

**EL.EN.\*****OUTPERFORM (unchanged)**

Italy: Industrial, Aesthetic and Medical Laser

	Sales	EBITDA	EBIT	Net Profit	EPS adj	DPS	EV/Sales	EV/EBITDA	EV/EBIT	P/E	Yield
	Eur m	Eur m	Eur m	Eur m	Eur	Eur	x	x	x	x	%
2013A	157	14	10	6.1	0.96	0.50	0.4	4.9	7.0	16.6	3.1%
2014A*	180	18	14*	11.4*	2.40	1.00	0.4	3.7	4.8	9.1	4.6%
2015A	218	26	22	14.4	3.03	1.20	0.6	4.8	5.7	12.5	3.2%
2016E**	233	29	25	39.1	3.48	1.32	0.6	5.0	5.9	12.6	3.0%
2017E	244	32	28	19.1	3.97	1.45	0.6	4.3	5.0	10.9	3.3%

Source: Company data and Banca Aletti & C.S.p.A. estimates; Note: historical multiples calculated on average yearly prices; \*EBIT and net profit adj.; \*\* Net profit adj.

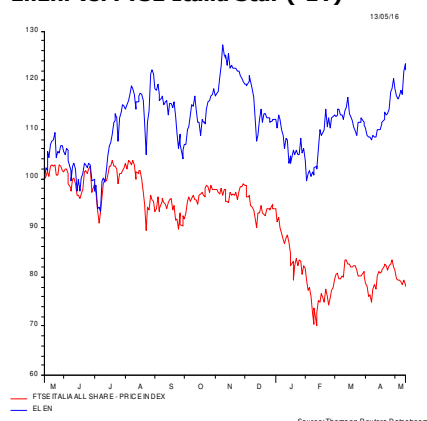
<b>Pr. Close 13/05/16 (€):</b>	<b>43.80</b>
Tot Mkt Cap. (€ m):	211.3
Tot No. of Shares (m):	4,825
Min-Max pr.(52 wks €):	33.5 - 46.7
Bloomberg/	ELN IM/
Reuters:	ELEN.MI
-3M vol. avg.	5,535
<b>Price Target (€)</b>	<b>62 (from 56)</b>
<b>Fair Value (€)</b>	<b>70 (from 60)</b>

Perf.	-3M	-6M	-1Y
Abs.	7.3%	3.2%	16.1%
Rel.	11.8%	2.2%	15.6%

**Major shareholders:**

Cangioli Andrea	15.17%
Pecci Alberto	10.77%
Clementi Gabriele	9.92%
Bazzocchi Barbara	9.78%
Immobiliare Del Ciliegio	7.51%
Praude AM	2.79%
Invesco	2.20%
<b>Free float</b>	<b>41.9%</b>

Source: Consob

**El.En. vs. FTSE Italia Star (-1Y)**

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\*Banca Aletti acts as Corporate Broker.

**Q116 results well above expectations**

- Q1'16 results seems a blue sky scenario. 15% Earnings upgrade on 2016e/2017e but still conservative.** Results are above the best we could think of: our preview was simply mirroring our full year trend and company guidance of +5% top line growth and flat EBIT while it turned out that the company keeps growing like in 2015. In fact the company is suggesting to likely exceeding the guidance. Growth was driven by every product and about every markets with Monalisa still performing well (esthetic) and industrial both in Italy and in China growing double digit. Finally the company this time round was able to maintain gross margin and this explain the exceptional operational leverage. Below EBIT results were affected by the non cash forex components which should anyway normalize along the quarters assuming stable forex. In other words, ELEN has almost reached our 2017e EBIT target in Q1'16 assuming the next 9M to be flat. This looks too conservative and as such we now upgrade our forecasts assuming a +5% top line growth in next 9M and an EBIT growth which is +8.5%. In 2017e we stick with our +5% top line growth and assume a reasonable, in our view, +10% growth in EBIT. Net net we are upgrading our 2016e/2017e EPS by app. 15% (see table next page).
- Shares net of cash trading still trade at app. 70% discount vs. Cynosure on cash adj. PE despite being the technological supplier and having superior EBIT margin. Rofin-Sinar bought at 18x 2016e PE net of cash. OUTPERFORM PT EUR 62 from EUR 56 (42% upside). Disposal of Cynosure shares leaves Elen with Eur 80m net cash. Valuation simpler than before.** ELEN shares on our new forecasts are trading at app. 8x on 2016e adj. profit net of the cash assets mentioned above (see our SOP in next page). The shares are trading at app. 70% discount toward Cynosure over 2016e/2017e PE which are app. 31x/21x respectively net of Eur 140m of net cash. This is by far an excessive discount considering that Elen is a supplier of Cynosure in the laser technology, that Elen was more profitable than Cynosure in 2015 at operating/EBIT margin level (9.9% vs. 7.8%) and that barring 2009, Elen expanded sales each year between 2002 and 2015 and likely 2016e. Moreover, we highlight the recent acquisition offer of Coherent on Rofin-Sinar at 18x 2016e adj. profits net of cash. Rofin-Sinar is a major laser source producer mainly in mid to high power segment. We still believe the reason behind the discount is a lack of knowledge of the sheer size of the undervaluation by the market due to its small cap status combined with some uncertainties on the cash re-investment options. However, we now believe that the disposal of the Cynosure stake makes Elen valuation and deep discount even easier to understand. As such, we confirm our OUTPERFORM rating and we adjust our PT to Eur 62 from Eur 56 (42% upside) on the same implied 2016e arbitrary PE targets of 13x supported also by our steady growth DCF. Longer term once earnings momentum accelerates we might consider higher multiples for our valuation.
- Main risks/opportunities: Weaker/stronger USD; fall/increase in consumer demand; lower/higher credit availability; superior/lower peers' technology; lower tax rate from the patent box.**

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**ELEN: New/Old forecasts (Eurm)**

