

# CELLULARLINE

# BUY

Price (Eu):

5.00

Target Price (Eu):

7.30

SECTOR: Consumers

Andrea Randone +39-02-77115.364  
e-mail: andrea.randone@intermonte.it

Francois Robillard +39-02-77115.470  
e-mail: francois.robillard@intermonte.it

## Time for recovery and M&A execution after a difficult 2Q

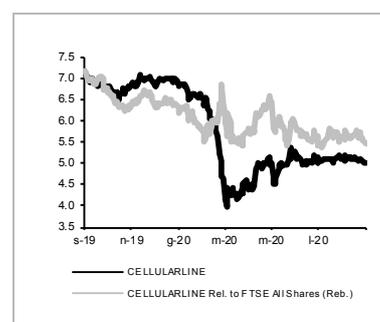
- 2Q top line impacted by extreme market conditions, below our estimate.** 2Q sales were €16.6mn, down -52% YoY, slightly below our forecast of €17.4mn/-50%. Market conditions were particularly negative in the Red Line segment (core mobile accessories, 79% of sales), down -55% in 2Q (vs our -48%), as the closure of consumer electronics shops in April across Italy and other European countries, coupled to a marked dip in smartphone sales, hurt volumes and mix. Black Line sales (Interphone brand) were down -30% and Blue Line sales (third-party products) down -13%.
- Adj. EBITDA a touch below our estimate; better tax and WC pushed net income and FCF above estimates.** The drop in volumes and the adverse evolution of the mix were only partly offset by cost-cutting actions and caused adj. EBITDA to drop -94% YoY to €0.5mn, a touch below our estimate of €0.7mn. This figure re-integrates €1.4mn of extraordinary costs related to Covid-19, mostly including the return of unsold goods from customers. Positive tax in 2Q helped push adj. net income to breakeven (€0.1mn), beating our estimate of €-1.7mn. 2Q FCF was €2mn, beating our €-1.7mn forecast thanks to better tax and better cash generation from WC (+€5.6mn vs our est. +€1mn). The NFP was €-34.4mn (vs our €-37.7mn), reflecting the €6.6mn dividend payment.
- Progressive normalisation taking place in 2H.** Positive messages were given on the recovery of sell-in and sell-out post lockdown, with the trading update for July-August pointing to a gradual normalisation of volumes and inventory levels, as activity for those months were down about -7% to -12% YoY, a net improvement compared to the figure well below -50% seen in April-May and ca. -40% in June. Retailers were said to be showing the fastest recovery, while travel retail remains the worst-affected channel with limited improvement expected by year-end. No explicit guidance was provided amid the continued uncertainty. A higher dividend payout is possible for the next few years, offering steady or increasing compensation, but future dividend payments might depend on cash used for potential M&A deals.
- Worldconnect acquisition.** In this report, we cover the recent acquisition of Worldconnect (Skross). Overall, the impact on 2020 NFP is expected to be €-24mn and the deal would be 9% accretive to EPS in 2022. More details below.
- Change to estimates.** We have lowered our forecasts for top-line and EBITDA for 2020 amid weaker-than-expected 2Q figures, an adverse mix and lingering uncertainty on 2H. We include the expected contribution from Worldconnect in our estimates, although we adopt a more cautious stance on volume and margin recovery for 2021, offsetting the accretion from the latest deal.
- BUY confirmed, TP to €7.3 (from €8.5).** We have trimmed our TP to €7.3 from the previous €8.5 to reflect our lower estimates. The stock still has attractive features, ranging from low multiples (4.8x EV/EBITDA 21E, 5.4x PE 20E) to interesting FCF yield (17% average 21-22E). Our TP reflects 46% upside on the last closing price, justifying our BUY rating.

