

EL.EN.

Sector: Industrials

OUTPERFORM

Price: Eu40.20 - Target: Eu48.00

Outstanding 1Q, Upgraded Guidance Still Leaves Headroom

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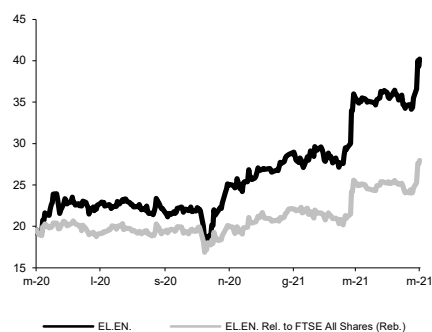
Stock Rating

| | | | |
|--------------------|---------------------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | from 40.00 to 48.00 | | |
| | 2021E | 2022E | 2023E |
| Chg in Adj EPS | 22.9% | 10.8% | 13.1% |

Next Event

1H21 Results Out September 10 2021

EL.EN. - 12M Performance



Stock Data

| | | | |
|-------------------------|-------------|-------|--------|
| Reuters code: | ELEN.MI | | |
| Bloomberg code: | ELN IM | | |
| | 1M | 3M | 12M |
| Absolute | 12.9% | 44.3% | 105.3% |
| Relative | 10.2% | 37.0% | 61.5% |
| 12M (H/L) | 40.20/17.82 | | |
| 3M Average Volume (th): | 67.61 | | |

Shareholder Data

| | |
|---------------------------|-------|
| No. of Ord shares (mn): | 20 |
| Total no. of shares (mn): | 20 |
| Mkt Cap Ord (Eu mn): | 788 |
| Total Mkt Cap (Eu mn): | 788 |
| Mkt Float - Ord (Eu mn): | 407 |
| Mkt Float (in %): | 51.7% |
| Main Shareholder: | |
| Cangioli Andrea | 15.2% |

Balance Sheet Data

| | |
|---------------------------------|-------|
| Book Value (Eu mn): | 249 |
| BVPS (Eu): | 12.68 |
| P/BV: | 3.2 |
| Net Financial Position (Eu mn): | 85 |
| Enterprise Value (Eu mn): | 781 |

- Strong trends in Aesthetics, Industrial power outstanding 1Q top line growth:** 1Q sales were €116mn growing +59.5% YoY (vs. our €104mn/+43% est.), strong growth driven primarily by Aesthetics sales (37% of 1Q sales, +52% YoY), matching the trends displayed by US peers (Cutera 1Q sales +54% YoY, InMode +62%, Venus Concept +56%). Medical segment sales (58% of group 1Q sales) were up +26% YoY (vs. our cautious +4% estimate) driven by skyrocketing Aesthetics sales powered by depilation and body contouring. The Industrial segment was also up +153% YoY (vs our est. +149%) against a low comparison base (1Q20 Industrial sales -43%), driven as expected by strong cutting activities in China.
- 1Q margins well above estimates:** the gross margin was up +39% YoY, driven by the good performance in Aesthetics, reaching €44mn or a 37.5% margin (vs. our €37mn/35.5% margin), slightly down from 43.2% recorded in 1Q20 due to the greater weight of Industrial activities in the sales mix (1Q20 was depressed by the Covid-19 outbreak in China). 1Q EBITDA was €15.6mn, up +120% YoY and reaching an outstanding 13.4% margin (vs. our €9.8mn/9.4% estimate), a strong performance driven by a return to high volumes and ongoing control of fixed costs. The same reasons powered the better EBIT, which almost tripled YoY to €12.9mn, an 11.1% margin (vs. our estimate of €7.2mn/6.9%). Net cash position was €76mn, up from €69mn at YE20 and again beating our €68mn forecast due to higher operating margins and a €3.2mn of non-recurring cash-in from the exercise of employee stock options in 1Q.
- Guidance upgraded but still some headroom in our view:** management upgraded its 2021 guidance on the back of strong order books. The new 2021 guidance includes: i) €500mn top line now targeted, or +22.5% YoY (previous guidance was sales growth >+10%); and ii) an EBIT margin of "≥ 10%" (previous guidance was "growing EBIT" with the margin hopefully advancing YoY from 7.4% in 2020). The new guidance implies €48.5mn/+14.5% YoY progress in sales in the April-December period, although we believe some headroom remains given i) the easy comparison base in 2Q (2Q20 medical sales declined by €15.5mn YoY, i.e. about a third of the top-line delta implied by the new guidance) and ii) the supportive demand dynamics witnessed in both divisions. Indeed, the trading update reflected rather positive indications for both Industrial and Medical activities. EBIT guidance implies a 9.7% EBIT margin in the April-December period, below the figures for 1Q21 (11.1%) and the same period in 2019 (10.2%).
- Change in estimates:** we are raising our estimates to slightly above company guidance for 2021, as reflected by the +23%/+11% change in our 2021E/22E EPS forecast. Our top line estimate implies +21% sales growth in the last 9 months, vs. the 14.5% implied by guidance.
- OUTPERFORM rating confirmed, target lifted from €40 to €48:** 1Q results were outstanding, and demonstrated that the company has already rebounded above pre-Covid levels despite the continued (though recovering) weakness in Surgical activities. We confirm our positive stance on the stock, raising our DCF-based TP to €48mn, reflective of the material changes in our estimates.

