

EL.EN.

OUTPERFORM

Price (Eu): 21.40

Target Price (Eu): 24.00

SECTOR: Industrials

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Stronger Top Line Growth, Estimates Raised

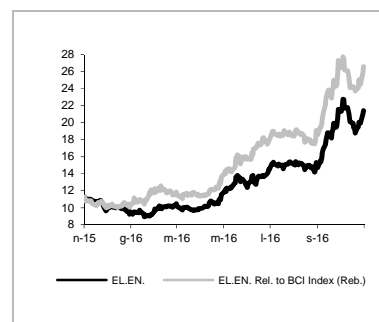
- Stronger than expected top line growth in 3Q (+21% YoY) boosted by industrial segment.** El.En reported better-than-expected sales growth of 21% YoY in 3Q16 to Eu59mn (vs. our estimate of Eu54mn), boosted by a particularly strong trend in the industrial systems segment (+38% YoY), although medical systems also accelerated in the quarter (+12% vs. +10% YoY in 1H16). In more detail, within the medical division, the major contributors to the group's revenues growth were the aesthetic (+13% YoY, still partly driven by a rising contribution from the most innovative products such as Motus AX, Discovery Pico and Mediostar) and medical services (+29% YoY) segments. Within the industrial business unit, sales were mostly boosted by cutting (+57% YoY). In terms of geographical markets, revenues increased by 23% YoY in the Rest of the World area (we believe this benefited from a further rebound in China for cutting) but Italy and Rest of Europe also performed positively (up +19% and +13% YoY in 3Q respectively). Operating margins were slightly ahead of forecasts (EBITDA margin of 12.5% vs. 12.2% expected), as the operating leverage deriving from much higher than projected volumes was somewhat counteracted by a different mix (with a greater share of industrial sales, associated with lower than average profitability, and higher Chinese revenues in particular). 3Q16 EBIT rose by around +7% YoY to Eu6.2mn (a 10.5% margin). Finally, the net cash position went up slightly to Eu72mn at the end of September (from Eu71mn at the end of June, broadly in line): this figure does not include Eu10.5mn of temporary financial investments booked as non-current assets (adj. net cash would be Eu83mn).
- Confirmed 2016 guidance looks conservative. 2017-18 EPS raised by 8% on average.** El.En.'s management reiterated its recently upgraded FY16 guidance, pointing to growth of 10% and 15% in revenues and EBIT respectively. Following stronger 3Q results and a positive outlook on the remainder of the year, we would consider the group's guidance conservative, implying a drop of around 3% YoY in sales in 4Q16, with an EBIT margin of approx. 8%. On the back of faster than expected top line growth, we have raised our 2016-18 sales forecasts by around 7% on average, lifting our aggregate 2017-18 EPS estimates by 8%.
- OUTPERFORM reiterated; target price increased to Eu24.0.** Based on our updated estimates, we have set a new target price of Eu24.0 (from Eu17.5), calculated by averaging a DCF valuation (Eu21.7) and a peer comparison (Eu24.2, based on sector peers' 2016-17 EV/EBITDA), then adding a further Eu1.0 per share to take into account the possible use of cash (currently high at the adjusted level of Eu83mn) for accretive M&A deals (management ruled out the possibility of an extraordinary dividend, but stated that the group would evaluate any attractive M&A opportunities that arise). We reiterate our positive stance on the stock on the back of high visibility on top line trends (given the company's exposure to the structurally growing medical and aesthetic treatment sectors), strong projected earnings momentum and potential further upside related to a successful penetration of the MonaLisa Touch product in the US market (and its effective introduction into new international areas).

Key Figures	2014A	2015A	2016E	2017E	2018E
Sales (Eu mn)	180	218	247	268	292
Ebitda (Eu mn)	18	26	30	33	38
Net profit (Eu mn)	17	14	37	18	21
EPS - New (Eu)	0,573	0,745	0,719	0,923	1,067
EPS - Old (Eu)	0,573	0,745	0,729	0,892	0,946
DPS (Eu)	0,250	0,300	0,300	0,300	0,300

Ratios & Multiples	2014A	2015A	2016E	2017E	2018E
P/E	37,4	28,7	29,7	23,2	20,1
Div. Yield	1,2%	1,4%	1,4%	1,4%	1,4%
EV/Ebitda	18,8	13,8	11,6	10,2	8,7
ROCE	14,2%	17,0%	17,7%	20,0%	21,8%

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EL.EN. - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 17.50 to 24.00

