

EL.EN.

Sector: Industrials

OUTPERFORM

Price: Eu9.77 - Target: Eu13.60

Company Eyes Rising 2024 Trends After Strong 4Q

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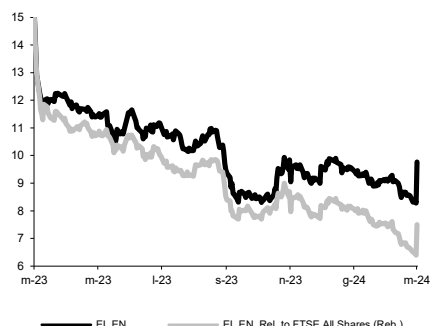
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 12.20 to 13.60		
	2024E	2025E	2026E
Chg in Adj EPS	0.1%	0.0%	

EL.EN. - 12M Performance



Stock Data			
Reuters code:	ELEN.MI		
Bloomberg code:	ELN IM		
Performance	1M	3M	12M
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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- 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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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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