

Company Note

Cellularline

FY22 Results

In 2022, the top line grew by around 25% yoy, despite a particularly challenging macroeconomic context, thanks to the various commercial actions taken by management to exploit market opportunities in smartphone accessories' demand. On the other hand, the group registered a deterioration in the EBITDA margin, mainly impacted by costs' inflation and the unfavorable USD/EUR FX effect. In this context, management is focused on the execution of the group's medium/long-term strategy.

4Q/FY22 results

4Q and FY22 figures were below our forecasts. While the top line returned to almost pre Covid (4Q19 had registered revenues at EUR 47.2M vs. EUR 44.3M in 4Q22), the group's profitability was significantly impacted by costs' inflation and the unfavourable USD/EUR FX effect. Adjusted EBITDA was EUR 16.6M vs. EUR 16.1M in FY21 and below our estimate of EUR 19.0M. The EBITDA margin decreased to 12.1% (vs. 14.6%). The net financial position worsened to EUR 40.4M vs. a net debt of EUR 37.4M at YE21A (or EUR 35.9M excluding IFRS 16 impact vs. EUR 35.6M in FY21). Increase in NFP is mainly related to the higher operating working capital required to support top line growth and an inventory increase also caused by the change in the method of transport (favouring sea transport over air transport) in order to limit costs.

Outlook & estimates

Management disclosed a positive outlook for 2023, based on i) the sales performance recorded in 2022, ii) the benefits expected from the investments made during the first months of 2023, in particular on the German market, which should allow Cellularline to operate in a more structured way in this market and iii) some positive sector trends and growth opportunities in specific channels, such as Travel Retail and Telco. We revised our 2023E estimates to incorporate: i) the consolidation of Peter Jäckel; ii) a lower profitability profile; and iii) higher financial charges. We also added 2024-25E to our explicit forecast period.

Valuation

Our DCF model confirms a target price of EUR 5.0/share, implying a BUY rating. The stock currently trades at compressed multiples, with a 2023E EV/EBITDA of 4.8x and a P/E of 6.6x. In light of the strong cash generation profile, we consider Cellularline an appealing value stock.

28 March 2023: 7:35 CET
Date and time of production

BUY

Target Price: EUR 5.0

Italy/Consumer Services
Update

MTA-STAR

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



Cellularline - Key Data

Price date (market close)	24/03/2023
Target price (EUR)	5.0
Target upside (%)	65.02
Market price (EUR)	3.03
Market cap (EUR M)	66.26
52Wk range (EUR)	4.25/2.92

Price performance %	1M	3M	12M
Absolute	2.4	1.0	-18.3
Rel. to FTSE IT All Sh	6.7	-6.7	-22.4

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	6.6	5.3
EV/EBITDA (x)	7.3	4.8	3.9
EV/EBIT (x)	Neg.	14.7	9.9
Div ord yield (%)	0	1.5	1.5

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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4Q/FY22 Results

Revenues were EUR 137.6M, up by 24.5% yoy. The positive trend was achieved thanks to the recovery of demand both in the domestic and international markets (which accounted for 48% of total sales). International revenues also benefitted from the strong rebound registered by Worldconnect, thanks to the increase in traffic recorded in the Airport Travel Retail channel vs. last year. Looking at product lines, we highlight that: The Red Line grew by 23.4% yoy, mainly driven by the recovery in demand on international markets; the Blue Line increased by EUR 6.5M yoy; while the Black Line was down by 3.9% (or EUR 0.5M).

Adjusted EBITDA was EUR 16.6M vs. EUR 16.1M in FY21 and below our estimate of EUR 19.0M. The EBITDA margin decreased to 12.1% (vs. 14.6%), due to higher costs incurred for the purchase of products, energy, a higher weighting of transportation costs and an unfavourable USD/EUR forex exchange; the **adjusted net profit stood at EUR 5.7M** vs. EUR 7.4M in FY21 (and EUR 11.7M in our forecasts).

