

Italian Mid Small Caps Monthly

Stock Picking Approach In a 2H21 Featuring Conflicting Forces

by Intermonte Research Team

Italian Equity Market

- **Performance (+).** The Italian equity market (prices as at 10th August 2021) has grown 4.5% in the last month while it is up 18.8% YTD. The FTSE Italy Mid-Cap index (+4.0% in the last month) has underperformed the main index by 0.5% (+11.0% YTD on a relative basis), with the FTSE Italy Small Caps index (+4.2% in the last month) underperforming the market by 0.4% in the last month, but still +16.4% relative since the beginning of 2021. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 3.9% in the last month, performing broadly in line with Italian mid-caps, but remaining well below in relative terms since the beginning of the year.
- **Estimates (+).** Since the beginning of the year, we have raised our 2021E EPS estimates (+31.2%), while we have implemented a milder revision for 2022E (+16.7%). On 2021, our overall estimate revision for mid-caps has also been positive (+13.6% YTD), as it has for small caps (+4.0% YTD). Overall revisions to 2022 estimates for our mid/small cap coverage have also been positive (+10.3% YTD). In the last month, estimate revisions on 2021/22 have remained positive for mid-caps (+8.0%/+2.2%) and, to a lesser extent, for small caps (+0.7%/+8.1%).
- **Valuations (=).** If we compare YTD performance to the change in FY22 estimates over the same period, we can see that FTSE MIB stocks have recorded a 0.4% re-rating YTD, a lower figure than one month ago thanks to the positive estimate revision, while mid-caps and small caps have re-rated by 20.0% and 20.4% respectively. On a P/E basis, our panel is trading at a 32% premium to large caps, well above the historical average premium (17%) but just a touch below the level one month ago (33%).
- **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) is below the yearly average, coming in 10.2% lower than the 1Y average, further decelerating on one month ago when the same metric was -7.3% (and -1.5% the month before). Interestingly, liquidity for mid-caps has witnessed a much better trend, showing a -2.1% change, while for small caps the same metric has improved by 0.2%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.45mn in the last month, up 12% on the corresponding period one year ago.
- **Investment strategy.** Despite a very positive 1H21 reporting season, many stocks have witnessed limited appreciation, probably because expectations were already higher than consensus but mostly, in our view, because the 2H21 outlook is perceived to be clouded by headwinds such as the component shortages and the inflation in raw material and shipping costs, which have only had a limited impact so far. Some signs of slowdown are evident in the economic growth trajectory in some jurisdictions, and a new rise in global infections represents a clear risk. Having said that, we are confident that demand recovery will prove resilient and that as the various recovery plans and infrastructure spending programmes get underway they will support growth in a low interest rate scenario that remains benign for risky assets. Notably, on 10th August the US Senate gave bipartisan approval to a \$1 trillion infrastructure bill to rebuild roads and bridges and fund new climate resilience and broadband initiatives. In this environment, likely to generate some share price volatility, we suggest a portfolio that mixes value and growth names, trying to catch some relative outperformers in the two clusters. Regarding mid/small cap liquidity, the situation is gradually improving after a very weak start to the year and should regain momentum in the coming months.

This material is an extract of research reports by Intermonte that have already been published and delivered to Clients. It is available for free on the Intermonte SIM website (<https://www.intermonte.it>) and it qualifies as a "minor non-monetary benefit" in accordance with article 12, paragraph 3, sub-paragraph b) of Commission Delegated Directive (EU) 2017/593 of 7 April 2016

Performance

Strong market trends in the last month

The Italian equity market (prices as at 10th August 2021) has grown 4.5% in the last month while it is up 18.8% YTD. The FTSE Italy Mid-Cap index (+4.0% in the last month) has underperformed the main index by 0.5% (+11.0% YTD on a relative basis), with the FTSE Italy Small Caps index (+4.2% in the last month) underperforming the market by 0.4% in the last month, but still +16.4% relative since the beginning of 2021.

Italian Market Indexes – performance analysis (prices as at 10th August 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	49,423	4.0%	8.0%	21.2%	29.7%	44.3%	37.6%	20.0%	62.8%
FTSE Italia Small Cap	29,036	4.2%	10.1%	24.3%	35.1%	54.3%	58.0%	34.5%	74.1%
FTSE Italia Star	59,624	6.2%	16.2%	24.0%	33.6%	56.8%	79.5%	60.8%	139.2%
FTSE AIM ITALIA	10,661	6.7%	15.9%	35.1%	46.3%	60.7%	35.2%	11.6%	44.6%
FTSE Italia All-Share	28,743	4.5%	5.9%	13.3%	18.8%	33.7%	29.5%	23.1%	55.8%
FTSE MIB	26,201	4.6%	5.6%	12.6%	17.8%	33.3%	28.9%	24.2%	56.0%

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	-0.5%	2.1%	7.9%	11.0%	10.6%	8.2%	-3.1%	7.0%
FTSE Italia Small Cap	-0.4%	4.3%	11.0%	16.4%	20.6%	28.5%	11.4%	18.3%
FTSE Italia Star	1.7%	10.4%	10.6%	14.9%	23.1%	50.0%	37.7%	83.4%

Source: Factset

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 3.9% in the last month, performing broadly in line with Italian mid-caps, but remaining well below in relative terms since the beginning of the year.

