

## EL.EN.

## BUY

SECTOR: Industrials

Price (Eu):

15.72

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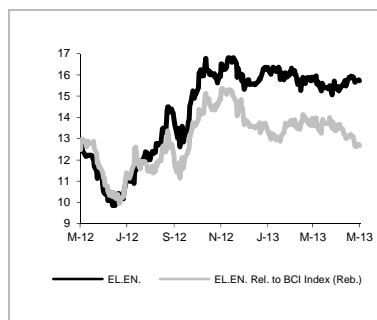
Target Price (Eu):

19.40

## Soft Quarter, But Guidance Reaffirmed

- Soft quarterly results, a touch below our estimates.** El.En posted a 5.3% YoY decrease in sales to Eu33.5mn, 5.6% below our forecast. Sales grew in Italy (+6.2% YoY) and Europe (+11.9% YoY) despite a negative economic environment and the business performance was also positive in Japan but the depreciation of the yen played against. By division, sales of medical and aesthetic laser systems were stable YoY while industrial laser systems went down (-15.6% YoY, as sales in Brazil and China performed poorly and below company expectations); after-sale services also went down by 6.6% YoY. EBITDA came to Eu2.1mn, 6.8% lower than forecast and down 12.9% YoY. The margin fell by 50bps YoY to 6.3%: a better sales mix was offset by lower volumes and higher personnel expenses. EBIT came to Eu1.0mn, down 22.3% YoY and 8.7% below our estimate. The net operating margin declined by 60bps YoY to 2.9%. Finally, pre-tax profit was Eu1.7mn, much higher YoY and well above our estimate given unrealised gains on forex (compared to unrealised losses in 1Q12). The cash position increased QoQ from Eu18.0mn as at December 2012 to Eu19.0mn as at March 2013 thanks to careful control of working capital.
- 2013 outlook reaffirmed, estimates unchanged.** Management stated that "despite the unfavorable conditions in some of the markets and the delay that the first quarter results imply on the roadmap to reaching the expected yearly turnover and income from operations, the Group is maintaining the guidance set for 2013". Management indications point to "growth of around 5% and an increase in operating income (EBIT)". We are leaving our 2013 estimates unchanged: we forecast sales of Eu160.3mn, equal to top line growth of 6.0%, and EBIT of Eu8.1mn, or 5.0% of sales (compared to 4.9% in 2012), in line with the guidance provided.
- BUY reiterated, target price cut to Eu19.4.** The change in our target price (from Eu20.6 to Eu19.4) is entirely due to the negative share price performance of Cynosure since we published our last note (15 March 2013). Our valuation is based on an SoP valuation which adds the value of El.En (DCF-based, net of minorities) to the market value of El.En's 13% stake in Cynosure. 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 company's industrial laser systems business, the industrialisation of fast-growing markets such as Brazil and China.

## EL.EN. - 12m Performance



## RATING: Unchanged

TARGET PRICE (Eu): from 20.60 to 19.40

Change in EPS est:	2013E	2014E
	0.0%	0.0%

## STOCK DATA

Reuters code:	ELEN.MI
Bloomberg code:	ELN IM

Performance	1m	3m	12m
Absolute	2.3%	-3.7%	26.0%
Relative	-5.7%	-9.2%	1.9%
12 months H/L:	16.81/9.86		

## SHAREHOLDER DATA

No. of Ord. shares (mn):	5
Total No. of shares (mn):	5
Mkt Cap Ord (Eu mn):	76
Total Mkt Cap (Eu mn):	76
Mkt Float - ord (Eu mn):	32
Mkt Float (in %):	42.7%
Main shareholder:	
Cangiolli Andrea	13.4%

## BALANCE SHEET DATA

	2013
Book value (Eu mn):	127
BVPS (Eu):	23.66
P/BV:	0.7
Net Financial Position (Eu mn):	18
Enterprise value (Eu mn):	23

Key Figures	2011A	2012A	2013E	2014E	2015E
Sales (Eu mn)	137	151	160	166	171
Ebitda (Eu mn)	11	13	13	15	16
Net profit (Eu mn)	0	23	3	3	4
EPS - New (Eu)	-0.056	0.651	0.546	0.681	0.738
EPS - Old (Eu)	-0.056	0.651	0.546	0.681	
DPS (Eu)	0.000	0.500	0.218	0.272	0.295
Ratios & Multiples	2011A	2012A	2013E	2014E	2015E
P/E	nm	24.2	28.8	23.1	21.3
Div. Yield	0.0%	3.2%	1.4%	1.7%	1.9%
EV/Ebitda	10.3	1.8	1.7	1.4	1.2
ROCE	5.0%	6.5%	7.4%	8.3%	8.6%