Reported figures were impacted by an impairment loss on goodwill of EUR 75.4M (the write-off was EUR 39.9M in 1H22), attributable to the effect of the significant increase in the discount rate used for the purposes of the impairment test, which firstly reflects the significant worsening in the reference market parameters in 2022 that increased the risk of execution of the group's plan.

The **net financial position worsened to EUR 40.4M** vs. a net debt of EUR 37.4M at YE21A (or EUR 35.9M excluding IFRS 16 impact vs EUR 35.6M in FY21). Increase in NFP is mainly related to the higher operating working capital required to support top line growth and an inventory increase also caused by the change in the method of transport (favouring sea transport over air transport) in order to limit costs.

The Board of Directors resolved to propose to the Shareholders' Meeting the distribution of a dividend through the assignment of treasury shares held in the portfolio in the ratio of 1 share for every 28 held (for a total maximum of 743,499 shares, corresponding to 3.40% of the share capital).

Cellularline – 4Q/FY22 results

EUR M	4Q21A	4Q22A	yoy %	4Q22E	A/E %	FY21A	FY22A	yoy %	FY22E	A/E %	FY23E
Revenues	36.5	44.3	21.3	44.7	-0.9	110.6	137.6	24.5	138.0	-0.3	158.0
Adj. EBITDA	7.0	5.7	-17.9	8.1	-29.5	16.1	16.6	3.2	19.0	-12.4	24.2
margin %	19.1	12.9		18.1		14.6	12.1		13.8		15.3
EBIT	-4.5	-34.8	NM	0.2	NM	-5.2	-76.3	NM	-41.3	NM	6.8
Adj. Net income	3.3	2.0	-38.2	8.0	-74.7	7.4	5.7	-23.5	11.7	-51.3	14.1
Net income	-3.2	-35.1	NM	0.7	NM	-3.8	-75.2	NM	-39.4	NM	6.3
NFP	37.4	40.4		38.8		37.4	40.4		38.8		34.3

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

Recent Updates on the German Market

Cellularline recently announced two strategic transactions regarding the group presence in the German market, which has always been regarded as a crucial location as Europe's largest market for smartphone accessories. In particular:

On 28 February, Cellularline announced the signing of a three-year agreement with MediaMarktSaturn Germany for the distribution of smartphone accessories. The agreement is effective from February 2023 and will run until December 2025 at the earliest. We recall that MediaMarktSaturn is already a commercial partner in Italy, Spain, Portugal, Switzerland, Benelux, Turkey, and others. We consider the agreement to be strategic as the widespread presence of MediaMarktSaturn shops in Germany should enable the group to reach a large pool of potential new customers across the country, thus solving recent route-to-market issues in the German market.

In January, Cellularline also announced the completion of the purchase of a 60% stake of Peter Jäckel, a leading German smartphone accessory company. The price for the purchase of the initial 60% stake was EUR 3.05M. In 2021, Peter Jäckel reported sales of EUR 9.4M with a net profit of EUR 1.42M. The NFP is estimated to be positive for approximately EUR 0.6M. Peter Jäckel's key people will remain involved in the share capital and management of the company in leading roles, ensuring the company's business continuity. The agreement also includes put & call options on the minority shareholding, totalling 40% (to be paid in two tranches and to be calculated taking into account certain economic and financial parameters recorded by Peter Jäckel in FY24 and FY25). We appreciate the transaction, as the integration of Peter Jäckel should enable Cellularline to strengthen its presence in the German market and accelerate the internationalisation process envisaged in the group's industrial plan for 2022-2025. In particular, the acquired company could benefit from the expansion of its product and service offering, as well as from operational and financial synergies, resulting in development opportunities for both companies.