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	156	3.1%	6.0%	15.3%	18.3%	29.4%	24.9%	20.2%	34.6%
MSCI Europe Small Cap	498	3.9%	5.5%	15.0%	20.7%	41.8%	45.9%	30.3%	60.2%

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
PHARMANUTRA	54.40	527	24%
LU-VE	19.80	440	21%
FINE FOODS	13.75	303	19%
THE ITALIAN SEA GROUP	5.52	293	17%
MONDADORI	1.95	509	16%
SOMEK	28.70	198	15%
GEFRAN	9.28	134	15%
WIIT	19.90	558	15%
BREMBO	11.87	3,964	14%
OVS GROUP	1.76	512	14%
EL.EN.	12.44	992	13%
AQUAFIL	7.40	317	13%
SALCEF GROUP	14.85	833	13%
GEOX	1.17	302	12%
CY4GATE	8.83	132	12%
AUTOGRILL	6.08	2,342	11%
RELATECH	2.99	113	10%
SERI INDUSTRIAL	7.58	364	10%
CREDITO EMILIANO	5.35	1,778	9%
BRUNELLO CUCINELLI	56.45	3,839	9%
FTSE Italia Mid Cap			2%
FTSE Italia Small Cap			2%
FTSE MIB			0%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
MEDIASET	2.59	3,062	-16%
IERVOLINO ENTERTAINMENT	3.33	80	-13%
GPI	12.65	201	-10%
AVIO	11.88	313	-8%
NOTORIOUS PICTURES	1.65	37	-7%
SERVIZI ITALIA	2.16	69	-5%
TESMEC	0.12	73	-5%
RAI WAY	5.01	1,363	-4%
CELLULARLINE	4.19	92	-3%
INDEL B	25.40	148	-3%
ERG	25.88	3,890	-2%
DATALOGIC	20.18	1,179	-2%
FINCANTIERI	0.81	1,370	-2%
ELICA	3.49	221	-2%
WEBUILD	2.24	2,250	-1%
SAES GETTERS	20.15	413	-1%
ENAV	3.94	2,134	-1%
TOD'S	55.55	1,838	-1%
TECHNOGYM	10.65	2,144	0%
TIP	8.38	1,545	0%

Source: Factset

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ALKEMY	14.25	80	110%
TOD'S	55.55	1,838	94%
SAFILO	1.54	424	89%
WEBUILD	2.24	2,250	87%
EL.EN.	12.44	992	86%
SERI INDUSTRIAL	7.58	364	84%
OVS GROUP	1.76	512	83%
MAIRE TECNIMONT	3.18	1,046	81%
GEFRAN	9.28	134	79%
SOMEK	28.70	198	76%
TINEXTA	36.68	1,732	71%
EMAK	1.76	289	67%
PHARMANUTRA	54.40	527	67%
GPI	12.65	201	64%
REPLY	153.60	5,746	60%
BRUNELLO CUCINELLI	56.45	3,839	56%
BANCA IFIS	13.90	748	55%
FINE FOODS	13.75	303	55%
CATTOLICA	6.93	1,582	53%
SESA	150.40	2,330	51%
FTSE Italia Mid Cap			29%
FTSE Italia Small Cap			32%
FTSE MIB			14%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
IERVOLINO ENTERTAINMENT	3.33	80	-17%
CELLULARLINE	4.19	92	-16%
NOTORIOUS PICTURES	1.65	37	-10%
RAI WAY	5.01	1,363	-9%
FALCK RENEWABLES	5.83	1,697	-8%
SAES GETTERS	20.15	413	-7%
SERVIZI ITALIA	2.16	69	0%
DOVALUE	9.67	774	0%
ASCOPIAVE	3.52	825	1%
AVIO	11.88	313	1%
ENAV	3.94	2,134	5%
TXT E-SOLUTIONS	8.06	105	6%
ELICA	3.49	221	6%
ERG	25.88	3,890	7%
CYBEROO	5.82	56	9%
IEG	2.81	87	9%
ANIMA	4.27	1,573	11%
INDEL B	25.40	148	11%

Source: Factset

Earnings Momentum

Very strong estimate revisions in the last month sustained by 1H21 results

Since the beginning of the year, we have raised our 2021E EPS estimates (+31.2%), while we have implemented a milder revision for 2022E (+16.7%). On 2021, our overall estimate revision for mid-caps has also been positive (+13.6% YTD), as it has for small caps (+4.0% YTD). Overall revisions to 2022 estimates for our mid/small cap coverage have also been positive (+10.3% YTD). In the last month, estimate revisions on 2021/22 have remained positive for mid-caps (+8.0%/+2.2%) and, to a lesser extent, for small caps (+0.7%/+8.1%).

