

Eckert & Ziegler AG

May 3, 2011

Information Analysis

Analyst

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Evaluation result

BUY

(previously BUY)

Fair value

€ 40.50

(previously € 40.50)



Q1/2011: A successful start into FY 2011

- Excellent Q1 performance with revenues amounting to € 28 Mill. (+10%, yoy) and a net profit of €3.6 Mill. (+44%)
- Operating margins improved compared to year-back period
 - Gross profit: +3%-age points
 - EBIT: +2.5%-age points
 - Net profit after minorities: +3%-age points
- Liquid funds at period end almost stable at €28 Mill.
- Equity ratio improved to 53% (accounting date 2010: 51%)
- Management reiterates sales and earnings guidance for FY 2011, i.e. €110 – 120 Mill. and €10.4 Mill., resp.

In Q1/2011, Eckert & Ziegler group (EZAG) has booked revenues amounting to €28 Mill. translating into a result of €3.6 Mill. after minorities (+44%, yoy). Accordingly, this quarter is the most profitable one ever. On a yoy basis, operating margins improved, again substantiating the strategic objective to continuously enhance profitability. This results from economies of scale, primarily within the segments "Isotope Products" and Radiopharma".

Q1 earnings per share of €0.69 already now disproportionately contribute almost 35% to the group's full year forecast; however, management board reiterates its guidance 2011 of €2.00. We consider this a "cautious" approach which we likewise adopt in our valuation model, also in view of a potential further weakening of the USD against the EUR (ca. 37% of revenues are generated in USD).

By yoy comparison, operating cash-flow came down by almost 9% to €1.9 Mill.; this cutback results from a capital-absorbing increase in net working capital by €4.2 Mill. owing to the strong top line performance. Investment activities during Q1 amounted to €2.5 Mill. for the implementation of a group-wide integrated production planning system. Compared to year end balance sheet, liquid funds came down by €1.1 Mill. to €28.1 Mill. The most recently declined equity ratio, resulting from the IBt takeover bid as well as from the high dividend payment, recovered to almost 53% based on the healthy earnings situation.

Based on the good quarterly result we confirm our fair value of €40.50 and reiterate our "Buy" rating.

Key data / Earnings

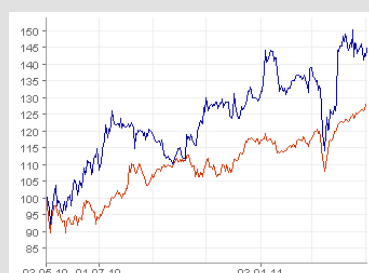
Jahr	Umsatz (Mio. €)	EBITDA (Mio. €)	EBIT (Mio. €)	EBT (Mio. €)	ber. JÜ (Mio. €)	ber. EPS (€)	DPS (€)	EBIT- Marge	Netto- Marge
2010a	111.1	26.4	16.6	14.4	9.4	1.81	0.45	14.9%	8.5%
2011e	118.9	29.3	18.6	16.6	10.5	2.01	0.60	15.6%	8.9%
2012e	126.0	32.2	20.8	19.1	12.2	2.32	0.60	16.5%	9.7%
2013e	132.3	35.4	23.5	22.0	14.1	2.68	0.70	17.7%	10.6%
2014e	137.6	38.9	26.5	25.2	16.2	3.08	0.80	19.2%	11.8%

Source: BankM Research

Sector	Medical Technology
WKN	565970
ISIN	DE0005659700
Bloomberg/Reuters	EUZ GY Equity
Accounting standard	IFRS
Financial year	Dec 31
Financial report Q2/20	August 2, 2011
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	2011e	2010e	2010e
EV/Sales	14	13	13
EV/EBITDA	5.7	5.2	4.7
EV/EBIT	9.0	8.0	7.1
P/E adj.	14.5	12.6	10.9
Price/Bookvalue	2.0	18	16
Price/FCF	13.8	11.6	9.4
ROE	14.6	15.2	15.6
Dividend yield	2.1	2.1	2.4

Number shares (million)	5,260
Market Cap / EV (million €)	156.57 / 154.22
Free float	64.2%
Ø daily trading vol. (3M, in T€)	288.83
12 months high/low (XETRA-close)	€145/18.06
Price May 2, 2011 (XETRA-close)	29.15 €
Performance	
absolute	1M: -2.1%, 6M: 11.3%, 12M: 44.2%
relative	-6.3% -3.7% 9.5%
Benchmark index	MEDTECH PERFORM.



