

## Cellularline

### Strong Performance Abroad

Cellularline posted a strong yoy growth, benefiting from a strong increase in sales in international markets, following the distribution agreements signed in Germany and Spain. In particular, more than half of revenues (52%) were generated abroad, a sign that management's efforts to internationalise the group are paying off. Careful control of structural costs has also enabled the company to improve its profitability, although below our forecasts. The stock currently trades at compressed multiples, with a 2024E EV/EBITDA of 3.8x and a P/E of 6.4x. Given its good cash generation profile, we consider Cellularline to be an appealing value stock.

#### Good set of results

The top line came in line with our forecast, while profitability and bottom line were slightly below. On the other hand, NFP was better than our projection. International revenues are leading the group's growth (+15.3% yoy or around 11.5% organically) and are now 51.6% of group turnover (47.7% in 2022). The performance of Worldconnect was positive, also. Adjusted EBITDA was EUR 20.8M vs. EUR 16.6M in FY22. The EBITDA margin improved to 13.1% (vs. 12.1%), thanks to good costs management. The net financial position was EUR 35.4M vs. a net debt of EUR 40.4M at YE22A. Cash flow from operations significantly improved to EUR 18.2M vs. EUR 8.5M last year. All in all, NFP/adj. EBITDA stood at 1.7x (vs. 2.4x at YE22).

#### Mid-term growth drivers

As usual no specific outlook was disclosed. However, management confirmed that it is happy with 'the long-term direction and soundness of the development activities implemented'. Our understanding is that in the mid-term the major growth levers are set to be: a) product innovation, thanks to the R&D department's strengthening; b) consolidation and strengthening of commercial relations with existing customers and new customers' acquisition; c) M&A to boost the international presence and enriched brand portfolio; and d) development of e-commerce strategy to have a stronger presence in online marketplaces, and leveraging on strategic cooperation with consumer electronics market leaders, also through their e-commerce platforms.

#### Estimates fine-tuning; New TP at EUR 5.3; BUY reiterated

While we slightly lower our EBITDA projection for 2024-25E, our DCF-based TP moves to EUR 5.3 (from EUR 5.0), mainly benefiting from the update of our risk-free rate.

#### Cellularline – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E
Revenues	137.6	158.6	175.0	192.0
Adj. EBITDA	16.64	20.76	25.38	30.34
Adj. EBIT	10.25	14.02	18.58	23.34
Adj. Net income	5.70	7.68	9.64	12.98
Adj. EPS (EUR)	0.26	0.35	0.44	0.59
Net debt/-cash	40.40	35.44	34.62	27.55
Adj P/E (x)	14.2	7.7	6.4	4.8
EV/EBITDA (x)	7.3	4.5	3.8	2.9
EV/EBIT (x)	Neg.	19.3	9.5	6.0
Div ord yield (%)	0	3.2	3.1	3.1
FCF Yield (%)	3.1	12.2	6.7	16.9

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 14/03/2024

15 March 2024: 11:19 CET  
Date and time of production

## BUY

Target Price: EUR 5.3  
(from EUR 5.0)

Italy/Consumer Services  
Company Update

#### EXM-STAR

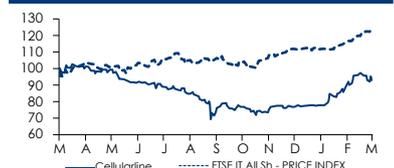
#### Cellularline - Key Data

Price date (market close)	14/03/2024
Target price (€)	5.3
Target upside (%)	87.94
Market price (€)	2.82
Market cap (EUR M)	61.67
52Wk range (€)	3.10/2.10

#### EPS – DPS changes

(€)	2024E	2025E	2024	2025
	EPS ▼	EPS ▼	chg%	chg%
Curr.	0.441	0.593	-18.01	-16.43
Prev.	0.538	0.710	-	-
	DPS ▲	DPS ▲	chg%	chg%
Curr.	0.087	0.087	90.25	90.25
Prev.	0.046	0.046	-	-

#### Price Perf. (RIC: CELL.MI BB: CELL IM)



Source: FactSet and Intesa Sanpaolo Research estimates

#### Intesa Sanpaolo Research Dept.

Gabriele Bertì - Research Analyst  
+39 02 4127 9023  
gabriele.beriti@intesaspaolo.com

#### Corporate Broking Research

A. Francese, G. Bertì, G. Cabrino  
D. Rimini, A. Terazzi

## Results and Earnings Outlook

### 4Q/FY23 results

**Revenues were EUR 158.6M, up by 15.3% yoy**, benefiting from the positive contribution of the 'Red' and 'Blue' product lines, on both the domestic and the international market. In particular, sales generated abroad were accelerated by the recent distribution agreements signed with reference to the German and Spanish markets, the increase in sales by Worldconnect, and lastly the inclusion of the revenues of the acquired companies (contributing with 3.8% of the above increase).

