

## Cellularline

### Solid Sales Growth but Profitability Remains Soft for Now

Cellularline recorded a positive sales performance in 1Q23 due to both the recovery in demand and the numerous strategic actions implemented by management. Profitability is still impacted by high cost inflation. However, the ongoing improvement of FX exchange rates and transportation costs are expected to gradually contribute to improve margins. We leave unchanged our estimates, rating and target price. The stock currently trades at compressed multiples, with a 2023E EV/EBITDA of 4.7x and a P/E of 6.5x. Given the strong cash generation profile, we consider Cellularline an appealing value stock.

#### All three product lines registered an improvement yoy

Revenues came in at EUR 30.2M up by 29.5% yoy. The Red Line grew by 35.8% yoy, driven by the recovery of demand in international markets for both Cellularline and Worldconnect products. The Blue Line rose by 9.3%, mainly driven by the domestic market. Lastly, the Black Line was up by 8.3% yoy. Looking at geographies, the domestic market was up by 17.9% yoy (accounting for around 44.2% of total), while revenues generated abroad grew by around 39%. The strategic developments in the German market through the acquisition of a majority stake in the German Peter Jäckel company and the distribution agreement with MediaMarktSaturn Germany made it possible to triple the revenues generated in the Germany/Austria region.

#### Adj. EBITDA improved yoy; NFP impacted by M&A activity

Adjusted EBITDA was EUR 0.5M vs. a negative EUR 0.6M in 1Q22; the adjusted net loss stood at EUR 1.0M vs. EUR 1.3M in 1Q22. Net debt was EUR 48.0M, increasing by EUR 7.6M vs. EUR 40.4M at YE22, impacted by: 1) the effect of the acquisition of 60% of Peter Jäckel GmbH; 2) entry costs in certain distribution markets; and 3) a higher absorption from NWC due to usual business seasonality. Overall, we underline that the weighting of 1Q on the annual total is limited due to the seasonal nature of the business. The group historically generates over 60% of its sales in 2H and 1Q revenues historically represent less than 20% of annual revenues.

#### Cellularline – 1Q23 results

EUR M	1Q22A	1Q23A	yoy %	FY22A	FY23E
Revenues	23.3	30.2	29.5	137.6	168.0
Adj. EBITDA	-0.6	0.5	NM	16.6	24.4
Adj. EBITDA margin %	NM	NM		12.1	14.5
Reported EBIT	-3.8	-2.9	NM	-76.3	7.9
Adj. net income	-1.3	-1.0	NM	5.7	10.4
Reported net income	-2.6	-2.4	NM	-75.2	5.1
NFP	43.7	48.0		40.4	47.9

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

#### No specific guidance on FY23, but positive qualitative outlook provided

Management disclosed a positive outlook for 2023, based on: 1) the sales performance recorded in 1Q23; 2) the benefits expected from the investments made during the first months of 2023, particularly on the German market, which should allow Cellularline to operate in a more structured way in this market; and 3) some positive sector trends and growth opportunities in specific channels, such as Travel Retail and Telco.

#### The company confirmed its long-term targets included in the 2022-25 Business Plan

We recall that management sees: 1) revenues in a EUR 175M-195M range; 2) adj. EBITDA in constant growth over the three-year plan, targeting to double the FY21 result thanks to: a) significant revenues growth; b) better absorption of fixed costs; and c) execution of the planned actions to optimise the organisational structure and the efficiency and digitalisation of processes; and 3) an improvement in net financial debt that should lead to a leverage ratio below 1x at the end of the plan.

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Date and time of production

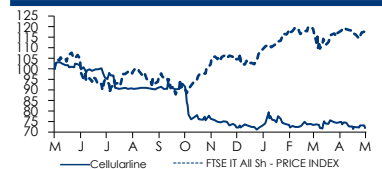
**BUY**

Target Price: EUR 5.0

Italy/Consumer Services  
Company Results

#### MTA-STAR

#### Price Performance (RIC: CELL.MI, BB: CELL IM)



#### Cellularline - Key Data

Price date (market close)	10/05/2023
Target price (EUR)	5.0
Target upside (%)	68.35
Market price (EUR)	2.97
Market cap (EUR M)	64.95
52Wk range (EUR)	4.25/2.92

