

Italian Mid Small Caps Monthly

Markets Should Remain Positive Despite Short-Term Headwinds

by Intermonte Research Team

Italian Equity Market

- **Performance (+/-).** The Italian equity market (prices as at 16th November 2021) has grown 4.7% in the last month and is up 25.8% YTD. The FTSE Italy Mid-Cap index (+2.4% in the last month) has underperformed the main index by 2.3% (+7.9% YTD on a relative basis), with the FTSE Italy Small Caps index (+4.6% in the last month) performing almost in line with the market in the last month, or +25.9% on a relative basis since the beginning of 2021. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has increased 3.0% in the last month, performing better than Italian mid-caps but worse than Italian small caps.
- **Estimates (+).** Since the beginning of the year, we have raised our 2021E EPS estimates (+34.3%), while we have implemented a milder revision for 2022E (+21.7%). For 2021, our overall estimate revision for mid-caps has also been positive (+17.1% YTD), as it has for small caps (+8.6% YTD). Overall revisions to 2022 estimates for our mid/small cap coverage have also been positive (+13.7% YTD). In the last month, estimate revisions for 2021/22 have remained positive for mid-caps (+0.3%/+0.3%) but slightly negative for small caps (-0.4%/-1.0%).
- **Valuations (-).** If we compare YTD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 2.5% de-rating YTD, a figure higher than one month ago when it was +0.2%, while mid-caps and small caps have re-rated by 20.4% and 35.0% respectively. On a P/E basis, our panel is trading at a 35% premium to large caps, well above the historical average premium (17%) and slightly higher than the level of one month ago (33%).
- **Liquidity (+).** Looking at official Italian index trends, we note that liquidity for large caps in the last month is almost in line with the yearly average, coming in just 2.2% lower than the 1Y average, decelerating from one month ago when the same metric was +15.6%. Interestingly, liquidity for mid-caps has witnessed a much better trend, showing a +22.7% change, while for small caps the same metric has improved by 36.3%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu4.0mn in the last month, up 95% on the corresponding period one year ago, which represented an easy comparison base.
- **Investment strategy.** In the last month, during the reporting season, the Italian market has recorded a surprisingly positive performance despite well-debated headwinds such as component shortages, inflation of raw material and shipping costs, and a worrying rise in covid cases across the US and Europe. Our strategist was right in affirming that markets would have read (counterintuitively) the short-term rise in inflation mainly as a risk for demand and therefore as a credible factor for maintaining central banks' policies dovish in the longer term. In this context, growth stocks benefitted the most. The reporting season witnessed significant volatility pre- and post-results, even in the presence of limited (in general slightly positive) earnings surprises. This could be a sign of some degree of nervousness on the inflation/deflation debate. In this uncertain environment, we remain confident that demand recovery will prove resilient and that the vaccination campaign will keep the covid situation under control, and we also believe that the various recovery plans and infrastructure spending programmes underway will support 2022 outlook. In some cases, we suggest playing investment themes with second-tier stocks in order to avoid very expensive valuations. Regarding mid/small cap liquidity, the situation continues to gradually improve and we are not changing our estimates for PIR inflows. We also noted a remarkable acceleration in listings in Italy after a period marked by significant de-listings: this trend is tapping the increasing demand for good Italian mid-small caps in the current positive bias towards Italian companies.

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Performance

Small caps performed better than mid-caps in the last month

The Italian equity market (prices as at 16th November 2021) has grown 4.7% in the last month and is up 25.8% YTD. The FTSE Italy Mid-Cap index (+2.4% in the last month) has underperformed the main index by 2.3% (+7.9% YTD on a relative basis), with the FTSE Italy Small Caps index (+4.6% in the last month) performing almost in line with the market in the last month, or +25.9% on a relative basis since the beginning of 2021.

Italian Market Indexes – performance analysis (prices as at 16th November 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	50,918	2.4%	2.4%	11.5%	33.7%	41.6%	26.8%	44.6%	73.0%
FTSE Italia Small Cap	32,603	4.6%	12.7%	24.2%	51.7%	65.2%	53.7%	82.9%	94.3%
FTSE Italia Star	64,728	3.8%	7.8%	27.3%	45.1%	55.3%	71.6%	105.1%	157.8%
FTSE AIMITALIA	11,353	3.5%	4.9%	24.3%	55.8%	75.2%	46.5%	27.3%	51.6%
FTSE Italia All-Share	30,450	4.7%	5.0%	12.3%	25.8%	31.4%	18.7%	46.7%	67.7%
FTSE MIB	27,805	5.0%	5.1%	12.3%	25.1%	30.4%	17.9%	47.3%	67.9%
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		-2.3%	-2.6%	-0.8%	7.9%	10.2%	8.2%	-2.1%	5.3%
FTSE Italia Small Cap		-0.1%	7.7%	11.8%	25.9%	33.8%	35.0%	36.2%	26.7%
FTSE Italia Star		-0.9%	2.8%	14.9%	19.3%	23.9%	52.9%	58.4%	90.2%

