



Price ord. (Eu):	27.32
Price target 12 m (Eu):	36.00
Previous Target (Eu):	n.a

BCI Index:	1,522
Reuters code:	ELN.MI
Bloomberg code:	ELN IM

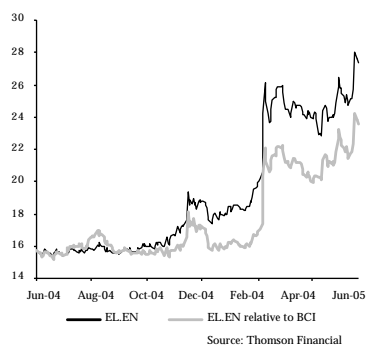
Company Data

No. of shares (mm):	4.60
Mkt Cap. (Eu mn):	126
Market Float (Eu mn):	43
Market Float (%):	34.0%
2004 BVPS (Eu):	10.15
2004 P/BV:	2.7
ROE (Curr. Year):	9.9%
ROCE (Curr. Year):	20.7%
3Y CAGR EPS ('04/'07):	49.5%
PEG Ratio:	1.0
Change in EPS estimates:	
	2005 2006 2007

Stock Performances:

	1 m	3 m	12 m
Abs:	14.1%	8.4%	77.6%
Rel:	11.3%	8.7%	59.4%
12M High/Low (Eu):	28.03/15.34		

EL.EN. - 12 Months



EL.EN.

BUY

Sector :

Capital Goods

Key Figures 2003 - 2007E

Year to 31/12	Sales (Eu mn)	Operating Profit (Eu mn)	Net Profit stated (Eu mn)	EPS restated (Eu)	P/E	P/CEPS	Div Yield (%)	EV/ Ebitda	EV/ Ebit
2003A	69	1	1	0.30	92.0	25.9	0.9	20.2	nm
2004A	96	5	4	0.57	47.8	19.3	1.3	11.0	20.3
2005E	115	10	5	1.27	21.5	13.6	1.3	8.0	10.3
2006E	129	15	7	1.72	15.9	10.9	1.3	5.8	7.2
2007E	141	17	8	1.91	14.3	9.9	1.3	5.0	6.1

Beaming Growth

- **An innovative company...** El En designs and assembles laser equipment for medical (aesthetic and dentistry applications) and industrial markets using in-house technology.
- **...in an under-penetrated booming market...** The medical laser market, which is worth around US\$2.8bn, is recording very strong growth, especially in the US, and is still highly fragmented. The opportunities are certainly very appealing: low penetration of laser applications and the opening up of new fields for lasers.
- **...which will still have room for growth after a record year.** After a record year (sales +38.6% and EBITDA +91%) we expect sales to grow rapidly in the coming years, driven by: a) under-penetration of lasers in the medical segment, b) new medical niches that are waiting to be exploited.
- **We are initiating coverage of the stock with a BUY recommendation.** Amongst the Italian small caps we believe that En El has all the right ingredients for a success story: 1) company-owned technology supported by over 20 years of experience in the sector; 2) good management; 3) international presence; 4) a fast growing sector; 5) possibility of new acquisitions. Our valuation of Eu36 still offers upside potential, but doesn't take into account a peer valuation, which would give a potential target of around Eu48. Even if multiples in absolute terms are not cheap, El En trades at a very large discount to its pure medical peers (60% in terms of EV/EBITDA). We think that the market has not taken into account that El En is going to become increasingly more focused on the medical laser market.