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	130	140	120	150	170
Ebitda (Eu mn)	28	30	18	31	37
Net profit (Eu mn)	17	18	6	15	19
EPS - New Adj.(Eu)	1.020	1.051	0.532	0.841	1.039
EPS - Old Adj.(Eu)	1.020	1.051	0.803	1.000	1.103
DPS (Eu)	0.300	0.330	0.360	0.400	0.400
Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	4.9	4.8	9.4	5.9	4.8
Div. Yield	6.0%	6.6%	7.2%	8.0%	8.0%
EV/Ebitda Adj.	3.7	3.8	7.0	4.5	3.4
ROCE	9.6%	9.1%	3.9%	8.6%	11.0%

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Next event:  
3Q Results out 11 November 2020

### CELLULARLINE - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 8.50 to 7.30

Ch. in Adj.EPS est: 2020E 2021E  
-33.8% -15.9%

### STOCK DATA

Reuters code: CELL.MI  
Bloomberg code: CELL IM

Performance	1m	3m	12m
Absolute	-2.3%	-3.5%	-29.4%
Relative	-2.0%	-8.8%	-19.7%
12 months H/L:	7.20/3.98		

### SHAREHOLDER DATA

No. of Ord. shares (mn): 20  
Total No. of shares (mn): 22  
Mkt Cap Ord (Eu mn): 101  
Total Mkt Cap (Eu mn): 101  
Mkt Float - ord (Eu mn): 62  
Mkt Float (in %): 61.0%  
Main shareholder:  
Private Equity funds 14.0%

### BALANCE SHEET DATA

	2020
Book value (Eu mn):	202
BVPS (Eu):	9.12
P/BV:	0.5
Net Financial Position (Eu mn):	-44
Enterprise value (Eu mn):	145

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on the last page of this report

**CELLULARLINE - KEY FIGURES**

		<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
	Fiscal year end	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	130	140	120	150	170
	EBITDA	28	30	18	31	37
	EBIT	19	20	9	21	27
	Financial income (charges)	(8)	(0)	(1)	(1)	(1)
	Associates & Others	(0)	0	(0)	(0)	(0)
	Pre-tax profit (Loss)	12	20	8	19	25
	Taxes	5	(2)	(2)	(5)	(6)
	Tax rate (%)	-45.3%	9.3%	20.2%	24.7%	24.6%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	17	18	6	15	19
	Total extraordinary items	(6)	(5)	(5)	(4)	(4)
	Ebitda excl. extraordinary items	34	33	21	31	37
	Ebit excl. extraordinary items	31	29	17	26	32
	Net profit restated	23	23	12	19	23
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	23	22	22	22	22
	EPS stated fd	0.747	0.820	0.292	0.658	0.856
	EPS restated fd	1.020	1.051	0.532	0.841	1.039
	BVPS fd	8.600	9.125	9.116	9.446	9.937
	Dividend per share (ord)	0.300	0.330	0.360	0.400	0.400
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	36.1%	36.7%	112.2%	55.4%	42.6%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	23	27	16	25	29
	Change in NWC	(1)	(7)	(1)	(8)	(4)
	Capital expenditure	(2)	(3)	(4)	(3)	(3)
	Other cash items					
	Free cash flow (FCF)	20	17	11	13	21
	Acquisitions, divestments & others	26	(2)	(10)	(5)	0
	Dividend	0	(6)	(7)	(7)	(8)
	Equity financing/Buy-back	2	(3)	0	0	0
Change in Net Financial Position	41	(0)	(19)	6	13	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	181	182	190	189	183
	Net working capital	62	70	71	79	83
	Long term liabilities	(24)	(24)	(24)	(24)	(24)
	Net capital employed	219	227	237	244	241
	Net financial position	(25)	(25)	(44)	(38)	(25)
	Group equity	194	203	202	210	221
	Minorities	0	0	0	0	0
Net equity	194	203	202	210	221	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	101	101	101	101	101
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(25)	(25)	(44)	(38)	(25)
	Enterprise value	126	126	145	139	126
<b>RATIOS(%)</b>	EBITDA margin*	26.1%	23.5%	17.2%	20.4%	21.5%
	EBIT margin*	23.9%	20.4%	14.4%	17.6%	19.0%
	Gearing - Debt/equity	12.6%	12.1%	21.7%	18.1%	11.2%
	Interest cover on EBIT	2.5	66.7	12.9	20.7	26.6
	Debt/Ebitda	0.89	0.82	2.42	1.24	0.68
	ROCE*	9.6%	9.1%	3.9%	8.6%	11.0%
	ROE*	11.3%	9.2%	3.2%	7.1%	8.8%
	EV/CE	0.6	0.6	0.6	0.6	0.5
	EV/Sales	1.0	0.9	1.2	0.9	0.7
	EV/Ebit	4.1	4.4	8.4	5.3	3.9
Free Cash Flow Yield	19.5%	16.8%	10.9%	13.1%		
<b>GROWTH RATES (%)</b>	Sales	-7.0%	8.2%	-14.4%	24.9%	13.3%
	EBITDA*	-14.2%	-2.5%	-37.4%	48.4%	19.3%
	EBIT*	-15.1%	-7.5%	-39.6%	52.9%	22.2%
	Net profit	-28.8%	7.9%	-64.4%	125.1%	30.0%
	EPS restated	-2.6%	3.0%	-49.4%	58.1%	23.5%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## The Worldconnect AG acquisition

