

## Cellularline

### Foreign Sales Drive Growth

The top-line growth continued in 3Q, albeit at a weaker pace than in 1H23, mainly due to the domestic demand slowdown. Foreign sales, by contrast, were boosted by the recent distribution agreements for the DACH, Spain and Portugal regions, higher sales of Worldconnect, as well as by the newly-acquired companies' consolidation. Profitability rebounded also thanks to more favourable exchange rates than last year. The stock currently trades at compressed multiples, with a 2023E EV/EBITDA of 4.0x and a P/E of 5.7x. Given the good cash generation profile, we consider Cellularline an appealing value stock.

### All three product lines registered an improvement yoy

9M23 revenues came in at EUR 112.1M, up 17.6% yoy (or 13.3% on a like-for-like basis). On a divisional basis, the Red Line grew by 18.2% yoy, driven by the recovery of demand for both Cellularline and Worldconnect products in the international markets, as well as by the positive effect from the new acquisitions and the new sales agreement with MediaMarktSaturn Germany. The Blue Line increased by 9.4%, mainly driven by the domestic market. The Black Line was also up by 9.4% yoy. Looking at geographies, the domestic market was up by 11.7% yoy (accounting for around 47.0% of the total), while revenues generated abroad increased by around 23%.

### Key mid-term growth drivers

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: Rating and Target Price unchanged

Following 9M23 results, we fine-tuned our 2023-25E estimates mainly to incorporate a slightly lower growth trend in the domestic market, while improving the group's cash generation profile. Our updated DCF model confirms **a target price of EUR 5.0, implying a BUY rating.**

### Cellularline– Key data

Y/E Dec (EUR M)	2021A	2022A	2023E	2024E	2025E
Revenues	110.6	137.6	158.0	175.0	192.0
Adj. EBITDA	16.12	16.64	22.12	26.60	31.68
Adj. EBIT	10.74	10.25	15.62	19.80	24.68
Adj. Net income	7.45	5.70	8.48	11.76	15.53
Adj. EPS (EUR)	0.34	0.26	0.39	0.54	0.71
Net debt/-cash	37.40	40.40	39.86	36.12	27.62
Adj P/E (x)	13.0	14.2	5.7	4.1	3.1
EV/EBITDA (x)	8.3	7.3	4.0	3.2	2.4
EV/EBIT (x)	Neg.	Neg.	12.4	7.5	4.7
Div ord yield (%)	3.6	0	2.1	2.1	2.1
FCF Yield (%)	14.9	3.1	10.4	12.9	22.7

Source: Company data, FactSet and Intesa Sanpaolo Research estimates. Priced at 13/11/2023

15 November 2023: 7:52 CET  
Date and time of production

**BUY**

Target Price: EUR 5.0

Italy/Consumer Services  
Company Update

EXM-STAR

### Cellularline - Key Data

Price date (market close)	13/11/2023
Target price (€)	5.0
Target upside (%)	125.23
Market price (€)	2.22
Market cap (EUR M)	48.55
52Wk range (€)	3.25/2.10

### EPS – DPS changes

(€)	2023E	2024E	2023	2024
	EPS ▼	EPS ▼	chg%	chg%
Curr.	0.388	0.538	-6.91	-3.45
Prev.	0.417	0.557	-	-
	DPS =	DPS =	chg%	chg%
Curr.	0.046	0.046	0	0
Prev.	0.046	0.046	-	-

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



Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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## 3Q/9M23 Results and Earnings Outlook

### Results

**9M23 revenues came in at EUR 112.1M** up by 17.6% yoy (or 13.3% on a like-for-like basis). All three product lines showed an improvement yoy. The Red Line grew by 18.2% yoy, driven by the recovery of demand for both Cellularline and Worldconnect products in international markets, as well as by the positive effect from the new acquisitions and the new sales agreement with MediaMarktSaturn Germany. The Blue Line increased by 9.4%, mainly driven by the domestic market. The Black Line was also up by 9.4% yoy. Looking at geographies, the domestic market was up by 11.7% yoy (accounting for around 47.0% of the total), while revenues generated abroad increased by around 23%.

**Adjusted EBITDA was EUR 12.9M** vs. EUR 10.9M in 9M22; the **adjusted net profit stood at EUR 4.0M** vs. EUR 3.7M in 9M22, impacted by higher financial expenses.

**Net debt was EUR 45.6M**, increasing by EUR 5.2M vs. EUR 40.4M at YE22, mainly affected by the acquisition of 60% of Peter Jäckel GmbH. Operating cash flow was EUR 4.9M (vs. EUR -1.1M in 9M22).

