

Company Note

MID CORPORATE

Rosetti Marino

1H21 Results

1H21 results were negatively impacted by low order acquisition in 2020, due to both the Covid-19 pandemic and the collapse in oil prices, resulting in a sharp drop in the value of production. Margins were also penalised by the increase in production costs. The company is working on a reorganisation aimed at taking advantage of the strong market recovery to return to positive results already in 2022.

1H21A results

The key points of results were: i) total revenues of EUR 72.3M vs. EUR 111.5M in 1H20A (-35.1% yoy); ii) EBITDA was negative for EUR 33.8M vs. a EUR -14.9M EBITDA in 1H20A; iii) net loss came in at EUR 28.7M vs. EUR 17.1M net loss in 1H20A; and iv) the short-term net cash position was EUR 69.2M vs. EUR 65.1M at YE20A.

Outlook and estimates revision

The order backlog is growing and at 30 June it amounted to EUR 365M (vs. EUR 124M at YE20; EUR 295M were taken in 2Q21), o/w EUR 327M in the Energy Segment, EUR 22M related to the shipbuilding activities, and EUR 16M to the Process Plants segment. Reference markets of the foreign subsidiaries is improving, with an expected positive effect on profitability and production in the coming years. The company is working on a reorganisation aimed at taking advantage of the strong market recovery, expecting to return to positive results already in 2022. We revised downward our FY21E estimates. However, given the increasing backlog: i) for 2022E, we raised our projections on revenues by 10.3% but see broadly stable EBITDA vs. previous figures (now EUR 10.6M); ii) we also revised our FY23E projections. Our estimated revenues now point to EUR 500M (EUR 420M previously), with a more cautious stance on profitability: we now see a 3.8% EBITDA margin and EUR 8.1M net profit. We project FY23E short-term net cash at EUR 29.7M.

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.

14 October 2021: 12:25 CET

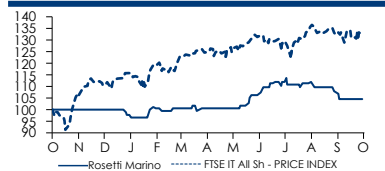
Date and time of production

No Rating

Italy/Oil Equipment & Services Update

AIM

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



Rosetti Marino - Key Data

Price date (market close)	13/10/2021
Market price (EUR)	36.80
Market cap (EUR M)	147.20
52Wk range (EUR)	40.0/34.0

Price performance %	1M	3M	12M
Absolute	-2.1	-6.6	4.5
Rel. to FTSE IT All Sh	-2.1	-9.5	-21.5

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	205.0	230.0	430.0
EBITDA	-32.67	-37.00	10.60
EBIT	-40.42	-44.75	3.20
Net income	-32.60	-34.75	1.40
EPS (EUR)	-8.15	-8.69	0.35
Net debt/-cash	-65.10	-27.30	-27.80
Adj P/E (x)	Neg.	Neg.	NM
EV/EBITDA (x)	Neg.	Neg.	7.8
EV/EBIT (x)	Neg.	Neg.	25.8
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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## 1H21 Results

1H21 was negatively impacted by low order acquisition in 2020, due to both the Covid-19 pandemic and the collapse in oil prices, leading to a sharp drop in the value of production. In addition, margins were penalised by the increase in production costs.

The key points of results were:

- **Total revenues of EUR 72.3M** vs. EUR 111.5M in 1H20A (-35.1% yoy): i) the Energy segment recorded EUR 52M vs. EUR 92M in 1H20A; ii) shipbuilding activities were EUR 9M vs. EUR 4M of 1H20A; and iii) the Process Plants segment accounted for EUR 11M (vs. EUR 16M of 1H20A);
- **EBITDA was negative for EUR 33.8M** vs. a EUR -14.9M EBITDA in 1H20A; margins were penalised by the increase in production costs due to the longer production time, higher costs deriving from compliance with anti-Covid-19 regulations, higher raw material prices and greater investments in raw materials, as well as major investments in the development of new products in the marine sector (Superyachts and LNG-powered ships) and in the Energy sector (products linked to the production of 'Green energy');
- **Net loss came in at EUR 28.7M** vs. EUR 17.1M net loss in 1H20A;
- The short-term **net cash position was** EUR 69.2M vs. EUR 65.1M at YE20A.

### Rosetti Marino – 1H21A results

EUR M	1H19A	1H20A	1H21A	yoy %
Turnover	164.9	111.5	72.3	-35.1
EBITDA	21.7	-14.9	-33.8	NM
EBITDA margin (%)	13.1	NM	NM	
EBIT	11.5	-18.3	-37.9	NM
EBIT margin (%)	7	NM	NM	
Net profit	2.1	-17.1	-28.7	NM

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

**The order backlog at 30 June amounted to EUR 365M** (vs. EUR 124M at YE20; EUR 295M were taken in 2Q21), o/w EUR 327M in the Energy Segment, EUR 22M related to the shipbuilding activities, and EUR 16M to the Process Plants segment.