On July 23rd, Cellularline announced it had closed the acquisition of an 80% stake in the Swiss group Worldconnect AG, known for its premium travel adaptor brands SKROSS and Q2 Power, as well as its OEM partnerships. Worldconnect is fully consolidated by Cellularline from August 2020.

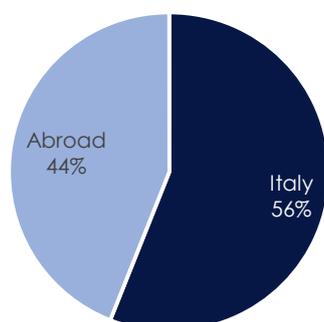
### Rationale of the operation

#### **Incorporating a global leader in the travel adaptor segment and enhancing the product offering.**

This M&A deal will enhance Cellularline's product offering through the addition of travel adaptors bearing the SKROSS (premium) and Q2Power (mid-market) brands. In addition, these brands' complementary offering of battery chargers, power banks and cables will further consolidate Cellularline's offering of these products.

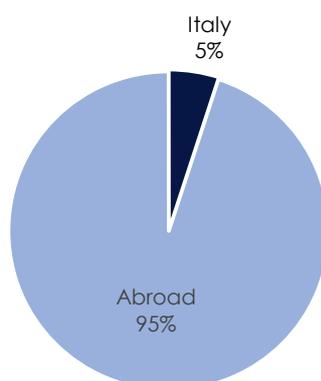
**Greater exposure to the travel retail distribution channel and international markets.** Worldconnect has a presence at more than 600 sales points worldwide in the travel retail distribution channel and 95% of its sales are made outside of Italy. This compares to Cellularline's figure of 44% of revenues made abroad in 2019. In addition, Cellularline's current ~20% exposure to travel retail distribution occurs mostly at motorway and railway stations, whereas Worldconnect boasts much wider exposure to airport shops.

**Cellularline 2019 sales breakdown**



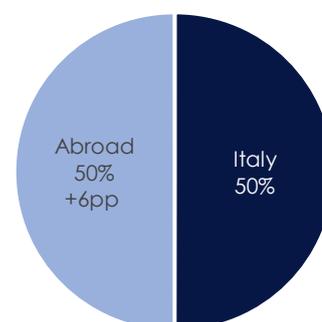
Source: Company data

**Worldconnect 2019 sales breakdown**



Source: Cellularline press release

**Pro-Forma 2019 sales breakdown**



Source: Intermonte SIM on company data

**Further development of Cellularline's premium brand offering.** The SKROSS brand is positioned at the high-end of the travel adaptor and accessories market. Furthermore, Worldconnect boasts an interesting competitive edge in terms of innovation and intellectual property, as about 80% of its products are developed using patents with an average term of 10-years.

### Synergy potential

The company did not disclose any explicit synergy target related to this operation; however, the following were identified as sources of potential synergies:

- **Distribution channel:** Worldconnect's superior penetration of the Travel Retail distribution channel abroad might open doors for distribution of Cellularline own brands in new markets, generating potential revenue synergies through gains in local market share as well as upgrades to its presence at existing locations.
- **Marketing and trade marketing:** management identified an opportunity for reducing costs through centralisation of this department.
- **R&D:** as stated previously, strong R&D capabilities materialising through a robust Intellectual Property portfolio are a core competitive advantage for Worldconnect, and thus for Cellularline. The potential synergies from the consolidation of both groups' R&D capabilities could range from enhanced cost structures to potential new product launches as well as enhancement of the existing product range.
- **Supply chain:** both companies source some of their offering from East Asian countries and could therefore leverage on their new, larger, common orders in order to obtain discounts on purchases.

