

EL.EN.**BUY**

SECTOR: Industrials

Price (Eu):

11.00

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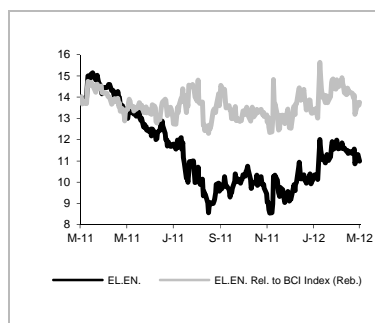
Target Price (Eu):

20.70

2012: El.En Improving, Cynosure Accelerating

- 4Q11 results for El.En ex-Cynosure: weak financials, strong cash generation.** The company posted unchanged revenues YoY at Eu39.7mn (compared to 4.4% growth in 3Q) due to the impact of the economic slowdown in 4Q and clients encountering greater difficulties in gaining financing. EBITDA came to Eu3.2mn, 26.7% lower than our estimate. Pricing pressure in the medical division should have increased in Europe due to low sales volumes. The margin came to 8.1% vs. 11.8% in 4Q10. FY11 closed with net profit of Eu0.7mn, down 67.1% YoY and 9.6% below our forecast. The company has a net cash position of Eu1.8mn from a net debt of Eu3.8mn as at 9M11 due to excellent working capital management in the quarter.
- El.En group result: Cynosure boosted top line, but no margin contribution yet.** The El.En Group posted sales of Eu63.8mn in 4Q11, up 16.30% YoY; over FY11, sales growth was 11.2% YoY. EBITDA remained basically unchanged at Eu14.0mn. EBIT decreased by 45% YoY to Eu3.0mn, equal to a margin of 1.4% (down 150bps YoY due to higher D&A and risk provisions). The Group posted a pre-tax profit of Eu2.5mn, down from Eu4.7mn in FY10, due to negative changes in the USD/EUR exchange rate. The net cash position decreased to Eu53.0mn from Eu74.9mn at the end of 2010 due to the cash-out at Cynosure for the acquisitions of HOYA ConBio and Eleme Medical. At September, net cash amounted to Eu42.7mn, demonstrating the strong cash generation in 4Q11. Cynosure's results had already been released.
- 2012 guidance looks reasonable.** Management stated that within the current economic situation in Europe they expect El.En ex-Cynosure to post growth of around 5% and an improvement in operating income (EBIT). If the economic environment should improve in the coming months, in contrast to what happened in 2011, with a reduction in uncertainty and an increase in the availability of funding for investments, El.En ex-Cynosure could hit the target of 10% revenues growth and income from operations amounting to over 5% of sales.
- Estimates revised upwards due to Cynosure.** We are basically leaving our estimates for El.En ex-Cynosure unchanged: we expect sales to grow by 5.5% to Eu145.0mn (former estimate 6.9%) and the EBIT margin to increase from 3.7% in 2010 to 4.9% in 2011 (previously 5.0%). Our new EPS estimates are 2.1% higher for 2012 but 1.5% lower for 2013. The positive changes in our consolidated EPS estimates for 2012 and 2013 mainly come from much higher figures for Cynosure, for which on average we revised our sales and EBIT estimates upwards by 16.5% and 90% in 2012 and 2013 respectively, as a result of the FDA clearance granted for the commercial distribution of Cellulaze in the US. Our new EPS forecasts for Cynosure are 37.4% higher for 2012 and 56.7% for 2013.
- BUY confirmed, target price lifted by 24.6% to Eu20.70.** Our new target price, based on an SoP valuation which adds the value of El.En without Cynosure (based on a DCF model) to the market value of El.En's 23.37% stake in Cynosure (listed on NASDAQ), is the result of Cynosure's strong stock performance (+53.0% since our last report dated 16th November 2011). We reiterate our positive stance on the stock as i) El.En should benefit from high exposure to the medical and aesthetic treatment sector, which enjoys sustainable growth drivers; and ii) Cynosure's turnaround, sustained by the acquisitions of Eleme Medical and HOYA ConBio and the marketing of new products, should provide a further boost to Group results. Finally, El.En excluding Cynosure is trading at 7.1x P/E, 2.3x EV/EBIT and 0.11x EV/sales on 2012, demonstrating that the valuation is undemanding.

