

EL.EN.

Sector: Industrials

OUTPERFORM

Price: Eu15.62 - Target: 17.80

Solid growth momentum carries on in 3Q

Andrea Randone +39-02-77115.364

andrea.randone@intermonte.it

Francois Robillard: +39-02-77115.470

francois.robillard@intermonte.it

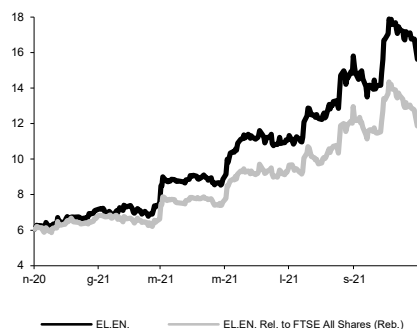
Stock Rating

Rating: Unchanged

Target Price (Eu): Unchanged

	2021E	2022E	2023E
Chg in Adj EPS	1.3%	0.5%	1.4%

EL.EN. - 12M Performance



Stock Data

Reuters code: ELEN.MI

Bloomberg code: ELN IM

Performance	1M	3M	12M
Absolute	-6.8%	27.2%	174.0%
Relative	-11.8%	22.7%	139.7%
12M (H/L)	17.90/6.05		
3M Average Volume (th):	263.70		

Shareholder Data

No. of Ord shares (mn): 78

Total no. of shares (mn): 78

Mkt Cap Ord (Eu mn): 1,224

Total Mkt Cap (Eu mn): 1,224

Mkt Float - Ord (Eu mn): 633

Mkt Float (in %): 51.7%

Main Shareholder:

Cangioli Andrea 15.2%

Balance Sheet Data

Book Value (Eu mn): 256

BVPS (Eu): 3.27

P/BV: 4.8

Net Financial Position (Eu mn): 85

Enterprise Value (Eu mn): 1,197

■ **Growth momentum continues in 3Q.** The top line grew by +24% YoY (+39% vs 3Q19) to €131mn (vs our €140mn est.) with uniform development across divisions. Medical sales grew +24% to €74mn (vs our €74mn est.), driven by Aesthetic sales (+25% YoY) together with Surgical revenue recovery gaining some steam (+34% YoY vs -6%/+20% YoY in 1Q/2Q), while development of Services slowed down (+7%). Industrial segment growth remained robust at +25% YoY to €55mn (vs our aggressive est. of +44%/€67mn), though it normalized from previous quarters (from +153%/+83% in 1Q21/ 2Q21) as Cutting revenues grew by +30%, normalizing from high levels in 1H (up +117% in 1H21) primarily due to lower growth by Chinese operations, although ELN's sales in China still grew +3% on the record 3Q20 level.

■ **Margins back to 2019 level despite higher fixed costs.** The gross margin was €50mn, a 38.3% margin (vs our est. of €48mn/34.4%), up +46% YoY amid a better segment mix, also driven by a more favourable USD exchange rate and a higher share of high-margin products. EBITDA was €16.6mn/€13.8mn, a 12.6%/10.5% margin (vs our €19mn/€16mn est., or 13.7%/11.7% margin), back to the 3Q19 level but down from 14.3%/11.2% margins in 1H21 as fixed operating costs accelerated amid record R&D expenses in China to support product differentiation. The NFP was positive at €75mn (still not including insurance policy financial assets for €18mn), down from €79mn as at end-1H due to higher investments in Insurance policies (€-3mn) and higher inventories (€-1mn) burdening FCF.

■ **Confirmed guidance indications look conservative.** ELN confirmed its FY21 targets for sales >€550mn and for a 2H EBIT up sequentially (i.e. >€62mn for FY21), implying +3.5% sales growth and a 12% EBIT margin in 4Q21, at the bottom end of guidance. Despite the high comparison base (4Q20 was ELN's record quarter for sales and EBIT) and the continuing tough supply chain conditions, we believe these indications remain conservative in light of the upbeat indications given for 4Q. Indeed, record backlog should support continuation of strong growth for Medical laser sales while a material QoQ expansion indicated for European industrial sales (~35% Industrial segment) should drive segment growth as China activities are expected flat in 4Q. We therefore believe double-digit sales growth looks achievable in 4Q (vs +3.5% at low end of guidance). Higher volumes should also enable coverage of fixed costs, seen increasing again in 4Q, despite the impact of higher raw material prices. Initial indications on FY22 point to continued growth momentum in both segments.

