

Cellularline

Foreign Sales Drive Growth

Sales growth continued in the third quarter, albeit at a slower pace than in 1H, mainly due to the slowdown in domestic demand (driven by third-party products, which posted a record performance last year). International sales, on the other hand, remained solid thanks to the increased penetration with selected key partners (e.g. the new agreements with Auchan in France and Spain, new product lines with existing customers and the full benefit of agreements signed in 2023, such as El Corte Inglés in Spain). Cash generation remains strong, benefitting from the NWC optimisation. Given the group's solid cash generation profile, we believe the stock is currently trading at compressed multiples (2024E EV/EBITDA of 3.2x and a P/E of 6.1x). We consider Cellularline to be an attractive value stock.

9M24 results at a glance

Revenues came in at EUR 117.7M, up by 5.0% yoy. All three product lines registered an improvement yoy: the Red Line grew by 5.2% yoy, driven by the acquisition of new high-potential customers and increased penetration at selected top partners; the Blue Line increased by 1.3%, while the Black Line was up by 12.8% yoy. By geography, the domestic market was up by 1.9% yoy (accounting for around 45.7% of total), while revenues generated abroad increased by around 7.7%. Adjusted EBITDA was EUR 15.1M vs. EUR 12.9M in 9M23; the adjusted net profit stood at EUR 5.2M (EUR 4.0M in 9M23). Net debt was EUR 24.8M, vs. EUR 35.4M posted at YE23, due to both seasonality effects and NWC management efficiency. Operating cash-flow was EUR 19.1M (vs. EUR 8.2M in 9M23). Leverage ratio was 1.1x (vs. 1.7x at YE23).

Key mid-term growth drivers

Major mid-term growth levers should remain: 1) product innovation, helped by the R&D department's strengthening; 2) consolidation and strengthening of commercial relations with existing clients and acquisition of new customers. The aim is to increase coverage in travel retail, telco and mass merchandise channels; 3) higher international penetration, where Cellularline still has significant room for growth; 4) e-commerce strategy development; and 5) new M&A opportunities.

Estimates revised downwards; New target price EUR 4.7. BUY

Following the 9M results, we have lowered our 2024-25E estimates, mainly to reflect a lower growth trend in the domestic market, while slightly improving the group's cash generation profile. Taking into account our estimates revision and a lower risk-free rate (now at 3.5% vs. 3.75% in our previous report), our updated DCF model points to a new TP of EUR 4.7/share.

Cellularline – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E
Revenues	137.6	158.6	167.0	180.0
Adj. EBITDA	16.64	20.76	23.96	26.64
Adj. EBIT	10.25	14.02	17.16	19.64
Adj. Net income	5.70	7.68	8.66	10.39
Adj. EPS (EUR)	0.26	0.35	0.40	0.48
Net debt/-cash	40.40	35.44	23.37	15.88
Adj P/E (x)	14.2	7.7	6.1	5.1
EV/EBITDA (x)	7.3	4.5	3.2	2.6
EV/EBIT (x)	Neg.	19.3	8.8	6.2
Div ord yield (%)	0	3.2	3.6	3.6
FCF Yield (%)	3.1	12.2	29.0	20.4

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 11/11/2024

14 November 2024: 11:20 CET
Date and time of production

BUY

Target Price: EUR 4.7
(from EUR 5.5)

Italy/Consumer Services
Company Update

EXM-STAR

Cellularline - Key Data

Price date (market close)	11/11/2024
Target price (€)	4.7
Target upside (%)	93.42
Market price (€)	2.43
Market cap (EUR M)	53.14
52Wk range (€)	2.94/2.22

EPS – DPS changes

(€)	2024E	2025E	2024	2025
	EPS ▼	EPS ▼	chg%	chg%
Curr.	0.396	0.475	-10.24	-19.94
Prev.	0.441	0.593	-	-
	DPS =	DPS =	chg%	chg%
Curr.	0.087	0.087	0	0
Prev.	0.087	0.087	-	-

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

3Q/9M24 Results

Cellularline – 3Q/9M24 results

EUR M	3Q23A	3Q24A	yoy %	9M23A	9M24A	yoy %
Revenues	44.2	45.1	2.0	112.1	117.7	5.0
Adj. EBITDA	8.3	8.1	-3.2	12.9	15.1	17.0
Adj. EBITDA margin %	18.8	17.9		11.5	12.8	
Adj. EBIT	6.6	6.3	-4.3	8.0	10.1	26.8
Adj. Net income	5.1	4.0	-22.5	4.0	5.2	30.7
Net income	3.7	2.4	-35.8	-0.3	1.1	NM
NFP	45.6	24.8		45.6	24.8	