Italian Market – Intermonte changes to 2021 and 2022 estimates

EPS REVISION	Since January 1st 2021		Since 10/7/2021	
	% chg in EPS FY21	% chg in EPS FY22	% chg in EPS FY21	% chg in EPS FY22
Total Market	31.2%	16.7%	17.9%	9.4%
Total Market - Ex Energy	29.7%	17.1%	19.1%	9.8%
Domestic	15.9%	8.2%	5.8%	3.0%
Non domestic	50.3%	27.4%	32.5%	17.1%
Non domestic - Ex Energy	48.5%	30.4%	37.5%	19.6%
FTSE MIB	33.3%	17.4%	19.0%	10.1%
Mid Caps (our coverage)	13.6%	9.8%	8.0%	2.2%
Small Caps (our coverage)	4.0%	14.8%	0.7%	8.1%
Intermonte Mid&Small Caps coverage	12.7%	10.3%	7.3%	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
Upward Revision			
FERRAGAMO	-21	36	271.1%
SOGEFI	7	26	242.4%
SAFILO	-28	18	162.3%
DE' LONGHI	224	353	57.2%
GPI	8	12	55.4%
MAIRE TECNIMONT	55	81	47.4%
CREDITO EMILIANO	175	254	44.8%
EMAK	20	28	43.7%
CEMENTIR	92	129	41.3%
EL.EN.	26	36	41.2%
Downward Revision			
IEG	5	-22	-528.5%
AUTOGRILL	-106	-240	-126.4%
GEOX	-27	-46	-71.4%
SAES GETTERS	20	9	-54.8%
SARAS	-59	-90	-51.3%
ENAV	102	55	-45.6%
SERVIZI ITALIA	7	4	-37.8%
AMBIENTHESIS	5	3	-37.4%
CYBEROO	2	1	-34.0%
MARR	56	39	-30.8%

Source: Intermonte SIM

Valuation

YTD re-rating narrowed in the last month especially for Large Caps

If we compare YTD performance to the change in FY22 estimates over the same period, we can see that FTSE MIB stocks have recorded a 0.4% re-rating YTD, a figure lower than one month ago thanks to the positive estimate revision, while mid-caps and small caps have re-rated by 20.0% and 20.4% respectively.

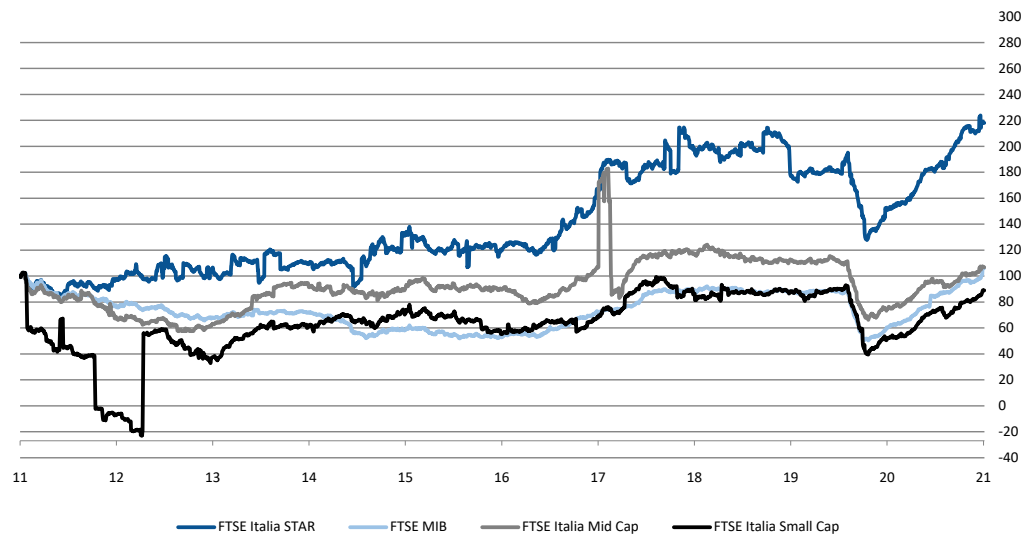
Italian Market – re/de-rating by index

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	17.8%	17.4%	0.4%
FTSE Italia Mid Cap	29.7%	9.8%	20.0%
FTSE Italia Small Cap	35.1%	14.8%	20.4%