### **Deal structure and valuation**

**Transaction structure:** the total consideration to be paid for the 80% stake acquired will be CHF15.8mn, or €14.6mn at current exchange rates. Payment will take place as follows:

- CHF10mn (€9.3mn) paid on the closing of the operation in July 2020;
- CHF5.8mn (€5.4mn) to be paid 12 months after closing (i.e. in July 2021).

Put and call options are owned by Cellularline and Worldconnect's remaining minority shareholders until the approval of 2024 annual accounts for the acquisition or sale of the remaining 20% stake in multiple tranches.

- The purchase price of each tranche will be determined based on an EV/EBITDA multiple of 7x, relating to the EBITDA of the reference year;
- The purchase price may be paid fully or partly in cash or in Cellularline shares.

**Transaction valuation:** on the basis of the €14.6mn paid for the 80% stake, the transaction values Worldconnect equity at €18.4mn and the EV at €22.6mn, based on 2019 net debt of CHF4.5mn (€4.2mn). Based on 2019 financials, this values Worldconnect EV at 1.2x sales, and equity at an 11x P/E multiple. Although no EBITDA figure for the acquired company was disclosed, we estimate the transaction values Worldconnect at approximately 8.1x 2019 adj. EBITDA based on management indications provided during the 2Q20 results conference call.

### **Worldconnect financials in a nutshell**

Worldconnect realised revenues of CHF20mn (€18.7mn) in 2019 and had an adjusted net income margin of about 9% (vs 16.6% for Cellularline in 2019), meaning CHF1.8mn (€1.7mn) of adjusted net income. On a pro-forma basis, based on 2019 figures, Worldconnect would add 13.3% to the top-line and be accretive to EPS by 7.4%.

We provide a summary of the operation in the table below.

### **Summary of the Worldconnect acquisition**

	CHF mn	EURmn	% accretion to CELL 2019 data	Source
<b>Worldconnect Financials</b>				
2019 Sales	20.0	18.7	13.3%	Press release
2019 Net Income Adj.	1.8	1.7	7.2%	Press release
Net Income margin %	9.0%	9.0%		
2019 EBITDA Adj.	3.0	2.8	8.4%	Intermonte estimate
2019 NFP	-4.5	-4.2		Press release
<b>Transaction conditions</b>				
80% stake price	15.8	14.7		Press release
- o/w paid in 2020	10.0	9.3		Press release
- o/w paid in 2021	5.8	5.4		Press release
Worldconnect Equity	19.8	18.4		Intermonte calculation
Worldconnect EV 2019	24.3	22.6		Intermonte calculation
<b>Implied valuation multiples</b>				
EV/Sales 2019	<b>1.2x</b>			Intermonte calculation
P/E Adj. 2019	<b>11.0x</b>			Intermonte calculation
EV/EBITDA Adj. 2019	<b>8.1x</b>			Intermonte estimate

Source: Intermonte SIM on company data, Intermonte SIM estimates

### **Our take on the deal**

We view this acquisition positively as the company is increasingly developing its internationalisation strategy (in 2019, foreign revenues came to 44% of the total). Moreover, it improves CELL's mix of distribution channels, strengthening its presence in travel retail (ca. 20% of revenues under normal business conditions). Management has shown that it can continue to put capital to work through acquisitions, like the Systema deal last year.

From a valuation point of view, based on 2019 data, Worldconnect was bought at an EV/revenue multiple of 1.2x and a P/E of 11x, in line with peers but slightly higher than the current Cellularline market valuation.

Looking ahead, we expect Worldconnect's standalone top-line to rebound starting 2021 and gradually recover in 2021 and 2022. Our forecast is based mainly on the latest indications by IATA, which point to a return to 2019 global air passenger numbers by 2023 at the earliest, as well as an assumed volume recovery for bricks&mortar store sales in the next years. We aggregate those two factors to match Worldconnect's channel exposure (approx. 50% in travel retail and 50% in consumer electronics and other channels). IATA's "revenue passenger kilometers" (RPK) metric for global passenger traffic is expected to return to the pre-covid level only by 2024 (see link [here](#)). We believe using IATA's air passenger traffic forecast is appropriate to reflect Worldconnect's primary exposure to the airport travel retail channel.

The table below shows our assumptions for Worldconnect on a standalone basis in more detail. These figures do not comprise any potential revenue synergies from the combination of the business with Cellularline's capabilities.

