

Esaote

Reuters: **ESA.MI**

Bloomberg: **ESA IM**

Health Italy

ADD
3,8 €

vs BUY

Next event: 1Q Sales - 04/08/02

Mkt cap: €176m

Net cash 2002: €-44m

Book value per share 2002: €1,91

Range (12m): 2,83 - 3,94€

Free float: 49,844%

Rel perf/ MIBTEL-MILAN MIB TELEMATICO (%)

1m +7

3m +9

12m +41

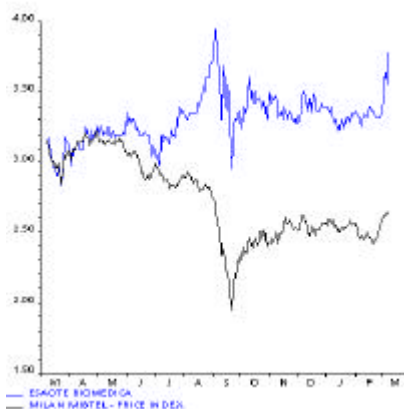
Abs perf (%):

1m +14

3m +11

12m +20

Esaote



Source: DATASTREAM

Good results

- Esaote's Board of Directors has approved the 2001 Annual Report and Financial Statements. **Results were better than expected at all levels, except for net sales** which were below expectations. Consolidated sales reached €237.6m (+9.6% in comparison to 2000), EBIT reached €23.7m (+19.1%) and net profit reached €9.4m (+44.8%).

- EBITDA was higher than expected mainly because of lower R&D expenses (7.11% of net sales versus our forecast of 8% of net sales): these were lower thanks to the higher than expected contribution of the Government to R&D. However, it must be stressed that this contribution is decided year by year and is not fixed. Dedicated MRI registered a very good performance (+26.6% yoy) mainly thanks to the good performance of E-scan. The contribution of Dedicated MRI to net sales was around 12.5% (on 2001 net sales) and higher than our estimates of 11.8% for 2001. The growth in emerging markets, mainly China, was a big surprise (+25.9%).

- **For the moment, we have not enough evidence that results in Dedicated MRI and emerging markets will be so strong for the coming years to justify an upgrade to our target price.**

- **We have changed our recommendation from BUY to ADD, mainly because of share price appreciation. We maintain our target price of €4.20.**

Year to dec	Sales (€m)	EBITDA (€m)	Attributable net profit (€m)	EPS * (€)	Net div (€)	P/E (x)	EV/EBITDA (x)	Net yield (%)
2001	247,4	30,6	9,4	0,22	0,06	17,3	7,1	1,6
2002e	277,5	33,5	10,2	0,22	0,07	17,4	6,6	1,7
2003e	306,2	38,2	11,2	0,25	0,07	15,3	5,8	1,9
2004e	360,0	46,2	13,5	0,30	0,09	12,8	4,7	2,2

* Before exceptionals and goodwill

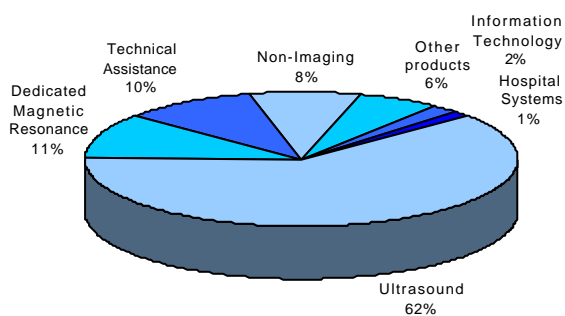
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12 March 2002

