

# The German Mittelstand is maybe Down but not Out: Hermle AG - Hidden Automation Champion from the “Ländle”



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## 1. Executive Summary

Hermle is a typical “Hidden Champion” Mittelstand company from Southwestern Germany that managed to carve out a very nice niche in 5- Axis CNC machines” and connected production automation.

The company is able to earn industry leading EBIT margins (>20%) and Returns on Capital (>30%), has a Fortress Balance sheet and trades only at a relatively modest valuation of around 7,7x EV/EBIT.

The business is exposed to the economic cycle, but a combination of competitive advantages, a flexible cost base and a structural tailwind (Automation) make the stock attractive in the mid- to long term

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### 2. The company & the German “Mittelstand”

Maschinenfabrik Berthold Hermle AG, which is the full name of this company, is what one could call a typical “Hidden Champion”. The company was founded in 1938, has around 1500 employees and is specializing in manufacturing High-tech Milling machines.

It is part of what in Germany is called the “Mittelstand”, i.e. the large number of medium sized companies that are generally considered to be the “motor of the German Economy”. A lot of the best Mittelstand companies are not listed, names like Würth, Trumpf, Miele etc. are not stock listed but have increased to sizable international companies.

There is currently a big discussion in Germany going on about if and why Germany is being “completely de-industrialized”. I am clearly not happy with our current, very disorganized government and there is clearly a big structural change going on, but as we will see in this write-up, there seem to still be many really good and innovative companies that are able to do business in Germany, grow and being (very) profitable. The ones that complain the most (for instance the BASF CEO) are often the ones that made the wrong bets themselves and now try to blame everything on politicians.

As a bottom up investor, I think it is better to look for companies that will continue to do well instead of worrying too much about macro topics that might change any minute anyway.

The company’s HQ and main production is located in a very rural area in South Western Germany in and around a small town called Gosheim with less than 4000 inhabitants.

This picture nicely shows the importance of a company like Hermle in this small community:



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The state of Baden Wuerttemberg, where Gosheim is located, is clearly one of the centres of the famous German Metalworking industry. The big Flagships are Porsche, Mercedes Benz, Bosch, Audi or ZF. But around them, hundred of mostly family owned Mittelstand companies exist and many of them have become international leaders in der niches.

Hermle manufactures only in Germany but sells globally. 64% of 2022 sales went outside Germany, this ratio has been increasing over the years.

This image movie is already some years old but still interesting:

<https://www.youtube.com/watch?v=BSyE3KPy1p4>

### 3. KPIs

Hermle KPIs	
Share price	220
Aktien	5
Market Cap	1100
Enterprise Value	884
P/E	13,4
EV/EBIT	7,7
Dividend	15,05
Dividend yield	6,8%
EBIT Margin	21,6%
ROCE	32,0%
10Y EPS CAGR	6,80%

One thing that clearly stands out are the high margins and Returns on capital that Hermle is able to achieve.

A look into the last 10 year history shows that the current margins are not exceptional but rather the average, both, from an EBIT margin perspective and Return on capital.

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Ratios   TIKR.com	31/12/12	31/12/13	31/12/14	31/12/15	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
<b>Return Ratios:</b>												
Return on Assets %	16.4%	14.3%	18.1%	18.1%	20.9%	18.4%	19.5%	18.9%	8.9%	11.4%	14.3%	15.4%
Return on Capital %	35.3%	31.0%	38.6%	39.3%	43.4%	39.6%	43.0%	41.7%	18.3%	22.5%	29.9%	32.3%
Return On Equity %	27.6%	25.3%	30.3%	28.7%	33.6%	31.4%	35.9%	33.0%	15.0%	18.9%	22.4%	25.2%
Return on Common Equity %	27.6%	25.2%	30.3%	28.7%	33.6%	31.4%	35.9%	33.0%	15.0%	18.9%	22.4%	25.2%
<b>Margin Analysis:</b>												
Gross Profit Margin %	54.0%	52.4%	54.2%	54.2%	56.6%	56.4%	58.5%	59.2%	59.0%	58.6%	59.0%	63.0%
SG&A Margin %	21.2%	21.1%	20.3%	18.0%	17.5%	21.6%	23.4%	24.5%	30.2%	27.9%	26.5%	23.9%
EBITDA Margin %	23.0%	20.8%	24.3%	24.8%	27.0%	25.2%	26.1%	25.7%	20.3%	21.2%	23.5%	24.8%
EBITA Margin %	20.5%	18.7%	22.5%	23.1%	25.4%	23.5%	23.9%	23.9%	17.3%	18.6%	21.4%	23.0%
EBIT Margin %	20.5%	18.7%	22.5%	23.0%	25.3%	23.4%	23.9%	23.6%	16.9%	18.3%	21.2%	22.8%
Income From Continuing Operations Margin %	15.2%	14.8%	16.9%	16.5%	18.7%	18.2%	19.3%	18.1%	13.4%	14.6%	15.1%	16.8%
Net Income Margin %	15.2%	14.8%	16.9%	16.5%	18.7%	18.2%	19.3%	18.1%	13.4%	14.6%	15.1%	16.8%
Normalized Net Income Margin %	13.1%	12.3%	14.1%	13.8%	15.9%	15.4%	15.3%	15.2%	11.3%	12.3%	13.6%	14.7%
Net Avail. For Common Margin %	15.2%	14.8%	16.9%	16.5%	18.7%	18.2%	19.3%	18.1%	13.4%	14.6%	15.1%	16.8%
Levered Free Cash Flow Margin %	10.3%	10.5%	11.7%	17.3%	11.7%	12.1%	15.3%	9.4%	4.2%	4.7%	14.7%	14.0%
Unlevered Free Cash Flow Margin %	10.4%	10.6%	11.7%	17.3%	11.7%	12.1%	15.3%	9.4%	4.2%	4.7%	14.7%	14.0%

