

Italian Mid Small Caps Monthly

Mid/Small to Remain under Pressure in the S/T, Comfort from PIR Inflows

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 17th February 2022) has declined 2.1% in the last month and is down 1.9% YTD. The FTSE Italy Mid-Cap index (-2.7% in the last month) has underperformed the main index by 0.6% (-4.5% YTD on a relative basis), with the FTSE Italy Small Caps index (-2.0% in the last month) performing 0.2% better than the market in the last month, or -1.6% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has fallen 4.6% in the last month, performing worse than Italian mid/small caps.
- **Estimates (=).** Since the beginning of the year, we have implemented only minor revisions to our 2021 and 2022 EPS estimates, barring some earnings upgrades to energy stocks. In the last month, if we focus on our mid/small cap coverage, we have trimmed the 2021 EPS forecast by 2.0% but we have left the 2022 EPS forecast unchanged (-0.1%).
- **Valuations (=).** If we compare YTD performance to the change to FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 3.7% de-rating YTD (vs. +0.7% one month ago), while mid-caps and small caps have de-rated by 4.7% and 3.5% respectively. On a P/E basis, our panel is trading at a 34% premium to large caps, well above the historical average premium (17%) and in line with the level of one month ago (34%).
- **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 above the yearly average, coming in 18.8% higher than the 1Y average, accelerating from one month ago when the same metric was -6.6%. Interestingly, liquidity for mid-caps has witnessed a much weaker trend, showing a -2.2% change, while for small caps the same metric has decreased by 4.7%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.7mn in the last month, still up 17% on the corresponding period one year ago.
- **Investment strategy.** Inflation and Central Banks' reactions to it remain the key driver of risk assets, prolonging pressure on growth stocks and therefore on mid-caps. The market continued to penalize growth stocks trading at multiples above the historical average, even when estimate direction has proved solid. The main fear is that Central Banks are behind the curve on price control, perhaps reflecting a potential policy error that could lead to a recession (e.g. yield curve flattening). This is premature in our view: we expect CBs to remain flexible and, over the course of the next few months, to reconsider recent, more restrictive announcements in order to renew their support for economic recovery through more dovish monetary policies. Regarding the Italian mid small caps, we continue to believe the value vs. growth trade does not make sense if it means switching from higher to lower quality stocks. High quality Italian stocks may trade at demanding multiples but not very far from the fundamental support level. For instance, the recent takeover launched on BEST by Engineering at 27x 2022P/E provides fundamental support to digital stock valuations, especially after the recent de-rating. In the next month, most mid/small caps will disclose 2021 figures and will comment on 2022 outlook in the context of supply chain and energy cost headwinds. Greater visibility on earnings direction should reassure investors in the current uncertain environment. We also note that our Italian mid/small caps coverage has negligible direct exposure to Ukraine or Russia but a conflict would be a negative factor in terms of volatility and liquidity. Regarding PIR funds, Assogestioni has just reported strong 4Q21 inflows (Eu380mn) but recent market volatility, if prolonged, could be a headwind: we confirm positive inflow forecasts for 2022 albeit with a less aggressive acceleration.

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Performance

Mid-caps continued a negative trend

The Italian equity market (prices as at 17th February 2022) has declined 2.1% in the last month and is down 1.9% YTD. The FTSE Italy Mid-Cap index (-2.7% in the last month) has underperformed the main index by 0.6% (-4.5% YTD on a relative basis), with the FTSE Italy Small Caps index (-2.0% in the last month) performing 0.2 better than the market in the last month, or -1.6% on a relative basis since the beginning of 2022.

Italian Market Indexes – performance analysis (prices as at 17th February 2022)

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	46,678	-2.7%	-8.3%	-6.1%	-6.3%	13.7%	12.6%	24.9%	37.9%
FTSE Italia Small Cap	31,273	-2.0%	-4.1%	8.1%	-3.5%	32.1%	38.0%	61.3%	60.3%
FTSE Italia Star	56,046	-6.8%	-13.4%	-6.7%	-13.2%	15.4%	38.9%	64.9%	91.7%
FTSE AIM ITALIA	10,713	-4.7%	-5.6%	-1.0%	-6.8%	32.8%	37.4%	24.6%	31.1%
FTSE Italia All-Share	29,377	-2.1%	-3.5%	1.3%	-1.9%	15.0%	8.8%	32.3%	40.5%
FTSE MIB	26,969	-2.1%	-3.0%	2.0%	-1.4%	15.1%	8.5%	33.4%	41.3%
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		-0.6%	-4.8%	-7.4%	-4.5%	-1.3%	3.8%	-7.4%	-2.6%
FTSE Italia Small Cap		0.2%	-0.6%	6.8%	-1.6%	17.1%	29.2%	29.0%	19.7%
FTSE Italia Star		-4.6%	-9.9%	-8.0%	-11.3%	0.4%	30.1%	32.6%	51.2%

