

ELES

OUTPERFORM

Price (Eu): 4.04

Target Price (Eu): 5.50

SECTOR: Industrials

Gianluca Bertuzzo +39-02-77115.429
e-mail: gianluca.bertuzzo@intermonte.it

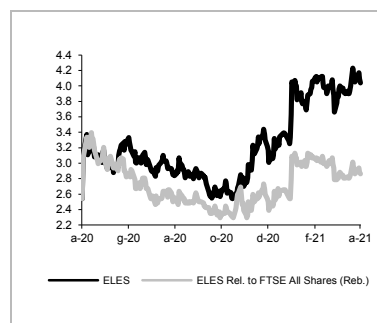
Andrea Randone +39-02-77115.364
e-mail: andrea.randone@intermonte.it

Positive End to the Year; Solid Prospects for 2021

- **2H20 results beat expectations.** In the second half of a year plagued by Covid-19, ELES reported a strong set of results that beat expectations across the board. After declining by -13% YoY in 1H20, revenue rebounded strongly in 2H20 rising +19% YoY to €9.8mn (vs. €9.2mn exp.) as clients, which mostly operate in the semiconductors industry, resumed capital investment plans given buoyant end market demand spurred by trends such as working from home. 2020 net sales growth of +3% outperformed the reference market. EBITDA was €2.1mn (vs. €1.6mn exp.), +39% YoY for a 20.5% margin (vs. 18.3% in 2H19), as ELES benefitted from a higher-than-expected tax credit on R&D and a better contribution margin in 4Q20. We also highlight that results were burdened by the strengthening of the organisational structure with no corresponding boost in turnover (~€0.7mn). EBIT and net profit closed at €0.9mn (vs €0.6mn exp.) and €1.3mn (vs €0.2mn exp.) respectively thanks to higher operating results and positive tax income deriving from the monetary revaluations of the HQ, which resulted in the recognition of associated advance taxation. Finally, the NFP was €0.5mn (vs €-2.0mn exp.) following higher operating results, but also to the delay of some investments to 2021 and an improvement in the NWC.
- **2021 guidance confirmed.** The rebound in the semiconductors market witnessed during 2H20 is continuing in early 2021, with positive prospects for the foreseeable future in light of the acceleration in the digitalisation of the economy. Against this backdrop, ELES confirmed the 2021 guidance it gave to the market in November last year, which was largely consistent with our estimates. Trade tensions between the US and China, which triggered a revision to previous business plan guidance last year, are not expected to have any further impact on the outlook. Specifically, in 2021 ELES envisages net sales of €23.1mn (+28% YoY), EBITDA of €4.5mn (20% margin), and EBIT of €2.2mn (10% margin).
- **Positive commercial development bodes well for future growth.** On top of positive sector developments, ELES reported notable commercial progress. Indeed, over the last few months the company has been able to: i) gain 5 new customers (a US fabless, an EU leader in Aerospace & Defence, a US MEMS producer, a US storage player, and an Israeli Start-up focused on imaging sensors); ii) develop the relationship with 5 existing clients (3 global semi IDM, a Foundry and a Chinese fabless), which allowed ELES to reduce exposure to its biggest customer (60% of turnover vs. 70% in 2019); iii) obtain the patent for its "Adaptive Liquid Cooling" solution, for which presentations to prospective clients (mostly in China) are going well. Also, from an organisational point of view, the group expanded its geographical coverage with new sales representatives in America and Asia.
- **Change in estimates.** Considering the solid 2020 results and confirmed prospects for 2021, we are only fine-tuning our 2021-23 estimates (average change +1%).
- **OUTPERFORM; target from €4.20 to €5.50.** ELES closed the year on a positive note with a strong set of results that came in well above expectations. Even more importantly, promising prospects have been confirmed. Indeed, as the use of semiconductors spreads to an ever-wider array of critical applications, we expect the testing phase to gain further importance. We confirm our OUTPERFORM rating, lifting our TP to €5.50 from €4.20 on the back of the roll-over of our valuation, reduction in the ERP (5.5% vs 6.0% previously) and a higher terminal g rate (3.0% vs. 2.5% prev.) given the acceleration in the digitalisation of the economy.

