

EL.EN.

OUTPERFORM

Price (Eu):

16.00

Target Price (Eu):

26.00

SECTOR: Industrials

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## Positive 4Q but difficult start to 2020 amid low visibility

- Strong performance across segments in 4Q.** The Medical segment performed well in 4Q (+21.9% YoY vs our +19.5%) thanks to continued growth in Urology, Services, After-Sales and Aesthetics, with strong growth by the new star product, Onda Coolwave (€11mn in sales). Industrial segment growth was slightly higher than our forecast for 4Q (+7.7% vs our +1.3%) thanks to an outstanding performance in Europe and some recovery in China in December.
- 4Q19/FY19 top-line and EBIT in-line with guidance.** Sales reached €117.9mn/€400.8mn and were up 14.9%/ 15.8% YoY, broadly in-line with our forecast (€396mn) and the indication from management for FY19 (~€400mn). Gross Profit was €44.9mn/€156.0mn, with a 38.1%/38.9% margin, down -2.1pp/-0.8pp YoY and a touch below our forecasts (-2.5pp/-0.7pp respectively) due to a less favourable mix YoY across both the Industrial and Medical segments. EBIT was €13.7mn/€38.2mn, landing in the ballpark indicated by management (approx. €40mn), with margins of 10.0%/9.5%, broadly in line with our forecasts.
- Strong cash flow and net income beat our estimates.** Net Income for FY19 was €26mn, 16% above our €22.5mn estimate thanks to: i) the lower contribution from minorities (due to weak Chinese industrial performance); and ii) lower taxes than our estimate. Net cash was €61.4mn, beating our estimate due to: i) the timing mismatch in accounting for the Chinese minority acquisition (only €-2mn for Wuhan acquisition registered in 2019 vs €-22.5mn for both deals in our est.); and ii) strong FY19 operating cash flow of €37.7mn (vs our €25.9mn) thanks to lower cash absorption from WC compared to our estimate.
- Cautious messages ahead of difficult 1Q and 2020.** Visibility on the resumption of normal business remains low, and despite full order books, no guidance was provided for 1Q or 2020. However management recognised that some significant contraction is to be expected in 1Q, especially from industrial activities in China (~20% of group sales), where business was conducted as usual for only two weeks in 1Q. Plants in the country are still not operating at full capacity, and the Wuhan plant is still closed. In Italy (19% of group sales), domestic sales have been blocked since last week and are likely to remain so until the end of the month, although plants in the country continue to fulfil orders from abroad. We estimate sales in 1Q are at risk of facing a ~20% headwind from restrictions in China, Italy.
- Change in estimates.** We have lowered our '20E Industrial sales growth to a -3.1% fall (vs +6.5% growth previously), reflecting the slowdown of Industrial activities amid the tough situation in China and increasing restrictions and potentially declining demand in Europe. We have adopted a more cautious growth forecast for medical sales, lowered to +5.3% (from +9.7%). Overall we have reduced our '20E sales by -5% and our '20E EBIT by -20% to reflect the lost scale in Industrial activities and the slowdown in Medical growth. Our '20E EPS goes down by -11% as we have re-aligned our tax rate (26%) and minorities forecasts. We lower our FCF forecast by -72%, reflecting higher WC cash absorption and reduce our NFP forecast to €35mn (from €39mn, still not inclusive of temporary financial assets worth €15mn).
- OUTPERFORM confirmed, TP lowered to €26.** We have lowered our DCF-based TP to €26 (from €34), reflecting our lower estimates and a higher WACC of 8% (ERP hiked by +50bps). A strong balance sheet, the resilient medical business, and positive exposure to strong long-term dynamics still power the equity story.