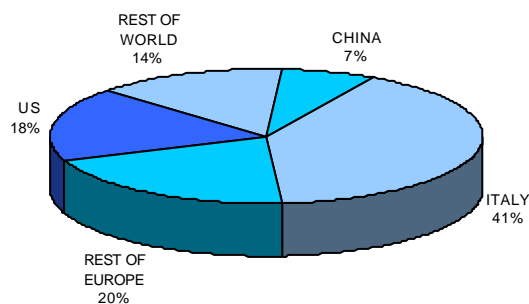
Profit and loss account 2001-2004e

(€m)	2001	2002e	2003e	2004e
Sales	247,4	277,5	306,2	360,0
% change	+8,8	+12,2	+10,3	+17,6
Labour cost	-56,2	-62,5	-68,0	-76,0
EBITDA	30,6	33,5	38,2	46,2
EBITDA margin (%)	+12,4	+12,1	+12,5	+12,8
Depreciation & provisions	-5,6	-5,7	-7,5	-8,7
Other items	0,0	0,0	0,0	0,0
EBIT	25,0	27,9	30,7	37,5
Net interest charge	-4,3	-4,5	-4,7	-6,2
Earnings before tax	20,7	23,4	26,0	31,3
Tax	-10,4	-13,1	-14,4	-17,4
Net associates after tax	0,0	0,0	0,0	0,0
Minorities	-0,1	-0,1	-0,1	-0,2
Joint venture income	0,0	0,0	0,0	0,0
Exceptional items	0,5	1,4	1,0	1,0
Goodwill amortisation	-1,3	-1,3	-1,3	-1,3
Attributable net profit	9,4	10,2	11,2	13,5
Adjusted profit before tax	20,6	23,3	25,9	31,2
Adjusted attributable profit	10,2	10,1	11,5	13,8
Tax rate (%)	50,2	56,2	55,4	55,5
Average workforce (unit)	1 055	1 095	1 144	1 185
Number of shares (m)	46	46	46	46
EPS reported (€)	0,20	0,22	0,24	0,29
EPS adjusted before goodwill (€)	0,22	0,22	0,25	0,30
Goodwill per share (€)	0,03	0,03	0,03	0,03
CFPS (€)	0,28	0,17	0,22	0,32
Free CFPS(€)	0,18	0,09	0,11	0,18
Book value per share (€)	1,79	1,91	2,09	2,32
Net dividend (€)	0,06	0,07	0,07	0,09

Sales by activity



Geographical sales split



Cash flow statement 2001-2004e

(€m)	2001	2002e	2003e	2004e
EBITDA	30,6	33,5	38,2	46,2
Exceptional items	0,5	1,4	1,0	1,0
Change in working capital	-2,9	-8,9	-9,0	-7,8
Provisions & other items	0,0	1,0	0,0	0,0
Operating cash flow	28,2	27,0	30,2	39,4
Net interest	-4,3	-4,5	-4,7	-6,2
Tax Paid	-10,4	-13,1	-14,4	-17,4
Capital expenditure	-5,2	-5,3	-6,0	-7,6
Free cash flow	8,3	4,1	5,1	8,3
Dividends	-2,8	-3,0	-3,3	-3,9
Acquisitions/disposals	0,0	0,0	0,0	0,0
Shares issued	0,0	0,0	0,0	0,0
Others (currency...)	1,5	-2,5	-2,9	-2,0
Change in net cash	7,0	-1,4	-1,0	2,4

Balance sheet summary 2001-2004e

(€m)	2001	2002e	2003e	2004e
Fixed assets	20,2	18,8	19,0	19,2
Goodwill & intangibles	14,4	15,2	15,4	15,6
Non monetary working capital	93,5	101,4	110,3	118,1
Net cash/(debt)	-42,6	-44,0	-45,0	-42,6
Provisions & others	0,0	0,0	0,0	0,0
Shareholders' funds	85,5	91,4	99,8	110,3
Minorities & preference	2,7	2,8	3,0	3,1
Ordinary shareholders' equity	82,8	88,5	96,8	107,2

Investment ratios 2001-2004e

	2001	2002e	2003e	2004e
P/E before goodwill (x)	17,3	17,4	15,3	12,8
Reported P/E (x)	18,7	17,2	15,7	13,0
P/CF (x)	13,5	22,0	17,3	11,8
P/BV (x)	2,1	2,0	1,8	1,6
Net yield (%)	1,6	1,7	1,9	2,2
EV/sales (x)	0,9	0,8	0,7	0,6
EV/EBITDA (x)	7,1	6,6	5,8	4,7
EV/EBIT (x)	8,8	7,9	7,2	5,8
ROE (%)	13,0	11,8	12,4	13,5
ROCE (%)	19,7	21,1	21,9	25,2
Gearing (%)	49,8	48,2	45,1	38,6
Pay out (%)	29,5	29,4	29,3	29,2

Company data

Shareholders	50,15%	Bracco Spa
	49,84%	Public
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	Dr. Diana Bracco (Vice Chairwoman)	
	Alberto De Vecchi (CFO)	
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Source for all tables on this page: Company data/CLS estimates

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