

Cellularline

Sponsored Research
Italy | Personal Goods



Investment Research

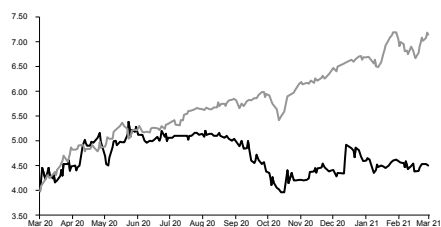
Company Flash Note

Neutral	
<i>from Accumulate</i>	
Share price: EUR	4.49
<i>closing price as of 18/03/2021</i>	
Target price: EUR	5.00
<i>from Target Price: EUR</i>	
	6.00
Upside/Downside Potential	11.4%
<i>Reuters/Bloomberg</i>	
	CELL.MI/CELL IM
Market capitalisation (EURm)	97
Current N° of shares (m)	22
Free float	81%
Daily avg. no. trad. sh. 12 mth (k)	34
Daily avg. trad. vol. 12 mth (k)	123.28
Price high/low 12 months	5.38 / 3.96
Abs Perfs 1/3/12 mths (%)	-1.97/1.81/12.81

Key financials (EUR)	12/20	12/21e	12/22e
Sales (m)	105	120	155
EBITDA (m)	15	19	28
EBITDA margin	14.4%	16.0%	18.0%
EBIT (m)	(3)	6	14
EBIT margin	nm	4.8%	9.0%
Net Profit (adj.)(m)	5	5	12
ROCE	7.6%	1.2%	3.5%
Net debt/(cash) (m)	49	46	43
Net Debt Equity	0.2	0.2	0.2
Net Debt/EBITDA	3.2	2.4	1.5
Int. cover(EBITDA/Fin.int)	(60.2)	7.7	13.9
EV/Sales	1.4	1.1	0.9
EV/EBITDA	9.9	7.2	4.8
EV/EBITDA (adj.)	9.9	7.2	4.8
EV/EBIT	nm	23.7	9.6
P/E (adj.)	18.8	17.9	7.5
P/BV	0.5	0.5	0.4
OpFCF yield	13.8%	4.9%	6.0%
Dividend yield	0.0%	0.7%	3.3%
EPS (adj.)	0.26	0.25	0.60
BVPS	9.62	9.70	10.04
DPS	0.00	0.03	0.15

Shareholders

Christian Aleotti 8%; FIRST CAPITAL 5%; Treasury 6%;



Source: FactSet

— CELLULARLINE — FTSE Italy STAR (Rebased)

Analyst(s)

Andrea Bonfà
andrea.bonfa@bancaakros.it
+39 02 4344 4269

Reason: Company newsflow

19 March 2021

Q420 Soft, No DVD, low visibility: change in rating

The facts: Yesterday the company reported Q420/2020 results.

EURm	Q419a	Q420a	%Ch.	Q420e	%Ch.	2019A	2020A	%Ch.	2020E	%Ch.
Acq.	3.4	0.0	0%	0.0	0%	9.7	3.1	2%	3.1	2%
Org.	-2.7	-13.4	-28%	-9.8	-21%	1.0	-39.0	-28%	-35.4	-25%
Sales	47.2	33.8	-28%	37.4	-21%	140.4	104.5	-26%	108.1	-23%
EBITDA adj	14.1	7.3	-48%	8.4	-40%	33.1	15.1	-54%	16.2	-51%
% Sales	29.8%	21.6%		22.5%		23.5%	14.4%		15.0%	
D&A	-2.9	-3.2	11%	-2.9	0%	-9.7	-10.9	12%	-10.6	9%
Prov./Non-Rec.	-0.9	-0.8	nm	-0.2	-75%	-3.1	-3.6	nm	-3.0	-4%
EBIT	10.5	-0.7	-107%	3.8	-64%	20.4	-3.4	-117%	1.1	-95%
% Sales	22.2%	-2.1%		10.2%		14.5%	-3.3%		1.0%	
Fin. Charges	0.3	0.9		-1.1	nm	-0.3	1.0		-1.0	nm
Pretax	10.7	0.2	-98%	2.7	-75%	20.2	-2.4	-112%	0.1	-99%
Taxes	-1.7	15.6		-0.7		-1.9	16.3		0.0	
Tax Rate	16%	nm		27%		9%	nm		23%	
Net Profit	9.0	15.8	76%	2.0	-78%	18.2	13.9	-24%	0.1	-100%
NFP	24.6	49.0		46.9		24.6	49.0		46.9	

