

# Italian Mid Small Caps Monthly

## Lack of Short Term Catalysts To Trigger a Re-Rating

by Intermonte Research Team

Italian Equity Market

- **Performance (-/+).** The Italian equity market (prices as at 20<sup>th</sup> April 2022) has grown 2.5% in the last month and is down 9.3% YTD. The FTSE Italy Mid-Cap index (+0.2% in the last month) has underperformed the main index by 2.3% (-3.1% YTD on a relative basis), with the FTSE Italy Small Caps index (+4.8% in the last month) performing 2.3% better than the market in the last month, or +3.9% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has remained flat in the last month, performing worse than Italian small caps.
- **Estimates (=).** Since the beginning of the year we have implemented a -1.1% revision to our 2022 EPS estimates, despite some earnings upgrades to energy stocks, while we have cut forecasts for our mid/small cap coverage by 5.0%. In the last month, if we focus on our mid/small cap coverage, we have fine-tuned the 2022 EPS forecast by +0.2%.
- **Valuations (=).** If we compare YTD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded an 8.3% de-rating YTD, mid-caps have de-rated by 7.5% while small caps have re-rated 0.8%. On a P/E basis, our panel is trading at a 48% premium to large caps, well above the historical average premium (17%) but in line with the level one month ago (47%).
- **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 slightly below the yearly average, coming in 1.3% lower than the 1Y average, collapsing from one month ago when the same metric was +46.6%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -14.5% change, while for small caps the same metric has decreased by 19.3%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.23mn in the last month, down 5.6% on the corresponding period one year ago.
- **Investment strategy.** The month was characterised by continuing negative newsflow from Ukraine and a macro scenario still shaken by fears of stagflation. The Italian market featured lower trading volumes after the repositioning that took place in March. In weeks with poor company-specific newsflow (fresh updates will be provided in the coming weeks along with 1Q22 results) portfolio managers adopted a “wait-and-see approach” especially on high conviction mid/small caps, which makes sense, in our opinion. Some investors are looking at short-term catalysts such as the French elections as a potential positive trigger, but in general we are not expecting a massive re-rating any time soon. We remain confident, after some recent adverse weeks, on recommending names with a supportive outlook such as digital stocks, renewables, cyber security operators or companies involved in the green transition. 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.

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

## Performance

### Small caps outperforming mid-caps in what was a positive month overall

The Italian equity market (prices as at 20<sup>th</sup> April 2022) has grown 2.5% in the last month and is down 9.3% YTD. The FTSE Italy Mid-Cap index (+0.2% in the last month) has underperformed the main index by 2.3% (-3.1% YTD on a relative basis), with the FTSE Italy Small Caps index (+4.8% in the last month) performing 2.3% better than the market in the last month, or +3.9% on a relative basis since the beginning of 2022.

#### Italian Market Indexes – performance analysis (prices as at 20<sup>th</sup> April 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                                 | 43,671     | 0.2%                    | -9.1%                    | -13.2%                   | -12.4%              | 0.1%                   | 40.9%                   | 12.1%                   | 14.4%                   |
| FTSE Italia Small Cap                               | 30,653     | 4.8%                    | -4.5%                    | -3.0%                    | -5.4%               | 20.2%                  | 80.2%                   | 49.2%                   | 38.2%                   |
| FTSE Italia Star                                    | 53,262     | -2.5%                   | -12.0%                   | -15.7%                   | -17.5%              | 5.9%                   | 61.5%                   | 49.4%                   | 59.3%                   |
| FTSE AIM ITALIA                                     | 10,372     | 0.5%                    | -7.5%                    | -6.8%                    | -9.7%               | 14.8%                  | 49.8%                   | 17.4%                   | 19.7%                   |
| FTSE Italia All-Share                               | 27,163     | 2.5%                    | -9.6%                    | -7.0%                    | -9.3%               | 3.1%                   | 45.2%                   | 13.2%                   | 23.6%                   |
| FTSE MIB  | 24,878     | 2.7%                    | -9.8%                    | -6.4%                    | -9.0%               | 3.3%                   | 45.8%                   | 13.3%                   | 25.3%                   |
| <b>Relative Performance vs FTSE Italy All Share</b> |            | <b>% Change 1 Month</b> | <b>% Change 3 Months</b> | <b>% Change 6 Months</b> | <b>% Change YTD</b> | <b>% Change 1 Year</b> | <b>% Change 2 Years</b> | <b>% Change 3 Years</b> | <b>% Change 5 Years</b> |
| FTSE Italia Mid Cap                                 |            | -2.3%                   | 0.5%                     | -6.2%                    | -3.1%               | -3.0%                  | -4.2%                   | -1.1%                   | -9.2%                   |
| FTSE Italia Small Cap                               |            | 2.3%                    | 5.1%                     | 4.0%                     | 3.9%                | 17.1%                  | 35.0%                   | 36.0%                   | 14.6%                   |
| FTSE Italia Star                                    |            | -5.0%                   | -2.4%                    | -8.7%                    | -8.2%               | 2.8%                   | 16.3%                   | 36.3%                   | 35.7%                   |

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has remained flat in the last month, performing 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           | 154        | 1.2%             | -4.6%             | -1.3%             | -5.2%        | 7.0%            | 36.7%            | 16.6%            | 20.4%            |
| MSCI Europe Small Cap | 454        | 0.0%             | -6.6%             | -8.5%             | -9.6%        | -1.3%           | 49.9%            | 23.1%            | 29.0%            |

Source: FactSet

For individual stocks, in the following tables we rank the best and worst performers over two periods: the last month and the year to date.