DIVISION	2015a	2016e	%Ch.	'16e old	%Ch.	2017e	%Ch.	'17e Old	%Ch.
Industrial System:	62.7	71.1	13.4%	67.0	6.8%	74.7	5.0%	70.3	5.0%
% total	29%	31%		29%		31%		29%	
<b>Estetic</b>	<b>73.3</b>	<b>73.3</b>	0.0%	<b>73.3</b>	0.0%	<b>75.5</b>	3.0%	<b>75.5</b>	3.0%
<b>CO2, Surgical</b>	<b>36.5</b>	<b>41.0</b>	12.3%	<b>41.0</b>	12.3%	<b>44.9</b>	9.6%	<b>44.9</b>	9.6%
<b>Physiotherapy</b>	<b>7.6</b>	<b>7.6</b>	0.0%	<b>7.6</b>	0.0%	<b>7.6</b>	0.0%	<b>7.6</b>	0.0%
<b>Dental</b>	<b>0.6</b>	<b>0.6</b>	0.0%	<b>0.6</b>	0.0%	<b>0.6</b>	0.0%	<b>0.6</b>	0.0%
Medical Laser	118.0	122.5	3.8%	122.5	3.8%	128.6	5.0%	128.6	5.0%
% total	54%	53%		54%	-1%	53%		54%	0%
Services	37.0	39.2	6.0%	39.2	6.0%	41.1	5.0%	41.1	5.0%
% total	17%	17%		17%	1%	17%		17%	0%
<b>Total</b>	<b>217.7</b>	<b>232.8</b>	7.0%	<b>228.7</b>	5.1%	<b>244.5</b>	5.0%	<b>240.1</b>	5.0%

AREA	2015a	2016e	%Ch.	'16e old	%Ch.	2017e	%Ch.	2017e	%Ch.
<b>Italy</b>	<b>38.6</b>	<b>43.7</b>	13.2%	<b>43.4</b>	12.5%	<b>45.9</b>	5.0%	<b>45.6</b>	5.0%
% total	17.7%	18.8%		19.0%		18.8%		19.0%	
<b>RoEU</b>	<b>39.4</b>	<b>40.3</b>	2.1%	<b>40.3</b>	2.1%	<b>42.3</b>	5.0%	<b>42.3</b>	5.0%
% total	18.1%	17.3%		17.6%		17.3%		17.6%	
<b>RoW</b>	<b>139.6</b>	<b>148.8</b>	6.6%	<b>145.0</b>	3.8%	<b>156.3</b>	5.0%	<b>152.2</b>	5.0%
% total	64.2%	63.9%		63.4%		63.9%		63.4%	
<b>Total</b>	<b>217.7</b>	<b>232.8</b>	7.0%	<b>228.7</b>	5.1%	<b>244.5</b>	5.0%	<b>240.1</b>	5.0%
% total	<b>100%</b>	<b>100%</b>		<b>100%</b>	0%	<b>100%</b>		<b>100%</b>	0%

Source: Company Data, Banca Aletti & C. forecasts

	2015A	2016E	%Ch.	'16e old	%Ch.	2017E	%Ch.	2017E	%Ch.
<b>Sales</b>	<b>217.7</b>	<b>232.8</b>	7%	<b>228.7</b>	5%	<b>244.5</b>	5.0%	<b>240.1</b>	5%
Other revenues	3.9	4.2	7%	4.1	5%	4.4	5.0%	4.3	5%
VoP	221.6	237.0	7%	232.8	5%	248.8	5.0%	244.4	5%
<b>TOTAL Raw Mate</b>	<b>(108.0)</b>	<b>(116.7)</b>	8%	<b>(115.6)</b>	7%	<b>(123.4)</b>	6%	<b>(121.0)</b>	5%
<b>Other direct servi</b>	<b>(17.2)</b>	<b>(17.2)</b>	0%	<b>(17.2)</b>	0%	<b>(17.2)</b>	0%	<b>(17.2)</b>	0%
<b>Gross margin</b>	<b>96.3</b>	<b>103.0</b>	7%	<b>100.0</b>	4%	<b>108.2</b>	5.0%	<b>106.2</b>	6%
% sales	44.3%	44.3%		43.7%		44.3%		44.2%	
Other op. costs	(28.5)	(29.9)	5%	(30.2)	6%	(31.1)	4.0%	(31.7)	5%
COGS	(153.8)	(163.9)	7%	(163.0)	6%	(171.8)	4.8%	(170.0)	4%
<b>Added value</b>	<b>67.8</b>	<b>73.1</b>	8%	<b>69.8</b>	3%	<b>77.0</b>	5.4%	<b>74.4</b>	7%
% sales	31.2%	31.4%		30.5%		31.5%		31.0%	
Labour costs	(42.1)	(43.7)	4%	(43.7)	4%	(45.0)	3.0%	(45.5)	4%
<b>EBITDA</b>	<b>25.7</b>	<b>29.4</b>	15%	<b>26.0</b>	1%	<b>32.1</b>	9.0%	<b>29.0</b>	11%
EBITDA Margin	11.8%	12.6%		11.4%		13.1%		12.1%	
D&A	(4.2)	(4.2)	0%	(4.5)	7%	(4.3)	4.0%	(4.6)	4%
<b>EBIT*</b>	<b>21.5</b>	<b>25.2</b>	17%	<b>21.6</b>	0%	<b>27.7</b>	9.8%	<b>24.3</b>	13%
EBIT margin	9.9%	10.8%		9.4%		11.3%		10.1%	
Forex	1.6	0.0	0%	1.4		0.0	0%	0.5	
Associates	0.3	0.3	0%	0.3		0.3	0%	0.3	
Net Fin. Inc./(cost)	(0.3)	0.5	0%	(0.3)		0.5	0.0%	(0.3)	
Extraordinary iter	0.0	23.0	0%	23.0		0.0	0.0%	0.0	
<b>Pre-tax profit</b>	<b>23.1</b>	<b>49.0</b>	112%	<b>46.0</b>	99%	<b>28.5</b>	-41.8%	<b>24.9</b>	-46%
Taxes	(7.1)	(8.3)	18%	(7.4)	5%	(7.7)	-7.4%	(6.7)	-9%
Tax rate	30.6%	16.9%		16.1%		27.0%		27.0%	
Minorities	(1.7)	(1.7)	0%	(1.7)	0%	(1.7)	0.0%	(1.7)	0%
<b>Net profit</b>	<b>14.4</b>	<b>39.1</b>	172%	<b>36.9</b>	157%	<b>19.1</b>	-51.0%	<b>16.5</b>	-55%
<b>EPS</b>	<b>3.03</b>	<b>3.48</b>		<b>3.04</b>		<b>4.03</b>		<b>3.47</b>	
% Diff.		15%				16%			
<b>Net Debt/(Cash)</b>	<b>(29.8)</b>	<b>(72.9)</b>		<b>(72.2)</b>		<b>(82.4)</b>		<b>(79.3)</b>	

Source: Company Data, Banca Aletti & C. forecasts;

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## ELEN: Quarterly Results (Eurm)

