

EL.EN**STRONG BUY****Growing at the Speed of Light****PRESENT PRICE: €13.36****TARGET PRICE: €42.35****Felipe Sánchez Fuertes****(34) 91-701-9324****fsfuertes.madrid@sinvest.es****Basic Figures, February 17, 2002**

Reuters code:	ELN.MI
Market capitalisation (€ mn):	61.5
Number of shares (mn):	4.6
Average daily volume (€ mn):	0.76
52-week range (€):	10.11-15.36
Free float (%):	28
2002E ROE (%):	4.9
2002E P/BV (x):	1.14
2002E-05F PEG:	0.41

Source: Reuters and SCH Bolsa estimates and forecasts.

Estimates and Fundamental Ratios

	2001	2002E ¹	2003F	2004F
Net profit (€ mn):	2.3	3.2	4.0	6.9
% change:	-24.2	38.6	25.0	73.5
Cash flow (€ mn):	3.6	6.1	7.6	12.1
% change:	-18.3	69.5	36.1	59.6
P/E (x):	27.0	19.2	15.6	9.0
EPS (€):	0.49	0.70	0.86	1.49
% change:	-24.2	38.6	25.0	73.5
P/CF (x):	17.2	10.1	8.1	5.1
CF/S (€):	0.78	1.33	1.65	2.63
EV/EBITDA (x):	7.8	5.3	4.3	2.4
GDY (%):	0.0	0.0	0.0	0.0
DPS (€):	0.00	0.00	0.00	0.00

(1) The net profit figure has not yet been released by the company.

Source: Company data and SCH Bolsa estimates and forecasts.

El.En reported 2002 PBT of €5.8mn (up 52%) and EBITDA of €7.2mn (up 86%), on sales of €54.2mn (up 95%). These figures are well above our estimates: we expected PBT of €4.7mn (up 24%) and EBITDA of €6.0mn (up 54%). Net of the acquisition of Cynosure, the loss-making US company acquired in May 2002, the company's growth is even more impressive as, in comparable terms, 2002 EBITDA was up 93% to €7.5mn.

These figures show El.En's capacity to grow even in a tough year such as 2002. The fact that Cynosure recorded 4Q02 EBITDA of €0.1mn, compared with 3Q02's negative EBITDA of €0.4mn, suggests that it has been turned around in less than eight months.

El.En's performance was outstanding in lasers for industrial use. Sales in this division, which received no contribution from Cynosure, were up 60% to €17.0mn. Furthermore, this was achieved in a crisis year for the manufacturing segment (the division's end customer).

The company's results lead us to confirm our estimate of a 45% net profit CAGR for 2001-05F. We reiterate El.En's investment case, based on its track record of outperforming the expanding laser industry, its recent entry to the US\$1.4bn US medical applications market through the purchase of Cynosure and the latter's turnaround.

El.En's stock price has surged by 32% since our last report was issued on October 9, 2002. However, the stock is still trading at a 2005F P/E of only 6.0x and a 2003F PEG of 0.26x. The company's net cash position of €24.2mn (40% of its market value) provides it with enough elbow room to grow further through additional selective acquisitions.



Figure 1. EI.En – Profit and Loss Account, 2000-05F

(€ mn)	2000 ¹	2001	2002	2003F	2004F	2005F	% CAGR 2001-05F
- Medical uses	15.6	15.1	29.7	50.4	60.5	72.5	48.0
- Industrial uses	8.3	10.6	17.0	15.6	18.7	22.4	20.6
- Other uses	2.0	2.1	7.6	9.9	12.7	16.6	67.7
Net sales	26.0	27.8	54,2	75.9	91.8	111.6	41.5
% change YoY	8.7	7.3	94,8	47.1	21.0	21.6	–
Other operating income	0.2	0.3	0,8	0.9	1.1	1.4	–
Total revenues	26.1	28.2	55,0	76.8	93.0	113.0	–
COGS	-8.8	-11.9	-21,6	-35.1	-39.8	-48.3	–
Gross profit	17.3	16.3	33,5	41.7	53.2	64.7	41.1
Personnel expenses	-3.3	-4.3	-10,9	-9.6	-11.3	-11.7	–
Other operating expenses	-6.4	-8.1	-15,3	-19.9	-21.4	-24.3	–
EBITDA	7.6	3.9	7,2	12.1	20.5	28.6	64.6
Depreciation & trade prov	-1.4	-1.3	-2,6	-3.1	-4.0	-5.1	–
EBIT	6.2	2.6	4,6	9.0	16.6	23.5	73.4
As a % of sales	24.1	9.3	8,5	11.9	18.0	21.1	–
Financial income (exp)	0.2	1.2	0,8	0.7	0.8	0.9	–
Goodwill amort	0.0	0.0	-0,3	-0.3	-0.3	-0.3	–
Ordinary profit	6.5	3.8	5,1	9.4	17.0	24.1	58.7
Extraord gains (losses)	0.0	0.0	0,7	0.0	0.0	0.0	–
Profit (loss) before taxes	6.5	3.8	5,8	9.4	17.0	24.1	58.7
Taxes	-2.9	-1.2	-2,3 ¹	-3.8	-7.0	-10.1	–
Tax rate (%)	45.5	31.5	39,0 ¹	40.0	41.0	42.0	–
Minority interests	-0.5	-0.4	-0,4 ¹	-0.8	-1.3	-1.6	–
Net profit (loss)	3.0	2.3	3,2¹	4.9	8.7	12.3	52.1
% change YoY	4.3	-24.2	38,6 ¹	25.0	80.1	41.2	–
Net cash flow	4.4	3.6	6,1¹	8.3	13.0	17.7	48.9
% change YoY	28.2	-18.3	69,5 ¹	36.1	56.9	36.1	–

(1) The net profit figure has not yet been released by the company. Hence, these are still our estimates and are likely to be exceeded by the final actual figures.

Source: Company data and Santander Central Hispano Bolsa estimates and forecasts.

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Key to Investment Codes (12- to 18-Month Horizon)

Strong Buy	Expected to outperform the market by more than 15% AND Upside potential at least 25% above the 10-year applicable bond yields.
Buy	Expected to outperform the market by 5%-15% AND Upside potential at least 10% above the 10-year applicable bond yields.
Hold	Expected to perform within a range of 5% above or below the local market.
Underperform	Expected to underperform the market by 5%-15%.
Sell	Expected to underperform the market by more than 15%

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