

# Cellularline

## FY18 Results

Cellularline - Key estimates and data				
Y/E December		2018PF	2019E	2020E
Revenues	EUR M	129.7	150.9	167.9
Adj. EBITDA	EUR M	33.9	37.0	41.1
Adj. EBIT	EUR M	31.0	34.0	38.1
Adj. Net Income	EUR M	23.1	22.5	26.6
Dividend ord.	EUR	0.30	0.35	0.43
Adj. EPS	EUR	1.05	1.17	1.22
Adj. EV/EBITDA	x	6.5	4.5	3.7
Adj. P/E	x	6.8	6.1	5.9

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- FY18PF results.** Revenues decreased to EUR 130M vs. EUR 139M in FY17. The decrease is attributable to: i) EUR 6M due to an important Italian retailer who began restructuring activities in 2018 by reducing the stock levels, with a consequent significant, but temporary, decline in sell-in for the main suppliers, including Cellularline; and ii) EUR 2M due to the insolvency procedures that occurred to some Italian retailers, started in 2H17. Overall, revenues generated abroad accounted for about 46%. Adj. EBITDA was EUR 34M, vs. EUR 39M in FY17, mainly due to the abovementioned decrease in volumes and to a lesser extent by an unfavourable sales mix. Adj. net income came out at EUR 23M, vs. EUR 24M in FY17. The NFP was EUR 22M, vs. EUR 65M at 31 December 2017, benefiting from the completion of the Business Combination for EUR 20.3M, and from the positive trend in Operating Cash Flow, which was EUR 27M (vs. EUR 21M in FY17).
- Outlook.** In a year which was impacted by some non-recurring factors derived from the de-stocking activities of some Italian clients in the consumer electronics distribution channel, we appreciate the various actions implemented by management to reverse this trend and to sustain the group's strategy. We highlight the latest: i) the signing of a new distribution agreement in France with DS Distribution Nord; ii) the acquisition of Systemaitalia, an Italian company, active in the market of accessories for mobiles in the Telco channel, with a geographical presence in Central and Southern Europe; iii) in Italy the strategic distribution partnerships of complementary products with important international brands; and iv) in Spain, the agreement with a new customer for the supply of all 'Ricarica & Utilità' products in about 450/500 shops. Looking at the outlook, management stated that revenues in the first two months of 2019 were up by over 15% yoy, also benefiting from the new commercial agreements in Italy, Spain and Switzerland signed in 2018.
- Estimates and valuation.** We revised our estimates mainly to account for the recent acquisition (we assumed Systemaitalia would be consolidated from 1 April 2019), the impact of the renewed IFRS 15, slightly softer margins and higher financial charges. We also started to include the distribution of a dividend over our forecast period assuming a growing pay-out ratio of 30% on adj. net income in FY19E and 35% for the following years. Following our estimates revision and the periodical update of our risk-free and equity risk premium parameters our updated DCF model points to **a new target price of EUR 12.0/share** (from EUR 12.6/share). Our target price is at a premium of around 68% on current prices, implying a **BUY rating on the stock**.
- Key risks.** In our view, the key risks are: 1) an increase in competition from the main competitors and a potentially higher penetration of private labels and online competitors; 2) potentially rapid changes in consumer trends and needs, also given the fast-technological evolution of electronics' components and accessories, with a possible impact on the group's strategy and brand awareness; and 3) we see a potential dilution and overhang risk due to the conversion of special shares and warrants. We also believe that the group's limited size should be taken into consideration.

