

Italian Mid Small Caps Monthly

- **Performance (+).** The Italian equity market (prices as at 16th April 2021) has risen 2.3% in the last month and is up 11.7% YTD. The FTSE Italy Mid-Cap index (+3.9% in the last month) has outperformed the main index by 1.6% (+5.2% YTD on a relative basis), while the FTSE Italy Small Caps index (+7.0% in the last month) has done even better, outperforming the market by 4.6% in the last month, or 8.3% since the beginning of 2021. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has risen 3.8% in the last month, performing in line with Italian mid-caps.
- **Estimates (-).** Since the beginning of the year we have raised our 2021E EPS estimates (+7.4%), while we have implemented a milder revision for 2022E (+4.4%). On 2021, our overall estimate revision for mid-caps has been slightly negative (-1.5% YTD), while our revision for small caps has been more significant (-14.1% YTD), mainly due to protracted Covid effects on a selected number of industries. It is worth pointing out that, looking at our mid/small cap coverage, overall estimate revisions on 2022 have been positive (+3.1% YTD). In the last month, estimate revisions have been slightly negative for mid-caps (-1.9%/-0.2%) and more so for small caps (-5.6%/-1.8%).
- **Valuations (+).** If we compare performance YTD to the change in FY21 estimates over the same period, we can see that mid and small caps have continued to re-rate. Specifically, FTSE MIB stocks have recorded a 6.7% re-rating YTD, while mid-caps and small caps have re-rated by 12.9% and 24.0% respectively. On a P/E basis, our panel is trading at a 30% premium to large caps, above the average historical premium (17%) and the figure one month ago (27%).
- **Liquidity (+).** Looking at official Italian index trends, we note that liquidity for large caps in the last month (as measured by average volumes multiplied by average prices in a specific period) has remained well above the yearly average, coming in 9% higher than the 1Y average, even though it has decelerated on one month ago when the same metric was +22%. Interestingly, liquidity for mid-caps has witnessed an even better trend, showing a +24.3% change, while for small caps the same metric has improved by 44.7%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.6mn in the last month, up 19% on the corresponding period one year ago.
- **Investment strategy.** The market has continued its positive trajectory and overall valuations are quite demanding compared to historical levels. The attention of investors and the public is on the vaccination campaign roll-out: early indicators from US and UK are for renewed confidence in a vibrant revival as the pandemic recedes. In Italy, the number of people receiving the vaccine daily is finally improving and premier Draghi seems to have found the right approach for governing with a very diverse majority and for cooperating constructively at European level. At the same time, another small cap will be delisted, following the decision by its controlling shareholders to launch a tender offer, adding to other deals since the beginning of the year that have revamped speculation on certain small caps that only make occasional appearances on investors' and brokers' radar screens. That said, we expect new listings in the mid-caps space in the next few months on top of the sustained flow of small and micro caps listing on the AIM market. Our view remains based on fundamentals and, looking forward to the release of 1Q21 results, we still believe that earnings direction will remain the main driver of performance. Also in light of the forthcoming presentation of the Italian Recovery Plan, we confirm our investment preference for companies whose businesses are related to digital transformation or ESG themes, which are expected to be the main beneficiaries. In addition, we recommend stocks with visible revenue trends (and dividend yields), and selected names to play the post-vaccine scenario. Regarding mid/small cap liquidity, the year has started badly for PIR funds, but we expect interest in this product to regain momentum in the coming months, as we believe the mid/small equity class is well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by asset gatherers. Notably, Alternative PIRs (also called PIR SME) could be another important instrument, partly thanks to the additional fiscal incentive recently introduced by the Budget (a tax credit on capital losses accrued on new investments during 2021).

by Intermonte Research Team

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Performance

Mid-caps extended their positive performance, Small Caps performed even better

The Italian equity market (prices as at 16th April 2021) has risen 2.3% in the last month and is up 11.7% YTD. The FTSE Italy Mid-Cap index (+3.9% in the last month) has outperformed the main index by 1.6% (+5.2% YTD on a relative basis), while the FTSE Italy Small Caps index (+7.0% in the last month) has done even better, outperforming the market by 4.6% in the last month, or 8.3% since the beginning of 2021.

Italian Market Indexes – performance analysis (prices as of 16th April 2021)

Index	Price (Eu)	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
FTSE Italia Mid Cap	44,532	3.9%	17.4%	31.8%	16.9%	48.4%	13.8%	5.4%	41.2%
FTSE Italia Small Cap	25,789	7.0%	18.8%	36.9%	20.0%	55.1%	24.9%	11.8%	51.4%
FTSE Italia Star	51,163	5.1%	13.8%	27.0%	14.7%	64.0%	42.0%	37.1%	110.8%
FTSE AIM ITALIA	9,029	9.8%	21.4%	39.2%	23.9%	32.7%	2.7%	-3.9%	8.4%
FTSE Italia All-Share	27,030	2.3%	10.8%	27.6%	11.7%	47.2%	12.7%	5.7%	35.6%
FTSE MIB	24,744	2.0%	10.6%	27.6%	11.3%	47.6%	12.9%	6.1%	35.5%
Relative Performance vs FTSE Italy All Share		% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
FTSE Italia Mid Cap		1.6%	6.6%	4.2%	5.2%	1.2%	1.0%	-0.3%	5.6%
FTSE Italia Small Cap		4.6%	8.0%	9.3%	8.3%	8.0%	12.2%	6.1%	15.9%
FTSE Italia Star		2.7%	3.0%	-0.6%	3.0%	16.8%	29.3%	31.3%	75.3%

Source: Factset

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has risen 3.8% in the last month, performing in line with Italian mid-caps.

European Market Indexes – performance analysis

Index	Price (Eu)	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
MSCI Europe	147	3.6%	8.4%	20.4%	10.6%	34.6%	11.6%	15.0%	26.7%
MSCI Europe Small Cap	469	3.8%	11.7%	29.8%	13.7%	59.7%	27.0%	24.8%	51.5%

Source: Factset

For individual stocks, in the following tables we rank the best and worst performers over two periods: the last month and the year to date.