EL.EN. - 12m Performance



Eu/USD: 1.39 2011; 1.30 2012/13

RATING: Unchanged

TARGET PRICE (Eu): from 16.60 to 20.70

Change in EPS est:	2012E	2013E
	+23.8%	+6.8%

STOCK DATA

Reuters code:	ELEN.MI
Bloomberg code:	ELN IM

Performance	1m	3m	12m
Absolute	-6.0%	19.5%	-21.4%
Relative	-5.0%	9.6%	-1.5%
12 months H/L:	15.14/8.55		

SHAREHOLDER DATA

No. of Ord. shares (mn):	5
Total No. of shares (mn):	5
Mkt Cap Ord (Eu mn):	53
Total Mkt Cap (Eu mn):	53
Mkt Float - ord (Eu mn):	25
Mkt Float (in %):	46.3%
Main shareholder:	
Cangioli Andrea	13.5%

BALANCE SHEET DATA

	2012
Book value (Eu mn):	97
BVPS (Eu):	20.14
P/BV:	0.5
Net Financial Position (Eu mn):	51
Enterprise value (Eu mn):	88

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	190	211	240	260	279
Ebitda (Eu mn)	14	14	23	28	31
Net profit (Eu mn)	1	0	2	3	4
EPS - New (Eu)	0.269	-0.056	0.460	0.686	0.907
EPS - Old (Eu)	0.269	0.083	0.373	0.643	
DPS (Eu)	0.200	0.000	0.228	0.497	0.497

Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	41.3	nm	24.1	16.2	12.3
Div. Yield	1.8%	0.0%	2.1%	4.5%	4.5%
EV/Ebitda	4.6	6.2	3.9	3.1	2.8
ROCE	5.7%	2.7%	8.4%	12.4%	14.3%

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EL.EN. - KEY FIGURES

		2010A	2011A	2012E	2013E	2014E
	Fiscal year end	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
PROFIT & LOSS (Eu mn)	Sales	190	211	240	260	279
	EBITDA	14	14	23	28	31
	EBIT	5	3	10	15	18
	Financial income (charges)	0	0	0	0	0
	Associates & Others	(1)	(1)	(0)	(0)	(0)
	Pre-tax profit (Loss)	5	2	10	15	17
	Taxes	(4)	(3)	(5)	(6)	(7)
	Tax rate (%)	-90.7%	-111.7%	-45.2%	-42.6%	-42.4%
	Minorities & discontinue activities	(1)	0	(3)	(5)	(6)
	Net profit	1	0	2	3	4
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	14	14	23	28	31
	Ebit excl. extraordinary items	5	3	10	15	18
Net profit restated	1	(0)	2	3	4	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	5	5	5	5	5
	EPS stated fd	0.269	-0.056	0.460	0.686	0.907
	EPS restated fd	0.269	-0.056	0.460	0.686	0.907
	BVPS fd	19.940	19.904	20.136	20.325	20.735
	Dividend per share (ord)	0.200	0.000	0.228	0.497	0.497
	Dividend per share (sav)					
Dividend pay out ratio (%)	76.0%	0.0%	49.6%	72.5%	54.9%	
CASH FLOW (Eu mn)	Gross cash flow	8	11	14	16	17
	Change in NWC	(5)	(13)	(9)	(5)	(3)
	Capital expenditure	(6)	(7)	(8)	(8)	(8)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(3)	(9)	(2)	3	5
	Acquisitions, divestments & others	1	(18)	0	0	0
	Dividend	(0)	(1)	0	(1)	(2)
	Equity financing/Buy-back	(1)	0	0	0	0
Change in Net Financial Position	6	(22)	(2)	2	3	
BALANCE SHEET (Eu mn)	Total fixed assets	37	52	55	56	57
	Net working capital	56	69	78	82	86
	Long term liabilities	4	1	(7)	(13)	(19)
	Net capital employed	97	122	125	124	123
	Net financial position	75	53	51	53	56
	Group equity	172	175	176	177	179
	Minorities	78	79	79	79	79
Net equity	94	96	97	98	100	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	53	53	53	53	53
	Adjustments (associate & minorities)	(87)	(86)	(86)	(86)	(86)
	Net financial position	75	53	51	53	56
	Enterprise value	65	86	88	87	84
RATIOS(%)	EBITDA margin*	7.5%	6.6%	9.4%	10.7%	10.9%
	EBIT margin*	2.9%	1.4%	4.3%	5.9%	6.4%
	Gearing - Debt/equity	-43.6%	-30.3%	-28.9%	-29.7%	-31.1%
	Interest cover on EBIT	nm	nm	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	5.7%	2.7%	8.4%	12.4%	14.3%
	ROE*	1.4%	-0.3%	2.3%	3.4%	4.4%
	EV/CE	0.7	0.8	0.7	0.7	0.7
	EV/Sales	0.3	0.4	0.4	0.3	0.3
	EV/Ebit	12.0	28.9	8.5	5.6	4.7
Free Cash Flow Yield	-1.8%	-6.7%	-1.5%	2.1%	3.9%	
GROWTH RATES (%)	Sales	27.3%	11.2%	13.5%	8.3%	7.7%
	EBITDA*	nm	-2.4%	61.5%	23.8%	9.4%
	EBIT*	nm	-45.0%	248.4%	48.7%	15.0%
	Net profit	nm	nm	nm	49.2%	32.1%
	EPS restated	nm	nm	nm	49.2%	32.1%

