

Analysar

15 May 2020

Buy

Recommendation unchanged

Share price: EUR 4.98

closing price as of 14/05/2020

Target price: EUR 8.00

Target Price unchanged

Upside/Downside Potential 60.6%

Reuters/Bloomberg CELL.MI/CELL IM

Market capitalisation (EURm) 109

Current N° of shares (m) 22

Free float 79%

Daily avg. no. trad. sh. 12 mth 26

Daily avg. trad. vol. 12 mth (m) 198.07

Price high/low 12 months 7.60 / 3.98

Abs Perfs 1/3/12 mths (%) 8.26/-24.09/-32.15

Key financials (EUR) 12/19 12/20e 12/21e

Sales (m) 140 133 140

EBITDA (m) 33 30 32

EBITDA margin 23.5% 22.5% 22.5%

EBIT (m) 20 19 22

EBIT margin 14.5% 14.4% 15.5%

Net Profit (adj.)(m) 26 18 21

ROCE 7.5% 6.3% 7.2%

Net debt/(cash) (m) 25 7 (5)

Net Debt/Equity 0.1 0.0 0.0

Debt/EBITDA 0.7 0.2 -0.2

Int. cover(EBITDA/Fin. int) 21.3 20.1 24.3

EV/Sales 1.3 0.9 0.7

EV/EBITDA 5.4 3.9 3.3

EV/EBITDA (adj.) 5.4 3.9 3.3

EV/EBIT 8.8 6.1 4.8

P/E (adj.) 5.4 5.5 4.9

P/BV 0.8 0.5 0.5

OpFCF yield 10.8% 22.8% 17.9%

Dividend yield 6.6% 6.6% 6.6%

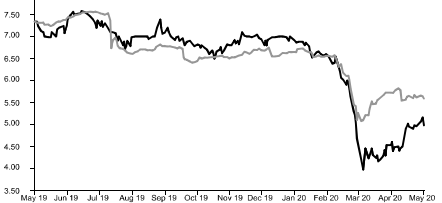
EPS (adj.) 1.31 0.91 1.01

BVPS 9.26 9.56 9.96

DPS 0.33 0.33 0.33

Shareholders

S.L.M.K. Funds 9%; Christian Aleotti 7%; Treasury 6%;



Source: FactSet
CELLULARLINE FTSE AIM Italia (Rebased)

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Q120 cc feedbacks: growth opportunities are there

The facts: Yesterday the company held a cc on its Q120 results.

P&L (Euro mn)	Q119a	Q219a	H119a	%Ch.	H219a	%Ch.	2019A	%Ch.	Q120a	%Ch.
Acq.	0.0	3.5	3.5	7.2%	6.2	7.7%	9.7	7.5%	2.7	13.1%
Org.	na	na	3.1	6.3%	(2.1)	-2.6%	1.0	0.8%	(3.3)	-16.0%
Sales	20.6	34.6	55.3	13.5%	85.2	5.1%	140.4	8.3%	20.0	-2.9%
EBITDA adj.	1.5	7.4	8.9	6.8%	24.2	-5%	33.1	-2.4%	0.8	-47%
EBITDA Margin	7.3%	21.3%	16.0%		28.4%		23.5%	24.8%	4.0%	
TOT. D&A	(1.8)	(2.0)	(1.5)	11.0%	(2.4)	49.1%	(3.8)	32%	(1.5)	-19%
Provisions/lfrs 16	0.3	0.0	0.3		(0.1)		0.2		0.0	
Non-rec.	0.0	(2)	(1.6)	na	(1.6)	na	(3.1)		0.0	na
EBITA	(0.0)	6.2	6.2	nm	20.1	-11.0%	26.3	7%	(0.7)	59.0
EBITA Margin	-0.1%	17.9%	11.2%		23.7%		18.8%		-3.5%	
PPA	(1.5)	(1.5)	(3.0)		(3.0)		(6.0)		(1.5)	
EBIT	(1.5)	4.7	3.2	nm	17.1	-13.3%	20.3	8%	(2.2)	46%
EBIT margin	-7.3%	13.6%	5.8%		20.1%		14.5%		-11.0%	
Net financial costs	(0.3)	(0.5)	(0.8)	nm	(0.8)	nm	(1.6)		0.4	nm
Extraordinary items	0.0	0.0	0.0		1.3		1.3		0.0	
Pre-tax profit	(1.9)	4.3	2.4	nm	17.7	nm	20.1	73%	(1.8)	-1%
Taxes	0.3	(0.1)	0.2		(2.1)		(1.9)	nm	0.2	
Tax rate	nm	nm	nm		-12%		9.3%		nm	
Net profit	(1.6)	4.2	2.6	-85%	15.6	-10%	18.2	8%	(1.7)	6%
Net margin	-7.6%	12.0%	4.7%		18.3%		13.0%		-8.3%	
Net financial debt	na	na	39.6		25.2		25.2		28.8	

Source: Company Data, Banca Akros Forecasts

Our analysis: Main inputs from the cc are in our opinion were:

- Company to keep investing in new products also with the launch of new tailored ones for CV potential demand: specifically on this the company is launching a portable plastic UV steriliser (99.99% killing rate) for mobile phone and accessories which should perform well. The box will be certified in its performance to stand out vs. likely low-cost competition. A likely new innovation (for what we understood) is to produce plastic with additive able to kill bacteria thanks to a potential agreement with a US company producing the additives. Finally company will expand/launch new products related with the stay/fitness at home situation. All new products potential upside as well as the good foreign sales performance is not included in our forecasts.
- Preliminary CVC impacts in terms of lower sales today with the hindsight, is likely a bit higher than expected due to the longer than expected lockdown in Italy. On this the potential range we estimate was EUR 8/12m of lower sales (Akros -10m so we might be in the higher part);
- G&A costs reductions actions confirmed to kick in from Q2;
- RoW/Europe confirmed to be already on the reopening phase with some markets already performing well after a month of lockdown;
- NFP including dividend to be paid in May is likely to be at the highest at the end of June and then recover. No major issues on receivables but some standard, in the light of the situation, delayed payments from Q1 into Q2 .
- M&A is only being slowed down by the CV but company still actively looking with CV likely reducing acquisition costs and/or enlarging opportunities.

Conclusion & Action: The shares are trading at 5x 2021e pe without assuming a margin recovery. We would say that the CV is more than priced-in in the shares while the upside from new products, cash generation and potential M&A is definitely not. Rating BUY and PT confirmed. **Main risks are in a longer shutdown period while upside are in a resumption of the mobile market growth.**