

EL.EN.

OUTPERFORM

SECTOR: Industrials

Price (Eu):

41.85

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Target Price (Eu):

53.00

Positive Momentum Ahead

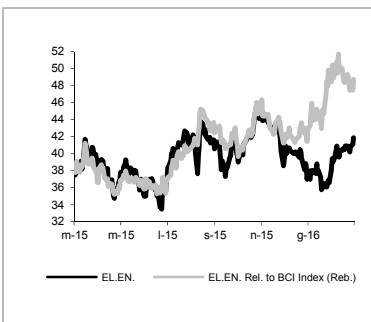
■ **Quarterly top line growth better than expected, but operating profit basically in line.**

El.En. posted a stronger than projected 4Q15 sales growth of 11.3% YoY to Eu61.7mn (around 5% ahead of our forecast). By geographical area, quarterly revenues were mainly driven by Italy and markets outside Europe (benefiting from an improving business environment), but other European markets also performed positively. Both the main divisions posted positive performances, with industrial laser systems still achieving slightly higher growth than medical and aesthetic laser systems (again boosted by surgical applications). The higher sales were basically offset by slightly lower margins (partly due in our view to a different business mix), with a 4Q15 EBITDA of Eu6.4mn (vs. Eu6.5mn expected), corresponding to a margin of 10.3% (a slight dilution of around 50bps YoY). EBIT increased by 11% YoY to Eu5.3mn (bang in line), corresponding to a margin of 8.6% (approximately stable YoY). Pre-tax profit was instead ahead of estimates at Eu5.9mn (vs. Eu4.8mn expected), after better than projected net financial items. 2015 net income reached Eu14.4mn, additionally lifted by lower taxation. Net cash position (restated for Eu10.5mn of temporary financial investments booked as non-current assets) increased to Eu40.3mn (from Eu33.6mn at the end of September and slightly better than forecast). Finally, the Board proposed a dividend of Eu1.20 per share (vs. Eu1.00 expected).

■ **2016 guidance: 5% YoY revenue growth. Estimates fine-tuned.** On the back of the group's strong positioning and a favourable economic environment overall, the company provided a positive 2016 outlook, projecting a further top line increase of around 5% YoY (in line with our current estimate). On the other hand, the company's management gave more cautious (conservative, in our view) indications on full-year profitability, expecting 2016 EBIT broadly in line with 2015 (implying a margin dilution of around 50bps). Our updated forecast is for a flattish 2016 EBIT margin, leading to EBIT of Eu22.8mn (vs. Eu21.5mn in 2015). Following 4Q results and the company's indications, we have thus slightly reduced our 2016-17 profitability assumptions (by around 2% at the EBIT line), compensated at the bottom line level by a lower than previously expected tax rate.

■ **OUTPERFORM reiterated, target price increased to Eu53.0.** We reiterate our positive stance on the stock as the company should continue to deliver top line growth this year, backed by an increasingly favourable economic environment and strong positioning in the medical and aesthetic treatment sectors. Successful penetration of the MonaLisa Touch product in the USA, and its effective introduction into new international markets, could lead to further upside on our estimates and, in our view, a stock re-rating. Our updated SOP valuation, which adds the value of El.En net of minorities to the market value of El.En's 4.4% stake in Cynosure, yields Eu53.0 per share (from Eu52.5 previously), with the change mainly the result of an updated valuation of the Cynosure stake.

