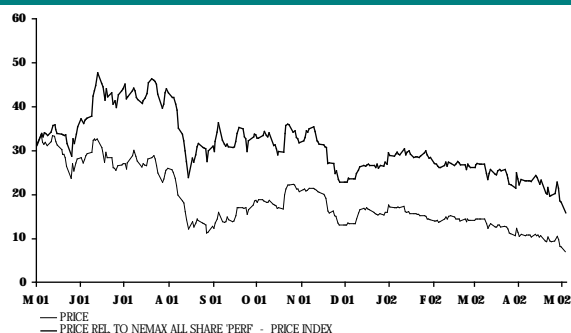


Medical technology · Germany

Hold

Sell

Price Chart



Key data · _

Price	7.60
Year Hi/Lo	34.49 / 7.75
Market Cap. (m)	24.7
Free Float (%)	38
LTG (%)	20
Reuters Code	EUZG
Bloomberg Code	EUZ

Financials · _ · US GAAP

FY 31/12	01	02e	03e	04e
Sales (m)	32.8	36.1	40.9	46.2
(prev.)	32.8	37.8	45.8	46.2
EBIT	1.95	0.48	0.76	4.21
(prev.)	1.95	0.12	2.58	4.21
EPS	1.00	0.26	0.29	0.93
(prev.)	1.00	0.29	0.63	0.93
EPS ex GW	1.18	0.26	0.29	0.93
CFS	3.33	2.66	2.95	3.88
(prev.)	3.33	2.68	3.29	3.88

Valuation · US GAAP

FY 31/12	01	02e	03e	04e
MC / Sales	0.8	0.7	0.6	0.5
PE	7.6	29.2	26.2	8.2
PE ex GW	6.4	29.2	26.2	8.2
PCF	2.3	2.9	2.6	2.0
PEG	0.4	1.5	1.3	0.4
PEG ex GW	0.3	1.5	1.3	0.4
Div.Yield (%)	0.0	5.9	0.0	0.0

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Conference call

1Q'02 figures published

- Sales of _ 8.1m (+13% y-o-y); EBIT of _ -0.2m (-75% y-o-y)
- EBIT strongly burdened by expenses for NEMOD
- Cash flow FY'02 further burdened by share buy back programme and dividend payment
- We upgrade share to HOLD from Sell because stock lost about 55% since our downgrade and is now quite moderately priced

Today Eckert & Ziegler AG published its 1Q'02 results and hosted a conference call.

Sales came in at _ 8.1m, +13% y-o-y. The two industrial segments (nuclear imaging and industrial sources) contributed _ 5.5m (+10%, y-o-y). The two medical technology segments cardiology and oncology exhibited much higher growth rates of 40% (_ 2.6m). The growth rate of 21% in the segment oncology is slightly disappointing. The company stated that it expects a better performance in the future driven by the new direct distribution channel in Europe and in the mid-term by the newly acquired sales force of Alliant Medical Technologies. This company was the exclusive US-distribution partner of Eckert & Ziegler and generated sales of about _ 2m with the brachytherapy products from Eckert & Ziegler. On May, 15th 2002 this company filed for relief under Chapter 7 of Title 11 of the United States Code. Eckert & Ziegler announced that it took over the customer base and three sales reps of the sales force of Alliant Medical Technologies. The management of Eckert & Ziegler stated that it expects sales of _ 2m in the US in 2002. We cut our FY'02 sales estimates for the oncology segment to _ 8m from _ 8.8m. We also cut sales estimates in the cardiology segment to _ 3.5m in FY'02e and to _ 2m in FY'03e because the competition from the drug coated stents seems overwhelming and we believe that the company can only realize revenues in the same range as already guaranteed by its partner.

Gross profit margin remained stable at 46%, an increase of 5 percentage points compared to 4Q'01. Sales and distribution expenses of _ 0.7m were 19% higher than in 1Q'01 and general and administrative expenses (_ 2.1m) grew 44%. EBIT of _ 0.2m was heavily burdened by expenses of _ 0.7m for NEMOD, the small biotech company. The company stated that it would invest _ 9m in FY'02 and FY'03 instead of _ 10m, which were communicated earlier. Therefore, we reduced our estimated expenses for NEMOD from _ 5m in FY'02 to _ 4m. In consequence, our EPS estimates are reduced to _ 0.26 in 02e and _ 0.29 in 03e.

