

## EL.EN.

## OUTPERFORM

Price (Eu): **31.30**

Target Price (Eu): **38.00**

SECTOR: *Industrials*

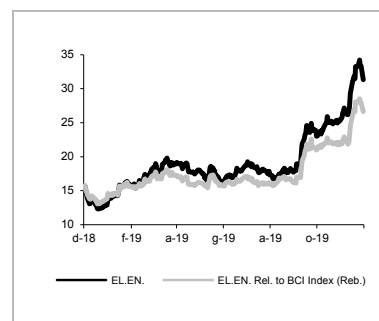
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## Still At The Cutting Edge

- Capacity increase to unlock further growth potential.** As a result of the substantial investments made by the company since 2018 (€32mn spent over the last 7 quarters) it has nearly doubled European production capacity in the industrial segment. It projects a similar feat in China by 1H20, at which point both the new LinYi facility and the Wenzhou expansion will be completed, helping the company serve the high potential Chinese industrial laser market with additional volumes. Along with capacity, new R&D, logistics and marketing facilities were acquired that should help support El.En.'s business expansion.
- A complete offering of highly innovative products.** In this report, we summarise the company's main product offerings in both the medical and industrial segments. Across its brand portfolio, El.En. is still proposing cutting edge, innovative technologies with key differentiating capabilities through an attractive line-up of recent products. In the medical segment, El.En.'s aesthetics and surgical products remain positively exposed to economic and social trends across geographical areas that shed more light on steady growth trends. On the industrial side, although recent trade woes have hurt the overall landscape, demand for industrial laser cutting systems is set to continue to rise, with China leading the way, partly because automation is rapidly becoming industry's main answer to rising labour costs.
- Recent M&A activity to drive additional EPS upside.** El.En. announced the purchase of minority stakes in Chinese subsidiaries (industrial) and the possible IPO of the associate company Elesta. No direct impact is expected on guidance, but these operations imply potential EPS accretion that we estimate at around 7% for 2020, with further progress in subsequent years driven by the high growth potential of the local business.
- Adjusting our estimates.** We are leaving our 2019 estimates broadly unchanged. To reflect the opportunities generated by the enhanced production capacity in the industrial segment, on average we are upgrading our 2020-21 revenue and EBITDA estimates by 3% and 2% respectively, while lifting our EPS forecasts by 8% and 9% respectively to account for the lower impact of Chinese minorities.
- Target from €35.0 to €38.0, OUTPERFORM confirmed.** Our new DCF-based target price reflects our upgraded estimates and implies 2020 EV/EBITDA and EV/EBIT multiples of 14.2x and 17.0x, essentially aligned with the peer group. As outlined in more detail in this report, we still believe the company will be able to deliver outstanding growth and superior value to investors in the coming years. The 5% average FCF yield for 2020-21 remains attractive and should be driven up further in future years as CapEx normalises. The 21% upside implied by our new TP justifies our renewed OUTPERFORM rating.

## EL.EN. - 12m Performance



**RATING: Unchanged**

**TARGET PRICE (Eu): from 35.00 to 38.00**

Ch. in Adj.EPS est: **2019E 2020E**  
**-0.1% 8.2%**

## STOCK DATA

Reuters code: ELEN.MI  
Bloomberg code: ELN IM

Performance	1m	3m	12m
Absolute	24.0%	76.4%	106.2%
Relative	22.6%	69.1%	86.2%
12 months H/L:	34.22/12.29		

## SHAREHOLDER DATA

No. of Ord. shares (mn):	19
Total No. of shares (mn):	19
Mkt Cap Ord (Eu mn):	604
Total Mkt Cap (Eu mn):	604
Mkt Float - ord (Eu mn):	312
Mkt Float (in %):	51.7%
Main shareholder:	
Cangioli Andrea	15.2%

BALANCE SHEET DATA **2019**

Book value (Eu mn):	213
BVPS (Eu):	11.04
P/BV:	2.8
Net Financial Position (Eu mn):	34
Enterprise value (Eu mn):	674

**Please see important disclaimer on the last page of this report**

Key Figures	2017A	2018A	2019E	2020E	2021E
Sales (Eu mn)	306	346	400	455	501
Ebitda (Eu mn)	36	36	48	55	59
Net profit (Eu mn)	16	17	23	28	31
EPS - New Adj.(Eu)	0.810	0.870	1.192	1.467	1.609
EPS - Old Adj.(Eu)		0.870	1.192	1.355	1.472
DPS (Eu)	0.400	0.400	0.400	0.400	0.400

Ratios & Multiples	2017A	2018A	2019E	2020E	2021E
P/E Adj.	38.6	36.0	26.3	21.3	19.5
Div. Yield	1.3%	1.3%	1.3%	1.3%	1.3%
EV/Ebitda Adj.	17.3	18.1	14.0	11.8	10.6
ROCE	26.5%	21.7%	22.0%	23.2%	25.5%

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**EL.EN. - KEY FIGURES**

		<b>2017A</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
	Fiscal year end	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	306	346	400	455	501
	EBITDA	36	36	48	55	59
	EBIT	30	30	39	46	49
	Financial income (charges)	(3)	1	1	1	1
	Associates & Others	0	(1)	0	0	0
	Pre-tax profit (Loss)	27	30	40	46	50
	Taxes	(7)	(8)	(11)	(12)	(13)
	Tax rate (%)	-25.0%	-26.1%	-28.0%	-26.0%	-26.0%
	Minorities & discontinue activities	(5)	(5)	(6)	(6)	(6)
	Net profit	16	17	23	28	31
	Total extraordinary items					
	Ebitda excl. extraordinary items	36	36	48	55	59
Ebit excl. extraordinary items	30	30	39	46	49	
Net profit restated	16	17	23	28	31	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	19	19	19	19	19
	EPS stated fd	0.810	0.870	1.192	1.467	1.609
	EPS restated fd	0.810	0.870	1.192	1.467	1.609
	BVPS fd	9.862	10.398	11.036	11.864	12.829
	Dividend per share (ord)	0.400	0.400	0.400	0.400	0.400
	Dividend per share (sav)					
	Dividend pay out ratio (%)	49.4%	46.0%	33.6%	27.3%	24.9%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	26	27	38	43	47
	Change in NWC	(9)	(17)	(12)	(12)	(12)
	Capital expenditure	(8)	(26)	(18)	(8)	(7)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	10	(16)	8	23	28
	Acquisitions, divestments & others	(0)	3	(27)	12	0
	Dividend	(8)	(8)	(9)	(9)	(9)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	2	(22)	(29)	27	19	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	47	68	77	76	72
	Net working capital	63	80	92	105	117
	Long term liabilities	10	9	30	12	7
	Net capital employed	120	157	200	193	196
	Net financial position	85	63	34	61	80
	Group equity	204	219	234	253	276
	Minorities	14	19	21	24	28
Net equity	190	201	213	229	248	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	604	604	604	604	604
	Adjustments (associate & minorities)	(104)	(104)	(104)	(104)	(104)
	Net financial position	85	63	34	61	80
	Enterprise value	623	645	674	647	628
<b>RATIOS(%)</b>	EBITDA margin*	11.8%	10.3%	12.1%	12.1%	11.8%
	EBIT margin*	9.9%	8.7%	9.8%	10.0%	9.9%
	Gearing - Debt/equity	-41.4%	-28.5%	-14.6%	-23.9%	-29.0%
	Interest cover on EBIT	9.0	nm	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	26.5%	21.7%	22.0%	23.2%	25.5%
	ROE*	8.4%	8.6%	11.1%	12.8%	13.0%
	EV/CE	5.4	4.7	3.8	3.3	3.2
	EV/Sales	2.0	1.9	1.7	1.4	1.3
	EV/Ebit	20.5	21.5	17.2	14.2	12.7
Free Cash Flow Yield	1.4%	-2.3%	1.1%	3.3%	4.0%	
<b>GROWTH RATES (%)</b>	Sales	21.3%	12.9%	15.6%	13.8%	10.0%
	EBITDA*	11.5%	-1.4%	35.5%	13.7%	7.8%
	EBIT*	10.4%	-1.5%	30.8%	16.2%	8.5%
	Net profit	-61.3%	7.4%	36.9%	23.1%	9.7%
	EPS restated	-10.1%	7.4%	36.9%	23.1%	9.7%