Source: Factset

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has fallen 4.6% in the last month, performing worse than Italian mid/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	156	-2.5%	-3.6%	-0.2%	-3.4%	12.6%	8.4%	25.3%	24.7%
MSCI Europe Small Cap	465	-4.6%	-8.8%	-6.8%	-7.5%	4.8%	12.2%	35.0%	36.9%

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 (%)
CREDITO EMILIANO	6.22	2,123	16%
BANCA IFIS	18.23	981	16%
TOD'S	44.50	1,473	8%
DE' LONGHI	28.22	4,258	8%
DEA CAPITAL	1.32	352	2%
BANCA SISTEMA	2.07	166	1%
UNIPOLSAI	2.55	7,227	1%
IGD	4.18	461	1%
FALCK RENEWABLES	8.65	2,519	1%
DOVALUE	8.25	660	1%
AMBIENTHESIS	1.25	116	0%
ENAV	4.16	2,251	0%
ANIMA	4.69	1,730	0%
SARAS	0.59	558	0%
PIAGGIO	2.86	1,024	0%
AUTOGRILL	6.65	2,560	-1%
SABABA SECURITY	3.70	27	-1%
GEOX	1.04	271	-2%
TINEXTA	31.14	1,470	-2%
GEFRAN	10.95	158	-2%
FTSE Italia Mid Cap			-1%
FTSE Italia Small Cap			0%
FTSE MIB			4%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
ELES	3.54	46	-22%
SESA	163.60	2,535	-19%
SERI INDUSTRIAL	9.03	442	-16%
EMAK	1.97	323	-15%
MAIRE TECNIMONT	4.67	1,535	-15%
AQUAFIL	7.45	319	-15%
EL.EN.	14.10	1,125	-13%
WIIT	33.62	942	-12%
CELLULARLINE	4.23	93	-12%
REPLY	155.80	5,829	-12%
SCIUKER FRAMES	9.20	200	-11%
GPI	14.90	272	-11%
WEBUILD	2.04	2,054	-11%
PHARMANUTRA	72.00	697	-11%
ILBE	2.52	61	-10%
THE ITALIAN SEA GROUP	6.80	360	-10%
DATALOGIC	14.41	842	-10%
AVIO	11.42	301	-10%
ALKEMY	20.90	119	-10%
TESMEC	0.14	87	-9%

Source: Factset

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
BANCA IFIS	18.23	981	25%
CREDITO EMILIANO	6.22	2,123	24%
TESMEC	0.14	87	21%
IGD	4.18	461	10%
AUTOGRILL	6.65	2,560	7%
SARAS	0.59	558	6%
ENAV	4.16	2,251	6%
ANIMA	4.69	1,730	5%
UNIPOLSAI	2.55	7,227	4%
DEA CAPITAL	1.32	352	4%
IEG	2.72	84	2%
FALCK RENEWABLES	8.65	2,519	1%
OMER	3.97	114	1%
BANCA SISTEMA	2.07	166	1%
TOD'S	44.50	1,473	0%
PIAGGIO	2.86	1,024	0%
SABABA SECURITY	3.70	27	-1%
SOGEFI	1.29	154	-1%
THE ITALIAN SEA GROUP	6.80	360	-1%
MARR	19.86	1,321	-2%
FTSE Italia Mid Cap			-4%
FTSE Italia Small Cap			-2%
FTSE MIB			1%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ELES	3.54	46	-25%
SESA	163.60	2,535	-22%
TINEXTA	31.14	1,470	-21%
SERI INDUSTRIAL	9.03	442	-21%
REPLY	155.80	5,829	-20%
EL.EN.	14.10	1,125	-19%
PHARMANUTRA	72.00	697	-17%
WIIT	33.62	942	-16%
DATALOGIC	14.41	842	-15%
SCIUKER FRAMES	9.20	200	-15%
TXT E-SOLUTIONS	9.49	123	-15%
AQUAFIL	7.45	319	-15%
ERG	25.66	3,857	-14%
ALKEMY	20.90	119	-14%
CY4GATE	11.10	167	-13%
GPI	14.90	272	-13%
BRUNELLO CUCINELLI	54.10	3,679	-13%
ABITARE IN	8.63	229	-13%

Source: Factset

Earnings Momentum

Estimates almost unchanged in the last month except for energy stocks

Since the beginning of the year, we have implemented only minor revisions to our 2021 and 2022 EPS estimates, barring some earnings upgrades to energy stocks. In the last month, if we focus on our mid/small cap coverage, we have trimmed the 2021 EPS forecast by 2.0% but we have left the 2022 EPS forecast unchanged (-0.1%).

