

Cellularline

Sponsored Research

Italy | Personal Goods



Analysar

15 September 2020

Accumulate

from Buy

Share price: EUR 5.00

closing price as of 14/09/2020

Target price: EUR 6.00

from Target Price: EUR 8.00

Upside/Downside Potential 20.0%

Reuters/Bloomberg

CELL.MI/CELL IM

Market capitalisation (EURm) 108

Current N° of shares (m) 22

Free float 79%

Daily avg. no. trad. sh. 12 mth (k) 31

Daily avg. trad. vol. 12 mth (k) 146.06

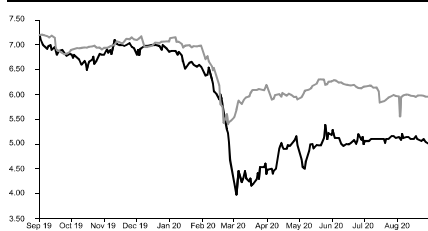
Price high/low 12 months 7.20 / 3.98

Abs Perfs 1/3/12 mths (%) -2.34/-4.21/-29.38

Key financials (EUR)	12/19	12/20e	12/21e
Sales (m)	140	118	139
EBITDA (m)	33	21	30
EBITDA margin	23.5%	18.0%	21.4%
EBIT (m)	20	8	19
EBIT margin	14.5%	6.6%	13.6%
Net Profit (adj.)(m)	23	11	18
ROCE	7.5%	2.3%	5.6%
Net debt/(cash) (m)	25	43	33
Net Debt/Equity	0.1	0.2	0.2
Debt/EBITDA	0.7	2.0	1.1
Int. cover(EBITDA/Fin. int)	21.3	14.2	19.8
EV/Sales	1.2	1.2	1.0
EV/EBITDA	5.2	6.8	4.6
EV/EBITDA (adj.)	5.2	6.8	4.6
EV/EBIT	8.3	18.7	7.2
P/E (adj.)	6.0	9.2	5.6
P/BV	0.7	0.5	0.5
OpFCF yield	11.0%	11.2%	15.4%
Dividend yield	6.6%	6.6%	6.6%
EPS (adj.)	1.16	0.55	0.90
BVPS	9.34	9.28	9.59
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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DVD and 2021e sales recovery key to equity story.

The facts: New forecasts post Q2/H1 results and post call results.

Our analysis: Q2/H1 results were a bit lower than expected at sales/EBITDA level (some EUR 2m lower) but above all at EBIT level due to higher than expected provisions and non-rec (EUR-3.9/-6.1m vs Akros EUR1.6/-0.6m). Net net the reported net profit in Q2/H1 was EUR-2.3/-3.9m vs. Akros EUR EUR2/0.4m). Net debt on the other hand was lower at EUR 33.4m vs. Akros EUR 38.4m generating some EUR 2m of cash in Q2 after EUR 6.6m of DVD. Main inputs from the cc, in our opinion were: July and August weekly sales are now some 7% to 12% lower yoy i.e. materially recovering from the -52% of Q2 and with sell-in and sell-out about stable; cost cutting should produce some benefits especially in 2021e but not enough to offset the expected sales decline of the current year; company relaxed on current financial situation and prospects that absolute DVD (2019 EUR 0.33c), barring any new lockdown and pending on the size of M&A, might be confirmed or even increased; as far as M&A is concerned the company keeps scouting and is negotiation a new financing package to improve its flexibility in terms of covenants and duration. On the back of the above inputs we now expect an H220e organic sales decline of 11% or 22% for the full year. The consolidation of SKross, the travel retail accessories player, which will be consolidated from August 2020e, will partly offset some shortfall, but contribution will not be material till 2022e. We expect the company in 2021e to recover 50% of the lost sales with still lower profitability than 2019 to then stabilize going forward. Net debt forecasts reflect the EUR 24m consideration for Skross including minorities and debt as well as some NWC cash absorption.

	New		Old		New		Old		New		Old		
Eurm	2019	2020E	%Ch.	2020E	%Ch.	2021E	%Ch.	2021E	%Ch.	2022E	%Ch.	2022E	%Ch.
Acq.	9.7	8.7	6%	3.0	2%	5.3	4%	0.0	0%	9.0	6%	0.0	0%
Org.	1.0	-31.0	-22%	-10.0	-7%	15.5	13%	6.9	5%	0.0	0%	4.2	3%
Sales	140.4	118.1	-16%	133.4	-5%	138.9	18%	140.4	5%	147.9	6%	144.6	3%
EBITDA	33.1	21.3	-36%	30.1	-9%	29.7	39%	31.6	5%	31.2	5%	32.6	3%
% Sales	23.5%	18.0%		22.5%		21.4%		22.5%		21.1%		22.5%	
D&A	-3.7	-4.6		-3.8		-4.8		-3.8		-5.1		-3.9	
Prov./Non-Rec.	-2.9	-2.9		-1.0		0.0		0.0		0.0		0.0	
EBITA	26.4	13.8	-48%	25.3	-4%	24.9	80%	27.8	10%	26.1	5%	28.7	3%
% Sales	18.8%	11.7%		18.9%		17.9%		19.8%		17.6%		19.8%	
PPA	-6.0	-6.0		-6.0		-6.0		-6.0		-6.0		-6.0	
EBIT	20.4	7.8	-62%	19.3	-6%	18.9	142%	21.8	13%	20.1	6%	22.7	4%
% Sales	14.5%	6.6%		14.4%		13.6%		15.5%		13.6%		15.7%	
Fin. Charges	-1.6	-1.5		-1.5		-1.5		-1.3		-1.3		-1.1	
Non-Rec.	1.2	0		0		0		0		0		0	
Pretax	20.2	6.8	-66%	17.9	-11%	17.4	155%	20.6	15%	18.8	8%	21.7	5%
Taxes	-1.9	-1.6		-4.1		-4.0		-4.7		-4.3		-5.0	
Tax Rate	9%	23%		23%		23%		23%		23%		23%	
Net Profit	18.2	5.2	-71%	13.8	-24%	13.4	155%	15.9	15%	14.4	8%	16.7	5%
Net Profit Adj.	23.3	10.9		18.4		18.0		20.5		19.1		21.3	
EPS	0.84	0.24		0.63		0.62		0.73		0.95		1.05	
% Diff.		-62%				-15%				-9%		-18.5	
NFP	24.6	43.3		7.1		33.3		-5.1		20.0		-18.5	

Source: Company Data, Banca Akros forecasts

Conclusion & Action: We believe that the company is on the way to recover and that the indications on the DVD are very important. However, overall visibility on the pace of recovery is low and as such, we are ready to pay an arbitrary EV/EBITDA of app. 5x 2021e or a PT of EUR 6 from EUR 8. This suggest us, also in the light of the small cap nature of the company to change our rating to ACCUMULATE from BUY.