

Company Note
Cellularline
3Q/9M19 Results

We appreciate the positive organic growth posted in 9M, which was underpinned by the strategic and commercial measures developed by management since 2H18. However, we highlight that the group's performance was penalised in 3Q by a slowdown in smartphone sales, mainly owing to the worsening tensions between the US and China, which particularly penalised the Huawei brand, also in Europe.

3Q/9M19 results

Adjusted EBITDA was EUR 19.0M vs. EUR 18.5M in 9M18PF, with the margin at 20.4%, vs. 22.3% in 9M18, mainly due to the dilution resulting from the integration of Systema, and the increase in sales under the AQL brand, recently launched in international markets, with a more aggressive pricing. Adjusted net result stood at EUR 12.8M, increasing by 9.4% yoy.

Outlook and estimates

In the next few months, management expects to: a) begin to benefit from revenues and cost synergies from Systema's integration (completed in 3Q), with revenues and costs synergies at full speed in FY20; b) increase the contribution from the audio segment and value-added services, combined with an important new products pipeline in the coming months; c) continue M&A scouting across different channels, with focus on EMEA market; and d) enhance brand awareness and further support business growth. Following 9M19A results, we only fine-tuned our forecasts, mainly to include the lower organic growth seen in 3Q. We underline that we now project an implicit increase in 4Q top line of around 11%. We recall that 4Q is the most significant for the group, also thanks to the strong contribution to sales from Black Friday and Christmas. Lastly, we also worsened our OWC assumptions as Systema has higher DSO than the group's average.

Valuation

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 10.4/share** (from EUR 10.8/share). Our target price is at a premium of around 51% on current prices, implying a **BUY rating on the stock**.

MID CORPORATE
22 November 2019: 12:46 CET

Date and time of production

BUY
Target Price: EUR 10.4
(from EUR 10.8)

 Italy/Consumer Services
 Update

MTA-STAR
Price Performance
(RIC: CELL.MI, BB: CELL IM)

Cellularline - Key Data

Price date (market close)	21/11/2019
Target price (EUR)	10.4
Target upside (%)	50.72
Market price (EUR)	6.90
Market cap (EUR M)	149.55
52Wk range (EUR)	8.50/6.50

Price performance %	1M	3M	12M
Absolute	2.4	-1.4	-9.2
Rel. to FTSE IT All Sh	-1.2	-11.5	-26.5

Y/E Dec (EUR M)	FY18A	FY19E	FY20E
Revenues	129.7	145.3	155.2
Adj. EBITDA	33.89	34.15	36.62
Adj. EBIT	30.99	30.85	33.12
Adj. Net income	23.07	22.73	23.31
EPS (EUR)	1.05	1.04	1.07
Net debt/-cash	22.00	28.01	10.08
Adj P/E (x)	8.5	6.6	6.5
EV/EBITDA (x)	6.5	5.2	4.4
EV/EBIT (x)	11.6	7.7	5.9
Div ord yield (%)	3.3	4.5	4.6

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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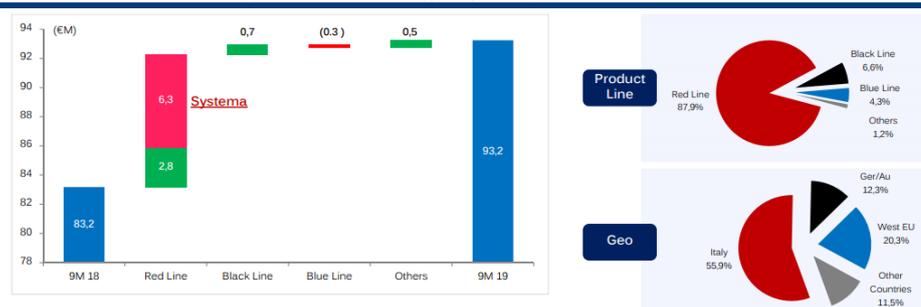
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3Q/9M19A Results

Revenues came in at EUR 93.2M, up 12.0% yoy (4.4% organically), driven by the Red Line, which accounts for 87.9% of total revenues, mainly owing to the contribution by Systema, the initial benefits from a long-term agreement reached with a major consumer electronics player, the normalisation of the non-recurring factors in 2018, and the sale of AQL brand audio products. Growth on international markets was 4.9%, accounting for 44.1% of total revenues.

Revenues at EUR 93.2M, +12% yoy

Cellularline - Revenues by product line and geography in 9M19



Source: Company data

Note that the group's performance was penalised in 3Q by a slowdown in smartphone sales (organic growth at around 2% vs. 6% in 1H19), mainly owing to the worsening tensions between the US and China, which particularly penalised the Huawei brand, also in Europe.