| Key Figures & Ratios | 2019A | 2020A | 2021E | 2022E | 2023E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 401 | 408 | 516 | 566 | 609 |
| EBITDA Adj (Eu mn) | 46 | 43 | 65 | 72 | 80 |
| Net Profit Adj (Eu mn) | 26 | 19 | 36 | 41 | 47 |
| EPS New Adj (Eu) | 1.340 | 0.978 | 1.850 | 2.095 | 2.387 |
| EPS Old Adj (Eu) | 1.340 | 0.978 | 1.505 | 1.890 | 2.111 |
| DPS (Eu) | 0.000 | 0.400 | 0.400 | 0.500 | 0.500 |
| EV/EBITDA Adj | 9.0 | 10.7 | 12.1 | 10.4 | 8.9 |
| EV/EBIT Adj | 10.9 | 14.3 | 14.4 | 12.4 | 10.4 |
| P/E Adj | 30.0 | 41.1 | 21.7 | 19.2 | 16.8 |
| Div. Yield | 0.0% | 1.0% | 1.0% | 1.2% | 1.2% |
| Net Debt/EBITDA Adj | -1.3 | -1.6 | -1.3 | -1.6 | -1.8 |

| EL.EN. – Key Figures | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Profit & Loss (Eu mn) | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
| Sales | 346 | 401 | 408 | 516 | 566 | 609 |
| EBITDA | 36 | 46 | 41 | 65 | 72 | 80 |
| EBIT | 30 | 38 | 30 | 54 | 61 | 69 |
| Financial Income (charges) | 1 | 0 | -2 | 1 | 1 | 1 |
| Associates & Others | -1 | -0 | -0 | 0 | 0 | 0 |
| Pre-tax Profit | 30 | 39 | 28 | 55 | 61 | 70 |
| Taxes | -8 | -10 | -5 | -14 | -16 | -18 |
| Tax rate | -26.1% | -25.5% | -19.3% | -26.0% | -26.0% | -26.0% |
| Minorities & Discontinued Operations | -5 | -3 | -2 | -4 | -4 | -5 |
| Net Profit | 17 | 26 | 20 | 36 | 41 | 47 |
| EBITDA Adj | 36 | 46 | 43 | 65 | 72 | 80 |
| EBIT Adj | 30 | 38 | 32 | 54 | 61 | 69 |
| Net Profit Adj | 17 | 26 | 19 | 36 | 41 | 47 |
| Per Share Data (Eu) | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
| Total Shares Outstanding (mn) - Average | 19 | 20 | 20 | 20 | 20 | 20 |
| Total Shares Outstanding (mn) - Year End | | | | | | |
| EPS f.d | 0.870 | 1.340 | 1.036 | 1.850 | 2.095 | 2.387 |
| EPS Adj f.d | 0.870 | 1.340 | 0.978 | 1.850 | 2.095 | 2.387 |
| BVPS f.d | 10.398 | 11.393 | 11.252 | 12.685 | 14.348 | 16.202 |
| Dividend per Share ORD | 0.400 | 0.000 | 0.400 | 0.400 | 0.500 | 0.500 |
| Dividend per Share SAV | | | | | | |
| Dividend Payout Ratio (%) | 46.0% | 0.0% | 40.9% | 21.6% | 23.9% | 20.9% |
| Cash Flow (Eu mn) | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
| Gross Cash Flow | 27 | 37 | 33 | 51 | 57 | 63 |
| Change in NWC | -17 | 1 | 7 | -11 | -8 | -6 |
| Capital Expenditure | -26 | -23 | -13 | -16 | -12 | -12 |
| Other Cash Items | 0 | 0 | 0 | 0 | 0 | 0 |
