

Ei.En.

Italy/Industrial Engineering

Buy

Recommendation unchanged

Share price: EUR 11.49

closing price as of 27/08/2010

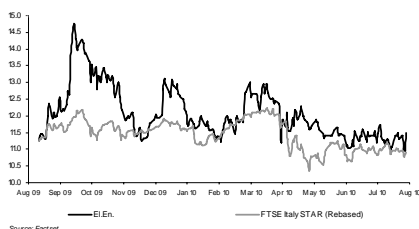
Target price: EUR 15.50

Target Price unchanged

Reuters/Bloomberg ELEN.MVLELN IM

Market capitalisation (EURm)	55
Current N° of shares (m)	5
Free float	47%
Daily avg. no. trad. sh. 12 mth	6,893
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	14.77
Price low 12 mth (EUR)	10.68
Abs. perf. 1 mth	0.79%
Abs. perf. 3 mth	-1.03%
Abs. perf. 12 mth	0.35%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	149	157	173
EBITDA (m)	(4)	7	15
EBITDA margin	nm	4.6%	8.4%
EBIT (m)	(13)	(2)	5
EBIT margin	nm	nm	3.0%
Net Profit (adj.)(m)	3	(1)	3
ROCE	-8.5%	-1.2%	3.3%
Net debt/(cash) (m)	(69)	(67)	(67)
Net Debt/Equity	-0.4	-0.4	-0.4
Debt/EBITDA	17.1	-9.3	-4.6
Int. cover(EBITDA/Fin. int)	15.1	(31.0)	(48.4)
EV/Sales	0.3	0.3	0.2
EV/EBITDA	nm	5.8	2.9
EV/EBITDA (adj.)	nm	5.8	2.9
EV/EBIT	nm	nm	8.2
P/E (adj.)	nm	nm	20.5
P/BV	0.6	0.6	0.6
OpFCF yield	10.8%	31.5%	15.0%
Dividend yield	0.0%	0.3%	0.4%
EPS (adj.)	(1.09)	(0.13)	0.56
BVPS	18.71	18.58	19.10
DPS	0.00	0.04	0.04



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H1 10 results above our estimates

The facts: Ei.En. published its H1 10 results last Friday.

▪ **H1 10 Ei.En group consolidated results:** H1 10 sales were up by 26.6% Y/Y (higher than our forecast of +18.0%); this increase was due to the signs of recovery of the demand for “capital goods”. Thanks to the process of operating cost reduction realised by the management, even though the investments and the expense in R&D were maintained, the group succeeded to strongly reduce its break-even point and realize a positive EBITDA of EUR 5.6m (higher than our forecast of EUR 5.0m) and a positive EBIT of EUR 1.4m which showed a strong improvement compared to the negative performance in H1 09 (EUR -9.0m).

EL.EN GROUP: H1 10 CONSOLIDATE results

	H1 09a	H1 10a	%Chg.
Sales	72.6	91.9	+26.6%
EBITDA	(4.5)	5.6	n.m.
Margin %	n.m.	6.1%	

▪ Source: Company Data

H1 10 Ei.En group excluding Cynosure estimates: H1 10 consolidated results, excluding Cynosure, were better compared to the fully consolidated results thanks to a structure of the European companies that resulted to be more flexible than Cynosure’s structure. The group registered a higher increase in revenues and thanks to a lower impact from fixed costs on revenues, EBIT margin of 5.5% was higher than 1.5% marked by the fully consolidates financials.

EL.EN GROUP: H1 10 EXCLUDING CYNOSURE results

	H1 09a	H1 10a	%Chg.
Sales	49.0	63.8	+30.3%
EBIT	(1.9)	3.5	n.m.
Margin %	n.m.	5.5%	

▪ Source: Company Data

H1 10 CYNOSURE results (EUR m)

	H1 09a	H1 10a	%Chg.
Sales	11.3	30.4	+13.7%
EBIT	(5.5)	(1.9)	n.m.
Margin %	n.m.	n.m.	

▪ Source: Company Data

Positive FY 10 outlook: based on H1 results higher than the internal budget and on the current visibility on the H2 10, the management confirmed an expected good FY 10 sales growth and FY 10 EBIT margin in line with H1 10 EBIT margin of 1.5%, so decidedly *higher than our estimates* (FY 10e EBIT of EUR -2m).

Based on the H1 result trend higher than expected and on the foregoing management outlook, if Q3 results will show a further positive performance, I can not rule out the need of revising upward our FY 10 estimates.

Conclusion & Action: we maintain our FY 10 estimates and we confirm our Buy recommendation and our target price of EUR 15.50 per share.

Disclaimer

This research has been prepared by Andrea Devita, Marco Cavalleri, Luigi Tramontana, Claudio Giacomello, Paola Saglietti, Gabriele Gambarova, Dario Michi, Enrico Filippi, Giada Cabrino (all members of AIAF), Francesco Previtera, Francesco Sala, Francesco Di Gregorio and Marcello Renna (ordinary member of SIAT), who are financial analysts with Banca Akros SpA ("Banca Akros"), which is responsible for the preparation of the research.

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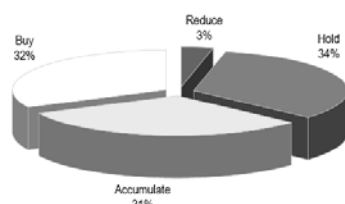
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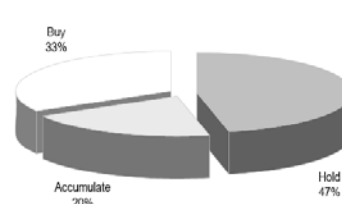
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Percentage of recommendations by the 30 June 2010

All recommendations



Recommendations on stocks under conflict of interest (*)



(*) Please note that the rate of issuers who are in potential conflict of interests with Banca Akros is equivalent to 17% of all issuers covered

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