

Company Note

# Rosetti Marino

## 1H20 Results

The lockdown, with different timings and durations in Italy and abroad, affected the company's production and commercial activity, leading to revenues down by 32.4% yoy and a contained order intake in 1H20. Despite some signs of a recovery, commercial activity is still reduced and the outlook is uncertain.

### 1H20 results

The key take-aways from 1H20 results were: i) total revenues at EUR 111.5M vs. EUR 164.9M in 1H19A (-32.4% yoy). The Energy Segment recorded a marked drop (EUR 92M vs. EUR 143M in 1H19A); ii) EBITDA was negative for EUR 14.9M vs. a positive EUR 21.7M in 1H19A; iii) the net loss came in at EUR 17.1M vs. EUR 2.1M net profit in 1H19A; iv) the short-term net cash position was EUR 85.4M vs. EUR 120M at YE19A. The order backlog at 30 June amounted to EUR 165M (vs. EUR 246M at YE19), o/w EUR 111M in the Energy Segment, EUR 28M related to the shipbuilding activities, and EUR 26M to the Process Plants segment.

### Outlook and estimates revision

Overall, given the low level of order backlog in the company's three business areas and the uncertainties in the reference markets, we revise downwards our estimates over our forecast period, as follows: i) for 2020E, we cut our revenue projections by 36%, and we now forecast a negative EBITDA (EUR -11.6M) and a reduction in net cash by 29.8%; ii) for 2021E, we cut our top/line estimate by around 19% and we now look for a positive EUR 7.1M EBITDA and net profit broadly at breakeven. In 2022E and 2023E, we see a yoy increase in turnover of around 21% and 7%, respectively, and an EBITDA margin increasing over the two-year period (at 3% in 2022E, 5.1% in 2023E), but still below the company's 2014-2019 average (around 7.3%). We highlight that any further unpredictable development of Covid-19 could undermine the feasibility of these estimates.

### Valuation

In view of Rosetti Marino's stable shareholding structure and limited trading volumes, we do not assign a rating or target price to the company.

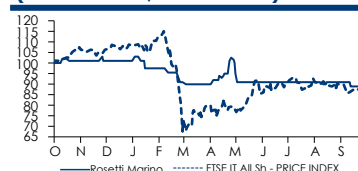
15 October 2020: 8:02 CET  
Date and time of production

## No Rating

Italy/Oil Equipment & Services  
Update

### AIM

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



### Rosetti Marino - Key Data

Price date (market close)	13/10/2020
Market price (EUR)	35.20
Market cap (EUR M)	140.80
52Wk range (EUR)	40.8/35.2

Price performance %	1M	3M	12M
Absolute	-2.2	-2.2	-11.1
Rel. to FTSE IT All Sh	-0.9	-0.4	0.2

Y/E Dec (EUR M)	FY19A	FY20E	FY21E
Revenues	338.6	254.0	358.0
EBITDA	33.38	-11.60	7.10
EBIT	25.23	-18.70	-0.30
Net income	4.46	-15.99	0.30
EPS (EUR)	1.12	-4.00	0.08
Net debt/-cash	-120.2	-58.68	-56.10
Adj P/E (x)	35.8	Neg.	NM
EV/EBITDA (x)	18.9	Neg.	12.6
EV/EBIT (x)	24.9	Neg.	NM
Div ord yield (%)	1.2	1.3	1.3

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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## 1H20 Results

Rosetti Marino's 1H20 results were heavily impacted by Covid-19 pandemic. The key points of the results were:

- **Total revenues of EUR 111.5M** vs. EUR 165M in 1H19A (-32.4% yoy). This decrease in production was mainly caused by the lockdown that almost reduced to zero the operativity of the Italian companies for more than two months and, with different timings and durations, also abroad. In particular:
  - The Energy segment posted revenues of EUR 92M vs. EUR 143M in 1H19A;
  - Shipbuilding activities' revenues rose to EUR 4M vs. EUR 2M of 1H19A;
  - The Process Plants segment posted revenues of EUR 16M (vs. EUR 20M of 1H19A).
- **EBITDA was negative for EUR 14.9M** vs. a positive EUR 21.7M EBITDA in 1H19A; despite cost cutting initiatives, the margin was affected by the increased weighting on revenues of service costs (60.3% vs. 38.5% in 1H19) and labour costs (26.9% vs. 19.9% in 1H19);
- **Net loss came in at EUR 17.1M** vs. a EUR 2.1M net profit in 1H19A.

