

EL.EN.

Sector: Industrials

OUTPERFORM

Price: Eu13.34 - Target: 17.10

Reiterating View After Record 4Q and Positive 2022 Outlook

Andrea Randone +39-02-77115.364

andrea.randone@intermonte.it

Francois Robillard: +39-02-77115.470

francois.robillard@intermonte.it

Stock Rating

Rating: Unchanged

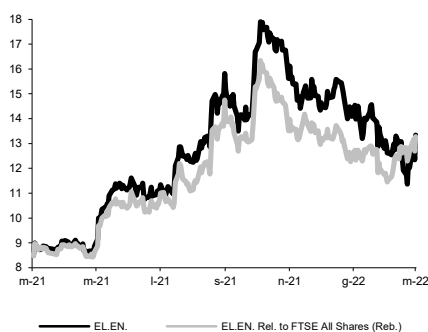
Target Price (Eu): from 17.80 to 17.10

	2022E	2023E	2024E
Chg in Adj EPS	5.2%	6.8%	

Next Event

 1Q22 Results Out May 13th 2022

EL.EN. - 12M Performance



Stock Data

Reuters code: ELEN.MI

Bloomberg code: ELN IM

Performance	1M	3M	12M
Absolute	3.3%	-8.9%	56.9%
Relative	12.9%	0.6%	56.5%
12M (H/L)	17.90/8.49		
3M Average Volume (th):	188.00		

Shareholder Data

No. of Ord shares (mn):	78
Total no. of shares (mn):	78
Mkt Cap Ord (Eu mn):	1,046
Total Mkt Cap (Eu mn):	1,046
Mkt Float - Ord (Eu mn):	541
Mkt Float (in %):	51.7%
Main Shareholder:	
Cangioli Andrea	15.2%

Balance Sheet Data

Book Value (Eu mn):	307
BVPS (Eu):	3.91
P/BV:	3.4
Net Financial Position (Eu mn):	141
Enterprise Value (Eu mn):	973

■ **Record sales in 4Q, margins in line, outstanding cash flow:** sales were up 19% YoY to €166mn in 4Q, beating our €160mn/+14% forecast and company guidance (≥€145mn), as we expected. The Medical segment (54% of sales) was the biggest contributor to growth, with all three product categories up double-digit, while Industrial segment sales grew at a slower pace of +6% amid steady Cutting activities due to the tough comparison base and slowing demand in China, offset by outstanding growth in Italy and Europe. EBITDA/EBIT were in line with our estimates at €24mn/€20mn, expanding rapidly (+62%/69% YoY) thanks to the strong growth and positive mix trend. NFP was positive for €116mn (still not including insurance policy financial assets for €18mn), comfortably beating our €85mn estimate, as net cash flow of €41mn in 4Q benefitted from healthy margins and was helped by WC, in turn boosted by the contribution of advance payments on a high volume of Industrial orders (worth “tens of €mns”), in part linked to Industry 4.0 features in Italy, which may slow down and only partly revert in 2022.

■ **FY22 guidance indications point to stronger growth, EBIT increase:** i) Sales growth ≥+10% YoY powered by good visibility provided by strong order volumes, robust growth expected in Medical activities in the US and Europe with rapid recovery in Surgical sales, Industrial sales seen supported by good momentum in Europe and the leveraging of ELN’s leadership position in high power metal laser cutting in China. ii) EBIT increasing YoY, though no precise target was given. Still-tough supply chain conditions and rising costs limit visibility on the cost side (both COGS and OpEx are expected to increase) and volumes growth will be accompanied by the gradual implementation of price hikes throughout 2022 to further counteract cost inflation. The direct impact of the Ukraine-Russia crisis is reflected in guidance (2% of sales), although additional indirect effects on supply chains and costs may add pressure on margins. Nevertheless, tailwinds such as the strong USD ForEx and new product contribution may offer upside not yet reflected in guidance. FY22 CapEx is seen at c.€15mn.

■ **No official plan for IPO of China cutting business:** ELN announced it had completed some preliminary steps towards an IPO of its Chinese cutting business (€0.14bn sales FY21 i.e. 25% of the group total, medium-term EBIT margin exp. 5-8% vs. our est. c.12% for ELN group) although no official project is in place to proceed with such an operation.