### **Worldconnect – Intermonte forecast of standalone top-line**

	weight	2019A	2020E	2021E	2022E	2023E	2024E
Global air passenger (RPK) YoY %	50%	+4%	(55%)	+75%	+25%	+5%	+3%
Physical store recovery assumption	50%		(30%)	+20%	+20%	+5%	+3%
<b>Worldconnect Revenues (CHF mn)</b>		<b>20.0</b>	<b>11.5</b>	<b>16.9</b>	<b>20.7</b>	<b>21.9</b>	<b>22.6</b>
YoY Growth %			(43%)	+47%	+22%	+5%	+3%
FX EUR/CHF		1.07	1.08	1.08	1.08	1.08	1.08
<b>Worldconnect Revenues (EUR mn)</b>		<b>18.7</b>	<b>10.6</b>	<b>15.7</b>	<b>19.2</b>	<b>20.3</b>	<b>20.9</b>
YoY Growth %			(43%)	+47%	+22%	+5%	+3%
Consolidated in CELL accounts		-	5.3	15.7	19.2	20.3	20.9
Accretion %			4.6%	11.6%	12.7%		
<b>EBITDA Adj. Standalone (EUR mn)</b>		<b>2.8</b>	<b>0.2</b>	<b>1.9</b>	<b>3.0</b>	<b>3.3</b>	<b>3.5</b>
EBITDA Adj. margin % est		15.0%	1.6%	12.3%	15.5%	16.3%	16.7%
<b>Net Income Adj. Standalone (EUR mn)</b>		<b>1.7</b>	<b>-0.2</b>	<b>1.1</b>	<b>1.9</b>	<b>2.2</b>	<b>2.3</b>
Net Income Adj. Margin Est		9.0%	-2.2%	6.8%	9.9%	10.7%	11.1%
Consolidated in CELL accounts			-0.1	1.1	1.9	2.2	2.3
Accretion %			-1.0%	6.0%	9.0%		

Source: 2019 data based on Cellularline press release, Intermonte SIM estimates

Based on the forecasts provided above, the forward-looking EV/EBITDA multiples of the Worldconnect acquisition would be 11.7x and 7.6x for 2021E and 2022E respectively. Assuming the 9.9% net profit margin shown above can be achieved in 2022, Worldconnect's addition would represent a 9% accretion to net income, and the acquisition price would imply a ca. 9.7x P/E multiple based on our 2022 forecasts on a standalone basis.

## 2Q20/1H20 Results Snapshot

### 2Q20/1H20 results snapshot

	1Q19A	2Q19A	1H19A	1Q20A	2Q20A	1H20A	YoY 2Q	YoY 1H	2Q20E	1H20E	AvE 2Q	AvE 1H
<b>Revenues</b>	<b>20.6</b>	<b>34.7</b>	<b>55.3</b>	<b>20.0</b>	<b>16.6</b>	<b>36.6</b>	<b>(52%)</b>	<b>(34%)</b>	<b>17.4</b>	<b>37.5</b>	<b>(5%)</b>	<b>(2%)</b>
<b>Adj. EBITDA</b>	<b>1.5</b>	<b>7.7</b>	<b>9.2</b>	<b>0.8</b>	<b>0.5</b>	<b>1.2</b>	<b>(94%)</b>	<b>(87%)</b>	<b>0.7</b>	<b>1.5</b>	<b>(35%)</b>	<b>(17%)</b>
Margin	7.3%	22.3%	16.6%	3.8%	2.8%	3.4%	-19.5pp	-13.3pp	4.1%	4.0%		
<b>EBIT</b>	<b>-1.5</b>	<b>4.7</b>	<b>3.2</b>	<b>-2.2</b>	<b>-3.9</b>	<b>-6.1</b>	<b>(183%)</b>	<b>(291%)</b>	<b>-3.6</b>	<b>-5.8</b>	<b>(8%)</b>	<b>(5%)</b>
Margin	-7.3%	13.6%	5.8%	-11.0%	-23.5%	-16.7%	-37.1pp	-22.4pp	-20.7%	-15.5%		
<b>Net Income</b>	<b>-1.6</b>	<b>4.1</b>	<b>2.6</b>	<b>-1.7</b>	<b>-2.2</b>	<b>-3.9</b>	<b>(154%)</b>	<b>(252%)</b>	<b>-4.1</b>	<b>-5.8</b>	<b>46%</b>	<b>32%</b>
<b>Adj. Net Income</b>	<b>-0.1</b>	<b>6.3</b>	<b>6.2</b>	<b>-0.8</b>	<b>0.1</b>	<b>-0.7</b>	<b>(98%)</b>	<b>(111%)</b>	<b>-1.7</b>	<b>-2.4</b>	<b>107%</b>	<b>73%</b>
Margin	-0.5%	18.2%	11.2%	-3.9%	0.7%	-1.8%			-9.5%	-6.5%		
Adj. OpCF	-3.3	4.2	0.9	-3.4	2.7	-0.7			-0.8	-4.1		
Capex	-0.8	-1.0	-1.8	-0.9	-0.7	-1.6			-0.9	-1.8		
<b>FCF</b>	<b>-4.1</b>	<b>3.2</b>	<b>-0.9</b>	<b>-4.2</b>	<b>2.0</b>	<b>-2.2</b>	<b>(37%)</b>	<b>160%</b>	<b>-1.7</b>	<b>-5.9</b>	<b>221%</b>	<b>62%</b>
<b>Net Debt</b>		<b>-39.6</b>	<b>-39.6</b>	<b>-28.8</b>	<b>-33.4</b>	<b>-33.4</b>			<b>-37.7</b>	<b>-37.7</b>	<b>11%</b>	<b>11%</b>