See page 13 for full disclosures and analyst certification  
Banca IMI is Specialist to Cellularline

21 March 2019: 12:28 CET  
Date and time of production

### BUY

Target Price: EUR 12.0  
(from EUR 12.6)

Italy/IT Distributors  
Company Update

Intesa Sanpaolo  
Research Department

Gabriele Berti  
Research Analyst  
+39 02 8794 9821  
gabriele.berti@intesasanpaolo.com

Corporate Broking Research  
Alberto Francese  
Gabriele Berti  
Sebastiano Grisetti

Price performance, -1Y  
19/03/2019



Source: FactSet

Date and time of first circulation:  
21 March 2019: 13:00 CET

### AIM

Priced at market close on 19/03/2019*	
Target price (€)	12.0
Target upside (%)	68.06
Market price (€)	7.15
52Wk range (€)	9.95/7.10
Market cap (€ M)	154.96
No. of shares	21.67
Free float (%)	80.6
Major shr	S.L.M.K. SA
(%)	11.1
Reuters	CELL.MI
Bloomberg	CELL IM
FTSE IT All Sh	23477
Performance %	
Absolute	Rel. to FTSE IT All
-1M	-2.1 -1M -7.3
-3M	-5.3 -3M -16.3
-12M	-27.4 -12M -23.0

\*unless otherwise indicated within report. Source: FactSet and Intesa Sanpaolo Research estimates

## Contents

<b>FY18PF Results</b>	<b>3</b>
<b>Earnings Outlook</b>	<b>4</b>
Estimates Revision	5
<b>Valuation</b>	<b>6</b>
Discounted cash flow	6

## FY18PF Results

For a better comparison between 2018 and 2017 group economic and financial results, we commented on FY18 consolidated pro-forma IFRS data which had been prepared to represent the effects of the Business Combination as if it had taken place on 1 January 2018, and FY17 data restated on the basis of the renewed IFRS 15. We highlight that the application of IFRS 15 resulted in a reduction of the same amount (about EUR 21M) in both revenues and sales and distribution costs for 2017 and therefore has a no impact at EBITDA level.

We underline that our estimates did not include the impact of IFRS 15 on the group's top-line and therefore are not fully comparable with FY18PF commented data.

The key points of the results were:

- **Revenues decreased to EUR 130M** vs. EUR 139M in FY17. The decrease is attributable to: i) EUR 6M due to an important Italian retailer who began restructuring activities in 2018 by reducing the stock levels, with a consequent significant, but temporary, decline in sell-in for the main suppliers, including Cellularline; and ii) EUR 2M due to the insolvency procedures that occurred to some Italian retailers, started in 2H17. Overall, revenues generated abroad accounted for about 46%;
- **Adj. EBITDA was EUR 34M**, vs. EUR 39M in FY17, mainly due to the abovementioned decrease in volumes and to a lesser extent by an unfavourable sales mix;
- **Adj. net income came out at EUR 23M**, vs. EUR 24M in FY17. The result does not take into consideration EUR 10.1M of tax benefits (related to 2015-17) thanks to the Patent Box agreement signed in March 2018;
- **The NFP was EUR 22M**, vs. EUR 65M at 31 December 2017, benefiting from the completion of the Business Combination for EUR 20.3M, and from the positive trend in Operating Cash Flow, which was EUR 27M (vs. EUR 21M in FY17);
- The Board of Directors will propose the **distribution of a dividend of EUR 0.30/share** to the shareholders' meeting, which implies an appealing dividend yield on the current market price of about 4.2%.

Cellularline – FY18PF result					
EUR M	FY17 Restated	FY18PF	yoy %	FY18E	A/E %
Revenues	139.5	129.7	-7.0	158.9*	NM
Adj. EBITDA	39.5	33.9	-14.1	36.3	NM
Adj. EBITDA margin %	28.3	26.1		22.9	
Adj. EBIT	36.5	31.0	-15.0	33.2	NM
Adj. EBIT margin %	26.1	23.9		20.9	
Adj. net income	23.7	23.1	-2.5	26.5	NM
Net debt	65	22		25.1	

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

## Earnings Outlook

In a year which was impacted by some non-recurring factors derived from the de-stocking activities of some Italian clients in the consumer electronics distribution channel, we appreciate the various actions implemented by management to reverse this trend and to sustain the group's strategy. We recap the latest developments:

