



**Buy** (old: Buy)

**Price target: EUR 48.00** (old: EUR 43.00)

|                   |           |                          |                 |
|-------------------|-----------|--------------------------|-----------------|
| <b>Price:</b>     | EUR 35.20 | <b>Next result:</b>      | FY '17 22.03.18 |
| <b>Bloomberg:</b> | EUZ GR    | <b>Market cap:</b>       | EUR 180.8 m     |
| <b>Reuters:</b>   | EUZG.DE   | <b>Enterprise Value:</b> | EUR 157.1 m     |

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## Uncovering the value of a hidden champion; est. & PT up

As a leading provider of isotope technology Eckert&Ziegler (EUZ) has always been a high quality company occupying **attractive niche markets with substantial entry barriers**. Over the recent past however the sound competitive quality has not been fully translated into consistent earnings growth as the company was digesting acquisitions while pushing ahead with reorganisation initiatives. **This however look set to change.**

By exiting unprofitable business activities, closing underutilised units and streamlining processes **EUZ has positioned itself for a healthy earnings growth ahead**. We expect EPS to grow by c. 9% CAGR through 2020E to € 2.95 which is accompanied by a comfortable divi yield of >2%. Reassuringly, these positive dynamics were already evidenced by solid 11% yoy EBIT growth to € 15m in 9m 2017, which was supported by sound 6% yoy organic sales growth to € 100m, providing confidence in turnaround.

One of the key earnings drivers is the **Isotope Products segment (>50% of sales)** focussing on medical, scientific and industrial applications of isotope-based components. Here, we expect fadeout of the M&A integration costs and a normalising product mix (ie higher demand for industrial components) to drive **+14% EPS CAGR by 2020E to € 1.75**. Also, **Radiation Therapy (c. 20% of sales)** looks set to return to a positive earnings contribution delivering **+8% EPS CAGR by 2020E to € 0.35** thanks to streamlined cost base and increasing demand from emerging markets due to cost advantages of EUZ's cost efficient Cobalt-based radiation devices. Not least, thriving on increasing demand for generators after FDA approval of NETSPOT (cancer diagnostic product) where EUZ is the only approved supplier of radionuclide generators, **Radiopharma is poised for +4% EPS CAGR by 2020 to € 1.20**.

**The best part is: valuation looks almost too good to be true**, especially in light of the improving earnings growth outlook. Adjusting for the excess cash (net cash of € 50m) **EUZ trades only on 9.5x PER 2019E** and hence on a substantial discount to the sector (see next page). While a certain discount seems appropriate given the rather limited scope for growth as a niche-player with often >50% market share in its end-markets, the **lofty discount looks unjustified**, in our view.

We roll valuation forward on FCFY '19E (old: FCFY '18E) to better reflect the improving earnings growth prospects. The **new PT is € 48.00 (old: € 43.00)** backed by the peer group analysis (see next page).  
- continued -

| Y/E 31.12 (EUR m)   | 2013   | 2014   | 2015    | 2016    | 2017E   | 2018E   | 2019E   |
|---------------------|--------|--------|---------|---------|---------|---------|---------|
| Sales               | 117.1  | 127.3  | 139.7   | 137.9   | 141.0   | 147.8   | 151.8   |
| Sales growth        | -2.1   | 9 %    | 10 %    | -1 %    | 2 %     | 5 %     | 3 %     |
| EBITDA              | 22.1   | 20.1   | 27.0    | 25.0    | 28.1    | 30.9    | 32.7    |
| EBIT                | 12.8   | 13.0   | 18.2    | 16.2    | 19.1    | 21.4    | 23.0    |
| Net income          | 9.1    | 6.8    | 10.7    | 9.6     | 15.2    | 13.3    | 14.3    |
| Net debt            | -6.8   | -3.1   | -15.9   | -24.9   | -35.7   | -42.8   | -52.3   |
| Net gearing         | -8.2 % | -3.5 % | -16.0 % | -23.7 % | -30.3 % | -33.9 % | -38.5 % |
| Net Debt/EBITDA     | 0.0    | 0.0    | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| EPS pro forma       | 1.72   | 1.28   | 2.21    | 1.97    | 2.28    | 2.52    | 2.71    |
| CPS                 | 1.14   | 0.82   | 1.62    | 2.42    | 1.44    | 2.02    | 2.50    |
| DPS                 | 0.60   | 0.60   | 0.60    | 0.66    | 0.73    | 0.80    | 0.88    |
| Dividend yield      | 1.7 %  | 1.7 %  | 1.7 %   | 1.9 %   | 2.1 %   | 2.3 %   | 2.5 %   |
| Gross profit margin | 48.7 % | 50.1 % | 45.0 %  | 47.9 %  | 46.3 %  | 49.8 %  | 49.9 %  |
| EBITDA margin       | 18.8 % | 15.8 % | 19.3 %  | 18.1 %  | 19.9 %  | 20.9 %  | 21.5 %  |
| EBIT margin         | 10.9 % | 10.2 % | 13.0 %  | 11.8 %  | 13.5 %  | 14.5 %  | 15.1 %  |
| ROCE                | 9.3 %  | 8.6 %  | 11.6 %  | 9.8 %   | 11.3 %  | 12.4 %  | 12.5 %  |
| EV/sales            | 1.6    | 1.5    | 1.3     | 1.2     | 1.1     | 1.0     | 0.9     |
| EV/EBITDA           | 8.3    | 9.4    | 6.5     | 6.7     | 5.6     | 4.9     | 4.3     |
| EV/EBIT             | 14.3   | 14.6   | 9.6     | 10.3    | 8.2     | 7.0     | 6.1     |
| PER                 | 20.5   | 27.5   | 16.0    | 17.9    | 15.5    | 13.9    | 13.0    |
| Adjusted FCF yield  | 5.4 %  | 4.7 %  | 8.1 %   | 7.5 %   | 8.7 %   | 10.0 %  | 11.5 %  |

