

EL.EN.

OUTPERFORM

SECTOR: Industrials

Price (Eu):

47.41

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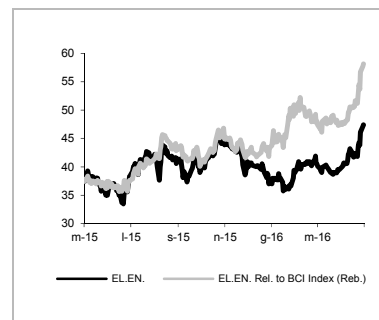
Target Price (Eu):

55.00

## Strong Top Line Growth, Record Margins

- Sales growth stronger than expected at 14%, healthy profitability.** El.En. reported better than expected 1Q16 revenues of Eu55.2mn (vs. our estimate of Eu51.2mn), up +13.9% YoY, driven by both the medical and industrial segments (+11.6% and +19.4% respectively). Within the medical division, the major growth driver was surgical applications, up +23.6%, but all the key segments performed positively in the quarter (aesthetic +1.2%, physiotherapy +10.6% YoY); industrial sales were boosted by both cutting and marking, up +27.4% and +46.4% YoY respectively. By geographical area, the group posted strong quarterly trends in Italy (+40% YoY) and Rest of the World (+12% YoY, with a rebound in China), while European sales were basically flattish (affected by softer revenues in some countries i.e. Russia and Turkey). The higher sales were associated with a healthy level of profitability, with a 1Q EBITDA margin improvement of around +300bps YoY to 13.9%, while EBIT increased by 51% YoY to Eu6.7mn (vs. our Eu4.8mn forecast), corresponding to a record margin of 12.2% (from 9.2% in 1Q15). Pre-tax profit reached Eu5.8mn (vs. Eu4.7mn expected), after higher than projected net financial items (due to the FOREX effect). The net cash position decreased slightly to Eu27.6mn (from Eu29.8mn at the end of December, in line with estimates).
- Positive outlook ahead. 2016 guidance may look conservative. Estimates fine-tuned.** Based on current visibility and the improving business environment in several key markets, El.En. reiterated a positive outlook for the remainder of the year. While confirming the recently provided 2016 guidance (pointing to sales growth of around +5% YoY, or Eu229mn, and EBIT in line with 2015, or Eu21.5mn), management seemed more confident about achieving or beating targets, stating that an update will be provided upon the release of 1H results. Following 1Q results, we have slightly raised our sales/EBIT forecasts (by around 1%), now projecting 2016 EBIT of Eu23mn (implying a margin of approx. 9.3% in the remainder of the year vs. 12.2% in 1Q16). At bottom line, this revision is offset by slightly higher net financial items.
- OUTPERFORM reiterated; target price increased to Eu55.0.** On the basis of our updated estimates, we set a new target price of Eu55.0 (from Eu53.0). In our view the group should benefit from an increasingly favourable economic environment (with a strong rebound expected in Italy and China), and further potential upside related to a successful penetration of the MonaLisa Touch product in the US market (and its effective introduction into new international areas). Following the disposal of the remaining 4.4% stake in Cynosure for around Eu40mn (on 26<sup>th</sup> April), the company reached a pro-forma net cash position of around Eu78mn (restated for temporary financial investments), leading in our view to ample room to pursue any potential M&A opportunities or a more generous dividend policy going forwards.

## EL.EN. - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 53.00 to 55.00

Change in EPS est:	2016E	2017E
	-3.8%	0.8%

## STOCK DATA

Reuters code:	ELEN.MI
Bloomberg code:	ELN IM

Performance	1m	3m	12m
Absolute	20,0%	21,6%	25,5%
Relative	22,3%	18,1%	45,2%
12 months H/L:	47.41/33.50		

## SHAREHOLDER DATA

No. of Ord. shares (mn):	5
Total No. of shares (mn):	5
Mkt Cap Ord (Eu mn):	229
Total Mkt Cap (Eu mn):	229
Mkt Float - ord (Eu mn):	102
Mkt Float (in %):	44,7%
Main shareholder:	
Cangioli Andrea	15,2%