**Adjusted EBITDA was EUR 20.8M** vs. EUR 16.6M in FY22. The EBITDA margin improved to 13.1% (vs. 12.1%), thanks to good costs management.

**Adjusted net profit stood at EUR 7.7M** vs. EUR 5.7M in FY22 (and EUR 8.5M in our forecasts).

The **net financial position was EUR 35.4M** vs. a net debt of EUR 40.4M at YE22. Cash flow from operations significantly improved to EUR 18.2M vs. EUR 8.5M last year. All in all, NFP/adj. EBITDA stood at 1.7x (vs. 2.4x at YE22).

The Board of Directors resolved to propose to the Shareholders' Meeting the distribution of a dividend partly in cash (EUR 0.087/share) and partly through the assignment of treasury shares held in the portfolio in the ratio of 1 share for every 64 held (for a total maximum of 329,420 shares, corresponding to 1.5% of the share capital). Total DPS corresponds to EUR 0.13 (we have EUR 0.05 in our model).

### Cellularline – 4Q/FY23 results

EUR M	4Q22A	4Q23A	yoy %	4Q23E	A/E %	FY22A	FY23A	yoy %	FY23E	A/E %	FY24E
Revenues	42.3	46.6	10.1	45.9	1.4	137.6	158.6	15.3	158.0	0.4	175.0
Adj. EBITDA	5.7	7.9	37.9	9.2	-14.6	16.6	20.8	24.8	22.1	-6.1	26.6
margin %	13.5	16.9		20.1		12.1	13.1		14.0		15.2
Adj. EBIT	3.8	6.0	57.5	7.6	-20.8	10.3	14.0	36.7	15.6	-10.2	19.8
Adj. Net income	2.0	3.7	81.5	4.5	-18.3	5.7	7.7	34.7	8.5	-9.7	11.8
Net income	-35.1	3.9	NM	4.1	-5.0	-75.2	3.6	NM	3.8	-5.4	5.8
NFP	40.4	35.4		39.9		40.4	35.4		39.9		36.1

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

### Estimates Revision

#### Cellularline - Estimates revision (2024-25E)

EUR M	2024E Old	2024E New	Chg. %	2025E Old	2025E New	Chg. %
Revenues	175.0	175.0	0.0	192.0	192.0	0.0
Adj. EBITDA	26.6	25.4	-4.6	31.7	30.3	-4.3
margin on revenues (%)	15.2	14.5		16.5	15.8	
Adj. EBIT	19.8	18.6	-6.2	24.7	23.3	-5.5
margin on revenues (%)	11.3	10.6		12.9	12.2	
Reported EBIT	11.3	10.1	-10.5	16.2	14.9	-8.2
margin on revenues (%)	6.5	5.8		8.4	7.7	
Adj. net income	11.8	9.6	-18.3	15.5	13.0	-16.3
Reported net income	5.8	5.7	-2.1	9.6	9.0	-6.1
NFP	36.1	34.6		27.6	27.5	

E: estimates; Source: Intesa Sanpaolo Research

## Valuation

### Cellularline - WACC calculation (%)

Risk-free rate	4.0
Equity risk premium	6.5
Beta (x)	1.2
Cost of equity	12.0
Net cost of debt	3.3
Gross cost of debt	4.7
Tax rate	30
Gearing	23
<b>WACC (%)</b>	<b>10.0</b>

Source: Intesa Sanpaolo Research estimates

### Cellularline - DCF model

EUR M	2024E	2025E	LT
Sales	175.0	192.0	192.0
yoy %	10.3	9.7	73.6
Adj. EBIT	18.6	23.3	23.3
Adj. EBIT margin (%)	10.6	12.2	12.2
Taxes	-2.4	-3.9	-5.4
NOPAT	16.1	19.5	18.0
Non-cash items	6.4	6.6	
Investments	-3.5	-3.5	
NWC changes	-10.3	-7.6	
Others	-2.6	-2.6	
FCF	6.2	12.4	18.0
Discounted FCF	5.6	10.3	13.5
WACC (%)	10.0		
Perpetuity growth rate (%)	0.0		
NPV of cash flows	15.8		
NPV of terminal value	135.1		
EV	151.0		
Net debt @ 2023A	35.4		
Equity value	115.5		
No. of shares (M)	21.9		
<b>Value per share (EUR)</b>	<b>5.3</b>		