- Cellularline recently signed a new distribution agreement in France with DS Distribution Nord. In particular, the agreement envisages the distribution of Cellularline and AQL-branded products on the Mass Merchandise channel in France, on which approximately 4k independent retailers operate. Furthermore, thanks to the partnership with DS Distribution Nord, management disclosed that a supply agreement is currently being formalised with a French company operating on the Mass Merchandise channel, with over 1,500 stores and for which Cellularline should become a major supplier (through DS Distribution Nord) starting from 2Q19. We regard the agreement positively as Cellularline should be able to benefit from the widespread presence of DS Distribution Nord across French territory (the company operates in the channel with approximately 150 dedicated staff members), reinforcing its positioning in the main distribution channel of Europe's second-biggest market. We highlight that management expects the deal to have its initial positive effects on the group's financials as from 2H19;
- Cellularline Group signed a binding agreement to acquire 60% of Systemaitalia, an Italian company (based in Reggio Emilia), active in the market of accessories for mobile in the Telco channel, with a geographical presence in Central and Southern Europe. In FY18A, Systemaitalia recorded an adj. turnover of about EUR 11M (50% from foreign markets), an adj. EBITDA of EUR 1M (margin at around 9%), and an adj. net financial position at breakeven. The estimated price for the 60% stake is EUR 2.5M. The closing of the transaction is expected by the beginning of 2Q19. Systemaitalia's founders will be involved and committed to leading and managing the company and to developing and expanding the business in the long-term. Lastly, the parties agreed on put&call options on the remaining minority interest equal to 40%, divided into three tranches. The amount to be paid for each tranche will be determined by taking into account certain economic and financial parameters recorded by Systemaitalia during the next 3 financial years. The consideration for the purchase of the second and third minority tranches may be paid, in whole or in part, with Cellularline shares.

### New Distribution Agreement in France

### Acquisition of Systemaitalia

We believe this acquisition is an important step for Cellularline. Indeed, the deal is the first step in the execution of its external growth strategy plan communicated at the time of the IPO. Furthermore, the deal should speed up the penetration strategy in the Telco channel, which is expected to grow significantly in Europe, while giving the group several development opportunities as the respective activities are complementary. In particular, Systemaitalia should benefit from the expansion of the range of products and services, as well as from the synergies with Cellularline's commercial and distribution network in the European reference markets, creating consequent development opportunities for both companies and their customers. The transaction implies a 2018 EV/EBITDA multiple of around 4.2x. Overall, we positively view the acquisition, as we believe that Cellularline is expanding its presence in a channel with great prospects for further development across Europe, thus strengthening its competitive position in foreign markets;

- In Italy, some important agreements are being formalised, particularly regarding strategic distribution partnerships of complementary products with important international brands, with a potential increase in annual turnover of approximately EUR 15M in the Consumer Electronics and Mass Merchandise channels;
- In Spain, the group recently reached an agreement with a new customer (an important retailer of the Telco channel) for the supply of all 'Ricarica & Utilità' products in 450/500 shops having a potential impact on turnover of around EUR 1.5M;
- In Switzerland, the group signed an agreement with an important retailer, which should increase the annual turnover by EUR 1-2M, according to management;

### New commercial agreements signed in 2H18

- Overall, looking at the outlook, management stated that revenues in the first two months of 2019 were up by over 15% yoy, also benefiting from the abovementioned new commercial agreements in Italy, Spain and Switzerland signed in 2018;
- Lastly, we highlight that Cellularline announced that the group's BoD had approved the project of the MTA listing, STAR segment. We appreciate the news, which we believe should boost the stock's liquidity. We expect the stock to start trading on the MTA, STAR segment, by 3Q19.

#### Move to the STAR segment

### Estimates Revision

We revised our estimates mainly to account for the recent acquisition (we assumed Systemaitalia would be consolidated from 1 April 2019), the impact of the renewed IFRS 15, slightly softer margins and higher financial charges. We also started to include the distribution of a dividend over our forecast period assuming a growing pay-out ratio of 30% on adj. net income in FY19E and 35% for the following years.

