

EL.EN.

BUY

SECTOR: Industrials

Price (Eu):

16.80

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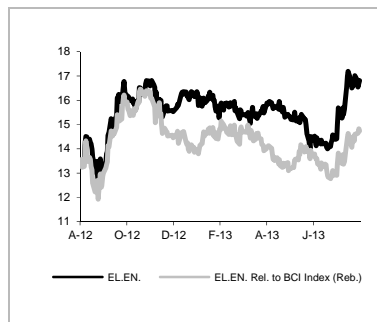
Target Price (Eu):

18.50

2013 Guidance Reaffirmed: Second Half Expected To Be Better

- Quarterly results above our estimates.** In 2Q13 El.En posted a 2.3% YoY increase in sales to Eu40.3mn, just below our forecast. EBITDA came to Eu3.8mn, down 1.4% YoY. EBIT came to Eu2.8mn, up 6.9% YoY and 11.0% above our estimate. The 30bp YoY increase in the net operating margin, to 6.9%, was mainly due to a higher gross margin. Finally, pre-tax profit was Eu1.7mn, down 42.1% YoY, penalised by Eu0.6mn of losses at associated companies as Cynosure's quarterly results (El.En owns 9.4% of its share capital) were hurt by non-recurring costs for the acquisition of Palomar. The cash position, equal to Eu19.2mn, was basically unchanged QoQ despite the payment of Eu3.9mn in dividends.
- First semester highlights.** In 1H13 sales declined by 1.3% YoY. Turnover grew in Italy (+12.9% YoY) and Europe (+6.3% YoY), but declined in the Rest of the World (-7.8% YoY). By division, sales of medical and aesthetic laser systems went down by 1.7% YoY, while industrial laser systems sales went up by 4.2% (even if both the Brazilian and the Chinese subsidiaries underperformed); after-sale services also went down by 7.4% YoY. The huge YTD devaluation of the yen was the main reason behind the negative performance outside of Europe in the medical division and the after-sale business. Net profit from continuing operations jumped by 80.9% YoY to Eu1.3mn, coming in 33.0% above our estimate due to much lower than anticipated minority interests.
- 2013 outlook reaffirmed, change in EPS due to lower minority interests.** Management stated that "in the second quarter we reduced the delay on the roadmap for the achievement of the 2013 sales and operating result guidance. Despite the unfavorable conditions in some of the markets and the gap accumulated in the six months delay, we still consider the objectives set for 2013 within our reach". Management is pointing to "growth of around 5% and an increase in operating income (EBIT)". We forecast sales of Eu160.3mn, implying top line growth of 5.0% (from 6.0% previously), and EBIT of Eu8.0mn, or 5.0% of sales (stable), in line with the guidance provided. At the bottom line, we have increased our EPS estimates by 17.5% on average over the 2013-15 period, mostly due to much lower minority interests (where we stress that visibility is very low).
- BUY reiterated, target price cut to Eu18.50.** We reiterate our positive stance on the stock as El.En should benefit from both its exposure to the medical and aesthetic treatment sector, which enjoys sustainable growth drivers, and, for the industrial laser systems business, the industrialization of fast-growing markets such as Brazil and China. The change in our target price (from Eu19.40 to Eu18.50) is entirely due to the negative share price performance of Cynosure since we published our last note (16 May 2013). Our valuation is based on a SoP that adds the value of El.En (DCF-based, net of minorities) to the market value of El.En's 9.4% stake in Cynosure.

EL.EN. - 12m Performance



Eu/USD: 1.285 2012; 1.30 2013/14

RATING: Unchanged

TARGET PRICE (Eu): from 19.40 to 18.50

Change in EPS est:	2013E	2014E
	21.4%	13.8%

STOCK DATA

Reuters code:	ELEN.MI
Bloomberg code:	ELN IM

Performance	1m	3m	12m
Absolute	16.7%	9.5%	24.7%
Relative	14.0%	11.6%	10.7%
12 months H/L:	17.19/12.61		

SHAREHOLDER DATA

No. of Ord. shares (mn):	5
Total No. of shares (mn):	5
Mkt Cap Ord (Eu mn):	81
Total Mkt Cap (Eu mn):	81
Mkt Float - ord (Eu mn):	35
Mkt Float (in %):	42.7%
Main shareholder:	
Cangioli Andrea	13.4%

