

Italian Mid Small Caps Monthly

Navigating Difficult Times For Mid Small Caps

by Intermonte Research Team

Italian Equity Market

- **Performance (+).** The Italian equity market (prices as at 17th March 2022) has declined 9.2% in the last month and is down 11.9% YTD. The FTSE Italy Mid-Cap index (-6.3% in the last month) has outperformed the main index by 2.9% (-1.2% YTD on a relative basis), with the FTSE Italy Small Caps index (-5.6% in the last month) performing 3.5% better than the market in the last month, or +2.0% 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 2.1% in the last month, performing better than Italian mid/small caps.
- **Estimates (-).** Since the beginning of the year we have implemented a +4% revision to our 2022 EPS estimates, mainly thanks to some earnings upgrades to energy stocks, while we have cut forecasts for our mid/small cap coverage by 5.4%. In the last month, if we focus on our mid/small cap coverage, we have trimmed the 2022 EPS forecast by 3.7%, mainly because of the impact of the war in Ukraine and a new spike in input costs. Interestingly the reporting season has broadly confirmed our 2021 estimates (2021 EPS up 0.8% in the last month).
- **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 16.8% de-rating YTD (vs. -3.7% one month ago), while mid-caps and small caps have de-rated by 7.5% and 6.0% respectively. On a P/E basis, our panel is trading at a 47% premium to large caps, well above the historical average premium (17%) and the level 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 46.6% higher than the 1Y average, accelerating from one month ago when the same metric was +18.8%. Liquidity for mid-caps has witnessed more limited growth, showing a +18.8% change, while for small caps the same metric has decreased by 2.6%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu3.3mn in the last month, still up 24% on the corresponding period one year ago.
- **Investment strategy.** The month was characterised by negative newsflow triggered by the war in Ukraine that added unprecedented geopolitical uncertainty to a macro scenario already shaken by fears of stagflation. Markets have been highly volatile, a situation that, if prolonged, will be negative for mid/small caps, as a relatively riskier asset. The relatively better performance of mid/small caps is partly explained by a better sector mix, partly by greater inertia in rebalancing less liquid portfolios. During the reporting season, the market approach remained cautious, especially on the names exposed to Russia/Ukraine or subject to greater risks of margin squeeze, while the main positive reactions were recorded for companies operating in the digital and renewable sectors, which partially recovered from the de-rating witnessed in February. Over the next week, the STAR conference provides an opportunity for a number of high-quality stocks to reassure investors on the possibility of confirming positive estimate direction for this year. As for Ukraine, a ceasefire could trigger a relief rally for stocks but some issues related to a slowdown in economic growth are likely to continue to dent investor confidence for the time being and until costs and energy price pressure normalise. Regarding PIR funds, for the time being we are waiting for more visibility to reassess our estimates, which are likely to be excessively challenging in the current scenario.

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Performance

Mid/small caps outperforming large caps in what was a negative month overall

The Italian equity market (prices as at 17th March 2022) has declined 9.2% in the last month and is down 11.9% YTD. The FTSE Italy Mid-Cap index (-6.3% in the last month) has outperformed the main index by 2.9% (-1.2% YTD on a relative basis), with the FTSE Italy Small Caps index (-5.6% in the last month) performing 3.5% better than the market in the last month, or +2.0% on a relative basis since the beginning of 2022.

Italian Market Indexes – performance analysis (prices as at 17th March 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	43,343	-6.3%	-10.1%	-12.0%	-13.0%	1.6%	65.7%	12.7%	19.7%
FTSE Italia Small Cap	29,195	-5.6%	-7.6%	-2.0%	-9.9%	21.2%	102.6%	46.3%	39.8%
FTSE Italia Star	54,313	-2.3%	-12.5%	-12.5%	-15.9%	12.2%	103.5%	55.3%	70.9%
FTSE AIM ITALIA	10,268	-3.0%	-9.1%	-9.0%	-10.6%	24.4%	68.7%	18.1%	24.9%
FTSE Italia All-Share	26,387	-9.2%	-9.4%	-6.7%	-11.9%	-0.1%	58.2%	14.3%	19.7%
FTSE MIB	24,124	-9.5%	-9.3%	-6.2%	-11.8%	-0.6%	57.5%	14.6%	20.2%
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		2.9%	-0.7%	-5.4%	-1.2%	1.8%	7.5%	-1.6%	0.0%
FTSE Italia Small Cap		3.5%	1.8%	4.6%	2.0%	21.3%	44.5%	31.9%	20.1%
FTSE Italia Star		6.9%	-3.2%	-5.9%	-4.0%	12.3%	45.3%	41.0%	51.2%

