



SPAFID CONNECT

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Oggetto : El.En. strengthens its presence in China in
the laser cutting systems business

Testo del comunicato

Vedi allegato.

El.En. strengthens its presence in China in the laser cutting systems business

***Acquisition of minority shares of Penta-Chutian Laser (Wuhan) Co., Ltd (45%) and Penta-Laser Equipment Wenzhou Co.(29,7%)
Transaction in cash, fully funded with internal resources***

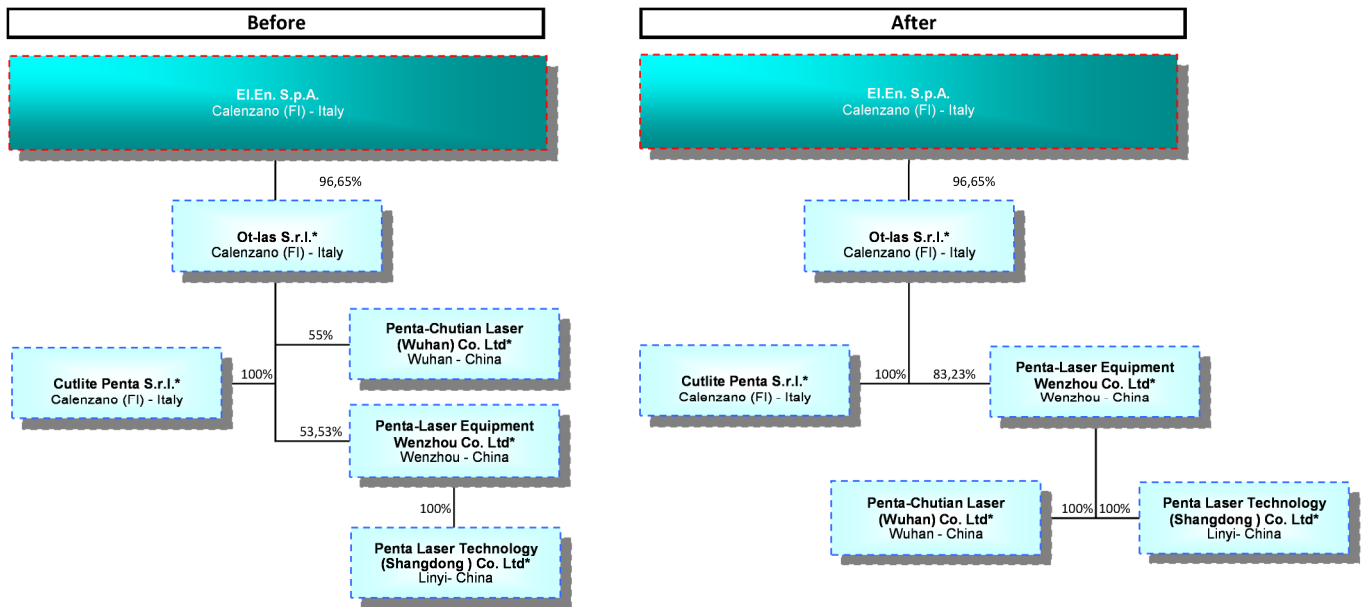
Florence, November 27th, 2019 – El.En. S.p.A., leader on the laser market and listed on the STAR Segment of the Italian Stock Exchange, hereby gives notice that with a transaction, fully funded with internal resources, it has strengthened its presence and commitment in the sheet metal laser cutting systems business in China.

The agreements for the acquisition of the minority stake in the Chinese companies Penta-Laser Equipment Wenzhou Co., Ltd and Penta-Chutian Laser (Wuhan) Co., Ltd were signed today in Wuhan (PRC). 100% of Wuhan Penta Chutian, of which Ot-Las S.r.l. owns 55% of the shares, will be acquired by Penta Laser Equipment Wenzhou. In addition, the main minority partner of Penta Wenzhou, in which Ot-Las S.r.l. was holding a controlling stake of 53.53% before today's transaction, sells its 29.7% stake to Ot-Las for a cash consideration of 155 million Renminbi (about 20 million euros) to be paid upon closing and an earn out of 40 million Renminbi (about 5 million euros at current exchange rates) to be paid in the event of particular circumstances, in particular a possible IPO of Penta Wenzhou within 5 years from today. The group will fund the transaction with its available cash without the need to make any debts.

Legal assistance to the operation was provided by the HFG lawfirm in Shanghai.

As a result of the operations described above, Ot-Las S.r.l. will hold 83.23% of Penta Laser Wenzhou, which becomes an operating holding for the Chinese activities in the laser cutting business. In fact, the company will own 100% of both Wuhan Penta Chutian and Penta Laser Technology (Shangdong) Co., Ltd .. The minority shares of Penta Laser Wenzhou are held by the company's Italian and Chinese management.

The following organization chart shows the effects of the acquisition.