## BALANCE SHEET DATA

	2016
Book value (Eu mn):	178
BVPS (Eu):	36,86
P/BV:	1,3
Net Financial Position (Eu mn):	73
Enterprise value (Eu mn):	164

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on the last page of this report

Key Figures	2014A	2015A	2016E	2017E	2018E
Sales (Eu mn)	180	218	231	241	252
Ebitda (Eu mn)	18	26	28	30	32
Net profit (Eu mn)	17	14	36	16	17
EPS - New (Eu)	2,290	2,979	2,777	3,278	3,473
EPS - Old (Eu)	2,290	2,979	2,888	3,251	
DPS (Eu)	1,000	1,200	1,200	1,200	1,200

Ratios & Multiples	2014A	2015A	2016E	2017E	2018E
P/E	20,7	15,9	17,1	14,5	13,6
Div. Yield	2,1%	2,5%	2,5%	2,5%	2,5%
EV/Ebitda	8,5	6,6	5,9	5,2	4,7
ROCE	14,2%	17,0%	17,3%	21,1%	21,6%

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**EL.EN. - KEY FIGURES**

		2014A	2015A	2016E	2017E	2018E
	Fiscal year end	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	180	218	231	241	252
	EBITDA	18	26	28	30	32
	EBIT	15	21	23	25	26
	Financial income (charges)	5	1	(1)	1	1
	Associates & Others	4	0	0	0	0
	Pre-tax profit (Loss)	24	23	23	26	27
	Taxes	(6)	(7)	(8)	(8)	(8)
	Tax rate (%)	-26,3%	-30,6%	-33,5%	-30,9%	-30,9%
	Minorities & discontinue activities	(1)	(2)	21	(2)	(2)
	Net profit	17	14	36	16	17
	Total extraordinary items					
Ebitda excl. extraordinary items	18	26	28	30	32	
Ebit excl. extraordinary items	14	21	23	25	26	
Net profit restated	11	14	13	16	17	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	5	5	5	5	5
	EPS stated fd	3,424	2,979	7,441	3,278	3,473
	EPS restated fd	2,290	2,979	2,777	3,278	3,473
	BVPS fd	29,632	35,287	36,865	38,942	41,216
	Dividend per share (ord)	1,000	1,200	1,200	1,200	1,200
	Dividend per share (sav)					
Dividend pay out ratio (%)	29,2%	40,3%	16,1%	36,6%	34,5%	
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	21	20	20	22	24
	Change in NWC	(1)	(11)	(4)	(2)	(3)
	Capital expenditure	(11)	(8)	(7)	(7)	(6)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	9	2	9	14	14
	Acquisitions, divestments & others	19	(14)	40	0	0
	Dividend	(3)	(5)	(6)	(6)	(6)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	25	(17)	43	8	9	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	56	81	83	85	86
	Net working capital	50	60	64	66	70
	Long term liabilities	(2)	9	(31)	(31)	(31)
	Net capital employed	103	150	116	120	124
	Net financial position	47	30	73	80	89
	Group equity	151	180	189	201	214
	Minorities	8	9	11	13	15
Net equity	143	170	178	188	199	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	229	229	229	229	229
	Adjustments (associate & minorities)	29	29	(8)	(8)	(8)
	Net financial position	47	30	73	80	89
	Enterprise value	153	170	164	156	147
<b>RATIOS(%)</b>	EBITDA margin*	10,0%	11,8%	12,0%	12,3%	12,5%
	EBIT margin*	7,7%	9,9%	10,0%	10,4%	10,5%
	Gearing - Debt/equity	-31,3%	-16,6%	-38,5%	-40,1%	-41,7%
	Interest cover on EBIT	nm	nm	46,0	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	14,2%	17,0%	17,3%	21,1%	21,6%
	ROE*	12,2%	9,2%	20,6%	8,6%	8,7%
	EV/CE	1,4	1,3	1,2	1,3	1,2
	EV/Sales	0,9	0,8	0,7	0,6	0,6
	EV/Ebit	11,1	7,9	7,1	6,2	5,6
Free Cash Flow Yield	4,5%	0,8%	3,7%	5,8%	6,1%	
<b>GROWTH RATES (%)</b>	Sales	14,4%	20,9%	6,0%	4,5%	4,5%
	EBITDA*	30,7%	42,9%	7,6%	7,8%	6,1%
	EBIT*	44,0%	55,8%	7,0%	8,4%	6,1%
	Net profit	171,7%	-13,0%	149,8%	-55,9%	6,0%
	EPS restated	81,7%	30,1%	-6,8%	18,0%	6,0%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## Results