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has fallen 2.1% in the last month, performing better 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	150	-3.1%	-4.3%	-1.3%	-7.1%	6.7%	54.1%	16.9%	17.5%
MSCI Europe Small Cap	450	-2.1%	-6.5%	-9.2%	-10.6%	0.3%	76.0%	25.5%	30.7%

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 (%)
ERG	30.16	4,534	23%
TXT E-SOLUTIONS	9.69	126	12%
TESMEC	0.14	88	12%
RAI WAY	5.47	1,488	11%
EL.EN.	13.70	1,093	9%
SERI INDUSTRIAL	8.25	403	8%
REPLY	154.30	5,773	8%
SESA	144.40	2,237	7%
FINCANTIERI	0.60	1,014	7%
SARAS	0.60	573	3%
CY4GATE	10.88	163	2%
SAES GETTERS	23.00	454	2%
MONDADORI	2.01	526	1%
SAFILO	1.49	616	1%
UNIPOLSAI	2.59	7,329	1%
TIP	8.87	1,635	0%
FALCK RENEWABLES	8.81	2,566	0%
MATICA FINTEC	2.37	25	0%
BRUNELLO CUCINELLI	52.40	3,563	-1%
WIIT	29.88	837	-1%
FTSE Italia Mid Cap			-6%
FTSE Italia Small Cap			-6%
FTSE MIB			-10%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
SOGEFI	0.89	107	-24%
MAIRE TECNIMONT	3.13	1,029	-22%
DATALOGIC	10.23	598	-21%
GEOX	0.83	214	-19%
MARR	15.26	1,015	-18%
TOD'S	40.48	1,340	-18%
ESPRINET	9.63	490	-17%
CREDITO EMILIANO	6.00	2,048	-17%
DE' LONGHI	25.38	3,830	-17%
ANIMA	3.93	1,448	-17%
FERRAGAMO	16.54	2,791	-16%
BREMBO	10.00	3,338	-16%
SOMEK	29.90	206	-16%
ILBE	2.00	48	-15%
OMER	3.30	95	-15%
BANCA IFIS	18.28	984	-14%
OVS GROUP	1.98	576	-13%
ELES	2.40	31	-12%
THE ITALIAN SEA GROUP	5.56	295	-12%
PIAGGIO	2.54	910	-11%

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
TESMEC	0.14	88	35%
SARAS	0.60	573	9%
IGD	4.18	461	8%
BANCA IFIS	18.28	984	7%
ERG	30.16	4,534	6%
RAI WAY	5.47	1,488	5%
UNIPOLSAI	2.59	7,329	4%
CREDITO EMILIANO	6.00	2,048	3%
ENAV	4.00	2,167	2%
FALCK RENEWABLES	8.81	2,566	2%
DEA CAPITAL	1.31	348	0%
FINCANTIERI	0.60	1,014	-1%
MONDADORI	2.01	526	-1%
TXT E-SOLUTIONS	9.69	126	-4%
AUTOGRILL	5.96	2,295	-5%
CYBEROO	7.06	70	-5%
SAFILO	1.49	616	-5%
FILA	9.11	392	-6%
IEG	2.49	77	-7%
SAES GETTERS	23.00	454	-7%
FTSE Italia Mid Cap			-13%
FTSE Italia Small Cap			-10%
FTSE MIB			-12%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ELES	2.40	31	-34%
DATALOGIC	10.23	598	-33%
TINEXTA	27.02	1,276	-29%
EMAK	1.54	252	-27%
FERRAGAMO	16.54	2,791	-27%
SOGEFI	0.89	107	-25%
MAIRE TECNIMONT	3.13	1,029	-25%
GEOX	0.83	214	-23%
OVS GROUP	1.98	576	-23%
ILBE	2.00	48	-22%
GPI	12.80	234	-21%
LU-VE	18.85	419	-21%
SOMEK	29.90	206	-21%
TECHNOGYM	6.74	1,357	-20%
BREMBO	10.00	3,338	-20%
SCIUKER FRAMES	8.40	182	-20%
ABITARE IN	6.62	176	-20%
DE' LONGHI	25.38	3,830	-19%