\* Excluding extraordinary items

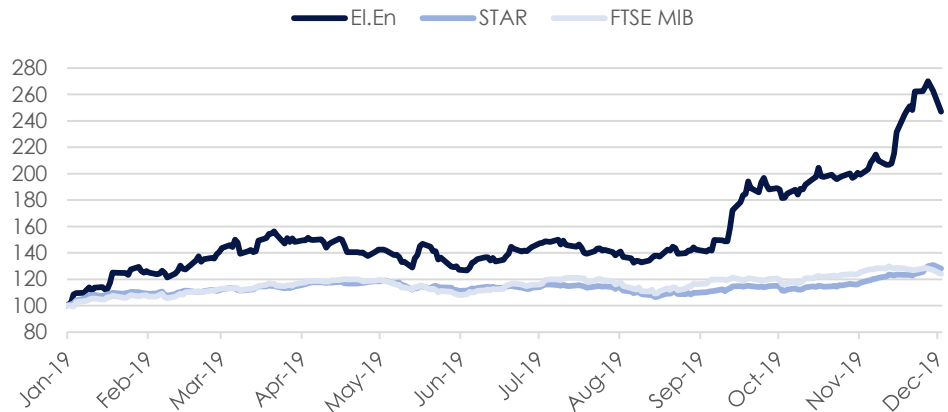
Source: Intermonte SIM estimates

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## Back to Outstanding Growth in 3Q, Guidance Upgraded

### El.En. YTD performance: Most recent strong stock rally on the back of outstanding 3Q19 results



Source: Factset

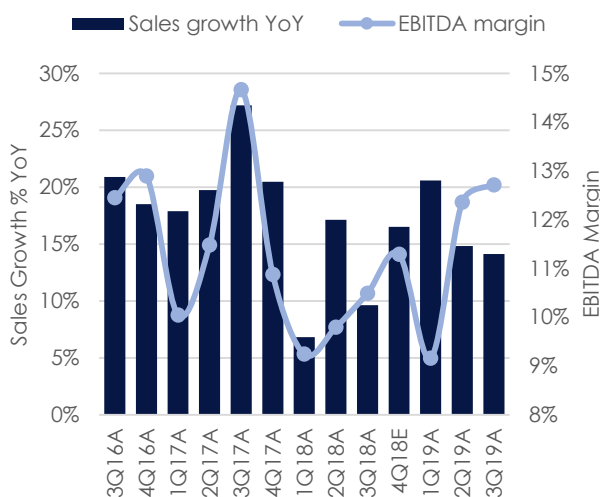
### Outstanding 3Q results mark the return of rapid business expansion and high margins

El.En. reported a strong set of 3Q results, outpacing expectations for the second quarter in a row. More precisely:

- The top line grew +14% YoY in 3Q to €94.5mn, beating our estimate by 5%. There was tremendous revenue growth in the Medical segment, +31% YoY in 3Q (vs. +20% in 1H), again helped by strong progress in “after sale” products and services, Urology and Aesthetics. Industrial sales, however, declined -4% due to difficulties in Laser Cutting (-12%) caused by Chinese macroeconomic deterioration. All regions grew in 3Q, with RoW +16% (2Q +20%) and Europe +5% (2Q +17%), while Italy grew +17% (2Q -5%) a sharp recovery thanks partly to the B-Star aesthetics product.
- EBITDA/EBIT growth was again strong in 3Q, up +38%/33% YoY to €12mn/€10mn respectively, beating our estimates by 7%/7% thanks to a positive mix effect due to a better contribution from the more profitable Medical segment, pushing margins up +2.2pp/1.5pp YoY to 12.7%/10.3%.
- Pre-tax profit of €10.7mn beat our estimate by 18% and net cash was €50.8mn (adjusted to €62.8mn having included other cash equivalents).

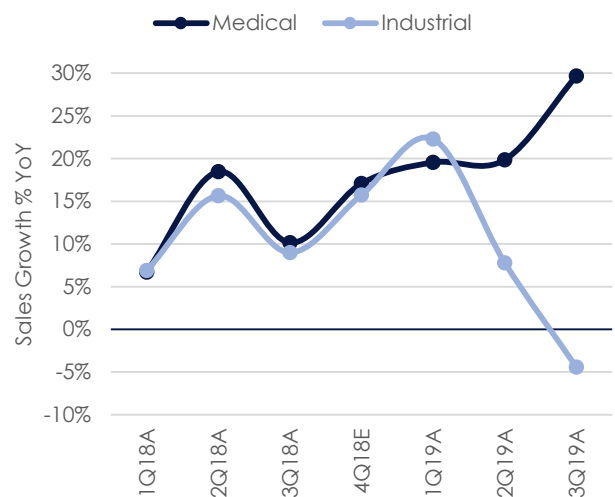
The charts below map out the return to a mid-teen top line growth rate with EBIT margins approaching record levels. Margin improvement has been boosted by the sales mix effect arising from strong growth in medical sales and adverse industrial trends in 2019.

### El.En. quarterly sales growth and EBITDA margin trends



Source: Company data

### El.En. recent sales growth trend by division



Source: Company data

### Strong 4Q Growth Prospects Reflected In Newly Upgraded Guidance

On the back of another outstanding quarter, **management has upgraded 2019 guidance for the second quarter in a row**. Revenues are now foreseen at around €400mn (i.e. +16% YoY vs over +10% previously), with the EBIT margin indication lifted to around 10% (vs. a YoY improvement in profitability, i.e. >8.7% previously).

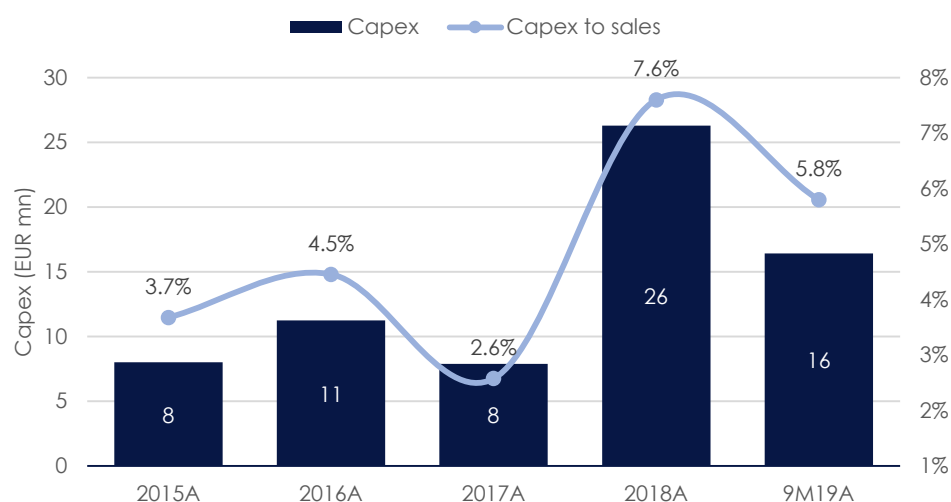
### Further Growth Potential Unlocked By Increased Capacity...

#### El.En. accelerated its investments as of 2018...

El.En. has strengthened its investment efforts to enhance its production capacity, spending about €32mn to develop industrial production since early 2018. Indeed, expansion CapEx explains the variation in the investment figure, as maintenance CapEx levels are steady at around €3mn to €6mn annually. The investment effort should carry on in 4Q19 and 2020, but CapEx intensity should gradually diminish over the period to return to a normalised investment pace (below 2% of sales) by 2021.

This is clearly shown in the chart below, as CapEx in absolute terms and the CapEx-to-sales ratio reached historical peaks last year.

#### El.En.: Capital Expenditure Trends



Source: Company data

#### ... Resulting in Industrial Segment Production Capacity Almost Doubling

Indeed, El.En has already spent over €32mn since early 2018 to develop new operating buildings. This figure covers additional production facilities as well as R&D and marketing offices. This move was made to enable the company to achieve volume expansion and tap into growth opportunities in Industrial Laser applications without facing any saturation issues. Medical activities are characterised by easier recourse to third party manufacturing, thus reducing the need for additional capacity.

As shown in the table below, the group mostly increased its production capacity in the Industrial segment in Europe and China. We note that the industrial production capacity will be doubled in China after the new plants are delivered in early 2020.