**The short-term net cash position was** EUR 85.4M vs. EUR 120M at YE19A.

### Rosetti Marino – 1H20A results

EUR M	1H19A	1H20A	yoy %
Turnover	164.9	111.5	-32.4
EBITDA	21.7	-14.9	NM
EBITDA margin (%)	13.1	NM	
EBIT	11.5	-18.3	NM
EBIT margin (%)	7	NM	
Net profit	2.1	-17.1	NM

NM: not meaningful; A: actual; Source: Company data

**The order backlog at 30 June amounted to EUR 165M** (vs. EUR 246M at YE19), o/w EUR 111M in the Energy Segment, EUR 28M related to the Shipbuilding Activities, and EUR 26M to the Process Plants segment. The order acquisition in 1H20 amounted to just EUR 33M, due to the combined effect of both investment delays and cancellations (particularly in the Energy Segment) and impacted the whole group.

No cancellation of activities was seen abroad although no new contracts were signed in Kazakhstan, Nigeria and UAE.

## Outlook and Estimates Revision

Low oil prices and the Covid19 pandemic impact are reducing capex volumes of oil companies and thus lowering demand for energy plants. However, in contrast with the cancellation of 2 gas platforms in the UK and a 6 months delay of another platform in the North Sea, we appreciate the company's indications that it is collecting a sizeable number of requests for new projects and the fact that, in 2021, new tender procedures should enter the award phase.

According to management, overall there are encouraging signs of recovery in some countries overlooking the Mediterranean Sea and the Arabian Gulf as well as positive feedback from the Russian market, but operativity is subject to the duration and the geographic spread of the health emergency.

On the other hand, management indicated that shipbuilding activities (2% and 3.6% of business turnover in FY19 and 1H20, respectively) are expected to continue with no particular issues.

### Estimates revision

Overall, given the low level of order backlog in the company's three business areas and the uncertainties in the reference markets, we revise downwards our estimates over our forecast period, extending our projections to FY22 and FY23. In detail:

- **For 2020E**, we cut our revenues projections by around 36%, and we now assume a negative EBITDA (EUR -11.6M) and a reduction in net cash by 29.8%;
- **For 2021E**, we reduced by around 19% our top line assumption, now looking for a EUR 7.1M positive EBITDA and net profit broadly at breakeven;
- **For 2022E and 2023E**, we projected a yoy turnover increase of around 21% and 7%, respectively, and an EBITDA margin increasing in the two-year period (3% in 2022E, 5.1% in 2023), but still at a lower level vs. the company's 2014-2019 average (around 7.3%).

We highlight that any further unpredictable development of Covid19 could undermine the feasibility of these estimates.

### Rosetti Marino - Estimates revision (2020E-23E)

EUR M	2020E			2021E			2022E		2023E	
	Old	New	chg. %	Old	New	chg. %	New	yoy %	New	yoy %
Revenues	398.5	254.0	-36.3	440.4	358.0	-18.7	434.0	21.2	465.0	7.1
EBITDA	14.7	-11.6	NM	20.4	7.1	-65.1	13.2	85.9	23.5	78.0
EBITDA margin (%)	3.7	NM		4.6	2.0		3.0		5.1	
EBIT	8.6	-18.7	NM	14.2	-0.3	NM	5.8	NM	16.1	176.7
Net profit	3.1	-16.0	NM	7.0	0.3	-95.7	4.0	NM	10.9	171.3
Net debt (- cash)	-85.0	-58.7	-30.9	-87.2	-56.1	-35.7	-58.6	4.5	-66.3	13.0

NM: not meaningful; E: estimates; Source: Intesa Sanpaolo Research

## Valuation

We based our valuation of Rosetti Marino on a multiples comparison and a DCF model.