## Earnings Outlook

The Energy sector is still showing a strong recovery in demand and energy prices. In July, the company announced that it was awarded a contract worth over USD 50M from North Oil Company, based in Qatar. The purpose of the new order are activities for modifications and improvements on the FA and FB platforms of the Al Shaheen field, as part of the wider Gallaf Phase 2 - Batch 3 project. These activities include detailed engineering, procurement, construction, transport and installation at sea of a series of modules. Rosetti Marino will develop the project partly in Italy and partly in Qatar: engineering and procurement will start from Italy and will be completed by a team based in Doha (Qatar), while the prefabrication and construction of the modules will be carried out in the local yard of the Qatari company Milaha. The offshore activities will start in 4Q22 and should be completed in 2023. Management believes they should be able to come back to pre-Covid levels in terms of order backlog and margins within April 2022.

**Energy sector leading the recovery**

With reference to the Naval segment, in August the company delivered its first superyacht, which was presented at the Cannes Yachting Festival. The RSY 38m Explorer superyacht's reception was very good, which led to the signing of three binding letters of interest.

**Positive commercial results from the Naval segment**

The company is working on a reorganisation (strengthening of management and production) aimed at taking advantage of the strong market recovery to return to positive results already in 2022.

**Ongoing reorganisation**

### Estimates Revision

On the back of the weak 1H21 results, **we revised downward our FY21E estimates**. In particular, we assume a weaker than expected production and we reduce by 19.9% our top-line assumption, now looking for a EUR 37M negative EBITDA and net loss of EUR 34.8M. We now see short-term net cash at EUR 27.3M at YE21.

However, given the increasing backlog:

- **For 2022E**, we raised our projections on revenues by 10.3% but see broadly stable EBITDA vs. previous figures (now EUR 10.6M);
- **We also revised our FY23E projections**. Our estimated revenues now point to EUR 500M (EUR 420M previously) with a 3.8% EBITDA margin and EUR 8.1M net profit. We see FY23E short-term net cash at EUR 29.7M.

### Rosetti Marino - FY21E-23E estimates revision

EUR M	2021E Old	2021E New	Chg. %	2022E Old	2022E New	Chg. %	2023E Old	2023E New	Chg. %
Revenues	287.0	230.0	-19.9	390.0	430.0	10.3	420.0	500.0	19.0
EBITDA	3.0	-37.0	NM	10.5	10.6	1.0	21.0	19.0	-9.5
EBITDA margin (%)	1.0	NM		2.7	2.5		5.0	3.8	
EBIT	-5.1	-44.8	NM	3.1	3.2	3.2	13.6	11.6	-14.8
Net profit	-4.1	-34.8	NM	1.3	1.4	7.7	8.4	8.1	-3.6
Net debt (- cash)	-57.1	-27.3	-52.2	-57.9	-27.8	-52.0	-64.3	-29.7	-53.8

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

## Valuation

Given the low visibility on FY22E-23E projections, for now, we decide to base our valuation only on a DCF model, to reflect the company's specific long-term prospects.

### DCF model

Our DCF model points to an **equity value range of EUR 86.3M to EUR 95.6M**. Our key DCF assumptions are:

- Explicit forecasts through 2023E;
- An equity risk premium at 6.5% and a risk-free rate at 1% (0.75% prev.);
- A gearing ratio (D/invested capital) of 0.0%;
- We derive a WACC at 7.5% (7.25% previously).

### Rosetti Marino - WACC calculation

%	
Gearing	0.0
Beta* relevered (x)	1.0
Risk-free rate	1.0
Equity risk premium	6.5
<b>WACC</b>	<b>7.5</b>

Source: \*FactSet and Intesa Sanpaolo Research estimates

To calculate the terminal value, we use two approaches:

- We discount to perpetuity the 2023E FCFO at a WACC of 7.5% (LT1);
- We discount to perpetuity the EBIT mid-cycle 2009A-23E at a WACC of 7.5% (LT2).