■ **Changes to estimates.** We only slightly change our forecasts to factor in the aforementioned expected 4Q trends of continued solid growth, mostly in the medical segment.

■ **OUTPERFORM rating and €17.8 TP confirmed.** We re-iterate our positive view on the stock following a strong set of 3Q results and reloaded positive expectations for both 4Q21 and the mid-run. After being one of the best Italian mid-small cap performers of 2021, El.En's unique earnings momentum could in our view support valuations higher than historical averages also looking forward to 2022.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	401	408	565	611	652
EBITDA Adj (Eu mn)	46	43	79	85	91
Net Profit Adj (Eu mn)	26	19	45	49	53
EPS New Adj (Eu)	0.335	0.244	0.576	0.622	0.677
EPS Old Adj (Eu)	0.335	0.244	0.569	0.618	0.668
DPS (Eu)	0.000	0.100	0.100	0.125	0.125
EV/EBITDA Adj	8.5	10.2	15.1	13.7	12.3
EV/EBIT Adj	10.4	13.6	18.4	16.5	14.5
P/E Adj	46.6	63.9	27.1	25.1	23.1
Div. Yield	0.0%	0.6%	0.6%	0.8%	0.8%
Net Debt/EBITDA Adj	-1.3	-1.6	-1.1	-1.4	-1.8

EL.EN. – Key Figures						
Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	346	401	408	565	611	652
EBITDA	36	46	41	79	85	91
EBIT	30	38	30	65	71	77
Financial Income (charges)	1	0	-2	1	1	1
Associates & Others	-1	-0	-0	0	0	0
Pre-tax Profit	30	39	28	66	72	78
Taxes	-8	-10	-5	-17	-19	-20
Tax rate	-26.1%	-25.5%	-19.3%	-26.0%	-26.0%	-26.0%
Minorities & Discontinued Operations	-5	-3	-2	-4	-4	-5
Net Profit	17	26	20	45	49	53
EBITDA Adj	36	46	43	79	85	91
EBIT Adj	30	38	32	65	71	77
Net Profit Adj	17	26	19	45	49	53
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	19	78	78	78	78	78
Total Shares Outstanding (mn) - Year End	19	78	78	78	78	78
EPS f.d	0.870	0.335	0.259	0.576	0.622	0.677
EPS Adj f.d	0.870	0.335	0.244	0.576	0.622	0.677
BVPS f.d	10.398	2.848	2.813	3.269	3.784	4.328
Dividend per Share ORD	0.100	0.000	0.100	0.100	0.125	0.125
Dividend per Share SAV						
Dividend Payout Ratio (%)	11.5%	0.0%	40.9%	17.4%	20.1%	18.5%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	27	37	33	63	67	72
Change in NWC	-17	1	7	-16	-8	-5
Capital Expenditure	-26	-23	-13	-22	-16	-14
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-16	14	27	25	44	53
Acquisitions, Divestments & Other Items	3	-6	-21	0	0	0
Dividends	-8	-9	0	-9	-8	-10
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-22	-1	8	15	36	42
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	68	89	92	100	101	101
Net Working Capital	80	80	73	89	97	102
Long term Liabilities	9	11	7	7	7	7
Net Capital Employed	157	179	171	196	205	210
Net Cash (Debt)	63	61	69	85	120	162
Group Equity	219	241	241	280	325	372
Minorities	19	18	20	24	28	33
Net Equity	201	222	221	256	297	339
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	123	400	452	1,224	1,224	1,224
Adjustments (Associate & Minorities)	-57	-57	-57	-57	-57	-57
Net Cash (Debt)	63	61	69	85	120	162
Enterprise Value	118	395	440	1,197	1,162	1,119
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	10.3%	11.6%	10.5%	14.0%	13.9%	14.0%
EBIT Adj Margin	8.7%	9.5%	7.9%	11.5%	11.5%	11.8%
Gearing - Debt/Equity	-28.5%	-25.5%	-28.7%	-30.2%	-37.0%	-43.7%
Interest Cover on EBIT	nm	nm	17.1	nm	nm	nm
Net Debt/EBITDA Adj	-1.8	-1.3	-1.6	-1.1	-1.4	-1.8
ROACE*	21.7%	22.7%	17.2%	35.5%	35.2%	37.2%
ROE*	8.6%	12.3%	8.6%	18.9%	17.6%	16.7%
EV/CE	0.9	2.4	2.5	6.5	5.8	5.4
EV/Sales	0.3	1.0	1.1	2.1	1.9	1.7
EV/EBITDA Adj	3.3	8.5	10.2	15.1	13.7	12.3
EV/EBIT Adj	3.9	10.4	13.6	18.4	16.5	14.5
Free Cash Flow Yield	-1.3%	1.1%	2.1%	1.9%	3.4%	4.1%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	12.9%	15.8%	1.8%	38.4%	8.2%	6.7%
EBITDA Adj	-1.4%	30.0%	-7.1%	84.5%	7.2%	7.2%
EBIT Adj	1.8%	27.4%	-15.4%	101.6%	8.3%	9.1%
Net Profit Adj	7.4%	54.9%	-22.1%	122.9%	7.9%	8.9%
EPS Adj	7.4%	-61.5%	-27.1%	135.6%	7.9%	8.9%
DPS	0.0%	nm	nm	0.0%	25.0%	0.0%

