

IPO

Ottobock's accounting acrobatics – what investors need to watch out for now

In his third attempt, Patriarch Hans Georg Näder wants to float the world's largest prosthetics manufacturer Ottobock on the stock exchange. For investors, it could be a nerve-wracking game: the conditions are more than ambitious, as an analysis shows.

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Debut on the capital market: When the bell rings to mark the start of trading on October 9, Hans Georg Näder will have a few less worries.

Photo: Jens Gyarmaty / laif

Hans Georg Näder (64) will have covered a few thousand kilometers by summer. The majority shareholder of the Duderstadt-based prosthetics manufacturer [Ottobock](#) has been on a roadshow across the world's financial capitals. Around 20 percent of his family business is to be floated on the stock market, with the capital market listing expected to bring in just over 800 million euros. 700 million for himself and his two daughters, and around 100 million via a capital increase for the company.

This is the third attempt to go public. In 2017, the patriarch preferred to sell 20 percent to the Scandinavian private equity giant EQT rather than venture into an IPO. Just under five years later, in the spring of 2022, he was forced to withdraw due to the stock market turmoil that followed Russia's campaign in Ukraine. Now the shares are set to be traded on the Frankfurt Stock Exchange for the first time on October 9.

But the nail-biting wait is not over yet for Näder and his company with their capital market debut. And for his new co-shareholders, it is probably just beginning: they are buying into a company whose debts have grown steadily in recent years and which is starting with an ambitious valuation. They are participating in a structure that Näder and his daughters **Julia** (35) and **Georgia** (28) will continue to control themselves to a large extent in the future. And they must expect the share price to be under latent pressure in the coming years, because the owner family is likely to repeatedly sell off large blocks of shares in order to repay the money it borrowed to repurchase the EQT shares.

A patriarch as an obstacle to investment

Näder worked hard in the run-up to the event. In mid-August, for example, he and his daughter Julia met with the representative of a German billionaire living in Switzerland for dinner at an upscale restaurant in Zurich. The big family offices of the European financial elite were at the top of the list, as were representatives of fund giants such as BlackRock and Norges Investment Management. His bankers had strongly encouraged him to go on the tour, say confidants. BNP Paribas, [Deutsche Bank](#), and [Goldman Sachs](#) have been appointed as joint global bookrunners and coordinators, with seven other financial institutions set to support the IPO.

Some of those approached found Näder's company exciting, but see the owner and his previous management style as more of an obstacle to investment.

Since 2016, six chief financial officers have come and gone. Näder cultivates an extravagant lifestyle that includes yachts and

Private jets. It is considered inappropriate that he had the company provide guarantees for private loans in the past, as can be seen in the Näder Holding annual reports published in the Federal Gazette.

The company also has an opaque network of shareholdings, some of which have active business relationships with the stock market candidate. According to the prospectus, Ottobock SE & Co KGaA paid €21.6 million to IT service provider Sycor and €3.7 million to the Bötzw Brewery in 2024 for renting the Berlin-based Ottobock Future Lab. Both companies are owned by the Näder family.

His sometimes seemingly nonchalant approach to rules recently led to a preliminary investigation by the Braunschweig public prosecutor's office for VAT offenses, as he had to admit in the stock exchange prospectus. The investigators confirmed the proceedings to the financial portal "The Market," which was the first to report on it. Näder himself considers the allegations to be unfounded and emphasizes that he behaved correctly.

The chosen legal form of SE & Co KGaA also grants the new shareholders hardly any say. In this structure, the general partner provides the management – in the case of the prosthetics manufacturer, Ottobock SE, which is controlled by the Näder family and in turn controlled by its board of directors, which is appointed by the family. In other words, the former owners alone determine the group's top management. The supervisory board elected by the minority shareholders has no possibility whatsoever of replacing the top management of Ottobock SE & CO KGaA. The company points out that this is a common legal form, which is also used in a similar form by the families that control Merck and Henkel.

Price correction before the start of trading

Last but not least, Näder's price expectations met with more skepticism than enthusiasm among some of his discussion partners. In the weeks before the bookbuilding range was set, sums of between €5 and €6 billion were being bandied about when it came to the total value of the company. At the end of September, Näder finally agreed with his banks on a range of between €4 and €4.2 billion for the equity capital.

Just one day before the preliminary IPO conditions were announced on the news tickers, logistics billionaire Klaus-Michael Kühne (88) agreed to invest €125 million through his personal holding company as an anchor shareholder. The US fund Capital Group also agreed to invest €115 million.

At this point, it was probably already clear that the Ottobock patriarch would reduce the originally proposed price by up to a third. In the case of highly sought-after IPOs, cornerstone investors usually commit much earlier and make their subscription commitments without having a precise idea of what the new shares will ultimately cost.

A glance at the bonus agreements with parts of the Ottobock Executive Board disclosed in the stock exchange listing prospectus shows how seriously Näder took the valuations initially communicated to the outside world. CEO Oliver Jakobi (57) and CFO Arne Kreitz (46) would have received the full reward if the equity valuation had exceeded €6 billion. Combining the fixed and variable components, they could have each received a maximum of €1.25 million. With the price range now set, the variable component is eliminated and the bonus is limited to the fixed amount of €500,000.