■ **Change in estimates:** we are raising our FY22 sales forecast in light of the upbeat messages on growth expectations (+11% est. vs guidance ≥+10%) while broadly confirming our margin forecast (in % terms) as we expect the enhanced mix (Med/Ind sales +12%/+9%) to broadly offset cost pressure, resulting in a 5% change in 2022 EPS.

■ **OUTPERFORM rating confirmed, target €17.1 (from €17.8):** the change in our DCF-based TP reflects our new estimates, the higher cash position at YE21 (€0.7 per share) and the adverse impact of the 0.5pp hike applied in ERP and DCF roll-over (combined impact €-1.4 p.s.). We reiterate our positive view on the stock following a set of record results in 4Q, which massively beat company guidance, and in light of the upbeat expectations for 2022. The stock’s -23% price drop since 30th October 2021 looks unjustified in our view in light of the unchanged positive earnings momentum and confirmed robust growth profile.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	408	571	634	686	738
EBITDA Adj (Eu mn)	43	80	89	97	103
Net Profit Adj (Eu mn)	19	45	51	57	61
EPS New Adj (Eu)	0.244	0.580	0.654	0.723	0.775
EPS Old Adj (Eu)	0.244	0.576	0.622	0.677	
DPS (Eu)	0.100	0.100	0.125	0.125	0.125
EV/EBITDA Adj	10.5	10.6	11.0	9.6	8.7
EV/EBIT Adj	14.0	13.1	13.2	11.4	10.2
P/E Adj	54.6	23.0	20.4	18.4	17.2
Div. Yield	0.7%	0.7%	0.9%	0.9%	0.9%
Net Debt/EBITDA Adj	-1.6	-1.4	-1.6	-1.8	-2.1

EL.EN. – Key Figures						
Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	401	408	571	634	686	738
EBITDA	46	41	80	89	97	103
EBIT	38	30	65	74	82	88
Financial Income (charges)	0	-2	2	1	1	1
Associates & Others	-0	-0	-0	0	0	0
Pre-tax Profit	39	28	66	75	83	89
Taxes	-10	-5	-17	-19	-22	-23
Tax rate	-25.5%	-19.3%	-26.0%	-26.0%	-26.0%	-26.0%
Minorities & Discontinued Operations	-3	-2	-4	-4	-5	-5
Net Profit	26	20	45	51	57	61
EBITDA Adj	46	43	80	89	97	103
EBIT Adj	38	32	65	74	82	88
Net Profit Adj	26	19	45	51	57	61
Per Share Data (Eu)	2019A	2020A	2021A	2022E	2023E	2024E
Total Shares Outstanding (mn) - Average	78	78	78	78	78	78
Total Shares Outstanding (mn) - Year End	78	78	78	78	78	78
EPS f.d	0.335	0.259	0.580	0.654	0.723	0.775
EPS Adj f.d	0.335	0.244	0.580	0.654	0.723	0.775
BVPS f.d	2.848	2.813	3.366	3.913	4.503	5.145
Dividend per Share ORD	0.000	0.100	0.100	0.125	0.125	0.125
Dividend per Share SAV						
Dividend Payout Ratio (%)	0.0%	40.9%	17.3%	19.1%	17.3%	16.1%
Cash Flow (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Gross Cash Flow	37	33	64	70	77	81
Change in NWC	1	7	19	-21	-12	-14
Capital Expenditure	-23	-13	-23	-16	-16	-16
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	14	27	61	34	48	50
Acquisitions, Divestments & Other Items	-6	-21	0	0	0	0
Dividends	-9	0	-9	-8	-10	-10
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-1	8	52	25	38	40
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	89	92	108	109	109	110
Net Working Capital	80	73	53	74	86	101
Long term Liabilities	11	7	11	11	11	11
Net Capital Employed	179	171	172	193	206	222
Net Cash (Debt)	61	69	116	141	179	219
Group Equity	241	241	288	335	386	441
Minorities	18	20	24	28	33	37
Net Equity	222	221	264	307	353	403
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	400	452	900	1,046	1,046	1,046
Adjustments (Associate & Minorities)	-69	-69	-69	-69	-69	-69
Net Cash (Debt)	61	69	116	141	179	219
Enterprise Value	407	451	852	973	935	895
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	11.6%	10.5%	14.0%	14.0%	14.2%	13.9%
EBIT Adj Margin	9.5%	7.9%	11.4%	11.6%	11.9%	11.9%
Gearing - Debt/Equity	-25.5%	-28.7%	-40.2%	-42.2%	-46.5%	-49.7%
Interest Cover on EBIT	nm	17.1	nm	nm	nm	nm
Net Debt/EBITDA Adj	-1.3	-1.6	-1.4	-1.6	-1.8	-2.1
ROACE*	22.7%	17.2%	37.8%	40.4%	41.0%	41.0%
ROE*	12.3%	8.6%	18.8%	18.0%	17.2%	16.1%
EV/CE	2.4	2.6	5.0	5.3	4.7	4.2
EV/Sales	1.0	1.1	1.5	1.5	1.4	1.2
EV/EBITDA Adj	8.8	10.5	10.6	11.0	9.6	8.7
EV/EBIT Adj	10.6	14.0	13.1	13.2	11.4	10.2
Free Cash Flow Yield	1.3%	2.4%	5.5%	3.0%	4.4%	4.5%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	15.8%	1.8%	40.0%	11.0%	8.2%	7.5%
EBITDA Adj	30.0%	-7.1%	86.2%	10.9%	9.5%	5.5%
EBIT Adj	27.4%	-15.4%	100.7%	13.7%	11.1%	7.1%
Net Profit Adj	54.9%	-22.1%	124.3%	12.9%	10.5%	7.2%
EPS Adj	-61.5%	-27.1%	137.1%	12.9%	10.5%	7.2%
DPS	nm	nm	0.0%	25.0%	0.0%	0.0%