Key Figures	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	18	19	24	30	37
Ebitda (Eu mn)	3	4	5	7	8
Net profit (Eu mn)	1	2	1	2	3
EPS - New Adj.(Eu)	0.090	0.150	0.122	0.213	0.281
EPS - Old Adj.(Eu)	0.090	0.057	0.117	0.216	0.284
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
Ratios & Multiples	2019A	2020A	2021E	2022E	2023E
P/E Adj.	44.7	26.9	33.0	19.0	14.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda Adj.	14.0	12.6	9.5	6.3	5.0
ROCE	10.5%	10.9%	16.6%	26.2%	31.9%

ELES - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 4.20 to 5.50

Ch. in Adj.EPS est: 2021E 2022E
4.4% -1.4%

STOCK DATA

Reuters code: ELES.MI
Bloomberg code: ELES IM

Performance	1m	3m	12m
Absolute	6.9%	-0.2%	59.1%
Relative	2.6%	-8.2%	17.7%
12 months H/L:	4.23/2.54		

SHAREHOLDER DATA

No. of Ord. shares (mn): 11
Total No. of shares (mn): 11
Mkt Cap Ord (Eu mn): 45
Total Mkt Cap (Eu mn): 45
Mkt Float - ord (Eu mn): 20
Mkt Float (in %): 45.4%
Main shareholder:
A. Zaffarami 37.8%

BALANCE SHEET DATA

2021
Book value (Eu mn): 16
BVPS (Eu): 1.40
P/BV: 2.9
Net Financial Position (Eu mn): 1
Enterprise value (Eu mn): 44

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ELES - KEY FIGURES

		2019A	2020A	2021E	2022E	2023E
	Fiscal year end	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
PROFIT & LOSS (Eu mn)	Sales	18	19	24	30	37
	EBITDA	3	4	5	7	8
	EBIT	1	2	2	4	5
	Financial income (charges)	(0)	(0)	(0)	(0)	(0)
	Associates & Others					
	Pre-tax profit (Loss)	1	1	2	4	5
	Taxes	(0)	0	(1)	(1)	(2)
	Tax rate (%)	17.1%	-16.0%	35.0%	35.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	1	2	1	2	3
	Total extraordinary items	(0)	0	0	0	0
	Ebitda excl. extraordinary items	3	4	5	7	8
PER SHARE DATA (Eu)	Ebit excl. extraordinary items	1	2	2	4	5
	Net profit restated	1	2	1	2	3
	Total shares out (mn) - average fd	11	11	11	11	11
	EPS stated fd	0.075	0.150	0.122	0.213	0.281
	EPS restated fd	0.090	0.150	0.122	0.213	0.281
	BVPS fd	1.121	1.284	1.398	1.611	1.891
	Dividend per share (ord)	0.000	0.000	0.000	0.000	0.000
CASH FLOW (Eu mn)	Dividend per share (sav)					
	Dividend pay out ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
	Gross cash flow	3	3	4	5	6
	Change in NWC	(3)	0	1	(1)	(1)
	Capital expenditure	(2)	(2)	(4)	(3)	(3)
	Other cash items	0	1	0	0	0
	Free cash flow (FCF)	(2)	1	1	2	2
	Acquisitions, divestments & others	0	0	0	0	0
BALANCE SHEET (Eu mn)	Dividend	0	0	0	0	0
	Equity financing/Buy-back	6	0	0	0	0
	Change in Net Financial Position	3	3	1	2	2
	Total fixed assets	9	9	11	11	11
	Net working capital	6	6	5	6	7
	Long term liabilities	1	1	1	1	1
	Net capital employed	15	14	15	15	17
	Net financial position	(2)	1	1	3	5
ENTERPRISE VALUE (Eu mn)	Group equity	13	14	16	18	21
	Minorities	0	0	0	0	0
	Net equity	13	14	16	18	21
	Average mkt cap - current	45	45	45	45	45
RATIOS(%)	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(2)	1	1	3	5
	Enterprise value	47	45	44	42	40
	EBITDA margin*	18.4%	18.5%	19.3%	21.9%	21.9%
GROWTH RATES (%)	EBIT margin*	6.5%	8.2%	9.9%	13.0%	14.0%
	Gearing - Debt/equity	16.7%	-3.7%	-7.0%	-15.1%	-21.8%
	Interest cover on EBIT	8.7	15.0	9.5	15.9	20.9
	Debt/Ebitda	0.66	nm	nm	nm	nm
	ROCE*	10.5%	10.9%	16.6%	26.2%	31.9%
	ROE*	8.8%	12.5%	9.1%	14.2%	16.0%
	EV/CE	3.6	3.1	3.1	2.8	2.5
	EV/Sales	2.6	2.3	1.8	1.4	1.1
	EV/Ebit	34.6	28.6	18.5	10.7	7.9
	Free Cash Flow Yield	-5.5%	3.2%	1.3%	3.7%	4.2%
	Sales	-19.4%	4.8%	25.6%	27.1%	20.3%
GROWTH RATES (%)	EBITDA*	-11.1%	5.1%	31.3%	44.0%	20.3%
	EBIT*	-18.8%	30.6%	52.9%	66.4%	29.6%
	Net profit	10.9%	101.6%	-17.9%	74.3%	31.7%
	EPS restated	33.8%	65.8%	-18.5%	74.3%	31.7%

