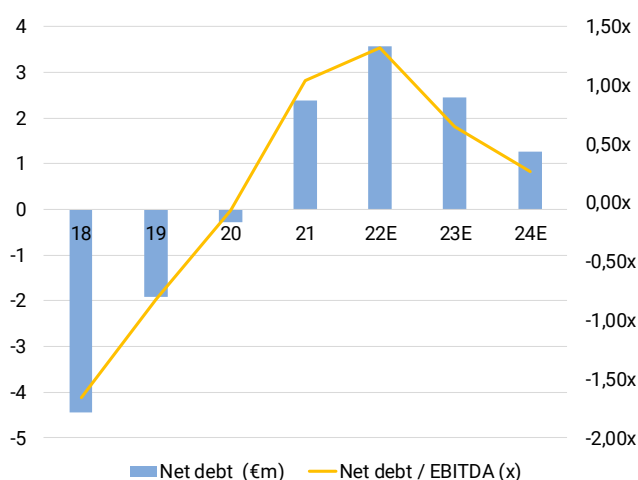
**EPS, DPS in EUR & yoy EPS growth**



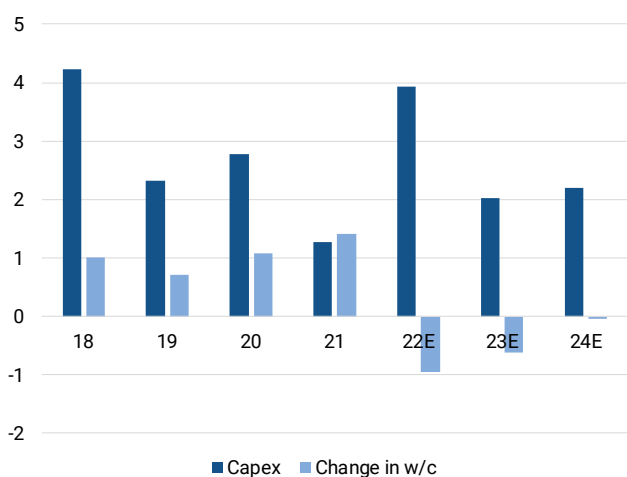
**ROCE vs. WACC (pre tax)**



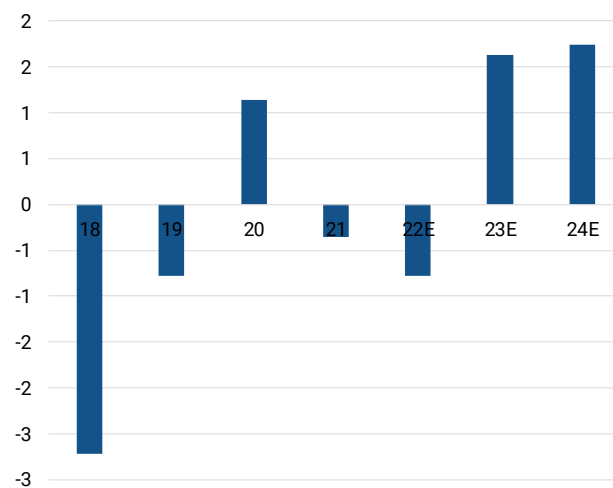
**Net debt and net debt/EBITDA**



**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       |
|----------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Net sales</b>                                   | <b>19.9</b> | <b>27.5</b> | <b>23.9</b> | <b>24.2</b> | <b>25.3</b> | <b>27.5</b> |
| Sales growth                                       | -7.0%       | 38.4%       | -12.8%      | 1.1%        | 4.4%        | 8.8%        |
| Change in finished goods and work-in-process       | 1.3         | -0.5        | 1.1         | 0.5         | 0.5         | 0.5         |
| <b>Total sales</b>                                 | <b>21.1</b> | <b>27.0</b> | <b>25.1</b> | <b>24.7</b> | <b>25.8</b> | <b>28.0</b> |
| Material expenses                                  | 7.4         | 9.4         | 9.4         | 9.3         | 8.8         | 9.2         |
| <b>Gross profit</b>                                | <b>13.7</b> | <b>17.6</b> | <b>15.6</b> | <b>15.4</b> | <b>16.9</b> | <b>18.8</b> |
| Other operating income                             | 0.6         | 0.7         | 0.8         | 0.8         | 0.8         | 0.9         |
| Personnel expenses                                 | 7.6         | 8.5         | 8.8         | 8.9         | 8.9         | 9.5         |
| Other operating expenses                           | 4.4         | 5.5         | 5.3         | 4.6         | 5.1         | 5.5         |
| <b>EBITDA</b>                                      | <b>2.4</b>  | <b>4.3</b>  | <b>2.3</b>  | <b>2.7</b>  | <b>3.7</b>  | <b>4.7</b>  |
| Depreciation                                       | 1.3         | 1.3         | 1.7         | 1.3         | 1.6         | 2.0         |
| EBITA                                              | 1.0         | 3.0         | 0.6         | 1.4         | 2.1         | 2.7         |
| Amortization of goodwill and intangible assets     | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>EBIT</b>                                        | <b>1.0</b>  | <b>3.0</b>  | <b>0.6</b>  | <b>1.4</b>  | <b>2.1</b>  | <b>2.7</b>  |
| 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         | 1.2         | 1.9         | 2.5         |
| Extraordinary income/loss                          | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Earnings before taxes                              | 1.0         | 2.7         | 0.3         | 1.2         | 1.9         | 2.5         |
| Taxes                                              | 0.7         | 0.8         | -0.0        | 0.4         | 0.6         | 0.7         |
| Net income from continuing operations              | 0.3         | 1.9         | 0.3         | 0.9         | 1.3         | 1.7         |
| Result from discontinued operations (net of tax)   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Net income</b>                                  | <b>0.3</b>  | <b>1.9</b>  | <b>0.3</b>  | <b>0.9</b>  | <b>1.3</b>  | <b>1.7</b>  |
| Minority interest                                  | 0.3         | 0.1         | -0.2        | 0.0         | -0.4        | -0.5        |
| Net profit (reported)                              | 0.5         | 2.0         | 0.1         | 0.9         | 0.9         | 1.2         |