Italian Market – Intermonte changes to 2021 and 2022 estimates

EPS REVISION	Since January 1st 2022		Since 17/1/2022	
	% chg in EPS FY21	% chg in EPS FY22	% chg in EPS FY21	% chg in EPS FY22
Total Market	-0.8%	2.0%	-1.0%	2.1%
Total Market - Ex Energy	0.0%	-0.4%	-0.2%	-0.2%
Domestic	0.5%	0.9%	0.2%	1.0%
Non domestic	-2.3%	3.3%	-2.3%	3.4%
Non domestic - Ex Energy	-0.7%	-2.0%	-0.7%	-2.0%
FTSE MIB	-0.7%	2.4%	-0.9%	2.3%
Mid Caps (our coverage)	-2.9%	-1.6%	-2.6%	-0.1%
Small Caps (our coverage)	3.1%	0.1%	3.5%	0.2%
Intermonte Mid&Small Caps coverage	-2.3%	-1.4%	-2.0%	-0.1%

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 31/12/21	Restated net profit 21 last estimate	% chg from 31/12/21
Upward Revision			
AMBIENTHESIS	4	14	293.3%
TOD'S	-24	-6	75.3%
BRUNELLO CUCINELLI	29	36	24.6%
CREDITO EMILIANO	265	294	10.7%
ELICA	15	16	9.0%
BANCA SISTEMA	22	23	7.4%
LU-VE	22	24	6.4%
FERRAGAMO	56	59	5.7%
BANCA IFIS	89	93	4.2%
ESPRINET	45	46	1.7%
Downward Revision			
UNIPOLSAI	771	610	-20.9%
ABITARE IN	14	12	-12.6%
DOVALUE	52	50	-4.6%
PIAGGIO	59	57	-2.2%
BREMBO	224	219	-2.1%
CEMENTIR	129	129	-0.1%

Source: Intermonte SIM

Valuation

Valuation gap to large caps unchanged 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 3.7% de-rating YTD (vs. +0.7% one month ago), while mid-caps and small caps have de-rated by 4.7% and 3.5% respectively.

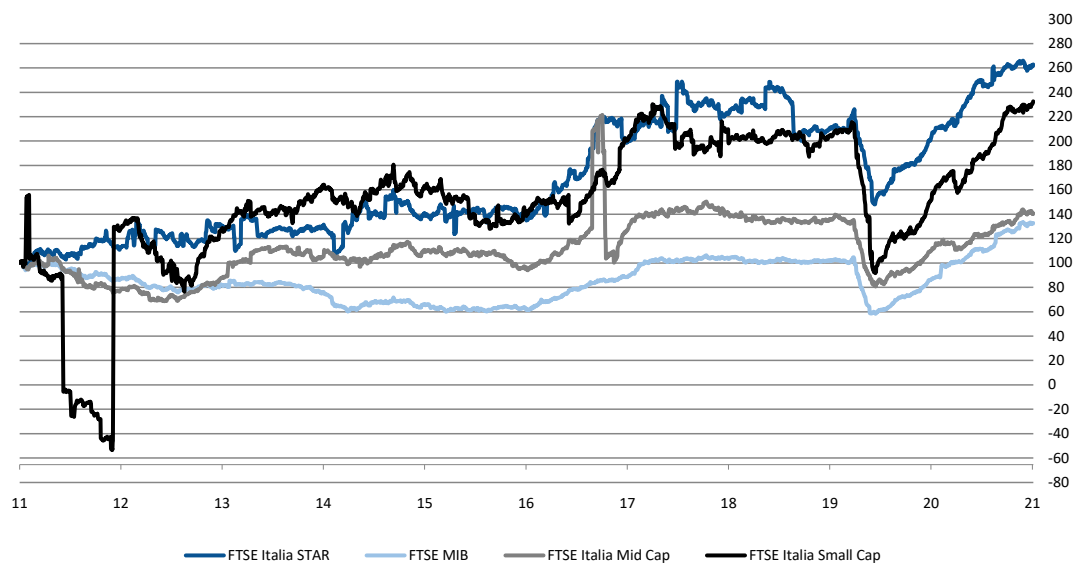
Italian Market – re/de-rating by index

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-1.4%	2.4%	-3.7%
FTSE Italia Mid Cap	-6.3%	-1.6%	-4.7%
FTSE Italia Small Cap	-3.5%	0.1%	-3.5%