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EL.EN. - Key Figures

PROFIT&LOSS (Eu mn)	2003A	2004A	2005E	2006E	2007E
Total sales	69	96	115	129	141
EBITDA	6	11	15	19	22
EBITA	2	6	11	16	18
EBIT	1	5	10	15	17
Associates	0	0	0	0	0
Financial income (charges), others	0	0	0	0	0
Extraordinary	0	3	0	0	0
Pre-tax profit (Loss)	2	8	11	15	17
Taxes	(2)	(3)	(4)	(6)	(7)
Minorities	(0)	(2)	(2)	(2)	(2)
Net profit	1	4	5	7	8
Net profit restated	1	3	6	8	9
PER SHARE DATA (Eu)	2003A	2004A	2005E	2006E	2007E
Totals share out (mn)	5	5	5	5	5
EPS stated	0.11	0.78	1.08	1.52	1.71
EPS restated	0.30	0.57	1.27	1.72	1.91
CEPS restated	1.06	1.41	2.00	2.51	2.77
BVPS	9.61	10.15	11.58	13.45	15.51
Dividend per share (ord)	0.25	0.35	0.35	0.35	0.35
Dividend pay out ratio (%)	218.6%	44.7%	32.6%	23.0%	20.4%
BALANCE SHEET (Eu mn)	2003A	2004A	2005E	2006E	2007E
Total fixed assets	17	21	22	24	25
Net working capital	20	25	29	32	36
Long term liabilities	0	(3)	(1)	(1)	(0)
Net capital employed	37	44	50	55	60
Net financial position	13	9	10	13	18
Group equity	50	52	60	68	78
Net equity	44	47	53	62	71
CASH FLOW (Eu mn)	2003A	2004A	2005E	2006E	2007E
Gross cash flow	5	12	11		
Change in NWC	(7)	(6)	(4)	(3)	(3)
Capital expenditure	(4)	(10)	(5)	(5)	(6)
Acquisitions & divestments	0	0	0	1	2
Other cash items	(5)	(1)	(2)	(2)	(2)
Net cash flow	(11)	(5)	1	(4)	(3)
RATIOS (%)	2003A	2004A	2005E	2006E	2007E
EBITDA margin	8.0%	11.1%	12.7%	15.0%	15.4%
EBIT margin	2.0%	5.1%	9.0%	11.5%	11.9%
Tax rate	73.9%	35.8%	40.0%	40.0%	40.0%
ROCE	3.7%	11.1%	20.7%	26.9%	27.6%
ROE	1.2%	7.9%	9.9%	12.1%	11.8%
Debt/equity	-26.7%	-16.6%	-16.0%	-19.3%	-23.0%
Capex as % of sales	6.2%	10.0%	3.9%	4.0%	4.0%
NWC as % of sales	28.3%	26.5%	25.4%	25.1%	25.3%
GROWTH RATES (%)	2003A	2004A	2005E	2006E	2007E
Sales	26.9%	38.6%	19.4%	12.5%	8.9%
EBITDA	-20.7%	91.2%	36.6%	33.1%	12.1%
EBIT	-65.6%	254.6%	113.3%	42.8%	13.0%
Net profit	-75.4%	584.4%	37.4%	41.3%	12.7%
EPS restated	-45.9%	92.4%	122.3%	35.0%	11.3%

Investment Case

El En, an innovative company... El En designs and assembles laser equipment for both industrial and medical markets. Thanks to a series of acquisitions, brought about using the proceeds from an IPO at the end of 2000 (at Eu26 per share), El En has brought revenues from around Eu25mn to over Eu96mn at the end of 2004.

El En is increasingly focusing on a very attractive market: medical/aesthetic laser applications (more than 66% of '04 sales). Unlike other companies in the laser market El En is fully integrated (all in-house technology, production of optical equipment and assembly). One of the few companies with a special product for cellulite treatment (a market with really strong market opportunity).

The fact that El En is the only company in the medical laser sector that covers every type of application (therapeutic, surgical, cosmetic, dental and dermatological) could penalise profitability in the short term but provides much more visibility on growth potential in the long term. The diversification of Industrial business gives good synergies in R&D.

EL.EN Breakdown (Medical and Industrial divisions)

(Eu mn)	2002A	2003A	2004A	2005E	2006E	2007E
Sales						
Medical Laser Equip.	29.6	41.6	63.1	79.5	92.7	103.4
Wgt on total	54.2%	60.0%	65.7%	69.4%	71.8%	73.5%
Industrial Laser Equip.	17.0	15.0	16.4	17.2	17.9	18.4
Wgt on total	31.1%	21.7%	17.0%	15.0%	13.9%	13.1%
Assistance & Other	7.6	11.6	15.1	16.5	17.0	17.3
Wgt on total	13.8%	16.7%	15.7%	14.4%	13.1%	12.3%

Source: Intermonte SIM

...in a booming market... The medical laser market (worth US\$2.8bn) is recording very strong growth, especially in the US (roughly 60% of the world market), and is still highly fragmented. The opportunities are certainly very appealing: low penetration of laser applications and the opening up of new fields for lasers thanks to new application research.

...with management that is highly committed to innovation... Management of the company is strongly committed to developing its own technology, which translates into innovative products, and exploiting them through a global commercial network and good marketing. The company's focus remains on innovation thanks to heavy investment in R&D in order to discover and exploit new niches in the market.

...which will still have room for growth after a record year. After a record year (sales +38.6% and EBITDA +91%) we expect sales to grow rapidly in the coming years, driven by: a) under-penetration of lasers in the medical segment, b) new medical niches that are waiting to be exploited. The increase in profitability could be even higher, thanks to: a) improvements in Cynosure, the US subsidiary, which was making a loss up until 2003, b) operating leverage on fixed costs.