| Average number of shares                           | 4.95        | 4.95        | 4.95        | 5.44        | 5.44        | 5.44        |
| <b>EPS reported</b>                                | <b>0.11</b> | <b>0.41</b> | <b>0.02</b> | <b>0.16</b> | <b>0.17</b> | <b>0.22</b> |

| Profit and loss (common size)                      | 2019        | 2020        | 2021        | 2022E       | 2023E       | 2024E       |
|----------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Net sales</b>                                   | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| Change in finished goods and work-in-process       | 6%          | -2%         | 5%          | 2%          | 2%          | 2%          |
| <b>Total sales</b>                                 | <b>106%</b> | <b>98%</b>  | <b>105%</b> | <b>102%</b> | <b>102%</b> | <b>102%</b> |
| Material expenses                                  | 38%         | 34%         | 39%         | 39%         | 35%         | 34%         |
| <b>Gross profit</b>                                | <b>69%</b>  | <b>64%</b>  | <b>65%</b>  | <b>64%</b>  | <b>67%</b>  | <b>69%</b>  |
| Other operating income                             | 3%          | 3%          | 3%          | 3%          | 3%          | 3%          |
| Personnel expenses                                 | 38%         | 31%         | 37%         | 37%         | 35%         | 34%         |
| Other operating expenses                           | 22%         | 20%         | 22%         | 19%         | 20%         | 20%         |
| <b>EBITDA</b>                                      | <b>12%</b>  | <b>16%</b>  | <b>10%</b>  | <b>11%</b>  | <b>15%</b>  | <b>17%</b>  |
| Depreciation                                       | 7%          | 5%          | 7%          | 5%          | 6%          | 7%          |
| EBITA                                              | 5%          | 11%         | 2%          | 6%          | 8%          | 10%         |
| Amortisation of goodwill and intangible assets     | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>EBIT</b>                                        | <b>5%</b>   | <b>11%</b>  | <b>2%</b>   | <b>6%</b>   | <b>8%</b>   | <b>10%</b>  |
| Financial result                                   | -0%         | -1%         | -1%         | -1%         | -1%         | -1%         |
| Recurring pretax income from continuing operations | 5%          | 10%         | 1%          | 5%          | 8%          | 9%          |
| Extraordinary income/loss                          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Earnings before taxes                              | 5%          | 10%         | 1%          | 5%          | 8%          | 9%          |
| Taxes                                              | 4%          | 3%          | -0%         | 1%          | 2%          | 3%          |
| Net income from continuing operations              | 1%          | 7%          | 1%          | 4%          | 5%          | 6%          |
| Result from discontinued operations (net of tax)   | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Net income</b>                                  | <b>1%</b>   | <b>7%</b>   | <b>1%</b>   | <b>4%</b>   | <b>5%</b>   | <b>6%</b>   |
| Minority interest                                  | 1%          | 1%          | -1%         | 0%          | -2%         | -2%         |
| <b>Net profit (reported)</b>                       | <b>3%</b>   | <b>7%</b>   | <b>1%</b>   | <b>4%</b>   | <b>4%</b>   | <b>4%</b>   |