Intermonte Mid & Small Cap Coverage – best and worst performers, 1M

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
ESPRINET	13.82	704	32%
SERI INDUSTRIAL	6.06	287	25%
IEG	3.05	94	23%
TINEXTA	26.42	1,247	19%
SAFILO	1.10	304	19%
FINE FOODS	12.85	242	18%
TOD'S	34.60	1,145	15%
FOS	3.31	21	14%
ALKEMY	11.00	62	11%
IREN	2.39	3,104	10%
TECHNOGYM	11.28	2,271	10%
SOMEC	23.50	162	10%
ELES	4.35	47	10%
DE' LONGHI	36.84	5,547	9%
AQUAFIL	5.88	252	9%
A VIO	13.62	359	7%
OVS GROUP	1.49	338	7%
IERVOLINO ENTERTAINMENT	3.87	93	7%
EL.EN.	36.40	723	7%
BRUNELLO CUCINELLI	41.34	2,811	7%
FTSE Italia Mid Cap			4%
FTSE Italia Small Cap			7%
FTSE MIB			2%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
SARAS	0.59	562	-12%
ENAV	3.97	2,149	-8%
FALCK RENEWABLES	5.76	1,679	-7%
CATTOLICA	4.87	850	-6%
MEDIASET	2.49	2,939	-6%
ePRICE	0.06	21	-6%
DOVALUE	10.40	832	-5%
FINCANTIERI	0.68	1,157	-4%
SERVIZI ITALIA	2.25	71	-4%
JUVENTUS	0.77	1,028	-4%
DATALOGIC	17.65	1,032	-3%
ELICA	3.20	203	-3%
AMBIENTHESIS	0.78	72	-2%
CERVED	9.44	1,842	-2%
TESMEC	0.12	73	-2%
ANIMA	4.44	1,635	-2%
RELATECH	2.79	91	-2%
BANCA IFIS	11.44	616	-1%
MONDADORI	1.62	424	-1%
NOTORIOUS PICTURES	1.79	40	-1%

Source: Factset

Intermonte Mid & Small Cap Coverage – best and worst performers YTD

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ALKEMY	11.00	62	55%
WEBUILD	1.84	1,647	55%
DANIELI	21.85	1,463	52%
TESMEC	0.12	73	50%
MAIRE TECNIMONT	2.69	883	48%
DE' LONGHI	36.84	5,547	43%
SERI INDUSTRIAL	6.06	287	42%
OVS GROUP	1.49	338	42%
SAFILO	1.10	304	39%
ELEN.	36.40	723	37%
CEMENTIR	9.07	1,443	36%
GPI	9.84	157	32%
SOMEC	23.50	162	32%
PIAGGIO	3.50	1,254	30%
ELES	4.35	47	29%
DEA CAPITAL	1.46	389	29%
ESPRINET	13.82	704	28%
CERVED	9.44	1,842	27%
DATALOGIC	17.65	1,032	26%
TINEXTA	26.42	1,247	26%
FTSE Italia Mid Cap			17%
FTSE Italia Small Cap			20%
FTSE MIB			11%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ePRICE	0.06	21	-13%
FALCK RENEWABLES	5.76	1,679	-13%
RAI WAY	4.81	1,308	-12%
CELLULARLINE	4.55	99	-8%
TXT E-SOLUTIONS	7.35	96	-7%
SAES GETTERS	21.60	440	-6%
JUVENTUS	0.77	1,028	-5%
BREMBO	10.58	3,533	-2%
WIIT	160.00	424	-2%
IERVOLINO ENTERTAINMENT	3.87	93	-2%
CYBEROO	5.90	57	-1%
SARAS	0.59	562	-1%
GUALA CLOSURES	8.40	552	2%
ELICA	3.20	203	3%
NOTORIOUS PICTURES	1.79	40	3%
GEOX	0.83	215	5%
IGD	3.77	416	5%
RETELIT	2.33	382	5%
CREDITO VALTELLINESE	12.20	856	6%
SERVIZI ITALIA	2.25	71	6%

Source: Factset

Earnings Momentum

Mid Small Cap estimates for 2021 trimmed in the last month

Since the beginning of the year we have raised our 2021E EPS estimates (+7.4%), while we have implemented a milder revision for 2022E (+4.4%). On 2021, our overall estimate revision for mid-caps has been slightly negative (-1.5% YTD), while our revision for small caps has been more significant (-14.1% YTD), mainly due to protracted Covid effects on a selected number of industries. It is worth pointing out that, looking at our mid/small cap coverage, overall estimate revisions on 2022 have been positive (+3.1% YTD). In the last month, estimate revisions have been slightly negative for mid-caps (-1.9%/-0.2%) and more so for small caps (-5.6%/-1.8%).

Italian Market – Intermonte changes to 2020 and 2021 estimates

EPS REVISION	Since January 1st 2021		Since 19/3/2021	
	% chg in EPS FY 21	% chg in EPS FY 22	% chg in EPS FY 21	% chg in EPS FY 22
Total Market	7.4%	4.4%	0.8%	0.0%
Total Market - Ex Energy	5.7%	4.6%	0.1%	-0.3%
Domestic	4.5%	1.9%	0.8%	-1.2%
Non domestic	10.9%	7.7%	0.8%	1.5%
Non domestic - Ex Energy	7.3%	8.8%	-1.0%	1.0%
FTSE MIB	8.6%	4.6%	1.2%	0.0%
Mid Caps (our coverage)	-1.5%	4.0%	-1.9%	-0.2%
Small Caps (our coverage)	-14.1%	-3.9%	-5.6%	-1.8%
Intermonte Mid&Small Caps coverage	-2.8%	3.1%	-2.2%	-0.4%

Source: Intermonte SIM

For individual stocks, the following tables rank the biggest changes to our 2021 adjusted net profit estimates YTD.

Intermonte Mid & Small Cap Coverage - largest changes to 2021 est. (up/down) YTD

Stock	Restated Net Profit 21 as of 31/12/20	Restated net profit 21 last estimate	% chg from 31/12/20
Upward Revision			
GPI	8	11	35.3%
CREDITO VALTELLINESE	43	58	33.4%
DOVALUE	58	75	30.6%
NOTORIOUS PICTURES	4	5	29.4%
CEMENTIR	92	117	28.0%
MAIRE TECNIMONT	55	69	25.9%
ELEN.	26	30	14.9%
FINCANTIERI	85	97	13.5%
DE' LONGHI	224	254	13.3%
FERRAGAMO	-21	-19	11.9%
Downward Revision			
IEG	5	-22	-528.5%
AUTOGRILL	-106	-224	-111.5%
SARAS	-59	-120	-102.9%
SAES GETTERS	20	9	-54.8%
ENAV	102	54	-46.9%
SERVIZI ITALIA	7	4	-37.8%
CYBEROO	2	1	-34.0%
MARR	56	39	-30.8%
IERVOLINO ENTERTAINMENT	25	19	-24.3%
FALCK RENEWABLES	40	33	-18.5%

Source: Intermonte SIM

Valuation

Mid and Small Caps have undergone a larger re-rating than Large Caps YTD

If we compare YTD performance to the change in FY21 estimates over the same period, we can see that mid and small caps have continued to re-rate. Specifically, FTSE MIB stocks have recorded a 6.7% re-rating YTD, while mid-caps and small caps have re-rated by 12.9% and 24.0% respectively.

