

20-March-24

Dividend de-prioritized amid value-accretive investments

- **Prioritizing value accretive growth investments.** In order to preserve its conservative balance sheet and limit external financing amid peak growth investments, **EUZ is proposing only a minimal dividend of € 0.05 per share** (prior year: € 0.50).

In our view, **this decision was made out of precaution, rather than necessity.** With € 50m of net cash in Q3'23, **the company's balance sheet is strong enough to allow for a (higher) dividend**, despite peak growth investments. Anticipated CAPEX of c. € 40m in 2024E should be covered by the operating cash flow. Hence, **a dividend would temporarily eat into the company's net cash position.**

Considering the rapidly developing market for radiopharmaceuticals, **EUZ's products and services are becoming increasingly sought after.** In order to be able to capitalize on emerging growth opportunities – including the supply of medical isotopes and CDMO services – **the company continues to invest into capacity expansion across its global footprint.** Between 2021 and 2023, gross investments in PPE exceeded € 80m, compared to less than € 32m in the preceding five years.

- **2023 slightly ahead of estimates.** FY'23 sales arrived at € 246m (eHAIB: € 241m) corresponding to 11% yoy growth, while net income came in at € 26.3m (eHAIB: € 24.2m).
- **Further sales and earnings growth in 2024E.** In FY'23, EUZ expects sales of c. € 265m (eHAIB: € 261m), corresponding to 8% yoy growth and an underlying EBIT of € 50 (excl. one-offs / eHAIB: € 50m). **This puts EUZ on 16x EV/EBIT'24E, prior to attributing any value to PTX.**
- **Pentixapharm (PTX) split-off.** In the course of the planned split-off, **EUZ shareholders will receive one share of PTX** for each share of EUZ. As EUZ's growth prospects for the core business more than justify the current valuation, this should be seen as a free option, in our view. Further colour on the transaction is expected on March 22nd (final FY'23).
- **Deal-making activity in the sector bodes well for PTX.** Continuous deal-making activity in the radiopharmaceutical sector confirms the **high interest in radiopharmaceuticals** as a highly promising cancer treatment modality. Just yesterday, **AstraZeneca announced the acquisition of Fusion Pharmaceuticals for \$ 2.4bn.** Fusion has few Ac-225-based clinical assets – including a Phase 2 therapeutic candidate for prostate cancer – and several preclinical assets. With multiple attractive CXCR-4-directed assets in its pipeline, **PTX represents an attractive optionality for value inflection.**

Alexander Galitsa

Analyst

alexander.galitsa@ha-ib.de

+49 40 414 3885 83

Buy

Price target: EUR 60.00

Price: EUR 38.68

Close price as of: 19.03.2024

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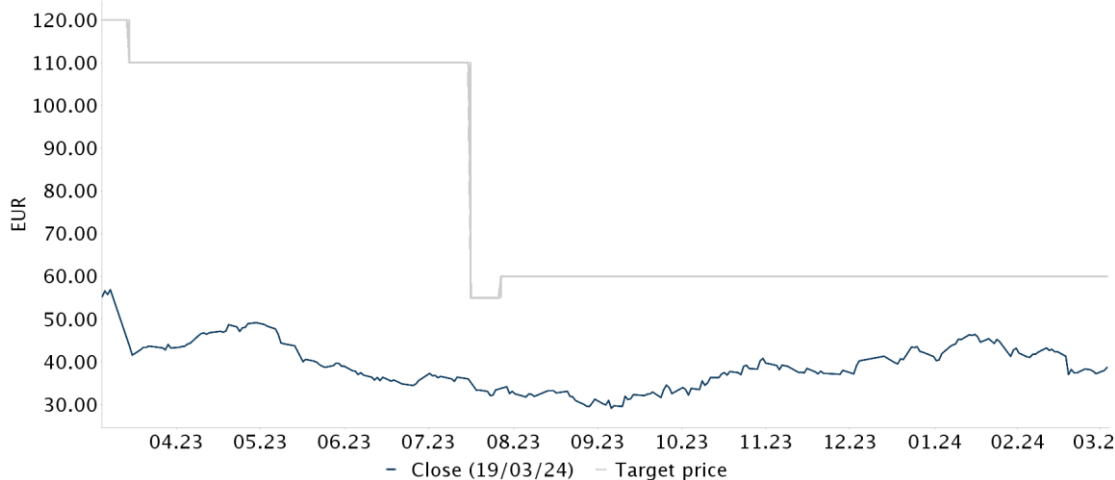
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Company	Disclosure
Eckert & Ziegler AG	2

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

**Price and Rating History
Eckert & Ziegler AG as of 19/03/24**

Initiation coverage
08-April-10



Company	Date	Analyst	Rating	Target price	Close
Eckert & Ziegler AG	06.03.2024	Galitsa, Alexander	Buy	EUR 60.00	EUR 38.20
	11.01.2024	Galitsa, Alexander	Buy	EUR 60.00	EUR 42.44
	03.01.2024	Galitsa, Alexander	Buy	EUR 60.00	EUR 39.54
	07.12.2023	Galitsa, Alexander	Buy	EUR 60.00	EUR 37.30
	20.11.2023	Galitsa, Alexander	Buy	EUR 60.00	EUR 39.14