Source: Company data (A), Intermonte SIM estimates (E)

## Changes to estimates

We have adjusted our estimates to reflect the following:

- Integration of Worldconnect:
  - expected to bring in additional revenues of ~€5mn/~€16mn/~€19mn in '20/'21/'22;
  - we also reflect the acquisition price in our net debt estimates, with €24mn additional debt for 2020 specific to the acquisition and broken down as follows: €10mn for the payment made at closing, €5mn of additional debt for the second payment tranche due in 2021, €4.2mn for Worldconnect's net debt at acquisition, and finally we estimate a ca. €4mn outflow for the purchase of the 20% minority stake.
- We factor in slightly more conservative estimates for:
  - gross margins, reflecting the lower Worldconnect margins compared to the Celluarline standalone business, also reflecting the adverse product mix seen in 2020 and the development of the new, entry-level, lower-margin offering;
  - lower fixed-cost reduction than previously reflected in our estimates;
  - in addition, we have revised our D&A and interest expense forecasts to better reflect the levels seen in latest periodic data;
  - these changes lead to the earnings revision for future years as shown in the table below, as more conservative estimates for the standalone business offset the addition of Worldconnect into the consolidation scope.

### Changes to estimates

	New			Old			Diff. %		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
<b>Revenue</b>	<b>120.2</b>	<b>150.1</b>	<b>170.1</b>	<b>129.4</b>	<b>150.7</b>	<b>155.8</b>	<b>-7%</b>	<b>0%</b>	<b>9%</b>
% YoY	-14.4%	24.9%	13.3%	-7.9%	16.5%	3.3%			
<b>Adj. EBITDA</b>	<b>20.7</b>	<b>30.7</b>	<b>36.6</b>	<b>27.5</b>	<b>35.1</b>	<b>37.9</b>	<b>-25%</b>	<b>-13%</b>	<b>-3%</b>
% YoY	-37.4%	48.4%	19.3%	-16.9%	27.7%	8.0%			
Margin	17.2%	20.4%	21.5%	21.2%	23.3%	24.3%			
<b>Adj. EBIT</b>	<b>17.3</b>	<b>26.5</b>	<b>32.4</b>	<b>24.0</b>	<b>31.2</b>	<b>34.0</b>	<b>-28%</b>	<b>-15%</b>	<b>-5%</b>
% YoY	-39.6%	52.9%	22.2%	-16.3%	29.9%	9.1%			
Margin	14.4%	17.6%	19.0%	18.5%	20.7%	21.8%			
<b>Adj. Net Income</b>	<b>11.8</b>	<b>18.7</b>	<b>23.0</b>	<b>17.8</b>	<b>22.2</b>	<b>24.5</b>	<b>-34%</b>	<b>-16%</b>	<b>-6%</b>
% YoY	-49.4%	58.1%	23.5%	-23.6%	24.5%	10.3%			
Margin	9.8%	12.4%	13.6%	13.8%	14.7%	15.7%			
<b>Net Debt/(Cash)</b>	<b>44.0</b>	<b>38.0</b>	<b>24.7</b>	<b>15.1</b>	<b>13.1</b>	<b>(19.5)</b>	<b>N.M.</b>	<b>N.M.</b>	<b>N.M.</b>
<b>NFP/Adj. EBITDA</b>	<b>2.1x</b>	<b>1.2x</b>	<b>0.7x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>-0.5x</b>			