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	346	401	409	454	495
Ebitda (Eu mn)	36	46	41	50	57
Net profit (Eu mn)	17	26	23	28	33
EPS - New Adj.(Eu)	0.870	1.333	1.181	1.451	1.672
EPS - Old Adj.(Eu)	0.870	1.166	1.323	1.560	
DPS (Eu)	0.400	0.400	0.400	0.400	0.400

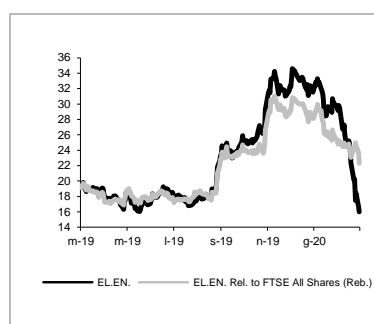
  

Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	18.4	12.0	13.5	11.0	9.6
Div. Yield	2.5%	2.5%	2.5%	2.5%	2.5%
EV/Ebitda Adj.	8.2	6.3	7.7	6.1	5.0
ROCE	21.7%	22.7%	16.4%	18.4%	20.9%

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Next event:  
1Q20 Results out May 14th 2020

EL.EN. - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 34.00 to 26.00

Ch. in Adj.EPS est: 2020E 2021E  
-10.7% -7.0%

STOCK DATA

Reuters code: ELEN.MI  
Bloomberg code: ELN IM

Performance	1m	3m	12m
Absolute	-46.1%	-50.5%	-15.4%
Relative	-7.2%	-15.2%	12.3%
12 months H/L:	34.58/16.00		

SHAREHOLDER DATA

No. of Ord. shares (mn):	20
Total No. of shares (mn):	20
Mkt Cap Ord (Eu mn):	312
Total Mkt Cap (Eu mn):	312
Mkt Float - ord (Eu mn):	161
Mkt Float (in %):	51.7%
Main shareholder:	
Cangioli Andrea	15.2%

BALANCE SHEET DATA

	2020
Book value (Eu mn):	235
BVPS (Eu):	12.06
P/BV:	1.3
Net Financial Position (Eu mn):	35
Enterprise value (Eu mn):	319

Please see important disclaimer  
on the last page of this report

**EL.EN. - KEY FIGURES**

		<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
	Fiscal year end	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	346	401	409	454	495
	EBITDA	36	46	41	50	57
	EBIT	30	38	33	41	48
	Financial income (charges)	1	0	1	1	1
	Associates & Others	(1)	(0)	0	0	0
	Pre-tax profit (Loss)	30	39	33	42	49
	Taxes	(8)	(10)	(9)	(11)	(13)
	Tax rate (%)	-26.1%	-25.5%	-26.0%	-26.0%	-26.0%
	Minorities & discontinue activities	(5)	(3)	(2)	(3)	(3)
	Net profit	17	26	23	28	33
	Total extraordinary items					
	Ebitda excl. extraordinary items	36	46	41	50	57
	Ebit excl. extraordinary items	30	38	33	41	48
Net profit restated	17	26	23	28	33	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	19	20	20	20	20
	EPS stated fd	0.870	1.333	1.181	1.451	1.672
	EPS restated fd	0.870	1.333	1.181	1.451	1.672
	BVPS fd	10.398	11.375	12.064	13.018	14.159
	Dividend per share (ord)	0.400	0.400	0.400	0.400	0.400
	Dividend per share (sav)					
	Dividend pay out ratio (%)	46.0%	30.0%	33.9%	27.6%	23.9%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	27	37	33	40	45
	Change in NWC	(17)	1	(18)	(12)	(9)
	Capital expenditure	(26)	(23)	(10)	(8)	(8)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(16)	14	5	20	28
	Acquisitions, divestments & others	3	(6)	(23)	0	0
	Dividend	(8)	(9)	(9)	(8)	(8)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(22)	(1)	(26)	12	19	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	68	89	90	89	89
	Net working capital	80	80	98	110	119
	Long term liabilities	9	11	32	29	26
	Net capital employed	157	179	220	228	233
	Net financial position	63	61	35	47	67
	Group equity	219	241	255	275	300
	Minorities	19	19	20	21	24
Net equity	201	222	235	254	276	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	312	312	312	312	312
	Adjustments (associate & minorities)	(42)	(42)	(42)	(42)	(42)
	Net financial position	63	61	35	47	67
	Enterprise value	292	293	319	307	288
<b>RATIOS(%)</b>	EBITDA margin*	10.3%	11.6%	10.1%	11.1%	11.5%
	EBIT margin*	8.7%	9.5%	8.0%	9.1%	9.7%
	Gearing - Debt/equity	-28.5%	-25.5%	-13.8%	-17.2%	-22.2%
	Interest cover on EBIT	nm	nm	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	21.7%	22.7%	16.4%	18.4%	20.9%
	ROE*	8.6%	12.3%	10.1%	11.6%	12.3%
	EV/CE	2.1	1.7	1.6	1.4	1.2
	EV/Sales	0.8	0.7	0.8	0.7	0.6
	EV/Ebit	9.7	7.7	9.8	7.4	6.0
Free Cash Flow Yield	-4.6%	4.0%	1.4%	5.7%	7.8%	
<b>GROWTH RATES (%)</b>	Sales	12.9%	15.8%	2.0%	11.1%	9.0%
	EBITDA*	-1.4%	30.0%	-10.8%	21.5%	13.7%
	EBIT*	-1.5%	27.4%	-14.4%	26.1%	16.6%
	Net profit	7.4%	54.9%	-11.4%	22.9%	15.2%
	EPS restated	7.4%	53.2%	-11.4%	22.9%	15.2%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## 4Q19/FY19 snapshot