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

Estimates Revision

Cellularline – Estimates update 2024E-25E

EUR M	2024 Old	2024E New	Chg. %	2025 Old	2025E New	Chg. %
Revenues	175.0	167.0	-4.6	192.0	180.0	-6.3
Adj. EBITDA margin on revenues (%)	25.4	24.0	-5.6	30.3	26.6	-12.2
Adj. EBIT margin on revenues (%)	14.5	14.4		15.8	14.8	
Adj. EBIT margin on revenues (%)	18.6	17.2	-7.6	23.3	19.6	-15.8
Reported EBIT margin on revenues (%)	10.6	10.3		12.2	10.9	
Reported EBIT margin on revenues (%)	10.1	8.7	-13.9	14.9	11.2	-24.9
Adj. net income	5.8	5.2		7.7	6.2	
Adj. net income	9.6	8.7	-10.2	13.0	10.4	-19.9
Reported net income	5.7	4.7	-17.4	9.0	6.4	-28.7
NFP	25.5	23.4		17.0	15.9	

E: estimates; Source: Intesa Sanpaolo Research

Valuation and Key Risks

Valuation basis

Our EUR 4.7 TP is derived with a DCF model, using a 10.0% WACC incorporating a risk-free rate of 3.5%, 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 20%. 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.

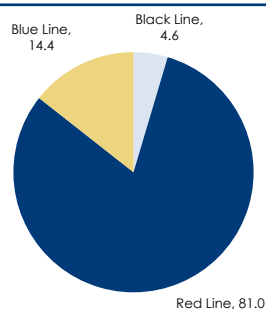
Key data

Mkt price (€)	2.43	Free float (%)	64.9
No. of shares	21.87	Major shr	S.L.M.K. SA
52Wk range (€)	2.94/2.22	(%)	12.4
Reuters	CELL.MI	Bloomberg	CELL IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-8.0	-1M	-8.1
-3M	-5.1	-3M	-11.9
-12M	8.5	-12M	-9.6

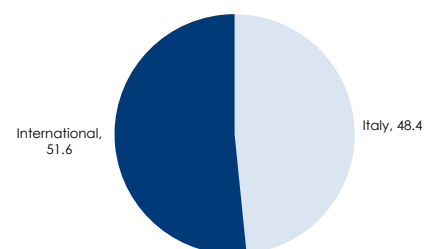
Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	158.6	167.0	172.0	180.0	184.5	NA	NA
EBITDA	20.76	23.96	24.69	26.64	28.17	NA	NA
EBIT	4.88	8.70	10.06	11.18	13.44	NA	NA
Pre-tax income	4.25	6.70	7.56	9.18	11.44	NA	NA
Net income	3.60	4.69	5.34	6.42	8.01	NA	NA
Adj. EPS (€)	0.35	0.40	0.47	0.48	0.57	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 11/11/2024)

Cellularline – Key Data

Rating BUY	Target price (€/sh) Ord 4.7	Mkt price (€/sh) Ord 2.43			Sector Consumer Services
Values per share (EUR)	2021A	2022A	2023A	2024E	2025E
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	53.14	53.14
Adj. EPS	0.34	0.26	0.35	0.40	0.48
BVPS	9.4	5.8	6.2	6.2	6.4
Dividend ord	0.16	0	0.09	0.09	0.09
Income statement (EUR M)	2021A	2022A	2023A	2024E	2025E
Revenues	110.6	137.6	158.6	167.0	180.0
EBITDA	16.12	16.64	20.76	23.96	26.64
EBIT	-5.16	-76.30	4.88	8.70	11.18
Pre-tax income	-6.56	-74.82	4.25	6.70	9.18
Net income	-3.85	-75.17	3.60	4.69	6.42
Adj. net income	7.45	5.70	7.68	8.66	10.39
Cash flow (EUR M)	2021A	2022A	2023A	2024E	2025E
Net income before minorities	-3.8	-75.2	3.6	4.7	6.4
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	2.0	-4.6
Operating cash flow	21.8	7.7	15.6	18.9	14.3
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	15.4	10.8
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	12.1	7.5
Balance sheet (EUR M)	2021A	2022A	2023A	2024E	2025E
Net capital employed	242.8	167.9	170.1	159.4	155.0
of which associates	0	0	0	0	0
Net debt/-cash	37.4	40.4	35.4	23.4	15.9
Minorities	0	0	0	0	0
Net equity	205.4	127.5	134.7	136.0	139.1
Minorities value	0	0	0	0	0
Enterprise value	134.1	121.3	94.2	76.5	69.0
Stock market ratios (x)	2021A	2022A	2023A	2024E	2025E
Adj. P/E	13.0	14.2	7.7	6.1	5.1
P/CFPS	5.5	4.6	3.0	2.7	2.4
P/BVPS	0.47	0.63	0.44	0.39	0.38
Payout (%)	47	0	25	22	18
Dividend yield (% ord)	3.6	0	3.2	3.6	3.6
FCF yield (%)	14.9	3.1	12.2	29.0	20.4
EV/sales	1.2	0.88	0.59	0.46	0.38
EV/EBITDA	8.3	7.3	4.5	3.2	2.6
EV/EBIT	Neg.	Neg.	19.3	8.8	6.2
EV/CE	0.55	0.72	0.55	0.48	0.45
D/EBITDA	2.3	2.4	1.7	0.98	0.60
D/EBIT	Neg.	Neg.	7.3	2.7	1.4
Profitability & financial ratios (%)	2021A	2022A	2023A	2024E	2025E
EBITDA margin	14.6	12.1	13.1	14.4	14.8
EBIT margin	-4.7	-55.4	3.1	5.2	6.2
Tax rate	41.3	NM	15.4	30.0	30.0
Net income margin	-3.5	-54.6	2.3	2.8	3.6
ROCE	-2.1	-45.4	2.9	5.5	7.2
ROE	-1.9	-45.2	2.7	3.5	4.7
Interest cover	-3.7	51.6	7.8	4.4	5.6
Debt/equity ratio	18.2	31.7	26.3	17.2	11.4
Growth (%)		2022A	2023A	2024E	2025E
Sales		24.5	15.3	5.3	7.8
EBITDA		3.2	24.8	15.5	11.2
EBIT		NM	NM	78.4	28.4
Pre-tax income		NM	NM	57.6	36.9
Net income		NM	NM	30.5	36.9
Adj. net income		-23.5	34.7	12.7	20.0

