

EL.EN.

OUTPERFORM

SECTOR: Industrials

Price (Eu):

26.06

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34.00

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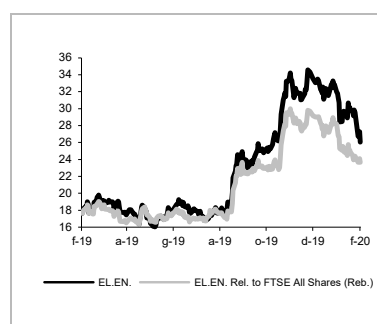
## 4Q expected to match guidance, more cautious on 2020, TP down to Eu34

- 4Q19 preview: we expect outlook to have been broadly achieved.** We expect ELN sales to have been €114mn/€397mn for 4Q19/FY19, broadly matching the indications given post-3Q results. 4Q19 YoY top-line growth is expected at +10.7%, with Medical to have been the main contributor again (+20%), while Industrial sales are still seen as having been a drag on results (+1.3%) after a rough 3Q. EBITDA is expected at €14.8mn/€47.4mn for 4Q19/FY19, meaning progress of +1.7pp/+1.7pp in terms of profitability, thanks to the faster growth of higher-margin medical activities. EBIT is expected at €11.9mn/€38.4mn, broadly in-line with indications. FCF (pre-acquisitions) should have been positive at €3.5mn for FY19 despite Capex expected at €22mn, pushed above historical levels by investments in new plants throughout the year. NFP is expected to have remained positive at €30mn (vs €62.5mn in 2018), as we expect the Chinese minorities acquisition (€22.5mn) to have been booked in 2019.
- Summary of the industrial situation amid virus outbreaks in China and Italy.** In 2018, China represented ~60% of Industrial and ~25% of consolidated sales. We estimate that this figure came down closer to 20% in 2019 due to heavier going in the Chinese industrial market and the strong growth recorded by the medical segment. The Wuhan plant (€24mn sales in 2018) has been closed since late January and will remain so until at least March 11th; ELN's other two Chinese plants only resumed operation last week. Activity at plants in Tuscany, Italy, remains unaffected by the virus outbreak in the country.
- Adopting a more cautious view for 2020:** i) we have reduced our 2020 industrial segment growth forecast to +6% (from +18%) to reflect the specific situation in China, and the global industrial activity slowdown (we assume flat sales in China along with a 2pp hit from the global demand slowdown); ii) we have slightly lowered our medical segment growth revenue forecast for 2020 to +10% from +11% to account for the impact of the virus on overall economic growth, potentially affecting capex decisions by firms in the medical segment. Our new 2020 sales estimate of €430mn (down -6% on the previous estimate) represents top-line growth of +8.4% (or -5.4pp below our previous growth forecast of +13.8%). Conversely, we plan for some recovery in 2021 and have raised our 2021 sales growth estimate by +1pp to 11.0%.
- Changes to estimates.** We have reduced our 2020 sales estimates by -6%, with margin forecasts cut to a greater degree due primarily to the lost scale in the industrial business, offsetting the better mix effect (higher margins in the medical segment vs industrial) with EBITDA revised by -8% and EBIT by -10%. EPS also downgraded by -10%. Our 2020 net cash position estimate has been reduced to €39mn (from €61mn previously), as we no longer include the sale of €12mn worth of temporary financial assets in 2020 (which are still not included in the 2019 NFP figure) and to reflect the lower 2019 NFP, with capex revised up slightly and higher WC cash absorption.
- TP reduced to €34, OUTPERFORM rating reiterated.** Our new TP reflects the impact of our more cautious approach to 2020 on our DCF valuation. Our TP reflects 13.2x average EV/EBITDA 2020/21, in-line with peers. We think the strong innovation capabilities in the medical sectors and the new industrial laser manufacturing capacities should enable higher growth over the long run. Our TP reflects 30% upside on the last close.

