

# Italian Mid Small Caps Monthly

## Volatile Markets Could Be Navigated Through Quality Stocks

by Intermonte Research Team

Italian Equity Market

- **Performance (+).** The Italian equity market (prices as at 17<sup>th</sup> May 2022) has declined 2.2% in the last month and is down 11.4% YTD. The FTSE Italy Mid-Cap index (-2.0% in the last month) has outperformed the main index by 0.2% (-3.3% YTD on a relative basis), with the FTSE Italy Small Caps index (+0.2% in the last month) performing 2.4% better than the market in the last month, or +5.1% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has lost 6.7% in the last month, performing significantly worse than Italian mid small caps.
- **Estimates (-).** Since the beginning of the year, we have implemented a +4.9% revision to our 2022 EPS estimates, mainly driven by significant earnings upgrades to energy stocks, while on average we have cut forecasts for the remaining stocks, in particular for our mid/small cap coverage by 3.6%. In the last month, if we focus on our mid/small cap coverage, newsflow related to 1Q22 results prompted us to take a slightly more constructive view on the current year (2022E EPS revised up 1.6%) but to be more cautious on projecting growth in 2023 (2023E EPS -1.5%).
- **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 16.9% de-rating YTD (from -8.3% one month ago), mid-caps have de-rated by 11.7% while small-caps have re-rated 2.4%. On a P/E basis, our panel is trading at a 44% premium to large caps, well above the historical average premium (17%) but slightly below the level one month ago (48%).
- **Liquidity (-).** Looking at official Italian index trends, we note that liquidity for large caps in the last month (as measured by average volumes multiplied by average prices in a specific period) is below the yearly average, coming in 15.5% lower than the 1Y average, deteriorating further from one month ago when the same metric was -1.3%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -23.1% change, while for small caps the same metric has decreased by 19.8%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.05mn in the last month, down 23.6% on the corresponding period one year ago.
- **Investment strategy.** The month was characterised by continuing negative newsflow from Ukraine, worrying signals from lockdowns in China and a macro scenario still awaiting signs inflation can be brought back under control. The Italian market featured lower trading volumes with quality mid-caps witnessing much more negative performance than illiquid small caps, suggesting international investors might have reduced their exposure. One of our main investment themes, overweighting stocks exposed to digital transformation, demonstrated bad timing, despite supportive quarterly results. After a significant de-rating, valuations are now attractive in light of estimates that we still consider resilient even in the unfavourable macro scenario (we have cut our 2022 Italian GDP growth forecast to +2% from +3.7% at the beginning of the year). Regarding ordinary PIR funds, inflows in 1Q22 of Eu160mn were in line with forecasts, but we are taking a more cautious view on the remainder of the year. Interestingly Assogestioni is also reporting data for Alternative PIR, suggesting the asset class may have an important role to play in the years to come.

*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 negative month overall

The Italian equity market (prices as at 17<sup>th</sup> May 2022) has declined 2.2% in the last month and is down 11.4% YTD. The FTSE Italy Mid-Cap index (-2.0% in the last month) has outperformed the main index by 0.2% (-3.3% YTD on a relative basis), with the FTSE Italy Small Caps index (+0.2% in the last month) performing 2.4% better than the market in the last month, or +5.1% on a relative basis since the beginning of 2022.

#### Italian Market Indexes – performance analysis (prices as at 17<sup>th</sup> May 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	42,516	-2.0%	-8.1%	-16.0%	-14.7%	-7.4%	38.8%	15.3%	7.8%
FTSE Italia Small Cap	30,367	0.2%	-1.9%	-6.3%	-6.3%	15.1%	80.5%	55.7%	32.8%
FTSE Italia Star	49,945	-5.8%	-10.1%	-22.1%	-22.6%	-2.5%	52.4%	42.8%	46.3%
FTSE AIM ITALIA	9,850	-5.8%	-7.0%	-13.2%	-14.3%	7.0%	48.3%	13.2%	8.6%
FTSE Italia All-Share	26,532	-2.2%	-8.7%	-12.9%	-11.4%	-2.5%	43.8%	15.2%	13.1%
FTSE MIB	24,302	-2.3%	-8.9%	-12.7%	-11.1%	-2.3%	44.2%	15.1%	14.2%
<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		0.2%	0.6%	-3.1%	-3.3%	-4.9%	-5.0%	0.1%	-5.4%
FTSE Italia Small Cap		2.4%	6.8%	6.5%	5.1%	17.6%	36.7%	40.5%	19.7%
FTSE Italia Star		-3.7%	-1.4%	-9.2%	-11.3%	0.0%	8.6%	27.5%	33.1%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has lost 6.7% in the last month, performing significantly worse than Italian mid/small caps.

