

# Italian Mid Small Caps Monthly

## Reporting Season Suggests Vaccines Can Trigger A Strong Recovery

by Intermonte Research Team

Italian Equity Market

- **Performance (+).** The Italian equity market (prices as at 19<sup>th</sup> May 2021) is down 0.6% in the last month but up 10.9% YTD. The FTSE Italy Mid-Cap index (+2.6% in the last month) has outperformed the main index by 3.1% (+9.1% YTD on a relative basis), with the FTSE Italy Small Caps index (+1.7% in the last month) outperforming the market by 2.3% in the last month, or 11.5% since the beginning of 2021. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index was down 1.7% in the last month, performing worse than Italian mid-caps.
- **Estimates (+).** Since the beginning of the year we have raised our 2021E EPS estimates (+10%), while we have implemented a milder revision for 2022E (+5.4%). On 2021, our overall estimate revision for mid-caps has turned positive (3.8% YTD), as did our revision for small caps (2.9% YTD), with a significant upward revision for several stocks following 1Q21 results. Looking at 2022, overall estimate revisions on our mid/small cap coverage have been positive (+6.2% YTD). In the last month, estimate revisions on 2021/22 have turned positive for mid-caps (+5.3%/+2.3%) and, to a greater extent, for small caps (+19.2%/7.3%).
- **Valuations (+).** 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 4.8% re-rating YTD, while mid-caps and small caps have re-rated by 13.5% and 17.8% respectively. On a P/E basis, our panel is trading at a 33% premium to large caps, above the historical average premium (17%) and the level of one month ago (30%).
- **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) remains above the yearly average, coming in 4.4% higher than the 1Y average, further decelerating on one month ago when the same metric was +9% (and +22% the month before). Interestingly, liquidity for mid-caps has witnessed a better trend, showing a +26.4% change, while for small caps the same metric has improved by 45.3%. It is worth noting that average daily liquidity for our mid/small cap coverage has come to Eu2.1mn in the last month, up 38% on the corresponding period one year ago.
- **Investment strategy.** Italian Mid and Small Caps have continued their positive trajectory supported by strong quarterly reporting that has triggered an upward revision of estimates. Indications from the US and UK confirm a vibrant revival as the pandemic recedes. We also see good reasons to maintain a constructive view from the fact that in Italy the number of people receiving the vaccine has finally reached a good daily pace and the pragmatic, step-by-step progress by the Draghi-led government is proving convincing. Moreover, the Recovery Fund is near to start and some themes such as digital and infrastructure are represented within our selected list. On the other hand, the market remains agitated by a number of speculative dossiers, but our view remains based on fundamentals, and looking forward we still believe that earnings direction will remain the main driver of performance. We have tried to include, or to highlight, a number of equities in our portfolio that could experience improving business momentum that is still not fully reflected in the price. Regarding mid/small cap liquidity, the year started badly for PIR funds, as confirmed by Assogestioni 1Q21 figures released yesterday, but we expect interest in the 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).

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## Performance

### Small and Mid-caps extended their positive performance

The Italian equity market (prices as at 19<sup>th</sup> May 2021) is down 0.6% in the last month but it up 10.9% YTD. The FTSE Italy Mid-Cap index (+2.6% in the last month) has outperformed the main index by 3.1% (+9.1% YTD on a relative basis), with the FTSE Italy Small Caps index (+1.7% in the last month) outperforming the market by 2.3% in the last month, or 11.5% since the beginning of 2021.

#### Italian Market Indexes – performance analysis (prices as of 19<sup>th</sup> May 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	45,681	2.6%	13.6%	26.2%	19.9%	49.7%	23.9%	9.2%	46.0%
FTSE Italia Small Cap	26,295	1.7%	12.2%	30.2%	22.4%	55.5%	34.8%	15.9%	55.7%
FTSE Italia Star	51,244	0.5%	8.1%	23.1%	14.9%	55.5%	46.5%	37.0%	110.8%
FTSE AIM ITALIA	9,244	1.2%	14.7%	39.3%	26.9%	40.1%	6.2%	-0.8%	13.4%
FTSE Italia All-Share	26,829	-0.6%	6.5%	14.6%	10.9%	43.9%	16.5%	4.6%	39.4%
FTSE MIB	24,487	-0.8%	5.8%	13.7%	10.1%	43.7%	16.0%	4.4%	39.6%
<b>Relative Performance vs FTSE Italy All Share</b>		<b>% Change 1 Month</b>	<b>% Change 3 Months</b>	<b>% Change 6 Months</b>	<b>% Change YTD</b>	<b>% Change 1 Year</b>	<b>% Change 2 Years</b>	<b>% Change 3 Years</b>	<b>% Change 5 Years</b>
FTSE Italia Mid Cap		3.1%	7.1%	11.6%	9.1%	5.7%	7.4%	4.6%	6.6%
FTSE Italia Small Cap		2.3%	5.7%	15.5%	11.5%	11.6%	18.3%	11.2%	16.3%
FTSE Italia Star		1.1%	1.7%	8.5%	4.0%	11.6%	30.0%	32.3%	71.4%

