

El. En. (ELN.IM)

Sector: Medical & Industrial Laser

Flash note: Profitability below expectations impacts on market price

January 21st, 2019

Investment overview

- El.En. Group is active in the design, production, R&D, distribution and sale worldwide of laser systems. There are two main areas of application, MEDICAL laser devices for medicine and aesthetics and INDUSTRIAL laser solutions for industry manufacturing and restoration.
- The group reached an established market share in its fields of competence through a growth for external and internal lines. The Italian market remained the center of group's growth, but the foreign market was still the first source of revenues.
- On January 17th, El.En. Shareholders Meeting authorized the beginning of a buy-back program of own shares, lasting for the next 18 months; the main purpose is the stabilization of company's market price, strongly declining in the last semester.

Valuation

- El.En. can rely on a strong market positioning in both medical and industrial sector, consolidated by the R&D relevant expenses carried out every year.
- El.En. share price performance in the 2nd semester of 2018 reflected group's lower margins due to (i) a change in the mix of products sold and a less solid international macroeconomic situation, (ii) MonnaLisa Touch weak sales in the US as a consequence of the warning document issued by FDA, later reduced to a mere intervention in the marketing domain. Finally, (iii) the numbers incorporated also negative expectations related to China internal demand, affected by the difficulties of its export market as a result of US customs duties introduced in September 2018.
- Notwithstanding the bad profitability results, the M/L term expectations are still optimistic, in virtue of the substantial investments plan carried out (28M€ in 2018-19) and the great opportunities emerging in the laser applications domain.
- In light of 9M2018 results and latest company news, we confirmed our valuation using the renewed SGAP model, which returns a fair value of 28.2€ per share.

Risks

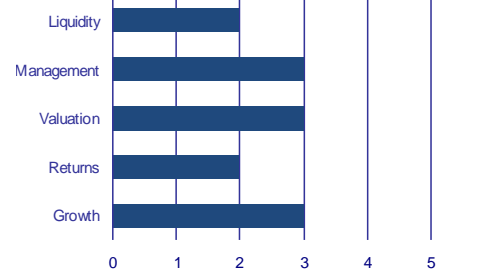
- Company turnover and profitability depend on USD exchange rates trend and the demand trends in the reference markets.

Forecast	17A	18E	19E	20E
Sales (€M)	306.5	340.0	377.0	416.3
EBITDA (€M)	36.1	35.7	41.4	47.8
EBITDA Margin	11.8%	10.5%	11.0%	11.5%
NR before min. (€M)	20.4	21.9	25.7	30.4
Net margin	-52.5%	7.4%	17.2%	18.2%
Capital Employed	128.0	163.5	174.1	182.9
Equity	190.3	203.9	221.6	244.0
Minority Interest	14.0	14.0	14.0	14.0
NFP (€M)	-84.4	-62.4	-69.4	-83.1
Operating cash flow	16.8	6.4	23.1	26.9
Free cash flow	11.6	-13.6	15.1	21.7
Valuation	17A	18E	19E	20E
SHARE PRICE	26.3	15.8	29.8	31.5
EV/EBITDA	11.8	6.9	12.3	11.1
P/E	24.8	13.9	22.4	20.0
Dividend yield	1.5%	2.8%	1.4%	1.3%

Key Data

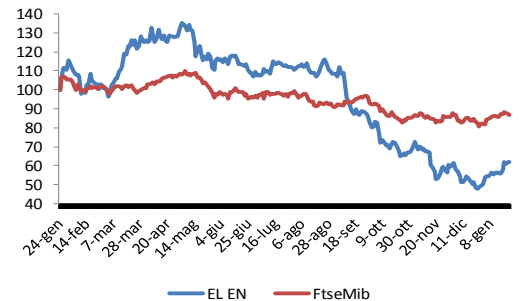
Price (€)	15.8
Market cap (€M)	305.0
Equity Value (€M)	544.3
Fair Value (€)	28.20
P/E LTM	15.0
P/E TTM	16.1

Investment Profile from 1 worst to 5 best



Stock data

Ticker Bloomberg	ELN.IM
N° of shares (M)	19.3
Free float	41.8%
Main shareholder	Andrea Cangoli (15.2%)
Daily trading volume	61,484 shares



Share Price perf (%)	3M	6M	1Y
Absolute	-6.0%	-45.2%	-38.2%
Rel. to FtseMib	-10.9%	-33.9%	-25.1%

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