

# EL.EN.

Sector: Industrials

# OUTPERFORM

Price: Eu9.77 - Target: Eu13.60

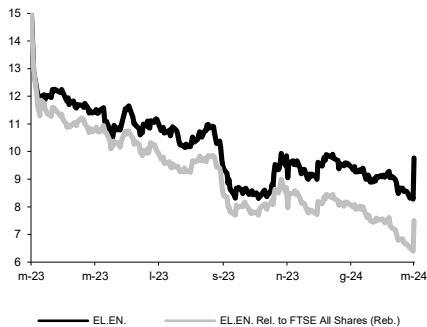
## Company Eyes Rising 2024 Trends After Strong 4Q

**Andrea Randone +39-02-77115.364**  
 andrea.randone@intermonte.it  
**Carlo Maritano: +39-02-77115.358**  
 carlo.maritano@intermonte.it

### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 12.20 to 13.60		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	0.1%	0.0%	

### EL.EN. - 12M Performance



### Stock Data

Reuters code:	ELEN.MI		
Bloomberg code:	ELN IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	6.9%	1.9%	-34.6%
Relative	0.1%	-9.3%	-65.0%
12M (H/L)	14.15/8.29		
3M Average Volume (th):	100.45		

### Shareholder Data

No. of Ord shares (mn):	78
Total no. of shares (mn):	78
Mkt Cap Ord (Eu mn):	766
Total Mkt Cap (Eu mn):	766
Mkt Float - Ord (Eu mn):	406
Mkt Float (in %):	53.0%
Main Shareholder:	
Cangioli Andrea	14.8%

### Balance Sheet Data

Book Value (Eu mn):	370
BVPS (Eu):	4.72
P/BV:	2.1
Net Financial Position (Eu mn):	104
Enterprise Value (Eu mn):	735

**■ The company has published better-than-expected 4Q growth and profitability thanks to a rebound in the industrial sector, including China.** In detail, turnover came to Eu199.3mn (vs. our estimate of Eu193.8mn), up 5.3% YoY thanks to a very strong rebound in the Industrial segment (+22% after -4% in 9M), which benefited from encouraging sales growth in China (+58% in 4Q) after a number of weak quarters. The medical segment was weaker, however, continuing its slowing trend, with 4Q turnover down 6%, mainly penalised by the Aesthetic segment (-16% in 4Q, suffering from weakness with some important accounts for laser hair removal systems). The gross margin was flat YoY (+10bp to 37.2%), leading to EBIT of Eu21mn, slightly above our Eu20.7mn estimate. We underline that EBIT was hit by ~Eu5mn of non-recurring items related to a legal dispute with a client in China and damage caused by the floods in Florence. Net of this it would have come in ~25% higher than our estimate. Finally, cash generation continued to improve in 4Q, thanks to NWC optimisation and lower CapEx YoY. NFP as at the end of December was therefore positive to the tune of Eu55mn, broadly in line with our estimate and well up from Eu32.1mn as at the end of September. The BoD will propose the distribution of a Eu0.2 DPS.

**■ Revenues and EBIT expected to rise in 2024:** management expects growth in turnover and operating profit in 2024 (albeit not quantified), resulting from a slowdown in the first two months of the year and a gradual acceleration in the subsequent months and quarters, thanks to quite a lively order intake. More clues came from the presentation: growth is expected in both businesses, with medical expected to see a recovery even in the Aesthetic business, especially thanks to recovery in Hair Removal and the contribution of new products launched, while the industrial business should see moderate growth even in China (although the market remains volatile), which should also show margin improvements, even if regional EBIT is still expected in the red.

**■ Confirming our above-consensus estimates:** we are only making minor adjustments to our estimates. The outlook provided and the further indications emerging from the conference call leave us confident that our EBIT estimate for 2024, which envisages a Eu9mn improvement YoY, is achievable thanks to: 1) top line growth and recoveries in segments that suffered in 2023, such as Aesthetic and Industrial in China (+Eu4mn), and 2) dwindling non-recurring costs that penalised 4Q results (+Eu5mn). While our estimates remain largely unchanged, we note that our 2024 EBIT estimate is approximately 9% higher than consensus, so we would expect consensus to rise by a similar order of magnitude.

**■ OUTPERFORM; target from Eu12.2 to Eu13.6.** 4Q results clearly demonstrate the validity of management's strategic view and the group's strengths, namely the wide range of products enabling differentiation of revenues, and the ability to bring important innovations to market (e.g. acne treatment products, redesign of body shaping products). Our valuation, the result of a DCF model, yields a target price of Eu13.6, up from Eu12.20 due to the lower risk-free rate adopted in our models (4.0% from 4.5%, as per Intermonte assumptions) and the rollover of the valuation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	674	692	726	776	831
EBITDA Adj (Eu mn)	95	91	96	103	112
Net Profit Adj (Eu mn)	55	48	55	59	65
EPS New Adj (Eu)	0.703	0.615	0.696	0.759	0.835
EPS Old Adj (Eu)	0.703	0.609	0.695	0.759	
DPS (Eu)	0.220	0.200	0.220	0.230	0.250
EV/EBITDA Adj	10.9	10.0	7.7	6.7	5.8
EV/EBIT Adj	12.8	12.5	9.0	7.8	6.8
P/E Adj	13.9	15.9	14.0	12.9	11.7
Div. Yield	2.3%	2.0%	2.3%	2.4%	2.6%
Net Debt/EBITDA Adj	-0.8	-0.6	-1.1	-1.4	-1.7

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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)

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Frequency of research: quarterly.

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

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

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

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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