## 4. The business, industry & products

The larger product category for what Hermle produces are CNC machines. CNC stands for Computer Numerical Control which means that the machine itself does its work based on programmed instructions. Generally, models are made in a CAD program and then instructions are generated for the CNC machines.

Within the CNC category, there are a variety of machines that mostly work with metal but also other materials, such as CNC Drillers, CNC Lathes (Drehmaschinen), CNC Grinding machines or CNC cutting machines.

Hermle specializes in what is called “5 Axis Milling machines” which is the most complicated but also most versatile type of CNC machine.

With a 5 Axis machine that has several different tools, a user can create quite complicated “subtractive” shapes from a simple block of metal or steel. Without a 5 Axis machine, the same result could either not be achieved or it would need to go through several simpler machines and require a lot of manual work in between.

Here is a great video on how a Hermle Machine is milling an Eiffel Tower replica from an Aluminium Block:

<https://vimeo.com/281798755>

And as a few pictures say more than words, here a picture of a smaller Hermle machine, the C42:

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And here a picture of a more comprehensive automation solution:



Now the machinery business is normally not known to be such a high margins and high return of capital business, but rather a cyclical, low to mid margin business.

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DMG Mori, Hermle's largest Japanese competitor (Which bought German competitor Gildmeister some years ago) for instance doesn't even earn the Margins in a good year that Hermle was able to earn in a bad year like 2020. The same with Mikron, a Swiss competitor.

The question is of course: How is this possible ?

### 5. Potential Competitive advantages of Hermle

As I am not an industry insider, this section is clearly more speculation than hard knowledge, but I think some of the points here could explain why Hermle owns higher margins than competitors.

#### I. Quality

Going through Forums, one main factor is clearly quality, both of the machines and services. Which seem to be consistently better than the competition. It seems that service time and availability of spare parts even for older machines allows Hermle to charge more for them. In some forums I read about Hermle as the "Mercedes Benz" of machines.

With regard to technology, Hermle seems to be one of the clear leaders in the so called "5 Axis milling" category of machines.

Especially if you want to produce products with ultra exact specifications, the machine needs to be extremely reliable itself. Typical applications are for Chip Making equipment, Diagnostic/Medical equipment or aviation.

<https://www.fictiv.com/articles/3-axis-to-12-axis-cnc-milling-machine-capabilities-compared>

#### II. Automation solutions on top

In recent years, Hermle has also invested a lot into more complete automation solutions for their clients. This seems to have become a distinguishing factor for Hermle in the trend to more automation in the workplace.

#### III. Deep Value Creation

One specific detail about Hermle is also that they manufacture a significant part of their machines themselves and source parts that they don't produce from local suppliers. With Gross margins above 60% they are in a different league than for instance DMG Mori with only 25%. They seem to have short supply chains which especially in today's times can be very valuable. It seems to help both, with quality but also with flexibility.

Interestingly, Hermle uses its own machines to manufacture its machines. Not sure how many companies can do that. I Think this could give very interesting and direct feedback loops if the quality of the machines would deteriorate. "Eat your own cooking" in machine terms so to say.

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### IV. Software capabilities

They also [seem to develop their own software](#) that ties in into other systems from Siemens and other Automation players. Smaller players might find it hard to offer the same.

### V. Service not as a Profit Center

A very specific part of Hermle's business model seems to be **that they don't see Service as a profit center** [according to a 2022 interview with Board Member Benedikt Hermle](#). Many other industrials sell their product at break even or even a loss and then try to make the real money with service and spare parts. Hermle seems to do this very differently and might explain the loyalty of their customer base. I think it also requires them to better balance the profitability of selling the machine and the service which I think is a more healthy business model in the long run than underpricing the machines and overcharging on service.