*Excluding extraordinary items Source: Intermonte SIM estimates

4Q/FY21 results snapshot

El.En. – 3Q/9M21 results snapshot

(Eu mn)	4Q19A	2019A	4Q20A	2020A	1Q21A	2Q21A	3Q21A	4Q21A	2021A	4Q21E	2021E	AvE 4Q	AvE FY
Medical	72.1	242.2	69.3	229.1	67.2	79.5	73.8	90.8	311.3	84.1	304.6	8%	2%
growth YoY (%)	22.1%	22.4%	-3.8%	-5.4%	25.6%	69.8%	24.2%	31.0%	35.9%	21.4%	33.0%		
% of total sales	60.6%	60.4%	49.5%	56.1%	57.8%	50.4%	56.2%	54.7%	54.5%	52.7%	53.9%		
Industrial	46.8	158.6	70.6	179.0	49.1	78.1	57.6	75.3	260.1	75.4	260.2	0%	0%
growth YoY (%)	7.4%	7.0%	50.8%	12.9%	152.9%	82.5%	24.6%	6.7%	45.3%	6.8%	45.4%		
% of total sales	39.4%	39.6%	50.5%	43.9%	42.2%	49.6%	43.8%	45.3%	45.5%	47.3%	46.1%		
Sales	117.8	400.8	139.9	408.1	116.4	157.5	131.4	166.1	571.4	159.6	564.9	4%	1%
YoY growth %	14.8%	15.8%	18.8%	1.8%	59.5%	75.9%	24.4%	18.7%	40.0%	14.0%	38.4%		
Gross profit	44.9	156.0	47.2	141.6	43.6	56.3	50.3	61.9	212.1	60.5	210.7	2%	1%
Gross margin %	38.1%	38.9%	33.8%	34.7%	37.5%	35.7%	38.3%	37.3%	37.1%	37.9%	37.3%		
YoY growth %	9.0%	13.5%	5.2%	-9.2%	38.5%	98.4%	45.6%	31.1%	49.7%	28.1%	48.8%		
EBITDA	13.7	46.3	15.0	40.8	15.6	23.6	16.5	24.4	80.1	23.7	79.3	3%	1%
Ebitda margin %	11.6%	11.6%	10.8%	10.0%	13.4%	15.0%	12.6%	14.7%	14.0%	14.8%	14.0%		
YoY growth %	18.2%	30.0%	9.9%	-11.9%	119.9%	218.3%	46.4%	62.2%	96.3%	57.4%	94.4%		
EBIT	11.8	38.2	12.0	30.1	12.9	17.9	13.7	20.2	64.8	20.6	65.1	-2%	-1%
Ebit margin %	10.0%	9.5%	8.6%	7.4%	11.1%	11.4%	10.4%	12.2%	11.3%	12.9%	11.5%		
YoY growth %	17.7%	27.4%	1.9%	-21.2%	187.6%	274.2%	55.1%	68.7%	115.2%	71.8%	116.4%		
Pretax Profit	11.0	38.6	11.0	27.9	14.1	17.7	13.7	20.8	66.4	20.6	66.1	1%	0%
Pretax margin %	9.4%	9.6%	7.9%	6.8%	12.1%	11.3%	10.4%	12.5%	11.6%	12.9%	11.7%		
YoY growth %	14.4%	30.8%	0.2%	-27.7%	199.4%	318.9%	73.1%	88.3%	137.8%	86.3%	136.9%		
Net Income		26.0		20.3					45.4		45.1		
Net margin %		6.5%		5.0%					7.9%		8.0%		
YoY growth %		54.9%		-22.1%					124.1%		122.9%		
Net financial position	61.4	61.4	69.2	69.2	75.8	78.9	74.7	115.7	115.7	84.5	84.5	37%	37%