*Excluding extraordinary items Source: Intermonte SIM estimates

3Q/9M21 results snapshot

El.En. – 3Q/9M21 results snapshot

(Eu mn)	3Q19A	3Q20A	9M20A	2020A	1Q21A	2Q21A	3Q21A	9M21A	3Q21E	AvE3Q
Medical	58.7	59.4	159.7	229.1	67.2	79.5	73.8	220.5	73.7	0%
growth YoY (%)	29.7%	1.3%	-6.5%	-5.4%	25.6%	69.8%	24.2%	38.0%	24.0%	
% of total sales	62.0%	56.3%	59.6%	56.1%	57.8%	50.4%	56.2%	54.4%	52.5%	
Industrial	35.9	46.2	108.4	179.0	49.1	78.1	57.6	184.8	66.8	-14%
growth YoY (%)	-4.4%	28.7%	-3.4%	12.9%	152.9%	82.5%	24.6%	70.4%	44.5%	
% of total sales	38.0%	43.7%	40.4%	43.9%	42.2%	49.6%	43.8%	45.6%	47.5%	
Sales	94.5	105.6	268.2	408.1	116.4	157.5	131.4	405.3	140.4	-6%
YoY growth %	14.1%	11.8%	-5.2%	1.8%	59.5%	75.9%	24.4%	51.1%	32.9%	
Gross profit	36.8	34.5	94.4	141.6	43.6	56.3	50.3	150.2	48.3	4%
Gross margin %	38.9%	32.7%	35.2%	34.7%	37.5%	35.7%	38.3%	37.1%	34.4%	
YoY growth %	16.3%	-6.1%	-15.1%	-9.2%	38.5%	98.4%	45.6%	59.1%	39.7%	
EBITDA	12.0	11.3	25.8	40.8	15.6	23.6	16.6	55.7	19.2	-14%
Ebitda margin %	12.7%	10.7%	9.6%	10.0%	13.4%	15.0%	12.6%	13.7%	13.7%	
YoY growth %	38.3%	-6.1%	-21.0%	-11.9%	119.9%	218.3%	47.1%	116.1%	70.4%	
EBIT	9.7	8.8	18.1	30.1	12.9	17.9	13.8	44.6	16.4	-16%
Ebit margin %	10.3%	8.4%	6.8%	7.4%	11.1%	11.4%	10.5%	11.0%	11.7%	
YoY growth %	33.8%	-9.1%	-31.4%	-21.2%	187.6%	274.2%	56.0%	145.9%	85.7%	
Pretax Profit	10.7	7.9	16.9	27.9	14.1	17.7	13.8	45.6	16.5	-17%
Pretax margin %	11.4%	7.5%	6.3%	6.8%	12.1%	11.3%	10.5%	11.3%	11.8%	
YoY growth %	57.3%	-26.1%	-38.9%	-27.7%	199.4%	318.9%	73.5%	170.2%	108.4%	
Net financial position	50.8	49.8	49.8	69.2	75.8	78.9	74.7	74.7	78.4	-5%