El.En. Results					
	(€ mn)	1Q15A	1Q16A	1Q16E	A v E
<b>Sales</b>		<b>48,5</b>	<b>55,2</b>	<b>51,2</b>	<b>7,9%</b>
	YoY growth %	29,1%	13,9%	5,5%	
<b>EBITDA</b>		<b>5,3</b>	<b>7,7</b>	<b>5,8</b>	<b>32,2%</b>
	Ebitda margin %	10,9%	13,9%	11,3%	
	YoY growth %	53,8%	44,7%	9,4%	
Total D&A		(0,8)	(0,9)	(1,1)	
<b>EBIT Adjusted</b>		<b>4,5</b>	<b>6,7</b>	<b>4,8</b>	<b>41,5%</b>
	Ebit margin %	9,2%	12,2%	9,3%	
<b>EBIT</b>		<b>4,5</b>	<b>6,7</b>	<b>4,8</b>	<b>41,5%</b>
	Ebit margin %	9,2%	12,2%	9,3%	
	YoY growth %		50,8%	6,6%	
Net financials & Participations		1,8	(0,9)	(0,1)	
<b>Pretax Profit Adjusted</b>		<b>6,3</b>	<b>5,8</b>	<b>4,7</b>	<b>24,4%</b>
<b>Pretax Profit</b>		<b>6,3</b>	<b>5,8</b>	<b>4,7</b>	<b>24,4%</b>
	Pretax margin %	13,0%	10,5%	9,1%	
	YoY growth %	-20,7%	-7,8%	-25,9%	

Source: Company data and Intermonte Sim

## Estimates

El.En. Change in estimates			
(€ mn)	2015A	2016E	2017E
<b>Sales new</b>	<b>217,7</b>	<b>230,8</b>	<b>241,1</b>
Sales old		228,9	239,1
	<b>% change</b>	<b>0,8%</b>	<b>0,8%</b>
<b>EBITDA new</b>	<b>25,7</b>	<b>27,6</b>	<b>29,8</b>
EBITDA old		27,4	29,5
	<b>% change</b>	<b>0,7%</b>	<b>0,7%</b>
<b>Adjusted EBIT new</b>	<b>21,5</b>	<b>23,0</b>	<b>25,0</b>
Adjusted EBIT old		22,8	24,7
	<b>% change</b>	<b>0,9%</b>	<b>0,9%</b>
<b>Pretax Profit new</b>	<b>23,1</b>	<b>22,5</b>	<b>25,6</b>
Pretax Profit old		23,3	25,3
	<b>% change</b>	<b>-3,4%</b>	<b>0,8%</b>
<b>Adjusted Group Net profit new</b>	<b>14,4</b>	<b>13,4</b>	<b>15,8</b>
Adjusted Group Net Profit old		13,9	15,7
	<b>% change</b>	<b>-3,8%</b>	<b>0,8%</b>