Eckert & Ziegler AG (blue/black), Performance 1 year vs. DAX Subsector MedTech (red/grey)
Source: Deutsche Börse AG

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Segment Discussion

Main sales driver, again, was the segment “Isotope Products” with 50% of total sales, followed by the segments “Therapy” (24%) and “Radiopharma” (22%). The business division “Environmental Services”, formerly being integrated within the Industry segment and since the beginning of FY 2010 operating as a separate segment, contributed 4% to total sales.

While sales volume of isotope sources for oil-drill bits could not be replicated in the reported quarter (the reference period saw a special economic boom for such sources, contributing to a strong growth of the segment), reference and calibration sources significantly contributed to the segment’s top line. Due to economies of scale, about half of the sales increase of €0.9 Mill. (+7%) is captured in the bottom line result.

The “Therapy” segment reports increasing sales of almost 5% with Afterloaders for temporary radiation therapy having significantly contributed to this growth.

Sales revenues within the segment “Radiopharma” increased by 31% yoy and were accompanied by a rise in gross margin by 12%-age points.

The “Environmental Services” segment’s revenues decreased by 11% and were at €1.2 Mill. Due to cost reductions, segment earnings were not in deficit as in the year-back period but rather slightly positive.

Stock and Valuation

Year-to-date, EZAG’s stock has gained 10.2%, increasing from €26.45 (XETRA close Dec 31, 2010) to €29.15 (XETRA close May 2, 2011) and was almost exactly in line with the performance of the benchmark (Daxsubsec. Medical Technology Performance).

Based on daily stock price returns since beginning of the year, the annualized volatility is at 38% with a mean daily trading volume of ca. 10,600 pieces and a maximum of 61,000 pieces. During the reference period Q1/2010, volatility was still at 46%.

We reiterate our fair value of €40.50 per share (see our Basic Report dated April 11, 2011). Although the current multiple valuation of €40.68 (previously: €38.31) indicates a slightly higher valuation, we behave observant for the sake of prudence.

Regarding a 2011 P/E of 14.5 (based on our earnings forecast of €2.01/shr.) we perceive the stock favorably valued considering the future growth potential as well as the peer group’s median P/E of 23.

We reiterate our “Buy” rating.