Source: Company Data, Banca Akros forecasts

Our analysis: Q420 results were clearly lower than our expectation with year end lockdowns having an higher than expected impact. The company however benefited below EBIT by the fair value gain on the put and call options for Systema and Worldconnect (EUR 1.7m) and the fair value gain on the liability relating to the outstanding warrants (EUR 0.8m). Net profit benefited from the recognition of the non-recurring tax effects of the realignment of the tax values of the Cellularline and Interphone brands and the customer relationship to their carrying amounts, for a combined impact of Euro 16.3 million, net of the substitute tax of EUR 1.8m due in order to receive the benefit. This tax realignment only affected 2020 with no impacts on the cash flow for the year. The recognition of greater tax values for the realigned assets will begin in 2021, with a positive financial impact as from 2022. No DVD was announced contrary to our forecast of 33 cents. We have tried to make some new forecasts but clearly visibility is very low. However, we now expect (see next page) EUR 120m sales in 2021e with a recovery expected in H2 at 16% EBITDA margin. CELL should recover 2019 sales in the following year, but we still expect a lower EBITDA margin of 18% compared with 23.5%. The net result is a 2021e/2022e net profit of some EUR2/8m respectively from EUR 13/18m respectively. Please take our new EPS with a pinch of salt as we are still studying the fiscal impact of the assets' realignment. On the latter, if confirmed, might add some value in the long term but given that the fiscal benefit is spread over 15/18 years it is not so relevant in the short term.

Conclusion & Action: In the light of the new estimates and always using our DCF with a 0% long term growth, 8.5% WACC and normalized tax rate at 28% we derive a new fair value of EUR 5 from EUR 6 (see next page). We change our rating from ACCUMULATE to NEUTRAL. **Risks/upside are in slower/faster recovery in retail in general.**

Produced by:



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CELL: New/Old forecasts

EURm	2020E	2021E	%Ch.	2021EOld	%Ch.	2022E	%Ch.	2022EOld	%Ch.
Acq.	3.1	2.0	2%	5.3	5%	9.0	7%	9.0	7%
Org.	-39.0	13.5	13%	17.5	17%	25.5	21%	17.5	13%
Sales	104.5	120.0	15%	130.9	25%	154.5	29%	157.4	20%
EBITDA	15.1	19.2	27%	23.2	54%	27.8	45%	30.2	30%
% Sales	14.4%	16.0%		17.7%		18.0%		19.2%	
D&A	-4.7	-5.2		-5.1		-5.7		-5.6	
Prov./Non-Rec.	-7.6	-2.0		0.0		-2.0		0.0	
EBITA	2.8	12.0	329%	18.1	547%	20.1	68%	24.6	36%
% Sales	2.7%	10.0%		13.8%		13.0%		15.6%	
PPA	-6.2	-6.2		-6.0		-6.2		-6.0	
EBIT	-3.4	5.8	nm	12.1	nm	13.9	140%	18.6	54%
% Sales	-3.3%	4.8%		9.3%		9.0%		11.8%	
Fin. Charges	0.3	-2.5		-1.5		-2.0		-1.3	
Pretax	-2.4	3.3	nm	10.6	nm	11.9	260%	17.3	63%
Taxes	16.3	-1.5		-2.4		-4.0		-4.0	
Tax Rate	678%	47%		23%		33%		23%	
Net Profit	13.9	1.8	nm	8.2	-41%	8.0	351%	13.3	63%
Net Profit Adj.	5.3	5.1		12.8		12.1		17.9	
EPS	0.26	0.25		0.38		0.60		0.90	
% Diff.		-34%				-33%			
NFP	49.0	46.2		41.7		42.9		38.8	

Source: Company Data, Banca Akros forecasts

DCF MODEL	2021	2022	2023	2024	2025	DCF ANALYSIS	
EBITA	12.0	20.1	21.3	22.0	22.7	Perpetual Growth Rate	0.0%
Taxes	-3.4	-5.6	-6.0	-6.2	-6.4	WACC	8.5%
Tax rate	28%	28%	28%	28%	28%	Terminal Value	156
NOPLAT	9	14	15	16	16	TV Disc. Rate	0.72
D&A	5.2	5.7	6.0	6.2	6.4	Disc. TV	113
Op. CF	14	20	21	22	23	Cumulated DFOCF	36
Capex/acq.	-3.0	-5.7	-6.0	-6.2	-6.4	EV (€ mn)	149
Chg. In NWC	-7.4	-10.3	-4.2	-3.2	-3.1	Net Debt	(49)
Free Op. Flow (FOCF)	3	4	11	13	13	ifrs16	1.8
NPV FCF	2021	2022	2023	2024	2025	Retirement provisions	(0)
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	Equity Value (€ mn)	102
Discount Rate	1.00	0.92	0.85	0.78	0.72	Share Out. ('000)	20.247
Disc. Free Cash Flow	3	4	9	10	10	FV per share (€)	5.0
Cumulated DFOCF	3	7	17	27	36	Price	4.60
						<i>Nominal Upside/(Ds)</i>	<i>9%</i>