Y/E Dec (EUR M)	FY22A	FY23E	FY24E
Revenues	137.6	168.0	180.0
Adj. EBITDA	16.64	24.36	27.90
Adj. EBIT	10.25	17.36	20.40
Adj. Net income	5.70	10.40	12.88
EPS (EUR)	0.26	0.46	0.57
Net debt/-cash	40.40	47.94	39.42
Adj P/E (x)	14.2	6.5	5.2
EV/EBITDA (x)	7.3	4.7	3.8
EV/EBIT (x)	Neg.	14.6	9.7
Div ord yield (%)	0	1.5	1.5

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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## Valuation and Key Risks

### Valuation Basis

Our EUR 5.0 TP is derived with a DCF model, using a 9.8% WACC incorporating a risk-free rate of 4.0%, an equity risk premium of 6.5%, a re-levered beta of 1.2x (source: Intesa Sanpaolo Research elaboration on Refinitiv) and a long-term target gearing ratio of 25%. Terminal value is prudently set at 0%.

### Key Risks

#### Company specific risks:

- Global logistics issues might affect cost base;
- Still small contribution from the e-commerce channel.

#### 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.

## 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 (AudioQuality Lab), the product line dedicated to the world of music.

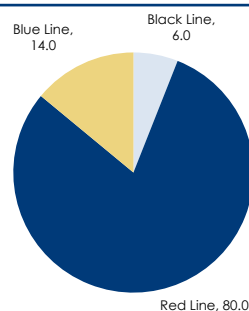
### Key data

Mkt price (EUR)	2.97	Free float (%)	73.8
No. of shares	21.87	Major shr	S.L.M.K. SA
52Wk range (EUR)	4.25/2.92	(%)	8.5
Reuters	CELL.MI	Bloomberg	CELL IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-2.6	-1M	-2.6
-3M	0.3	-3M	0.6
-12M	-27.6	-12M	-38.0

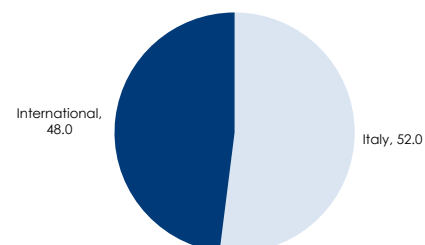
### Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	137.6	168.0	159.0	180.0	180.0	195.0	195.0
EBITDA	16.64	24.36	24.36	27.90	27.90	32.18	32.18
EBIT	-76.30	7.90	7.90	10.94	10.94	15.21	15.21
Pre-tax income	-74.82	5.40	5.40	8.94	8.94	13.21	13.21
Net income	-75.17	5.12	5.56	6.26	6.26	9.25	9.25
EPS	0.26	0.46	0.46	0.57	0.57	0.70	0.70