### Rosetti Marino – DCF model

EUR M	2022E	2023E	LT 1	LT 2
EBIT	3.2	11.6	11.6	10.3
Tax	-1.3	-3.0	-3.5	-3.1
Depreciation	7.4	7.5	0.0	0.0
NOPAT	9.3	16.0	8.1	7.2
WC	1.7	-3.6	0.0	0.0
Capex	-10.0	-10.0	-2.0	-2.0
FCF	1.0	2.4	6.1	5.2
Discounted FCF	0.9	2.1	4.9	4.2
WACC (%)			7.5	7.5
TV growth (%)			0.0	0.0
Sum			3.0	3.0
TV			65.3	56.0
EV			68.3	59.0
Debt 2021E			-27.3	-27.3
<b>Equity</b>			<b>95.6</b>	<b>86.3</b>

Source: Intesa Sanpaolo Research estimates

### Multiples comparison

As a cross check, we identify 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 (2020A-23E)**

%	Mkt cap (EUR M)	EBIT margin				Net income margin			
		FY20A	FY21E	FY22E	FY23E	FY20A	FY21E	FY22E	
Saipem SpA	2,191	0.3	-7.0	1.4	3.5	-15.5	-11.6	-0.9	1.1
Tenaris SA	11,243	1.3	8.6	11.3	12.8	-0.4	11.8	10.8	11.6
Tecnicas Reunidas	468	1.2	-2.9	2.1	2.8	0.3	-4.2	0.9	1.4
Petrofac	696	2.0	2.7	3.4	4.2	1.2	1.5	1.7	2.7
Nat'l Oilwell Varco	4,868	0.0	-1.5	3.2	6.2	-1.7	-3.0	1.3	3.7
Average		<b>0.9</b>	<b>0.0</b>	<b>4.3</b>	<b>5.9</b>	<b>-3.2</b>	<b>-1.1</b>	<b>2.7</b>	<b>4.1</b>
Rosetti Marino*	147.2	-19.7	-19.5	0.7	2.3	-15.9	-15.1	0.3	1.6

A: actual; E: estimates; Data priced at market close on 13/10/2021; Source: FactSet and (\*) Intesa Sanpaolo Research

In terms of FY22E EV/EBIT, the multiples of the selected companies are between 5x and 29.8x, with a median of 14.7x, while the FY23E EV/EBIT multiples are between 2.8x and 11.8x, with a median of 11x.

Regarding the FY22E P/E, the peers' multiples are within a 12.7-57.8x range, with a median of 16.5x, while the FY23E P/E multiples are between 7.6x and 21.8x, with a median of 14.7x.

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

x	Price (EUR/share)	EV/EBIT		P/E	
		FY22E	FY23E	FY22E	FY23E
Saipem	2.2	29.8	11.0		21.8
Tenaris	19.1	14.7	11.8	16.2	14.7
Tecnicas Reunidas	8.4	5.0	2.8	12.7	7.6
Petrofac	2.0	11.0	7.4	16.7	9.9
Nat'l Oilwell Varco	12.5	26.3	11.6	57.8	20.6
<b>Median</b>	<b>0.0</b>	<b>14.7</b>	<b>11.0</b>	<b>16.5</b>	<b>14.7</b>
Rosetti Marino*	36.8	25.8	6.8	105.1	18.3

Data priced at market close on 13/10/2021; Source: FactSet and (\*) Intesa Sanpaolo Research