Source: Company data (A), Intermonte SIM Estimates (E)

Changes to estimates

El.En. – Changes to estimates

	New Estimates			Old Estimates			Delta %	
	2022	2023	2024	2022	2023	2024	2022	2023
Revenue	634	686	738	611	652		4%	5%
%YoY	11.0%	8.2%	7.5%	8.2%	6.7%			
EBITDA	89	97	103	85	91		4%	7%
%YoY	10.9%	9.5%	5.5%	7.2%	7.2%			
%margin	14.0%	14.2%	13.9%	13.9%	14.0%			
EBIT	74	82	88	71	77		5%	6%
%YoY	13.7%	11.1%	7.1%	8.3%	9.1%			
%margin	11.6%	11.9%	11.9%	11.5%	11.8%			
EPS	0.65	0.72	0.77	0.62	0.68		5%	7%
%YoY	12.9%	10.5%	7.2%	7.9%	8.9%			
NFP	141	179	219	120	162		18%	10%

Source: Intermonte SIM Estimates

Intermonte estimates

El.En. – Top-line breakdown by segment

Breakdown	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Aesthetic	110.4	134.3	136.5	198.3	222.1	239.9	259.1
growth YoY (%)	10.4%	21.6%	1.6%	45.3%	12.0%	8.0%	8.0%
% of total sales	31.9%	33.5%	33.4%	34.7%	35.0%	35.0%	35.1%
Surgical	42.1	50.3	38.3	45.2	52.0	56.1	60.6
growth YoY (%)	21.9%	19.5%	-23.9%	20.7%	15.0%	8.0%	8.0%
% of total sales	12.2%	12.6%	9.4%	7.9%	8.2%	8.2%	8.2%
Physiotherapy	10.8	10.6	7.6	13.5	14.9	16.3	18.0
growth YoY (%)	14.5%	-1.9%	-28.3%	171.8%	10.0%	10.0%	10.0%
% of total sales	3.1%	2.6%	1.9%	2.4%	2.3%	2.4%	2.4%
Total Medical Systems	164.0	196.3	183.0	257.8	288.9	312.3	338.7
growth YoY (%)	13.4%	19.7%	-6.8%	40.9%	12.1%	8.1%	8.5%
% of total sales	47.4%	49.0%	44.8%	45.1%	45.6%	45.5%	45.9%
Medical service	33.9	45.9	46.1	53.5	59.9	65.9	71.8
growth YoY (%)	13.5%	35.4%	0.4%	16.1%	12.0%	10.0%	9.0%
% of total sales	9.8%	11.5%	11.3%	9.4%	9.4%	9.6%	9.7%
Total Medical Revenues	197.9	242.2	229.1	311.3	348.8	378.2	410.6
growth YoY (%)	13.4%	22.4%	-5.4%	35.9%	12.1%	8.4%	8.5%
% of total sales	57.2%	60.4%	56.1%	54.5%	55.0%	55.1%	55.7%
Cutting	115.5	119.7	147.4	216.0	235.4	254.3	269.5
growth YoY (%)	12.2%	3.6%	23.1%	40.9%	9.0%	8.0%	6.0%
% of total sales	33.4%	29.9%	36.1%	37.8%	37.1%	37.1%	36.5%
Marking	17.9	20.3	17.3	22.6	26.0	27.5	28.9
growth YoY (%)	3.5%	13.4%	-14.8%	16.1%	15.0%	6.0%	5.0%
% of total sales	5.2%	5.1%	4.2%	4.0%	4.1%	4.0%	3.9%
Laser sources	4.9	4.4	2.3	7.0	8.1	8.5	8.9
growth YoY (%)	45.7%	-10.2%	-47.7%	204.3%	15.0%	5.0%	5.0%
% of total sales	1.4%	1.1%	0.6%	1.2%	1.3%	1.2%	1.2%
Total Industrial Systems	138.6	144.7	167.3	245.8	269.7	290.5	307.6
growth YoY (%)	12.0%	4.4%	15.7%	46.9%	9.7%	7.7%	5.9%
% of total sales	40.0%	36.1%	41.0%	43.0%	42.5%	42.3%	41.7%
Industrial service	9.6	13.9	11.7	14.3	15.7	17.3	19.4
growth YoY (%)	5.0%	44.8%	-15.8%	22.2%	10.0%	10.0%	12.0%
% of total sales	2.8%	3.5%	2.9%	2.5%	2.5%	2.5%	2.6%
Total Industrial Revenues	148.2	158.6	179.0	260.1	285.4	307.8	326.9
growth YoY (%)	12.2%	7.0%	12.9%	45.3%	9.7%	7.8%	6.2%
% of total sales	42.8%	39.6%	43.9%	45.5%	45.0%	44.9%	44.3%
Total Revenues	346.0	400.8	408.1	571.4	634.3	686.0	737.5
growth YoY (%)	12.9%	15.8%	1.8%	40.0%	11.0%	8.2%	7.5%