**Intermonte Mid & Small Cap Coverage – best and worst performers, 1M**

| <b>Best Performers</b>       | <b>Price (Eu)</b> | <b>Market Cap (Eu mn)</b> | <b>Perf. 1M (%)</b> |
|------------------------------|-------------------|---------------------------|---------------------|
| SARAS                        | 0.91              | 863                       | 57%                 |
| AUTOGRILL                    | 6.97              | 2,684                     | 17%                 |
| ENAV                         | 4.70              | 2,546                     | 16%                 |
| ANIMA                        | 4.54              | 1,675                     | 15%                 |
| AVIO                         | 11.18             | 295                       | 15%                 |
| CIVITANAVI SYSTEMS           | 4.52              | 139                       | 13%                 |
| LU-VE                        | 20.90             | 465                       | 11%                 |
| CYBEROO                      | 7.92              | 78                        | 10%                 |
| DOVALUE                      | 8.11              | 649                       | 10%                 |
| BANCA SISTEMA                | 2.05              | 164                       | 10%                 |
| NOTORIOUS PICTURES           | 1.61              | 36                        | 10%                 |
| IREN                         | 2.52              | 3,276                     | 9%                  |
| ILBE                         | 2.17              | 52                        | 9%                  |
| IGD                          | 4.65              | 513                       | 9%                  |
| PHARMANUTRA                  | 65.00             | 629                       | 8%                  |
| ELICA                        | 3.36              | 213                       | 8%                  |
| INDEL B                      | 23.30             | 136                       | 8%                  |
| ERG                          | 32.50             | 4,885                     | 8%                  |
| FILA                         | 9.65              | 415                       | 8%                  |
| SOGEFI                       | 0.92              | 111                       | 6%                  |
| <b>FTSE Italia Mid Cap</b>   |                   |                           | 0%                  |
| <b>FTSE Italia Small Cap</b> |                   |                           | 5%                  |
| <b>FTSE MIB</b>              |                   |                           | 3%                  |
| <b>Worst Performers</b>      | <b>Price (Eu)</b> | <b>Market Cap (Eu mn)</b> | <b>Perf. 1M (%)</b> |
| FINE FOODS                   | 8.88              | 196                       | -29%                |
| SERI INDUSTRIAL              | 7.62              | 373                       | -11%                |
| TINEXTA                      | 24.20             | 1,142                     | -11%                |
| REPLY                        | 140.80            | 5,268                     | -10%                |
| MEDIA FOR EUROPE             | 0.98              | 1,825                     | -8%                 |
| RELATECH                     | 2.27              | 86                        | -8%                 |
| WIIT                         | 27.28             | 764                       | -7%                 |
| DATALOGIC                    | 9.44              | 551                       | -6%                 |
| SOMEC                        | 28.30             | 195                       | -6%                 |
| DE' LONGHI                   | 24.00             | 3,622                     | -6%                 |
| BREMBO                       | 9.49              | 3,169                     | -6%                 |
| SALCEF GROUP                 | 19.04             | 1,188                     | -5%                 |
| PIAGGIO                      | 2.40              | 860                       | -5%                 |
| SERVIZI ITALIA               | 1.75              | 56                        | -5%                 |
| CEMENTIR                     | 6.77              | 1,077                     | -4%                 |
| AMBIENTHESIS                 | 0.91              | 85                        | -4%                 |
| SCIUKER FRAMES               | 8.06              | 175                       | -4%                 |
| MONDADORI                    | 1.99              | 520                       | -4%                 |
| BRUNELLO CUCINELLI           | 52.10             | 3,543                     | -4%                 |
| EL.EN.                       | 13.51             | 1,078                     | -4%                 |

Source: FactSet

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

| <b>Best Performers</b>       | <b>Price (Eu)</b> | <b>Market Cap (Eu mn)</b> | <b>Perf. YTD (%)</b> |
|------------------------------|-------------------|---------------------------|----------------------|
| SARAS                        | 0.91              | 863                       | 65%                  |
| TESMEC                       | 0.14              | 87                        | 34%                  |
| IGD                          | 4.65              | 513                       | 20%                  |
| ENAV                         | 4.70              | 2,546                     | 20%                  |
| ERG                          | 32.50             | 4,885                     | 14%                  |
| AUTOGRILL                    | 6.97              | 2,684                     | 12%                  |
| RAI WAY                      | 5.79              | 1,575                     | 11%                  |
| UNIPOLSAI                    | 2.71              | 7,657                     | 9%                   |
| CYBEROO                      | 7.92              | 78                        | 6%                   |
| BANCA IFIS                   | 18.04             | 971                       | 6%                   |
| CREDITO EMILIANO             | 6.07              | 2,072                     | 4%                   |
| FALCK RENEWABLES             | 8.82              | 2,874                     | 2%                   |
| ANIMA                        | 4.54              | 1,675                     | 1%                   |
| DEA CAPITAL                  | 1.32              | 352                       | 1%                   |
| FINCANTIERI                  | 0.61              | 1,034                     | 1%                   |
| FILA                         | 9.65              | 415                       | -1%                  |
| NOTORIOUS PICTURES           | 1.61              | 36                        | -1%                  |
| MONDADORI                    | 1.99              | 520                       | -3%                  |
| SABABA SECURITY              | 3.62              | 27                        | -3%                  |
| BANCA SISTEMA                | 2.05              | 164                       | -3%                  |
| <b>FTSE Italia Mid Cap</b>   |                   |                           | -12%                 |
| <b>FTSE Italia Small Cap</b> |                   |                           | -5%                  |
| <b>FTSE MIB</b>              |                   |                           | -9%                  |
| <b>Worst Performers</b>      | <b>Price (Eu)</b> | <b>Market Cap (Eu mn)</b> | <b>Perf. YTD (%)</b> |
| FINE FOODS                   | 8.88              | 196                       | -42%                 |
| DATALOGIC                    | 9.44              | 551                       | -38%                 |
| TINEXTA                      | 24.20             | 1,142                     | -37%                 |
| EMAK                         | 1.49              | 244                       | -30%                 |
| ELES                         | 2.61              | 34                        | -29%                 |
| MAIRE TECNIMONT              | 3.00              | 985                       | -28%                 |
| FERRAGAMO                    | 16.53             | 2,790                     | -27%                 |
| OVS GROUP                    | 1.90              | 552                       | -26%                 |
| ESPRINET                     | 9.67              | 492                       | -25%                 |
| SOMEC                        | 28.30             | 195                       | -25%                 |
| BREMBOS                      | 9.49              | 3,169                     | -24%                 |
| ALKEMY                       | 17.20             | 98                        | -24%                 |
| WIIT                         | 27.28             | 764                       | -24%                 |
| DE' LONGHI                   | 24.00             | 3,622                     | -24%                 |
| SCIUKER FRAMES               | 8.06              | 175                       | -23%                 |
| SALCEF GROUP                 | 19.04             | 1,188                     | -23%                 |
| SOGEFI                       | 0.92              | 111                       | -22%                 |
| MEDIA FOR EUROPE             | 0.98              | 1,825                     | -22%                 |
| ABITARE IN                   | 6.50              | 172                       | -21%                 |
| SERI INDUSTRIAL              | 7.62              | 373                       | -21%                 |

Source: FactSet

## Earnings Momentum

### 2022 forecasts for our Mid/Small Cap coverage left unchanged in the last month

Since the beginning of the year we have implemented a -1.1% revision to our 2022 EPS estimates, despite some earnings upgrades to energy stocks, while we have cut forecasts for our mid/small cap coverage by 5.0%. In the last month, if we focus on our mid/small cap coverage, we have fine-tuned the 2022 EPS forecast by +0.2%.

