

ELES

Sector: *Industrials*

OUTPERFORM

Price: Eu3.72 - Target: Eu5.30

1H21 results marginally ahead of forecast; 2021 guidance confirmed

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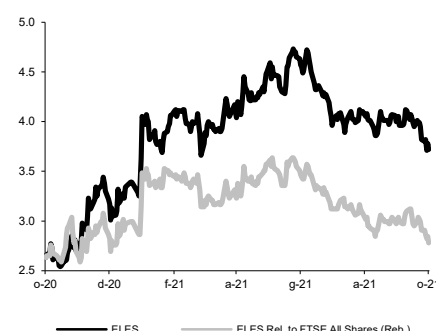
Stock Rating

Rating: Unchanged

Target Price (Eu): from 5.50 to 5.30

	2021E	2022E	2023E
Chg in Adj EPS	-24.4%	-21.5%	-21.1%

ELES - 12M Performance



Stock Data

Reuters code: ELES.MI

Bloomberg code: ELES IM

Performance	1M	3M	12M
Absolute	-7.7%	-6.1%	41.4%
Relative	-7.9%	-11.5%	8.2%
12M (H/L)			4.73/2.54
3M Average Volume (th):			29.55

Shareholder Data

No. of Ord shares (mn):	14
Total no. of shares (mn):	14
Mkt Cap Ord (Eu mn):	51
Total Mkt Cap (Eu mn):	51
Mkt Float - Ord (Eu mn):	23
Mkt Float (in %):	45.4%
Main Shareholder:	
A. Zaffarami	37.8%

Balance Sheet Data

Book Value (Eu mn):	21
BVPS (Eu):	1.53
P/BV:	2.4
Net Financial Position (Eu mn):	4
Enterprise Value (Eu mn):	47

■ **1H21 marginally ahead of forecast.** While sales were already communicated on July 26, ELES reported final 1H21 results marginally ahead of forecast thanks to a positive sales mix and despite the strengthening of the organisational structure. Revenue increased to €10.1mn, up +16% YoY and outperforming the addressable market, which grew 12% thanks to solid demand as clients invest to increase production in order to cope with strong global chip demand. Growth was evenly driven by the contribution of new clients (5, in the US, Israel and China) and existing clients. Services grew strongly, up +33% YoY (72% of sales vs 68% in 1H20), helping EBITDA margin to improve more than expected (18.3% vs 16.1% in 1H20). EBITDA was €1.8mn, slightly ahead of our €1.7mn estimate. Slightly lower D&A, fin. charges and tax income drove net income to €0.8mn vs our €0.4mn estimate. Net cash was €4.9mn vs our €-0.2mn estimate thanks to the €4.7mn cash-in following warrant conversion.

■ **Strong end market environment bodes well for semi equipment demand.** Global semiconductor sales growth forecasts were revised further upward in August to +25%/+10% YoY for 2021/22 vs +20%/+9% previously. The stronger-than-expected surge in demand for chips driven by the acceleration in megatrends such as digitalisation and electrification coupled to limited capacity additions by semi producers during the height of the Covid-19 crisis are causing the global chip shortage. The situation is seen persisting at least into 2022. Tensions in the supply chain and at geopolitical level are boosting the rationale for reshoring production, mainly in the EU and the US. With governments supporting digitalisation and the green transition via ambitious plans such as the NRRP (€0.75bn for semi equipment purchases), we believe this strong end-market environment bodes well for semi equipment demand.

■ **Positive commercial developments.** Since our latest update, ELES has achieved some relevant commercial developments: i) orders received for the new ART MTX test platform from both a consolidated client and another major semi producer; ii) an order received from a new US customer for an Aero & Defence application.