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has increased 3.0% in the last month, performing better than Italian mid-caps but worse than Italian small 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	162	4.2%	3.5%	10.5%	22.2%	25.3%	18.6%	33.7%	41.4%
MSCI Europe Small Cap	510	3.0%	2.2%	9.8%	23.5%	32.3%	34.3%	51.8%	66.5%

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 (%)
MATICA FINTEC	2.76	29	31%
ABITARE IN	8.63	229	28%
WIIT	33.66	943	27%
BRUNELLO CUCINELLI	62.45	4,247	26%
TXT E-SOLUTIONS	10.60	138	25%
SAFILO	1.66	688	21%
OVS GROUP	2.83	824	17%
MAIRE TECNIMONT	4.10	1,346	17%
FALCK RENEWABLES	8.70	2,534	16%
TOD'S	53.55	1,772	16%
SAES GETTERS	27.45	538	16%
IREN	2.86	3,726	15%
SCIUKER FRAMES	7.18	156	14%
SOMEK	34.00	235	11%
ALKEMY	21.70	123	11%
SALCEF GROUP	21.40	1,244	10%
GEOX	1.20	312	10%
FERRAGAMO	19.76	3,334	9%
ESPRINET	12.95	660	9%
BREMBO	12.01	4,011	9%
FTSE Italia Mid Cap			2%
FTSE Italia Small Cap			5%
FTSE MIB			5%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
DOVALUE	8.18	654	-20%
CATTOLICA	5.72	1,306	-20%
SARAS	0.62	585	-15%
BANCA SISTEMA	2.07	166	-11%
FINE FOODS	16.30	360	-10%
DE' LONGHI	30.14	4,546	-10%
ILBE	3.25	78	-8%
PIAGGIO	2.89	1,036	-7%
TECHNOGYM	9.20	1,851	-7%
CREDITO EMILIANO	6.12	2,089	-5%
MARR	19.86	1,321	-5%
DATALOGIC	16.51	965	-5%
GEFRAN	11.15	161	-5%
AUTOGRILL	6.73	2,593	-4%
CY4GATE	11.04	166	-4%
EL.EN.	16.12	1,287	-4%
GPI	12.60	230	-4%
LU-VE	22.40	498	-3%
ELES	3.83	50	-2%
BANCA IFIS	16.69	898	-2%

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ALKEMY	21.70	123	206%
OVS GROUP	2.83	824	186%
SCIUKER FRAMES	7.18	156	159%
EL.EN.	16.12	1,287	143%
SERI INDUSTRIAL	9.98	482	134%
SAFILO	1.66	688	132%
MAIRE TECNIMONT	4.10	1,346	125%
WIIT	33.66	943	107%
MATICA FINTEC	2.76	29	96%
SOMECE	34.00	235	90%
REPLY	179.40	6,712	88%
TOD'S	53.55	1,772	88%
EMAK	2.07	339	88%
PHARMANUTRA	70.60	683	88%
SESA	190.40	2,950	85%
TINEXTA	38.62	1,823	84%
SALCEF GROUP	21.40	1,244	84%
BANCA IFIS	16.69	898	82%
WEBUILD	2.14	2,150	81%
GEFRAN	11.15	161	81%
FTSE Italia Mid Cap			34%
FTSE Italia Small Cap			52%
FTSE MIB			25%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ILBE	3.25	78	-18%
DOVALUE	8.18	654	-15%
CELLULARLINE	4.36	95	-11%
ASCOPIAVE	3.51	823	-3%
RAI WAY	5.33	1,450	-2%
SERVIZI ITALIA	2.19	70	3%
SARAS	0.62	585	4%
PIAGGIO	2.89	1,036	7%
RELATECH	2.69	102	8%
ACEA	18.78	3,999	10%
IGD	3.97	438	10%
BREMBO	12.01	4,011	11%
NOTORIOUS PICTURES	1.96	44	13%
ELES	3.83	50	13%
SOGEFI	1.34	161	14%
FILA	10.52	452	15%
IEG	3.00	93	15%
ELICA	3.61	229	17%

Earnings Momentum

Estimate direction has remained positive overall in the last month

Since the beginning of the year, we have raised our 2021E EPS estimates (+34.3%), while we have implemented a milder revision for 2022E (+21.7%). For 2021, our overall estimate revision for mid-caps has also been positive (+17.1% YTD), as it has for small caps (+8.6% YTD). Overall revisions to 2022 estimates for our mid/small cap coverage have also been positive (+13.7% YTD). In the last month, estimate revisions for 2021/22 have remained positive for mid-caps (+0.3%/+0.3%) but slightly negative for small caps (-0.4%/-1.0%).