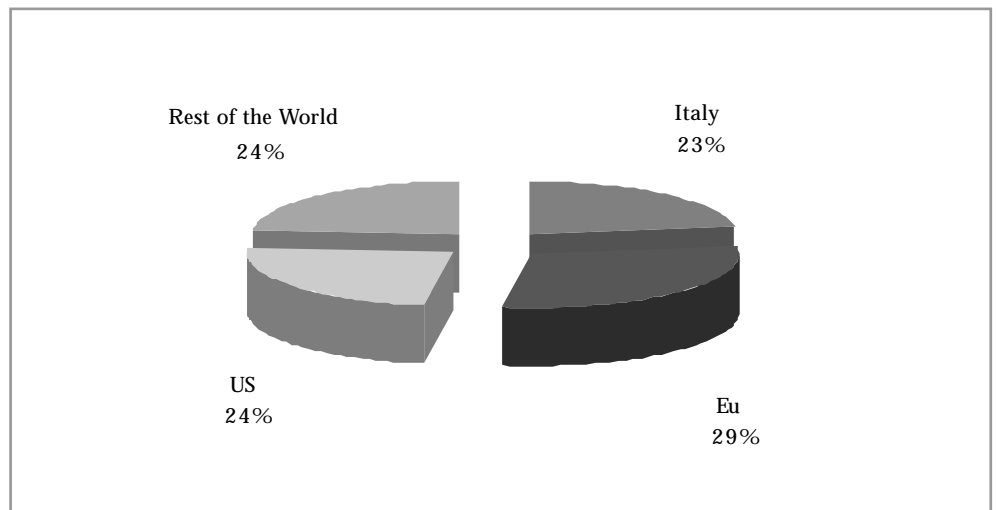
EL.EN 2004-2007 Estimates

	2004A	1Q05A	2005E	2006E	2007E
Sales	96.1	25.7	114.7	129.1	140.6
<i>Growth</i>	40.9%	33.0%	19.4%	12.5%	8.9%
Ebitda	10.6	2.5	14.5	19.3	21.6
<i>Growth</i>	nm	88.0%	36.6%	33.1%	12.1%
Pre Tax Profit	8.4	1.8	10.8	15.2	17.1
<i>Growth</i>	nm	46.0%	28.5%	41.3%	12.7%

Source: Intermonte SIM

A global player. Although the company is still quite small, one of El En's strengths is its worldwide presence. After the acquisitions made in the last two years (Cynosure the most important) the weight of the Italian market has moved from roughly 50% to 20%, with a strong growth of sales in the US market (which now accounts for roughly 24%).

EL.EN Geographical Sales Breakdown 2004



Source: Company indication

New possible acquisitions. The company has limited capex needs and with its positive cash position (+Eu9mn at the end of 2004) El En could be make further acquisitions in the next few years. We would welcome external growth, as the market is still very fragmented and there are no dominant players.

Valuation. The valuation by averaging a DCF and EV/ROACE approach is around Eu 36. The stock trades at huge discount to the multiples of comparable companies in the US that operate in the medical laser application segment. Comparing the multiples of the two main business areas with peers operating in the two sectors our target price would be much higher: around Eu48. This reveals the value of the medical segment, which in our opinion is largely unexpressed.

Conclusions. We are initiating coverage of the stock with a BUY recommendation. Amongst the Italian small caps we believe that En El has all the right ingredients for a success story: 1) company-owned technology supported by over 20 years of experience in the sector; 2) good management; 3) international presence; 4) a fast growing sector; 5) possibility of new acquisitions.

Valuation

We valued the company using the average of a DCF model and a EV/ ROACE, obtaining a Fair Value per share of Eu 36.

We also compared these two valuations by comparing the multiples of the two main business areas with peers operating in the two sectors. This reveals the value of the medical segment, which in our opinion is largely unexpressed. We would reach a potential target of Eu47.7, which is not included in our valuation.

EL.EN - Valuation Summary

DCF Fair Value (Eu per share)	38.5
Ev/Roace Fair Value (Eu per share)	33.0
Average Valuation	36.0
On Peers Basis	47.7

Source: Intermonte SIM

DCF

Our model examines the 2005 to 2010 period and is based on the assumption of a 3% terminal growth and 8.0% WACC. We obtained a fair value of Eu177mn (including minorities) or Eu38.5 per share.

EL.EN - DCF Valuation

(Eu mn)	2005E	2006E	2007E	2008E	2009E	2010E	TY
Ebitda	14.5	19.3	21.6	23.9	25.8	27.1	27.9
Taxes on Ebita	(4.5)	(6.3)	(7.0)	(7.6)	(7.9)	(8.4)	(8.4)
Change in Working Capital	(3.6)	(3.3)	(3.1)	(2.4)	(2.4)	(2.4)	(2.0)
Capex	(4.5)	(5.1)	(5.6)	(6.0)	(6.9)	(7.0)	(7.0)
Operating Cash Flow	1.8	4.6	5.9	7.9	8.5	9.2	10.4
Discounted Cash Flow	1.8	4.3	5.1	6.3	6.2	6.2	6.6
NPV of Cash Flow	29.9						
Value of future cash flow	208.7						
Present value of future cash flow	153.3						
EV (Eu mn)	183.3						
(Debt)/cash '04	8.8						
Minorities	(15.1)						
Equity Value	177.0						
Value per Share (Eu)	38.5						
Risk Free Rate	3.7%						
Risk Premium	5.0%						
beta	1.0						
Debt/(Debt+Equity)	15%						
WACC	8.0%						
Terminal Growth	3.0%						

Source: Intermonte SIM estimates

EV/ ROACE

We checked this value with an EV/ ROACE approach, examining a three-year period (2005 – 2007). The value obtained was Eu152mn or Eu33 per share.