In order to be able to offer that service, Hermle seems to have an above average inventory of spare parts which allow them to build and service their machines even during the pandemic when supply chains were massively disrupted.

Unfortunately, Hermle doesn't show what percentage of Sales are services, but with around 20000 machines installed globally; i do think that service is a significant part of the business these days.

### VI. Skill building: Apprenticeship System and "Dual studies"

As many German Mittelstand Companies (and SFS from Switzerland for instance), they are big believers in the Apprenticeship system. Apprentices play an important role. They also offer "Dual" engineering studies. More on that in Culture. Overall, Hermle really seems to invest in skill building.

### VII. Focus and Innovation

Hermle only focuses on 5 axis milling machines whereas many of the competitors offer a much wider variety of CNC machines. To my understanding, Hermle also mostly builds standardized machines. Other competitors, such as Mikron often produce larger, customized machines that seem to scale less.

It also looks like that Hermle is very innovative. For [instance their MPA technology](#) seems to offer "additive manufacturing", something that is very close to 3D printing. Interestingly, Hermle doesn't sell these machines but only manufactures parts for clients in a special facility in Munich.

### VIII. Loyal Customer base

One final aspect is that as far as I understand, many of Hermle's customers are small specialized manufacturers of high precision parts. For many of these companies, owning

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and being able to operate Hermle machines is a distinguishing factor in itself and seems to be important in order to get orders. So just buying the cheapest 5 Axis machines might come at a cost when pitching for orders.

So overall, Hermle seems to have brought themselves into a decent position of being able to charge more for superior, longer lasting products with a great service. Is this a moat ? I would say yes, the combination of these factors doesn't seem to be so easy to replicate for now.

### 6. “Megatrends” Automation & Reshoring

In most western countries, especially since the Pandemic, there is a clear lack of skilled workforce, especially also in the industrial sector. And even if a company has enough workers, 4 day week models etc. seem to be becoming more and more common.

However, as these machines are really expensive, there is clearly a significant motivation to automate more and more of the production process in order to let the machines run with fewer workers over a longer time.

To my understanding, Hermle offers exactly the solutions to solve this problem. Simpler machines might be cheaper but need more personnel to be operated.

In addition, especially after the supply chain disruptions during the pandemic and increasing geopolitical risk, reshoring of production processes back to Europe or the US from Asia seems to be another trend that seems to gain speed.

Especially in the strategic important sectors such as aviation, defense or Medical devices, I could imagine that we see significant reshoring activities. For a player like Hermle it is less important that work is reshored to Germany or maybe Poland, as long as the clients use their machines.

This “megatrend” clearly does not shield Hermle for a general downturn but supports the assumption, that some long term, moderate growth is not unrealistic.

### 7. Management /Shareholders

As mentioned before, from the 5 mn shares issued in total, only 1 mn of the preference shares are actually listed. These shares were IPOed in 1990. I honestly don't know why they did this IPO back then. I didn't find a lot of information on who is owning the common shares, but it seems that the Hermle Family still owns a decent amount, [according to a filing from 2017](#), they own 34,8% of the unlisted voting shares.

According to the 2000 annual report of Hermle, local competitor Traub bought 50,1% of the voting shares in 1994 but then sold them to Managers and “Private Investors” in 1996. It seems that in the early 90ies, Hermle had a hard time.



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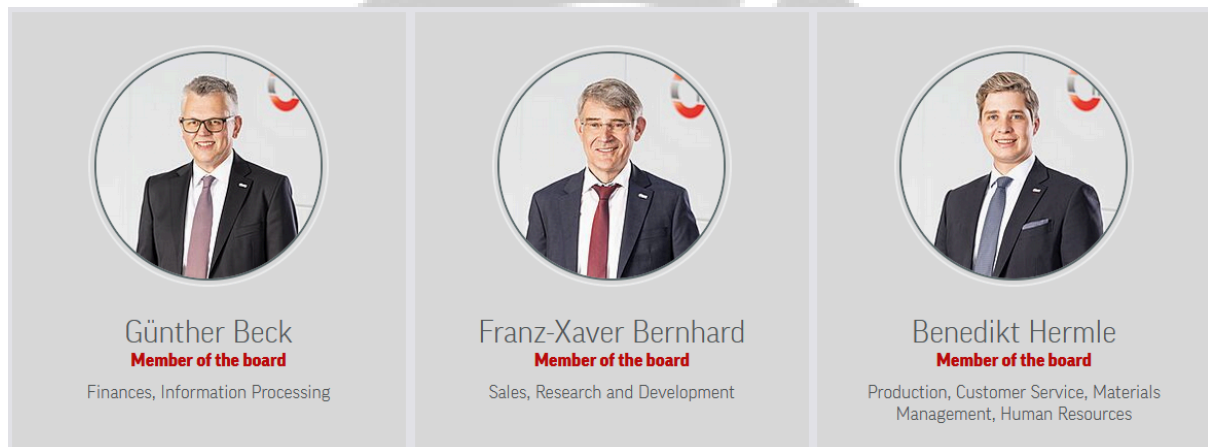
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It seems that Dietmar Hermle, who became CEO in 1994 was behind the turn-around and almost meteoric rise in the next 20 years. One of the major changes that he initiated was [to move Hermle towards machines that did not only produce very specialized low volume parts but higher volume parts as well.](#)