08.11.2023	Galiitsa, Alexander	Buy	EUR 60.00	EUR 38.92
25.10.2023	Galiitsa, Alexander	Buy	EUR 60.00	EUR 34.50
18.10.2023	Galiitsa, Alexander	Buy	EUR 60.00	EUR 33.46
10.10.2023	Galiitsa, Alexander	Buy	EUR 60.00	EUR 33.46
29.08.2023	Galiitsa, Alexander	Buy	EUR 60.00	EUR 33.24
15.08.2023	Galiitsa, Alexander	Buy	EUR 60.00	EUR 32.58
31.03.2023	Galiitsa, Alexander	Buy	EUR 110.00	EUR 41.56

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Sell	5.46 %	0.00 %
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Contacts: Hauck Aufhäuser Investment Banking

HAIB Research

Hauck Aufhäuser Investment Banking
Mittelweg 16/17
20148 Hamburg
Germany

Hauck Aufhäuser Investment Banking
Goetheplatz 9-11
60313 Frankfurt am Main
Germany

Tel.: +49 (0) 40 414 3885 97
Fax: +49 (0) 40 414 3885 71
E-Mail: research@ha-ib.de
www.ha-research.de

Tim Wunderlich, CFA
Head of Transactional Research
Tel.: +49 40 414 3885 81
E-Mail: tim.wunderlich@ha-ib.de

Marie-Thérèse Grübner
Head of Research
Tel.: +49 40 450 6342 3097
E-Mail: marie-therese.gruebner@ha-ib.de

Alexander Galitsa
Analyst
Tel.: +49 40 414 3885 83
E-Mail: alexander.galitsa@ha-ib.de

Christian Glowa
Analyst
Tel.: +49 40 414 3885 95
E-Mail: christian.glowa@ha-ib.de

Christian Salis
Analyst
Tel.: +49 40 414 3885 96
E-Mail: christian.salis@ha-ib.de

Cornelis Kik
Analyst
Tel.: +49 40 450 6342 3096
E-Mail: cornelis.kik@ha-ib.de

Finn Kemper
Analyst
Tel.: +49 40 450 6342 3098
E-Mail: finn.kemper@ha-ib.de

Jorge González Sadornil
Analyst
Tel.: +49 40 414 3885 84
E-Mail: jorge.gonzalez@ha-ib.de

Simon Jouck
Analyst
Tel.: +49 40 450 6342 3093
E-Mail: simon.jouck@ha-ib.de

Simon Keller, CFA
Analyst
Tel.: +49 40 414 388 573
E-Mail: simon.keller@ha-ib.de

HAIB Sales

Alexander Lachmann
Equity Sales
Tel.: +41 43 497 30 23
E-Mail: alexander.lachmann@ha-ib.de

Carlos Becke
Equity Sales
Tel.: +44 203 84 107 97
E-Mail: carlos.becke@ha-ib.de

Carsten Kinder
Head of Equities
Tel.: +41 43 497 3024
E-Mail: carsten.kinder@ha-ib.de

Christian Bybjerg
Equity Sales
Tel.: +49 414 3885 74
E-Mail: christian.bybjerg@ha-ib.de

Florian Kurz
Equity Sales
Tel.: +49 69 84 2161 1793
E-Mail: florian.kurz@ha-ib.de

Hugues Madelin
Equity Sales
Tel.: +33 1 426 850 12
E-Mail: hugues.madelin@ha-ib.de

Imogen Voorspuy
Equity Sales
Tel.: +44 203 84 107 98
E-Mail: imogen.voorspuy@ha-ib.de

James Bonsor
Equity Sales
Tel.: +44 203 84 107 96
E-Mail: james.bonsor@ha-ib.de

Markus Scharhag
Equity Sales
Tel.: +49 89 23 93 2813
E-Mail: markus.scharhag@ha-ib.de

Vincent Bischoff
Equity Sales
Tel.: +49 40 414 38 85 88
E-Mail: vincent.bischoff@ha-ib.de

HAIB Trading

Hauck Aufhäuser Investment Banking
Privatbank AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 40 414 3885 78
Fax: +49 40 414 3885 71
E-Mail: info@hal-privatbank.com
www.hal-privatbank.com

Fin Schaffer
Trading
Tel.: +49 40 414 38 85 98
E-Mail: fin.schaffer@ha-ib.de

Nils Carstens
Trading
Tel.: +49 40 414 38 85 85
E-Mail: nils.carstens@ha-ib.de

Tom Warlich
Middle-Office
Tel.: +49 40 414 3885 78
E-Mail: tom.warlich@hal-privatbank.com