

EL.EN.

BUY

SECTOR: Industrials

Price (Eu):

14.30

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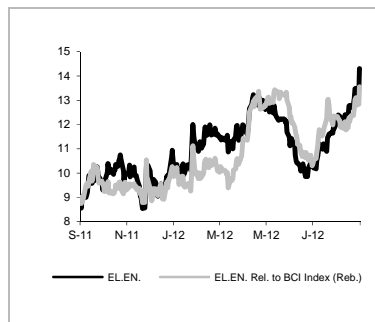
Target Price (Eu):

22.80

## 2012 Guidance Lifted On The Back Of Sound 1H12 Results

- El.En 2Q12 results excluding Cynosure: improving financials, healthy cash generation.** The company posted 8.3% YoY revenue growth to Eu39.4mn (compared to 14.6% in 1Q12), in line with our estimate. By business line, Medical grew by 14.4% YoY driven by Aesthetic laser sales; Industrial by 6.2% YoY led by Cutting system sales; Services by 8.4%. By geographical area, Italy grew by 9.0%, and the Rest of the World by 17.7%, while Europe decreased by 3.3%. Both EBITDA and EBIT, up 6.3% and 18.8% YoY respectively, beat our estimates. The net operating margin improved by 60bps to 6.6% on the back of lower provisions. Pre-tax profit was 30.0% above our estimate due to positive FOREX (the dollar strengthened against the euro). Finally, the net result was Eu0.7mn in 1H12 (from a loss reported in 1H11), penalised by a higher tax rate (56.7%). As a result of tight working capital management, the company generated Eu3.2mn of cash in 2Q12, resulting in a net cash position of Eu5.3mn at the end of June 2012.
- El.En Group 2Q12 results boosted by Cynosure.** The El.En Group posted revenues of Eu69.0mn, up 30.5% YoY, driven by the US subsidiary (its revenues went up 50.2%). EBIT increased from Eu1.0mn in 2Q11 to Eu5.6mn in 2Q12; the net operating margin reached a healthy 8.1% (Cynosure recorded EBIT of Eu3.7mn, equal to a margin of 9.3%). The net result was Eu4.1mn in 1H12 (compared to a loss in 1H11), of which Eu2.5mn relates to minority interests. The net cash position improved to Eu61.7mn at June 2012 from Eu54.5mn at March 2012.
- 2012 guidance lifted to best case scenario.** Management stated that "in view of the half-year results and under the assumption of a more favourable economic environment for the second half, the current situation allows us to confirm for the full year forecasts of a 10% increase in turnover and operating profit of 5% on revenues for El.En ex-Cynosure". The base case scenario pointed to 5% top line growth combined with an improvement in operating profit YoY.
- Estimates revised upwards.** For El.En ex-Cynosure we now expect revenues to grow by 10.4% to Eu151.6mn (our previous estimate was 5.5% growth) and the EBIT margin to increase from 3.7% in 2011 to 5.3% in 2012 (previously 4.9%). Our new 2012 EPS estimate is 12.3% higher (+3.4% on 2013). For Cynosure we have significantly increased our 2012 estimates: by 10.9% for revenues, by 83.2% for EBIT and by more than double for net profit. As a result, El.En Group EPS increases by 18.5% for 2012 and by 23.4% for 2013.
- BUY confirmed, target price increased to Eu22.8.** Our new target price, based on an SoP valuation which adds the value of El.En without Cynosure (based on a DCF model, net of minorities) to the market value of El.En's 23.239% stake in Cynosure, is mainly the result of Cynosure's strong stock performance (+44.6% since our last report dated 18th May 2012). We reiterate our positive stance on the stock as both El.En and Cynosure are enjoying strong earnings momentum. Finally, the valuation is deeply undemanding: El.En's implicit equity value once we restate for the market value of its stake in Cynosure is currently close to zero.

### EL.EN. - 12m Performance



Eu/USD: 1.25 2012; 1.20 2011/12

RATING: Unchanged

TARGET PRICE (Eu): from 18.40 to 22.80

Change in EPS est:	2012E	2013E
	18.5%	23.4%

### STOCK DATA

Reuters code:	ELEN.MI
Bloomberg code:	ELN IM

Performance	1m	3m	12m
Absolute	19.9%	24.7%	52.1%
Relative	10.9%	7.8%	51.2%
12 months H/L:	14.30/8.55		

### SHAREHOLDER DATA

No. of Ord. shares (mn):	5
Total No. of shares (mn):	5
Mkt Cap Ord (Eu mn):	69
Total Mkt Cap (Eu mn):	69
Mkt Float - ord (Eu mn):	32
Mkt Float (in %):	46.3%
Main shareholder:	
Cangioli Andrea	13.5%

### BALANCE SHEET DATA

	2012
Book value (Eu mn):	98
BVPS (Eu):	20.27
P/BV:	0.7
Net Financial Position (Eu mn):	61
Enterprise value (Eu mn):	231

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	190	211	257	285	300
Ebitda (Eu mn)	14	14	25	32	35
Net profit (Eu mn)	1	0	3	4	5
EPS - New (Eu)	0.269	-0.056	0.545	0.847	1.034
EPS - Old (Eu)		-0.056	0.460	0.686	0.907
DPS (Eu)	0.200	0.000	0.181	0.270	0.350

Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	53.2	nm	26.2	16.9	13.8
Div. Yield	1.4%	0.0%	1.3%	1.9%	2.4%
EV/Ebitda	5.8	8.7	9.1	7.2	6.5
ROCE	5.7%	2.7%	11.7%	15.6%	16.0%

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**EL.EN. - KEY FIGURES**

		2010A	2011A	2012E	2013E	2014E
Fiscal year end		31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	190	211	257	285	300
	EBITDA	14	14	25	32	35
	EBIT	5	3	14	20	22
	Financial income (charges)	0	0	0	0	0
	Associates & Others	(1)	(1)	(0)	(1)	(0)
	Pre-tax profit (Loss)	5	2	14	19	21
	Taxes	(4)	(3)	(6)	(7)	(8)
	Tax rate (%)	-90.7%	-111.7%	-40.0%	-36.9%	-36.8%
	Minorities & discontinue activities	(1)	0	(6)	(8)	(9)
	Net profit	1	0	3	4	5
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	14	14	25	32	35
Ebit excl. extraordinary items	5	3	14	20	22	
Net profit restated	1	(0)	3	4	5	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	5	5	5	5	5
	EPS stated fd	0.269	-0.056	0.545	0.847	1.034
	EPS restated fd	0.269	-0.056	0.545	0.847	1.034
	BVPS fd	19.940	19.904	20.268	20.845	21.529
	Dividend per share (ord)	0.200	0.000	0.181	0.270	0.350
	Dividend per share (sav)					
Dividend pay out ratio (%)	76.0%	0.0%	33.2%	31.9%	33.8%	
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	8	11	14	16	18
	Change in NWC	(5)	(13)	(13)	(8)	(2)
	Capital expenditure	(6)	(7)	(8)	(8)	(8)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(3)	(9)	(7)	0	7
	Acquisitions, divestments & others	1	(18)	0	0	0
	Dividend	(0)	(1)	0	(1)	(1)
Equity financing/Buy-back	(1)	0	0	0	0	
Change in Net Financial Position	6	(22)	8	(1)	6	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	37	52	55	56	57
	Net working capital	56	69	82	90	92
	Long term liabilities	4	1	(15)	(12)	(10)
	Net capital employed	97	122	122	133	139
	Net financial position	75	53	61	60	66
	Group equity	172	175	183	194	205
	Minorities	78	79	85	93	102
Net equity	94	96	98	101	104	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	69	69	69	69	69
	Adjustments (associate & minorities)	(89)	(105)	(223)	(223)	(223)
	Net financial position	75	53	61	60	66
	Enterprise value	83	121	231	232	226
<b>RATIOS(%)</b>	EBITDA margin*	7.5%	6.6%	9.9%	11.3%	11.6%
	EBIT margin*	2.9%	1.4%	5.5%	7.0%	7.3%
	Gearing - Debt/equity	-43.6%	-30.3%	-33.3%	-31.1%	-32.1%
	Interest cover on EBIT	nm	nm	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	5.7%	2.7%	11.7%	15.6%	16.0%
	ROE*	1.4%	-0.3%	2.7%	4.1%	4.9%
	EV/CE	0.9	1.1	1.9	1.8	1.7
	EV/Sales	0.4	0.6	0.9	0.8	0.8
	EV/Ebit	15.2	nm	16.2	11.6	10.4
Free Cash Flow Yield	-1.6%	-5.4%	-2.5%	0.1%	2.4%	
<b>GROWTH RATES (%)</b>	Sales	27.3%	11.2%	21.7%	11.1%	5.1%
	EBITDA*	nm	-2.4%	81.4%	27.2%	7.7%
	EBIT*	nm	-45.0%	376.9%	40.4%	9.1%
	Net profit	nm	nm	nm	55.3%	22.1%
	EPS restated	nm	nm	nm	55.3%	22.1%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## 2Q12 Results

### El.En ex Cynosure

*El.En ex Cynosure Quarterly results*

(€ mn)	1Q11A	1Q12A	2Q11A	2Q12A	2Q12E	A v E	1H11A	1H12A
<b>Sales</b>	<b>30.9</b>	<b>35.4</b>	<b>36.4</b>	<b>39.4</b>	<b>39.0</b>	<b>1.1%</b>	<b>67.3</b>	<b>74.8</b>
YoY growth %		14.6%		8.3%	7.2%			11.2%
<b>EBITDA</b>	<b>2.4</b>	<b>2.4</b>	<b>3.7</b>	<b>3.9</b>	<b>3.5</b>	<b>11.4%</b>	<b>6.1</b>	<b>6.3</b>
Ebitda margin %	7.8%	6.8%	10.1%	9.9%	9.0%		9.0%	8.4%
YoY growth %		0.2%		6.3%	-4.6%			3.9%
Total D&A	-1.4	-1.2	-1.5	-1.3	-1.3		-2.9	-2.5
<b>EBIT</b>	<b>1.0</b>	<b>1.2</b>	<b>2.2</b>	<b>2.6</b>	<b>2.3</b>	<b>15.3%</b>	<b>3.2</b>	<b>3.8</b>
Ebit margin %	3.3%	3.5%	6.0%	6.6%	5.8%		4.7%	5.1%
YoY growth %		22.4%		18.8%	3.1%			20.0%
Net financials & Participations	-1.0	-0.6	-0.2	0.3	0.0		-1.2	-0.3
<b>Pretax Profit</b>	<b>0.0</b>	<b>0.6</b>	<b>2.0</b>	<b>2.9</b>	<b>2.3</b>	<b>30.0%</b>	<b>2.0</b>	<b>3.6</b>
<b>Net Profit</b>							<b>-0.6</b>	<b>0.7</b>