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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
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	137	151	160	166	171
	EBITDA	11	13	13	15	16
	EBIT	5	7	8	9	10
	Financial income (charges)	0	(1)	(1)	(1)	(0)
	Associates & Others	(1)	(0)	0	0	0
	Pre-tax profit (Loss)	5	6	7	9	10
	Taxes	(3)	(3)	(3)	(4)	(4)
	Tax rate (%)	-55.8%	-48.5%	-44.7%	-42.7%	-41.8%
	Minorities & discontinue activities	(2)	20	(1)	(2)	(2)
	Net profit	0	23	3	3	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	3	4	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	5	5	5	5	5
	EPS stated fd	-0.056	4.809	0.546	0.681	0.738
	EPS restated fd	-0.056	0.651	0.546	0.681	0.738
	BVPS fd	19.631	23.337	23.664	24.345	25.083
	Dividend per share (ord)	0.000	0.500	0.218	0.272	0.295
	Dividend per share (sav)					
Dividend pay out ratio (%)	0.0%	3.8%	49.4%	51.4%		
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	5	35	9	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	2	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	(0)	2	3	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	52	57	54	54	54
	Net working capital	69	52	54	55	57
	Long term liabilities	1	(3)	2	3	4
	Net capital employed	122	107	110	113	116
	Net financial position	53	18	18	20	22
	Group equity	95	113	114	117	121
	Minorities	80	12	13	15	17
Net equity	175	124	127	132	138	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	76	76	76	76	76
	Adjustments (associate & minorities)	(89)	35	35	35	35
	Net financial position	53	18	18	20	22
	Enterprise value	112	23	23	21	18
<b>RATIOS(%)</b>	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%	-15.4%	-16.8%	-18.4%
	Interest cover on EBIT	nm	5.5	10.7	18.4	39.2
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	5.0%	6.5%	7.4%	8.3%	8.6%
	ROE*	-0.2%	15.5%	2.1%	2.5%	2.6%
	EV/CE	1.1	0.2	0.2	0.2	0.2
	EV/Sales	0.8	0.2	0.1	0.1	0.1
	EV/Ebit	22.0	3.1	2.9	2.3	1.9
Free Cash Flow Yield	-13.3%	113.9%	5.5%	7.8%	9.6%	
<b>GROWTH RATES (%)</b>	Sales	3.6%	10.1%	6.0%	3.8%	3.0%
	EBITDA*	-18.8%	15.7%	6.2%	10.5%	5.4%
	EBIT*	-39.1%	46.7%	7.7%	14.3%	6.5%
	Net profit	nm	nm	-88.6%	24.7%	8.3%
	EPS restated	nm	nm	-16.1%	24.7%	8.3%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## Results

### El.En 1Q13 Results

(€ mn)	1Q12A	1Q13A	1Q13E	A v E
<b>Sales</b>	<b>35.4</b>	<b>33.5</b>	<b>35.5</b>	<b>-5.6%</b>
YoY growth %		-5.3%	0.3%	
<b>EBITDA</b>	<b>2.4</b>	<b>2.1</b>	<b>2.3</b>	<b>-6.8%</b>
Ebitda margin %	6.8%	6.3%	6.3%	
YoY growth %		-12.9%	-6.5%	
Total D&A	-1.2	-1.1	-1.2	
<b>EBIT</b>	<b>1.2</b>	<b>1.0</b>	<b>1.1</b>	<b>-8.7%</b>
Ebit margin %	3.5%	2.9%	3.0%	
YoY growth %		-22.3%	-15.0%	
Net financials & Participations	-0.6	0.7	-0.1	
<b>Pretax Profit</b>	<b>0.6</b>	<b>1.7</b>	<b>1.0</b>	<b>78.4%</b>
Pretax margin %	1.8%	5.1%	2.7%	
YoY growth %		165.7%	48.9%	