Source: Company data, Hauck & Aufhäuser Close price as of: 14.11.2017



Source: Company data, Hauck & Aufhäuser

|                                     |               |
|-------------------------------------|---------------|
| <b>High/low 52 weeks:</b>           | 37.75 / 21.82 |
| <b>Price/Book Ratio:</b>            | 1.6           |
| <b>Relative performance (SDAX):</b> |               |
| 3 months                            | -2.2 %        |
| 6 months                            | 12.1 %        |
| 12 months                           | 32.2 %        |

### Changes in estimates

|      |      | Sales | EBIT | EPS  |
|------|------|-------|------|------|
| 2017 | old: | 141.0 | 19.1 | 2.28 |
|      | Δ    | -     | -    | -    |
| 2018 | old: | 152.8 | 21.0 | 2.42 |
|      | Δ    | -3.3% | 2.1% | 4.1% |
| 2019 | old: | 157.4 | 22.1 | 2.57 |
|      | Δ    | -3.6% | 4.0% | 5.7% |

### Key share data:

|                               |        |
|-------------------------------|--------|
| Number of shares: (in m pcs)  | 5.3    |
| Authorised capital: (in € m)  | 0.6    |
| Book value per share: (in €)  | 22.2   |
| Ø trading volume: (12 months) | 20,453 |

### Major shareholders:

|                     |        |
|---------------------|--------|
| Free float          | 67.8 % |
| Founders            | 32.2 % |
| Eckert & Ziegler AG | 0.1 %  |

### Company description:

Produces and markets a wide range of industrial and medical applications featuring radioactive isotopes, including prostate seed implants, calibration standards and radiation afterloaders.

# Eckert & Ziegler AG

**Action:** We adjust our sales estimate to reflect portfolio realignment measures (M&A and divestments). EBIT estimates are raised reflecting more favourable earnings growth prospects.

**EUZ is trading on a substantial discount to the sector...**

| ECKERT+ZIEGLER AG O.N.                              | PER 17E (x) | PER 18E (x) | PER 19E (x) |
|---|-------------|-------------|-------------|
| CARL ZEISS MEDITEC AG                               | 33.1        | 33.1        | 29.5        |
| DRAEGERWERK VZO O.N.                                | 16.4        | 13.8        | 12.3        |
| SARTORIUS AG VZO O.N.                               | 52.4        | 43.0        | 35.8        |
| STRATEC BIOMEDICAL NA                               | 33.3        | 28.2        | 23.6        |
| <b>ECKERT+ZIEGLER AG O.N. (adj for excess cash)</b> | <b>12.7</b> | <b>11.0</b> | <b>9.7</b>  |
| <b>Median (peer group)</b>                          | <b>33.2</b> | <b>30.6</b> | <b>26.5</b> |
| <b>Premium+/discount- in (%)</b>                    | <b>-62%</b> | <b>-64%</b> | <b>-64%</b> |

Source: H&A estimates, CapitalIQ, company filings

...which can **ONLY** be partially explained by lower EPS growth prospects due to its “niche-player” status.

| ECKERT+ZIEGLER AG O.N.           | Price       | MC (€m)      | EBITDA margin 17E | Dividend yield 17E | 5Y EPS CAGR  | 5Y EPS CAGR* |
|----------------------------------|-------------|--------------|-------------------|--------------------|--------------|--------------|
| CARL ZEISS MEDITEC AG            | 48.3        | 4,324        | 17.1%             | 1.1%               | 10.1%        | 11.2%        |
| DRAEGERWERK VZO O.N.             | 78.3        | 595          | 9.0%              | 0.2%               | 12.2%        | 12.5%        |
| SARTORIUS AG VZO O.N.            | 77.0        | 5,767        | 24.7%             | 0.7%               | 18.0%        | 18.7%        |
| STRATEC BIOMEDICAL NA            | 61.7        | 732          | 20.2%             | 1.4%               | 13.7%        | 15.1%        |
| <b>ECKERT+ZIEGLER AG O.N.</b>    | <b>35.2</b> | <b>185.9</b> | <b>19.9%</b>      | <b>2.2%</b>        | <b>8.0%</b>  | <b>10.2%</b> |
| <b>median peer group</b>         |             |              | <b>18.6%</b>      | <b>0.9%</b>        | <b>13.5%</b> | <b>14.4%</b> |
| <i>Premium+/discount- in (%)</i> |             |              | 7.0%              | 148.3%             | -40.8%       | -29.0%       |

Source: H&A estimates, CapitalIQ, company filings \* incl. effect of dividends

**Peer group valuation underscores attractive upside.**

| Implied FV                       | PER 17E (x)  | PER 18E (x)  | PER 19E (x)  |
|----------------------------------|--------------|--------------|--------------|
| Peer group median PE             | 33.2         | 30.6         | 26.5         |
| Appropriate discount (eH&A)      | -30%         | -30%         | -30%         |
| Fair PE                          | 23.2         | 21.4         | 18.6         |
| <b>Fair MC</b>                   | <b>279.4</b> | <b>286.0</b> | <b>266.5</b> |
| Nosh                             | 5.3          | 5.3          | 5.3          |
| <b>implied FV</b>                | <b>52.8</b>  | <b>54.1</b>  | <b>50.4</b>  |
| <i>Premium+/discount- in (%)</i> | -33.5%       | -35.0%       | -30.2%       |
| <b>implied FV</b>                |              | <b>52.8</b>  |              |

Upside(+)/downside(-)