Source: Company Data, Banca Akros forecasts



Cellularline: Summary tables

	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
PROFIT & LOSS (EURm)						
Sales	130	140	105	120	155	163
Cost of Sales & Operating Costs	-75.8	-91.0	-80.0	-68.5	-65.8	0.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	33.9	33.1	15.1	19.2	27.8	29.3
EBITDA (adj.)*	33.9	33.1	15.1	19.2	27.8	29.3
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	33.9	33.1	15.1	19.2	27.8	29.3
EBITA (adj)*	33.9	33.1	15.1	19.2	27.8	29.3
Amortisations and Write Downs	-15.0	-12.6	-18.5	-13.4	-13.9	-14.2
EBIT	18.9	20.4	-3.4	5.8	13.9	15.1
EBIT (adj.)*	18.9	20.4	-3.4	5.8	13.9	15.1
Net Financial Interest	-1.8	-1.6	0.3	-2.5	-2.0	-1.5
Other Financials	0.5	-0.1	0.4	0.0	0.0	0.0
Associates	-0.3	0.1	0.3	0.0	0.0	0.0
Other Non Recurrent Items	-5.7	1.2	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	11.6	20.2	-2.4	3.3	11.9	13.6
Tax	5.3	-1.9	16.3	-1.5	-4.0	-4.4
<i>Tax rate</i>	<i>n.m.</i>	<i>9.3%</i>	<i>n.m.</i>	<i>46.6%</i>	<i>33.2%</i>	<i>32.5%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	-0.1	0.0	0.0	0.0	0.0
Net Profit (reported)	16.9	18.2	13.9	1.8	8.0	9.2
Net Profit (adj.)	23.1	23.3	5.3	5.1	12.1	13.4
CASH FLOW (EURm)						
Cash Flow from Operations before change in NWC	26.2	27.9	24.8	15.2	21.9	23.4
Change in Net Working Capital	-0.9	-7.8	0.0	-7.4	-10.3	-4.2
Cash Flow from Operations	25.4	20.0	24.8	7.8	11.6	19.2
Capex	-3.0	-8.3	-10.2	-3.0	-5.7	-6.0
Net Financial Investments	-12.3	-4.4	-13.8	0.0	0.0	0.0
Free Cash Flow	10.1	7.3	0.9	4.8	5.9	13.2
Dividends	0.0	-6.1	-6.6	0.0	-0.6	-3.0
Other (incl. Capital Increase & share buy backs)	30.4	-1.2	-18.3	0.0	0.0	0.0
Change in Net Debt	40	0	-24	5	5	10
NOPLAT	14.5	18.5	19.6	3.1	9.3	10.2
BALANCE SHEET & OTHER ITEMS (EURm)						
Net Tangible Assets	7.2	7.1	7.9	5.7	5.7	5.7
Net Intangible Assets (incl. Goodwill)	172	172	183	177	171	164
Net Financial Assets & Other	1.0	2.2	2.3	2.3	2.3	2.3
Total Fixed Assets	181	182	193	185	179	173
Inventories	20.6	22.9	33.0	34.9	32.9	34.1
Trade receivables	59.4	60.8	52.7	60.5	77.9	82.1
Other current assets	9.9	9.5	6.3	6.3	6.3	6.3
Cash (-)	-42.0	-32.1	-8.7	-9.1	-9.6	-10.8
Total Current Assets	132	125	101	111	127	133
Total Assets	313	307	294	296	305	306
Shareholders Equity	194	203	208	210	218	224
Minority	-0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	194	203	208	210	218	224
Long term interest bearing debt	51.7	40.6	41.0	39.3	37.3	32.4
Provisions	0.4	0.8	0.7	0.7	0.7	0.7
Other long term liabilities	22.6	23.0	4.2	4.2	4.2	4.2
Total Long Term Liabilities	74.7	64.4	46.0	44.3	42.3	37.4
Short term interest bearing debt	14.9	16.1	16.7	16.0	15.2	13.2
Trade payables	20.2	19.1	15.5	17.8	22.9	24.1
Other current liabilities	8.5	5.1	7.5	7.5	7.5	7.5
Total Current Liabilities	43.6	40.2	39.7	41.3	45.6	44.8
Total Liabilities and Shareholders' Equity	312.6	307.2	294.1	295.8	305.4	305.9
Net Capital Employed	241.9	250.9	262.4	261.4	265.5	263.5
Net Working Capital	61.2	69.1	69.0	76.4	86.7	90.9
GROWTH & MARGINS						
<i>Sales growth</i>	<i>-7.0%</i>	<i>8.3%</i>	<i>-25.6%</i>	<i>14.8%</i>	<i>28.7%</i>	<i>5.3%</i>
EBITDA (adj.)* growth	-14.2%	-2.4%	-54.3%	27.2%	44.8%	5.3%
EBITA (adj.)* growth	-14.2%	-2.4%	-54.3%	27.2%	44.8%	5.3%
EBIT (adj.)* growth	-47.0%	8.1%	<i>n.m.</i>	<i>n.m.</i>	<i>139.7%</i>	<i>8.5%</i>