#### El.En.: Completed and ongoing manufacturing capacity increases

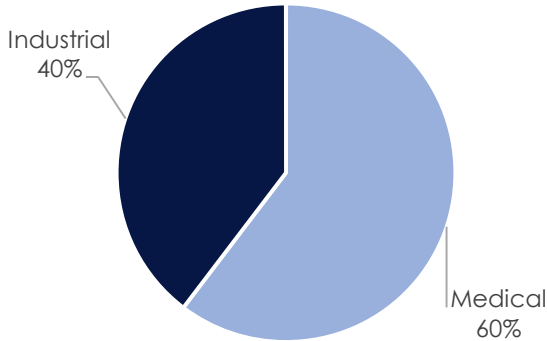
Entity	Location	Industry	Prod. Cap. Δ	Status	Date
Asclepion	Jena	Medical	+35%	Completed	3Q19
Cutlita Penta	Prato	Industrial	Doubled	Completed	3Q19
Ot-Las	Prato	Industrial	Doubled	Completed	3Q19
ASA	Vicenza	Medical	+75%	Completed	3Q19
Lasit	Torre Annunziata	Industrial	Tripled	Ongoing	4Q19e
El.En.	Calenzano	Industrial	+35%	Ongoing	4Q19e
Penta Laser	Linyi	Industrial	New plant (+10k sqm)	Ongoing	4Q19e/1Q20e
Penta Laser	Wenzhou	Industrial	Doubled (+10k sqm)*	Ongoing	4Q19e/1Q20e

Source: Company data - \* In Wenzhou, currently finishing works on 30,000sqm of additional area dedicated to offices, R&D and commercial activities

**... and a Complete Offering of Highly Innovative Products...**

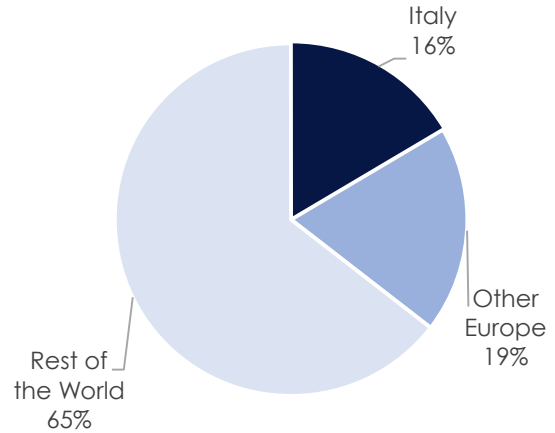
Although the company's two main activities (see the chart below left) are governed by different market dynamics across a diversified geographical footprint (chart below right), they are both governed by the demand for efficient and innovative products. El.En.'s product portfolio appears to be well placed to generate and capture market momentum.

**El.En. 9M19 sales breakdown by segment**



Source: Company data

**El.En. 9M19 sales breakdown by geography**

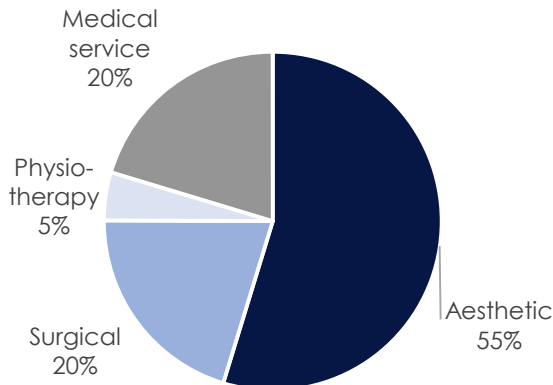


Source: Company data

**Medical: Playing an Active Role in Market Growth in this High-Margin Business**

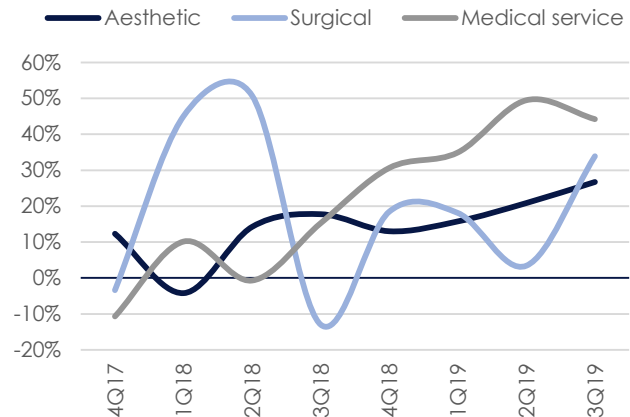
The company's Medical sales are mainly generated in the Aesthetics and Surgical sub-segments.

**El.En. 9M19 Medical sales breakdown by category**



Source: Company data

**El.En. Medical: YoY sales growth evolution by product category**













Source: Company data

In the Medical segment, being able to propose an innovative product line-up that offers advanced applications and superior profitability prospects for health professionals is fundamental. The launch of new break-through products is therefore a critical success factor in meeting clients' needs and attracting interest in the company's offer. As such, manufacturers tend to be the market trend setters in this industry. As a global leader in its domain of expertise, El.En. is perfectly poised to generate market demand and capture subsequent growth opportunities, as shown by the group's product offering.

In the table below, we summarise the key characteristics of the El.En group's main best-selling innovative medical products.

## El.En.: Snapshot of recent star products

Sub-segment	Application	Product	Brand	Launch date	CE certified (EU)	FDA clearance (US)	Description
Aesthetics	Hair Removal	Thunder MT		2018	Y	Y	World's fastest hair removal laser system, with scanner technology.
Aesthetics	Hair Removal	Motus AY		2018	Y	Y	Covering all applications in dermatology combining Alexandrite with Nd:YAG laser sources.
Aesthetics	Body Shaping & Skin Tightening	Onda Coolwaves®		2018	Y	Pending	Tightening and skin toning device: dissolves fat, tightens and contours the skin, firming up tissues without damaging nearby skin.
Aesthetics	Tattoo Removal & Pigmented Lesions	Discovery PICO Plus		2017	Y	Y	First "second generation" picosecond Nd:YAG laser for tattoo removal, pigmented lesions and skin resurfacing/rejuvenation treatments.
Aesthetics	Multiplatform	Luxea		2019	Y	Pending	Complete and modular system offering a wide range of skin and beauty treatments.
Surgical	Gynecology	MonaLisa Touch		2013	Y	Y + Pending extension	The most complete vaginal surgical platform, multiple applications (vaginal laxity, vulvar treatments, labia hypertrophy)
Surgical	Urology	Cyber Ho		2018	Y	Y	Multi-application laser platform to perform HoLEP and Lithotripsy, using Vapor Tunnel™ and proprietary fragmentation and dusting technologies
Surgical	Urology	Multipulse HoPlus		2014	Y	Y	High power holmium laser device for Endourology (surgical treatment of BPH and endoscopic treatments of lithotripsy)
Surgical	Urology	Cyber Blade		2018	Y	Pending	The only Stand Alone Morcellator working with batteries and single use blades, fastest morcellation abilities
Physiotherapy	Physiotherapy	M6		2014	Y	Y	Innovative multi-target functioning. Uses an exclusive MLS multi-diode optical group to instantaneously treat tissues on a wide area.
All sub-segments	Multi-use	Consumables	All brands	-	-	-	Multiple consumables are needed to operate the laser devices, including: Fiber optics and other single use consumables, emission handpieces.

Source: Company data / HoLEP = Holmium Laser Enucleation of the Prostate, BPH = Benign Prostatic Hyperplasia

### New product pipeline kept under wraps

For understandable strategic reasons, the company does not disclose its upcoming new product pipeline in the medical segment.

### High administrative barriers to entry: health administration approval

Before entering any given national market, laser devices for any medical purpose require official approval from the local health administration. Such clearances tend to be tougher to obtain in the USA (from the Food and Drug Administration - FDA), Japan (Ministry of Health - MOH) and China (CFDA).

A recent negative development hurt sales of MonaLisa Touch product sales in the US, as the FDA issued an unexpected warning on the product, indicating it was being marketed for uses that were different from those outlined in the clearance document. This impact can clearly be seen in sales growth trends in the surgical sub-segment in 3Q18 (see the chart on the previous page).

As shown in the table above, El.En.'s products are all certified for sale in the EU, however some products are still negotiating the FDA approval process. The company is hopeful these products will be able to access the US market in the near future.

We believe significant additional upside could be unlocked once some "star", (highly) margin-accretive products, such as the Onda Coolwave® device, gain clearance to be sold in the US.

### Still exposed to multiple long-term growth drivers

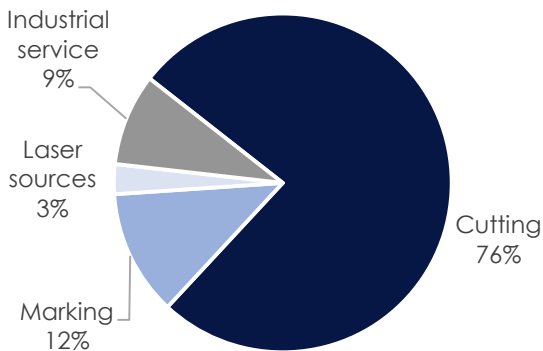
The growth in demand for the underlying medical applications of El.En.'s core products remains high, as it is underpinned by the following key economic, social and demographic factors:

- An ageing population: the average age in Italy rose from 42.5 years in 2005 to 45.4 years in 2019.
- The desire for individuals to improve their appearance (hair removal, skin tightening, tattoo removal) and/or body shape.
- It is all about the economics: El.En.'s innovative and efficient products allow for:
  - Health professionals to enhance their return on investment: better machinery enhances efficiency and reduces the need for long, intrusive operations.
  - National and Private health organisations to save on intervention reimbursement: Laser applications drastically reduce or even eliminate the need for prolonged patient hospitalisation.
  - Clients to access more affordable services: for the same reasons.