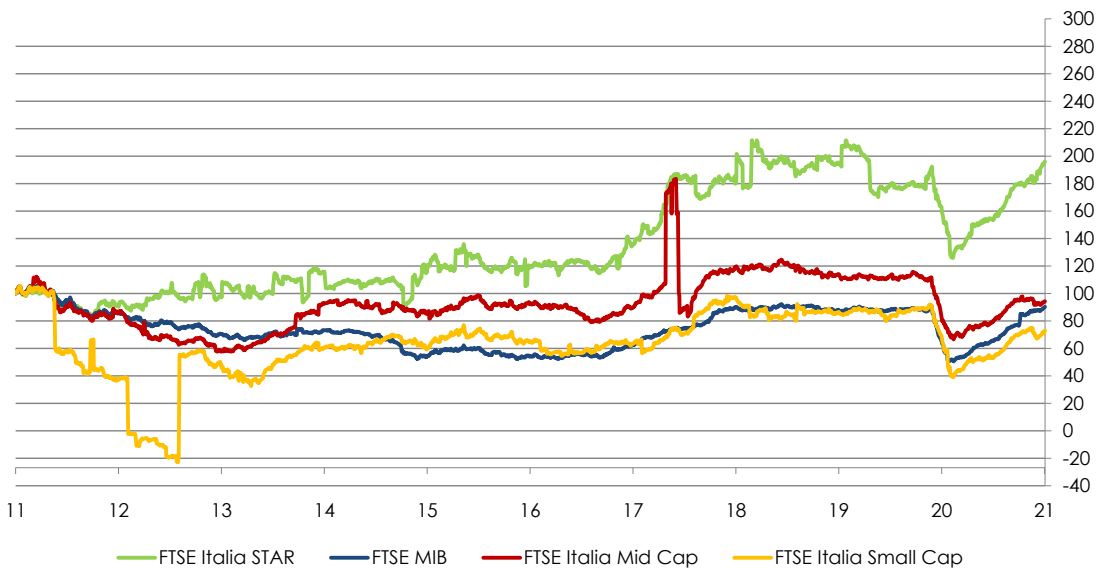
Italian Market – re/de-rating by index

Index	% Change YTD	on FY21 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	11.3%	4.6%	6.7%
FTSE Italia Mid Cap	16.9%	4.0%	12.9%
FTSE Italia Small Cap	20.0%	-3.9%	24.0%

Source: Intermonte SIM and Factset

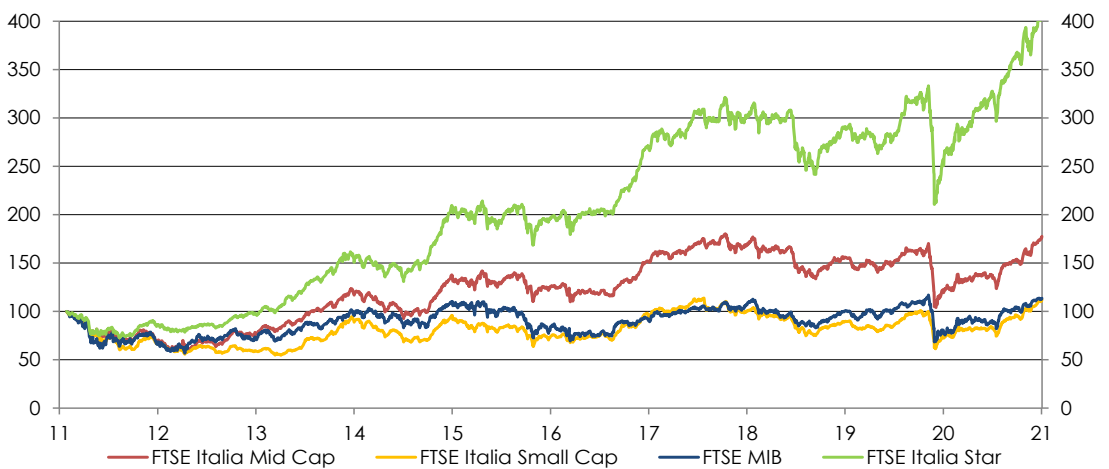
The following graph shows earnings direction over the last 10 years.

Italian Market Indices – EPS estimates for the last 10 years (base 100)



Source: Factset

Italian Market Indices – performances for the last 10 years (base 100)

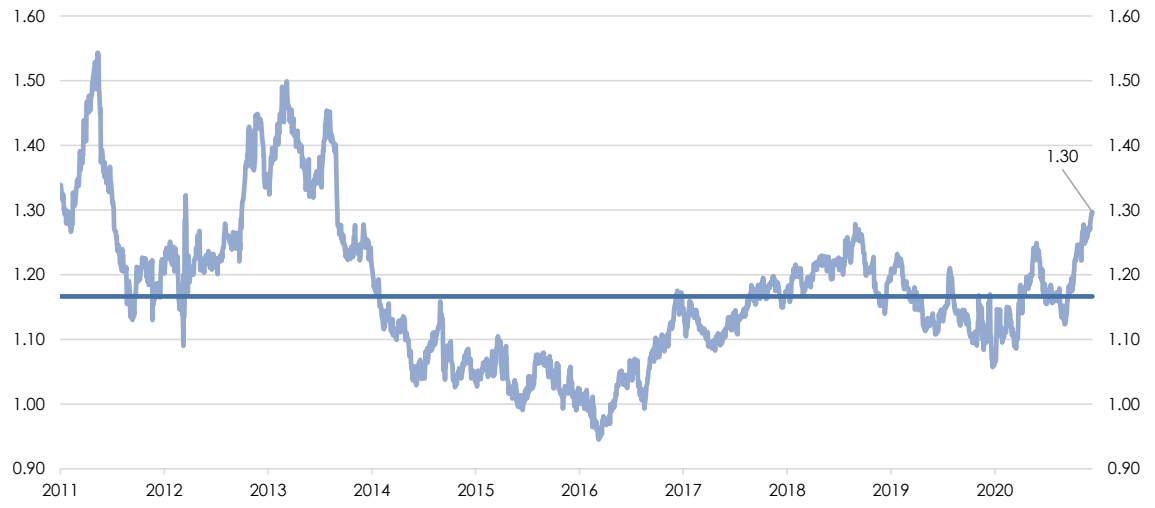


Source: Factset

In addition to our analysis of the main Italian market indices, we have also compared valuations for our panel of Italian mid/small caps against the main FTSE MIB index.

