

EL.EN.

BUY

Price (Eu):

12.0

Target Price (Eu):

18.7

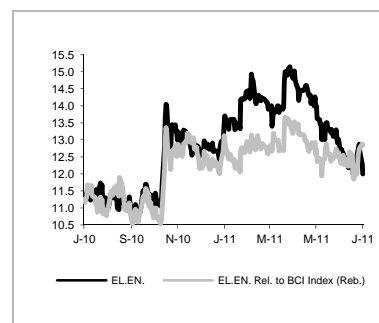
SECTOR: Industrials

 Jacopo Tagliaferri +39-02-77115.230
 e-mail: jacopo.tagliaferri@intermonte.it

Lasers Point in the Right Direction

- A global player in the laser industry.** The El.En. Group designs, produces and distributes high-tech laser sources (in gas, solid and liquid states) and laser systems for the medical and aesthetic sector (cosmetic medicine, dermatology, surgery, dentistry, physiotherapy and other applications) and the industrial sector (cutting, marking and welding metals, wood, plastics and glass). Group sales amounted to Eu189.9mn in 2010, of which 65.6% in the medical sector and 15.5% in the industrial sector; Italy accounted for only 14.2% of the total.
- Cynosure, a cash-rich strategic asset.** El.En fully consolidates its 23.37% stake in Cynosure on account of a clause in the by-laws that gives it the right to appoint the Board. The US company, listed on the NASDAQ, develops and markets medical and aesthetic treatment systems used to perform non-invasive and minimally invasive procedures to remove hair, treat vascular lesions and rejuvenate skin. Cynosure sales came to Eu61.5mn in 2010, equal to 32.4% of El.En Group total sales. The company net cash was Eu72.1mn at the end of 2011.
- High exposure to the medical and aesthetic sector, which enjoys sustainable growth drivers.** The sector CAGR in 2009-14 is forecast to be 13.3%, thanks mainly to ageing populations, contemporary cultural and aesthetic standards, technological developments, a growing offer of laser treatment by health and spa centres and decreasing prices. Demand for medical and aesthetic treatments has proven inelastic.
- Positive earnings momentum is here to last.** Following the financial crisis of 2008-09 and the resulting credit crunch, which hit the US medical and aesthetic sector particularly hard (sales of medical and aesthetic lasers were made with high leverage), El.En has returned to growth. We expect El.En excluding Cynosure to post a CAGR in sales of 8.3% by 2013, combined with sound operating leverage: the EBITDA and EBIT CAGRs in 2010-13 should be 11.7% and 17.6%, respectively.
- Cynosure back to profit.** Sales should grow by 30.8% in 2011 in USD, due to the roll-out of new innovative products, recovery in the US market and consolidation of the HOYA ConBio acquisition in 2H11. Cynosure should return to profit in 2012: we forecast USD1.5mn.
- Undemanding valuation.** We initiate coverage of El.En with a BUY rating. Our valuation, based on a SOP which combines the value of a DCF for El.En excluding Cynosure and the market value of El.En's 23.37% stake in Cynosure, yields a target price of Eu18.7 per share, suggesting more than 50% upside. El.En ex Cynosure is trading at 2.0x EV/EVITDA and 8.4x P/E on 2011, with a 2010-13 EPS CAGR of 28.7%.
- The main risks** to our recommendation are: a worsening macroeconomic environment, limited availability of credit, increasing competitive pressure in the medical sector, USD/EUR volatility, complexity of the corporate structure.

EL.EN. - 12m Performance



Eu/USD: 1.33 2010; 1.40 2011/12

RATING: New Coverage

TARGET PRICE (Eu): New Coverage

Change in EPS est: 2011E 2012E

STOCK DATA

 Reuters code: ELN.MI
 Bloomberg code: ELN IM

Performance	1m	3m	12m
Absolute	-3.9%	-17.0%	5.3%
Relative	-3.1%	-6.2%	7.7%
12 months H/L:	15.14/10.71		

SHAREHOLDER DATA

No. of Ord. shares (mn):	5
Total No. of shares (mn):	5
Mkt Cap Ord (Eu mn):	58
Total Mkt Cap (Eu mn):	58
Mkt Float - ord (Eu mn):	27
Mkt Float (in %):	46.3%
Main shareholder:	
Cangioli Andrea	13.5%

BALANCE SHEET DATA

	2011
Book value (Eu mn):	96
BVPS (Eu):	19.82
P/BV:	0.6
Net Financial Position (Eu mn):	47
Enterprise value (Eu mn):	96

Key Figures	2009A	2010A	2011E	2012E	2013E
Sales (Eu mn)	149	190	214	240	256
Ebitda (Eu mn)	-4	14	19	24	26
Net profit (Eu mn)	-5	1	3	4	4
EPS - New (Eu)	-1.09	0.27	0.62	0.73	0.87
EPS - Old (Eu)					
DPS (Eu)	0.00	0.20	0.31	0.33	0.39
Ratios & Multiples	2009A	2010A	2011E	2012E	2013E
P/E	nm	44.6	19.3	16.5	13.8
Div. Yield	0.0%	1.7%	2.6%	2.8%	3.3%
EV/Ebitda	nm	4.9	5.0	4.1	3.7
ROCE	-12.1%	5.7%	8.5%	10.7%	12.5%

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EL.EN. - KEY FIGURES

		2009A	2010A	2011E	2012E	2013E
	Fiscal year end	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
PROFIT & LOSS (Eu mn)	Sales	149	190	214	240	256
	EBITDA	(4)	14	19	24	26
	EBIT	(13)	5	10	14	16
	Financial income (charges)	1	0	0	0	0
	Associates & Others	(1)	(1)	1	(0)	(1)
	Pre-tax profit (Loss)	(12)	5	10	13	16
	Taxes	(4)	(4)	(5)	(6)	(7)
	Tax rate (%)	32.9%	-90.7%	-47.0%	-45.0%	-44.5%
	Minorities & discontinue activities	(11)	(1)	(2)	(4)	(4)
	Net profit	-5	1	3	4	4
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	(4)	14	19	24	26
	Ebit excl. extraordinary items	(13)	5	10	14	16
Net profit restated	(5)	1	3	4	4	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	5	5	5	5	5
	EPS stated fd	-1.09	0.27	0.62	0.73	0.87
	EPS restated fd	-1.09	0.27	0.62	0.73	0.87
	BVPS fd	18.71	19.94	19.82	20.22	20.69
	Dividend per share (ord)	0.00	0.20	0.31	0.33	0.39
	Dividend per share (sav)					
Dividend pay out ratio (%)	0.0%	76.0%	50.0%	45.7%	45.2%	
CASH FLOW (Eu mn)	Gross cash flow	(19)	8	13	14	14
	Change in NWC	12	(5)	(5)	(9)	(8)
	Capital expenditure	(10)	(6)	(7)	(8)	(8)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(18)	(3)	1	(3)	(2)
	Acquisitions, divestments & others	2	1	(18)	0	0
	Dividend	(1)	(0)	(1)	(2)	(2)
	Equity financing/Buy-back	1	(1)	0	0	0
Change in Net Financial Position	1	6	(28)	1	1	
BALANCE SHEET (Eu mn)	Total fixed assets	38	37	37	38	39
	Net working capital	52	56	61	69	78
	Long term liabilities	5	4	28	19	11
	Net capital employed	94	97	126	127	128
	Net financial position	69	75	47	48	49
	Group equity	163	172	173	175	177
	Minorities	73	78	78	78	78
Net equity	90	94	96	98	100	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	58	58	58	58	58
	Adjustments (associate & minorities)	(87)	(87)	(87)	(87)	(87)
	Net financial position	69	75	47	48	49
	Enterprise value	76	70	97	96	95
RATIOS(%)	EBITDA margin*	nm	7.5%	9.0%	9.9%	10.2%
	EBIT margin*	nm	2.9%	4.4%	5.6%	6.3%
	Gearing - Debt/equity	-42.2%	-43.6%	-27.3%	-27.5%	-27.8%
	Interest cover on EBIT	13.3	nm	nm	nm	nm
	Debt/Ebitda	17.11	nm	nm	nm	nm
	ROCE*	-12.1%	5.7%	8.5%	10.7%	12.5%
	ROE*	-5.6%	1.4%	3.2%	3.6%	4.3%
	EV/CE	0.7	0.7	0.9	0.8	0.7
	EV/Sales	0.5	0.4	0.5	0.4	0.4
	EV/Ebit	nm	12.9	10.2	7.1	5.9
Free Cash Flow Yield	-12.1%	-1.7%	0.6%	-1.9%	-1.5%	
GROWTH RATES (%)	Sales	-32.7%	27.3%	12.8%	12.0%	6.6%
	EBITDA*	nm	nm	35.0%	22.8%	9.7%
	EBIT*	nm	nm	75.2%	42.1%	18.5%
	Net profit	nm	nm	136.4%	16.7%	20.0%
	EPS restated	nm	nm	131.4%	16.7%	20.0%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Executive Summary

A global player in the laser industry. El.En. Group (Electronic Engineering) designs, produces and distributes high-tech laser sources (in gas, solid and liquid states) and innovative systems for a wide range of applications in the medical sector (aesthetic medicine, dermatology, surgery, dentistry, physiotherapy, urology, pain therapy, gynaecology and other areas) and the industrial sector (cutting, marking and welding metals, wood, plastics and glass). The group offers geographically widespread after-sales service by procuring spare parts and consumables, as well as providing technical assistance. Group sales amounted to Eu189.9mn in 2010, of which 65.6% in the medical sector, 15.5% in the industrial sector; sales in Italy accounted for only 14.2% of the total.

Cynosure, a strategic asset. El.En fully consolidates its 23.37% stake in Cynosure on account of a clause in the by-laws that gives it the right to appoint the members of the Board of Directors. The US company, listed on the NASDAQ, develops and markets medical and aesthetic treatment systems that are used by physicians and other practitioners to perform non-invasive and minimally invasive procedures to remove hair, treat vascular lesions and rejuvenate skin. Cynosure sales came to Eu61.5mn in 2010, equal to 32.4% of El.En Group total sales. The company had net cash of Eu72.1mn at the end of 2011.

The medical and aesthetic sector enjoys sustainable growth drivers. It is forecast to grow at a 13.3% CAGR from 2009 to 2014, the main drivers being the ageing of the population, pressure from current cultural and aesthetic norms, technological progress, a growing offer of laser treatments by health and spa centres and their decreasing prices. Two segments that will probably provide significant growth opportunities are body shaping and skin tightening, where El.En has a strong product offer. Demand has proven to be inelastic also in recession times.

The industrial sector is cyclical but fast-growing right now. Demand is mainly coming from the development of an industrial and manufacturing base in emerging countries like China and Brazil, where El.En has already established a presence, plus others like India and Turkey.

Positive earnings momentum to last. Following the financial crisis of 2008-09 and the resulting credit crunch, which hit the US medical and aesthetic sector particularly hard (Cynosure sales decreased 47.8% in 2009), since 1Q10 El.En Group has been posting improving results. We expect El.En excluding Cynosure to post a CAGR in sales of 8.3% by 2013 (in 2011 we estimate sales will go up by 10.7%, slightly above company guidance). This should combine well with sound operating leverage thanks to reduced operating costs: EBITDA and EBIT CAGRs from 2010 to 2013 are projected to be 11.7% and 17.6%, respectively.

Cynosure back to profit. Sales at US subsidiary of El.En should grow by 30.8% in 2011 in USD, thanks to: i) the roll-out of new innovative products (Smartlipo, Cellulaze and SmoothShapes); ii) a recovery, albeit slow, in the US market; and iii) the consolidation in 2H11 of recent acquisition HOYA ConBio. In 2012, Cynosure should increase its profitability and achieve a net profit (we forecast USD1.5mn), thus contributing positively to El.En Group's bottom line.

Flashing undemanding valuation. We initiate coverage of El.En. with a BUY rating as we see in El.En an attractive investment case. Our valuation, based on an SOP that combines the value resulting from a DCF for El.En excluding Cynosure and the market value of El.En's 23.37% stake in Cynosure, points to a target price of Eu18.7 per share, suggesting there is over 50% upside.

We highlight that if we were to strip out the market value of El.En's stake in Cynosure (Eu27.4mn with a USD/EUR rate of 1.40) from the group's EV, El.En alone would be trading at 2.0x EV/EVITDA and 8.4x P/E based on 2011 estimates, despite an expected EPS CAGR got 2010-2013 of 28.7%.

Last but not least, Cynosure is trading at 1.5x sales and 1.2x book value based on 2011 estimates, which is at a double-digit discount to a peer group of US medical lasers companies, which suggests there could be further upside to our SOP.

Main risks. The medical laser sector has low regulatory barriers to entry and limited patent protection: as a result, competition is particularly fierce and marketing and commercial expenses are structurally high. Demand is dependent on the macroeconomic environment; lack of available credit adversely affects equipment purchases.

We estimate that above 1.40x USD/EUR El.En starts booking negative earnings from exchange rates variations. Due to the full consolidation of Cynosure, El.En Group income statement and net cash position are negatively affected when the Dollar weakens (e.g. the Euro strengthens). Our current estimates are based on a USD/EUR exchange rate of 1.40x (in line with the average value recorded in 1H11).

The El.En share price has historically been strictly correlated to the Cynosure share price; the elasticity of El.En to a 1 USD fluctuation in Cynosure price stands now at 0.43x, which reflects the fact that El.En reduced its stake in 2007.