### FY22A revenues by product line (%)



### FY22A revenues by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 10/05/2023)

## Cellularline - Key Data

Rating	Target price (EUR/sh)		Mkt price (EUR/sh)			Sector
BUY	Ord 5.0		Ord 2.97			Consumer Services
Values per share (EUR)	2020A	2021A	2022A	2023E	2024E	2025E
No. ordinary shares (M)	21.87	21.87	21.87	22.61	22.61	22.61
Total no. of shares (M)	21.87	21.87	21.87	22.61	22.61	22.61
Market cap (EUR M)	110.96	96.68	80.91	67.16	67.16	67.16
Adj. EPS	0.24	0.34	0.26	0.46	0.57	0.70
BVPS	9.5	9.4	5.8	5.6	5.7	6.0
Dividend ord	0	0.16	0	0.04	0.04	0.04
Income statement (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	104.5	110.6	137.6	168.0	180.0	195.0
EBITDA	15.10	16.12	16.64	24.36	27.90	32.18
EBIT	-3.41	-5.16	-76.30	7.90	10.94	15.21
Pre-tax income	-2.40	-6.56	-74.82	5.40	8.94	13.21
Net income	13.90	-3.85	-75.17	5.12	6.26	9.25
Adj. net income	5.30	7.45	5.70	10.40	12.88	15.87
Cash flow (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net income before minorities	13.9	-3.8	-75.2	5.1	6.3	9.2
Depreciation and provisions	18.5	21.3	92.9	16.5	17.0	17.0
Others/Uses of funds	-24.3	-3.0	-6.2	-3.0	-3.0	-3.0
Change in working capital	3.2	7.4	-3.9	-13.1	-5.7	-7.1
Operating cash flow	11.3	21.8	7.7	5.5	14.5	16.1
Capital expenditure	-33.5	-7.4	-3.9	-3.5	-3.5	-3.5
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	-1.3	-3.0	0	0
Free cash flow	-22.2	14.4	2.5	-1.0	11.0	12.6
Dividends	-7.2	0	-1.0	0	-1.0	-1.0
Equity changes & Non-op items	5.0	-2.8	-4.5	-6.5	-1.5	-1.5
Net cash flow	-24.4	11.6	-3.0	-7.5	8.5	10.1
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net capital employed	257.5	242.8	167.9	174.1	169.3	166.0
of which associates	0	0	0	0	0	0
Net debt/-cash	49.0	37.4	40.4	47.9	39.4	29.3
Minorities	0	0	0	0	0	0
Net equity	208.5	205.4	127.5	126.2	129.9	136.7
Minorities value	0	0	0	0	0	0
Enterprise value	160.0	134.1	121.3	115.1	106.6	96.5
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	21.0	13.0	14.2	6.5	5.2	4.2
P/CFPS	3.4	5.5	4.6	3.1	2.9	2.6
P/BVPS	0.53	0.47	0.63	0.53	0.52	0.49
Payout (%)	0	47	0	10	8	6
Dividend yield (% ord)	0	3.6	0	1.5	1.5	1.5
FCF yield (%)	-20.0	14.9	3.1	-1.5	16.4	18.7
EV/sales	1.5	1.2	0.88	0.69	0.59	0.49
EV/EBITDA	10.6	8.3	7.3	4.7	3.8	3.0
EV/EBIT	Neg.	Neg.	Neg.	14.6	9.7	6.3
EV/CE	0.62	0.55	0.72	0.66	0.63	0.58
D/EBITDA	3.2	2.3	2.4	2.0	1.4	0.91
D/EBIT	Neg.	Neg.	Neg.	6.1	3.6	1.9
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA margin	14.4	14.6	12.1	14.5	15.5	16.5
EBIT margin	-3.3	-4.7	-55.4	4.7	6.1	7.8
Tax rate	NM	41.3	NM	5.1	30.0	30.0
Net income margin	13.3	-3.5	-54.6	3.0	3.5	4.7
ROCE	-1.3	-2.1	-45.4	4.5	6.5	9.2
ROE	6.8	-1.9	-45.2	4.0	4.9	6.9
Interest cover	3.4	-3.7	51.6	3.2	5.5	7.6
Debt/equity ratio	23.5	18.2	31.7	38.0	30.3	21.5
Growth (%)		2021A	2022A	2023E	2024E	2025E
Sales		5.8	24.5	22.1	7.1	8.3
EBITDA		6.8	3.2	46.4	14.5	15.3
EBIT		-51.5	NM	NM	38.5	39.1
Pre-tax income		NM	NM	NM	65.6	47.8
Net income		NM	NM	NM	22.1	47.8
Adj. net income		40.7	-23.5	82.4	23.8	23.2

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

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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 eligible for listing have revenues below 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 of around EUR 1Bn.

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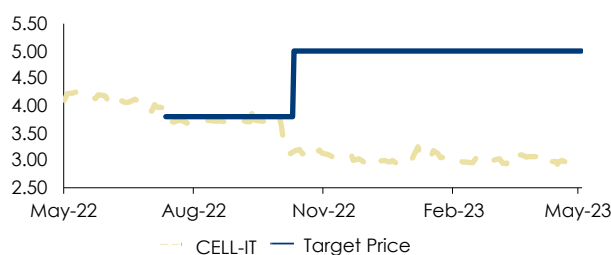
#### Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
HOLD	If the target price is in a range 10% below or 10% above the market price.
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#### Target price and market price trend (-1Y)



#### Historical recommendations and target price trend (-1Y)

Date	Rating	TP (EUR)	Mkt Price (EUR)
20-Oct-22	BUY	5.0	3.2
21-Jul-22	HOLD	3.8	3.7

### Equity rating allocations (long-term horizon: 12M)

#### Intesa Sanpaolo Research Rating Distribution (at April 2023)

Number of companies considered: 131	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	63	11	21	0	0
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\* Last rating refers to rating as at end of the previous quarter; \*\* 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

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Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) 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 <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> 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 a Long position larger than the 0.5% of the issued share capital of Cellularline
- One or more of the companies of the Intesa Sanpaolo Banking Group are one of the main financial lenders to Cellularline and its parent and group companies
- Intesa Sanpaolo acts as Specialist relative to securities issued by Cellularline

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