

# EL.EN.

Sector: Industrials

# OUTPERFORM

Price: Eu9.70 - Target: Eu13.00

## Outlook Remains Positive, Despite Some Short-Term Bumps

**Andrea Randone +39-02-77115.364**

andrea.randone@intermonte.it

**Carlo Maritano +39-02-77115.358**

carlo.maritano@intermonte.it

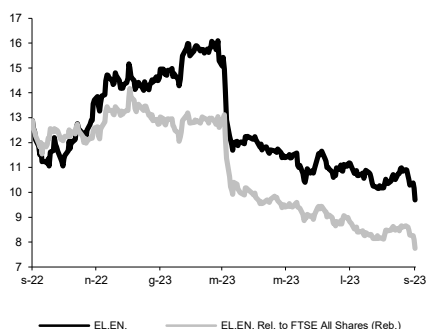
### Stock Rating

**Rating:** Unchanged

**Target Price (Eu):** from 14.50 to 13.00

|                       | 2023E | 2024E | 2025E |
|-----------------------|-------|-------|-------|
| <b>Chg in Adj EPS</b> | -3.8% | -6.9% | -6.4% |

### EL.EN. - 12M Performance



### Stock Data

Reuters code: ELEN.MI

Bloomberg code: ELN IM

| Performance             | 1M         | 3M     | 12M    |
|-------------------------|------------|--------|--------|
| Absolute                | -4.7%      | -16.0% | -24.7% |
| Relative                | -5.2%      | -18.4% | -50.0% |
| 12M (H/L)               | 16.09/9.70 |        |        |
| 3M Average Volume (th): | 81.79      |        |        |

### Shareholder Data

No. of Ord shares (mn): 78

Total no. of shares (mn): 78

Mkt Cap Ord (Eu mn): 760

Total Mkt Cap (Eu mn): 760

Mkt Float - Ord (Eu mn): 403

Mkt Float (in %): 53.0%

 Main Shareholder:  
 Canglioli Andrea 14.8%

### Balance Sheet Data

Book Value (Eu mn): 335

BVPS (Eu): 4.27

P/BV: 2.3

Net Financial Position (Eu mn): 55

Enterprise Value (Eu mn): 768

■ **2Q slightly below expectations.** The company reported 2Q revenues of Eu184.3mn, up 0.9% YoY and below our estimate of Eu199.3mn, as the continuing good indications from the Medical business (+6.2% YoY, with particularly healthy trends in the Surgical segment) were counterbalanced by a weak performance by the Industrial sector (-4.9% YoY vs our +12.5% estimate), which was penalized by the continuation of the weakness in the Chinese market, although this showed some softening of the negative trend (around -20% in 1H vs -31.8% in 1Q, implying ~-10% in 2Q). In terms of profitability, a mix more skewed towards the Medical business enabled an expansion of the gross margin YoY (~+160bps to 38.2%), although this was neutralized by higher personnel costs, with the upshot being EBIT at Eu21.8mn (margin down 140bps YoY to 11.9%), not far off our Eu23.2mn. Finally, 1H net profit (no quarterly figure given) was Eu25.8mn, substantially in line with our estimate of Eu26.6mn.

■ **NWC absorption still high in 1H but set to revert in 2H.** The NFP as at end-June was positive at Eu10.2mn, while we were expecting a figure of Eu41.8mn. The difference is mainly explained by NWC absorption that remained high in 2Q at Eu32mn (vs Eu10mn exp.). However, for the remainder of the year an inversion of the NWC trend is foreseen because conditions in the supply chain are returning to normal as are payment conditions. Also worth noting a circa Eu13mn hit from purely accounting items related to the capital increases by PE funds finalized last year at the Chinese subsidiary.

■ **Outlook still healthy for Medical business, more prudent for Industrial.** During the call, management provided more detail on expectations for the remainder of the year. Among the positives, we note the expectations of a continuation of the good trends in the Surgical (Medical) and Marking (Industrial) businesses, as well as the launch of a series of new products that should start to make a material contribution from 2024. As for the laser cutting business in China, it will start to benefit from a much easier comparison base in 2H: market conditions are set to remain weak but results should be in line with or slightly up on 2H22. Bearing in mind these expectations, for 2023 management confirms the expectations for a slight increase in revenues compared to 2022, while EBIT is expected to decline in the same proportion registered in 1H23 due to the performance achieved and expected in China.

