

EL.EN.***IN LINE (from OUTPERFORM)****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	%
2014A*	180	18	14*	11.4*	0.59	0.25	0.4	3.7	4.8	9.2	4.6%
2015A	218	26	22	14.4	0.75	0.30	0.6	5.2	6.2	12.7	3.2%
2016A**	253	32	28	17.9	0.93	0.40	0.9	6.6	7.8	15.6	2.8%
2017E	280	35	29	20.1	1.05	0.40	2.1	16.6	19.7	32.1	1.2%
2018E	294	38	32	22.3	1.16	0.40	1.9	15.0	17.5	29.0	1.2%

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.

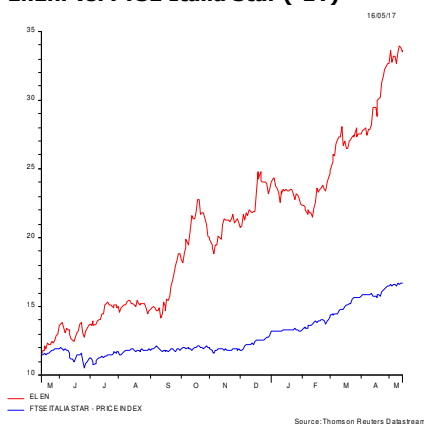
Pr. Close 15/05/17 (€):	33.55
Tot Mkt Cap. (€ m):	647.5
Tot No. of Shares (m):	19,300
Min-Max pr.(52 wks €):	11.5 - 34.4
Bloomberg/Reuters:	ELN IM/ ELEN.MI
-3M vol. avg.	71,735
Price Target (€)	31 (unch.)
Fair Value (€)	31 (unch.)

Perf.	-3M	-6M	-1Y
Abs.	48.5%	56.8%	191.0%
Rel.	28.0%	15.5%	145.7%

Major shareholders:

Cangioli Andrea	15.17%
Pecci Alberto	10.77%
Clementi Gabriele	9.77%
Bazzocchi Barbara	5.12%
Immobiliare Del Ciliegio	7.51%
Kempen Capital Mgt	5.01%
Hermes Linder Fund Sicav	2.93%
Caceis Bank Luxembourg	2.10%
Free float	41.62%

Source: Company

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

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*Banca Aletti acts as Corporate Broker.

Long term prospects solid but '17e likely a transition year

- 2017e Aletti's numbers confirmed slightly above guidance.** On the back of the Q1'17 numbers the company has increased its 2017e top line guidance to over 10% from over 5% but it has confirmed its objective to maintain 2016 EBIT. While we update our sales forecasts, we remain of the idea that the company should be able to do slightly more, confirming our EBIT of Eur 29.4m or +6.5% yoy and consequently our net profit and net cash forecasts.
- Q1'17 top line growth well above expectations with industrial growth impressive. 2017e looks increasingly a transitions year. Company building up for next growth phase.** Results are clearly above expectations on sales with Italy (+28%), Europe (+15%) and RoW (+18% mostly China) driving the growth thanks to the impressive performance on the industrial side (+52%) while the +35% growth in aesthetic in the medical division is offset by a fall in surgery resulting in a 2.4% for the medical division which should be recovered throughout the year according to the company. The fall in EBITDA reflect the investments in R&D, in product development and commercial network that the company is implementing to support the next growth phase and which in the short term is higher than expected.

DIVISION (Eur m)	Q1 '16a	Q1 '17a	% Ch.	Q1 '17e	% Ch.
Industrial Systems	17.1	26.0	52.4%	18.5	8%
% total	31%	40%		31%	
Medical Laser	38.1	39.1	2.4%	40.4	6%
% total	69%	60%		69%	
Total	55.2	65.1	17.9%	58.9	6.6%

Eur m	Q1 '16a	Q1 '17a	% Ch.	Q1 '17e	% Ch.
Sales	55.2	65.1	18%	58.9	7%
Added value	18.1	18.8	4%	19.3	6%
% sales	32.8%	28.9%		32.7%	
Labour costs	(10.4)	(12.3)	18%	(11.0)	5%
EBITDA	7.7	6.5	-15%	8.3	8%
EBITDA Margin	13.9%	10.0%		14.1%	
D&A	(0.9)	(1.0)	6%	(1.2)	26%
EBIT	6.7	5.5	-18%	7.1	5%
EBIT margin	12.2%	8.5%		12.0%	
Forex	(0.8)	0.0		0.0	
Associates	0.0	(0.0)		0.0	
Net Fin. Inc./(costs)	0.0	(0.3)		0.0	
Extraordinary items	0.0	0.0		0.0	
Pre-tax profit	5.8	5.2	-11%	7.1	22%
Net Debt/(Cash)	(27.6)	(79.2)		(80.3)	