50.3%

## Financials

| Profit and loss (EUR m)                                   | 2013         | 2014         | 2015         | 2016         | 2017E        | 2018E        | 2019E        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Sales</b>  | <b>117.1</b> | <b>127.3</b> | <b>139.7</b> | <b>137.9</b> | <b>141.0</b> | <b>147.8</b> | <b>151.8</b> |
| Sales growth  | -2.4 %       | 8.6 %        | 9.8 %        | -1.3 %       | 2.2 %        | 4.8 %        | 2.7 %        |
| Cost of sales   | 60.1         | 63.5         | 76.9         | 71.8         | 75.7         | 74.2         | 76.0         |
| <b>Gross profit</b>                                       | <b>57.1</b>  | <b>63.8</b>  | <b>62.9</b>  | <b>66.1</b>  | <b>65.3</b>  | <b>73.6</b>  | <b>75.7</b>  |
| Sales and marketing                                       | 21.9         | 23.6         | 25.5         | 22.6         | 22.8         | 23.9         | 24.4         |
| General and administration                                | 23.9         | 25.0         | 26.3         | 26.7         | 27.1         | 28.7         | 29.3         |
| Research and development                                  | 4.9          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other operating income                                    | 8.6          | 2.9          | 13.2         | 5.1          | 5.2          | 5.5          | 5.6          |
| Other operating expenses                                  | 2.2          | 5.1          | 6.1          | 5.7          | 1.5          | 5.0          | 4.6          |
| Unusual or infrequent items                               | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>EBITDA</b>   | <b>22.1</b>  | <b>20.1</b>  | <b>27.0</b>  | <b>25.0</b>  | <b>28.1</b>  | <b>30.9</b>  | <b>32.7</b>  |
| Depreciation  | 9.3          | 7.1          | 8.8          | 8.8          | 9.0          | 9.5          | 9.7          |
| <b>EBITA</b>  | <b>12.8</b>  | <b>13.0</b>  | <b>18.2</b>  | <b>16.2</b>  | <b>19.1</b>  | <b>21.4</b>  | <b>23.0</b>  |
| Amortisation of goodwill                                  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Amortisation of intangible assets                         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Impairment charges  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>EBIT</b>   | <b>12.8</b>  | <b>13.0</b>  | <b>18.2</b>  | <b>16.2</b>  | <b>19.1</b>  | <b>21.4</b>  | <b>23.0</b>  |
| Interest income   | 1.3          | 0.5          | 0.2          | 0.4          | 0.2          | 0.2          | 0.2          |
| Interest expenses   | 1.2          | 1.6          | 1.4          | 1.4          | 1.4          | 1.4          | 1.4          |
| Other financial result                                    | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Financial result  | 0.1          | -1.2         | -1.3         | -0.9         | -1.2         | -1.2         | -1.2         |
| <b>Recurring pretax income from continuing operations</b> | <b>12.9</b>  | <b>11.8</b>  | <b>16.9</b>  | <b>15.3</b>  | <b>17.9</b>  | <b>20.2</b>  | <b>21.8</b>  |
| Extraordinary income/loss                                 | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Earnings before taxes</b>                              | <b>12.9</b>  | <b>11.8</b>  | <b>16.9</b>  | <b>15.3</b>  | <b>17.9</b>  | <b>20.2</b>  | <b>21.8</b>  |
| Taxes   | 2.4          | 5.3          | 5.6          | 4.6          | 6.3          | 7.1          | 7.6          |
| <b>Net income from continuing operations</b>              | <b>10.5</b>  | <b>6.5</b>   | <b>11.3</b>  | <b>10.7</b>  | <b>11.6</b>  | <b>13.1</b>  | <b>14.1</b>  |
| Result from discontinued operations (net of tax)          | 0.0          | 0.0          | -0.9         | -0.9         | 3.2          | 0.0          | 0.0          |
| <b>Net income</b>   | <b>10.5</b>  | <b>6.5</b>   | <b>10.4</b>  | <b>9.8</b>   | <b>14.8</b>  | <b>13.1</b>  | <b>14.1</b>  |
| Minority interest   | 1.4          | -0.3         | -0.4         | 0.2          | -0.4         | -0.2         | -0.2         |
| <b>Net income (net of minority interest)</b>              | <b>9.1</b>   | <b>6.8</b>   | <b>10.7</b>  | <b>9.6</b>   | <b>15.2</b>  | <b>13.3</b>  | <b>14.3</b>  |
| Average number of shares                                  | 5.3          | 5.3          | 5.3          | 5.3          | 5.3          | 5.3          | 5.3          |
| <b>EPS reported</b>                                       | <b>1.72</b>  | <b>1.28</b>  | <b>2.03</b>  | <b>1.81</b>  | <b>2.88</b>  | <b>2.52</b>  | <b>2.71</b>  |