Next event:

FY19 Results out 13 March 2020

### EL.EN. - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 38.00 to 34.00

 Ch. in Adj.EPS est: 2019E 2020E  
 -2.1% -9.8%

### STOCK DATA

 Reuters code: ELEN.MI  
 Bloomberg code: ELN IM

| Performance    | 1m          | 3m     | 12m   |
|----------------|-------------|--------|-------|
| Absolute       | -18.5%      | -23.8% | 47.9% |
| Relative       | -15.5%      | -20.3% | 37.9% |
| 12 months H/L: | 34.58/16.04 |        |       |

### SHAREHOLDER DATA

|                           |       |
|---------------------------|-------|
| No. of Ord. shares (mn):  | 19    |
| Total No. of shares (mn): | 19    |
| Mkt Cap Ord (Eu mn):      | 503   |
| Total Mkt Cap (Eu mn):    | 503   |
| Mkt Float - ord (Eu mn):  | 260   |
| Mkt Float (in %):         | 51.7% |
| Main shareholder:         |       |
| Cangioli Andrea           | 15.2% |

### BALANCE SHEET DATA

|                                 | 2020  |
|---------------------------------|-------|
| Book value (Eu mn):             | 226   |
| BVPS (Eu):                      | 11.72 |
| P/BV:                           | 2.2   |
| Net Financial Position (Eu mn): | 39    |
| Enterprise value (Eu mn):       | 569   |

Please see important disclaimer  
on the last page of this report

| Key Figures        | 2017A | 2018A | 2019E | 2020E | 2021E |
|--------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn)      | 306   | 346   | 397   | 430   | 479   |
| Ebitda (Eu mn)     | 36    | 36    | 47    | 51    | 58    |
| Net profit (Eu mn) | 16    | 17    | 23    | 26    | 30    |
| EPS - New Adj.(Eu) | 0.810 | 0.870 | 1.166 | 1.323 | 1.560 |
| EPS - Old Adj.(Eu) |       | 0.870 | 1.192 | 1.467 | 1.609 |
| DPS (Eu)           | 0.400 | 0.400 | 0.400 | 0.400 | 0.400 |

| Ratios & Multiples | 2017A | 2018A | 2019E | 2020E | 2021E |
|--------------------|-------|-------|-------|-------|-------|
| P/E Adj.           | 32.2  | 29.9  | 22.3  | 19.7  | 16.7  |
| Div. Yield         | 1.5%  | 1.5%  | 1.5%  | 1.5%  | 1.5%  |
| EV/Ebitda Adj.     | 14.5  | 15.3  | 12.2  | 11.2  | 9.6   |
| ROCE               | 26.5% | 21.7% | 21.4% | 19.9% | 22.5% |

