Eckert & Ziegler

10 May 2005

Buy

Target price:
€ 18.00

Price: € 10.80
9 May 2005 17:30 h

Latest rating:
Buy

Last analysis:
29 March 2005

S&P rating: n.r.

Medical technology

Number of shares:
3.25 mn

Market capitalisation:
€ 35.1 mn

Index: Techn. All Share

Index weighting:
0.103 %

Beta: 1.6

Accounting:
US-GAAP

Dates:
Q2 on 09 August 2005

Dividend 2004e:
€ 0.25

ISIN DE0005659700

Bloomberg: EUZ GR

Reuters: EUZG.DE

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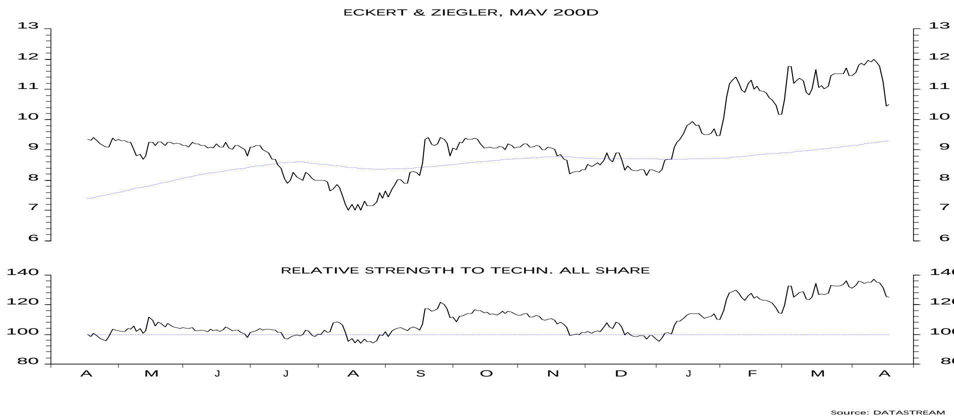
Delivery of equipment postponed.

The revenues and earnings reported by Eckert & Ziegler (EZAG) for the first quarter of 2005 fell short of our expectations. This was largely due to delays in delivering radiation equipment. New registrations in the markets as well as construction delays on the part of customers took their toll on Q1 revenues. As these are merely postponements, we retain our positive overall assessment.

Share Data	EPS current €	EPS previous €	PSR	EV/EBITDA	PER
2003*	0,25	0,25	1,1	5,5	38,9
2004*	0,74	0,74	1,0	4,8	14,6
2005e	0,55	0,55	0,9	4,1	19,5
2006e	0,72	0,72	0,7	3,6	15,1

Company Data	Revenues €m	EBITDA €m	EBIT €m	EBIT-Margin	Net Profit €m
2003*	29,2	5,9	2,2	7,5 %	0,8
2004*	34,5	6,8	3,2	9,2 %	2,3
2005e	40,7	7,9	4,1	10,0 %	1,8
2006e	47,0	8,9	4,9	10,5 %	2,3

*without one time exceptionals from SFAS 143 and changes of accounting principles



Highlights

++ Internationally renowned and established isotope specialist.
\+ Further high growth potential for brachytherapy in Europe
\+ Further growth via acquisitions planned

-- Revenues postponed.
\- Weak growth in sub-markets
\- Uncertain growth forecast on the part of EZAG.

Please note the disclaimer on the last page of this study.

No multiple-based valuation

Company profile

- Eckert & Ziegler (EZAG) is a Berlin-based producer of isotopes. Its products are used for industrial and medical purposes, e.g. as a source of radiation for detection equipment as well as in therapeutic products for treating cancer (so-called seeds).

Valuation

Multiple-based valuation

- We have not carried out any multiple-based valuation for EZAG. Potentially comparable companies such as IBT or Theragenics are either still operating at a loss or the data required for a peer group comparison is not available.