### Multiples comparison

In our multiples comparison, we identified a sample of comparable companies as shown in the following tables.

We highlight that the profitability of Rosetti Marino, in terms of EBIT margin and net income margin, is below the peers' average.

#### Rosetti Marino - Margins comparison (2020E-23E)

	Mkt cap (EUR M)	EBIT margin FY20E %	EBIT margin FY21E %	EBIT margin FY22E %	EBIT margin FY23E %	Net income margin FY20E %	Net income margin FY21E %	Net income margin FY22E %	Net income margin FY23E %
Saipem	1,473	1.3	2.7	3.6	4.8	-10.7	0.0	1.0	1.9
Tenaris	5,004	-2.4	-1.6	3.8	7.8	-3.5	-0.7	3.8	7.2
Tecnicas Reunidas	511	2.1	3.1	3.3	3.0	1.1	2.0	2.1	1.8
Petrofac	422	3.4	5.0	5.4	5.2	1.1	2.7	3.0	2.3
Nat'l Oilwell Varco	2,853	0.4	-0.6	3.3	4.8	-1.1	-2.0	1.0	2.7
<b>Average</b>		<b>1.0</b>	<b>1.7</b>	<b>3.9</b>	<b>5.1</b>	<b>-2.6</b>	<b>0.4</b>	<b>2.2</b>	<b>3.2</b>
Rosetti Marino*	140.8	-7.4	-0.1	1.3	3.5	-6.3	0.1	0.9	2.3

Data priced at market close on 13.10.2020 Source: FactSet and (\*) Intesa Sanpaolo Research;.

In terms of FY22E EV/EBIT, the multiples of the selected companies are between 1.3-24.6x, with a median of 7.9x, while the FY23E EV/EBIT multiples are between 2.0-10.4x, with a median of 5.5x.

Regarding the FY22E P/E, the peers' multiples are within a 4.2-57.1x range, with a median of 35.2x, while the FY23E P/E multiples are between 5.5-19.8x, with a median of 13.0x.

#### Rosetti Marino - Multiples comparison (2022E-23E)

x	Price (EUR)**	EV/EBIT FY22E	EV/EBIT FY23E	P/E FY22E	P/E FY23E
Saipem	1.5	7.9	5.5	14.5	9.4
Tenaris	8.5	24.6	10.4	24.1	15.5
Tecnicas Reunidas	9.1	1.3	2.0	5.4	7.8
Petrofac	1.2	1.6	2.6	4.2	5.5
Nat'l Oilwell Varco	7.3	17.9	9.0	57.1	19.8
<b>Median</b>		<b>7.9</b>	<b>5.5</b>	<b>14.5</b>	<b>9.4</b>
Rosetti Marino	35.2	1.6	0.2	35.2	13.0

Data priced at market close on 13.10.2020; Source: FactSet and (\*) Intesa Sanpaolo Research;.

Applying the EV/EBIT and P/E median to Rosetti Marino's FY23E results, we obtain equity values of EUR 154.7M and EUR 101.9M.

**Rosetti Marino – Multiples comparison**

<b>EUR M</b>	<b>2023</b>
EBIT	16.1
EV/EBIT	5.5
EV	88.5
Net debt/-cash	-66.3
Equity value	154.7
Net income	10.9
P/E	9.4
Equity value	101.9

Source: FactSet and Intesa Sanpaolo Research estimates

**DCF model**

We also ran a valuation on a DCF model, which points to an equity value range of EUR 106.5M to EUR 114M, to better reflect the company's specific long-term prospects.

Our key DCF assumptions are:

- Explicit forecasts through 2023E;
- An equity risk premium at 7.25% (7.5% previously);
- A risk-free rate at 1.0% (1.5% previously);
- A gearing ratio (D/invested capital) of 0.0%;
- We derived a WACC at 8.25% (9% previously).

To calculate the terminal value, we used two approaches:

- We discount to perpetuity the 2023E FCFO at a WACC of 8.25%;
- We discount to perpetuity the EBIT mid-cycle 2009A-23E at a WACC of 8.25%.