Source: Intermonte SIM and Factset

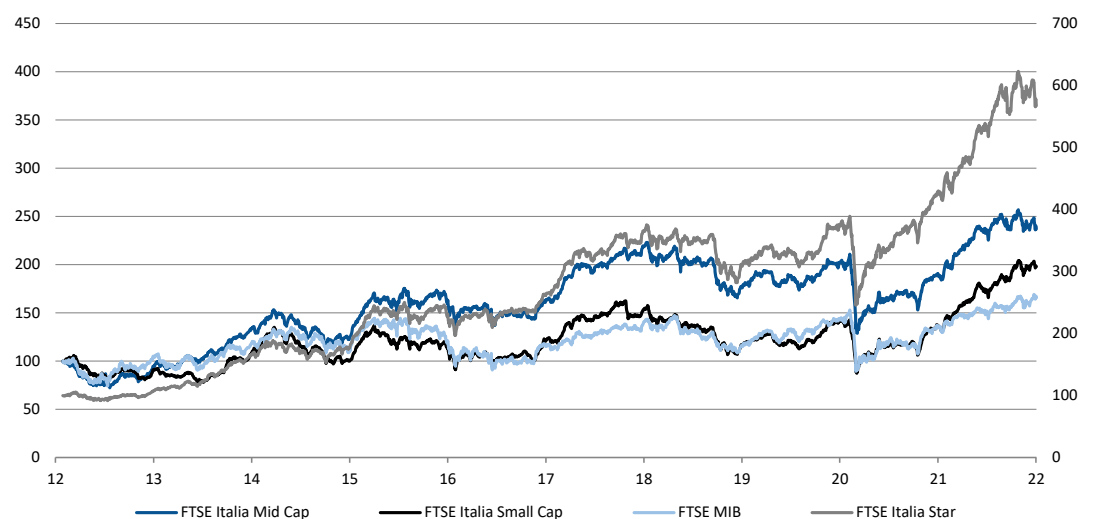
The following graph shows earnings direction over the last 10 years.

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 34% premium to large caps, well above the historical average premium (17%) and in line with the level of one month ago (34%).

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 2022, based on 2021 estimates.

European Market – valuations

	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/E22	P/E21 vs Italian Equivalent	Last 10Y Median	Premium vs Avg
FTSE MIB	12.4 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	21.6 x	13.0 x	11.7 x	-	15.7 x	-25.5%
FTSE Italy Mid Cap	9.5 x	18.0 x	17.3 x	15.4 x	15.4 x	22.0 x	20.2 x	16.6 x	18.4 x	19.2 x	57.0 x	19.2 x	17.8 x	-	18.8 x	-5.5%
FTSE Italy Small Cap	11.8 x	35.8 x	23.9 x	197.2 x	60.5 x	nm	nm	27.2 x	18.9 x	nm	51.5 x	22.2 x	16.1 x	-	27.2 x	-40.8%
Germany DAX (TR)	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	15.0 x	14.4 x	22.8%	14.8 x	-3.2%
Germany MDAX	13.4 x	14.5 x	27.8 x	26.2 x	23.4 x	16.4 x	18.4 x	20.2 x	16.3 x	19.1 x	37.6 x	28.7 x	19.3 x	8.8%	19.7 x	-2.1%
France CAC 40	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	17.0 x	15.9 x	35.9%	16.1 x	-1.1%
France CAC Mid 60	18.1 x	15.2 x	17.2 x	21.7 x	24.2 x	19.6 x	19.5 x	33.3 x	16.7 x	15.4 x	-32.6 x	23.9 x	15.8 x	-11.1%	19.5 x	-19.1%
France CAC Small	17.7 x	n.m.	22.1 x	27.3 x	25.0 x	25.0 x	27.1 x	30.9 x	27.7 x	27.8 x	-149.7 x	46.0 x	21.1 x	31.4%	27.2 x	-22.2%
FTSE 100	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	20.9 x	13.0 x	12.7 x	8.2%	14.6 x	-13.5%
FTSE 250	14.0 x	12.9 x	14.9 x	17.6 x	17.5 x	15.8 x	15.5 x	14.2 x	13.0 x	13.5 x	46.0 x	23.7 x	15.5 x	-13.0%	15.6 x	-1.2%
IBEX 35	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	34.8 x	11.6 x	12.7 x	8.2%	14.9 x	-15.1%
IBEX MEDIUM	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	16.0 x	12.9 x	-27.2%	18.5 x	-30.0%