The Group's corporate structure is very complex: there are high minorities in strategic operating companies (in Brazil, in Japan and in China), which reduces visibility on the bottom line.

Both Cynosure and El.En have positive net cash positions, which makes their capital structure inefficient. Further external growth, with the associated uncertainties, cannot be ruled out.

SWOT Analysis

El.En Group SWOT Analysis

STRENGTHS	WEAKNESSES
Deep technological know-how	Highly competitive markets
Product diversification (Industrial and Medical)	Low barriers to entry in the Medical business
Sound balance sheet (cash positive)	Cyclicalities of the Industrial business
OPPORTUNITIES	RISKS
Active management of the stake in Cynosure	New technologies
Entrance in new laser niches	Credit crunch
Emerging markets penetration	Volatility in the USD/EUR exchange rate

Source: Intermonte SIM

Company Description

El.En. (Electronic Engineering) Group is a global player in the laser industry; it designs, produces and distributes high-tech laser sources (in gas, solid and liquid states) and innovative systems for a wide range of medical, aesthetic and industrial applications.

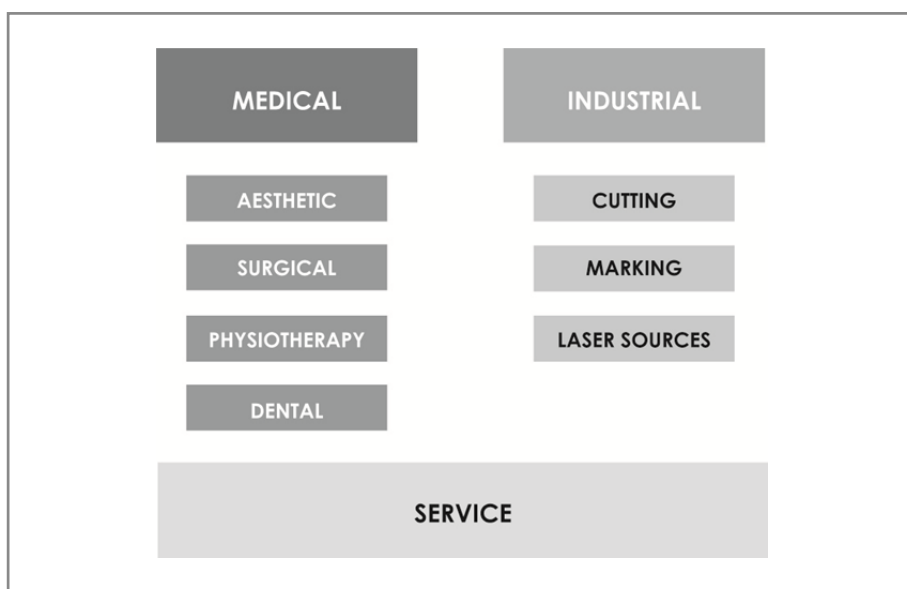
The group has put together know-how and skills in the mechanical, optical, electronic and technological fields to manufacture laser equipment. Research and development and ongoing, broad participation in national and international research projects have given El.En a competitive edge ever since it began doing business.

The medical laser sources and systems are employed in areas concerned with general well-being and a healthy body, in fields such as dermatology, surgery, dentistry, physiotherapy, urology, pain therapy, gynaecology and aesthetic medicine.

The industrial laser sources and systems are designed for cutting, marking and welding metals, wood, plastics and glass as well as the decoration of leather and fabrics.

The group offers geographically widespread after-sales service, not only as an indispensable support for the installation and maintenance of its laser systems, but also as a source of revenue from spare parts, consumables and technical assistance.

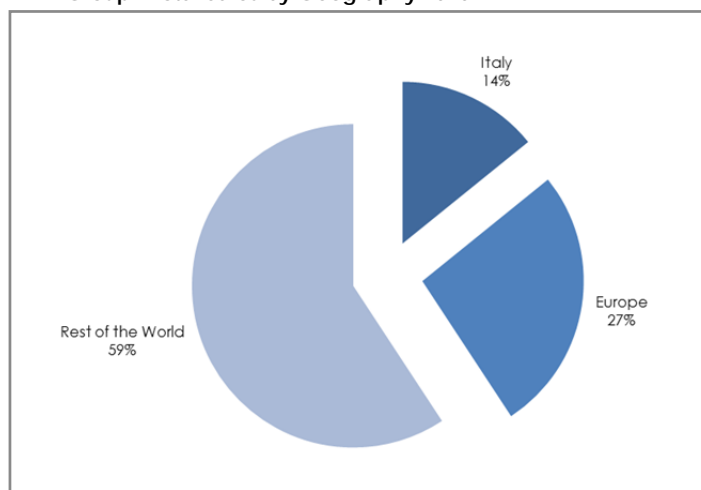
El.En Group – Activities



Source: Company Presentation

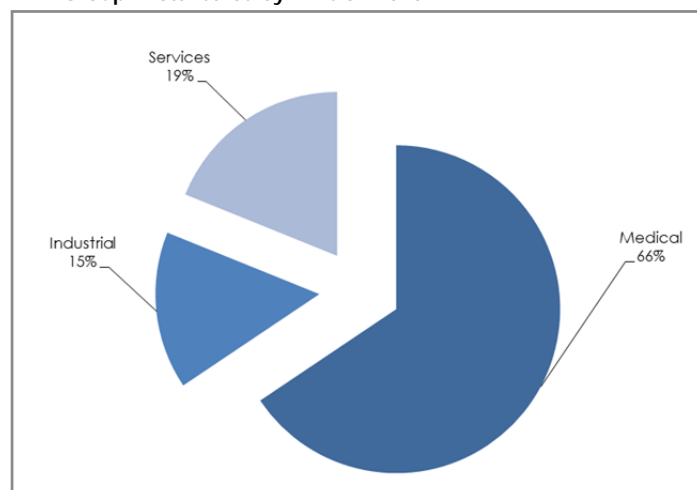
El.En Group recorded sales Eu189.9mn in 2010. Sales are skewed towards the Medical Division; Italy accounting for only 14% of total sales.

El.En Group - Total Sales by Geography 2010A



Source: Company data

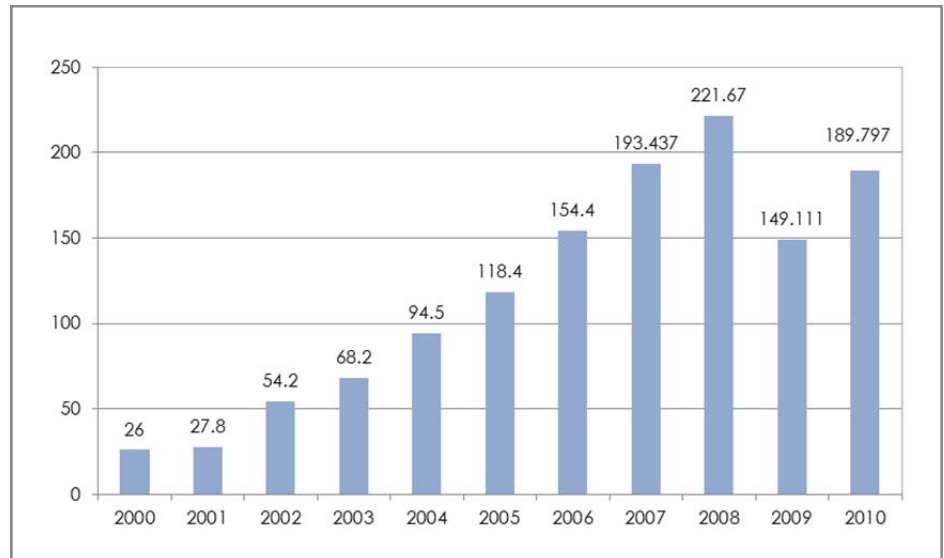
El.En Group - Total sales by Division 2010A



Source: Company data

Combining organic and external growth the Group has achieved a solid upward sales trend from the listing (December 2000), the CAGR 2000-2010 being equal to 20.2%.

El.En Group – Historical Total sales



Source Company data

Company Milestones

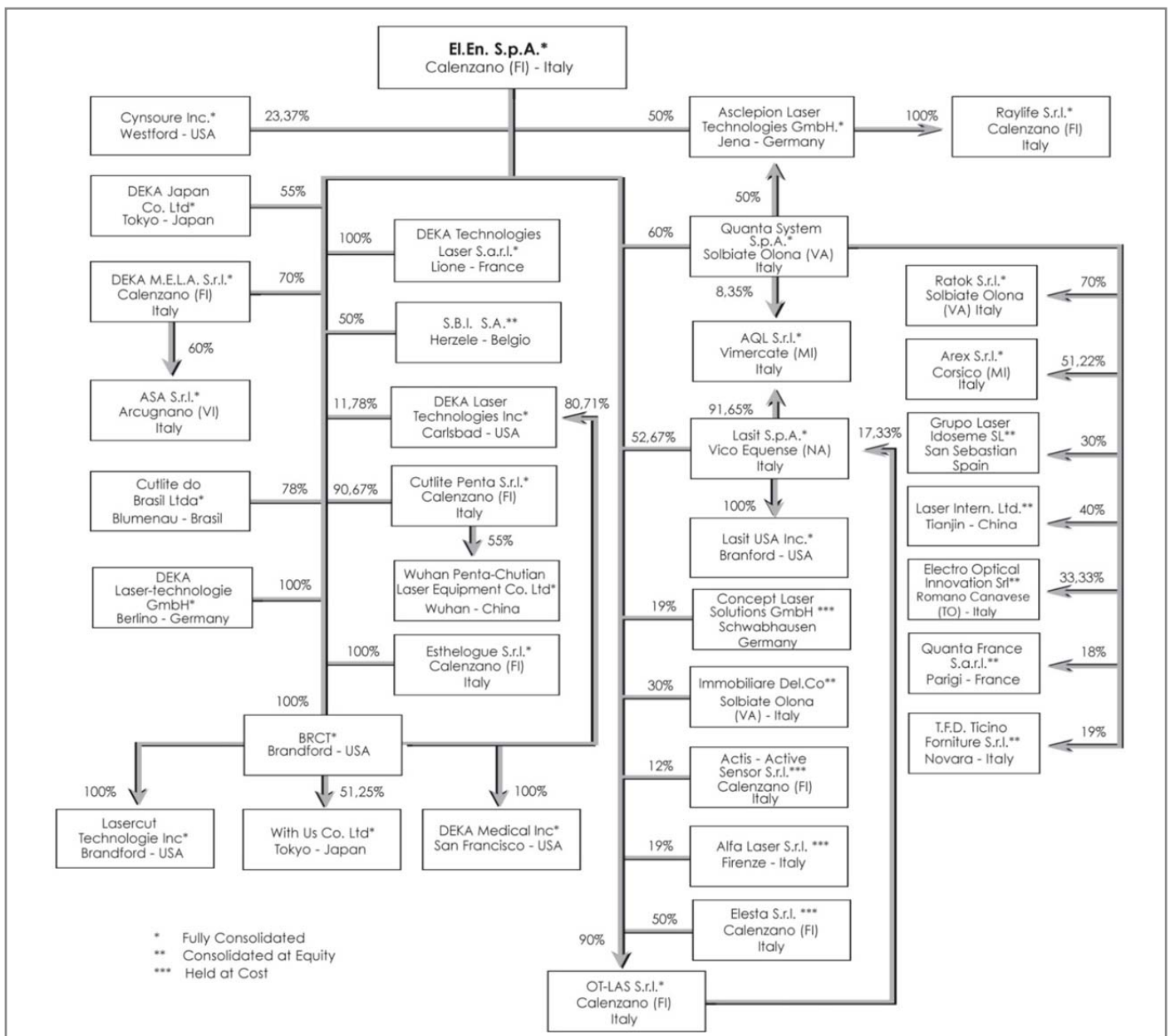
- **1981:** foundation of El.En in Florence
- **1990:** establishment of DEKA Mela (medical systems), Cutite Penta (cutting lasers) and Lasit (marking lasers)
- **2000:** listing on the Italian Stock Exchange, Nuovo Mercato segment, at Eu26 per share
- **2002:** acquisition of a 70% stake in Cynosure (US, medical and aesthetic lasers) at USD3.5 per share
- **2003:** acquisition of Lasercut (US, cutting lasers) and Asclepion (Germany, dermatological lasers) from Carl Zeiss Meditec
- **2005:** IPO of Cynosure at USD15 per share, El.En holding down to 35%
- **2007:** Cynosure stock sale at USD32 per share, holding down to 23%, opening of new subsidiaries in Brazil and China

Group Structure

EI.En. SpA is the parent company of a group of operating companies, each with a specific role depending on the market segment and geographical area in which it operates. The main companies are:

- Cynosure Inc. and Asclepion Laser Technologies GmbH develop, manufacture, and distribute medical laser systems,
- ASA Srl develops, produces and distributes laser equipment for physical therapy,
- Deka M.E.L.A. Srl, Deka Technologie Laser Sarl, Deka Lasertechnologie GmbH, Deka Laser Technologies Inc, Deka Medical Inc, Deka Japan Co Ltd With Us Co Ltd distribute aesthetic and medical laser systems,
- Cutlite Penta Srl creates laser systems for flat cutting,
- Ot-Las Srl creates systems for marking large areas,
- Lasit SpA and Lasit USA Inc create and distribute systems for marking small surfaces,
- Estheloque Srl directly distributes EI.En products to professional aesthetics in Italy,
- Cutlite do Brasil Ltda produces and distributes industrial lasers for the local market,
- Wuhan Penta Chutian Laser Equipment Co LTD is a JV created to produce lasers cutting systems for the local market,
- Quanta System SpA develops, manufactures and distributes laser systems for medicine, industry and scientific research.