We also highlight that in our adjusted data we did not take into consideration:

- An expected impact of PPA amortisation of EUR 5.8M per year on EBIT and of EUR 4.1M on the group's net income;
- The potential impact on P&L arising from the change of the Warrant's fair value;
- Extraordinary costs in FY19E related to both the STAR listing and the last M&A deal for about EUR 1.5M.

Overall, we expect revenues of EUR 150.9M in FY19E, adj. EBITDA at EUR 37M and a net profit of EUR 25.5M.

Cellularlinegroup – Estimates revision 2019E-21E									
EUR M	2019E Old	2019E New	yoy %	2020E Old	2020E New	yoy %	2021 Old	2021 New	yoy %
Revenues	176.4*	150.9	NM	185.2*	167.9	NM	194.5*	173.5	NM
Adj. EBITDA	40.0	37.0	-7.6	42.1	41.1	-2.3	44.2	42.5	-3.8
Adj. EBITDA margin (%)	22.7	24.5		22.7	24.5		22.7	24.5	
Adj. EBIT	36.9	34.0	-8.0	39.0	38.1	-2.2	41.1	39.5	-3.9
Adj. EBITDA margin (%)	20.9	22.5		21.1	22.7		21.1	22.8	
Adj. net income	29.2	25.5	-12.6	29.1	26.6	-8.5	30.9	27.6	-10.7
NFP	-4.2	10.2		-30.8	-3.4		-58.1	-18.3	

(\*) our previous estimates did not include the impact of IFRS 15 on the group's top-line and therefore are not fully comparable with revised ones. NM: not meaningful; E: estimates; Source: Company data and Intesa Sanpaolo Research

## Valuation

We valued Cellularline using a DCF approach. We highlight that our valuation does not include any potential opportunities arising from external growth which, according to management, should be a key strategic pillar for the group in the next few years.

Following our estimates revision and the periodical update of our risk-free and equity risk premium parameters our updated DCF model points to a new **target price of EUR 12.0/share (from EUR 12.6/share)**. Our target price is at a premium of around 68% on current prices, implying a **BUY rating on the stock**.

**EUR 12.0/share TP; BUY**

Overall, we believe that Cellularline can leverage on some company-specific positives, including: 1) a strong positioning and consolidated market shares in both Italy and Europe; 2) a wide and an extensive product range; 3) a positive growth track record, outperforming all the major EU markets; 4) strong product innovation ability, capturing consumers' needs and trends; we highlight that the company's inventory obsolescence rate stands below 2%; 5) an experienced management team; 6) solid cash flow generation; and 7) a strong brand awareness, particularly in Italy.

### Discounted cash flow

We used the following key assumptions in our valuation:

- A 7.9% WACC, incorporating a risk-free rate of 2.75% (vs. 3% used previously), an equity risk premium of 6.5% (vs. 5.75%), re-levered beta of 1.1 (Source: Intesa Sanpaolo Research elaboration on Bloomberg data) and a long-term target gearing ratio of 30%;

Cellularline - WACC calculation (%)	
Risk-free rate	2.75
Equity risk premium	6.5
Beta (x)*	1.1
<u>Cost of equity</u>	<u>9.8</u>
Net cost of debt	3.5
Gross cost of debt	5.0
Tax rate	30
Gearing	30
<b>WACC</b>	<b>7.9</b>

\* Intesa Sanpaolo Research elaboration on Bloomberg data; Source: Intesa Sanpaolo Research estimates

- Terminal value growth is prudentially set at 0%, while in calculating the LT, we applied the average of 2017 restated-21E for revenues and the level of EBIT margin we estimate for FY21E. As usual, LT depreciation equals capex;
- We adjusted the number of shares to include the effects arising from the potential conversion and warrants.