Source: Factset

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index was down 1.7% in the last month, performing worse than 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	145	-1.3%	5.2%	12.4%	9.1%	27.6%	12.3%	8.5%	28.6%
MSCI Europe Small Cap	461	-1.7%	5.5%	20.0%	11.8%	46.5%	28.9%	17.6%	49.2%

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**

<b>Best Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. 1M (%)</b>
TOD'S	48.56	1,607	41%
SAFILO	1.53	422	38%
EMAK	1.68	275	22%
MEDIASET	2.85	3,366	16%
SARAS	0.68	649	15%
BANCA IFIS	13.09	704	15%
ALKEMY	12.75	72	15%
DATALOGIC	19.98	1,168	14%
GPI	11.25	179	13%
RETELIT	2.54	417	10%
MAIRE TECNIMONT	2.84	935	10%
ELICA	3.50	222	10%
AQUAFIL	6.31	270	10%
GEOX	0.97	251	9%
ASTM	27.94	3,926	9%
EL.EN.	39.30	781	9%
GEFRAN	7.72	111	8%
BRUNELLO CUCINELLI	44.36	3,016	6%
FILA	10.64	457	6%
FERRAGAMO	18.88	3,187	6%
<b>FTSE Italia Mid Cap</b>			3%
<b>FTSE Italia Small Cap</b>			2%
<b>FTSE MIB</b>			-1%
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. 1M (%)</b>
ePRICE	0.05	17	-20%
JUVENTUS	0.73	974	-20%
CY4GATE	8.27	124	-12%
CYBEROO	5.26	51	-11%
RELATECH	2.53	83	-8%
TECHNOGYM	10.40	2,094	-8%
PIAGGIO	3.17	1,136	-7%
SAES GETTERS	19.94	409	-7%
IERVOLINO ENTERTAINMENT	3.58	86	-7%
ASCOPIAVE	3.68	863	-6%
B&C SPEAKERS	10.90	120	-6%
FALCK RENEWABLES	5.48	1,595	-6%
RENO DE MEDICI	1.07	403	-6%
DANIELI	20.35	1,398	-5%
ENAV	3.80	2,059	-5%
DOVALUE	9.97	798	-4%
TESMEC	0.12	72	-4%
ERG	24.04	3,614	-4%
SERVIZI ITALIA	2.20	70	-3%
TIP	7.69	1,418	-3%

Source: Factset

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

<b>Best Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. YTD (%)</b>
SAFILO	1.53	422	92%
ALKEMY	12.75	72	80%
TOD'S	48.56	1,607	71%
OVS GROUP	1.72	390	63%
MAIRE TECNIMONT	2.84	935	56%
SERI INDUSTRIAL	6.63	314	55%
WEBUILD	1.82	1,631	54%
EMAK	1.68	275	53%
GPI	11.25	179	51%
TESMEC	0.12	72	49%
EL.EN.	39.30	781	48%
DATALOGIC	19.98	1,168	43%
BANCA IFIS	13.09	704	43%
DANIELI	20.35	1,398	42%
CEMENTIR	9.36	1,489	41%
DE' LONGHI	36.20	5,450	40%
MEDIASET	2.85	3,366	37%
ASTM	27.94	3,926	36%
IEG	3.44	106	32%
AUTOGRILL	7.20	1,832	32%
<b>FTSE Italia Mid Cap</b>			20%
<b>FTSE Italia Small Cap</b>			22%
<b>FTSE MIB</b>			10%
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. YTD (%)</b>
ePRICE	0.05	17	-30%
FALCK RENEWABLES	5.48	1,595	-17%
SAES GETTERS	19.94	409	-13%
CYBEROO	5.26	51	-12%
JUVENTUS	0.73	974	-10%
CELLULARLINE	4.46	97	-9%
IERVOLINO ENTERTAINMENT	3.58	86	-9%
RAI WAY	4.99	1,357	-9%
BREMBO	10.20	3,406	-6%
TXT E-SOLUTIONS	7.53	98	-4%
CY4GATE	8.27	124	-4%
GUALA CLOSURES	8.21	539	0%
WIIT	163.60	434	0%
RELATECH	2.53	83	1%
ASCOPIAVE	3.68	863	1%
ERG	24.04	3,614	3%
DOVALUE	9.97	798	3%
SERVIZI ITALIA	2.20	70	4%
NOTORIOUS PICTURES	1.82	41	5%
B&C SPEAKERS	10.90	120	5%

Source: Factset

## Earnings Momentum

### Mid Small Cap estimates revisions for 2021 turning positive in the last month

Since the beginning of the year we have raised our 2021E EPS estimates (+10%), while we have implemented a milder revision for 2022E (+5.4%). On 2021, our overall estimate revision for mid-caps has turned positive (3.8% YTD), as did our revision for small caps (2.9% YTD), with a significant upward revision for several stocks following 1Q21 results. Also looking at 2022, overall estimate revisions on our mid/small cap coverage have been positive (+6.2% YTD). In the last month, estimate revisions on 2021/22 have turned positive for mid-caps (+5.3%/+2.3%) and, to a greater extent, for small caps (+19.2%/7.3%).