Another source says that the Hermle family holds around 43% and the Leibinger family, another regional family owned Group another 38%.

Two family members are in the Supervisory board, [Dietmar Hermle, the second generation, used to be CEO until 2014.](#) From the Leibinger family, Dr. Sonja Zobl-Leibinger is present in the Supervisory board as well.

[Dietmars son Benedikt joined the Executive board in 2017 at the age of 29](#) but he is not the CEO. The other two executives are very experienced company insiders.



Franz Xaver Bernhard is with the company since 40 years and might be near retirement, too. Interestingly, they do not have a formal CEO, the three executives are all “simple” board members. I assume that at some point in time, Benedikt could assume the CEO role, maybe when his father retires from the supervisory board.

Management Salary is not stated in the annual report but in the notes of the annual meeting. base salary is 400K each plus a short and midterm bonus. Both bonuses are derived from the local GAAP result of the TopCo which is quite unusual. As a result, all three earn exactly the same, around 1 mn each gross which is Ok.

An interesting detail is that their company car is only supposed an “upper middle class car”. Son no “S-Klasse” for them, only the “E-Klasse”.

### 8. Company Culture

Based on many articles, Hermle seems to have a big focus on long term relationships, both with its employees but also with its suppliers and customers. The company often invests and

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hires through recessions in order to be prepared for the rebound. Even in the worst years like 2002/2003 or 2008/2009 they did not fire any workers but kept hiring.

Every year, several employees celebrate 40 year company anniversary or even 50 years.

In an article about the former Boss Dietmar Hermle, he also stressed that he would never let consultants into his company and that executives have to fly economy class.

The organization seems to be extremely client focused. They have a lot of great material about their products on their websites and on many channels (even TikTok). Their linkedin channel is very active and interesting and the host an annual own fair ("Hausmesse") in their headquarter where even suppliers can exhibit.

As mentioned before, the apprenticeship system is a central part of how they train new employees. They also offer what in Germany is called [a "dual" university education](#) where one simultaneously works at the company and studies at a university. They advertise quite smartly for this, [even on Tiktok](#).

Their [Kunune Employee Rating](#) is Ok, not great which is a little bit surprising. I guess that they don't manage that actively (yet). The main deficiency seem to be training and development opportunities.

### 9. Financial profile, Capital efficiency & Capital management

Hermle has what one could truly describe as a "Fortress Balance Sheet". They run a significant net cash balance, own all of their Equipment, buildings and land and very untypical for a German company, do not have a pension liability.

The company is very capital efficient. They don't need a lot of capital to grow the business, despite a very unaggressive working capital management. For instance, their receivables are much higher than payables. That means they pay their bills faster than their own customers. Nevertheless, they manage to really earn a high return on Invested Capital as well as Capital employed.

The net amount of working capital is not directly related to sales increases and CAPEX is relatively low, somewhere between 10-20 mn EUR p.a. with depreciation running at 10 mn p.a. (currently less than 10% of Operating income).

The cost basis overall is surprisingly flexible. That is partially due to the relatively low depreciation and absence of interest on debt, but also the result of a very flexible model for the employees. On top of the german "kurzarbeit" model, employees have a "Time account" that can go 200 hours or 5 workweeks both, into credit or debit which allows to reduce costs when sales are lower. That allowed Hermle to earn an operating margin of ~17% in 2020 vs. the normal 20% plus margin despite a -36% in sales in that years. This is very unique.

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They do receive some prepayments but not that much, less than 10% of sales. So Hermle's net cash (~120 mn by year end is overwhelmingly free cash and not bound to customer orders) Hermle's order book always looks quite low, normally something like 3 months of sales. Mikron for instance has an order book that is more like 9 months of sales. However, I think this has to do that Hermle produces more standardized machines that are "easier" and faster to build than the more customized models of Mikron and need less font time to order. The flipside of this shorter order cycle is that Hermle is not exposed to cost increases during a long order cycle.