Source: Company data (A), Intermonte SIM Estimates (E)

El.En. – P&L forecasts

(Eu mn)	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Sales	346.0	400.8	408.1	571.4	634.3	686.0	737.5
YoY growth %	12.9%	15.8%	1.8%	40.0%	11.0%	8.2%	7.5%
Gross profit	137.5	156.0	141.6	212.1	235.9	257.3	276.6
Gross margin %	39.7%	38.9%	34.7%	37.1%	37.2%	37.5%	37.5%
YoY growth %	8.0%	13.5%	-9.2%	49.7%	11.3%	9.0%	7.5%
EBITDA	35.6	46.3	40.8	80.1	88.9	97.3	102.6
Ebitda margin %	10.3%	11.6%	10.0%	14.0%	14.0%	14.2%	13.9%
YoY growth %	-1.4%	30.0%	-11.9%	96.2%	10.9%	9.5%	5.5%
EBIT	30.0	38.2	30.1	64.9	73.7	81.9	87.7
Ebit margin %	8.7%	9.5%	7.4%	11.4%	11.6%	11.9%	11.9%
YoY growth %	-1.5%	27.4%	-21.2%	115.4%	13.7%	11.1%	7.1%
Pretax Profit	29.5	38.6	27.9	66.4	74.7	82.9	88.7
Pretax margin %	8.5%	9.6%	6.8%	11.6%	11.8%	12.1%	12.0%
YoY growth %	8.5%	30.8%	-27.7%	137.9%	12.5%	10.9%	7.1%
Net Income	16.8	26.0	20.3	45.4	51.3	56.7	60.8
Net margin %	4.9%	6.5%	5.0%	8.0%	8.1%	8.3%	8.2%
YoY growth %	7.4%	54.9%	-22.1%	124.3%	12.9%	10.5%	7.2%

Source: Company data (A), Intermonte SIM Estimates (E)