### Industrial: cutting edge technology

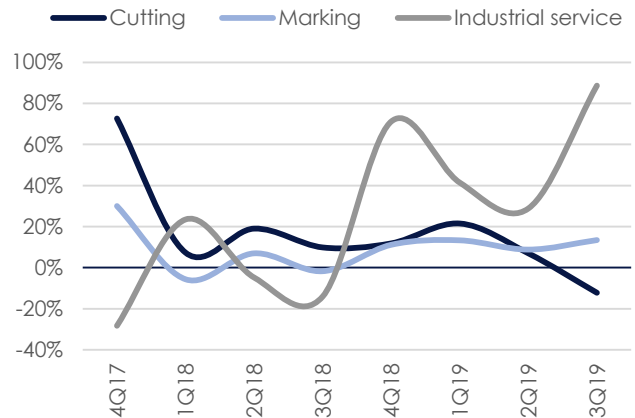
Cutting activities (mostly metal cutting) represent the majority of the company's Industrial sales.

**El.En. 9M19 Industrial sales breakdown by category**



Source: Company data

**El.En. Industrial: YoY sales growth trend by product category**



Source: Company data

Once again, El.En.'s laser machinery offering is impressive, as the company emerges as one of the top innovators and the market leader in the cutting and marking domains.

El.En. Group's industrial product range is mostly manufactured by Penta (and its Chinese affiliate Penta Chutian) for Cutting devices and Lasit for Marking applications. Most Industrial sales are made in China and Europe.

### El.En.'s industrial offering also proposes superior technology

This is best shown through recently developed cutting and marking capabilities that distinguish the group from competitors:

- Penta Laser (China) companies:** a breakthrough large metal sheet cutting technology, recently demonstrated with a 73mm stainless steel cut with the Penta 15000W Laser product; a 20000W machine was recently launched on the Chinese market.  
 In addition, Penta products also allow industrials to perform "bevelling cuts", i.e. special laser preparations for butt-welding metal sheet edges, a distinctive ability that sets Penta apart from the competition.
- Cutlife Penta:** Advance capacities in metal tube cutting with the recent FIBERTUBE product, offering the pioneering capability of performing various cuts across a wide range of metals (iron, mild steel, alloy steel, stainless steel, brass and copper tubes).
- Lasit:** in the marking area, Lasit is distinguishing itself through industry leading innovations such as the recently-developed FLYPEAK laser technology that is already available on the market. This technology offers higher peak power and precision than traditional types of lasers (UV, Fiber).

### Also positively exposed to long-term trends

The group's industrial activities remain positively exposed to the following long-term growth trends:

- Increased need for product traceability in industrial production processes, a strong growth driver for Marking activities.
- Rising demand for automated, flexible and environmentally-friendly production tools, to which the metal cutting offering responds perfectly. This point is developed further in the following part of this report.

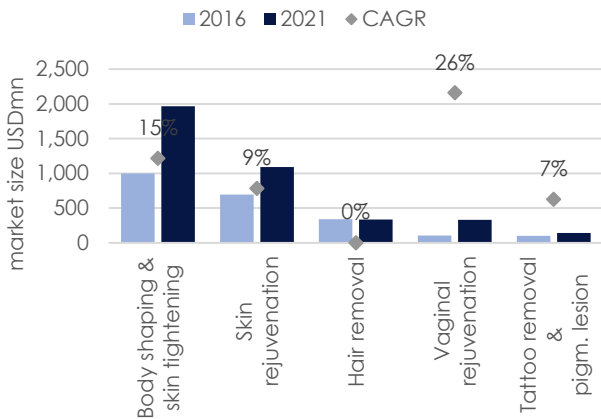


## ... to Tap Into Markets With Consequent Growth Potential

### Medical: Markets Expected To Grow At A Consistent Fast Pace

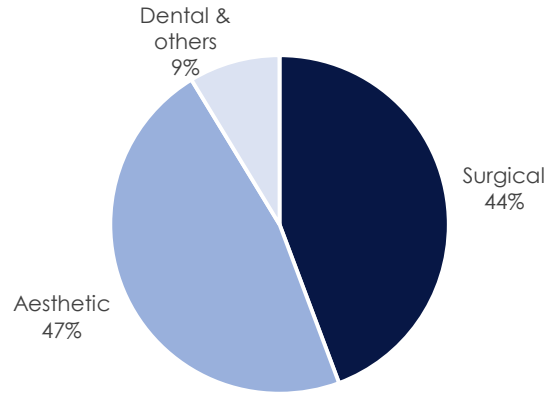
As we outlined in the previous section, there are numerous factors contributing to the high potential of the medical laser applications' market. As such, El.En.'s double-digit developments in recent quarters reflects highly dynamic market growth. As shown in the chart below left, some of El.En.'s core markets are poised to grow rapidly over the next few years. Among them, demand for body shaping, skin rejuvenation and vaginal rejuvenation applications are set to grow the fastest.

**Aesthetics: energy-based treatment systems market growth**



Source: El.En., Medical Insight Report

**Global Medical laser market: breakdown by activity, 2018**

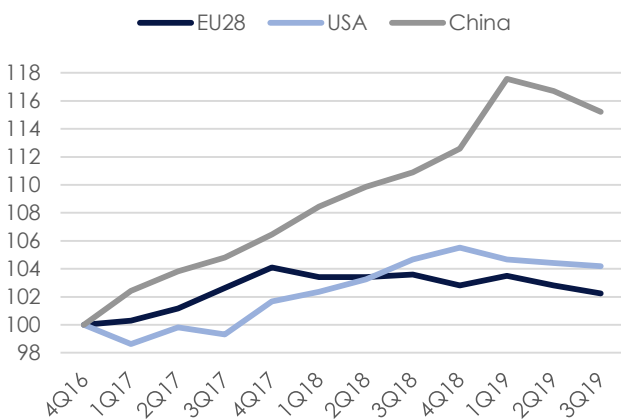


Source: Fortune Business Insight

### Industrial (1/2): Current Industrial Machinery Demand Hurt By Trade Tensions...

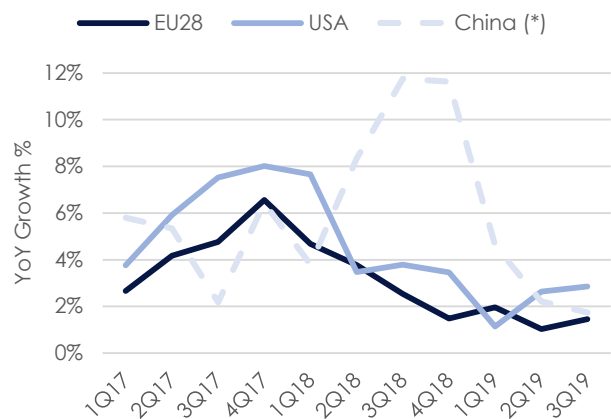
The recent international trade tensions, emerging from the trade war between the United States and other actors such as China and the EU, have led to rising tariffs and growing uncertainty across the main industrial countries. This impact is clearly reflected in industrial production volumes and in investments in industrial machinery in Europe, China and the US (see charts below). Indeed, industrial production witnessed a slight contraction in the last two quarters (see chart on the right) while investments in industrial equipment in Europe and China still grew YoY but at a slower pace (see chart on the left). Industrial laser systems, the final uses of which are applied across a wide array of applications (automotive, semiconductors, construction, metallurgy among others), remain exposed to these factors.

**Industrial production index (SA, Base 100 4Q16)**



Source: IMF, Eurostat

**Investments in industrial equipment (YoY growth)**



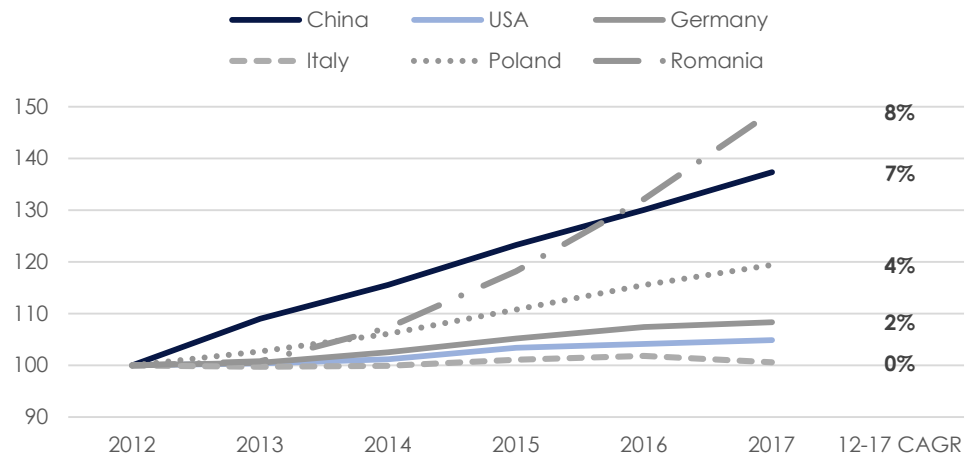
Source: Bloomberg, China National Statistic Bureau – (\*) China data is for YoY growth in investments in fixed assets for Manufacturing activities

### Industrial (2/2): ... But Increased Need for Automation Still Supports Prospect of Sustained Growth

As shown in the chart above right, despite a recent slowdown, investments in machinery are still growing across all geographical markets. A key underlying factor explaining this trend is the rising cost of labour in the main industrial countries, especially China, where the group has an extensive presence.