Earnings Momentum

Downward revision to 2022 forecasts for our Mid/Small Cap coverage

Since the beginning of the year we have implemented a +4% revision to our 2022 EPS estimates, mainly thanks to some earnings upgrades to energy stocks, while we have cut forecasts for our mid/small cap coverage by 5.4%. In the last month, if we focus on our mid/small cap coverage, we have trimmed the 2022 EPS forecast by 3.7%, mainly because of the impact of the war in Ukraine and a new spike in input costs. Interestingly the reporting season has broadly confirmed our 2021 estimates (2021 EPS up 0.8% in the last month).

Italian Market – Intermonte changes to 2021 and 2022 estimates

EPS REVISION	Since January 1st 2022		Since 18/2/2022	
	% chg in EPS FY21	% chg in EPS FY22	% chg in EPS FY21	% chg in EPS FY22
Total Market	3.8%	4.1%	4.3%	2.0%
Total Market - Ex Energy	4.9%	1.9%	4.8%	2.3%
Domestic	2.6%	-2.2%	1.4%	-3.1%
Non domestic	5.2%	11.2%	7.5%	7.5%
Non domestic - Ex Energy	7.8%	7.7%	9.4%	9.9%
FTSE MIB	4.3%	5.0%	4.6%	2.5%
Mid Caps (our coverage)	-2.0%	-5.6%	1.1%	-3.6%
Small Caps (our coverage)	1.6%	-3.9%	-1.7%	-4.3%
Intermonte Mid&Small Caps coverage	-1.6%	-5.4%	0.8%	-3.7%

For individual stocks, the following tables rank the biggest changes to our 2022 adjusted net profit estimates YTD.

Intermonte Mid & Small Cap Coverage - largest changes to 2022 est. (up/down) YTD

Stock	Restated Net Profit 22 as of 31/12/21	Restated net profit 22 last estimate	% chg from 31/12/21
Upward Revision			
TOD'S	6	18	197.2%
BRUNELLO CUCINELLI	51	62	21.8%
TXT E-SOLUTIONS	7	8	16.8%
SCIUKER FRAMES	16	18	16.4%
EL.EN.	49	51	5.2%
REPLY	168	176	4.5%
MONDADORI	51	54	4.3%
IGD	69	71	3.2%
ILBE	14	15	2.9%
SESA	79	80	2.1%
Downward Revision			
DATALOGIC	47	22	-53.0%
SARAS	-25	-37	-47.9%
ABITARE IN	30	18	-39.3%
TESMEC	13	9	-34.0%
SOGEFI	36	27	-24.4%
DE' LONGHI	348	263	-24.3%

Valuation

Large Caps suffered from a larger de-rating

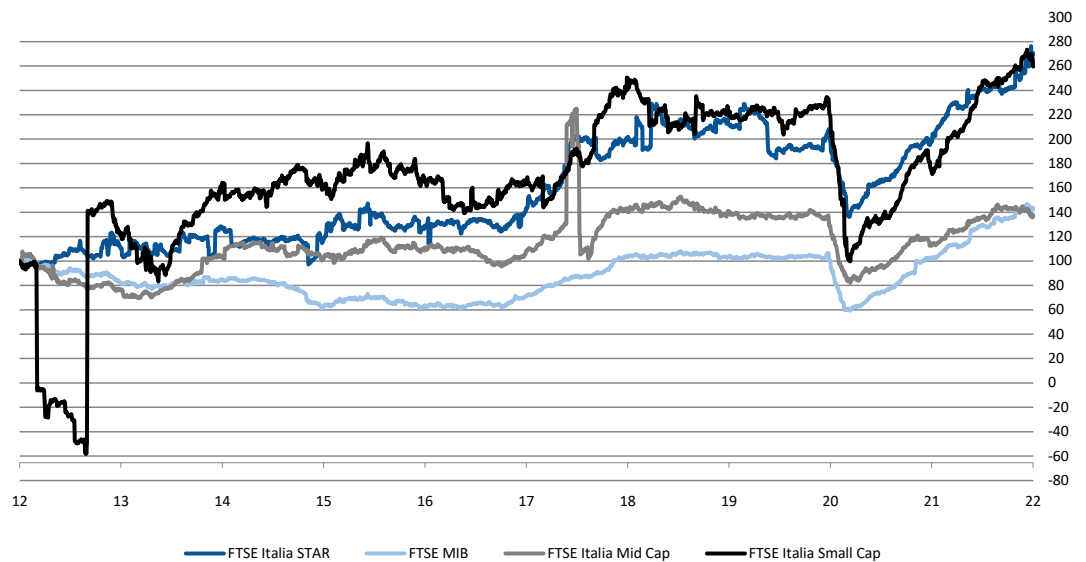
If we compare YTD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 16.8% de-rating YTD (vs. -3.7% one month ago), while mid-caps and small caps have de-rated by 7.5% and 6.0% respectively.