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**EL.EN. - KEY FIGURES**

|                                  |                                      | 2017A      | 2018A      | 2019E      | 2020E      | 2021E      |
|----------------------------------|--------------------------------------|------------|------------|------------|------------|------------|
|                                  | Fiscal year end                      | 31/12/2017 | 31/12/2018 | 31/12/2019 | 31/12/2020 | 31/12/2021 |
| <b>PROFIT &amp; LOSS (Eu mn)</b> | Sales                                | 306        | 346        | 397        | 430        | 479        |
|                                  | EBITDA                               | 36         | 36         | 47         | 51         | 58         |
|                                  | EBIT                                 | 30         | 30         | 38         | 41         | 48         |
|                                  | Financial income (charges)           | (3)        | 1          | 1          | 1          | 1          |
|                                  | Associates & Others                  | 0          | (1)        | 0          | 0          | 0          |
|                                  | Pre-tax profit (Loss)                | 27         | 30         | 39         | 42         | 48         |
|                                  | Taxes                                | (7)        | (8)        | (11)       | (11)       | (13)       |
|                                  | Tax rate (%)                         | -25.0%     | -26.1%     | -28.0%     | -26.0%     | -26.0%     |
|                                  | Minorities & discontinue activities  | (5)        | (5)        | (5)        | (5)        | (6)        |
|                                  | Net profit                           | 16         | 17         | 23         | 26         | 30         |
|                                  | Total extraordinary items            |            |            |            |            |            |
|                                  | Ebitda excl. extraordinary items     | 36         | 36         | 47         | 51         | 58         |
|                                  | Ebit excl. extraordinary items       | 30         | 30         | 38         | 41         | 48         |
| Net profit restated              | 16                                   | 17         | 23         | 26         | 30         |            |
| <b>PER SHARE DATA (Eu)</b>       | Total shares out (mn) - average fd   | 19         | 19         | 19         | 19         | 19         |
|                                  | EPS stated fd                        | 0.810      | 0.870      | 1.166      | 1.323      | 1.560      |
|                                  | EPS restated fd                      | 0.810      | 0.870      | 1.166      | 1.323      | 1.560      |
|                                  | BVPS fd                              | 9.862      | 10.398     | 11.015     | 11.719     | 12.645     |
|                                  | Dividend per share (ord)             | 0.400      | 0.400      | 0.400      | 0.400      | 0.400      |
|                                  | Dividend per share (sav)             |            |            |            |            |            |
|                                  | Dividend pay out ratio (%)           | 49.4%      | 46.0%      | 34.3%      | 30.2%      | 25.6%      |
| <b>CASH FLOW (Eu mn)</b>         | Gross cash flow                      | 26         | 27         | 37         | 40         | 46         |
|                                  | Change in NWC                        | (9)        | (17)       | (11)       | (13)       | (13)       |
|                                  | Capital expenditure                  | (8)        | (26)       | (22)       | (10)       | (8)        |
|                                  | Other cash items                     | 0          | 0          | 0          | 0          | 0          |
|                                  | Free cash flow (FCF)                 | 10         | (16)       | 4          | 18         | 25         |
|                                  | Acquisitions, divestments & others   | (0)        | 3          | (27)       | 0          | 0          |
|                                  | Dividend                             | (8)        | (8)        | (9)        | (9)        | (9)        |
|                                  | Equity financing/Buy-back            | 0          | 0          | 0          | 0          | 0          |
| Change in Net Financial Position | 2                                    | (22)       | (32)       | 9          | 16         |            |
| <b>BALANCE SHEET (Eu mn)</b>     | Total fixed assets                   | 47         | 68         | 81         | 81         | 80         |
|                                  | Net working capital                  | 63         | 80         | 91         | 104        | 117        |
|                                  | Long term liabilities                | 10         | 9          | 30         | 25         | 19         |
|                                  | Net capital employed                 | 120        | 157        | 203        | 211        | 216        |
|                                  | Net financial position               | 85         | 63         | 30         | 39         | 56         |
|                                  | Group equity                         | 204        | 219        | 233        | 250        | 272        |
|                                  | Minorities                           | 14         | 19         | 20         | 24         | 28         |
| Net equity                       | 190                                  | 201        | 213        | 226        | 244        |            |
| <b>ENTERPRISE VALUE (Eu mn)</b>  | Average mkt cap - current            | 503        | 503        | 503        | 503        | 503        |
|                                  | Adjustments (associate & minorities) | (106)      | (106)      | (106)      | (106)      | (106)      |
|                                  | Net financial position               | 85         | 63         | 30         | 39         | 56         |
|                                  | Enterprise value                     | 524        | 546        | 578        | 569        | 553        |
| <b>RATIOS(%)</b>                 | EBITDA margin*                       | 11.8%      | 10.3%      | 12.0%      | 11.8%      | 12.1%      |
|                                  | EBIT margin*                         | 9.9%       | 8.7%       | 9.7%       | 9.6%       | 10.0%      |
|                                  | Gearing - Debt/equity                | -41.4%     | -28.5%     | -13.0%     | -15.8%     | -20.6%     |
|                                  | Interest cover on EBIT               | 9.0        | nm         | nm         | nm         | nm         |
|                                  | Debt/Ebitda                          | nm         | nm         | nm         | nm         | nm         |
|                                  | ROCE*                                | 26.5%      | 21.7%      | 21.4%      | 19.9%      | 22.5%      |
|                                  | ROE*                                 | 8.4%       | 8.6%       | 10.9%      | 11.6%      | 12.8%      |
|                                  | EV/CE                                | 4.6        | 3.9        | 3.2        | 2.8        | 2.6        |
|                                  | EV/Sales                             | 1.7        | 1.6        | 1.5        | 1.3        | 1.2        |
|                                  | EV/Ebit                              | 17.2       | 18.2       | 15.1       | 13.9       | 11.5       |
| Free Cash Flow Yield             | 1.6%                                 | -2.7%      | 0.6%       | 2.9%       | 4.1%       |            |
| <b>GROWTH RATES (%)</b>          | Sales                                | 21.3%      | 12.9%      | 14.6%      | 8.4%       | 11.4%      |
|                                  | EBITDA*                              | 11.5%      | -1.4%      | 33.1%      | 6.7%       | 14.2%      |
|                                  | EBIT*                                | 10.4%      | -1.5%      | 28.0%      | 7.0%       | 16.7%      |
|                                  | Net profit                           | -61.3%     | 7.4%       | 34.0%      | 13.4%      | 17.9%      |
|                                  | EPS restated                         | -10.1%     | 7.4%       | 34.0%      | 13.4%      | 17.9%      |