■ **2021 guidance confirmed.** The context described above, the 1H21 results in line with budget, and visibility on the evolution of the business led ELES to confirm the 2021 guidance for net sales of ~€23.1mn (+28% YoY), EBITDA of ~€4.5mn (19.5% margin) and EBIT of ~€2.2mn (9.5% margin). While our confirmed estimates are substantially aligned to guidance, we highlight that 2H21 implies an acceleration of turnover growth (to +34% vs +16% in 1H), while profitability assumptions are easier to achieve with the EBITDA margin at 20% vs 20.5% last year. The chip shortage is not an issue at the moment, although the situation is increasingly tense. While we trim our estimates due to lower other income, we have lowered our adj. EPS estimate by -17% as we factor in the higher number of shares following the conversion of warrants, already included in our TP, although this does benefit the NFP.

■ **OUTPERFORM confirmed, TP at €5.3.** ELES reported positive 1H21 results while confirming 2021 guidance that envisages strong growth buoyed by a dynamic end-market environment boding well for semi equipment demand. Moreover, as the use of semiconductors spreads to an ever-wider array of critical applications, we expect the testing phase, which is ELES' prime domain, to gain further importance. Hence, we confirm our OUTPERFORM rating on the stock, while we adjust our TP to €5.3 from €5.5 due to slightly lower estimate (dilution from warrant conversion already included).

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	18	19	24	30	37
EBITDA Adj (Eu mn)	3	4	4	6	8
Net Profit Adj (Eu mn)	1	2	1	2	3
EPS New Adj (Eu)	0.090	0.150	0.092	0.167	0.221
EPS Old Adj (Eu)	0.090	0.150	0.122	0.213	0.281
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	16.9	10.0	10.6	6.9	5.5
EV/EBIT Adj	nm	22.8	21.4	11.8	8.8
P/E Adj	41.1	24.8	40.3	22.2	16.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.6	-0.1	-0.9	-1.0	-1.0

ELES – Key Figures						
Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	23	18	19	24	30	37
EBITDA	4	3	4	4	6	8
EBIT	1	1	2	2	4	5
Financial Income (charges)	-0	-0	-0	-0	-0	-0
Associates & Others						
Pre-tax Profit	1	1	1	2	4	5
Taxes	-0	-0	0	-1	-1	-2
Tax rate	38.7%	17.1%	-16.0%	35.0%	35.0%	35.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	1	1	2	1	2	3
EBITDA Adj	4	3	4	4	6	8
EBIT Adj	1	1	2	2	4	5
Net Profit Adj	1	1	2	1	2	3
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	11	11	11	14	14	14
Total Shares Outstanding (mn) - Year End	11	11	11	14	14	14
EPS f.d	0.068	0.075	0.150	0.092	0.167	0.221
EPS Adj f.d	0.068	0.090	0.150	0.092	0.167	0.221
BVPS f.d	0.586	1.121	1.284	1.526	1.693	1.914
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV						
Dividend Payout Ratio (%)						
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	3	3	3	3	5	6
Change in NWC	-0	-3	0	-2	0	-1
Capital Expenditure	-1	-2	-2	-3	-3	-3
Other Cash Items	0	0	1	0	0	0
Free Cash Flow (FCF)	2	-2	1	-2	3	1
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	6	0	5	0	0
Change in Net Financial Position	2	3	3	3	3	1
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	8	9	9	11	11	11
Net Working Capital	5	6	6	7	7	8
Long term Liabilities	2	1	1	1	1	1
Net Capital Employed	11	15	14	17	17	18
Net Cash (Debt)	-5	-2	1	4	6	8
Group Equity	7	13	14	21	23	26
Minorities	0	0	0	0	0	0
Net Equity	7	13	14	21	23	26
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap		55	36	51	51	51
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-5	-2	1	4	6	8
Enterprise Value		57	35	47	44	43
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	16.7%	18.4%	18.5%	18.6%	21.3%	21.3%
EBIT Adj Margin	6.5%	7.5%	8.2%	9.2%	12.4%	13.4%
Gearing - Debt/Equity	74.5%	16.7%	-3.7%	-19.0%	-28.2%	-30.6%
Interest Cover on EBIT	6.7	8.7	15.0	8.8	15.4	20.5
Net Debt/EBITDA Adj	1.3	0.6	-0.1	-0.9	-1.0	-1.0
ROACE*	12.3%	10.5%	10.9%	14.2%	22.4%	28.2%
ROE*	12.3%	10.6%	12.5%	7.2%	10.4%	12.3%
EV/CE		4.4	2.5	3.0	2.6	2.5
EV/Sales		3.1	1.9	2.0	1.5	1.2
EV/EBITDA Adj		16.9	10.0	10.6	6.9	5.5
EV/EBIT Adj		nm	22.8	21.4	11.8	8.8
Free Cash Flow Yield	3.1%	-4.9%	2.9%	-3.3%	5.0%	2.9%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	57.0%	-19.4%	4.8%	24.2%	27.8%	20.5%
EBITDA Adj	35.2%	-11.1%	5.1%	25.2%	46.0%	20.5%
EBIT Adj	142.7%	-7.0%	14.1%	40.6%	71.4%	30.2%
Net Profit Adj	305.4%	10.9%	101.6%	-25.2%	81.0%	32.4%
EPS Adj	305.4%	33.8%	65.8%	-38.4%	81.0%	32.4%
DPS						