Source: Company data; AlsterResearch

| Balance sheet (EUR m)                                     | 2019        | 2020        | 2021        | 2022E       | 2023E       | 2024E       |
|-----------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Intangible assets (excl. Goodwill)</b>                 | <b>2.2</b>  | <b>3.1</b>  | <b>4.1</b>  | <b>4.6</b>  | <b>5.1</b>  | <b>5.6</b>  |
| Goodwill                                                  | 0.0         | 0.0         | 0.1         | 0.1         | 0.1         | 0.1         |
| Property, plant and equipment                             | 8.6         | 9.7         | 9.3         | 11.5        | 11.4        | 11.0        |
| Financial assets                                          | 1.7         | 1.8         | 1.5         | 1.5         | 1.5         | 1.5         |
| <b>FIXED ASSETS</b>                                       | <b>12.5</b> | <b>14.6</b> | <b>14.9</b> | <b>17.6</b> | <b>18.0</b> | <b>18.2</b> |
| Inventories                                               | 7.9         | 7.3         | 8.5         | 7.7         | 7.1         | 7.3         |
| Accounts receivable                                       | 2.5         | 3.2         | 3.2         | 3.1         | 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         | 5.0         | 5.6         | 6.4         |
| 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         | 0.4         | 0.4         | 0.4         |
| <b>CURRENT ASSETS</b>                                     | <b>20.8</b> | <b>21.4</b> | <b>19.6</b> | <b>17.2</b> | <b>17.3</b> | <b>18.6</b> |
| <b>TOTAL ASSETS</b>                                       | <b>33.3</b> | <b>36.0</b> | <b>34.6</b> | <b>34.8</b> | <b>35.3</b> | <b>36.8</b> |
| <b>SHAREHOLDERS EQUITY</b>                                | <b>19.8</b> | <b>20.3</b> | <b>18.5</b> | <b>19.0</b> | <b>19.8</b> | <b>21.0</b> |
| 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         | 1.8         | 1.9         | 2.1         |
| <b>Non-current liabilities</b>                            | <b>7.1</b>  | <b>8.2</b>  | <b>7.5</b>  | <b>7.8</b>  | <b>7.9</b>  | <b>8.1</b>  |
| 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         | 1.4         | 1.5         | 1.5         |
| Advance payments received on orders                       | 1.3         | 0.9         | 1.8         | 1.7         | 1.8         | 1.9         |
| Other liabilities (incl. from lease and rental contracts) | 0.9         | 0.8         | 0.9         | 1.0         | 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         | 1.2         | 1.3         | 1.4         |
| <b>Current liabilities</b>                                | <b>7.0</b>  | <b>7.8</b>  | <b>8.4</b>  | <b>7.9</b>  | <b>7.5</b>  | <b>7.6</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>          | <b>33.3</b> | <b>36.0</b> | <b>34.6</b> | <b>34.8</b> | <b>35.3</b> | <b>36.8</b> |