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## 4Q19/FY19 preview – top-line breakdown by segment

| Breakdown                        | 1Q18A       | 2Q18A       | 3Q18A       | 4Q18A       | 2018A        | 1Q19A       | 2Q19A       | 3Q19A       | 4Q19E       | 2019E        | 2020E        | 2021E        |
|----------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| <b>Aesthetic</b>                 | <b>21.9</b> | <b>29.1</b> | <b>25.6</b> | <b>33.7</b> | <b>110.4</b> | <b>25.4</b> | <b>35.2</b> | <b>32.5</b> | <b>40.5</b> | <b>133.6</b> | <b>145.6</b> | <b>160.2</b> |
| growth YoY (%)                   | -4.2%       | 14.2%       | 17.7%       | 13.0%       | 10.4%        | 15.7%       | 20.9%       | 26.7%       | 20.2%       | 21.0%        | 9.0%         | 10.0%        |
| % of total sales                 | 31.6%       | 31.9%       | 31.0%       | 32.8%       | 31.9%        | 30.3%       | 33.7%       | 34.4%       | 35.3%       | 33.7%        | 33.9%        | 33.5%        |
| <b>Surgical</b>                  | <b>9.4</b>  | <b>11.8</b> | <b>8.4</b>  | <b>12.5</b> | <b>42.1</b>  | <b>11.1</b> | <b>12.2</b> | <b>11.3</b> | <b>13.0</b> | <b>47.6</b>  | <b>52.8</b>  | <b>58.6</b>  |
| growth YoY (%)                   | 45.0%       | 50.8%       | -13.0%      | 18.4%       | 21.9%        | 18.1%       | 3.4%        | 33.9%       | 4.1%        | 13.0%        | 11.0%        | 11.0%        |
| % of total sales                 | 13.5%       | 12.9%       | 10.2%       | 12.1%       | 12.2%        | 13.2%       | 11.7%       | 11.9%       | 11.3%       | 12.0%        | 12.3%        | 12.2%        |
| <b>Physiotherapy</b>             | <b>2.6</b>  | <b>2.8</b>  | <b>2.5</b>  | <b>3.0</b>  | <b>10.8</b>  | <b>2.7</b>  | <b>2.7</b>  | <b>2.4</b>  | <b>3.5</b>  | <b>11.3</b>  | <b>12.2</b>  | <b>13.2</b>  |
| growth YoY (%)                   | 4.7%        | 15.8%       | 17.3%       | 20.5%       | 14.5%        | 5.7%        | -2.2%       | -2.7%       | 17.3%       | 5.0%         | 8.0%         | 8.0%         |
| % of total sales                 | 3.7%        | 3.0%        | 3.0%        | 2.9%        | 3.1%         | 3.2%        | 2.6%        | 2.5%        | 3.1%        | 2.9%         | 2.9%         | 2.8%         |
| Other medical lasers             | 0.0         | 0.3         | 0.2         | 0.2         | 0.7          | 0.0         | 0.0         | 0.0         | 0.0         | 0.0          | 0.3          | 0.3          |
| % of total sales                 | 0.0%        | 0.3%        | 0.3%        | 0.1%        | 0.2%         | 0.0%        | 0.0%        | 0.0%        | 0.0%        | 0.1%         | 0.1%         | 0.1%         |