* Excluding extraordinary items

Source: Intermonte SIM estimates

4Q11 Results

El.En ex Cynosure

The company posted flat revenues YoY at Eu39.7mn (compared to 4.4% growth in 3Q) due to the impact of the economic slowdown in the fourth quarter and clients encountering greater difficulties in gaining financing. EBITDA came to Eu3.2mn, 26.7% lower than our estimate. Pricing pressure in the medical division should have increased in Europe due to low sales volumes. The margin came to 8.1% vs. 11.8% in 4Q10. FY11 closed with net profit of Eu0.7mn, down 67.1% YoY and 9.6% below our forecast. The company has a net cash position of Eu1.8mn from a net debt of Eu3.8mn in 9Q11 due to excellent working capital management in the quarter.

El.En ex Cynosure 4Q11 and FY11 results

(€ mn)	1Q10A	1Q11A	2Q10A	2Q11A	3Q10A	3Q11A	4Q10A	4Q11A	4Q11E	A v E	2010A	2011A	2011E	A v E
Sales	28.4	30.9	35.5	36.4	29.1	30.4	39.6	39.7	40.8	-2.7%	132.6	137.4	138.5	-0.8%
YoY growth %		8.8%		2.7%		4.4%		0.3%	3.1%			3.6%	4.5%	
EBITDA	1.7	2.4	3.9	3.7	3.0	1.5	4.7	3.2	4.4	-26.8%	13.3	10.8	12.0	-9.8%
Ebitda margin %	6.0%	7.8%	11.1%	10.1%	10.4%	5.0%	11.8%	8.1%	10.8%		10.1%	7.9%	8.7%	
YoY growth %		41.7%		-6.7%		-49.7%		-30.8%	-5.6%			-18.8%	-10.0%	
Total D&A	(0.7)	(1.4)	(1.4)	(1.5)	(1.2)	(1.3)	(1.7)	(1.6)	(1.7)		(5.0)	(5.7)	(5.8)	
EBIT	1.0	1.0	2.5	2.2	1.8	0.3	3.0	1.6	2.7	-40.3%	8.4	5.1	6.2	-17.8%
Ebit margin %	3.4%	3.3%	7.2%	6.0%	6.3%	0.9%	7.6%	4.1%	6.7%		6.3%	3.7%	4.5%	
YoY growth %		3.9%		-14.0%		-85.7%		-45.5%	-8.7%			-39.1%	-25.8%	
Net financials & Participation	0.1	(1.0)	(0.0)	(0.2)	(1.2)	0.5	0.4	0.3	0.0		(0.7)	(0.3)	(0.7)	
Pretax Profit	1.1	(0.0)	2.5	2.0	0.6	0.8	3.4	2.0	2.7	-27.1%	7.7	4.8	5.5	-13.3%
Taxes											(3.7)	(2.7)	(3.2)	
Minorities											(1.8)	(1.4)	(1.5)	
El.En ex Cynosure Net Profit											2.2	0.7	0.8	-9.8%
Net margin %											1.7%	0.5%	0.6%	
YoY growth %												-67.2%	-61.4%	

Source: Company data and Intermonte Sim

Guidance

In the press release management stated: "The outlook for the months ahead is uncertain as never before, for the great general economic instability that is reflected on the expectations of growth of our organization, which in general terms is well-positioned on the individual markets. We expect a growth in turnover and income in the full consolidated financial report, partly due to external growth by Cynosure. Regarding the consolidated financial report drafted without Cynosure, in relation to which guidance has always been provided, within the current economic situation in Europe we expect growth of around 5% and an improvement in operating income. If, conversely to what happened in 2011, the economic environment conditions should improve in the coming months, exiting from the phase of uncertainty and recession and increasing the availability of funding for investments, we could reach the target we have however fixed, 10% growth in revenue and income from operations exceeding 5% of sales."

Cynosure

The company published positive 4Q11 results, finally reaching break-even after three years of operating losses. In North America Cynosure recorded strong organic growth; in 2012 the roll-out of Cellulaze (cleared by the FDA for commercial distribution in the US in January 2012) should add momentum to sales starting from 2Q12.