Source: Company data and Intermonte Sim estimates

**EI.En. Income statement estimates**

(€ mn)	2012A	2013A	2014A	2015A	2016E	2017E	CAGR15-17E
<b>Sales</b>	<b>151,2</b>	<b>157,4</b>	<b>180,0</b>	<b>217,7</b>	<b>230,8</b>	<b>241,1</b>	<b>5,2%</b>
YoY growth %	10,1%	4,1%	14,4%	20,9%	6,0%	4,5%	
<b>EBITDA</b>	<b>12,5</b>	<b>13,7</b>	<b>18,0</b>	<b>25,7</b>	<b>27,6</b>	<b>29,8</b>	<b>7,7%</b>
Ebitda margin %	8,3%	8,7%	10,0%	11,8%	12,0%	12,3%	
YoY growth %	15,7%	9,8%	30,7%	42,9%	7,6%	7,8%	
Total D&A	(5,0)	(4,2)	(2,7)	(4,2)	(4,6)	(4,8)	
<i>of which non-recurrent</i>			1,5				
EBIT Reported	7,5	9,6	15,3	21,5	23,0	25,0	
Ebit margin %	4,9%	6,1%	8,5%	9,9%	10,0%	10,4%	
<b>EBIT Adjusted</b>	<b>7,5</b>	<b>9,6</b>	<b>13,8</b>	<b>21,5</b>	<b>23,0</b>	<b>25,0</b>	<b>7,7%</b>
Ebit margin %	4,9%	6,1%	7,7%	9,9%	10,0%	10,4%	
YoY growth %	46,7%	28,2%	44,0%	55,8%	7,0%	8,4%	
Net financial charges	(1,4)	(1,7)	4,6	1,6	(0,5)	0,6	
Other income		2,8	4,5				
<i>of which non-recurrent</i>		2,5	4,5				
<b>Pretax Profit</b>	<b>6,1</b>	<b>10,7</b>	<b>24,4</b>	<b>23,1</b>	<b>22,5</b>	<b>25,6</b>	<b>5,1%</b>
Taxes	(3,0)	(4,3)	(6,4)	(7,1)	(7,5)	(7,9)	
tax rate	-48,5%	-40,0%	-26,3%	-30,6%	-33,5%	-30,9%	
<i>Income from continued op.</i>	<i>3,1</i>	<i>6,4</i>					
<i>Income from discontinued op.</i>	<i>26,7</i>	<i>0,0</i>					
<b>Net Profit before minority interest</b>	<b>29,8</b>	<b>6,4</b>	<b>18,0</b>	<b>16,0</b>	<b>15,0</b>	<b>17,7</b>	<b>4,9%</b>
<i>Minority interest from continued op.</i>	<i>(1,0)</i>	<i>(0,3)</i>	<i>(1,5)</i>	<i>(1,7)</i>	<i>(1,6)</i>	<i>(1,9)</i>	
<i>Minority interest from discontinued</i>	<i>(5,6)</i>	<i>0,0</i>	<i>0,0</i>	<i>0,0</i>	<i>23</i>	<i>0,0</i>	
<i>Reported Group Net Profit</i>	23,2	6,1	16,5	14,4	35,9	15,8	
n.m.		-73,8%	171,7%	-13,0%	149,8%	-55,9%	
<b>Adjusted Group Net Profit*</b>	<b>2,1</b>	<b>3,6</b>	<b>11,1</b>	<b>14,4</b>	<b>13,4</b>	<b>15,8</b>	<b>4,9%</b>
Net margin %	1,4%	2,3%	6,1%	6,6%	5,8%	6,6%	
YoY growth %	n.m.	68,1%	208,7%	30,1%	-6,8%	18,0%	

Source: Company data and Intermonte SIM estimates

## EL.EN. Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>EL.EN.</b>	<b>47,41</b>	<b>EUR</b>	<b>229</b>	<b>20,0%</b>	<b>21,6%</b>	<b>8,0%</b>	<b>17,9%</b>	<b>25,5%</b>	<b>102,0%</b>
AMADA CO.	---	JPY	421.061	5,2%	9,1%	2,8%	1,4%	-7,0%	22,5%
COHERENT INC.	---	USD	2.043	-12,2%	4,4%	33,0%	29,2%	34,4%	46,0%
CYMER	---	USD	---	---	---	---	---	---	---
FIDIA	6,29	EUR	32	0,4%	-0,1%	-8,8%	-1,4%	-22,1%	112,5%
GSI GROUP	---	USD	514	2,5%	18,5%	9,0%	9,4%	1,2%	23,0%
PRIMA INDUSTRIE	11,41	EUR	120	-0,1%	7,1%	-17,9%	-23,0%	-33,4%	-12,2%
ROFIN-SINAR TECH	---	USD	890	-1,9%	51,2%	11,9%	17,4%	8,9%	38,1%
<b>Mean performance</b>				<b>2,0%</b>	<b>16,0%</b>	<b>5,4%</b>	<b>7,3%</b>	<b>1,1%</b>	<b>47,4%</b>
<b>Italy FTSE Mib</b>	17.498,8	EUR	246.539	-4,2%	0,7%	-21,6%	-18,3%	-25,5%	-15,3%

