

Buy

Current €24.50

Target €33.10

Current price equivalent

\$35.89

Market cap

€118.2m

\$173.2m

52-week high/low

€33.18/€20.43

Above our estimates

No change to estimates expected

Price perf.	1M	3M	12M
Price (€)	22.7	24.7	30.0
Absolute (%)	5.8	-0.8	-18.4
Rel market (%)	3.9	15.5	16.1
Rel sector (%)	3.4	11.7	4.7

EPS change	1M	3M	12M
EPS FY1 (%)	0.0	0.0	N/A
IBES EPS (%)	0.0	0.0	N/A
Sector EPS (%)	1.3	0.4	-9.3
Market EPS (%)	-2.2	-3.3	N/A

Source: DKIB, Thomson IBES

ELEN.MI ELN IM

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EL.En

Results for H1. As expected a strong quarter

EI.En. Group released a strong set of Q2 2008 numbers, ahead of our estimates. The group saw an outstanding performance both from medical and industrial applications, clearly over-performing the main industry trends. Results should underpin confidence in the stock, in our view. We confirm our BUY rating and €33.1 DCF-based target price.

EL.En forecasts

Year	Sales EUR m	EBITDA margin %	Operating margin %	Net income EUR m	EPS EUR	P/E x	EV/ EBITDA x	FCF Yield %	Yield %
Dec-2006A	154	5.8	2.5	0	0.08	291.1	10.3	(10.8)	1.2
Dec-2007A	193	13.6	11.0	18	1.24	19.8	3.2	12.1	4.5
Dec-2008E	235	14.6	12.0	7	1.48	16.6	2.7	(0.1)	3.4
Dec-2009E	267	15.1	12.4	8	1.67	14.7	2.2	7.5	3.4
Dec-2010E	293	15.5	12.7	9	1.89	13.0	1.9	11.2	4.2

Source: Company data, Dresdner Kleinwort Research estimates

- ▶ EI.En reported a strong set of results at market close on Friday. Group's revenues came in at €58.8m (+24.8% YoY) in Q2 2008, 5% ahead of our estimates, boosted by a strong performance both from medical (+22% YoY) and industrial (+53% YoY) applications. EBITDA stood at €9.8m (+44% YoY), 12.3% better than our €8.7m, with EBITDA margin at 16.7% (+225bps YoY). EBIT reached €8.2m (+55.5% YoY), 10% better than expected. Finally, Net Profit amounted to €5.3m in H1 2008 with net cash reaching €51.9m.
- ▶ It is worth noting that the group saw outstanding top line growth and improving profitability in spite of a -8.5% negative impact from the US\$ depreciation and a flat performance from the main US players, suffering a slowing market with consumers hesitating to spend on discretionary goods. Excluding Cynosure (fully consolidated and 23.39% owned), EI.En.'s operations performed well, with revenues and EBIT in line with the FY guidance reiterated at €140m (+27% YoY) and €14m respectively.
- ▶ Q2 2008 should underpin confidence in the stock, in our view. We reiterate our BUY case, which reflects: 1) deep commitment to the Chinese and Brazilian markets; 2) opportunity to manage an effective turnaround at Lasercut and Deka 3) compelling valuation. EI.En. is trading on 5.1x EV/EBITDA 08 and 16.4x P/E 08E, which we do not think is challenging considering that we expect EPS to grow by 40% in the next 3 years. Stripping out Cynosure, other Group assets are trading at 4.3x EV/EBITDA 08E.

Online research:

www.dresdnerkleinwort.com/research

Bloomberg:

DKIB1<GO>

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EI.En. Group Q2 2008 Results