| Free Cash Flow (FCF) | -16 | 14 | 27 | 24 | 37 | 45 |
| Acquisitions, Divestments & Other Items | 3 | -6 | -21 | 0 | 0 | 0 |
| Dividends | -8 | -9 | 0 | -8 | -8 | -10 |
| Equity Financing/Buy-back | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in Net Financial Position | -22 | -1 | 8 | 15 | 28 | 35 |
| Balance Sheet (Eu mn) | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
| Total Fixed Assets | 68 | 89 | 92 | 98 | 98 | 99 |
| Net Working Capital | 80 | 80 | 73 | 84 | 92 | 98 |
| Long term Liabilities | 9 | 11 | 7 | 7 | 7 | 7 |
| Net Capital Employed | 157 | 179 | 171 | 188 | 197 | 204 |
| Net Cash (Debt) | 63 | 61 | 69 | 85 | 113 | 147 |
| Group Equity | 219 | 241 | 241 | 273 | 310 | 351 |
| Minorities | 19 | 18 | 20 | 24 | 29 | 33 |
| Net Equity | 201 | 222 | 221 | 249 | 281 | 318 |
| Enterprise Value (Eu mn) | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
| Average Mkt Cap | 493 | 400 | 452 | 788 | 788 | 788 |
| Adjustments (Associate & Minorities) | -78 | -78 | -78 | -78 | -78 | -78 |
| Net Cash (Debt) | 63 | 61 | 69 | 85 | 113 | 147 |
| Enterprise Value | 508 | 416 | 461 | 781 | 752 | 718 |
| Ratios (%) | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
| EBITDA Adj Margin | 10.3% | 11.6% | 10.5% | 12.5% | 12.8% | 13.2% |
| EBIT Adj Margin | 8.7% | 9.5% | 7.9% | 10.5% | 10.8% | 11.3% |
| Gearing - Debt/Equity | -28.5% | -25.5% | -28.7% | -31.0% | -36.4% | -42.0% |
| Interest Cover on EBIT | nm | nm | 17.1 | nm | nm | nm |
| Net Debt/EBITDA Adj | -1.8 | -1.3 | -1.6 | -1.3 | -1.6 | -1.8 |
| ROACE* | 21.7% | 22.7% | 17.2% | 30.1% | 31.6% | 34.5% |
| ROE* | 8.6% | 12.3% | 8.6% | 15.5% | 15.5% | 15.6% |
| EV/CE | 3.7 | 2.5 | 2.6 | 4.3 | 3.9 | 3.6 |
| EV/Sales | 1.5 | 1.0 | 1.1 | 1.5 | 1.3 | 1.2 |
| EV/EBITDA Adj | 14.3 | 9.0 | 10.7 | 12.1 | 10.4 | 8.9 |
| EV/EBIT Adj | 16.9 | 10.9 | 14.3 | 14.4 | 12.4 | 10.4 |
| Free Cash Flow Yield | -1.9% | 1.6% | 3.1% | 2.7% | 4.2% | 5.2% |
| Growth Rates (%) | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
| Sales | 12.9% | 15.8% | 1.8% | 26.5% | 9.7% | 7.5% |
| EBITDA Adj | -1.4% | 30.0% | -7.1% | 50.3% | 12.0% | 10.9% |
| EBIT Adj | 1.8% | 27.4% | -15.4% | 67.5% | 12.5% | 13.4% |
| Net Profit Adj | 7.4% | 54.9% | -22.1% | 79.0% | 13.2% | 13.9% |
| EPS Adj | 7.4% | 54.0% | -27.1% | 89.2% | 13.2% | 13.9% |
| DPS | 0.0% | nm | nm | 0.0% | 25.0% | 0.0% |