Source: Intesa Sanpaolo Research estimates

### Cellularline – Sensitivity analysis

EUR/share	Growth (%)				
	-1.0	-0.5	0	0.5	1.0
9.0	5.5	5.8	6.2	6.6	7.1
9.5	5.1	5.4	5.7	6.1	6.5
10.0	4.7	5.0	<b>5.3</b>	5.6	6.0
10.5	4.4	4.6	4.9	5.2	5.5
11.0	4.1	4.3	4.6	4.8	5.1

Source: Intesa Sanpaolo Research estimates

## Valuation and Key Risks

### Valuation basis

Our EUR 5.3 TP is derived with a DCF model, using a 10.0% 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 23%. Terminal value is prudently set at 0%.

### Key Risks

#### Company specific risks:

- 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.

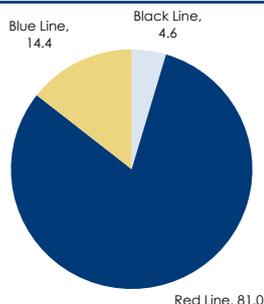
### Key data

Mkt price (€)	2.82	Free float (%)	65.5
No. of shares	21.87	Major shr	S.L.M.K. SA
52Wk range (€)	3.10/2.10	(%)	12.2
Reuters	CELL.MI	Bloomberg	CELL IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	5.2	-1M	-2.0
-3M	21.6	-3M	9.6
-12M	-6.6	-12M	-24.7

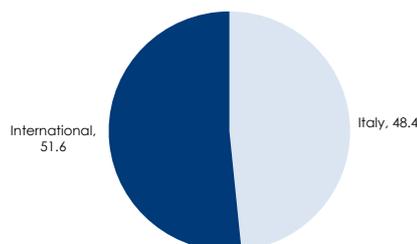
### Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	158.6	175.0	NA	192.0	NA	NA	NA
EBITDA	20.76	25.38	NA	30.34	NA	NA	NA
EBIT	4.88	10.11	NA	14.87	NA	NA	NA
Pre-tax income	4.25	8.11	NA	12.87	NA	NA	NA
Net income	3.60	5.68	NA	9.01	NA	NA	NA
Adj. EPS (€)	0.35	0.44	0.54	0.59	NA	NA	NA