* Excluding extraordinary items

Source: Intermonte SIM estimates

2020 results

Revenue breakdown by geography and business

Net sales by geography	2018A	1H19A	2H19A	2019A	1H20A	2H20A	2020A	2021E	2H20E	A/E%	2020E	A/E%
APAC	6.6	3.4	1.0	4.5	1.4	2.4	3.9	4.0	1.3	91%	2.7	43%
EMEA	15.2	5.9	6.4	12.3	6.1	7.2	13.3	15.5	7.2	0%	13.3	0%
NA	0.4	0.4	0.3	0.7	0.7	0.2	1.0	3.5	0.8	-70%	1.5	-35%
Net sales	22.2	9.8	7.8	17.5	8.3	9.8	18.1	23.0	9.2	7%	17.5	3%
YoY growth												
APAC	+128.6%	-17.2%	-57.5%	-32.3%	-58.3%	+132.0%	-13.6%	+3.7%	+21.5%		-39.6%	
EMEA	+37.2%	-20.6%	-17.2%	-18.9%	+2.8%	+12.7%	+7.9%	+16.7%	+13.1%		+8.1%	
NA	+82.8%	+254.9%	+13.9%	+79.5%	+84.0%	-32.6%	+30.2%	+260.8%	+121.5%		+101.3%	
Net sales	+56.6%	-16.8%	-25.8%	-21.0%	-15.3%	+26.8%	+3.4%	+27.0%	+19.0%		-0.1%	
Net sales by business												
	2018A	1H19A	2H19A	2019A	1H20A	2H20A	2020A	2021E	2H20E	A/E%	2020E	A/E%
Semiconductors	18.1	9.0	7.1	16.1	7.7	8.3	15.9	26.8	8.3	0%	15.9	0%
ECU (Auto & Others)	4.1	0.8	0.6	1.4	0.6	1.6	2.2	(3.8)	1.0	63%	1.6	39%
Net sales	22.2	9.8	7.8	17.5	8.3	9.8	18.1	23.0	9.2	7%	17.5	3%
YoY growth												
Semiconductors	+39.9%			-11.2%	-14.5%	+16.0%	-1.0%	+67.9%	+16.0%		-1.0%	
ECU (Auto & Others)	+234.3%			-65.1%	-24.0%	+148.0%	+53.1%	-273.4%	+52.4%		+10.2%	
Net sales	+56.6%			-21.0%	-15.3%	+26.8%	+3.4%	+27.0%	+19.0%		-0.1%	

Source: company data (A), Interim SIM estimate (E)