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
<b>EL.EN.</b>	<b>47,41</b>	<b>EUR</b>	<b>229</b>	<b>0,7</b>	<b>0,6</b>	<b>5,9</b>	<b>5,2</b>	<b>7,1</b>	<b>6,2</b>	<b>17,1</b>	<b>14,5</b>	<b>2,5%</b>	<b>2,5%</b>
AMADA CO.	1180,00	JPY	421.061	1,2	1,2	8,1	7,9	9,9	9,7	16,7	16,7	3,0%	3,0%
COHERENT INC.	84,11	USD	2.043	2,1	2,1	11,2	9,7	14,6	12,5	21,6	18,5		
CYMER		USD											
FIDIA	6,29	EUR	32	0,5	0,4	4,7	4,0	5,8	4,9	10,0	9,0	6,4%	6,4%
GSI GROUP	14,90	USD	514							14,9	13,3		
PRIMA INDUSTRIE	11,41	EUR	120	0,6	0,5	6,0	4,6	9,8	6,8	11,9	7,7	2,2%	3,0%
ROFIN-SINAR TECH	31,45	USD	890	1,4	1,5	9,8	11,3	12,9	14,6	21,5	25,1	0,0%	0,0%
<b>Median</b>				<b>1,2</b>	<b>1,2</b>	<b>8,1</b>	<b>7,9</b>	<b>9,9</b>	<b>9,7</b>	<b>15,8</b>	<b>15,0</b>	<b>2,6%</b>	<b>3,0%</b>

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	46,4	USD	1.056,8	3,1%	23,2%	20,3%	-0,2%	31,8%	161,4%
<b>El.En</b>	<b>47,4</b>	<b>Euro</b>	<b>228,7</b>	<b>20,0%</b>	<b>21,6%</b>	<b>8,0%</b>	<b>17,9%</b>	<b>25,5%</b>	<b>102,0%</b>
Syneron Medical Ltd	6,1	USD	211,3	-4,4%	-3,1%	-10,6%	-14,2%	-40,8%	-21,1%
Cutera, Inc.	8,8	USD	115,6	-16,5%	-9,4%	-28,4%	-24,9%	-29,0%	23,4%
BIOLASE, Inc.	1,1	USD	63,7	-9,8%	45,0%	20,9%	41,3%	-39,8%	-20,3%
ZELTIQ Aesthetics, Inc.	21,0	USD	828,0	-20,3%	13,5%	-30,0%	-20,1%	-17,0%	82,1%
<b>Medical avg</b>				<b>-12,7%</b>	<b>11,5%</b>	<b>-12,0%</b>	<b>-4,5%</b>	<b>-31,7%</b>	<b>16,0%</b>
<b>Italy FTSE Mib</b>				<b>-2,6%</b>	<b>3,5%</b>	<b>-16,9%</b>	<b>-15,3%</b>	<b>-19,5%</b>	<b>-13,1%</b>

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
<b>El.En</b>	<b>47,4</b>	<b>EUR - Euro</b>	<b>228,7</b>	<b>0,7</b>	<b>0,6</b>	<b>17,1</b>	<b>14,5</b>	<b>5,9</b>	<b>5,2</b>
Syneron Medical Ltd	6,1	USD	211,3	0,5	0,5	25,1	13,9		
Cynosure	46,4	USD	1.056,8	2,3	2,1	36,2	24,6	15,8	11,9
Cutera, Inc.	8,8	USD	115,6	0,8	0,7	18,6	12,7	20,1	12,7
BIOLASE, Inc.	1,1	USD	63,7	1,3	1,2				
ZELTIQ Aesthetics, Inc.	21,0	USD	828,0	2,8	2,4		51,6	33,9	16,3
<b>Medical avg</b>				<b>1,3</b>	<b>1,2</b>	<b>25,1</b>	<b>19,2</b>	<b>20,1</b>	<b>12,7</b>

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

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 NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;  
 UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;  
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**DETAILS ON STOCKS RECOMMENDATION**

Stock NAME	ELEN.		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	55.00	Previous Target (Eu):	53.00
Current Price (Eu):	47.41	Previous Price (Eu):	40.60
Date of report:	18/05/2016	Date of last report:	16/03/2016

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