

Eckert & Ziegler

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Medical technology - Germany

Sell

Underperformer

Price Chart



Key data - €

Price	16.85
Year Hi/Lo	58.7 / 10.3
Market Cap. (m)	54.8
Free Float (%)	32
LTG (%)	20
Reuters Code	EUZG
Bloomberg Code	EUZ

Financials - € - US GAAP

FY 31/12	00	01e	02e	03e
Sales (m)	23.6	29.8	38.0	46.3
EPS	0.40	1.00	0.35	0.67
(prev.)	0.40	1.00	0.35	0.67
Div	0.00	0.00	0.00	0.00
(prev.)	0.00	0.00	0.00	0.00

Valuation - US GAAP

FY 31/12	00	01e	02e	03e
MC / Sales	2.3	1.8	1.4	1.2
PE	42.1	16.9	48.1	25.1
PEG	2.1	0.8	2.4	1.3
Div.Yield (%)	0.0	0.0	0.0	0.0

Analyst

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20% downside potential due to risky investment

- Eckert & Ziegler will invest € 10m in a small biotech company
- Competitive environment shown by Schering's acquisition of CIS
- We rate the shares Sell under our new schema, target price € 14

In mid-December Eckert & Ziegler reported that it will invest € 10m in the small biotech company NEMOD (see News Alert 18/12/01). Due to that risky investment we downgraded the company from Market Performer to Underperformer.

In our view, the risks of this highly EPS - dilutive investment are:

- 1) NEMOD is only financed until end of 03.
- 2) NEMOD is engaged in the highly competitive field of antibody development
- 3) All projects are in pre-clinical research (the first product is planned to enter phase I clinical trials in 1H 02, thereafter four projects will follow)
- 4) NEMOD has currently no expertise in planning and execution of clinical trails (an in-house team will be built up in 02)
- 5) It does not possess own patents (four patents are exclusively in-licensed)

The competitive nature of antibody research can be well shown by two events in the last three weeks. In December, Schering acquired a 10% stake of Morphosys, the German antibody specialist. Last week Schering bought the residual 40% stake of the French radiopharmaca company CIS Bio International. One could imagine that Schering is now well capable to develop "in-house" radiolabelled antibodies. NEMOD is also trying to develop radiolabelled antibodies.

Eckert & Ziegler will take a 50% stake in NEMOD as a silent partner and has an option to obtain further 25% for € 3m. These 75% formerly belonged to Eckert Consulting, a company owned by Dr. Eckert, the CEO of Eckert & Ziegler.

A Peer Group valuation gives a fair value of € 11. We consider a premium of 25% as fair because our valuation is based on multiples of the years 02e and 03e. P&L figures of these years are heavily burdened by the NEMOD-investment. After 04 profit should return to "old" levels. Therefore, we calculate the target price of the share with € 14.

Peer Group valuation

(€)	Price	M.cap. (m)	Sales		EPS		EV/S		EV/EBIT		P/E	
			2002e	2003e	2002e	2003e	2002e	2003e	2002e	2003e	2002e	2003e
Amersham	10.1	6853	2720	2978	0.47	0.54	2.6	2.4	14.9	13.0	21.5	18.8
Theragenics	11.2	325	65	80	0.67	0.85	4.2	3.4	11.1	10.1	16.8	13.2
North American Sc.	14.2	158	39	49	0.53	0.92	3.1	2.5	7.3	6.2	26.8	15.4
Novoste	8.9	147	125	164	1.18	2.38	0.9	0.7	4.8	4.2	7.6	3.8
Aap Implantate	5.5	21	17	24	0.20	0.46	1.4	1.0	9.7	5.8	27.0	11.9
Rösch	7.8	37	28	39	0.05	0.67	0.9	0.6	(88.7)	4.3	(173.1)	11.5
UMS	18.6	108	71	115	1.27	2.64	1.3	0.8	6.0	3.1	14.7	7.0
Pulsion	2.8	22	21	38	0.12	1.00	1.2	0.7	52.0	3.5	22.4	2.7
Mean							1.9	1.5	15.1	6.3	19.5	10.5
Eckert&Ziegler	16.6	58	38	46	0.35	0.67	1.6	1.3	33.6	10.9	47.0	24.9
Fair value per share							20.0	19.0	6.9	6.9	6.9	7.0
Average fair value per share							11.1					

Source: IBES, Bloomberg, Concord Equity Research