Income Statement and key cash flow metrics

	2018A	1H19A	2H19A	2019A	1H20A	2H20A	2020A	2021E	2H20E	A/E%	2020E	A/E%
Revenue	22.6	10.0	8.3	18.2	8.7	10.4	19.1	24.0	9.2	13%	17.9	7%
YoY growth	+57.0%	-15.4%	-23.8%	-19.4%	-12.8%	+25.9%	+4.8%	+25.6%	+11.6%		-1.7%	
- Material purchase	(9.4)	(4.2)	(2.9)	(7.1)	(3.6)	(4.0)	(7.6)	(9.5)	(3.2)		(6.8)	
Gross profit	13.2	5.8	5.4	11.2	5.1	6.4	11.5	14.5	6.0	7%	11.1	4%
YoY growth	+44.5%	-15.0%	-15.8%	-15.4%	-11.4%	+18.2%	+2.9%	+26.5%	+10.9%		-0.6%	
Gross margin %	58.4%	58.0%	65.3%	61.3%	58.9%	61.2%	60.2%	60.6%	64.8%		61.9%	
- Total operating expenses	(9.4)	(3.9)	(3.9)	(7.8)	(3.7)	(4.2)	(8.0)	(9.9)	(4.3)		(8.0)	
Adj. EBITDA	3.8	1.8	1.5	3.4	1.4	2.1	3.5	4.6	1.6	30%	3.0	16%
YoY growth	+35.2%	+2.8%	-23.8%	-11.1%	-24.3%	+40.9%	+5.1%	+31.3%	+8.7%		-9.4%	
Adj. EBITDA margin %	16.7%	18.5%	18.3%	18.4%	16.1%	20.5%	18.5%	19.3%	17.9%		17.0%	
- D&A and others	(2.3)	(0.9)	(1.1)	(2.0)	(0.8)	(1.2)	(2.0)	(2.3)	(1.1)		(1.9)	
Adj. EBIT	1.5	0.9	0.4	1.4	0.6	0.9	1.6	2.4	0.6	69%	1.2	32%
YoY growth	+142.7%	+54.0%	-49.7%	-7.0%	-32.5%	+113.8%	+14.1%	+52.9%	+26.8%		-13.6%	
Adj. EBIT margin %	6.5%	9.3%	5.3%	7.5%	7.2%	8.9%	8.2%	9.9%	6.0%		6.6%	
- Non-recurring costs	0.0	(0.2)	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0		0.0	
-/+ Net fin. (exp.)/inc.	(0.2)	(0.1)	(0.1)	(0.2)	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)		(0.2)	
- Profit/Losses on exchange rates	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	0.0	(0.0)		0.0	
Profit before tax	1.2	0.7	0.4	1.0	0.7	0.8	1.5	2.1	0.3	143%	1.0	48%
- Tax income	(0.5)	(0.2)	0.1	(0.2)	(0.2)	0.4	0.2	(0.7)	(0.1)		(0.3)	
Tax rate %	38.7%	37.0%	-19.3%	17.1%	33.2%	-56.0%	-16.0%	35.0%	38.5%		35.0%	
Net income	0.8	0.4	0.4	0.8	0.4	1.3	1.7	1.4	0.2	516%	0.6	164%
YoY growth	+305.4%	+48.0%	-10.7%	+10.9%	+5.9%	+193.7%	+101.6%	-17.9%	-52.3%		-23.8%	
Net income margin %	3.3%	4.1%	5.2%	4.6%	5.0%	12.0%	8.8%	5.8%	2.2%		3.6%	
- Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Net income attr. to shareholders	0.8	0.4	0.4	0.8	0.4	1.3	1.7	1.4	0.2	516%	0.6	164%
YoY growth	+305.4%	+48.0%	-10.7%	+10.9%	+5.9%	+193.7%	+101.6%	-17.9%	-52.3%		-23.8%	
Net income margin %	3.3%	4.1%	5.2%	4.6%	5.0%	12.0%	8.8%	5.8%	2.2%		3.6%	
Cash flow from operations	2.3	0.2	(0.3)	(0.1)	0.8	2.8	3.6	4.2	1.9	48%	2.7	34%
Capex	(0.7)	(0.9)	(1.5)	(2.4)	(1.1)	(1.1)	(2.1)	(3.6)	(1.8)		(2.9)	
FCF (ex. acq)	1.6	(0.7)	(1.8)	(2.5)	(0.3)	1.7	1.5	0.6	0.1	1630%	(0.2)	-836%
Net debt/(cash)	4.9	0.6	2.1	2.1	2.4	(0.5)	(0.5)	(1.1)	2.0		2.0	
Net debt/EBITDA	1.3 x	0.2 x	0.6 x	0.6 x	0.8 x	(0.1 x)	(0.1 x)	(0.2 x)	0.7 x		0.7 x	