Revenues increased 53% YoY to USD34.1mn in 4Q11 from USD22.3mn in 4Q10. ConBio and Eleme Medical acquisitions accounted for about one half of the increase, as the products associated with these transactions are performing well. The acquisition of distribution rights to the PinPointe FootLaser also contributed to top-line growth. North American organic growth was 38% due to an expanded product offering and further improvement in the U.S. lending environment for aesthetic equipment.

Gross profit increased by 40bps to 56.3% due to a favourable product mix and a larger percentage of laser product revenue from North America, where average sales prices tend to be higher. EBIT totaled USD1.4mn, compared with a loss from operations in 4Q10. Net income was USD1.1mn, compared with a net loss in 4Q10.

Cash from operations was equal to USD8.3mn; net cash at December 2011 stands at USD73mn.

Management stated: "With Cellulaze now FDA cleared, we are in the process of establishing several U.S. physician training centers and completing launch preparations. We expect to begin introducing the product in North America by the end of the first quarter, and accelerate production as we move through 2012."

Cynosure FY11 results

(USD mn)	FY10A	FY11A
Sales	81.8	110.6
YoY growth %		35.3%
EBIT	-5.0	-2.0
Ebit margin %	-6.2%	-1.8%
YoY growth %		59.9%
Net Profit	-5.5	-2.9
Net margin %	-6.8%	-2.6%
YoY growth %		47.6%

Source: Company data

Cynosure FY11 results by quarter

1Q10A	1Q11A	2Q10A	2Q11A	3Q10A	3Q11A	4Q10A	4Q11A
18.9	21.9	21.5	26.3	19.1	28.3	22.3	34.1
	15.9%		22.6%		48.4%		52.6%
(2.5)	(1.9)	(0.9)	(1.2)	(1.0)	(0.4)	(0.7)	1.5
-13.2%	-8.7%	-4.2%	-4.5%	-5.1%	-1.4%	-3.0%	4.3%
	24.0%		-32.4%		60.2%		n.m.
(2.8)	(1.9)	(1.5)	(1.3)	(0.5)	(0.8)	(0.8)	1.1
-14.8%	-8.7%	-6.9%	-4.9%	-2.4%	-2.8%	-3.6%	3.2%
	32.1%		12.0%		72.2%		n.m.

Source: Company data

Cynosure FY11 results

(Eu mn)	FY10A	FY11A
Sales	61.5	79.6
YoY growth %		29.4%
EBIT	-3.8	-1.5
Ebit margin %	-6.2%	-1.8%
YoY growth %		61.6%
Net Profit	-4.2	-2.1
Net margin %	-6.8%	-2.6%
YoY growth %		49.9%

Source: Company data

Cynosure FY11 results by quarter

1Q10A	1Q11A	2Q10A	2Q11A	3Q10A	3Q11A	4Q10A	4Q11A
13.7	16.0	16.9	18.3	14.7	20.0	16.2	25.3
	17.1%		8.5%		35.7%		55.8%
(1.8)	(1.4)	(0.7)	(0.8)	(0.8)	(0.3)	(0.5)	1.0
-13.2%	-8.7%	-4.2%	-4.5%	-5.1%	-1.4%	-3.2%	4.1%
	23.2%		-17.3%		63.6%		n.m.
(2.0)	(1.4)	(1.2)	(0.9)	(0.4)	(0.6)	(0.6)	0.8
-14.8%	-8.7%	-6.9%	-4.9%	-2.4%	-2.8%	-3.9%	3.0%
	31.4%		22.1%		-57.4%		n.m.

Source: Company data

El.En Group

The El.En Group posted sales of Eu63.8mn in 4Q11, up 16.30% YoY; over FY11, sales growth was 11.2% YoY.

EBITDA remained basically unchanged at Eu14.0mn. EBIT decreased by 45% YoY to Eu3.0mn, equal to a margin of 1.4% (down 150bps YoY due to higher DA and risk provisions).

The Group posted a pre-tax profit of Eu2.5mn, down from a profit of Eu4.7mn in FY10, due to negative changes in the USD/EUR exchange rate.

The Group's net cash position decreased to Eu53.0mn from Eu74.9mn at the end of 2010 due to the cash out at Cynosure for the acquisitions of HOYA ConBio and Eleme Medical. As at the end of September net cash stood at Eu42.7mn, highlighting the strong cash generation in 4Q11.