Italian Market – Intermonte changes to 2021 and 2022 estimates

EPS REVISION	Since January 1st 2021		Since 17/10/2021	
	% chg in EPS FY21	% chg in EPS FY22	% chg in EPS FY21	% chg in EPS FY22
Total Market	34.3%	21.7%	1.5%	2.8%
Total Market - Ex Energy	29.4%	18.7%	-0.1%	1.4%
Domestic	26.6%	15.7%	7.0%	3.9%
Non domestic	43.8%	29.1%	-3.9%	1.7%
Non domestic - Ex Energy	33.2%	23.2%	-8.0%	-1.8%
FTSE MIB	36.3%	22.5%	1.6%	3.1%
Mid Caps (our coverage)	17.1%	13.3%	0.3%	0.3%
Small Caps (our coverage)	8.6%	16.7%	-0.4%	-1.0%
Intermonte Mid&Small Caps coverage	16.3%	13.7%	0.2%	0.2%

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	56	365.1%
SAFILO	-28	18	162.3%
SOGEFI	7	19	159.9%
ALKEMY	3	5	80.4%
EL.EN.	26	45	75.8%
EMAK	20	33	67.7%
TOD'S	-60	-24	59.3%
GPI	8	12	54.0%
DE' LONGHI	224	344	53.4%
MAIRE TECNIMONT	55	83	52.4%
Downward Revision			
IEG	5	-25	-589.0%
SERI INDUSTRIAL	9	-1	-115.8%
SARAS	-59	-128	-115.6%
CYBEROO	2	0	-115.4%
AUTOGRILL	-106	-172	-62.1%
GEOX	-27	-40	-49.3%
ENAV	102	59	-41.9%
SERVIZI ITALIA	7	4	-34.0%
CELLULARLINE	15	10	-34.0%
MARR	56	39	-30.8%

Valuation

Valuation gap to large caps slightly wider in the last month

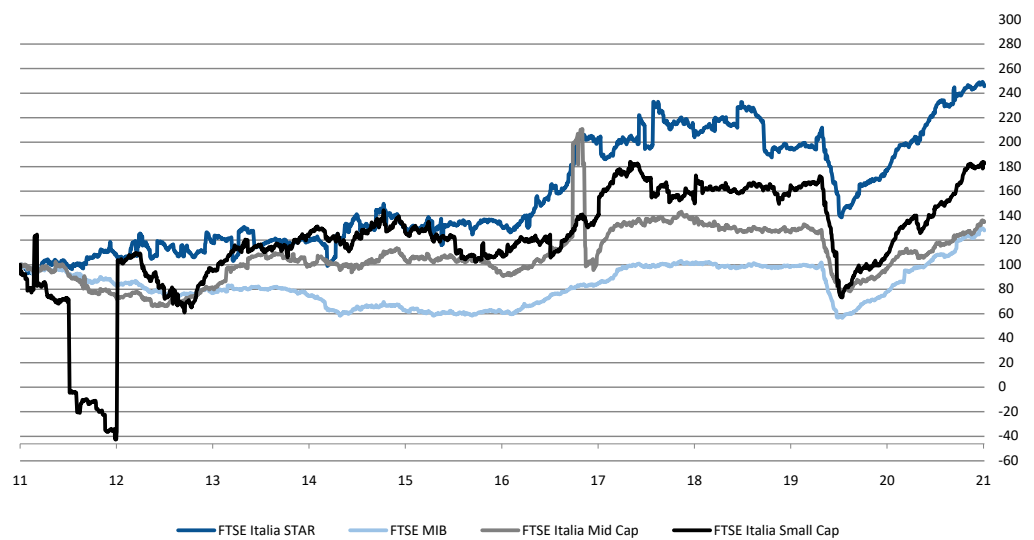
If we compare YTD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 2.5% de-rating YTD, a figure higher than one month ago when it was +0.2%, while mid-caps and small caps have re-rated by 20.4% and 35.0% respectively.

Italian Market – re/de-rating by index

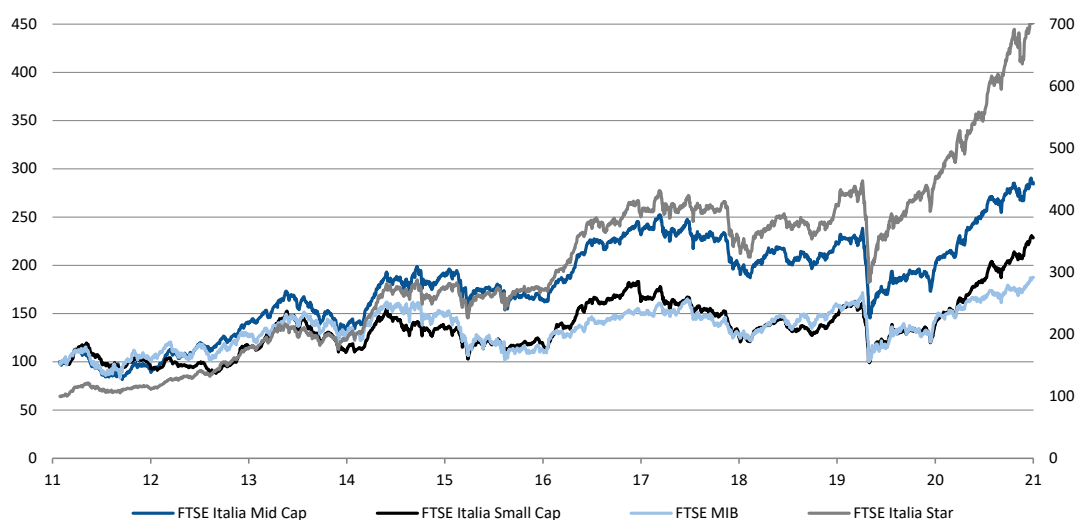
Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	25.1%	22.5%	2.5%
FTSE Italia Mid Cap	33.7%	13.3%	20.4%
FTSE Italia Small Cap	51.7%	16.7%	35.0%