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

| EPS REVISION                       | Since January 1st 2022 |                   | Since 19/3/2022   |                   |
|------------------------------------|------------------------|-------------------|-------------------|-------------------|
|                                    | % chg in EPS FY22      | % chg in EPS FY23 | % chg in EPS FY22 | % chg in EPS FY23 |
| <b>Total Market</b>                | -1.1%                  | 1.3%              | -5.7%             | -4.0%             |
| <b>Total Market - Ex Energy</b>    | -6.2%                  | -2.6%             | -7.7%             | -5.3%             |
| Domestic                           | -5.7%                  | -2.2%             | -4.9%             | -2.9%             |
| Non domestic                       | 3.9%                   | 5.0%              | -6.4%             | -5.2%             |
| Non domestic - Ex Energy           | -7.0%                  | -3.1%             | -11.4%            | -8.2%             |
| <b>FTSE MIB</b>                    | -0.7%                  | 1.7%              | -6.2%             | -4.5%             |
| <b>Mid Caps (our coverage)</b>     | -4.9%                  | -2.6%             | 0.5%              | 0.5%              |
| <b>Small Caps (our coverage)</b>   | -6.1%                  | -1.3%             | -2.3%             | -0.1%             |
| Intermonte Mid&Small Caps coverage | -5.0%                  | -2.4%             | 0.2%              | 0.4%              |

Source: Intermonte SIM

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 |
|--------------------------|---------------------------------------|--------------------------------------|---------------------|
| <b>Upward Revision</b>   |                                       |                                      |                     |
| SARAS                    | -25                                   | 74                                   | 398.2%              |
| TOD'S                    | 6                                     | 18                                   | 197.2%              |
| CY4GATE                  | 6                                     | 11                                   | 76.8%               |
| BRUNELLO CUCINELLI       | 51                                    | 62                                   | 21.8%               |
| TXT E-SOLUTIONS          | 7                                     | 8                                    | 16.8%               |
| SCIUKER FRAMES           | 16                                    | 18                                   | 16.4%               |
| MEDIA FOR EUROPE         | 294                                   | 324                                  | 10.1%               |
| ALKEMY                   | 6                                     | 7                                    | 7.2%                |
| ILBE                     | 14                                    | 15                                   | 5.4%                |
| EL.EN.                   | 49                                    | 51                                   | 5.2%                |
| <b>Downward Revision</b> |                                       |                                      |                     |
| FINE FOODS               | 14                                    | 6                                    | -58.9%              |
| DATALOGIC                | 47                                    | 22                                   | -53.0%              |
| SOGEFI                   | 36                                    | 21                                   | -39.9%              |
| ABITARE IN               | 30                                    | 18                                   | -39.3%              |
| TESMEC                   | 13                                    | 9                                    | -34.0%              |
| CELLULARLINE             | 14                                    | 9                                    | -33.2%              |

Source: Intermonte SIM

## 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 an 8.3% de-rating YTD, mid-caps have de-rated by 7.5% while small-caps have re-rated 0.8%.

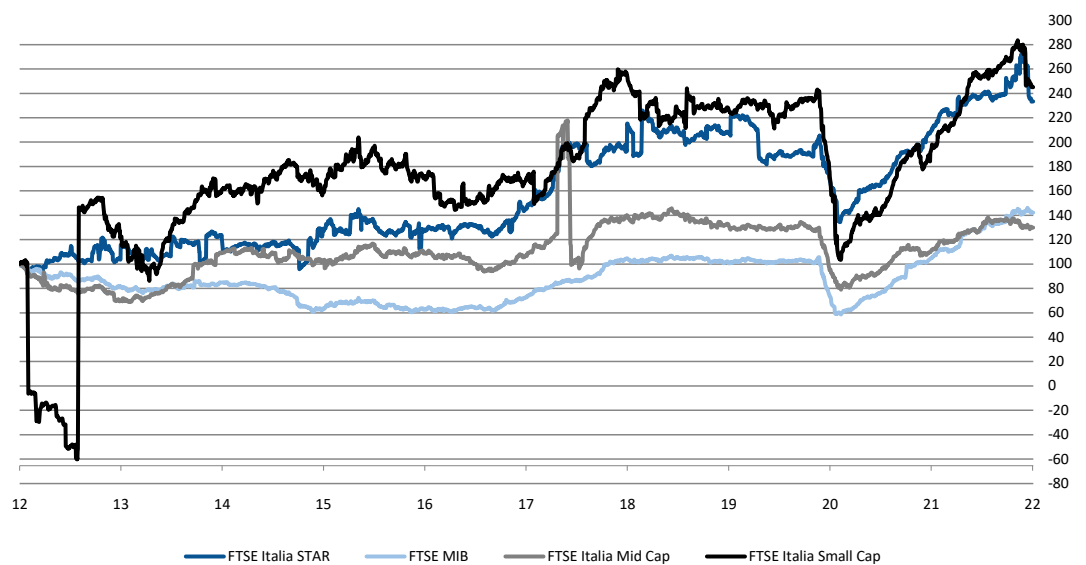
#### Italian Market – re/de-rating by index

| Index                 | % Change YTD | on FY22 estimates |              |
|-----------------------|--------------|-------------------|--------------|
|                       |              | Chg in estimates  | Re/De-rating |
| FTSE MIB              | -9.0%        | -0.7%             | -8.3%        |
| FTSE Italia Mid Cap   | -12.4%       | -4.9%             | -7.5%        |
| FTSE Italia Small Cap | -5.4%        | -6.1%             | 0.8%         |

Source: Intermonte SIM and FactSet

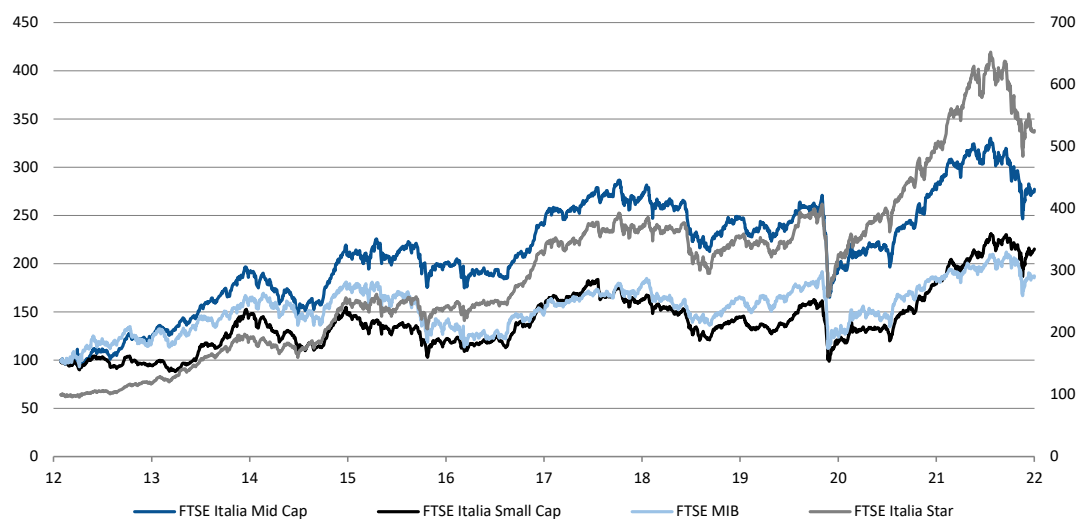
The following graph shows earnings direction over the last 10 years.