| Profit and loss (common size)                             | 2013           | 2014           | 2015           | 2016           | 2017E          | 2018E          | 2019E          |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Sales</b>  | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> |
| Cost of sales   | 51.3 %         | 49.9 %         | 55.0 %         | 52.1 %         | 53.7 %         | 50.2 %         | 50.1 %         |
| <b>Gross profit</b>                                       | <b>48.7 %</b>  | <b>50.1 %</b>  | <b>45.0 %</b>  | <b>47.9 %</b>  | <b>46.3 %</b>  | <b>49.8 %</b>  | <b>49.9 %</b>  |
| Sales and marketing                                       | 18.7 %         | 18.5 %         | 18.3 %         | 16.4 %         | 16.2 %         | 16.2 %         | 16.1 %         |
| General and administration                                | 20.4 %         | 19.7 %         | 18.8 %         | 19.4 %         | 19.2 %         | 19.4 %         | 19.3 %         |
| Research and development                                  | 4.2 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| Other operating income                                    | 7.4 %          | 2.3 %          | 9.4 %          | 3.7 %          | 3.7 %          | 3.7 %          | 3.7 %          |
| Other operating expenses                                  | 1.8 %          | 4.0 %          | 4.3 %          | 4.2 %          | 1.0 %          | 3.4 %          | 3.1 %          |
| Unusual or infrequent items                               | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| <b>EBITDA</b>   | <b>18.8 %</b>  | <b>15.8 %</b>  | <b>19.3 %</b>  | <b>18.1 %</b>  | <b>19.9 %</b>  | <b>20.9 %</b>  | <b>21.5 %</b>  |
| Depreciation  | 7.9 %          | 5.6 %          | 6.3 %          | 6.4 %          | 6.4 %          | 6.4 %          | 6.4 %          |
| <b>EBITA</b>  | <b>10.9 %</b>  | <b>10.2 %</b>  | <b>13.0 %</b>  | <b>11.8 %</b>  | <b>13.5 %</b>  | <b>14.5 %</b>  | <b>15.1 %</b>  |
| Amortisation of goodwill                                  | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| Amortisation of intangible assets                         | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| Impairment charges  | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| <b>EBIT</b>   | <b>10.9 %</b>  | <b>10.2 %</b>  | <b>13.0 %</b>  | <b>11.8 %</b>  | <b>13.5 %</b>  | <b>14.5 %</b>  | <b>15.1 %</b>  |
| Interest income   | 1.1 %          | 0.4 %          | 0.1 %          | 0.3 %          | 0.1 %          | 0.1 %          | 0.1 %          |
| Interest expenses   | 1.0 %          | 1.3 %          | 1.0 %          | 1.0 %          | 1.0 %          | 0.9 %          | 0.9 %          |
| Other financial result                                    | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| Financial result  | 0.1 %          | -0.9 %         | -0.9 %         | -0.7 %         | -0.9 %         | -0.8 %         | -0.8 %         |
| <b>Recurring pretax income from continuing operations</b> | <b>11.0 %</b>  | <b>9.3 %</b>   | <b>12.1 %</b>  | <b>11.1 %</b>  | <b>12.7 %</b>  | <b>13.7 %</b>  | <b>14.3 %</b>  |
| Extraordinary income/loss                                 | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| <b>Earnings before taxes</b>                              | <b>11.0 %</b>  | <b>9.3 %</b>   | <b>12.1 %</b>  | <b>11.1 %</b>  | <b>12.7 %</b>  | <b>13.7 %</b>  | <b>14.3 %</b>  |
| Tax rate  | 18.9 %         | 44.9 %         | 33.2 %         | 30.3 %         | 35.0 %         | 35.0 %         | 35.0 %         |
| <b>Net income from continuing operations</b>              | <b>9.0 %</b>   | <b>5.1 %</b>   | <b>8.1 %</b>   | <b>7.7 %</b>   | <b>8.2 %</b>   | <b>8.9 %</b>   | <b>9.3 %</b>   |
| Result from discontinued operations (net of tax)          | 0.0 %          | 0.0 %          | -0.7 %         | -0.6 %         | 2.3 %          | 0.0 %          | 0.0 %          |
| <b>Net income</b>   | <b>9.0 %</b>   | <b>5.1 %</b>   | <b>7.4 %</b>   | <b>7.1 %</b>   | <b>10.5 %</b>  | <b>8.9 %</b>   | <b>9.3 %</b>   |
| Minority interest   | 1.2 %          | -0.2 %         | -0.3 %         | 0.2 %          | -0.3 %         | -0.1 %         | -0.1 %         |
| <b>Net income (net of minority interest)</b>              | <b>7.8 %</b>   | <b>5.3 %</b>   | <b>7.7 %</b>   | <b>6.9 %</b>   | <b>10.8 %</b>  | <b>9.0 %</b>   | <b>9.5 %</b>   |