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 No Rating	Mkt price (EUR/sh) Ord 36.80				Sector Oil Equipment & Services
<b>Values per share (EUR)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
No. ordinary shares (M)	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
Market cap (EUR M)	159.97	145.79	147.20	147.20	147.20
Adj. EPS	1.12	-8.15	-8.69	0.35	2.01
CFPS	3.2	-6.21	-6.75	2.2	3.9
BVPS	52.6	45.2	36.6	36.9	39.0
Dividend ord	0	0	0	0	0
<b>Income statement (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Revenues	338.6	205.0	230.0	430.0	500.0
EBITDA	33.38	-32.67	-37.00	10.60	19.00
EBIT	25.23	-40.42	-44.75	3.20	11.55
Pre-tax income	28.23	-40.87	-45.75	1.70	10.05
Net income	4.46	-32.60	-34.75	1.40	8.05
Adj. net income	4.46	-32.60	-34.75	1.40	8.05
<b>Cash flow (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net income before minorities	15.7	-33.8	-35.8	0.4	7.1
Depreciation and provisions	8.2	7.8	7.8	7.4	7.5
Others/Uses of funds	0	23.6	0	0	0
Change in working capital	-18.0	-17.3	-0.8	1.7	-3.6
Operating cash flow	17.1	-20.8	-29.8	8.5	9.9
Capital expenditure	-8.0	-10.0	-10.0	-10.0	-10.0
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	9.1	-30.8	-39.8	-1.5	-0.1
Dividends	-2.8	0	0	0	0
Equity changes & Other non-operating items	8.4	-27.5	0	0	0
Net cash flow	14.7	-58.3	-39.8	-1.5	-0.1
<b>Balance sheet (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net capital employed	78.8	117.0	120.1	121.0	127.1
of which associates	0	0	0	0	0
Net debt/-cash	-120.2	-65.1	-27.3	-27.8	-29.7
Minorities	11.2	-1.1	-1.0	-1.0	-1.0
Net equity	199.0	182.1	147.4	148.8	156.8
Minorities value	589.7	-51.9	-36.6	-36.9	-39.0
Enterprise value	629.5	28.8	83.3	82.5	78.5
<b>Stock market ratios (x)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Adj. P/E	35.8	Neg.	Neg.	NM	18.3
P/CFPS	12.7	Neg.	Neg.	16.7	9.5
P/BVPS	0.76	0.81	1.0	1.00	0.94
Payout (%)	63	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0
FCF yield (%)	-8.4	-19.6	-25.7	0.3	1.3
EV/sales	1.9	0.14	0.36	0.19	0.16
EV/EBITDA	18.9	Neg.	Neg.	7.8	4.1
EV/EBIT	24.9	Neg.	Neg.	25.8	6.8
EV/CE	8.0	0.25	0.69	0.68	0.62
D/EBITDA	Neg.	2.0	0.74	Neg.	Neg.
D/EBIT	Neg.	1.6	0.61	Neg.	Neg.
<b>Profitability &amp; financial ratios (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EBITDA margin	9.9	-15.9	-16.1	2.5	3.8
EBIT margin	7.5	-19.7	-19.5	0.7	2.3
Tax rate	44.4	17.4	21.9	76.5	29.9
Net income margin	1.3	-15.9	-15.1	0.3	1.6
ROCE	32.0	-34.5	-37.3	2.6	9.1
ROE	2.4	-17.1	-21.1	0.9	5.3
Interest cover	-8.4	-77.9	-44.8	2.1	7.7
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.
<b>Growth (%)</b>		<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales		-39.5	12.2	87.0	16.3
EBITDA		NM	-13.3	NM	79.2
EBIT		NM	-10.7	NM	NM
Pre-tax income		NM	-12.0	NM	NM
Net income		NM	-6.6	NM	NM
Adj. net income		NM	-6.6	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 data

Mkt price (EUR)	36.80	Free float (%)	0.1
No. of shares	4.00	Major shr	Rosfin
52Wk range (EUR)	40,0/34,0	(%)	56,0
Reuters	YRM.MI	Bloomberg	YRM IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-2.1	-1M	-2.1
-3M	-6.6	-3M	-9.5
-12M	4.5	-12M	-21.5

### 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

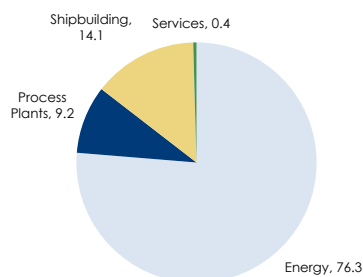
#### Sector generic risks:

- Oil price fluctuations

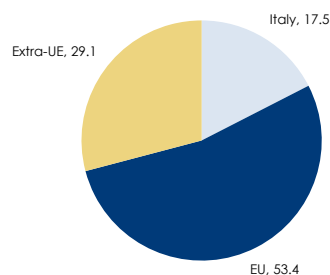
### Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	205.0	230.0	NM	430.0	NM	500.0	NM
EBITDA	-32.67	-37.00	NM	10.60	NM	19.00	NM
EBIT	-40.42	-44.75	NM	3.20	NM	11.55	NM
Pre-tax income	-40.87	-45.75	NM	1.70	NM	10.05	NM
Net income	-32.60	-34.75	NM	1.40	NM	8.05	NM
EPS (EUR)	-8.15	-8.69	NM	0.35	NM	2.01	NM

### 1H21A Sales Breakdown by BU (%)



### 1H21A Revenues Breakdown by Geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 13/10/2021)

## 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:

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### Equity rating key: (long-term horizon: 12M)

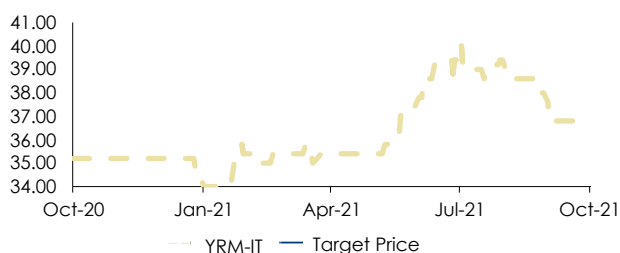
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

**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)
02-Apr-15	No Rating		36.6

**Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at October 2021)**

Number of companies considered: 126	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	42	37	21	0	0
of which Intesa Sanpaolo's Clients (%)**	79	70	62	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

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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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