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

Changes to estimates

El.En. – Changes to estimates

	New Estimates			Old Estimates			Delta %		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Revenue	565	611	652	558	603	643	1%	1%	1%
%YoY	38.4%	8.2%	6.7%	36.8%	8.0%	6.7%			
EBITDA	79	85	91	79	84	89	0%	2%	2%
%YoY	94.4%	7.2%	7.2%	93.9%	5.5%	6.7%			
%margin	14.0%	13.9%	14.0%	14.2%	13.9%	13.9%			
EBIT	65	71	77	64	70	76	1%	1%	2%
%YoY	116.4%	8.3%	9.1%	113.7%	8.9%	8.0%			
%margin	11.5%	11.5%	11.8%	11.5%	11.6%	11.8%			
EPS	0.58	0.62	0.68	0.57	0.62	0.67	1%	1%	1%
%YoY	135.6%	7.9%	8.9%	132.6%	8.8%	8.0%			
NFP	85	120	162	88	125	166	-4%	-4%	-2%

Source: Intermonte SIM Estimates

Intermonte estimates

El.En. – Top-line breakdown by segment

Breakdown	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Aesthetic	100.0	110.4	134.3	136.5	192.5	207.9	218.3
growth YoY (%)	19.1%	10.4%	21.6%	1.6%	41.0%	8.0%	5.0%
% of total sales	32.6%	31.9%	33.5%	33.4%	34.1%	34.0%	33.5%
Surgical	34.5	42.1	50.3	38.3	46.9	52.5	56.8
growth YoY (%)	-7.3%	21.9%	19.5%	-23.9%	22.5%	12.0%	8.0%
% of total sales	11.3%	12.2%	12.6%	9.4%	8.3%	8.6%	8.7%
Physiotherapy	9.4	10.8	10.6	7.6	12.9	13.6	14.6
growth YoY (%)	11.1%	14.5%	-1.9%	-28.3%	70.0%	5.0%	7.5%
% of total sales	3.1%	3.1%	2.6%	1.9%	2.3%	2.2%	2.2%
Total Medical Systems	144.6	164.0	196.3	183.0	253.0	274.0	289.6
growth YoY (%)	10.9%	13.4%	19.7%	-6.8%	38.3%	8.3%	5.7%
% of total sales	47.2%	47.4%	49.0%	44.8%	44.8%	44.8%	44.4%
Medical service	29.9	33.9	45.9	46.1	51.6	54.2	56.9
growth YoY (%)	-16.4%	13.5%	35.4%	0.4%	12.0%	5.0%	5.0%
% of total sales	9.7%	9.8%	11.5%	11.3%	9.1%	8.9%	8.7%
Total Medical Revenues	174.4	197.9	242.2	229.1	304.6	328.2	346.5
growth YoY (%)	5.0%	13.4%	22.4%	-5.4%	33.0%	7.7%	5.6%
% of total sales	56.9%	57.2%	60.4%	56.1%	53.9%	53.7%	53.1%
Cutting	102.9	115.5	119.7	147.4	218.2	235.6	254.5
growth YoY (%)	66.8%	12.2%	3.6%	23.1%	48.0%	8.0%	8.0%
% of total sales	33.6%	33.4%	29.9%	36.1%	38.6%	38.5%	39.0%
Marking	17.3	17.9	20.3	17.3	19.9	22.6	23.9
growth YoY (%)	27.7%	3.5%	13.4%	-14.8%	15.0%	13.5%	6.0%
% of total sales	5.6%	5.2%	5.1%	4.2%	3.5%	3.7%	3.7%
Laser sources	3.4	4.9	4.4	2.3	5.5	6.6	7.0
growth YoY (%)	24.0%	45.7%	-10.2%	-47.7%	140.0%	20.0%	5.0%
% of total sales	1.1%	1.4%	1.1%	0.6%	1.0%	1.1%	1.1%
Total Industrial Systems	123.7	138.6	144.7	167.3	243.9	265.2	285.7
growth YoY (%)	58.0%	12.0%	4.4%	15.7%	45.8%	8.7%	7.7%
% of total sales	40.4%	40.0%	36.1%	41.0%	43.2%	43.4%	43.8%
Industrial service	8.3	9.6	13.9	11.7	16.3	18.0	19.7
growth YoY (%)	0.5%	5.0%	44.8%	-15.8%	39.5%	10.0%	10.0%
% of total sales	2.7%	2.8%	3.5%	2.9%	2.9%	2.9%	3.0%
Total Industrial Revenues	132.0	148.2	158.6	179.0	260.2	283.1	305.4
growth YoY (%)	52.5%	12.2%	7.0%	12.9%	45.4%	8.8%	7.9%
% of total sales	43.1%	42.8%	39.6%	43.9%	46.1%	46.3%	46.9%
Total Revenues	306.5	346.0	400.8	408.1	564.9	611.3	652.0
growth YoY (%)	21.3%	12.9%	15.8%	1.8%	38.4%	8.2%	6.7%