El.En. – Cash flow forecasts

Cash Flow Statement (Eu mn)	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Net income	16.8	26.0	20.3	45.4	51.3	56.7	60.8
Minorities	5.0	2.8	2.3	3.7	4.0	4.6	4.9
Amortization & Depr.	5.6	8.1	10.7	15.2	15.1	15.4	14.9
Change in working capital	(17.4)	0.6	6.9	19.4	(20.6)	(12.3)	(14.5)
Operating cash flow	10.1	37.5	40.1	83.7	49.8	64.5	66.1
Capex (Tangible+Intangible)	(26.3)	(23.4)	(13.0)	(23.0)	(16.0)	(16.0)	(16.0)
FCF	(16.2)	14.1	27.1	60.7	33.8	48.5	50.1
Acquisition / JV	0.0	0.0	(25.6)	0.0	0.0	0.0	0.0
Divestments (Tangible+Intangible)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	(8.4)	(8.7)	0.0	(9.4)	(8.4)	(10.4)	(10.5)
Other	2.6	(6.5)	4.7	0.3	0.0	0.0	0.0
Change in net (cash)/debt	(22.0)	(1.1)	7.8	51.6	25.5	38.1	39.6
Net Financial Position	62.5	61.4	69.2	115.8	141.2	179.3	218.9
Net debt/EBITDA	-1.8x	-1.3x	-1.7x	-1.4x	-1.6x	-1.8x	-2.1x

Source: Company data (A), Intermonte SIM Estimates (E)

El.En. – Simplified balance sheet forecasts

Balance Sheet (Eu mn)	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Commercial working capital	102.2	110.7	110.7	144.6	158.6	171.5	189.5
Net working capital	80.3	79.6	72.7	53.4	73.9	86.2	100.7
Net Fixed Asset	68.0	89.1	92.1	107.7	108.6	109.1	110.2
Other non current assets	8.5	10.5	6.7	10.9	10.9	10.9	10.9
Net capital employed	156.7	179.2	171.5	171.9	193.4	206.2	221.8
Net (debt) / cash	62.5	61.4	69.2	115.8	141.2	179.3	218.9
Net Equity	219.2	240.6	240.7	287.7	334.6	385.5	440.7
Shareholders Funds	200.7	222.4	220.5	263.9	306.7	353.0	403.3
Minorities	18.6	18.2	20.1	23.8	27.9	32.5	37.4
Net capital employed	156.7	179.2	171.5	171.9	193.4	206.2	221.8

Source: Company data (A), Intermonte SIM Estimates (E)

Valuation snapshot

El.En. – DCF Valuation

(Eu mn)	2022E	2023E	2024E	2025E	2026E	2027E	2028E
EBITDA	88.9	97.3	102.6	115.6	123.5	125.2	131.5
Tax on EBIT	-19.2	-21.3	-22.8	-26.2	-27.9	-28.1	-29.8
WC Change	-20.6	-12.3	-14.5	-12.9	-5.7	-6.0	-6.3
Capex	-16.0	-16.0	-16.0	-16.0	-17.0	-17.0	-17.0
FCFF	33.1	47.7	49.3	60.6	72.9	74.1	78.5
PV (FCFF)	33.1	44.4	42.7	48.8	54.6	51.6	50.8
PV FCFF 22-28	275	21%					
PV TV	1,017	79%					
EV	1,292						
Financial Assets	18						
Net Cash	116						
Participations @BV	2						
Minorities (@22x PE)	-88						
Equity Value	1339						
<i>NOSH</i>	78.4						
Fair Value per share	17.1						

W _e	100%
R _f	2.00%
R _m -R _f	5.50%
β	1.0
WACC	7.5%
g	2.5%

		WACC				
		7.00%	7.25%	7.50%	7.75%	8.00%
Terminal growth rate	1.5%	16.3	15.6	14.9	14.3	13.8
	2.0%	17.5	16.7	15.9	15.2	14.6
	2.5%	19.0	18.0	17.1	16.3	15.5
	3.0%	20.8	19.6	18.5	17.6	16.7
	3.5%	23.2	21.7	20.3	19.1	18.1

Source: Company data (A), Intermonte SIM Estimates (E)

El.En. in Brief

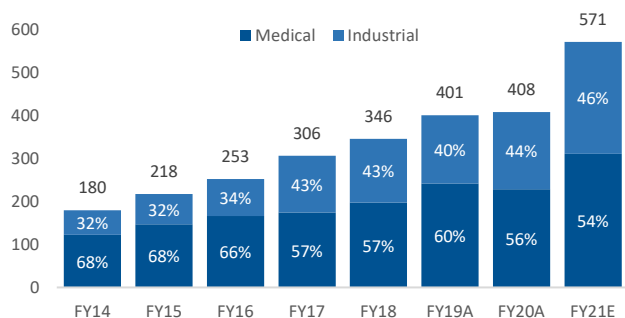
Company description

El.En. is an industrial group specialized in the manufacture, research and development, distribution and sale of laser systems. El.En. operates in the Medical segment (56% of 2020 sales) and the Industrial segment (44% of sales). The company employs over 1,600 people and is based in Calenzano (FI), Italy. It also has a manufacturing presence in Germany, China and Brazil, while the US and Japan are the group's other important markets.