Source: Intermonte SIM and Factset

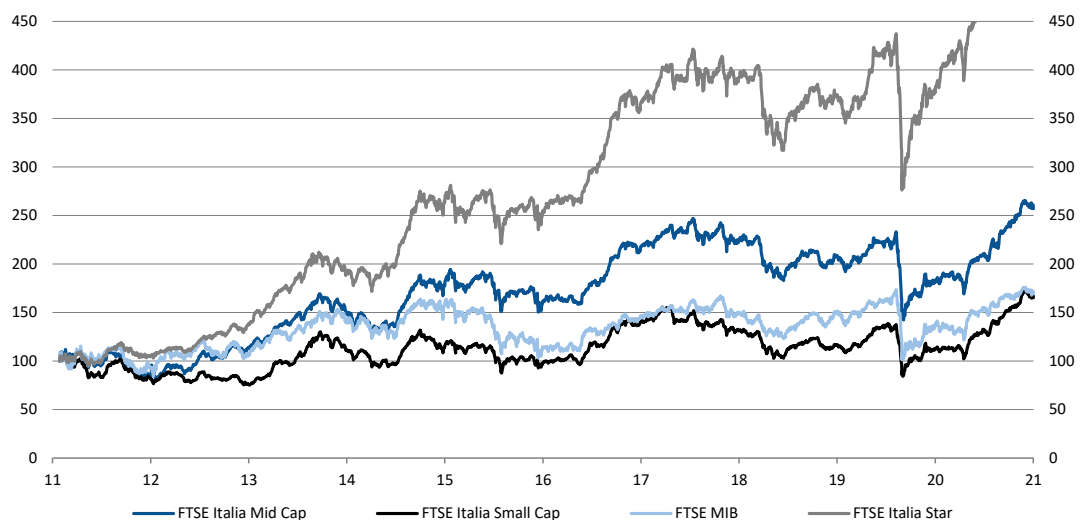
The following graph shows earnings direction over the last 10 years.

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)

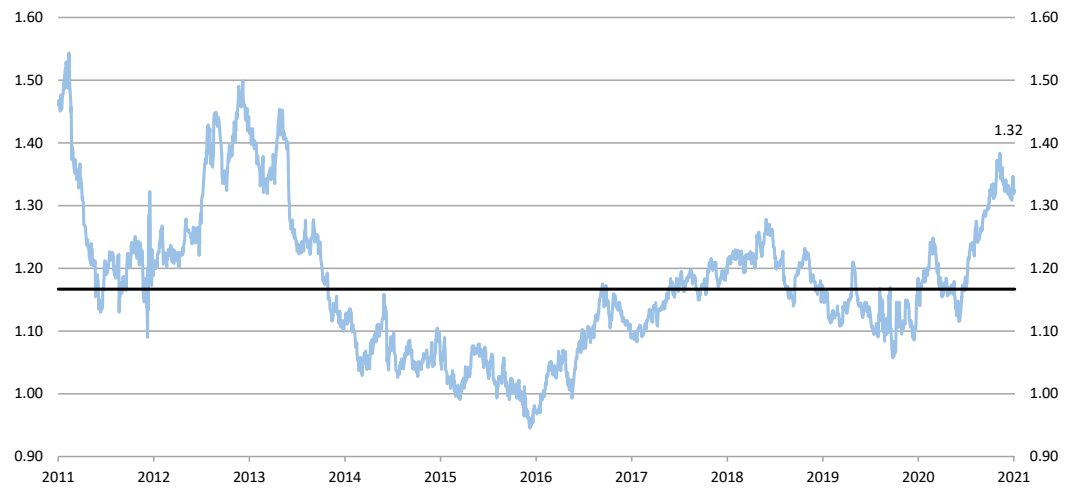


Source: Factset

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 32% premium to large caps, well above the historical average premium (17%) but just a touch below the level of one month ago (33%).

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/E09	P/E10	P/E11	P/E12	P/E13	P/E14	P/E15	P/E16	P/E17	P/E18	P/E19	P/E20	P/E21	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	13.4 x	-	15.6 x	-14.0%
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	19.6 x	56.8 x	22.5 x	-	22.6 x	-0.5%
FTSE Italy Small Caps	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	22.1 x	-	9.6 x	129.4%
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	14.3 x	6.3%	14.5 x	-1.8%
Germany MDAX	-73.0 x	16.3 x	16.9 x	18.1 x	24.0 x	22.4 x	17.9 x	22.4 x	21.8 x	18.5 x	19.7 x	41.1 x	31.1 x	38.4%	23.7 x	31.4%
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	17.7 x	31.9%	17.3 x	2.6%
France CAC Mid 60	22.1 x	18.1 x	15.5 x	18.0 x	22.2 x	25.1 x	20.5 x	20.1 x	36.0 x	17.3 x	16.7 x	-30.7 x	25.4 x	13.0%	17.1 x	49.0%
France CAC Small	43.3 x	n.m.	12.5 x	20.0 x	25.6 x	23.1 x	21.8 x	23.6 x	23.0 x	18.9 x	18.1 x	102.9 x	25.7 x	16.4%	30.3 x	-15.2%
FTSE 100	15.8 x	12.3 x	10.9 x	12.1 x	14.9 x	14.6 x	15.3 x	18.5 x	14.7 x	13.0 x	12.6 x	20.9 x	12.9 x	-4.4%	14.9 x	-14.0%
FTSE 250	14.9 x	14.8 x	13.6 x	15.0 x	17.6 x	19.2 x	16.7 x	16.1 x	14.4 x	13.1 x	13.6 x	45.2 x	24.2 x	7.6%	19.5 x	24.1%
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	34.6 x	15.1 x	12.6%	18.4 x	-17.8%
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	20.4 x	13.2 x	-41.1%	19.0 x	-30.2%