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

El.En. – P&L forecasts

(Eu mn)	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Sales	306.5	346.0	400.8	408.1	564.9	611.3	652.0
YoY growth %	21.3%	12.9%	15.8%	1.8%	38.4%	8.2%	6.7%
Gross profit	127.3	137.5	156.0	141.6	210.7	231.1	249.0
Gross margin %	41.5%	39.7%	38.9%	34.7%	37.3%	37.8%	38.2%
YoY growth %	15.2%	8.0%	13.5%	-9.2%	48.8%	9.7%	7.8%
EBITDA	36.1	35.6	46.3	40.8	79.3	85.0	91.2
Ebitda margin %	11.8%	10.3%	11.6%	10.0%	14.0%	13.9%	14.0%
YoY growth %	11.5%	-1.4%	30.0%	-11.9%	94.4%	7.2%	7.2%
EBIT	30.4	30.0	38.2	30.1	65.1	70.5	77.0
Ebit margin %	9.9%	8.7%	9.5%	7.4%	11.5%	11.5%	11.8%
YoY growth %	10.4%	-1.5%	27.4%	-21.2%	116.4%	8.3%	9.1%
Pretax Profit	27.2	29.5	38.6	27.9	66.1	71.5	78.0
Pretax margin %	8.9%	8.5%	9.6%	6.8%	11.7%	11.7%	12.0%
YoY growth %	-48.4%	8.5%	30.8%	-27.7%	136.9%	8.1%	9.0%
Net Income	15.6	16.8	26.0	20.3	45.1	48.7	53.1
Net margin %	5.1%	4.9%	6.5%	5.0%	8.0%	8.0%	8.1%
YoY growth %	-61.3%	7.4%	54.9%	-22.1%	122.9%	7.9%	8.9%

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

El.En. – Cash flow forecasts

Cash Flow Statement (Eu mn)	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net income	15.6	16.8	26.0	20.3	45.1	48.7	53.1
Minorities	4.8	5.0	2.8	2.3	3.8	4.2	4.6
Amortization & Depr.	5.7	5.6	8.1	10.7	14.2	14.5	14.2
Change in working capital	(8.6)	(17.4)	0.6	6.9	(16.4)	(7.5)	(5.0)
Operating cash flow	17.5	10.1	37.5	40.1	46.8	59.9	66.9
Capex (Tangible+Intangible)	(7.9)	(26.3)	(23.4)	(13.0)	(22.0)	(16.0)	(14.0)
FCF	9.6	(16.2)	14.1	27.1	24.8	43.9	52.9
Acquisition / JV	0.0	0.0	0.0	(25.6)	0.0	0.0	0.0
Divestments (Tangible+Intangible)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	(7.7)	(8.4)	(8.7)	0.0	(9.4)	(8.4)	(10.4)
Other	(0.2)	2.6	(6.5)	4.7	0.0	0.0	0.0
Change in net (cash)/debt	1.7	(22.0)	(1.1)	7.8	15.4	35.5	42.5
Net Financial Position	84.5	62.5	61.4	69.2	84.5	120.0	162.5
Net debt/EBITDA	-2.3x	-1.8x	-1.3x	-1.7x	-1.1x	-1.4x	-1.8x

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

El.En. – Simplified balance sheet forecasts

Balance Sheet (Eu mn)	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Commercial working capital	83.8	102.2	110.7	110.7	136.1	143.7	148.6
Net working capital	62.9	80.3	79.6	72.7	89.1	96.7	101.6
Net Fixed Asset	47.0	68.0	89.1	92.1	99.9	101.4	101.2
Other non current assets	9.9	8.5	10.5	6.7	6.7	6.7	6.7
Net capital employed	119.8	156.7	179.2	171.5	195.7	204.7	209.5
Net (debt) / cash	84.5	62.5	61.4	69.2	84.5	120.0	162.5
Net Equity	204.3	219.2	240.6	240.7	280.2	324.7	372.0
Shareholders Funds	190.3	200.7	222.4	220.5	256.3	296.6	339.2
Minorities	14.0	18.6	18.2	20.1	24.0	28.2	32.8
Net capital employed	119.8	156.7	179.2	171.5	195.7	204.7	209.5