Source: company data (A), Interim SIM estimate (E)

Change in estimate

Change in estimate

	2021E	New 2022E	2023E	2021E	Old 2022E	2023E	2021E	Diff. % 2022E	2023E
Revenue	24.0	30.5	36.7	23.4	29.9	36.1	2%	2%	2%
YoY growth	25.6%	27.1%	20.3%	30.7%	27.8%	20.7%	-508 bps	-67 bps	-39 bps
Gross profit	14.5	18.8	22.7	14.7	19.2	23.1	-1%	-2%	-2%
YoY growth	26.5%	29.8%	20.3%	32.6%	30.2%	20.7%			
Gross margin %	60.6%	61.8%	61.8%	62.8%	64.1%	64.1%	-226 bps	-221 bps	-221 bps
Adj. EBITDA	4.6	6.7	8.0	4.5	6.6	8.0	2%	1%	1%
YoY growth	31.3%	44.0%	20.3%	49.6%	44.9%	20.7%			
Adj. EBITDA margin %	19.3%	21.9%	21.9%	19.4%	22.0%	22.0%	-11 bps	-14 bps	-14 bps
Adj. EBIT	2.4	4.0	5.1	2.2	3.9	5.1	7%	1%	1%
YoY growth	52.9%	66.4%	29.6%	89.3%	76.0%	29.9%			
Adj. EBIT margin %	9.9%	13.0%	14.0%	9.5%	13.1%	14.1%	39 bps	-14 bps	-14 bps
Adj. EPS	0.12	0.21	0.28	0.12	0.22	0.28	4%	-1%	-1%
YoY growth	-18.5%	74.3%	31.7%	106.3%	84.5%	31.4%			
Net debt/(cash)	(1.1)	(2.8)	(4.7)	0.2	(1.5)	(3.4)	-768%	83%	36%
Net debt/EBITDA	(0.2 x)	(0.4 x)	(0.6 x)	0.0 x	(0.2 x)	(0.4 x)			

Source: Intermonte SIM

Valuation

Valuation summary

	Fair value per share	Probability	Fair value weighted
Base case @ our estimate	4.2	70%	2.9
Bull case @ company's BP targets (1y shift)	8.4	30%	2.5
Target price			5.5
Actual share price			4.0
Upside/(Downside)			35%