#### European Market Indexes – performance analysis

Index	Price (Eu)	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
MSCI Europe	147	-4.4%	-5.4%	-9.5%	-9.4%	0.1%	34.0%	14.0%	11.1%
MSCI Europe Small Cap	423	-6.7%	-7.8%	-16.9%	-15.8%	-8.8%	39.5%	18.3%	17.5%

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	1.13	1,077	31%
BREMBO	10.92	3,647	17%
CELLULARLINE	4.25	93	15%
INDEL B	24.40	143	9%
AUTOGRILL	7.07	2,722	8%
SAES GETTERS	23.50	456	8%
TECHNOGYM	7.59	1,528	6%
ERG	33.40	5,021	5%
BUZZI-UNICEM	17.99	3,465	5%
ANIMA	4.59	1,592	5%
GPI	13.30	243	3%
CEMENTIR	6.75	1,074	3%
NOTORIOUS PICTURES	1.56	35	3%
AQUAFIL	6.56	281	2%
OMER	3.35	96	2%
TESMEC	0.15	89	2%
TXT E-SOLUTIONS	10.00	130	1%
GEFRAN	9.54	137	1%
FILA	9.57	411	1%
DEA CAPITAL	1.32	351	1%
<b>FTSE Italia Mid Cap</b>			-2%
<b>FTSE Italia Small Cap</b>			0%
<b>FTSE MIB</b>			-2%
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. 1M (%)</b>
MEDIA FOR EUROPE	0.79	1,540	-18%
EXPERT.AI	1.08	57	-17%
ALKEMY	14.20	81	-16%
SCIUKER FRAMES	6.91	150	-14%
ELES	2.31	30	-13%
REPLY	123.50	4,620	-13%
SESA	127.20	1,971	-13%
TOD'S	34.94	1,156	-12%
CYBEROO	3.54	70	-11%
IGD	4.03	445	-11%
ESPRINET	8.35	421	-11%
DOVALUE	7.24	579	-11%
ILBE	1.87	45	-10%
SABABA SECURITY	3.23	24	-10%
MAIRE TECNIMONT	2.79	916	-10%
PHARMANUTRA	60.90	590	-9%
CY4GATE	9.77	230	-9%
ENAV	4.32	2,341	-8%
FOS	3.10	20	-7%
SERVIZI ITALIA	1.64	52	-7%

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	1.13	1,077	106%
TESMEC	0.15	89	37%
ERG	33.40	5,021	17%
AUTOGRILL	7.07	2,722	13%
ENAV	4.32	2,341	10%
RAI WAY	5.61	1,526	7%
UNIPOLSAI	2.66	7,533	7%
IGD	4.03	445	4%
BANCA IFIS	17.60	947	3%
ANIMA	4.59	1,592	2%
FALCK RENEWABLES	8.79	2,864	1%
DEA CAPITAL	1.32	351	0%
CREDITO EMILIANO	5.78	1,973	-1%
CELLULARLINE	4.25	93	-1%
TXT E-SOLUTIONS	10.00	130	-1%
FILA	9.57	411	-2%
FINCANTIERI	0.59	1,003	-2%
BFF BANK	6.92	1,282	-2%
AVIO	11.22	296	-4%
NOTORIOUS PICTURES	1.56	35	-4%
<b>FTSE Italia Mid Cap</b>			-15%
<b>FTSE Italia Small Cap</b>			-6%
<b>FTSE MIB</b>			-11%
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. YTD (%)</b>
EXPERT.AI	1.08	57	-52%
FINE FOODS	8.63	190	-44%
DATALOGIC	8.73	510	-43%
TINEXTA	22.84	1,078	-40%
ALKEMY	14.20	81	-37%
ELES	2.31	30	-37%
MEDIA FOR EUROPE	0.79	1,540	-36%
ESPRINET	8.35	421	-35%
SCIUKER FRAMES	6.91	150	-34%
MAIRE TECNIMONT	2.79	916	-33%
EMAK	1.43	234	-32%
REPLY	123.50	4,620	-31%
TOD'S	34.94	1,156	-29%
FERRAGAMO	16.17	2,729	-28%
DE' LONGHI	22.70	3,425	-28%
OVS GROUP	1.86	540	-27%
ILBE	1.87	45	-27%
SOGEFI	0.86	103	-27%
SESA	127.20	1,971	-27%
ABITARE IN	6.10	162	-26%