| Balance sheet (common size)                               | 2019        | 2020        | 2021        | 2022E       | 2023E       | 2024E       |
|-----------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Intangible assets (excl. Goodwill)</b>                 | <b>7%</b>   | <b>9%</b>   | <b>12%</b>  | <b>13%</b>  | <b>14%</b>  | <b>15%</b>  |
| Goodwill                                                  | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Property, plant and equipment                             | 26%         | 27%         | 27%         | 33%         | 32%         | 30%         |
| Financial assets                                          | 5%          | 5%          | 4%          | 4%          | 4%          | 4%          |
| <b>FIXED ASSETS</b>                                       | <b>38%</b>  | <b>41%</b>  | <b>43%</b>  | <b>50%</b>  | <b>51%</b>  | <b>49%</b>  |
| Inventories                                               | 24%         | 20%         | 25%         | 22%         | 20%         | 20%         |
| Accounts receivable                                       | 8%          | 9%          | 9%          | 9%          | 9%          | 9%          |
| Other current assets                                      | 2%          | 1%          | 3%          | 3%          | 3%          | 3%          |
| Liquid assets                                             | 29%         | 29%         | 19%         | 14%         | 16%         | 17%         |
| Deferred taxes                                            | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Deferred charges and prepaid expenses                     | 1%          | 1%          | 1%          | 1%          | 1%          | 1%          |
| <b>CURRENT ASSETS</b>                                     | <b>62%</b>  | <b>59%</b>  | <b>57%</b>  | <b>50%</b>  | <b>49%</b>  | <b>51%</b>  |
| <b>TOTAL ASSETS</b>                                       | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| <b>SHAREHOLDERS EQUITY</b>                                | <b>60%</b>  | <b>56%</b>  | <b>54%</b>  | <b>55%</b>  | <b>56%</b>  | <b>57%</b>  |
| MINORITY INTEREST                                         | -2%         | -1%         | 0%          | 0%          | 0%          | 0%          |
| Long-term debt                                            | 16%         | 18%         | 17%         | 17%         | 17%         | 16%         |
| Provisions for pensions and similar obligations           | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Other provisions                                          | 5%          | 5%          | 5%          | 5%          | 5%          | 6%          |
| <b>Non-current liabilities</b>                            | <b>21%</b>  | <b>23%</b>  | <b>22%</b>  | <b>22%</b>  | <b>22%</b>  | <b>22%</b>  |
| short-term liabilities to banks                           | 7%          | 10%         | 9%          | 7%          | 6%          | 5%          |
| Accounts payable                                          | 4%          | 4%          | 4%          | 4%          | 4%          | 4%          |
| Advance payments received on orders                       | 4%          | 2%          | 5%          | 5%          | 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%          |
| <b>Current liabilities</b>                                | <b>21%</b>  | <b>22%</b>  | <b>24%</b>  | <b>23%</b>  | <b>21%</b>  | <b>21%</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>          | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Source: Company data; AlsterResearch

