

Reporting on 29 Aug 2008

Buy

Current €24.29

Target €33.10

Current price equivalent
\$35.88

Market cap
€117.2m
\$173.1m

52-week high/low
€33.18/€20.43

H1 ending on 30 Jun 2008

Price perf.	1M	3M	12M
Price (€)	21.8	25.4	30.7
Absolute (%)	11.9	-2.5	-20.3
Rel market (%)	11.1	12.4	10.8
Rel sector (%)	6.9	8.3	-1.9

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

Preview for H1. Another strong quarter to come

EL.En. will report its H1 2008 results today. No conference call is scheduled. We expect positive earnings momentum to extend into Q2 2008, with a good performance in both the industrial and medical segments, notwithstanding a 15% depreciation in the US\$. Pending the results release, we we stick to 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	288.6	10.1	(10.9)	1.2
Dec-2007A	193	11.0	11.0	18	1.24	19.6	4.0	12.2	4.5
Dec-2008E	235	14.6	12.0	7	1.48	16.4	2.6	(0.1)	3.5
Dec-2009E	267	15.1	12.4	8	1.67	14.6	2.2	7.6	3.4
Dec-2010E	293	15.5	12.7	9	1.89	12.9	1.9	11.3	4.3

Source: Company data, Dresdner Kleinwort Research estimates

- ▶ We estimate the Group's top line at €55.8m (+19% YoY), driven by another positive performance by the medical business: Cynosure (fully consolidated, 23.82% owned), already disclosed a good Q2 2008 with sales at \$39m (+30% YoY). Overall performance will be affected by a 15% depreciation in €/€ fx rate. We expect sharp growth in the industrial segment (+32% YoY), benefiting from the newly acquired GLI consolidated since February. We estimate EBITDA at €8.7m (+28% YoY) and EBT at €7.8m (+60% YoY).
- ▶ We will focus on the performance of other EL.En.'s operations (excluding Cynosure), and the Group's cash generation. Please note Net cash position decreased to €56m in Q1 2008 from €84m at the end of 2007 mainly to reflect a different reclassification of marketable securities at Cynosure (USD27m) and the acquisition of GLI (€3.8m), including the consolidation of its net debt of ca. €1.4m.
- ▶ Pending the results release, we reiterate our positive stance on the stock, which reflects: 1) deep commitment to the Chinese, Japanese and Brazilian markets; 2) opportunity to manage an effective turnaround at Lasercut and Deka and 3) compelling valuation. EL.En. is trading 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's value, other Group assets are trading 4.3x EV/EBITDA 08E.

Online research:

www.dresdnerkleinwort.com/research

Bloomberg:

DKIB1<GO>

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EI.En. Group Interim Preview

€m	Q2'08E	Q2'07	Change %	H1'08E	H1'07	Change %	2008E	2007	Change %
Revenues	55.8	47.1	18.6	110.7	90.1	22.9	234.7	193.4	21.3
Industrial Laser	6.6	5.0	32.3	13.8	10.5	31.5	36.5	22.8	60.1
Cut	2.4	2.1	12.0	5.0	4.5	11.0	9.4	9.2	2.0
Marking & Welding	1.9	1.8	5.0	4.2	4.0	5.2	9.6	8.9	8.0
Laser Sources	2.2	1.0	132.0	4.6	1.9	135.4	17.2	4.4	291.7
Restoring	0.1	0.1	0.0	0.1	0.1	-29.7	0.3	0.3	0.0
Medical Laser	41.8	35.7	17.3	82.8	67.3	23.0	164.4	145.8	12.7
CO2 Chirurgic	1.9	0.8	150.0	3.5	1.4	153.8	4.3	3.8	14.0
Terapy	1.0	1.0	0.0	2.1	2.1	0.5	4.3	3.8	12.0
Aesthetic	33.3	28.9	15.1	66.3	54.2	22.3	131.9	116.7	13.0
Dental	2.1	2.0	0.5	3.6	3.6	0.4	9.6	8.8	9.0
Other	3.0	2.8	8.0	6.1	5.7	7.6	13.4	11.6	15.0
Accessories	0.6	0.2	250.0	1.2	0.4	223.5	1.0	1.1	-6.8
Assistance	7.4	6.4	15.0	14.1	12.3	14.8	33.8	24.8	36.1
Change in finished goods	2.7	3.2	-15.8	5.3	6.5	-18.9	7.9	6.7	17.8
Other income	0.4	0.4	18.6	0.7	0.7	-1.8	2.3	1.9	21.3
Value of Production	59.0	50.7	16.4	116.7	97.3	19.9	244.9	202.1	21.2
Purchases	-22.9	-20.1	14.4	-46.0	-39.3	17.2	-91.6	-76.8	19.2
Change in row materials	1.8	1.0	73.2	3.6	1.9	87.9	3.7	3.1	21.3
Other direct cost	-6.2	-5.0	23.0	-11.9	-9.3	28.8	-23.7	-20.1	17.8
Gross Margin	31.6	26.6	18.8	62.3	50.7	22.9	133.3	108.2	23.3
<i>on sales (%)</i>	<i>56.7</i>	<i>56.6</i>		<i>56.3</i>	<i>56.3</i>		<i>56.8</i>	<i>55.9</i>	
Other cost and services	-11.1	-9.6	15.6	-22.1	-18.4	19.9	-47.1	-38.6	21.9
Labour cost	-11.8	-10.3	15.3	-23.4	-20.5	14.3	-52.0	-43.2	20.3
EBITDA	8.7	6.8	28.4	16.8	11.8	42.6	34.3	26.3	30.1
<i>EBITDA Margin (%)</i>	<i>15.6</i>	<i>14.4</i>		<i>15.2</i>	<i>13.1</i>		<i>14.6</i>	<i>13.6</i>	
D&A	-1.3	-1.5	-14.8	-2.5	-2.7	-7.1	-6.1	-5.0	21.7
EBIT	7.4	5.3	40.9	14.3	9.1	57.5	28.1	21.3	32.0
<i>EBIT Margin (%)</i>	<i>13.3</i>	<i>11.2</i>		<i>12.9</i>	<i>10.1</i>		<i>12.0</i>	<i>11.0</i>	
Net Financial Income	0.5	0.3	100.4	1.0	0.5	105.9	1.8	0.7	152.8
Other Income/Expences	-0.1	-0.6	-82.8	-0.2	-1.2	-82.8	0.0	13.4	-100.0
EBT	7.8	4.9	60.3	15.1	8.3	81.5	29.9	35.4	-15.5