DIVISION	Q1 '15a	Q1 '16a	%Ch.	Q1 '16e	%Ch.
Industrial Systems	12.7	15.1	19%	13.7	8%
% total	26%	27%		27%	
Estetic	16.7	16.9	1%	17.6	5%
CO2, Surgical	8.0	9.8	24%	8.4	5%
Physiotherapy	1.9	2.1	11%	1.9	0%
Dental	0.2	0.2	-4%	0.2	0%
Medical Laser	26.8	29.1	8%	28.0	5%
% total	55%	53%		55%	
Services	9.0	11.1	23%	9.2	2%
% total	19%	20%		18%	
<b>Total</b>	<b>48.5</b>	<b>55.2</b>	<b>13.8%</b>	<b>51.0</b>	<b>5.0%</b>

AREA	Q1 '15a	Q1 '16a	%Ch.	Q1 '16e	%Ch.
<b>Italy</b>	<b>7.5</b>	<b>10.5</b>	<b>39.8%</b>	<b>8.0</b>	<b>6.4%</b>
% total	15.5%	19.0%		15.7%	
<b>RoEU</b>	<b>9.1</b>	<b>9.0</b>	<b>-0.7%</b>	<b>9.2</b>	<b>1.0%</b>
% total	18.8%	16.4%		18.1%	
<b>RoW</b>	<b>31.9</b>	<b>35.7</b>	<b>11.9%</b>	<b>33.8</b>	<b>5.9%</b>
% total	65.7%	64.6%		66.3%	
<b>Total</b>	<b>48.5</b>	<b>55.2</b>	<b>13.8%</b>	<b>51.0</b>	<b>5.0%</b>
% total	<b>100%</b>	<b>100%</b>		<b>100%</b>	

Source: Company Data, Banca Aletti & C. forecasts

	1Q15a	1Q16a	%Ch.	1Q16e	%Ch.
<b>Sales</b>	<b>48.5</b>	<b>55.2</b>	<b>14%</b>	<b>51.0</b>	<b>5%</b>
Other revenues	1.3	1.5	20%	1.3	5%
VoP	49.8	56.8	14%	52.3	5%
<b>TOTAL Raw Mater.</b>	<b>(24.2)</b>	<b>(26.9)</b>	<b>11%</b>	<b>(25.9)</b>	<b>7%</b>
<b>Other direct services</b>	<b>(3.4)</b>	<b>(4.4)</b>	<b>32%</b>	<b>(3.4)</b>	<b>0%</b>
<b>Gross margin</b>	<b>22.2</b>	<b>25.4</b>	<b>14%</b>	<b>23.1</b>	<b>4%</b>
% sales	45.8%	46.0%		45.3%	
Other op. costs	(6.9)	(7.3)	5%	(7.3)	6%
COGS	(34.5)	(38.7)	12%	(36.6)	6%
<b>Added value</b>	<b>15.3</b>	<b>18.1</b>	<b>18%</b>	<b>15.7</b>	<b>3%</b>
% sales	31.5%	32.8%		30.9%	
Labour costs	(10.0)	(10.4)	4%	(10.4)	4%
<b>EBITDA</b>	<b>5.3</b>	<b>7.7</b>	<b>45%</b>	<b>5.3</b>	<b>1%</b>
EBITDA Margin	10.9%	13.9%		10.5%	
D&A	(0.8)	(0.9)	12%	(0.8)	0%
<b>EBIT*</b>	<b>4.4</b>	<b>6.7</b>	<b>51%</b>	<b>4.5</b>	<b>1%</b>
EBIT margin	9.2%	12.2%		8.8%	
Forex	1.70	(0.8)	-148%	0.0	nm
Associates	0.06	(0.1)		0.1	
Net Fin. Inc./(costs)	0.1	0.0		0.5	
Extraordinary items	0.0	0.0		0.0	
<b>Pre-tax profit</b>	<b>6.3</b>	<b>5.8</b>	<b>-8%</b>	<b>5.1</b>	<b>-19%</b>
<b>Net Debt/(Cash)</b>	<b>(34.6)</b>	<b>(27.6)</b>		<b>(24.8)</b>	

Source: Company Data, Banca Aletti & C. forecasts;

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## ELEN Stub Value (EURm)

	16e			16e			Implied PE			Mkt Cap.	Comments	
	16e Sales	Recur. EBITDA	EBITDA margin	16e EBIT	EBIT margin	Net Pr. Adj.	EV/ Sales	EV/ EBITDA	EV/ EBIT			net of cash assets
Group	233	29.4	12.6%	25.2	10.8%	16.6	0.9x	7.2x	8.4x	7.9x	211	
Net Cash/(Debt)											-30	2015
Peripheral assets											-50	Proceeds Cyno sh.+ off balance sheet
Group's equity value											131	

Source: Company Data, Banca Aletti & C. forecasts;

## ELEN SOP (EURm)

	16e			16e			Implied			Target PE Exc. Cash	Mkt Cap Target	Comments
	16e Sales	Recur. EBITDA	EBITDA margin	16e EBIT	EBIT margin	Net Pr. Adj.	Implied EV/ Sales	EV/ EBITDA	Implied EV/ EBIT			
Group	233	29.4	12.6%	25.2	10.8%	16.6	1.0x	8.0x	9.3x	13x	215	
Net Cash/(Debt)											30	2015
Peripheral assets											50	Proceeds Cyno sh.+ off balance sheet
Target Mkt Cap Inc. Cash Assets											295	
Ord. Share PT											62	
Price											37.96	
Upside/(Downside)											64%	
Net Cash/(Debt)											-30	2015
Peripheral Debt											-50	Proceeds Cyno sh.+ off balance sheet
Group's retirement provisions											3	2015e
Minorities											17	10x PE or 2x BV
Target EV											235	

Source: Company Data, Banca Aletti & C. forecasts;

## ELEN: Comps Table

	Market Cap	EV/SALES*		EV/EBITDA*		EV/EBIT*		P/E (adj.)	
		2016	2017	2016	2017	2016	2017	2016	2017
SYNERON MEDICAL LTD	201	0.5 x	0.4 x	n.a.	n.a.	n.a.	n.a.	24 x	13 x
ZELTIQ AESTHETICS INC	855	2.9 x	2.4 x	34 x	17 x	12.1 x	3.2 x	821 x	52 x
CUTERA INC	120	0.9 x	0.8 x	21 x	14 x	11 x	8 x	19 x	13 x
BIOLASE INC	66	1.2 x	1.2 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CYNOSURE INC-A	954	2.3 x	2.0 x	16 x	12 x	25 x	17 x	36 x	24 x