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)

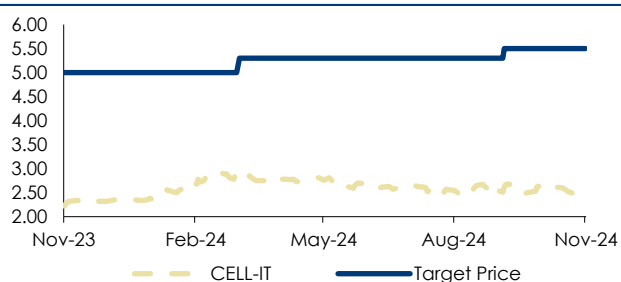
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Equity Rating Key (long-term horizon: 12M)

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.
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.
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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.
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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)
17-Sep-24	BUY	5.5	2.6
15-Mar-24	BUY	5.3	2.9

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

Number of companies considered: 158	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	69	31	0
of which Intesa Sanpaolo's Clients (%)**	64	41	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

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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. The conflicts of interest published on the internet site are updated to at least the day before the publishing date of this report.

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.		
Gregorio De Felice - Head of Research	+39 02 8796 2012	gregorio.defelice@intesasnpaolo.com
Equity&Credit Research		
Alberto Cordara	+39 02 4127 8647	alberto.cordara@intesasnpaolo.com
Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com
Equity Research		
Monica Bosio (Head)	+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
Fernando Gil De Santivanas d'Ornellas	+39 02 4127 9694	fernando.gildesantivanas@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		
Alberto Francese (Head)	+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		
Maria Grazia Antola (Head)	+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		
Anna Whatley (Head)	+39 02 4127 9031	anna.whatley@intesasnpaolo.com
Stefano Breviglieri		stefano.breviglieri@intesasnpaolo.com
Maria Ermakova		maria.ermakova@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		
Bernardo Bailo - Head of Global Markets Sales	+39 02 7261 2308	bernardo.bailo@intesasnpaolo.com
Emanuele Pozzi - Head of Global Markets Flow Sales	+39 02 7261 7175	emanuele.pozzi@intesasnpaolo.com
Equity Sales		
Giorgio Pozzobon	+39 02 7261 5616	giorgio.pozzobon@intesasnpaolo.com
Institutional Sales		
Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@intesasnpaolo.com
Francesca Bonacina		fancesca.bonacina1@intesasnpaolo.com
Carlo Cavalieri	+39 02 7261 2722	carlo.cavallieri@intesasnpaolo.com
Laurent Kieffer	+44 20 7651 3653	laurent.kieffer@intesasnpaolo.com
Roberta Pupeschi	+39 02 7261 6363	roberta.pupeschi@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
Lorenzo Pennati (Sales Trading)	+39 02 7261 5647	lorenzo.pennati@intesasnpaolo.com
Equity Derivatives Institutional Sales		
Emanuele Manini	+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
Enrico Spotti	+39 02 7261 7183	enrico.spotti@intesasnpaolo.com
Ferdinando Zamprota	+39 02 7261 5577	ferdinando.zamprota@intesasnpaolo.com
Gherardo Lenti Capoduri – Head of Market Hub	+39 02 7261 2051	gherardo.lenticapoduri@intesasnpaolo.com
Intesa Sanpaolo IMI Securities Corp.		
Fabio Martirani (Equity Institutional Sales)	+1 212 326 1230	fabio.martirani@intesasnpaolo.com
Greg Principe (Equity Institutional Sales)	+1 212 326 1233	greg.principe@intesasnpaolo.com