Italian Market – re/de-rating by index

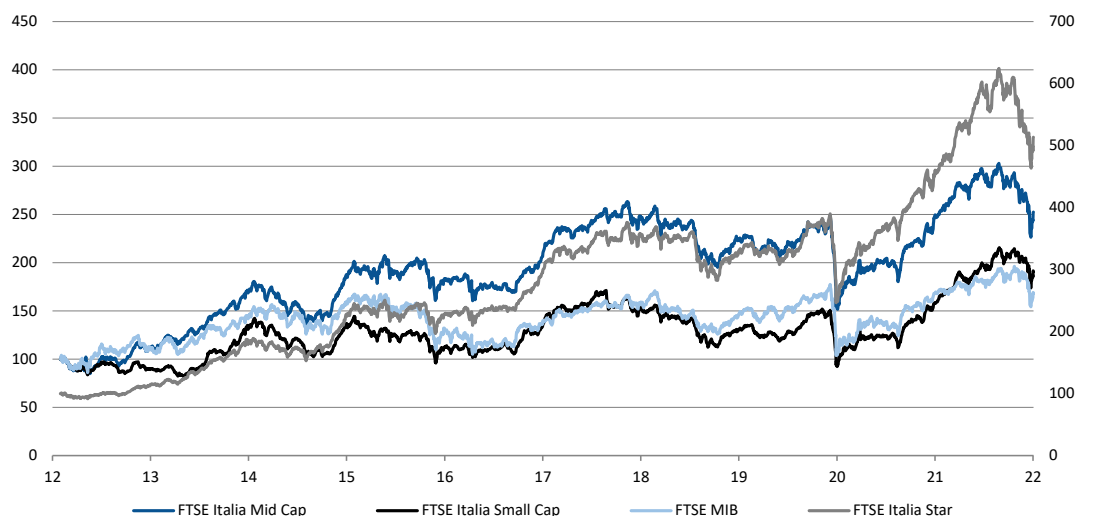
Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-11.8%	5.0%	-16.8%
FTSE Italia Mid Cap	-13.0%	-5.6%	-7.5%
FTSE Italia Small Cap	-9.9%	-3.9%	-6.0%

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 47% premium to large caps, well above the historical average premium (17%) and the level one month ago (34%).

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 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	11.5 x	9.7 x	-	15.7 x	-38.0%
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	57.0 x	17.9 x	17.1 x	-	18.2 x	-6.1%
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	20.2 x	14.7 x	-	27.2 x	-46.0%
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	13.3 x	13.0 x	33.1%	14.6 x	-11.3%
Germany MDAX	13.3 x	14.5 x	28.0 x	26.2 x	23.4 x	16.4 x	18.5 x	20.2 x	16.2 x	19.0 x	37.8 x	23.6 x	15.8 x	-7.6%	21.8 x	-27.8%
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	15.6 x	13.8 x	41.4%	16.0 x	-14.2%
France CAC Mid 60	18.1 x	15.2 x	17.2 x	21.7 x	24.2 x	19.6 x	19.7 x	34.0 x	16.5 x	15.3 x	-31.8 x	19.6 x	14.3 x	-16.0%	19.6 x	-26.9%
France CAC Small	17.6 x	n.m.	22.2 x	27.4 x	25.0 x	25.0 x	27.0 x	30.8 x	27.7 x	27.8 x	-148.5 x	39.3 x	19.0 x	29.3%	27.2 x	-30.2%
FTSE 100	12.3 x	11.1 x	12.3 x	15.1 x	14.9 x	15.3 x	18.2 x	14.6 x	13.1 x	12.7 x	21.0 x	12.8 x	11.6 x	19.0%	14.8 x	-21.5%
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	13.6 x	46.9 x	21.3 x	13.9 x	-18.4%	15.6 x	-11.0%
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	12.3 x	11.8 x	21.0%	17.4 x	-32.5%
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	15.4 x	12.6 x	-26.0%	18.6 x	-32.2%