## El.En. 4Q19/FY19 results snapshot

(Eu mn)	4Q18A	4Q19A	4Q19E	A v E	2018A	2019A	2019E	A v E
Medical Segment	59.0	72.1	70.5	2%	197.9	242.2	241.3	0%
YoY growth %	17.1%	22.1%	19.5%		13.4%	22.4%	22.0%	
Industrial Segment	43.6	46.8	44.1	6%	148.2	158.6	156.3	1%
YoY growth %	15.7%	7.4%	1.3%		12.2%	7.0%	5.5%	
<b>Sales</b>	<b>102.6</b>	<b>117.9</b>	<b>113.6</b>	<b>4%</b>	<b>346.0</b>	<b>400.8</b>	<b>396.6</b>	<b>1%</b>
YoY growth %	16.5%	14.9%	10.7%		12.9%	15.8%	14.6%	
<b>Gross profit</b>	<b>41.2</b>	<b>44.9</b>	<b>46.1</b>	<b>(3%)</b>	<b>137.5</b>	<b>156.0</b>	<b>157.2</b>	<b>(1%)</b>
Gross margin %	40.1%	38.1%	40.6%		39.7%	38.9%	39.6%	
YoY growth %	8.0%	9.0%	11.9%		8.0%	13.5%	14.4%	
<b>EBITDA</b>	<b>11.6</b>	<b>13.7</b>	<b>14.8</b>	<b>(7%)</b>	<b>35.6</b>	<b>46.3</b>	<b>47.4</b>	<b>(2%)</b>
Ebitda margin %	11.3%	11.6%	13.0%		10.3%	11.6%	12.0%	
YoY growth %	20.9%	18.2%	27.7%		-1.4%	30.0%	33.1%	
<b>EBIT</b>	<b>10.0</b>	<b>11.8</b>	<b>11.9</b>	<b>(1%)</b>	<b>30.0</b>	<b>38.2</b>	<b>38.4</b>	<b>(0%)</b>
Ebit margin %	9.7%	10.0%	10.5%		8.7%	9.5%	9.7%	
YoY growth %	20.4%	17.7%	19.5%		-1.5%	27.4%	28.0%	
<b>Pretax Profit</b>	<b>9.6</b>	<b>11.0</b>	<b>11.3</b>	<b>(2%)</b>	<b>29.5</b>	<b>38.6</b>	<b>38.9</b>	<b>(1%)</b>
Pretax margin %	9.4%	9.4%	9.9%		8.5%	9.6%	9.8%	
YoY growth %	18.8%	14.4%	16.8%		8.5%	30.8%	31.6%	
<b>Net Income</b>					<b>16.8</b>	<b>26.0</b>	<b>22.5</b>	<b>16%</b>
NI Margin %					4.9%	6.5%	5.7%	
YoY growth %					7.4%	54.9%	34.0%	
<b>OpCF</b>					<b>11.9</b>	<b>37.7</b>	<b>25.9</b>	<b>46%</b>
Capex					-26.3	-24.4	-22.0	
<b>FCF (pre-M &amp;A)</b>					<b>-14.4</b>	<b>13.3</b>	<b>3.9</b>	<b>243%</b>
<b>Net financial position</b>	<b>62.5</b>	<b>61.4</b>	<b>30.4</b>	<b>102%</b>	<b>62.5</b>	<b>61.4</b>	<b>30.4</b>	