| <b>Total Medical Systems</b>     | <b>34.0</b> | <b>44.0</b> | <b>36.8</b> | <b>49.3</b> | <b>164.0</b> | <b>39.2</b> | <b>50.1</b> | <b>46.2</b> | <b>57.0</b> | <b>192.5</b> | <b>210.9</b> | <b>232.3</b> |
| growth YoY (%)                   | 5.9%        | 22.8%       | 9.0%        | 14.7%       | 13.4%        | 15.4%       | 14.0%       | 25.6%       | 15.6%       | 17.4%        | 9.6%         | 10.1%        |
| % of total sales                 | 48.9%       | 48.2%       | 44.4%       | 48.1%       | 47.4%        | 46.7%       | 47.9%       | 48.9%       | 49.7%       | 48.5%        | 49.1%        | 48.5%        |
| <b>Medical service</b>           | <b>7.7</b>  | <b>8.0</b>  | <b>8.5</b>  | <b>9.7</b>  | <b>33.9</b>  | <b>10.4</b> | <b>12.0</b> | <b>12.2</b> | <b>13.5</b> | <b>48.1</b>  | <b>53.0</b>  | <b>58.2</b>  |
| growth YoY (%)                   | 10.1%       | -0.7%       | 15.2%       | 30.6%       | 13.5%        | 34.9%       | 49.5%       | 44.2%       | 39.5%       | 42.0%        | 10.0%        | 10.0%        |
| % of total sales                 | 11.1%       | 8.8%        | 10.2%       | 9.5%        | 9.8%         | 12.4%       | 11.5%       | 12.9%       | 11.8%       | 12.1%        | 12.3%        | 12.2%        |
| <b>Total Medical Revenues</b>    | <b>41.7</b> | <b>52.0</b> | <b>45.2</b> | <b>59.0</b> | <b>197.9</b> | <b>49.8</b> | <b>62.3</b> | <b>58.7</b> | <b>70.5</b> | <b>240.6</b> | <b>263.9</b> | <b>290.5</b> |
| growth YoY (%)                   | 6.7%        | 18.5%       | 10.1%       | 17.1%       | 13.4%        | 19.6%       | 19.9%       | 29.7%       | 19.5%       | 21.6%        | 9.7%         | 10.1%        |
| % of total sales                 | 59.9%       | 57.0%       | 54.6%       | 57.5%       | 57.2%        | 59.4%       | 59.6%       | 62.0%       | 61.5%       | 60.7%        | 61.4%        | 60.7%        |
| <b>Cutting</b>                   | <b>20.8</b> | <b>31.0</b> | <b>30.6</b> | <b>33.0</b> | <b>115.5</b> | <b>25.3</b> | <b>33.2</b> | <b>26.9</b> | <b>31.9</b> | <b>117.2</b> | <b>125.6</b> | <b>143.2</b> |
| growth YoY (%)                   | 7.3%        | 19.0%       | 9.8%        | 11.8%       | 13.5%        | 21.5%       | 7.0%        | -12.2%      | -3.5%       | 1.5%         | 7.2%         | 14.0%        |
| % of total sales                 | 30.0%       | 34.0%       | 37.0%       | 32.2%       | 33.4%        | 30.2%       | 31.8%       | 28.4%       | 27.8%       | 29.6%        | 29.2%        | 29.9%        |
| <b>Marking</b>                   | <b>3.7</b>  | <b>4.6</b>  | <b>3.7</b>  | <b>5.9</b>  | <b>17.9</b>  | <b>4.2</b>  | <b>5.0</b>  | <b>4.2</b>  | <b>6.3</b>  | <b>19.7</b>  | <b>20.7</b>  | <b>23.4</b>  |
| growth YoY (%)                   | -5.7%       | 7.0%        | -1.8%       | 11.1%       | 7.0%         | 13.3%       | 8.8%        | 13.4%       | 6.7%        | 10.0%        | 5.0%         | 13.0%        |