EI.En Group – Structure



Source: Company data

Cynosure

Cynosure, founded in 1991 and listed on the NASDAQ, develops and markets medical and aesthetic treatment systems that are used by physicians and other practitioners to perform non-invasive and minimally invasive procedures to remove hair, treat vascular lesions, rejuvenate skin through the treatment of shallow vascular and pigmented lesions, laser lipolysis and temporarily reduce the appearance of cellulite.

Cynosure's products include a broad range of laser and other light-based energy sources; currently the company holds 37 United States patents and markets over 14 different light-based systems in the US, in France, Germany, the UK, Spain, Japan, China, Mexico and South Korea through 8 wholly owned subsidiaries and in 78 other countries through global distributors.

In 2002 El.En bought a 70% stake in Cynosure to widen its product portfolio and to enter the US market, the biggest for medical and aesthetic lasers. The IPO came three years later after a change in management and a turnaround of company operations. Cynosure became the distribution platform for several applications developed by El.En. At the time of the IPO, El.En reduced its stake to 35%. In 2007 it sold another 12% stake on the market.

El.En now has a 23.37% stake in Cynosure: the subsidiary falls within the consolidation base because El.En. still holds a controlling stake of Cynosure on account of a clause in the by-laws that gives it the right to appoint the members of the Board. This clause will remain valid as long as El.En. holds at least 20% of Cynosure's shares. As a consequence, El.En publishes its financial statements with and without Cynosure. In 2009 and in 2010 El.En's sales to Cynosure were in the region of Eu4mn (on average 7% of El.En's turnover excluding Cynosure).

Cynosure most innovative products and main drivers of its future growth are:

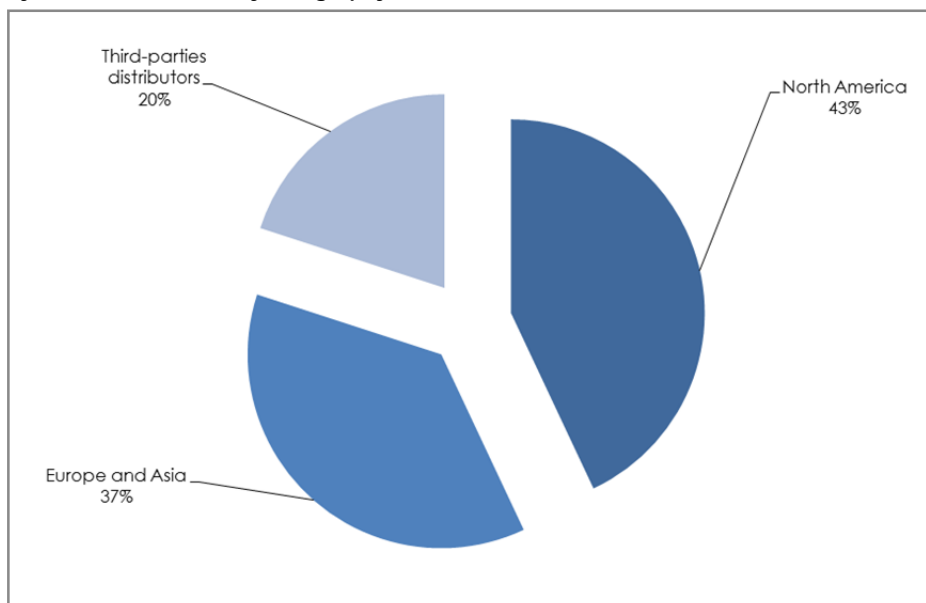
- **Smartlipo:** already approved by the FDA, it provides aesthetic surgeons (laser based lipolysis) with a less invasive technique compared to conventional body shaping methods (the system was originally developed by El.En);
- **Cellulaze:** the world first minimally invasive surgical solution for long-lasting cellulite reduction, to be rolled out in Europe and in the US in 2H11;
- **SmoothShapes:** a unique non-invasive body shaping laser for temporary reduction in the appearance of cellulite, which combines wave diode laser and LED energy along with mechanical manipulation as vacuum and massage, ready to be marketed in Europe and in the US (it comes from the acquisition of assets and intellectual property of Eleme Medical last February).

Last June Cynosure acquired the assets and intellectual property of HOYA ConBio for USD24.5mn in cash. HOYA ConBio has an installed base of more than 3,200 aesthetic laser systems worldwide; it recorded USD23.9mn of sales in the fiscal year that ended March 31, 2011, of which 80% came from outside the US, and posted a net profit in the period. That acquisition has expanded Cynosure's broad product portfolio with the addition of HOYA ConBio's proprietary PhotoAcoustic energy technology, which uses high-speed energy waves to penetrate the skin in nanoseconds, minimizing the amount of heat in each procedure. HOYA ConBio's product range include the popular laser systems MedLite and RevLite, designed for skin rejuvenation, multi-colour tattoo removal, wrinkle and acne scar reduction, as well as treatment for pigmented lesions.

Although a difficult global economy has constrained the industry's growth, the market for medical and aesthetic lasers is gradually improving due partly to better access to credit. Indeed, Cynosure has signed framework agreements with certain financial institutions and third-party sources to sustain aesthetic practitioners' financial needs. In our opinion, Cynosure's healthy balance sheet (USD96mn in cash at 1Q11), its lean operating structure and its solid product portfolio (now strengthened further by HOYA ConBio products) should support the company's turnaround and prospective growth.

In 1Q11 Cynosure reported sales equal to USD21.9mn, of which 43% in North America, 37% in Europe and Asia, and 20% with third-parties distributors.

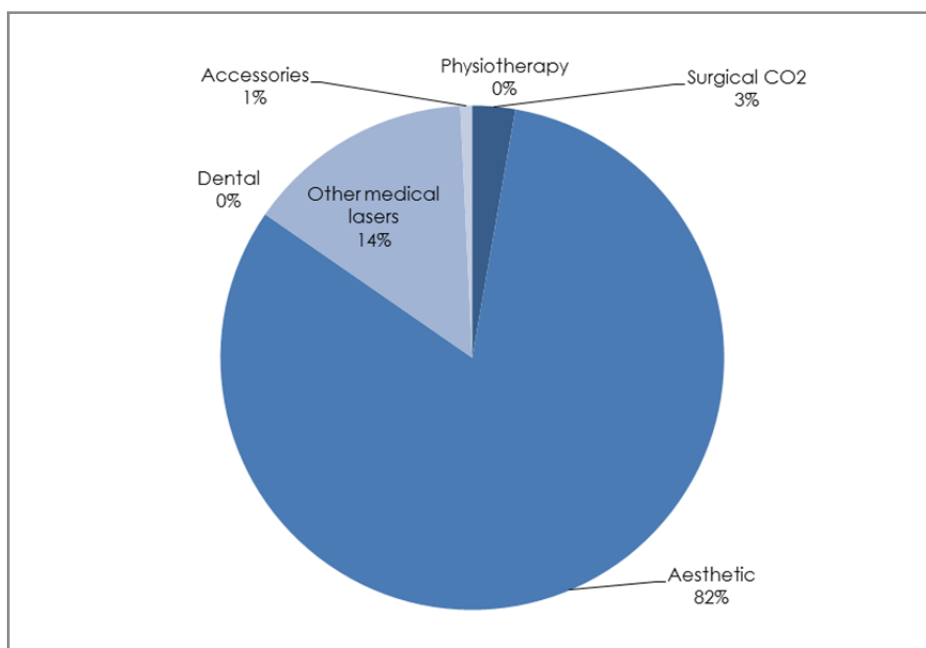
Cynosure - Total Sales by Geography 1Q11A



Source Company data

Cynosure records 100% of its sales within the medical sector, the aesthetic applications representing 82% of its total sales.

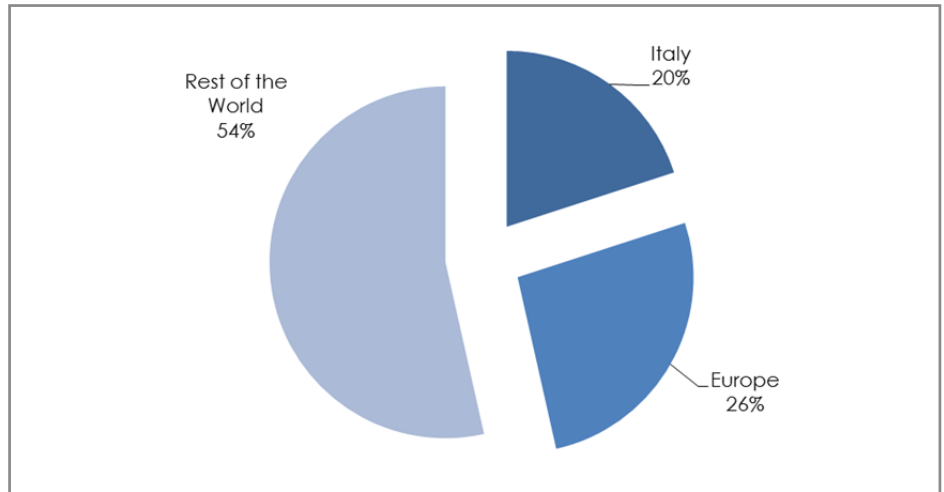
Cynosure - Total Sales by Division 2010A



Source Company data

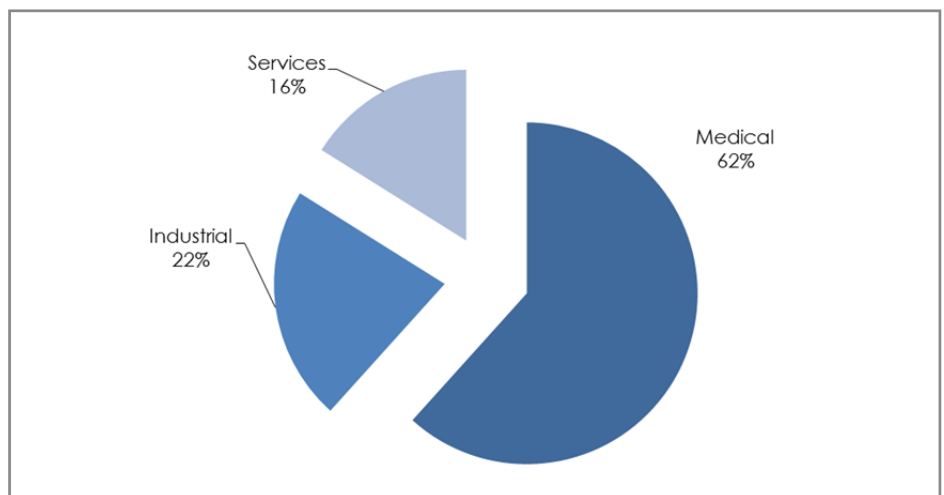
Ex Cynosure, El.En sales were Eu132.6mn in 2010.

El.En ex Cynosure - Total Sales by Geography 2010A



Source Company data

El.En ex Cynosure - Total Sales by Division 2010A



Source Company data

Business Model

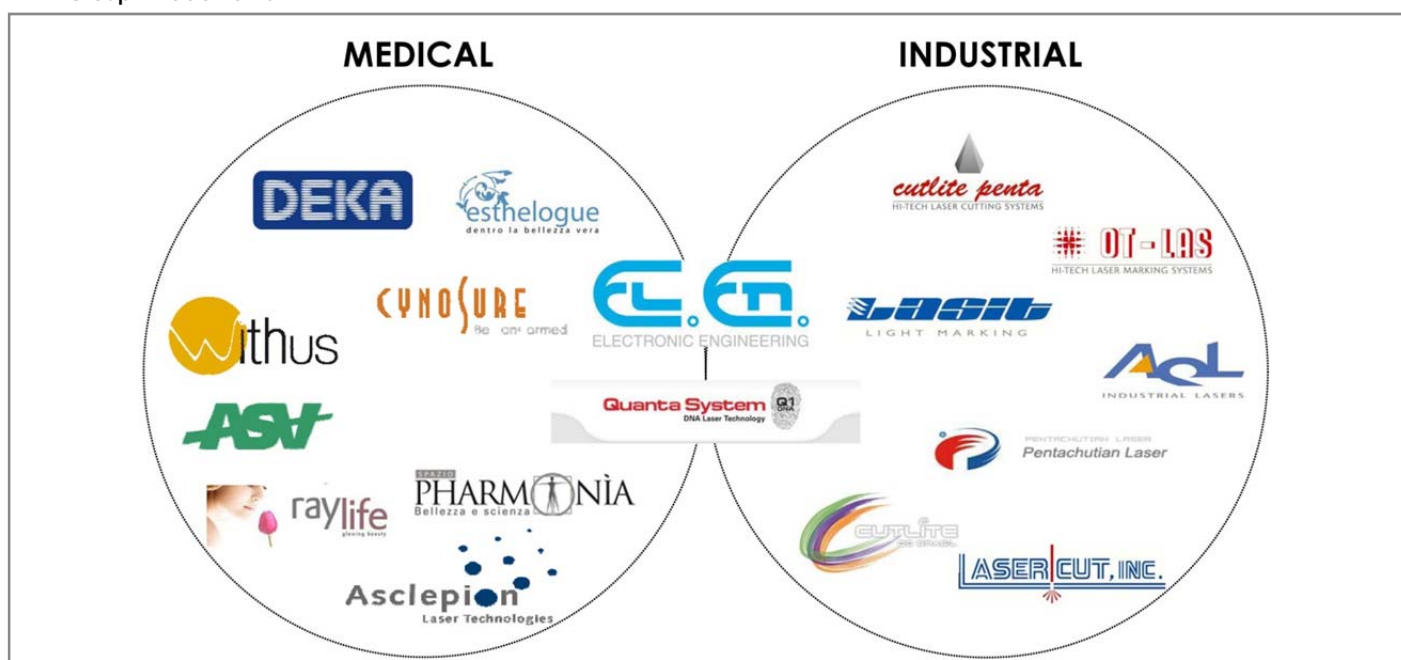
El.En Group today has about 1,000 employees and operates through 5 multi-disciplinary and multi-facility research centres located in Italy, the USA and Germany and 8 production facilities located in Italy, the USA, Germany, China and Brazil.

