

El.En.

Italy/Industrial Engineering

Buy

Recommendation unchanged

Share price: EUR 13.23

closing price as of 13/11/2009

Target price: EUR 16.70

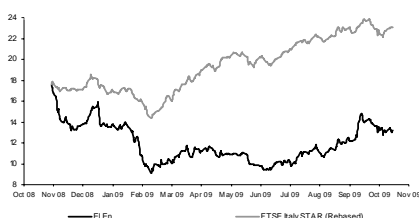
Target Price unchanged

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	8,656
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	19.19
Price low 12 mth (EUR)	9.08
Abs. perf. 1 mth	-7.48%
Abs. perf. 3 mth	18.44%
Abs. perf. 12 mth	-29.52%

Key financials (EUR)	12/08	12/09e	12/10e
Sales (m)	222	146	164
EBITDA (m)	29	(2)	9
EBITDA margin	13.0%	nm	5.4%
EBIT (m)	21	(9)	2
EBIT margin	9.3%	nm	0.9%
Net Profit (adj.)(m)	8	(1)	1
ROCE	13.6%	-5.6%	0.9%
Net debt/(cash) (m)	(68)	(53)	(45)
Net Debt/Equity	-0.4	-0.3	-0.3
Debt/EBITDA	-2.4	29.2	-5.1
Int. cover(EBITDA/Fin. int)	(19.2)	2.8	(12.2)
EV/Sales	0.5	0.6	0.6
EV/EBITDA	4.2	nm	10.6
EV/EBITDA (adj.)	4.2	nm	10.6
EV/EBIT	5.9	nm	62.5
P/E (adj.)	8.1	nm	nm
P/BV	0.7	0.7	0.7
OpFCF yield	15.5%	16.4%	-0.2%
Dividend yield	2.3%	0.0%	1.5%
EPS (adj.)	1.72	(0.23)	0.22
BVPS	20.04	19.51	19.73
DPS	0.30	0.00	0.20



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Q3 09 results slightly better than our estimates

The facts: El.En. published its Q3 09 results last Friday.

▪ **Q3 El.En group consolidate results:** Q3 09 sales down by 33.3% Y/Y (higher than our forecast of EUR 31.9m); this negative trend was due to the continuing global economic downturn. In order to face the sales drop, the group performed some actions aimed at reducing the operative costs; however, the effects of the actions have not been able to reduce fixed cost sufficiently enough to offset the decrease in revenues in the period and operating margins remained negative (nevertheless Q3 09 EBIT of EUR -1.5m was better than our forecast of EUR -1.9m).

▪ It is important to highlight that, as partly showed by Q3 results, *the process of operating cost reduction realised by the management, even if maintaining the investments and the expense in R&D, allowed the group to strongly reduce its break-even point; so the group is now able to realise positive operating results with sales slightly higher than in Q3 09, historically negatively impacted by the low activity in the summer season.*

EL.EN GROUP: Q3 09 CONSOLIDATE results

	Q3 08a	Q3 09a	%Chg.	9M 08a	9M 09a	%Chg.
Sales	51.4	34.3	-33.3%	165.1	106.8	-35.3%
EBIT	4.5	(1.5)	n.m.	19.5	(10.5)	n.m.
Margin %	8.7%	-4.4%		11.8%	-9.9%	

▪ Source: Company Data

Q3 09 El.En group excluding Cynosure estimates: though registering a loss, Q3 09 consolidated results, excluding Cynosure, were better compared to the full consolidate results, which were affected by the severe economic downturn in the US, the main market for Cynosure. The group registered a lower decrease in revenues and a lower impact from fixed costs on revenues, thus limiting the operating loss to -0.9% on revenues with respect to -4.4% reported in the full area of consolidation.

EL.EN GROUP: Q3 09 EXCLUDING CYNOSURE results

	Q3 08a	Q3 09a	%Chg.	9M 08a	9M 09a	%Chg.
Sales	29.2	22.6	-22.6%	98.5	71.6	-27.3%
EBIT	1.6	(0.2)	n.m.	8.5	(2.0)	n.m.
Margin %	5.5%	-0.9%		8.6%	-2.9%	

▪ Source: Company Data

Conclusion & Action: based on Q3 results better than our estimates and on the successful of the process of operating cost reduction, we maintain our FY 09 and FY 10 estimates and we confirm our Buy recommendation and our target price of EUR 16.70 per share.

Disclaimer

This research has been prepared by Andrea Devita, Marco Cavalleri, Luigi Tramontana, Claudio Giacomello, Paola Saglietti, Gabriele Gambarova, Dario Michi, Enrico Filippi, Giada Cabrino (all members of AIAF), Francesco Previtera, Francesco Sala 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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- 10) Prima Industrie (the Bank is acting as specialist and was appointed financial advisor in the coming capital increase).

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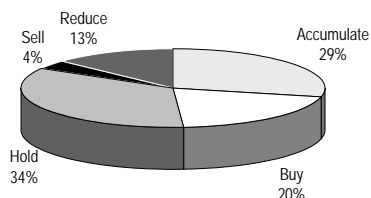
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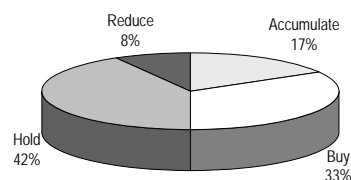
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Percentage of recommendations by the 30 September 2009

All recommendations



Recommendations on stocks under conflict of interest (*)



(*) Please note that the rate of issuers who are in potential conflict of interests with Banca Akros is equivalent to 14% of all issuers covered

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