EL.EN - Ev/Roace Valuation

(Eu mn)	2005E	2006E	2007E
Invested Capital (goodwill included)	50.0	54.9	60.4
Average	46.8	52.5	57.7
Ebit	10.4	14.8	16.7
Goodwill	(0.9)	(0.9)	(0.9)
Ebita	11.3	15.7	17.6
Depreciation	(3.3)	(3.6)	(4.0)
Ebitda	14.5	19.3	21.6
Operating taxes	(4.5)	(6.3)	(7.0)
NOPAT	6.8	9.4	10.6
ROACE AT	14.4%	17.9%	18.3%
EV/Roace Value Map			
ROACE AT (average 2005-2007)	16.9%		
Terminal Growth	3.0%		
Required return (Wacc - Terminal Growth)	5.0%		
Required EV/Capital Employed '03	3.4		
EV (Eu mn)	157.9		
(Debt)/cash '04	8.8		
Minorities	(15.1)		
Equity Value	151.7		
Value per Share (Eu)	33.0		

Source: Intermonte SIM

Huge discount vs. peers ... The company is becoming ever more exposed to the medical laser sector, with over 66% of sales in 2004, a percentage that increases considerably if we look at profitability (we estimate it at around 85% of EBITDA).

EL.EN - Breakdown (Medical and Industrial Divisions)

(Eu mn)	2005E	2006E	2007E
Sales			
Medical	79.5	92.7	103.4
<i>Growth</i>	26.1%	16.6%	11.5%
Industrial & Other	33.7	34.8	35.7
<i>Growth</i>	6.9%	3.5%	2.5%
Ebitda			
Medical	12.3	16.7	18.9
<i>Margin%</i>	15.5%	18.0%	18.3%
Industrial & Other	2.2	2.6	2.7
<i>Margin%</i>	6.5%	7.5%	7.6%

Source: Intermonte Sim Estimates

El En should increase the weight of sales in the laser division in the next few years (75% at the end of 2007), and even more so at Ebitda level (profitability of the medical division is much higher than the industrial division).

The valuations of peers, which are nearly all listed on the NASDAQ, are much higher than El En's, trading at a discount of around 30% on P/E 2005 and some 60% in terms of EV/ EBITDA.

Peer Group Medical Laser

Company (mn \$)	mkt cap	Sales05	Ev/Ebitda 05	Ev/Ebitda 06	P/E 05	P/E 06
Laserscope	764.7	127.8	24.2	18.3	43.0	32.8
Candela Corp	236.7	142.0	9.6	7.1	20.9	15.1
Lumenis Ltd	61.0	na	19.2	14.7	na	na
Cutera Inc	168.1	66.0	17.5	14.0	31.6	23.7
Biolase	159.2	86.0	19.9	11.4	36.8	26.9
Palomar	378.1	72.0	28.0	19.9	29.0	23.6
Syneron	773.0	75.0	22.0	17.2	27.5	22.9
Average			20.1	14.6	31.5	24.2
Peer Group Industrial Laser						
	mkt cap	Sales05	Ev/Ebitda 05	Ev/Ebitda 06	P/E 05	P/E 06
Prima Industrie	40.5	109.9	6.1	4.5	10.3	7.1
Rofin Sinar (Eu mn)	479.4	340.0	6.9	5.4	13.6	10.8
Average			6.5	5.0	11.9	9.0
EL EN (Eu mn)	127.4		8.1	5.8	21.8	16.1

Source: JCF and Bloomberg

We think that the market is penalising El En and that the current stock price does not take into account the full value of the medical/aesthetics division, but actual multiples are much closer to the multiples of companies operating in the industrial fields like Prima Industrie or the German Rofin Sinar.

...shows hidden value in medical lasers. We tried to value El En's two main business lines, industrial and medical lasers, separately by applying sector multiples (EV/EBITDA). According to our estimates the medical laser division should generate sales of Eu80mn and EBITDA of Eu12mn in 2005.

By applying the multiples of US peers operating in the medical segment to the El En divisions we obtain a valuation for the medical division alone that is much higher than the current capitalisation on the stock market (Eu247mn). The same calculation for the industrial segment yields a value of Eu14mn. We applied a 20% discount to the SoP of the two divisions, yielding a total value of around Eu48 per share, a much higher value than that obtained using a DCF model.

SOP on Peers Multiples

	2005	2006
Ev/Ebitda Medical Peers	20.1	14.6
El En Medical Ebitda (Eu mn)	12.3	16.7
<i>Medical Value (Eu mn)</i>	<i>247.2</i>	<i>244.5</i>
Ev/Ebitda Industrial Peers	6.5	5.0
El En Industrial Ebitda (Eu mn)	2.2	2.6
<i>Industrial Value (Eu mn)</i>	<i>14.2</i>	<i>13.0</i>
SOP (Eu mn)	261.5	257.6
Discount	-20%	-20%
Enterprise Value (Eu mn)	209.2	206.1
Debt Cash (Eu mn)	10.3	14.6
Equity Value (Eu mn)	219.4	220.6
Value per Share (Eu)	47.7	48.0

Source: Intermonete SIM

Markets

Laser technology. Laser (Light Amplification by Stimulated Emission Radiation) technology was created in the 1940s. The technology was first used in scientific and then industrial fields, only coming into the medical sector at the end of the 80s with a number of different uses (ophthalmic, aesthetics, dental applications, dental bleaching - not removing the part of the tooth, but colouring the inside).