*Excluding extraordinary items

Source: Intermonte SIM estimates

1Q21 results snapshot

El.En. – 1Q21 results snapshot

| (Eu mn) | 1Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 2020A | 1Q21A | 1Q21E | AvE 1Q |
|-------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|------------|
| Medical | 49.8 | 53.5 | 46.8 | 59.4 | 69.3 | 229.1 | 67.2 | 55.8 | 20% |
| growth YoY (%) | 19.6% | 7.4% | -24.9% | 1.3% | -3.8% | -5.4% | 25.6% | 4.4% | |
| % of total sales | 59.4% | 73.4% | 52.2% | 56.3% | 49.5% | 56.1% | 57.8% | 53.6% | |
| Industrial | 34.1 | 19.4 | 42.8 | 46.2 | 70.6 | 179.0 | 49.1 | 48.3 | 2% |
| growth YoY (%) | 22.3% | -42.9% | 1.3% | 28.7% | 50.8% | 12.9% | 152.9% | 148.7% | |
| % of total sales | 40.6% | 26.6% | 47.8% | 43.7% | 50.5% | 43.9% | 42.2% | 46.4% | |
| Sales | 83.9 | 72.9 | 89.6 | 105.8 | 139.9 | 408.1 | 116.4 | 104.2 | 12% |
| YoY growth % | 20.6% | -13.0% | -14.4% | 12.0% | 18.7% | 1.8% | 59.5% | 42.8% | |
| Gross profit | 33.2 | 31.5 | 28.4 | 34.5 | 47.2 | 141.6 | 43.6 | 37.0 | 18% |
| Gross margin % | 39.6% | 43.2% | 31.7% | 32.6% | 33.8% | 34.7% | 37.5% | 35.5% | |
| YoY growth % | 12.0% | -5.2% | -31.1% | -6.1% | 5.2% | -9.2% | 38.5% | 17.3% | |
| EBITDA | 7.7 | 7.1 | 7.4 | 11.3 | 15.0 | 40.8 | 15.6 | 9.8 | 59% |
| Ebitda margin % | 9.2% | 9.7% | 8.3% | 10.7% | 10.8% | 10.0% | 13.4% | 9.4% | |
| YoY growth % | 19.5% | -7.8% | -42.7% | -5.9% | 9.9% | -11.9% | 119.9% | 38.1% | |
| EBIT | 5.7 | 4.5 | 4.8 | 8.8 | 12.0 | 30.1 | 12.9 | 7.2 | 80% |
| Ebit margin % | 6.8% | 6.2% | 5.3% | 8.3% | 8.6% | 7.4% | 11.1% | 6.9% | |
| YoY growth % | 7.1% | -21.4% | -56.4% | -9.6% | 2.2% | -21.2% | 187.6% | 59.5% | |
| Pretax Profit | 6.4 | 4.7 | 4.2 | 8.0 | 11.0 | 27.9 | 14.1 | 7.3 | 93% |
| Pretax margin % | 7.7% | 6.5% | 4.7% | 7.5% | 7.9% | 6.8% | 12.1% | 7.0% | |
| YoY growth % | 39.0% | -26.8% | -59.5% | -25.8% | 0.2% | -27.7% | 199.4% | 55.0% | |
| Net financial position | 61.1 | 27.5 | 27.9 | 49.8 | 69.2 | 69.2 | 75.8 | 67.8 | 12% |

Source: Company data (A), Intermonte SIM Estimates (E)

Changes to estimates

El.En. – Changes to estimates

| | New Estimates | | | Old Estimates | | | Delta % | | |
|----------------|---------------|-------------|-------------|---------------|-------------|-------------|------------|------------|------------|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Revenue | 516 | 566 | 609 | 460 | 502 | 534 | 12% | 13% | 14% |
| %YoY | 26.5% | 9.7% | 7.5% | 12.6% | 9.2% | 6.4% | | | |
| EBITDA | 65 | 72 | 80 | 54 | 66 | 72 | 19% | 10% | 12% |
| %YoY | 58.4% | 12.0% | 10.9% | 32.6% | 21.8% | 9.0% | | | |
| %margin | 12.5% | 12.8% | 13.2% | 11.8% | 13.1% | 13.5% | | | |
| EBIT | 54 | 61 | 69 | 43 | 55 | 61 | 25% | 11% | 13% |
| %YoY | 79.7% | 12.5% | 13.4% | 44.1% | 26.2% | 11.9% | | | |
| %margin | 10.5% | 10.8% | 11.3% | 9.4% | 10.9% | 11.5% | | | |
| EPS | 1.85 | 2.10 | 2.39 | 1.51 | 1.89 | 2.11 | 23% | 11% | 13% |
| %YoY | 89.2% | 13.2% | 13.9% | 54.0% | 25.6% | 11.7% | | | |
| NFP | 85 | 113 | 147 | 76 | 97 | 126 | 12% | 16% | 17% |