On a P/E basis, our panel is trading at a 30% premium to large caps, above the historical average premium (17%) and the level of one month ago (27%).

Intermonte Mid & Small Cap Panel – next twelve months' P/E relative to FTSE MIB, last 10 years



Source: Intermonte SIM and Factset

The table on the next page shows the stocks in our mid/small cap coverage that have posted the largest re-ratings/de-ratings since January 2021, based on 2021 estimates.

European Market – valuations

	P/E 09	P/E 10	P/E 11	P/E 12	P/E 13	P/E 14	P/E 15	P/E 16	P/E 17	P/E 18	P/E 19	P/E 20	P/E 21	P/E21 vs Italian Equivalent	Last 10Y Avg	Premium vs Avg
FTSE MIB	14.5 x	14.9 x	12.8 x	11.4 x	11.4 x	18.8 x	19.7 x	16.7 x	n.m.	15.7 x	11.9 x	21.6 x	14.8 x	-	15.8 x	-6.5%
FTSE Italy Mid Cap	9.5 x	18.0 x	17.3 x	15.4 x	15.4 x	22.0 x	20.2 x	16.6 x	18.4 x	19.2 x	19.5 x	57.2 x	22.7 x	-	22.7 x	0.3%
FTSE Italy Small Cc	11.8 x	35.8 x	23.9 x	-276.1 x	197.2 x	nm	nm	31.0 x	27.2 x	nm	14.5 x	51.5 x	20.9 x	-	9.5 x	121.3%
Germany DAX (TR)	15.1 x	12.6 x	11.5 x	11.4 x	14.4 x	16.4 x	12.5 x	14.9 x	13.8 x	13.7 x	14.6 x	19.5 x	16.5 x	11.7%	14.8 x	11.6%
Germany MDAX	-73.0 x	16.3 x	16.9 x	18.1 x	24.0 x	22.4 x	18.0 x	22.5 x	21.8 x	18.3 x	19.6 x	40.8 x	32.8 x	44.2%	23.8 x	37.6%
France CAC 40	15.3 x	12.4 x	11.3 x	14.1 x	15.9 x	17.4 x	16.0 x	16.2 x	16.0 x	15.2 x	15.9 x	28.4 x	19.6 x	33.0%	17.5 x	12.2%
France CAC Mid c	43.8 x	17.1 x	14.2 x	17.8 x	22.2 x	24.9 x	20.1 x	19.8 x	31.0 x	16.1 x	15.4 x	-383.0 x	24.5 x	7.7%	-19.1 x	-227.9%
France CAC Smal	43.1 x	n.m.	12.5 x	20.1 x	25.2 x	22.9 x	21.2 x	23.0 x	24.9 x	20.2 x	20.0 x	-10.0 x	30.4 x	45.4%	19.8 x	53.7%
FTSE 100	15.8 x	12.3 x	10.9 x	12.1 x	15.0 x	14.6 x	15.3 x	18.6 x	14.7 x	13.1 x	12.6 x	21.0 x	14.7 x	-0.4%	15.2 x	-3.2%
FTSE 250	15.1 x	14.8 x	13.5 x	15.1 x	17.7 x	18.8 x	16.0 x	15.9 x	14.2 x	12.9 x	13.4 x	40.3 x	22.3 x	-1.9%	18.7 x	19.4%
IBEX 35	12.5 x	12.0 x	10.7 x	18.9 x	19.6 x	20.0 x	19.4 x	15.9 x	13.5 x	13.9 x	13.2 x	34.7 x	17.9 x	21.5%	18.7 x	-4.2%
IBEX MEDIUM	19.1 x	17.4 x	11.2 x	18.3 x	28.6 x	18.1 x	20.5 x	18.9 x	20.9 x	17.0 x	13.8 x	20.3 x	14.5 x	-36.2%	19.1 x	-24.0%