| % of total sales                 | 5.3%        | 5.0%        | 4.5%        | 5.7%        | 5.2%         | 5.0%        | 4.8%        | 4.4%        | 5.5%        | 5.0%         | 4.8%         | 4.9%         |
| <b>Laser sources</b>             | <b>0.9</b>  | <b>1.2</b>  | <b>1.3</b>  | <b>1.6</b>  | <b>4.9</b>   | <b>1.2</b>  | <b>1.0</b>  | <b>1.0</b>  | <b>1.6</b>  | <b>4.8</b>   | <b>4.9</b>   | <b>5.3</b>   |
| growth YoY (%)                   | 14.4%       | 12.4%       | 134.0%      | 58.2%       | 10.0%        | 31.3%       | -14.9%      | -20.6%      | 3.2%        | -2.0%        | 2.3%         | 7.0%         |
| % of total sales                 | 1.3%        | 1.3%        | 1.5%        | 1.5%        | 1.4%         | 1.4%        | 1.0%        | 1.1%        | 1.4%        | 1.2%         | 1.1%         | 1.1%         |
| <b>Total Industrial Systems</b>  | <b>25.6</b> | <b>36.9</b> | <b>35.7</b> | <b>40.5</b> | <b>138.6</b> | <b>30.7</b> | <b>39.2</b> | <b>32.1</b> | <b>40.0</b> | <b>142.0</b> | <b>151.5</b> | <b>172.1</b> |
| growth YoY (%)                   | 5.6%        | 17.2%       | 10.6%       | 12.9%       | 12.0%        | 20.0%       | 6.3%        | -10.0%      | -1.1%       | 2.5%         | 6.7%         | 13.6%        |
| % of total sales                 | 36.8%       | 40.4%       | 43.1%       | 39.4%       | 40.0%        | 36.6%       | 37.5%       | 33.9%       | 34.9%       | 35.8%        | 35.2%        | 35.9%        |
| <b>Industrial service</b>        | <b>2.3</b>  | <b>2.3</b>  | <b>1.9</b>  | <b>3.1</b>  | <b>9.6</b>   | <b>3.2</b>  | <b>3.0</b>  | <b>3.6</b>  | <b>4.1</b>  | <b>13.9</b>  | <b>14.4</b>  | <b>16.1</b>  |
| growth YoY (%)                   | 23.5%       | -4.8%       | -14.1%      | 71.2%       | 5.0%         | 41.4%       | 28.8%       | 88.7%       | 32.9%       | 45.0%        | 3.2%         | 12.0%        |
| % of total sales                 | 3.3%        | 2.6%        | 2.3%        | 3.0%        | 2.8%         | 3.8%        | 2.9%        | 3.8%        | 3.6%        | 3.5%         | 3.3%         | 3.4%         |
| <b>Total Industrial Revenues</b> | <b>27.8</b> | <b>39.2</b> | <b>37.6</b> | <b>43.6</b> | <b>148.2</b> | <b>34.1</b> | <b>42.2</b> | <b>35.9</b> | <b>44.1</b> | <b>155.9</b> | <b>165.8</b> | <b>188.2</b> |
| growth YoY (%)                   | 6.9%        | 15.7%       | 9.0%        | 15.7%       | 12.2%        | 22.3%       | 7.8%        | -4.4%       | 1.3%        | 5.2%         | 6.4%         | 13.5%        |
| % of total sales                 | 40.1%       | 43.0%       | 45.4%       | 42.5%       | 42.8%        | 40.6%       | 40.4%       | 38.0%       | 38.5%       | 39.3%        | 38.6%        | 39.3%        |