Discounted cash flow method

- Our DCF model is based on the following assumptions:

Calculation data		**Growth drivers (Phase II; to revenues)**	
Equity ratio	60,0 %	Revenue growth	7,0 %
Debt ratio	40,0 %	EBIT margin	10,0 %
Risk free interest rate	3,4 %	Tax rate	40,0 %
Market premium	6,3 %	Provision ratio	11,0 %
Beta	1,6	Depreciation ratio	7,0 %
Company specific premiun	2,5 %	Investment ratio	7,0 %
WACC	9,5 %	Working capital ratio	25,0 %
		Sustainable growth	1,0 %

Source: LBBW

- The risk-free interest rate and the risk premium have been adjusted to allow for current values; the other figures have not been changed since our last analysis.
- On the basis of a detailed five-year detailed plan and a five-year projection supported by growth drivers, the DCF calculation reads as follows:

€m	2005e	2006e	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e
Revenues	**40,7**	**47,0**	**51,7**	**55,3**	**59,2**	**63,3**	**67,8**	**72,5**	**77,6**	**83,0**
Grwoth (yoy)	*18,1 %*	*15,5 %*	*10,0 %*	*7,0 %*	*7,0 %*	*7,0 %*	*7,0 %*	*7,0 %*	*7,0 %*	*7,0 %*
EBIT	**4,1**	**4,9**	**5,4**	**5,8**	**6,2**	**6,3**	**6,8**	**7,3**	**7,8**	**8,3**
EBIT margin	*10,0 %*	*10,5 %*	*10,5 %*	*10,5 %*	*10,5 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*
Taxes	1,9	2,2	2,4	2,4	2,6	2,5	2,7	2,9	3,1	3,3
Tax rate	*-50,0 %*	*-48,0 %*	*-46,0 %*	*-43,0 %*	*-43,0 %*	*-40,0 %*	*-40,0 %*	*-40,0 %*	*-40,0 %*	*-40,0 %*
Depreciation/Amortisation	-3,8	-4,0	-4,2	-4,4	-4,6	-4,4	-4,7	-5,1	-5,4	-5,8
to revenues	*-9,3 %*	*-8,4 %*	*-8,1 %*	*-7,9 %*	*-7,8 %*	*-7,0 %*	*-7,0 %*	*-7,0 %*	*-7,0 %*	*-7,0 %*
Provisions	4,7	5,2	5,7	6,3	6,9	7,0	7,5	8,0	8,5	9,1
to revenues	*11,6 %*	*11,1 %*	*11,1 %*	*11,4 %*	*11,7 %*	*11,0 %*	*11,0 %*	*11,0 %*	*11,0 %*	*11,0 %*
Change	0,4	0,5	0,5	0,6	0,6	0,0	0,5	0,5	0,6	0,6
Cashflow from operating activities	6,4	7,1	7,7	8,4	8,9	8,3	9,3	10,0	10,6	11,4
Investments	2,9	3,3	3,6	4,0	4,4	4,4	4,7	5,1	5,4	5,8
to revenues	7,1 %	7,0 %	7,0 %	7,2 %	7,4 %	7,0 %	7,0 %	7,0 %	7,0 %	7,0 %
Working Capital	10,9	11,7	12,5	13,6	14,7	15,8	16,9	18,1	19,4	20,8
to revenues	26,9 %	24,8 %	24,1 %	24,5 %	24,9 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %
Change	0,9	0,8	0,8	1,1	1,2	1,1	1,1	1,2	1,3	1,4
Free Cashflow	**2,6**	**3,1**	**3,3**	**3,3**	**3,3**	**2,7**	**3,4**	**3,7**	**3,9**	**4,2**

Source: LBBW

Fair value per share: € 25.54

- This forecast, combined with a final growth rate of 1.0 %, results in an enterprise value of € 76.2 million or € 25.54 per share. We have subjected this figure to a sensitivity analysis, which produces the following result:

Sensitivity analysis

Value of equity (€m)			
	Discounting rate		
Growth	**8,5 %**	**9,5 %**	**10,5 %**
0,0 %	76,9	71,3	66,6
1,0 %	83,1	76,2	70,6
2,0 %	91,2	82,4	75,4