Source: Company data and Intermonte Sim

### Guidance

In the press release management stated: "In view of the half-yearly results and predictable general economic conditions for the second half, the current situation allow, for the sub-consolidated financials drafted with the exclusion of Cynosure, to confirm for the full year the forecasts made at the beginning of the year under the assumption of a more favourable economic environment: 10% increase in turnover and operating profit of 5% on sales."

## Cynosure

The company reported very strong 2Q12 results, with profitability surprising on the upside. Total revenues increased 59% YoY to USD39.6mn in 2Q12.

In North America Cynosure recorded strong growth (+92% YoY) as the roll-out of Cellulaze (cleared by the FDA for commercial distribution in the US in January 2012) is going particularly well and the lending environment for aesthetic equipment remains positive. International growth was 36% YoY, driven by demand for SmoothShapes systems and strong performance in the Asia-Pacific region.

Gross profit increased by 100bps to 58.2% due to a favourable product mix and a larger percentage of laser product revenue coming from North America, where average sales prices tend to be higher. EBIT totalled USD3.7mn, compared with a loss from operations in 2Q11 of USD1.2mn; total expenses increased to USD19.3mn due to higher sales and marketing expenses associated with the launch of new products (Cellulaze and Smartlipo) and higher R&D costs, but as a percentage of total revenues decreased to 49%, leading to a margin of 9.3%.

Net income was USD2.7mn, compared with a net loss in 2Q11 of USD1.3mn. Net cash as at June 2012 increased by USD3.2mn to USD80.0mn.

Management stated: "Although we expect traditional seasonality to play a factor in our third-quarter results, we believe that we are on track for a strong second half. Cellulaze has enjoyed an enthusiastic response from both aesthetic plastic surgeons and their patients, and we expect that to continue. We recently achieved a significant regulatory milestone for our first home-use aesthetic laser product bringing us one step closer to launching the product into the market through our Unilever partnership. We believe that with our diverse product-mix and improved operating efficiency, Cynosure is well-positioned to extend our current momentum."

### *Cynosure Quarterly results*

(USD mn)	1Q11A	1Q12A	2Q11A	2Q12A	1H11A	1H12A
<b>Sales</b>	<b>21.9</b>	<b>34.2</b>	<b>26.3</b>	<b>39.6</b>	<b>48.2</b>	<b>73.7</b>
YoY growth %		56.1%		50.2%		52.9%
<b>EBITDA</b>	<b>-0.4</b>	<b>2.6</b>	<b>0.3</b>	<b>5.4</b>	<b>-0.1</b>	<b>8.0</b>
Ebitda margin %	n.m.	7.6%	1.1%	13.7%	n.m.	10.9%
YoY growth %		n.m.		1741.0%		n.m.
Total D&A	-1.5	-1.8	-1.5	-1.7	-3.0	-3.5
<b>EBIT</b>	<b>-1.9</b>	<b>0.9</b>	<b>-1.2</b>	<b>3.7</b>	<b>-3.1</b>	<b>4.6</b>
Ebit margin %	n.m.	2.5%	n.m.	9.3%	n.m.	6.2%
YoY growth %		n.m.		n.m.		n.m.
Net financials & Participations	0.3	0.2	0.0	-0.3	0.3	-0.1
<b>Pretax Profit</b>	<b>-1.6</b>	<b>1.1</b>	<b>-1.2</b>	<b>3.4</b>	<b>-2.7</b>	<b>4.5</b>
<b>Net Profit</b>	<b>-1.9</b>	<b>0.8</b>	<b>-1.3</b>	<b>2.7</b>	<b>-3.2</b>	<b>3.5</b>