Source: Intermonte SIM Estimates

Intermonte estimates

El.En. – Top-line breakdown by segment

| Breakdown | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Aesthetic | 100.0 | 110.4 | 134.3 | 136.5 | 173.4 | 190.7 | 204.0 |
| growth YoY (%) | 19.1% | 10.4% | 21.6% | 1.6% | 27.0% | 10.0% | 7.0% |
| % of total sales | 32.6% | 31.9% | 33.5% | 33.4% | 33.6% | 33.7% | 33.5% |
| Surgical | 34.5 | 42.1 | 50.3 | 38.3 | 44.4 | 51.5 | 56.7 |
| growth YoY (%) | -7.3% | 21.9% | 19.5% | -23.9% | 16.0% | 16.0% | 10.0% |
| % of total sales | 11.3% | 12.2% | 12.6% | 9.4% | 8.6% | 9.1% | 9.3% |
| Physiotherapy | 9.4 | 10.8 | 10.6 | 7.6 | 11.6 | 12.7 | 13.7 |
| growth YoY (%) | 11.1% | 14.5% | -1.9% | -28.3% | 52.0% | 10.0% | 7.5% |
| % of total sales | 3.1% | 3.1% | 2.6% | 1.9% | 2.2% | 2.2% | 2.2% |
| Total Medical Systems | 144.6 | 164.0 | 196.3 | 183.0 | 229.6 | 254.9 | 274.4 |
| growth YoY (%) | 10.9% | 13.4% | 19.7% | -6.8% | 25.5% | 11.0% | 7.6% |
| % of total sales | 47.2% | 47.4% | 49.0% | 44.8% | 44.5% | 45.0% | 45.1% |
| Medical service | 29.9 | 33.9 | 45.9 | 46.1 | 46.1 | 48.4 | 50.8 |
| growth YoY (%) | -16.4% | 13.5% | 35.4% | 0.4% | 0.0% | 5.0% | 5.0% |
| % of total sales | 9.7% | 9.8% | 11.5% | 11.3% | 8.9% | 8.5% | 8.3% |
| Total Medical Revenues | 174.4 | 197.9 | 242.2 | 229.1 | 275.7 | 303.3 | 325.2 |
| growth YoY (%) | 5.0% | 13.4% | 22.4% | -5.4% | 20.4% | 10.0% | 7.2% |
| % of total sales | 56.9% | 57.2% | 60.4% | 56.1% | 53.4% | 53.6% | 53.4% |
| Cutting | 102.9 | 115.5 | 119.7 | 147.4 | 200.5 | 218.5 | 236.0 |
| growth YoY (%) | 66.8% | 12.2% | 3.6% | 23.1% | 36.0% | 9.0% | 8.0% |
| % of total sales | 33.6% | 33.4% | 29.9% | 36.1% | 38.8% | 38.6% | 38.8% |
| Marking | 17.3 | 17.9 | 20.3 | 17.3 | 20.6 | 22.6 | 24.0 |
| growth YoY (%) | 27.7% | 3.5% | 13.4% | -14.8% | 19.0% | 10.0% | 6.0% |
| % of total sales | 5.6% | 5.2% | 5.1% | 4.2% | 4.0% | 4.0% | 3.9% |
| Laser sources | 3.4 | 4.9 | 4.4 | 2.3 | 4.3 | 4.5 | 4.7 |
| growth YoY (%) | 24.0% | 45.7% | -10.2% | -47.7% | 85.0% | 5.0% | 5.0% |
| % of total sales | 1.1% | 1.4% | 1.1% | 0.6% | 0.8% | 0.8% | 0.8% |
| Total Industrial Systems | 123.7 | 138.6 | 144.7 | 167.3 | 225.6 | 246.0 | 265.0 |
| growth YoY (%) | 58.0% | 12.0% | 4.4% | 15.7% | 34.9% | 9.0% | 7.8% |
| % of total sales | 40.4% | 40.0% | 36.1% | 41.0% | 43.7% | 43.4% | 43.5% |
| Industrial service | 8.3 | 9.6 | 13.9 | 11.7 | 14.7 | 17.0 | 18.6 |
| growth YoY (%) | 0.5% | 5.0% | 44.8% | -15.8% | 26.0% | 15.0% | 10.0% |
| % of total sales | 2.7% | 2.8% | 3.5% | 2.9% | 2.9% | 3.0% | 3.1% |
| Total Industrial Revenues | 132.0 | 148.2 | 158.6 | 179.0 | 240.4 | 262.9 | 283.7 |
| growth YoY (%) | 52.5% | 12.2% | 7.0% | 12.9% | 34.3% | 9.4% | 7.9% |
| % of total sales | 43.1% | 42.8% | 39.6% | 43.9% | 46.6% | 46.4% | 46.6% |
| Total Revenues | 306.5 | 346.0 | 400.8 | 408.1 | 516.1 | 566.3 | 608.9 |
| growth YoY (%) | 21.3% | 12.9% | 15.8% | 1.8% | 26.5% | 9.7% | 7.5% |

Source: Company data (A), Intermonte SIM Estimates (E)