#### Italian Market – Intermonte changes to 2021 and 2022 estimates

EPS REVISION	Since January 1st 2021		Since 20/4/2021	
	% chg in EPS FY21	% chg in EPS FY22	% chg in EPS FY21	% chg in EPS FY22
<b>Total Market</b>	<b>10.0%</b>	<b>5.5%</b>	<b>2.5%</b>	<b>1.0%</b>
<b>Total Market - Ex Energy</b>	<b>8.2%</b>	<b>5.7%</b>	<b>2.4%</b>	<b>1.0%</b>
Domestic	7.5%	3.2%	2.8%	1.3%
Non domestic	13.0%	8.4%	2.0%	0.7%
Non domestic - Ex Energy	9.1%	9.4%	1.8%	0.7%
<b>FTSE MIB</b>	<b>10.7%</b>	<b>5.4%</b>	<b>2.0%</b>	<b>0.8%</b>
<b>Mid Caps (our coverage)</b>	<b>3.8%</b>	<b>6.4%</b>	<b>5.3%</b>	<b>2.3%</b>
<b>Small Caps (our coverage)</b>	<b>2.9%</b>	<b>4.6%</b>	<b>19.2%</b>	<b>7.3%</b>
Intermonte Mid&Small Caps coverage	3.7%	6.2%	6.6%	2.9%

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
<b>Upward Revision</b>			
FERRAGAMO	-21	17	182.6%
SAFILO	-28	22	179.1%
SOGEFI	7	16	108.1%
EMAK	20	28	43.7%
EL.EN.	26	36	41.2%
ALKEMY	3	4	38.4%
MAIRE TECNIMONT	55	74	35.7%
GPI	8	11	35.3%
CREDITO VALTELLINESE	43	58	33.4%
NOTORIOUS PICTURES	4	5	29.4%
<b>Downward Revision</b>			
IEG	5	-22	-528.5%
AUTOGRILL	-106	-224	-111.5%
SARAS	-59	-121	-104.6%
SAES GETTERS	20	9	-54.8%
ENAV	102	56	-45.3%
SERVIZI ITALIA	7	4	-37.8%
AMBIENTHESIS	5	3	-37.4%
CYBEROO	2	1	-34.0%
MARR	56	39	-30.8%
IERVOLINO ENTERTAINMENT	25	19	-24.3%

Source: Intermonte SIM

## Valuation

### Mid and Small Caps confirms 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 4.8% re-rating YTD, while mid-caps and small caps have re-rated by 13.5% and 17.8% respectively.

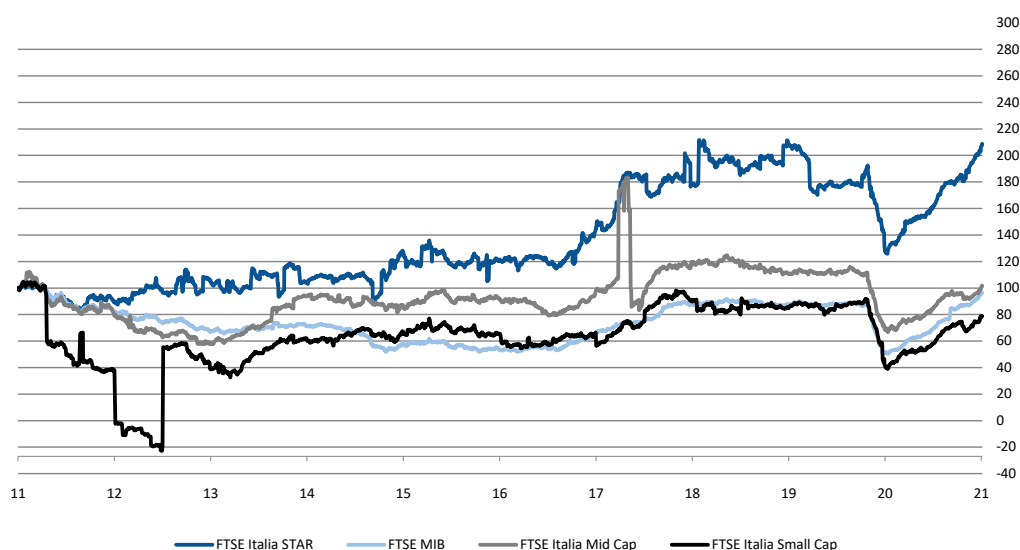
#### Italian Market – re/de-rating by index

Index	% Change YTD	on FY21 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	10.1%	5.4%	4.8%
FTSE Italia Mid Cap	19.9%	6.4%	13.5%
FTSE Italia Small Cap	22.4%	4.6%	17.8%