### Cellularline - 3Q/9M23 results

EUR M	3Q22A	3Q23A	yoy %	9M22A	9M23A	yoy %
Revenues	40.8	44.2	8.5	95.3	112.1	17.6
Adj. EBITDA	7.6	8.3	9.4	10.9	12.9	17.9
Adj. EBITDA margin %	18.7	18.8		11.5	11.5	
Adj. EBIT	5.9	6.6	10.5	6.4	8.0	24.3
Adj. Net income	4.0	5.1	29.4	3.7	4.0	8.8
Net income	3.0	3.7	25.5	-40.1	-0.3	NM
NFP	45.3	45.6		45.3	45.6	

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

### Estimates Fine-tuning

#### Cellularline – Estimates update (2023E-25E)

EUR M	2023E Old	2023E New	Chg. %	2024E Old	2024E New	Chg. %	2025E Old	2025E New	Chg. %
Revenues	168.0	158.0	-6.0	180.0	175.0	-2.8	195.0	192.0	-1.5
Adj. EBITDA	23.5	22.1	-5.9	27.9	26.6	-4.7	32.2	31.7	-1.6
margin on revenues (%)	14.0	14.0		15.5	15.2		16.5	16.5	
Adj. EBIT	16.5	15.6	-5.3	20.4	19.8	-2.9	24.7	24.7	-0.1
margin on revenues (%)	9.8	9.9		11.3	11.3		12.7	12.9	
Reported EBIT	7.1	7.2	0.8	10.9	11.3	4.0	15.2	16.2	6.7
margin on revenues (%)	4.2	4.5		6.1	6.5		7.8	8.4	
Adj. net income	9.1	8.5	-6.8	12.2	11.8	-3.6	15.5	15.5	0.2
Reported net income	3.8	3.8	0.6	5.6	5.8	4.2	8.9	9.6	7.9
NFP	48.7	39.9		40.9	36.1		31.2	27.6	

E: estimates; Source: Intesa Sanpaolo Research

## Valuation and Key Risks

### Valuation basis

Our EUR 5.0 TP is derived with a DCF model, using a 10.2% WACC incorporating a risk-free rate of 4.5%, 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 25%. Terminal value is prudently set at 0%.

### Key Risks

#### Company specific risks:

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

#### Sector generic risks:

- An increase in competition from the main competitors and a potentially higher penetration of private labels and online competitors;
- Potentially rapid changes in consumer trends and needs, also given the fast-technological evolution of electronics' components and accessories, with a possible impact on the group's strategy and brand awareness.

## Company Snapshot

### Company Description

Cellularline is the European market leader in the design, manufacturing and distribution of accessories for connectivity devices. Leveraging on more than 5,000 points of sales, the company reaches more than 60 countries in the world and covers all the major distribution channels (CE, Telco, Travel Retail, Mass Merchandise, Sport stores as well as other retailers). Cellularline has a wide product portfolio composed of three major categories: (i) Protection & Style (cases and screen protectors); (ii) Charge & Utilities (battery chargers, powerbanks, car accessories and cables); and (iii) Voice & Sport (earphones and sports accessories). Moreover, the company recently launched the AQL brand (AudioQuality Lab), the product line dedicated to the world of music.

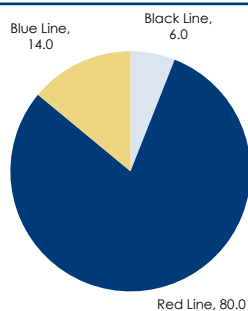
### Key data

Mkt price (€)	2.22	Free float (%)	75.4
No. of shares	21.87	Major shr	S.L.M.K. SA
52Wk range (€)	3.25/2.10	(%)	9.4
Reuters	CELL.MI	Bloomberg	CELL IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-4.3	-1M	-6.8
-3M	-13.3	-3M	-14.8
-12M	-28.8	-12M	-38.8

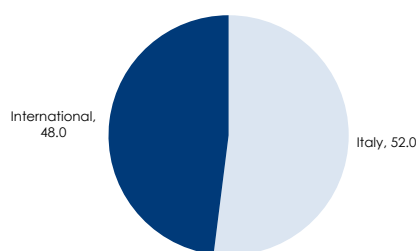
### Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	137.6	158.0	165.5	175.0	176.0	192.0	186.5
EBITDA	16.64	22.12	21.75	26.60	25.95	31.68	29.09
EBIT	-76.30	7.16	7.03	11.34	10.97	16.22	14.11
Pre-tax income	-74.82	3.66	3.78	8.34	7.97	13.72	11.36
Net income	-75.17	3.82	3.38	5.84	5.28	9.60	7.95
Adj. EPS (EUR)	0.26	0.39	0.40	0.54	0.52	0.71	0.63