El.En. – P&L forecasts

| (Eu mn) | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 306.5 | 346.0 | 400.8 | 408.1 | 516.1 | 566.3 | 608.9 |
| YoY growth % | 21.3% | 12.9% | 15.8% | 1.8% | 26.5% | 9.7% | 7.5% |
| Gross profit | 127.3 | 137.5 | 156.0 | 141.6 | 185.9 | 206.6 | 224.0 |
| Gross margin % | 41.5% | 39.7% | 38.9% | 34.7% | 36.0% | 36.5% | 36.8% |
| YoY growth % | 15.2% | 8.0% | 13.5% | -9.2% | 31.3% | 11.1% | 8.4% |
| EBITDA | 36.1 | 35.6 | 46.3 | 40.8 | 64.6 | 72.4 | 80.3 |
| Ebitda margin % | 11.8% | 10.3% | 11.6% | 10.0% | 12.5% | 12.8% | 13.2% |
| YoY growth % | 11.5% | -1.4% | 30.0% | -11.9% | 58.4% | 12.0% | 10.9% |
| EBIT | 30.4 | 30.0 | 38.2 | 30.1 | 54.1 | 60.9 | 69.0 |
| Ebit margin % | 9.9% | 8.7% | 9.5% | 7.4% | 10.5% | 10.8% | 11.3% |
| YoY growth % | 10.4% | -1.5% | 27.4% | -21.2% | 79.7% | 12.5% | 13.4% |
| Pretax Profit | 27.2 | 29.5 | 38.6 | 27.9 | 54.6 | 61.4 | 69.5 |
| Pretax margin % | 8.9% | 8.5% | 9.6% | 6.8% | 10.6% | 10.8% | 11.4% |
| YoY growth % | -48.4% | 8.5% | 30.8% | -27.7% | 95.6% | 12.4% | 13.3% |
| Net Income | 15.6 | 16.8 | 26.0 | 20.3 | 36.3 | 41.1 | 46.8 |
| Net margin % | 5.1% | 4.9% | 6.5% | 5.0% | 7.0% | 7.3% | 7.7% |
| YoY growth % | -61.3% | 7.4% | 54.9% | -22.1% | 79.0% | 13.2% | 13.9% |

Source: Company data (A), Intermonte SIM Estimates (E)

El.En. – Cash flow forecasts

| Cash Flow Statement (Eu mn) | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
|-----------------------------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Net income | 15.6 | 16.8 | 26.0 | 20.3 | 36.3 | 41.1 | 46.8 |
| Minorities | 4.8 | 5.0 | 2.8 | 2.3 | 4.2 | 4.4 | 4.7 |
| Amortization & Depr. | 5.7 | 5.6 | 8.1 | 10.7 | 10.5 | 11.5 | 11.3 |
| Change in working capital | (8.6) | (17.4) | 0.6 | 6.9 | (11.3) | (8.3) | (5.8) |
| Operating cash flow | 17.5 | 10.1 | 37.5 | 40.1 | 39.7 | 48.6 | 57.0 |
| Capex (Tangible+Intangible) | (7.9) | (26.3) | (23.4) | (13.0) | (16.0) | (12.0) | (12.0) |
| FCF | 9.6 | (16.2) | 14.1 | 27.1 | 23.7 | 36.6 | 45.0 |
| Acquisition / JV | 0.0 | 0.0 | 0.0 | (25.6) | 0.0 | 0.0 | 0.0 |
| Divestments (Tangible+Intangible) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends | (7.7) | (8.4) | (8.7) | 0.0 | (8.2) | (8.5) | (10.5) |
| Other | (0.2) | 2.6 | (6.5) | 4.7 | 0.0 | 0.0 | 0.0 |
| Change in net (cash)/debt | 1.7 | (22.0) | (1.1) | 7.8 | 15.5 | 28.2 | 34.5 |
| Net Financial Position | 84.5 | 62.5 | 61.4 | 69.2 | 84.7 | 112.8 | 147.4 |
| Net debt/EBITDA | -2.3x | -1.8x | -1.3x | -1.7x | -1.3x | -1.6x | -1.8x |

Source: Company data (A), Intermonte SIM Estimates (E)

El.En. – Simplified balance sheet forecasts

| Balance Sheet (Eu mn) | 2017A | 2018A | 2019A | 2020A | 2021E | 2022E | 2023E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Commercial working capital | 83.8 | 102.2 | 110.7 | 110.7 | 129.0 | 137.3 | 143.1 |
| Net working capital | 62.9 | 80.3 | 79.6 | 72.7 | 84.0 | 92.3 | 98.1 |
| Net Fixed Asset | 47.0 | 68.0 | 89.1 | 92.1 | 97.5 | 98.0 | 98.7 |
| Other non current assets | 9.9 | 8.5 | 10.5 | 6.7 | 6.7 | 6.7 | 6.7 |
| Net capital employed | 119.8 | 156.7 | 179.2 | 171.5 | 188.2 | 197.0 | 203.5 |
| Net (debt) / cash | 84.5 | 62.5 | 61.4 | 69.2 | 84.7 | 112.8 | 147.4 |
| Net Equity | 204.3 | 219.2 | 240.6 | 240.7 | 272.9 | 309.9 | 350.9 |
| Shareholders Funds | 190.3 | 200.7 | 222.4 | 220.5 | 248.6 | 281.2 | 317.5 |
| Minorities | 14.0 | 18.6 | 18.2 | 20.1 | 24.3 | 28.7 | 33.3 |
| Net capital employed | 119.8 | 156.7 | 179.2 | 171.5 | 188.2 | 197.0 | 203.5 |