Source: FactSet

## Earnings Momentum

### 2023 forecasts for our Mid/Small Cap coverage trimmed in the last month

Since the beginning of the year, we have implemented a +4.9% revision to our 2022 EPS estimates, mainly driven by significant earnings upgrades to energy stocks, while on average we have cut forecasts for the remaining stocks, in particular for our mid/small cap coverage by 3.6%. In the last month, if we focus on our mid/small cap coverage, newsflow related to 1Q22 results prompted us to take a slightly more constructive view on the current year (2022E EPS revised up 1.6%) but to be more cautious on projecting growth in 2023 (2023E EPS -1.5%).

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

EPS REVISION	Since January 1st 2022		Since 18/4/2022	
	% chg in EPS FY22	% chg in EPS FY23	% chg in EPS FY22	% chg in EPS FY23
<b>Total Market</b>	<b>4.9%</b>	<b>4.6%</b>	<b>6.0%</b>	<b>3.2%</b>
<b>Total Market - Ex Energy</b>	<b>-3.5%</b>	<b>-1.4%</b>	<b>2.8%</b>	<b>1.2%</b>
Domestic	1.0%	1.0%	6.9%	3.3%
Non domestic	9.3%	8.5%	5.1%	3.2%
Non domestic - Ex Energy	-9.7%	-4.5%	-3.0%	-1.4%
<b>FTSE MIB</b>	<b>5.8%</b>	<b>5.5%</b>	<b>6.4%</b>	<b>3.8%</b>
<b>Mid Caps (our coverage)</b>	<b>-3.0%</b>	<b>-4.1%</b>	<b>2.1%</b>	<b>-1.5%</b>
<b>Small Caps (our coverage)</b>	<b>-8.7%</b>	<b>-2.8%</b>	<b>-2.7%</b>	<b>-1.3%</b>
Intermonte Mid&Small Caps coverage	-3.6%	-4.0%	1.6%	-1.5%

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	195	882.8%
TOD'S	6	18	197.2%
CY4GATE	6	11	76.8%
BRUNELLO CUCINELLI	51	62	21.8%
TXT E-SOLUTIONS	7	8	21.0%
SCIUKER FRAMES	16	18	16.4%
EL.EN.	49	55	12.8%
GEFRAN	11	12	7.6%
ALKEMY	6	7	7.2%
ILBE	14	15	5.4%
<b>Downward Revision</b>			
IEG	0	-6	-10684.4%
DATALOGIC	47	14	-70.3%
FINE FOODS	14	4	-67.3%
SERI INDUSTRIAL	12	5	-58.4%
SOGEFI	36	21	-39.9%
ABITARE IN	30	18	-39.3%

Source: Intermonte SIM

## Valuation

### Large Caps suffered from a heftier 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 16.9% de-rating YTD (it was -8.3% one month ago), mid-caps have de-rated by 11.7% while small-caps have re-rated 2.4%.