| Cash flow statement (EUR m)                     | 2019        | 2020        | 2021        | 2022E       | 2023E       | 2024E       |
|-------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net profit/loss                                 | 0.3         | 1.9         | 0.3         | 0.9         | 1.3         | 1.7         |
| Depreciation of fixed assets (incl. leases)     | 1.3         | 1.3         | 1.7         | 1.3         | 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         | 0.1         | 0.1         | 0.2         |
| Cash flow from operations before changes in w/c | 2.3         | 5.0         | 2.3         | 2.2         | 3.0         | 3.9         |
| Increase/decrease in inventory                  | -0.5        | 0.6         | -1.2        | 0.9         | 0.5         | -0.2        |
| Increase/decrease in accounts receivable        | 0.4         | -0.8        | -0.1        | 0.1         | -0.1        | -0.2        |
| Increase/decrease in accounts payable           | 0.0         | 0.0         | 0.0         | -0.0        | 0.0         | 0.1         |
| Increase/decrease in other w/c positions        | -0.6        | -0.9        | -0.1        | 0.0         | 0.2         | 0.3         |
| Increase/decrease in working capital            | -0.7        | -1.1        | -1.4        | 0.9         | 0.6         | 0.0         |
| <b>Cash flow from operating activities</b>      | <b>1.5</b>  | <b>3.9</b>  | <b>0.9</b>  | <b>3.2</b>  | <b>3.7</b>  | <b>3.9</b>  |
| CAPEX                                           | -2.3        | -2.8        | -1.3        | -3.9        | -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         |
| <b>Cash flow from investing activities</b>      | <b>-4.5</b> | <b>-3.8</b> | <b>0.0</b>  | <b>-3.9</b> | <b>-2.0</b> | <b>-2.2</b> |
| Cash flow before financing                      | -3.0        | 0.1         | 0.9         | -0.8        | 1.6         | 1.7         |
| 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        | -0.4        | -0.5        | -0.6        |
| 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         |
| <b>Cash flow from financing activities</b>      | <b>1.7</b>  | <b>0.6</b>  | <b>-3.5</b> | <b>-0.7</b> | <b>-1.1</b> | <b>-0.9</b> |
| Increase/decrease in liquid assets              | -1.2        | 0.7         | -2.6        | -1.4        | 0.5         | 0.9         |
| <b>Liquid assets at end of period</b>           | <b>4.1</b>  | <b>4.9</b>  | <b>2.3</b>  | <b>0.8</b>  | <b>1.4</b>  | <b>2.2</b>  |

Source: Company data; AlsterResearch

| Regional sales split (EURm) | 2019        | 2020        | 2021        | 2022E       | 2023E       | 2024E       |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Domestic                    | 4.0         | 4.9         | 5.2         | 5.3         | 5.5         | 6.0         |
| Europe (ex domestic)        | 11.2        | 16.4        | 13.6        | 13.8        | 14.4        | 15.7        |
| The Americas                | 1.9         | 3.2         | 2.0         | 2.0         | 2.1         | 2.3         |
| Asia                        | 1.2         | 1.9         | 1.0         | 1.0         | 1.0         | 1.1         |
| Rest of World               | 1.6         | 1.0         | 2.1         | 2.1         | 2.2         | 2.4         |
| <b>Total sales</b>          | <b>19.9</b> | <b>27.5</b> | <b>23.9</b> | <b>24.2</b> | <b>25.3</b> | <b>27.5</b> |

| 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%        |
| <b>Total sales</b>                 | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Source: Company data; AlsterResearch