Source: Company data (A), Intermonte SIM Estimates (E)

Valuation snapshot

El.En. – DCF Valuation

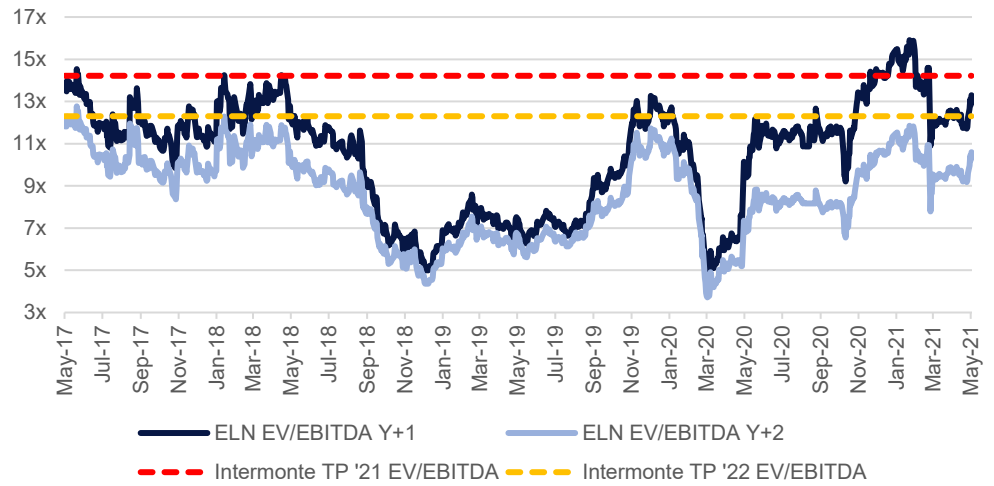
| (Eu mn) | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EBITDA | 64.6 | 72.4 | 80.3 | 89.5 | 94.0 | 98.7 | 100.7 |
| Tax on EBIT | -14.1 | -15.8 | -18.0 | -20.3 | -21.2 | -22.2 | -23.7 |
| WC Change | -11.3 | -8.3 | -5.8 | -7.4 | -5.3 | -5.5 | -2.3 |
| Capex | -16.0 | -12.0 | -12.0 | -12.8 | -12.8 | -12.8 | -12.8 |
| FCFF | 23.3 | 36.3 | 44.6 | 49.0 | 54.7 | 58.2 | 61.8 |
| PV (FCFF) | 22.5 | 32.6 | 37.2 | 38.1 | 39.5 | 39.1 | 38.6 |
| PV FCFF 21-27 | 248 | 26% | | | | | |
| PV TV | 702 | 74% | | | | | |
| EV | 950 | | | | | | |
| Financial Assets | 12 | | | | | | |
| Net Cash | 69 | | | | | | |
| Participations @BV | 2 | | | | | | |
| Minorities (@22x PE) | -92 | | | | | | |
| Equity Value | 942 | | | | | | |
| NOSH | 19.6 | | | | | | |
| Fair Value per share | 48.0 | | | | | | |

| | |
|-------------|-------------|
| We | 100% |
| Rf | 2.00% |
| Rm-Rf | 5.50% |
| β | 1.0 |
| WACC | 7.5% |
| g | 2.0% |

| | | WACC | | | | |
|----------------------|------|-------|-------|-------------|-------|-------|
| | | 7.00% | 7.25% | 7.50% | 7.75% | 8.00% |
| Terminal growth rate | 1.0% | 46.5 | 44.5 | 42.5 | 41.0 | 39.5 |
| | 1.5% | 49.5 | 47.0 | 45.0 | 43.0 | 41.5 |
| | 2.0% | 53.0 | 50.5 | 48.0 | 46.0 | 44.0 |
| | 2.5% | 57.5 | 54.5 | 51.5 | 49.0 | 47.0 |
| | 3.0% | 63.0 | 59.5 | 56.0 | 53.0 | 50.0 |