Adjusted EBITDA was EUR 19.0M vs. EUR 18.5M in 9M18PF. The margin decreased in 9M19 to 20.4% vs. 22.3% in 9M18, mainly due to the dilution resulting from the integration of Systema (about 130bps), a company operating in the Telco channel, whose margin is lower than the group's average margin, and the increase in sales under the AQL brand, recently launched in international markets, with a more aggressive pricing.

Adjusted EBITDA was EUR 19.0M vs. EUR 18.5M in 9M18PF

Adjusted EBIT stood at EUR 16.5M vs. EUR 16.4M in 9M18PF, while adjusted net result stood at EUR 12.8M, up by 9.4% yoy. We recall that adjustments were related to: 1) extraordinary costs mainly related to the trans-listing activities to MTA-STAR Segment and M&A associated costs; 2) new IFRS 16; 3) D&A; 4) amortisation of Purchase Price Acquisition (PPA); and 5) the Fair Value Warrant.

Adj. EBIT stable at EUR 16.5M

Net debt was EUR 39.0M vs. EUR 24.5M at YE18A, also affected by: a) the acquisition of Systema (EUR 2.5M cash-out and EUR 2.7M attributable to the fair value related to the Put&Call agreement for the purchase of the remaining 40% stake); b) EUR 2.0M for the application of IFRS 16; and c) dividends for EUR 6.1M and purchase of own shares for EUR 2.6M.

EUR 39.0M net debt vs. EUR 24.5M at YE18A

Cellularline - 3Q/9M19 results

EUR M	3Q18PF	3Q19A	yoy %	9M18PF	9M19A	yoy %
Value of production	34.5	38.0	10.1	83.2	93.2	12.0
Adj. EBITDA	10.2	9.8	-3.7	18.5	19.0	2.7
Adj. EBITDA margin %	29.5	25.9		22.2	20.4	
Adj. EBIT	9.4	8.9	-5.3	16.4	16.5	0.6
Adj. EBIT margin %	27.2	23.4		19.7	17.7	
Reported EBIT	11.8	11.2	-5.0	6.7	10.0	49.3
EBIT margin %	34.2	29.5		8.1	10.7	
Adj. net income	7.0	11.0	NM	11.7	12.8	9.4
Reported net income	19.4	11.1	NM	19.0	9.2	NM

PF: pro-forma; Source: Company data

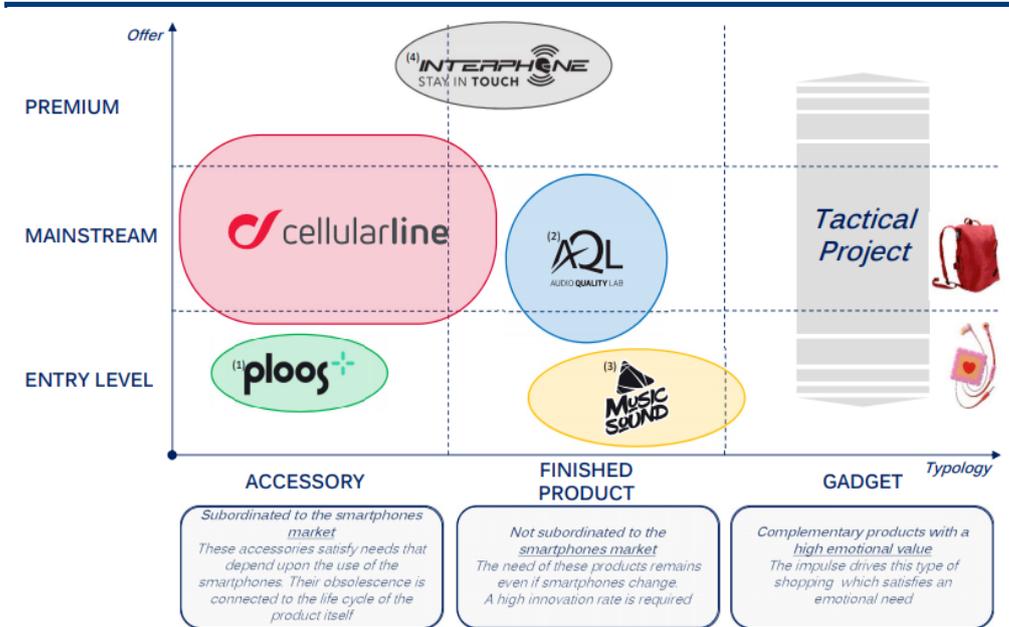
Earnings Outlook

Management's outlook

Management announced that in 1Q20 it will launch a new brand named Ploos, positioned in the 'entry level' price range of the market (and mostly the Eastern Europe markets). The move should enhance the group's brands strategy aiming to cover different customers' targets and needs.