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

Valuation snapshot

El.En. – DCF Valuation

(Eu mn)	2021E	2022E	2023E	2024E	2025E	2026E	2027E
EBITDA	79.3	85.0	91.2	100.4	112.4	120.1	121.8
Tax on EBIT	-16.9	-18.3	-20.0	-22.7	-25.4	-27.1	-27.2
WC Change	-16.4	-7.5	-5.0	-9.5	-11.1	-6.1	-3.8
Capex	-22.0	-16.0	-14.0	-14.3	-16.0	-17.0	-17.0
FCFF	24.0	43.2	52.1	53.8	59.9	69.9	73.7
PV (FCFF)	24.0	40.3	45.5	43.9	45.7	49.8	49.1
PV FCFF 21-27	298	21%					
PV TV	1,092	79%					
EV	1,390						
Financial Assets	24						
Net Cash	65						
Participations @BV	2						
Minorities (@22x PE)	-84						
Equity Value	1398						
NOSH	78.4						
Fair Value per share	17.8						

We	100%
Rf	2.00%
Rm-Rf	5.00%
β	1.0
WACC	7.0%
g	2.5%

		WACC				
		6.50%	6.75%	7.00%	7.25%	7.50%
Terminal growth rate	1.5%	16.9	16.0	15.3	14.6	14.0
	2.0%	18.3	17.3	16.4	15.6	14.9
	2.5%	20.1	18.9	17.8	16.9	16.0
	3.0%	22.4	20.9	19.6	18.4	17.4
	3.5%	25.4	23.5	21.8	20.4	19.1

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

El.En. in Brief

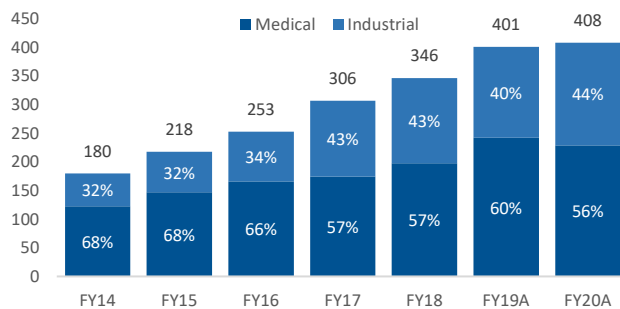
Company description

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 also are important markets for the group.

Strengths/Opportunities

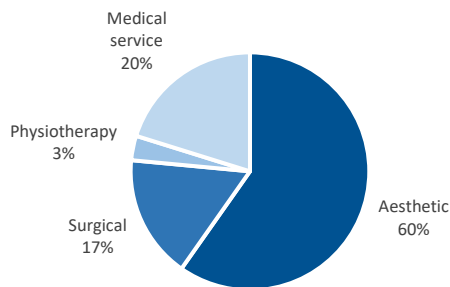
- Proven innovation abilities drive product line-up renewal
- Strong balance sheet
- High barriers to entry (health authority clearance needed)
- Long-term structural tailwinds: ageing population, Shift towards cost efficient solutions in healthcare systems
- Pent-up demand for high margin surgical lasers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

Sales evolution (€mn)



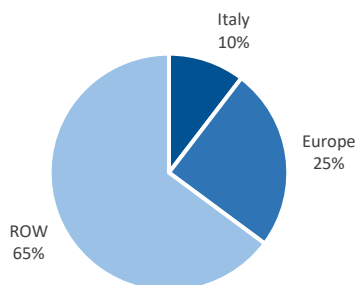
Source: Company data

Medical segment sales breakdown (FY20)



Source: Company data

Medical segment sales breakdown (FY20)



Source: Company data

Management

Chairman: Gabriele Clementi

CEO: Andrea Cangioli

CFO: Enrico Romagnoli

Next BoD renewal: April 2024

BoD independent members: 3/6

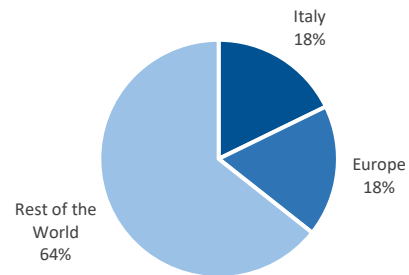
Shareholders

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

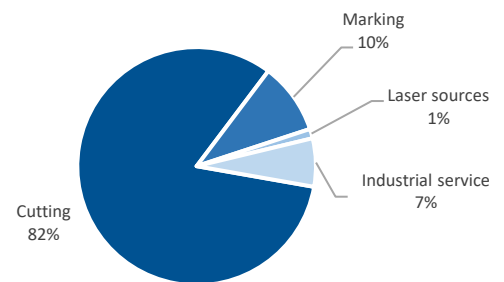
- Semi-conductor shortages and logistics issues may affect industrial production and El.En.'s output
- Regulatory/legal risk related to health authority decisions
- Waning prices for industrial laser cutting