Source: Company data US GAAP and Intermonte Sim

*Cynosure Quarterly results*

(€ mn)	1Q11A	1Q12A	2Q11A	2Q12A	1H11A	1H12A
<b>Sales</b>	<b>16.7</b>	<b>26.0</b>	<b>20.5</b>	<b>30.8</b>	<b>37.2</b>	<b>56.8</b>
YoY growth %		56.1%		50.2%		52.9%
<b>EBITDA</b>	<b>-0.3</b>	<b>2.0</b>	<b>0.2</b>	<b>4.2</b>	<b>-0.1</b>	<b>6.2</b>
Ebitda margin %	n.m.	7.6%	1.1%	13.7%	n.m.	10.9%
YoY growth %		n.m.		1741.0%		n.m.
Total D&A	-1.1	-1.3	-1.2	-1.4	-2.3	-2.7
<b>EBIT</b>	<b>-1.4</b>	<b>0.7</b>	<b>-0.9</b>	<b>2.9</b>	<b>-2.4</b>	<b>3.5</b>
Ebit margin %	n.m.	2.5%	n.m.	9.3%	n.m.	6.2%
YoY growth %		n.m.		n.m.		n.m.
Net financials & Participations	0.2	0.2	0.0	-0.2	0.2	-0.1
<b>Pretax Profit</b>	<b>-1.2</b>	<b>0.8</b>	<b>-0.9</b>	<b>2.7</b>	<b>-2.1</b>	<b>3.5</b>
<b>Net Profit</b>	<b>-1.4</b>	<b>0.6</b>	<b>-1.0</b>	<b>2.1</b>	<b>-2.5</b>	<b>2.7</b>

Source: Company data US GAAP and Intermonte Sim

**El.En Group***El.En Group Quarterly results*

(€ mn)	1Q11A	1Q12A	2Q11A	2Q12A	1H11A	1H12A
<b>Sales</b>	<b>45.3</b>	<b>60.2</b>	<b>52.9</b>	<b>69.0</b>	<b>98.3</b>	<b>129.3</b>
YoY growth %		32.9%		30.5%		31.6%
<b>EBITDA</b>	<b>2.1</b>	<b>4.4</b>	<b>3.5</b>	<b>8.4</b>	<b>5.7</b>	<b>12.7</b>
Ebitda margin %	4.7%	7.3%	6.7%	12.1%	5.8%	9.8%
YoY growth %		105.5%		136.3%		124.7%
Total D&A	-2.6	-2.6	-2.5	-2.8	-5.1	-5.3
<b>EBIT</b>	<b>-0.5</b>	<b>1.8</b>	<b>1.0</b>	<b>5.6</b>	<b>0.5</b>	<b>7.4</b>
Ebit margin %	-1.0%	3.0%	1.9%	8.1%	0.5%	5.7%
YoY growth %		-485.7%		466.8%		1332.7%
Net financials & Participations	-0.8	-0.4	-0.2	0.1	-1.0	-0.3
<b>Pretax Profit</b>	<b>-1.3</b>	<b>1.4</b>	<b>0.8</b>	<b>5.7</b>	<b>-0.5</b>	<b>7.1</b>
<b>Net Profit</b>					<b>-1.6</b>	<b>1.6</b>

Source: Company data and Intermonte Sim

## Estimates

### El.En ex Cynosure

#### El.En ex Cynosure Change in estimates

(€ mn)	2011A	2012E	2013E	2014E
<b>Sales new</b>	<b>137.4</b>	<b>151.6</b>	<b>159.7</b>	<b>166.6</b>
Sales old		145.0	155.0	168.0
<b>% change</b>		<b>4.6%</b>	<b>3.0%</b>	<b>-0.8%</b>
<b>EBITDA new</b>	<b>10.8</b>	<b>13.5</b>	<b>15.5</b>	<b>17.0</b>
EBITDA old		13.1	15.6	17.6
<b>% change</b>		<b>3.2%</b>	<b>-0.8%</b>	<b>-3.4%</b>
<b>EBIT new</b>	<b>5.1</b>	<b>8.0</b>	<b>9.8</b>	<b>11.0</b>
EBIT old		7.1	9.3	11.0
<b>% change</b>		<b>13.0%</b>	<b>4.5%</b>	<b>0.0%</b>
<b>Pretax Profit new</b>	<b>4.8</b>	<b>7.7</b>	<b>9.3</b>	<b>10.6</b>
Pretax Profit old		6.7	9.0	10.7
<b>% change</b>		<b>14.3%</b>	<b>3.0%</b>	<b>-0.5%</b>
<b>Group net profit new</b>	<b>0.7</b>	<b>2.2</b>	<b>3.3</b>	<b>4.2</b>
Group Net Profit old		1.9	3.2	4.2
<b>% change</b>		<b>12.3%</b>	<b>3.4%</b>	<b>-0.8%</b>