Source: Intermonte SIM and Factset

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

Stock	Restated Net Profit 21 as of 31/12/21	Restated net profit 21 last estimate	% Chg in Net Profit 21	Share Price perf. YTD	De-rating(-) Re-rating(+)
UNIPOLSAI	771.2	609.6	-21%	4%	24.7%
BANCA IFIS	88.9	92.7	4%	25%	20.8%
TESMEC	5.6	5.6	0%	21%	20.7%
CREDITO EMILIANO	265.2	293.7	11%	24%	13.3%
IGD	62.6	62.6	0%	10%	10.1%
AUTOGRILL	-172.0	-172.0	0%	7%	7.0%
SARAS	-127.9	-127.9	0%	6%	6.3%
ENAV	59.0	59.0	0%	6%	5.6%
ANIMA	230.4	230.4	0%	5%	4.9%
DEA CAPITAL	15.0	15.0	0%	4%	3.7%
DOVALUE	52.3	49.9	-5%	(3%)	2.0%
IEG	-25.0	-25.0	0%	2%	1.9%
PIAGGIO	58.7	57.4	-2%	(0%)	1.8%
FALCK RENEWABLES	31.3	31.3	0%	1%	1.4%
OMER	9.1	9.1	0%	1%	1.3%
SOGEFI	19.4	19.4	0%	(1%)	(1.4%)
THE ITALIAN SEA GROUP	13.4	13.4	0%	(1%)	(1.5%)
MARR	39.0	39.0	0%	(2%)	(2.0%)
CYBEROO	-0.3	-0.3	0%	(2%)	(2.4%)
BREMBO	223.5	218.8	-2%	(5%)	(2.6%)
MONDADORI	38.7	38.7	0%	(3%)	(2.8%)
NOTORIOUS PICTURES	4.4	4.4	0%	(3%)	(3.1%)
DE' LONGHI	344.3	344.3	0%	(3%)	(3.2%)
MAIRE TECNIMONT	83.4	83.4	0%	(3%)	(3.3%)
FILA	40.9	40.9	0%	(4%)	(4.0%)
GEOX	-40.4	-40.4	0%	(5%)	(4.9%)
SERVIZI ITALIA	4.3	4.3	0%	(5%)	(5.2%)
SOMEK	6.5	6.5	0%	(5%)	(5.3%)
RELATECH	5.4	5.4	0%	(6%)	(5.7%)
RAI WAY	63.4	63.4	0%	(6%)	(5.9%)
GEFRAN	11.7	11.7	0%	(6%)	(6.2%)
BANCA SISTEMA	21.7	23.3	7%	1%	(6.2%)
SAFILO	17.7	17.7	0%	(6%)	(6.5%)
FOS	1.3	1.3	0%	(6%)	(6.5%)
IREN	259.3	259.3	0%	(7%)	(6.7%)
SALCEF GROUP	52.9	52.9	0%	(7%)	(6.9%)
CEMENTIR	129.4	129.3	0%	(7%)	(7.2%)
FINCANTIERI	96.8	96.8	0%	(7%)	(7.3%)
INDEL B	14.5	14.5	0%	(8%)	(8.2%)
SAES GETTERS	15.2	15.2	0%	(8%)	(8.3%)
ILBE	17.7	17.7	0%	(9%)	(8.5%)
AVIO	14.8	14.8	0%	(9%)	(8.7%)
MATICA FINTEC	1.1	1.1	0%	(10%)	(9.5%)
TECHNOGYM	61.4	61.4	0%	(10%)	(10.3%)
ESPRINET	44.8	45.5	2%	(10%)	(11.2%)
ACEA	325.7	325.7	0%	(12%)	(11.6%)
CELLULARLINE	9.8	9.8	0%	(13%)	(12.6%)
GPI	12.4	12.4	0%	(13%)	(13.2%)
CY4GATE	3.6	3.6	0%	(13%)	(13.3%)
ALKEMY	5.0	5.0	0%	(14%)	(13.7%)
AQUAFIL	17.3	17.3	0%	(15%)	(14.6%)
ERG	164.4	165.6	1%	(14%)	(14.8%)
TXT E-SOLUTIONS	5.2	5.2	0%	(15%)	(14.9%)
SCIUKER FRAMES	12.3	12.3	0%	(15%)	(15.4%)
DATALOGIC	38.6	38.6	0%	(15%)	(15.5%)
WIIT	9.2	9.2	0%	(16%)	(15.5%)
FINE FOODS	11.5	11.5	0%	(16%)	(15.9%)
ELICA	14.6	15.9	9%	(8%)	(17.4%)
FERRAGAMO	56.1	59.3	6%	(12%)	(18.0%)
PHARMANUTRA	12.8	13.0	1%	(17%)	(18.2%)
EL.EN.	45.1	45.1	0%	(19%)	(19.0%)
EMAK	36.1	36.1	0%	(19%)	(19.1%)
REPLY	149.2	149.2	0%	(20%)	(19.9%)
SERI INDUSTRIAL	-1.4	-1.4	0%	(21%)	(21.1%)
TINEXTA	51.4	51.4	0%	(21%)	(21.1%)
SESA	57.8	57.8	0%	(22%)	(22.0%)
ELES	0.9	0.9	0%	(25%)	(25.4%)

Source: Intermonte SIM

Liquidity

Decreasing liquidity in the last month for mid and small caps

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 above the yearly average, coming in 18.8% higher than the 1Y average, accelerating from one month ago when the same metric was -6.6%. Interestingly, liquidity for mid-caps has witnessed a much weaker trend, showing a -2.2% change, while for small caps the same metric has decreased by 4.7%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.7mn in the last month, still up 17% 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	61.41	56.72	53.31	51.70	50.93	18.8%	9.7%
Top 20% by market cap	199.06	177.36	166.29	156.58	150.67	27.1%	13.3%
FTSE Italia Mid Cap							
All stocks	3.14	2.99	3.24	3.21	2.89	(2.2%)	(6.9%)
Top 20% by market cap	5.85	5.88	6.28	5.80	5.51	0.8%	1.3%
FTSE Italia Small Cap							
All stocks	0.46	0.49	0.52	0.48	0.38	(4.7%)	1.4%
Top 20% by market cap	1.24	1.43	1.53	1.31	0.92	(5.3%)	9.0%