R&D expenses were Eu12.3mn in 2010, equal to 6% of total group sales (the historical average being 8%). R&D has always been an essential strategic choice. El.En's 100 researchers collaborate with leading national and international centres in scientific research projects, including numerous university departments, the CNR and ENEA.

The division of the group into multiple companies reflects its product distribution strategy and its commitment to coordinate the various research, development and marketing activities.

Particularly in the medical sector, the various companies which through acquisitions have gradually become part of the Group (DEKA, Asclepion, Quanta System, Cynosure, Asa) have always maintained their own special characteristics (by product type and by segment served) and their own independent direct distribution networks, so as to maximise market penetration.

El.En Group – Trademarks



Source: Company Presentation

El.En Group – Medical and Aesthetic Applications

Aesthetic		Medical
Hair Removal	esthelogue	ENT
Vascular Lesions	Asclepion Laser Technologies	Gynaechology
Skin Rejuvenation	CYNOSURE	Urology
Pigmented Lesions	Quanta System	Endovascular
Treatment of Cellulite	DEKA	Onchology
Acne	Withus	Dermatology
Tattoo Removal	raylife	Psoriasis and Vitiligo
Anti-Aging	ASV	Dentistry
LaserBody Sculpting	PHARMONIA	Therapy
Removal of Unwanted Fat		

Source: Company Presentation

The Medical Laser Sector

The growing use of lasers for medical and aesthetic applications has been spurred on by several new applications and their widespread uses.

In the medical segment, laser sources have long been used in ophthalmologic surgery, mainly to correct myopia and presbyopia. Over the past few years, laser systems have entered many new sectors, from dentistry to surgery, from therapeutics to diagnostics. They are used for cutting, ablation, cautery and bio-stimulation with great benefits compared to traditional surgical operations as they are less invasive.

Two segments with significant growth opportunities should be body shaping and skin tightening, two applications in which El.En. Group boasts a strong market share with several innovative products. Body shaping encompasses a range of procedures that target size and weight reduction, as well as toning, firming and cellulite treatment. Skin tightening procedures address wrinkles and skin laxity of the face and body.

The main key drivers for growth in medical and aesthetic applications are the following:

- ageing of population in the most industrialised countries;
- current cultural and aesthetic norms that impel people to focus more and more on “looking after” their bodies and to care more about their personal appearance: this social trend has made demand for aesthetic treatments less elastic;
- technology that offers less invasive and safer solutions;
- decreasing prices of aesthetic treatments, which broadens the potential client base;
- growing partnerships between health and spa centres (non-core market) and medical structures;
- the diffusion of lasers or light-based devices among opticians, otolaryngologists, obstetricians and gynaecologists (sometimes referred to as “non-core” physicians)

Within the medical laser sector, the group’s main competitors are Syneron, Palomar, Solta Medical, Cutera and Lumenis (not listed), all US-based companies.

Despite some consolidation having occurred in the last few years (e.g. Syneron bought Candela), the medical and aesthetic laser market is still very fragmented and is made up of niche segments where several small-sized players compete aggressively. Therefore, further market concentration is expected in the mid-term.

El.En Group - Competitive Positioning in the Medical Laser Sector

Company	Surgical CO2	Physiotherapy	Dermatology and Aesthetic	Dental	Ophthalmology and Other
Syneron (+Candela)			x		
Palomar			x		
Cutera			x		
Biolase			x	x	
Lasersight					x
Lumenis			x		
Quantel			x		x
Cynosure	x		x		
El.En (ex Cynosure)	x	x	x	x	

Source: Intermonte SIM

Unlike most competitors, El.En. Group is present in almost every segment and is also the only player that uses its laser sources in medical/aesthetic applications.

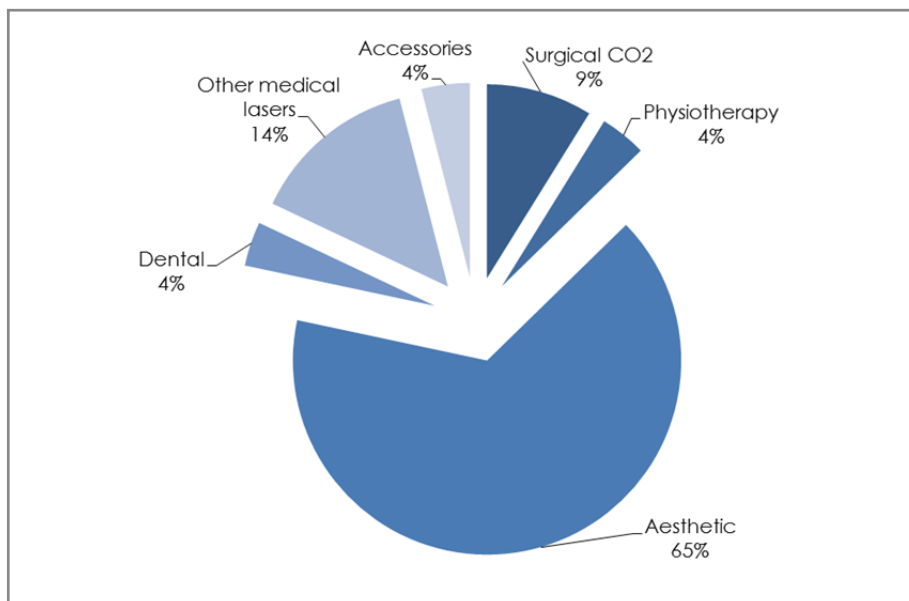
According to BCC Research, the Medical and Aesthetic laser market was worth USD1.9bn in 2009, down from USD2.3bn in 2008, but is expected to grow to USD3.7bn by 2014 (13.3% CAGR). According to Medical Insight, the global market for aesthetic products (including cosmetic products) was worth USD3.8bn in 2009 and will exceed USD6.8bn by 2014, posting a CAGR of 12.3%.

The skin tightening and body shaping systems market is expected to grow at the same rate (from USD325mn in 2009 to USD583mn in 2014). Average product prices are much higher in this segment.

Even if official figures for the market as a whole are still lacking, looking at the results published by Tier 1 companies active in the sector, we know that Medical and Aesthetic laser sales grew by a double-digit percentage in 2010.

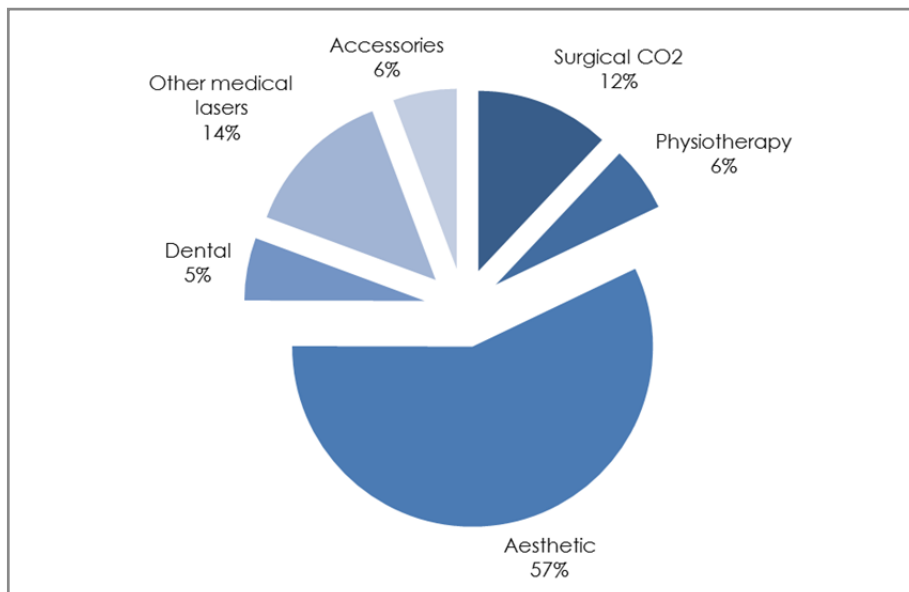
In addition, according to Laser Focus World, the market for Medical and Aesthetic laser sources was worth about USD450mn in 2010.

El.En Group – Medical Sales by Application 2010A



Source: Company data

El.En ex Cynosure Medical Sales by Application 2010A



Source: Company data

The Industrial Laser Sector

EI.En. Group produces laser sources and devices mainly for cutting and marking (metals, plastic, glass and wood). Main advantages of the laser technology are:

- total absence of mechanical pressure on the piece;
- cutting capability independent of the hardness of the material;
- capability of cutting coated or surface treated materials;
- capability of marking permanently;
- high degree of automation and flexibility as the process is computer controlled;
- ability to produce finished pieces that do not require further processing or decontamination;
- easy integration into larger production systems.

End markets where industrial lasers find application are characterised by a strong dependence on the business cycle and are particularly tied to the manufacturing sector. Emerging countries, especially Asia and China, are still developing an industrial base and are the main growth driver of the industrial laser market.

The market is highly fragmented, with the main players being Roфин-Sinar (US), Cymer (US), Trumpf Group (Germany), Amada (Japan) and Prima Industrie (Italy).

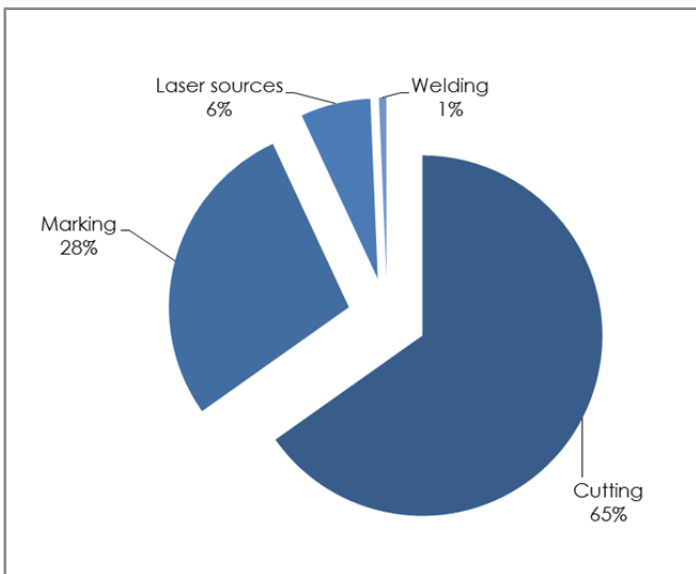
EI.En Group - Competitive Positioning in the Industrial Laser Sector

Company	Sources	Cutting	Marking	Welding and Other
Roфин-Sinar	x	x	x	
Cymer	x			x
Trumpf Group		x		x
Amada	x	x		x
Prima Industrie	x	x		
EI.En Group	x	x	x	x

Source: Intermonte SIM

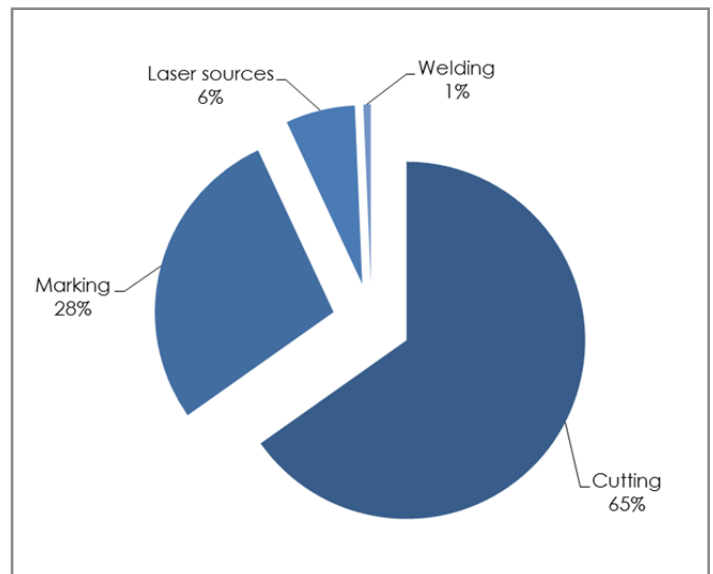
According to a recent study published by Industrial Laser Solutions, after a disastrous 2009 the laser sector for industrial applications rebounded dramatically in 2010: revenues in industrial lasers grew an overall 21% in 2010 after a 30% decline in 2009. In addition, according to Laser Focus World, the market for Industrial Processing laser sources was worth USD2.2bn in 2010.