Source: Intermonte

**CELLULARLINE Peer Group - Absolute Performances**

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>CELLULARLINE</b>	<b>5.00</b>	<b>EUR</b>	<b>101</b>	<b>-2.3%</b>	<b>-3.5%</b>	<b>7.1%</b>	<b>-28.6%</b>	<b>-29.4%</b>	<b>-39.8%</b>
ACCO BRANDS	6.06	USD	572	-13.7%	-9.3%	11.2%	-35.3%	-39.6%	-50.1%
FILA	7.38	EUR	375	-6.2%	-13.0%	-10.4%	-48.6%	-48.9%	-57.1%
PLANTRONICS	12.04	USD	491	-39.1%	-14.9%	58.0%	-56.0%	-66.3%	-80.7%
ZAGG	3.04	USD	91	-19.6%	-2.9%	4.1%	-62.5%	-53.0%	-80.9%
<b>Mean performance</b>				<b>-16.2%</b>	<b>-8.7%</b>	<b>14.0%</b>	<b>-46.2%</b>	<b>-47.4%</b>	<b>-61.7%</b>
<b>Italy FTSE Mib</b>	19,957.0	EUR		-0.4%	5.2%	25.1%	-15.1%	-10.0%	-4.4%

Source: FactSet

**CELLULARLINE Peer Group - Multiple Comparison**

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
<b>CELLULARLINE</b>	<b>5.00</b>	<b>EUR</b>	<b>101</b>	<b>1.2</b>	<b>0.9</b>	<b>7.0</b>	<b>4.5</b>	<b>8.4</b>	<b>5.3</b>	<b>9.4</b>	<b>5.9</b>	<b>7.2%</b>	<b>8.0%</b>
ACCO BRANDS	6.06	USD	572							9.1	5.6		
FILA	7.38	EUR	375	1.4	1.2	8.6	7.2	12.9	10.2	11.3	8.6	1.1%	1.5%
PLANTRONICS	12.04	USD	491	1.2	1.1	8.7	7.0	10.7	7.9	6.6	4.5	1.9%	2.5%
ZAGG	3.04	USD	91	0.4	0.3	7.9	4.1		11.8		23.4		
<b>Median</b>				<b>1.2</b>	<b>1.1</b>	<b>8.6</b>	<b>7.0</b>	<b>11.8</b>	<b>10.2</b>	<b>9.1</b>	<b>7.1</b>	<b>1.5%</b>	<b>2.0%</b>

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

**CELLULARLINE - Estimates Comparison with Consensus**

(Eu mn)	2020			2021		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
<b>Revenues</b>	120.2	122.2	-1.7%	150.1	145.5	3.2%
<b>Ebitda</b>	18.2	22.7	-20.0%	30.7	30.8	-0.2%
<b>Net Profit</b>	6.5	6.1	6.1%	14.6	13.0	12.4%
<b>EPS</b>	0.532	0.652	-18.4%	0.841	0.925	-9.1%
<b>Net Debt</b>	(44.0)	(34.6)	27.1%	(38.0)	(18.5)	105.9%

Source: Intermonte SIM estimates and Factset consensus estimates

**DETAILS ON STOCKS RECOMMENDATION**

Stock NAME	CELLULARLINE		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	7.30	Previous Target (Eu):	8.50
Current Price (Eu):	5.00	Previous Price (Eu):	4.98
Date of report:	16/09/2020	Date of last report:	15/05/2020

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed; among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

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OUTPERFORM:	46,40 %
NEUTRAL:	36,80 %
UNDERPERFORM:	08,80 %
SELL:	00,00 %

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OUTPERFORM:	64,58 %
NEUTRAL:	20,84 %
UNDERPERFORM:	00,00 %
SELL:	00,00 %

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