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



Source: FactSet

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

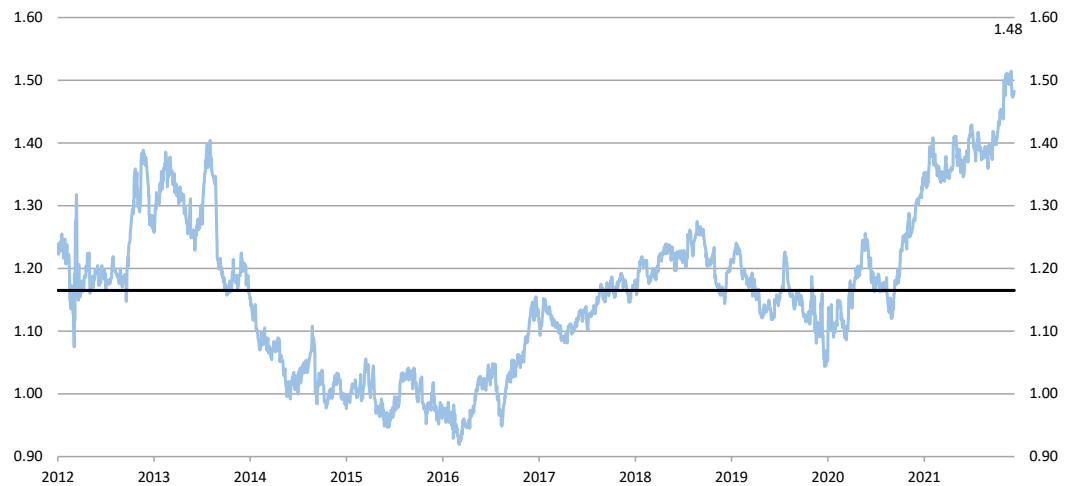


Source: FactSet

In addition to our analysis of the main Italian market indices, we have also compared valuations for our panel of Italian mid/small caps against the main FTSE MIB index.

**On a P/E basis, our panel is trading at a 48% premium to large caps, well above the historical average premium (17%) but in line with the level one month ago (47%).**

**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 |
|-----------------------------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|---------|--------|--------|-----------------------------|-----------------|----------------|
| <b>FTSE MIB</b>             | 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          | -38.4%         |
| <b>FTSE Italy Mid Cap</b>   | 9.5 x  | 18.0 x | 17.3 x | 15.4 x  | 15.4 x | 22.0 x | 20.2 x | 16.6 x | 18.4 x | 19.2 x | 60.7 x  | 18.3 x | 17.4 x | -                           | 18.3 x          | -5.1%          |
| <b>FTSE Italy Small Cap</b> | 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 | 17.1 x | -                           | 27.2 x          | -36.9%         |
| <b>Germany DAX (TR)</b>     | 12.8 x | 11.7 x | 11.2 x | 14.5 x  | 16.4 x | 12.8 x | 15.4 x | 14.4 x | 14.3 x | 15.1 x | 20.8 x  | 13.1 x | 12.4 x | 28.1%                       | 14.4 x          | -14.2%         |
| <b>Germany MDAX</b>         | 14.8 x | 15.8 x | 30.1 x | 28.2 x  | 25.2 x | 17.6 x | 19.7 x | 20.6 x | 16.5 x | 19.5 x | 43.8 x  | 26.6 x | 17.0 x | -2.1%                       | 22.9 x          | -25.6%         |
| <b>France CAC 40</b>        | 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 | 13.2 x | 36.5%                       | 16.0 x          | -17.6%         |
| <b>France CAC Mid 60</b>    | 18.5 x | 15.4 x | 17.7 x | 22.7 x  | 25.3 x | 20.5 x | 20.4 x | 34.2 x | 16.6 x | 15.6 x | -31.9 x | 20.2 x | 15.0 x | -14.0%                      | 20.3 x          | -26.2%         |
| <b>France CAC Small</b>     | 17.8 x | n.m.   | 24.5 x | 29.9 x  | 25.6 x | 26.4 x | 28.8 x | 33.6 x | 30.6 x | 31.6 x | -77.1 x | 45.0 x | 19.3 x | 12.7%                       | 29.4 x          | -34.2%         |
| <b>FTSE 100</b>             | 12.3 x | 11.1 x | 12.3 x | 15.1 x  | 14.9 x | 15.4 x | 18.2 x | 14.7 x | 13.2 x | 12.6 x | 21.1 x  | 13.0 x | 11.3 x | 17.3%                       | 14.8 x          | -23.2%         |
| <b>FTSE 250</b>             | 15.0 x | 13.7 x | 15.4 x | 17.9 x  | 19.0 x | 16.8 x | 16.3 x | 14.7 x | 13.1 x | 13.7 x | 43.8 x  | 21.2 x | 14.4 x | -17.5%                      | 16.5 x          | -13.2%         |
| <b>IBEX 35</b>              | 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  | 11.9 x | 11.9 x | 23.0%                       | 17.4 x          | -31.7%         |
| <b>IBEX MEDIUM</b>          | 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 | -27.3%                      | 18.6 x          | -32.0%         |