EI.En Group – Industrial Sales by Application 2010A



Source: Company data

EI.En ex Cynosure Industrial Sales by Application 2010A



Source: Company data

Listing

El.En has been listed on the Italian Stock Exchange since December 2000, and the float currently stands at just under 50%. The stock is part of the STAR Segment.

The initial public offer involved 1.0mn new shares from an increase in the share capital and 0.354mn offered for sale. The price was set at Eu26 per share, generating a cash in of Eu26.0mn for El.En.

Share Price Since the IPO

The stock is down 54% since the IPO (December 2000); underperforming the FTSE Italy STAR index by 38.7% since its creation (January 2005). YTD the stock is down 6.5% compared to the flattish performance of the FTSE Italy STAR Index.

El.En Group – Share price since the IPO

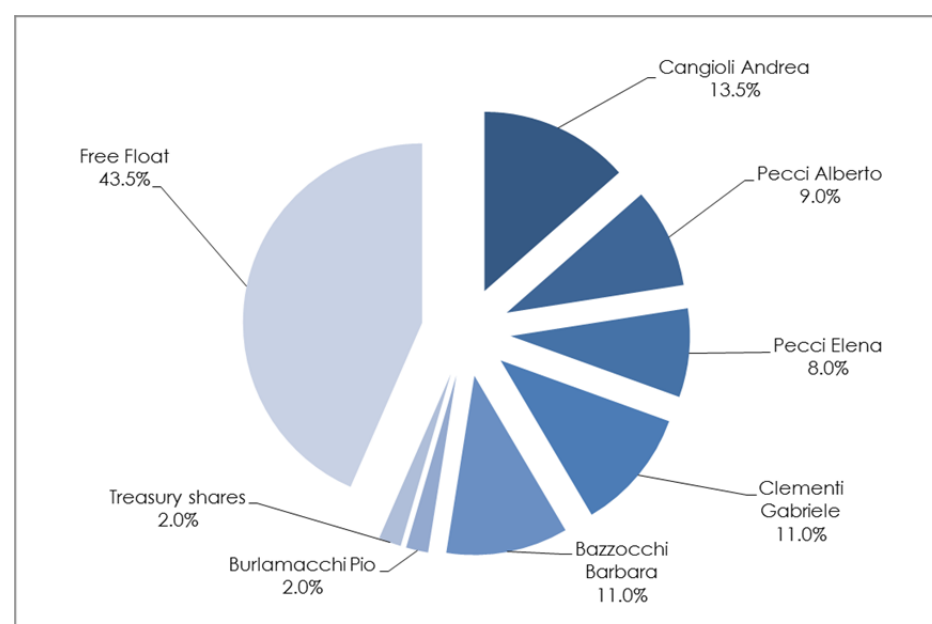


Source: Factset

Shareholders

The equity capital comprises 4,824,368 ordinary shares. Currently, approximately 43.5% of the share capital is on the market, while 54.5% is owned by the founders and some historical shareholders, 2.0% being treasury shares.

El.En Group – Shareholders structure



Source: Company data

Governance

The current Board of Directors is made up of 8 members, all of whose term of office will expire at the shareholders' meeting at which El.En's financial statements for the year ending 31st December 2011 are to be approved. 2 of the 8 members are independent. Aggregate compensation for the Board of Directors came to around Eu528,000 in 2010.

Gabriele Clementi is the El.En group's founder (together with Barbara Bazzocchi and Leonardo Masotti) and Chairman of the Board of Directors.

El.En group's top executives include Andrea Cangioli, Executive Director and Member of the Board, Barbara Bazzocchi, Executive Director and Member of the Board, Leonardo Masotti, Head of the Scientific Committee. Enrico Romagnoli is the Head of IR.

The group has adopted a stock option plan for its top employees. 160,000 options are currently in place, expiring in May 2013 with a strike price of Eu24.75 per share.

Reconta Ernst & Young is the El.En group's appointed auditor.

Financials

El.En Group 2010 Results: the Year of Turnaround

The El.En group posted sales of Eu189.8mn in 2010, up 27.3% YoY. The main drivers in 2010 were increasing sales of industrial laser systems in emerging markets (China and Brazil, where El.En has established a local manufacturing presence) and market share gains in the medical and aesthetic treatment sector (growing more than competitors).

El.En Group Profit & Loss

(€ mn)	2007A	2008A	2009A	2010A
Sales	193.4	221.7	149.1	189.8
YoY growth %		14.6%	-32.7%	27.3%
EBITDA	26.3	28.8	(4.0)	14.3
Ebitda margin %	13.6%	13.0%	-2.7%	7.5%
YoY growth %		9.4%		
Total D&A	(5.0)	(8.3)	(8.6)	(8.9)
EBIT	21.3	20.6	(12.6)	5.4
Ebit margin %	11.0%	9.3%	-8.4%	2.9%
YoY growth %		-3.5%		
Net financials & Participations	14.1	1.5	0.3	(0.7)
Pretax Profit	35.4	22.1	(12.3)	4.7
Taxes	(10.5)	(7.9)	(4.1)	(4.3)
Minorities	(7.3)	(5.9)	11.1	0.8
Group Net Profit	17.7	8.3	(5.3)	1.3
Net margin %	9.1%	3.8%	-3.5%	0.7%
YoY growth %		-52.8%		

Source: Company data

In 2009 the decline in sales was mainly due to the impact of the global economic crisis which affected both the industrial division (highly cyclical) and the medical division (highly dependent on the availability of credit).

El.En Group - Sales by Division

(€ mn)	2007A	2008A	2009A	2010A
Sales	193.4	221.7	149.1	189.8
YoY growth %		14.6%	-32.7%	27.3%
of which Medical	145.6	164.6	99.9	124.5
YoY growth %		13.0%	-39.3%	24.6%
of which Industrial	22.8	28.2	19.2	29.5
YoY growth %		23.6%	-31.9%	53.6%
of which Services	25.0	28.9	30.0	35.8
YoY growth %		15.5%	3.7%	19.5%

Source: Company data

Sales within the industrial division were slightly above the peak level reached in 2008 whereas sales within the medical division are still 24.3% below the record level of 2008.

In 2010 the El.En group also achieved a significant rebound in profitability: both EBITDA and EBIT turned positive, reaching Eu14.3mn and Eu5.4mn respectively, as operating costs remained basically flat between 2009 and 2010.

The EBIT margin came to 2.9%, well below the peak level reached in 2007 (11%) as Cynosure is still posting negative operating results.

Group net profit was positive, amounting to Eu1.3mn despite the net loss posted by Cynosure.

Looking at the balance sheet, the group has been able to grow its business while keeping working capital under control; as a result net cash increased from Eu68.9mn at the end of 2009 to Eu74.9mn at the end of 2010.

El.En Group – Balance Sheet

(€ mn)	2007A	2008A	2009A	2010A
Net working capital	49.1	62.2	51.6	55.9
as a % of total sales	25.4%	28.1%	34.6%	29.5%
Net fixed assets	26.9	34.4	38.1	36.8
Other	(0.7)	16.5	4.8	4.1
Net capital employed	75.3	113.1	94.5	96.8
Shareholders' Equity	93.6	96.7	90.2	94.1
Minorities	69.0	84.3	73.1	77.6
Group Net Equity	162.6	181.0	163.4	171.7
(Net Cash)	(87.3)	(67.9)	(68.9)	(74.9)
(Net Cash) ex Cynosure	(11.6)	(15.5)	(9.2)	(10.0)

Source: Company data

El.En Group – Cash Flow

(€ mn)	2007A	2008A	2009A	2010A
Net Income	32.2	20.1	(27.5)	(0.4)
Depreciation and Amortization	5.0	8.3	8.6	8.9
Other non-cash items	(2.3)	(17.2)	1.7	7.5
Gross Operating Cash Flow	35.0	11.2	-17.3	16.0
Change in NWC	(2.8)	(13.1)	11.6	(5.3)
Capex	(9.2)	(27.5)	(10.2)	(5.7)
Acquisitions	0.0	0.0	0.0	0.0
Share Capital Increase	0.0	(2.6)	0.7	(1.0)
Dividends	(1.4)	(5.2)	(1.4)	(0.2)
Others	10.6	17.9	15.7	1.2
Net Cash Flow	32.2	(19.3)	1.0	6.1
Initial Net Cash Position	(55.1)	(87.3)	(67.9)	(68.9)
Final Net Cash Position	(87.3)	(67.9)	(68.9)	(74.9)

Source: Company data

El.En ex Cynosure 2010 Results: Margins are Increasing

It is worth highlighting that excluding Cynosure, El.En's sales in the medical and aesthetic sector grew by 26.8% compared to 18.3% for Cynosure (in € terms).

El.En ex Cynosure Sales by Division

(€ mn)	2007A	2008A	2009A	2010A
Sales	110.3	140.0	101.8	132.6
YoY growth %		26.9%	-27.3%	30.3%
of which Medical	71.8	93.8	64.5	81.8
YoY growth %		30.6%	-31.3%	26.8%
of which Industrial	22.8	28.2	19.2	29.5
YoY growth %		23.6%	-31.9%	53.6%
of which Services	15.7	18.0	18.1	21.3
YoY growth %		14.3%	0.6%	17.9%

Source: Company data

El.En's profitability net of Cynosure was higher in 2010: EBITDA and EBIT came to Eu13.3mn and Eu8.4mn respectively, equating to margins of 10.1% and 6.3%, approximately 300-350bps below the peak levels reached in 2008.

El.En ex Cynosure Profit & Loss

(€ mn)	2007A	2008A	2009A	2010A
Sales	110.3	140.0	101.8	132.6
YoY growth %		26.9%	-27.3%	30.3%
EBITDA	12.3	18.5	2.3	13.3
Ebitda margin %	11.1%	13.2%	2.2%	10.1%
YoY growth %		50.2%	-87.6%	484.2%
Total D&A	(2.7)	(4.6)	(3.7)	(5.0)
EBIT	9.6	13.8	(1.5)	8.4
Ebit margin %	8.7%	9.9%	-1.4%	6.3%
YoY growth %		44.7%		
Net financials & Participations	17.7	(0.1)	(0.6)	(0.7)
Pretax Profit	27.3	13.8	(2.0)	7.7
Taxes	(4.6)	(5.1)	(0.9)	(3.7)
Minorities	(1.0)	(0.6)	(0.2)	(1.8)
Group Net Profit	21.6	8.1	(3.1)	2.2
Net margin %	19.6%	5.8%	-3.0%	1.7%
YoY growth %		-62.5%		

Source: Company data

Group net profit excluding Cynosure was positive to the tune of Eu2.2mn; net cash increased to Eu10.0mn in 2010 from Eu8.8mn in 2009.

Cynosure 2010 Results: Back to Growth

After 2 years of tight credit markets and limited demand, Cynosure returned to growth in 2010: sales increased by 12.4% in USD (by 18.3% in Eu due to the strengthening of the dollar from 1.39x to 1.33x), mainly driven by international activities. The increase in sales combined with the cost cutting implemented in 2009 when the US market for medical and aesthetic laser systems collapsed due to tight credit conditions allowed Cynosure to reduce its operating losses.

Cynosure Profit & Loss

(€ mn)	2007A	2008A	2009A	2010A
Sales	90.3	94.5	52.0	61.5
YoY growth %		4.7%	-45.0%	18.3%
EBITDA	14.8	12.1	(8.0)	1.2
Ebitda margin %	16.3%	12.8%	-15.4%	1.9%
YoY growth %		-18.0%		
Total D&A	(2.3)	(3.7)	(4.8)	(3.9)
EBIT	12.5	8.5	(12.9)	(2.7)
Ebit margin %	13.8%	9.0%	-24.7%	-4.4%
YoY growth %		-31.7%		78.8%
Net financials & Participations	2.3	1.7	0.8	(0.1)
Pretax Profit	14.8	10.1	(12.1)	(2.8)
Taxes	(6.0)	(3.2)	(2.6)	(0.6)
Minorities	0.0	0.0	0.0	0.0
Group Net Profit	8.7	6.9	(14.7)	(3.4)
Net margin %	9.7%	7.3%	-28.3%	-5.5%
YoY growth %		-20.4%		77.1%

Source: Company data

Cynosure Profit & Loss

(USD mn)	2007A	2008A	2009A	2010A
Sales	123.8	139.0	72.5	81.5
YoY growth %		12.3%	-47.8%	12.4%
EBITDA	20.2	17.8	(11.1)	1.5
Ebitda margin %	16.3%	12.8%	-15.4%	1.9%
YoY growth %		-12.0%		
Total D&A	(3.2)	(5.4)	(6.8)	(5.2)
EBIT	17.1	12.5	(17.9)	(3.6)
Ebit margin %	13.8%	9.0%	-24.7%	-4.4%
YoY growth %		-26.7%		
Net financials & Participations	3.2	2.5	1.1	-0.1
Pretax Profit	20.2	14.9	(16.8)	(3.7)
Taxes	(8.3)	(4.8)	(3.7)	(0.8)
Minorities	0.0	0.0	0.0	0.0
Group Net Profit	12.0	10.2	(20.5)	(4.5)
Net margin %	9.7%	7.3%	-28.3%	-5.5%
YoY growth %		-14.6%		78.2%

Source: Company data

Last Quarter's Results: Positive 1Q11

The EI.En group posted sales of Eu45.3mn in 2010, up 10.4% YoY, in line with the company's guidance of sales up 10% in 2011. The main driver was the industrial division (+55.5% YoY, with cutting lasers sales +121.5% YoY), boosted by higher sales in emerging markets (mainly China and Brazil).