Source: Intermonte SIM and Factset

Intermonte Mid & Small Cap Coverage – YTD de-rating/re-rating on 2021 estimates

Stock	Restated Net Profit 21 as of 31/12/20	Restated net profit 21 last estimate	% Chg in Net Profit 21	Share Price perf. YTD	De-rating(-) Re-rating(+)
IEG	5.1	-21.9	-529%	17%	545.4%
AUTOGRILL	-106.1	-224.4	-111%	23%	134.7%
SARAS	-59.3	-120.4	-103%	(1%)	102.3%
ENAV	101.6	53.9	-47%	10%	57.2%
WEBUILD	106.7	106.7	0%	55%	55.2%
DANIELI	69.6	69.6	0%	52%	51.9%
SERI INDUSTRIAL	8.9	8.0	-10%	42%	51.8%
TESMEC	5.6	5.6	0%	50%	50.4%
SAES GETTERS	20.4	9.2	-55%	(6%)	48.5%
MARR	56.3	39.0	-31%	13%	44.2%
ALKEMY	2.8	3.1	11%	55%	44.1%
SERVIZI ITALIA	6.6	4.1	-38%	6%	43.7%
OVS GROUP	24.1	24.1	0%	42%	41.9%
SAFILO	-28.4	-28.4	0%	39%	38.5%
BANCA SISTEMA	30.4	26.3	-14%	24%	37.5%
CYBEROO	2.2	1.5	-34%	(1%)	33.0%
AVIO	25.1	21.8	-13%	20%	33.0%
PIAGGIO	65.6	64.4	-2%	30%	31.7%
AQUAFIL	15.4	14.1	-9%	21%	29.9%
DE' LONGHI	224.4	254.4	13%	43%	29.6%
CERVED	108.0	108.0	0%	27%	26.7%
SOMEC	7.0	7.4	5%	32%	26.4%
DATALOGIC	36.8	36.8	0%	26%	26.1%
ASTM	207.6	205.3	-1%	25%	25.8%
FOS	1.3	1.3	-1%	24%	25.2%
GEFRAN	7.7	7.0	-9%	16%	24.6%
BANCA IFIS	64.6	64.7	0%	25%	24.6%
ELES	1.3	1.4	5%	29%	24.0%
RENO DE MEDICI	33.6	32.1	-4%	19%	23.4%
TECHNOGYM	66.5	65.9	-1%	22%	23.0%
IERVOLINO ENTERTAINMENT	24.7	18.7	-24%	(2%)	22.6%
SOGEFI	7.5	7.0	-6%	16%	22.4%
EL.EN.	25.7	29.5	15%	37%	22.2%
GEOX	-27.0	-31.7	-17%	5%	22.0%
MAIRE TECNIMONT	54.7	68.9	26%	48%	21.6%
TINEXTA	49.8	52.1	5%	26%	21.1%
ESPRINET	35.3	38.1	8%	28%	20.3%
SALCEF GROUP	49.4	46.1	-7%	13%	20.0%
MEDIASET	207.7	207.7	0%	19%	19.3%
LU-VE	23.1	22.5	-3%	16%	18.3%
FINE FOODS	11.9	12.4	5%	22%	17.8%
INDEL B	11.0	10.3	-7%	11%	17.7%
EMAK	19.7	20.8	6%	22%	16.1%
UNIPOLSAI	680.7	716.8	5%	21%	15.6%
SESA	57.5	57.6	0%	15%	15.1%
TOD'S	-59.8	-55.2	8%	22%	13.9%
REPLY	127.8	133.7	5%	18%	13.8%
FILA	42.8	40.8	-5%	9%	13.7%
AMBIENTHESIS	5.0	5.0	0%	14%	13.7%
B&C SPEAKERS	6.0	6.0	0%	12%	12.1%
IREN	247.8	248.4	0%	12%	12.0%
BRUNELLO CUCINELLI	26.4	27.6	4%	16%	11.4%
FINCANTIERI	85.3	96.8	13%	24%	10.7%
CELLULARLINE	14.9	12.3	-18%	(8%)	10.1%
CREDITO EMILIANO	175.2	184.2	5%	14%	8.7%
CEMENTIR	91.6	117.3	28%	36%	8.3%
ACEA	294.3	304.9	4%	11%	7.8%
WIIT	10.6	9.6	-10%	(2%)	7.8%
BE	11.9	11.9	0%	8%	7.5%
MONDADORI	28.4	28.4	0%	7%	7.4%
ANIMA	169.1	182.0	8%	14%	6.7%
RETELIT	17.1	16.9	-1%	5%	6.6%
CATTOLICA	158.7	158.7	0%	6%	6.3%
FALCK RENEWABLES	40.1	32.7	-19%	(13%)	5.9%
ERG	112.3	112.9	1%	6%	5.5%
IGD	60.2	60.2	0%	5%	4.7%
ELICA	10.5	10.5	0%	3%	3.4%
ASCOPIAVE	44.3	46.3	5%	8%	3.0%
QUALA CLOSURES	15.4	15.4	0%	2%	2.1%
FERRAGAMO	-21.2	-18.7	12%	12%	0.1%
BREMBO	192.3	189.6	-1%	(2%)	(0.6%)
GPI	8.0	10.9	35%	32%	(3.4%)

Source: Intermonte SIM

Liquidity

Average trading volumes extend a positive trend

Looking at official Italian index trends, we note that liquidity for large caps in the last month (as measured by average volumes multiplied by average prices in a specific period) has remained well above the yearly average, coming in 9% higher than the 1Y average, even though it has decelerated on one month ago when the same metric was +22%. Interestingly, liquidity for mid-caps has witnessed an even better trend, showing a +24.3% change, while for small caps the same metric has improved by 44.7%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.6mn in the last month, up 19% on the corresponding period one year ago.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn)					% Changes	
	1M	3M	6M	1Y	3Y	1M vs 1Y	3M vs 1Y
FTSE MIB							
All stocks	51.13	54.33	51.98	46.89	50.13	9.0%	15.9%
Top 20% by market cap	146.80	159.10	150.82	134.51	148.13	9.1%	18.3%
FTSE Italia Mid Cap							
All stocks	3.76	3.76	3.52	3.02	3.28	24.3%	24.2%
Top 20% by market cap	7.22	7.64	7.22	6.23	6.92	16.0%	22.8%
FTSE Italia Small Cap							
All stocks	0.52	0.45	0.42	0.36	0.35	44.7%	24.3%
Top 20% by market cap	1.39	1.18	1.07	0.88	0.82	58.6%	34.5%

Source: Factset

For individual stocks, the following table ranks liquidity in our mid/small cap coverage.

Intermonte Mid & Small Cap Coverage – most liquid stocks

Stock	Market Cap (Eu mn)	6M Avg Volume * Avg Price (Eu)
AUTOGRILL	1,715	11,841,247
CERVED	1,842	6,673,501
FALCK RENEWABLES	1,679	6,663,623
TECHNOGYM	2,271	6,655,172
FERRAGAMO	2,998	6,588,364
ERG	3,731	6,562,270
SARAS	562	6,210,598
CREDITO VALTELLINESE	856	5,687,406
BREMBO	3,533	5,506,424
ASTM	3,608	5,326,065
UNIPOLSAI	7,425	5,127,508
IREN	3,104	4,918,597
ANIMA	1,635	4,832,004
REPLY	4,220	4,606,533
DE' LONGHI	5,547	4,342,960
TINEXTA	1,247	4,081,906
ESPRINET	704	3,940,719
MEDIASET	2,939	3,852,967
MAIRE TECNIMONT	883	3,511,203
TOD'S	1,145	3,377,794
SESA	1,841	3,375,997
WEBUILD	1,647	3,314,203
BRUNELLO CUCINELLI	2,811	3,222,403
CATTOLICA	850	3,222,265
ENAV	2,149	3,128,461
JUVENTUS	1,028	2,783,972
ACEA	4,070	2,705,231
OVS GROUP	338	2,657,234
PIAGGIO	1,254	2,644,498
FINCANTIERI	1,157	2,634,966

Source: Factset

Criteria for investing in mid/small caps

Italian Mid & Small Cap Coverage - geographical breakdown of sales (FY20)

Stock	Italy	Europe (incl. Russia, UK, Turkey)	North America (incl. Mexico)	South America	Asia (incl. China, India, South East Asia)	RoW (Africa, Middle East, Australia, Japan)
Intermonte Coverage	52.9%	22.9%	10.0%	1.0%	5.9%	7.3%

Source: Company data and Intermonte SIM (financial companies excluded from the sample)

A ranking of stocks with the highest expected earnings growth for 2022 vs 2021, and the highest 2021 dividend yields can be found in the following tables.