EL.EN. - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 52.50 to 53.00

Change in EPS est: 2016E 2017E
-1.2% 2.7%

STOCK DATA

Reuters code: ELEN.MI
Bloomberg code: ELN IM

Performance	1m	3m	12m
Absolute	9,8%	7,3%	16,1%
Relative	0,7%	16,5%	29,5%
12 months H/L:	45.70/33.50		

SHAREHOLDER DATA

No. of Ord. shares (mn):	5
Total No. of shares (mn):	5
Mkt Cap Ord (Eu mn):	202
Total Mkt Cap (Eu mn):	202
Mkt Float - ord (Eu mn):	90
Mkt Float (in %):	44,7%
Main shareholder:	
Cangioli Andrea	15,2%

BALANCE SHEET DATA

	2016
Book value (Eu mn):	178
BVPS (Eu):	36,97
P/BV:	1,1
Net Financial Position (Eu mn):	35
Enterprise value (Eu mn):	139

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on the last page of this report

Key Figures	2013A	2014A	2015A	2016E	2017E
Sales (Eu mn)	157	180	218	229	239
Ebitda (Eu mn)	14	18	26	27	30
Net profit (Eu mn)	6	17	14	14	16
EPS - New (Eu)	1,260	2,290	2,979	2,888	3,251
EPS - Old (Eu)		2,290	2,679	2,922	3,165
DPS (Eu)	0,500	1,000	1,200	1,200	1,200

Ratios & Multiples	2013A	2014A	2015A	2016E	2017E
P/E	33,2	18,3	14,0	14,5	12,9
Div. Yield	1,2%	2,4%	2,9%	2,9%	2,9%
EV/Ebitda	10,5	7,0	5,6	5,1	4,4
ROCE	8,8%	14,2%	17,0%	15,0%	15,8%

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EL.EN. - KEY FIGURES

		2013A	2014A	2015A	2016E	2017E
	Fiscal year end	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
PROFIT & LOSS (Eu mn)	Sales	157	180	218	229	239
	EBITDA	14	18	26	27	30
	EBIT	10	15	21	23	25
	Financial income (charges)	(1)	5	1	1	1
	Associates & Others	2	4	0	0	0
	Pre-tax profit (Loss)	11	24	23	23	25
	Taxes	(4)	(6)	(7)	(8)	(8)
	Tax rate (%)	-40,0%	-26,3%	-30,6%	-33,2%	-30,9%
	Minorities & discontinue activities	(0)	(1)	(2)	(2)	(2)
	Net profit	6	17	14	14	16
	Total extraordinary items					
Ebitda excl. extraordinary items	14	18	26	27	30	
Ebit excl. extraordinary items	10	14	21	23	25	
Net profit restated	4	11	14	14	16	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	5	5	5	5	5
	EPS stated fd	1,260	3,424	2,979	2,888	3,251
	EPS restated fd	1,260	2,290	2,979	2,888	3,251
	BVPS fd	26,588	29,632	35,287	36,975	39,025
	Dividend per share (ord)	0,500	1,000	1,200	1,200	1,200
	Dividend per share (sav)					
Dividend pay out ratio (%)	39,7%	29,2%	40,3%	41,6%	36,9%	
CASH FLOW (Eu mn)	Gross cash flow	9	21	20	20	22
	Change in NWC	4	(1)	(11)	(3)	(2)
	Capital expenditure	(0)	(11)	(8)	(7)	(7)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	10	9	2	10	13
	Acquisitions, divestments & others	(21)	19	(14)	0	0
	Dividend	(4)	(3)	(5)	(6)	(6)
	Equity financing/Buy-back	(4)	0	0	0	0
Change in Net Financial Position	4	25	(17)	5	8	
BALANCE SHEET (Eu mn)	Total fixed assets	67	56	81	83	85
	Net working capital	48	50	60	63	66
	Long term liabilities	(3)	(2)	9	9	9
	Net capital employed	112	103	150	155	159
	Net financial position	22	47	30	35	42
	Group equity	134	151	180	189	201
	Minorities	6	8	9	11	13
Net equity	128	143	170	178	188	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	202	202	202	202	202
	Adjustments (associate & minorities)	35	29	29	29	29
	Net financial position	22	47	30	35	42
	Enterprise value	145	126	144	139	131
RATIOS(%)	EBITDA margin*	8,7%	10,0%	11,8%	12,0%	12,4%
	EBIT margin*	6,1%	7,7%	9,9%	10,0%	10,3%
	Gearing - Debt/equity	-16,2%	-31,3%	-16,6%	-18,2%	-21,0%
	Interest cover on EBIT	8,1	nm	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	8,8%	14,2%	17,0%	15,0%	15,8%
	ROE*	5,1%	12,2%	9,2%	8,0%	8,6%
	EV/CE	1,3	1,2	1,1	0,9	0,8
	EV/Sales	0,9	0,7	0,7	0,6	0,5
	EV/Ebit	15,1	9,1	6,7	6,1	5,3
Free Cash Flow Yield	6,2%	5,2%	0,9%	6,0%	7,8%	
GROWTH RATES (%)	Sales	4,1%	14,4%	20,9%	5,2%	4,5%
	EBITDA*	9,8%	30,7%	42,9%	6,8%	7,8%
	EBIT*	28,2%	44,0%	55,8%	6,1%	8,5%
	Net profit	-73,8%	171,7%	-13,0%	-3,1%	12,6%
	EPS restated	93,6%	81,7%	30,1%	-3,1%	12,6%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