Intermonte Mid & Small Cap Coverage – YTD de-rating/re-rating on 2022 estimates

Stock	Restated Net Profit 22 as of 31/12/21	Restated net profit 22 last estimate	% Chg in Net Profit 22	Share Price perf. YTD	De-rating(-) Re-rating(+)
TESMEC	13.1	8.7	-34%	35%	69.3%
SARAS	-24.9	-36.9	-48%	9%	57.4%
ERG	167.3	138.9	-17%	6%	23.0%
DATALOGIC	47.3	22.2	-53%	(33%)	19.8%
CREDITO EMILIANO	236.0	220.6	-7%	3%	9.6%
BANCA IFIS	110.8	108.3	-2%	7%	9.4%
RAI WAY	68.5	68.0	-1%	5%	5.5%
IGD	68.9	71.1	3%	8%	5.0%
DE' LONGHI	347.8	263.3	-24%	(19%)	4.8%
DOVALUE	65.1	53.8	-17%	(13%)	4.7%
UNIPOLSAI	740.4	746.0	1%	4%	3.7%
FALCK RENEWABLES	46.5	46.3	-1%	2%	2.2%
ENAV	97.9	97.9	0%	2%	1.8%
SAES GETTERS	23.1	21.3	-8%	(7%)	1.0%
SERVIZI ITALIA	4.8	4.3	-11%	(11%)	0.3%
DEA CAPITAL	18.0	18.0	0%	(0%)	(0.3%)
SALCEF GROUP	60.2	50.9	-15%	(16%)	(0.4%)
SOGEFI	35.7	27.0	-24%	(25%)	(0.4%)
MARR	59.2	48.1	-19%	(19%)	(0.5%)
FINCANTIERI	146.0	146.0	0%	(1%)	(1.2%)
WIIT	16.6	14.4	-13%	(17%)	(3.1%)
AUTOGRILL	-27.9	-27.9	0%	(5%)	(4.6%)
FERRAGAMO	81.7	64.1	-22%	(27%)	(5.1%)
CYBEROO	3.6	3.6	0%	(5%)	(5.1%)
SAFILO	28.6	28.6	0%	(5%)	(5.3%)
MONDADORI	51.4	53.6	4%	(1%)	(5.7%)
FILA	51.7	51.7	0%	(6%)	(6.3%)
PIAGGIO	85.9	81.5	-5%	(12%)	(6.5%)
CEMENTIR	149.3	136.3	-9%	(15%)	(6.7%)
IEG	0.1	0.1	0%	(7%)	(6.7%)
LU-VE	28.6	24.9	-13%	(21%)	(8.4%)
ANIMA	198.5	191.0	-4%	(13%)	(8.7%)
BANCA SISTEMA	25.3	25.3	0%	(9%)	(9.5%)
ACEA	340.7	326.6	-4%	(14%)	(9.7%)
NOTORIOUS PICTURES	5.7	5.7	0%	(10%)	(9.8%)
MATICA FINTEC	1.5	1.5	0%	(10%)	(9.9%)
RELATECH	6.2	6.2	0%	(11%)	(10.7%)
CY4GATE	6.1	6.1	0%	(12%)	(11.7%)
AQUAFIL	22.9	22.1	-3%	(16%)	(12.7%)
BREMBO	268.6	248.8	-7%	(20%)	(12.9%)
IREN	294.7	294.7	0%	(13%)	(13.5%)
AMBIENTHESIS	13.6	13.7	0%	(14%)	(13.9%)
GEFRAN	11.2	11.2	0%	(14%)	(14.0%)
OMER	10.9	10.9	0%	(14%)	(14.1%)
THE ITALIAN SEA GROUP	24.7	25.1	1%	(13%)	(14.5%)
CELLULARLINE	14.0	14.0	0%	(15%)	(15.4%)
EL.EN.	48.7	51.3	5%	(12%)	(17.3%)
PHARMANUTRA	14.4	14.1	-2%	(19%)	(17.5%)
ELICA	20.6	21.0	2%	(16%)	(17.5%)
REPLY	168.5	176.0	4%	(14%)	(18.1%)
AVIO	12.2	12.2	0%	(18%)	(18.2%)
INDEL B	16.7	16.7	0%	(18%)	(18.3%)
TINEXTA	67.2	60.0	-11%	(29%)	(18.4%)
SESA	78.6	80.2	2%	(17%)	(18.9%)
EMAK	36.3	33.4	-8%	(27%)	(19.1%)
WEBUILD	157.8	157.8	0%	(19%)	(19.1%)
FINE FOODS	13.7	13.7	0%	(19%)	(19.2%)
TECHNOGYM	76.4	76.4	0%	(20%)	(20.3%)
MAIRE TECNIMONT	98.1	94.0	-4%	(25%)	(20.6%)
SOMEK	11.0	11.0	0%	(21%)	(20.7%)
GPI	14.5	14.5	0%	(21%)	(21.5%)
OVS GROUP	61.8	61.8	0%	(23%)	(22.6%)
GEOX	-5.0	-5.0	0%	(23%)	(22.8%)
ALKEMY	6.1	6.1	0%	(23%)	(23.3%)
ESPRINET	56.2	55.8	-1%	(25%)	(24.7%)
ILBE	14.2	14.7	3%	(22%)	(25.4%)
ELES	1.7	1.7	0%	(34%)	(34.4%)