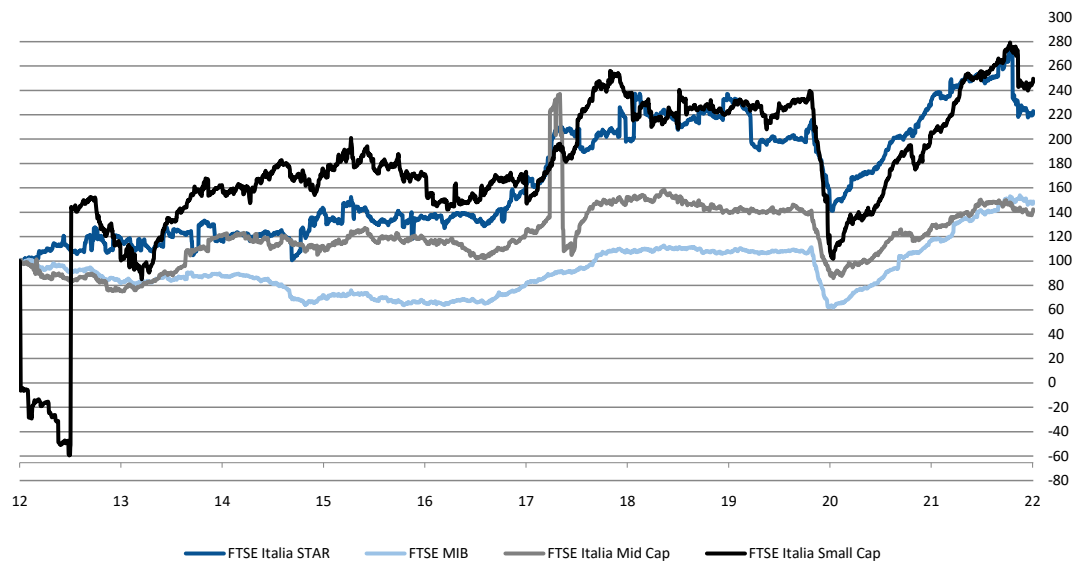
#### Italian Market – re/de-rating by index

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-11.1%	5.8%	-16.9%
FTSE Italia Mid Cap	-14.7%	-3.0%	-11.7%
FTSE Italia Small Cap	-6.3%	-8.7%	2.4%

Source: Intermonte SIM and FactSet

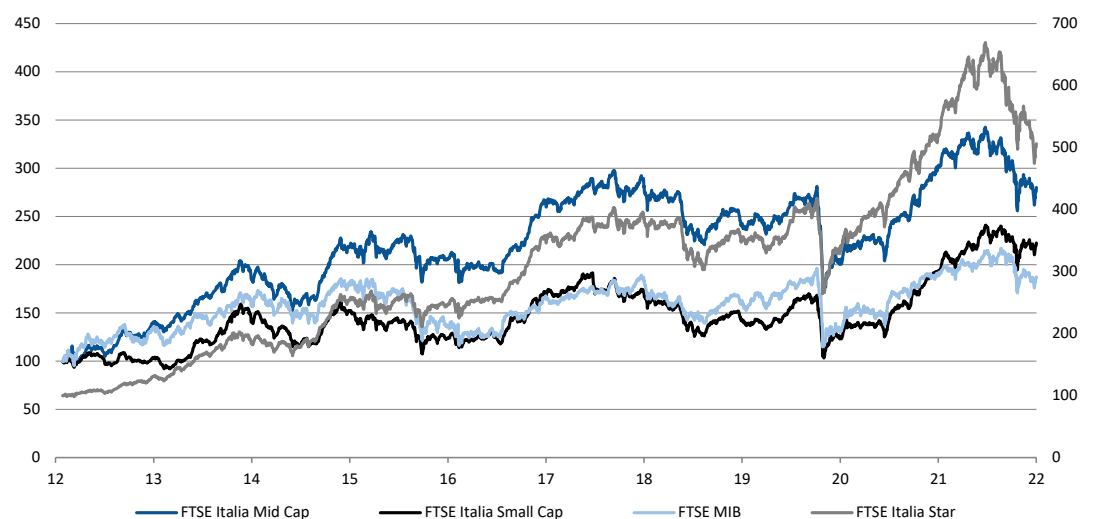
The following graph shows earnings direction over the last 10 years.