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

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



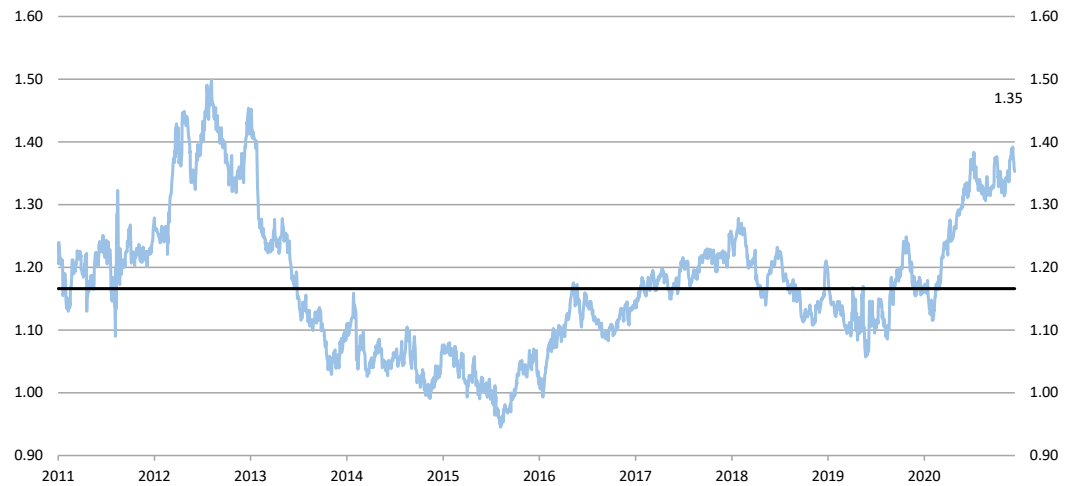
Italian Market Indices – performances for the last 10 years (base 100)



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 35% premium to large caps, well above the historical average premium (17%) and slightly higher than the level of one month ago (33%).

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



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	-14.3%
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	19.9 x	-	22.4 x	-11.0%
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	22.5 x	-	9.7 x	132.1%
Germany DAX (TR)	15.7 x	13.0 x	11.9 x	11.4 x	14.7 x	16.6 x	12.9 x	15.6 x	14.5 x	14.4 x	15.2 x	21.3 x	15.3 x	14.4%	15.2 x	0.8%
Germany MDAX	-26.5 x	13.4 x	14.5 x	28.0 x	26.3 x	23.2 x	16.1 x	18.1 x	20.0 x	15.9 x	18.9 x	38.7 x	32.0 x	60.6%	23.7 x	34.8%
France CAC 40	15.4 x	12.4 x	11.3 x	14.1 x	15.9 x	17.5 x	16.1 x	16.2 x	16.1 x	15.3 x	16.0 x	28.6 x	17.5 x	30.3%	17.3 x	0.7%
France CAC Mid 60	22.3 x	18.1 x	15.2 x	17.2 x	21.8 x	24.4 x	19.8 x	19.8 x	36.4 x	17.3 x	16.3 x	-28.7 x	24.0 x	20.8%	16.8 x	42.8%
France CAC Small	42.0 x	n.m.	13.0 x	21.4 x	26.0 x	23.7 x	23.4 x	25.1 x	24.7 x	20.8 x	19.0 x	148.7 x	27.7 x	23.4%	36.1 x	-23.1%
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	12.5 x	20.8 x	12.7 x	-5.5%	14.9 x	-15.1%
FTSE 250	13.9 x	14.0 x	12.9 x	14.9 x	17.6 x	17.5 x	15.8 x	15.6 x	14.2 x	12.9 x	13.6 x	46.5 x	24.5 x	23.0%	19.3 x	26.8%
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	11.9 x	-10.8%	18.1 x	-34.0%
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	14.5 x	-27.3%	19.1 x	-24.2%