Source: Intermonte SIM and company data

## Changes to estimates

## Changes to estimates

	New Estimates			Old Estimates			Delta %		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Revenue</b>	<b>409</b>	<b>454</b>	<b>495</b>	<b>430</b>	<b>479</b>		<b>-5%</b>	<b>-5%</b>	
%YoY	2.0%	11.1%	9.0%	8.4%	11.4%				
<b>EBITDA</b>	<b>41</b>	<b>50</b>	<b>57</b>	<b>51</b>	<b>58</b>		<b>-18%</b>	<b>-13%</b>	
%YoY	-10.8%	21.5%	13.7%	6.7%	14.2%				
%margin	10.1%	11.1%	11.5%	11.8%	12.1%				
<b>EBIT</b>	<b>33</b>	<b>41</b>	<b>48</b>	<b>41</b>	<b>48</b>		<b>-20%</b>	<b>-14%</b>	
%YoY	-14.4%	26.1%	16.6%	7.0%	16.7%				
%margin	8.0%	9.1%	9.7%	9.6%	10.0%				
<b>EPS</b>	<b>1.18</b>	<b>1.45</b>	<b>1.67</b>	<b>1.32</b>	<b>1.56</b>		<b>-11%</b>	<b>-7%</b>	
%YoY	-11.4%	22.9%	15.4%	13.4%	17.9%				
<b>NFP</b>	<b>35</b>	<b>47</b>	<b>67</b>	<b>39</b>	<b>56</b>		<b>-11%</b>	<b>-15%</b>	