*Excluding extraordinary items Source: Intermonte SIM estimates

1H21 results

Net sales by geography

	1H20A	2H20A	2020A	1H21A	2H21E	2021E	1H21E	A/E%
APAC	1.4	2.4	3.9	2.2	1.8	4.0	2.1	4%
EMEA	6.1	7.2	13.3	6.5	9.0	15.5	6.6	-2%
NA	0.7	0.2	1.0	1.0	2.5	3.5	1.0	-2%
Net sales	8.3	9.8	18.1	9.7	13.3	23.0	9.7	0%
Others	0.4	0.6	1.0	0.4	0.3	0.7	0.4	-5%
Revenue	8.7	10.4	19.1	10.1	13.6	23.7	10.1	-1%
APAC	-58.3%	+132.0%	-13.6%	+53.5%	-25.5%	+3.7%	+47.4%	
EMEA	+2.8%	+12.7%	+7.9%	+6.2%	+25.7%	+16.7%	+8.0%	
NA	+84.0%	-32.6%	+30.2%	+32.4%	+987.5%	+260.8%	+35.5%	
YoY growth	-15.3%	+26.8%	+3.4%	+16.7%	+35.7%	+27.0%	+17.2%	
Others	+111.2%	+11.8%	+39.9%	-4.6%	-45.8%	-28.2%	+0.0%	
Revenue	-12.8%	+25.9%	+4.8%	+15.7%	+31.3%	+24.2%	+16.4%	