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%	9%	537.7%
AUTOGRILL	-106.1	-240.2	-126%	33%	159.7%
GEOX	-27.0	-46.4	-71%	49%	120.0%
SERI INDUSTRIAL	8.9	8.0	-10%	84%	93.5%
OVS GROUP	24.1	25.2	5%	83%	78.2%
ALKEMY	2.8	3.9	38%	110%	71.3%
SOMEK	7.0	7.5	7%	76%	69.4%
WEBUILD	106.7	125.6	18%	87%	69.4%
TINEXTA	49.8	52.7	6%	71%	65.0%
SARAS	-59.3	-89.7	-51%	12%	63.2%
MARR	56.3	39.0	-31%	29%	60.1%
AMBIENTHESIS	5.0	3.1	-37%	20%	56.9%
TOD'S	-59.8	-37.1	38%	94%	55.6%
AQUAFIL	15.4	15.0	-3%	51%	54.2%
CATTOLICA	158.7	158.7	0%	53%	52.7%
REPLY	127.8	138.3	8%	60%	52.1%
LU-VE	23.1	22.7	-2%	50%	51.8%
SESA	57.5	57.8	1%	51%	50.8%
ENAV	101.6	55.2	-46%	5%	50.8%
FINE FOODS	11.9	12.4	5%	55%	50.2%
BANCA SISTEMA	30.4	23.1	-24%	26%	50.0%
GEFRAN	7.7	10.0	31%	79%	48.6%
SAES GETTERS	20.4	9.2	-55%	(7%)	48.1%
BRUNELLO CUCINELLI	26.4	29.0	10%	56%	46.1%
EL. EN.	25.7	36.3	41%	86%	45.0%
WIIT	10.6	9.9	-7%	37%	44.2%
FOS	1.3	1.3	-1%	42%	43.2%
CYBEROO	2.2	1.5	-34%	9%	42.8%
BANCA IFIS	64.6	72.9	13%	55%	42.1%
SERVIZI ITALIA	6.6	4.1	-38%	(0%)	37.3%
TESMEC	5.6	5.6	0%	37%	37.2%
SALCEF GROUP	49.4	52.4	6%	41%	35.1%
RETELIT	17.1	16.9	-1%	33%	34.5%
CERVED	108.0	108.0	0%	34%	34.3%
MAIRE TECNIMONT	54.7	80.7	47%	81%	33.4%
MONDADORI	28.4	28.4	0%	29%	29.1%
PIAGGIO	65.6	64.2	-2%	24%	26.4%
EMAK	19.7	28.3	44%	67%	23.3%
FINCANTIERI	85.3	96.8	13%	36%	22.6%
ESPRINET	35.3	44.8	27%	49%	22.1%
FILA	42.8	42.6	-1%	21%	22.1%
INDEL B	11.0	10.0	-9%	11%	20.4%
IREN	247.8	253.8	2%	22%	19.5%
DATALOGIC	36.8	44.4	21%	39%	17.8%
ELES	1.3	1.4	5%	21%	16.0%
TECHNOGYM	66.5	65.9	-1%	15%	15.5%
CELLULARLINE	14.9	10.3	-31%	(16%)	14.9%
AVIO	25.1	21.8	-13%	1%	14.1%
IGD	60.2	62.6	4%	18%	13.5%
GPI	8.0	12.5	55%	64%	8.8%
FALCK RENEWABLES	40.1	33.5	-16%	(8%)	8.4%
TXT E-SOLUTIONS	5.0	4.9	-2%	6%	7.7%
IERVOLINO ENTERTAINMENT	24.7	18.7	-24%	(17%)	7.1%
ACEA	294.3	325.7	11%	16%	5.5%
DOVALUE	57.6	56.7	-2%	(0%)	1.5%
UNIPOLSAI	680.7	770.5	13%	14%	0.7%
CEMENTIR	91.6	129.4	41%	41%	(0.3%)
MEDIASET	207.7	267.9	29%	28%	(1.5%)
ASCOPIAVE	44.3	46.3	5%	1%	(4.0%)
RAI WAY	65.7	63.3	-4%	(9%)	(5.6%)
DE' LONGHI	224.4	352.8	57%	50%	(7.2%)
ANIMA	169.1	206.3	22%	11%	(11.2%)
BREMBO	192.3	248.1	29%	13%	(15.7%)
CREDITO EMILIANO	175.2	253.6	45%	27%	(17.8%)
ERG	112.3	144.3	29%	7%	(21.9%)
ELICA	10.5	13.6	29%	6%	(23.5%)
NOTORIOUS PICTURES	3.6	4.6	29%	(10%)	(38.9%)
SAFILO	-28.4	17.7	162%	89%	(73.3%)
SOGEFI	7.5	25.6	242%	18%	(224.1%)
FERRAGAMO	-21.2	36.2	271%	15%	(255.6%)