Liquidity

Improving liquidity in the last month amid greater market volatility

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 46.6% higher than the 1Y average, accelerating from one month ago when the same metric was +18.8%. Interestingly, liquidity for mid-caps has witnessed a more limited growth, showing a +18.8% change, while for small caps the same metric has decreased by 2.6%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu3.3mn in the last month, still up 24% 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	78.04	65.02	60.27	53.23	51.62	46.6%	22.2%
Top 20% by market cap	251.30	208.92	189.95	163.47	153.96	53.7%	27.8%
FTSE Italia Mid Cap							
All stocks	3.91	3.28	3.41	3.29	2.92	18.8%	(0.3%)
Top 20% by market cap	7.66	6.43	6.80	6.13	5.66	25.0%	4.9%
FTSE Italia Small Cap							
All stocks	0.47	0.45	0.52	0.48	0.38	(2.6%)	(7.2%)
Top 20% by market cap	1.28	1.25	1.56	1.33	0.93	(4.0%)	(6.4%)

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

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%

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
IGD	4.2	469	0.574	0.350	8.4%	61%	9.2x
UNIPOLSAI	2.6	7,284	0.220	0.190	7.3%	87%	
ANIMA	3.9	1,736	0.699	0.280	7.1%	40%	
OMER	3.3	112	0.316	0.229	6.9%	72%	0.6x
DOVALUE	7.3	654	0.634	0.500	6.8%	79%	2.0x
PIAGGIO	2.5	1,026	0.168	0.150	5.9%	89%	1.6x
MAIRE TECNIMONT	3.1	1,322	0.254	0.183	5.8%	72%	0.7x
ESPRINET	9.6	594	0.880	0.540	5.6%	61%	2.7x
NOTORIOUS PICTURES	1.5	36	0.197	0.079	5.4%	40%	1.1x
ACEA	16.2	3,533	1.469	0.851	5.3%	58%	3.2x
BANCA IFIS	18.3	1,148	1.723	0.950	5.2%	55%	
GEFRAN	9.7	152	0.812	0.487	5.0%	60%	0.1x
CREDITO EMILIANO	6.0	2,464	0.860	0.300	5.0%	35%	
EMAK	1.5	280	0.224	0.075	4.9%		1.9x
DEA CAPITAL	1.3	362		0.060	4.6%		
MEDIA FOR EUROPE	1.1	2,335	0.135	0.050	4.5%	37%	1.0x
RAI WAY	5.5	1,336	0.244	0.244	4.5%	100%	0.6x
IREN	2.3	3,221	0.199	0.100	4.4%	50%	3.3x
MONDADORI	2.0	518	0.171	0.085	4.2%	50%	2.0x
ENAV	4.0	2,248	0.109	0.160	4.0%	147%	2.4x
BANCA SISTEMA	1.9	171	0.289	0.072	3.8%	25%	
AMBIENTHESIS	1.0	101	0.090	0.037	3.8%	41%	1.6x
CELLULARLINE	3.6	82	0.449	0.135	3.7%	30%	2.3x
WEBUILD	1.7	1,855	0.125	0.055	3.3%	44%	0.6x
INDEL B	21.9	144	2.477	0.685	3.1%	28%	0.3x
MARR	15.3	1,233	0.528	0.470	3.1%	89%	1.6x
ERG	30.2	3,674	1.342	0.900	3.0%	67%	3.7x
DATALOGIC	10.2	756	0.789	0.300	2.9%	38%	0.3x
DE' LONGHI	25.4	4,602	2.081	0.743	2.9%	36%	0.8x
BREMBO	10.0	3,987	0.666	0.270	2.7%	41%	0.8x