Source: Company data, Hauck & Aufhäuser

| Balance sheet (EUR m)                                     | 2013         | 2014         | 2015         | 2016         | 2017E        | 2018E        | 2019E        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Intangible assets</b>                                  | <b>52.7</b>  | <b>55.6</b>  | <b>54.1</b>  | <b>53.0</b>  | <b>53.0</b>  | <b>53.0</b>  | <b>53.0</b>  |
| Property, plant and equipment                             | 33.5         | 36.1         | 36.0         | 37.8         | 37.8         | 37.3         | 36.6         |
| Financial assets  | 7.3          | 6.3          | 2.8          | 2.9          | 2.9          | 2.9          | 2.9          |
| <b>FIXED ASSETS</b>                                       | <b>93.5</b>  | <b>98.0</b>  | <b>92.9</b>  | <b>93.7</b>  | <b>93.6</b>  | <b>93.2</b>  | <b>92.5</b>  |
| Inventories   | 17.8         | 24.3         | 25.0         | 25.1         | 27.6         | 29.0         | 29.8         |
| Accounts receivable                                       | 23.1         | 23.8         | 21.4         | 23.2         | 23.7         | 24.9         | 25.5         |
| Other current assets                                      | 5.2          | 9.9          | 16.5         | 11.9         | 8.7          | 9.1          | 9.3          |
| Liquid assets   | 29.4         | 21.8         | 31.5         | 36.6         | 38.7         | 45.5         | 54.7         |
| Deferred taxes  | 9.9          | 9.5          | 9.4          | 9.0          | 0.0          | 0.0          | 0.0          |
| Deferred charges and prepaid expenses                     | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>CURRENT ASSETS</b>                                     | <b>85.4</b>  | <b>89.3</b>  | <b>103.8</b> | <b>105.8</b> | <b>98.7</b>  | <b>108.4</b> | <b>119.3</b> |
| <b>TOTAL ASSETS</b>                                       | <b>178.9</b> | <b>187.3</b> | <b>196.7</b> | <b>199.5</b> | <b>192.4</b> | <b>201.6</b> | <b>211.8</b> |
| SHAREHOLDERS EQUITY                                       | 83.5         | 88.6         | 99.7         | 105.2        | 117.6        | 126.3        | 135.6        |
| MINORITY INTEREST   | 7.1          | 5.9          | 5.0          | 4.9          | 0.0          | 0.0          | 0.0          |
| Long-term debt  | 17.6         | 7.3          | 5.0          | 4.1          | 2.0          | 1.7          | 1.4          |
| Provisions for pensions and similar obligations           | 8.7          | 11.1         | 10.5         | 11.8         | 12.0         | 12.3         | 12.5         |
| Other provisions  | 28.0         | 27.2         | 31.4         | 35.3         | 36.0         | 36.7         | 37.4         |
| <b>Non-current liabilities</b>                            | <b>54.3</b>  | <b>45.6</b>  | <b>46.9</b>  | <b>51.2</b>  | <b>50.0</b>  | <b>50.7</b>  | <b>51.4</b>  |
| short-term liabilities to banks                           | 5.1          | 11.4         | 10.6         | 7.5          | 1.0          | 1.0          | 1.0          |
| Accounts payable  | 7.8          | 8.2          | 7.5          | 6.4          | 6.7          | 6.6          | 6.8          |
| Advance payments received on orders                       | 2.2          | 3.1          | 0.4          | 1.4          | 1.4          | 1.4          | 1.4          |
| Other liabilities (incl. from lease and rental contracts) | 15.5         | 19.5         | 18.6         | 15.6         | 15.6         | 15.6         | 15.6         |
| Deferred taxes  | 3.3          | 4.9          | 6.2          | 5.6          | 0.0          | 0.0          | 0.0          |
| Deferred income   | 0.1          | 0.1          | 1.8          | 1.7          | 0.0          | 0.0          | 0.0          |
| <b>Current liabilities</b>                                | <b>34.0</b>  | <b>47.2</b>  | <b>45.1</b>  | <b>38.2</b>  | <b>24.7</b>  | <b>24.6</b>  | <b>24.8</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>          | <b>178.9</b> | <b>187.3</b> | <b>196.7</b> | <b>199.5</b> | <b>192.4</b> | <b>201.6</b> | <b>211.8</b> |

| Balance sheet (common size)                               | 2013           | 2014           | 2015           | 2016           | 2017E          | 2018E          | 2019E          |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Intangible assets</b>                                  | <b>29.4 %</b>  | <b>29.7 %</b>  | <b>27.5 %</b>  | <b>26.6 %</b>  | <b>27.5 %</b>  | <b>26.3 %</b>  | <b>25.0 %</b>  |
| Property, plant and equipment                             | 18.7 %         | 19.3 %         | 18.3 %         | 19.0 %         | 19.6 %         | 18.5 %         | 17.3 %         |
| Financial assets  | 4.1 %          | 3.4 %          | 1.4 %          | 1.4 %          | 1.5 %          | 1.4 %          | 1.4 %          |
| <b>FIXED ASSETS</b>                                       | <b>52.2 %</b>  | <b>52.3 %</b>  | <b>47.2 %</b>  | <b>47.0 %</b>  | <b>48.7 %</b>  | <b>46.2 %</b>  | <b>43.7 %</b>  |
| Inventories   | 9.9 %          | 13.0 %         | 12.7 %         | 12.6 %         | 14.4 %         | 14.4 %         | 14.0 %         |
| Accounts receivable                                       | 12.9 %         | 12.7 %         | 10.9 %         | 11.6 %         | 12.3 %         | 12.3 %         | 12.1 %         |
| Other current assets                                      | 2.9 %          | 5.3 %          | 8.4 %          | 6.0 %          | 4.5 %          | 4.5 %          | 4.4 %          |
| Liquid assets   | 16.5 %         | 11.7 %         | 16.0 %         | 18.3 %         | 20.1 %         | 22.6 %         | 25.8 %         |
| Deferred taxes  | 5.6 %          | 5.1 %          | 4.8 %          | 4.5 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| Deferred charges and prepaid expenses                     | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| <b>CURRENT ASSETS</b>                                     | <b>47.8 %</b>  | <b>47.7 %</b>  | <b>52.8 %</b>  | <b>53.0 %</b>  | <b>51.3 %</b>  | <b>53.8 %</b>  | <b>56.3 %</b>  |
| <b>TOTAL ASSETS</b>                                       | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> |
| SHAREHOLDERS EQUITY                                       | 46.7 %         | 47.3 %         | 50.7 %         | 52.7 %         | 61.1 %         | 62.7 %         | 64.0 %         |
| MINORITY INTEREST   | 4.0 %          | 3.2 %          | 2.5 %          | 2.5 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| Long-term debt  | 9.8 %          | 3.9 %          | 2.5 %          | 2.1 %          | 1.0 %          | 0.8 %          | 0.7 %          |
| Provisions for pensions and similar obligations           | 4.9 %          | 5.9 %          | 5.3 %          | 5.9 %          | 6.3 %          | 6.1 %          | 5.9 %          |
| Other provisions  | 15.7 %         | 14.5 %         | 16.0 %         | 17.7 %         | 18.7 %         | 18.2 %         | 17.7 %         |
| <b>Non-current liabilities</b>                            | <b>30.3 %</b>  | <b>24.3 %</b>  | <b>23.8 %</b>  | <b>25.7 %</b>  | <b>26.0 %</b>  | <b>25.1 %</b>  | <b>24.3 %</b>  |
| short-term liabilities to banks                           | 2.8 %          | 6.1 %          | 5.4 %          | 3.8 %          | 0.5 %          | 0.5 %          | 0.5 %          |
| Accounts payable  | 4.3 %          | 4.4 %          | 3.8 %          | 3.2 %          | 3.5 %          | 3.3 %          | 3.2 %          |
| Advance payments received on orders                       | 1.3 %          | 1.6 %          | 0.2 %          | 0.7 %          | 0.7 %          | 0.7 %          | 0.7 %          |
| Other liabilities (incl. from lease and rental contracts) | 8.7 %          | 10.4 %         | 9.4 %          | 7.8 %          | 8.1 %          | 7.7 %          | 7.3 %          |
| Deferred taxes  | 1.8 %          | 2.6 %          | 3.2 %          | 2.8 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| Deferred income   | 0.1 %          | 0.1 %          | 0.9 %          | 0.8 %          | 0.0 %          | 0.0 %          | 0.0 %          |
| <b>Current liabilities</b>                                | <b>19.0 %</b>  | <b>25.2 %</b>  | <b>22.9 %</b>  | <b>19.1 %</b>  | <b>12.9 %</b>  | <b>12.2 %</b>  | <b>11.7 %</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>          | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> | <b>100.0 %</b> |