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

- IN LINE from OUTPERFORM. M&A transactions support current valuation multiples. Long term prospects solid. PT EUR 31 confirmed.** In the light of the Q1 results and EBIT guidance, 2017e looks increasingly like a transition year with little earnings momentum. As such, we change our recommendation from OUTPERFORM to IN LINE confirming nevertheless our PT of Eur 31. However, we want to stress how long term prospects remain extremely solid in both medical (see Hologic slide on next page) and industrial with M&A always an opportunity. Being ELEN an opportunity, being a supplier of one of its best selling product, the Monalisa Touch, we believe its transaction multiples (38x 2017e adj. earnings before cash from Hologic) should be to some extent applied to ELEN. Worth mentioning that recently Zeltiq was bought by Allergan and that Syneron Medical has been bought by Apax partners at app 30x adj. earnings (on GAAP it would have been much higher). In light of the examples just mentioned, we consider fair an arbitrary TP of 25x 2017e earnings plus cash which explain our PT (see SOP table in next page).
- Main risks/opportunities: Weaker/stronger USD; fall/increase in consumer demand; lower/higher credit availability; superior/lower peers' technology; failure/withdrawal of watchdogs clearances; product liability suits**

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ELEN: New/Old table (Eurm)

DIVISIONS (Eurm)	2015a	2016a	%Ch.	2017e	%Ch. '17e Old	%Ch. 2018E	%Ch. 8e old	%Ch.			
Industrial Systems	70.6	86.6	22.7%	103.9	20.0%	91.8	6.0%	109.1	5.0%	96.4	5.0%
% total	32%	34%		37%		34%		37%		34%	
Medical Laser	147.1	166.0	12.9%	176.0	6.0%	176.0	6.0%	184.8	5.0%	184.8	5.0%
% total	68%	66%		63%		66%		63%		66%	
Total	217.7	252.6	16.1%	279.9	10.8%	267.8	6.0%	293.9	5.0%	281.2	5.0%

	2015A	2016A	%Ch.	2017E	%Ch. '17e Old	%Ch. 2018E	%Ch. 2018E	%Ch.			
Sales	217.7	252.6	16%	279.9	10.8%	267.8	6.0%	293.9	5%	281.2	5%
Gross margin	96.3	110.5	15%	121.3	9.7%	116.2	5.2%	128.5	6%	122.9	6%
% sales	44.3%	43.7%		43.3%		43.4%		43.7%		43.7%	
Other op. costs	(28.5)	(32.0)	12%	(35.5)	10.8%	(34.0)	6.0%	(37.3)	5%	(35.6)	5%
Added value	67.8	78.5	16%	85.8	9.3%	82.3	4.8%	91.2	6%	87.3	6%
% sales	31.2%	31.1%		30.7%		30.7%		31.0%		31.0%	
Labour costs	(42.1)	(46.1)	9%	(51.1)	10.8%	(47.8)	3.6%	(53.4)	4%	(49.7)	4%
EBITDA	25.7	32.4	26%	34.7	7.2%	34.5	6.5%	37.8	9%	37.6	9%
EBITDA Margin	11.8%	12.8%		12.4%		12.9%		12.9%		13.4%	
D&A	(4.2)	(4.8)	15%	(5.3)	10.8%	(5.1)	6.0%	(5.5)	4%	(5.3)	4%
EBIT	21.5	27.6	28%	29.4	6.5%	29.4	6.6%	32.3	10%	32.3	10%
EBIT margin	9.9%	10.9%		10.5%		11.0%		11.0%		11.5%	
Forex	1.6	1.8		1.8		0.0		1.8		0.0	
Associates	0.3	0.2		0.2		0.2		0.3		0.2	
Oth. Non Op. Items	0.0	(0.0)		0.0		0.0		0.0		0.0	
Net Fin. Inc./(costs)	(0.3)	0.1		0.1		1.9		0.1		1.9	
Extraordinary items	0.0	23.0		0.0		0.0		0.0		0.0	
Pre-tax profit	23.1	52.7	128%	31.5	-40%	31.6	-40.2%	34.5	9%	34.4	9%
Taxes	(7.1)	(9.7)	38%	(8.5)	-13%	(8.5)	-12.4%	(9.3)	9%	(9.3)	9%
Tax rate	30.6%	18.5%		27.0%		27.0%		27.0%		##	
Minorities	(1.7)	(2.6)	54%	(2.9)	12%	(2.9)	12.0%	(2.9)	0%	(2.9)	0%
Net profit	14.4	40.4	181%	20.1	-50%	20.1	-50.2%	22.3	11%	22.3	11%
EPS	0.75	0.93		1.05		1.05		1.16		1.16	
% Diff.				0%				0%			
Net Debt/(Cash)	(29.8)	(82.8)		(88)		(88)		(99)		(99)	

