

Acotel – Sell (prev. Sell)

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Price: EUR 50.10**Reuters:** ACO.MI

Target price: EUR 42.00 (prev. EUR 42.00)**Bloomberg:** ACO IM**1H10 results in line at top-line level but loss at EBITDA level is slightly higher than expected**

Topic: Acotel reported revenue of EUR 80mn (+33.3% yoy): the yoy improvement was mainly achieved thanks to the US-based Flycell Inc., Info2cell, Jinny Software and Acotel do Brasil. In particular, 90.9% of revenues came from the supply of value-added mobile services, 7.5% was generated by mobile messaging solutions and 1% by the security systems business. Mobile telecommunications services (i.e. Noverca) continued to have a limited contribution (0.6%) to total revenue. As far as profitability is concerned, EBITDA was negative for EUR 4.5mn: the increased loss was mainly due to the geographical expansion of the B2C business, which required spending on communication and service promotions, and the investment needed to support the start-up of mobile telecommunications services. Regarding the outlook, management expects Flycell to pick up strongly in terms of margins on the back of customer acquisitions during 1H10. In the network operator sector, the company expects an improved performance following the launch of mobile marketing services in collaboration with TIM Brasil and the agreement with Asiacell in Iraq. Jinny Software Ltd. is expected to achieve good results in the mobile messaging solutions segment during 2H10 (i.e. 2H is generally when mobile operators tend to concentrate decisions regarding new investments). Finally, Noverca is going to focus on increasing the number of customers through greater involvement of its partner, Intesa Sanpaolo, in marketing and commercial activities and via the opening-up of new distribution channels for both the consumer and business markets.

Our view: Results were in line with our estimates, but we would underline that the loss at EBITDA level was higher than our estimates (i.e. EUR -4.5mn versus our estimate of EUR -3.9mn). We believe that Noverca is struggling to gain market share and Acotel needs to keep on investing to reach a critical mass, therefore we expect Noverca to keep on burning cash going forward, at least for the entire 2010.

Conclusion: We maintain our negative stance on Acotel, confirming our Sell rating and EUR 42.00 target price.

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Biesse	-
Elica	7
Finmeccanica	3,7
IMA	3,5,7
Pirelli	3,6a,7
Telecom Italia	3
Telecom Italia savings	3
Tenaris	3

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Company	Date	Rating	Currency	Target price
Acotel	12/04/2010	SELL	EUR	42.00
Biesse	15/03/2010	HOLD	EUR	6.90
Biesse	12/10/2009	HOLD	EUR	6.60
Elica	17/02/2010	HOLD	EUR	1.95
Elica	06/08/2009	HOLD	EUR	1.39
Finmeccanica	30/07/2010	BUY	EUR	11.20
Finmeccanica	06/05/2010	BUY	EUR	12.20
Finmeccanica	08/03/2010	BUY	EUR	13.20
Finmeccanica	01/02/2010	BUY	EUR	12.90
Finmeccanica	12/11/2009	BUY	EUR	13.50
IMA	08/03/2010	BUY	EUR	15.40
Pirelli	30/07/2010	BUY	EUR	6.10
Pirelli	23/03/2010	BUY	EUR	0.52
Pirelli	18/12/2009	HOLD	EUR	0.45
Telecom Italia	17/06/2010	BUY	EUR	1.10
Telecom Italia	22/02/2010	HOLD	EUR	1.05
Telecom Italia	20/08/2009	HOLD	EUR	1.03
Telecom Italia	07/08/2009	HOLD	EUR	1.05
Telecom Italia savings	17/06/2010	BUY	EUR	0.88
Telecom Italia savings	22/02/2010	HOLD	EUR	0.84
Telecom Italia savings	20/08/2009	HOLD	EUR	0.77
Telecom Italia savings	07/08/2009	HOLD	EUR	0.80
Tenaris	08/06/2009	Hold	EUR	12.10

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