Cellularline - DCF model (2019E-21E)				
EUR M	2019E	2020E	2021E	LT
Sales	150.9	167.9	173.5	152.3
yoy %	16.3	11.3	3.3	-
EBIT	34.0	38.1	39.5	34.7
EBIT margin (%)	22.5	22.7	22.8	22.8
Taxes	-3.5	-6.8	-7.2	-9.7
NOPAT	30.5	31.3	32.3	25.0
D&A	3.0	3.0	3.0	
Capex	-5.5	-4.0	-4.0	
NWC changes	-5.0	-2.3	-2.2	
Others	0.0	0.0	0.0	
FCF	23.0	28.0	29.1	25.0
Discounted FCF	21.7	24.5	23.6	18.8
WACC (%)	7.9			
Perpetuity growth rate (%)	0.0			
NPV of cash flows	69.8			
NPV of terminal value (2022E)	236.3			
EV	306.1			
Net debt 2018A	22.0			
Equity value	284.2			
No. of shares fully diluted (M)	23.6			
<b>Value per share (EUR)</b>	<b>12.0</b>			

Source: Intesa Sanpaolo Research estimates

Cellularline - Sensitivity analysis					
EUR/share	Growth (%)				
WACC (%)	-1.0	-0.5	0.0	0.5	1.0
6.9	12.4	13.1	13.9	14.8	15.9
7.4	11.6	12.2	12.9	13.7	14.6
7.9	10.9	11.4	<b>12.0</b>	12.7	13.5
8.4	10.3	10.7	11.2	11.8	12.5
8.9	9.7	10.1	10.5	11.1	11.6

Source: Intesa Sanpaolo Research estimates

Cellularline - Key data						
Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector	Free float (%)	Reuters Code	
BUY	Ord 12.0	Ord 7.15	IT Distributors	80.6	CELL.MI	
Values per share (EUR)						
			2017 Restated	2018PF	2019E	2020E
No. ordinary shares (M)			21.87	21.87	21.87	21.87
No. NC saving/preferred shares (M)			0.00	0.00	0.00	0.00
Total no. of shares (M)			21.87	21.87	21.87	21.87
Market cap (EUR M)			225.18	196.75	156.36	156.36
Adj. EPS			1.08	1.05	1.17	1.22
CFPS			1.2	0.90	1.1	1.2
BVPS			4.8	8.8	9.5	10.3
Dividend ord			2.73	0.30	0.35	0.43
Income statement (EUR M)						
			2017 Restated	2018PF	2019E	2020E
Revenues			139.5	129.7	150.9	167.9
Adj. EBITDA			39.5	33.9	37.0	41.1
Adj. EBIT			36.5	31.0	34.0	38.1
Adj. net income			23.7	23.1	25.5	26.6
Cash flow (EUR M)						
			2017 Restated	2018PF	2019E	2020E
Net income before minorities			23.7	16.9	21.4	22.5
Depreciation and provisions			3.0	2.9	3.0	3.0
Others/Uses of funds			0	0	0	0
Change in working capital			-3.2	3.3	-5.0	-2.3
Operating cash flow			23.5	23.1	19.4	23.2
Capital expenditure			-1.4	-3.0	-5.5	-4.0
Financial investments			0	0	0	0
Acquisitions and disposals			0	0	0	0
Free cash flow			22.1	20.1	13.9	19.2
Dividends			-59.8	0	-6.1	-7.7
Equity changes & Other non-operating items			-1.2	22.9	4.0	2.0
Net cash flow			-38.9	43.0	11.8	13.6
Balance sheet (EUR M)						
			2017 Restated	2018PF	2019E	2020E
Net capital employed			169.9	214.0	217.5	220.8
of which associates			0	0	0	0
Net debt/-cash			65.0	22.0	10.2	-3.4
Minorities			0	0	0	0
Net equity			104.9	192.0	207.3	224.2
Minorities value			0	0	0	0
Enterprise value			290.2	218.7	166.6	153.0
Stock market ratios (x)						
			2017 Restated	2018PF	2019E	2020E
Adj. P/E			6.6	6.8	6.1	5.9
P/CFPS			5.9	7.9	6.4	6.1
P/BVPS			1.5	0.8	0.8	0.7
Payout (%)			0	26	30	35
Dividend yield (% ord)			26.6	3.3	4.9	6.0
FCF yield (%)			14.1	12.9	8.9	12.3
EV/sales			2.1	1.7	1.1	0.9
Adj. EV/EBITDA			7.4	6.5	4.5	3.7
Adj. EV/EBIT			8.0	7.1	4.9	4.0
EV/CE			1.7	1.0	0.8	0.7
D/Adj. EBITDA			1.6	0.6	0.3	Neg.
D/Adj. EBIT			1.8	0.7	0.3	Neg.
Profitability & financial ratios (%)						
			2017 Restated	2018PF	2019E	2020E
Adj. EBITDA margin			28.3	26.1	24.5	24.5
Adj. EBIT margin			26.1	23.9	22.5	22.7
Tax rate			28.7	NM	13.9	23.2
Adj. Net income margin			17.0	17.8	16.9	15.9
ROCE			21.0	8.8	12.3	14.7
ROE			21.6	11.4	10.7	10.4
Interest cover			NM	NM	26.7	16.2
Debt/equity ratio			62.0	11.5	4.9	-1.5
Growth (%)						
				2018PF	2019E	2020E
Sales				-7.0	16.3	11.3
Adj. EBITDA				-14.1	9.1	11.3
Adj. EBIT				-15.0	9.6	12.3
Adj. net income				-2.5	10.6	4.5