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

ELEN: Growth Trackrecord (Eurm)

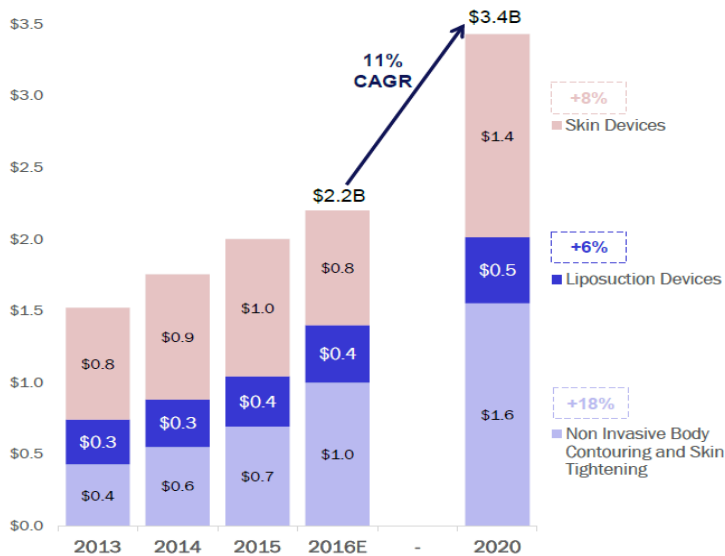


Source: ELEN presentation

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Aesthetics Sector Overview

Global Sector Size and Growth



Body Contouring is the Fastest-Growing Non-Invasive Aesthetic Category

Source: Company quarterly earnings estimates and investor presentations, "MarketsandMarkets" Report Medical Aesthetics Markets Global Forecast to 2020; Internal estimates
Source: Hologic

Key Segment Drivers

- Preference for non-invasive procedures that avoid anesthesia, surgery and downtime
- Aging population
- Rising obesity rates
- Cadence of improved innovation and demonstrated clinical results driving demand
- Availability of disposable income for cosmetic procedures
- Changing dynamic for doctors, leading to a focus on patient self / cash-pay procedures to diversify from reimbursement risk

HOLOGIC

ELEN Stub Value (EURm)

	17e Sales	17e Recur. EBITDA	17e EBITDA margin	17e EBIT	EBIT margin	Net Pr. Adj.	EV/ Sales	EV/ EBITDA	EV/ EBIT	net of cash assets	Mkt Cap.	Comments
Group	280	34.7	12.4%	29.4	10.5%	20.1	1.00x	8.1x	9.5x	9.2x	279	
Net Cash/(Debt)											-83	2016
Peripheral as sets											-11	Off balance sheet
Group's equity value											186	

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

ELEN SOP (EURm)

	17e Sales	17e Recur. EBITDA	17e EBITDA margin	17e EBIT	EBIT margin	Net Pr. Adj.	Implied EV/ Sales	Implied EV/ EBITDA	Implied EV/ EBIT	Target PE Exc. Cash	Mkt Cap Target	Comments
Group	280	34.7	12.4%	29.4	10.5%	20.1	1.9x	15.4x	18.2x	25.0x	502	
Net Cash/(Debt)											83	2016
Peripheral as sets											11	Off balance sheet
Target Mkt Cap Inc. Cash Assets											596	
Ord. Share PT											31.0	
Price											33.55	
Upside/(Downside)											-8%	
Net Cash/(Debt)											-83	2016
Peripheral Debt											-11	Off balance sheet
Group's retirement provisions											3	2016
Minorities											29	2017e 10x PE
Implied EV											535	

Source: Company Data, 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* (66% of FY 2016 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.