Eckert & Ziegler AG

May 3, 2011

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Tables

Profit & Loss Account

Fiscal Year 31/12 • IFRS	10a	11e	12e	13e	14e	10a	11e	12e	13e	14e	5y - CAGR
in T€						y-o-y changes (%)					
Total Sales	111,093.0	118,869.5	126,001.7	132,301.8	137,593.8	9.6	7.0	6.0	5.0	4.0	4.4
Cost of Sales	53,295.0	56,787.9	59,817.2	62,278.8	64,082.0	6.0	6.6	5.3	4.1	2.9	3.8
<i>% of Sales</i>	<i>48.0</i>	<i>47.8</i>	<i>47.5</i>	<i>47.1</i>	<i>46.6</i>						
Gross Profit	57,798.0	62,081.6	66,184.5	70,022.9	73,511.8	13.1	7.4	6.6	5.8	5.0	4.9
Distribution Expenses	18,929.0	20,016.3	20,839.3	21,352.0	21,518.1	2.7	5.7	4.1	2.5	0.8	2.6
<i>% of Sales</i>	<i>17.0</i>	<i>16.8</i>	<i>16.5</i>	<i>16.1</i>	<i>15.6</i>						
General & Admin. Expenses	18,828.0	19,908.2	20,724.7	21,231.7	21,393.0	-1.3	5.7	4.1	2.4	0.8	2.6
<i>% of Sales</i>	<i>16.9</i>	<i>16.7</i>	<i>16.4</i>	<i>16.0</i>	<i>15.5</i>						
R&D Expenses	2,886.0	3,566.1	3,780.1	3,969.1	4,127.8	15.6	23.6	6.0	5.0	4.0	7.4
<i>% of Sales</i>	<i>2.6</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>						
Other Operating Income	2,868.0	0.0	0.0	0.0	0.0						
Other Operating Expenses	1,703.0	0.0	0.0	0.0	0.0						
Income from Ord. Business	18,320.0	18,591.0	20,840.5	23,470.1	26,472.8	18.5	1.5	12.1	12.6	12.8	7.6
Foreign exchange gains/losses	43.0	0.0	0.0	0.0	0.0						
Other Financial Items	-1,792.0	0.0	0.0	0.0	0.0						
Financial Result	-1,749.0	0.0	0.0	0.0	0.0						
EBIT	16,571.0	18,591.0	20,840.5	23,470.1	26,472.8	0.9	12.2	12.1	12.6	12.8	9.8
<i>% of Sales</i>	<i>14.9</i>	<i>15.6</i>	<i>16.5</i>	<i>17.7</i>	<i>19.2</i>						
Interest Income	299.0	50.0	50.0	50.0	50.0						
Interest Expenses	2,517.0	2,000.0	1,750.0	1,500.0	1,275.0						
EBT	14,353.0	16,641.0	19,140.5	22,020.1	25,247.8	-5.3	15.9	15.0	15.0	14.7	12.0
Taxes on Income (Exp./Inc.)	-3,938.0	-4,992.3	-5,742.1	-6,606.0	-7,574.4						
<i>t/o deferred taxes (Exp./Inc.)</i>	<i>12,204.0</i>	<i>-1,574.4</i>	<i>-1,731.9</i>	<i>-1,905.1</i>	<i>-1,905.1</i>						
Net Profit before minorities	10,415.0	11,648.7	13,398.3	15,414.1	17,673.5	-52.4	11.8	15.0	15.0	14.7	11.2
Minorities	1,002.0	1,102.2	1,212.4	1,333.7	1,467.0						
Net Profit	9,413.0	10,546.5	12,185.9	14,080.4	16,206.5	-29.0	12.0	15.5	15.5	15.1	11.5
<i>% of Sales</i>	<i>8.5</i>	<i>8.9</i>	<i>9.7</i>	<i>10.6</i>	<i>11.8</i>						
Adjustments	0.0	0.0	0.0	0.0	0.0						
Adjusted Net Profit	9,413.0	10,546.5	12,185.9	14,080.4	16,206.5	26.3	12.0	15.5	15.5	15.1	11.5
<i>% of Sales</i>	<i>8.5</i>	<i>8.9</i>	<i>9.7</i>	<i>10.6</i>	<i>11.8</i>						
<i>For Information purposes</i>											
Depreciation & Amortization	9,842.0	10,698.3	11,340.2	11,907.2	12,383.4	-14.6	8.7	6.0	5.0	4.0	4.7
<i>% of Sales</i>	<i>8.9</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>	<i>9.0</i>						
EBITDA	26,413.0	29,289.3	32,180.6	35,377.3	38,856.3	-5.5	10.9	9.9	9.9	9.8	8.0
No. of Shares (Ø outstanding)	5,194	5,260	5,260	5,260	5,260	37.3	1.3	0.0	0.0	0.0	n.a.
Net Profit/Share (EPS)	1.81	2.01	2.32	2.68	3.08	-48.3	10.6	15.5	15.5	15.1	11.2
Adjusted Net Profit/Share (adj. EPS)	1.81	2.01	2.32	2.68	3.08	-8.0	10.6	15.5	15.5	15.1	11.2