Indeed, as shown in the chart below, the cost of labour has increased significantly in industrial areas (China, Eastern Europe) over the last few years. To safeguard margins, industrial companies operating in these areas therefore face an increased need for automation, better flexibility and enhanced capacity, all of which are offered by El-En's laser cutting products.

#### Development in real wages (%YoY)



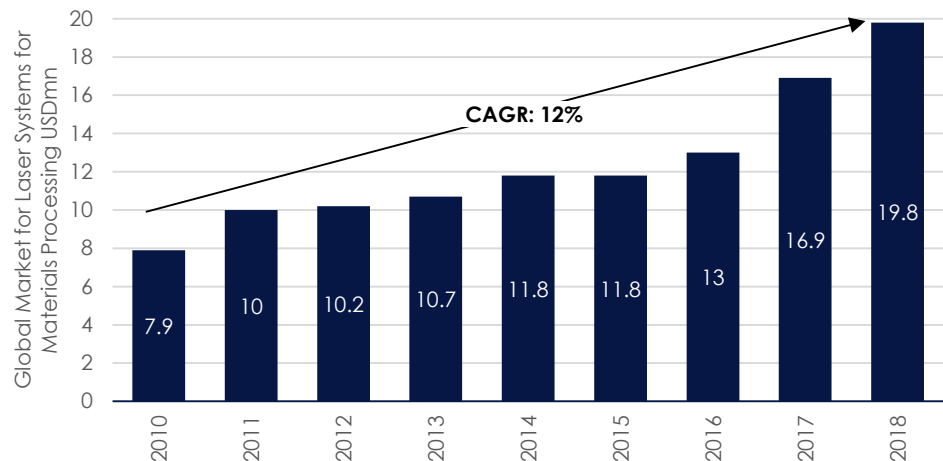
Source: International Labor Organisation

As shown above, the cost of labour grew 37% in China between 2012 and 2017, a c.7% CAGR over the period. Annual growth even reached 8% in Poland, another key industrial manufacturing country in Eastern Europe. Offsetting substantial cost growth is among the key drivers of the growing need for enhanced productivity.

#### Global Industrial Laser market expected to grow at high-single digit pace

The Industrial laser market has grown significantly over the last few years. Indeed, the global market for laser systems for materials processing (of which high power laser cutting and welding is the largest application segment) reached \$19.8bn in 2018, according to data from Optech Consulting. This represents a 12% CAGR over the 2010-2018 period.

#### Global market for laser systems for materials processing (USD mn)



Source: Optech consulting website

Latest market studies point to sustained growth rates for the Industrial laser market:

- ReportLinker indicates a long term CAGR of **between 6% and 8% for the 2019-2025 period**
  - The same report points to a c.13% CAGR for the Chinese Industrial Laser market over the same period.
- An analysis by Technavio forecast a **2017-2021 CAGR of over 10%**, implying mid- to high- single digit growth for the 2019-2021 period after the double-digit market growth witnessed in 2017 and 2018.

## Focus on Recent M&A Newsflow

### Elesta IPO (associate company, non-consolidated entity)

On 27<sup>th</sup> November 2019, El.En. announced that it had begun the process to list its associate company Elesta on the stock market in 1H20. El.En. currently owns 50% of the capital. Elesta develops highly innovative machines in the medical business, allying a CO2 laser with an echography system to perform the "Echolaser" therapy. Most notably, Elesta develops and sells equipment that allow a much less invasive approach to the treatment of some liver, prostate and thyroid tumours. In 2018 Elesta generated around Eu3.1mn of turnover, a 45% YoY increase. The aim of the IPO is to finance the company's R&D, marketing and sales network development efforts.

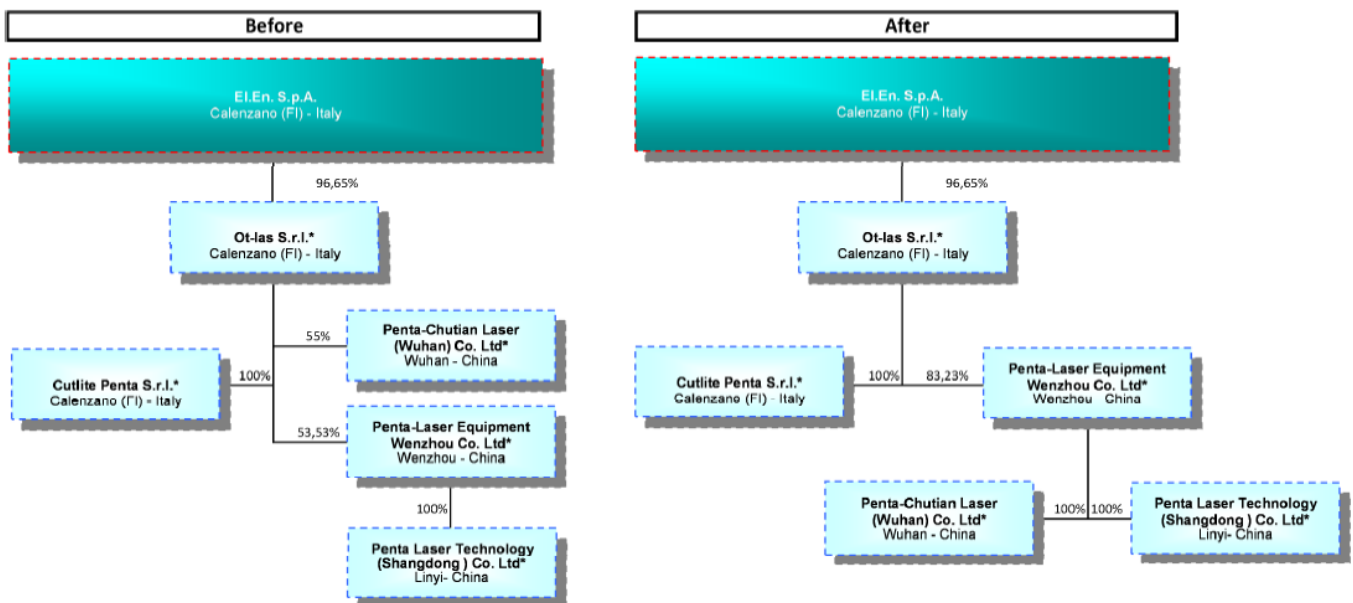
### Chinese Industrial Laser Minority Buyouts

On 27<sup>th</sup> November 2019, El.En. announced that its 96.65%-owned subsidiary Ot-Las S.r.l. (Italy) had completed a transaction to:

- i) acquire the remaining 45% stake in Penta-Chutian Laser Wuhan ("PC Wuhan"), (at the same time, Penta-Laser Equipment Wenzhou ("PL Wenzhou") acquired the now 100% stake of Ot-Las in PC Wuhan); and
- ii) acquire a 29.7% additional stake in PL Wenzhou from the local minority JV partner, leading to Ot-Las now holding an 83.23% stake in the Chinese entity.

A summary of the change in corporate structure is presented in the charts below.

### El.En.: Summary of corporate structure before and after the Chinese minority stake acquisition (27 November 2019)



Source: Company data

Details and financial terms of the transaction are as follows:

- **Closing expected in 1H20:** The transaction is expected to close within the next 6 months.
- **A total cash outlay of up to €27.7mn for El.En. group:** This figure is composed of:
  - i) a CNY155mn (c.€20.1mn at current exchange rates) cash sum to be paid by Ot-Las at closing;
  - ii) a CNY18.5mn (c.€2.4mn) cash out to be made by PL Wenzhou, representing the 45% minority stake acquired in PC Wuhan (out of a total consideration of CNY41mn); and
  - iii) an additional earn-out worth CNY40mn (c.€5.2mn) to be paid upon specific conditions being met, including the listing of the company on the Chinese stock market within the next 5 years.