Source: Company data (A), Intermonite Estimates (E)

## 4Q19/FY19 preview – P&amp;L and key items summary

| (Eu mn)                       | 1Q18A       | 2Q18A       | 3Q18A       | 4Q18A        | 2018A        | 1Q19A       | 2Q19A        | 3Q19A       | 4Q19E        | 2019E        | 2020E        | 2021E        |
|-------------------------------|-------------|-------------|-------------|--------------|--------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|
| <b>Sales</b>                  | <b>69.6</b> | <b>91.1</b> | <b>82.8</b> | <b>102.6</b> | <b>346.0</b> | <b>83.9</b> | <b>104.6</b> | <b>94.5</b> | <b>113.6</b> | <b>396.6</b> | <b>429.7</b> | <b>478.7</b> |
| YoY growth %                  | 6.8%        | 17.1%       | 9.6%        | 16.5%        | 12.9%        | 20.6%       | 14.8%        | 14.1%       | 10.7%        | 14.6%        | 8.4%         | 11.4%        |
| <b>EBITDA</b>                 | <b>6.4</b>  | <b>8.9</b>  | <b>8.7</b>  | <b>11.6</b>  | <b>35.6</b>  | <b>7.7</b>  | <b>12.9</b>  | <b>12.0</b> | <b>14.8</b>  | <b>47.4</b>  | <b>50.6</b>  | <b>57.8</b>  |
| Ebitda margin %               | 9.2%        | 9.8%        | 10.5%       | 11.3%        | 10.3%        | 9.2%        | 12.4%        | 12.7%       | 13.0%        | 12.0%        | 11.8%        | 12.1%        |
| YoY growth %                  | -1.7%       | -0.1%       | -21.6%      | 20.9%        | -1.4%        | 19.5%       | 44.9%        | 38.3%       | 27.7%        | 33.1%        | 6.7%         | 14.2%        |
| <b>EBIT</b>                   | <b>5.3</b>  | <b>7.4</b>  | <b>7.3</b>  | <b>10.0</b>  | <b>30.0</b>  | <b>5.7</b>  | <b>11.0</b>  | <b>9.7</b>  | <b>11.9</b>  | <b>38.4</b>  | <b>41.1</b>  | <b>47.9</b>  |
| Ebit margin %                 | 7.7%        | 8.1%        | 8.8%        | 9.7%         | 8.7%         | 6.8%        | 10.5%        | 10.3%       | 10.5%        | 9.7%         | 9.6%         | 10.0%        |
| YoY growth %                  | -3.3%       | -2.9%       | -19.4%      | 20.4%        | -1.5%        | 7.1%        | 48.8%        | 33.8%       | 19.5%        | 28.0%        | 7.0%         | 16.7%        |
| <b>Pretax Profit</b>          | <b>4.6</b>  | <b>8.5</b>  | <b>6.8</b>  | <b>9.6</b>   | <b>29.5</b>  | <b>6.4</b>  | <b>10.5</b>  | <b>10.7</b> | <b>11.3</b>  | <b>38.9</b>  | <b>41.6</b>  | <b>48.4</b>  |
| Pretax margin %               | 6.7%        | 9.3%        | 8.2%        | 9.4%         | 8.5%         | 7.7%        | 10.0%        | 11.4%       | 9.9%         | 9.8%         | 9.7%         | 10.1%        |
| YoY growth %                  | -10.5%      | 48.2%       | -17.1%      | 18.8%        | 8.5%         | 39.0%       | 23.6%        | 57.3%       | 16.8%        | 31.6%        | 6.9%         | 16.5%        |
| <b>OpCF</b>                   |             |             |             |              | <b>10.1</b>  |             |              |             |              | <b>25.9</b>  | <b>27.6</b>  | <b>33.0</b>  |
| Capex                         |             |             |             |              | -26.3        |             |              |             |              | -22.0        | -10.0        | -8.0         |
| Acquisitions/divestments      |             |             |             |              |              |             |              |             |              | -22.5        | 0.0          | 0.0          |
| <b>FCF</b>                    |             |             |             |              | <b>-16.2</b> |             |              |             |              | <b>-18.6</b> | <b>17.6</b>  | <b>25.0</b>  |
| <b>Net financial position</b> | <b>72.6</b> | <b>65.0</b> | <b>54.8</b> | <b>62.5</b>  | <b>62.5</b>  | <b>61.1</b> | <b>54.0</b>  | <b>50.8</b> | <b>30.4</b>  | <b>30.4</b>  | <b>39.4</b>  | <b>55.9</b>  |