### FY23A revenues by product line (%)



### FY23A revenues by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 14/03/2024)

## Cellularline – Key Data

Rating BUY	Target price (€/sh) Ord 5.3	Mkt price (€/sh) Ord 2.82			Sector Consumer Services
<b>Values per share (EUR)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
No. ordinary shares (M)	21.87	21.87	21.87	21.87	21.87
Total no. of shares (M)	21.87	21.87	21.87	21.87	21.87
Market cap (EUR M)	96.68	80.91	58.76	61.67	61.67
Adj. EPS	0.34	0.26	0.35	0.44	0.59
BVPS	9.4	5.8	6.2	6.3	6.5
Dividend ord	0.16	0	0.09	0.09	0.09
<b>Income statement (EUR M)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Revenues	110.6	137.6	158.6	175.0	192.0
EBITDA	16.12	16.64	20.76	25.38	30.34
EBIT	-5.16	-76.30	4.88	10.11	14.87
Pre-tax income	-6.56	-74.82	4.25	8.11	12.87
Net income	-3.85	-75.17	3.60	5.68	9.01
Adj. net income	7.45	5.70	7.68	9.64	12.98
<b>Cash flow (EUR M)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Net income before minorities	-3.8	-75.2	3.6	5.7	9.0
Depreciation and provisions	21.3	92.9	15.9	15.3	15.5
Others/Uses of funds	-3.0	-6.2	-3.0	-3.0	-3.0
Change in working capital	7.4	-3.9	-0.9	-10.3	-7.6
Operating cash flow	21.8	7.7	15.6	7.7	13.9
Capital expenditure	-7.4	-3.9	-4.0	-3.5	-3.5
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	-1.3	-4.4	0	0
Free cash flow	14.4	2.5	7.2	4.2	10.4
Dividends	0	-1.0	0	-1.8	-1.8
Equity changes & Non-op items	-2.8	-4.5	-2.2	-1.5	-1.5
Net change in cash	11.6	-3.0	5.0	0.8	7.1
<b>Balance sheet (EUR M)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Net capital employed	242.8	167.9	170.1	171.7	170.2
of which associates	0	0	0	0	0
Net debt/-cash	37.4	40.4	35.4	34.6	27.5
Minorities	0	0	0	0	0
Net equity	205.4	127.5	134.7	137.0	142.7
Minorities value	0	0	0	0	0
Enterprise value	134.1	121.3	94.2	96.3	89.2
<b>Stock market ratios (x)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Adj. P/E	13.0	14.2	7.7	6.4	4.8
P/CFPS	5.5	4.6	3.0	2.9	2.5
P/BVPS	0.47	0.63	0.44	0.45	0.43
Payout (%)	47	0	25	20	15
Dividend yield (% ord)	3.6	0	3.2	3.1	3.1
FCF yield (%)	14.9	3.1	12.2	6.7	16.9
EV/sales	1.2	0.88	0.59	0.55	0.46
EV/EBITDA	8.3	7.3	4.5	3.8	2.9
EV/EBIT	Neg.	Neg.	19.3	9.5	6.0
EV/CE	0.55	0.72	0.55	0.56	0.52
D/EBITDA	2.3	2.4	1.7	1.4	0.91
D/EBIT	Neg.	Neg.	7.3	3.4	1.9
<b>Profitability &amp; financial ratios (%)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
EBITDA margin	14.6	12.1	13.1	14.5	15.8
EBIT margin	-4.7	-55.4	3.1	5.8	7.7
Tax rate	41.3	NM	15.4	30.0	30.0
Net income margin	-3.5	-54.6	2.3	3.2	4.7
ROCE	-2.1	-45.4	2.9	5.9	8.7
ROE	-1.9	-45.2	2.7	4.2	6.4
Interest cover	-3.7	51.6	7.8	5.1	7.4
Debt/equity ratio	18.2	31.7	26.3	25.3	19.3
<b>Growth (%)</b>		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>
Sales		24.5	15.3	10.3	9.7
EBITDA		3.2	24.8	22.2	19.6
EBIT		NM	NM	NM	47.1
Pre-tax income		NM	NM	90.8	58.7
Net income		NM	NM	57.9	58.7
Adj. net income		-23.5	34.7	25.6	34.6

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.

### Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

### Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

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

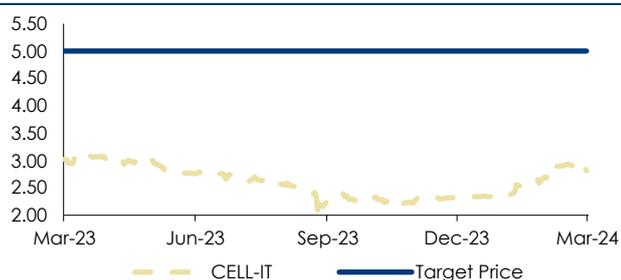
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

**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.
SELL	If the target price is 10% lower than the market price.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis to determine an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a 12M time horizon.
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated.
Note	Intesa Sanpaolo assigns ratings to stocks on a 12M horizon based on a number of fundamental drivers including, among others, updates to earnings and/or valuation models; short-term price movements alone do not imply a reassessment of the rating by the analyst.

**Historical recommendations and target price trends (long-term horizon: 12M)**

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Intesa Sanpaolo changed its long-term 12M horizon rating key on 3 April 2023; please refer to the ISP Equity Rating Reconciliation Table for further details at the following link: <https://group.intesasanpaolo.com/it/research/equity-credit-research>.