Source: BankM Research

Cash Flow Statement

Fiscal Year 31/12 • IFRS	10a	11e	12e	13e	14e	10a	11e	12e	13e	14e	5y - CAGR
in T€						y-o-y changes (%)					
Net Profit	10,415.0	11,648.7	13,398.3	15,414.1	17,673.5	-52.4	11.8	15.0	15.0	14.7	11.2
+ Depreciation & Amortisation	9,842.0	10,698.3	11,340.2	11,907.2	12,383.4	-14.6	8.7	6.0	5.0	4.0	4.7
+ Chg. in long-term Provisions	-1,038.0	-1,000.0	-1,000.0	-1,000.0	-1,000.0						
= Cash Earnings	19,219.0	21,347.0	23,738.5	26,321.2	29,056.9	-27.7	11.1	11.2	10.9	10.4	8.6
- other non-cash items	1,807.0	-1,574.4	-1,731.9	-1,905.1	-1,905.1						
- Chg. in Net Working Capital	2,387.0	2,305.3	2,214.3	1,337.6	1,123.6						
= Operating Cash Flow	15,025.0	20,616.1	23,256.1	26,888.7	29,838.4	-32.1	37.2	12.8	15.6	11.0	14.7
- Capex	7,536.0	9,509.6	10,080.1	10,584.1	11,007.5	-22.3	26.2	6.0	5.0	4.0	7.9
= Free Cash Flow	7,489.0	11,106.5	13,175.9	16,304.5	18,830.9	-39.7	48.3	18.6	23.7	15.5	20.3
+ Net Other Items	-1,048.0	0.0	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	0.0	n.a.
- Dividends (Previous Year)	2,335.0	3,116.4	3,164.0	3,655.8	4,224.1	106.3	33.5	1.5	15.5	15.5	12.6
- Payout minorities	351.0	386.1	424.7	467.2	513.9						
+ Increase in Share Capital	0.0	0.0	0.0	0.0	0.0						
- Outflow from Share Buy Backs	22,841.0	0.0	0.0	0.0	0.0						
+/- Bank Loans	2,532.0	-5,000.0	-5,000.0	-4,500.0	-4,000.0						
= Incr. in Cash (+)/Decr. in Cash (-)	-14,458.0	2,604.0	4,587.3	7,681.6	10,092.8	n.a.	n.a.	76.2	67.5	31.4	40.3

Source: BankM Research

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Balance Sheet

Fiscal Year 31/12 • IFRS in T€	10a	11e	12e	13e	14e	10a	11e	12e	13e	14e
Assets						% of Balance Sheet Total				
Tangible Assets	27,602.0	26,616.6	25,572.0	24,475.2	23,334.6	19%	18%	17%	16%	14%
Intangible Assets	40,885.0	40,605.7	40,309.6	39,998.6	39,675.3	28%	28%	27%	25%	24%
<i>t/o Goodwill</i>	30,410.0	30,410.0	30,410.0	30,410.0	30,410.0	21%	21%	20%	19%	18%
Deferred Tax	12,204.0	10,629.6	8,897.7	6,992.6	5,087.6	8%	7%	6%	4%	3%
Other Fixed Assets	1,328.0	1,760.0	1,760.0	1,760.0	1,760.0	1%	1%	1%	1%	1%
Total Fixed Assets	82,019.0	79,611.8	76,539.3	73,226.5	69,857.5	57%	54%	51%	47%	42%
Inventories	12,678.0	13,565.5	14,379.4	15,098.4	15,702.3	9%	9%	10%	10%	10%
Accounts Receivable	17,252.0	18,459.6	19,567.2	20,545.6	21,367.4	12%	13%	13%	13%	13%
Total Liquid Funds	29,216.0	31,820.0	36,407.3	44,088.9	54,181.7	20%	22%	24%	28%	33%
Other Current Assets	3,302.0	3,533.1	3,745.1	3,932.4	4,089.7	2%	2%	2%	3%	2%
Total Current Assets	62,448.0	67,378.3	74,099.0	83,665.2	95,341.1	43%	46%	49%	53%	58%
Balance Sheet Total	144,467.0	146,990.1	150,638.3	156,891.7	165,198.5	100%	100%	100%	100%	100%
Shareholder's Equity / Liabilities						% of Balance Sheet Total				
Subscribed Capital	5,293.0	5,293.0	5,293.0	5,293.0	5,293.0	4%	4%	4%	3%	3%
Share Premium	53,874.0	53,874.0	53,874.0	53,874.0	53,874.0	37%	37%	36%	34%	33%
Retained Earnings & Other Reserves	9,145.0	16,575.1	25,597.1	36,021.7	48,004.0	6%	11%	17%	23%	29%
Shareholders Equity	68,312.0	75,742.1	84,764.0	95,188.7	107,171.0	47%	52%	56%	61%	65%
Minorities	5,293.0	6,009.1	6,796.8	7,663.3	8,616.4	4%	4%	5%	5%	5%
Group Equity	73,605.0	81,751.2	91,560.9	102,852.0	115,787.4	51%	56%	61%	66%	70%
Provisions	23,754.0	22,754.0	21,754.0	20,754.0	19,754.0	16%	15%	14%	13%	12%
<i>t/o Pension Provisions</i>	5,913.0	6,326.9	6,706.5	7,041.9	7,323.5	4%	4%	4%	4%	4%
Other Liabilities	47,108.0	42,484.9	37,323.4	33,285.7	29,657.1	33%	29%	25%	21%	18%
Total Liabilities	70,862.0	65,238.9	59,077.4	54,039.7	49,411.1	49%	44%	39%	34%	30%
<i>t/o LT Liabilities</i>	42,112.0	37,112.0	32,112.0	27,612.0	23,612.0	29%	25%	21%	18%	14%
<i>t/o ST Liab. <1Y</i>	28,750.0	28,126.9	26,965.4	26,427.7	25,799.0	20%	19%	18%	17%	16%
<i>t/o Acc Payable & Adv. Paymts.</i>	7,697.0	7,486.8	7,194.0	7,553.7	7,855.8	5%	5%	5%	5%	5%
Balance Sheet Total	144,467.0	146,990.1	150,638.3	156,891.7	165,198.5	100%	100%	100%	100%	100%