Source: Company data, Hauck & Aufhäuser

| Cash flow statement (EUR m)                          | 2013         | 2014         | 2015        | 2016        | 2017E        | 2018E       | 2019E       |
|--|--------------|--------------|-------------|-------------|--------------|-------------|-------------|
| Net profit/loss                                      | 10.5         | 6.5          | 10.4        | 9.8         | 14.8         | 13.1        | 14.1        |
| Depreciation of fixed assets (incl. leases)          | 2.6          | 7.1          | 8.8         | 8.8         | 9.0          | 9.5         | 9.7         |
| Amortisation of goodwill                             | 0.0          | 0.0          | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         |
| Amortisation of intangible assets                    | 0.0          | 0.0          | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         |
| Others   | 4.4          | 1.3          | -5.5        | -0.8        | -2.9         | 0.2         | 0.2         |
| Cash flow from operations before changes in w/c      | 17.6         | 14.9         | 13.6        | 17.7        | 20.9         | 22.8        | 24.1        |
| Increase/decrease in inventory                       | -2.1         | -5.1         | 0.3         | 0.3         | -2.5         | -1.3        | -0.8        |
| Increase/decrease in accounts receivable             | -0.2         | -0.8         | 2.0         | 2.0         | -0.5         | -1.1        | -0.7        |
| Increase/decrease in accounts payable                | -3.6         | 3.1          | 0.2         | 0.1         | 0.3          | -0.1        | 0.2         |
| Increase/decrease in other working capital positions | 2.9          | -1.5         | 0.1         | 0.2         | -1.7         | -0.4        | -0.2        |
| Increase/decrease in working capital                 | -2.9         | -4.3         | 2.6         | 2.6         | -4.5         | -3.0        | -1.5        |
| <b>Cash flow from operating activities</b>           | <b>14.6</b>  | <b>10.7</b>  | <b>16.2</b> | <b>20.3</b> | <b>16.4</b>  | <b>19.8</b> | <b>22.6</b> |
| CAPEX  | 9.7          | 7.8          | 3.8         | 5.3         | 9.0          | 9.0         | 9.0         |
| Payments for acquisitions                            | 7.4          | 0.8          | 0.6         | 0.2         | -6.4         | 0.0         | 0.0         |
| Financial investments                                | 0.4          | 2.3          | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         |
| Income from asset disposals                          | 0.0          | 0.1          | 5.4         | 0.0         | 0.0          | 0.0         | 0.0         |
| <b>Cash flow from investing activities</b>           | <b>-17.4</b> | <b>-10.8</b> | <b>1.0</b>  | <b>-5.5</b> | <b>-2.6</b>  | <b>-9.0</b> | <b>-9.0</b> |
| Cash flow before financing                           | -2.7         | -0.2         | 17.2        | 14.8        | 13.9         | 10.8        | 13.6        |
| Increase/decrease in debt position                   | 6.1          | -4.1         | -3.3        | -3.9        | -8.7         | -0.3        | -0.3        |
| Purchase of own shares                               | 0.0          | 0.0          | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         |
| Capital measures                                     | 0.0          | 0.0          | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         |
| Dividends paid                                       | 3.2          | 3.2          | 3.2         | 3.2         | 3.6          | 3.7         | 4.1         |
| Others   | -1.2         | -1.3         | -2.0        | -2.5        | 0.0          | 0.0         | 0.0         |
| Effects of exchange rate changes on cash             | -0.4         | 1.2          | 0.9         | 0.3         | 0.0          | 0.0         | 0.0         |
| <b>Cash flow from financing activities</b>           | <b>1.7</b>   | <b>-8.5</b>  | <b>-8.4</b> | <b>-9.5</b> | <b>-12.2</b> | <b>-4.0</b> | <b>-4.4</b> |
| Increase/decrease in liquid assets                   | -1.4         | -7.5         | 9.6         | 5.6         | 1.6          | 6.8         | 9.2         |
| <b>Liquid assets at end of period</b>                | <b>28.8</b>  | <b>21.2</b>  | <b>31.5</b> | <b>37.1</b> | <b>38.7</b>  | <b>45.5</b> | <b>54.7</b> |