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



Source: FactSet

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

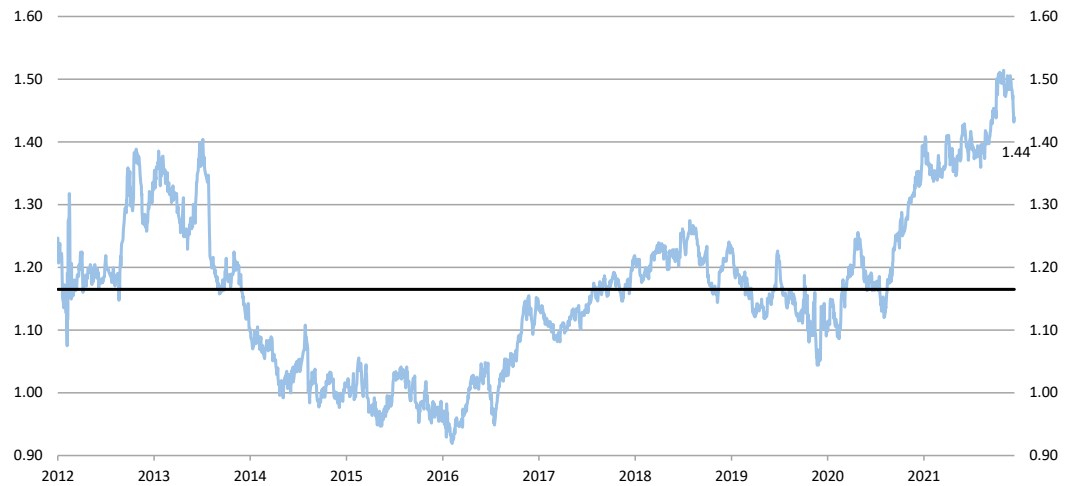


Source: FactSet

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

**On a P/E basis, our panel is trading at a 44% premium to large caps, well above the historical average premium (17%) but slightly below the level one month ago (48%).**

**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	9.4 x	-	15.7 x	-40.3%
<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	16.6 x	-	18.3 x	-9.6%
<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	16.6 x	-	27.2 x	-39.0%
<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	11.9 x	27.0%	14.4 x	-17.5%
<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	15.5 x	-6.6%	22.9 x	-32.4%
<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	12.1 x	29.4%	16.0 x	-24.3%
<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	14.2 x	-14.3%	20.3 x	-29.9%
<b>France CAC Small</b>	17.9 x	n.m.	25.2 x	30.6 x	25.9 x	26.8 x	29.2 x	34.2 x	31.5 x	33.2 x	-77.1 x	45.0 x	17.8 x	7.6%	29.9 x	-40.5%
<b>FTSE 100</b>	12.3 x	11.1 x	12.2 x	15.0 x	14.9 x	15.5 x	18.2 x	14.6 x	13.2 x	12.6 x	21.1 x	13.0 x	10.4 x	10.6%	14.8 x	-29.8%
<b>FTSE 250</b>	14.9 x	13.7 x	15.3 x	17.8 x	18.4 x	16.1 x	16.3 x	14.5 x	13.1 x	13.6 x	43.8 x	21.2 x	13.8 x	-16.9%	16.2 x	-14.9%
<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	10.8 x	15.1%	17.4 x	-38.1%
<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	-24.1%	18.6 x	-32.3%