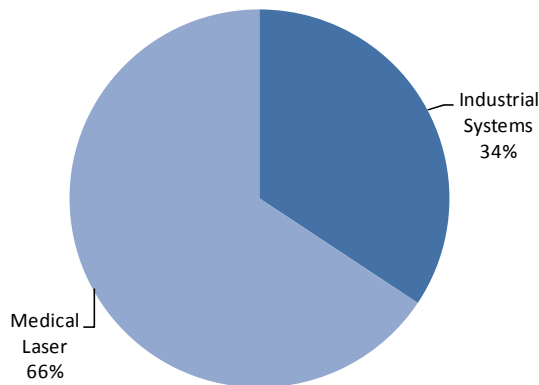
The *Industrial laser system* (34% of FY 2016 sales) are used for cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork.

In FY 2016 the Group realized a total turnover of Eur 253m of which 19% generated in Italy, 17% in Europe (ex-Italy) and 64% in RoW. The Group has over 1000 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.

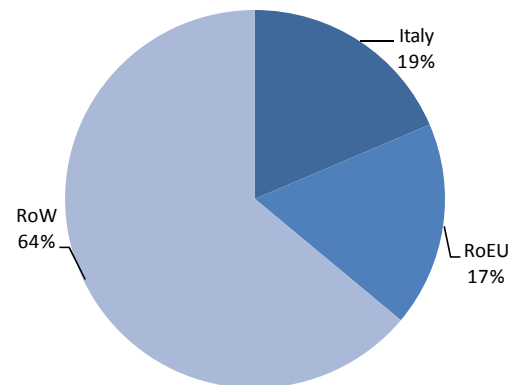
The sales organization is differentiated by geographical market and by product ranges. The Group operates worldwide and today can count on a capillary presence in the international market, with over thirty firms working in Italy and a network of international distributors.