Change in EPS est: 2016E 2017E
-1.3% 3.5%

STOCK DATA

Reuters code: ELEN.MI
Bloomberg code: ELN IM

Performance	1m	3m	12m
Absolute	0,0%	40,1%	94,1%
Relative	-0,5%	42,4%	113,7%
12 months H/L:	22.75/8.94		

SHAREHOLDER DATA

No. of Ord. shares (mn):	19
Total No. of shares (mn):	19
Mkt Cap Ord (Eu mn):	413
Total Mkt Cap (Eu mn):	413
Mkt Float - ord (Eu mn):	173
Mkt Float (in %):	41,8%
Main shareholder:	
Cangioli Andrea	15,2%

BALANCE SHEET DATA

	2016
Book value (Eu mn):	179
BVPS (Eu):	9,27
P/BV:	2,3
Net Financial Position (Eu mn):	73
Enterprise value (Eu mn):	347

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on the last page of this report

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
PROFIT & LOSS (Eu mn)	Sales	180	218	247	268	292
	EBITDA	18	26	30	33	38
	EBIT	15	21	26	29	33
	Financial income (charges)	5	1	(0)	0	1
	Associates & Others	4	0	22	0	0
	Pre-tax profit (Loss)	24	23	48	29	34
	Taxes	(6)	(7)	(9)	(9)	(10)
	Tax rate (%)	-26,3%	-30,6%	-18,3%	-30,8%	-30,7%
	Minorities & discontinue activities	(1)	(2)	(2)	(2)	(3)
	Net profit	17	14	37	18	21
	Total extraordinary items					
	Ebitda excl. extraordinary items	18	26	30	33	38
	Ebit excl. extraordinary items	14	21	26	29	33
Net profit restated	11	14	14	18	21	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	19	19	19	19	19
	EPS stated fd	0,856	0,745	1,912	0,923	1,067
	EPS restated fd	0,573	0,745	0,719	0,923	1,067
	BVPS fd	7,408	8,822	9,268	9,891	10,658
	Dividend per share (ord)	0,250	0,300	0,300	0,300	0,300
	Dividend per share (sav)					
Dividend pay out ratio (%)	29,2%	40,3%	15,7%	32,5%	28,1%	
CASH FLOW (Eu mn)	Gross cash flow	21	20	20	25	28
	Change in NWC	(1)	(11)	(1)	(6)	(7)
	Capital expenditure	(11)	(8)	(11)	(7)	(7)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	9	2	9	13	15
	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	7	9	
BALANCE SHEET (Eu mn)	Total fixed assets	56	81	87	89	90
	Net working capital	50	60	61	66	74
	Long term liabilities	(2)	9	(8)	(8)	(8)
	Net capital employed	103	150	140	147	155
	Net financial position	47	30	73	80	89
	Group equity	151	180	213	227	244
	Minorities	8	9	34	36	39
Net equity	143	170	179	191	206	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	413	413	413	413	413
	Adjustments (associate & minorities)	29	29	(8)	(8)	(8)
	Net financial position	47	30	73	80	89
	Enterprise value	337	355	347	340	331
RATIOS(%)	EBITDA margin*	10,0%	11,8%	12,1%	12,5%	13,0%
	EBIT margin*	7,7%	9,9%	10,3%	10,7%	11,3%
	Gearing - Debt/equity	-31,3%	-16,6%	-34,4%	-35,3%	-36,5%
	Interest cover on EBIT	nm	nm	63,8	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	14,2%	17,0%	17,7%	20,0%	21,8%
	ROE*	12,2%	9,2%	21,1%	9,6%	10,4%
	EV/CE	3,1	2,8	2,4	2,4	2,2
	EV/Sales	1,9	1,6	1,4	1,3	1,1
	EV/Ebit	24,4	16,5	13,6	11,9	10,1
Free Cash Flow Yield	2,4%	0,4%	2,1%	3,1%	3,5%	
GROWTH RATES (%)	Sales	14,4%	20,9%	13,6%	8,4%	8,8%
	EBITDA*	30,7%	42,9%	17,0%	11,5%	13,5%
	EBIT*	44,0%	55,8%	18,8%	12,4%	14,8%
	Net profit	171,7%	-13,0%	156,8%	-51,7%	15,5%
	EPS restated	81,7%	30,1%	-3,4%	28,3%	15,5%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