Cellularline: Summary tables

GROWTH & MARGINS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Profit growth	-2.6%	0.8%	-77.2%	-4.3%	138.6%	10.3%
EPS adj. growth	-36.5%	2.6%	-77.4%	-4.3%	138.6%	10.3%
DPS adj. growth	n.m.	10.0%	n.m.	n.m.	400.0%	0.0%
EBITDA (adj)* margin	26.1%	23.5%	14.4%	16.0%	18.0%	18.0%
EBITA (adj)* margin	26.1%	23.5%	14.4%	16.0%	18.0%	18.0%
EBIT (adj)* margin	14.6%	14.5%	n.m.	4.8%	9.0%	9.3%
RATIOS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Debt/Equity	0.1	0.1	0.2	0.2	0.2	0.2
Net Debt/EBITDA	0.7	0.7	3.2	2.4	1.5	1.2
Interest cover (EBITDA/Fin.interest)	19.0	21.3	n.m.	7.7	13.9	19.5
Capex/D&A	32.5%	125.1%	82.7%	41.7%	74.0%	75.0%
Capex/Sales	2.3%	5.9%	9.7%	2.5%	3.7%	3.7%
NWC/Sales	47.2%	49.2%	66.0%	63.7%	56.1%	55.8%
ROE (average)	15.4%	11.7%	2.6%	2.4%	5.7%	6.1%
ROCE (adj.)	6.0%	7.5%	7.6%	1.2%	3.5%	3.9%
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
ROCE (adj.)/WACC	0.7	0.9	0.9	0.1	0.4	0.5
PER SHARE DATA (EUR)***	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Average diluted number of shares	20.4	20.0	20.2	20.2	20.2	20.2
EPS (reported)	0.78	0.84	0.64	0.08	0.37	0.42
EPS (adj.)	1.13	1.16	0.26	0.25	0.60	0.66
BVPS	8.97	9.34	9.62	9.70	10.04	10.32
DPS	0.30	0.33	0.00	0.03	0.15	0.15
VALUATION	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
EV/Sales	1.5	1.2	1.4	1.1	0.9	0.8
EV/EBITDA	5.6	5.2	9.9	7.2	4.8	4.3
EV/EBITDA (adj.)*	5.6	5.2	9.9	7.2	4.8	4.3
EV/EBITA	5.6	5.2	9.9	7.2	4.8	4.3
EV/EBITA (adj.)*	5.6	5.2	9.9	7.2	4.8	4.3
EV/EBIT	10.0	8.3	n.m.	23.7	9.6	8.3
EV/EBIT (adj.)*	10.0	8.3	n.m.	23.7	9.6	8.3
P/E (adj.)	7.0	6.0	18.8	17.9	7.5	6.8
P/BV	0.9	0.7	0.5	0.5	0.4	0.4
Total Yield Ratio	3.6%	4.4%	0.0%	0.6%	3.1%	
EV/CE	0.8	0.7	0.6	0.5	0.5	0.5
OpFCF yield	13.1%	7.7%	13.8%	4.9%	6.0%	13.6%
OpFCF/EV	11.8%	6.9%	9.8%	3.5%	4.4%	10.5%
Payout ratio	38.5%	39.3%	0.0%	36.8%	40.8%	35.4%
Dividend yield (gross)	3.8%	4.7%	0.0%	0.7%	3.3%	3.3%
EV AND MKT CAP (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Price** (EUR)	7.90	7.00	4.92	4.49	4.49	4.49
Outstanding number of shares for main stock	21.7	21.7	21.7	21.7	21.7	21.7
Total Market Cap	171.2	151.7	106.6	97.3	97.3	97.3
Gross Financial Debt (+)	66.5	56.7	57.7	55.3	52.5	45.6
Cash & Marketable Securities (-)	-42.0	-32.1	-8.7	-9.1	-9.6	-10.8
Net Financial Debt	24.5	24.6	49.0	46.2	42.9	34.8
Lease Liabilities (+)						
Net Debt	24.5	24.6	49.0	46.2	42.9	34.8
Other EV components	-6.4	-6.0	-6.1	-6.1	-6.1	-6.1
Enterprise Value (EV adj.)	189.3	170.3	149.5	137.5	134.2	126.0