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

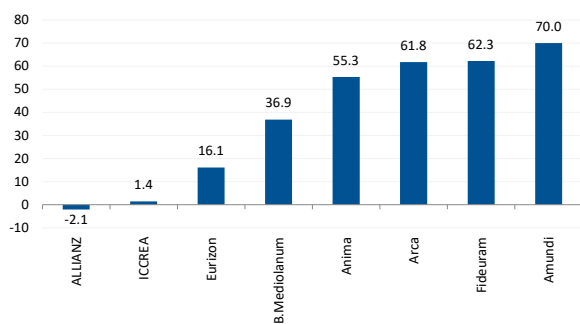
Stock	Price (Eu)	Mkt Cap (Eu mn)	P/E 21	P/E 22	EPS Growth
TESMEC	0.1	78	72.1	10.0	618%
SABABA SECURITY	3.5	27	73.9	23.2	218%
FALCK RENEWABLES	8.8	2,559	nm	55.5	108%
ELES	2.4	36	37.4	18.8	99%
THE ITALIAN SEA GROUP	5.6	334	20.6	11.7	76%
CY4GATE	10.9	160	45.9	26.8	72%
SOMECC	29.9	246	31.8	18.8	69%
ENAV	4.0	2,248	36.7	22.1	66%
SAES GETTERS	23.0	454	38.8	23.8	63%
SAFILO	1.5	609	23.2	14.3	62%
OVS GROUP	2.0	661	14.5	9.3	56%
WIIT	29.9	848	90.3	58.1	55%
FINCANTIERI	0.6	951	10.5	6.9	51%
AQUAFIL	6.4	280	22.4	14.9	50%
ABITARE IN	6.6	191	14.2	9.7	46%
MATICA FINTEC	2.4	25	23.2	16.2	43%
CELLULARLINE	3.6	82	8.1	5.7	42%
BRUNELLO CUCINELLI	52.4	3,587	80.3	57.1	41%
SESA	144.4	2,095	38.7	27.9	39%
MARR	15.3	1,233	28.9	21.1	37%
PIAGGIO	2.5	1,026	15.1	11.1	36%
SCIUKER FRAMES	8.4	193	13.3	10.0	34%
ELICA	3.1	211	12.2	9.4	30%
NOTORIOUS PICTURES	1.5	36	7.4	5.8	28%
FILA	9.1	401	11.4	9.0	26%
ESPRINET	9.6	594	10.9	8.7	26%
WEBUILD	1.7	1,855	13.4	10.7	26%
TECHNOGYM	6.7	1,527	22.1	17.7	24%
UNIPOLSAI	2.6	7,284	11.8	9.6	22%
ALKEMY	17.4	111	19.0	15.6	22%
TINEXTA	27.0	1,421	26.0	21.3	22%
FOS	3.3	23	16.0	13.2	21%
OMER	3.3	112	10.4	8.7	20%
MONDADORI	2.0	518	11.7	9.8	20%
FINE FOODS	12.5	286	27.7	23.3	19%
GPI	12.8	258	18.2	15.5	18%
SOGEFI	0.9	140	4.6	3.9	17%
REPLY	154.3	5,357	38.3	32.8	17%
BANCA IFIS	18.3	1,148	10.6	9.1	17%

Update on the Individual Savings Plan (PIR)