El.En Group 4Q11 and FY11 results

(€ mn)	1Q10A	1Q11A	2Q10A	2Q11A	3Q10A	3Q11A	4Q10A	4Q11A	2010A	2011A
Sales	41.1	45.3	50.8	52.9	43.1	49.1	54.9	63.8	189.8	211.1
YoY growth %		10.4%		4.2%		14.0%		16.3%		11.2%
EBITDA	1.4	2.1	4.2	3.5	3.7	2.2	5.0	6.1	14.3	14.0
Ebitda margin %	3.4%	4.7%	8.3%	6.7%	8.5%	4.5%	9.2%	9.6%	7.5%	6.6%
YoY growth %		54.7%		-16.3%		-40.2%		21.1%		-2.4%
Total D&A	(1.9)	(2.6)	(2.4)	(2.5)	(2.2)	(2.8)	(2.4)	(3.1)	(8.9)	(11.0)
EBIT	(0.5)	(0.5)	1.9	1.0	1.5	-0.6	2.6	3.0	5.4	3.0
Ebit margin %	-1.2%	-1.0%	3.7%	1.9%	3.4%	-1.2%	4.7%	4.8%	2.9%	1.4%
YoY growth %		-4.5%		-47.1%		n.m.		n.m.		-45.0%
Net financials & Participations	0.1	(0.8)	(0.4)	(0.2)	(0.9)	0.3	0.4	0.2	(0.7)	(0.5)
Pretax Profit	(0.4)	(1.3)	1.5	0.8	0.6	-0.2	3.0	3.2	4.7	2.5
Taxes									(4.3)	(2.8)
Minorities									(0.8)	0.0
Group Net Profit									1.3	(0.3)
Net margin %									0.7%	-0.1%
YoY growth %										n.m.

Source: Company data and Intermonte Sim

Estimates

El.En ex Cynosure

Sales should be slightly below our previous forecasts in 2012 and 2013 as we reduced the expected growth rate (from 6.9% to 5.5% in 2012). As far as profitability is concerned, we have also revised our EBITDA and EBIT estimates downwards a touch (by 10bps in terms of margins) to take into account some difficulties in the European market for medical and aesthetic treatments which should translate into lower margins due to a certain amount of pricing pressure. Finally, group net profit was basically unchanged due to lower FOREX losses.

El.En ex Cynosure Change in estimates

(€ mn)	2010A	2011A	2012E	2013E	2014E
Sales new	132.6	137.4	145.0	155.0	168.0
Sales old			148.0	160.0	
% change			-2.0%	-3.1%	
EBITDA new	13.3	10.8	13.1	15.6	17.6
EBITDA old			13.6	16.3	
% change			-3.8%	-4.1%	
EBIT new	8.4	5.1	7.1	9.3	11.0
EBIT old			7.4	9.8	
% change			-4.3%	-4.8%	
Pretax Profit new	7.7	4.8	6.7	9.0	10.7
Pretax Profit old			6.7	9.1	
% change			0.5%	-1.3%	
Group net profit new	2.2	0.7	1.9	3.2	4.2
Group Net Profit old			1.9	3.2	
% change			2.1%	-1.5%	

Source: Company data and Intermonte Sim

El.En ex Cynosure P&L

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
Sales	110.3	140.0	101.8	132.6	137.4	145.0	155.0	168.0	6.9%
YoY growth %		26.9%	-27.3%	30.3%	3.6%	5.5%	6.9%	8.4%	
EBITDA	12.3	18.5	2.3	13.3	10.8	13.1	15.6	17.6	17.6%
Ebitda margin %	11.1%	13.2%	2.2%	10.1%	7.9%	9.0%	10.1%	10.5%	
YoY growth %		50.2%	-87.6%	484.2%	-18.8%	20.9%	19.5%	12.6%	
Total D&A	(2.7)	(4.6)	(3.7)	(5.0)	(5.7)	(6.0)	(6.3)	(6.6)	
EBIT	9.6	13.8	(1.5)	8.4	5.1	7.1	9.3	11.0	29.3%
Ebit margin %	8.7%	9.9%	-1.4%	6.3%	3.7%	4.9%	6.0%	6.5%	
YoY growth %		44.7%	-110.5%	-674.6%	-39.1%	39.0%	31.7%	17.9%	
Net financials & Participations	17.7	(0.1)	(0.6)	(0.7)	(0.3)	(0.3)	(0.3)	(0.3)	
Pretax Profit	27.3	13.8	(2.0)	7.7	4.8	6.7	9.0	10.7	30.8%
Taxes	(4.6)	(5.1)	(0.9)	(3.7)	(2.7)	(3.0)	(3.7)	(4.3)	
Minorities	(1.0)	(0.6)	(0.2)	(1.8)	(1.4)	(1.8)	(2.1)	(2.1)	
Group Net Profit	21.6	8.1	(3.1)	2.2	0.7	1.9	3.2	4.2	80.7%
Net margin %	19.6%	5.8%	-3.0%	1.7%	0.5%	1.3%	2.0%	2.5%	
YoY growth %		-62.5%	n.m.	n.m.	-67.3%	169.3%	62.5%	34.8%	

Source: Intermonte Sim

Cynosure

Following the release of very positive 4Q11 results, we have revised our 2012 and 2013 forecasts for Cynosure significantly upwards to incorporate a better economic and financial environment in the North American market, Cellulaze's significantly upward sales in the US starting from 2Q12 and a good performance abroad due to ConBio and Eleme Medical products. Finally, our new net profit estimates do not incorporate any fiscal benefits that should come from prior losses.