Source: Company data and Intermonte Sim

#### El.En ex Cynosure P&L Estimates

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
<b>Sales</b>	<b>110.3</b>	<b>140.0</b>	<b>101.8</b>	<b>132.6</b>	<b>137.4</b>	<b>151.6</b>	<b>159.7</b>	<b>166.6</b>	<b>6.6%</b>
YoY growth %		26.9%	-27.3%	30.3%	3.6%	10.4%	5.3%	4.3%	
<b>EBITDA</b>	<b>12.3</b>	<b>18.5</b>	<b>2.3</b>	<b>13.3</b>	<b>10.8</b>	<b>13.5</b>	<b>15.5</b>	<b>17.0</b>	<b>16.2%</b>
Ebitda margin %	11.1%	13.2%	2.2%	10.1%	7.9%	8.9%	9.7%	10.2%	
YoY growth %		50.2%	-87.6%	484.2%	-18.8%	24.7%	14.8%	9.7%	
Total D&A	(2.7)	(4.6)	(3.7)	(5.0)	(5.7)	(5.5)	(5.8)	(6.0)	
<b>EBIT</b>	<b>9.6</b>	<b>13.8</b>	<b>-1.5</b>	<b>8.4</b>	<b>5.1</b>	<b>8.0</b>	<b>9.8</b>	<b>11.0</b>	<b>29.3%</b>
Ebit margin %	8.7%	9.9%	-1.4%	6.3%	3.7%	5.3%	6.1%	6.6%	
YoY growth %		44.7%	-110.5%	-674.6%	-39.1%	57.0%	21.9%	12.8%	
Net financials & Participations	17.7	(0.1)	(0.6)	(0.7)	(0.3)	(0.3)	(0.5)	(0.4)	
<b>Pretax Profit</b>	<b>27.3</b>	<b>13.8</b>	<b>-2.0</b>	<b>7.7</b>	<b>4.8</b>	<b>7.7</b>	<b>9.3</b>	<b>10.6</b>	<b>30.5%</b>
Taxes	(4.6)	(5.1)	(0.9)	(3.7)	(2.7)	(3.8)	(4.1)	(4.3)	
Minorities	(1.0)	(0.6)	(0.2)	(1.8)	(1.4)	(1.7)	(1.9)	(2.1)	
<b>Group Net Profit</b>	<b>21.6</b>	<b>8.1</b>	<b>-3.1</b>	<b>2.2</b>	<b>0.7</b>	<b>2.2</b>	<b>3.3</b>	<b>4.2</b>	<b>80.2%</b>
Net margin %	19.6%	5.8%	-3.0%	1.7%	0.5%	1.4%	2.0%	2.5%	
YoY growth %		-62.5%	-137.9%	-171.6%	-67.3%	202.4%	49.7%	29.4%	

Source: Company data and Intermonte Sim

## Cynosure

After it released very positive 2Q12 results, we have revised our 2012 and 2013 forecasts for Cynosure significantly upwards to incorporate the positive sales trends both in the North American market and abroad, as well as the huge recovery in profitability. For completeness, we report our estimates in both USD and in EUR. We are assuming a USD/EUR exchange rate of 1.25 in 2012 and of 1.20 in 2013 and 2014.

<b>Cynosure Change in estimates</b>				
<b>(€ mn)</b>	<b>2011A</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>Sales new</b>	<b>79.2</b>	<b>116.0</b>	<b>137.5</b>	<b>145.8</b>
Sales old		104.6	115.4	123.1
<b>% change</b>		<b>10.9%</b>	<b>19.2%</b>	<b>18.5%</b>
<b>EBITDA new</b>	<b>3.9</b>	<b>12.6</b>	<b>17.8</b>	<b>18.8</b>
EBITDA old		10.0	13.1	13.8
<b>% change</b>		<b>25.6%</b>	<b>35.5%</b>	<b>36.5%</b>
<b>EBIT new</b>	<b>(1.3)</b>	<b>7.0</b>	<b>11.3</b>	<b>11.9</b>
EBIT old		3.8	6.9	7.7
<b>% change</b>		<b>83.2%</b>	<b>63.0%</b>	<b>54.8%</b>
<b>Pretax Profit new</b>	<b>(1.5)</b>	<b>7.0</b>	<b>11.3</b>	<b>11.9</b>
Pretax Profit old		3.8	6.9	7.7
<b>% change</b>		<b>83.2%</b>	<b>63.0%</b>	<b>54.8%</b>
<b>Group net profit new</b>	<b>(1.8)</b>	<b>5.2</b>	<b>8.2</b>	<b>8.3</b>
Group Net Profit old		1.9	4.2	4.6
<b>% change</b>		<b>174.7%</b>	<b>94.2%</b>	<b>81.3%</b>