We note that the transaction will be financed using the group's existing resources.

- **Deal multiples:** The company reported the following multiples for the transaction (after adjusting for the envisaged CNY41mn disbursement for the PL Wuhan acquisition) based on 2018/annualised 9M19 figures: EV/Sales of 0.7x/0.7x, EV/EBITDA of 7.2x/11.9x, EV/EBIT of 8.5x/18.0x and P/E of 10.0x/19.3x. The EV/EBIT and P/E multiples based on annualised 9M19 figures are a touch below the median values for 2019 of our industrial companies' peer group (see [Peer Valuation table](#))

- **Tough business conditions in 2019:** Chinese activities reported a healthy set of top line growth over the last three years (2016 +31.5%, 2017 +73.2%, 2018 +8.1%) and revenues of €91.2mn in 2018 (26% of group sales), when the EBITDA margin was 10% (26% of group EBITDA). The sharp difference between the multiples based on 2018 and annualised 9M19 figures implies a significant drop in margins so far in 2019, illustrating the impact that the slowdown in Chinese Industrial activities had on the laser business this year (implicit annualised 9M19 EBITDA -40% below 2018 levels, a margin drop of some 4pp). This is mostly due to the sector's slowdown in the country, caused by reduced growth in economic and industrial activity amidst the fear of tariffs and other trade-war related issues.

#### Implications for El.En.: further EPS upside

##### **Elesta: No Impact on Guidance, Potential Increase in Value of Investment**

The Elesta IPO may help finance growth at the associate company while bringing out the value of the group's assets. As Elesta is accounted for as an associate, and therefore not consolidated in El.En's accounts, the operation will not have any impact on guided metrics (i.e. revenues and EBIT). No cash-in or cash-out is foreseen from that transaction, as El.En. will not sell its stake, nor will the group take part in the rights issue at the time of the IPO.

The company will continue to sell laser products to the entity, so the top line will be unaffected.

Potential positive impacts for the group may include:

- A potential increase in the valuation of the stake, should the stock price appreciate after the IPO is completed.
- A potential increased positive contribution to EPS in the coming years assuming R&D efforts translate into enhanced volumes and margins, despite the dilution of El.En.'s stake.

##### **Chinese subsidiaries: EPS accretion upside through lower weight of minorities**

The company will register a cash-out of c.€22.5mn in 2020 (c.€20.1mn for the CNY155mn payment to the PC Wuhan minority JV partner and c.€2.4mn for the CNY18.5mn sum paid to the PL Wenzhou minority JV partner) and the additional earn-out might represent an additional liability of c.€5.2mn on the adjusted net debt.

On the P&L, upside will primarily come from the reduced chunk of net income from this subsidiary to be redistributed to minority shareholders from 2020 onwards. Indeed, c.25% of minority investments were eliminated, which would deliver c.10% EPS-accretion based on 2018 figures, or +4% on our 2019 estimates, based on the 9M19 figure that was hit by the weak market environment. We estimate the positive impact on EPS going forward to be around 7%, further boosted in subsequent years by the high growth potential of industrial lasers business in the country triggered by the group's recent doubling of its Chinese industrial production capacity.

## Estimates

### Revenue forecasts

We are adjusting our estimates for the second time since the 3Q19 results release. Our projections for El.En.'s top line trends, broken down by division, are shown in the table below. The main factors reflected in our top line forecasts are:

- **Continued expansion of the sale of medical products.** We believe El.En.'s aesthetic and surgical offerings are set to continue to benefit from the strong sale prospects of recent innovative products and should gain further upside from the progressive addition of new FDA clearances in the US (Onda Coolwave ®, Luxea and Cyberblade FDA clearances pending, MonalisaTouch going through the process of gaining further FDA clearances in order to be marketable for vaginal rejuvenation purposes again).
  - This is reflected through a 9.7% sales CAGR for 2019-2022, mainly powered by Surgical (11% CAGR) and Aesthetics (9.3% CAGR).
- **Substantial volume growth in the industrial segment.** This assumption is backed by the significant recent increase in the company's production capacity, which should enable El.En. to address a wider array of clients in Europe and Asia.
  - This is embodied by an expected 13% sales CAGR over the 2019-2022 period, powered by Cutting (13.9% CAGR, recovery starting from 2020) and Marking (11.6% CAGR).

Overall, we expect strong top line growth to continue, with an 11% CAGR over the 2019-2022 period.

#### El.En. top-line growth forecasts by segment

	2017A	2018A	2019E	2020E	2021E	2022E
<b>Aesthetic</b>	<b>100.0</b>	<b>110.4</b>	<b>135.8</b>	<b>149.4</b>	<b>162.8</b>	<b>177.5</b>
growth YoY (%)	18.0%	10.4%	23.0%	10.0%	9.0%	9.0%
<b>Surgical</b>	<b>34.5</b>	<b>42.1</b>	<b>47.6</b>	<b>53.8</b>	<b>59.1</b>	<b>65.0</b>
growth YoY (%)	-9.0%	21.9%	13.0%	13.0%	10.0%	10.0%
<b>Physiotherapy</b>	<b>9.4</b>	<b>10.8</b>	<b>11.3</b>	<b>12.5</b>	<b>13.3</b>	<b>14.3</b>
growth YoY (%)	8.5%	14.5%	5.0%	10.0%	7.0%	7.0%
<b>Medical service</b>	<b>29.9</b>	<b>33.9</b>	<b>47.5</b>	<b>52.9</b>	<b>57.7</b>	<b>62.9</b>
growth YoY (%)	-16.0%	13.5%	40.0%	11.5%	9.0%	9.0%
Other medical lasers	0.2	0.7	0.0	0.3	0.3	0.2
<b>Total Medical Revenues</b>	<b>174.4</b>	<b>197.9</b>	<b>242.2</b>	<b>268.8</b>	<b>293.3</b>	<b>319.9</b>
growth YoY (%)	5.0%	13.4%	22.4%	11.0%	9.1%	9.1%
% of total sales	56.9%	57.2%	60.6%	59.1%	58.6%	58.4%
<b>Cutting</b>	<b>102.9</b>	<b>115.5</b>	<b>119.0</b>	<b>142.8</b>	<b>159.9</b>	<b>175.9</b>
growth YoY (%)	66.8%	13.5%	3.0%	20.0%	12.0%	10.0%
<b>Marking</b>	<b>17.3</b>	<b>17.9</b>	<b>19.7</b>	<b>22.6</b>	<b>24.9</b>	<b>27.4</b>
growth YoY (%)	27.7%	7.0%	10.0%	15.0%	10.0%	10.0%
<b>Laser sources</b>	<b>3.4</b>	<b>4.9</b>	<b>4.9</b>	<b>5.2</b>	<b>5.5</b>	<b>5.8</b>
growth YoY (%)	24.0%	10.0%	0.0%	7.0%	5.0%	5.0%
<b>Industrial service</b>	<b>8.3</b>	<b>9.6</b>	<b>13.9</b>	<b>15.3</b>	<b>16.8</b>	<b>18.5</b>
growth YoY (%)	3.0%	5.0%	45.0%	10.0%	10.0%	10.0%
Conservation/Restoration	0.2	0.3	0.3	0.3	0.3	0.3
<b>Total Industrial Revenues</b>	<b>132.0</b>	<b>148.2</b>	<b>157.7</b>	<b>186.2</b>	<b>207.4</b>	<b>227.9</b>
growth YoY (%)	52.5%	12.2%	6.5%	18.1%	11.4%	9.9%
% of total sales	43.1%	42.8%	39.4%	40.9%	41.4%	41.6%
<b>Total Revenues</b>	<b>306.5</b>	<b>346.0</b>	<b>399.9</b>	<b>455.0</b>	<b>500.7</b>	<b>547.8</b>
growth YoY (%)	21.3%	12.9%	15.6%	13.8%	10.0%	9.4%

Source: Intermonte estimates

## P&L forecasts

The main factors included in our P&L figures forecasts are:

- **Gross margin:** the product mix (medical vs industrial) causes the gross margin to narrow slightly over the 2019-2022 period.
- **Staff cost:** we factor in a 12% average annual hike in staff costs as the higher production capacity should be followed by the recruitment of additional skilled workers.
- **EBITDA:** as is the case for the gross margin, EBITDA progress mainly reflects the different pace of growth in medical (superior margins) and industrial (lower-margin) activities.
- **Financial income:** still low and steady at €0.5mn to reflect the positive NFP.
- **Tax rate:** our 2019 tax rate is set at 27% to reflect management's indications. For 2020 onwards, we expect a 26% tax rate, in line with 2015-2018 average.
- **Minorities:** Expansion from 2020 onwards remains limited compared to our previous estimates due to the reduced stakes minority partners have in Chinese JVs.