Source: Company data & Intermonte SIM Estimates

Income statement and key cash flow metrics

	1H20A	2H20A	2020A	1H21A	2H21E	2021E
Revenue	8.7	10.4	19.1	10.1	13.6	23.7
YoY growth	-12.8%	+25.9%	+4.8%	+15.7%	+31.3%	+24.2%
- Material purchase	(3.6)	(4.0)	(7.6)	(4.0)	(5.5)	(9.4)
Gross profit	5.1	6.4	11.5	6.1	8.2	14.3
YoY growth	-11.4%	+18.2%	+2.9%	+18.5%	+28.7%	+24.1%
Gross margin %	58.9%	61.2%	60.2%	60.3%	60.0%	60.1%
- Total operating expenses	(3.7)	(4.2)	(8.0)	(4.2)	(5.6)	(9.8)
Adj. EBITDA	1.4	2.1	3.5	1.8	2.6	4.4
YoY growth	-24.3%	+40.9%	+5.1%	+31.7%	+20.9%	+25.2%
Adj. EBITDA margin %	16.1%	20.5%	18.5%	18.3%	18.9%	18.6%
- D&A and others	(0.8)	(1.2)	(2.0)	(0.8)	(1.4)	(2.2)
Adj. EBIT	0.6	0.9	1.6	1.0	1.2	2.2
YoY growth	-32.5%	+113.8%	+14.1%	+59.6%	+27.8%	+40.6%
Adj. EBIT margin %	7.2%	8.9%	8.2%	10.0%	8.7%	9.2%
- Non-recurring costs	0.0	0.0	0.0	0.0	0.0	0.0
-/+ Net fin. (exp.)/inc.	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
- Profit/Losses on exchange rates	0.0	(0.0)	0.0	0.0	(0.0)	0.0
Profit before tax	0.7	0.8	1.5	1.0	0.9	1.9
- Tax income	(0.2)	0.4	0.2	(0.2)	(0.4)	(0.7)
Tax rate %	33.2%	-56.0%	-16.0%	24.2%	46.3%	35.0%
Net income	0.4	1.3	1.7	0.8	0.5	1.3
YoY growth	+5.9%	+193.7%	+101.6%	+73.0%	-59.3%	-25.2%
Net income margin %	5.0%	12.0%	8.8%	7.5%	3.7%	5.3%
- Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net income attr. to shareholders	0.4	1.3	1.7	0.8	0.5	1.3
Cash flow from operations	0.8	2.8	3.6	(0.8)	2.5	1.8
Capex	(1.1)	(1.1)	(2.1)	(1.1)	(2.3)	(3.4)
FCF (ex. acq)	(0.3)	1.7	1.5	(1.9)	0.2	(1.7)
Net debt/(cash)	2.4	(0.5)	(0.5)	(4.9)	(4.0)	(4.0)
Net debt/EBITDA	0.8 x	(0.1 x)	(0.1 x)	(1.2 x)	(0.9 x)	(0.9 x)

Source: Company data & Intermonte SIM Estimates

The National Recovery and Resilience Plan Opportunity

What is the NRRP?

The **National Recovery and Resilience Plan (NRRP or PNRR in Italian)** is part of the Next Generation EU (NGEU) program, the **€750bn package** agreed by the European Union in response to the pandemic crisis. The **National Plan for Recovery and Resiliency**, dubbed Italia Domani, foresees investments and a coherent package of reforms totalling **€222bn**, of which €191bn (€69bn in grants and €123bn in loans) financed through the RRF, and €31bn through the **National Complementary Facility**. To benefit from the RRF, investments and reforms should be implemented during the 2021-2026 period. The Plan rests on three strategic axes shared at European level: **digitalisation and innovation, ecological transition, social inclusion**. The intervention intends to repair the economic and social damage of the pandemic crisis, help resolve the structural weaknesses of the Italian economy, and accompany the country on a path of ecological and environmental transition. At least 27% of the NRRP resources will be dedicated to digitalisation initiatives.

How is the plan structured?

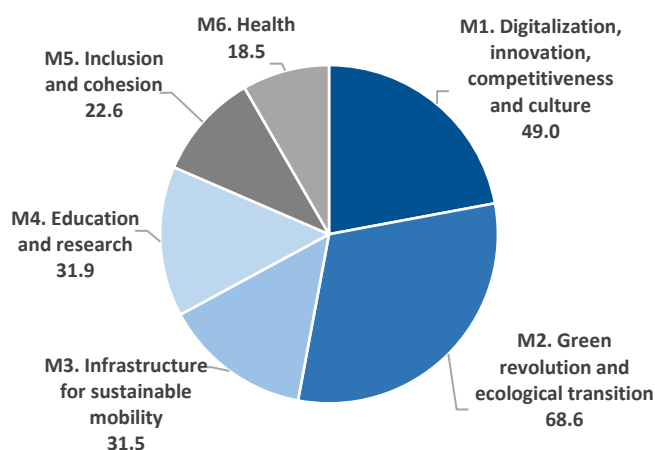
The Plan has six missions:

1. **'Digitalisation, Innovation, Competitiveness, Culture'** allocates a total of €49.2bn with the aim of promoting the country's digital transformation, supporting innovation in the production system, and investing in two key sectors for Italy, namely tourism and culture;
2. **'Green Revolution and Ecological Transition'** allocates a total of €68.6bn with the main goals of improving the sustainability and resilience of the economic system and ensuring a fair and inclusive environmental transition;
3. **'Infrastructure for Sustainable Mobility'** allocates a total amount of €31.4bn. Its primary objective is the development of a modern, sustainable transport infrastructure that reaches all areas of the country;
4. **'Education and Research'** allocates a total of €31.9bn with the aim of strengthening the education system, digital and technical-scientific skills, research and technology transfer;
5. **'Inclusion and Cohesion'** provides for a total allocation of €22.4bn to facilitate labour market participation (including through training), strengthen active labour market policies, and foster social inclusion;
6. **'Health'** allocates a total of €18.5bn with the aim of strengthening local prevention and health services, modernising and digitalising the health system, and ensuring equal access to care.

What is the opportunity for ELES?

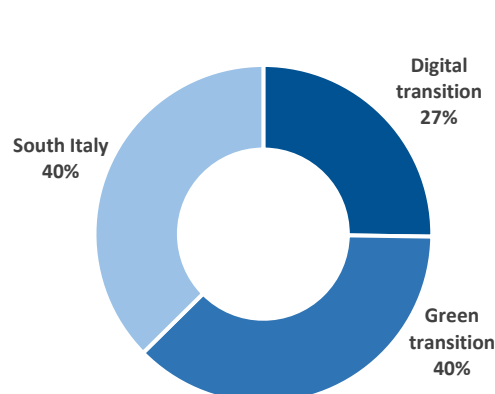
€750mn to support advanced semiconductor production. The NRRP aims to promote the development and adoption of advanced technologies by the Italian production system, including: Transition Plan 4.0, worth approximately €14bn, of which at least 10% is intended to incentivise the purchase of innovative intangible assets such as cloud computing and big data analytics services; the allocation of €750mn in grants to support high-tech industrial projects, including the production of semiconductors. Besides this more direct opportunity for ELES, we believe demand for chips will be indirectly supported by other investments in the area of digitalisation and electrification (i.e. green transition).

NRRP at a glance – breakdown of the six missions



Source: Intermonte SIM, NRRP documents

NRRP at a glance – allocation of resources by strategic axes*



Source: Intermonte SIM, NRRP documents

* Sum does not add up to 100% due to projects common to 2 or more strategic axes

Market multiples and performance

Market multiples

	EV/EBITDA			EV/EBIT			PE		
	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
ELES @ our TP	20.3 x	15.4 x	10.2 x	46.0 x	31.2 x	17.5 x	35.3 x	57.3 x	31.7 x
ELES @ our est.	14.0 x	10.4 x	6.7 x	31.7 x	21.0 x	11.6 x	24.4 x	39.6 x	21.9 x
TERADYNE	16.4 x	13.2 x	12.8 x	18.4 x	14.6 x	13.8 x	23.7 x	19.5 x	18.0 x
COHU		6.9 x	5.4 x		7.5 x	6.2 x	26.2 x	10.2 x	10.3 x
AEHR TEST SYSTEMS								274.4 x	114.3 x
ADVANTEST	20.1 x	13.5 x	12.2 x	23.5 x	15.3 x	13.8 x	25.5 x	21.5 x	19.6 x
CHROMA ATE	26.0 x	19.5 x	14.4 x	29.8 x	21.8 x	15.7 x	34.3 x	17.7 x	18.4 x
AVERAGE (EX-AEHR)	20.8 x	13.3 x	11.2 x	23.9 x	14.8 x	12.4 x	27.4 x	17.2 x	16.6 x
Disc. vs our est. AVG	-33%	-22%	-40%	33%	42%	-7%	-11%	130%	32%

Source: FactSet

Performance (total return)