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)
FALCK RENEWABLES	2,559	10,854,847
AUTOGRILL	2,574	10,587,443
FERRAGAMO	3,336	10,522,943
REPLY	5,357	9,434,128
OVS GROUP	661	9,214,007
SARAS	557	6,793,406
DE' LONGHI	4,602	6,399,958
ERG	3,674	5,982,155
TOD'S	1,626	5,895,983
BREMBO	3,987	5,362,727
TECHNOGYM	1,527	5,120,132
WEBUILD	1,855	4,767,464
MAIRE TECNIMONT	1,322	4,546,392
ESPRINET	594	4,459,283
SESA	2,095	4,454,810
IREN	3,221	4,216,078
UNIPOLSAI	7,284	4,212,979
BRUNELLO CUCINELLI	3,587	4,048,925
TINEXTA	1,421	3,862,218
ANIMA	1,736	3,851,473
BANCA IFIS	1,148	3,765,991
MEDIA FOR EUROPE	2,335	2,973,430
SAFILO	609	2,870,471
ENAV	2,248	2,623,651
ACEA	3,533	2,182,332
PIAGGIO	1,026	2,165,226
TIP	1,630	2,153,899
WIIT	848	2,111,273
SERI INDUSTRIAL	374	1,686,420

Source: Factset

Criteria for investing in Mid/Small Caps

Italian Mid & Small Cap Coverage - geographical breakdown of sales (FY21)

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%

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 21 %	Net Debt/EBITDA 21
UNIPOLSAI	2.6	7,284	0.220	0.190	7.4%	87%	
DOVALUE	8.2	654	0.624	0.499	6.1%	80%	2.1x
ANIMA	4.7	1,736	0.593	0.281	6.0%	47%	
OMER	3.9	112	0.316	0.229	5.9%	72%	0.6x
IGD	4.3	469	0.568	0.236	5.5%	42%	10.5x
EMAK	1.7	280	0.221	0.090	5.3%	41%	1.6x
ACEA	16.6	3,533	1.529	0.841	5.1%	55%	3.0x
NOTORIOUS PICTURES	1.6	36	0.197	0.079	5.0%	40%	1.1x
PIAGGIO	2.9	1,026	0.161	0.142	4.9%	88%	1.6x
RAI WAY	4.9	1,336	0.233	0.237	4.8%	102%	0.7x
GEFRAN	10.6	152	0.812	0.487	4.6%	60%	0.1x
BANCA IFIS	21.3	1,148	1.723	0.950	4.5%	55%	
DEA CAPITAL	1.4	362		0.060	4.4%	#VALORE!	
MEDIA FOR EUROPE	1.1	2,335	0.131	0.050	4.4%		0.9x
CREDITO EMILIANO	7.2	2,464	0.860	0.300	4.2%	35%	
IREN	2.5	3,221	0.199	0.100	4.0%	50%	3.3x
ENAV	4.2	2,248	0.109	0.160	3.9%	147%	2.4x
MONDADORI	2.0	518	0.148	0.076	3.8%	51%	1.8x
CELLULARLINE	3.8	82	0.449	0.135	3.6%	30%	2.3x
SERVIZI ITALIA	2.0	63	0.136	0.068	3.5%	50%	2.0x
AMBIENTHESIS	1.1	101	0.090	0.037	3.4%	41%	1.6x
BANCA SISTEMA	2.1	171	0.289	0.072	3.4%	25%	
ERG	24.4	3,674	1.102	0.750	3.1%	68%	4.0x
WEBUILD	1.8	1,855	0.125	0.055	3.0%	44%	0.6x
MAIRE TECNIMONT	4.0	1,322	0.254	0.116	2.9%	46%	0.6x
INDEL B	24.6	144	2.477	0.685	2.8%	28%	0.3x
DE' LONGHI	30.5	4,602	2.303	0.814	2.7%	35%	0.8x
MARR	18.5	1,233	0.586	0.456	2.5%	78%	2.0x
ESPRINET	11.7	594	0.899	0.270	2.3%	30%	2.7x
AVIO	10.7	282	0.545	0.217	2.0%	40%	1.4x