At least in the past 20 years, Hermle has only grown organically. There were no M&A transactions, with the only exception of the purchase of 51% of their Automation JV.

Their capital management strategy is relatively simple: They keep what they need for investment, put a little into the "piggy bank" and the rest gets distributed via "special dividend". Employees seem to get bonus payments based on the amount of dividend distributed. In the absence of an ESPP, this aligns employees and shareholders at least to some degree.

Of course I would prefer share buy backs, but this policy is clearly not too bad. In the last 10 years (including 2023), they distributed in total 106 EUR of dividends, or roughly half of today's share price.

### 10. Reporting

Hermle only issues reports twice a year (6M and full year), for Q1 and Q3 there are only trading updates. The reports are pretty condensed and lack some of the information I would normally like to see like what Board member earns what or some sort of segment profitability. Also an overview of customer segments would be helpful, but Hermle only shows German vs. Non-German based on sales.

On the other hand, one doesn't read the word "adjusted" anywhere and on the website one can access the last 22 annual reports since the year 2000.

Overall I would rate the reporting as "average".

### 11. Pros/Cons

As always, a quick run down of positive and not so positive aspects of Hermle:

- + Industry leading margins and returns indicating significant competitive advantages
- + very reasonable valuation
- + Fortress Balance sheet & capital efficient business mode, highly flexible cost base
- + long term oriented family ownership and management
- + structural tailwind Automation
- + additional multiple mean reversion potential

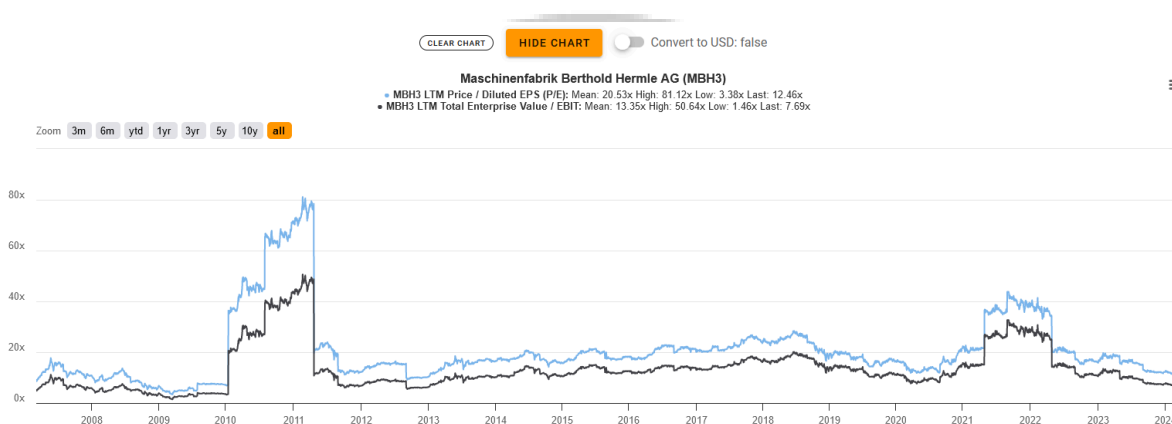
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- +/- Reporting could be more granular, but no adjustments
- +/- Business momentum has slowed down
- +/- no share buy backs, only dividends
- significant exposure to business cycle
- upcoming full generational change
- only non-voting shares listed

### 12. Valuation /return expectation

The current P/E of ~13 (or 11 ex Cash) and EV/EBIT of 7,7x is clearly below where Hermle has been trading over the past 17 years, where on average the P/E was around 20 and EV/EBIT at around 14x.



Compared to its peers, the stock is priced like the average, but the margins and returns on capital are much much better. Industrial companies with similar margins are usually valued much much higher.

The current dividend yield is quite high at 7%. Even if we normalize this to 5% and think over the next years Hermle should be able to grow at the historic 10 year CAGR of 7%. First, inflation is higher and second, the demand for automation will not go away.

Very roughly this would mean an expected return of 12%-14% p.a. plus any multiple mean reversion potential.

As we have discussed, the business as such is cyclical but Hermle has a very flexible cost basis, so I am actually more than OK with that expected return compared to the quality of the business and the "Fortress balance sheet".

However we should not forget that a potential cyclical stock like Hermle can trade even lower. This is a table from the annual report 2000 showing that during the Dot.com boom in 1999/2000, Hermle traded at a PE of 6 and 8x despite doubling profits over a 2 year time span from 1998-2000.