	PX (Lcl Cny)	MKT C. (€ mn)	-1m	-3m	-6m	YTD	-1y	-2y	19/06/19
ELES	3.7	49	-7.7%	-6.1%	-7.9%	+10.1%	+41.4%	-18.3%	-1.8%
TERADYNE	109.6	15,616	-7.8%	-10.7%	-18.1%	-8.7%	+33.3%	+90.4%	+143.5%
COHU	30.6	1,286	-10.0%	-12.5%	-39.1%	-19.9%	+62.6%	+122.7%	+96.1%
AEHR TEST SYSTEMS	19.4	411	+117.9%	+720.3%	+630.8%	+730.8%	+1278.7%	+1017.2%	+1107.0%
ADVANTEST	9,090.0	13,988	-13.8%	-3.0%	-13.9%	+19.2%	+67.8%	+85.1%	+255.1%
CHROMA ATE	186.0	2,417	+5.7%	-4.1%	-3.4%	+12.0%	+22.0%	+27.4%	+42.0%
MARKET FTSE MIB			+0.7%	+5.7%	+6.0%	+17.2%	+33.0%	+21.7%	+22.8%
PEERS			+18.4%	+138.0%	+111.3%	+146.7%	+292.9%	+268.6%	+328.7%
ELES vs MARKET FTSE MIB			-8.4%	-11.8%	-13.9%	-7.1%	+8.4%	-40.0%	-24.6%
ELES vs PEERS			-26.1%	-144.0%	-119.2%	-136.6%	-251.4%	-286.9%	-330.6%

Source: FactSet

Changes to estimates

Changes to estimates

	New			Old			Diff. %		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Revenue	23.7	30.3	36.5	24.0	30.5	36.7	-1%	-1%	0%
YoY growth	24.2%	27.8%	20.5%	25.6%	27.1%	20.3%	-144 bps	74 bps	12 bps
Adj. EBITDA	4.4	6.4	7.8	4.6	6.7	8.0	-5%	-3%	-3%
YoY growth	25.2%	46.0%	20.5%	31.3%	44.0%	20.3%			
Adj. EBITDA margin %	18.6%	21.3%	21.3%	19.3%	21.9%	21.9%	-69 bps	-61 bps	-61 bps
Adj. EBIT	2.2	3.8	4.9	2.4	4.0	5.1	-8%	-5%	-5%
YoY growth	40.6%	71.4%	30.2%	52.9%	66.4%	29.6%			
Adj. EBIT margin %	9.2%	12.4%	13.4%	9.9%	13.0%	14.0%	-69 bps	-61 bps	-61 bps
NOSH	13.6	13.6	13.6	11.3	11.3	11.3	20%	20%	20%
Adj. EPS	0.09	0.17	0.22	0.12	0.21	0.28	-24%	-22%	-21%
YoY growth	-38.4%	81.0%	32.4%	-18.5%	74.3%	31.7%			
Net debt/(cash)	(4.0)	(6.5)	(8.0)	(1.1)	(2.8)	(4.7)	259%	136%	71%
Net debt/EBITDA	(0.9 x)	(1.0 x)	(1.0 x)	(0.2 x)	(0.4 x)	(0.6 x)			

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	23.7	30.3	36.5
YoY growth	+0.0%	+15.3%	+57.0%	-19.4%	+4.8%	+24.2%	+27.8%	+20.5%
- Material purchase	(5.1)	(5.3)	(9.4)	(7.1)	(7.6)	(9.4)	(11.7)	(14.1)
Gross profit	7.4	9.1	13.2	11.2	11.5	14.3	18.6	22.4
YoY growth	+0.0%	+23.2%	+44.5%	-15.4%	+2.9%	+24.1%	+30.6%	+20.5%
Gross margin %	59.4%	63.4%	58.4%	61.3%	60.2%	60.1%	61.4%	61.4%
- Total operating expenses	(4.9)	(6.3)	(9.4)	(7.8)	(8.0)	(9.8)	(12.2)	(14.7)
Adj. EBITDA	2.5	2.8	3.8	3.4	3.5	4.4	6.4	7.8
YoY growth	+0.0%	+12.7%	+35.2%	-11.1%	+5.1%	+25.2%	+46.0%	+20.5%
Adj. EBITDA margin %	19.9%	19.4%	16.7%	18.4%	18.5%	18.6%	21.3%	21.3%
- D&A and others	(2.1)	(2.2)	(2.3)	(2.0)	(2.0)	(2.2)	(2.7)	(2.9)
Adj. EBIT	0.4	0.6	1.5	1.4	1.6	2.2	3.8	4.9
YoY growth	+0.0%	+46.6%	+142.7%	-7.0%	+14.1%	+40.6%	+71.4%	+30.2%
Adj. EBIT margin %	3.3%	4.2%	6.5%	7.5%	8.2%	9.2%	12.4%	13.4%
- 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	1.9	3.5	4.6
- Tax income	(0.1)	(0.2)	(0.5)	(0.2)	0.2	(0.7)	(1.2)	(1.6)
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	1.3	2.3	3.0
YoY growth	+0.0%	+675.0%	+305.4%	+10.9%	+101.6%	-25.2%	+81.0%	+32.4%
Net income margin %	0.2%	1.3%	3.3%	4.6%	8.8%	5.3%	7.5%	8.3%
- 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	1.3	2.3	3.0