Furthermore, in 2020, the group will also invest on the re-branding of the Cellularline brand to make it even more unique and recognisable. Management is also focused on the development of an eco-friendlier approach.

Cellularline - Brands strategy for different targets and needs



(1) will be launched in 1Q20 across EMEA; (2) launched in 4Q17 in Italy and 4Q18 abroad; (3) launched in 2016 in EMEA; (4) launched in 2005 worldwide. Source: Company data

Overall, looking at the FY19 outlook, management expects to: a) begin to benefit from revenues and cost synergies from Systema's integration (completed in 3Q), with revenues and costs synergies at full speed in FY20; b) increase the contribution from the audio segment and value-added services, combined with an important new products pipeline in the coming months; and c) enhance brand awareness and further support business growth.

Management also confirmed that it is considering some acquisitions in the same or similar sectors both in Italy or abroad, mainly to reinforce its products' portfolio or to reinforce sales channels with a higher growth potential.

Our estimates fine-tuning

Following 9M19A results, we only fine-tuned our forecasts, mainly to include the lower organic growth seen in 3Q. We underline that we now project an implicit increase in 4Q top line of around 11%. We recall that 4Q is the most significant for the group, also thanks to the strong contribution to sales from Black Friday and Christmas. Lastly, we also worsened our OWC assumptions as Systema has higher DSO than the group's average.

Cellularline - Estimates revision 2019E-21E

EUR M	2019E			2020E			2021E		
	Old	New	chg %	Old	New	chg %	Old	New	chg %
Revenues	148.1	145.3	-1.9	158.2	155.2	-1.9	164.5	161.4	-1.9
Adj. EBITDA	35.1	34.1	-2.7	37.5	36.6	-2.3	39.5	38.7	-1.9
Adj. EBITDA margin (%)	23.7	23.5		23.7	23.6		24.0	24.0	
Adj. EBIT	31.8	30.8	-3.0	34.0	33.1	-2.6	36.0	35.2	-2.1
Adj. EBIT margin (%)	21.5	21.2		21.5	21.3		21.9	21.8	
Adj. net income	23.4	22.7	-2.9	23.9	23.3	-2.5	25.3	24.8	-2.1
Net debt/-cash	23.9	28.0		7.0	10.1		-12.8	-8.0	

Source: Intesa Sanpaolo Research estimates

Cellularline - Adjusted vs. reported figures (EUR M)

EUR M	2019E	2020E	2021E
Adj. EBITDA	34.1	36.6	38.7
margin on revenues %	23.5	23.6	24.0
Reported EBITDA	32.1	36.6	38.7
margin on revenues %	22.1	23.6	24.0
Adj. EBIT	30.8	33.1	35.2
margin on revenues %	21.2	21.3	21.8
Reported EBIT	23.1	27.3	29.4
margin on revenues %	15.9	17.6	18.2
Adj. Net income	22.7	23.3	24.8
Reported Net income	17.1	19.6	21.1

Source: Intesa Sanpaolo Research estimates

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 10.4/share** (from EUR 10.8/share). Our target price is at a premium of around 51% on current prices, implying **a BUY rating on the stock**.

New EUR 10.4/share TP; BUY

Discounted cash flow

We used the following key assumptions in our valuation:

- A 7.88% WACC, incorporating a risk-free rate of 1.5% (vs. 2.75% used in our previous report), an equity risk premium of 7.0% (vs. 6.75%), re-levered beta of 1.2 (Source: Intesa Sanpaolo Research elaboration on Bloomberg data) and a long-term target gearing ratio of 30%;

Cellularline - WACC calculation (%)

Risk-free rate	1.50
Equity risk premium	7.0
Beta (x)	1.2
Cost of equity	9.8
Net cost of debt	3.5
Gross cost of debt	5.0
Tax rate	30
Gearing	30
WACC (%)	7.88

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-2021E 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	145.3	155.2	161.4	146.2
yoy %		6.8	4.0	
Adj. EBIT	30.8	33.1	35.2	31.9
Adj. EBIT margin (%)	21.2	21.3	21.8	21.8
Taxes	-4.2	-5.9	-6.6	-8.9
NOPAT	26.6	27.2	28.7	23.0
Non-cash items	2.9	3.1	3.1	
Investments	-9.2	-3.0	-3.0	
NWC changes	-9.5	-3.2	-1.8	
Others	0.0	0.0	0.0	
FCF	10.9	24.1	27.0	23.0
Discounted FCF	10.6	21.8	22.6	17.8
WACC (%)	7.9			
Perpetuity growth rate (%)	0.0			
NPV of cash flows	55.0			
NPV of terminal value (2022E)	226.4			
EV	281.5			
Net debt 2018PF	22.0			
Equity value	259.5			
No. of shares fully diluted (M)	24.9			
Value per share (EUR)	10.4			

