El.En.

Italy/Industrial Engineering

Buy

| Buy | | | | | |
|--|-------------|------------|------------|--|--|
| Recommendation unch | anged | | | | |
| Share price: EUI | 11.90 | | | | |
| closing price as of 14/05/2010 | | | | | |
| Target price: EU | 15.50 | | | | |
| Target Price unchange | d | | | | |
| Reuters/Bloomberg | | | | | |
| Reaters/Dioonberg | | ELEN | MI/ELN IM | | |
| Market capitalisation (El | JRm) | | 57 | | |
| Current N° of shares (m) | 5 | | | | |
| Free float | | | 47% | | |
| Deily ave no trad of 12 mth | | | 8,023 | | |
| Daily avg. no. trad. sh. 12 mth 8,02 Daily avg. trad. vol. 12 mth (m) | | | | | |
| | iui (iii) | | 0 14.77 | | |
| | | | | | |
| Price low 12 mth (EUR) | | 9.41 | | | |
| Abs. perf. 1 mth | -8.04% | | | | |
| Abs. perf. 3 mth | | 0.08% | | | |
| Abs. perf. 12 mth | | | 7.79% | | |
| Key financials (EUR) | 12/09 | 12/10e | 12/11e | | |
| Sales (m) | 149 | 157 | 173 | | |
| EBITDA (m) | (4) | 7 | 15 | | |
| EBITDA margin | nm | 4.6% | 8.4% | | |
| EBIT (m) | (13) | (2) | 5 | | |
| EBIT margin | nm | nm | 3.0% | | |
| Net Profit (adj.)(m) | 3 | (1) | 3 | | |
| ROCE | -8.5% | -1.2% | 3.3% | | |
| Net debt/(cash) (m) | (69) | (67) | (67) | | |
| Net Debt/Equity | -0.4 | -0.4 | -0.4 | | |
| Debt/EBITDA | 17.1 | -9.3 | -4.6 | | |
| Int. cover(EBITDA/Fin. int | 15.1 0.3 | (31.0) | (48.4) | | |
| EV/Sales | | 0.3 | 0.3 | | |
| EV/EBITDA EV/EBITDA (adj.) | nm nm | 6.1 6.1 | 3.1 3.1 | | |
| EV/EBIT | nm | nm | 3.1 8.6 | | |
| P/E (adj.) | nm | nm | 21.3 | | |
| P/BV | 0.6 | 0.6 | 0.6 | | |
| OpFCF yield | 10.8% | 30.4% | 14.5% | | |
| Dividend yield | 0.0% | 0.3% | 0.4% | | |
| EPS (adj.) | (1.09) | (0.13) | 0.56 | | |
| BVPS | 18.71 | 18.58 | 19.10 | | |
| DPS | 0.00 | 0.04 | 0.04 | | |
| | | | | | |



Q1 10 results above our estimates

The facts: El.En. published its Q1 10 results last Friday.

Q1 10 EI.En group consolidated results: Q1 10 sales were up by 21.5% Y/Y (higher than our forecast of +12.5%); this increase was due to a few first signs of recovery of the demand for "capital goods". The process of operating cost reduction realised by the management, even though the investments and the expense in R&D were maintained, the group succeeded to strongly reduce its break-even point and realize a positive EBITDA of EUR 1.4m and an EBIT of EUR -0.5m, near to break-even.

EL.EN GROUP: Q1 10 CONSOLIDATE results

| | Q1 09a | Q1 10a | %Chg. |
|----------|-------------|--------|--------|
| Sales | 38.0 | 41.1 | +21.5% |
| EBITDA | (4.6) | 1.4 | n.m. |
| Margin % | <i>n.m.</i> | 3.4%. | |

Source: Company Data

Q1 10 EI.En group excluding Cynosure estimates: Q1 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 lower increase in revenues, but thanks to a lower impact from fixed costs on revenues, EBIT was positive with an EBIT margin of 3.4% compared to the slight loss reported in the full area of consolidation.

EL.EN GROUP: Q1 10 EXCLUDING CYNOSURE results

| ······································ | | | |
|--|-------------|--------|-------------|
| | Q1 09a | Q1 10a | %Chg. |
| Sales | 23.9 | 28.4 | +18.7% |
| EBIT | (1.5) | 0.97 | <i>n.m.</i> |
| Margin % | <i>n.m.</i> | 3.4% | |
| | | | |

Source: Company Data

FY 10 outlook confirmed by the management: based on the better economic conditions, the management confirmed for 2010 its objective to return to a profitability thanks to a slight increase in sales volume and an effective control of costs.

Conclusion & Action: based on Q1 results better than our estimates and on the successful of the process of operating cost reduction, we maintain our FY 10 estimates and we confirm our Buy recommendation and our target price of EUR 15.50 per share.

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Disclaimer

This research has been prepared by Andrea Devita, Marco Cavalleri, Luigi Tramontana, Claudio Giacomiello, Paola Saglietti, Gabriele Gambarova, Dario Michi, Enrico Filippi, 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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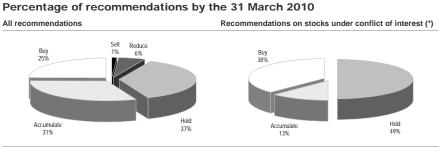
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