Source: Company data & Intermonte SIM Estimates

Balance sheet

	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Trade net working capital	3.5	4.8	5.2	5.4	5.5	7.2	6.8	8.2
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	7.3	6.9	8.3
Net fixed assets	10.8	9.7	8.4	9.2	9.4	10.7	10.8	10.9
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	9.6	9.7	9.8
Net capital employed	11.9	12.4	11.4	14.6	13.9	16.8	16.6	18.1
Net debt/(cash)	6.3	6.6	4.9	2.1	(0.5)	(4.0)	(6.5)	(8.0)
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	20.8	23.1	26.1
Invested capital	11.9	12.4	11.4	14.6	13.9	16.8	16.6	18.1

Source: Company data & Intermonte SIM Estimates

Cash flow statement

	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net Income		0.2	0.8	0.8	1.7	1.3	2.3	3.0
D&A		2.2	2.2	1.9	1.8	2.1	2.6	2.7
Change in working capital & Others		(1.7)	(0.7)	(2.9)	0.1	(1.6)	0.4	(1.4)
Cash flow from operations		0.6	2.3	(0.1)	3.6	1.8	5.2	4.4
Capex		(0.9)	(0.7)	(2.4)	(2.1)	(3.4)	(2.7)	(2.9)
FCF (ex. acq)		(0.3)	1.6	(2.5)	1.5	(1.7)	2.5	1.5
Acquisitions		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Div., buyb. and equity fin.		0.0	0.0	6.0	0.3	5.1	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	3.4	2.5	1.5
NFP end of the period		(6.6)	(4.9)	(2.1)	0.5	4.0	6.5	8.0

Source: Company data & Intermonte SIM Estimates

ELES in brief

Company description

ELES operates in the business of testing systems for integrated circuits, offering testing solutions for microelectronics components. The company offers a solution consisting of an internally developed and assembled modular testing machine and more stable and visible support activities (62%/38% of turnover respectively). The business has an international footprint: 73% is in EMEA, 21% in APAC and 5% in USA. Clients belong to the semiconductor value chain (88% of turnover), while 12% of turnover comes from ECU suppliers. Customer concentration is high, although it has decreased in 2020 thanks to the addition of new customers, as the top 3 clients represent ~78% of turnover.

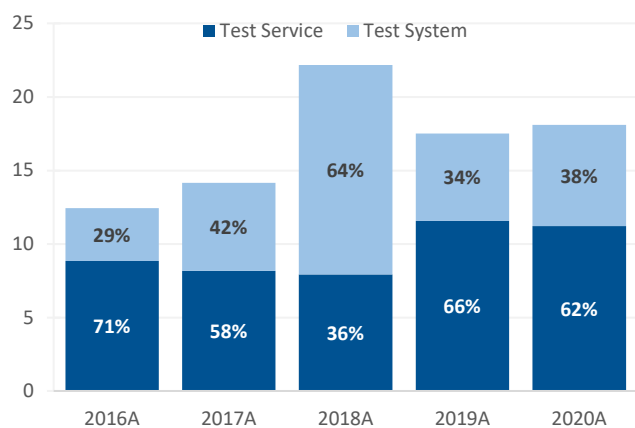
Management

CEO: F. Zaffarami
Chairman: A. Zaffarami
CFO: R. Scappito
Next BoD renewal: Spring, 2022
BoD independent members: 3/5