Source: Intermonte SIM and FactSet

**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%                   | 34%                   | 68.0%                     |
| ERG                | 167.3                                 | 138.9                                | -17%                   | 14%                   | 31.3%                     |
| CREDITO EMILIANO   | 236.0                                 | 196.4                                | -17%                   | 4%                    | 21.1%                     |
| CELLULARLINE       | 14.0                                  | 9.3                                  | -33%                   | (14%)                 | 19.7%                     |
| ENAV               | 97.9                                  | 97.9                                 | 0%                     | 20%                   | 19.6%                     |
| SOGEFI             | 35.7                                  | 21.4                                 | -40%                   | (22%)                 | 17.7%                     |
| IGD                | 68.9                                  | 71.1                                 | 3%                     | 20%                   | 17.2%                     |
| FINE FOODS         | 13.7                                  | 5.6                                  | -59%                   | (42%)                 | 16.6%                     |
| DATALOGIC          | 47.3                                  | 22.2                                 | -53%                   | (38%)                 | 14.7%                     |
| DOVALUE            | 65.1                                  | 53.8                                 | -17%                   | (3%)                  | 14.0%                     |
| BANCA IFIS         | 110.8                                 | 102.8                                | -7%                    | 6%                    | 12.9%                     |
| RAI WAY            | 68.5                                  | 68.0                                 | -1%                    | 11%                   | 11.7%                     |
| AUTOGRILL          | -27.9                                 | -27.9                                | 0%                     | 12%                   | 11.6%                     |
| UNIPOLSAI          | 740.4                                 | 746.0                                | 1%                     | 9%                    | 8.3%                      |
| BUZZI-UNICEM       | 477.3                                 | 416.0                                | -13%                   | (6%)                  | 6.4%                      |
| OMER               | 10.9                                  | 8.9                                  | -18%                   | (13%)                 | 5.7%                      |
| ANIMA              | 198.5                                 | 191.0                                | -4%                    | 1%                    | 5.0%                      |
| MARR               | 59.2                                  | 48.1                                 | -19%                   | (15%)                 | 3.6%                      |
| FALCK RENEWABLES   | 46.5                                  | 46.3                                 | -1%                    | 2%                    | 2.3%                      |
| BANCA SISTEMA      | 25.3                                  | 24.1                                 | -5%                    | (3%)                  | 1.9%                      |
| CYBEROO            | 3.6                                   | 3.8                                  | 5%                     | 6%                    | 1.8%                      |
| DEA CAPITAL        | 18.0                                  | 18.0                                 | 0%                     | 1%                    | 0.9%                      |
| FINCANTIERI        | 146.0                                 | 146.0                                | 0%                     | 1%                    | 0.8%                      |
| DE' LONGHI         | 347.8                                 | 263.3                                | -24%                   | (24%)                 | 0.4%                      |
| LU-VE              | 28.6                                  | 24.9                                 | -13%                   | (13%)                 | 0.1%                      |
| IREN               | 294.7                                 | 282.1                                | -4%                    | (5%)                  | (0.8%)                    |
| NOTORIOUS PICTURES | 5.7                                   | 5.7                                  | 0%                     | (1%)                  | (1.2%)                    |
| SAES GETTERS       | 23.1                                  | 21.3                                 | -8%                    | (9%)                  | (1.4%)                    |
| BREMBO             | 268.6                                 | 207.9                                | -23%                   | (24%)                 | (1.7%)                    |
| SAFILO             | 28.6                                  | 28.6                                 | 0%                     | (4%)                  | (3.9%)                    |
| AVIO               | 12.2                                  | 12.2                                 | 0%                     | (4%)                  | (4.4%)                    |
| FILA               | 51.7                                  | 53.8                                 | 4%                     | (1%)                  | (4.8%)                    |
| SERVIZI ITALIA     | 4.8                                   | 4.3                                  | -11%                   | (16%)                 | (5.1%)                    |
| FERRAGAMO          | 81.7                                  | 64.1                                 | -22%                   | (27%)                 | (5.1%)                    |
| ACEA               | 340.7                                 | 326.6                                | -4%                    | (10%)                 | (5.6%)                    |
| IEG                | 0.1                                   | 0.1                                  | 0%                     | (6%)                  | (5.6%)                    |
| MONDADORI          | 51.4                                  | 53.6                                 | 4%                     | (3%)                  | (6.8%)                    |
| SALCEF GROUP       | 60.2                                  | 50.9                                 | -15%                   | (23%)                 | (7.5%)                    |
| FOS                | 1.6                                   | 1.5                                  | -4%                    | (13%)                 | (8.3%)                    |
| ELICA              | 20.6                                  | 21.0                                 | 2%                     | (8%)                  | (9.9%)                    |
| WIIT               | 16.6                                  | 14.4                                 | -13%                   | (24%)                 | (10.4%)                   |
| CEMENTIR           | 149.3                                 | 136.3                                | -9%                    | (19%)                 | (10.5%)                   |
| TECHNOGYM          | 76.4                                  | 72.8                                 | -5%                    | (15%)                 | (10.8%)                   |
| AQUAFIL            | 22.9                                  | 22.1                                 | -3%                    | (15%)                 | (11.1%)                   |
| PIAGGIO            | 85.9                                  | 81.5                                 | -5%                    | (16%)                 | (11.4%)                   |
| PHARMANUTRA        | 14.4                                  | 14.2                                 | -1%                    | (14%)                 | (12.7%)                   |
| INDEL B            | 16.7                                  | 16.7                                 | 0%                     | (13%)                 | (13.1%)                   |
| SESA               | 78.6                                  | 80.2                                 | 2%                     | (14%)                 | (16.3%)                   |
| SOMEK              | 11.0                                  | 10.1                                 | -8%                    | (25%)                 | (17.2%)                   |
| GEFRAN             | 11.2                                  | 11.2                                 | 0%                     | (17%)                 | (17.3%)                   |
| GPI                | 14.5                                  | 14.2                                 | -2%                    | (20%)                 | (17.6%)                   |
| EL.EN.             | 48.7                                  | 51.3                                 | 5%                     | (13%)                 | (18.5%)                   |
| WEBUILD            | 157.8                                 | 157.8                                | 0%                     | (19%)                 | (18.8%)                   |
| RELATECH           | 6.2                                   | 6.2                                  | 0%                     | (19%)                 | (18.9%)                   |
| GEOX               | -5.0                                  | -5.0                                 | 0%                     | (20%)                 | (19.6%)                   |
| TXT E-SOLUTIONS    | 6.9                                   | 8.1                                  | 17%                    | (3%)                  | (20.0%)                   |
| SERI INDUSTRIAL    | 12.2                                  | 12.2                                 | 0%                     | (21%)                 | (21.4%)                   |
| EMAK               | 36.3                                  | 33.4                                 | -8%                    | (30%)                 | (21.5%)                   |
| ILBE               | 14.2                                  | 15.0                                 | 5%                     | (16%)                 | (21.5%)                   |
| AMBIENTHESIS       | 13.6                                  | 14.0                                 | 3%                     | (20%)                 | (23.1%)                   |
| ESPRINET           | 56.2                                  | 55.8                                 | -1%                    | (25%)                 | (24.5%)                   |
| REPLY              | 168.5                                 | 176.0                                | 4%                     | (21%)                 | (25.7%)                   |
| TINEXTA            | 67.2                                  | 60.0                                 | -11%                   | (37%)                 | (25.8%)                   |
| OVS GROUP          | 61.8                                  | 61.8                                 | 0%                     | (26%)                 | (25.9%)                   |
| ELES               | 1.7                                   | 1.7                                  | 0%                     | (29%)                 | (28.7%)                   |
| ALKEMY             | 6.1                                   | 6.6                                  | 7%                     | (24%)                 | (31.5%)                   |
| MEDIA FOR EUROPE   | 294.0                                 | 323.6                                | 10%                    | (22%)                 | (31.6%)                   |

Source: Intermonte SIM



## Liquidity

### Lower liquidity 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 slightly below the yearly average, coming in 1.3% lower than the 1Y average, collapsing from one month ago when the same metric was +46.6%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -14.5% change, while for small caps the same metric has decreased by 19.3%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.23mn in the last month, down 5.6% on the corresponding period one year ago.