BALANCE SHEET DATA

	2013
Book value (Eu mn):	127
BVPS (Eu):	23.73
P/BV:	0.7
Net Financial Position (Eu mn):	20
Enterprise value (Eu mn):	25

Key Figures	2011A	2012A	2013E	2014E	2015E
Sales (Eu mn)	137	151	159	166	171
Ebitda (Eu mn)	11	13	13	15	16
Net profit (Eu mn)	0	23	3	4	4
EPS - New (Eu)	-0.056	0.651	0.663	0.775	0.864
EPS - Old (Eu)	-0.056	0.651	0.546	0.681	0.738
DPS (Eu)	0.000	0.500	0.265	0.310	0.346

Ratios & Multiples	2011A	2012A	2013E	2014E	2015E
P/E	nm	25.8	25.3	21.7	19.4
Div. Yield	0.0%	3.0%	1.6%	1.8%	2.1%
EV/Ebitda	10.8	2.6	1.9	1.6	1.3
ROCE	5.0%	6.5%	7.4%	8.4%	8.7%

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EL.EN. - KEY FIGURES

		2011A	2012A	2013E	2014E	2015E
	Fiscal year end	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015
PROFIT & LOSS (Eu mn)	Sales	137	151	159	166	171
	EBITDA	11	13	13	15	16
	EBIT	5	7	8	9	10
	Financial income (charges)	0	(1)	(0)	(1)	(0)
	Associates & Others	(1)	(0)	0	0	0
	Pre-tax profit (Loss)	5	6	8	9	10
	Taxes	(3)	(3)	(3)	(4)	(4)
	Tax rate (%)	-55.8%	-48.5%	-43.9%	-42.7%	-41.8%
	Minorities & discontinue activities	(2)	20	(1)	(1)	(1)
	Net profit	0	23	3	4	4
	Total extraordinary items					
	Ebitda excl. extraordinary items	11	13	13	15	16
	Ebit excl. extraordinary items	5	7	8	9	10
	Net profit restated	(0)	3	3	4	4
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	5	5	5	5	5
	EPS stated fd	-0.056	4.809	0.663	0.775	0.864
	EPS restated fd	-0.056	0.651	0.663	0.775	0.864
	BVPS fd	19.631	23.337	23.734	24.510	25.374
	Dividend per share (ord)	0.000	0.500	0.265	0.310	0.346
	Dividend per share (sav)					
	Dividend pay out ratio (%)	0.0%	3.8%	40.7%	45.2%	
CASH FLOW (Eu mn)	Gross cash flow	5	35	10	10	11
	Change in NWC	(22)	17	(2)	(2)	(2)
	Capital expenditure	(5)	(5)	(6)	(6)	(6)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(22)	46	4	3	4
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(1)	0	(2)	(1)	(1)
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	(3)	35	2	2	2
BALANCE SHEET (Eu mn)	Total fixed assets	52	57	54	54	54
	Net working capital	69	52	54	55	57
	Long term liabilities	1	(3)	(1)	1	2
	Net capital employed	122	107	107	111	114
	Net financial position	53	18	20	22	24
	Group equity	95	113	115	118	122
	Minorities	80	12	13	14	15
	Net equity	175	124	127	132	138
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	81	81	81	81	81
	Adjustments (associate & minorities)	(89)	31	36	36	36
	Net financial position	53	18	20	22	24
	Enterprise value	117	32	25	23	21
RATIOS(%)	EBITDA margin*	7.9%	8.3%	8.3%	8.8%	9.0%
	EBIT margin*	3.7%	4.9%	5.0%	5.5%	5.7%
	Gearing - Debt/equity	-56.0%	-15.8%	-17.3%	-18.4%	-19.7%
	Interest cover on EBIT	nm	5.5	23.0	18.4	39.2
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	5.0%	6.5%	7.4%	8.4%	8.7%
	ROE*	-0.2%	15.5%	2.5%	2.9%	3.1%
	EV/CE	1.2	0.3	0.2	0.2	0.2
	EV/Sales	0.9	0.2	0.2	0.1	0.1
	EV/Ebit	23.0	4.3	3.1	2.5	2.1
	Free Cash Flow Yield	-12.9%	92.4%	9.9%	7.1%	8.7%
GROWTH RATES (%)	Sales	3.6%	10.1%	5.0%	4.8%	3.0%
	EBITDA*	-18.8%	15.7%	5.4%	11.4%	5.4%
	EBIT*	-39.1%	46.7%	6.4%	15.7%	6.5%
	Net profit	nm	nm	-86.2%	16.9%	11.5%
	EPS restated	nm	nm	1.9%	16.9%	11.5%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