Earnings Outlook

Overall the company confirmed the long-term objectives and strategic target included in the Business Plan 2022-25, which point to:

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

The main key targets and initiatives included in the 2022-25 business plan were:

- **Brand & Products:** continuous innovation of the product range in all the categories, such as protection, audio, chargers, and impulse products, pushing for a product assortment oriented to more profitable categories;
- **Italian market:** market leadership confirmed & partnerships with retailers strengthened to a next level, working on all channels (Consumer Electronics, Mass Merch and Telco);
- **International prioritisation:** 1) going back to Germany & Austria; 2) raising the market share in selected EU countries and Middle East; and 3) strategic agreements with key EU distributors;
- **Travel retail:** significant progressive rebound of Worldconnect and growth also for Cellularline in this channel (both Italy and Europe);
- **E-commerce:** strengthening the channel and digital know-how. Priorities should be: 1) increasing the effectiveness of proprietary websites; and 2) working in synergy with retailers to boost online sales and omnichannel opportunities;
- **Group organisation, processes and digitalisation:** evolution of the organisational structure by: 1) streamlining processes, organisation & digitalisation; and 2) exploitation of synergies between group companies;
- **ESG:** Development of an ESG concept fully integrated in the business strategy, through the pursuit of a Sustainable Innovation Path.

Estimates revision

We revised our 2023E estimates to incorporate: i) the consolidation of Peter Jäckel; ii) a lower EBITDA margin, as we have cautiously assumed that inflation will put pressure on the group's profitability again this year; and iii) higher D&A and financial charges.

We also added 2024-25E to our explicit forecast period.

Cellularline – Estimates revision (2023E-25E)

EUR M	2023 Old	2023E New	yoy %	2024E New	2025E New
Revenues	158.0	168.0	6.3	180.0	195.0
Adj. EBITDA	24.2	24.4	0.7	27.9	32.2
margin on revenues (%)	15.3	14.5		15.5	16.5
Adj. EBIT	18.8	17.4	-7.7	20.4	24.7
margin on revenues (%)	11.9	10.3		11.3	12.7
Reported EBIT	6.8	7.9	16.1	10.9	15.2
margin on revenues (%)	4.3	4.7		6.1	7.8
Adj. net income	14.1	10.4	-26.2	12.9	15.9
Reported net income	6.3	5.1	-18.7	6.3	9.2
NFP	34.3	47.9		39.4	29.3

E: estimates; Source: Intesa Sanpaolo Research

Valuation

Our DCF model confirms a **target price of EUR 5.0/share**, implying a **BUY rating on the stock**. We use the following key assumptions:

- A 9.8% WACC, incorporating a risk-free rate of 4.0% (from 3.0% used in our previous report), 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%;

Cellularline - WACC calculation (%)

Risk-free rate	4.0
Equity risk premium	6.5
Beta (x)	1.2
Cost of equity	12.1
Net cost of debt	2.8
Gross cost of debt	4.0
Tax rate	30
Gearing	25
WACC (%)	9.8

Source: Intesa Sanpaolo Research estimates

- Terminal value growth is prudentially set at 0%. As usual, LT depreciation equals capex;
- We adjust the number of shares only to include the slight dilution effect arising from the abovementioned dividend announced with 2022 results and not to include the effects arising from the potential conversion of warrants as we consider unlikely the event of reaching the strike price (we recall that the warrants have a strike price of EUR 9.5 and a mandatory exercise price of EUR 13.0 and will expire this year).