Source: Intermonte SIM

Financials

Income statement

	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Revenue	12.5	14.4	22.6	18.2	19.1	24.0	30.5	36.7
YoY growth	+0.0%	+15.3%	+57.0%	-19.4%	+4.8%	+25.6%	+27.1%	+20.3%
- Material purchase	(5.1)	(5.3)	(9.4)	(7.1)	(7.6)	(9.5)	(11.6)	(14.0)
Gross profit	7.4	9.1	13.2	11.2	11.5	14.5	18.8	22.7
YoY growth	+0.0%	+23.2%	+44.5%	-15.4%	+2.9%	+26.5%	+29.8%	+20.3%
Gross margin %	59.4%	63.4%	58.4%	61.3%	60.2%	60.6%	61.8%	61.8%
- Total operating expenses	(4.9)	(6.3)	(9.4)	(7.8)	(8.0)	(9.9)	(12.2)	(14.7)
Adj. EBITDA	2.5	2.8	3.8	3.4	3.5	4.6	6.7	8.0
YoY growth	+0.0%	+12.7%	+35.2%	-11.1%	+5.1%	+31.3%	+44.0%	+20.3%
Adj. EBITDA margin %	19.9%	19.4%	16.7%	18.4%	18.5%	19.3%	21.9%	21.9%
- D&A and others	(2.1)	(2.2)	(2.3)	(2.0)	(2.0)	(2.3)	(2.7)	(2.9)
Adj. EBIT	0.4	0.6	1.5	1.4	1.6	2.4	4.0	5.1
YoY growth	+0.0%	+46.6%	+142.7%	-7.0%	+14.1%	+52.9%	+66.4%	+29.6%
Adj. EBIT margin %	3.3%	4.2%	6.5%	7.5%	8.2%	9.9%	13.0%	14.0%
- Non-recurring costs	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0
-/+ Net fin. (exp.)/inc.	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
- Profit/Losses on exchange rates	0.0	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0
Profit before tax	0.1	0.4	1.2	1.0	1.5	2.1	3.7	4.9
- Tax income	(0.1)	(0.2)	(0.5)	(0.2)	0.2	(0.7)	(1.3)	(1.7)
Tax rate %	83.8%	47.3%	38.7%	17.1%	-16.0%	35.0%	35.0%	35.0%
Net income	0.0	0.2	0.8	0.8	1.7	1.4	2.4	3.2
YoY growth	+0.0%	+675.0%	+305.4%	+10.9%	+101.6%	-17.9%	+74.3%	+31.7%
Net income margin %	0.2%	1.3%	3.3%	4.6%	8.8%	5.8%	7.9%	8.7%
- Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income attr. to shareholders	0.0	0.2	0.8	0.8	1.7	1.4	2.4	3.2

Source: company data (A), Intermonte SIM estimate (E)

Balance sheet

	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Trade net working capital	3.5	4.8	5.2	5.4	5.5	4.9	5.5	6.7
Other current asset/(liab.)	0.0	(0.6)	(0.6)	1.1	0.1	0.1	0.1	0.1
Net working capital	3.5	4.2	4.6	6.5	5.7	5.0	5.7	6.8
Net fixed assets	10.8	9.7	8.4	9.2	9.4	10.8	10.9	11.1
Non-current liabilities	(2.4)	(1.5)	(1.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Non-current asset/(liab.)	8.4	8.2	6.8	8.1	8.3	9.7	9.8	10.0
Net capital employed	11.9	12.4	11.4	14.6	13.9	14.7	15.5	16.7
Net debt/(cash)	6.3	6.6	4.9	2.1	(0.5)	(1.1)	(2.8)	(4.7)
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	5.6	5.8	6.5	12.5	14.4	15.8	18.2	21.4
Invested capital	11.9	12.4	11.4	14.6	13.9	14.7	15.5	16.7

Source: company data (A), Intermonte SIM estimate (E)

Cash flow statement

	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
NFP beginning of the period		(6.3)	(6.6)	(4.9)	(2.1)	0.5	1.1	2.8
Net income		0.2	0.8	0.8	1.7	1.4	2.4	3.2
D&A		2.2	2.2	1.9	1.8	2.2	2.6	2.8
Change in working capital & Others		(1.7)	(0.7)	(2.9)	0.1	0.6	(0.6)	(1.1)
Cash flow from operations		0.6	2.3	(0.1)	3.6	4.2	4.4	4.8
Capex		(0.9)	(0.7)	(2.4)	(2.1)	(3.6)	(2.7)	(2.9)
FCF (ex. acq)		(0.3)	1.6	(2.5)	1.5	0.6	1.7	1.9
Acquisitions		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends, buybacks and equity financing		0.0	0.0	6.0	0.3	0.0	0.0	0.0
Others (incl. IFRS 16)		(0.0)	0.1	(0.7)	0.9	0.0	0.0	0.0
Change in NFP		(0.3)	1.7	2.8	2.6	0.6	1.7	1.9
NFP end of the period		(6.6)	(4.9)	(2.1)	0.5	1.1	2.8	4.7

Source: company data (A), Intermonte SIM estimate (E)