Source: Company data IFRS and Intermonte Sim

**Cynosure P&L Estimates**

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
<b>Sales</b>	<b>90.3</b>	<b>94.5</b>	<b>52.0</b>	<b>61.5</b>	<b>79.2</b>	<b>116.0</b>	<b>137.5</b>	<b>145.8</b>	<b>22.6%</b>
YoY growth %		4.7%	-45.0%	18.3%	28.8%	46.5%	18.5%	6.1%	
<b>EBITDA</b>	<b>14.8</b>	<b>12.2</b>	<b>(8.0)</b>	<b>1.2</b>	<b>3.9</b>	<b>12.6</b>	<b>17.8</b>	<b>18.8</b>	<b>69.0%</b>
Ebitda margin %	16.4%	12.9%	-15.4%	1.9%	4.9%	10.8%	12.9%	12.9%	
YoY growth %		-17.7%	nm	nm	230.1%	222.1%	41.3%	6.1%	
Total D&A	(2.3)	(3.6)	(4.8)	(3.9)	(5.2)	(5.6)	(6.5)	(6.9)	
<b>EBIT</b>	<b>12.5</b>	<b>8.5</b>	<b>(12.9)</b>	<b>(2.7)</b>	<b>(1.3)</b>	<b>7.0</b>	<b>11.3</b>	<b>11.9</b>	<b>n.m.</b>
Ebit margin %	13.8%	9.0%	-24.7%	-4.4%	-1.7%	6.0%	8.2%	8.2%	
YoY growth %		-31.7%	nm	82.1%	61.7%	n.m.	61.6%	5.9%	
Net financials & Participations	2.3	1.7	0.8	(0.1)	-0.1	0.0	0.0	0.0	
<b>Pretax Profit</b>	<b>14.8</b>	<b>10.2</b>	<b>(12.1)</b>	<b>(2.8)</b>	<b>(1.5)</b>	<b>7.0</b>	<b>11.3</b>	<b>11.9</b>	<b>n.m.</b>
Taxes	(6.0)	(3.2)	(2.6)	(0.6)	(0.4)	(1.7)	(3.1)	(3.6)	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Group Net Profit</b>	<b>8.7</b>	<b>6.9</b>	<b>(14.7)</b>	<b>(3.4)</b>	<b>(1.8)</b>	<b>5.2</b>	<b>8.2</b>	<b>8.3</b>	<b>n.m.</b>
Net margin %	9.7%	7.3%	-28.3%	-5.5%	-2.3%	4.5%	5.9%	5.7%	
YoY growth %		-20.4%	n.m.	80.6%	57.8%	n.m.	31.8%	-3.6%	

Source: Company data IFRS and Intermonte Sim

**Cynosure P&L Estimates**

(USD mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
<b>Sales</b>	<b>123.8</b>	<b>139.0</b>	<b>72.5</b>	<b>81.5</b>	<b>110.2</b>	<b>145.0</b>	<b>165.0</b>	<b>175.0</b>	<b>16.7%</b>
YoY growth %		12.3%	-47.8%	12.4%	35.2%	31.5%	13.8%	6.1%	
<b>EBITDA</b>	<b>20.2</b>	<b>17.9</b>	<b>(11.2)</b>	<b>1.6</b>	<b>5.4</b>	<b>15.7</b>	<b>21.3</b>	<b>22.6</b>	<b>60.9%</b>
Ebitda margin %	16.4%	12.9%	-15.4%	1.9%	4.9%	10.8%	12.9%	12.9%	
YoY growth %		-11.7%	n.m.	n.m.	246.6%	189.3%	35.7%	6.1%	
Total D&A	(3.2)	(5.4)	(6.7)	(5.2)	(7.3)	(7.0)	(7.8)	(8.3)	
<b>EBIT</b>	<b>17.1</b>	<b>12.5</b>	<b>(17.9)</b>	<b>(3.6)</b>	<b>(1.9)</b>	<b>8.7</b>	<b>13.5</b>	<b>14.3</b>	<b>n.m.</b>
Ebit margin %	13.8%	9.0%	-24.7%	-4.4%	-1.7%	6.0%	8.2%	8.2%	
YoY growth %		-26.7%	n.m.	n.m.	n.m.	n.m.	55.2%	5.9%	
Net financials & Participations	3.2	2.5	1.1	(0.1)	(0.2)	0.0	0.0	0.0	
<b>Pretax Profit</b>	<b>20.2</b>	<b>15.0</b>	<b>(16.9)</b>	<b>(3.7)</b>	<b>(2.1)</b>	<b>8.7</b>	<b>13.5</b>	<b>14.3</b>	<b>n.m.</b>
Taxes	(8.3)	(4.8)	(3.7)	(0.8)	(0.5)	(2.2)	(3.7)	(4.3)	
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Group Net Profit</b>	<b>12.0</b>	<b>10.2</b>	<b>(20.5)</b>	<b>(4.5)</b>	<b>(2.6)</b>	<b>6.5</b>	<b>9.8</b>	<b>10.0</b>	<b>n.m.</b>
Net margin %	9.7%	7.3%	-28.3%	-5.5%	-2.3%	4.5%	5.9%	5.7%	
YoY growth %		-14.6%	n.m.	n.m.	n.m.	n.m.	50.0%	2.3%	

Source: Company data IFRS and Intermonte Sim

USD/EUR 1.37 1.47 1.39 1.33 1.39 | 1.25 1.20 1.20



## El.En Group

Our estimates for the El.En Group are the result of a combination of new forecasts both for El.En ex-Cynosure and for Cynosure, net of some consolidation effects. We are assuming average USD/EUR exchange rates of 1.25 in 2012 and 1.20 in 2013 and 2014.