Sales for medical systems showed a slight increase (+1.2% YoY) reflecting a gradual transition both in overall demand (considerably reduced compared to the years preceding the crisis) and in supply (new system launches are skewed towards the second half of 2011). North America, the most important market for the group in the medical sector, showed growth in 1Q11 from Cynosure as well as other group companies operating in that area.

Operating leverage continued, with EBITDA increasing by 54.7% YoY to Eu2.1mn. EBIT, penalised by higher provisions, was broadly in line YoY. The company posted a pre-tax loss of Eu1.3mn due to unfavourable changes in the USD/EUR exchange rate.

EI.En Group 1Q11 Results

(€ mn)	1Q10A	1Q11A
Sales	41.1	45.3
YoY growth %		10.4%
EBITDA	1.4	2.1
Ebitda margin %	3.4%	4.7%
YoY growth %		54.7%
Total D&A	-1.9	-2.6
EBIT	-0.5	-0.5
Ebit margin %	-1.2%	-1.0%
YoY growth %		-4.5%
Net financials & Participations	0.1	-0.8
Pretax Profit	-0.4	-1.3

Source: Company data

Group net cash decreased to Eu61.4mn as at the end of March 2011 (from Eu74.9mn as at YE10) due to the purchase by Cynosure of Eleme Medical for USD2.5mn, a negative exchange effect of Eu3.6mn as the dollar weakened against the euro, and an increase in net working capital as the number of days for payment of receivables increased.

Net cash excluding Cynosure decreased to Eu3.6mn as at the end of March 2011 (from Eu10.0mn as at YE10) due to the increase in net working capital as a consequence of higher sales QoQ.

In 1Q11 EI.En excluding Cynosure posted a lower growth rate than the group overall, (+8.8% YoY vs. +10.4% YoY) but higher profitability: EBITDA reached Eu2.4 (vs. Eu2.1mn), the margin increased by 180bps YoY. EBIT turned positive and the pre-tax result achieved breakeven.

El.En ex Cynosure 1Q11 Results

(€ mn)	1Q10A	1Q11A
Sales	28.4	30.9
YoY growth %		8.8%
EBITDA Adj.	1.7	2.4
Ebitda margin %	6.0%	7.8%
YoY growth %		41.7%
Total D&A	-0.7	-1.4
EBIT	1.0	1.0
Ebit margin %	3.4%	3.3%
YoY growth %		3.9%
Net financials & Participations	0.1	-1.0
Pretax Profit	1.1	0.0

Source: Company data

Cynosure grew by 15.9% in USD shows in 1Q11, and was able to further reduce its operating losses.

Cynosure 1Q11 Results

(USD mn)	1Q10A	1Q11A
Sales	18.9	21.9
YoY growth %		15.9%
EBIT	-2.5	-1.9
Ebit margin %	-13.2%	-8.7%
YoY growth %		24.0%
Net Profit	-2.8	-1.9
Net margin %	-14.8%	-8.7%
YoY growth %		32.1%

Source: Company data

Company's Guidance

Backed by the tangible recovery in 2010, EI.En's management said that excluding Cynosure sales should grow by 10% and profitability should increase further (EBIT margin was 6.3% in 2010).

This guidance also takes into consideration the Japanese market, which was hit by the earthquake in March. The EI.En group has two subsidiaries operating in the medical and aesthetic laser sector with sales in the region of Eu20m.

Estimates

El.En Group: Three Years of Forecasts: 2011, 2012 and 2013

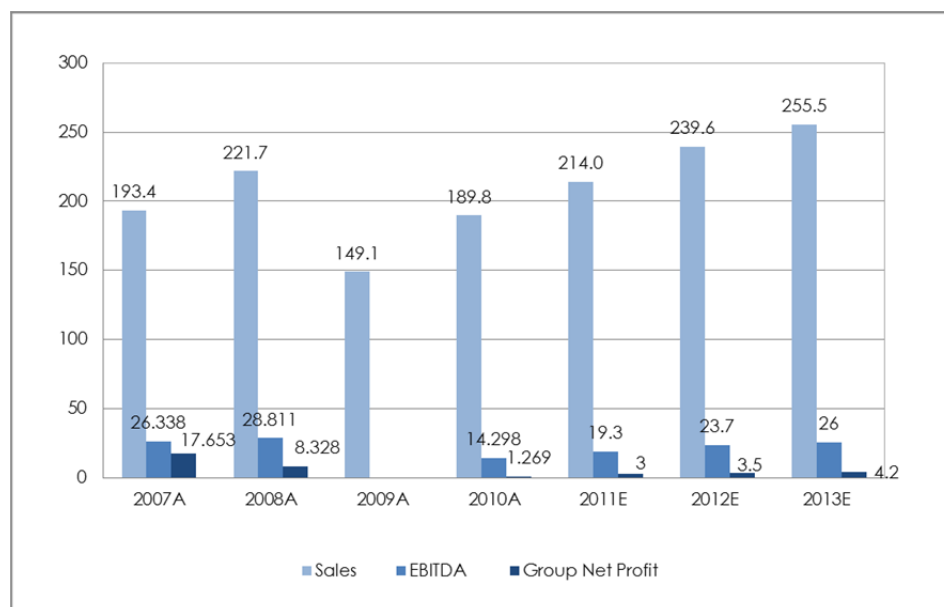
According to our forecasts, El.En group sales should reach Eu255.5mn in 2013, posting a 2010-13 CAGR of 10.4%. We see more structural growth opportunities within the Medical Division but we note that the Industrial Division is benefiting from a fast growing investment cycle in emerging countries like Brazil and China where El.En has already established a stable presence.

El.En Group Profit & Loss

(€ mn)	2007A	2008A	2009A	2010A	2011E	2012E	2013E	CAGR10-13E
Sales	193.4	221.7	149.1	189.8	214.0	239.6	255.5	10.4%
YoY growth %		14.6%	-32.7%	27.3%	12.8%	12.0%	6.6%	
EBITDA	26.3	28.8	(4.0)	14.3	19.3	23.7	26.0	22.1%
Ebitda margin %	13.6%	13.0%	-2.7%	7.5%	9.0%	9.9%	10.2%	
YoY growth %		9.4%			34.7%	22.8%	10.1%	
Total D&A	(5.0)	(8.3)	(8.6)	(8.9)	(9.8)	(10.2)	(10.0)	
EBIT	21.3	20.6	(12.6)	5.4	9.5	13.5	16.0	43.6%
Ebit margin %	11.0%	9.3%	-8.4%	2.9%	4.4%	5.6%	6.3%	
YoY growth %		-3.5%			74.4%	42.3%	19.2%	
Net financials & Participations	14.1	1.5	0.3	(0.7)	0.5	(0.4)	(0.5)	
Pretax Profit	35.4	22.1	(12.3)	4.7	10.0	13.1	15.5	49.1%
Taxes	(10.5)	(7.9)	(4.1)	(4.3)	(4.7)	(5.9)	(6.9)	
Minorities	(7.3)	(5.9)	11.1	0.8	(2.2)	(3.6)	(4.5)	
Group Net Profit	17.7	8.3	(5.3)	1.3	3.0	3.5	4.2	49.1%
Net margin %	9.1%	3.8%	-3.5%	0.7%	1.4%	1.5%	1.6%	
YoY growth %		-52.8%			139.4%	15.4%	20.1%	

Source: Intermonte SIM estimates

El.En Group - Sales, Ebitda and Group Net Profit by 2013E

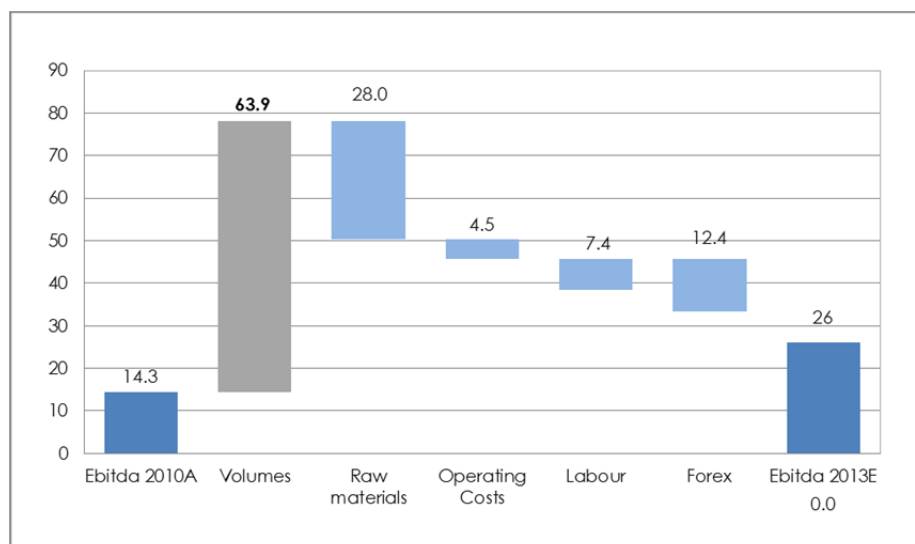


Source: Intermonte SIM estimates

As far as profitability is concerned, the El.En group's EBITDA is expected to come to Eu26mn in 2013, or 10.2% of sales, a return to the peak level reached in 2007, mainly due to the mix (higher industrial weight on total sales, higher international sales within the medical sector). Our estimates are based on a USD/EUR exchange rate of 1.40, which should have a negative impact of Eu12.4mn on EBITDA over the 2011-13 period.

Finally, we expect group net profit to post a CAGR of 49.1% from 2010 to 2013.

El.En Group – EBITDA Bridge



Source: Intermonte SIM estimates

Looking at the balance sheet, we expect:

- Net working capital as a percentage of sales to remain around 30%;
- Group net equity to reach Eu177.4mn in 2013 following Eu5.7mn of retained earnings, net of Eu5.0mn paid as dividends (e.g. we estimate a stable 40% dividend pay-out rate at El.En ex Cynosure);
- Net Cash to decrease to Eu49.3mn at the end of 2013, mainly as a result of Cynosure acquisition of HOYA ConBio for Eu17.5mn.

El.En Group – Balance Sheet

(€ mn)	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Net working capital	49.1	62.2	51.6	55.9	60.8	69.5	77.6
as a % of total sales	25.4%	28.1%	34.6%	29.5%	28.4%	29.0%	30.4%
Net fixed assets	26.9	34.4	38.1	36.8	37.4	38.2	39.2
Other	(0.7)	16.5	4.8	4.1	27.7	19.3	11.3
Net capital employed	75.3	113.1	94.5	96.8	125.9	127.0	128.1
Shareholders' Equity	93.6	96.7	90.2	94.1	95.6	97.5	99.8
Minorities	69.0	84.3	73.1	77.6	77.6	77.6	77.6
Group Net Equity	162.6	181.0	163.4	171.7	173.2	175.1	177.4
(Net Cash)	(87.3)	(67.9)	(68.9)	(74.9)	(47.3)	(48.1)	(49.3)
(Net Cash) ex Cynosure	(29.7)	(15.0)	(8.8)	(10.0)	(0.7)	(3.0)	(7.2)

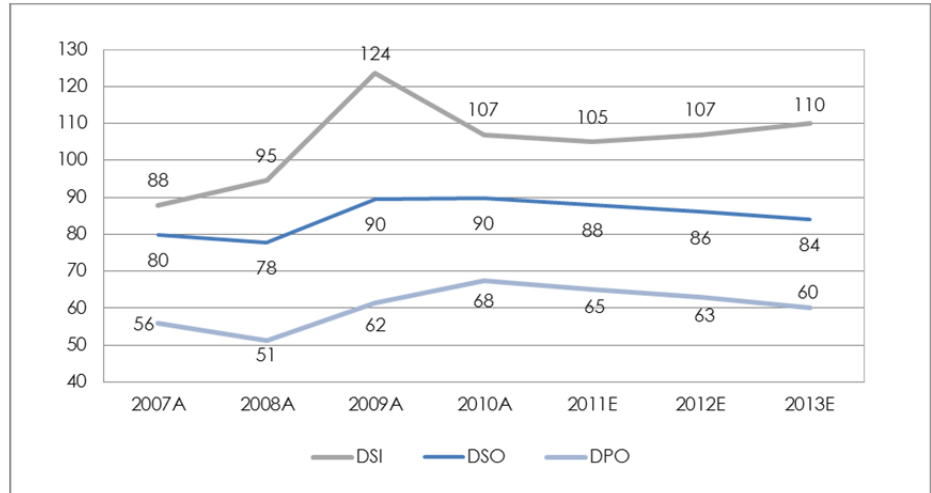
Source: Intermonte SIM estimates

El.En Group – Cash Flow

(€ mn)	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Net Income	32.2	20.1	(27.5)	(0.4)	3.0	3.5	4.2
Depreciation and Amortization	5.0	8.3	8.6	8.9	9.8	10.2	10.0
Other non-cash items	(2.3)	(17.2)	1.7	7.5	0.0	0.0	0.0
Gross Operating Cash Flow	35.0	11.2	-17.3	16.0	12.8	13.7	14.2
Change in NWC	(2.8)	(13.1)	11.6	(5.3)	(4.9)	(8.7)	(8.1)
Capex	(9.2)	(27.5)	(10.2)	(5.7)	(7.1)	(7.7)	(8.3)
Acquisitions	0.0	0.0	0.0	0.0	(17.5)	0.0	0.0
Share Capital Increase	0.0	(2.6)	0.7	(1.0)	0.0	0.0	0.0
Dividends	(1.4)	(5.2)	(1.4)	(0.2)	(1.0)	(1.5)	(1.6)
Others	10.6	17.8	15.7	1.2	(10.0)	5.0	5.0
Net Cash Flow	32.2	(19.4)	1.0	6.0	(27.6)	0.8	1.2
Initial Net Cash Position	(55.1)	(87.3)	(67.9)	(68.9)	(74.9)	(47.3)	(48.1)
Final Net Cash Position	(87.3)	(67.9)	(68.9)	(74.9)	(47.3)	(48.1)	(49.3)