\* ratio calculated on current EV

Average	na	1.5 x	1.4 x	24 x	14 x	52 x	19 x	225 x	26 x
Median Total	na	1.2 x	1.2 x	21 x	14 x	25 x	17 x	30 x	19 x
<b>Average Exc. Peaks (1)</b>	na	<b>1.4 x</b>	<b>1.3 x</b>	<b>21 x</b>	<b>14 x</b>	<b>25 x</b>	<b>17 x</b>	<b>30 x</b>	<b>19 x</b>
Samples' Size	na	5	5	3 x	3 x	3 x	3 x	4 x	4 x
Max	na	2.9 x	2.4 x	34 x	17 x	12.1 x	3.2 x	821 x	52 x
Min	na	0.5 x	0.4 x	16 x	12 x	11 x	8 x	19 x	13 x

<b>EI.En. (Aletti Estimates)</b>	<b>Eur211m</b>	<b>0.6 x</b>	<b>0.6 x</b>	<b>5.0 x</b>	<b>4.3 x</b>	<b>5.9 x</b>	<b>5.0 x</b>	<b>12.6 x</b>	<b>10.9 x</b>
<b>Premium/(Discount) from (1)</b>		<b>-5.6%</b>	<b>-5.7%</b>	<b>-7.6%</b>	<b>-6.8%</b>	<b>-7.7%</b>	<b>-7.0%</b>	<b>-5.8%</b>	<b>-4.2%</b>

	Market Cap	EV/SALES		EV/EBITDA		EV/EBIT		P/E (adj.)	
		2016	2017	2016	2017	2016	2017	2016	2017
IPG PHOTONICS CORP	3882	3.8 x	3.3 x	9.1 x	7.9 x	10.4 x	8.8 x	17.6 x	15.5 x
ROFIN-SINAR TECHNOLOG	899	1.5 x	1.4 x	11.3 x	8.9 x	14.6 x	11.3 x	22.9 x	19.4 x
PRIMA INDUSTRIE SPA	Eur109m	0.5 x	0.5 x	5.9 x	4.5 x	10.0 x	6.9 x	12.7 x	8.0 x

Average	na	1.9 x	1.7 x	8.8 x	7.1 x	11.7 x	9.0 x	17.7 x	14.3 x
Median Total	na	1.5 x	1.4 x	9.1 x	7.9 x	10.4 x	8.8 x	17.6 x	15.5 x
<b>Average Exc. Peaks (1)</b>	na	<b>1.5 x</b>	<b>1.4 x</b>	<b>9.1 x</b>	<b>7.9 x</b>	<b>10.4 x</b>	<b>8.8 x</b>	<b>17.6 x</b>	<b>15.5 x</b>
Samples' Size	na	3	3	3	3	3	3	3	3
Max	na	3.8 x	3.3 x	11.3 x	8.9 x	14.6 x	11.3 x	22.9 x	19.4 x
Min	na	0.5 x	0.5 x	5.9 x	4.5 x	10.0 x	6.9 x	12.7 x	8.0 x

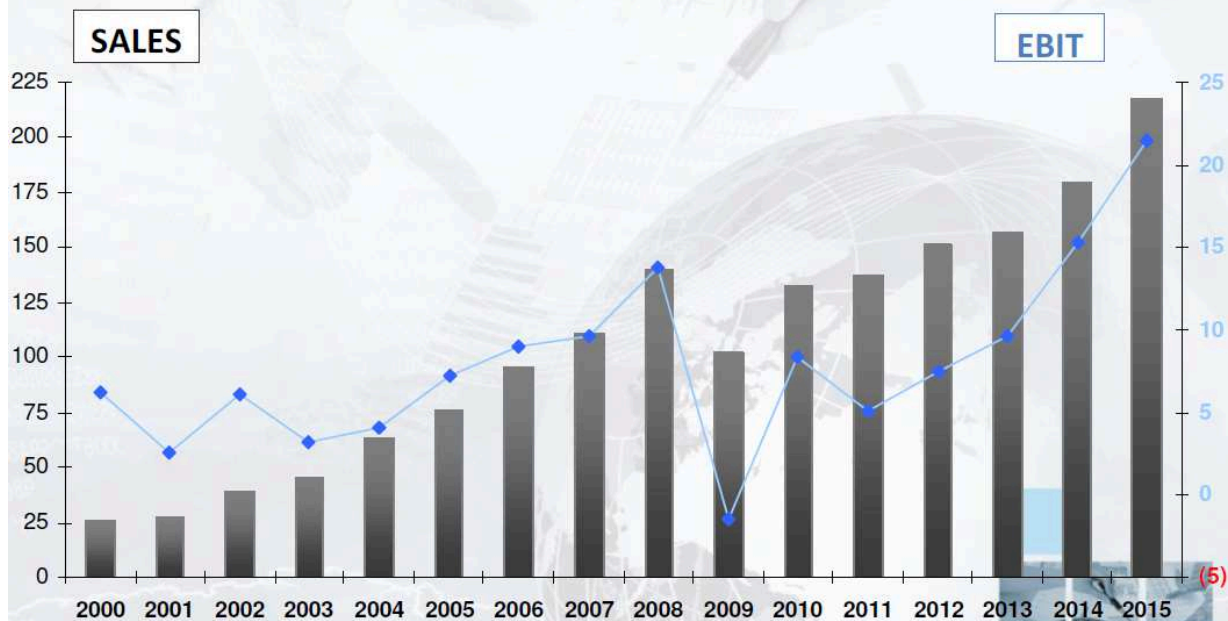
<b>EI.En. (Aletti Estimates)</b>	<b>Eur211m</b>	<b>0.6 x</b>	<b>0.6 x</b>	<b>5.0 x</b>	<b>4.3 x</b>	<b>5.9 x</b>	<b>5.0 x</b>	<b>12.6 x</b>	<b>10.9 x</b>
<b>Premium/(Discount) from (1)</b>		<b>-5.7%</b>	<b>-5.8%</b>	<b>-4.5%</b>	<b>-4.5%</b>	<b>-4.4%</b>	<b>-4.3%</b>	<b>-2.9%</b>	<b>-3.0%</b>

Source: Company Data; Banca Aletti & C. forecasts; Bloomberg

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## ELEN: Growth Trackrecord (Eurm)

