

## Cellularline

### Growth Trend Confirmed, Solid Cash Generation

The group confirmed the positive sales performance already seen in the first quarter, also benefitting from the numerous strategic measures implemented by management. Profitability improved by around 300bps, due to several factors, including mix, exchange rate and supply chain efficiencies. Cash generation was particularly strong benefiting from seasonality and NWC optimisation. The stock currently trades at compressed multiples, with a 2024E EV/EBITDA of 3.2x and a P/E of 5.8x. Given the sound cash generation profile, we consider Cellularline an appealing value stock.

#### Increased penetration in key customers

The positive performance was achieved in a non-growing market period, mainly thanks to the acquisition of new customers with high potential, both in Italy and abroad, and increased penetration with selected key partners (e.g. the group signed new agreements with Auchan in France and Spain, introduced new product lines with existing customers and is seeing full benefits from agreements signed in 2023, such as El Corte Inglés in Spain). With regards to the possible acquisition of Unieuro by FNAC-Darty, management stated that this could represent both a risk and an opportunity for the group (it could increase its penetration with FNAC-Darty, but it must succeed in not losing the partnership with Unieuro).

#### Positive outlook confirmed, P&L forecasts unchanged and cash profile improved

Management gave an overall positive outlook for FY24. Overall, we expect the company to benefit from the full contribution of the new distribution agreements in FY24. 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. Given the trend seen in the first half, we leave our P&L forecasts unchanged, while factoring in better NWC and cash generation. New TP set at EUR 5.5/share. BUY reiterated.

#### 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	25.52	16.99
Adj P/E (x)	14.2	7.7	5.8	4.3
EV/EBITDA (x)	7.3	4.5	3.2	2.4
EV/EBIT (x)	Neg.	19.3	8.0	4.9
Div ord yield (%)	0	3.2	3.4	3.4
FCF Yield (%)	3.1	12.2	23.9	21.4

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 13/09/2024

17 September 2024: 7:32 CET  
Date and time of production

**BUY**

**Target Price: EUR 5.5**  
(from EUR 5.3)

Italy/Consumer Services  
Company Update

#### EXM-STAR

#### Cellularline - Key Data

Price date (market close)	13/09/2024
Target price (€)	5.5
Target upside (%)	116.54
Market price (€)	2.54
Market cap (EUR M)	55.55
52Wk range (€)	2.94/2.17

#### EPS – DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	0.441	0.593	0	0
Prev.	0.441	0.593	-	-
	DPS ▼	DPS ▼	chg%	chg%
Curr.	0.087	0.087	-0.00	-0.00
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**

## 1H24 Results

Revenues came in at EUR 72.6M, up by 7.0% yoy. All three product lines registered an improvement yoy: the Red Line grew by 7.5% yoy, driven by the acquisition of new high-potential customers and increased penetration at selected top partners; the Blue Line increased by 3.4%, while the Black Line was up by 8.4% yoy. Looking at geographies, the domestic market was up by 6.7% yoy (accounting for around 44.3% of total), while revenues generated abroad increased by around 7.2%.

Adjusted EBITDA was EUR 7.0M vs. EUR 4.6M in 1H23; the adjusted net profit stood at EUR 1.3M vs. a net loss of EUR 1.1M in 1H23.

Net debt was EUR 27.5M, vs. EUR 35.4M posted at YE23, due to both seasonality effects and efficiency on NWC management. Operating cash-flow was EUR 13.8M (vs. EUR 4.0M in 1H23). Leverage ratio was 1.2x (vs. 1.7x at YE23).

### Cellularline – 2Q/1H24 results

EUR M	2Q23A	2Q24A	yoy %	1H23A	1H24A	yoy %
Revenues	37.6	40.8	8.6	67.8	72.6	7.0
Adj. EBITDA	4.1	5.9	44.5	4.6	7.0	54.0
Adj. EBITDA margin %	10.8	14.4		6.7	9.7	
Adj EBIT	2.3	4.2	79.8	1.4	3.8	NM
Adj. net income	-0.1	2.6	NM	-1.1	1.3	NM
Reported net income	-1.6	1.3	NM	-4.0	-1.3	NM
NFP	48.6	27.5		48.6	27.5	

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

### New Bank Financing

Cellularline recently announced the signing of a new EUR 35M financing agreement with two Italian banks. Specifically, EUR 25M will be used to refinance existing medium-long term financial sources, extending debt maturities by 2 years, while the remaining EUR 10M will be used to support the company's internal and external growth strategy. The new financing agreement allows for a better balance between short-term and medium-long term sources and an overall reduction in the cost of the latter.