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	-25.0	-589%	15%	604.0%
SERI INDUSTRIAL	8.9	-1.4	-116%	134%	249.5%
OVS GROUP	24.1	31.2	30%	186%	156.4%
CYBEROO	2.2	-0.3	-115%	26%	140.9%
ALKEMY	2.8	5.0	80%	206%	126.1%
WIIT	10.6	9.2	-13%	107%	119.8%
SARAS	-59.3	-127.9	-116%	4%	119.1%
AUTOGRILL	-106.1	-172.0	-62%	39%	101.3%
GEOX	-27.0	-40.4	-49%	52%	100.9%
SOMEK	7.0	6.5	-8%	90%	98.0%
SESA	57.5	57.8	1%	85%	84.2%
TINEXTA	49.8	51.7	4%	84%	80.1%
SALCEF GROUP	49.4	52.9	7%	84%	76.6%
MAIRE TECNIMONT	54.7	83.4	52%	125%	72.4%
REPLY	127.8	149.2	17%	88%	71.5%
EL.EN.	25.7	45.1	76%	143%	67.0%
BRUNELLO CUCINELLI	26.4	28.8	9%	75%	66.0%
LU-VE	23.1	22.1	-4%	61%	64.9%
WEBUILD	106.7	125.6	18%	81%	63.3%
FINE FOODS	11.9	11.5	-4%	55%	58.8%
ENAV	101.6	59.0	-42%	17%	58.8%
FALCK RENEWABLES	40.1	31.3	-22%	32%	53.9%
BANCA SISTEMA	30.4	21.2	-30%	22%	51.9%
AQUAFIL	15.4	17.3	12%	64%	51.4%
FOS	1.3	1.3	-1%	50%	51.0%
GEFRAN	7.7	10.0	31%	81%	50.2%
MARR	56.3	39.0	-31%	18%	48.6%
SAES GETTERS	20.4	15.2	-26%	19%	44.6%
TESMEC	5.6	5.6	0%	44%	44.4%
BANCA IFIS	64.6	88.9	38%	82%	44.2%
AMBIENTHESIS	5.0	3.8	-23%	20%	43.4%
RETELIT	17.1	16.9	-1%	40%	41.5%
SERVIZI ITALIA	6.6	4.3	-34%	3%	37.3%
CERVED	108.0	108.0	0%	37%	37.1%
TXT E-SOLUTIONS	5.0	5.2	4%	35%	30.4%
IREN	247.8	259.3	5%	35%	30.1%
TOD'S	-59.8	-24.3	59%	88%	28.9%
CATTOLICA	158.7	158.7	0%	25%	24.7%
CELLULARLINE	14.9	9.8	-34%	(11%)	22.6%
EMAK	19.7	33.0	68%	88%	20.4%
FILA	42.8	40.9	-5%	15%	19.3%
ELES	1.3	1.3	-5%	13%	18.0%
PIAGGIO	65.6	58.7	-11%	7%	17.9%
AVIO	25.1	21.8	-13%	4%	16.6%
GPI	8.0	12.4	54%	69%	14.9%
DATALOGIC	36.8	38.6	5%	18%	12.9%
FINCANTIERI	85.3	96.8	13%	25%	11.2%
ILBE	24.7	17.7	-28%	(18%)	10.8%
TECHNOGYM	66.5	61.4	-8%	(0%)	7.2%
IGD	60.2	62.6	4%	10%	6.0%
MONDADORI	28.4	38.7	36%	40%	3.9%
UNIPOLSAI	680.7	771.2	13%	17%	3.8%
RAI WAY	65.7	63.4	-3%	(2%)	1.1%
ACEA	294.3	325.7	11%	10%	(1.1%)
BREMBO	192.3	223.5	16%	11%	(5.1%)
DOVALUE	57.6	52.3	-9%	(15%)	(6.0%)
ESPRINET	35.3	44.8	27%	20%	(6.9%)
CEMENTIR	91.6	129.4	41%	34%	(7.3%)
ASCOPIAVE	44.3	46.3	5%	(3%)	(8.0%)
NOTORIOUS PICTURES	3.6	4.4	24%	13%	(10.9%)
INDEL B	11.0	14.5	32%	19%	(12.3%)
MEDIASET	207.7	290.5	40%	28%	(12.4%)
ANIMA	169.1	230.4	36%	20%	(16.5%)
ERG	112.3	164.4	46%	25%	(21.0%)
ELICA	10.5	14.6	39%	17%	(22.2%)
SAFILO	-28.4	17.7	162%	132%	(30.6%)
DE' LONGHI	224.4	344.3	53%	17%	(36.5%)
SOGEFI	7.5	19.4	160%	14%	(146.4%)
FERRAGAMO	-21.2	56.1	365%	25%	(340.6%)

Liquidity

Mid/Small Cap average trading volumes improving in the last month

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 almost in line with the yearly average, coming in just 2.2% lower than the 1Y average, decelerating from one month ago when the same metric was +15.6%. Interestingly, liquidity for mid-caps has witnessed a much better trend, showing a +22.7% change, while for small caps the same metric has improved by 36.3%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu4.0mn in the last month, up 95% on the corresponding period one year ago, which represented an easy comparison base.