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(+)
IEG	0.1	-5.5	-10684%	(10%)	10673.9%
TESMEC	13.1	8.7	-34%	37%	71.2%
SERI INDUSTRIAL	12.2	5.1	-58%	(25%)	33.8%
CELLULARLINE	14.0	9.3	-33%	(1%)	32.4%
DATALOGIC	47.3	14.0	-70%	(43%)	27.4%
ENAV	97.9	81.1	-17%	10%	27.2%
FINE FOODS	13.7	4.5	-67%	(44%)	23.3%
ERG	167.3	164.3	-2%	17%	19.2%
CREDITO EMILIANO	236.0	196.6	-17%	(1%)	16.0%
AVIO	12.2	10.1	-17%	(4%)	13.3%
AUTOGRILL	-27.9	-27.9	0%	13%	13.2%
SOGEFI	35.7	21.4	-40%	(27%)	12.7%
ANIMA	198.5	178.1	-10%	2%	12.6%
DOVALUE	65.1	49.3	-24%	(14%)	10.5%
NOTORIOUS PICTURES	5.7	4.9	-15%	(4%)	10.4%
FINCANTIERI	146.0	128.1	-12%	(2%)	10.0%
RAI WAY	68.5	67.2	-2%	7%	9.3%
BUZZI-UNICEM	477.3	416.0	-13%	(5%)	7.6%
UNIPOLSAI	740.4	746.8	1%	7%	6.5%
OMER	10.9	8.9	-18%	(13%)	5.7%
BANCA IFIS	110.8	108.6	-2%	3%	5.1%
SAES GETTERS	23.1	21.3	-8%	(5%)	3.0%
FALCK RENEWABLES	46.5	46.3	-1%	1%	2.0%
BREMBO	268.6	230.2	-14%	(13%)	1.5%
IGD	68.9	71.1	3%	4%	1.2%
DEA CAPITAL	18.0	18.0	0%	0%	0.5%
BANCA SISTEMA	25.3	24.1	-5%	(6%)	(0.8%)
DE' LONGHI	347.8	263.3	-24%	(28%)	(3.7%)
MARR	59.2	48.1	-19%	(23%)	(4.1%)
IREN	294.7	283.0	-4%	(8%)	(4.2%)
FILA	51.7	53.2	3%	(2%)	(4.5%)
TECHNOGYM	76.4	72.8	-5%	(10%)	(5.6%)
LU-VE	28.6	24.9	-13%	(19%)	(5.8%)
SAFILO	28.6	28.6	0%	(7%)	(6.6%)
SALCEF GROUP	60.2	49.7	-17%	(26%)	(8.0%)
INDEL B	16.7	16.7	0%	(9%)	(9.0%)
CYBEROO	3.6	3.8	5%	(5%)	(9.4%)
SERVIZI ITALIA	4.8	4.3	-11%	(21%)	(10.4%)
MONDADORI	51.4	53.6	4%	(6%)	(10.6%)
CEMENTIR	149.3	136.4	-9%	(19%)	(10.8%)
AQUAFIL	22.9	22.1	-3%	(14%)	(10.9%)
FERRAGAMO	81.7	67.7	-17%	(28%)	(11.1%)
THE ITALIAN SEA GROUP	24.7	25.1	1%	(10%)	(11.3%)
ACEA	340.7	326.6	-4%	(16%)	(11.5%)
PIAGGIO	85.9	82.1	-4%	(16%)	(11.8%)
GPI	14.5	14.2	-2%	(18%)	(16.3%)
SOMEK	11.0	10.0	-9%	(26%)	(16.7%)
MATICA FINTEC	1.5	1.5	0%	(17%)	(16.7%)
PHARMANUTRA	14.4	14.7	2%	(19%)	(21.5%)
TXT E-SOLUTIONS	6.9	8.4	21%	(1%)	(22.4%)
GEFRAN	11.2	12.0	8%	(15%)	(22.8%)
RELATECH	6.2	6.2	0%	(23%)	(23.0%)
EMAK	36.3	33.4	-8%	(32%)	(24.4%)
GEOX	-5.0	-5.0	0%	(25%)	(24.9%)
AMBIENTHESIS	13.6	14.0	3%	(24%)	(26.3%)
OVS GROUP	61.8	61.8	0%	(28%)	(27.5%)
SESA	78.6	80.2	2%	(27%)	(28.8%)
MAIRE TECNIMONT	98.1	94.0	-4%	(33%)	(28.8%)
TINEXTA	67.2	60.5	-10%	(40%)	(30.2%)
EL.EN.	48.7	55.0	13%	(18%)	(30.7%)
REPLY	168.5	173.8	3%	(31%)	(34.1%)
ESPRINET	56.2	55.8	-1%	(35%)	(34.7%)
ELES	1.7	1.7	0%	(37%)	(36.9%)
MEDIA FOR EUROPE	294.0	305.8	4%	(36%)	(40.3%)
BRUNELLO CUCINELLI	51.3	62.4	22%	(20%)	(41.5%)
ALKEMY	6.1	6.6	7%	(37%)	(44.7%)
SCIUKER FRAMES	15.7	18.3	16%	(34%)	(50.6%)

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 below the yearly average, coming in 15.5% lower than the 1Y average, deteriorating further from one month ago when the same metric was -1.3%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -23.1% change, while for small caps the same metric has decreased by 19.8%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu2.05mn in the last month, down 23.6% 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	48.52	62.13	60.54	54.12	52.46	(10.3%)	14.8%
Top 20% by market cap	138.50	186.76	184.81	163.82	154.37	(15.5%)	14.0%
<b>FTSE Italia Mid Cap</b>							
All stocks	2.40	3.14	3.13	3.28	3.03	(26.7%)	(4.4%)
Top 20% by market cap	4.82	6.51	6.34	6.27	6.04	(23.1%)	3.9%
<b>FTSE Italia Small Cap</b>							
All stocks	0.44	0.49	0.51	0.55	0.46	(19.8%)	(11.1%)
Top 20% by market cap	1.46	1.48	1.45	1.59	1.23	(8.3%)	(6.9%)