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	1998 <sup>*1</sup>	1999	2000
DVFA/SG-Ergebnis je Aktie <sup>*2</sup>	1,98	2,74	3,57
Cash-Flow je Aktie <sup>*2</sup>	3,14	3,50	4,53
Eigenkapital je Aktie <sup>*2</sup>	6,43	8,14	10,56
Höchstkurs	21,99	19,40	26,90
Tiefstkurs	11,10	13,00	15,80
Jahresschlusskurs	15,59	16,01	24,30
Kurs-Gewinn-Verhältnis <sup>*3</sup>	7,87	5,84	6,81
Dividende je Vorzugsaktie	0,31	0,50	1,25
Bonus	0,76	0,75	-
Nettoausschüttung je Vorzugsaktie	1,07	1,25	1,25
Bruttoausschüttung je Vorzugsaktie	1,53	1,79	1,79
Kurs am 30. März 2001			26,10

Nevertheless, for my the cyclical risk is more than mitigated by the far below historical averages valuation of the stock.

### 13. Share price Chart:

The Chart of Hermle looks a lot more exciting than its business:

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## Masch. Berth. Hermle Vorzugsaktie

WKN: 605283 ISIN: DE0006052830

• **221,00** EUR  
0,00 % 0,00

Börse Stuttgart  
Stand 22.04.24 -  
09:30:09 Uhr  
KGVe --  
DIVE 0,00 %  
Realtime

Kauf

Verkauf

Übernehmen in ...