Source: Intermonte SIM

Liquidity

Mid/Small Cap average trading volumes broadly in line with yearly average

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) is below the yearly average, coming in 10.2% lower than the 1Y average, further decelerating on one month ago when the same metric was -7.3% (and -1.5% the month before). Interestingly, liquidity for mid-caps has witnessed a much better trend, showing a -2.1% change, while for small caps the same metric has improved by 0.2%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.45mn in the last month, up 12% 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	42.43	46.95	50.04	47.22	48.81	(10.2%)	(0.6%)
Top 20% by market cap	124.75	137.07	145.61	136.58	143.70	(8.7%)	0.4%
FTSE Italia Mid Cap							
All stocks	3.26	3.94	3.86	3.33	3.26	(2.1%)	18.5%
Top 20% by market cap	4.76	5.12	4.98	4.65	4.99	2.3%	10.2%
FTSE Italia Small Cap							
All stocks	0.43	0.56	0.52	0.43	0.35	0.2%	30.5%
Top 20% by market cap	1.30	1.65	1.48	1.14	0.85	13.6%	44.7%

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	2,484	11,259,618
TOD'S	1,823	8,056,151
ERG	3,749	7,518,270
TECHNOGYM	2,132	7,182,233
SARAS	633	7,174,405
CERVED	1,953	6,821,248
UNIPOLSAI	6,995	6,342,876
WEBUILD	2,222	6,164,597
FERRAGAMO	3,091	6,098,708
MEDIASET	3,142	5,834,947
FALCK RENEWABLES	1,766	5,792,361
REPLY	5,713	5,617,487
BREMBO	4,087	5,368,484
ESPRINET	819	5,349,879
CATTOLICA	1,600	5,326,350
ANIMA	1,585	5,132,617
IREN	3,372	4,939,439
OVS GROUP	527	4,109,127
ENAV	2,050	3,819,662
SESA	2,417	3,737,188
DE' LONGHI	5,828	3,660,399
MAIRE TECNIMONT	1,083	3,602,886
TINEXTA	1,694	3,302,518
BRUNELLO CUCINELLI	3,781	3,289,470
FINCANTIERI	1,268	3,195,878
PIAGGIO	1,200	2,673,539
ACEA	4,242	2,637,962
BANCA IFIS	765	2,554,920
RAI WAY	1,346	2,351,172

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
UNIPOLSAI	2.5	6,995	0.278	0.160	6.5%	58%	
CATTOLICA	7.0	1,600	0.911	0.450	6.4%	49%	
ANIMA	4.3	1,585	0.530	0.252	5.9%	47%	
BANCA IFIS	14.2	765	1.355	0.800	5.6%	59%	
IGD	4.2	467	0.568	0.236	5.6%	42%	10.5x
NOTORIOUS PICTURES	1.6	35	0.206	0.082	5.3%	40%	1.2x
DOVALUE	9.6	770	0.708	0.460	4.8%	65%	1.7x
RAI WAY	5.0	1,346	0.233	0.236	4.8%	102%	0.8x
DEA CAPITAL	1.3	354		0.060	4.5%		
ASCOPIAVE	3.7	857	0.198	0.165	4.5%	84%	4.8x
CREDITO EMILIANO	5.6	1,911	0.743	0.240	4.3%	32%	
PIAGGIO	3.4	1,200	0.180	0.142	4.2%	79%	1.6x
ACEA	19.9	4,242	1.529	0.841	4.2%	55%	3.0x
ENAV	3.8	2,050	0.102	0.150	4.0%	147%	2.5x
IREN	2.6	3,372	0.195	0.100	3.9%	51%	3.3x
GEFRAN	11.1	159	0.697	0.418	3.8%	60%	0.2x
EMAK	1.8	301	0.173	0.069	3.8%	40%	1.7x
MAIRE TECNIMONT	3.3	1,083	0.245	0.116	3.5%	47%	0.8x
CELLULARLINE	4.2	91	0.473	0.142	3.4%	30%	2.1x
BANCA SISTEMA	2.1	172	0.287	0.072	3.4%	25%	
AVIO	11.5	303	0.804	0.372	3.2%	46%	1.2x
EL.EN.	12.4	985	1.850	0.400	3.2%	22%	1.3x
SERVIZI ITALIA	2.1	67	0.128	0.064	3.0%	50%	2.0x
ERG	24.9	3,749	0.960	0.750	3.0%	78%	3.2x
CERVED	10.0	1,953	0.553	0.276	2.8%	50%	2.4x
INDEL B	25.3	148	1.712	0.685	2.7%	40%	0.0x
WEBUILD	2.2	2,222	0.125	0.055	2.5%	44%	0.6x
SALCEF GROUP	16.5	923	0.867	0.390	2.4%	45%	0.7x
AMBIENTHESIS	0.8	76	0.034	0.018	2.2%	53%	1.7x
DE' LONGHI	38.7	5,828	2.360	0.834	2.2%	35%	0.8x

