

Eckert & Ziegler AG

November 03, 2011

Information Analysis

Analyst

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Evaluation result

BUY

(previously BUY)

Fair value

€ 39.60

(previously € 38.30)



Record result 2011 in sight

- Best 9M result: revenues at €83.6 Mill. (+3%, yoy), net result after minorities at €8.8 Mill. (+11%)
- By yoy comparison, profitability again increased
 - Gross margin up 4.1 %-age points
 - EBIT improved by 0.5 %-age points
 - Net result after minorities up 0.5 %-age points
- Development of segments by 9M comparison
 - Strongest increase in sales and profit within segment Radiopharmacy; also strongest increase in margin
 - Decline in revenues and margins within segment Therapy
 - Due to special business in Russia in 2010
 - Tendering procedure increases cost pressure
- In Q3 slight drop in sales revenues by 1%; net result down 20% (yoy)
- Liquid funds at period end: €25.4 Mill. (- €3.8 Mill.); equity at 54% (balance sheet date 2010: 51%)

During 9M/2011, the Eckert & Ziegler group (EZAG) has booked revenues amounting to €83.6 Mill. translating into a result after minorities of €8.8 Mill. (+11%, yoy). On a yoy basis, operating margins further improved: clearly for gross profit, rather slightly regarding EBIT and net profit (see segment discussion).

9M earnings of €1.68 per share already now disproportionately contribute almost 84% to the group's full year forecast; however, management reiterates its guidance 2011 of €2.00 per share. This cautious approach basically results from currently doubtful accounts receivables within the Therapy segment for shipments to Spain, Portugal, Italy, and Russia which may lead to impairment at year end.

By yoy comparison, operating cash-flow increased by 20% to €11.1 Mill.; this basically results from the good period result as well as from a significant reduction of tied resources in net working capital. Investment activities during 9M amounted to €8.8 Mill. for the implementation of a group-wide production planning system as well as for construction activities in Berlin-Buch. Further, loans were redeemed at €2.0 Mill. and a dividend of €3.2 Mill. was paid out to the shareholders. Compared to year end balance sheet, liquid funds came down by €3.8 Mill. to €25.4 Mill.

We calculate a fair value of €39.60 per share and reiterate our "Buy" rating.

Key data / Earnings

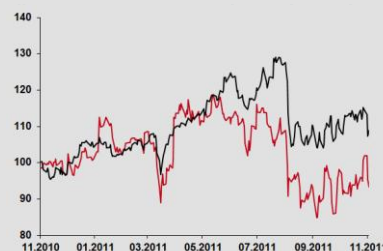
Year	Sales (Mill. €)	EBITDA (Mill. €)	EBIT (Mill. €)	EBT (Mill. €)	adj. net (Mill. €)	adj. EPS (€)	DPS (€)	EBIT- Margin	Net- Margin
2010a	111.1	26.4	16.6	14.4	9.4	1.81	0.45	14.9%	8.5%
2011e	118.9	29.3	18.6	16.6	10.5	2.01	0.60	15.6%	8.9%
2012e	126.0	32.2	20.8	19.1	12.2	2.32	0.60	16.5%	9.7%
2013e	132.3	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	EUZGY Equity
Accounting standard	IFRS
Financial year	Dec 31
Financial report 2011	March 30, 2012
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios	201e 202e 203e		
	EV/Sales	11	10
EV/EBITDA	4.5	4.1	3.7
EV/EBIT	7.1	6.3	5.6
P/E adj.	12.2	10.5	9.1
Price/Bookvalue	17	15	13
Price/FCF	6.0	5.4	4.9
ROE	14.6	15.2	15.6
Dividend yield (%)	2.5	2.5	2.8

Number of shares (Mill.)	5.260		
Market Cap / EV (Mill. €)	128.0 / 131.9		
Free float	67.0%		
Ø daily trading vol. (3M, in T€)	222.729		
12 months high/low (XETRA-close)	€31.11 / 22.25		
Price Nov 2, 2011 (XETRA-close)	24.42 €		
Performance	1M	6M	12M
absolute	-5.1%	-16.2%	-6.8%
relative	-4.5%	-11.6%	-14.4%
Benchmark index	MEDTECH PERFORM.		



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

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Segment Discussion

Main sales driver, again, was the segment "Isotope Products" with 49% of total sales, followed by the segments "Therapy" (23%) and "Radiopharma" (23%). The business division "Environmental Services", operating as a separate segment since 2010, contributed 5% to total sales.

Isotope Products (Sales: €41/38.6 Mill. [2011/prior year], result: €8.6/7.3 Mill.)

Due to improvements of the segment's cost structure, about 57% of the sales increase by €2.4 Mill. is captured in the bottom line result of €8.6 Mill.

Therapy (Sales: €19.5/15.9 Mill., result: €0.8/2.0 Mill.)

The segment reports reduced revenues by 13%. However, comparability is limited owing to special revenues in last year's period, amounting to €1.5 Mill. in the context of the Russian joint venture. In addition, a delay in the approval of Afterloaders by the Chinese authorities contributes to the segment's negative growth. However, it is the Afterloaders sales that - according to management - will continue to be the growth driver within the segment. An increase in price pressure pertaining to seeds for the treatment of early-stage prostate carcinoma entailed a reduction of operating segment margins.

Radiopharma (Sales: €19.1/15.9 Mill., result: €1.8/0.8 Mill.)

Sales revenues within the segment clearly increased by 20% (yoy) accompanied by a disproportionately low rise in cost; this entailed an improvement of the segment's net margin by 4.1 %-age points.

Environmental Services (Sales: €4.0/4.1 Mill., result: €0.1/-0.3 Mill.)