## Estimates Revision

### Cellularline – Estimates update 2024E-25E

EUR M	2024 Old	2024E New	Chg. %	2025 Old	2025E New	Chg. %
Revenues	175.0	175.0	0.0	192.0	192.0	0.0
Adj. EBITDA	25.4	25.4	0.0	30.3	30.3	0.0
margin on revenues (%)	14.5	14.5		15.8	15.8	
Adj. EBIT	18.6	18.6	0.0	23.3	23.3	0.0
margin on revenues (%)	10.6	10.6		12.2	12.2	
Reported EBIT	10.1	10.1	0.0	14.9	14.9	0.0
margin on revenues (%)	5.8	5.8		7.7	7.7	
Adj. net income	9.6	9.6	0.0	13.0	13.0	0.0
Reported net income	5.7	5.7	0.0	9.0	9.0	0.0
NFP	34.6	25.5		27.5	17.0	

E: estimates; Source: Intesa Sanpaolo Research

## Valuation

### Cellularline - WACC calculation (%)

Risk-free rate	3.75
Equity risk premium	6.5
Beta (x)	1.2
Cost of equity	11.9
Net cost of debt	3.3
Gross cost of debt	4.7
Tax rate	30
Gearing	20
<b>WACC (%)</b>	<b>10.2</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	-1.2	-6.1	
Others	-4.0	-4.0	
FCF	13.9	12.5	18.0
Discounted FCF	12.6	10.3	13.4
WACC (%)	10.2		
Perpetuity growth rate (%)	0.0		
NPV of cash flows	22.9		
NPV of terminal value	132.4		
EV	155.3		
Net debt @ 2023A	35.4		
Equity value	119.8		
No. of shares (M)	21.9		
<b>Value per share (EUR)</b>	<b>5.5</b>		

Source: Intesa Sanpaolo Research estimates

### Cellularline – Sensitivity analysis

EUR/share	Growth (%)				
WACC (%)	-1.0	-0.5	0	0.5	1.0
9.2	5.7	6.0	6.3	6.7	7.2
9.7	5.3	5.6	5.9	6.2	6.6
10.2	4.9	5.2	<b>5.5</b>	5.8	6.1
10.7	4.6	4.9	5.1	5.4	5.7
11.2	4.3	4.5	4.8	5.0	5.3

Source: Intesa Sanpaolo Research estimates

## Valuation and Key Risks

### Valuation basis

Our EUR 5.5 TP is derived with a DCF model, using a 10.2% WACC incorporating a risk-free rate of 3.75%, 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.

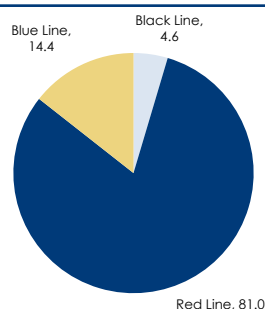
### Key data

Mkt price (€)	2.54	Free float (%)	64.9
No. of shares	21.87	Major shr	S.L.M.K. SA
52Wk range (€)	2.94/2.17	(%)	12.4
Reuters	CELL.MI	Bloomberg	CELL IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	0.4	-1M	-4.0
-3M	-3.1	-3M	-2.8
-12M	13.9	-12M	-2.9

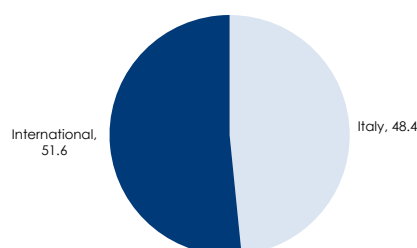
### Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	158.6	175.0	175.0	192.0	192.0	NA	NA
EBITDA	20.76	25.38	25.40	30.34	30.30	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	NA	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 13/09/2024)