El.En. Results		(€ mn)	4Q14A	4Q15A	4Q15E	A v E	FY14A	FY15E
Sales		55,4	61,7	58,8	4,9%		180,0	217,7
	YoY growth %	10,1%	11,3%	6,1%				20,9%
EBITDA		6,0	6,4	6,5	-2,1%		18,0	25,7
	Ebitda margin %	10,8%	10,3%	11,0%			10,0%	11,8%
	YoY growth %	8,4%	5,9%	8,2%				42,9%
Total D&A		(1,2)	(1,1)	(1,2)			(2,7)	(4,2)
EBIT Adjusted		4,8	5,3	5,3	0,0%		13,8	21,5
	Ebit margin %	8,6%	8,6%	9,0%			7,7%	9,9%
EBIT		4,8	5,3	5,3	0,0%		15,3	21,5
	Ebit margin %	8,6%	8,6%	9,0%			8,5%	9,9%
	YoY growth %		11,2%	11,3%				40,5%
Net financials & Participations		0,9	0,6	(0,5)			9,1	1,6
Pretax Profit Adjusted		5,7	5,9	4,8	23,1%		18,4	23,1
Pretax Profit		5,7	5,9	4,8	23,1%		24,4	23,1
	Pretax margin %	10,2%	9,6%	8,2%			13,6%	10,6%
	YoY growth %	20,6%	4,6%	-15,1%				-5,3%
Taxes							(6,4)	(7,1)
tax rate							-26,3%	-30,6%
Minorities and disc. Operations							(1,5)	(1,7)
Adjusted Group net profit							11,1	14,4
	YoY growth %							30,1%
Group net profit							16,5	14,4
	YoY growth %							-21,8%
		<i>of which non-recurrent</i>						

Source: Company data and Intermonte Sim

Estimates

El.En. Change in estimates		2015A	2016E	2017E
(€ mn)				
Sales new		217,7	228,9	239,1
Sales old			227,7	239,1
	% change		0,5%	0,0%
EBITDA new		25,7	27,4	29,5
EBITDA old			28,0	30,0
	% change		-2,1%	-1,5%
Adjusted EBIT new		21,5	22,8	24,7
Adjusted EBIT old			23,3	25,1
	% change		-2,1%	-1,4%
Pretax Profit new		23,1	23,3	25,3
Pretax Profit old			23,8	25,7
	% change		-2,1%	-1,4%
Adjusted Group Net profit new		14,4	13,9	15,7
Adjusted Group Net Profit old			14,1	15,3
	% change		-1,2%	2,7%