Intermonte Mid & Small Cap Coverage – dividend yield 2021

Stock	Price (Eu)	Mkt Cap (Eu mn)	EPS 21	DPS 21	Yield 21 %	PayOut 20 %	Net Debt/EBITDA 20
CATTOLICA	4.9	850	0.911	0.450	9.2%	49%	
CELLULARLINE	4.6	99	0.553	0.350	7.7%	63%	-1.8x
BANCA IFIS	11.4	616	1.201	0.800	7.0%	67%	
UNIPOLSAI	2.6	7,425	0.258	0.160	6.1%	62%	
IGD	3.8	416	0.545	0.228	6.0%	42%	-10.1x
DOVALUE	10.4	832	0.941	0.612	5.9%	65%	-1.5x
CREDITO VALTELLINESE	12.2	856	0.820	0.630	5.2%	77%	
ANIMA	4.4	1,635	0.468	0.220	5.0%	47%	
RAI WAY	4.8	1,308	0.233	0.233	4.8%	100%	-0.8x
NOTORIOUS PICTURES	1.8	40	0.206	0.082	4.6%	40%	-1.2x
ACEA	19.1	4,070	1.432	0.841	4.4%	59%	-3.1x
MAIRE TECNIMONT	2.7	883	0.210	0.116	4.3%		-0.9x
ASCOPIAVE	3.9	917	0.198	0.165	4.2%	84%	-4.8x
IREN	2.4	3,104	0.191	0.100	4.2%	52%	-3.4x
DEA CAPITAL	1.5	389		0.060	4.1%	#VALORE!	
GEFRAN	7.1	103	0.486	0.292	4.1%	60%	-0.1x
CREDITO EMILIANO	5.0	1,669	0.554	0.200	4.0%	36%	
BANCA SISTEMA	2.1	169	0.327	0.082	3.9%	25%	
EMAK	1.3	219	0.127	0.051	3.8%	40%	-2.0x
SALCEF GROUP	13.2	601	1.088	0.490	3.7%	45%	0.5x
AMBIENTHESIS	0.8	72	0.054	0.028	3.6%	53%	-1.0x
PIAGGIO	3.5	1,254	0.181	0.126	3.6%	70%	-1.6x
ASTM	25.7	3,608	1.461	0.900	3.5%	62%	-2.9x
B&C SPEAKERS	11.6	128	0.549	0.357	3.1%	65%	0.5x
ERG	24.8	3,731	0.751	0.750	3.0%	100%	-3.0x
CERVED	9.4	1,842	0.553	0.276	2.9%	50%	-2.4x
SERVIZI ITALIA	2.2	71	0.128	0.064	2.9%	50%	-2.0x
INDEL B	25.2	147	1.755	0.685	2.7%	39%	0.0x
WEBUILD	1.8	1,647	0.216	0.048	2.6%	22%	-1.6x
AVIO	13.6	359	0.804	0.352	2.6%	44%	1.2x

Source: Intermonte SIM and Factset

Intermonte Mid & Small Cap Coverage – EPS growth, 2022 vs 2021

Stock	Price (Eu)	Mkt Cap (Eu mn)	P/E 21	P/E 22	EPS Growth
SOGEFI	1.4	165	23.1	7.9	191%
ENAV	4.0	2,149	39.9	16.5	141%
SAES GETTERS	21.6	440	51.7	22.0	135%
TESMEC	0.1	73	13.0	5.5	135%
SERI INDUSTRIAL	6.1	287	35.6	16.2	121%
SERVIZI ITALIA	2.2	71	17.5	9.1	91%
SOMEK	23.5	162	21.9	12.5	76%
ELES	4.4	47	35.6	20.4	74%
CY4GATE	9.5	142	40.5	23.5	72%
ELICA	3.2	203	19.3	11.3	70%
BRUNELLO CUCINELLI	41.3	2,811	nm	61.7	65%
BANCA IFIS	11.4	616	9.5	5.8	65%
OVS GROUP	1.5	338	14.0	8.7	62%
INDEL B	25.2	147	14.4	9.2	55%
MARR	19.1	1,271	32.6	21.5	52%
FINCANTIERI	0.7	1,157	12.0	7.9	51%
GUALA CLOSURES	8.4	552	36.7	25.0	47%
ALKEMY	11.0	62	19.5	13.3	46%
CREDITO VALTELLINESE	12.2	856	14.9	10.6	40%
TECHNOGYM	11.3	2,271	34.4	24.8	39%
FALCK RENEWABLES	5.8	1,679	51.4	37.5	37%
WIIT	160.0	424	44.2	32.6	36%
AQUAFIL	5.9	252	21.4	16.1	33%
DOVALUE	10.4	832	11.0	8.3	32%
RELATECH	2.8	91	22.4	17.1	31%
CELLULARLINE	4.6	99	8.2	6.3	31%
B&C SPEAKERS	11.6	128	21.1	16.3	29%
FILA	10.0	429	12.5	9.9	26%
BANCA SISTEMA	2.1	169	6.4	5.1	26%
ELEN.	36.4	723	24.2	19.3	26%
PIAGGIO	3.5	1,254	19.4	15.6	25%
LU-VE	16.2	359	15.9	12.8	24%
RETELIT	2.3	382	22.6	18.3	23%
BREMBO	10.6	3,533	18.2	14.8	23%
FINE FOODS	12.9	242	24.2	19.9	21%
SESA	118.8	1,841	31.9	26.5	20%
FOS	3.3	21	15.9	13.3	20%
CATTOLICA	4.9	850	5.4	4.5	20%

Source: Intermonte SIM and Factset

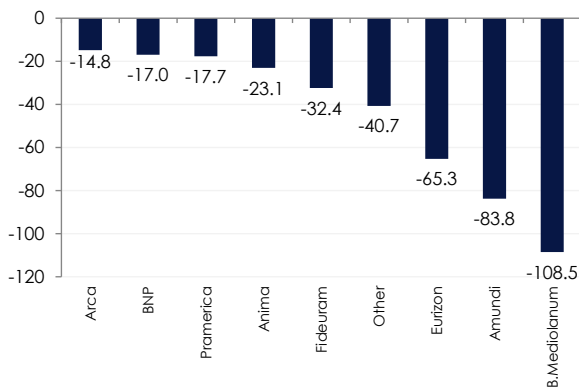
Update on the Individual Savings Plan (PIR)