For completeness, we report our estimates in both USD and in EUR.

Cynosure Change in estimates					
(€ mn)	2010A	2011A	2012E	2013E	2014E
Sales new	61.5	79.6	104.6	115.4	123.1
Sales old			91.0	97.8	
% change			15.0%	18.0%	
EBITDA new	1.1	3.9	10.0	13.1	13.8
EBITDA old			6.7	8.8	
% change			49.3%	48.6%	
EBIT new	(3.8)	(1.5)	3.8	6.9	7.7
EBIT old			1.9	3.8	
% change			102.4%	82.2%	
Pretax Profit new	(3.8)	(1.5)	3.8	6.9	7.7
Pretax Profit old			2.0	3.9	
% change			92.3%	77.5%	
Group net profit new	(4.2)	(2.1)	1.9	4.2	4.6
Group Net Profit old			1.4	2.7	
% change			37.4%	56.7%	

Source: Company data and Intermonte Sim

Cynosure P&L

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
Sales	90.3	94.5	52.0	61.5	79.6	104.6	115.4	123.1	15.6%
YoY growth %		4.7%	-45.0%	18.3%	29.4%	31.5%	10.3%	6.7%	
EBITDA	14.8	12.1	(8.0)	1.1	3.9	10.0	13.1	13.8	52.8%
Ebitda margin %	16.3%	12.8%	-15.4%	1.8%	4.9%	9.6%	11.3%	11.3%	
YoY growth %		-18.0%	n.m.	n.m.	243.4%	157.4%	30.8%	5.9%	
Total D&A	(2.3)	(3.7)	(4.8)	(4.9)	(5.3)	(6.2)	(6.2)	(6.2)	
EBIT	12.5	8.5	(12.9)	(3.8)	(1.5)	3.8	6.9	7.7	n.m.
Ebit margin %	13.8%	9.0%	-24.7%	-6.2%	-1.8%	3.7%	6.0%	6.3%	
YoY growth %		-31.7%	n.m.	75.0%	70.4%	n.m.	80.0%	11.1%	
Net financials & Participations	2.3	1.7	0.8	(0.0)	-0.1	0.0	0.0	0.0	
Pretax Profit	14.8	10.1	(12.1)	(3.8)	(1.5)	3.8	6.9	7.7	n.m.
Taxes	(6.0)	(3.2)	(2.6)	(0.3)	(0.6)	(1.5)	(2.7)	(3.1)	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Group Net Profit	8.7	6.9	(14.7)	(4.2)	(2.1)	1.9	4.2	4.6	n.m.
Net margin %	9.7%	7.3%	-28.3%	-6.8%	-2.6%	1.8%	3.7%	3.8%	
YoY growth %		-20.4%	n.m.	75.9%	61.4%	n.m.	120.0%	9.1%	

Source: Company data and Intermonte Sim

Cynosure P&L

(USD mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
Sales	123.8	139.0	72.5	81.5	110.6	136.0	150.0	160.0	13.1%
YoY growth %		12.3%	-47.8%	12.4%	35.7%	23.0%	10.3%	6.7%	
EBITDA	20.2	17.8	(11.1)	1.5	5.4	13.0	17.0	18.0	49.4%
Ebitda margin %	16.3%	12.8%	-15.4%	1.8%	4.9%	9.6%	11.3%	11.3%	
YoY growth %		-12.0%	n.m.	n.m.	260.0%	140.7%	30.8%	5.9%	
Total D&A	(3.2)	(5.4)	(6.8)	(6.5)	(7.4)	(8.0)	(8.0)	(8.0)	
EBIT	17.1	12.5	(17.9)	(5.0)	(2.0)	5.0	9.0	10.0	n.m.
Ebit margin %	13.8%	9.0%	-24.7%	-6.2%	-1.8%	3.7%	6.0%	6.3%	
YoY growth %		-26.7%	n.m.	71.9%	59.9%	n.m.	80.0%	11.1%	
Net financials & Participations	3.2	2.5	1.1	(0.1)	(0.1)	0.0	0.0	0.0	
Pretax Profit	20.2	14.9	(16.8)	(5.1)	(2.1)	5.0	9.0	10.0	n.m.
Taxes	(8.3)	(4.8)	(3.7)	(0.4)	(0.8)	(2.0)	(3.5)	(4.0)	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Group Net Profit	12.0	10.2	(20.5)	(5.5)	(2.9)	2.5	5.5	6.0	n.m.
Net margin %	9.7%	7.3%	-28.3%	-6.8%	-2.6%	1.8%	3.7%	3.8%	
YoY growth %		-14.6%	n.m.	73.0%	47.6%	n.m.	120.0%	9.1%	