El.En. Quarterly Results					
	(€ mn)	2Q12A	2Q13A	2Q13E	A v E
Sales		39.4	40.3	41.0	-1.7%
	YoY growth %		2.3%	4.0%	
EBITDA		3.9	3.8	3.8	1.2%
	Ebitda margin %	9.9%	9.5%	9.3%	
	YoY growth %		-1.4%	-2.5%	
Total D&A		-1.3	-1.1	-1.3	
EBIT		2.6	2.8	2.5	11.0%
	Ebit margin %	6.6%	6.9%	6.1%	
	YoY growth %		6.9%	-3.6%	
Net financials & Participations		0.3	-1.1	-0.9	
Pretax Profit		2.9	1.7	1.6	5.7%
	Pretax margin %	7.4%	4.2%	3.9%	
	YoY growth %		-42.1%	-45.3%	
	(€ mn)	1H12A	1H13A	1H13E	A v E
Group Net profit		0.7	1.3	0.9	33.0%
	YoY growth %		80.9%	36.0%	

Source: Intermonte Sim

Estimates

EI.En. Change in estimates				
(€ mn)	2012A	2013E	2014E	2015E
Sales new	151.2	158.8	166.4	171.4
Sales old		160.3	166.3	171.3
% change		-0.9%	0.0%	0.0%
EBITDA new	12.5	13.2	14.7	15.5
EBITDA old		13.3	14.7	15.5
% change		-0.8%	0.0%	0.0%
EBIT new	7.5	8.0	9.2	9.8
EBIT old		8.1	9.2	9.8
% change		-1.2%	0.0%	0.0%
Pretax Profit new	6.1	7.6	8.7	9.6
Pretax Profit old		7.3	8.7	9.6
% change		4.2%	0.0%	0.0%
Group Net profit new	23.2	3.2	3.7	4.2
Group Net Profit old		2.6	3.3	3.6
% change		21.4%	13.8%	17.1%

Source: Company data and Intermonte Sim

EI.En. Income statement estimates							
(€ mn)		2011A	2012A	2013E	2014E	2015E	CAGR12-15E
Sales		137.4	151.2	158.8	166.4	171.4	4.3%
	YoY growth %	3.6%	10.1%	5.0%	4.8%	3.0%	
EBITDA		10.8	12.5	13.2	14.7	15.5	7.4%
	Ebitda margin %	7.9%	8.3%	8.3%	8.8%	9.0%	
	YoY growth %		15.7%	5.4%	11.4%	5.4%	
Total D&A		(5.7)	(5.0)	(5.3)	(5.5)	(5.7)	
EBIT		5.1	7.5	8.0	9.2	9.8	9.5%
	Ebit margin %	3.7%	4.9%	5.0%	5.5%	5.7%	
	YoY growth %		46.7%	6.4%	15.7%	6.5%	
Net financial charges		(0.3)	(1.4)	(0.3)	(0.5)	(0.3)	
Pretax Profit		4.8	6.1	7.6	8.7	9.6	16.2%
Taxes		(2.7)	(3.0)	(3.3)	(3.7)	(4.0)	
<i>Income from continued op.</i>		2.1	3.1				
<i>Income from discontinued op.</i>		(2.4)	26.7				
Net Profit before minority interest		(0.3)	29.8	4.3	5.0	5.6	n.m.
<i>Minority interest from continued op.</i>		(1.4)	(1.0)	(1.1)	(1.2)	(1.4)	
<i>Minority interest from discontinued op.</i>		1.4	(5.6)				
Group Net Profit		-0.3	23.2	3.2	3.7	4.2	n.m.
	Net margin %	-0.2%	15.3%	2.0%	2.2%	2.4%	
	YoY growth %		n.m.	n.m.	16.9%	11.5%	

Source: Company data and Intermonte SIM estimates

Valuation

El.En. - Valuation summary

	Method	€ mn	€ per share	previous (16-05-2013)	change
El.En	DCF, net of minorities	52.3	10.8	10.9	-0.1%
Stake in Cynosure	market value	37.2	7.7	8.8	-12.7%
Total Equity Value		89.6	18.6	19.7	-5.8%
El.En Share Price			16.9	15.8	7.0%
potential upside			9.8%	24.7%	