PIR: official figures for 4Q20

	Net Inflows								Nr. Of Funds		Invested Capital	
	4Q20 (Eu mn)	3Q20 (Eu mn)	2Q20 (Eu mn)	1Q20 (Eu mn)	4Q19 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	# Funds	%	at December 2020 (Eu mn)	at December 2020 in %
Total	(403)	(178)	59	(234)	(380)	(1,097)	3,950	10,903	71	100.0%	17,824	100.0%
Newly established funds	(245)	(74)	29	(83)	(333)	(760)	3,403	7,864	46	64.8%	10,547	59.2%
Pre-existing funds	(158)	(104)	30	(151)	(48)	(337)	547	3,039	25	35.2%	7,277	40.8%
EQUITY FUNDS	(74)	(37)	(14)	(153)	(48)	(369)	349	2,260	28	39.4%	4,694	26.3%
o/w Italy Equity	(74)	(37)	(14)	(153)	(48)	(369)	349	2,260	28	39.4%	4,694	26.3%
BALANCED FUNDS	(194)	(107)	13	(33)	(237)	(587)	2,525	5,962	26	36.6%	8,046	45.1%
o/w Balanced Equity	(11)	(3)	6	(2)	(33)	(63)	181	279	2	2.8%	425	2.4%
o/w Balanced	(66)	(30)	9	(34)	(105)	(258)	752	1,849	9	12.7%	2,368	13.3%
o/w Balanced bonds	(117)	(74)	(1)	2	(99)	(267)	1,592	3,834	15	21.1%	5,254	29.5%
FIXED INCOME FUNDS	(3)	(1)	2	1	(3)	(20)	10	75	4	5.6%	217	1.2%
o/w Italy Bonds	(2)	(2)	(3)	1	(4)	1	(9)	13	2	2.8%	72	0.4%
o/w Europe Bonds	0	2	5	0	1	(21)	19	62	1	1.4%	52	0.3%
o/w Mixed	(2)	(1)	(0)	1					1	1.4%	94	0.5%
FLEXIBLE FUNDS	(132)	(32)	58	(50)	(92)	(121)	1,067	2,605	13	18.3%	4,866	27.3%

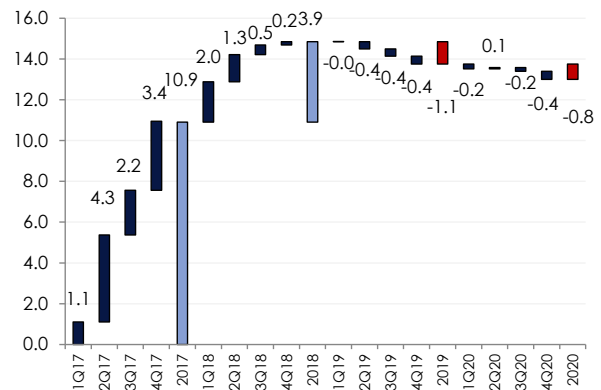
Source: Assogestioni, Quarterly Report, February 2021

PIR - Net inflows by asset manager (Eu mn, 4Q20)



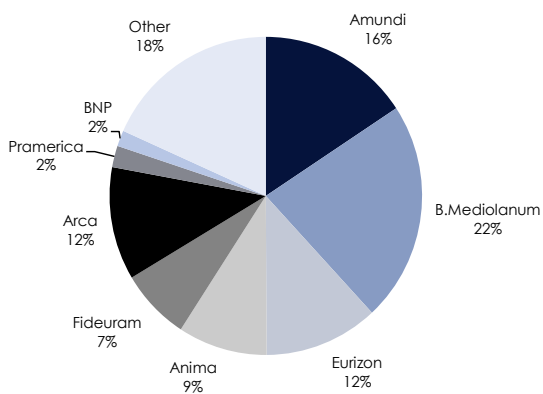
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



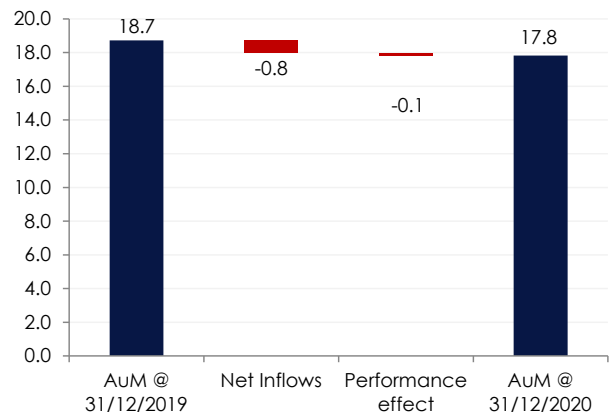
Source: Intermonte SIM estimates, Assogestioni

PIR - Market share by asset manager (on AuM at 30/09/20)



Source: Assogestioni

PIR - Inflows and total AuM (Eu bn)



Source: Assogestioni

PIR inflows starting 2021 in negative territory, but good prospects remain thanks to fiscal incentives

Assogestioni released updated figures on 4Q20 PIR inflows in its quarterly review on 17th February 2021. Net inflows amounted to a negative Eu403mn (i.e. outflows) in 4Q20, with all the major players reporting negative numbers. The quarter therefore again showed negative numbers, following positive inflows in 2Q20. In 2021, outflows reached Eu759mn.

According to the figure released by Sole 24 Ore's 'Osservatorio PIR', **2021 started with a negative figure for PIR, with outflows in the order of Eu161mn in January 2021 and Eu113mn in February**. However, we expect interest in this product to regain momentum in the coming months, as we believe the mid/small equity class is well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by asset gatherers.

As a reminder, the features of PIR 3.0 are as follows: at least 70% of the fund must be invested in securities issued by listed Italian or EU companies having stable organisation in Italy; of this 70%, 25% (i.e. 17.5% of the total fund) must be invested in securities that are not on the main index (FTSE MIB in the case of Italian-listed stocks). The principal novelty in the new regulation is a mandatory minimum investment of 5% of the 70% (or 3.5% of the total fund) in small caps that are not listed on either the FTSEMIB or the FTSE MID indexes. This measure is likely to channel flows into a universe of small companies that are expected to obtain particular benefits from renewed investor interest. The new regulation also allows Italian pension funds to invest up to 10% of their assets in PIR funds. The fiscal benefit (unchanged) still relates to the elimination of capital gains tax after the investment is maintained in the fund for at least 5 years.

A recent report published by Assogestioni (October 2020) gave its findings on PIR fund subscriptions by small retail investors: as at YE19, the average/median cumulative investment per capita was only Eu16,383/Eu10,553, with only 3% of total subscribers reaching the maximum annual allowance of Eu30,000 per year.