NM: not meaningful; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

## MID CORPORATE

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Notes

Notes

Notes

## Disclaimer

### Analyst certification

The financial analysts who prepared this report, and whose names and roles appear within the document, certify that:

1. The views expressed on the company mentioned herein accurately reflect independent, fair and balanced personal views; 2. No direct or indirect compensation has been or will be received in exchange for any views expressed.

### Specific disclosures

1. Neither the analysts nor any persons closely associated with the analysts have a financial interest in the securities of the Company.
2. Neither the analysts nor any persons closely associated with the analysts serve as an officer, director or advisory board member of the Company.
3. Some of the analysts named in the document are members of AIAF
4. The analysts named in this document are not registered with or qualified by FINRA, the U.S. regulatory body with oversight over Banca IMI Securities Corp. Accordingly, the analysts may not be subject to FINRA Rule 2241 and NYSE Rule 472 with respect to communications with a subject company, public appearances and trading securities in a personal account. For additional information, please contact the Compliance Department of Banca IMI Securities Corp at 212-326-1133.
5. The analysts of this report do not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
6. The research department supervisors do not have a financial interest in the securities of the Company.

This research has been prepared by Intesa Sanpaolo SpA and distributed by Banca IMI SpA Milan, Banca IMI SpA-London Branch (a member of the London Stock Exchange) and Banca IMI Securities Corp (a member of the NYSE and FINRA). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report and also reserves the right to issue this document to its own clients. Banca IMI SpA and Intesa Sanpaolo SpA, which are both part of the Intesa Sanpaolo Group, are both authorised by the Banca d'Italia and are both regulated by the Financial Conduct Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. No Intesa Sanpaolo SpA or Banca IMI SpA entities accept any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of Intesa Sanpaolo SpA and Banca IMI SpA.

Intesa Sanpaolo SpA and Banca IMI SpA have in place the Conflicts of Interest Management Rules for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of these Rules is available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo SpA, C.so Matteotti n° 1, 20121 Milan (MI) Italy. Intesa Sanpaolo SpA has formalised a set of principles and procedures for dealing with conflicts of interest ("Rules for Research"). The Rules for Research is clearly explained in the relevant section of Intesa Sanpaolo's web site ([www.intesaspa.com](http://www.intesaspa.com)).

Member companies of the Intesa Sanpaolo Group, or their directors and/or representatives and/or employees and/or persons closely associated with them, may have a long or short position in any securities mentioned at any time, and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any of the securities from time to time in the open market or otherwise.

Intesa Sanpaolo SpA issues and circulates research to Major Institutional Investors in the USA only through Banca IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1150.

**Residents in Italy:** This document is intended for distribution only to professional clients and qualified counterparties as defined in Consob Regulation no. 20307 of 15.02.2018, as subsequently amended and supplemented, either as a printed document and/or in electronic form.