Source: Intermonte SIM and Factset

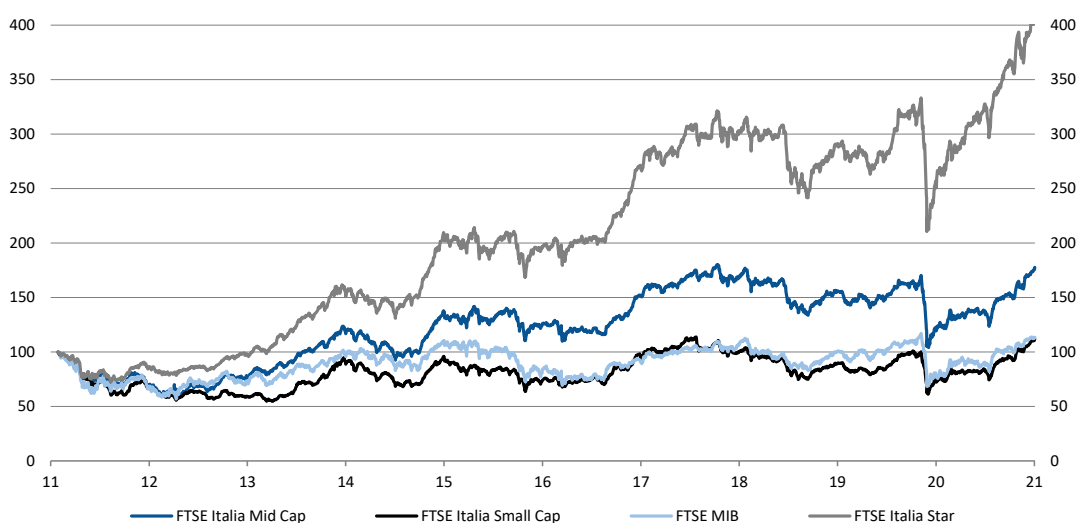
The following graph shows earnings direction over the last 10 years.

#### 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 33% premium to large caps, above the historical average premium (17%) and the level of one month ago (30%).**

**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
<b>FTSE MIB</b>	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	14.0 x	-	15.7 x	-11.0%
<b>FTSE Italy Mid Cap</b>	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	57.6 x	22.4 x	-	22.7 x	-1.2%
<b>FTSE Italy Small Caps</b>	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	20.8 x	-	9.4 x	120.2%
<b>Germany DAX (TR)</b>	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	15.0 x	7.8%	14.6 x	2.9%
<b>Germany MDAX</b>	-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	40.7 x	29.8 x	33.2%	23.5 x	27.0%
<b>France CAC 40</b>	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	18.9 x	35.6%	17.4 x	8.7%
<b>France CAC Mid 60</b>	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	26.3 x	17.5%	-18.9 x	-238.9%
<b>France CAC Small</b>	43.1 x	n.m.	12.5 x	19.9 x	25.1 x	22.7 x	21.1 x	22.9 x	24.8 x	20.1 x	19.9 x	-10.0 x	30.9 x	48.5%	19.7 x	56.3%
<b>FTSE 100</b>	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	14.2 x	1.6%	15.1 x	-6.2%
<b>FTSE 250</b>	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	13.0 x	13.5 x	40.6 x	22.2 x	-1.1%	18.7 x	18.5%
<b>IBEX 35</b>	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	34.6 x	18.7 x	33.9%	18.8 x	-0.4%
<b>IBEX MEDIUM</b>	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	15.0 x	-33.0%	19.1 x	-21.5%