"Alternative PIR" officially launched, August decree increased maximum investment per annum from Eu150k to Eu300k: The Alternative PIR is a wrapper with tax benefits similar to PIR (i.e. tax exemption of capital gains for investments held for at least 5 years) and in turn is capable of investing in ELTIFs, private equity funds or private debt funds. Because of the investments in illiquid assets (closer to the real economy but riskier), affluent investors are the target clients. The maximum investible amount per year is Eu300k per person (vs Eu30k for PIR) up to a cumulative maximum of Eu1.5mn per person. Moreover, the concentration limit (i.e. max cumulative investment in a single stock) has been set at 20% (10% being the limit for regular PIR funds).

Investor interest is likely to be high (inflows of Eu3-5bn a year estimated by Assogestioni). These alternative instruments would indeed be suitable for overcoming market volatility given their long-term commitment and are complementary to PIR funds in a broader sense (they are designed for semi-professional rather than retail investors). We believe the introduction of Alternative PIRs could also represent a smart solution to the current impasse at EU level over ELTIF, as the new Alternative PIRs are entitled to buy ELTIF funds, thereby indirectly benefitting ELTIFs.

ALTERNATIVE PIR vs. PIR 3.0

	PIR 3.0	Alternative PIR
Investor Target	Retail Investors	Semi-institutional investors
Main Investment Focus	Mid and Small Caps	Small and Micro Caps, Privately held SMEs
Type of Fund	Open-end Funds	Closed-End Funds, such as ELTIF, private equity funds, private debt funds
Max per capita investment	Eu30,000 a year (max Eu150,000)	Eu300,000 a year (max Eu1.5mn)
Concentration limit	Up to 10%	Up to 20%
Investment Criteria	At least 70% of the fund must be invested in securities issued by listed Italian or EU companies having stable organisation in Italy; of this 70%, 25% (i.e. 17.5% of the total fund) must be invested in securities that are not on the main index (FTSE MIB in the case of Italian-listed stocks) and 5% (or 3.5% of the total fund) in small caps that not listed on either the FTSEMIB or the FTSE MID indexes.	At least 70% of the fund must be invested in securities issued by Italian or EU companies having stable organisation in Italy that are small caps not listed on either the FTSEMIB or the FTSE MID indexes.
Fiscal benefits	Zeroing capital gains tax after maintaining the investment in the fund for at least 5 years	Zeroing capital gains tax after maintaining the investment in the fund for at least 5 years

Source: Intermonte SIM

Our Estimates for PIRs

In the long term, our assumptions are based on expectations that interest in this product will remain fairly high thanks to the fiscal benefit and, from a distributor point of view, to the fact that it can count on long-term commitment from the investor. In particular, we continue to expect a strong 2021 in terms of inflows, as we consider the mid/small equity class to be well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by investment houses.

Our main assumptions are as follows:

- For 2021, we assume Eu0.8bn of gross inflows from new PIR subscribers, followed by Eu2.4bn for 2022;
- For continuing subscribers, we expect that overall inflows in year two will amount to a portion of the sum set aside in the first year (from 35% to 40% in our model); in the remaining years (i.e. from the third to the fifth year) we expect stable inflows, equivalent on average to 60% of the investments made in the second year;
- Finally, we calculate the amount of capital that will be withdrawn by investors who decide to exit the fund before the five-year time limit (for whatever reason) at ~4% of Assets under Management in 2021 and beyond.

PIR – Our assumptions

	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E
Mutual Funds AUM (Eu mn)	887,408	900,318	1,011,183	955,114	1,071,299			
PIR Net Inflows (Eu mn)			10,903	3,950	(1,097)	(759)	1,001	2,836
<i>YoY Growth</i>				-63.8%	<i>nm</i>	<i>nm</i>	<i>nm</i>	183.4%
o/w From Continuing Subs.			-	3,414	989	754	744	1,064
o/w From New Subscribers			10,903	1,325	-	-	800	2,350
o/w Transformation of Existing Funds/Exit from PIR			4,867	(788)	(2,086)	(1,513)	(543)	(578)

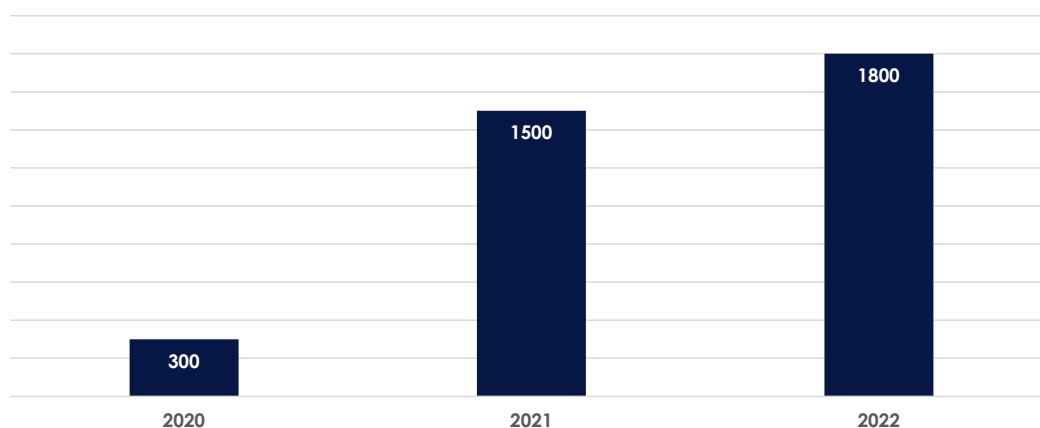
Source: Intermonte SIM

Our Estimates for Alternative PIRs

On publication of the June report, we also added our estimates on the inflows expected for Alternative PIRs. Several important Italian asset managers have now launched their new funds, mostly ELTIF, compliant with the Alternative PIR regulation and definition (and subject therefore to the fiscal benefits). Based on our expectations for ELTIF, we foresee inflows of Eu300mn in 2020, Eu1.5bn in 2021, and Eu1.8bn in 2022, thus reaching cumulative AuM of Eu3.6bn by YE22. For the moment, our estimates are more cautious than the Assogestioni forecast for this product, which is for inflows of between Eu3bn and Eu5bn per year.

We flag up an important piece of news for Alternative PIRs: in the final days of December, an amendment was added to the Budget giving subscribers of PIR funds set up from 1 January 2021 the right to a tax credit on any capital losses accrued on investments made by 31 December 2021. This credit has a ceiling of 20% of the amount invested and is usable over a 10-year period. We think the tax credit could represent a further important marketing instrument for PIR, improving visibility on our estimates for 2021.

Alternative PIRs – Our estimates (Eu mn)



Source: Intermonte SIM

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
 - Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
 - Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
 - For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)
- Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period ;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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