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
SABABA SECURITY	3.7	27	78.9	24.8	218%
ABITARE IN	7.2	191	15.4	6.5	136%
ELES	2.7	36	42.5	21.4	99%
WIIT	30.3	848	92.0	48.4	90%
THE ITALIAN SEA GROUP	6.3	334	24.9	13.5	85%
SOGEFI	1.2	140	7.1	3.9	84%
CY4GATE	10.7	160	45.1	26.3	72%
SOMECC	35.7	246	37.9	22.4	69%
ENAV	4.2	2,248	38.1	23.0	66%
SAFILO	1.5	609	22.9	14.2	62%
OVS GROUP	2.3	661	16.6	10.7	56%
MARR	18.5	1,233	31.6	20.8	52%
SAES GETTERS	22.7	454	32.9	21.6	52%
FINCANTIERI	0.6	951	9.8	6.5	51%
FALCK RENEWABLES	8.8	2,559	81.9	55.0	49%
BRUNELLO CUCINELLI	52.8	3,587	100.0	67.8	48%
PIAGGIO	2.9	1,026	17.8	12.2	45%
MATICA FINTEC	2.4	25	23.3	16.2	43%
CELLULARLINE	3.8	82	8.3	5.9	42%
FERRAGAMO	19.8	3,336	56.2	40.4	39%
SESA	135.2	2,095	36.2	26.7	36%
TXT E-SOLUTIONS	8.6	112	19.7	14.7	34%
MONDADORI	2.0	518	13.4	10.1	33%
AQUAFIL	6.5	280	19.3	14.6	32%
TINEXTA	30.1	1,421	27.6	21.1	31%
ELICA	3.3	211	13.3	10.2	30%
NOTORIOUS PICTURES	1.6	36	8.0	6.2	28%
SCIUKER FRAMES	8.9	193	15.7	12.3	28%
FILA	9.3	401	11.7	9.2	26%
WEBUILD	1.8	1,855	14.7	11.7	26%
TECHNOGYM	7.6	1,527	24.8	20.0	24%
ESPRINET	11.7	594	13.0	10.4	24%
LU-VE	21.1	469	19.9	16.1	24%
DATALOGIC	12.9	756	19.6	16.0	22%
UNIPOLSAI	2.6	7,284	11.7	9.6	22%
ALKEMY	19.6	111	21.4	17.5	22%
BREMBO	11.9	3,987	17.8	14.6	22%
FOS	3.6	23	17.6	14.6	21%

Source: Intermonte SIM and Factset

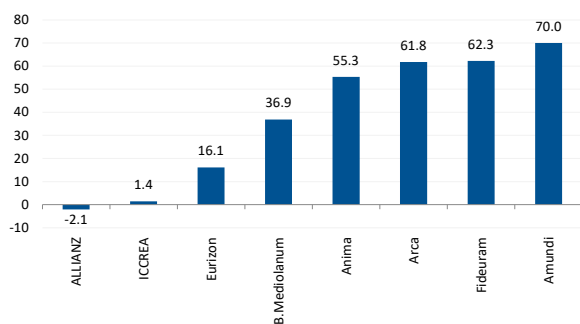
Update on the Individual Savings Plan (PIR)

PIR: official figures for 4Q21

	Net Inflows									Nr. Of Funds		Invested Capital	
	4Q21 (Eu mn)	3Q21 (Eu mn)	2Q21 (Eu mn)	1Q21 (Eu mn)	4Q20 (Eu mn)	FY21 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	# Funds	%	at December 2021 (Eu mn)	at December 2021 in %
Total	380	155	106	(316)	(403)	323	(759)	(1,097)	3,950	68	100.0%	21,194	100.0%
Newly established funds	309	106	24	(200)	(245)	239	(373)	(760)	3,403	46	67.6%	12,337	58.2%
Pre-existing funds	70	49	82	(117)	(158)	84	(386)	(337)	547	22	32.4%	8,857	41.8%
EQUITY FUNDS	154	40	109	(23)	(74)	280	(281)	(369)	349	26	38.2%	6,535	30.8%
o/w Italy Equity	154	40	109	(23)	(74)	280	(281)	(369)	349	26	38.2%	6,535	30.8%
BALANCED FUNDS	177	103	43	(109)	(194)	214	(321)	(587)	2,525	26	38.2%	9,097	42.9%
o/w Balanced Equity	8	3	(3)	(10)	(11)	(2)	(10)	(63)	181	2	2.9%	509	2.4%
o/w Balanced	24	23	(10)	(51)	(66)	(15)	(120)	(258)	752	9	13.2%	2,675	12.6%
o/w Balanced bonds	145	77	56	(47)	(117)	231	(191)	(267)	1,592	15	22.1%	5,914	27.9%
FIXED INCOME FUNDS	7	7	4	(1)	(3)	17	(1)	(20)	10	4	5.9%	245	1.2%
o/w Italy Bonds	(7)	1	1	(6)	(2)	(11)	(6)	1	(9)	1	1.5%	64	0.3%
o/w Europe Bonds	16	8	1	8	0	33	7	(21)	19	2	2.9%	85	0.4%
o/w Mixed	(2)	(2)	1	(3)	(2)	(6)	(2)			1	1.5%	96	0.5%
FLEXIBLE FUNDS	41	6	(50)	(184)	(132)	(187)	(160)	(121)	1,067	12	17.6%	5,317	25.1%

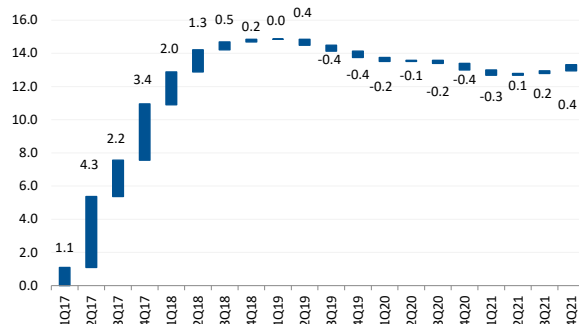
Source: Assogestioni, Quarterly Report, August 2021