The segment's revenues remained almost constant at €4.0 Mill. Due to cost reductions, segment earnings were not in deficit as in the year-back period but rather slightly positive at €0.1 Mill.

During Q3, sales slightly came down by 1%, net result even by 20% (yoy). The main reason for this are special revenues (installation of a production line for seeds in Russia), booked during the prior year. At the occasion of the analyst's conference call, the chairman of the Executive Board, Dr. Eckert, confirmed that there are no signs of a negative trend regarding business performance and sticks to the prognosis 2011 of revenues amounting to €110 - 120 Mill. and an EPS of €2.00.

Valuation

Based on the 9M results, we have not adjusted our DCF analysis and only updated our multiple valuation. We calculate a fair value of €39.60 and reiterate our "Buy" rating. With a prevailing PE 2011e of 12 (based on our EPS forecast of €2.01), we perceive the stock favorably valued considering the growth potential as well as the peer group's median P/E of 21.

Tables

Profit & Loss Account

Fiscal Year 31/12 • IFRS in T€	10a	11e	12e	13e	14e	10a	11e	12e	13e	14e	5y - CAGR
						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.+) <i>t/o deferred taxes (Exp./Inc.+)</i>	-3,938.0 <i>571.0</i>	-4,992.3 <i>-1,574.4</i>	-5,742.1 <i>-1,731.9</i>	-6,606.0 <i>-1,905.1</i>	-7,574.4 <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 in T€	10a	11e	12e	13e	14e	10a	11e	12e	13e	14e	5y - CAGR
						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

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	19.1	18.1	17.0	15.6	14.1
Intangible Assets	40,885.0	40,605.7	40,309.6	39,998.6	39,675.3	28.3	27.6	26.8	25.5	24.0
<i>t/o Goodwill</i>	30,410.0	30,410.0	30,410.0	30,410.0	30,410.0	21.0	20.7	20.2	19.4	18.4
Deferred Tax	12,204.0	10,629.6	8,897.7	6,992.6	5,087.6	8.4	7.2	5.9	4.5	3.1
Other Fixed Assets	1,328.0	1,760.0	1,760.0	1,760.0	1,760.0	0.9	1.2	1.2	1.1	1.1
Total Fixed Assets	82,019.0	79,611.8	76,539.3	73,226.5	69,857.5	56.8	54.2	50.8	46.7	42.3
Inventories	12,678.0	13,565.5	14,379.4	15,098.4	15,702.3	8.8	9.2	9.5	9.6	9.5
Accounts Receivable	17,252.0	18,459.6	19,567.2	20,545.6	21,367.4	11.9	12.6	13.0	13.1	12.9
Total Liquid Funds	29,216.0	31,820.0	36,407.3	44,088.9	54,181.7	20.2	21.6	24.2	28.1	32.8
Other Current Assets	3,302.0	3,533.1	3,745.1	3,932.4	4,089.7	2.3	2.4	2.5	2.5	2.5
Total Current Assets	62,448.0	67,378.3	74,099.0	83,665.2	95,341.1	43.2	45.8	49.2	53.3	57.7
Balance Sheet Total	144,467.0	146,990.1	150,638.3	156,891.7	165,198.5	100.0	100.0	100.0	100.0	100.0
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	3.7	3.6	3.5	3.4	3.2
Share Premium	53,874.0	53,874.0	53,874.0	53,874.0	53,874.0	37.3	36.7	35.8	34.3	32.6
Retained Earnings & Other Reserves	9,145.0	16,575.1	25,597.1	36,021.7	48,004.0	6.3	11.3	17.0	23.0	29.1
Shareholders Equity	68,312.0	75,742.1	84,764.0	95,188.7	107,171.0	47.3	51.5	56.3	60.7	64.9
Minorities	5,293.0	6,009.1	6,796.8	7,663.3	8,616.4	3.7	4.1	4.5	4.9	5.2
Group Equity	73,605.0	81,751.2	91,560.9	102,852.0	115,787.4	50.9	55.6	60.8	65.6	70.1
Provisions	23,754.0	22,754.0	21,754.0	20,754.0	19,754.0	16.4	15.5	14.4	13.2	12.0
<i>t/o Pension Provisions</i>	5,913.0	6,326.9	6,706.5	7,041.9	7,323.5	4.1	4.3	4.5	4.5	4.4
Other Liabilities	47,108.0	42,484.9	37,323.4	33,285.7	29,657.1	32.6	28.9	24.8	21.2	18.0
Total Liabilities	70,862.0	65,238.9	59,077.4	54,039.7	49,411.1	49.1	44.4	39.2	34.4	29.9
<i>t/o LT Liabilities</i>	42,112.0	37,112.0	32,112.0	27,612.0	23,612.0	29.1	25.2	21.3	17.6	14.3
<i>t/o ST Liab. <1Y</i>	28,750.0	28,126.9	26,965.4	26,427.7	25,799.0	19.9	19.1	17.9	16.8	15.6
<i>t/o Acc Payable & Adv. Paymts.</i>	7,697.0	7,486.8	7,194.0	7,553.7	7,855.8	5.3	5.1	4.8	4.8	4.8
Balance Sheet Total	144,467.0	146,990.1	150,638.3	156,891.7	165,198.5	100.0	100.0	100.0	100.0	100.0

Source: BankM Research

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Author: Dr. Roger Becker, CEFA, Biologist

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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	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
Dr. Roger Becker	May 3, 2011	Buy	€40.50
Dr. Roger Becker	August 5, 2011	Buy	€38.30

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.

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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:

November 3, 2011

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

Closing prices of November 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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