#### Italian Market – liquidity analysis

|                              | Avg Daily Volume * Avg Price (Eu mn) |        |        |        |        | % Changes |          |
|------------------------------|--------------------------------------|--------|--------|--------|--------|-----------|----------|
|                              | 1M                                   | 3M     | 6M     | 1Y     | 3Y     | 1M vs 1Y  | 3M vs 1Y |
| <b>FTSE MIB</b>              |                                      |        |        |        |        |           |          |
| All stocks                   | 53.70                                | 67.77  | 60.78  | 54.42  | 52.55  | (1.3%)    | 24.5%    |
| Top 20% by market cap        | 155.09                               | 209.68 | 184.55 | 164.59 | 154.36 | (5.8%)    | 27.4%    |
| <b>FTSE Italia Mid Cap</b>   |                                      |        |        |        |        |           |          |
| All stocks                   | 2.88                                 | 3.44   | 3.41   | 3.36   | 3.04   | (14.5%)   | 2.3%     |
| Top 20% by market cap        | 6.16                                 | 6.95   | 6.88   | 6.34   | 6.10   | (2.9%)    | 9.7%     |
| <b>FTSE Italia Small Cap</b> |                                      |        |        |        |        |           |          |
| All stocks                   | 0.46                                 | 0.52   | 0.56   | 0.57   | 0.46   | (19.3%)   | (8.8%)   |
| Top 20% by market cap        | 1.46                                 | 1.63   | 1.79   | 1.78   | 1.33   | (18.2%)   | (8.5%)   |

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) |
|--------------------|--------------------|--------------------------------|
| BUZZI-UNICEM       | 3,419              | 14,567,309                     |
| FALCK RENEWABLES   | 2,874              | 11,708,179                     |
| FERRAGAMO          | 2,790              | 10,314,460                     |
| AUTOGRILL          | 2,684              | 10,013,921                     |
| SARAS              | 863                | 7,782,198                      |
| REPLY              | 5,268              | 7,444,729                      |
| OVS GROUP          | 552                | 7,147,452                      |
| ERG                | 4,885              | 6,718,788                      |
| UNIPOLSAI          | 7,657              | 6,335,223                      |
| BREMBO             | 3,169              | 6,063,358                      |
| ANIMA              | 1,675              | 5,632,838                      |
| MAIRE TECNIMONT    | 985                | 5,252,831                      |
| TOD'S              | 1,321              | 5,174,363                      |
| DE' LONGHI         | 3,622              | 5,025,079                      |
| TECHNOGYM          | 1,438              | 4,807,657                      |
| BRUNELLO CUCINELLI | 3,543              | 4,475,563                      |
| IREN               | 3,276              | 4,411,819                      |
| WEBUILD            | 1,700              | 3,992,455                      |
| BANCA IFIS         | 971                | 3,974,826                      |
| SESA               | 2,307              | 3,678,306                      |
| TINEXTA            | 1,142              | 3,285,518                      |
| EL.EN.             | 1,078              | 2,973,100                      |
| ESPRINET           | 492                | 2,829,017                      |
| ENAV               | 2,546              | 2,609,972                      |
| SAFILO             | 625                | 2,271,317                      |
| PIAGGIO            | 860                | 2,147,886                      |
| ACEA               | 3,608              | 2,111,731                      |
| FINCANTIERI        | 1,034              | 1,981,540                      |
| TIP                | 1,663              | 1,966,532                      |

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) |
|----------------------------|-------|-----------------------------------|------------------------------|---------------|--|---|
| <b>Intermonte Coverage</b> | 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 2023 vs. 2022, and the highest 2022 dividend yields, can be found in the following tables.

### Intermonte Mid & Small Cap Coverage – dividend yield 2022

| Stock              | Price (Eu) | Mkt Cap (Eu mn) | EPS 22 | DPS 22 | Yield 22 % | PayOut 22 % | Net Debt/EBITDA 22 |
|--------------------|------------|-----------------|--------|--------|------------|-------------|--------------------|
| IGD                | 4.7        | 513             | 0.644  | 0.399  | 8.6%       | 62%         | 9.2x               |
| DOVALUE            | 8.1        | 649             | 0.672  | 0.606  | 7.5%       | 90%         | 1.8x               |
| PIAGGIO            | 2.4        | 860             | 0.228  | 0.171  | 7.1%       | 75%         | 1.3x               |
| UNIPOLSAI          | 2.7        | 7,657           | 0.269  | 0.190  | 7.0%       | 71%         |                    |
| NOTORIOUS PICTURES | 1.6        | 36              | 0.253  | 0.101  | 6.3%       | 40%         | 1.0x               |
| MAIRE TECNIMONT    | 3.0        | 985             | 0.286  | 0.183  | 6.1%       | 64%         | 0.0x               |
| BANCA IFIS         | 18.0       | 971             | 1.910  | 1.050  | 5.8%       | 55%         |                    |
| ESPRINET           | 9.7        | 492             | 1.108  | 0.554  | 5.7%       | 50%         | 2.5x               |
| ANIMA              | 4.5        | 1,675           | 0.531  | 0.250  | 5.5%       | 47%         |                    |
| EMAK               | 1.5        | 244             | 0.204  | 0.082  | 5.5%       | 40%         | 1.7x               |
| ACEA               | 16.9       | 3,608           | 1.534  | 0.893  | 5.3%       | 58%         | 3.3x               |
| MEDIA FOR EUROPE   | 1.0        | 1,825           | 0.142  | 0.050  | 5.1%       | 35%         | 0.6x               |
| GEFRAN             | 9.3        | 134             | 0.776  | 0.466  | 5.0%       | 60%         | 0.0x               |
| MONDADORI          | 2.0        | 520             | 0.206  | 0.098  | 4.9%       |             | 1.3x               |
| CREDITO EMILIANO   | 6.1        | 2,072           | 0.575  | 0.300  | 4.9%       | 52%         |                    |
| IREN               | 2.5        | 3,276           | 0.217  | 0.115  | 4.6%       | 53%         | 3.4x               |
| DEA CAPITAL        | 1.3        | 352             | 0.067  | 0.060  | 4.5%       | 89%         | 5.6x               |
| RAI WAY            | 5.8        | 1,575           | 0.250  | 0.242  | 4.2%       | 97%         | 1.1x               |
| ENAV               | 4.7        | 2,546           | 0.181  | 0.190  | 4.0%       | 105%        | 1.8x               |
| IEG                | 2.5        | 78              | 0.002  | 0.100  | 4.0%       | 5917%       | 3.0x               |
| BANCA SISTEMA      | 2.0        | 164             | 0.300  | 0.075  | 3.7%       | 25%         |                    |
| MARR               | 16.0       | 1,066           | 0.723  | 0.579  | 3.6%       | 80%         | 1.3x               |
| CELLULARLINE       | 3.7        | 81              | 0.427  | 0.128  | 3.5%       | 30%         | 1.4x               |
| WEBUILD            | 1.7        | 1,700           | 0.158  | 0.055  | 3.3%       | 35%         | 0.4x               |
| INDEL B            | 23.3       | 136             | 2.857  | 0.685  | 2.9%       | 24%         | 0.1x               |
| AQUAFIL            | 6.5        | 280             | 0.431  | 0.186  | 2.9%       | 43%         | 2.5x               |
| CEMENTIR           | 6.8        | 1,077           | 0.857  | 0.190  | 2.8%       | 22%         | 0.2x               |
| ERG                | 32.5       | 4,885           | 0.924  | 0.900  | 2.8%       | 97%         | 2.2x               |
| BREMBO             | 9.5        | 3,169           | 0.643  | 0.261  | 2.7%       | 41%         | 0.7x               |
| DE' LONGHI         | 24.0       | 3,622           | 1.761  | 0.629  | 2.6%       | 36%         | 1.1x               |