Cellularline - DCF model

EUR M	2023E	2024E	2025E	LT
Sales	168.0	180.0	195.0	195.0
yoy %	22.1	7.1	8.3	76.4
Adj. EBIT	17.4	20.4	24.7	24.7
Adj. EBIT margin (%)	10.3	11.3	12.7	12.7
Taxes	-0.3	-2.7	-4.0	-5.4
NOPAT	17.1	17.7	20.7	19.2
Non-cash items	6.6	7.1	7.1	
Investments	-3.5	-3.5	-3.5	
NWC changes	-13.1	-5.7	-7.1	
Others	-2.6	-2.6	-2.6	
FCF	4.5	13.0	14.6	19.2
Discounted FCF	4.1	10.8	11.0	13.2
WACC (%)	9.8			
Perpetuity growth rate (%)	0.0			
NPV of cash flows	25.9			
NPV of terminal value	135.3			
EV	161.2			
Net debt @ 2022A*	48.9			
Equity value	112.3			
No. of shares (M)**	22.6			
Value per share (EUR)	5.0			

*) including impacts arising from the acquisition of Peter Jäckel; **) including dilution effect from dividend distribution announced with 2022 results; Source: Intesa Sanpaolo Research estimates

Cellularline – Sensitivity analysis

EUR/share	Growth (%)				
WACC (%)	-1.0	-0.5	0	0.5	1.0
8.8	5.2	5.5	5.9	6.3	6.8
9.3	4.8	5.1	5.4	5.8	6.2
9.8	4.4	4.7	5.0	5.3	5.6
10.3	4.1	4.3	4.6	4.8	5.2
10.8	3.8	4.0	4.2	4.5	4.7

Source: Intesa Sanpaolo Research estimates

Cellularline – Key Data

Rating BUY	Target price (EUR/sh) Ord 5.0		Mkt price (EUR/sh) Ord 3.03			Sector 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	68.51	68.51	68.51
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	116.5	107.9	97.9
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	21.0	13.0	14.2	6.6	5.3	4.3
P/CFPS	3.4	5.5	4.6	3.2	3.0	2.6
P/BVPS	0.53	0.47	0.63	0.54	0.53	0.50
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	16.1	18.4
EV/sales	1.5	1.2	0.88	0.69	0.60	0.50
EV/EBITDA	10.6	8.3	7.3	4.8	3.9	3.0
EV/EBIT	Neg.	Neg.	Neg.	14.7	9.9	6.4
EV/CE	0.62	0.55	0.72	0.67	0.64	0.59
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

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 Risks

Company specific risks:

- Global logistics issues might affect cost base;
- A resurgence of restrictive measures;
- 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.

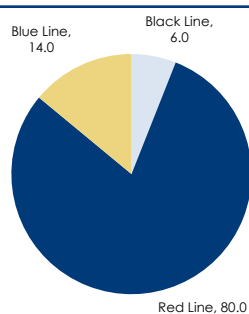
Key data

Mkt price (EUR)	3.03	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
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	2.4	-1M	6.7
-3M	1.0	-3M	-6.7
-12M	-18.3	-12M	-22.4

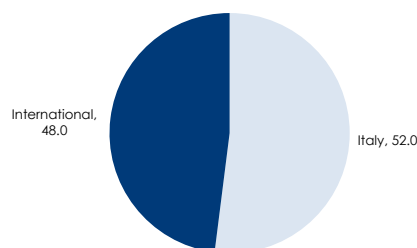
Estimates vs. consensus

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

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 24/03/2023)

Our Mid Corporate Definition

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 around EUR 1Bn.

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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)

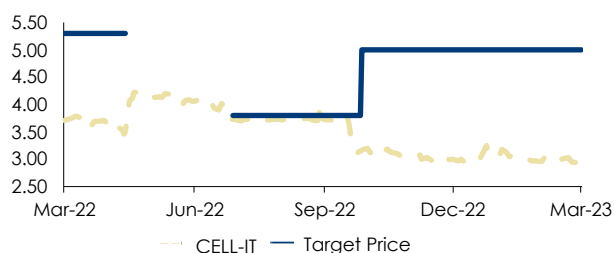
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

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

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% 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 for determining an investment rating or target. 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 one-year 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

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->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

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
09-May-22	Under Review	Under Review	4.1

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at January 2023)**

Number of companies considered: 129	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	66	16	18	0	0
of which Intesa Sanpaolo's Clients (%)**	79	29	52	0	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

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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