Laser is obtained from a device that produces a monochromatic beam of electromagnetic waves. The laser emission source is made up of an electro-optical device which has a cavity that can be fed by gas (CO2), or solid matter (diodes). Here the electromagnetic radiation emitted is transformed into a coherent beam, which passes through optical fibres on to a reflecting mirror, directing it onto the material.

El En works in industrial and medical laser applications, which overall can be valued at US\$7bn.

The industrial laser division is a market that is moving towards maturity. The overall value of industrial applications is worth US\$5bn. Market evolution in recent years has seen continuing growth in volumes, with a steady decline in sales prices in the last 2 years.

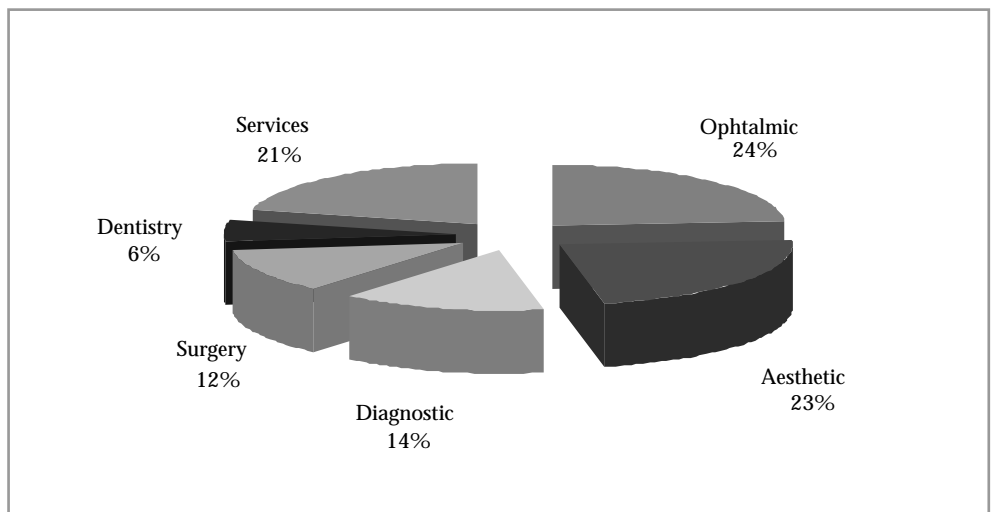
Medical / aesthetic laser market still under-penetrated. As far as the medical laser sector is concerned, it is still undergoing a period of rapid growth. New laser applications for the medical and cosmetic segments are constantly being discovered (non invasive surgery, dentistry, cosmetic, physiotherapy, dermatology and optical segments).

Medical beams interact with tissues in numerous ways and it is this kind of interaction that most research examines. In fact, laser applications are used in a lot of ways: superficial ablations (for teeth and skin), bio stimulation, cauterisation of blood vessels.

The American market accounts for around 60% of overall sales.

The overall value of the medical laser market in 2004, according to estimates from Opto Consulting, should have been around US\$2.8bn. The main application remains the optical sector, but in recent years Aesthetic applications have grown considerably, reaching roughly 23% of the overall value.

Medical Market Principle Application



Source: "Opto & Laser" & Intermonte SIM

The fastest growing sectors are still aesthetics (which can be divided into surgical aesthetics and pure aesthetics) and dentistry. We estimate that the dentistry sector should have only generated US\$200mn in 2004, but is growing at a very fast rate. Lower power lasers are reducing the complexity and enhancing the reliability of treatments, increasing precision and reducing the use of anaesthetics.

The current penetration of lasers is really very low, less than 4% in the US, even though growth rates in the last 4 years were very high (CAGR 60%). Assuming that around 2% of dentists in the US get hold of laser equipment, then the sector could reach a value of US\$900mn just in the US by 2008.

We have mentioned the growth potential for the dentistry market, but similar growth could be achieved in other markets, especially cosmetic surgery.

Apart from in beauty parlours where penetration is high, lasers are not widely used for cosmetic surgery. According to a study by ISAPS (International Society of Aesthetic Plastic Surgery) the use of lasers in the various types of cosmetic operations is at around 4%.

In the medical sector technological innovations, especially studies on laser sources, and product innovations are the basis for distribution of new applications. The reduction in the size of instruments, the increasing safety of their use and design are the main drivers for market growth.