Source: Intermonte SIM and FactSet

**Intermonte Mid & Small Cap Coverage – EPS growth, 2023 vs 2022**

| Stock                 | Price (Eu) | Mkt Cap (Eu mn) | P/E 22 | P/E 23 | EPS Growth |
|-----------------------|------------|-----------------|--------|--------|------------|
| IEG                   | 2.5        | 78              | nm     | 6.0    | 24835%     |
| CYBEROO               | 7.9        | 78              | 21.8   | 8.8    | 149%       |
| SABABA SECURITY       | 3.6        | 27              | 24.3   | 11.3   | 115%       |
| FINE FOODS            | 8.9        | 196             | 40.4   | 19.2   | 110%       |
| TOD'S                 | 39.9       | 1,321           | 72.1   | 35.7   | 102%       |
| TESMEC                | 0.1        | 87              | 9.9    | 5.2    | 89%        |
| DATALOGIC             | 9.4        | 551             | 24.8   | 13.4   | 86%        |
| ABITARE IN            | 6.5        | 172             | 9.5    | 5.1    | 85%        |
| SERVIZI ITALIA        | 1.7        | 56              | 13.0   | 7.2    | 82%        |
| CIVITANAVI SYSTEMS    | 4.5        | 139             | 16.0   | 9.1    | 76%        |
| SOGEFI                | 0.9        | 111             | 5.1    | 3.1    | 65%        |
| ELES                  | 2.6        | 34              | 20.5   | 12.6   | 63%        |
| SERI INDUSTRIAL       | 7.6        | 373             | 30.1   | 19.0   | 59%        |
| CELLULARLINE          | 3.7        | 81              | 8.7    | 5.7    | 53%        |
| FERRAGAMO             | 16.5       | 2,790           | 43.5   | 29.4   | 48%        |
| SOMEC                 | 28.3       | 195             | 19.3   | 13.4   | 44%        |
| THE ITALIAN SEA GROUP | 5.7        | 303             | 12.1   | 8.4    | 43%        |
| SAES GETTERS          | 22.4       | 442             | 23.2   | 16.5   | 41%        |
| FINCANTIERI           | 0.6        | 1,034           | 7.1    | 5.1    | 40%        |
| DEA CAPITAL           | 1.3        | 352             | 19.6   | 14.1   | 39%        |
| SCIUKER FRAMES        | 8.1        | 175             | 9.6    | 6.9    | 38%        |
| MATICA FINTEC         | 2.3        | 25              | 15.9   | 11.7   | 36%        |
| LU-VE                 | 20.9       | 465             | 18.7   | 14.2   | 32%        |
| WIIT                  | 27.3       | 764             | 53.1   | 40.5   | 31%        |
| AVIO                  | 11.2       | 295             | 24.9   | 19.1   | 30%        |
| RELATECH              | 2.3        | 86              | 13.7   | 10.6   | 29%        |
| FALCK RENEWABLES      | 8.8        | 2,874           | 55.5   | 43.2   | 29%        |
| WEBUILD               | 1.7        | 1,700           | 10.7   | 8.4    | 28%        |
| SARAS                 | 0.9        | 863             | 11.6   | 9.1    | 28%        |
| ELICA                 | 3.4        | 213             | 10.3   | 8.1    | 27%        |
| GPI                   | 13.1       | 239             | 16.5   | 13.0   | 27%        |
| FOS                   | 3.4        | 21              | 14.2   | 11.3   | 26%        |
| SALCEF GROUP          | 19.0       | 1,188           | 23.3   | 18.5   | 26%        |
| CY4GATE               | 10.7       | 251             | 21.5   | 17.2   | 25%        |
| PIAGGIO               | 2.4        | 860             | 10.5   | 8.4    | 25%        |
| MARR                  | 16.0       | 1,066           | 22.2   | 17.8   | 25%        |
| TECHNOGYM             | 7.1        | 1,438           | 19.7   | 16.1   | 23%        |
| NOTORIOUS PICTURES    | 1.6        | 36              | 6.4    | 5.2    | 22%        |
| BANCA SISTEMA         | 2.0        | 164             | 6.8    | 5.6    | 21%        |

Source: Intermonte SIM and FactSet

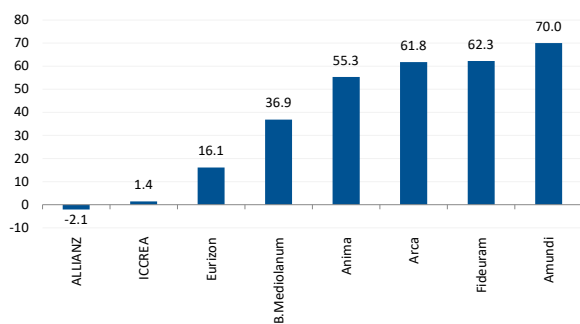
## Update on the Individual Savings Plan (PIR)