Source: Intermonte Sim

Peers

El.En. Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
Cynosure	22.9	USD - US Dollar	574	-13.1%	-12.2%	-18.6%	-3.5%	-19.1%	154.7%
El.En	15.9	Euro	74.9	-1.6%	1.4%	13.8%	2.4%	39.1%	13.7%
Syneron Medical Ltd	6.3	U.S. Dollar	221	-6.6%	-10.0%	-20.4%	-4.9%	-19.9%	-10.9%
Cutera, Inc.	7.2	U.S. Dollar	105	-1.2%	-3.9%	-27.3%	5.1%	21.4%	32.6%
BIOLASE, Inc.	1.4	U.S. Dollar	46	-52.6%	-62.4%	-49.7%	-1.0%	3.1%	-36.2%
Solta Medical, Inc.	1.7	U.S. Dollar	131	-19.9%	-5.2%	-4.8%	-18.0%	-32.3%	36.2%
Medical avg				-20.1%	-20.4%	-25.5%	-4.7%	-6.9%	5.4%
Italy FTSE Mib				2.6%	-2.1%	5.9%	5.1%	13.9%	8.8%

Source: Factset

El.En. Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	Capi/Sales 2013	Capi/Sales 2014
Cynosure	22.9	USD - US Dollar	574	2.6	2.0
El.En	15.9	EUR - Euro	76.7	0.2	0.2
Syneron Medical Ltd	6.3	U.S. Dollar	221	1.1	1.0
Cutera, Inc.	7.2	U.S. Dollar	105	1.7	1.5
BIOLASE, Inc.	1.4	U.S. Dollar	46	0.9	0.8
Solta Medical, Inc.	1.7	U.S. Dollar	131	1.0	0.9
Medical avg				1.1	1.0

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

EL.EN. Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
EL.EN.	16.8	EUR	81.0	16.7%	9.5%	7.3%	8.2%	24.7%	65.7%
AMADA CO.	740.0	JPY	282,547.7	8.5%	-6.0%	22.3%	33.3%	99.5%	42.9%
COHERENT INC.	56.4	USD	1,378.5	-2.8%	-2.3%	-2.4%	11.4%	18.4%	31.4%
CYMER	---	USD	---	---	---	---	---	---	---
FIDIA	2.3	EUR	11.6	-1.7%	-7.1%	-12.0%	-2.5%	-16.7%	-28.2%
GSI GROUP	8.5	USD	289.9	-0.2%	2.2%	-11.0%	-1.4%	-5.0%	-11.3%
PRIMA INDUSTRIE	9.2	EUR	79.4	-2.8%	-0.9%	-4.3%	-0.6%	3.3%	35.1%
ROFIN-SINAR TECH	22.9	USD	647.1	-0.1%	-14.5%	-13.7%	5.8%	5.9%	-2.4%
Mean performance				2.5%	-2.7%	-2.0%	7.7%	18.6%	19.0%
Italy Fixed	16,905.2	EUR	197,467	3.9%	-1.9%	6.2%	3.9%	13.1%	11.7%

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
				2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
EL.EN.	16.8	EUR	81.0	0.2	0.1	1.9	1.6	3.1	2.5	25.3	21.7	1.6%	1.8%
AMADA CO.	740.0	JPY	282,547.7	1.1	1.0	10.6	8.7	16.6	12.4	25.1	19.7	2.0%	2.1%
COHERENT INC.	56.4	USD	1,378.5	1.5	1.3	8.7	6.8	11.0	9.1	16.7	14.1		
CYMER		USD											
FIDIA	2.3	EUR	11.6										
GSI GROUP	8.5	USD	289.9							21.4	14.7		
PRIMA INDUSTRIE	9.2	EUR	79.4	0.5	0.5	5.8	4.6	8.9	6.5	9.2	6.1	0.0%	0.0%
ROFIN-SINAR TECH	22.9	USD	647.1	1.1	1.0	9.1	6.7	12.0	8.4	19.0	14.2	0.0%	0.0%
Median				1.1	1.0	8.7	6.7	11.0	8.4	20.2	14.4	0.8%	0.9%

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

EL.EN. - Estimates Comparison with Consensus

(Eu mn)	2013			2014		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	158.8	155.5	2.1%	166.4	164.8	0.9%
Ebitda	13.2	12.8	3.5%	14.7	14.8	-0.9%
Net Profit	3.2	3.3	-2.4%	3.7	3.8	-0.5%
EPS	0.7	0.6	8.2%	0.8	0.7	6.1%
Net Debt	19.8	18.2	9.0%	21.7	18.6	16.5%

Source: Intermonte SIM estimates and Factset consensus estimates

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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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SELL: 0.71%

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OUTPERFORM: 50.00%

NEUTRAL: 34.62%

UNDERPERFORM: 0.00%

SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	ELEN.		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	18.50	Previous Target (Eu):	19.40
Current Price (Eu):	16.80	Previous Price (Eu):	15.95
Date of report:	30/08/2013	Date of last report:	16/05/2013

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