Source: Company data, Hauck & Aufhäuser

| Regional split (EUR m) | 2013         | 2014         | 2015         | 2016         | 2017E        | 2018E        | 2019E        |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Domestic               | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| yoy change             | n/a          | n/a          | n/a          | n/a          | n/a          | n/a          | n/a          |
| Rest of Europe         | 68.9         | 67.6         | 72.0         | 74.5         | 84.9         | 96.8         | 110.4        |
| yoy change             | -1.0 %       | -1.9 %       | 6.5 %        | 3.5 %        | 14.0 %       | 14.0 %       | 14.0 %       |
| NAFTA                  | 32.8         | 41.6         | 44.5         | 46.1         | 53.0         | 60.9         | 70.1         |
| yoy change             | -0.9 %       | 26.8 %       | 7.0 %        | 3.5 %        | 15.0 %       | 15.0 %       | 15.0 %       |
| Asia Pacific           | 11.3         | 11.8         | 13.0         | 14.0         | 15.8         | 17.9         | 20.2         |
| yoy change             | -13.7 %      | 4.4 %        | 10.0 %       | 8.0 %        | 13.0 %       | 13.0 %       | 13.0 %       |
| Rest of world          | 4.1          | 6.3          | 10.3         | 3.3          | -12.8        | -27.9        | -48.9        |
| yoy change             | -2.4 %       | 53.7 %       | 62.9 %       | -67.5 %      | neg.         | neg.         | neg.         |
| <b>TTL</b>             | <b>117.1</b> | <b>127.3</b> | <b>139.7</b> | <b>137.9</b> | <b>141.0</b> | <b>147.8</b> | <b>151.8</b> |
| yoy change             | -2.4 %       | 8.6 %        | 9.8 %        | -1.3 %       | 2.2 %        | 4.8 %        | 2.7 %        |

Source: Company data, Hauck & Aufhäuser

| Key ratios (EUR m)                   | 2013    | 2014    | 2015    | 2016    | 2017E  | 2018E   | 2019E  |
|--------------------------------------|---------|---------|---------|---------|--------|---------|--------|
| <b>P&amp;L growth analysis</b>       |         |         |         |         |        |         |        |
| Sales growth                         | -2.4 %  | 8.6 %   | 9.8 %   | -1.3 %  | 2.2 %  | 4.8 %   | 2.7 %  |
| EBITDA growth                        | -19.7 % | -8.9 %  | 34.2 %  | -7.4 %  | 12.5 % | 9.8 %   | 5.8 %  |
| EBIT growth                          | -35.0 % | 1.1 %   | 40.6 %  | -10.9 % | 17.7 % | 12.2 %  | 7.2 %  |
| EPS growth                           | -11.9 % | -25.5 % | 58.2 %  | -10.9 % | 59.2 % | -12.2 % | 7.5 %  |
| <b>Efficiency</b>                    |         |         |         |         |        |         |        |
| Total operating costs / sales        | 37.8 %  | 39.9 %  | 31.9 %  | 36.2 %  | 32.7 % | 35.3 %  | 34.8 % |
| Sales per employee                   | n/a     | n/a     | n/a     | n/a     | n/a    | n/a     | n/a    |
| EBITDA per employee                  | n/a     | n/a     | n/a     | n/a     | n/a    | n/a     | n/a    |
| <b>Balance sheet analysis</b>        |         |         |         |         |        |         |        |
| Avg. working capital / sales         | 25.0 %  | 26.6 %  | 26.9 %  | 28.6 %  | 29.7 % | 30.1 %  | 30.6 % |
| Inventory turnover (sales/inventory) | 6.6     | 5.2     | 5.6     | 5.5     | 5.1    | 5.1     | 5.1    |
| Trade debtors in days of sales       | 72.1    | 68.2    | 55.9    | 61.4    | 61.4   | 61.4    | 61.4   |
| A/P turnover [(A/P*365)/sales]       | 47.3    | 47.3    | 35.8    | 32.5    | 32.5   | 32.5    | 32.5   |
| Cash conversion cycle (days)         | n/a     | n/a     | n/a     | n/a     | n/a    | n/a     | n/a    |
| <b>Cash flow analysis</b>            |         |         |         |         |        |         |        |
| Free cash flow                       | 5.0     | 2.8     | 12.4    | 15.0    | 7.4    | 10.8    | 13.6   |
| Free cash flow/sales                 | 4.3 %   | 2.2 %   | 8.9 %   | 10.9 %  | 5.3 %  | 7.3 %   | 8.9 %  |
| FCF / net profit                     | 55.0 %  | 41.9 %  | 115.6 % | 156.9 % | 48.9 % | 81.1 %  | 94.6 % |
| Capex / depre                        | 379.3 % | 141.3 % | 43.8 %  | 60.8 %  | 99.7 % | 95.2 %  | 92.7 % |
| Capex / maintenance capex            | 113.8 % | 121.6 % | 48.7 %  | 67.6 %  | 99.7 % | 95.2 %  | 92.7 % |
| Capex / sales                        | 8.6 %   | 7.9 %   | 2.7 %   | 3.9 %   | 6.4 %  | 6.1 %   | 5.9 %  |
| <b>Security</b>                      |         |         |         |         |        |         |        |
| Net debt                             | -6.8    | -3.1    | -15.9   | -24.9   | -35.7  | -42.8   | -52.3  |
| Net Debt/EBITDA                      | 0.0     | 0.0     | 0.0     | 0.0     | 0.0    | 0.0     | 0.0    |
| Net debt / equity                    | -0.1    | 0.0     | -0.2    | -0.2    | -0.3   | -0.3    | -0.4   |
| Interest cover                       | 10.8    | 8.0     | 12.6    | 11.7    | 13.6   | 15.3    | 16.4   |
| Dividend payout ratio                | 40.3 %  | 46.8 %  | 28.6 %  | 37.4 %  | 24.5 % | 30.7 %  | 31.4 % |
| <b>Asset utilisation</b>             |         |         |         |         |        |         |        |
| Capital employed turnover            | 0.8     | 0.8     | 0.9     | 0.8     | 0.8    | 0.8     | 0.8    |
| Operating assets turnover            | 1.8     | 1.7     | 1.9     | 1.8     | 1.7    | 1.8     | 1.8    |
| Plant turnover                       | 3.5     | 3.5     | 3.9     | 3.6     | 3.7    | 4.0     | 4.1    |
| Inventory turnover (sales/inventory) | 6.6     | 5.2     | 5.6     | 5.5     | 5.1    | 5.1     | 5.1    |
| <b>Returns</b>                       |         |         |         |         |        |         |        |
| ROCE                                 | 9.3 %   | 8.6 %   | 11.6 %  | 9.8 %   | 11.3 % | 12.4 %  | 12.5 % |
| ROE                                  | 10.9 %  | 7.6 %   | 10.8 %  | 9.1 %   | 12.9 % | 10.6 %  | 10.6 % |
| <b>Other</b>                         |         |         |         |         |        |         |        |
| Interest paid / avg. debt            | 6.2 %   | 7.9 %   | 8.4 %   | 10.2 %  | 19.1 % | 49.1 %  | 54.4 % |
| No. employees (average)              | 0       | 0       | 0       | 0       | 0      | 0       | 0      |
| Number of shares                     | 5.3     | 5.3     | 5.3     | 5.3     | 5.3    | 5.3     | 5.3    |
| DPS                                  | 0.6     | 0.6     | 0.6     | 0.7     | 0.7    | 0.8     | 0.9    |
| EPS reported                         | 1.72    | 1.28    | 2.03    | 1.81    | 2.88   | 2.52    | 2.71   |
| <b>Valuation ratios</b>              |         |         |         |         |        |         |        |
| P/BV                                 | 2.2     | 2.1     | 1.9     | 1.8     | 1.6    | 1.5     | 1.4    |
| EV/sales                             | 1.6     | 1.5     | 1.3     | 1.2     | 1.1    | 1.0     | 0.9    |
| EV/EBITDA                            | 8.3     | 9.4     | 6.5     | 6.7     | 5.6    | 4.9     | 4.3    |
| EV/EBITA                             | 14.3    | 14.6    | 9.6     | 10.3    | 8.2    | 7.0     | 6.1    |
| EV/EBIT                              | 14.3    | 14.6    | 9.6     | 10.3    | 8.2    | 7.0     | 6.1    |
| EV/FCF                               | 36.5    | 66.5    | 14.2    | 11.2    | 21.1   | 13.9    | 10.4   |
| Adjusted FCF yield                   | 5.4 %   | 4.7 %   | 8.1 %   | 7.5 %   | 8.7 %  | 10.0 %  | 11.5 % |
| Dividend yield                       | 1.7 %   | 1.7 %   | 1.7 %   | 1.9 %   | 2.1 %  | 2.3 %   | 2.5 %  |