Nevertheless, in view of Rosetti Marino's stable shareholding structure and limited trading volumes, **we do not assign a rating or target price to the company.**

## Rosetti Marino – Key Data

Rating	Mkt price (EUR/sh)					Sector
No Rating	Ord 35.20					Oil Equipment & Services
<b>Values per share (EUR)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	
No. ordinary shares (M)	4.00	4.00	4.00	4.00	4.00	4.00
Total no. of shares (M)	4.00	4.00	4.00	4.00	4.00	4.00
Market cap (EUR M)	151.22	159.97	140.80	140.80	140.80	140.80
Adj. EPS	1.39	1.12	-4.00	0.08	1.00	1.00
CFPS	4.1	3.2	-2.22	1.9	2.9	2.9
BVPS	44.9	52.6	45.7	44.9	45.8	45.8
Dividend ord	0.70	0.48	0.48	0.48	0.48	0.48
<b>Income statement (EUR M)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	
Revenues	260.5	338.6	254.0	358.0	434.0	434.0
EBITDA	28.50	33.38	-11.60	7.10	13.20	13.20
EBIT	17.49	25.23	-18.70	-0.30	5.80	5.80
Pre-tax income	11.58	28.23	-20.70	-2.30	4.30	4.30
Net income	5.54	4.46	-15.99	0.30	4.00	4.00
Adj. net income	5.54	4.46	-15.99	0.30	4.00	4.00
<b>Cash flow (EUR M)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	
Net income before minorities	5.8	15.7	-14.5	0.4	5.5	5.5
Depreciation and provisions	11.0	8.2	7.1	7.4	7.4	7.4
Others/Uses of funds	-4.4	0	0	0	0	0
Change in working capital	63.2	-18.0	-12.3	1.6	3.0	3.0
Operating cash flow	75.6	17.1	-18.2	9.5	17.4	17.4
Capital expenditure	-6.7	-8.0	-10.0	-10.0	-10.0	-10.0
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	68.9	9.1	-28.2	-0.5	7.4	7.4
Dividends	-1.9	-2.8	-1.9	-1.9	-1.9	-1.9
Equity changes & Other non-operating items	0.6	8.4	-27.5	-1.2	2.8	2.8
Net cash flow	67.7	14.7	-57.6	-3.6	8.3	8.3
<b>Balance sheet (EUR M)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	
Net capital employed	51.7	78.8	122.4	123.4	123.0	123.0
of which associates	0	0	0	0	1.0	1.0
Net debt/-cash	-128.0	-120.2	-58.7	-56.1	-58.6	-58.6
Minorities	0	11.2	1.5	0.1	1.5	1.5
Net equity	179.7	199.0	181.1	179.5	181.6	181.6
Minorities value	0	589.7	68.5	4.5	68.7	68.7
Enterprise value	23.2	629.5	150.6	89.2	149.8	149.8
<b>Stock market ratios (x)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	
Adj. P/E	27.3	35.8	Neg.	NM	35.2	35.2
P/CFPS	9.1	12.7	Neg.	18.3	12.4	12.4
P/BVPS	0.84	0.76	0.77	0.78	0.77	0.77
Payout (%)	51	63	-12	633	48	48
Dividend yield (% ord)	1.9	1.2	1.3	1.3	1.3	1.3
FCF yield (%)	45.6	-8.4	-22.1	-0.5	3.2	3.2
EV/sales	0.09	1.9	0.59	0.25	0.35	0.35
EV/EBITDA	0.81	18.9	Neg.	12.6	11.4	11.4
EV/EBIT	1.3	24.9	Neg.	NM	25.8	25.8
EV/CE	0.45	8.0	1.2	0.72	1.2	1.2
D/EBITDA	Neg.	Neg.	5.1	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	3.1	187.0	Neg.	Neg.
<b>Profitability &amp; financial ratios (%)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	
EBITDA margin	10.9	9.9	-4.6	2.0	3.0	3.0
EBIT margin	6.7	7.5	-7.4	-0.1	1.3	1.3
Tax rate	54.7	44.4	30.0	NM	NM	NM
Net income margin	2.1	1.3	-6.3	0.1	0.9	0.9
ROCE	33.8	32.0	-15.3	-0.2	4.7	4.7
ROE	3.1	2.4	-8.4	0.2	2.2	2.2
Interest cover	3.0	-8.4	-9.4	-0.2	3.9	3.9
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
<b>Growth (%)</b>		<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	
Sales		30.0	-25.0	41.0	21.2	21.2
EBITDA		17.1	NM	NM	85.9	85.9
EBIT		44.3	NM	98.4	NM	NM
Pre-tax income		NM	NM	88.9	NM	NM
Net income		-19.5	NM	NM	NM	NM
Adj. net income		-19.5	NM	NM	NM	NM