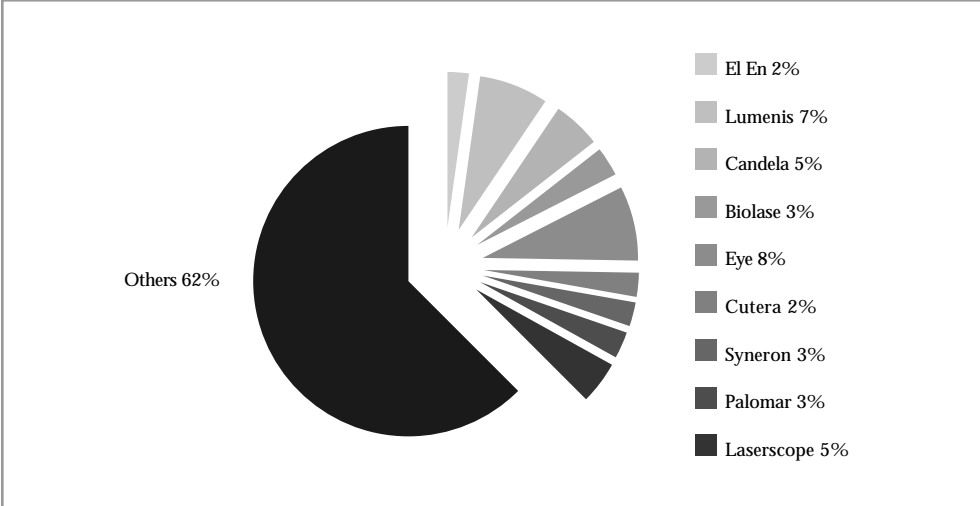
From the point of view of market outlets, applications in the diagnostic-therapeutic field have high potential in the next few years.

After shrinking in 2001 the market recorded double digit growth in 2003 and 2004. We assume that the medical laser market could maintain double digit growth in the next few years as:

- a) *penetration of laser equipment is still low*
- b) *the popularity of cosmetic treatments is growing*

Market is still highly fragmented. The overall market is still highly fragmented and no large company has entered yet, with more than 140 players. The most important players have an overall market share of roughly 40% (nearly all of them are listed in the US).

Medical Market Major Players



Source: "Opto & Laser" & Intermonte SIM

Given that unit sales prices are on average 5-7 times higher than production costs the main risk for the sector could be the arrival of a large operator which could then employ a strong price cutting policy in order to quickly gain market share.

Financials

1Q05 results. 1Q05 results testify to a continuing strong growth trend: sales +33% to Eu26mn with a 3 point improvement in the percentage margin from 7% to 10%. The medical division (+40%) and the cosmetic laser segment (+100%) drove the growth.

EL.EN - 1Q05 Results

(Eu mn)	1Q04A	1Q05A	9M04A	9M05E
Sales	19.3	25.7	76.8	89.0
Growth	45.0%	33.1%	36.4%	15.9%
EBITDA	1.3	2.6	9.3	11.9
margin	7.0%	10.2%	12.0%	13.3%
EBIT	0.2	1.4	4.7	9.0
margin	0.8%	5.4%	6.1%	10.1%
Pre Tax Profit	1.2	1.8	7.2	9.0

Source: Intermonte Sim Estimates

2005-2007 Estimates. El En is increasingly focusing on a very appealing market: medical laser applications (66% of 2004 total sales), a sector which is growing at a very fast rate. This market, worth US\$3bn, is still very fragmented and growth opportunities are still very high due to:

- a) *new applications*
- b) *under-penetration of lasers in cosmetic surgery*
- c) *new medical niches which are yet to be exploited*

We believe that El En is going to build a solid pipeline of new products in the next few years, which should allow it to increase its market share. In 2005 El En should benefit from a new system for non invasive cellulite treatment. Moreover the company should launch some products such as: laser system for physiotherapy, therapeutic systems for orthopaedics.

Overall, we estimate a 20% growth in turnover in 2005 (mainly driven by the medical segment) and average growth of 9% for the following 3 years. In the following section we report the growth expectations for the business segment.

There is also room for an improvement in operating margins. Long term indications are to bring EBITDA margin back towards 20% (the margin the company had until 2000), by:

- a) *improvements in Cynosure, the US subsidiary (which was making a loss up until last year). Indeed, it is regaining the leadership position it occupied in the 90s.*
- b) *operating leverage on fixed costs thanks to volumes growth.*

In particular, we believe that Cynosure has huge potential. The company was acquired in 2002 for US\$23mn, works in medical and cosmetic laser applications with its own products and distribution network. Acquired at a difficult time, operationally, shown by negative profits, Cynosure has undergone a period of restructuring, through the insertion of some El En group products and the substitution of some personnel (the CEO and some key managers in 2003).

The turnaround was seen in 2004, when after 3 years of losses Cynosure once again had a positive EBIT. 1Q05 results were brilliant: sales +60% to US\$12mn, with EBITDA reaching 8% (it was still negative this time last year).

Overall we expect El En to achieve an EBITDA margin of over 15% in the coming year, and could come close to 20%.

With the turnaround of the subsidiary Cynosure we believe that it is plausible that El En could get closer to the profitability of many US competitors, which in some cases exceeds 30%.