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%	32%	560.3%
AUTOGRILL	-106.1	-224.4	-111%	32%	143.1%
SARAS	-59.3	-121.4	-105%	15%	119.4%
SERI INDUSTRIAL	8.9	8.0	-10%	55%	65.2%
OVS GROUP	24.1	24.7	3%	63%	60.7%
AMBIENTHESIS	5.0	3.1	-37%	16%	53.4%
ENAV	101.6	55.6	-45%	6%	50.9%
TESMEC	5.6	5.6	0%	49%	48.6%
MARR	56.3	39.0	-31%	18%	48.6%
TOD'S	-59.8	-43.5	27%	71%	43.4%
ALKEMY	2.8	3.9	38%	80%	41.7%
SERVIZI ITALIA	6.6	4.1	-38%	4%	41.5%
DANIELI	69.6	69.6	0%	42%	41.5%
SAES GETTERS	20.4	9.2	-55%	(13%)	41.3%
BANCA IFIS	64.6	66.3	3%	43%	40.0%
GEOX	-27.0	-31.7	-17%	22%	39.2%
AQUAFIL	15.4	14.1	-9%	30%	38.6%
BANCA SISTEMA	30.4	25.1	-17%	20%	37.2%
ASTM	207.6	205.3	-1%	36%	36.7%
WEBUILD	106.7	126.5	19%	54%	35.2%
DATALOGIC	36.8	40.6	10%	43%	32.4%
GEFRAN	7.7	7.2	-6%	25%	31.8%
CERVED	108.0	108.0	0%	31%	31.1%
AVIO	25.1	21.8	-13%	16%	28.5%
FOS	1.3	1.3	-1%	27%	27.9%
MEDIASET	207.7	227.5	10%	37%	27.1%
SOMECH	7.0	7.4	5%	30%	24.7%
ELES	1.3	1.4	5%	29%	24.0%
FILA	42.8	39.5	-8%	16%	23.7%
SALCEF GROUP	49.4	46.1	-7%	16%	23.0%
CYBEROO	2.2	1.5	-34%	(12%)	22.3%
FINE FOODS	11.9	12.4	5%	27%	22.1%
MAIRE TECNIMONT	54.7	74.2	36%	56%	20.4%
IREN	247.8	248.8	0%	20%	19.8%
INDEL B	11.0	10.0	-9%	11%	19.5%
PIAGGIO	65.6	64.6	-2%	18%	19.2%
DE' LONGHI	224.4	273.7	22%	40%	18.5%
REPLY	127.8	135.6	6%	24%	18.2%
SESA	57.5	57.6	0%	18%	17.6%
BRUNELLO CUCINELLI	26.4	28.3	7%	24%	17.1%
LU-VE	23.1	22.5	-3%	14%	16.5%
RETELIT	17.1	16.9	-1%	15%	16.4%
GPI	8.0	10.9	35%	51%	15.5%
IERVOLINO ENTERTAINMENT	24.7	18.7	-24%	(9%)	15.2%
RENO DE MEDICI	33.6	32.1	-4%	10%	14.4%
UNIPOLSAI	680.7	751.8	10%	24%	13.8%
TECHNOGYM	66.5	65.9	-1%	13%	13.4%
CEMENTIR	91.6	117.3	28%	41%	12.7%
IGD	60.2	61.1	2%	12%	10.5%
FINCANTIERI	85.3	96.8	13%	24%	10.5%
TINEXTA	49.8	52.7	6%	16%	10.4%
EMAK	19.7	28.3	44%	53%	9.0%
WIIT	10.6	9.7	-9%	0%	8.9%
CATTOLICA	158.7	158.7	0%	8%	8.3%
CELLULARLINE	14.9	12.3	-18%	(9%)	8.2%
CREDITO EMILIANO	175.2	195.0	11%	19%	8.0%
MONDADORI	28.4	28.4	0%	8%	7.8%
BE	11.9	11.9	0%	7%	6.8%
EL.EN.	25.7	36.3	41%	48%	6.8%
B&C SPEAKERS	6.0	6.0	0%	5%	5.3%
ACEA	294.3	316.6	8%	12%	4.5%
FALCK RENEWABLES	40.1	31.9	-20%	(17%)	3.4%
ELICA	10.5	11.6	10%	13%	2.7%
ANIMA	169.1	193.7	15%	16%	1.2%
GUALA CLOSURES	15.4	15.4	0%	(0%)	(0.2%)
ESPRINET	35.3	44.8	27%	26%	(0.5%)
DOVALUE	57.6	60.0	4%	3%	(0.8%)
TXT E-SOLUTIONS	5.0	4.8	-3%	(4%)	(1.8%)
ASCOPIAVE	44.3	46.3	5%	1%	(3.3%)
RAI WAY	65.7	63.3	-4%	(9%)	(4.9%)
ERG	112.3	125.9	12%	3%	(9.4%)
JUVENTUS	-30.8	-30.8	0%	(10%)	(10.1%)

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) remains above the yearly average, coming in 4.4% higher than the 1Y average, further decelerating on one month ago when the same metric was +9% (and +22% the month before). Interestingly, liquidity for mid-caps has witnessed a better trend, showing a +26.4% change, while for small caps the same metric has improved by 45.3%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.1mn in the last month, up 38% 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
<b>FTSE MIB</b>							
All stocks	50.46	54.55	52.47	48.32	49.97	4.4%	12.9%
Top 20% by market cap	149.10	158.58	153.94	138.70	147.61	7.5%	14.3%
<b>FTSE Italia Mid Cap</b>							
All stocks	4.07	4.01	3.64	3.22	3.27	26.4%	24.4%
Top 20% by market cap	7.60	7.83	7.27	6.59	6.86	15.3%	18.8%
<b>FTSE Italia Small Cap</b>							
All stocks	0.56	0.51	0.45	0.39	0.35	45.3%	32.7%
Top 20% by market cap	1.61	1.42	1.18	0.97	0.81	65.2%	45.6%

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	1,832	11,475,947
CERVED	1,907	7,355,503
ERG	3,614	7,294,222
TECHNOGYM	2,094	7,148,246
FALCK RENEWABLES	1,595	6,680,654
ASTM	3,926	6,157,219
FERRAGAMO	3,187	6,134,297
SARAS	649	5,971,129
UNIPOLSAI	7,629	5,834,927
CREDITO VALTELLINESE	861	5,666,226
BREMBO	3,406	5,316,115
IREN	3,325	5,107,952
ANIMA	1,657	4,971,964
TOD'S	1,607	4,963,149
ESPRINET	694	4,640,946
REPLY	4,430	4,439,697
MEDIASET	3,366	4,317,435
DE' LONGHI	5,450	4,106,939
JUVENTUS	974	3,898,345
MAIRE TECNIMONT	935	3,871,767
WEBUILD	1,631	3,680,273
SESA	1,881	3,557,770
TINEXTA	1,153	3,419,613
CATTOLICA	866	3,303,907
ENAV	2,059	3,271,290
BRUNELLO CUCINELLI	3,016	3,119,686
OVS GROUP	390	2,926,483
FINCANTIERI	1,156	2,821,445
ACEA	4,093	2,639,620
PIAGGIO	1,136	2,573,590