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
SAES GETTERS	21.5	440	51.4	21.9	135%
TESMEC	0.1	67	11.8	5.0	135%
SERI INDUSTRIAL	7.8	377	46.1	20.9	121%
OVS GROUP	1.8	527	16.3	8.5	92%
SERVIZI ITALIA	2.1	67	16.5	8.6	91%
ENAV	3.8	2,050	37.1	20.4	82%
ABITARE IN	6.4	165	9.6	5.4	77%
SOMEK	31.5	217	28.9	16.3	77%
FERRAGAMO	18.3	3,091	85.4	48.4	77%
ELES	4.1	53	33.4	19.1	74%
CY4GATE	10.1	152	43.2	25.1	72%
BRUNELLO CUCINELLI	55.6	3,781	nm	77.4	69%
INDEL B	25.3	148	14.8	9.1	63%
SAFILO	1.5	415	23.5	14.5	62%
MONDADORI	2.0	510	17.9	11.6	55%
DOVALUE	9.6	770	13.6	8.8	55%
MARR	21.8	1,450	37.2	24.5	52%
FINCANTIERI	0.7	1,268	13.1	8.7	51%
BANCA IFIS	14.2	765	10.5	7.0	50%
ELICA	3.3	208	15.7	10.6	48%
FALCK RENEWABLES	6.1	1,766	52.7	36.8	43%
CELLULARLINE	4.2	91	8.8	6.2	43%
SOGEFI	1.4	168	6.5	4.6	41%
RELATECH	3.0	113	25.5	18.1	41%
WIIT	22.4	628	63.3	45.6	39%
TECHNOGYM	10.6	2,132	32.3	23.3	39%
TXT E-SOLUTIONS	8.4	109	20.0	14.7	37%
BANCA SISTEMA	2.1	172	7.4	5.6	34%
THE ITALIAN SEA GROUP	6.3	332	26.9	20.3	33%
ALKEMY	14.9	83	21.2	16.0	33%
AMBIENTHESIS	0.8	76	24.3	18.4	32%
PIAGGIO	3.4	1,200	18.6	14.6	27%
LU-VE	20.9	465	20.5	16.3	26%
WEBUILD	2.2	2,222	17.6	14.0	26%
RETELIT	2.9	483	28.5	23.1	23%
SESA	156.0	2,417	41.8	33.9	23%
FILA	11.1	479	13.4	10.9	23%

Source: Intermonte SIM and Factset

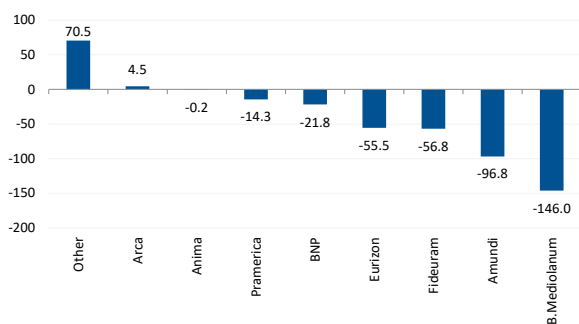
Update on the Individual Savings Plan (PIR)

PIR: official figures for 1Q21

	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 %
Total	(316)	(403)	(178)	59	(234)	(759)	(1,097)	3,950	10,903	70	100.0%	18,578	100.0%
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%
EQUITY FUNDS	(23)	(74)	(37)	(14)	(153)	(281)	(369)	349	2,260	27	38.6%	5,126	27.6%
o/w Italy Equity	(23)	(74)	(37)	(14)	(153)	(281)	(369)	349	2,260	27	38.6%	5,126	27.6%
BALANCED FUNDS	(109)	(194)	(107)	13	(33)	(321)	(587)	2,525	5,962	26	37.1%	8,275	44.5%
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%
FIXED INCOME FUNDS	(1)	(3)	(1)	2	1	(1)	(20)	10	75	4	5.7%	218	1.2%
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%
FLEXIBLE FUNDS	(184)	(132)	(32)	58	(50)	(160)	(121)	1,067	2,605	13	18.6%	4,959	26.7%