### 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 13/11/2023)

## Cellularline – Key Data

Rating BUY	Target price (€/sh) Ord 5.0		Mkt price (€/sh) Ord 2.22			Sector Consumer Services
<b>Values per share (EUR)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
No. ordinary shares (M)	21.87	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	21.87
Market cap (EUR M)	110.96	96.68	80.91	48.55	48.55	48.55
Adj. EPS	0.24	0.34	0.26	0.39	0.54	0.71
BVPS	9.5	9.4	5.8	5.8	6.0	6.3
Dividend ord	0	0.16	0	0.05	0.05	0.05
<b>Income statement (EUR M)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenues	104.5	110.6	137.6	158.0	175.0	192.0
EBITDA	15.10	16.12	16.64	22.12	26.60	31.68
EBIT	-3.41	-5.16	-76.30	7.16	11.34	16.22
Pre-tax income	-2.40	-6.56	-74.82	3.66	8.34	13.72
Net income	13.90	-3.85	-75.17	3.82	5.84	9.60
Adj. net income	5.30	7.45	5.70	8.48	11.76	15.53
<b>Cash flow (EUR M)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net income before minorities	13.9	-3.8	-75.2	3.8	5.8	9.6
Depreciation and provisions	18.5	21.3	92.9	15.0	15.3	15.5
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	-2.8	-8.4	-7.6
Operating cash flow	11.3	21.8	7.7	13.0	9.7	14.5
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	-4.4	0	0
Free cash flow	-22.2	14.4	2.5	5.1	6.2	11.0
Dividends	-7.2	0	-1.0	0	-1.0	-1.0
Equity changes & Non-op items	5.0	-2.8	-4.5	-4.5	-1.5	-1.5
Net change in cash	-24.4	11.6	-3.0	0.6	3.7	8.5
<b>Balance sheet (EUR M)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net capital employed	257.5	242.8	167.9	166.7	166.3	164.9
of which associates	0	0	0	0	0	0
Net debt/-cash	49.0	37.4	40.4	39.9	36.1	27.6
Minorities	0	0	0	0	0	0
Net equity	208.5	205.4	127.5	126.9	130.2	137.3
Minorities value	0	0	0	0	0	0
Enterprise value	160.0	134.1	121.3	88.4	84.7	76.2
<b>Stock market ratios (x)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Adj. P/E	21.0	13.0	14.2	5.7	4.1	3.1
P/CFPS	3.4	5.5	4.6	2.6	2.3	1.9
P/BVPS	0.53	0.47	0.63	0.38	0.37	0.35
Payout (%)	0	47	0	12	9	6
Dividend yield (% ord)	0	3.6	0	2.1	2.1	2.1
FCF yield (%)	-20.0	14.9	3.1	10.4	12.9	22.7
EV/sales	1.5	1.2	0.88	0.56	0.48	0.40
EV/EBITDA	10.6	8.3	7.3	4.0	3.2	2.4
EV/EBIT	Neg.	Neg.	Neg.	12.4	7.5	4.7
EV/CE	0.62	0.55	0.72	0.53	0.51	0.46
D/EBITDA	3.2	2.3	2.4	1.8	1.4	0.87
D/EBIT	Neg.	Neg.	Neg.	5.6	3.2	1.7
<b>Profitability &amp; financial ratios (%)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EBITDA margin	14.4	14.6	12.1	14.0	15.2	16.5
EBIT margin	-3.3	-4.7	-55.4	4.5	6.5	8.4
Tax rate	NM	41.3	NM	NM	30.0	30.0
Net income margin	13.3	-3.5	-54.6	2.4	3.3	5.0
ROCE	-1.3	-2.1	-45.4	4.3	6.8	9.8
ROE	6.8	-1.9	-45.2	3.0	4.5	7.2
Interest cover	3.4	-3.7	51.6	2.0	3.8	6.5
Debt/equity ratio	23.5	18.2	31.7	31.4	27.7	20.1
<b>Growth (%)</b>		<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Sales		5.8	24.5	14.8	10.8	9.7
EBITDA		6.8	3.2	33.0	20.3	19.1
EBIT		-51.5	NM	NM	58.4	43.0
Pre-tax income		NM	NM	NM	NM	64.5
Net income		NM	NM	NM	52.6	64.5
Adj. net income		40.7	-23.5	48.8	38.6	32.0

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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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)

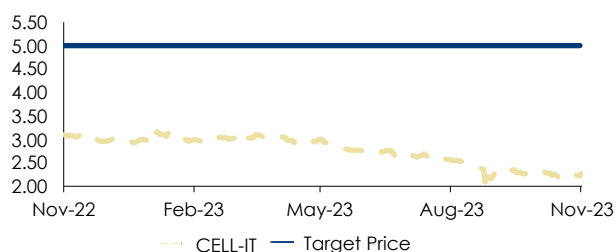
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**Equity Rating Key (long-term horizon: 12M)**

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.
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>.

**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 October 2023)**

Number of companies considered: 132	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	76	24	0
of which Intesa Sanpaolo's Clients (%)**	70	53	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



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