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)
<b>Intermonte Coverage</b>	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	5.0	866	0.911	0.450	9.1%	49%	
CELLULARLINE	4.5	97	0.553	0.350	7.8%	63%	1.8x
BANCA IFIS	13.1	704	1.232	0.800	6.1%	65%	
UNIPOLSAI	2.7	7,629	0.271	0.160	5.9%	59%	
IGD	4.0	445	0.554	0.218	5.4%	39%	10.7x
CREDITO VALTELLINESE	12.3	861	0.820	0.630	5.1%	77%	
ANIMA	4.5	1,657	0.498	0.220	4.9%	44%	
DOVALUE	10.0	798	0.750	0.487	4.9%	65%	1.5x
RAI WAY	5.0	1,357	0.233	0.236	4.7%	102%	0.8x
NOTORIOUS PICTURES	1.8	41	0.206	0.082	4.5%	40%	1.2x
ASCOPIAVE	3.7	863	0.198	0.165	4.5%	84%	4.8x
ACEA	19.2	4,093	1.487	0.841	4.4%		3.0x
EMAK	1.7	275	0.173	0.069	4.1%	40%	1.5x
MAIRE TECNIMONT	2.8	935	0.226	0.116	4.1%	51%	0.9x
DEA CAPITAL	1.5	393		0.060	4.1%	#VALORE!	
PIAGGIO	3.2	1,136	0.181	0.127	4.0%	70%	1.6x
CREDITO EMILIANO	5.3	1,748	0.587	0.210	4.0%	36%	
ENAV	3.8	2,059	0.103	0.150	3.9%	146%	2.5x
IREN	2.6	3,325	0.191	0.100	3.9%	52%	3.3x
GEFRAN	7.7	111	0.498	0.299	3.9%	60%	0.1x
BANCA SISTEMA	2.0	163	0.312	0.078	3.8%	25%	
SALCEF GROUP	13.6	683	1.088	0.490	3.6%	45%	0.5x
B&C SPEAKERS	10.9	120	0.549	0.357	3.3%	65%	0.5x
ASTM	27.9	3,926	1.461	0.900	3.2%	62%	2.9x
ERG	24.0	3,614	0.838	0.750	3.1%	90%	3.0x
WEBUILD	1.8	1,631	0.127	0.055	3.0%	43%	0.6x
SERVIZI ITALIA	2.2	70	0.128	0.064	2.9%	50%	2.0x
AVIO	13.1	346	0.804	0.372	2.8%	46%	1.2x
CERVED	9.8	1,907	0.553	0.276	2.8%	50%	2.4x
INDEL B	25.1	147	1.712	0.685	2.7%	40%	0.0x

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
FERRAGAMO	18.9	3,187	nm	53.7	239%
SAES GETTERS	19.9	409	47.7	20.3	135%
TESMEC	0.1	72	12.8	5.5	135%
SERI INDUSTRIAL	6.6	314	39.0	17.7	121%
SOGEFI	1.4	165	10.5	5.1	104%
ENAV	3.8	2,059	37.0	18.8	97%
SERVIZI ITALIA	2.2	70	17.2	9.0	91%
OVS GROUP	1.7	390	15.7	8.2	91%
SOMEK	23.2	160	21.7	12.3	76%
ELES	4.4	47	35.6	20.4	74%
CY4GATE	8.3	124	35.3	20.5	72%
BRUNELLO CUCINELLI	44.4	3,016	nm	64.6	65%
BANCA IFIS	13.1	704	10.6	6.5	64%
INDEL B	25.1	147	14.7	9.0	63%
ELICA	3.5	222	19.1	12.0	59%
MARR	19.9	1,321	33.9	22.3	52%
FINCANTIERI	0.7	1,156	11.9	7.9	51%
DOVALUE	10.0	798	13.3	8.9	49%
GUALA CLOSURES	8.2	539	35.9	24.4	47%
FALCK RENEWABLES	5.5	1,595	50.0	35.0	43%
CREDITO VALTELLINESE	12.3	861	15.0	10.7	40%
TECHNOGYM	10.4	2,094	31.7	22.8	39%
WIIT	163.6	434	44.6	32.5	37%
AQUAFIL	6.3	270	22.9	17.2	33%
ALKEMY	12.8	72	18.2	13.7	33%
AMBIENTHESIS	0.8	74	23.6	17.8	32%
RELATECH	2.5	83	20.3	15.5	31%
CELLULARLINE	4.5	97	8.1	6.2	31%
FILA	10.6	457	13.7	10.6	30%
BANCA SISTEMA	2.0	163	6.5	5.0	29%
B&C SPEAKERS	10.9	120	19.8	15.3	29%
WEBUILD	1.8	1,631	14.3	11.5	25%
LU-VE	15.9	354	15.7	12.6	24%
PIAGGIO	3.2	1,136	17.5	14.1	24%
RETELIT	2.5	417	24.7	20.0	23%
FINE FOODS	13.3	285	25.1	20.6	21%
SESA	121.4	1,881	32.6	27.1	20%
FOS	3.4	21	16.3	13.6	20%