PIR: official figures for 4Q21

|                           | Net Inflows     |                 |                 |                 |                 |                 |                 |                 |                 | Nr. Of Funds                |               | Invested Capital            |               |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------------|---------------|-----------------------------|---------------|
|                           | 4Q21<br>(Eu mn) | 3Q21<br>(Eu mn) | 2Q21<br>(Eu mn) | 1Q21<br>(Eu mn) | 4Q20<br>(Eu mn) | FY21<br>(Eu mn) | FY20<br>(Eu mn) | FY19<br>(Eu mn) | FY18<br>(Eu mn) | at December 2021<br># Funds | %             | at December 2021<br>(Eu mn) | in %          |
| <b>Total</b>              | <b>380</b>      | <b>155</b>      | <b>106</b>      | <b>(316)</b>    | <b>(403)</b>    | <b>323</b>      | <b>(759)</b>    | <b>(1,097)</b>  | <b>3,950</b>    | <b>68</b>                   | <b>100.0%</b> | <b>21,194</b>               | <b>100.0%</b> |
| 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%         |
| <b>EQUITY FUNDS</b>       | <b>154</b>      | <b>40</b>       | <b>109</b>      | <b>(23)</b>     | <b>(74)</b>     | <b>280</b>      | <b>(281)</b>    | <b>(369)</b>    | <b>349</b>      | <b>26</b>                   | <b>38.2%</b>  | <b>6,535</b>                | <b>30.8%</b>  |
| o/w Italy Equity          | 154             | 40              | 109             | (23)            | (74)            | 280             | (281)           | (369)           | 349             | 26                          | 38.2%         | 6,535                       | 30.8%         |
| <b>BALANCED FUNDS</b>     | <b>177</b>      | <b>103</b>      | <b>43</b>       | <b>(109)</b>    | <b>(194)</b>    | <b>214</b>      | <b>(321)</b>    | <b>(587)</b>    | <b>2,525</b>    | <b>26</b>                   | <b>38.2%</b>  | <b>9,097</b>                | <b>42.9%</b>  |
| 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%         |
| <b>FIXED INCOME FUNDS</b> | <b>7</b>        | <b>7</b>        | <b>4</b>        | <b>(1)</b>      | <b>(3)</b>      | <b>17</b>       | <b>(1)</b>      | <b>(20)</b>     | <b>10</b>       | <b>4</b>                    | <b>5.9%</b>   | <b>245</b>                  | <b>1.2%</b>   |
| 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%          |
| <b>FLEXIBLE FUNDS</b>     | <b>41</b>       | <b>6</b>        | <b>(50)</b>     | <b>(184)</b>    | <b>(132)</b>    | <b>(187)</b>    | <b>(160)</b>    | <b>(121)</b>    | <b>1,067</b>    | <b>12</b>                   | <b>17.6%</b>  | <b>5,317</b>                | <b>25.1%</b>  |

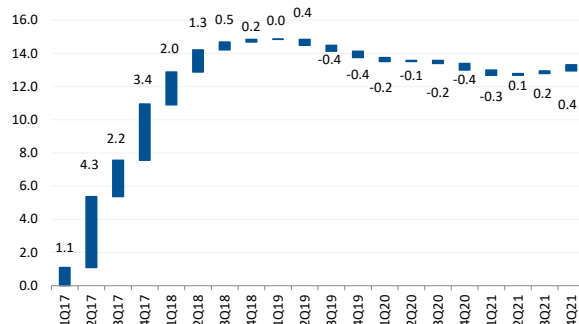
Source: Assogestioni, Quarterly Report, August 2021

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



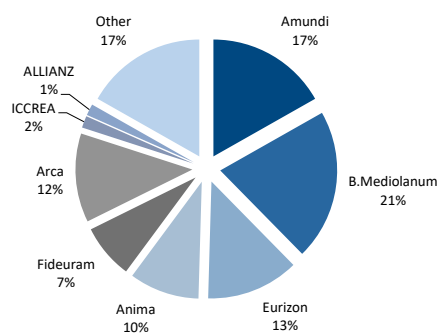
Source: Assogestioni

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



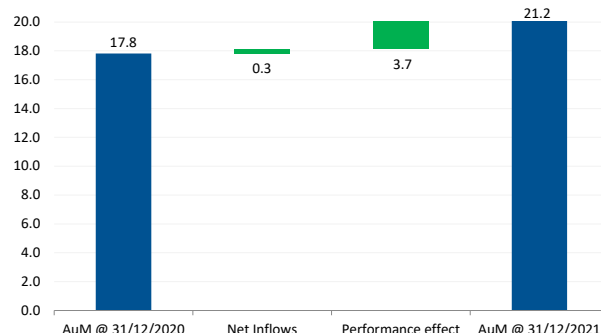
Source: Intermonte SIM estimates, Assogestioni

### 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 17<sup>th</sup> 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 continued in February, which should have recorded inflows of Eu37.7mn.**

Moreover, on 16<sup>th</sup> 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

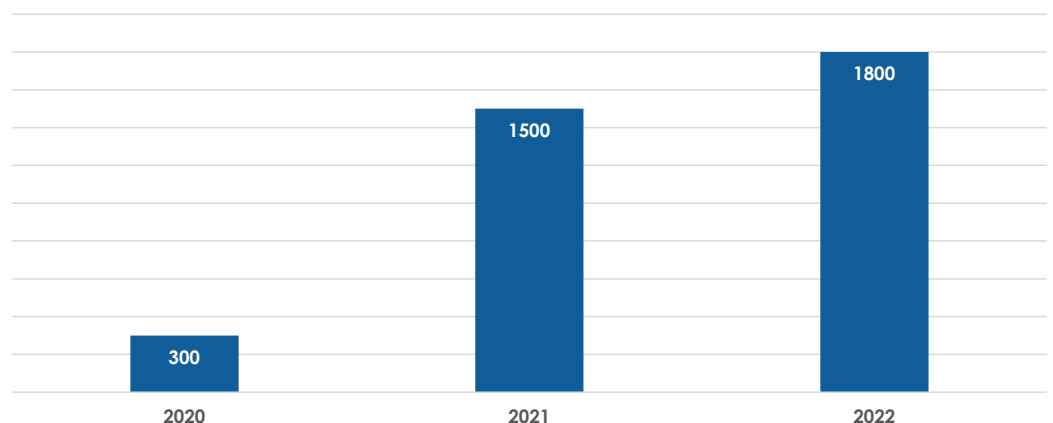
|   | 2015A          | 2016A          | 2017A            | 2018A          | 2019A            | 2020A        | 2021A      | 2022E         |
|---|----------------|----------------|------------------|----------------|------------------|--------------|------------|---------------|
| <b>Mutual Funds AUM (Eu mn)</b>                           | <b>887,408</b> | <b>900,318</b> | <b>1,011,183</b> | <b>955,114</b> | <b>1,071,299</b> |              |            |               |
| <b>PIR Net Inflows (Eu mn)</b>                            |                |                | <b>10,903</b>    | <b>3,950</b>   | <b>(1,097)</b>   | <b>(759)</b> | <b>323</b> | <b>2,038</b>  |
| <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.

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

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

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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