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

## Company Snapshot

### Company Description

Rosetti Marino is the operating parent company of a leading group whose core business is designing and building off-shore oil and gas platforms under EPC (engineering, procurement and construction) contracts, designing and building service and work vessels and building processing plants. The company has two construction yards in the Port of Ravenna while the third is located a few km away from the city of Aktau, on the Kazakh shore of the Caspian Sea. Its main clients include major oil companies and the leading international contractors active in the industry, in addition to Europe's main builders of service vessels

### Key Risks

#### Company specific risks:

- The small size of the company, compared to that of its peers, could be a risk in the presence of competitive pressure
- New Covid-related lockdowns

#### Sector generic risks:

- Oil price fluctuations;

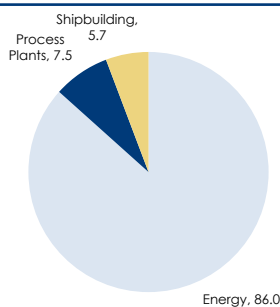
### Key data

Mkt price (EUR)	35.20	Free float (%)	0.2
No. of shares	4.00	Major shr	Rosfin
52Wk range (EUR)	40.8/35.2	(%)	56.0
Reuters	YRM.MI	Bloomberg	YRM IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-2.2	-1M	-0.9
-3M	-2.2	-3M	-0.4
-12M	-11.1	-12M	0.2

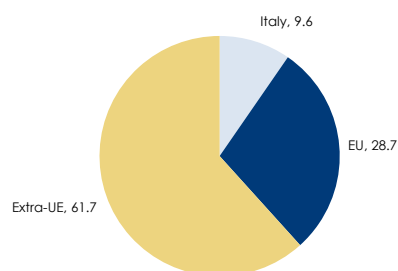
### Estimates vs. consensus

EUR M (Y/E Dec)	2019A	2020E	2020C	2021E	2021C	2022E	2022C
Sales	338.6	254.0	NM	358.0	NM	434.0	NM
EBITDA	33.38	-11.60	NM	7.10	NM	13.20	NM
EBIT	25.23	-18.70	NM	-0.30	NM	5.80	NM
Pre-tax income	28.23	-20.70	NM	-2.30	NM	4.30	NM
Net income	4.46	-15.99	NM	0.30	NM	4.00	NM
EPS	1.12	-4.00	NM	0.08	NM	1.00	NM

### 1H20A Sales Breakdown by BU (%)



### Revenue Breakdown by Geography (last available) (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 13/10/2020)

## 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 have revenues ranging from EUR 50M-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 below EUR 1Bn.



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### Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasnpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

### 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)

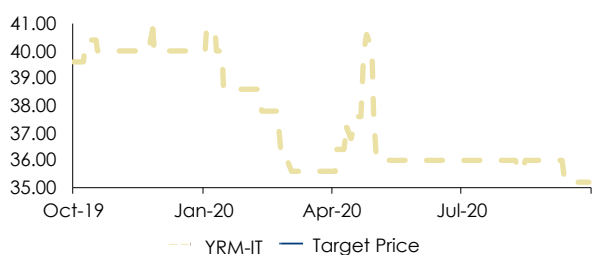
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

**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.
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->

**Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
02-Apr-15	No Rating		36.6

**Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at October 2020)**

Number of companies considered: 103	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	44	26	30	0	0
of which Intesa Sanpaolo's Clients (%) (*)	84	70	61	0	0

(\*) 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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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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- Intesa Sanpaolo acts as Nominated Advisor, Specialist relative to securities issued by Rosetti Marino

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