Source: Company data and Intermonte Sim estimates

El.En. Income statement estimates

(€ mn)	2012A	2013A	2014A	2015A	2016E	2017E	CAGR15-17E
Sales	151,2	157,4	180,0	217,7	228,9	239,1	4,8%
YoY growth %	10,1%	4,1%	14,4%	20,9%	5,2%	4,5%	
EBITDA	12,5	13,7	18,0	25,7	27,4	29,5	7,3%
Ebitda margin %	8,3%	8,7%	10,0%	11,8%	12,0%	12,4%	
YoY growth %	15,7%	9,8%	30,7%	42,9%	6,8%	7,8%	
Total D&A	(5,0)	(4,2)	(2,7)	(4,2)	(4,6)	(4,8)	
of which non-recurrent			1,5				
EBIT Reported	7,5	9,6	15,3	21,5	22,8	24,7	
Ebit margin %	4,9%	6,1%	8,5%	9,9%	10,0%	10,3%	
EBIT Adjusted	7,5	9,6	13,8	21,5	22,8	24,7	7,3%
Ebit margin %	4,9%	6,1%	7,7%	9,9%	10,0%	10,3%	
YoY growth %	46,7%	28,2%	44,0%	55,8%	6,1%	8,5%	
Net financial charges	(1,4)	(1,7)	4,6	1,6	0,5	0,6	
Other income		2,8	4,5				
of which non-recurrent		2,5	4,5				
Pretax Profit	6,1	10,7	24,4	23,1	23,3	25,3	4,7%
Taxes	(3,0)	(4,3)	(6,4)	(7,1)	(7,7)	(7,8)	
tax rate	-48,5%	-40,0%	-26,3%	-30,6%	-33,2%	-30,9%	
Income from continued op.	3,1	6,4					
Income from discontinued op.	26,7	0,0					
Net Profit before minority interest	29,8	6,4	18,0	16,0	15,6	17,5	4,5%
Minority interest from continued op.	(1,0)	(0,3)	(1,5)	(1,7)	(1,6)	(1,8)	
Minority interest from discontinued op.	(5,6)	0,0					
Reported Group Net Profit	23,2	6,1	16,5	14,4	13,9	15,7	
n.m.	n.m.	-73,8%	171,7%	-13,0%	-3,1%	12,6%	
Adjusted Group Net Profit*	2,1	3,6	11,1	14,4	13,9	15,7	4,5%
Net margin %	1,4%	2,3%	6,1%	6,6%	6,1%	6,6%	
YoY growth %	n.m.	68,1%	208,7%	30,1%	-3,1%	12,6%	

Source: Company data and Intermonte SIM estimates

Valuation

El.En. - Valuation summary

	Method	€ mn	€ per share	previous (18/11/15)	change
El.En	DCF, net of min	220	45,5	45,4	0,1%
Stake in Cynosure	market value	36	7,5	7,0	6,3%
Total Equity Value		255,6	53,0	52,5	1,0%
El.En Share Price			41,9	43,9	-4,7%
potential upside			26,6%	19,5%	

Source: Intermonte Sim

EL.EN. Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
EL.EN.	41,85	EUR	202	9,8%	7,3%	3,2%	4,1%	16,1%	110,3%
AMADA CO.	---	JPY	402.506	5,0%	-2,2%	10,3%	-3,1%	-0,4%	50,8%
COHERENT INC.	---	USD	2.054	10,5%	28,3%	47,6%	30,3%	28,3%	27,1%
CYMER	---	USD	---	---	---	---	---	---	---
FIDIA	6,87	EUR	35	19,6%	12,3%	2,8%	7,7%	83,2%	109,2%
GSI GROUP	---	USD	446	4,5%	-6,4%	1,2%	-4,7%	-1,4%	2,9%
PRIMA INDUSTRIE	11,83	EUR	124	18,4%	-16,5%	-20,5%	-20,2%	-32,9%	-5,0%
ROFIN-SINAR TECH	---	USD	654	13,1%	-13,3%	-10,6%	-14,3%	-3,2%	-0,7%
Mean performance				11,6%	1,3%	4,9%	0,0%	12,8%	42,1%
Italy FTSE Mib	18.765,3	EUR	262.097	10,1%	-11,8%	-14,3%	-12,4%	-17,4%	-7,8%