| Ratios                            | 2019  | 2020  | 2021   | 2022E | 2023E | 2024E |
|-----------------------------------|-------|-------|--------|-------|-------|-------|
| <b>Per share data</b>             |       |       |        |       |       |       |
| Earnings per share reported       | 0.11  | 0.41  | 0.02   | 0.16  | 0.17  | 0.22  |
| Cash flow per share               | 0.18  | 0.66  | 0.01   | 0.46  | 0.52  | 0.54  |
| Book value per share              | 4.01  | 4.10  | 3.74   | 3.49  | 3.64  | 3.86  |
| Dividend per share                | 0.25  | 0.28  | 0.08   | 0.09  | 0.10  | 0.13  |
| <b>Valuation</b>                  |       |       |        |       |       |       |
| P/E                               | 52.8x | 14.1x | 237.8x | 37.2x | 33.6x | 25.9x |
| P/CF                              | 32.5x | 8.8x  | 482.9x | 12.7x | 11.1x | 10.8x |
| P/BV                              | 1.5x  | 1.4x  | 1.6x   | 1.7x  | 1.6x  | 1.5x  |
| Dividend yield (%)                | 4.3%  | 4.8%  | 1.4%   | 1.6%  | 1.8%  | 2.3%  |
| FCF yield (%)                     | 3.1%  | 11.3% | 0.2%   | 7.9%  | 9.0%  | 9.3%  |
| EV/Sales                          | 1.5x  | 1.1x  | 1.4x   | 1.5x  | 1.4x  | 1.2x  |
| EV/EBITDA                         | 12.6x | 7.2x  | 14.8x  | 13.0x | 9.1x  | 7.0x  |
| EV/EBIT                           | 28.4x | 10.3x | 57.9x  | 25.1x | 16.0x | 12.0x |
| <b>Income statement (EURm)</b>    |       |       |        |       |       |       |
| Sales                             | 19.9  | 27.5  | 23.9   | 24.2  | 25.3  | 27.5  |
| yoy chg in %                      | -7.0% | 38.4% | -12.8% | 1.1%  | 4.4%  | 8.8%  |
| Gross profit                      | 13.7  | 17.6  | 15.6   | 15.4  | 16.9  | 18.8  |
| Gross margin in %                 | 68.9% | 64.1% | 65.3%  | 63.5% | 67.0% | 68.5% |
| EBITDA                            | 2.4   | 4.3   | 2.3    | 2.7   | 3.7   | 4.7   |
| EBITDA margin in %                | 11.9% | 15.8% | 9.6%   | 11.2% | 14.8% | 17.2% |
| EBIT                              | 1.0   | 3.0   | 0.6    | 1.4   | 2.1   | 2.7   |
| EBIT margin in %                  | 5.3%  | 11.1% | 2.5%   | 5.8%  | 8.4%  | 10.0% |
| Net profit                        | 0.5   | 2.0   | 0.1    | 0.9   | 0.9   | 1.2   |
| <b>Cash flow statement (EURm)</b> |       |       |        |       |       |       |
| CF from operations                | 1.5   | 3.9   | 0.9    | 3.2   | 3.7   | 3.9   |
| Capex                             | -2.3  | -2.8  | -1.3   | -3.9  | -2.0  | -2.2  |
| Maintenance Capex                 | 0.7   | 0.7   | 0.9    | 0.7   | 0.8   | 1.0   |
| Free cash flow                    | -0.8  | 1.1   | -0.4   | -0.8  | 1.6   | 1.7   |
| <b>Balance sheet (EURm)</b>       |       |       |        |       |       |       |
| Intangible assets                 | 2.2   | 3.1   | 4.2    | 4.6   | 5.1   | 5.7   |
| Tangible assets                   | 8.6   | 9.7   | 9.3    | 11.5  | 11.4  | 11.0  |
| Shareholders' equity              | 19.8  | 20.3  | 18.5   | 19.0  | 19.8  | 21.0  |
| Pension provisions                | 0.0   | 0.0   | 0.0    | 0.0   | 0.0   | 0.0   |
| Liabilities and provisions        | 9.4   | 11.7  | 10.6   | 10.4  | 9.9   | 9.8   |
| Net financial debt                | -1.9  | -0.3  | 2.4    | 3.6   | 2.4   | 1.3   |
| w/c requirements                  | 7.7   | 8.1   | 8.5    | 7.7   | 7.1   | 7.3   |
| <b>Ratios</b>                     |       |       |        |       |       |       |
| ROE                               | 1.5%  | 9.4%  | 1.8%   | 4.5%  | 6.8%  | 8.3%  |
| ROCE                              | 3.7%  | 9.6%  | 2.0%   | 4.8%  | 7.2%  | 8.9%  |
| Net gearing                       | -9.7% | -1.4% | 12.9%  | 18.8% | 12.3% | 6.1%  |
| Net debt / EBITDA                 | -0.8x | -0.1x | 1.0x   | 1.3x  | 0.7x  | 0.3x  |

Source: Company data; AlsterResearch

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| Company              | Disclosure |
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