■ **Estimates aligned to guidance.** We are bringing our 2023 estimates into line with the updated guidance, while taking a more prudent approach for 2024 as well, assuming a slower-than-previously-expected ramp-up of activities at the Chinese laser cutting business. Overall, we are reducing our EPS by 3.8%/6.9%/6.4% for the next three years.

■ **Outperform, TP Eu13.0 from Eu14.5.** In our view, 2Q results confirm some temporary weaknesses such as lower-than-expected performance in China, which means recent investments in production capacity will realistically be underutilized even in 2024, and a slight impact on the aesthetic business due to the economic slowdown, but at the same time they also confirm the group's strengths deriving from the great differentiation of revenues and products (especially in the medical field) and the ability to bring important innovations to the market (e.g. ACNE treatment products, redesign of body shaping products) which give us confidence on the group's future prospects.

| Key Figures & Ratios   | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn)          | 571   | 674   | 706   | 755   | 808   |
| EBITDA Adj (Eu mn)     | 80    | 95    | 91    | 100   | 107   |
| Net Profit Adj (Eu mn) | 45    | 55    | 50    | 57    | 63    |
| EPS New Adj (Eu)       | 0.580 | 0.703 | 0.644 | 0.733 | 0.801 |
| EPS Old Adj (Eu)       | 0.580 | 0.703 | 0.669 | 0.787 | 0.855 |
| DPS (Eu)               | 0.200 | 0.220 | 0.210 | 0.220 | 0.230 |
| EV/EBITDA Adj          | 10.6  | 10.8  | 8.4   | 7.2   | 6.3   |
| EV/EBIT Adj            | 13.1  | 12.7  | 10.1  | 8.4   | 7.3   |
| P/E Adj                | 16.7  | 13.8  | 15.1  | 13.2  | 12.1  |
| Div. Yield             | 2.1%  | 2.3%  | 2.2%  | 2.3%  | 2.4%  |
| Net Debt/EBITDA Adj    | -1.4  | -0.8  | -0.6  | -1.0  | -1.4  |

**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](http://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 certifies 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 4.0% and a risk premium of 5.5% 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 June 2023 Intermonte's Research Department covered 118 companies. Intermonte's distribution of stock ratings is as follows:

|              |         |
|--------------|---------|
| BUY:         | 23.08 % |
| OUTPERFORM:  | 52.99 % |
| NEUTRAL:     | 22.22 % |
| UNDERPERFORM | 01.71 % |
| SELL:        | 00.00 % |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

|              |         |
|--------------|---------|
| BUY:         | 38.78 % |
| OUTPERFORM:  | 51.02 % |
| NEUTRAL:     | 10.20 % |
| 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/managed or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems, GPI.

**Intermonte SIM** has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

**Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.**

**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, Anima Holding, Aquafil, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularline, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, Datrix, El.En, Eles, Elica, Emak, Esprinet, Expert AI, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, GPI, Greenthesis (formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Next Re SIQ, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

**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, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMB, 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**, Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Comer Industries, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Edilzodiacobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Finanza.Tech, First Capital, Fope, FOS, Franchi Umberto Marmi, Giglio Group, Go Internet, GPI, Iervolino & Lady Bacardi Entertainment, Intercos, Intred, Iscc Fintech, Lindbergh, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nhoa, Notorious Pictures, Orsero Group, Osai Automation System, Racing Force Group, Relatech, Reti, Salcef Group, Sciuker Frames, Sebino, SGCompany, Solid World Group, Spindox Digital Soul, Supplymecapital, Tamburi, Tesmec, The Italian Sea Group, Tinexta, Tps Group, Trendevce, Tribuo, Ulisse Biomed, Vantea Smart, Wiit. 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 |
|-----------|---|------------|
|-----------|---|------------|

**© Copyright 2023 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