Source: Intermonte SIM and Factset

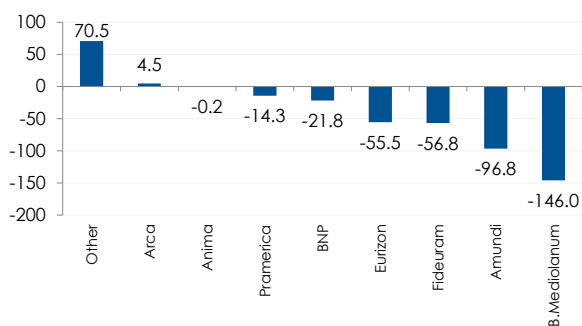
## Update on the Individual Savings Plan (PIR)

PIR: official figures for 4Q20

	Net Inflows										Nr. Of Funds at March 2021		Invested Capital at March 2021	
	1Q21 (Eu mn)	4Q20 (Eu mn)	3Q20 (Eu mn)	2Q20 (Eu mn)	1Q20 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	# Funds	%	(Eu mn)	in %	
<b>Total</b>	<b>(316)</b>	<b>(403)</b>	<b>(178)</b>	<b>59</b>	<b>(234)</b>	<b>(759)</b>	<b>(1,097)</b>	<b>3,950</b>	<b>10,903</b>	<b>70</b>	<b>100.0%</b>	<b>18,578</b>	<b>100.0%</b>	
Newly established funds	(200)	(245)	(74)	29	(83)	(373)	(760)	3,403	7,864	46	65.7%	10,980	59.1%	
Pre-existing funds	(117)	(158)	(104)	30	(151)	(386)	(337)	547	3,039	24	34.3%	7,598	40.9%	
<b>EQUITY FUNDS</b>	<b>(23)</b>	<b>(74)</b>	<b>(37)</b>	<b>(14)</b>	<b>(153)</b>	<b>(281)</b>	<b>(369)</b>	<b>349</b>	<b>2,260</b>	<b>27</b>	<b>38.6%</b>	<b>5,126</b>	<b>27.6%</b>	
o/w Italy Equity	(23)	(74)	(37)	(14)	(153)	(281)	(369)	349	2,260	27	38.6%	5,126	27.6%	
<b>BALANCED FUNDS</b>	<b>(109)</b>	<b>(194)</b>	<b>(107)</b>	<b>13</b>	<b>(33)</b>	<b>(321)</b>	<b>(587)</b>	<b>2,525</b>	<b>5,962</b>	<b>26</b>	<b>37.1%</b>	<b>8,275</b>	<b>44.5%</b>	
o/w Balanced Equity	(10)	(11)	(3)	6	(2)	(10)	(63)	181	279	2	2.9%	448	2.4%	
o/w Balanced	(51)	(66)	(30)	9	(34)	(120)	(258)	752	1,849	9	12.9%	2,441	13.1%	
o/w Balanced bonds	(47)	(117)	(74)	(1)	2	(191)	(267)	1,592	3,834	15	21.4%	5,385	29.0%	
<b>FIXED INCOME FUNDS</b>	<b>(1)</b>	<b>(3)</b>	<b>(1)</b>	<b>2</b>	<b>1</b>	<b>(1)</b>	<b>(20)</b>	<b>10</b>	<b>75</b>	<b>4</b>	<b>5.7%</b>	<b>218</b>	<b>1.2%</b>	
o/w Italy Bonds	(6)	(2)	(2)	(3)	1	(6)	1	(9)	13	2	2.9%	67	0.4%	
o/w Europe Bonds	8	0	2	5	0	7	(21)	19	62	1	1.4%	59	0.3%	
o/w Mixed	(3)	(2)	(1)	(0)	1	(2)				1	1.4%	92	0.5%	
<b>FLEXIBLE FUNDS</b>	<b>(184)</b>	<b>(132)</b>	<b>(32)</b>	<b>58</b>	<b>(50)</b>	<b>(160)</b>	<b>(121)</b>	<b>1,067</b>	<b>2,605</b>	<b>13</b>	<b>18.6%</b>	<b>4,959</b>	<b>26.7%</b>	

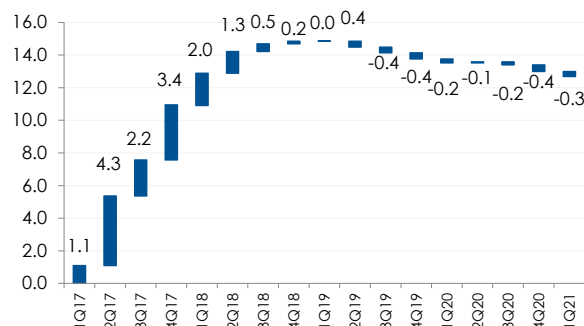
Source: Assogestioni, Quarterly Report, February 2021