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	49.29	49.39	47.35	50.40	49.85	(2.2%)	(2.0%)
Top 20% by market cap	142.84	152.95	142.53	149.80	146.78	(4.6%)	2.1%
FTSE Italia Mid Cap							
All stocks	3.96	3.58	3.44	3.23	2.90	22.7%	10.9%
Top 20% by market cap	5.45	5.39	5.07	4.76	4.77	14.5%	13.3%
FTSE Italia Small Cap							
All stocks	0.63	0.57	0.52	0.46	0.37	36.3%	23.8%
Top 20% by market cap	1.96	1.75	1.50	1.25	0.91	56.5%	39.8%

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	2,593	11,182,029
REPLY	6,712	8,851,079
FALCK RENEWABLES	2,534	8,363,425
TOD'S	1,772	8,119,786
FERRAGAMO	3,334	7,845,017
SARAS	585	7,843,217
CATTOLICA	1,306	7,570,915
ERG	4,413	7,111,963
OVS GROUP	824	6,983,884
WEBUILD	2,150	6,843,659
TECHNOGYM	1,851	6,395,590
MEDIASET	3,142	6,009,584
DE' LONGHI	4,546	5,949,704
ESPRINET	660	5,766,141
CERVED	1,994	5,664,619
BREMBO	4,011	4,908,455
UNIPOLSAI	7,187	4,609,765
ANIMA	1,713	4,519,392
IREN	3,726	4,432,189
SESA	2,950	4,069,458
BRUNELLO CUCINELLI	4,247	4,029,013
MAIRE TECNIMONT	1,346	3,545,256
ENAV	2,279	3,352,455
BANCA IFIS	898	3,282,550
EL.EN.	1,287	3,108,150
SAFILO	688	3,056,600
PIAGGIO	1,036	2,522,447
ACEA	3,999	2,313,569
FINCANTIERI	1,162	2,261,506

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	51.4%	25.5%	9.5%	1.6%	6.3%	5.7%

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 21 %	Net Debt/EBITDA 21
CATTOLICA	5.7	1,306	0.911	0.450	7.9%	49%	
UNIPOLSAI	2.5	7,187	0.278	0.190	7.5%	68%	
DOVALUE	8.2	654	0.654	0.504	6.2%	77%	2.1x
ANIMA	4.6	1,713	0.593	0.281	6.0%	47%	
IGD	4.0	438	0.568	0.236	5.9%	42%	10.5x
OMER	4.0	115	0.316	0.229	5.7%	72%	0.6x
PIAGGIO	2.9	1,036	0.164	0.142	4.9%	86%	1.4x
BANCA IFIS	16.7	898	1.653	0.800	4.8%		
ASCOPIAVE	3.5	823	0.198	0.165	4.7%	84%	4.8x
ACEA	18.8	3,999	1.529	0.841	4.5%	55%	3.0x
DEA CAPITAL	1.3	358		0.060	4.5%		
RAI WAY	5.3	1,450	0.233	0.237	4.4%	102%	0.7x
CREDITO EMILIANO	6.1	2,089	0.777	0.260	4.2%	33%	
EMAK	2.1	339	0.202	0.084	4.1%	42%	1.4x
NOTORIOUS PICTURES	2.0	44	0.197	0.079	4.0%	40%	1.1x
ENAV	4.2	2,279	0.109	0.160	3.8%	147%	2.4x
GEFRAN	11.2	161	0.697	0.418	3.7%	60%	0.2x
MONDADORI	2.1	554	0.148	0.076	3.6%	51%	1.8x
IREN	2.9	3,726	0.199	0.100	3.5%	50%	3.3x
BANCA SISTEMA	2.1	166	0.264	0.066	3.2%	25%	
AVIO	11.8	310	0.804	0.372	3.2%	46%	1.2x
SERVIZI ITALIA	2.2	70	0.136	0.068	3.1%	50%	2.0x
CELLULARLINE	4.4	95	0.449	0.135	3.1%	30%	2.3x
MAIRE TECNIMONT	4.1	1,346	0.254	0.116	2.8%	46%	0.6x
CERVED	10.2	1,994	0.553	0.276	2.7%	50%	2.4x
DE' LONGHI	30.1	4,546	2.303	0.814	2.7%	35%	0.8x
AMBIENTHESIS	0.8	76	0.041	0.022	2.6%	53%	0.6x
WEBUILD	2.1	2,150	0.125	0.055	2.6%	44%	0.6x
ERG	29.4	4,413	1.094	0.750	2.6%	69%	3.8x
INDEL B	27.1	158	2.477	0.685	2.5%	28%	0.3x