EL.EN - Profit & Loss 2001-2007

(Eu mn)	2001A	2002A	2003A	2004A	2005E	2006E	2007E
Total Sales	28.1	54.6	69.3	96.1	114.7	129.1	140.6
<i>YoY Growth</i>	<i>80.9%</i>	<i>27.9%</i>	<i>11.5%</i>	<i>30.2%</i>	<i>13.7%</i>	<i>13.4%</i>	<i>10.5%</i>
Raw materials	(11.5)	(21.3)	(24.7)	(34.7)	(41.5)	(46.6)	(50.1)
Services	(3.1)	(5.8)	(6.9)	(8.9)	(10.5)	(11.9)	(12.9)
Contribution Margin	13.5	27.4	37.7	52.5	62.6	70.6	77.6
<i>as a % of sales</i>	<i>48.0%</i>	<i>50.2%</i>	<i>54.4%</i>	<i>54.7%</i>	<i>54.6%</i>	<i>54.7%</i>	<i>55.2%</i>
Other Operating Costs	(5.3)	(9.4)	(14.2)	(19.7)	(23.5)	(25.8)	(28.1)
Personnel costs	(4.5)	(11.0)	(18.0)	(22.2)	(24.6)	(25.5)	(27.8)
EBITDA	3.7	7.0	5.6	10.6	14.5	19.3	21.6
<i>margin</i>	<i>13.1%</i>	<i>12.8%</i>	<i>8.0%</i>	<i>11.1%</i>	<i>12.7%</i>	<i>15.0%</i>	<i>15.4%</i>
Amortization and Depreciation	(1.2)	(3.0)	(4.2)	(5.8)	(4.2)	(4.5)	(4.9)
EBIT	2.5	4.0	1.4	4.9	10.4	14.8	16.7
<i>margin%</i>	<i>8.8%</i>	<i>7.3%</i>	<i>2.0%</i>	<i>5.1%</i>	<i>9.0%</i>	<i>11.5%</i>	<i>11.9%</i>
Financial Income (Charges)	1.2	1.0	0.2	0.0	0.4	0.4	0.4
Extraordinaries	0.1	0.6	0.6	3.5	0.0	0.0	0.0
Pre Tax Profit	3.7	5.6	2.2	8.4	10.8	15.2	17.1
Minorities	(0.4)	(0.7)	(0.0)	(1.8)	(1.5)	(2.1)	(2.4)
Taxes	(1.2)	(2.7)	(1.6)	(3.0)	(4.3)	(6.1)	(6.9)
<i>tax rate</i>	<i>-56%</i>	<i>-59%</i>	<i>-66%</i>	<i>-61%</i>	<i>-58%</i>	<i>-56%</i>	<i>-55%</i>
Group Net Profit	2.2	2.1	0.5	3.6	4.9	7.0	7.9

Source: Intermonte Sim Estimates

A solid financial position...With a positive financial position to the tune of Eu9mn and cash generation which we put at around Eu4mn per year El En could grow through acquisitions in the coming years. The market is still quite fragmented and new opportunities could open up in the American market in the coming years.

The business doesn't require any major investments, given that the company has already spent 10% of turnover on R&D which goes straight to the P&L account. A huge effort has been put into the management of working capital.

EL.EN - Balance Sheet 2000-2007

(Eu mn)	2001A	2002A	2003A	2004A	2005E	2006E	2007E
Net working capital	11.4	12.5	19.6	25.5	29.1	32.4	35.6
<i>Wgt on sales %</i>	<i>40.7%</i>	<i>22.9%</i>	<i>28.3%</i>	<i>26.5%</i>	<i>25.4%</i>	<i>25.1%</i>	<i>25.3%</i>
Tangible Assets	3.7	6.2	7.3	8.5	10.0	11.6	13.3
Intangible Assets	1.7	8.3	7.9	10.6	10.3	10.1	10.1
Participations	0.8	1.0	1.8	1.6	1.7	1.8	1.9
Long term liabilities	(0.7)	(0.9)	0.0	(2.6)	(1.0)	(1.0)	(0.3)
Net capital employed	16.9	27.1	36.6	43.5	50.0	54.9	60.4
Financed by:							
Net (debt) / cash	29.9	24.7	13.3	8.7	9.5	13.1	18.1
Group's Equity	48.5	51.8	49.9	52.2	59.6	68.0	78.5
Net capital employed	16.9	27.1	36.6	43.5	50.0	54.9	60.4