Übersicht / Firmenportrait

Kennzahlen

Analysen

Chart

News

Intraday

5 Tage

10 Tage

3 Monate

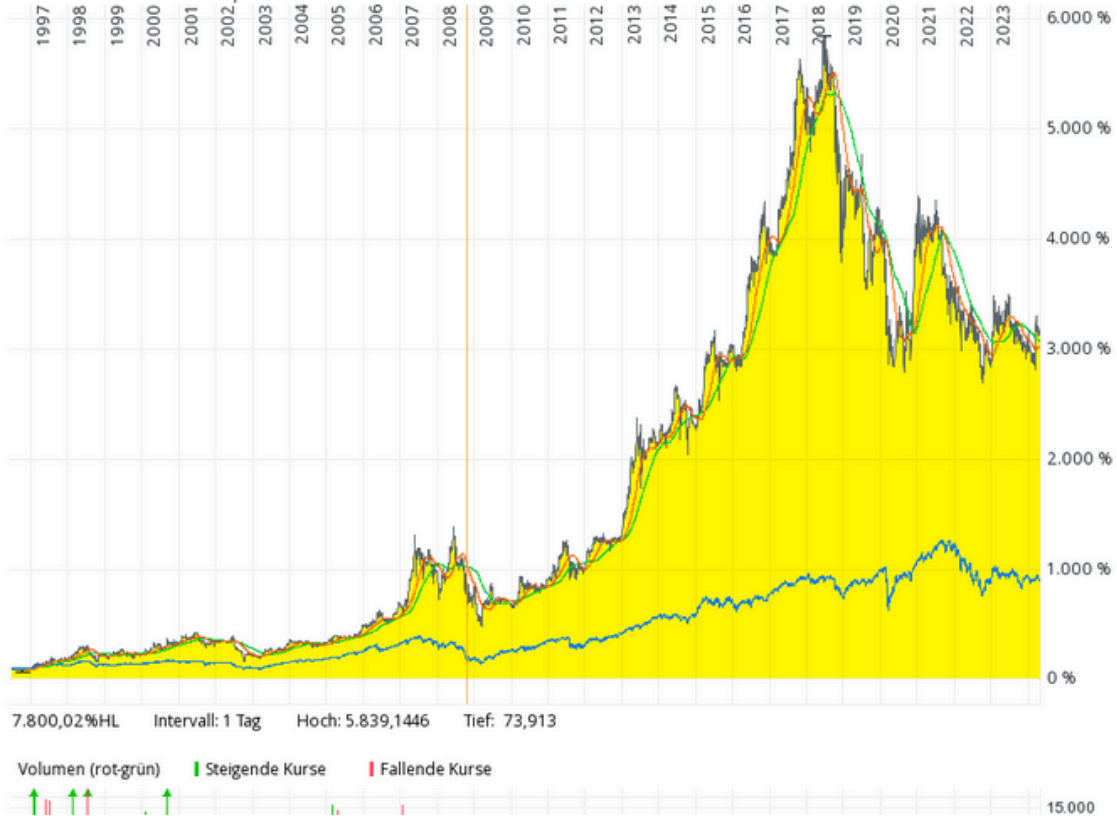
6 Monate

1 Jahr

5 Jahre

Max

20.10.2008 - Kurs: 875,8717



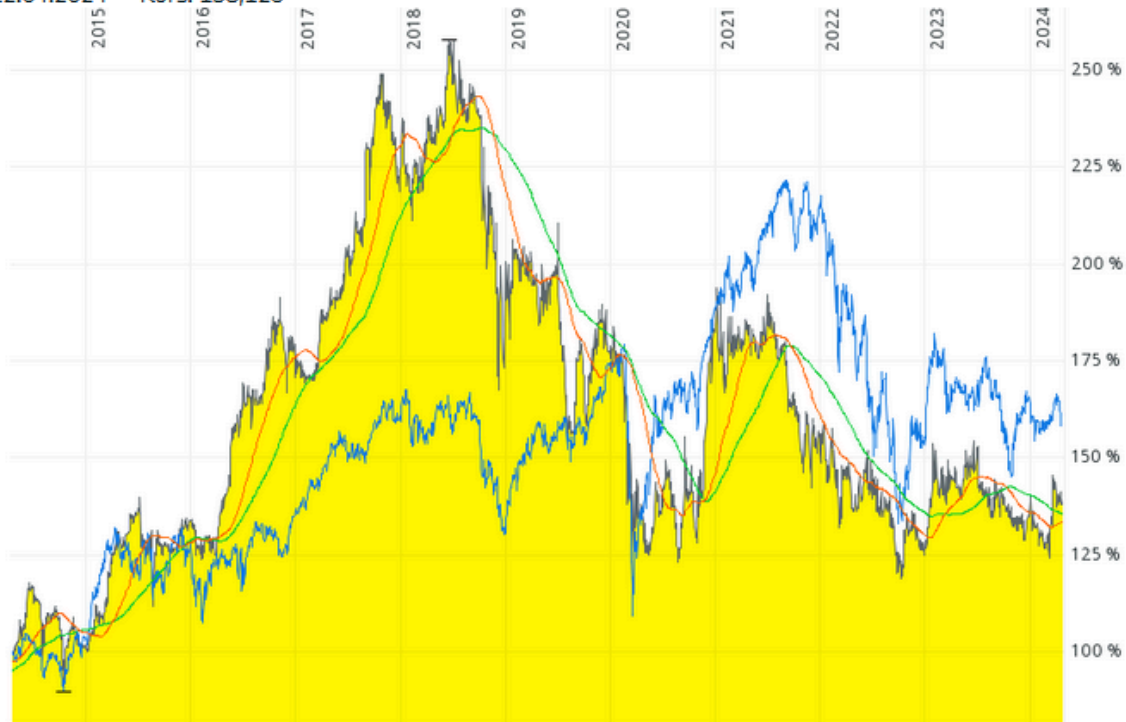
From 1996 to 2018, the stock price increased almost 60x plus dividends. However, since then, the share price declined and consolidated and currently trades at the lower end of the consolidation range since 2018:

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Intraday 5 Tage 10 Tage 3 Monate 6 Monate 1 Jahr 5 Jahre Max

22.04.2024 - Kurs: 138,125



2017 was also the time when Hermle traded at 16,5x EV/EBIT which is maybe a little but much for a thinly traded stock without voting rights. EPS peaked in 2019. Interestingly, in 2023, Hermle will have surpassed most likely the 2019 EPS but the share price is nowhere near those levels.

## 14. Risks / Opportunities:

One pretty obvious risk is the business cycle. If the overall cycle goes further down, Hermle will suffer to a certain extent.

Although 2022 and 2023 were really good years with strong growth, the order book at the end of 2023 as a little bit on the weaker side, meaning that achieving further growth in 2024 could be difficult. It is really hard to differentiate what is "post Covid" recovery and what is normal business activity these days. On the plus side, as of April, some early indicators show slightly better than expected tendencies especially for the German economy.

Another major risk in my opinion is if and when Dietmar Hermle, currently the Head of the supervisory board retires. He is clearly the architect of Hermle's success since the mid/end 1990s and in my opinion still has a lot to say. At some point in time he will need to step down, as he is already 70 years old. The generational change in such a family firm is clearly always a risk.

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3D Printing in theory could be a competitor for complicated metall parts. Milling, the technology that Hermle is using, starts with a slab of steel and then subtracts what is not needed in order to get the final shape. With 3D printing, one starts with nothing and then builds up the shape layer by layer. Although I am not a 3D Printing expert either, my understanding is that for the time being, it is very difficult to achieve the same durability of the end product with 3 D Printing compared to Milling and it will be much more expensive for a long time to come. A theoretical advantage could be that different types of materials could be used. Interestingly, Hermle has developed a Hybrid technology that I mentioned earlier called "MPA", where they can both, use a block of steel as the basis for milling, but then add layers of different material into it. As mentioned, they currently do not sell the machines but produce products on behalf of customers only. As with any of their products, [Hermle has a great webpage that explains this approach.](#)

Finally, one could argue that maybe the competitors at some point in time catch up to Hermle. This is of course possible but personally, I do think that Hermle's success formula is not so easy to copy. One aspect to mention is the weak yen that potentially gives an even bigger price advantage to Japanese Competitors:

### Euro in Yen

164,8802 ↑ 32,36 % +40,3152 5 J.