Source: Intermonte SIM and company data

## Changes to estimates

### Top-line breakdown by segment

Breakdown	2017A	2018A	2019A	2020E	2021E	2022E
<b>Aesthetic</b>	<b>100.0</b>	<b>110.4</b>	<b>134.3</b>	<b>138.3</b>	<b>152.2</b>	<b>164.3</b>
growth YoY (%)	18.0%	10.4%	21.6%	3.0%	10.0%	8.0%
% of total sales	32.6%	31.9%	33.5%	33.9%	33.5%	33.2%
<b>Surgical</b>	<b>34.5</b>	<b>42.1</b>	<b>50.3</b>	<b>54.8</b>	<b>60.9</b>	<b>66.9</b>
growth YoY (%)	-9.0%	21.9%	19.5%	9.0%	11.0%	10.0%
% of total sales	11.3%	12.2%	12.6%	13.4%	13.4%	13.5%
<b>Physiotherapy</b>	<b>9.4</b>	<b>10.8</b>	<b>10.6</b>	<b>11.1</b>	<b>12.0</b>	<b>12.9</b>
growth YoY (%)	8.5%	14.5%	8.5%	5.0%	8.0%	7.0%
% of total sales	3.1%	3.1%	2.6%	2.7%	2.6%	2.6%
Other medical lasers	0.2	0.7	1.1	0.3	0.3	0.0
% of total sales	0.1%	0.2%	0.3%	0.1%	0.1%	0.1%
<b>Total Medical Systems</b>	<b>144.6</b>	<b>164.0</b>	<b>196.3</b>	<b>204.6</b>	<b>225.3</b>	<b>244.1</b>
growth YoY (%)	10.9%	13.4%	19.7%	4.2%	10.1%	8.4%
% of total sales	47.2%	47.4%	49.0%	50.1%	49.6%	49.3%
<b>Medical service</b>	<b>29.9</b>	<b>33.9</b>	<b>45.9</b>	<b>50.5</b>	<b>55.5</b>	<b>60.5</b>
growth YoY (%)	-16.0%	13.5%	35.4%	10.0%	10.0%	9.0%
% of total sales	9.7%	9.8%	11.5%	12.4%	12.2%	12.2%
<b>Total Medical Revenues</b>	<b>174.4</b>	<b>197.9</b>	<b>242.2</b>	<b>255.0</b>	<b>280.9</b>	<b>304.7</b>
growth YoY (%)	5.0%	13.4%	22.4%	5.3%	10.1%	8.5%
% of total sales	56.9%	57.2%	60.4%	62.4%	61.8%	61.6%
<b>Cutting</b>	<b>102.9</b>	<b>115.5</b>	<b>119.7</b>	<b>113.9</b>	<b>129.9</b>	<b>142.9</b>
growth YoY (%)	66.8%	13.5%	3.6%	-4.8%	14.0%	10.0%
% of total sales	33.6%	33.4%	29.9%	27.9%	28.6%	28.9%
<b>Marking</b>	<b>17.3</b>	<b>17.9</b>	<b>20.3</b>	<b>20.3</b>	<b>21.9</b>	<b>24.1</b>
growth YoY (%)	27.7%	7.0%	13.4%	0.0%	8.0%	10.0%
% of total sales	5.6%	5.2%	5.1%	5.0%	4.8%	4.9%
<b>Laser sources</b>	<b>3.4</b>	<b>4.9</b>	<b>4.4</b>	<b>4.5</b>	<b>4.8</b>	<b>5.1</b>
growth YoY (%)	24.0%	10.0%	-10.2%	2.3%	7.0%	5.0%
% of total sales	1.1%	1.4%	1.1%	1.1%	1.1%	1.0%
<b>Total Industrial Systems</b>	<b>123.7</b>	<b>138.6</b>	<b>144.7</b>	<b>139.0</b>	<b>156.9</b>	<b>172.3</b>
growth YoY (%)	58.0%	12.0%	4.4%	-3.9%	12.9%	9.8%
% of total sales	40.4%	40.0%	36.1%	34.0%	34.6%	34.8%
<b>Industrial service</b>	<b>8.3</b>	<b>9.6</b>	<b>13.9</b>	<b>14.6</b>	<b>16.3</b>	<b>18.0</b>
growth YoY (%)	3.0%	5.0%	44.8%	5.0%	12.0%	10.0%
% of total sales	2.7%	2.8%	3.5%	3.6%	3.6%	3.6%
<b>Total Industrial Revenues</b>	<b>132.0</b>	<b>148.2</b>	<b>158.6</b>	<b>153.6</b>	<b>173.2</b>	<b>190.3</b>
growth YoY (%)	52.5%	12.2%	7.0%	-3.1%	12.8%	9.8%
% of total sales	43.1%	42.8%	39.6%	37.6%	38.2%	38.4%
<b>Total Revenues</b>	<b>306.5</b>	<b>346.0</b>	<b>400.8</b>	<b>408.6</b>	<b>454.1</b>	<b>495.0</b>
growth YoY (%)	21.3%	12.9%	15.8%	2.0%	11.1%	9.0%