The consolidated financial results of the Chinese companies involved in the transaction registered in 2018 revenues for RMB 712,4 million (Euro 91,2 million) with an EBITDA of RMB 71,0 million (Euro 9,1 million) and a Net profit of Renminbi 52,2 million (6,7 million euros).

As of today the companies have about 600 employees in the three production sites of Wuhan, Wenzhou and Lin Yi located throughout China for sales and after-sales technical assistance. At the completion of the massive investments borne for setting up a large production capacity, the group's plants consist of a 10.000 square meter plant in Wuhan, two factories of 10.000 square meters each in Wenzhou, with another 30.000 square meters of area to be dedicated to offices, R&D and commercial activities still being completed and finally another 10.000 square meter plant just completed in Lin Yi in the Shandong industrial region, to be officially inaugurated on December 18th.

Taking advantage of the rapid changes in high power laser sources technologies and capitalizing on its nature as Chinese manufacturer integrating key technological elements of European origin provided by the Italian parent company, Chinese activities have recorded extraordinary growth rates in recent years +31,5% in 2016, +73,2% in 2017 and +8,1% in 2018.

In terms of valuation ratios, with reference to the consolidated Revenues, EBITDA, EBIT and net profit of the Chinese assets to be acquired, for the years 2017, 2018 and for the first 9 months of 2019, and to their net financial position as of September 30th, 2019, further reduced by 41 Million of Renminbi equal to the disbursement envisaged for the purchase of Penta Laser Wuhan, the implicit multiples are the following:

Equity value	521.886	Rmb '000
Enterprise value (ref NFP as of 30/9/2019)	467.875	Rmb '000
Enterprise value (after Wuhan acquisition)	508.875	Rmb '000

	2018	2017	9/2019
EV/ Sales	0,71	0,79	0,72
EV / EBITDA	7,16	6,93	11,88
EV / EBIT	8,53	8,32	18,01
P/E	9,99	10,89	19,25

- 09/19 Income statement figures are straight line annualized

In the second half of 2019 sales slowed down due to uncertainties about the prospects for the Chinese economy, due in first place to the so-called tariffs war and to the slowdown fear of certain sectors of the country's economy. The group is confident in the medium-term development of its markets on the Chinese territory, as an effect of the improved productivity of the offered systems that are becoming increasingly attractive for our customers, enlarging the size of our potential market.

The closing of the described transactions, in terms of the actual and effective transfer of the equities subject to the sales contracts signed today, will take place following the registration and transcription by the Chinese authorities of the ownership transfer. Such registrations will take place sequentially and it is expected that they will be fully completed no later than 6 months from today. The transaction does not entail a change in the consolidation perimeter of the group, as the two Chinese companies are already controlled by the group through Ot-Las S.r.l. of which El.En. Spa holds 96.65%.

The transaction allows the group to gather under Ot-las a set of companies focused in the laser cutting systems business. Cutlite Penta Srl 100% owned by Ot-las, with operations in the new headquarters in Prato, is also fully involved in this business.

New strategic development opportunities are opening up to the group in the industrial sector, thanks to a more linear organization of the business that increases its potential for development and aggregation.

The transaction does not imply any impact on the previously released guidance for the 2019 financial year, which was issued with reference to the consolidated financial results before the interest of third parties.

Operation descriptions with related party

The described transactions are significant for the related parties discipline.

Moreover, El.En. grants the subsidiary Ot-Las a loan up to the price to be paid to the Chinese counterpart for the purchase of the 29.7% stake in Penta Laser Wenzhou. This loan, which was authorized by the board of directors of El.En. S.p.A., subject to the favorable opinion of the Control and Risks Committee to which the related parties Committee functions were also assigned. The guarantees were provided free of charge, taking into consideration the interest of the entire group in this transaction.

El.En. hereby gives notice that as it is a small company pursuant to art. 10 Reg. 17221/2010, it has made use in its own regulation of the faculties granted by the aforementioned rule, and as the



transaction is of greater importance, therefore, it will proceed with the fulfillment of the disclosure obligations in compliance with the law terms.

EL.En., an Italian company, is the parent of a high-.tech industrial group operating in the optoelectronics sector. Based on proprietary technology and multidisciplinary know-how, the EL.En Group manufactures laser sources (gas, semiconductor, solid-state and liquid) and innovative laser systems for medical and industrial applications. The EL.En. Group is the laser market leader in Italy and among the top operators in Europe. It designs, manufactures and sells worldwide:

- Medical laser equipment used in dermatology, cosmetics, physiotherapy, dentistry and gynecology;
- Industrial laser systems for applications ranging from cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork;
- Laser systems for scientific research

EL.EN. has been listed on the Star (MTA) of Borsa Italiana. Its market capitalization amounts to Euro 640 million.

Cod. ISIN: IT0005188336
Code: ELN
Listed on MTA
Mkt cap.: 640 million of euro
Cod. Reuters: ELN.MI
Cod. Bloomberg: ELN IM

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