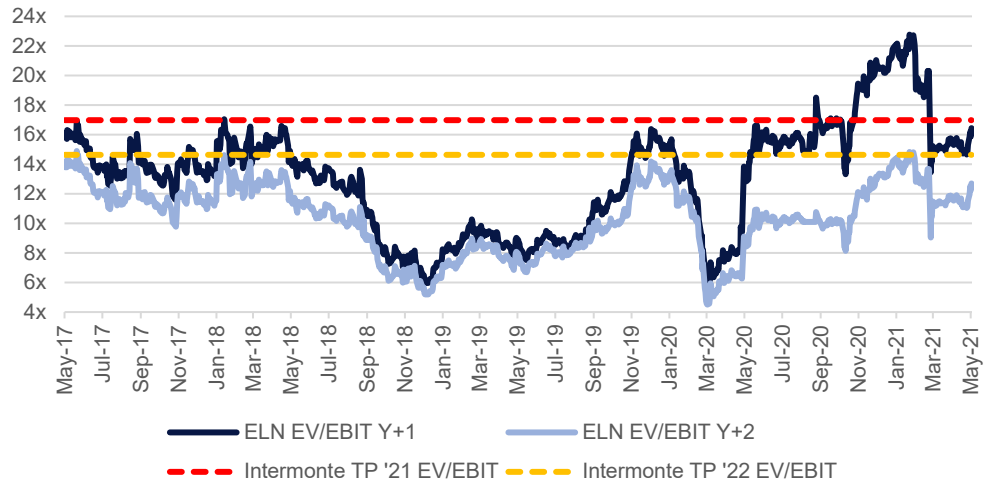
Source: Company data (A), Intermonte SIM Estimates (E)

El.En – EV/EBITDA historical multiples vs Intermonte TP implied multiples



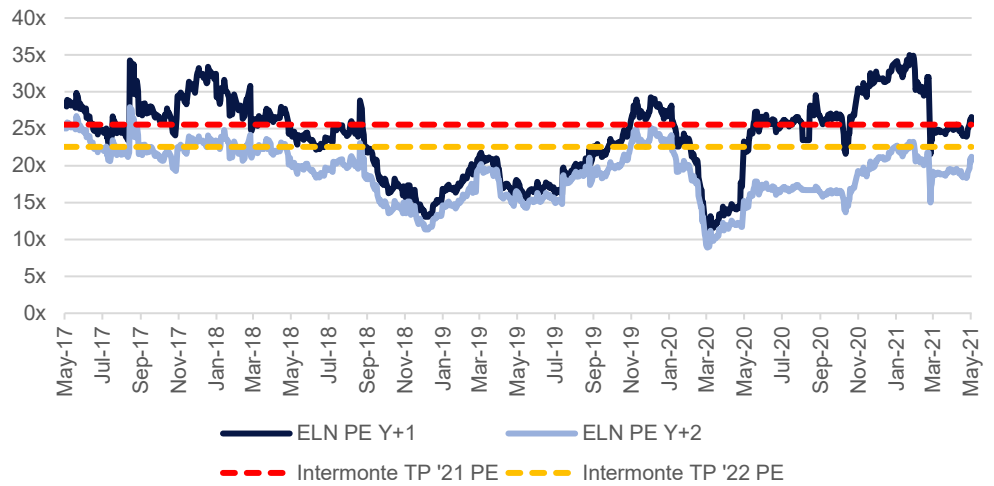
Source: Factset, Intermonte SIM Estimates

El.En – EV/EBIT historical multiples vs Intermonte TP implied multiples



Source: Factset, Intermonte SIM Estimates

El.En – PE historical multiples vs Intermonte TP implied multiples



Source: Factset, Intermonte SIM Estimates

| DETAILS ON STOCKS RECOMMENDATION | | | |
|----------------------------------|------------|-----------------------|------------|
| Stock NAME | EL.EN. | | |
| Current Recomm: | OUTPERFORM | Previous Recomm: | OUTPERFORM |
| Current Target (Eu): | 48.00 | Previous Target (Eu): | 40.00 |
| Current Price (Eu): | 40.20 | Previous Price (Eu): | 33.95 |
| Date of report: | 21/05/2021 | Date of last report: | 18/03/2021 |

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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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;
SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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| | |
|--------------|---------|
| BUY: | 16,26 % |
| OUTPERFORM: | 51,22 % |
| NEUTRAL: | 28,45 % |
| UNDERPERFORM | 04,07 % |
| SELL: | 00,00 % |

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| | |
|--------------|---------|
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| UNDERPERFORM | 00,00 % |
| SELL: | 00,00 % |

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|----------------|------|------------|
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| COGEME SET SPA | 1,6 | SHORT |
| IKF | 0,57 | SHORT |
| OLIDATA | 0,74 | SHORT |

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