PIR - Net inflows by asset manager (Eu mn, 4Q21)



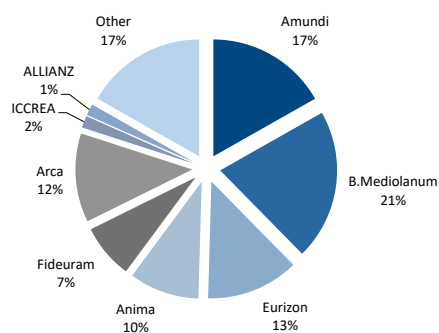
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



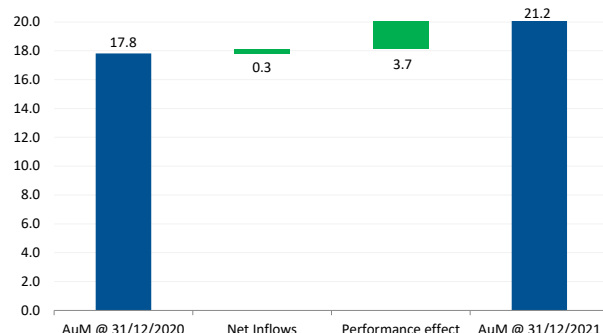
Source: Intermonte SIM estimates, Assogestioni

PIR - Market share by asset manager (on AuM at 31/12/21)



Source: Assogestioni

PIR - Inflows and total AuM (Eu bn)



Source: Assogestioni

PIR inflows close the year with strong momentum in 4Q21

Assogestioni released updated figures on 4Q21 PIR inflows in its quarterly review on 17th February 2022. Net inflows amounted to Eu379.5mn in 4Q21, with positive inflows therefore accelerating further on 2Q21 (+Eu106mn) and 3Q21 (+Eu155mn) following three previous quarters of outflows. Total inflows in 2021 reached Eu323mn, close to our estimate. The figure was similar to the data released by *Sole 24 Ore's* 'Osservatorio PIR', which estimated inflows of about Eu363mn, of which Eu94mn in December, with Eu97mn and Eu172mn in October and November respectively. According to *Il Sole24Ore*, January inflow should have remain on a positive territory to the tune of Eu63.5mn.

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

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

ALTERNATIVE PIR vs. PIR 3.0

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

Source: Intermonte SIM

Our Estimates for PIRs

In the long term, our assumptions are based on expectations that interest in this product will remain fairly high thanks to the fiscal benefit and, from a distributor point of view, to the fact that it can count on long-term commitment from the investor. In particular, looking forward to 2022, 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 2022, we now assume gross inflows from new PIR subscribers of Eu1.8bn (down from Eu2.4bn);
- 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	2021A	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)	323	2,038
<i>YoY Growth</i>				<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>530.9%</i>
o/w From Continuing Subs. (estimated)			-	3,414	989	754	744	793
o/w From New Subscribers (estimated)			10,903	1,325	-	-	122	1,800
o/w Transformation of Existing Funds/Exit from PIR (est.)			4,867	(788)	(2,086)	(1,513)	(543)	(555)

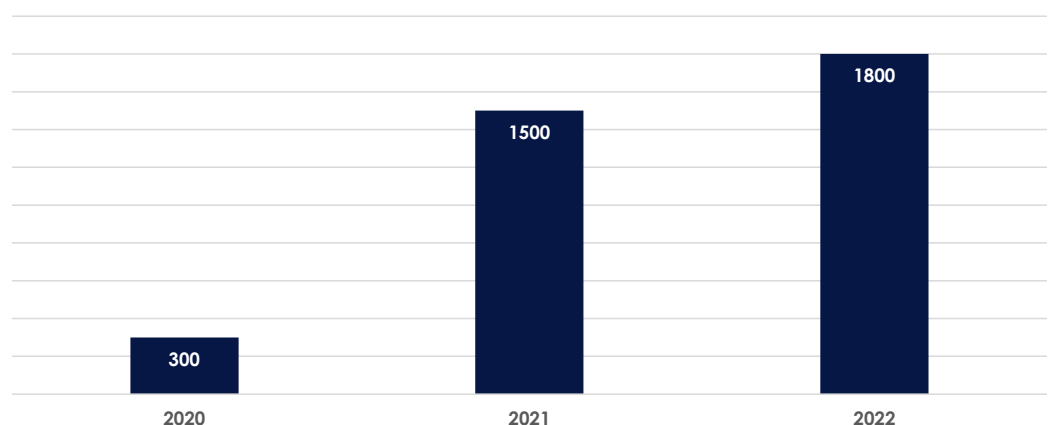
Source: Intermonte SIM

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.

Frequency of research: quarterly.

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

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

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

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

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

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