Source: FactSet

EL.EN. Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
EL.EN.	41,85	EUR	202	0,6	0,5	5,1	4,4	6,1	5,3	14,5	12,9	2,9%	2,9%
AMADA CO.	1128,00	JPY	402.506	1,3	1,2	8,0	7,9	9,7	9,5	15,4	16,1	3,0%	3,1%
COHERENT INC.	84,87	USD	2.054	2,2	2,1	11,4	10,1	14,9	12,6	21,8	19,0		
CYMER		USD											
FIDIA	6,87	EUR	35	0,5	0,4	6,5	5,2	8,6	6,7	18,1	10,4	0,0%	0,0%
GSI GROUP	12,98	USD	446							13,0	11,6		
PRIMA INDUSTRIE	11,83	EUR	124	0,6	0,5	6,3	4,8	10,7	7,4	14,5	9,2	2,1%	2,8%
ROFIN-SINAR TECH	22,94	USD	654	1,0	1,0	6,7	7,1	8,9	9,2	15,7	16,4	0,0%	0,0%
Median				1,0	1,0	6,7	7,1	9,7	9,2	15,5	13,9	1,1%	1,4%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

El.En. Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
Cynosure	40,1	USD	921,5	14,5%	-1,7%	14,3%	-12,2%	32,5%	68,3%
El.En	41,9	Euro	201,9	9,8%	7,3%	3,2%	4,1%	16,1%	110,3%
Syneron Medical Ltd	6,9	USD	250,5	16,3%	-0,1%	-13,5%	-3,4%	-38,2%	-17,8%
Cutera, Inc.	10,3	USD	132,8	5,6%	-11,6%	-23,2%	-12,8%	-20,0%	37,7%
BIOLASE, Inc.	1,3	USD	73,9	76,8%	95,2%	-1,3%	63,9%	-33,2%	-39,3%
ZELTIQ Aesthetics, Inc.	22,3	USD	874,9	28,8%	-11,9%	-31,0%	-15,3%	-27,8%	71,8%
Medical avg				31,9%	17,9%	-17,3%	8,1%	-29,8%	13,1%
Italy FTSE Mib				10,4%	-9,6%	-10,9%	-10,7%	-13,0%	-7,6%

Source: Factset

El.En. Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	P/E	P/E	EV/EBITDA	EV/EBITDA
				2016	2017	2016	2017	2016	2017
El.En	41,9	EUR - Euro	201,9	0,6	0,5	14,5	12,9	5,1	4,4
Syneron Medical Ltd	6,9	USD	250,5	0,7	0,6	25,8	15,2		
Cynosure	40,1	USD	921,5	1,9	1,7	29,8	21,9	12,5	9,4
Cutera, Inc.	10,3	USD	132,8	0,9	0,9	27,8	19,3	19,1	21,7
BIOLASE, Inc.	1,3	USD	73,9	1,3	1,2				
ZELTIQ Aesthetics, Inc.	22,3	USD	874,9	2,9	2,5		46,1	30,4	15,3
Medical avg				1,3	1,2	27,8	20,6	19,1	15,3

Source: Factset consensus estimates for peer group, Intermonte estimates for El.En

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- o Intermonte SIM acted as Global Coordinator in the GreenItaly1 IPO on the AIM Italia market and will receive a success fee if a business combination is approved by the shareholders.
- o Intermonte SIM SpA and its subsidiaries do not hold a stake equal to or over 1% of common equity securities and/or warrants of any of the aforementioned subject companies, with the exception of: GreenItaly1.
- o Intermonte SIM SpA has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Conafi, CNRC/Marco Polo Industrial Holding (on Pirelli shares), Hitachi (on Ansaldo STS shares), Kinexia, Prelios, IPO Challenger/IWB.

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	ELEN.		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	53.00	Previous Target (Eu):	52.50
Current Price (Eu):	41.85	Previous Price (Eu):	44.10
Date of report:	16/03/2016	Date of last report:	18/11/2015

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