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

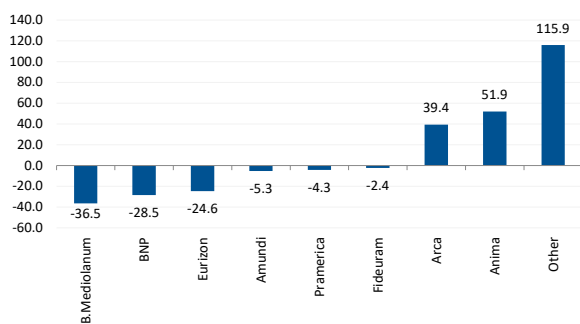
Stock	Price (Eu)	Mkt Cap (Eu mn)	P/E 21	P/E 22	EPS Growth
TESMEC	0.1	70	12.5	5.3	135%
ABITARE IN	8.6	229	16.1	7.5	116%
SOGEFI	1.3	161	8.2	4.4	84%
ELES	3.8	50	41.4	22.9	81%
BRUNELLO CUCINELLI	62.5	4,247	nm	82.8	78%
CY4GATE	11.0	166	46.6	27.2	72%
SOMECC	34.0	235	36.1	21.3	69%
ENAV	4.2	2,279	38.6	23.3	66%
SERVIZI ITALIA	2.2	70	16.1	9.8	64%
SAFILO	1.7	688	25.9	16.0	62%
OVS GROUP	2.8	824	20.6	12.9	59%
MARR	19.9	1,321	33.9	22.3	52%
SAES GETTERS	27.5	538	39.8	26.2	52%
FINCANTIERI	0.7	1,162	12.0	8.0	51%
FALCK RENEWABLES	8.7	2,534	81.1	54.5	49%
PIAGGIO	2.9	1,036	17.6	12.0	47%
FERRAGAMO	19.8	3,334	59.4	40.8	46%
MATICA FINTEC	2.8	29	27.0	18.8	43%
CELLULARLINE	4.4	95	9.7	6.8	42%
BANCA SISTEMA	2.1	166	7.8	5.6	39%
ELICA	3.6	229	15.6	11.3	39%
TXT E-SOLUTIONS	10.6	138	24.2	18.0	34%
SESA	190.4	2,950	51.0	38.0	34%
MONDADORI	2.1	554	14.3	10.8	33%
THE ITALIAN SEA GROUP	6.6	350	26.1	19.7	33%
AQUAFIL	7.9	340	23.4	17.8	32%
TINEXTA	38.6	1,823	35.3	27.0	31%
LU-VE	22.4	498	22.5	17.4	29%
NOTORIOUS PICTURES	2.0	44	9.9	7.7	28%
SCIUKER FRAMES	7.2	156	12.7	9.9	28%
FILA	10.5	452	13.1	10.4	26%
WEBUILD	2.1	2,150	17.1	13.6	26%
ESPRINET	13.0	660	14.6	11.7	25%
BANCA IFIS	16.7	898	10.1	8.1	25%
TECHNOGYM	9.2	1,851	30.1	24.2	24%
DOVALUE	8.2	654	12.5	10.1	24%
RETELIT	3.1	508	30.0	24.3	23%
DATALOGIC	16.5	965	25.0	20.4	22%
ALKEMY	21.7	123	23.7	19.4	22%

Update on the Individual Savings Plan (PIR)

PIR: official figures for 2Q21

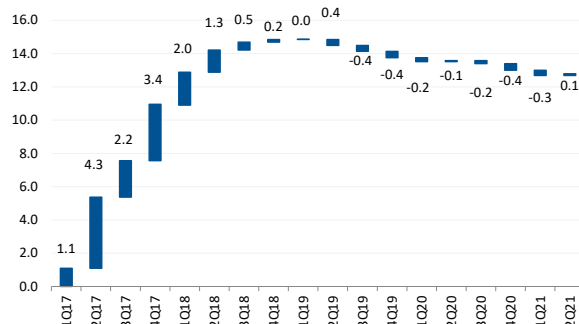
	Net Inflows									Nr. Of Funds at June 2021		Invested Capital at June 2021	
	2Q21 (Eu mn)	1Q21 (Eu mn)	4Q20 (Eu mn)	3Q20 (Eu mn)	2Q20 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	# Funds	%	(Eu mn)	in %
Total	106	(316)	(403)	(178)	59	(759)	(1,097)	3,950	10,903	68	100.0%	19,676	100.0%
Newly established funds	24	(200)	(245)	(74)	29	(373)	(760)	3,403	7,864	46	67.6%	11,459	58.2%
Pre-existing funds	82	(117)	(158)	(104)	30	(386)	(337)	547	3,039	22	32.4%	8,217	41.8%
EQUITY FUNDS	109	(23)	(74)	(37)	(14)	(281)	(369)	349	2,260	26	38.2%	5,799	29.5%
o/w Italy Equity	109	(23)	(74)	(37)	(14)	(281)	(369)	349	2,260	26	38.2%	5,799	29.5%
BALANCED FUNDS	43	(109)	(194)	(107)	13	(321)	(587)	2,525	5,962	26	38.2%	8,585	43.6%
o/w Balanced Equity	(3)	(10)	(11)	(3)	6	(10)	(63)	181	279	2	2.9%	466	2.4%
o/w Balanced	(10)	(51)	(66)	(30)	9	(120)	(258)	752	1,849	9	13.2%	2,529	12.9%
o/w Balanced bonds	56	(47)	(117)	(74)	(1)	(191)	(267)	1,592	3,834	15	22.1%	5,589	28.4%
FIXED INCOME FUNDS	4	(1)	(3)	(1)	2	(1)	(20)	10	75	4	5.9%	225	1.1%
o/w Italy Bonds	1	(6)	(2)	(2)	(3)	(6)	1	(9)	13	2	2.9%	69	0.4%
o/w Europe Bonds	1	8	0	2	5	7	(21)	19	62	1	1.5%	61	0.3%
o/w Mixed	1	(3)	(2)	(1)	(0)	(2)				1	1.5%	95	0.5%
FLEXIBLE FUNDS	(50)	(184)	(132)	(32)	58	(160)	(121)	1,067	2,605	12	17.6%	5,066	25.7%

