

# El.En.

Italy/Industrial Engineering

## Buy

Recommendation unchanged

Share price: EUR 13.23

closing price as of 12/11/2010

Target price: EUR 14.60

vs Target Price: EUR 14.00

Reuters/Bloomberg ELEN.MVLELN IM

Market capitalisation (EURm) 64

Current N° of shares (m) 5

Free float 47%

Daily avg. no. trad. sh. 12 mth 6,754

Daily avg. trad. vol. 12 mth (m) 0

Price high 12 mth (EUR) 14.04

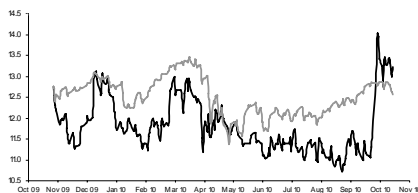
Price low 12 mth (EUR) 10.71

Abs. perf. 1 mth 20.38%

Abs. perf. 3 mth 20.27%

Abs. perf. 12 mth 1.77%

Key financials (EUR)	12/09	12/10e	12/11e
Sales (m)	149	176	192
EBITDA (m)	(4)	12	18
<b>EBITDA margin</b>	nm	6.7%	9.5%
EBIT (m)	(13)	4	10
<b>EBIT margin</b>	nm	2.1%	5.4%
Net Profit (adj.)(m)	3	2	5
ROCE	-8.5%	2.6%	7.3%
Net debt/(cash) (m)	(69)	(75)	(79)
<b>Net Debt/Equity</b>	-0.4	-0.5	-0.5
Debt/EBITDA	17.1	-6.4	-4.4
Int. cover(EBITDA/Fin. int)	15.1	(19.1)	(61.7)
EV/Sales	0.3	0.2	0.2
EV/EBITDA	nm	3.4	1.9
EV/EBITDA (adj.)	nm	3.4	1.9
EV/EBIT	nm	11.0	3.4
P/E (adj.)	nm	38.7	14.2
P/BV	0.6	0.7	0.7
<b>OpFCF yield</b>	10.8%	37.3%	19.3%
<b>Dividend yield</b>	0.0%	0.3%	0.3%
EPS (adj.)	(1.09)	0.34	0.93
BVPS	18.71	19.05	19.95
DPS	0.00	0.04	0.04



Source: Factset

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## 9M 10 results

**The facts:** El.En. published its 9M 10 results last Friday.

**9M 10 El.En group consolidated results:** 9M 10 sales were up by 26.3% Y/Y (higher than our forecast of +24.8%); this increase was due to the signs of recovery of the demand for “capital goods”. Furthermore, thanks to the process of operating cost reduction realised by the management, even though the investments and the expense in R&D were maintained, the group realised a positive EBITDA of EUR 9.3m (higher than our forecast of EUR 9.0m) and a positive EBIT of EUR 2.8m which showed a strong improvement compared to the negative performance in 9M 09 (EUR -10.5m).

### EL.EN GROUP: 9M 10 CONSOLIDATE results

	9M 09a	9M 10a	%Chg.
Sales	106.8	134.9	+26.3%
EBITDA	(4.0)	9.3	n.m.
Margin %	n.m.	6.9%	

Source: Company Data

**9M 10 El.En. group excluding Cynosure estimates:** 9M 10 consolidated results, excluding Cynosure, were better compared to the fully consolidated results thanks to a structure of the European companies that resulted to be more flexible than Cynosure’s structure. The group registered a higher increase in revenues and thanks to a lower impact from fixed costs on revenues, EBIT margin of 5.8% was higher than 2.1% marked by the fully consolidates financials.

### EL.EN GROUP: 9M 10 EXCLUDING CYNOSURE results

	9M 09a	9M 10a	%Chg.
Sales	71.6	93.0	+30.3%
EBIT	0.9	8.7	n.m.
Margin %	1.3%	9.3%	

Source: Company Data

**Positive FY 10 outlook:** the management said that 9M results decidedly exceeded the forecast targets. Q4 10 results should confirm the trend of the first nine months of the year, so, the management forecasts a strong growth in the annual revenues and FY 10 EBIT margin of the group excluding Cynosure to be higher than 5.8% realised in 9M 10.

Based on the 9M results on the foregoing management guidance, we increase our FY 10e sales of the group excluding Cynosure from EUR 118m to EUR 123.1m (+21% vs previous +16%) and we raise our FY 010e EBIT from EUR 5.3m to EUR 7.3m (EBIT margin of 5.9% vs previous 4.5%). Therefore, FY 10e sales of consolidated group grew from EUR 170.9m to EUR 175.9m (+17.9% vs previous +14.6%) and, consequently, FY 010e EBIT rose from EUR 1.9m to EUR 3.7m (EBIT margin of 2.1% vs previous 1.1%).

**Conclusion & Action:** we confirm our Buy recommendation and, based on our revised estimates we have increased our target price from EUR 14.0 to EUR 14.6 per share (this target is obtained applying a discount of 10% on the fair value of EUR 16.2 per share calculated using our SoP based on DCF models of Cynosure and the El.En. group excluding Cynosure; this discount reflects: 1) an amount of penalisation applied to mid/small caps in light of their stocks’ low liquidity).

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This research has been prepared by Andrea Devita, Marco Cavalleri, Luigi Tramontana, Claudio Giacomello, Paola Saglietti, Gabriele Gambarova, Dario Michi, Giada Cabrino (all members of AIAF), Francesco Previtera, Francesco Sala, Francesco Di Gregorio and Marcello Renna (ordinary member of SIAT), who are financial analysts with Banca Akros SpA ("Banca Akros"), which is responsible for the preparation of the research.

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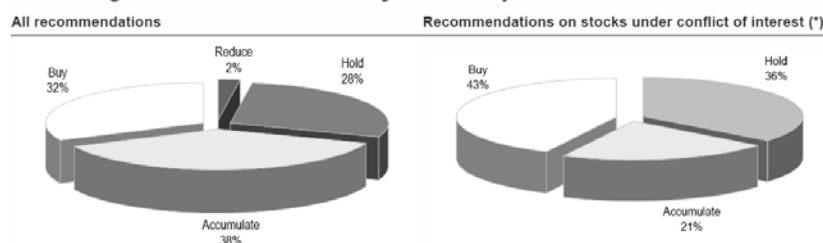
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