Source: Intermonte Sim

## Estimates

### El.En FY estimates

(€ mn)	2011A	2012A	2013E	2014E	2015E	CAGR12-15E
<b>Sales</b>	<b>137.4</b>	<b>151.2</b>	<b>160.3</b>	<b>166.3</b>	<b>171.3</b>	<b>4.2%</b>
YoY growth %	3.6%	10.1%	6.0%	3.8%	3.0%	
<b>EBITDA</b>	<b>10.8</b>	<b>12.5</b>	<b>13.3</b>	<b>14.7</b>	<b>15.5</b>	<b>7.4%</b>
Ebitda margin %	7.9%	8.3%	8.3%	8.8%	9.0%	
YoY growth %		15.7%	6.2%	10.5%	5.4%	
Total D&A	(5.7)	(5.0)	(5.3)	(5.5)	(5.7)	
<b>EBIT</b>	<b>5.1</b>	<b>7.5</b>	<b>8.1</b>	<b>9.2</b>	<b>9.8</b>	<b>9.5%</b>
Ebit margin %	3.7%	4.9%	5.0%	5.5%	5.7%	
YoY growth %		46.7%	7.7%	14.3%	6.5%	
Net financial charges	(0.3)	(1.4)	(0.8)	(0.5)	(0.3)	
<b>Pretax Profit</b>	<b>4.8</b>	<b>6.1</b>	<b>7.3</b>	<b>8.7</b>	<b>9.6</b>	<b>16.2%</b>
Taxes	(2.7)	(3.0)	(3.3)	(3.7)	(4.0)	
<i>Income from continued op.</i>	<i>2.1</i>	<i>3.1</i>				
<i>Income from discontinued op.</i>	<i>(2.4)</i>	<i>26.7</i>				
<b>Net Profit before minority interest</b>	<b>(0.3)</b>	<b>29.8</b>	<b>4.0</b>	<b>5.0</b>	<b>5.6</b>	<b>n.m.</b>
<i>Minority interest from continued op.</i>	<i>(1.4)</i>	<i>(1.0)</i>	<i>(1.4)</i>	<i>(1.7)</i>	<i>(2.0)</i>	
<i>Minority interest from discontinued op.</i>	<i>1.4</i>	<i>(5.6)</i>				
<b>Group Net Profit</b>	<b>-0.3</b>	<b>23.2</b>	<b>2.6</b>	<b>3.3</b>	<b>3.6</b>	<b>n.m.</b>
Net margin %	-0.2%	15.3%	1.6%	2.0%	2.1%	
YoY growth %		n.m.	n.m.	24.7%	8.3%	

Source: Company data and Intermonte SIM estimates

## Valuation

El.En - SOP (€ mn)					
	Method	€ mn	€ per share	previous (15-03-2013)	change
El.En	DCF, net of minorities	52.3	10.9	10.9	0.0%
Stake in Cynosure	market value	41.3	8.6	9.7	-12.1%
<b>Total Equity Value</b>		<b>93.7</b>	<b>19.4</b>	20.6	-5.7%
El.En Share Price			15.8	15.8	0.0%
<b>potential upside</b>			<b>22.9%</b>	30.3%	

Source: Intermonte Sim

## Peers

### EL.EN Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
Cynosure	25.4	USD	487	-3.1%	-7.1%	18.0%	7.0%	17.6%	105.1%
El.En	15.9	EUR	74.9	-1.6%	1.4%	13.8%	2.4%	39.1%	13.7%
Syneron Medical Ltd.	6.5	USD	233	-11.4%	-17.6%	8.4%	-0.5%	-22.0%	-24.0%
Palomar Medical Technologies Inc.	10.4	USD	207	1.1%	34.2%	77.4%	49.5%	60.5%	5.4%
Cutera Inc.	7.5	USD	109	-15.8%	-13.3%	10.2%	10.3%	27.5%	15.7%
Biolase Inc	3.7	USD	119	-3.8%	39.8%	169.2%	167.1%	98.4%	33.2%
Solta Medical Inc.	1.7	USD	132	8.3%	-6.6%	-11.7%	-17.8%	-29.1%	-28.4%
<b>Medical avg</b>				<b>-4.3%</b>	<b>7.3%</b>	<b>50.7%</b>	<b>41.7%</b>	<b>27.0%</b>	<b>0.4%</b>
<b>Italy FTSE Mib</b>	<b>298.8</b>	<b>EUR</b>	<b>415,068</b>	<b>9.0%</b>	<b>5.8%</b>	<b>15.5%</b>	<b>8.0%</b>	<b>26.9%</b>	<b>-20.8%</b>

Source: Factset

### El.En Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	Capi/Sales 2013	Capi/Sales 2014	P/E 2013	P/E 2014
Cynosure	25.4	USD	487	2.7	2.3	34.2	20.6
El.En	15.9	EUR	76.7	0.2	0.2	13.2	10.6
Syneron Medical Ltd.	6.5	USD	233	1.0	0.9	58.6	18.9
Palomar Medical Technologies Inc.	10.4	USD	207	3.0	2.8		48.4
Cutera Inc.	7.5	USD	109	1.7	1.5		48.9
Biolase Inc	3.7	USD	119	2.2	1.9		32.3
Solta Medical Inc.	1.7	USD	132	1.0	0.8	72.0	21.6
<b>Medical avg</b>				<b>1.7</b>	<b>1.5</b>	<b>65.3</b>	<b>32.3</b>

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

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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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NEUTRAL: 37.22%

UNDERPERFORM: 10.22%

SELL: 0.00%

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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):	19.40	Previous Target (Eu):	20.60
Current Price (Eu):	15.72	Previous Price (Eu):	15.78
Date of report:	16/05/2013	Date of last report:	15/03/2013

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