Market Multiples and performance

Market multiples

	EV/EBITDA			EV/EBIT			PE		
	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
ELES @ our TP	16.6 x	12.5 x	8.4 x	37.6 x	24.3 x	14.2 x	36.7 x	45.0 x	25.8 x
ELES @ our est.	12.1 x	9.1 x	6.1 x	27.5 x	17.8 x	10.3 x	26.9 x	33.0 x	19.0 x
ELES @ cons. est.									
TERADYNE	20.2 x	19.2 x	17.4 x	22.9 x	21.1 x	19.1 x	29.0 x	27.8 x	25.2 x
COHU							42.3 x	16.2 x	14.9 x
AEHR TEST SYSTEMS									
ADVANTEST	24.6 x	19.2 x	16.7 x	29.4 x	22.8 x	19.9 x	35.1 x	31.2 x	27.8 x
CHROMA ATE	26.8 x	18.0 x	15.4 x	30.6 x	20.6 x	16.9 x	35.3 x	20.1 x	19.5 x
AVERAGE	23.9 x	18.8 x	16.5 x	27.6 x	21.5 x	18.6 x	35.4 x	23.8 x	21.8 x
Disc. vs our est. AVG	-49%	-51%	-63%	0%	-17%	-45%	-24%	39%	-13%

Source: Intermonte SIM estimate and FactSet

Performance

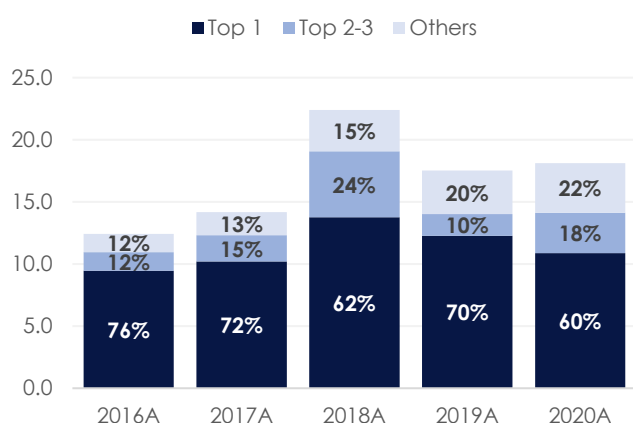
	PX (LcL Cny)	MKT C. (€ mn)	-1m	-3m	-6m	YTD	-1y	-2y	19/06/19
ELES	4.0	43	+6.9%	-0.2%	+53.6%	+19.5%	+59.1%		+6.6%
TERADYNE	133.9	18,749	+28.5%	+1.4%	+62.6%	+11.4%	+114.2%	+205.6%	+197.2%
COHU	50.3	2,034	+31.6%	+19.8%	+167.1%	+31.6%	+249.8%	+233.0%	+222.1%
AEHR TEST SYSTEMS	2.7	52	+13.7%	+26.1%	+88.7%	+13.7%	+86.0%	+51.1%	+65.2%
ADVANTEST	10,610.0	16,287	+28.9%	+26.6%	+94.4%	+38.1%	+131.2%	+268.1%	+311.5%
CHROMA ATE	197.0	2,455	+1.3%	+14.5%	+26.3%	+15.9%	+58.5%	+40.4%	+46.9%
MARKET FTSE MIB			+3.8%	+7.8%	+25.5%	+10.5%	+41.4%	+12.9%	+15.8%
PEERS			+20.8%	+17.7%	+87.8%	+22.1%	+127.9%	+159.7%	+168.6%
ELES vs MARKET FTSE MIB			+3.1%	-8.1%	+28.1%	+9.0%	+17.7%		-9.2%
ELES vs PEERS			-13.9%	-17.9%	-34.2%	-2.6%	-68.9%		-162.0%