In the last weeks, the company published some ad hoc announcements about future events, which will all have a negative effect on the future cash flow. First, the company started a share buy back programme (23/04/02). Up to 10% of the shares can be bought. The reason was a historic low in share price (€ 10-11). Since then, share price fell another 35%. Therefore, we believe that the company did not buy a significant amount of shares. Secondly, the annual shareholder meeting approved a dividend of € 0.45 per share. This burdens the cash flow in FY'02 by another € 1.46m.

The share lost about 55% since we downgraded the share to SELL (16,85). A peer group valuation (see table), gives a fair value of € 6.4 per share. However, we believe that the share deserves a premium of 15% (i.e. € 7), because the financial figures 02 and 03 are heavily burdened by the investment in NEMOD and a potential future income from this investment could not be reflected in these figures due to the very early stage of the product pipeline. We upgrade our rating to HOLD from Sell. However, we believe the share could continue to be volatile.

(T)	1Q'01	1Q'02	chg.	Margins (% of sales)	1Q'01	1Q'02
Total Sales	7.199	8.120	13%	Cost of Sales	54%	54%
Cost of Sales	3.915	4.369	12%	Gross Profit Margin	46%	46%
Gross Profit	3.284	3.751	14%	Sales and Distribution	9%	9%
Selling and Distribution Expenses	619	738	19%	G&A	20%	26%
General and Administrative Expenses	1.448	2.082	44%	R&D	3%	10%
R&D Expenses	231	827	258%	Amortization of Intangible Assets	2%	0%
Amortization of Intangible Assets	149	0	-100%	Other Operating Income	0%	1%
Other Operating Income	0	104	-	EBIT Margin	12%	3%
EBIT	837	208	-75%	Net Profit Margin	7%	1%
Interest and Other Income	-13	156	-1300%			
EBT	824	364	-56%			
Taxes on Income	327	264	-19%	Sales by Divisions	1Q'01	1Q'02
Minorities	0	0	-	Oncology	1.300	1.650
Net Profit	497	100	-80%	Nuclear Imaging	2.500	2.900
EPS	0,15	0,03	-80%	Industrial Sources	2.500	2.555
				Cardiology	400	900
				Other	500	148

1Q'01 figures

Source: Eckert&Ziegler, Concord Equity Research

(?)	Price	EV (m)	Sales		EBIT		EPS		EV/S		EV/EBIT		P/
			2002e	2003e	2002e	2003e	2002e	2003e	2002e	2003e	2002e	2003e	2002e
Novoste	8,0	90	100	95	17,83	26,87	0,98	1,00	0,9	0,9	5,0	3,3	8,1
Aap Implantate	4,3	20	16	20	-0,30	0,90	-0,11	0,12	1,3	1,0	neg.	22,2	neg.
Biolitec	6,3	47	32	45	5,90	9,00	0,31	0,43	1,5	1,0	neg.	5,2	neg.
Pulsion	2,3	22	23	33	1,46	4,89	0,12	0,60	0,9	0,7	14,8	4,4	18,4
UMS	14,3	83	67	95	10,46	19,18	0,81	1,35	1,2	0,9	7,9	4,3	17,6
Wavelight	8,2	34	45	57	4,12	5,64	0,60	0,99	0,7	0,6	8,2	6,0	13,7
W.O.M.	4,0	31	39	48	2,99	5,28	0,20	0,36	0,8	0,6	10,4	5,9	19,5
Mean									1,0	0,8	9,3	7,3	15,5
Eckert&Ziegler	7,1	25	36	41	0,48	0,76	0,26	0,29	0,7	0,6	51,5	32,7	27,0
Fair value per share									11,6	10,3	(1,1)	2,3	4,1
Average fair value per share											6,4		