# Consolidated Revenues and EBIT



Source: ELEN presentation

## ELEN: DCF stable EBIT margin scenario (Eurm)

CASH FLOW CALCULATION	2016	2017	2018	2019	2020
EBIT	25.2	26.5	27.8	29.2	30.7
% Chg.	17%	5.0%	5.0%	5.0%	5.0%
EBIT Margin	10.8%	10.8%	10.8%	10.8%	10.8%
Taxes	-7.6	-7.2	-7.5	-7.9	-8.3
Tax rate	30.0%	27.0%	27.0%	27.0%	27.0%
<b>NOPLAT</b>	<b>17.7</b>	<b>19.3</b>	<b>20.3</b>	<b>21.3</b>	<b>22.4</b>
Depreciation & other provisions	4.2	4.3	4.5	4.7	4.9
<b>Operating Cash Flow</b>	<b>21.8</b>	<b>23.7</b>	<b>24.8</b>	<b>26.0</b>	<b>27.3</b>
Capex/Acquisitions	-8.0	-6.0	-4.5	-4.7	-4.9
Change in Net Working Capital	-4.4	-2.7	-3.3	-3.5	-3.7
<b>Free Oper. CF (FOCF)</b>	<b>9.4</b>	<b>15.0</b>	<b>17.0</b>	<b>17.8</b>	<b>18.7</b>

DCF EVALUATION	2016	2017	2018	2019	2020
WACC	8.5%	8.5%	8.5%	8.5%	8.5%
Discount factor	1.00	0.92	0.85	0.78	0.72
Disc. Free Operating Cash Flow	9.4	13.8	14.4	14.0	13.5
<b>Cumulated DFOCF</b>	<b>9.4</b>	<b>23.2</b>	<b>37.6</b>	<b>51.6</b>	<b>65.1</b>

DCF Analysis (EURm)	
Perpetual Growth Rate	2.00%
WACC	8.5%
Terminal Value	291.7
Discounting Rate of Terminal V	0.72
<b>Discounted Terminal Value</b>	<b>211</b>
<b>Cumulated DFOCF</b>	<b>65</b>
Financial assets	50
<b>Enterprise Value</b>	<b>326</b>
Net Debt	30
Minorities mkt. value	(17)
Retirement provisions	(3)
<b>Equity Value</b>	<b>336</b>
<b>Value per share (€)</b>	<b>70</b>
Price as of 13/05/16 (€)	43.80
<b>Upside (downside)</b>	<b>59%</b>

Source: Banca Aletti & C. forecasts

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## EL.EN.: Company profile

**Business.** El.En. (Electronic Engineering) controls a group of companies operating in the field of manufacturing, research and development, distribution and sales of laser systems. The Group – market leader in Italy and among the top operators in Europe – conducts its activities in two major sectors that of laser system for medicine and aesthetics and that of laser system for industrial uses.

The *Medical laser equipment* (54% of FY 2014 sales) are employed in area concerned with general well-being and a healthy body, in fields such as dermatology, cosmetics, physiotherapy, dentistry and gynecology. It markets its devices in over 80 countries and can count on over 40 distributors in the international markets, with branches in France, Germany, Japan and the USA, and a network of agents in Italy.

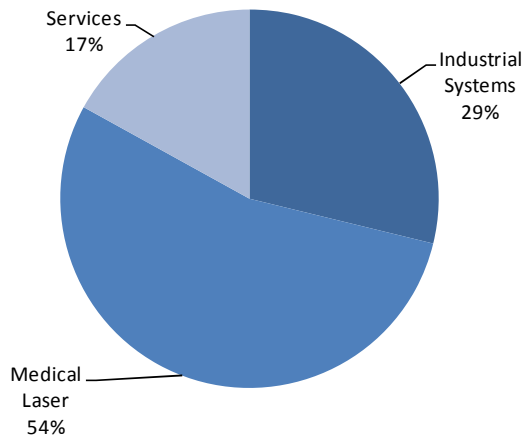
The *Industrial laser system* (29% of FY 2014 sales) are used for cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork.

Besides the main company activity of selling laser systems, there is also a *post sales customer assistance* (12% of FY 2014 sales).

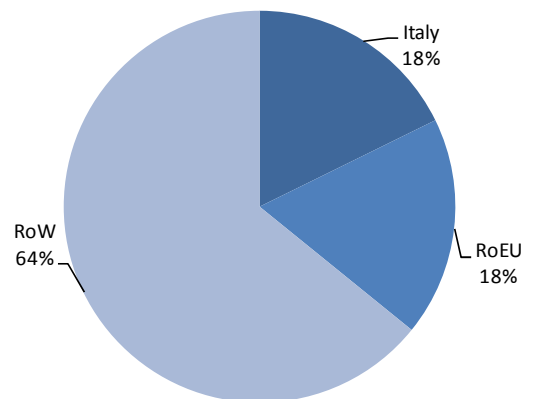
In FY 2015 the Group realized a total turnover of Eur 218m of which 18% generated in Italy, 18% in Europe (ex-Italy) and 64% in RoW. The Group has 965 employees and operates through 5 multi-disciplinary and multi-facility research centres located in Italy and Germany and 7 production facilities located in Italy, Germany, China and Brazil. The sales organization is differentiated by geographical market and by product ranges. The Group operates worldwide and today can count on a capillary presence in the international market, with over thirty firms working in Italy and a network of international distributors.

**Market.** According to BCC research, in 2014 the *medical laser market* was worth USD 2.2bn (+12% YoY) and is expected to grow to USD 4.2bn by 2019E (+13.8% CAGR in the period 2014-2019E). As concerning the forecast for the market of laser systems, according Optech Consulting is expected to exceed Eur 6.2bn in FY 2020E with a +7.6% CAGR in the period 2016-2020E.