Source: Intermonte SIM estimates

El.En Group - Net Working Capital Days

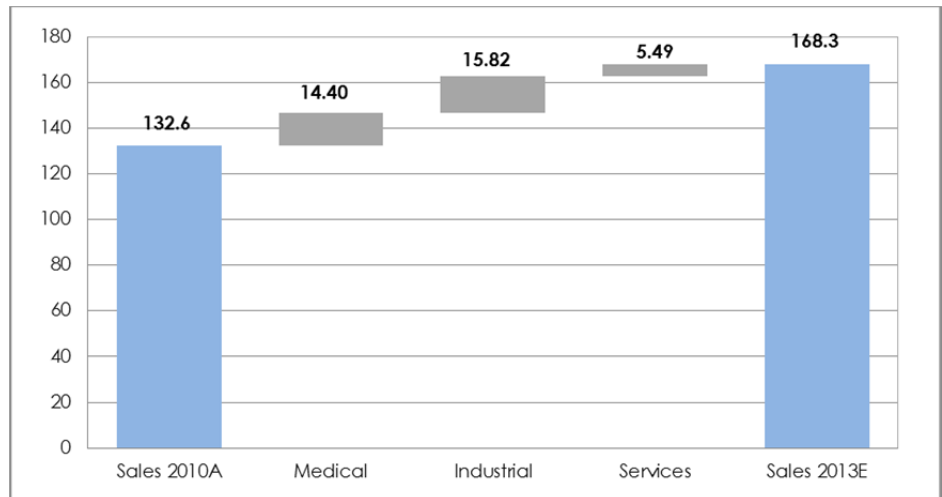


Source: Intermonte SIM estimates

El.En ex Cynosure: Three Years of Forecasts: 2011, 2012 and 2013

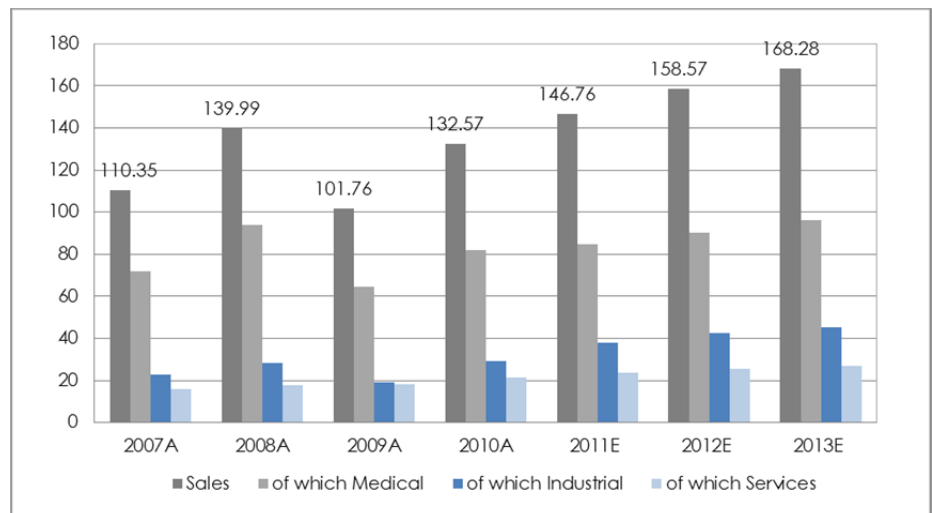
According to our forecasts, El.En ex Cynosure sales should reach Eu168.3mn in 2013, posting a 2010-13 CAGR of 8.3%, more due to the Industrial division (CAGR of 15.4%) than the Medical Division (CAGR of 5.6%).

El.En ex Cynosure - Sales Bridge



Source: Intermonte SIM estimates

El.En ex Cynosure - Sales by Division 2013E



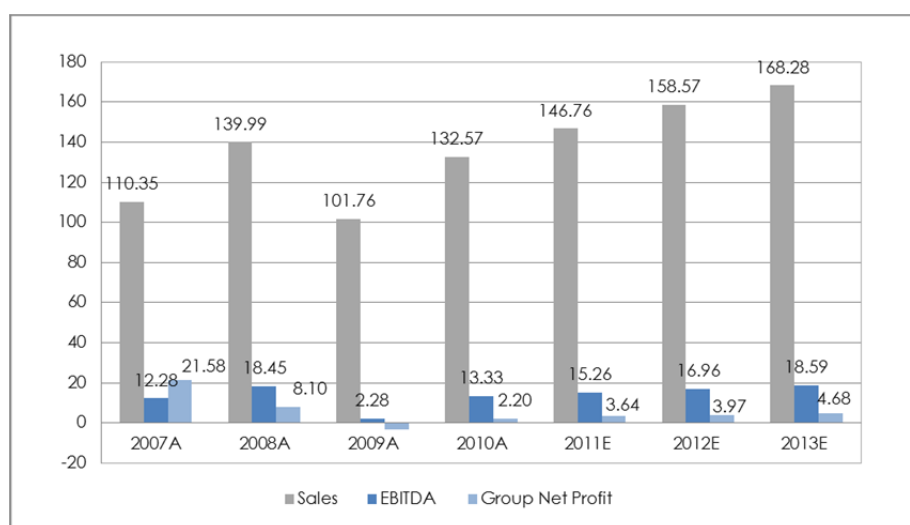
Source: Intermonte SIM estimates

El.En ex Cynosure – Sales by Division

(€ mn)	2007A	2008A	2009A	2010A	2011E	2012E	2013E	CAGR10-13E
Sales	110.3	140.0	101.8	132.6	146.8	158.6	168.3	8.3%
YoY growth %		26.9%	-27.3%	30.3%	10.7%	8.0%	6.1%	
of which Medical	71.8	93.8	64.5	81.8	84.8	90.4	96.2	5.6%
YoY growth %		30.6%	-31.3%	26.8%	3.8%	6.5%	6.4%	
of which Industrial	22.8	28.2	19.2	29.5	38.2	42.6	45.3	15.4%
YoY growth %		23.6%	-31.9%	53.6%	29.5%	11.7%	6.2%	
of which Services	15.7	18.0	18.1	21.3	23.8	25.6	26.8	7.9%
YoY growth %		14.3%	0.6%	17.9%	11.4%	7.5%	5.0%	

Source: Intermonte SIM estimates

El.En ex Cynosure - Sales, EBITDA and Group Net Profit by 2013E



Source: Intermonte SIM estimates

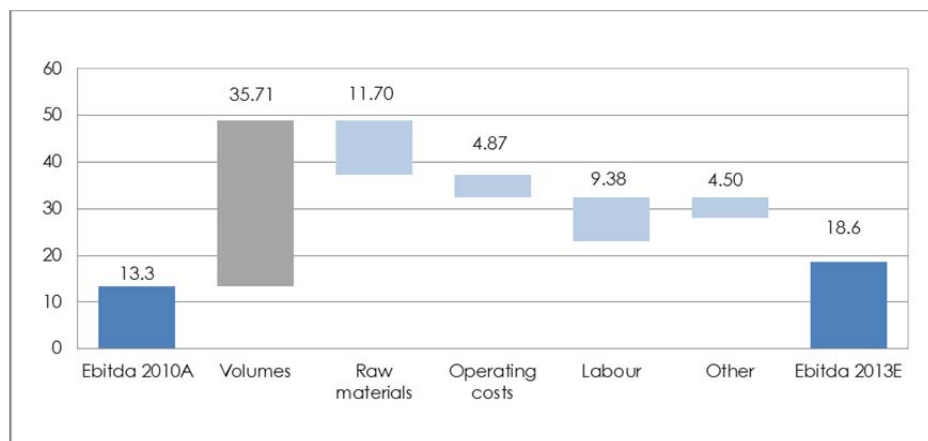
As far as profitability is concerned, El.En ex Cynosure EBITDA is expected to come to Eu18.6mn in 2013, or 11.1% of sales, still 210bps below the peak level reached in 2008 mainly due to a negative mix (industrial sales have lower margins compared to medical sales). We expect Group Net Profit to post a CAGR of 28.7% from 2010 to 2013.

El.En ex Cynosure Profit & Loss

(€ mn)	2007A	2008A	2009A	2010A	2011E	2012E	2013E	CAGR10-13E
Sales	110.3	140.0	101.8	132.6	146.8	158.6	168.3	8.3%
YoY growth %		26.9%	-27.3%	30.3%	10.7%	8.0%	6.1%	
EBITDA	12.3	18.5	2.3	13.3	15.3	17.0	18.6	11.7%
Ebitda margin %	11.1%	13.2%	2.2%	10.1%	10.4%	10.7%	11.1%	
YoY growth %		50.2%	-87.6%	484.2%	14.5%	11.1%	9.6%	
Total D&A	(2.7)	(4.6)	(3.7)	(5.0)	(5.0)	(5.0)	(5.0)	
EBIT	9.6	13.8	(1.5)	8.4	10.3	12.0	13.6	17.6%
Ebit margin %	8.7%	9.9%	-1.4%	6.3%	7.0%	7.5%	8.1%	
YoY growth %		44.7%			22.8%	16.5%	13.7%	
Net financials & Participations	17.7	(0.1)	(0.6)	(0.7)	0.0	(0.7)	(0.6)	
Pretax Profit	27.3	13.8	(2.0)	7.7	10.3	11.3	13.0	19.1%
Taxes	(4.6)	(5.1)	(0.9)	(3.7)	(4.1)	(4.5)	(5.1)	
Minorities	(1.0)	(0.6)	(0.2)	(1.8)	(2.6)	(2.8)	(3.2)	
Group Net Profit	21.6	8.1	(3.1)	2.2	3.6	4.0	4.7	28.7%
Net margin %	19.6%	5.8%	-3.0%	1.7%	2.5%	2.5%	2.8%	
YoY growth %		-62.5%			65.3%	9.2%	17.9%	

Source: Intermonte SIM estimates

El.En ex Cynosure – EBITDA Bridge



Source: Intermonte SIM estimates

Cynosure: Forecasts for 2011, 2012 and 2013

For completeness, we report our estimates for Cynosure both in USD and in €.

Cynosure Profit & Loss, in € and in USD

(€ mn)	2007A	2008A	2009A	2010A	2011E	2012E	2013E	CAGR10-13E
Sales	90.3	94.5	52.0	61.5	76.2	91.0	97.8	16.7%
YoY growth %		4.7%	-45.0%	18.3%	23.8%	19.5%	7.5%	
EBITDA	14.8	12.1	(8.0)	1.2	4.5	7.4	8.3	92.7%
Ebitda margin %	16.3%	12.8%	-15.4%	1.9%	5.9%	8.1%	8.5%	
YoY growth %		-18.0%			287.4%	64.9%	12.0%	
Total D&A	(2.3)	(3.7)	(4.8)	(3.9)	(4.8)	(5.2)	(5.0)	
EBIT	12.5	8.5	(12.9)	(2.7)	(0.3)	2.2	3.3	
Ebit margin %	13.8%	9.0%	-24.7%	-4.4%	-0.4%	2.4%	3.4%	
YoY growth %		-31.7%		78.8%	88.8%		49.2%	
Net financials & Participations	2.3	1.7	0.8	(0.1)	0.5	0.3	0.1	
Pretax Profit	14.8	10.1	(12.1)	(2.8)	0.2	2.5	3.4	
Taxes	(6.0)	(3.2)	(2.6)	(0.6)	(0.6)	(1.5)	(1.8)	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Group Net Profit	8.7	6.9	(14.7)	(3.4)	(0.4)	1.0	1.6	
Net margin %	9.7%	7.3%	-28.3%	-5.5%	-0.6%	1.2%	1.6%	
YoY growth %		-20.4%		77.1%	86.9%		53.3%	

(USD mn)	2007A	2008A	2009A	2010A	2011E	2012E	2013E	CAGR10-13E
Sales	123.8	139.0	72.5	81.5	106.6	127.4	137.0	18.9%
YoY growth %		12.3%	-47.8%	12.4%	30.8%	19.5%	7.5%	
EBITDA	20.2	17.8	(11.1)	1.5	6.3	10.4	11.6	96.2%
Ebitda margin %	16.3%	12.8%	-15.4%	1.9%	5.9%	8.1%	8.5%	
YoY growth %		-12.0%			309.1%	64.9%	12.0%	
Total D&A	(3.2)	(5.4)	(6.8)	(5.2)	(6.7)	(7.3)	(7.0)	
EBIT	17.1	12.5	(17.9)	(3.6)	(0.4)	3.1	4.6	
Ebit margin %	13.8%	9.0%	-24.7%	-4.4%	-0.4%	2.4%	3.4%	
YoY growth %		-26.7%			88.2%	-822.4%	49.2%	
Net financials & Participations	3.2	2.5	1.1	-0.1	0.7	0.4	0.1	
Pretax Profit	20.2	14.9	(16.8)	(3.7)	0.3	3.5	4.8	
Taxes	(8.3)	(4.8)	(3.7)	(0.8)	(0.9)	(2.0)	(2.5)	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Group Net Profit	12.0	10.2	(20.5)	(4.5)	(0.6)	1.5	2.2	
Net margin %	9.7%	7.3%	-28.3%	-5.5%	-0.6%	1.2%	1.6%	
YoY growth %		-14.6%		78.2%	86.1%		53.3%	

Source: Intermonte SIM estimates

Valuation

To value El.En we have used a sum of the parts (SoP) model, adding together the value of El.En without Cynosure (based on a discounted cash flow model) and the market value of the 23.37% stake held by El.En in Cynosure.