The price range now set in the stock exchange prospectus is still quite ambitious, measured against the book value that financial investor EQT had recorded in the balance sheet of its EQT VII fund at the end of March 2024. That was when Näder bought back his shares. At that time, the equity value extrapolated for the entire company amounted to around €2.9 billion, which was €1.3 billion below the maximum €4.2 billion that Näder and his bankers are now estimating as a ballpark figure for the IPO.

Valuation acrobatics on the high bar

The valuation is even more ambitious when measured against the net profits generated by Ottobock at the end of 2024. According to the prospectus, the income statement showed a net profit of €27.9 million for that period – exactly €47.4 million less than at the end of 2022. At that time, profits still amounted to 75.3 million. Measured against the issue price of 66 euros per share, such a meager result translates into a price-earnings ratio (P/E) of well over 100. Otherwise, only absolute high-flyers made in Silicon Valley operate in such regions.

Normal valuation ratios only emerge when, instead of the consolidated result, constructed key figures such as underlying core EBITDA, i.e., earnings before interest, taxes, depreciation, and amortization of around €321 million, adjusted for special effects and reduced to the core business, are included in the calculation. With the EBITDA figure for the end of 2024 corrected in this way, the P/E ratio is around 13, which at first glance actually appears favorable.

Näder's underlying core EBITDA appears to be the result of cosmetic adjustments to the balance sheet. At least, that is the suspicion suggested by

the analysis of the prospectus commissioned by a critical institutional investor and available to manager magazin. Its lawyers and auditors show the extent to which Ottobock's balance sheet experts are using their discretion in valuation and removing entire divisions from the figures.

The analysis shows that the difference between the bare, unadjusted consolidated result and the underlying core EBITDA defined by Ottobock has been rising steadily since the end of 2022: from 162 million at the end of 2022 to 293 million at the end of 2024. The extent of the adjustments is therefore becoming more extensive with each passing year.

Essentially, the gaping hole can be explained by two accounting interventions. First, development costs are capitalized in Ottobock's balance sheet as self-created assets and not recorded as costs. Second, the accountants exclude the low-margin wheelchair division from the results and record it under discontinued operations.

Both of these factors cause the underlying core EBITDA to swell considerably, making the valuation appear much more attractive.

The equity ratio is also falling steadily. According to the figures published in the Federal Gazette by Näder Holding GmbH, which mainly comprises the activities of Ottobock SE & Co KGaA, the equity ratio of the stock market candidate has fallen from over 30 percent to just over 11 percent since 2018. At the same time, the family withdrew around 170 million euros from the company in the five years prior to 2023. Until the prospectus was published, Ottobock SE & CO KGaA only published individual financial statements. The group's total sales and earnings could only be traced through the financial statements of Näder Holding.

The investor, who has participated in numerous IPOs in recent years with tickets worth over €10 million, will definitely pass on the Ottobock IPO. However, there appear to be enough fund managers and asset managers who are willing to entrust Näder and his company with their investors' capital. In the end, the company will enter the market at the upper end of the bookbuilding range, and all of the shares offered will be placed, including the placement reserve, the so-called greenshoe, of around 1.6 million shares from the family portfolio.

Institutional investors are clearly following Näders' calculations and the forecasts of the syndicate banks. Deutsche Bank, for example, expects sales to reach €1.9 billion by the end of 2027, with underlying core EBITDA in the region of €524 million and free cash flow set to increase from €199 million to €314 million between 2025 and 2027. What the analysts at the IPO bank

implicitly assume in their estimates is that the war in Ukraine, which is driving demand for prostheses, will not be over by then. In their assumptions, they are clearly continuing the growth rate that Ottobock had achieved at the start of Putin's invasion.

When the private equity firm EQT, controlled by the Swedish Wallenberg family, urged its other portfolio companies to reduce their [Russian](#) business to zero if possible in early 2022, its German branch at Ottobock clearly did not get its message across. The company continues to sell to Russia, with Näder and his daughter Georgia emphasizing that they only supply civilians and not military organizations.

Private liabilities could weigh on the share price

When the stock goes on trading on October 9, the consequences of a legacy issue could weigh on the share price like lead. And here, too, the personal finances of the owner family play a decisive role. When the clan bought out minority shareholder EQT in the spring two years ago and took over its 20 percent stake, it had to finance the share buyback via a so-called payment-in-kind loan (or PiK loan for short). According to the stock exchange listing prospectus, repayment is due on March 31, 2030. Including interest, around one billion euros will be due on that date. The high sum is explained by the interest payments, which are expected to be in the region of more than 10 percent per annum. The proceeds from the IPO would not be sufficient to repay the PiK loan, as can also be seen in the stock exchange prospectus.



In the years ahead, the owner family may therefore be forced to sell further shares if they ultimately want to satisfy their creditors. In other words, after the IPO, there is likely to be latent selling pressure on Ottobock shares. This is only likely to disappear once Näder and his daughters have paid off their debts. They have also made provisions for this in the IPO prospectus. The holding period for the previous owners is an unusually short 180 days, and it is also conspicuously generously worded. According to this, the patriarch and

his entourage can also sell shares within the first six months – provided the syndicate banks agree.

One thing must be said for the prosthetics king from Duderstadt. He is doing everything he can to make his third attempt at going public look good.

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