Sales breakdown by Division 2015



Sales breakdown by Area 2015



Source: Company data

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## EL.EN.: Aletti Summary

EV CALCULATIONS (EUR m)	2008°	2009°	2010°	2011°	2012°	2013°	2014°	2015°	2016E	2017E	CAGR 14/17e
Price of ordinary share	22.77	11.68	11.94	11.97	12.76	15.90	21.89	37.96	43.80	43.80	
Total ord. Shares outst. (000)	4,825	4,825	4,825	4,825	4,825	4,825	4,825	4,825	4,825	4,825	
<b>Market Cap (adj.)</b>	<b>109.9</b>	<b>56.3</b>	<b>57.6</b>	<b>57.7</b>	<b>61.6</b>	<b>76.7</b>	<b>105.6</b>	<b>183.2</b>	<b>211.3</b>	<b>211.3</b>	
Others	98.3	48.3	50.2	51.8	19.3	12.1	8.0	-29.9	9.8	9.8	
EV (adj.)	140.2	35.8	32.9	56.5	63.1	67.0	66.6	123.4	148.2	138.7	
<b>PROFIT &amp; LOSS (EUR m)</b>											
<b>Sales</b>	<b>140.0</b>	<b>101.8</b>	<b>132.6</b>	<b>137.4</b>	<b>151.2</b>	<b>157.4</b>	<b>180.0</b>	<b>217.7</b>	<b>232.8</b>	<b>244.5</b>	<b>11%</b>
<b>EBITDA</b>	<b>18.5</b>	<b>2.3</b>	<b>13.3</b>	<b>10.8</b>	<b>12.5</b>	<b>13.7</b>	<b>18.0</b>	<b>25.7</b>	<b>29.4</b>	<b>32.1</b>	<b>28%</b>
Depreciation & Amortisation	-4.6	-3.7	-5.0	-5.7	-5.0	-4.2	-4.1	-4.2	-4.2	-4.3	
<b>EBIT</b>	<b>13.8</b>	<b>-1.5</b>	<b>8.4</b>	<b>5.1</b>	<b>7.5</b>	<b>9.6</b>	<b>13.8</b>	<b>21.5</b>	<b>25.2</b>	<b>27.7</b>	<b>35%</b>
Net Financial Interest	-0.2	0.1	0.1	0.3	-1.4	-1.2	1.6	-0.3	0.5	0.5	
Other Financials	0.1	-0.7	-0.8	-0.7	2.2	-0.2	3.0	1.9	0.3	0.3	
Extraordinary Items	0.0	0.0	0.0	0.0	18.9	2.5	5.9	0.0	23.0	0.0	
<b>Earning Before Tax</b>	<b>13.8</b>	<b>-2.0</b>	<b>7.7</b>	<b>4.8</b>	<b>27.2</b>	<b>10.7</b>	<b>24.4</b>	<b>23.1</b>	<b>49.0</b>	<b>28.5</b>	<b>42%</b>
Tax	-5.1	-0.9	-3.7	-2.7	-3.0	-4.3	-6.4	-7.1	-8.3	-7.7	
<i>Tax rate</i>	<i>37%</i>	<i>n.m.</i>	<i>49%</i>	<i>56%</i>	<i>11%</i>	<i>40%</i>	<i>26%</i>	<i>31%</i>	<i>17%</i>	<i>27%</i>	
Minorities	-0.5	-0.2	-1.8	-1.4	-1.0	-0.3	-1.5	-1.7	-1.7	-1.7	
<b>Net Profit (reported)</b>	<b>8.1</b>	<b>-3.1</b>	<b>2.2</b>	<b>0.7</b>	<b>23.2</b>	<b>6.1</b>	<b>16.5</b>	<b>14.4</b>	<b>39.1</b>	<b>19.1</b>	<b>54%</b>
Net Profit (adj.)	8.1	-3.1	2.2	0.7	5.2	4.5	11.4	14.4	16.6	19.1	21%
<b>PER SHARE DATA (EUR)</b>											
EPS	1.681	-0.638	0.456	0.151	4.809	1.256	3.415	2.980	8.094	3.967	54%
<b>EPS (adj.)</b>	<b>1.707</b>	<b>-0.647</b>	<b>0.463</b>	<b>0.154</b>	<b>1.104</b>	<b>0.957</b>	<b>2.398</b>	<b>3.026</b>	<b>3.484</b>	<b>4.029</b>	<b>21%</b>
CFPS	2.638	0.137	1.486	1.338	5.854	2.118	4.273	3.843	8.957	4.865	45%
BVPS	20.039	18.692	19.511	19.628	23.276	26.583	29.628	35.428	42.322	44.969	20%
<b>DPS</b>	<b>0.300</b>	<b>0.000</b>	<b>0.200</b>	<b>0.000</b>	<b>0.500</b>	<b>0.500</b>	<b>1.000</b>	<b>1.200</b>	<b>1.320</b>	<b>1.452</b>	<b>15%</b>
<b>KEY MARKET RATIOS</b>											
EV/Sales	1.00	0.35	0.25	0.41	0.42	0.43	0.37	0.57	0.64	0.57	
<b>EV/EBITDA</b>	<b>7.6</b>	<b>15.7</b>	<b>2.5</b>	<b>5.2</b>	<b>5.0</b>	<b>4.9</b>	<b>3.7</b>	<b>4.8</b>	<b>5.0</b>	<b>4.3</b>	
EV/EBIT	10.1	-24.6	3.9	11.1	8.4	7.0	4.8	5.7	5.9	5.0	
<b>P/E (adj)</b>	<b>13.3</b>	<b>-18.0</b>	<b>25.8</b>	<b>77.9</b>	<b>11.6</b>	<b>16.6</b>	<b>9.1</b>	<b>12.5</b>	<b>12.6</b>	<b>10.9</b>	
P/CF	8.6	85.4	8.0	8.9	2.2	7.5	5.1	9.9	4.9	9.0	
P/BV	1.1	0.6	0.6	0.6	0.5	0.6	0.7	1.1	1.0	1.0	
Dividend Yield (Gross)	1.3%	0.0%	1.7%	0.0%	3.9%	3.1%	4.6%	3.2%	3.0%	3.3%	
<b>MARGINS AND RATIOS</b>											
Sales growth	nm	-27.3%	30.2%	3.6%	10.1%	4.1%	14.4%	20.9%	7.0%	5.0%	
EBITDA growth	nm	-88%	485%	-19%	16%	10%	31%	43%	15%	9%	
EBIT growth	nm	-111%	-673%	-39%	47%	28%	44%	56%	17%	10%	
EPS (adj.) growth	nm	-138%	-172%	-67%	nm	-13%	151%	26%	15%	16%	
EBITDA margin	13.2%	2.2%	10.1%	7.9%	8.3%	8.7%	10.0%	11.8%	12.6%	13.1%	
EBIT margin	9.9%	-1.4%	6.3%	3.7%	4.9%	6.1%	7.7%	9.9%	10.8%	11.3%	
ROCE	7.2%	-2.0%	4.1%	1.7%	20.4%	6.0%	7.4%	9.5%	14.1%	13.2%	
<b>NFP/EBITDA</b>	<b>-0.8</b>	<b>-3.9</b>	<b>-0.8</b>	<b>-0.1</b>	<b>-1.4</b>	<b>-1.6</b>	<b>-2.6</b>	<b>-1.2</b>	<b>-2.5</b>	<b>-2.6</b>	
Interest Cover	104.8	n.a.	n.a.	n.a.	9.2	11.6	n.a.	101.1	n.a.	n.a.	
Payout Ratio	18%	0%	44%	0%	10%	40%	29%	40%	16%	37%	
NWC on Sales	na	na	na	na	34.4%	30.8%	27.5%	27.5%	27.6%	27.4%	
OpFCF/Mkt. Cap.	na	na	na	na	67.3%	14.7%	9.5%	0.0%	15.2%	7.6%	
<b>CASH FLOW (EUR m)</b>											
Net Profit (reported) + Minorities	8.7	-2.9	4.0	2.1	24.2	6.4	18.0	16.1	40.7	20.8	
Non cash items	4.5	4.4	5.7	6.4	2.9	4.4	1.1	2.3	3.9	4.0	
<b>Cash Flow</b>	<b>13.1</b>	<b>1.5</b>	<b>9.7</b>	<b>8.5</b>	<b>27.1</b>	<b>10.8</b>	<b>19.1</b>	<b>18.4</b>	<b>44.6</b>	<b>24.9</b>	
Change in Net Working Capital	na	na	na	na	16.9	3.7	-1.1	-10.3	-4.4	-2.7	
Capex	na	na	na	na	-2.5	-3.2	-8.0	-8.0	-8.0	-6.0	
<b>Oper. Free Cash Flow (OpFCF)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>41.4</b>	<b>11.3</b>	<b>10.0</b>	<b>0.0</b>	<b>32.2</b>	<b>16.1</b>	
Disposals/(Acquisitions)	na	na	na	na	na	0.0	16.2	-10.4	16.7	0.0	
Dividends	-5.3	-1.6	-0.2	-1.4	-0.4	-3.9	-2.9	-4.8	-5.8	-6.4	
Others (incl. Capital Increase)	na	na	na	na	na	-3.1	-1.0	-3.9	-0.3	-0.6	
<b>Free Cash Flow</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>4.3</b>	<b>22.2</b>	<b>-19.2</b>	<b>42.8</b>	<b>9.2</b>	
<b>BALANCE SHEET (EUR m)</b>											
Net Tangible Assets	na	na	na	na	21.4	21.9	26.9	32.6	19.8	21.4	
Net Intangible Assets	na	na	na	na	3.4	3.4	3.6	3.9	3.9	3.9	
Goodwill	na	na	na	na	0.0	0.0	0.0	0.0	0.0	0.0	
Net Financial Assets & Others	na	na	na	na	38.3	47.7	31.2	61.3	61.3	61.3	
<b>Total Fixed Assets</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>63.2</b>	<b>73.0</b>	<b>61.8</b>	<b>97.8</b>	<b>84.9</b>	<b>86.6</b>	
Net Working Capital	na	na	na	na	52.1	48.4	49.5	59.9	64.3	67.0	
Total Net Assets	na	na	na	na	115.2	121.4	111.3	157.6	149.2	153.6	
<b>Shareholders Equity</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>112.3</b>	<b>128.3</b>	<b>143.0</b>	<b>170.9</b>	<b>204.2</b>	<b>217.0</b>	
Minorities equity	na	na	na	na	11.7	6.0	7.6	8.6	10.0	11.1	
<b>Net Debt</b>	<b>-15.0</b>	<b>-8.8</b>	<b>-10.0</b>	<b>-1.2</b>	<b>-17.8</b>	<b>-21.8</b>	<b>-47.1</b>	<b>-29.8</b>	<b>-72.9</b>	<b>-82.4</b>	
Provisions	na	na	na	na	3.3	3.1	3.7	3.4	3.4	3.4	
Others liabilities	na	na	na	na	5.7	5.8	4.2	4.5	4.5	4.5	