### *El.En Group P&L Estimates (Consolidated)*

(€ mn)	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	CAGR11-14E
<b>Sales</b>	<b>193.4</b>	<b>221.7</b>	<b>149.1</b>	<b>189.8</b>	<b>211.1</b>	<b>256.9</b>	<b>285.3</b>	<b>300.0</b>	<b>12.4%</b>
YoY growth %		14.6%	-32.7%	27.3%	11.2%	21.7%	11.1%	5.1%	
<b>EBITDA</b>	<b>26.3</b>	<b>28.8</b>	<b>(4.0)</b>	<b>14.3</b>	<b>14.0</b>	<b>25.3</b>	<b>32.2</b>	<b>34.7</b>	<b>35.5%</b>
Ebitda margin %	13.6%	13.0%	-2.7%	7.5%	6.6%	9.9%	11.3%	11.6%	
YoY growth %		9.4%	n.m.	n.m.	-2.4%	81.4%	27.2%	7.7%	
Total D&A	(5.0)	(8.3)	(8.6)	(8.9)	(11.0)	(11.1)	(12.3)	(12.9)	
<b>EBIT</b>	<b>21.3</b>	<b>20.6</b>	<b>(12.6)</b>	<b>5.4</b>	<b>3.0</b>	<b>14.2</b>	<b>20.0</b>	<b>21.8</b>	<b>94.0%</b>
Ebit margin %	11.0%	9.3%	-8.4%	2.9%	1.4%	5.5%	7.0%	7.3%	
YoY growth %		-3.5%	n.m.	n.m.	-45.0%	376.9%	40.4%	9.1%	
Net financials & Participati	14.1	1.5	0.3	(0.7)	(0.5)	(0.3)	(0.5)	(0.4)	
<b>Pretax Profit</b>	<b>35.4</b>	<b>22.1</b>	<b>(12.3)</b>	<b>4.7</b>	<b>2.5</b>	<b>13.9</b>	<b>19.5</b>	<b>21.4</b>	<b>105.5%</b>
Taxes	(10.5)	(7.9)	(4.1)	(4.3)	(2.8)	(5.6)	(7.2)	(7.9)	
Minorities	(7.3)	(5.9)	11.1	0.8	0.0	(5.7)	(8.2)	(8.5)	
<b>Group Net Profit</b>	<b>17.7</b>	<b>8.3</b>	<b>(5.3)</b>	<b>1.3</b>	<b>(0.3)</b>	<b>2.6</b>	<b>4.1</b>	<b>5.0</b>	<b>-364.0%</b>
Net margin %	9.1%	3.8%	-3.5%	0.7%	-0.1%	1.0%	1.4%	1.7%	
YoY growth %		-52.8%	n.m.	n.m.	-121.4%	n.m.	55.3%	22.1%	

Source: Company data and Intermonte Sim

## Valuation

### SOP

For our valuation of the El.En Group, 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, net of the cash flows which belong to minority shareholders) and the market value of El.En's 23.293% stake in Cynosure (listed on NASDAQ, ticker CYNO US). Our new target price of Eu22.8, 23.7% higher than in our last note dated 18<sup>th</sup> May 2012, is the result of a much higher market value being attached to El.En's stake in Cynosure (+44.6%).

#### El.En Group - SOP (€ mn)

	Method	€ mn	€ per share	previous (18-05-2012)	change
El.En ex Cynosure	DCF, net of minorities	42.8	8.9	8.8	0.9%
El.En stake in Cynosure (23.293%)	market value	67.0	13.9	9.6	44.6%
<b>Total Equity Value</b>		<b>109.8</b>	<b>22.8</b>	18.4	23.7%
El.En Share Price			14.3	12.6	13.5%
<b>potential upside</b>			<b>59.1%</b>	46.0%	

Source: Intermonte Sim

Given the significant upside, we reiterate our positive stance on the stock, as 1) El.En ex Cynosure should benefit from high exposure to the medical and aesthetic treatment sector, which enjoys sustainable growth drivers; and 2) Cynosure's turnaround, sustained by the acquisitions of Eleme Medical and HOYA ConBio and the marketing of new products (above all Cellulaze), should provide a further boost to El.En Group's results.

Finally, once we restate El.En Group's EV for the value of its stake in Cynosure (Eu66.9mn based on market prices) we can see that El.En ex-Cynosure (even adding back Eu9mn, the book value of its minority interests) is trading at really undemanding multiples based on current market prices.

#### El.En ex Cynosure multiples at our DCF fair value

	2011	2012	2013	2014
P/E	59.5	19.7	13.1	10.2
EV/Sales	0.43	0.39	0.37	0.35
EV/Ebitda	5.4	4.3	3.8	3.4
EV/Ebit	11.5	7.3	6.0	5.3