Source: Intesa Sanpaolo Research estimates

Cellularline - Sensitivity analysis

EUR/share	Growth (%)				
WACC (%)	-1.0	-0.5	0	0.5	1.0
6.9	10.7	11.4	12.1	13.0	13.9
7.4	10.0	10.6	11.2	11.9	12.8
7.9	9.4	9.9	10.4	11.0	11.8
8.4	8.8	9.3	9.7	10.3	10.9
8.9	8.3	8.7	9.1	9.6	10.1

Source: Intesa Sanpaolo Research estimates

Cellularline – Key Data

Rating BUY	Target price (EUR/sh) Ord 10.4	Mkt price (EUR/sh) Ord 6.90			Sector Consumer Services
Values per share (EUR)	2017 Restated	2018PF	2019E	2020E	2021E
No. ordinary shares (M)	21.67	21.67	21.67	21.67	21.67
Total no. of shares (M)	21.87	21.87	21.87	21.87	21.87
Market cap (EUR M)	225.18	196.75	150.89	150.89	150.89
Adj. EPS	1.08	1.05	1.04	1.07	1.13
CFPS	1.2	0.90	0.93	1.1	1.1
BVPS	4.8	8.8	9.3	10.0	10.6
Dividend ord	2.73	0.30	0.31	0.32	0.34
Income statement (EUR M)	2017 Restated	2018PF	2019E	2020E	2021E
Revenues	139.5	129.7	145.3	155.2	161.4
Adj. EBITDA	39.46	33.89	34.15	36.62	38.73
EBIT	35.66	18.89	23.15	27.32	29.43
Pre-tax income	33.18	11.61	21.35	25.52	27.63
Net income	23.67	16.87	17.13	19.61	21.07
Adj. net income	23.67	23.07	22.73	23.31	24.77
Cash flow (EUR M)	2017 Restated	2018PF	2019E	2020E	2021E
Net income before minorities	23.7	16.9	17.1	19.6	21.1
Depreciation and provisions	3.0	2.9	3.3	3.5	3.5
Others/Uses of funds	0	0	5.3	5.3	5.3
Change in working capital	-3.2	3.3	-9.5	-3.2	-1.8
Operating cash flow	23.5	23.1	16.3	25.2	28.1
Capital expenditure	-1.4	-3.0	-4.0	-3.0	-3.0
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	-5.2	0	0
Free cash flow	22.1	20.1	7.1	22.2	25.1
Dividends	-59.8	0	-6.1	-6.8	-7.0
Equity changes & Other non-operating items	-1.2	22.9	-7.0	2.5	0
Net cash flow	-38.9	43.0	-6.0	17.9	18.1
Balance sheet (EUR M)	2017 Restated	2018PF	2019E	2020E	2021E
Net capital employed	169.9	214.0	231.0	228.4	224.3
of which associates	0	0	0	0	0
Net debt/-cash	65.0	22.0	28.0	10.1	-8.0
Minorities	0	0	0	0	0
Net equity	104.9	192.0	203.0	218.3	232.4
Minorities value	0	0	0	0	0
Enterprise value	290.2	218.7	178.9	161.0	142.9
Stock market ratios (x)	2017 Restated	2018PF	2019E	2020E	2021E
Adj. P/E	9.5	8.5	6.6	6.5	6.1
P/CFPS	8.4	10.0	7.4	6.5	6.1
P/BVPS	2.1	1.0	0.74	0.69	0.65
Payout (%)	0	26	30	30	30
Dividend yield (% ord)	26.6	3.3	4.5	4.6	4.9
FCF yield (%)	9.8	10.2	4.7	14.7	16.6
EV/sales	2.1	1.7	1.2	1.0	0.89
EV/EBITDA	7.4	6.5	5.2	4.4	3.7
EV/EBIT	8.1	11.6	7.7	5.9	4.9
EV/CE	1.7	1.0	0.77	0.70	0.64
D/EBITDA	1.6	0.65	0.82	0.28	Neg.
D/EBIT	1.8	1.2	1.2	0.37	Neg.
Profitability & financial ratios (%)	2017 Restated	2018PF	2019E	2020E	2021E
EBITDA margin	28.3	26.1	23.5	23.6	24.0
EBIT margin	25.6	14.6	15.9	17.6	18.2
Tax rate	28.7	NM	19.7	23.2	23.8
Net income margin	17.0	13.0	11.8	12.6	13.1
ROCE	21.0	8.8	10.0	12.0	13.1
ROE	21.6	11.4	8.7	9.3	9.3
Interest cover	14.3	2.6	23.1	27.3	29.4
Debt/equity ratio	62.0	11.5	13.8	4.6	Neg.
Growth (%)		2018PF	2019E	2020E	2021E
Sales		-7.0	12.0	6.8	4.0
EBITDA		-14.1	0.8	7.3	5.8
EBIT		-47.0	22.6	18.0	7.7
Pre-tax income		-65.0	83.9	19.6	8.3
Net income		-28.7	1.6	14.5	7.4
Adj. net income		-2.5	-1.5	2.5	6.2