Group sales breakdown (FY20)



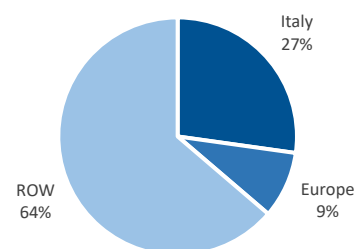
Source: Company data

Industrial segment sales breakdown (FY20)



Source: Company data

Industrial segment sales breakdown (FY20)



Source: Company data

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	\$Companyname\$		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	17.80	Previous Target (Eu):	17.80
Current Price (Eu):	15.62	Previous Price (Eu):	14.94
Date of report:	16/11/2021	Date of last report:	14/09/2021

DISCLAIMER (for more details go to [DISCLAIMER](#))

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

GUIDE TO FUNDAMENTAL RESEARCH

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.

Explanation of our ratings system:

- 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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 September 2021 Intermonte's Research Department covered 122 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	17,36 %
OUTPERFORM:	52,89 %
NEUTRAL:	25,62 %
UNDERPERFORM	04,13 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (55 in total) is as follows:

BUY:	30,91 %
OUTPERFORM:	49,09 %
NEUTRAL:	20,00 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

CONFLICT OF INTEREST

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

Within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: BPER, Cyberoo, Luve, Seri Industrial, The Italian Sea Group, Tinexta, WITT.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Abitare In, Aedes, Aeroporto di Bologna, Alkemy, Ambienthesis, Azimut, Banca Ifis, Cellularline, Creval, Cy4Gate, ePrice, Falck Renewables, Guala Closures, H-Farm, IEG, Iervolino Entertainment, Link Mobility Group (on AMM shares), Mittel, Nova Re, OVS, Retelit, Saes Getters, Somec, SPSI (on Guala Closures shares), Tesmec, TXT, UBI Banca, and WITT.

Intermonte acts as financial advisor to Ambienthesis in connection with the announced potential transaction with Greenthesis.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Ambienthesis, Aquafil, Avio, Banca Ifis, Banca Sistema, Cattolica, Cellularline, Cyberoo, Cy4gate, DeA Capital, El.En, Eles, Elica, Emak, Esprinet, Falck Renewables, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, Gpi, Gruppo Fos, GVS, IEG, Iervolino Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Nova Re SIIQ, Omer, Pharamnutra, Relatech, Reply, Retelit, Saes Getters, Salcef, Sciuiker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, Txt and WITT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAM, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsp, Campari, CIR- Compagnie Industriali Riunite, Credito Emiliano, Danieli & C., Danieli & C. Risparmio, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C., Poste Italiane, Prysmian, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, UnipolSai.

Through its Websim Division, Intermonte SIM acts as a Retail Investor Research Provider on behalf in regard to the following companies: Aedes, Banca Ifis, Banca Sistema, Cattolica Assicurazioni, Cellularline, CFT Group, Circle, Coima RES, Comer Industries, Crowdfundme, Digital Bros, Digital Magics, Elettra Investimenti, Falck Renewables, Fiera Milano, Finlogica, First Capital, FOPE, Gefran, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Ilpra, Indel B, ISI/Salcef, Italiaonline, La Doria, L'Ente, MailUp, Maps, Masi Agricola, Molmed, Neodecortech, Piaggio, Portale Sardegna, Primi sui Motori, Retelit, Safe Bag, Somec, SOS Travel, Tinexta, TPS, WITT.

Through its Websim Division, Intermonte SIM carries out marketing / communication activities on behalf of the following equity crowdfunding 200Crowd, BacktoWork24, Crowdfundme, Opstart and the following issuers: Banca IMI, BNP Paribas, Credit Suisse, Exane, Leonteq, Unicredit, Vontobel, Wisdomtree.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

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

© Copyright 2020 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available