**Person and residents in the UK:** This document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FCA.

**US persons:** This document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Banca IMI Securities Corp. in the US (see contact details above).

### Method of distribution

This document is for the exclusive use of the person to whom it is delivered by Banca IMI and Intesa Sanpaolo and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Banca IMI and/or Intesa Sanpaolo. The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo banking group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Banca IMI and/or Intesa Sanpaolo.

Persons who receive this document are obliged to comply with the above indications.

### Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Banca IMI acts as sponsor or specialist or other regulated roles are covered in compliance with regulations issued by regulatory bodies with jurisdiction. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. In the Equity Daily note and Weekly Preview report the Research Department reconfirms the previously published ratings and target prices on the covered companies (or alternatively such ratings and target prices may be placed Under Review). Research is available on Banca IMI's web site ([www.bancaimi.com](http://www.bancaimi.com)) or by contacting your sales representative.

### Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

[http://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng\\_archivio\\_racc\\_equity.jsp](http://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng_archivio_racc_equity.jsp)

### Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

### Equity rating key: (long-term horizon: 12M)

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity rating key (long-term horizon: 12M)	
Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

### Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: [https://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng\\_storia\\_raccomandazioni.jsp](https://www.group.intesasanpaolo.com/scripts/sir0/si09/studi/eng_storia_raccomandazioni.jsp).



### Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at February 2019)					
Number of companies considered: 107	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	53	21	23	2	1
of which Intesa Sanpaolo's Clients (%) (*)	84	41	36	0	100

(\*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

### Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

### Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

### Company specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage [http://www.group.intesasnpaolo.com/scriptsir0/si09/governance/eng\\_wvp\\_governance.jsp](http://www.group.intesasnpaolo.com/scriptsir0/si09/governance/eng_wvp_governance.jsp), along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chisiamo/documentazione/normative>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the " Corporate model on the management of inside information and conflicts of interest " published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage [http://www.group.intesasnpaolo.com/scriptsir0/si09/studi/eng\\_archivio\\_conflitti\\_mad.jsp](http://www.group.intesasnpaolo.com/scriptsir0/si09/studi/eng_archivio_conflitti_mad.jsp) you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest:

- 1 One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Cellularline in the next three months
- 2 One or more of the companies of the Intesa Sanpaolo Banking Group have an equity stake of 3% or more in Cellularline or in the Company that has a controlling interest in Cellularline or are a major shareholder of Cellularline
- 3 One or more of the companies of the Intesa Sanpaolo Banking Group have a Long position larger than the 0.5% of the issued share capital of Cellularline
- 4 Banca IMI acts as Nominated Advisor, Specialist relative to securities issued by Cellularline

**Intesa Sanpaolo Research Department – Head of Research Department: Gregorio De Felice**

**Head of Equity & Credit Research**

Giampaolo Trasi +39 02 8794 9803 giampaolo.trasi@intesasnpaolo.com

**Equity Research**

Monica Bosio +39 02 8794 9809 monica.bosio@intesasnpaolo.com  
 Luca Bacoccoli +39 02 8794 9810 luca.bacoccoli@intesasnpaolo.com  
 Antonella Frongillo +39 02 8794 9688 antonella.frongillo@intesasnpaolo.com  
 Manuela Meroni +39 02 8794 9817 manuela.meroni@intesasnpaolo.com  
 Gian Luca Pacini +39 02 8794 9818 gianluca.pacini@intesasnpaolo.com  
 Elena Perini +39 02 8794 9814 elena.perini@intesasnpaolo.com  
 Bruno Permutti +39 02 8794 9819 bruno.permutti@intesasnpaolo.com  
 Roberto Ranieri +39 02 8794 9822 roberto.ranieri@intesasnpaolo.com

**Corporate Broking Research**

Alberto Francese +39 02 8794 9815 alberto.francese@intesasnpaolo.com  
 Gabriele Berti +39 02 8794 9821 gabriele.berti@intesasnpaolo.com  
 Sebastiano Grisetti +39 02 8794 3187 sebastiano.grisetti@intesasnpaolo.com