Source: Company data and Intermonte Sim

USD/EUR 1.37 1.47 1.39 1.33 1.39 | 1.30 1.30 1.30

El.En Group

Our estimates for the El.En Group are the result of a combination of El.En ex-Cynosure and new forecasts for Cynosure, net of some consolidation effects.

We are assuming a USD/EUR exchange rate of 1.30, both in 2012 and 2013.

El.En Group Change in estimates

(€ mn)	2010A	2011A	2012E	2013E	2014E
Sales new	189.8	211.1	239.6	259.6	279.4
Sales old			229.4	247.5	
% change			4.5%	4.9%	
EBITDA new	14.3	14.0	22.5	27.9	30.5
EBITDA old			19.8	24.5	
% change			13.8%	13.8%	
EBIT new	5.4	3.0	10.4	15.4	17.8
EBIT old			8.8	13.0	
% change			18.0%	18.8%	
Pretax Profit new	4.7	2.5	10.0	15.1	17.4
Pretax Profit old			8.2	12.4	
% change			22.4%	21.7%	
Group net profit new	1.3	(0.3)	2.2	3.3	4.4
Group Net Profit old			1.8	3.1	
% change			23.3%	6.8%	

Source: Company data and Intermonte Sim

El.En Group P&L CONSOLIDATED

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
Sales	193.4	221.7	149.1	189.8	211.1	239.6	259.6	279.4	9.8%
YoY growth %		14.6%	-32.7%	27.3%	11.2%	13.5%	8.3%	7.7%	
EBITDA	26.3	28.8	(4.0)	14.3	14.0	22.5	27.9	30.5	29.8%
Ebitda margin %	13.6%	13.0%	-2.7%	7.5%	6.6%	9.4%	10.7%	10.9%	
YoY growth %		9.4%	n.m.	n.m.	-2.4%	61.5%	23.8%	9.4%	
Total D&A	(5.0)	(8.3)	(8.6)	(8.9)	(11.0)	(12.2)	(12.5)	(12.8)	
EBIT	21.3	20.6	(12.6)	5.4	3.0	10.4	15.4	17.8	81.3%
Ebit margin %	11.0%	9.3%	-8.4%	2.9%	1.4%	4.3%	5.9%	6.4%	
YoY growth %		-3.5%	n.m.	n.m.	-45.0%	248.4%	48.7%	15.0%	
Net financials & Participati	14.1	1.5	0.3	(0.7)	(0.5)	(0.3)	(0.3)	(0.3)	
Pretax Profit	35.4	22.1	(12.3)	4.7	2.5	10.0	15.1	17.4	91.9%
Taxes	(10.5)	(7.9)	(4.1)	(4.3)	(2.8)	(4.5)	(6.4)	(7.4)	
Minorities	(7.3)	(5.9)	11.1	0.8	0.0	(3.3)	(5.4)	(5.7)	
Group Net Profit	17.7	8.3	(5.3)	1.3	(0.3)	2.2	3.3	4.4	n.m.
Net margin %	9.1%	3.8%	-3.5%	0.7%	-0.1%	0.9%	1.3%	1.6%	
YoY growth %		-52.8%	n.m.	n.m.	-121.4%	n.m.	49.2%	32.1%	

Source: Company data and Intermonte Sim

Valuation

SOP

For our valuation of the El.En Group, we have used a sum of the parts (SoP) model, adding together the value of El.En without Cynosure (based on a discounted cash flow model) to the market value of El.En's 23.37% stake in Cynosure (listed on NASDAQ, ticker CYNO US). Our new target price of Eu20.7, 24.6% higher than in our last note dated 16th November 2011, is the result of a greater equity value being attached to El.En ex-Cynosure (+11.9% due to a lower risk free rate, now at 5.0%) combined with a much higher equity value for Cynosure (+53.0%).