### El.En. P&L forecasts summary

	2017A	2018A	2019E	2020E	2021E	2022E
<b>Total Revenues</b>	<b>306.5</b>	<b>346.0</b>	<b>399.9</b>	<b>455.0</b>	<b>500.7</b>	<b>547.8</b>
growth YoY (%)	21.3%	12.9%	15.6%	13.8%	10.0%	9.4%
<b>Gross Profit</b>	<b>127.3</b>	<b>137.5</b>	<b>158.7</b>	<b>179.7</b>	<b>196.3</b>	<b>214.5</b>
growth YoY (%)	15.2%	8.0%	15.4%	13.3%	9.2%	9.3%
margin (% on sales)	41.5%	39.7%	39.7%	39.5%	39.2%	39.2%
<b>EBITDA</b>	<b>36.1</b>	<b>35.6</b>	<b>48.2</b>	<b>54.9</b>	<b>59.2</b>	<b>65.2</b>
growth YoY (%)	11.5%	-1.4%	35.5%	13.7%	7.8%	10.2%
margin (% on sales)	11.8%	10.3%	12.1%	12.1%	11.8%	11.9%
D&A	-5.7	-5.6	-9.0	-9.3	-9.7	-10.1
<b>EBIT</b>	<b>30.4</b>	<b>30.0</b>	<b>39.2</b>	<b>45.6</b>	<b>49.4</b>	<b>55.0</b>
growth YoY (%)	10.4%	-1.5%	30.8%	16.2%	8.5%	11.3%
margin (% on sales)	9.9%	8.7%	9.8%	10.0%	9.9%	10.0%
Net financial income	-3.4	0.9	0.5	0.5	0.5	0.5
Participations & others	0.1	-1.3	0.0	0.0	0.0	0.0
<b>Pre-Tax profit</b>	<b>27.2</b>	<b>29.5</b>	<b>39.7</b>	<b>46.1</b>	<b>49.9</b>	<b>55.5</b>
growth YoY (%)	-48.4%	8.5%	34.4%	16.0%	8.4%	11.2%
margin (% on sales)	8.9%	8.5%	9.9%	10.1%	10.0%	10.1%
Income Tax	-6.8	-7.7	-11.1	-12.0	-13.0	-14.4
Tax Rate (%)	-25.0%	-26.1%	-28.0%	-26.0%	-26.0%	-26.0%
Minorities	-4.8	-5.0	-5.6	-5.8	-5.9	-6.6
<b>Group Net Profit</b>	<b>15.6</b>	<b>16.8</b>	<b>23.0</b>	<b>28.3</b>	<b>31.0</b>	<b>34.5</b>
growth YoY (%)	-61.3%	7.4%	36.9%	23.1%	9.7%	11.2%
margin (% on sales)	5.1%	4.9%	5.8%	6.2%	6.2%	6.3%

Source: Intermonte estimates

## Cash Flow and Balance Sheet Forecasts

The main factors included in our cash flow statement and balance sheet forecasts are:

- **CapEx:** includes ca. €4mn of annual maintenance CapEx; the reduction in CapEx-to-sales as of 2020 reflects the planned end of investments to increase production capacity.
- **Working capital components:** kept steady as a percentage of sales or COGS.
- **Dividends:** assuming a continuation of the €0.40 per share annual dividend policy. The cash-out for dividend payments to minority shareholders should also reduce slightly as a result of the recent acquisition of Chinese minority stakes.
- **Acquisitions:** we factor in the total €22.5mn to pay to former Chinese JV minority partners at year end 2019. The sale of €12mn of temporary financial assets (not included in NFP figure reported by the company) planned in 2020 should partially finance the acquisition. Both items are included in the "Other" line in the table below.
- **IFRS16:** €4.8mn retrieved from 2019 cash flow to reflect the adoption of the new IFRS16 standards.

### El.En. Cash Flow forecasts summary

	2017A	2018A	2019E	2020E	2021E	2022E
Net income	15.6	16.8	23.0	28.3	31.0	34.5
Minorities	4.8	5.0	5.6	5.8	5.9	6.6
D&A	5.7	5.6	9.0	9.3	9.7	10.1
Δ WC	-8.6	-17.4	-12.1	-12.2	-12.1	-12.3
<b>OpCF</b>	<b>17.5</b>	<b>10.1</b>	<b>25.5</b>	<b>31.2</b>	<b>34.6</b>	<b>38.9</b>
Capex	-7.9	-26.3	-18.0	-8.0	-6.5	-6.5
% sales	2.6%	7.6%	4.5%	1.8%	1.3%	1.2%
<b>FCF</b>	<b>9.6</b>	<b>-16.2</b>	<b>7.5</b>	<b>23.2</b>	<b>28.1</b>	<b>32.4</b>
Dividends	-7.7	-8.4	-8.7	-8.6	-8.6	-8.6
Other	-0.2	2.6	-27.3	12.0	0.0	0.0
<b>Change in NFP</b>	<b>1.7</b>	<b>-22.0</b>	<b>-28.5</b>	<b>26.6</b>	<b>19.5</b>	<b>23.8</b>
<i>NFP at beginning of period</i>	82.8	84.5	62.5	34.0	60.6	80.1
<b>NFP at end of period</b>	<b>84.5</b>	<b>62.5</b>	<b>34.0</b>	<b>60.6</b>	<b>80.1</b>	<b>103.9</b>

Source: Intermonte estimates

### El.En. Balance Sheet forecasts summary

	2017A	2018A	2019E	2020E	2021E	2022E
<i>Inventories</i>	66.6	85.9	98.4	110.1	120.2	130.4
% Sales	22%	25%	25%	24%	24%	24%
<i>Trade Receivables</i>	80.4	80.2	96.0	113.8	125.2	136.9
% Sales	26%	23%	24%	25%	25%	25%
<i>Trade Payables</i>	63.3	63.9	78.0	93.3	102.6	112.3
% COGS	33%	28%	30%	31%	31%	31%
<i>Other current Assets and Lic</i>	-20.9	-22.0	-24.0	-26.0	-26.0	-26.0
Net working capital	62.9	80.3	92.4	104.6	116.7	129.0
Net Fixed Assets	47.0	68.0	76.9	75.6	72.4	68.8
<b>Net capital employed</b>	<b>119.8</b>	<b>156.7</b>	<b>199.5</b>	<b>192.7</b>	<b>195.6</b>	<b>197.7</b>
Net (debt) / cash	84.5	62.5	34.0	60.6	80.1	103.9
Net Equity	204.3	219.2	233.5	253.3	275.7	301.6
<b>Net Invested Capital</b>	<b>119.8</b>	<b>156.7</b>	<b>199.5</b>	<b>192.7</b>	<b>195.6</b>	<b>197.7</b>

Source: Intermonte estimates

## Change in estimates

The delta between our new estimates and the ones we previously published is shown in the table below. We have left our 2019 forecasts broadly unchanged. Note that the 2019 net cash figure is slightly lower due to our fine-tuning of the CapEx estimate for the year.

### Change in estimates

	New Estimates			Old Estimates			Delta %		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
<b>Revenue</b>	<b>400</b>	<b>455</b>	<b>501</b>	<b>400</b>	<b>445</b>	<b>482</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>
%YoY	15.6%	13.8%	10.0%	15.6%	11.2%	8.3%			
<b>EBITDA</b>	<b>48</b>	<b>55</b>	<b>59</b>	<b>48</b>	<b>54</b>	<b>58</b>	<b>0%</b>	<b>2%</b>	<b>2%</b>
%YoY	35.5%	13.7%	7.8%	35.5%	11.6%	8.1%			
%margin	12.1%	12.1%	11.8%	12.1%	12.1%	12.1%			
<b>EBIT</b>	<b>39</b>	<b>46</b>	<b>49</b>	<b>39</b>	<b>45</b>	<b>49</b>	<b>0%</b>	<b>2%</b>	<b>2%</b>
%YoY	30.8%	16.2%	8.5%	31.3%	13.8%	8.7%			
%margin	9.8%	10.0%	9.9%	9.8%	10.1%	10.1%			
<b>EPS</b>	<b>1.19</b>	<b>1.47</b>	<b>1.61</b>	<b>1.19</b>	<b>1.36</b>	<b>1.47</b>	<b>0%</b>	<b>8%</b>	<b>9%</b>
%YoY	36.9%	23.1%	9.7%	37.0%	13.6%	8.6%			
<b>NFP</b>	<b>34</b>	<b>61</b>	<b>80</b>	<b>61</b>	<b>78</b>	<b>99</b>	<b>-44%</b>	<b>-22%</b>	<b>-19%</b>

Source: Intermonte estimates



## Valuation

Our DCF-based valuation of the stock uses a 7.0% WACC and a 2% terminal growth rate, yielding a €38.0 Target Price, as shown in the sensitivity table below.