Source: Company data, Dresdner Kleinwort Research estimates

El.En Group

EURm	Q1'06	Q2'06	Q3'06	Q4'06	Q1'07	Q2'07	Q3'07	Q4'07	Q1'08	Q2'08E
Revenues	34.3	37.8	34.9	47.4	43.0	47.1	46.7	56.7	54.9	55.8
Industrial Lasers	4.4	6.4	4.9	7.3	5.5	5.0	4.7	7.6	7.2	6.6
Medical Lasers	25.3	27.2	25.7	35.0	31.6	35.7	35.6	42.9	40.9	41.8
Assistance	4.7	4.3	4.2	4.9	5.9	6.4	6.4	6.2	6.7	7.4
Gross Margin	18.1	20.0	18.8	25.4	24.1	26.6	26.3	31.2	30.7	31.6
EBITDA	2.9	4.2	-3.9	6.2	5.0	6.8	6.8	7.7	8.1	8.7
EBIT	1.7	3.1	-5.0	4.4	3.8	5.3	6.0	6.2	6.9	7.4
EBT	2.1	3.7	-4.4	4.8	3.5	4.9	6.1	21.0	7.3	7.8

YoY growth (%)

Revenues (%)	37.3	41.2	19.3	26.8	25.2	24.5	33.8	19.7	27.6	18.6
Industrial Lasers	13.6	79.0	21.3	-8.3	27.0	-22.1	-4.8	4.3	30.8	32.3
Medical Lasers	44.1	38.3	20.1	38.1	24.8	31.3	38.4	22.5	29.5	17.3
Assistance	29.7	19.2	12.5	25.8	26.0	51.1	50.9	24.8	14.6	15.0
Gross Margin (%)	32.1	34.2	19.7	24.0	33.1	33.2	39.6	22.5	27.6	18.8
EBITDA (%)	25.9	62.7	-199.5	0.8	72.3	61.2	-277.5	24.7	61.9	28.4
EBIT (%)	16.3	77.9	-270.9	16.3	125.2	68.4	-219.0	41.5	80.3	40.9
Gross Margin (%)	52.6	52.9	54.0	53.7	55.9	56.6	56.4	55.0	55.9	56.7
EBITDA Margin (%)	8.5	11.1	-11.1	13.0	11.7	14.4	14.7	13.6	14.8	15.6
EBIT Margin (%)	5.0	8.3	-14.4	9.3	8.9	11.2	12.8	11.0	12.6	13.3

Source: Company data, Dresdner Kleinwort Research estimates

Disclosure appendix

Disclosures under US regulations

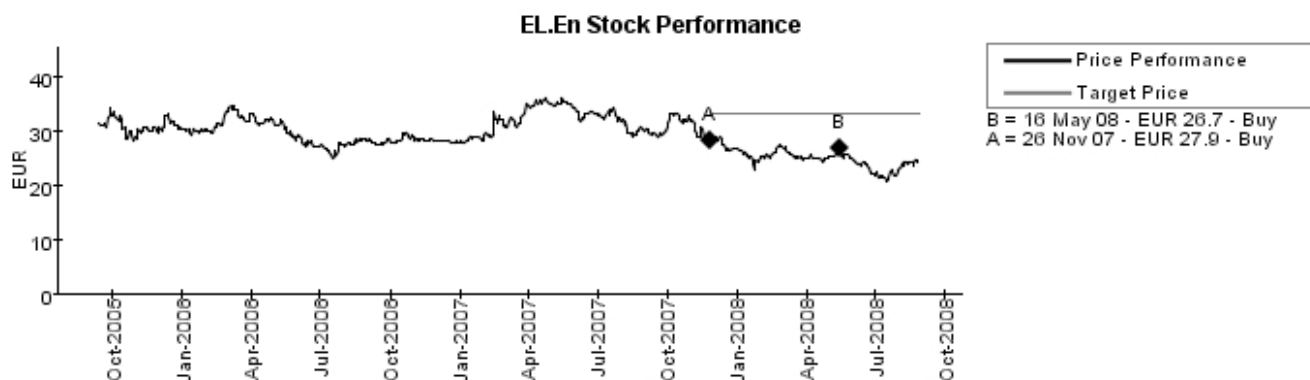
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Buy:	10% or greater increase in share price	Sell:	10% or more decrease in share price
Add:	5-10% increase in share price	Reduce:	5-10% decrease in share price
Hold:	+5%/-5% variation in share price		

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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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