El.En Group - SOP (€ mn)

	Method	€ mn / per share		previous (16-11-2011)	change
El.En ex Cynosure	DCF	59.9	12.4	11.1	11.9%
El.En stake in Cynosure (23.37%)	market value	39.9	8.3	5.4	53.0%
Total Equity Value		99.8	20.7	16.6	24.6%
El.En Share Price			11.1	9.9	12.1%
potential upside			86.3%	67.7%	

Source: Intermonte Sim

DCF

Once we restate El.En's EV for the value of its stake in Cynosure (Eu39.9mn based on market prices) we can see that El.En ex-Cynosure is trading at really undemanding multiples, even at our DCF fair value.

El.En ex Cynosure multiples at our DCF fair value

	2010	2011	2012	2013	2014
P/E	27.2	83.2	30.9	19.0	14.1
EV/Sales	0.44	0.42	0.40	0.37	0.35
EV/Ebitda	4.4	5.4	4.4	3.7	3.3
EV/Ebit	7.0	11.4	8.2	6.2	5.3

Source: Intermonte Sim

El.En ex Cynosure multiples at current market price

	2010	2011	2012	2013	2014
P/E	17.6	19.0	7.1	4.4	3.2
EV/Sales	0.22	0.09	0.11	0.10	0.08
EV/Ebitda	2.2	1.1	1.2	1.0	0.8
EV/Ebit	3.4	2.3	2.3	1.7	1.2

Source: Intermonte Sim

Multiples

As a sanity check, we have compared multiples for El.En and Cynosure with those of peer groups made up respectively of companies operating in the industrial lasers and medical lasers sector. As shown in the table, El.En ex Cynosure is trading at a huge discount to peers. Cynosure is trading now bang in line to its US medical peers based on P/Sales and on P/BV.

El.En - Industrial peer comparison

Company	EV/Sales			EV/EBITDA			EV/EBIT			P/E			P/BV		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Rofin Sinar	1.1x	1.1x	0.9x	5.6x	7.4x	5.6x	6.5x	9.6x	6.8x	12.2x	17.4x	13.2x	1.5x	1.4x	1.3x
Cymer	2.0x	2.0x	1.5x	10.4x	12.4x	7.6x	12.4x	15.6x	9.8x	18.2x	28.1x	15.9x	2.0x	2.0x	2.2x
Amada	0.8x	0.8x	0.8x	7.5x	7.6x	6.5x	12.9x	12.7x	10.9x	35.3x	22.3x	19.2x	0.5x	0.6x	0.6x
Coherent	1.4x	1.4x	1.2x	6.6x	7.2x	5.8x	8.6x	9.2x	7.1x	16.5x	15.8x	13.2x	2.3x	2.1x	1.9x
GSI	0.7x	0.7x	0.5x				8.9x	16.7x	4.3x	23.5x	47.8x	14.3x			
Prima Industrie	0.6x	0.6x	0.6x	8.6x	6.9x	5.7x	15.5x	10.1x	7.9x	46.3x	10.3x	7.8x	1.1x	1.0x	0.9x
Mean	1.1x	1.1x	0.9x	7.7x	8.3x	6.2x	10.8x	12.3x	7.8x	25.3x	23.6x	13.9x	1.5x	1.4x	1.4x
Median	0.9x	0.9x	0.9x	7.5x	7.4x	5.8x	10.7x	11.4x	7.5x	20.9x	19.8x	13.7x	1.5x	1.4x	1.3x
El.En ex Cynosure*	0.1x	0.1x	0.1x	1.1x	1.2x	1.0x	2.3x	2.3x	1.7x	19.0x	7.1x	4.4x	0.2x	0.2x	0.2x
El.En Group*	0.4x	0.4x	0.3x	6.2x	3.9x	3.1x	29.1x	8.6x	5.6x	n.m.	16.2x	12.3x	0.5x	0.5x	0.5x

Source: Factset data and (*) Intermonite SIM estimates

El.En - Medical peer comparison

Company	P/Sales		P/BV	
	2011	2012	2011	2012
Syneron	1.8x	1.6x	1.6x	1.5x
Palomar	2.8x	2.4x		1.3x
Cutera	2.1x	1.9x		
Biolase	2.0x	1.4x		
Solta Medical	1.3x	1.1x	1.5x	1.5x
Mean	2.0x	1.7x	1.6x	1.4x
Median	2.0x	1.6x	1.6x	1.5x
Cynosure*	2.1x	1.7x	1.7x	1.6x

Source: Factset data and (*) Intermonite SIM estimates

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Stock NAME	ELEN.		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	20.70	Previous Target (Eu):	16.60
Current Price (Eu):	11.00	Previous Price (Eu):	9.90
Date of report:	23/03/2012	Date of last report:	16/11/11

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