Peer group valuation

Source: IBES, Concord Equity Research

Profit and Loss account (? '000)

Fiscal Year 31/12 • US GAAP	00	01	02e	03e	04e	01	02e	03e	04e
						y-o-y changes (%)			
Total Sales	23.614	32.830	36.062	40.893	46.171	39,0	9,8	13,4	12,9
Cost of Sales	14.038	18.788	19.473	22.082	24.932	33,8	3,6	13,4	12,9
Gross Profit	9.576	14.042	16.589	18.811	21.239	46,6	18,1	13,4	12,9
Other Operating Income	0	0	0	0	0	0,0	0,0	0,0	0,0
Distribution Expenses	1.549	2.943	3.246	3.680	4.155	90,0	10,3	13,4	12,9
Administrative Expenses	5.386	7.685	8.010	8.450	8.873	42,7	4,2	5,5	5,0
Oth. Oper. and R&D Expenses	755	1.461	4.850	5.920	4.000	93,5	232,0	22,1	-32,4
EBIT	1.886	1.953	483	760	4.211	3,6	-75,3	57,5	453,7
Financial Result	529	91	-107	-236	-315	-82,8	-217,5	120,4	33,8
Income from Ord. Business	2.415	2.044	376	525	3.895	-15,4	-81,6	39,5	642,4
Extraord. Result (Inc.+Exp.-)	87	3.149	1.000	1.000	1.000	--	-68,2	0,0	0,0
EBT	2.502	5.193	1.376	1.525	4.895	107,6	-73,5	10,8	221,1
Taxes on Inc. & Other Taxes	1.257	1.953	523	579	1.860	55,4	-73,2	10,8	221,1
Net Profit	1.245	3.240	853	945	3.035	160,2	-73,7	10,8	221,1
Minorities	-8	0	0	0	0	-100,0	0,0	0,0	0,0
Adjustments	0	0	0	0	0	0,0	0,0	0,0	0,0
Adjusted Net Profit	1.253	3.240	853	945	3.035	158,6	-73,7	10,8	221,1
EBITDA	4.807	9.528	8.269	9.410	13.770	98,2	-13,2	13,8	46,3
EBITA	2.218	2.560	483	760	4.211	15,4	-81,1	57,5	453,7
Adj. No. of Shares	3.146	3.250	3.250	3.250	3.250	3,3	0,0	0,0	0,0
Adj. Net Profit/Share (EPS)	0,40	1,00	0,26	0,29	0,93	150,3	-73,7	10,8	221,1
Adj. Net Profit/Share ex Goodwill	0,50	1,18	0,26	0,29	0,93	134,9	-77,8	10,8	221,1
Adj. Cash Eam. (CE)/Share	1,33	3,33	2,66	2,95	3,88	150,8	-20,1	11,1	31,3

Profitability (%)

EBITDA/Total Sales	20,4	29,0	22,9	23,0	29,8
Adj. Net Profit/Total Sales	5,3	9,9	2,4	2,3	6,6
Return on Equity (net)	3,9	9,0	2,4	2,6	7,7
Return on Capital Employed	1,5	0,0	-0,1	0,2	2,7
EBITDA/Goodwill	56,7	113,8	98,8	112,4	164,5
Capital Employed (CE, € '000)	42.116	49.657	60.441	72.608	85.522
Enterprise Value (EV, € '000)	242.755	21.818	22.440	24.487	24.622

Cash Flow Statement (€ '000)

Adjusted Net Profit	1.253	3.240	853	945	3.035
+ Depreciation & Amortisation	2.921	7.575	7.786	8.650	9.559
+ Chg. in long-term Provisions	0	0	0	0	0
= Cash Earnings	4.174	10.815	8.639	9.595	12.594
+ Minorities	-8	0	0	0	0
- Chg. in Net Working Capital	0	-646	325	486	531
= Operating Cash Flow	4.166	11.461	8.314	9.109	12.063
- Capex	8.418	8.718	9.000	9.500	10.000
= Free Cash Flow	-4.252	2.743	-686	-391	2.063

Sales Distribution by Region