Source: Intermonte SIM and company data

## Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>EL.EN.</b>	<b>16.00</b>	<b>EUR</b>	<b>312</b>	<b>-46.1%</b>	<b>-50.5%</b>	<b>-31.3%</b>	<b>-51.6%</b>	<b>-15.4%</b>	<b>-47.2%</b>
AMADA CO.	799.00	JPY	283,754	-28.6%	-37.1%	-32.5%	-36.1%	-26.2%	-40.2%
BIOLASE	0.39	USD	12	-41.3%	-24.3%	-63.6%	-29.4%	-83.9%	-83.4%
CUTERA	13.87	USD	197	-48.6%	-62.4%	-53.1%	-61.3%	-24.2%	-74.6%
HAN'S LASER TECH IND.	30.18	CNY	31,741	-26.1%	-24.7%	-16.4%	-24.5%	-28.4%	-47.0%
INMODE	14.86	USD	487	-66.2%	-65.6%	-45.9%	-62.1%	---	---
IPG PHOTONICS	124.25	USD	6,593	-10.9%	-16.5%	-12.4%	-14.3%	-19.1%	-49.7%
LUTRONIC	5290.00	HKD	137,158	-32.4%	-45.9%	-40.9%	-42.1%	-54.6%	-67.3%
PRIMA INDUSTRIE	10.78	EUR	112	-34.3%	-36.7%	-19.3%	-34.3%	-47.7%	-73.7%
RA MEDICAL	1.07	USD	15	-49.3%	39.0%	-37.1%	-5.3%	-75.8%	---
SISRAM MEDICAL	2.71	HKD	1,198	-30.9%	-36.1%	-33.7%	-34.4%	-45.5%	-56.3%
<b>Mean performance</b>				<b>-37.7%</b>	<b>-32.8%</b>	<b>-35.1%</b>	<b>-35.9%</b>	<b>-42.1%</b>	<b>-59.9%</b>
<b>Italy FTSE Mib</b>	15,314.8	EUR		-38.4%	-35.2%	-29.8%	-34.8%	-27.2%	-33.0%

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
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
<b>EL.EN.</b>	<b>16.00</b>	<b>EUR</b>	<b>312</b>	<b>0.8</b>	<b>0.7</b>	<b>7.7</b>	<b>6.1</b>	<b>9.8</b>	<b>7.4</b>	<b>13.5</b>	<b>11.0</b>	<b>2.5%</b>	<b>2.5%</b>
AMADA CO.	799.00	JPY	283,754	0.7	0.6	3.9	3.5	5.8	4.9	10.3	9.1	6.1%	6.2%
BIOLASE	0.39	USD	12	0.3									
CUTERA	13.87	USD	197								132.1		
HAN'S LASER TECH IND.	30.18	CNY	31,741	2.5	2.1	16.9	14.6	20.4	16.3	20.8	17.3	0.6%	0.7%
INMODE	14.86	USD	487	0.8	0.2	1.9	0.6	2.0	0.6	8.1	6.9	0.0%	0.0%
IPG PHOTONICS	124.25	USD	6,593	4.3	3.6	16.1	11.2	23.9	14.9	37.1	25.1	0.0%	0.0%
LUTRONIC	5290.00	HKD	137,158										
PRIMA INDUSTRIE	10.78	EUR	112	0.5	0.5	5.9	4.8	17.5	10.5	17.3	9.7	2.6%	2.8%
RA MEDICAL	1.07	USD	15										
SISRAM MEDICAL	2.71	HKD	1,198										
<b>Median</b>				<b>0.7</b>	<b>0.6</b>	<b>5.9</b>	<b>4.8</b>	<b>17.5</b>	<b>10.5</b>	<b>17.3</b>	<b>13.5</b>	<b>0.6%</b>	<b>0.7%</b>

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

## EL.EN. - Estimates Comparison with Consensus

(Eu mn)	2020			2021		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
<b>Revenues</b>	408.6	430.0	-5.0%	454.1	479.0	-5.2%
<b>Ebitda</b>	41.3	51.0	-19.0%	50.2	58.0	-13.4%
<b>Net Profit</b>	23.0	26.0	-11.4%	28.3	30.0	-5.6%
<b>EPS</b>	1.181	1.323	-10.7%	1.451	1.560	-7.0%
<b>Net Debt</b>	35.2	(39.0)	-190.2%	47.3	(56.0)	-184.4%

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):	26.00		Previous Target (Eu):	34.00
Current Price (Eu):	16.00		Previous Price (Eu):	26.06
Date of report:	18/03/2020		Date of last report:	28/02/2020

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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.

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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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OUTPERFORM:	50.00 %
NEUTRAL:	35.15 %
UNDERPERFORM	03.91 %
SELL:	00.00 %

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OUTPERFORM:	60.42 %
NEUTRAL:	27.08 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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SPACTIV	1,08	LONG
THESPAC	0,73	LONG
VEI 1	0,62	LONG

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