Source: Company data and Banca Aletti & C S.p.A. estimates; \* Note: historical multiples calculated on average yearly prices.

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BANCA ALETTI HAS IN PLACE POLICIES AND PROCEDURES IN ORDER TO AVOID ANY CONFLICT OF INTERESTS AND TO RESTRICT RESEARCH ANALYST IN TRADING (FOR THEIR PERSONAL ACCOUNT) IN THE TYPE OF SECURITIES IN RESPECT OF THE ISSUERS THAT THEY COVER. THE RESEARCH ANALYST MAY ONLY HOLD SUCH SECURITIES IN CIRCUMSTANCES AS MAY BE CONTEMPLATED BY THE ABOVE POLICIES AND PROCEDURES.

#### EL.EN.: RATINGS HISTORY IN THE LAST 12 MONTHS

DATE	RATING	TP	MKT PRICE
13/05/2016	OUTPERFORM	62.0	43.80
28/04/2016	OUTPERFORM	56.0	42.25
22/03/2016	OUTPERFORM	54.0	39.65
18/02/2016	OUTPERFORM	54.0	39.00

#### STOCK RATINGS

THE "OUTPERFORM", "IN LINE" AND "UNDERPERFORM" RECOMMENDATIONS ARE BASED ON THE NEXT 12 MONTHS EXPECTED RELATIVE STOCK PERFORMANCE, INCLUSIVE OF THE DIVIDEND PAID OUT BY THE STOCK'S ISSUER, COMPARED TO THE PERFORMANCE OF THE MARKET INDEX SHOWN IN THE CHART ON THE FRONT PAGE OF THIS REPORT.

EXPLANATION OF THE RATING SYSTEM:

**OUTPERFORM:** STOCK ESTIMATED TO OUTPERFORM THE MARKET BY MORE THAN 10% OVER A NEXT 12 MONTHS PERIOD

**IN LINE:** STOCK PERFORMANCE ESTIMATED AT BETWEEN -10% AND +10% COMPARED TO THE MARKET OVER A NEXT 12 MONTHS PERIOD

**UNDERPERFORM:** STOCK ESTIMATED TO UNDERPERFORM THE MARKET BY HIGHER THAN 10% OVER A 12 MONTHS PERIOD

IN CERTAIN OCCASIONS, THE RELATIVE PERFORMANCE MAY FALL OUTSIDE OF THESE RANGES BECAUSE OF MARKET PRICE MOVEMENTS AND/OR OTHER SHORT TERM VOLATILITY OR TRADING PATTERNS. SUCH INTERIM FROM THE SPECIFIED RANGES MIGHT NOT REQUIRE A CHANGE IN RATING.