**Cellularline:****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

**Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at January 2024)**

Number of companies considered: 146	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	72	28	0
of which Intesa Sanpaolo's Clients (%)**	69	49	0

\* 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

**Company-specific disclosures**

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
- Intesa Sanpaolo acts as Specialist relative to securities issued by Cellularline
- One or more of the companies of the Intesa Sanpaolo Banking Group provide/have provided investment banking services to and/or concerning Cellularline in the last twelve months

**Intesa Sanpaolo Research Dept.**

<b>Gregorio De Felice - Head of Research</b>	+39 02 8796 2012	gregorio.defelice@intesasnpaolo.com
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**Equity&Credit Research**

<b>Alberto Cordara</b>	+39 02 4127 8647	alberto.cordara@intesasnpaolo.com
------------------------	------------------	-----------------------------------

<b>Giampaolo Trasi</b>	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com
------------------------	------------------	-----------------------------------

**Equity Research**

<b>Monica Bosio (Head)</b>	+39 02 4127 9010	monica.bosio@intesasnpaolo.com
----------------------------	------------------	--------------------------------

Alberto Artoni	+39 02 4127 9011	alberto.artoni@intesasnpaolo.com
----------------	------------------	----------------------------------

Luca Bacoccoli	+39 02 4127 9012	luca.bacoccoli@intesasnpaolo.com
----------------	------------------	----------------------------------

Davide Candela	+39 02 4127 9013	davide.candela@intesasnpaolo.com
----------------	------------------	----------------------------------

Oriana Cardani	+39 02 4127 9014	oriana.cardani@intesasnpaolo.com
----------------	------------------	----------------------------------

Marco Cristofori	+39 02 4127 9015	marco.cristofori@intesasnpaolo.com
------------------	------------------	------------------------------------

Andrea Devita	+39 02 4127 9016	andrea.devita@intesasnpaolo.com
---------------	------------------	---------------------------------

Antonella Frongillo	+39 02 4127 9017	antonella.frongillo@intesasnpaolo.com
---------------------	------------------	---------------------------------------

Renato Gargiulo	+39 02 4127 9018	renato.gargiulo@intesasnpaolo.com
-----------------	------------------	-----------------------------------

Marina Hagoort	+39 02 4127 9161	marina.hagoort@intesasnpaolo.com
----------------	------------------	----------------------------------

Manuela Meroni	+39 02 4127 9019	manuela.meroni@intesasnpaolo.com
----------------	------------------	----------------------------------

Elena Perini	+39 02 4127 9020	elena.perini@intesasnpaolo.com
--------------	------------------	--------------------------------

Bruno Permutti	+39 02 4127 9021	bruno.permutti@intesasnpaolo.com
----------------	------------------	----------------------------------

**Corporate Broking Research**

<b>Alberto Francese (Head)</b>	+39 02 4127 9022	alberto.francese@intesasnpaolo.com
--------------------------------	------------------	------------------------------------

Gabriele Berti	+39 02 4127 9023	gabriele.berti@intesasnpaolo.com
----------------	------------------	----------------------------------

Giada Cabrino	+39 02 4127 9024	giada.cabrino@intesasnpaolo.com
---------------	------------------	---------------------------------

Davide Rimini	+39 02 4127 9025	davide.rimini@intesasnpaolo.com
---------------	------------------	---------------------------------

Arianna Terazzi	+39 02 4127 9026	arianna.terazzi@intesasnpaolo.com
-----------------	------------------	-----------------------------------

**Credit Research**

<b>Maria Grazia Antola (Head)</b>	+39 02 4127 5319	maria.antola@intesasnpaolo.com
-----------------------------------	------------------	--------------------------------

Alessandro Chiodini	+39 02 4127 9027	alessandro.chiodini@intesasnpaolo.com
---------------------	------------------	---------------------------------------

Dario Fasani	+39 02 4127 9028	dario.fasani@intesasnpaolo.com
--------------	------------------	--------------------------------

Melanie Gavin	+39 02 4127 9029	melanie.gavin@intesasnpaolo.com
---------------	------------------	---------------------------------

Maria Gabriella Tronconi	+39 02 4127 9030	maria.tronconi@intesasnpaolo.com
--------------------------	------------------	----------------------------------

Barbara Pizzarelli (Research Support)		barbara.pizzarelli@intesasnpaolo.com
---------------------------------------	--	--------------------------------------

**Technical Analysis**

Corrado Binda		corrado.binda@intesasnpaolo.com
---------------	--	---------------------------------

Sergio Mingolla		antonio.mingolla@intesasnpaolo.com
-----------------	--	------------------------------------

**Clearing & Data Processing**

<b>Anna Whatley (Head)</b>	+39 02 4127 9031	anna.whatley@intesasnpaolo.com
----------------------------	------------------	--------------------------------

Stefano Breviglieri		stefano.breviglieri@intesasnpaolo.com
---------------------	--	---------------------------------------