### PIR - Net inflows by asset manager (Eu mn, 1Q21)



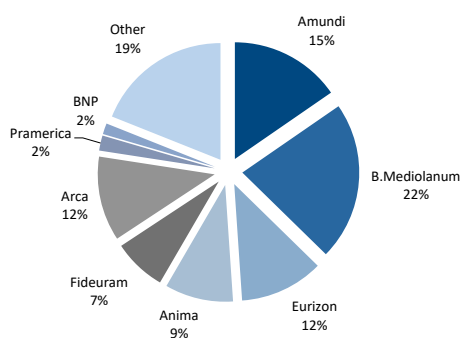
Source: Assogestioni

### PIR - Inflows by quarter (Eu bn)



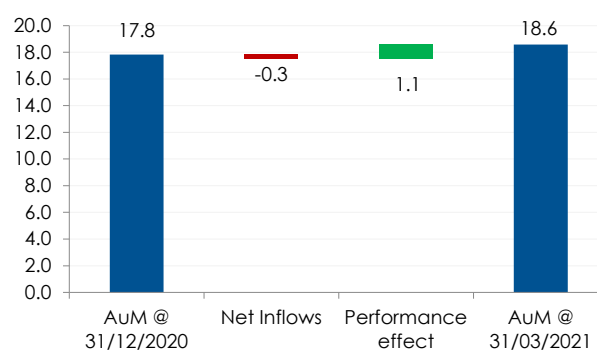
Source: Intermonte SIM estimates, Assogestioni

### PIR - Market share by asset manager (on AuM at 31/03/21)



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 1Q21 PIR inflows** in its quarterly review on 20<sup>th</sup> May 2021. Net inflows amounted to a negative Eu316mn (i.e. outflows) in 1Q21, with all the major players reporting negative numbers. The figure was broadly in line with data released by *Sole 24 Ore's* 'Osservatorio PIR', which estimated Eu342mn outflows. Interestingly though, some smaller players (in terms of PIR AuM) have reported positive inflows.

Moreover, according to the monthly figure released by *Sole 24 Ore's* 'Osservatorio PIR', **there was a progressive improvement in outflows, with Eu161mn in January 2021, Eu113mn in February and Eu68mn in March**. Given the progression, we remain confident that interest in this product will increase 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
<b>Investor Target</b>	Retail Investors	Semi-institutional investors
<b>Main Investment Focus</b>	Mid and Small Caps	Small and Micro Caps, Privately held SMEs
<b>Type of Fund</b>	Open-end Funds	Closed-End Funds, such as ELTIF, private equity funds, private debt funds
<b>Max per capita investment</b>	Eu30,000 a year (max Eu150,000)	Eu300,000 a year (max Eu1.5mn)
<b>Concentration limit</b>	Up to 10%	Up to 20%
<b>Investment Criteria</b>	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.
<b>Fiscal benefits</b>	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

## 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 (although more challenging on the back of weak 1Q21 numbers), 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
<b>Mutual Funds AUM (Eu mn)</b>	<b>887,408</b>	<b>900,318</b>	<b>1,011,183</b>	<b>955,114</b>	<b>1,071,299</b>			
<b>PIR Net Inflows (Eu mn)</b>			<b>10,903</b>	<b>3,950</b>	<b>(1,097)</b>	<b>(759)</b>	<b>1,001</b>	<b>2,836</b>
<i>YoY Growth</i>				<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>183.4%</i>
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)

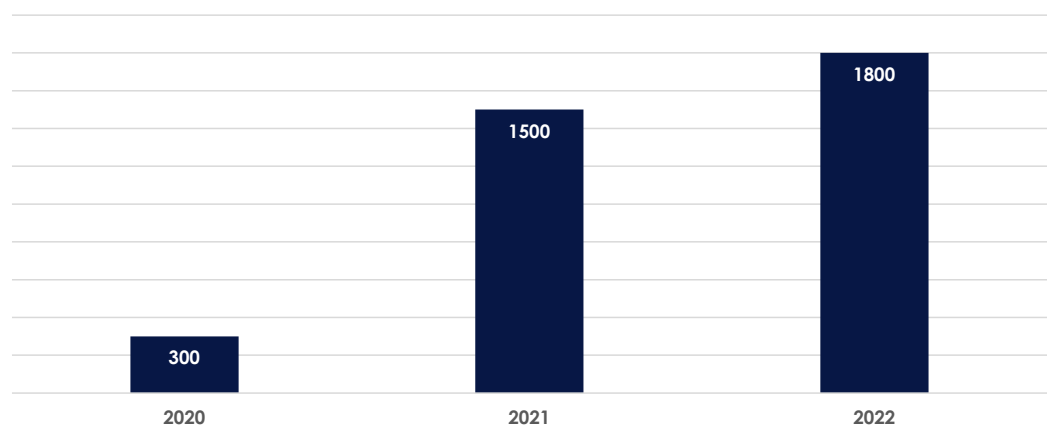
Source: Intermonte SIM

## 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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**GUIDE TO FUNDAMENTAL RESEARCH**

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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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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;

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

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