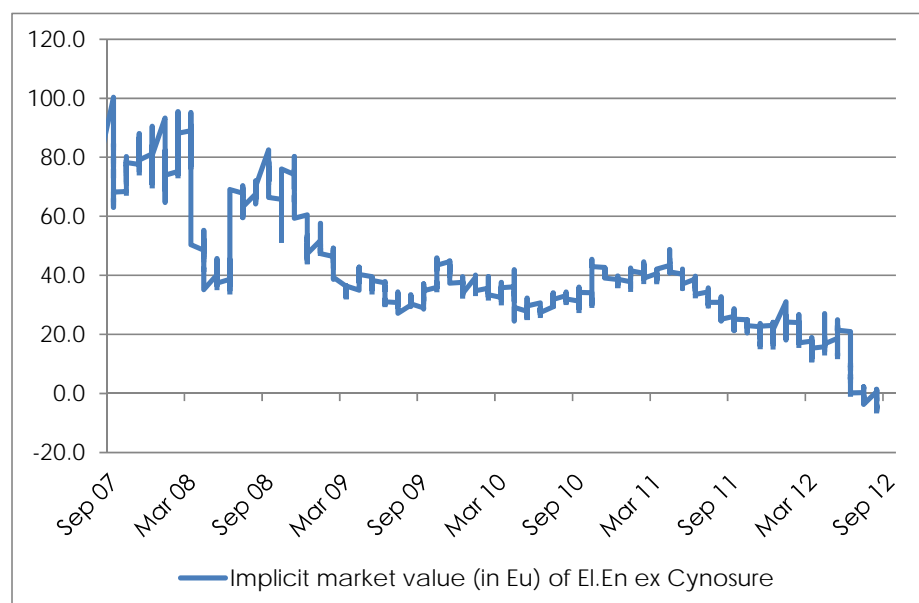
Source: Intermonte Sim

#### El.En ex Cynosure multiples at current market prices

	2011	2012	2013	2014
P/E	30.2	0.9	0.6	0.5
EV/Sales	0.24	0.04	0.03	0.03
EV/Ebitda	3.0	0.4	0.3	0.3
EV/Ebit	6.4	0.8	0.5	0.5

Source: Intermonte Sim

The implicit market value of El.En net of its stake in Cynosure (valued at market prices) has decreased significantly in the last few years and has reached zero this year.



## Multiples

As a sanity check, we have compared multiples for El.En, El.En ex-Cynosure and Cynosure with those of peer group made up of companies operating in the medical and aesthetic lasers sector. As shown in the table, El.En ex-Cynosure is trading at a huge discount to US medical peers based on P/sales and on P/BV, while Cynosure is trading at a premium.

Cynosure and El.En Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
Cynosure Inc. (Cl A)	22.2	EUR - Euro	287	10.8%	45.9%	72.7%	144.8%	240.9%	191.4%
El.En S.p.A.	14.3	EUR - Euro	69	19.9%	28.6%	24.9%	43.0%	58.9%	29.4%
Syneron Medical Ltd.	7.7	USD - US Dollar	273	-3.3%	-6.1%	-8.5%	-9.5%	8.4%	17.0%
Palomar Medical Technologies Inc.	6.9	USD - US Dollar	134	0.9%	4.9%	-11.5%	-4.3%	20.3%	-5.7%
Cutera Inc.	5.9	USD - US Dollar	83	12.5%	13.6%	-15.9%	2.8%	11.4%	2.0%
Biolase Inc.	1.4	USD - US Dollar	42	-3.5%	-19.3%	-32.0%	-31.0%	-34.0%	107.9%
Solta Medical Inc.	2.5	USD - US Dollar	166	9.6%	19.8%	22.4%	1.7%	142.7%	82.9%
<b>Medical avg</b>				<b>3.3%</b>	<b>2.6%</b>	<b>-9.1%</b>	<b>-8.1%</b>	<b>29.8%</b>	<b>40.8%</b>
<b>Italy Fixed</b>	<b>280.4</b>	<b>EUR - Euro</b>	<b>368,426</b>	<b>7.4%</b>	<b>14.9%</b>	<b>-8.0%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>-27.5%</b>

Source: Factset

Cynosure and El.En Peer Group - Multiples Comparison

Stock	Price	Ccy	Mkt cap	P/Sales 2012	P/Sales 2013	P/BV 2012	P/BV 2013
Cynosure Inc. (Cl A)	22.2	EUR - Euro	287	2.4	2.1	2.8	2.5
El.En Group	14.3	EUR - Euro	69	1.2	1.1	0.7	0.7
El.En ex Cynosure	14.3	EUR - Euro	69	0.07	0.07	0.12	0.11
Syneron Medical Ltd.	7.7	USD - US Dollar	273	1.3	1.1	1.5	1.4
Palomar Medical Technologies Inc.	6.9	USD - US Dollar	134	2.1	1.9	1.1	1.1
Cutera Inc.	5.9	USD - US Dollar	83	1.4	1.2	1.3	1.3
Biolase Inc.	1.4	USD - US Dollar	42	0.9	0.8	4.3	3.7
Solta Medical Inc.	2.5	USD - US Dollar	166	1.4	1.2	2.1	2.0
<b>Medical avg</b>				<b>1.4</b>	<b>1.2</b>	<b>1.5</b>	<b>1.4</b>

Source: Factset consensus estimates for peer group, Intermonte estimates for Cynosure, El.En ex Cynosure and El.En Group

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 BUY: stock expected to outperform the market by over 25% over a 12 month period;  
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 NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;  
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 NEUTRAL: 36.21%  
 UNDERPERFORM: 10.24%  
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 OUTPERFORM: 46.88%  
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 UNDERPERFORM: 0.00%  
 SELL: 0.00%

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**DETAILS ON STOCKS RECOMMENDATION**

Stock NAME	ELEN.		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (€u):	22.80	Previous Target (€u):	18.40
Current Price (€u):	14.30	Previous Price (€u):	12.3440
Date of report:	05/09/2012	Date of last report:	18/05/2012

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