PIR - Net inflows by asset manager (Eu mn, 2Q21)



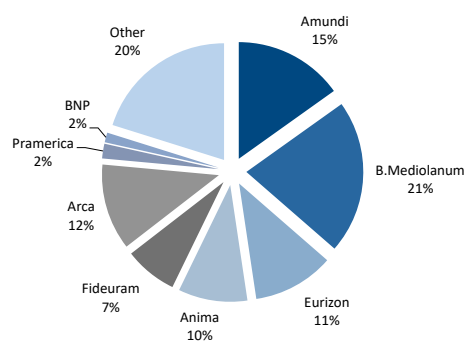
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



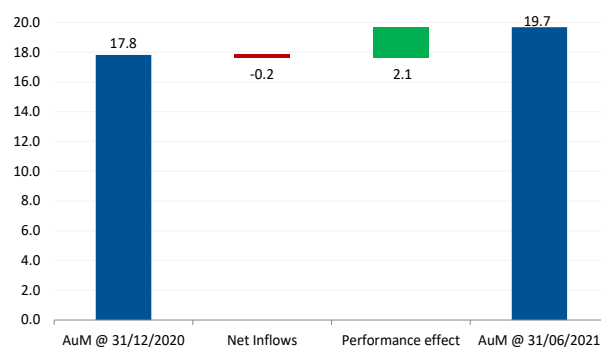
Source: Intermonte SIM estimates, Assogestioni

PIR - Market share by asset manager (on AuM at 30/06/21)



Source: Assogestioni

PIR - Inflows and total AuM (Eu bn)



Source: Assogestioni

PIR inflows to remain in positive territory in 3Q21

Assogestioni released updated figures on 2Q21 PIR inflows in its quarterly review on 31st August 2021. Net inflows amounted to Eu105.6mn in 2Q21, finally in positive territory following three quarters of outflows. The figure was significantly different from the data released by *Sole 24 Ore's* 'Osservatorio PIR', which estimated inflows of about Eu9.0mn.

According to the monthly figure released by *Sole 24 Ore's* 'Osservatorio PIR', inflows continued in July, August and September (usually the weakest months of the year for the industry due to summer holidays), amounting to Eu65.8mn, Eu22.5mn and Eu52mn respectively. Given the progression, we remain confident that interest in this product will continue to recover in the coming months.

Moreover, on 16th September Assogestioni released the first official data on Alternative PIR inflows: in 1H21 inflows amounted to Eu428mn, while as at the end of June 2021 Assets under Management were worth Eu684mn. Encouraging figures overall, considering that for the time being only a few funds have received approval.

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 increases 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

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 generally 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. However, we are trimming our 2021 inflows forecast to less ambitious figures in order to factor in recently released data from *il Sole 24 Ore's 'Osservatorio PIR'*.

Our main assumptions are as follows:

- For 2021, we assume gross inflows from new PIR subscribers of Eu0.2bn (down from 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)	401	2,617
YoY Growth				-63.8%	nm	nm	nm	553.0%
o/w From Continuing Subs.			-	3,414	989	754	744	824
o/w From New Subscribers			10,903	1,325	-	-	200	2,350
o/w Transformation of Existing Funds/Exit from PIR			4,867	(788)	(2,086)	(1,513)	(543)	(557)

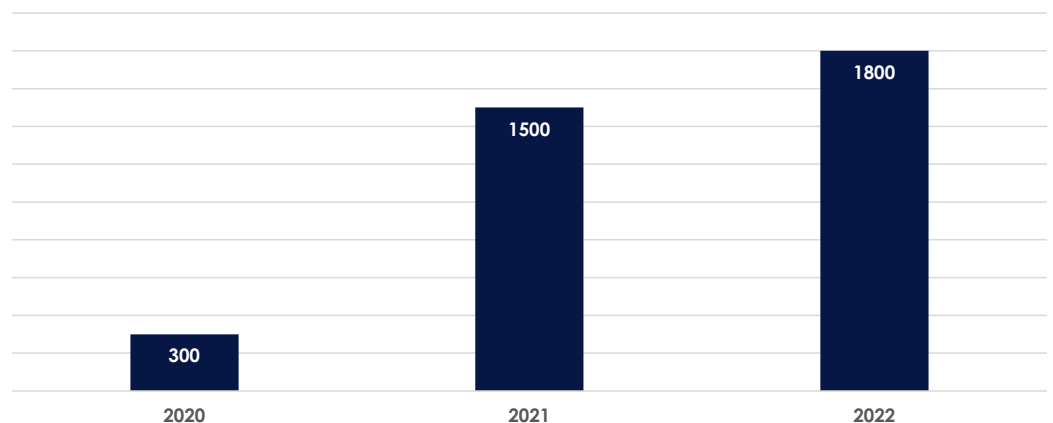
Source: Intermonte SIM

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 2020, 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.

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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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