Source: Company data (A), Intermonite Estimates (E)

### Changes to estimates

|                | New Estimates |             |             | Old Estimates |             |             | Delta %     |             |             |
|----------------|---------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
|                | 2019          | 2020        | 2021        | 2019          | 2020        | 2021        | 2019        | 2020        | 2021        |
| <b>Revenue</b> | <b>397</b>    | <b>430</b>  | <b>479</b>  | <b>400</b>    | <b>455</b>  | <b>501</b>  | <b>-1%</b>  | <b>-6%</b>  | <b>-4%</b>  |
| %YoY           | 14.6%         | 8.4%        | 11.4%       | 15.6%         | 13.8%       | 10.0%       |             |             |             |
| <b>EBITDA</b>  | <b>47</b>     | <b>51</b>   | <b>58</b>   | <b>48</b>     | <b>55</b>   | <b>59</b>   | <b>-2%</b>  | <b>-8%</b>  | <b>-2%</b>  |
| %YoY           | 33.1%         | 6.7%        | 14.2%       | 35.5%         | 13.7%       | 7.8%        |             |             |             |
| %margin        | 12.0%         | 11.8%       | 12.1%       | 12.1%         | 12.1%       | 11.8%       |             |             |             |
| <b>EBIT</b>    | <b>38</b>     | <b>41</b>   | <b>48</b>   | <b>39</b>     | <b>46</b>   | <b>49</b>   | <b>-2%</b>  | <b>-10%</b> | <b>-3%</b>  |
| %YoY           | 28.0%         | 7.0%        | 16.7%       | 30.8%         | 16.2%       | 8.5%        |             |             |             |
| %margin        | 9.7%          | 9.6%        | 10.0%       | 9.8%          | 10.0%       | 9.9%        |             |             |             |
| <b>EPS</b>     | <b>1.17</b>   | <b>1.32</b> | <b>1.56</b> | <b>1.19</b>   | <b>1.47</b> | <b>1.61</b> | <b>-2%</b>  | <b>-10%</b> | <b>-3%</b>  |
| %YoY           | 34.0%         | 13.4%       | 17.9%       | 36.9%         | 23.1%       | 9.7%        |             |             |             |
| <b>NFP</b>     | <b>30</b>     | <b>39</b>   | <b>56</b>   | <b>34</b>     | <b>61</b>   | <b>80</b>   | <b>-11%</b> | <b>-35%</b> | <b>-30%</b> |

Source: Intermonte estimates

#### DETAILS ON STOCKS RECOMMENDATION

| Stock NAME           | ELEN.      |                       |            |
|----------------------|------------|-----------------------|------------|
| Current Recomm:      | OUTPERFORM | Previous Recomm:      | OUTPERFORM |
| Current Target (Eu): | 34.00      | Previous Target (Eu): | 38.00      |
| Current Price (Eu):  | 26.06      | Previous Price (Eu):  | 31.30      |
| Date of report:      | 28/02/2020 | Date of last report:  | 03/12/2019 |

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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)

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UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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|              |         |
|--------------|---------|
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| SELL:        | 00.00 % |

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|              |         |
|--------------|---------|
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| NEUTRAL:     | 27.08 % |
| UNDERPERFORM | 00.00 % |
| SELL:        | 00.00 % |

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