Source: FactSet

Company profile

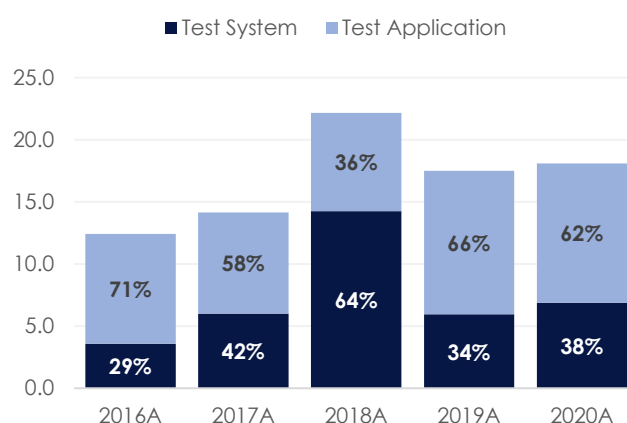
Founded in 1988 in Todi near Perugia (Italy) by the current company President Antonio Zaffarami, ELES Semiconductor (Ticker: ELES) operates in the business of testing systems for Integrated Circuits (ICs or simply "chips"), offering testing solutions for microelectronics components. The solutions provided to its clients consist of a modular testing machine that the company designs and assembles (Test System, 38% of turnover in 2020) and more stable and visible support activities, namely providing consumables for the testing phase, co-engineering services, the sharing of software libraries and technical assistance (Test Application, 62% of turnover in 2020). Its customers are mainly semiconductor companies that carry out their own development activities and most of the manufacturing process (so called IDMs or Integrated Device Manufacturers), and also Fabless and Test & Assembly companies, the combination of which represents 88% of ELES's 2020 revenue base. In 2015 the company identified a growth opportunity in marketing its solutions to Electronic Control Unit (ECU) Suppliers, and this type of customer accounts for around 12% of turnover. However, we highlight the high customer concentration, as 60% of turnover is generated by the main client, while the top 3 represent 78%.

Net sales Customer concentration (€ mn, 2016A-20A)



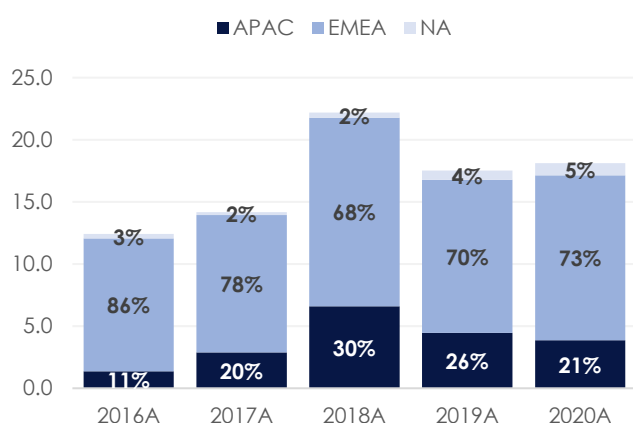
Source: company data

Net sales breakdown by product/service line (€ mn, 2016A-20A)



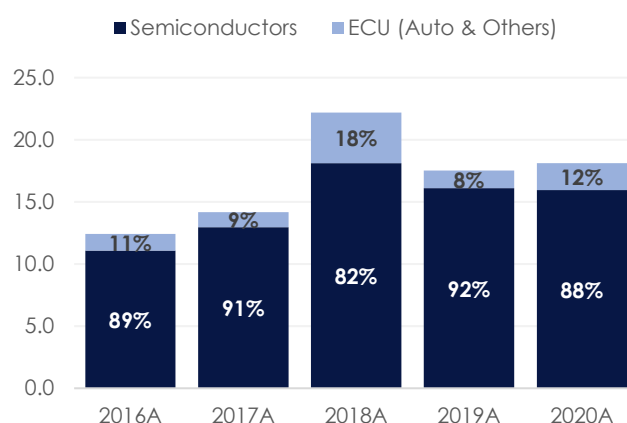
Source: company data

Net sales breakdown by geographical area (€ mn, 2016A-20A)



Source: company data

Net sales breakdown by business (€ mn, 2016A-20A)



Source: company data

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	ELES		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	5.50	Previous Target (Eu):	4.20
Current Price (Eu):	4.04	Previous Price (Eu):	2.62
Date of report:	09/04/2021	Date of last report:	21/10/2020

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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.

Frequency of research: quarterly.

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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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As at 31 March 2021 IntermonTE's Research Department covered 124 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	16,26 %
OUTPERFORM:	51,22 %
NEUTRAL:	28,45 %
UNDERPERFORM	04,07 %
SELL:	00,00 %

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OUTPERFORM:	57,69 %
NEUTRAL:	17,31 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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