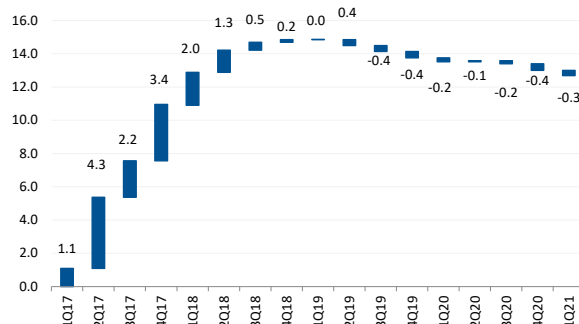
Source: Assogestioni, Quarterly Report, May 2021

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



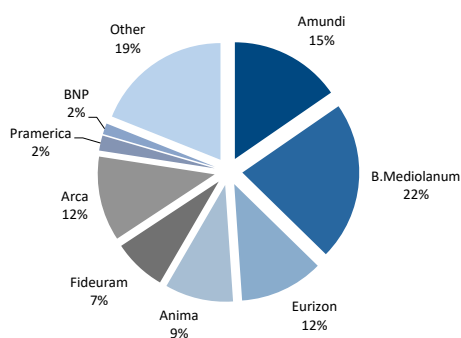
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



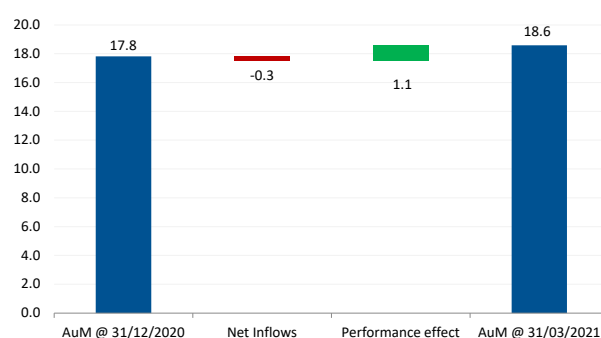
Source: Intermonte SIM estimates, Assogestioni

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 show further positive progress

Assogestioni released updated figures on 1Q21 PIR inflows in its quarterly review on 20th 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' (Eu-342mn). 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, Eu68mn in March, Eu56mn in April and just Eu0.8mn in May. Importantly, at the end of July, Il Sole24Ore reported that **in June the PIR fund recorded positive inflows to the tune of Eu65.8mn**, a figure that should take the 2Q21 balance in a positive territory. Given the progression, we remain confident that interest in this product will continue its recovery 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, Priv ately held SMEs
Type of Fund	Open-end Funds	Closed-End Funds, such as ELTIF, priv ate equity funds, priv ate 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 inv ested 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 inv ested 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 inv ested 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 inv estment in the fund for at least 5 years	Zeroing capital gains tax after maintaining the inv estment in the fund for at least 5 years

Our Estimates for PIRs (unchanged in the current report)

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 an overall positive 2021 in terms of inflows, despite a weaker than initially expected start to the year, 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 gross inflows from new PIR subscribers of Eu0.4bn, 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)	601	2,690
<i>YoY Growth</i>				<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>347.8%</i>
o/w From Continuing Subs.			-	3,414	989	754	744	904
o/w From New Subscribers			10,903	1,325	-	-	400	2,350
o/w Transformation of Existing Funds/Exit from PIR			4,867	(788)	(2,086)	(1,513)	(543)	(564)

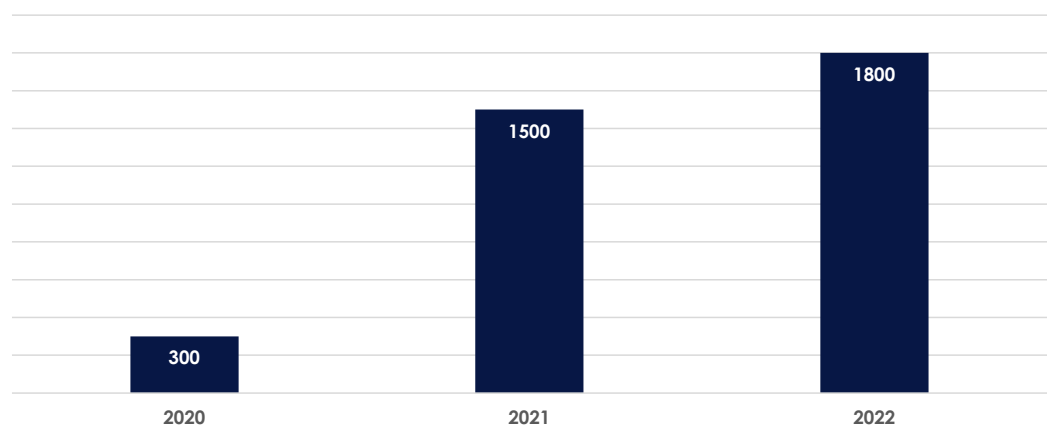
Source: Intermonte SIM

Our Estimates for Alternative PIRs

On publication of the June 2020 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

DISCLAIMER (for more details go to [DISCLAIMER](#))

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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

Further information is available at the following link: <http://research.intermonte.it/Dislosures.ASP>

© Copyright 2020 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid .

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)