Source: Intermonte Sim Estimates

EL.EN - Cash Flow 2000-2007

(Eu mn)	2001A	2002A	2003A	2004A	2005E	2006E	2007E
Net profit	2.5	2.9	0.6	5.4	6.5	9.1	10.3
Deprec. & Amort.	1.2	3.0	4.2	5.8	4.2	4.5	4.9
Other non cash items/Provision	0.0	0.0	0.0	0.7	0.0	0.0	0.0
Cash from operations	3.7	5.9	4.8	11.9	10.6	13.7	15.2
(Capex)/Disposals	(1.3)	(16.0)	(4.3)	(9.6)	(4.5)	(5.1)	(5.6)
Delta NWC	(4.6)	5.8	(7.1)	(5.9)	(3.6)	(3.3)	(3.1)
Dividends	(0.4)	(0.9)	(1.2)	(1.2)	(1.6)	(1.6)	(1.6)
Others	0.0	(0.1)	(3.5)	0.0	0.0	0.0	0.0
Net cash flow	(2.5)	(5.2)	(11.3)	(4.7)	0.8	3.6	4.9
Initial Financial Position	32.5	29.9	24.7	13.4	8.7	9.5	13.1
Final Financial Position	29.9	24.7	13.4	8.7	9.5	13.1	18.1

Source: Intermonte SIM Estimates

Company Description

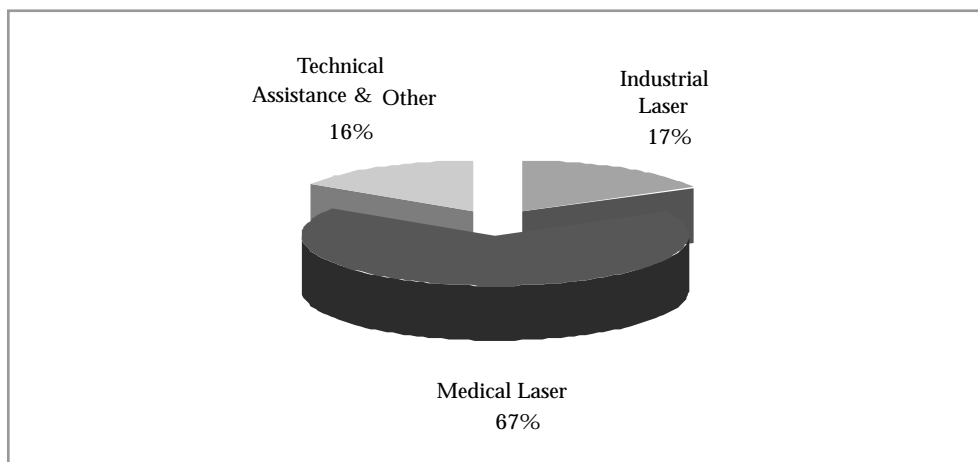
From a small domestic player to a multinational (strong presence in the US). El En designs, assembles and sells laser equipment for both Industrial and Medical markets (using in-house technology). Founded in 1981 by a group of researchers it has developed good sector experience (its first laser system for therapeutic use was developed in 1984). Its know-how is inherently linked to laser emission sources, especially applications in the medical segment (where collaborations with medical research centres have become a focus point).

El En is involved in the design, production of laser emission sources and their assembly as well as software parts for industrial machinery. Unlike other companies which specialise in laser sources and assembly, El En is a fully integrated company. Currently, research into laser sources represents the highest entry barrier and the place where El En invests over 10% of its R&D spending and 80% of labour costs.

Step by step the company specialised in parts for medical lasers, reaching a weight of around 66% of the groups total sales.

Initially focused on the European market, thanks in part to the acquisition of the American company Cynosure, El En is now a global player in medical laser applications with a share of around 40% of the US market, which is currently the most attractive. In the medical segment El En is focused on the cosmetic medical division which generated Eu45mn revenue in 2004.

EL.EN - Sales Breakdown by Segment



Source: Comapny data

R&D worth 10% of sales. As demand for laser applications should continue to grow in the next few years, management has decided to focus the efforts of the company in this area. El En invests 10% of annual sales in R&D (nearly all of this expense is to be considered structural). El En has roughly 50 employees dedicated to R&D projects full time. These costs are fully charged in the P&L account each year rather than being capitalised.

Brief History

- Founded in 1981 by a group of researchers from Florence University
- IPO in December 2000 (with a capital increase of around Eu25mn)
- 2002 Acquisition of Cynosure worth US\$14mn followed by US\$5mn (from 57% to 84%)
- 2003 Acquisition of Lasercut in the US worth Eu0.5mn; Acquisition of Asclepion (German company focused on medical laser).
- 2004 Aquisition of another 30% of Quanta System reaching a total of 60%

Shareholders

The company is controlled by a concert party, which has roughly 51% of capital: mainly El En's founders.

The presence of institutional investors is still very low (apart from the recent arrival of Fidelity with 2% of the company), especially if compared with the presence of institutional investors in comparable companies in the US market.

Institutional Presence in Aesthetic Medical Laser Companies

Company	Mkt Cap	% Institutional Ownership	First Institutional Holder
Biolase	159.2	20.0%	Fidelity 14%
Candela	236.7	12.0%	UBS 8,6%
Cutera	168.1	18.0%	Carnegie Global 4,7%
Laserscope	764.7	16.0%	Arbor Capital 5%
Lumenis	61.0	5.0%	Capital RSH 6,2%
Palomar	378.1	36.0%	Fidelity 10%
Syneron	773.0	8.0%	Fidelity 4%
El En	127.4	4.5%	Fidelity 2%

Source: Bloomberg

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