Source: Company data, Hauck & Aufhäuser

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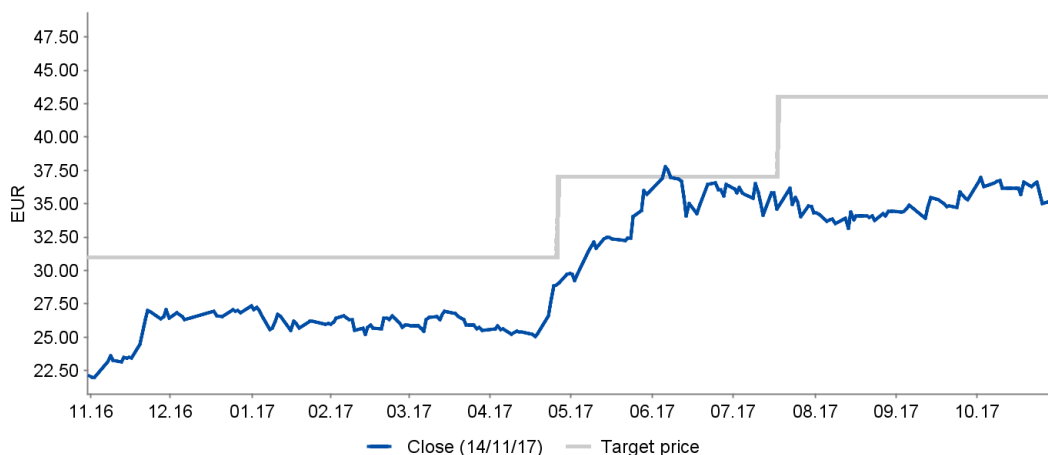
### Conflicts of interest that existed at the time when this research report was published:

| Company             | Disclosure |
|---------------------|------------|
| Eckert & Ziegler AG | 2          |

### Historical target price and rating changes for Eckert & Ziegler AG in the last 12 months

#### Price and Rating History Eckert & Ziegler AG as of 15/11/17

Initiation coverage  
08-April-10



| Company             | Date       | Analyst          | Rating | Target price | Close     |
|---------------------|------------|------------------|--------|--------------|-----------|
| Eckert & Ziegler AG | 03.08.2017 | Teichler, Torben | Buy    | EUR 43,00    | EUR 34,62 |
|                     | 15.05.2017 | Teichler, Torben | Buy    | EUR 37,00    | EUR 29,72 |

## Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

|             |         |          |
|-------------|---------|----------|
| <b>Buy</b>  | 56.85 % | 100.00 % |
| <b>Sell</b> | 17.12 % | 0.00 %   |
| <b>Hold</b> | 26.03 % | 0.00 %   |

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