PIR: official figures for 4Q21

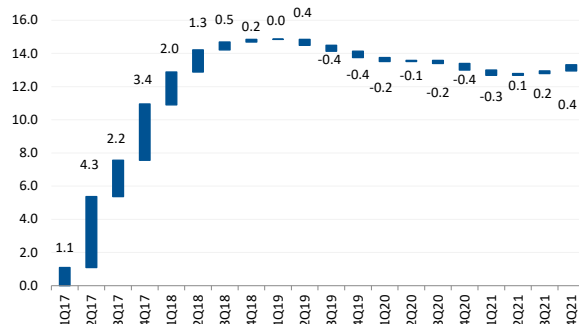
	Net Inflows									Nr. Of Funds		Invested Capital	
	4Q21 (Eu mn)	3Q21 (Eu mn)	2Q21 (Eu mn)	1Q21 (Eu mn)	4Q20 (Eu mn)	FY21 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	at December 2021 # Funds	%	at December 2021 (Eu mn)	in %
Total	380	155	106	(316)	(403)	323	(759)	(1,097)	3,950	68	100.0%	21,194	100.0%
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%

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



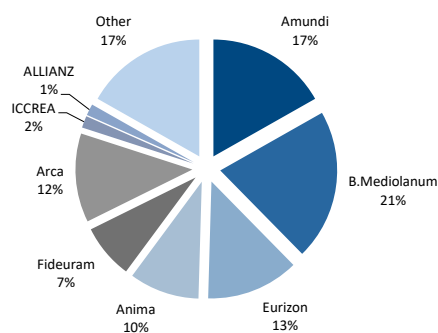
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



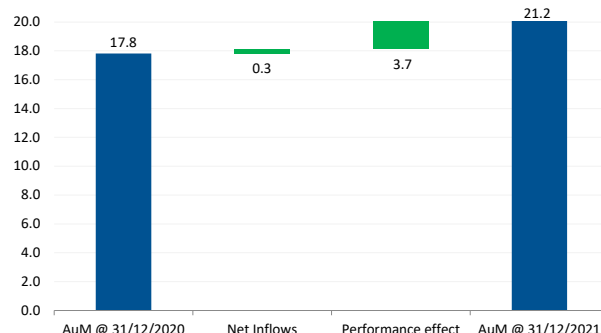
Source: Intermonte SIM estimates, Assogestioni

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 Sole 24 Ore*, January inflows should have remained in positive ground to the tune of Eu63.5mn, a positive trend that has continued in February, that should have recorded inflows of Eu37.7mn.**

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. However, in the short term, recent volatility and uncertainty in the markets could impair the ability to collect new inflows, and our 2022 inflow forecasts are likely to be challenging. The upcoming release of February inflows should help up guide a reassessment of our estimates.

Main assumptions behind our current estimates are as follows:

- For 2022, we assume gross inflows from new PIR subscribers of Eu1.8bn;
- 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

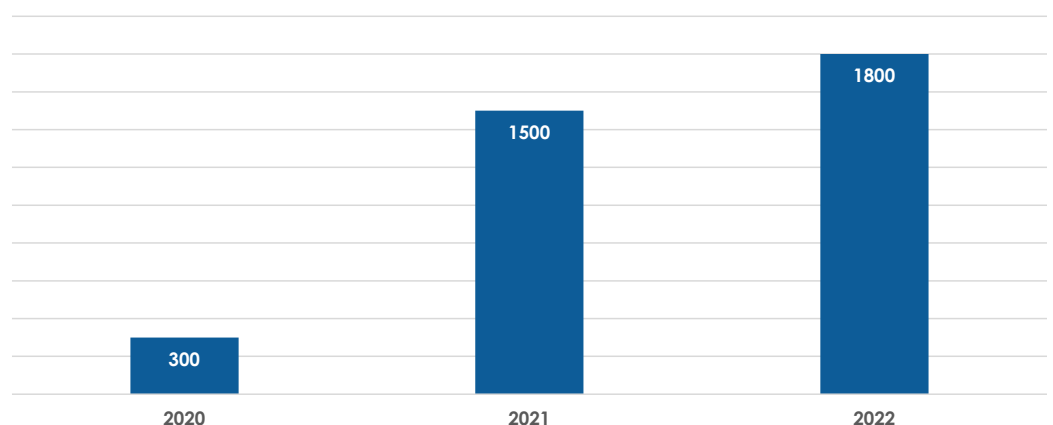
	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022E
Mutual Funds AUM (Eu mn)	887,408	900,318	1,011,183	955,114	1,071,299			
PIR Net Inflows (Eu mn)			10,903	3,950	(1,097)	(759)	323	2,038
<i>YoY Growth</i>				<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>530.9%</i>
o/w From Continuing Subs. (estimated)			-	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.

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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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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