Maria Emakova		maria.emakova@intesasnpaolo.com
---------------	--	---------------------------------

Annita Ricci		annita.ricci@intesasnpaolo.com
--------------	--	--------------------------------

Wendy Ruggeri		wendy.ruggeri@intesasnpaolo.com
---------------	--	---------------------------------

Elisabetta Bugliesi (IT support)		elisabetta.bugliesi@intesasnpaolo.com
----------------------------------	--	---------------------------------------

**Intesa Sanpaolo – IMI Corporate & Investment Banking Division**

<b>Bernardo Bailo - Head of Global Markets Sales</b>	+39 02 7261 2308	bernardo.bailo@intesasnpaolo.com
--	------------------	----------------------------------

<b>Emanuele Pozzi - Head of Global Markets Flow Sales</b>	+39 02 7261 7175	emanuele.pozzi@intesasnpaolo.com
---	------------------	----------------------------------

**Equity Sales**

<b>Giorgio Pozzobon</b>	+39 02 7261 5616	giorgio.pozzobon@intesasnpaolo.com
-------------------------	------------------	------------------------------------

**Institutional Sales**

<b>Catherine d'Aragon</b>	+39 02 7261 5929	catherine.daragon@intesasnpaolo.com
---------------------------	------------------	-------------------------------------

Francesca Bonacina		fancesca.bonacina1@intesasnpaolo.com
--------------------	--	--------------------------------------

Carlo Cavaliere	+39 02 7261 2722	carlo.cavaliere@intesasnpaolo.com
-----------------	------------------	-----------------------------------

Laurent Kieffer	+44 20 7651 3653	laurent.kieffer@intesasnpaolo.com
-----------------	------------------	-----------------------------------

Roberta Papeschi	+39 02 7261 6363	roberta.papeschi@intesasnpaolo.com
------------------	------------------	------------------------------------

Federica Repetto	+39 02 7261 5517	federica.repetto@intesasnpaolo.com
------------------	------------------	------------------------------------

Fabrizio Tito	+39 02 7261 7152	fabrizio.tito@intesasnpaolo.com
---------------	------------------	---------------------------------

Mark Wilson	+39 02 7261 2758	mark.wilson@intesasnpaolo.com
-------------	------------------	-------------------------------

Paola Parenti (Corporate Broking)	+39 02 7265 6530	paola.parenti@intesasnpaolo.com
-----------------------------------	------------------	---------------------------------

Francesco Riccardi (Corporate Broking)	+39 02 7261 5966	francesco.riccardi@intesasnpaolo.com
--	------------------	--------------------------------------

Laura Spinella (Corporate Broking)	+39 02 7261 5782	laura.spinella@intesasnpaolo.com
------------------------------------	------------------	----------------------------------

Alessandro Bevacqua	+39 02 7261 5114	alessandro.bevacqua@intesasnpaolo.com
---------------------	------------------	---------------------------------------

Lorenzo Pennati (Sales Trading)	+39 02 7261 5647	lorenzo.pennati@intesasnpaolo.com
---------------------------------	------------------	-----------------------------------

**Equity Derivatives Institutional Sales**

<b>Emanuele Manini</b>	+39 02 7261 5936	emanuele.manini@intesasnpaolo.com
------------------------	------------------	-----------------------------------

Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@intesasnpaolo.com
----------------	------------------	----------------------------------

Stefan Gess	+39 02 7261 5927	stefan.gess@intesasnpaolo.com
-------------	------------------	-------------------------------

Edward Lythe	+44 20 7894 2456	edward.lythe@intesasnpaolo.com
--------------	------------------	--------------------------------

Ferdinando Zamprota	+39 02 7261 5577	ferdinando.zamprota@intesasnpaolo.com
---------------------	------------------	---------------------------------------

<b>Gherardo Lenti Capoduri – Head of Market Hub</b>	+39 02 7261 2051	gherardo.lenticapoduri@intesasnpaolo.com
---	------------------	--

**Intesa Sanpaolo IMI Securities Corp.**

<b>Fabio Martirani (Equity Institutional Sales)</b>	+1 212 326 1230	fabio.martirani@intesasnpaolo.com
---	-----------------	-----------------------------------

Greg Principe (Equity Institutional Sales)	+1 212 326 1233	greg.principe@intesasnpaolo.com
--	-----------------	---------------------------------