In our EV calculation, we also adjust for the €27.7mn total outlay for the recent Chinese minority buyout as well as the €12mn financial asset to be sold in 2020 to partly finance the operation (cash like items not included in the company's definition for NFP).

### DCF Valuation – Sensitivity analysis

		WACC				
		6.50%	6.75%	7.00%	7.25%	7.50%
Terminal growth rate	1.0%	37.5	35.5	33.5	32.0	30.5
	1.5%	40.0	37.5	35.5	34.0	32.0
	2.0%	43.0	40.5	<b>38.0</b>	36.0	34.0
	2.5%	47.0	44.0	41.0	38.5	36.5
	3.0%	52.0	48.5	45.0	42.0	39.5

Source: Intermonte estimates

Our new valuation yields a 2020 multiple of 14.2x EV/EBITDA and 17.0x EV/EBIT, broadly in line with the median peer group value for the period. Our implicit average 24.8x P/E multiple for 2020-21 is 13% above the peer group's median value, but remains broadly aligned with the medical companies.

### El.En. comparing valuation to peer group

	Mkt Cap EUR m n	EV/EBITDA			EV/EBIT			PE		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
<b>Medical</b>										
InMode	1,415	23.5x	18.1x	13.9x	23.8x	18.5x	14.2x	31.5x	28.7x	23.9x
Cutera	479	NR	NR	29.1x	-	NR	NR	NR	NR	NR
Lutronic	194	NR	16.9x	15.8x	-	NR	28.1x	-	NR	29.7x
Hologic	12,482	15.3x	13.6x	12.1x	16.8x	14.9x	13.3x	15.7x	18.5x	16.6x
<b>Median Medical</b>		<b>19.4x</b>	<b>16.9x</b>	<b>14.9x</b>	<b>20.3x</b>	<b>16.7x</b>	<b>14.2x</b>	<b>23.6x</b>	<b>23.6x</b>	<b>23.9x</b>
<b>Industrial</b>										
IPG Photonics	6,675	16.2x	14.3x	11.2x	21.7x	18.3x	11.7x	32.3x	29.2x	23.2x
Han's Laser Tech Industry	4,759	NR	19.5x	16.9x	NR	23.4x	19.3x	NR	24.5x	22.9x
Prima Industrie	177	7.3x	6.6x	6.0x	17.1x	14.3x	11.8x	21.3x	17.5x	13.5x
Amada Holdings	3,799	7.2x	7.1x	6.5x	9.8x	10.0x	9.1x	14.5x	15.0x	14.0x
<b>Median Industrial</b>		<b>7.3x</b>	<b>10.7x</b>	<b>8.8x</b>	<b>17.1x</b>	<b>16.3x</b>	<b>11.7x</b>	<b>21.3x</b>	<b>21.0x</b>	<b>18.5x</b>
<b>Median Peer Group</b>		<b>15.3x</b>	<b>14.3x</b>	<b>13.0x</b>	<b>17.1x</b>	<b>16.6x</b>	<b>13.3x</b>	<b>21.3x</b>	<b>21.5x</b>	<b>22.9x</b>
El.En. @ Mkt Px Eu31.30	604	14.0x	11.8x	10.6x	17.2x	14.2x	12.7x	26.3x	21.3x	19.5x
<b>El.En. @ TP Eu38.00</b>	<b>733</b>	<b>16.6x</b>	<b>14.2x</b>	<b>12.8x</b>	<b>20.5x</b>	<b>17.0x</b>	<b>15.3x</b>	<b>31.9x</b>	<b>25.9x</b>	<b>23.6x</b>
Premium/(Discount) vs peer group median		9%	(1%)	(2%)	20%	3%	15%	50%	21%	3%

Source: Factset, Intermonte estimates

**Peer Group - Absolute Performances**

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>EL.EN.</b>	<b>31.30</b>	<b>EUR</b>	<b>604</b>	<b>24.0%</b>	<b>76.4%</b>	<b>94.3%</b>	<b>147.0%</b>	<b>106.2%</b>	<b>23.7%</b>
AMADA CO.	1247.00	JPY	444,693	1.5%	12.6%	11.3%	26.2%	1.2%	-16.5%
BIOLASE	0.55	USD	17	-5.2%	-42.1%	-66.7%	-44.4%	-52.2%	-78.0%
CUTERA	37.26	USD	530	12.8%	29.1%	121.1%	118.9%	81.8%	-11.2%
HAN'S LASER TECH IND.	34.79	CNY	36,590	-8.2%	12.2%	5.0%	14.6%	3.5%	-30.4%
INMODE	49.01	USD	1,567	52.7%	146.3%	---	---	---	---
IPG PHOTONICS	139.26	USD	7,391	-0.3%	12.6%	11.3%	22.9%	-2.0%	-37.9%
LUTRONIC	9970.00	HKD	258,500	10.3%	15.1%	18.0%	22.5%	4.5%	-15.5%
PRIMA INDUSTRIE	16.92	EUR	176	27.8%	30.6%	7.4%	-1.6%	-20.9%	-48.8%
RA MEDICAL	1.33	USD	17	-5.0%	-13.6%	-61.3%	-83.3%	-86.7%	---
SISRAM MEDICAL	4.05	HKD	1,791	-7.5%	14.1%	-1.2%	1.5%	-15.4%	-35.7%
<b>Mean performance</b>				<b>9.3%</b>	<b>26.7%</b>	<b>13.9%</b>	<b>22.4%</b>	<b>2.0%</b>	<b>-27.8%</b>
<b>Italy FTSE Mib</b>	22,728.6	EUR		-0.9%	6.6%	14.8%	24.0%	18.4%	2.8%

Source: FactSet

**Peer Group - Multiple Comparison**

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
<b>EL.EN.</b>	<b>31.30</b>	<b>EUR</b>	<b>604</b>	<b>1.7</b>	<b>1.4</b>	<b>14.0</b>	<b>11.8</b>	<b>17.2</b>	<b>14.2</b>	<b>26.3</b>	<b>21.3</b>	<b>1.3%</b>	<b>1.3%</b>
AMADA CO.	1247.00	JPY	444,693	1.2	1.2	7.2	7.1	9.8	10.0	15.0	15.4	3.8%	3.9%
BIOLASE	0.55	USD	17		0.4								
CUTERA	37.26	USD	530										
HAN'S LASER TECH IND.	34.79	CNY	36,590	3.8	2.9	35.5	19.1	45.9	22.9	43.3	23.7	0.4%	0.6%
INMODE	49.01	USD	1,567	9.0	6.7	23.4	18.1	23.8	18.4	33.2	30.0	0.0%	0.0%
IPG PHOTONICS	139.26	USD	7,391	4.8	4.6	16.1	14.2	21.5	18.2	32.7	28.3	0.0%	0.0%
LUTRONIC	9970.00	HKD	258,500								46.6	0.0%	0.0%
PRIMA INDUSTRIE	16.92	EUR	176	0.7	0.6	7.2	6.5	17.0	14.2	22.6	17.5	1.6%	1.8%
RA MEDICAL	1.33	USD	17										
SISRAM MEDICAL	4.05	HKD	1,791										
<b>Median</b>				<b>3.8</b>	<b>2.1</b>	<b>16.1</b>	<b>14.2</b>	<b>21.5</b>	<b>18.2</b>	<b>32.7</b>	<b>26.0</b>	<b>0.2%</b>	<b>0.3%</b>

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

**EL.EN. - Estimates Comparison with Consensus**

(Eu mn)	2019			2020		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
<b>Revenues</b>	399.9	397.8	0.5%	455.0	431.5	5.4%
<b>Ebitda</b>	48.2	46.5	3.7%	54.9	52.0	5.5%
<b>Net Profit</b>	23.0	22.8	0.8%	28.3	26.6	6.5%
<b>EPS</b>	1.192	1.182	0.9%	1.467	1.377	6.5%
<b>Net Debt</b>	34.0	57.2	-40.6%	60.6	64.7	-6.3%

Source: Intermonte SIM estimates and Factset consensus estimates

**DETAILS ON STOCKS RECOMMENDATION**

Stock NAME	EL.EN.		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	38.00	Previous Target (Eu):	35.00
Current Price (Eu):	31.30	Previous Price (Eu):	29.32
Date of report:	03/12/2019	Date of last report:	18/11/2019

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- 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)

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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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BUY:	14.39 %
OUTPERFORM:	46.21 %
NEUTRAL:	35.61 %
UNDERPERFORM	03.79 %
SELL:	00,00 %

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THESPAC	0,83	LONG
VEI 1	0,65	LONG

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