€m	Q2'08	Q2'08E	Change (%)	Q2'07	Change (%)	H1'08	H1'08E	Change (%)	H1'07	Change (%)
Revenues	58.8	55.8	5.3	47.1	24.8	113.6	110.7	2.7	90.1	26.2
- Industrial Laser	7.6	6.6	15.6	5.0	52.9	14.8	13.8	7.4	10.5	41.3
- Medical Laser	43.6	41.8	4.2	35.7	22.2	84.5	82.8	2.1	67.3	25.6
- Assistance	7.6	7.4	2.4	6.4	17.7	14.3	14.1	1.2	12.3	16.2
Change in goods	1.9	2.7	-31.2	3.2	-42.1	4.4	5.3	-16.1	6.5	-32.0
Other income	0.3	0.4	-27.3	0.4	-13.7	0.6	0.7	-17.7	0.7	-19.2
Value of Production	61.0	59.0	3.4	50.7	20.3	118.6	116.7	1.7	97.3	21.9
Purchases	-24.3	-22.9	6.1	-20.1	21.4	-47.4	-46.0	3.0	-39.3	20.7
Change in row materials	2.9	1.8	63.3	1.0	182.9	4.7	3.6	31.4	1.9	146.9
Other direct cost	-6.1	-6.2	-2.1	-5.0	20.4	-11.8	-11.9	-1.1	-9.3	27.4
Gross Margin	33.5	31.6	5.8	26.6	25.6	64.1	62.3	2.9	50.7	26.6
% on sales	56.9	56.7		56.6		56.4	56.3		56.3	
Other cost and services	-12.3	-11.1	11.5	-9.6	29.0	-23.3	-22.1	5.8	-18.4	26.9
Labour cost	-11.3	-11.8	-4.4	-10.3	10.2	-22.9	-23.4	-2.2	-20.5	11.7
EBITDA	9.8	8.7	12.3	6.8	44.3	17.9	16.8	6.4	11.8	51.8
EBITDA Margin (%)	16.7	15.6		14.4		15.8	15.2		13.1	
D&A	-1.6	-1.3	23.5	-1.5	5.3	-2.8	-2.5	12.1	-2.7	4.2
EBIT	8.2	7.4	10.4	5.3	55.5	15.1	14.3	5.4	9.1	66.0
EBIT Margin (%)	13.9	13.3		11.2		13.3	12.9		10.1	
Net financial exp.	0.4	0.5	-29.8	0.3	40.8	0.9	1.0	-14.9	0.5	75.3
Other Income	0.0	-0.1	-101.9	-0.6	-100.3	-0.1	-0.2	-50.9	-1.2	-91.5
EBT	8.5	7.8	9.1	4.9	74.9	15.9	15.1	4.7	8.3	90.0
Tax	n.a.	n.a.				5.6	6.1	-8.4		
<i>Tax rate (%)</i>						35.0	40.0			
Minorities	n.a.	n.a.				5.0	5	0.0		
Net Income	n.a.	n.a.				5.3	4.1	29.9		

Source: Company data, Dresdner Kleinwort Research estimates

Disclosure appendix

Disclosures under US regulations

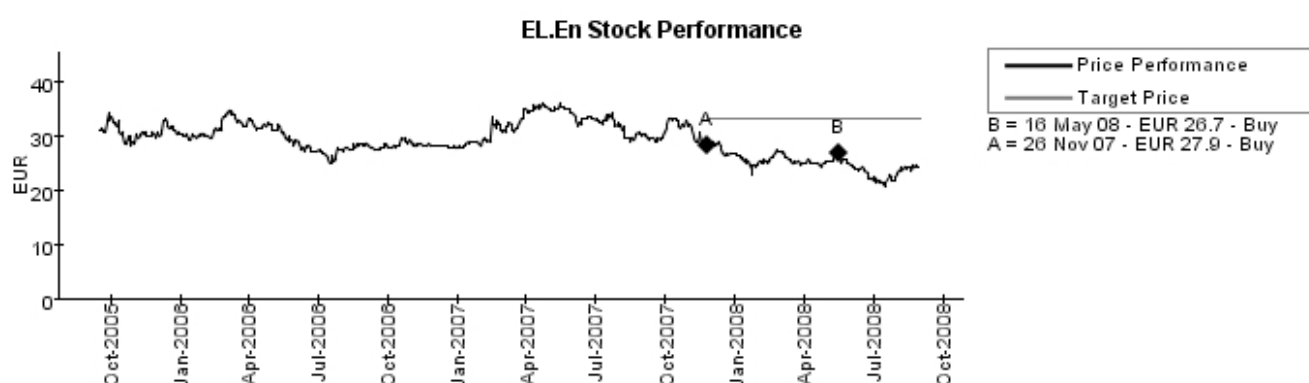
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Buy:	10% or greater increase in share price	Sell:	10% or more decrease in share price
Add:	5-10% increase in share price	Reduce:	5-10% decrease in share price
Hold:	+5%/-5% variation in share price		

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	All covered companies		Companies where a Dresdner Kleinwort company has provided investment banking services (in the last 12 months)	
Buy/Add	358	62%	47	13%
Hold	152	26%	314	9%
Sell/Reduce	64	11%	11	17%
Total	574		72	

Source: Dresdner Kleinwort

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