

EUR 12.25

El.En.

Buy

ELEN.M/ELN IM

Market capitalisation: EUR 59m

Industrial Engineering

EUR	12/08	12/09e	12/10e	12/11e
Sales (m)	222	146	164	187
EBITDA (m)	28.8	-1.8	8.9	17.9
EBITDA margin	13.0%	nm	5.4%	9.6%
EBIT (m)	20.6	-8.8	1.5	10.1
EBIT margin	9.3%	nm	0.9%	5.4%
Net profit (reported) (m)	8.3	-1.1	1.0	4.3
Net profit (adj.) (m)	8.3	-1.1	1.0	4.3
Cash Flow from Ops.bef. chg in NWC (m)	22.5	1.7	8.8	14.9
Net debt (Cash) (m)	-67.9	-53.5	-45.0	-44.3
Net Debt/Equity	-0.4	-0.3	-0.3	-0.2
Net Debt/EBITDA	-2.4	29.2	-5.1	-2.5
Interest cover (EBITDA/Fin. interest)	nm	2.8	nm	nm
ROCE (adj.)	13.6%	-5.6%	0.9%	5.6%
ROCE (adj.)/WACC	1.3	-0.6	0.1	0.6
EV / CE	1.3	0.8	0.8	0.8
EV / Sales	0.5	0.6	0.5	0.5
EV / EBITDA	4.2	nm	10.1	5.0
EV / EBIT	5.9	nm	59.4	8.9
P/E (adj.)	8.1	nm	nm	13.9
P/BV	0.7	0.6	0.6	0.6
OpFCF yield	15.5%	17.7%	-0.3%	13.9%
Dividend yield	2.4%	0.0%	1.6%	1.6%
EPS (adj.)	1.72	-0.23	0.22	0.88
EPS (adj.) growth	0.2%	-chg	+chg	nm
BVPS	20.04	19.51	19.73	20.41
DPS	0.30	0.00	0.20	0.20
Abs. Performances (12m, 6m, 3m, 1m):	-45.1%	16.7%	25.0%	8.5%

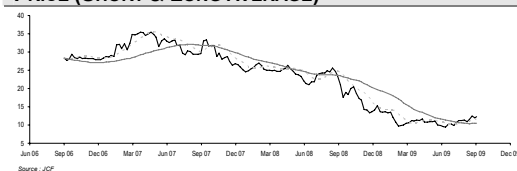
12 month High/low: EUR21.60 / 9.08

Avg. Daily nb traded shares:8,091

Main shareholders: Majority shareholders 53.0%; Free float 47.0%;

All share prices at 29/09/09.

PRICE (SHORT & LONG AVERAGE)



FINANCIAL CALENDAR (Source: Precise)

13/11/09 Q3 2009 Results

Profile: EL.EN. is an industrial high-tech group operating in the opto-electronics sector. The company exploits its own technology and multidisciplinary know-how to produce laser sources (gas, liquid, solid-state and semiconductors) and innovative laser systems for medical and industrial applications. El.En. Group, one of the leading operators in Europe and the world in the laser market, designs, manufactures and markets at an international level: medical laser devices used in dermatology, surgery, cosmetics, physiotherapy, dentistry and gynaecology; industrial laser systems for applications that range from the cutting, marking and welding; systems for scientific applications and research.

Key growth drivers: We believe that El.En. group is currently an attractive investment case. In our opinion, at the current price the stock certainly does not incorporate certain important drivers for the coming future: 1) the ageing population in the most industrialised countries, combined with the increased personal income of "baby boomer"; 2) media and cultural influences: the current cultural and aesthetic canons push people to focus more and more on "looking after their bodies" and on "caring about their look". Proof of this is that the demand for aesthetic treatments is not elastic in the economic crisis; 3) the strong capacity of the group to generate cash even in a difficult economic scenario, thus supporting the group's development and the strong R&D investments; 4) the several innovative products launched on the market in the last few years; 5) further opportunities for external growth; 6) the possibility to develop/enter new laser market niches thanks to the launch of new technologies/applications; 7) the strong growth potential and the fast improvement in the group's profitability in the event there is an economic recovery.

SWOT Analysis

STRENGTHS

- High technological know-how thanks to continuous significant investments in R&D
- Vertical integration of the value chain
- Product diversification and wide range of applications in all sectors
- Good international presence
- Strong cash generation
- Low dependence on the suppliers of raw materials and components

WEAKNESSES

- High competitive markets
- Possibility to offset pricing pressure only through high product turnover
- Rigid cost structure (high labour costs, high commercial investments)
- Need to keep a high stock level in order to dispatch clients' orders at the right time

OPPORTUNITIES

- Further opportunities for external growth
- Further potential growth in the markets with interesting growth rates
- Possibility to play a leading role when the market recovers
- Possibility to develop/enter new laser market niches thanks to the launch of new technologies/applications

THREATS

- Risk of sustained weakness in the laser industrial sector, especially in Europe
- In spite of first few signs of improvement, the visibility on the consumption trend is still low
- Market threats (second-hand goods, new technologies, killer applications)

Recommendation: Based on our SOP valuation based on DCF model of El.En. group excluding Cynosure and the current market value of Cynosure and supported by the P/BV comparison, our recommendation is Buy. We have set a Target Price of EUR 16.70 per share. It is important to highlight that, the stock shows an upside of over 40% on the current price.

Target Price: EUR 16.70

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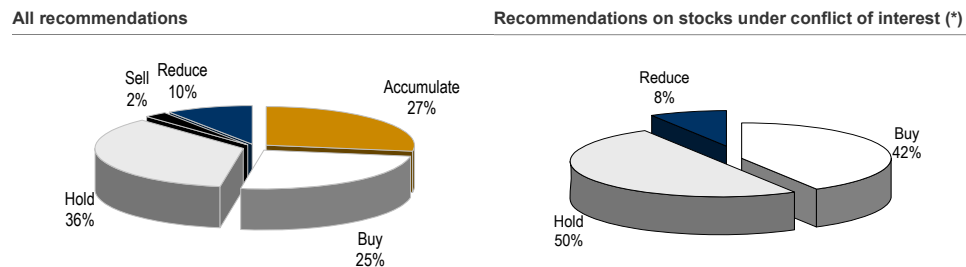
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Percentage of recommendations by the 30 June 2009



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