Our model yields a fair value of Eu18.7 per share, which grants >50% upside from the current El.En share price.

El.En Group - SOP

	<i>Method</i>	<i>€ mn</i>	<i>€ per share</i>
El.En ex Cynosure	DCF	64.0	13.28
El.En stake in Cynosure (23.37%)	market value	26.4	5.47
Total Equity Value		90.4	18.7
El.En Share Price			11.8
potential upside			59.0%

Source: Intermonte SIM estimates

DCF

Our model, based on a WACC of 11.3%, 1.2x beta, a 2.0% terminal growth rate and a capital structure with no debt points to a fair value of Eu13.28 per share. We would like to point out that our terminal value only comes to 64.4% of El.En's total EV excluding Cynosure.

El.En ex Cynosure - DCF Model

(€ mn)	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	TV
EBITDA	15.3	17.0	18.6	18.4	19.1	19.7	20.3	20.9	21.3
EBIT	10.3	12.0	13.6	13.2	13.7	14.1	14.5	14.9	15.2
Taxes	(3.4)	(3.9)	(4.5)	(4.3)	(4.5)	(4.6)	(4.8)	(4.9)	(5.0)
tax rate	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%
Change in WC	(14.5)	(2.5)	(1.5)	(3.3)	(2.5)	(1.9)	(2.0)	(2.0)	(1.4)
Capex	(5.1)	(5.5)	(5.7)	(5.8)	(6.0)	(6.2)	(6.4)	(6.6)	(6.5)
FCF	-7.7	5.0	6.9	5.0	6.1	6.9	7.2	7.4	8.4
YoY growth		-165%	38%	-28%	23%	13%	3%	3%	14%
TV									90.8
Discounted factor	0.90	0.81	0.73	0.65	0.59	0.53	0.47	0.43	0.38
WACC	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
Discounted Free cash flow	-6.9	4.0	5.0	3.3	3.6	3.7	3.4	3.1	34.8
Discounted Free cash flows	19.2	35.6%							
Discounted Terminal value	34.8	64.4%							
Total EV (with DCF)	54.0	100.0%							
Net Cash 2010A	10.0								
Financial Assets									
Minorities									
Total EQUITY	64.0								
N. of shares (mn)	4.8								
TARGET PRICE (€)	13.28								
WACC	11.3%								
Terminal growth	2.0%								
WACC	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
Free Risk	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Equity Premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Equity weighting	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Debt	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Tax rate	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Debt Weighting	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Intermonte SIM estimates

Once we restate EI.En's EV for the value of its stake in Cynosure (Eu27.4mn based on market prices) we can see that EI.En ex-Cynosure is trading at really undemanding multiples, even at our DCF fair value.

El.En ex Cynosure Multiples at Our DCF Fair Value

	2010	2011	2012	2013
P/E	18.1	11.7	9.5	8.0
EV/Sales	0.32	0.26	0.24	0.22
EV/Ebitda	3.2	2.5	2.2	2.0
EV/Ebit	5.1	3.7	3.1	2.8

Source: Intermonte SIM estimates

El.En ex Cynosure Multiples at Current Market Price

	2010	2011	2012	2013
P/E	17.2	8.4	7.7	6.5
EV/Sales	0.22	0.20	0.17	0.14
EV/Ebitda	2.2	2.0	1.6	1.3
EV/Ebit	3.4	2.9	2.3	1.7

Source: Intermonte SIM estimates

The sensitivity analysis in the tables below shows how the fair value changes depending on the composition of its terminal growth rate and WACC, its EBIT margin and, net working capital.

El.En ex Cynosure DCF Sensitivity to WACC & Terminal Growth

	10.5%	10.8%	11.0%	11.3%	11.5%	11.8%	12.0%
13.28							
0.5%	12.73	12.57	12.42	12.27	12.13	11.99	11.86
1.0%	13.09	12.91	12.73	12.57	12.42	12.27	12.13
1.5%	13.48	13.28	13.09	12.91	12.73	12.57	12.42
2.0%	13.91	13.69	13.48	13.28	13.09	12.91	12.73
2.5%	14.40	14.15	13.91	13.69	13.48	13.28	13.09
3.0%	14.96	14.67	14.40	14.15	13.91	13.69	13.48
3.5%	15.59	15.26	14.96	14.67	14.40	14.15	13.91

Source: Intermonte SIM estimates

El.En ex Cynosure DCF Sensitivity to Ebit Margin & Terminal Growth

	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%
13.28							
0.5%	10.02	10.77	11.52	12.27	13.02	13.77	14.52
1.0%	10.21	11.00	11.79	12.57	13.36	14.14	14.93
1.5%	10.43	11.25	12.08	12.91	13.73	14.56	15.38
2.0%	10.66	11.53	12.40	13.28	14.15	15.02	15.89
2.5%	10.93	11.85	12.77	13.69	14.61	15.53	16.45
3.0%	11.22	12.20	13.17	14.15	15.13	16.10	17.08
3.5%	11.55	12.59	13.63	14.67	15.71	16.75	17.79

Source: Intermonte SIM estimates

El.En ex Cynosure DCF Sensitivity to Ebit Margin & NWC as a % of Sales

	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%
13.28							
32.0%	15.89	16.76	17.63	18.50	19.37	20.24	21.11
33.0%	14.15	15.02	15.89	16.76	17.63	18.50	19.37
34.0%	12.40	13.28	14.15	15.02	15.89	16.76	17.63
35.0%	10.66	11.53	12.40	13.28	14.15	15.02	15.89
36.0%	8.92	9.79	10.66	11.53	12.40	13.28	14.15
37.0%	7.18	8.05	8.92	9.79	10.66	11.53	12.40
38.0%	5.44	6.31	7.18	8.05	8.92	9.79	10.66

Source: Intermonte SIM estimates

Multiples Analysis

As a sanity check, we have compared El.En's multiples with those of two peer groups, one made of companies operating in the medical lasers sector, the other in industrial lasers. As shown in the table, El.En is trading at a huge discount to peers. Even Cynosure is trading at a discount to its US medical peers.

El.En - Industrial Peer Comparison

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E		P/BV	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Rofin Sinar	1.2x	1.2x	8.1x	6.3x	9.3x	7.1x	16.0x	13.2x	2.0x	1.7x
Cymer	1.6x	1.6x	7.6x	7.1x	9.6x	8.6x	14.8x	12.5x	2.0x	2.0x
Amada	0.9x	0.9x	9.3x	7.2x	14.8x	10.6x	24.1x	17.9x	0.6x	0.6x
Coherent	1.1x	1.1x	6.6x	5.2x	8.5x	6.4x	15.9x	13.4x	2.0x	1.8x
GSI	1.0x	1.0x			6.4x	3.8x	14.0x	9.6x		
Prima Industrie	0.6x	0.6x	8.8x	6.3x	15.3x	9.3x	20.9x	7.0x	0.8x	0.8x
Mean	1.1x	1.1x	8.1x	6.4x	10.7x	7.6x	17.6x	12.2x	1.5x	1.4x
Median	1.0x	1.0x	8.1x	6.3x	9.5x	7.8x	15.9x	12.8x	2.0x	1.7x
El.En ex Cynosure*	0.2x	0.2x	2.0x	1.6x	2.9x	2.3x	8.4x	7.7x	0.4x	0.4x
El.En Group*	0.5x	0.4x	5.0x	4.0x	10.1x	7.1x	19.0x	16.3x	0.8x	0.8x

El.En - Medical Peer Comparison

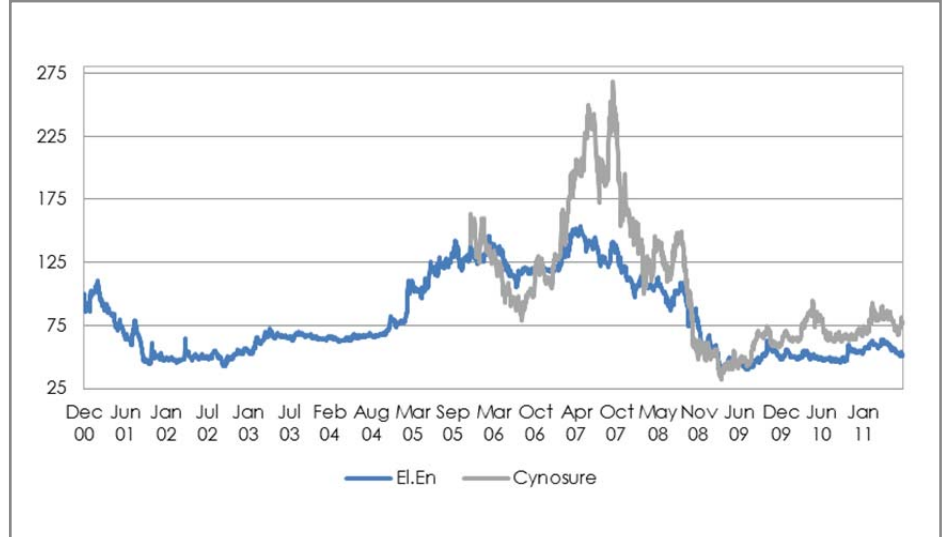
Company	P/Sales		P/BV	
	2011	2012	2011	2012
Syneron	1.8x	1.6x	1.5x	1.4x
Palomar	2.8x	2.4x	1.6x	1.5x
Cutera	2.1x	1.9x	1.4x	1.6x
Biolase	2.0x	1.4x		
Solta Medical	1.3x	1.1x	1.2x	1.2x
Mean	2.0x	1.7x	1.4x	1.4x
Median	2.0x	1.6x	1.4x	1.5x
El.En ex Cynosure*	0.2x	0.2x	0.4x	0.4x
Cynosure	1.5x	1.2x	1.2x	1.2x

Source: Intermonete SIM estimates

Share Price

Historically El.En and Cynosure share prices have been highly correlated. We calculated that the elasticity of El.En share price to a 1 USD fluctuation in Cynosure share price stands at 0.43x.

El.En and Cynosure share price rebased, since the IPO of El.En (Dec 2000)



Source: Facset

El.En and Cynosure share price rebased, since the IPO of Cynosure (Dec 2005)



Source: Facset

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The stock price indicated is the reference price on the day prior to the publication of the report.

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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms. As at June 30th 2011 Intermonte's Research Department covered 125 companies.

Intermonte's distribution of stock ratings is as follows:

BUY: 16.00%
OUTPERFORM: 40.00%
NEUTRAL: 35.0%
UNDERPERFORM: 8.0%
SELL: 0.80%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (30 in total) is as follows:

BUY: 16.67%
OUTPERFORM: 33.33%
NEUTRAL: 50.0%
UNDERPERFORM: 0.00%
SELL: 0.00%

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

- o within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing (see companies indicated in bold type) an Institutional Offering and/or , managed or co-managed/is managing or is co-managing (see companies indicated in bold type) an offering with firm commitment underwriting of the securities of the following Companies: **Intesa Sanpaolo**, **Enel Green Power**, **TBS Group**, **UBI**;
- o Intermonte SIM is Specialist and/or Corporate Broker and/or Broker in charge of the share buy back activity of the following Companies: **Biancamano**, **B&C Speakers**, **Buongiorno**, **Carraro**, **Cattolica Assicurazioni**, **Cementir**, **Cogeme**, **Datalogic**, **DeA Capital**, **Digital Bros**, **Dmail**, **EL En**, **EEMS**, **Eurotech**, **Fiera Milano**, **Fintel Energia Group**, **First Capital**, **Gefran**, **IGD**, **IW Bank**, **Meridie**, **M&C Management e Capitali**, **Pierrel**, **QF Alpha Immobiliare**, **QF Beta Immobiliare**, **Reno de Medici**, **Reply**, **Saes Getters**, **Servizi Italia**, **ELEN GROUP**, **TBS Group**, **Terminienergia**, **Vittoria Assicurazioni**, **VR Way**;
- o Intermonte SIM SpA and its subsidiaries do not hold a stake of equal to or over 1% in any class of common equity securities of the subject company.
- o Intermonte SIM SpA acts as Financial Advisor to the following companies: **Cattolica Assicurazioni**.

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	ELEN.		
Current Recomm:	BUY	Previous Recomm:	--
Current Target (Eu):	18.7	Previous Target (Eu):	--
Current Price (Eu):	11.8	Previous Price (Eu):	--
Date of report:	27/07/2011	Date of last report:	--

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