Shareholders

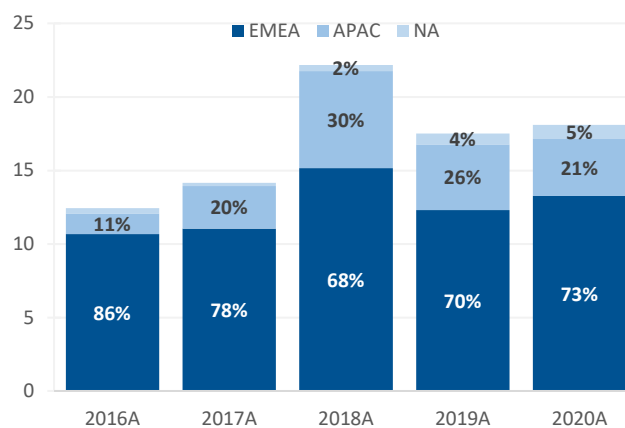
A. Zaffarami	31.0%
C. Franceschin	8.0%
F. Zaffarami	5.0%
Market	56.0%

Revenue, EBITDA and EBITDA margin % by division (2020A)



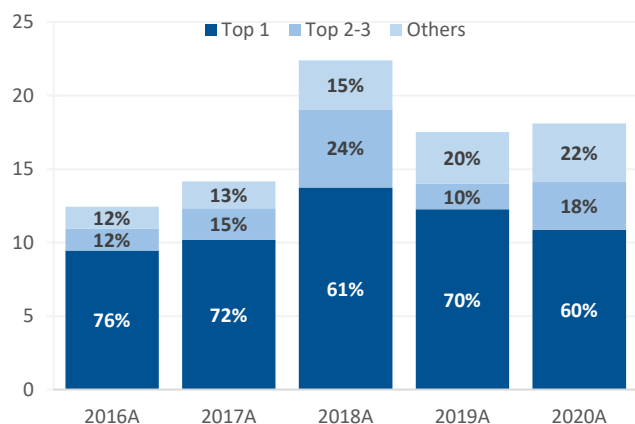
Source: company data (A)

Revenue breakdown by type of client (2020A)



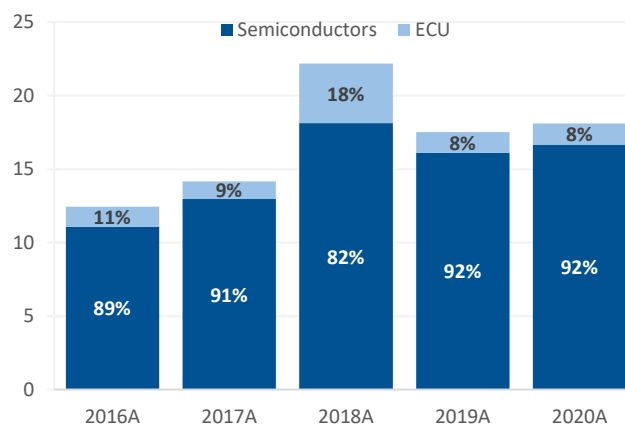
Source: company data (A)

Revenue, EBITDA and EBITDA margin % by division (2020A)



Source: company data (A)

Revenue breakdown by type of client (2020A)



Source: company data (A)

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	ELES		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	5.30	Previous Target (Eu):	5.50
Current Price (Eu):	3.72	Previous Price (Eu):	4.04
Date of report:	11/10/2021	Date of last report:	09/04/2021

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- 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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BUY:	17,36 %
OUTPERFORM:	52,89 %
NEUTRAL:	25,62 %
UNDERPERFORM:	04,13 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (55 in total) is as follows:

BUY:	30,91 %
OUTPERFORM:	49,09 %
NEUTRAL:	20,00 %
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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