

# EL.EN.

Sector: Industrials

# OUTPERFORM

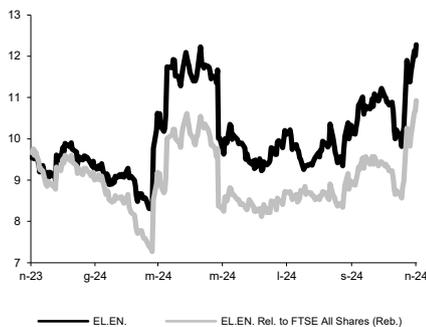
Price: Eu12.28 - Target: Eu14.80

## Charting a New Course: Robust Results and Strategic Streamlining

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 13.30 to 14.80		
	2024E	2025E	2026E
Chg in Adj EPS	1.8%	1.6%	1.2%

### EL.EN. - 12M Performance



Stock Data			
Reuters code:	ELEN.MI		
Bloomberg code:	ELN IM		
Performance	1M	3M	12M
Absolute	9.4%	28.5%	27.1%
Relative	14.8%	28.0%	14.8%
12M (H/L)	12.28/8.29		
3M Average Volume (th):	88.14		

Shareholder Data	
No. of Ord shares (mn):	80
Total no. of shares (mn):	80
Mkt Cap Ord (Eu mn):	981
Total Mkt Cap (Eu mn):	981
Mkt Float - Ord (Eu mn):	519
Mkt Float (in %):	53.0%
Main Shareholder:	
Cangioli Andrea	14.8%

Balance Sheet Data	
Book Value (Eu mn):	373
BVPS (Eu):	4.67
P/BV:	2.6
Net Financial Position (Eu mn):	85
Enterprise Value (Eu mn):	900

■ **A strong 3Q thanks to acceleration by Medical.** Turnover was above our expectations thanks to the sharp acceleration by the Medical business (+10.6%, driven by growth in all applications but dental), able to more than compensate for a performance below expectations by the Industrial division, still penalised by the cutting business, down again (by -9.4%) in 3Q. Turnover above expectations, together with a more favourable mix between the two divisions (+Medical/-Industrial) and within them (surgical, physio and services better than aesthetics at medical, and marking better than cutting at industrial) led to profitability markedly above expectations, with an EBIT margin of 10.9% in 3Q, up 2.1pp YoY and noticeably above our estimate (9.0% margin). Hence, 3Q EBIT was Eu16.7mn, above our estimate of Eu13.7mn. Finally, the Group also continued to generate cash in 3Q, with the NFP improving by a further Eu5mn to reach Eu73.9mn.

■ **Framework agreement for the disposal of the laser cutting division.** ELN has signed a framework agreement with YOFC to sell a majority stake in its "laser cutting" division. The deal involves the sale of 67% of Cutlite Penta and 59.2% of Penta Laser Zhejiang, with El.En. retaining minority stakes in both companies. The transaction, valued at €55.3mn in cash, implies an overall equity value of €90mn for the division (EV of ~€129mn), that may be subject to adjustments. El.En. also holds a put option to sell its residual stakes to YOFC after 2027. The laser cutting division, which saw turnover of €98mn (-22.3% YoY) and EBIT of €2.6mn (+120% YoY) in 1H24, according to our estimates is valued at over 25x EV/EBIT for 2024, an attractive valuation, especially if we bear in mind that the division is contributing practically zero net income to the company's results. The deadline on negotiations is 31 December 2024. The sale is subject to regulatory approval (Golden Power).

■ **Estimates fine-tuned.** We merely fine-tune our forecast on a like-for-like basis, raising estimates for the Medical division and trimming those for the Industrial business, which we expect to decline again in 4Q, also considering the difficult comparison base. Our estimates are consistent with the company's outlook at constant perimeter, i.e. a decrease in YoY revenue and an improvement of EBIT compared to 2023. The potential sale of the industrial business should lead to the reclassification of these activities as "available for sale" and therefore to a different presentation of the year-end results, but the company will provide pro-forma data comparable with those expressed by our estimates, which will be revised in the event of finalization of the disposal.

■ **Outperform confirmed, TP Eu14.8:** We confirm our positive view on the stock, strengthened by solid Medical-driven 3Q results and the announcement of the potential disposal of the industrial cutting business, which we appreciate as it would enable El.En. to concentrate on its higher margin, faster growing Medical business, which will generate c.90% of turnover post-sale. Moreover, the company will be sitting on a large pile of cash, which could enable M&A in Medical to further improve the company's positioning, investments in innovation, and potentially higher shareholder remuneration. We raise our TP from Eu13.3 to Eu14.8, which is the simple average of the valuation of the business "as is" (from Eu13.3 to Eu13.5) and a post-deal valuation based on a 2025 EV/EBIT multiple of 14x (Eu16.1).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	674	692	667	712	763
EBITDA Adj (Eu mn)	95	91	92	98	106
Net Profit Adj (Eu mn)	55	48	54	57	63
EPS New Adj (Eu)	0.703	0.604	0.675	0.716	0.784
EPS Old Adj (Eu)	0.703	0.615	0.663	0.705	0.775
DPS (Eu)	0.220	0.200	0.220	0.230	0.250
EV/EBITDA Adj	10.1	9.5	9.7	8.9	7.8
EV/EBIT Adj	11.9	11.8	11.7	10.5	9.1
P/E Adj	17.5	20.3	18.2	17.1	15.7
Div. Yield	1.8%	1.6%	1.8%	1.9%	2.0%
Net Debt/EBITDA Adj	-0.8	-0.6	-0.9	-1.2	-1.5

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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.

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

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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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