Strengths/Opportunities

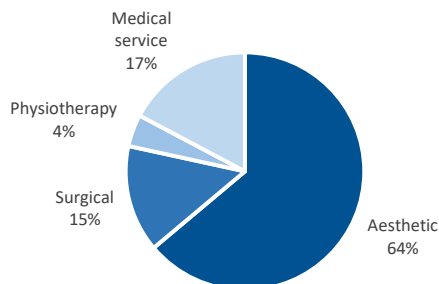
- Proven innovation abilities drive product line-up renewal
- Strong balance sheet
- High barriers to entry (health authority clearance needed)
- Long-term structural tailwinds: ageing population, Shift towards cost-efficient solutions in healthcare systems
- Pent-up demand for high margin surgical lasers following delayed investments from hospitals/clinics from 2Q20
- Wider potential industrial client base in China

Sales evolution (€mn)



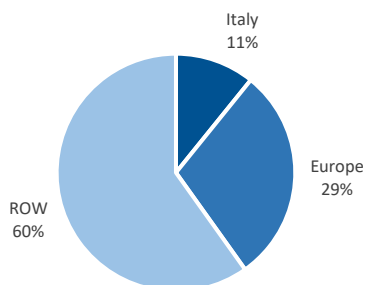
Source: Company data

Medical segment sales breakdown (FY21)



Source: Company data

Medical segment sales breakdown (FY21)



Source: Company data

Management

Chairman: Gabriele Clementi

CEO: Andrea Cangioli

CFO: Enrico Romagnoli

Next BoD renewal: April 2024

BoD independent members: 3/6

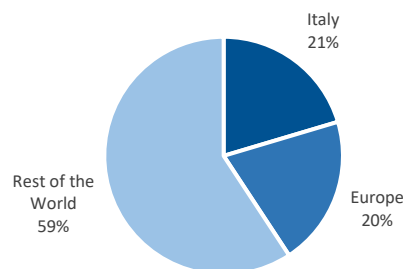
Shareholders

Andrea Cangioli	14.8%
Immobiliare del Ciliegio*	7.3%
Alberto Pecci	10.4%
Gabriele Clementi	9.6%
Barbara bazzocchi	5.0%
Other	52.9%
* Cangioli family holding	

Weaknesses/Threats

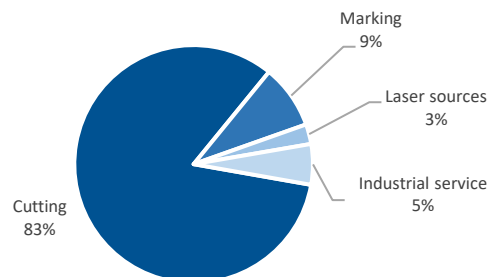
- Semi-conductor shortages and logistics issues may affect industrial production and El.En.'s output
- Regulatory/legal risk related to health authority decisions
- Waning prices for industrial laser cutting

Group sales breakdown (FY21)



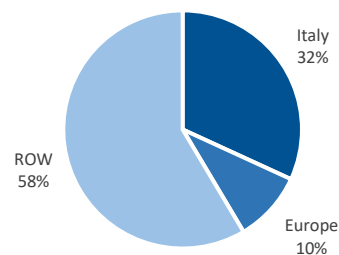
Source: Company data

Industrial segment sales breakdown (FY21)



Source: Company data

Industrial segment sales breakdown (FY21)



Source: Company data

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	EL.EN.		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	17.10	Previous Target (Eu):	17.80
Current Price (Eu):	13.34	Previous Price (Eu):	15.62
Date of report:	17/03/2022	Date of last report:	16/11/2021

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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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 31 December 2021 Intermonte's Research Department covered 120 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	16,95 %
OUTPERFORM:	53,39 %
NEUTRAL:	25,42 %
UNDERPERFORM	04,24 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (53 in total) is as follows:

BUY:	30,19 %
OUTPERFORM:	49,06 %
NEUTRAL:	20,75 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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Emittente	%	Long/Short
AEDES NEW	3,7	LONG
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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