22. Apr., 09:07:00 UTC · Haftungsausschluss



On the opportunity side, I see the underlying trend to automation as the main tailwind for Hermle. Especially their approach to provide solutions on top of their machines seems to be something that can make a difference.



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In addition, I would also see a potential multiple expansion if and when European/German Small Caps become more popular as a potential upside.

### 15. Why is the stock cheap

In reality no one knows why a stock is cheap or expensive but here are a few attempts to explain it:

- no catalyst, only non-voting shares available with limited liquidity
- general dislike towards small caps and especially industrial ones
- Hermle doesn't not do any investor conferences etc and is not telling an "investor story"
- The stock is not covered by sell side research and management doesn't give a lot of guidance
- Dividend fetishists can not rely on the dividend being stable or always increasing as the "regular" dividend is very small and 95% of the dividend is marked as "Special dividend"

So there are clearly some factors that will prevent many institutional investors to invest here, but for the patient private investor, none of these are a big concern.

Clearly there is no guarantee that the stock will do anything for the next few years, but the dividend in my opinion in this case compensates for the lack of a clear catalyst.

### 16. Summary & Game plan

As outlined above, I do think that Hermle offers a decent risk/return profile for the patient investor. The current dividend yield is almost 7%, there is a good chance of some growth going forward and any multiple mean reversion comes on top.

On the other hand, the order book at year end 2023 was weaker than in 2022 and the company already mentioned that the first few weeks in 2024 have been more difficult. The big question is of course to what extent this is priced in or not.

Because of the current weak business momentum, I decided to start with a 3% position at an average price of 222 EUR/share. Based on its quality, Hermle would justify a larger position, but I am "speculating" here that I can maybe increase the position cheaper during 2024.

We will see if this works out for us. Not. Funnily enough, in the last 18-24 months, my smaller positions have almost always performed better than my larger "conviction buys".

### 17. Bonus Track: Don't bring me down - Electronic Light Orchestra

As in my last few pitches, here is a Bonus track that in my opinion fits very well to a hidden German Mittelstand Champion like Hermle: Don't bring me down from ELO.

# value and opportunity

Slow Investing, Special Situations & Occasionally Wild Punts

<https://youtu.be/-rD-0tIGGPo?si=ihuhf0Hu-si-j5RU>

## Appendix /Sources:

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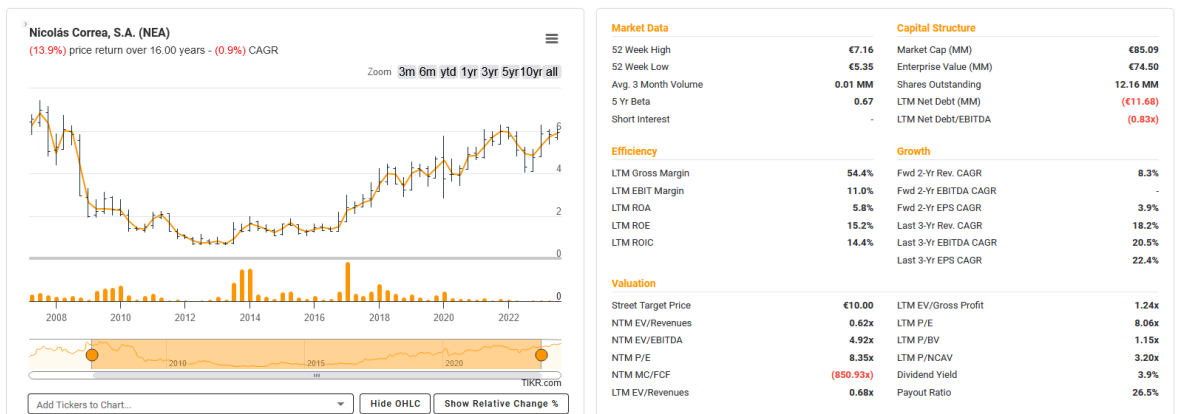
Nicolás Correa, S.A. (NEA)

EUR USD

€7.00

+€0.06 (+0.86%)

19 April 2024 Close



<https://pos.de/>

## value and opportunity

Slow Investing, Special Situations & Occasionally Wild Punts

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<https://leadrp.net/de/blog/different-types-of-cnc-machines-and-their-applications/>

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