Value of equity per share (€)			
	Discounting rate		
Growth	**8,5 %**	**9,5 %**	**10,5 %**
0,0 %	25,80	23,90	22,33
1,0 %	27,87	25,54	23,66
2,0 %	30,58	27,61	25,29

Source: LBBW

Recommendation

Deliveries merely delayed

- The assumptions underlying our forecasts have not changed. The deliveries that were not placed on the books in the first quarter of the year have been merely delayed, meaning that there is no change in our full-year forecast.
- Given the tight market – as well as the psychological effect of the rather weak Q1 figures -, we are not convinced that the fair value of € 25.54 can be achieved within our forecast period. We currently consider a discount of 30% to be reasonable and reaffirm our Buy recommendation for EZAG stock with a target price of € 18.00.

Buy

Profit & Loss Account €m	**2002**	**2003**	**2004e**	**2005e**	**2006e**
Revenues	**31,2**	**29,2**	**34,5**	**40,7**	**47,0**
Cost of Sales	-16,0	-15,7	-18,1	-21,6	-25,4
Gross Profit	**15,3**	**13,5**	**16,4**	**19,1**	**21,6**
Margin	*48,9%*	*46,1%*	*47,5%*	*47,0%*	*46,0%*
R&D Expenses	-3,4	-2,2	-0,8	-1,4	-1,6
G&A Expenses	-11,3	-9,3	-12,5	-13,6	-15,0
Other Income	1,4	0,2	0,1	0,0	0,0
EBITDA	**6,3**	**5,9**	**6,8**	**7,9**	**8,9**
Margin	*20,0%*	*20,1%*	*19,7%*	*19,3%*	*18,9%*
Depreciation and Amortisation	-4,3	-3,7	-3,6	-3,8	-4,0
EBIT	**2,0**	**2,2**	**3,2**	**4,1**	**4,9**
Margin	*6,4%*	*7,5%*	*9,2%*	*10,0%*	*10,5%*
Net Financial Income/Expense	-1,1	-0,3	-0,2	-0,3	-0,3
EBT	**0,9**	**1,9**	**3,0**	**3,8**	**4,7**
Margin	*2,9%*	*6,4%*	*8,8%*	*9,3%*	*9,9%*
Income Taxes	-0,6	-1,0	-0,9	-1,9	-2,2
EAT	**0,3**	**0,8**	**2,1**	**1,9**	**2,4**
Margin	*1,1%*	*2,8%*	*6,2%*	*4,6%*	*5,2%*
Extraordinaries	0,0	-2,0	1,2	0,0	0,0
Minorities	0,0	-0,1	-0,1	-0,1	-0,1
Net Profit	**0,3**	**-1,3**	**3,2**	**1,8**	**2,3**
Margin	*1,1%*	*neg.*	*9,3%*	*4,3%*	*4,9%*
Earnings per share before extraordinaries (€)	**0,11**	**0,25**	**0,66**	**0,54**	**0,71**
Earnings per share before minorities(€)	**0,11**	**-0,39**	**1,09**	**0,58**	**0,75**
Earnings per share before extraordinaries and minorities (€)	**0,11**	**0,28**	**0,70**	**0,58**	**0,75**
Earnings per share (€)	**0,11**	**-0,42**	**1,05**	**0,54**	**0,71**

Source: LBBW

LBBW is subject to the supervision of the Federal Financial Supervisory Authority (BaFin), Bonn/Frankfurt.

LBBW uses a three-stage, absolute share rating system. The individual ratings are linked to the following expectations: **Buy:** The price potential of the share is at least 10%. **Hold**: The price potential of the share is between 0% and 10%. **Sell:** A negative price performance of the share is expected. Ratings relate to a time horizon of up to 6 months.

Percentage of companies within this rating category		
Buy	Hold	Sell
43,5%	40,9%	15,5%

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