**Technical Analysis**

Corrado Binda +39 02 8021 5763 corrado.binda@intesasnpaolo.com  
 Sergio Mingolla +39 02 8021 5843 antonio.mingolla@intesasnpaolo.com

**Research Clearing & Production**

Anna Whatley +39 02 8794 9824 anna.whatley@intesasnpaolo.com  
 Bruce Marshall +39 02 8794 9816 robert.marshall@intesasnpaolo.com  
 Annita Ricci +39 02 8794 9823 annita.ricci@intesasnpaolo.com  
 Wendy Ruggeri +39 02 8794 9811 wendy.ruggeri@intesasnpaolo.com  
 Elisabetta Bugliesi (IT support) +39 02 8794 9877 elisabetta.bugliesi@intesasnpaolo.com

**Banca IMI SpA – Head of Global Markets Sales: Bernardo Bailo**

**Institutional Sales**

Catherine d'Aragon +39 02 7261 5929 catherine.daragon@bancaimi.com  
 Carlo Cavalieri +39 02 7261 2722 carlo.cavalieri@bancaimi.com  
 Stefan Gess +39 02 7261 5927 stefan.gess@bancaimi.com  
 Francesca Guadagni +39 02 7261 5817 francesca.guadagni@bancaimi.com  
 Federica Repetto +39 02 7261 5517 federica.repetto@bancaimi.com  
 Daniela Stucchi +39 02 7261 5708 daniela.stucchi@bancaimi.com  
 Marco Tinessa +39 02 7261 2158 marco.tinessa@bancaimi.com  
 Mark Wilson +39 02 7261 2758 mark.wilson@bancaimi.com

**Corporate Broking**

Carlo Castellari +39 02 7261 2122 carlo.castellari@bancaimi.com  
 Francesco Riccardi +39 02 7261 5966 francesco.riccardi@bancaimi.com  
 Laura Spinella +39 02 7261 5782 laura.spinella@bancaimi.com

**Sales Trading**

Lorenzo Pennati +39 02 7261 5647 lorenzo.pennati@bancaimi.com

**Equity Derivatives Institutional Sales**

Emanuele Manini +39 02 7261 5936 emanuele.manini@bancaimi.com  
 Matteo Buratti +39 02 7261 5335 matteo.buratti@bancaimi.com  
 Francesca Dizione +39 02 7261 2759 francesca.dizione@bancaimi.com  
 Enrico Ferrari +39 02 7261 2806 enrico.ferrari@bancaimi.com  
 Alessandro Monti +44 207 894 2412 alessandro.monti@bancaimi.com  
 Umberto De Paoli +44 207 894 2456 umberto.depaoli@bancaimi.com

**Banca IMI SpA – Head of Market Hub: Gherardo Lenti Capoduri**

**E-commerce Distribution**

Alessandra Minghetti +39 02 7261 2973 alessandra.minghetti@bancaimi.com  
 Alessia Galluccio +39 02 7261 2339 alessia.galluccio@bancaimi.com  
 Umberto Menconi +39 02 7261 5492 umberto.menconi@bancaimi.com  
 Filippo Besozzi +39 02 7261 5922 filippo.besozzi@bancaimi.com  
 Lawrence Peirson (London Office) +44 207 894 2476 lawrence.peirson@bancaimi.com

**Brokerage & Execution**

Carmine Calamello +39 02 7261 2194 carmine.calamello@bancaimi.com

**Banca IMI Securities Corp.**

**US Institutional Sales**

Barbara Leonardi +1 212 326 1232 barbara.leonardi@bancaimi.com  
 Greg Principe +1 212 326 1233 greg.principe@bancaimi.com

**Banca IMI SpA**

Largo Mattioli, 3  
20121 Milan, Italy  
Tel: +39 02 7261 1

**Banca IMI Securities Corp.**

1 William Street  
10004 New York, NY, USA  
Tel: (1) 212 326 1100

**Banca IMI London Branch**

90 Queen Street  
London EC4N 1SA, UK  
Tel +44 207 894 2600