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 Sector 2016



Sales breakdown by Area 2016



Source: Company data

EL.EN.: Aletti Summary

EV CALCULATIONS (EUR m)	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017E	2018E	CAGR 16/18e
Price of ordinary share	2.92	2.98	2.99	3.19	3.98	5.47	9.49	14.48	33.55	33.55	
Total ord. Shares outst. (000)	19,300	19,300	19,300	19,300	19,300	19,300	19,300	19,300	19,300	19,300	
Market Cap (adj.)	56.3	57.6	57.7	61.6	76.7	105.6	183.2	279.5	647.5	647.5	
Others	48.3	50.2	51.8	19.3	12.1	8.0	-20.9	18.7	18.7	18.7	
EV (adj.)	35.8	32.9	56.5	63.1	67.0	66.6	132.5	215.3	577.8	566.8	
PROFIT & LOSS (EUR m)											
Sales	101.8	132.6	137.4	151.2	157.4	180.0	217.7	252.6	279.9	293.9	8%
EBITDA	2.3	13.3	10.8	12.5	13.7	18.0	25.7	32.4	34.7	37.8	8%
Depreciation & Amortisation	-3.7	-5.0	-5.7	-5.0	-4.2	-4.1	-4.2	-4.8	-5.3	-5.5	
EBIT	-1.5	8.4	5.1	7.5	9.6	13.8	21.5	27.6	29.4	32.3	8%
Net Financial Interest	0.1	0.1	0.3	-1.4	-1.2	1.6	-0.2	0.1	0.1	0.1	
Other Financials	-0.7	-0.8	-0.7	2.2	-0.2	3.0	1.8	2.0	2.0	2.1	
Extraordinary Items	0.0	0.0	0.0	18.9	2.5	5.9	0.0	23.0	0.0	0.0	
Earning Before Tax	-2.0	7.7	4.8	27.2	10.7	24.4	23.1	52.7	31.5	34.5	nm
Tax	-0.9	-3.7	-2.7	-3.0	-4.3	-6.4	-7.1	-9.7	-8.5	-9.3	
<i>Tax rate</i>	<i>n.m.</i>	<i>49%</i>	<i>56%</i>	<i>11%</i>	<i>40%</i>	<i>26%</i>	<i>31%</i>	<i>18%</i>	<i>27%</i>	<i>27%</i>	
Minorities	-0.2	-1.8	-1.4	-1.0	-0.3	-1.5	-1.7	-2.6	-2.9	-2.9	
Net Profit (reported)	-3.1	2.2	0.7	23.2	6.1	16.5	14.4	40.4	20.1	22.3	nm
Net Profit (adj.)	-3.1	2.2	0.7	5.2	4.5	11.4	14.4	17.9	20.1	22.3	12%
PER SHARE DATA (EUR)											
EPS	-0.16	0.11	0.04	1.20	0.31	0.85	0.74	2.09	1.04	1.15	nm
EPS (adj.)	-0.16	0.11	0.04	0.27	0.24	0.59	0.75	0.93	1.05	1.16	12%
CFPS	0.03	0.37	0.33	1.46	0.53	1.07	0.96	2.34	1.32	1.44	nm
BVPS	4.67	4.88	4.91	5.82	6.65	7.41	8.83	9.41	10.05	10.80	7%
DPS	0.00	0.05	0.00	0.13	0.13	0.25	0.30	0.40	0.40	0.40	0%
KEY MARKET RATIOS											
EV/Sales	0.4	0.2	0.4	0.4	0.4	0.4	0.6	0.9	2.1	1.9	
EV/EBITDA	15.7	2.5	5.2	5.0	4.9	3.7	5.2	6.6	16.6	15.0	
EV/EBIT	-24.6	3.9	11.1	8.4	7.0	4.8	6.2	7.8	19.7	17.5	
P/E (adj)	-18.2	26.1	78.8	11.7	16.8	9.2	12.7	15.6	32.1	29.0	
P/CF	85.4	8.0	8.9	2.2	7.5	5.1	9.9	6.2	25.5	23.3	
P/BV	0.6	0.6	0.6	0.5	0.6	0.7	1.1	1.5	3.3	3.1	
Dividend Yield (Gross)	0.0%	1.7%	0.0%	3.9%	3.1%	4.6%	3.2%	2.8%	1.2%	1.2%	
MARGINS AND RATIOS											
Sales growth	-27.3%	30.2%	3.6%	10.1%	4.1%	14.4%	20.9%	16.1%	10.8%	5.0%	
EBITDA growth	-88%	485%	-19%	16%	10%	31%	43%	26%	7%	9%	
EBIT growth	-111%	-673%	-39%	47%	28%	44%	56%	28%	7%	10%	
EPS (adj.) growth	-138%	-172%	-67%	nm	-13%	151%	26%	24%	12%	11%	
EBITDA margin	2.2%	10.1%	7.9%	8.3%	8.7%	10.0%	11.8%	12.8%	12.4%	12.9%	
EBIT margin	-1.4%	6.3%	3.7%	4.9%	6.1%	7.7%	9.9%	10.9%	10.5%	11.0%	
ROCE	-2.0%	4.1%	1.7%	20.4%	6.0%	7.4%	9.5%	16.3%	16.8%	17.8%	
NFP/EBITDA	-3.9	-0.8	-0.1	-1.4	-1.6	-2.6	-1.2	-2.6	-2.5	-2.6	
Interest Cover	n.a.	n.a.	n.a.	9.2	11.6	n.a.	158.4	n.a.	n.a.	n.a.	
Payout Ratio	0%	44%	0%	10%	40%	29%	40%	19%	38%	35%	
NWC on Sales	na	na	na	34.4%	30.8%	27.5%	27.5%	21.4%	21.4%	21.4%	
OpFCF/Mkt. Cap.	na	na	na	67.3%	14.7%	9.5%	-0.3%	15.6%	1.9%	2.7%	
CASH FLOW (EUR m)											
Net Profit (reported) + Minorities	-2.9	4.0	2.1	24.2	6.4	18.0	16.1	43.0	23.0	25.2	
Non cash items	4.4	5.7	6.4	2.9	4.4	1.1	2.4	2.8	3.3	3.5	
Cash Flow	1.5	9.7	8.5	27.1	10.8	19.1	18.4	45.8	26.3	28.6	
Change in Net Working Capital	na	na	na	16.9	3.7	-1.1	-10.3	5.8	-5.8	-3.0	
Capex	na	na	na	-2.5	-3.2	-8.0	-8.6	-8.0	-8.0	-8.0	
Oper. Free Cash Flow (OpFCF)	na	na	na	41.4	11.3	10.0	-0.5	43.5	12.5	17.6	
Disposals/(Acquisitions)	na	na	na	na	0.0	16.2	-10.4	16.7	0.0	0.0	
Dividends	-1.6	-0.2	-1.4	-0.4	-3.9	-2.9	-5.4	-5.8	-7.7	-7.7	
Others (incl. Capital Increase)	na	na	na	na	-3.1	-0.9	-2.8	-3.4	-1.1	-1.0	
Free Cash Flow	na	na	na	na	4.3	22.3	-19.1	51.0	3.6	8.9	
BALANCE SHEET (EUR m)											
Net Tangible Assets	na	na	na	21.4	21.9	26.9	32.6	39.6	42.3	44.8	
Net Intangible Assets	na	na	na	3.4	3.4	3.6	3.9	3.9	3.9	3.9	
Goodwill	na	na	na	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Financial Assets & Others	na	na	na	38.3	47.7	31.2	61.3	21.2	21.2	21.2	
Total Fixed Assets	na	na	na	63.2	73.0	61.8	97.8	64.7	67.4	69.9	
Net Working Capital	na	na	na	52.1	48.4	49.5	59.9	54.1	60.0	63.0	
Total Net Assets	na	na	na	115.2	121.4	111.3	157.6	118.8	127.4	132.9	
Shareholders Equity	na	na	na	112.3	128.3	143.0	170.5	181.5	193.9	208.5	
Minorities equity	na	na	na	11.7	6.0	7.6	9.1	11.2	12.9	14.8	
Net Debt	-8.8	-10.0	-1.2	-17.8	-21.8	-47.1	-29.8	-82.8	-88.5	-99.4	
Provisions	na	na	na	3.3	3.1	3.7	3.4	3.9	3.9	3.9	
Others liabilities	na	na	na	5.7	5.8	4.2	4.5	5.1	5.1	5.1	