Source: BankM Research

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Responsible for the content of this document: biw Bank für Investments und Wertpapiere AG, Willich, Germany.

Author: Dr. Roger Becker, CEFA, Biologist

Regulatory authority for biw Bank für Investments und Wertpapiere AG is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analyzed instrument is Eckert & Ziegler AG.

Notice according to sec. 4 §. 4 N^o 4 FinAnV (previous publications regarding the issuer at least within the last 12 months):

Analyst	Date	Evaluation result	Fair value
Dr. Roger Becker	July 10, 2009	Buy	€14.50
Dr. Roger Becker	August 7, 2009	Neutral	€19.26
Dr. Roger Becker	November 4, 2009	Buy	€22,21
Dr. Roger Becker	November 16, 2009	Buy	€22,90
Dr. Roger Becker	December 17, 2009	Buy	€22,90
Dr. Roger Becker	January 29, 2010	Buy	€24.00
Dr. Roger Becker	March 25, 2010	Neutral	€24.00
Dr. Roger Becker	April 12, 2010	Buy	€27.44
Dr. Roger Becker	May 10, 2010	Buy	€28.22
Dr. Roger Becker	August 6, 2010	Buy	€29.33
Dr. Roger Becker	November 9, 2010	Neutral	€28.60
Dr. Roger Becker	April 4, 2011	Buy	€40.50

II. Additional Information:

1. Sources of information:

Main sources of information for the compilation of this document are publications in national and international media and information services (e.g. Reuters, VWD, Bloomberg, dpa-AFX and others), financial newspapers and magazines (e.g. Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times and others), specialist media, published statistics, rating agencies as well as publications by peer group companies and the company itself. Furthermore talks with the management of the issuer have been held. This document was made available to the issuer before publication according to DVFA Standards to ensure the accuracy of the information provided. This resulted in no textual changes.

2. Summary of the valuation principles and methods used to prepare this document:

BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG uses a 3-tier absolute rating model. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up to 12 months.

BUY: The calculated fair value of the company's stock is at least 15 % higher than the current market price at the time of the compilation of this document.

NEUTRAL: The calculated fair value of the company's stock lies between -15% and +15 % of the current market price at the time of the compilation of this document.

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The following valuation methods are being used: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, historical valuation approaches, discount models (DCF, DDM), break-up value and sum-of-the-parts-approaches, asset-based evaluation methods or a combination of the above. The used valuation models depend on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Additionally, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Rendered evaluation results and fair values derived from the models might therefore change respectively. The evaluation results in general relate to a 12-month horizon. However, evaluation results are subject to changing market conditions and represent only the situation at a given point of time. The evaluation results and fair value prices may in fact be achieved more quickly or slowly than expected by the analysts. Also, the evaluation results and fair value prices might need to be revised upward or downward.

3. Date of first publication of this document:

May 3, 2011

4. Date and time of prices of the instruments quoted in this document:

Closing prices of May 2, 2011

5. Updates:

A specific date or time for an update of this document has not been set. The information given in this document reflects the author's judgement on the date of this publication and is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the company covered. It is in the sole responsibility of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG to decide on a potential update of this document.

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Eckert & Ziegler AG

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