## Cellularline – Key Data

Rating BUY	Target price (€/sh) Ord 5.5	Mkt price (€/sh) Ord 2.54			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	55.55	55.55
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	-1.2	-6.1
Operating cash flow	21.8	7.7	15.6	16.8	15.4
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	13.3	11.9
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	9.9	8.5
<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	162.6	159.7
of which associates	0	0	0	0	0
Net debt/-cash	37.4	40.4	35.4	25.5	17.0
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	81.1	72.5
<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	5.8	4.3
P/CFPS	5.5	4.6	3.0	2.7	2.3
P/BVPS	0.47	0.63	0.44	0.41	0.39
Payout (%)	47	0	25	20	15
Dividend yield (% ord)	3.6	0	3.2	3.4	3.4
FCF yield (%)	14.9	3.1	12.2	23.9	21.4
EV/sales	1.2	0.88	0.59	0.46	0.38
EV/EBITDA	8.3	7.3	4.5	3.2	2.4
EV/EBIT	Neg.	Neg.	19.3	8.0	4.9
EV/CE	0.55	0.72	0.55	0.50	0.45
D/EBITDA	2.3	2.4	1.7	1.0	0.56
D/EBIT	Neg.	Neg.	7.3	2.5	1.1
<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	6.2	9.3
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	18.6	11.9
<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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### Equity rating key: (long-term horizon: 12M)

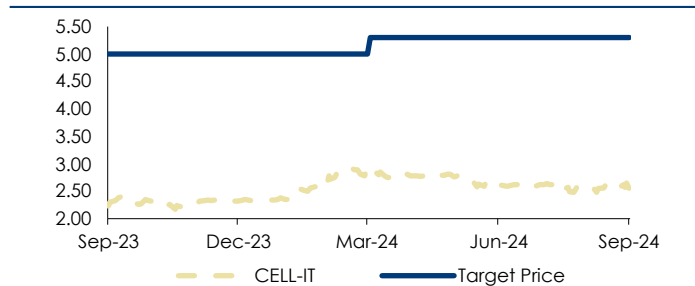
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

**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)
15-Mar-24	BUY	5.3	2.9

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

Number of companies considered: 158	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	67	33	0
of which Intesa Sanpaolo's Clients (%)**	67	48	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.

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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

<b>Intesa Sanpaolo Research Dept.</b>		
<b>Gregorio De Felice - Head of Research</b>	+39 02 8796 2012	gregorio.defelice@intesasnpaolo.com
<b>Equity&amp;Credit Research</b>		
<b>Alberto Cordara</b>	+39 02 4127 8647	alberto.cordara@intesasnpaolo.com
<b>Giampaolo Trasi</b>	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com
<b>Equity Research</b>		
<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
<b>Corporate Broking Research</b>		
<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
<b>Credit Research</b>		
<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
<b>Technical Analysis</b>		
Corrado Binda		corrado.binda@intesasnpaolo.com
Sergio Mingolla		antonio.mingolla@intesasnpaolo.com
<b>Clearing &amp; Data Processing</b>		
<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
<b>Intesa Sanpaolo – IMI Corporate &amp; Investment Banking Division</b>		
<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
<b>Equity Sales</b>		
<b>Giorgio Pozzobon</b>	+39 02 7261 5616	giorgio.pozzobon@intesasnpaolo.com
<b>Institutional Sales</b>		
<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 Tifo	+39 02 7261 7152	fabrizio.tifo@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
<b>Equity Derivatives Institutional Sales</b>		
<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 Lenzi Capoduri – Head of Market Hub</b>	+39 02 7261 2051	gherardo.lenzicapoduri@intesasnpaolo.com
<b>Intesa Sanpaolo IMI Securities Corp.</b>		
<b>Fabio Martirani (Equity Institutional Sales)</b>	+1 212 326 1230	fabio.martirani@intesasnpaolo.com
<b>Greg Principe (Equity Institutional Sales)</b>	+1 212 326 1233	greg.principe@intesasnpaolo.com