Source: Company data and Banca Aletti & C S.p.A. estimates; * Note: historical multiples calculated on average yearly prices; 2009-2011 P&L Pro Forma exc. Cynosure: i.e. Balance Sheet and Cash Flow numbers not available

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GRUPPO BANCO BPM

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1. NEITHER THE ANALYST(S) NOR ANY MEMBER OF THE DEPARTMENT SERVES AS AN OFFICE, DIRECTOR OR ADVISORY BOARD MEMBER OF THE ISSUER;
2. BANCA ALETTI IS A SPONSOR, SPECIALIST, MARKET MAKER OR LIQUIDITY PROVIDER IN THE FINANCIAL INSTRUMENTS OF THE ISSUER;
3. BANCO BPM GROUP IS PARTY TO AN AGREEMENT WITH THE ISSUER RELATING TO THE PROVISION OF INVESTMENT BANKING SERVICES THAT HAS BEEN IN EFFECT OVER THE PREVIOUS 12 MONTHS OR HAS GIVEN RISE DURING THE SAME PERIOD TO THE PAYMENT OF COMPENSATION OR TO THE PROMISE TO GET A COMPENSATION PAID.

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	Old TP	New TP*	Old MKT PRICE	New MKT PRICE*
16/05/2017	IN LINE from OUTPERFORM		31.0		33.55
20/03/2017	OUTPERFORM		31.0		26.45
15/02/2017	OUTPERFORM		31.0		22.14
15/11/2016	OUTPERFORM	na	23.0	NA	21.00
16/09/2016	OUTPERFORM	na	18.0	NA	14.99
22/06/2016	OUTPERFORM	na	15.5	na	13.16
07/06/2016	OUTPERFORM	na	15.5	na	13.53
13/05/2016	OUTPERFORM	62.0	15.5	43.80	10.95
28/04/2016	OUTPERFORM	56.0	14.0	42.25	10.56
22/03/2016	OUTPERFORM	54.0	13.5	39.65	9.91
18/02/2016	OUTPERFORM – Initial Coverage	54.0	13.5	39.00	9.75

*Note: Historical price targets and market prices adjusted for the 1 to 4 stock split

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 BPM IS ACTING IN AN ADVISORY CAPACITY OR INVOLVED IN ANY TERM IN STRATEGIC TRANSACTION INVOLVING THE ISSUERS

RATINGS DISTRIBUTION

BANCA ALETTI & C. S.P.A. EQUITY RESEARCH DEPARTMENT'S DISTRIBUTION OF STOCK RATINGS AS AT APRIL 1, 2017 IS AS FOLLOWS:

	OUTPERFORM	IN LINE	UNDERPERFORM	Not Rated
% ON ALETTI UNIVERSE	48%	47%	5%	0%
OF WHICH INV. BANKING CLIENTS	33%	67%	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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