Source: Company, Banca Akros estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Personal Goods/Personal Products

Company Description: The group is the largest European player in the design, distribution and commercialisation of accessories and items related to connected devices like smartphones and tablets. More in particular, CELL conceives, distributes and trades a large range of products divided into three lines: 1) Red division (90% 2018 Sales - the bulk of its product range) 2) Black division (4.8% 2018 Sales - items for moto and motorbikes) and 3) Blue division (4.5% 2018 Sales - third party products). CELL subcontracts the production of its products to leading accessories manufacturers and it distributes them in over 5000 pos over 60 countries through mostly B2C sales channels: CE chains, Mass Merchandisers, Telco and Travel Retail chains. The company has app. EUR 130m of sales of which app. 46% achieved abroad. Employees were 215 units as of end 2018.



Il presente documento è stato redatto da Andrea Bonfà (Socio AIAF) che svolge funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 19 March 2021, ore 11:57 italiane.**

L'analista di Banca Akros, che ha redatto il presente documento, ha maturato una significativa esperienza presso Banca Akros e altri intermediari. Detto analista e i suoi familiari non svolgono ruoli di amministrazione, direzione o consulenza per gli Emittenti, né l'analista riceve bonus, stipendi o altre forme di retribuzione correlate, direttamente o indirettamente, al successo di operazioni di investment banking.

L'analista Andrea Bonfà (e/o i suoi familiari) detiene Strumenti Finanziari emessi da Cellularline.

Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 12, 18 e 19 marzo 2021.

Ai sensi degli artt. 5 e 6 del Regolamento Delegato 2016/958, **Banca Akros ha specifici interessi nei confronti della società oggetto di analisi nel presente documento, in quanto la Banca è Corporate Broker.**

Banca Akros è una banca autorizzata anche alla prestazione di servizi di investimento appartenente al Gruppo Banco BPM (il "Gruppo"), ed è soggetta all'attività di direzione e coordinamento di Banco BPM (la "Capogruppo"). La banca è iscritta all'albo delle Banche al n. 5328 ed è soggetta alla regolamentazione e alla vigilanza di Banca d'Italia e Consob.

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Banca Akros rende disponibili informazioni sui conflitti di interesse, ai sensi delle disposizioni contenute nell'art. 20 del Regolamento EU 2014/596 (Regolamento sugli Abusi di Mercato) e in particolare ai sensi degli artt. 5 e 6 del Regolamento Delegato EU 2016/958, sul proprio sito internet:

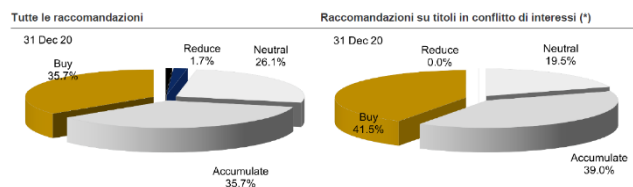
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Percentuale delle raccomandazioni al 31 dicembre 2020



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 35,65% del totale degli emittenti oggetto di copertura

Recommendation history for CELLULARLINE

Date	Recommendation	Target price	Price at change date
15-Sep-20	Accumulate	6.00	5.00
27-Mar-20	Buy	8.00	4.31
04-Sep-19	Buy	9.50	7.00

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Andrea Bonfà (since 04/09/2019)





ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

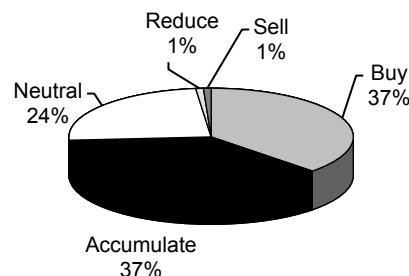
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

Date and time of production: 19 March 2021: 11:55 **CET**

First date and time of dissemination: 19 March 2021: 12:00 **CET**

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Members of ESN (European Securities Network LLP)

 **CIC Market Solutions**
6, avenue de Provence
75441 Paris - Cedex 09
France
Phone: +33 1 5348 8193



 **GVC Gaesco Valores, S.V., S.A.**
C/- Fortuny, 17
28010 Madrid
Spain
Phone: +34 91 436 7813