**NOT RATED:** NO RATING OR TARGET PRICE ASSIGNED ALTHOUGH THE ISSUERS IS OR MAY BE COVERED BY THE EQUITY RESEARCH OFFICE

**SUSPENSION OF COVERAGE:** SITUATION WHERE THE COVERAGE IS SOSPENDED INDEFINITELY FOR COMMERCIAL REASONS (EXAMPLES OF THIS MIGHT BE LACK OF INTEREST FROM INSTITUTIONAL INVESTORS, LACK OF LIQUIDITY), OR TEMPORARILY TO COMPLY WITH APPLICABLE REGULATIONS AND/OR BANCA ALETTI'S POLICIES IN CERTAIN SITUATION OF CONFLICT OF INTERESTS, INCLUDING WHEN BANCO POPOLARE IS ACTING IN AN ADVISORY CAPACITY OR INVOLVED IN ANY TERM IN STRATEGIC TRANSACTION INVOLVING THE ISSUERS

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## RATINGS DISTRIBUTION

BANCA ALETTI & C. S.P.A. EQUITY RESEARCH DEPARTMENT'S DISTRIBUTION OF STOCK RATINGS AS AT APRIL 1, 2016 IS AS FOLLOWS:

	<b>OUTPERFORM</b>	<b>IN LINE</b>	<b>UNDERPERFORM</b>	<b>Not Rated</b>
% ON ALETTI UNIVERSE	54%	32%	14%	0%
OF WHICH INV. BANKING CLIENTS	100%	0%	0%	0%

## VALUATION METHODOLOGIES

THE BANCA ALETTI EQUITY RESEARCH DEPARTMENT OBTAINS A FAIR VALUE FOR THE COMPANIES UNDER COVERAGE USING A RANGE OF VALUATION METHODS, OF WHICH THE MOST PREVALENT ARE THE DISCOUNTED CASH FLOWS METHOD (DCF) DIVIDEND DISCOUNT MODEL (DDM) AND MULTIPLE-BASED MODELS (E.G. EV/SALES, EV/EBITDA, EV/EBIT, P/E, P/BV,). THE ANALYSTS ARE NEVERTHELESS FREE TO USE ALTERNATIVE OFFICIAL VALUATION METHODOLOGIES, WHERE DEEMED NECESSARY.

THE ASSIGNED TARGET PRICE MAY DIFFER FROM THE FAIR VALUE OBTAINED ABOVE, AS IT ALSO TAKES INTO ACCOUNT OVERALL MARKET/SECTOR CONDITIONS (E.G. RISK PREMIUM), CORPORATE/MARKET EVENTS, AND CORPORATE SPECIFICS (I.E. HOLDING DISCOUNTS, LIQUIDITY) REASONABLY CONSIDERED TO BE POSSIBLE DRIVERS OF THE COMPANY'S SHARE PRICE PERFORMANCE. THESE FACTORS MAY ALSO BE ASSESSED USING THE METHODOLOGIES INDICATED ABOVE.

## ORGANIZATIONAL AND ADMINISTRATIVE MECHANISMS TO PREVENT CONFLICTS OF INTEREST

THIS RESEARCH HAS BEEN PUBLISHED IN ACCORDANCE WITH OUR CONFLICT MANAGEMENT POLICY. TO ENSURE THE INDEPENDENCE AND THE IMPARTIALITY OF ITS FINANCIAL ANALYSTS' JUDGMENT, EMPLOYED IN THE EQUITY RESEARCH DEPARTMENT (AS FOLLOW DEPARTMENT), INVOLVED WITH THE RESEARCH, ANALYSIS, COMPANIES VALUATION AND/OR FINANCIAL INSTRUMENTS, AND WITH INVESTMENT RECOMMENDATIONS DISTRIBUTED TO PROFESSIONAL INVESTORS, BANCA ALETTI HAS ADOPTED THE FOLLOWING ORGANIZATIONAL AND ADMINISTRATIVE MECHANISMS:

- THE DEPARTMENT HIERARCHICALLY RESPONDS TO THE GENERAL MANAGER OF THE BANK AND EXCLUSIVELY AND DIRECTLY RESPONDS TO HIM;
- THE EXISTING HIERARCHICAL RELATIONSHIP BETWEEN GENERAL MANAGER AND THE DEPARTMENT OR EACH ONE OF ITS FINANCIAL ANALYST(S) MEMBERS ARE SUBJECT TO PRINCIPLES OF PROFESSIONALISM AND TRANSPARENCY;
- THE CURRENT GENERAL AND/OR SPECIFIC GUIDANCE GIVEN BY THE GENERAL MANAGER TO THE DEPARTMENT SHOULD NOT RESULT IN CONTRAST WITH THE EXISTING LEGISLATIVE OBJECTIVES OF COMPLETENESS, CLEARNESS AND IMPARTIALITY OF THE PRODUCED STUDIES AND BE INFLUENCED BY THE SPECIFIC INTERESTS OF THE BANK RELATED TO A PARTICULAR SUBJECT OR FINANCIAL INSTRUMENT;
- THE REQUESTS OR THE COMMERCIAL COLLABORATIONS IN FAVOUR OF OTHER STRUCTURES OF THE SAME BANK OR THE GROUP TO WHICH THE BANK IS PERTINENT, WHICH, BY PRINCIPLE, COULD POTENTIALLY RESULT IN A CONFLICT OF INTEREST ACCORDING TO THE EXISTING REGULATIONS, CAN BE ORDERED TO THE DEPARTMENT OR A SINGLE ANALYST ONLY BY THE GENERAL MANAGER;
- IN THE RELATIONS WITH THE OTHER STRUCTURES OF THE BANK OR THE GROUP TO WHICH THE BANK BELONGS TO, THE DEPARTMENT OR EACH COMPONENTS OF THE SAME MUST RETAIN THEMSELVES FROM SEARCHING, RECEIVING OR FURNISH INFORMATION THAT MIGHT INVALIDATE THE INDEPENDENCE AND/OR THE IMPARTIALITY OF JUDGMENT OF THE RESEARCH COMMENT AND/OR RECOMMENDATIONS OF INVESTMENTS OR FAVOUR AN ASYMMETRIC DISTRIBUTION OF THE INFORMATION EITHER INSIDE OR OUTSIDE THE BANK OF OR THE GROUP. THE DEPARTMENT AND EACH COMPONENTS OF THE SAME MUST STICK TO THE PRINCIPLES AND BEHAVIOUR RULES FOR A CORRECT CARRY OUT OF THE FINANCIAL ANALYST ACTIVITIES;
- THE REMUNERATION OF THE FINANCIAL ANALYST(S) AND OF DEPARTMENT EMPLOYEES IS NOT TIED, DIRECTLY OR INDIRECTLY, TO INVESTMENT BANKING TRANSACTIONS AND/OR TO THE BUSINESS RELATIONSHIP DEVELOPMENT WITH ISSUERS UNDER FINANCIAL ANALYSIS.

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