EI.En. Results						
(€ mn)	3Q15A	3Q16A	3Q16E	A v E	9M15A	9M16A
Sales	49,1	59,4	54,0	10,0%	156,0	179,6
YoY growth %	11,1%	20,9%	9,9%		20,9%	15,1%
EBITDA	6,8	7,4	6,6	12,0%	19,3	23,0
Ebitda margin %	13,8%	12,5%	12,2%		12,4%	12,8%
YoY growth %	37,9%	9,1%	-2,7%		42,9%	18,9%
Total D&A	(1,0)	(1,2)	(1,2)		(3,1)	(3,2)
EBIT Adjusted	5,8	6,2	5,4	15,6%	16,2	19,8
Ebit margin %	11,8%	10,5%	10,0%		10,4%	11,0%
EBIT	5,8	6,2	5,4	15,6%	16,2	19,8
Ebit margin %	11,8%	10,5%	10,0%		10,4%	11,0%
YoY growth %		7,3%	-7,2%		40,5%	22,1%
Net financials & Participations	(0,3)	(0,2)	(0,1)		1,0	22,3
Pretax Profit Adjusted	5,5	6,0	5,3	14,1%	17,2	42,0
Pretax Profit	5,5	6,0	5,3	14,1%	17,2	42,0
Pretax margin %	11,2%	10,2%	9,8%		11,0%	23,4%
YoY growth %	-25,6%	10%	-4%		-5,3%	144%

Source: Company data and Intermonte Sim

Estimates

EI.En. Change in estimates				
(€ mn)	2015A	2016E	2017E	2018E
Sales new	217,7	247,3	268,2	291,8
Sales old		239,8	250,5	261,7
% change		3,1%	7,1%	11,5%
EBITDA new	25,7	30,0	33,5	38,0
EBITDA old		30,0	32,2	34,2
% change		0,3%	3,9%	11,1%
Adjusted EBIT new	21,5	25,5	28,7	32,9
Adjusted EBIT old		25,4	27,4	29,1
% change		0,7%	4,6%	13,1%
Adjusted Group Net profit new	14,4	13,9	17,8	20,6
Adjusted Group Net Profit old		14,1	17,2	18,2
% change		-1,3%	3,5%	12,8%

Source: Company data and Intermonte Sim estimates

El.En. Income statement estimates

(€ mn)	2012A	2013A	2014A	2015A	2016E	2017E	CAGR15-17E
Sales	151,2	157,4	180,0	217,7	247,3	268,2	11,0%
YoY growth %	10,1%	4,1%	14,4%	20,9%	13,6%	8,4%	
EBITDA	12,5	13,7	18,0	25,7	30,0	33,5	14,2%
Ebitda margin %	8,3%	8,7%	10,0%	11,8%	12,1%	12,5%	
YoY growth %	15,7%	9,8%	30,7%	42,9%	17,0%	11,5%	
Total D&A	(5,0)	(4,2)	(2,7)	(4,2)	(4,5)	(4,8)	
<i>of which non-recurrent</i>			1,5				
EBIT Reported	7,5	9,6	15,3	21,5	25,5	28,7	
Ebit margin %	4,9%	6,1%	8,5%	9,9%	10,3%	10,7%	
EBIT Adjusted	7,5	9,6	13,8	21,5	25,5	28,7	15,5%
Ebit margin %	4,9%	6,1%	7,7%	9,9%	10,3%	10,7%	
YoY growth %	46,7%	28,2%	44,0%	55,8%	18,8%	12,4%	
Net financial charges	(1,4)	(1,7)	4,6	1,6	22,0	0,4	
Other income		2,8	4,5				
<i>of which non-recurrent</i>		2,5	4,5				
Pretax Profit	6,1	10,7	24,4	23,1	47,6	29,1	12,2%
Taxes	(3,0)	(4,3)	(6,4)	(7,1)	(8,7)	(9,0)	
tax rate	-48,5%	-40,0%	-26,3%	-30,6%	-18,3%	-30,8%	
<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>					
Net Profit before minority interest	29,8	6,4	18,0	16,0	38,9	20,1	12,0%
<i>Minority interest from continued op.</i>	<i>(1,0)</i>	<i>(0,3)</i>	<i>(1,5)</i>	<i>(1,7)</i>	<i>(25,0)</i>	<i>(2,3)</i>	
<i>Minority int. from disc. op./Cap. gains</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 n.m.	6,1 -73,8%	16,5 171,7%	14,4 -13,0%	36,9 156,8%	17,8 -51,7%	
Adjusted Group Net Profit*	2,1	3,6	11,1	14,4	13,9	17,8	11,3%
Net margin %	1,4%	2,3%	6,1%	6,6%	5,6%	6,6%	
YoY growth %	n.m.	68,1%	208,7%	30,1%	-3,4%	28,3%	