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

Company Snapshot

Company Description

Cellularline is the European market leader in the design, manufacturing and distribution of accessories for connectivity devices. Leveraging on more than 5,000 points of sales, the company reaches more than 60 countries in the world and covers all the major distribution channels (CE, Telco, Travel Retail, Mass Merchandise, Sport stores as well as other retailers). Cellularline has a wide product portfolio composed of three major categories: (i) Protection & Style (cases and screen protectors); (ii) Charge & Utilities (battery chargers, powerbanks, car accessories and cables); and (iii) Voice & Sport (earphones and sports accessories). Moreover, the company recently launched the AQL brand (Audio Quality Lab), the product line dedicated to the world of music. Cellularline currently employs around 200 people.

Key data

Mkt price (EUR)	6.90	Free float (%)	75.0
No. of shares	21.67	Major shr	S.L.M.K. SA
52Wk range (EUR)	8.50/6.50	(%)	10.4
Reuters	CELL.MI	Bloomberg	CELL IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	2.4	-1M	-1.2
-3M	-1.4	-3M	-11.5
-12M	-9.2	-12M	-26.5

Key Risks

Company specific risks:

- We see a potential dilution and overhang risk due to the conversion of special shares and warrants.

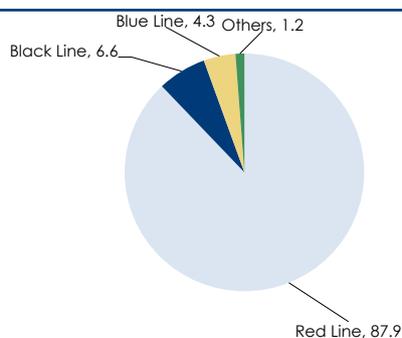
Sector generic risks:

- An increase in competition from the main competitors and a potentially higher penetration of private labels and online competitors;
- 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.

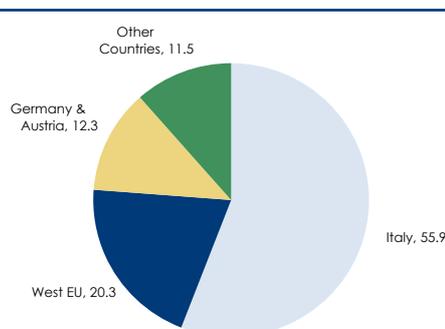
Estimates vs. consensus

EUR M (Y/E Dec)	2019E	2019C	2020E	2020C	2021E	2021C
Sales	145.3	146.1	155.2	154.4	161.4	160.0
Adj. EBITDA	34.15	34.00	36.62	36.33	38.73	38.00
EBIT	23.15	26.19	27.32	28.92	29.43	32.00
Pre-tax income	21.35	22.12	25.52	25.56	27.63	27.69
Net income	17.13	17.63	19.61	19.88	21.07	20.80
EPS	1.04	1.15	1.07	1.14	1.13	1.18

9M19A revenues by product line (%)



9M19A revenues by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 21/11/2019)

Our Mid Corporate Definition

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

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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) 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

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/scriptlsir0/si09/studi/eng_storia_raccomandazioni.jsp.

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
3-Sep-19	BUY	10.8	7.0
21-Mar-19	BUY	12.0	7.0

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at November 2019)**

Number of companies considered: 115	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	18	30	1	0
of which Intesa Sanpaolo's Clients (%) (*)	79	57	37	0	0

(*) 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)

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.intesasanpaolo.com/script/sir0/si09/governance/eng_wp_governance.jsp, along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chiamo/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 Financial Conduct Authority 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.intesasanpaolo.com/script/sir0/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.

- 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
- 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
- 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
- Banca IMI acts as Nominated Advisor, Specialist relative to securities issued by Cellularline

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