Source: Company data and Intermonte SIM estimates

EL.EN. Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
EL.EN.	21,40	EUR	413	0,0%	40,1%	85,6%	112,9%	94,1%	269,3%
AMADA CO.	1239,00	JPY	442.114	13,0%	16,7%	7,8%	6,4%	8,5%	17,0%
ASML	92,85	EUR	39.531	0,7%	-6,5%	14,2%	12,5%	9,0%	13,8%
COHERENT INC.	126,99	USD	3.089	21,1%	16,1%	48,5%	95,0%	108,0%	117,5%
FIDIA	5,09	EUR	26	-8,0%	-9,1%	-26,5%	-20,2%	-27,5%	82,6%
NOVANTA	19,25	USD	663	10,0%	16,5%	30,4%	41,3%	43,9%	53,0%
PRIMA INDUSTRIE	13,93	EUR	146	-0,4%	9,3%	29,7%	-6,0%	-5,8%	3,2%
ROFIN-SINAR TECH	32,55	USD	925	0,6%	2,1%	3,1%	21,5%	18,4%	24,4%
Mean performance				4,6%	10,6%	24,1%	32,9%	31,1%	72,6%
Italy FTSE Mib	16.682,3	EUR	239.810	0,5%	-1,9%	-5,9%	-22,1%	-23,6%	-12,0%

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
EL.EN.	21,40	EUR	413	1,4	1,3	11,6	10,2	13,6	11,9	29,7	23,2	1,4%	1,4%
AMADA CO.	1239,00	JPY	442.114	1,2	1,2	8,4	7,9	10,0	9,7	19,6	18,8	3,5%	3,4%
ASML	92,85	EUR	39.531	5,8	5,0	19,8	16,4	23,8	19,2	28,8	22,5	1,2%	1,4%
COHERENT INC.	126,99	USD	3.089	3,4	2,6	15,0	9,2	20,6	11,2	26,7	17,0		
FIDIA	5,09	EUR	26	0,5	0,4	5,6	3,6	6,9	4,4	9,3	7,5	7,9%	7,9%
NOVANTA	19,25	USD	663							18,9	17,0		
PRIMA INDUSTRIE	13,93	EUR	146	0,6	0,6	6,7	5,4	11,2	8,2	13,9	10,3	1,8%	2,2%
ROFIN-SINAR TECH	32,55	USD	925							28,3	18,6		
Median				1,2	1,2	8,4	7,9	11,2	9,7	19,6	17,0	2,6%	2,8%

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	41,4	USD	987,3	-17,9%	-19,2%	-7,2%	-6,2%	10,7%	75,8%
El.En	21,4	Euro	413,0	0,0%	40,1%	85,6%	112,9%	94,1%	269,3%
Syneron Medical Ltd	7,3	USD	254,0	9,1%	16,4%	20,7%	3,1%	19,9%	-11,3%
Cutera, Inc.	13,0	USD	174,3	0,5%	26,4%	42,8%	10,4%	4,6%	54,1%
BIOLASE, Inc.	1,6	USD	109,7	24,9%	31,4%	46,7%	109,6%	65,9%	-13,8%
ZELTIQ Aesthetics, Inc.	37,6	USD	1.504,7	4,9%	11,6%	74,6%	43,3%	23,1%	69,6%
Medical avg				9,8%	21,4%	46,2%	41,6%	28,4%	24,7%
Italy FTSE Mib				0,1%	-2,6%	-6,6%	-20,5%	-21,3%	-3,9%

Source: Factset

El.En. Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	P/E 2016	P/E 2017	EV/EBITDA	EV/EBITDA
				2016	2017			2016	2017
El.En	21,4	EUR - Euro	413,0	1,4	1,3	29,7	23,2	11,6	10,2
Syneron Medical Ltd	7,3	USD	254,0	0,6	0,6	26,2	18,3	10,5	7,1
Cynosure	41,4	USD	987,3	1,8	1,6	32,5	23,3	13,1	10,0
Cutera, Inc.	13,0	USD	174,3	1,2	1,1		26,6	20,6	14,0
BIOLASE, Inc.	1,6	USD	109,7						
ZELTIQ Aesthetics, Inc.	37,6	USD	1.504,7	4,4	3,7		91,2	56,0	29,8
Medical avg				1,5	1,4	29,3	24,9	16,8	12,0

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

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	EL.EN.		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	24.00	Previous Target (Eu):	17.50
Current Price (Eu):	21.40	Previous Price (Eu):	14.99
Date of report:	16/11/2016	Date of last report:	15/09/2016