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	3,465	13,752,903
FERRAGAMO	2,729	10,207,657
AUTOGRILL	2,722	9,718,710
SARAS	1,077	8,697,676
FALCK RENEWABLES	2,864	8,356,711
UNIPOLSAI	7,533	6,976,524
REPLY	4,620	6,906,197
ERG	5,021	6,245,941
ANIMA	1,592	6,023,964
OVS GROUP	540	5,926,908
BREMBO	3,647	5,809,269
BFF BANK	1,282	5,087,949
TOD'S	1,156	4,493,328
DE' LONGHI	3,425	4,443,321
MAIRE TECNIMONT	916	4,404,370
TECHNOGYM	1,528	4,219,168
IREN	3,169	4,191,376
BRUNELLO CUCINELLI	3,313	4,009,864
WEBUILD	1,700	3,992,455
BANCA IFIS	947	3,749,059
SESA	1,971	3,371,603
TINEXTA	1,078	2,684,537
EL.EN.	1,021	2,561,260
ESPRINET	421	2,434,898
ENAV	2,341	2,343,372
ACEA	3,371	2,055,215
WIIT	764	1,943,650
TIP	1,558	1,901,420
PIAGGIO	863	1,848,665

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>	55.8%	23.3%	9.5%	1.2%	6.5%	3.7%

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
BFF BANK	6.9	1,282	0.762	0.762	11.0%	100%	
IGD	4.0	445	0.644	0.399	9.9%	62%	9.2x
DOVALUE	7.2	579	0.617	0.600	8.3%	97%	2.0x
PIAGGIO	2.4	863	0.230	0.172	7.2%	75%	1.2x
UNIPOLSAI	2.7	7,533	0.269	0.190	7.1%	71%	
ESPRINET	8.4	421	1.108	0.554	6.6%	50%	2.5x
MAIRE TECNIMONT	2.8	916	0.286	0.183	6.6%	64%	0.0x
MEDIA FOR EUROPE	0.8	1,540	0.134	0.050	6.3%	37%	0.6x
BANCA IFIS	17.6	947	2.019	1.050	6.0%	52%	
EMAK	1.4	234	0.204	0.082	5.7%	40%	1.7x
ACEA	15.8	3,371	1.534	0.893	5.6%	58%	3.3x
ANIMA	4.6	1,592	0.495	0.250	5.4%	51%	
CREDITO EMILIANO	5.8	1,973	0.576	0.300	5.2%	52%	
MONDADORI	1.9	500	0.206	0.098	5.1%		1.3x
IREN	2.4	3,169	0.218	0.115	4.7%	53%	3.4x
NOTORIOUS PICTURES	1.6	35	0.216	0.072	4.6%	33%	1.3x
DEA CAPITAL	1.3	351	0.067	0.060	4.6%	89%	5.6x
GEFRAN	9.5	137	0.836	0.418	4.4%	50%	0.2x
RAI WAY	5.6	1,526	0.247	0.239	4.3%	97%	1.0x
MARR	14.6	970	0.723	0.579	4.0%	80%	1.3x
BANCA SISTEMA	2.0	160	0.300	0.075	3.8%	25%	
SOMEK	27.9	193	1.444	0.939	3.4%	65%	1.8x
WEBUILD	1.7	1,700	0.158	0.055	3.3%	35%	0.4x
ENAV	4.3	2,341	0.150	0.140	3.2%	94%	1.9x
CEMENTIR	6.8	1,074	0.857	0.210	3.1%	25%	0.2x
CELLULARLINE	4.3	93	0.426	0.128	3.0%	30%	1.5x
AQUAFIL	6.6	281	0.431	0.186	2.8%	43%	2.5x
INDEL B	24.4	143	2.857	0.685	2.8%	24%	0.1x
DE' LONGHI	22.7	3,425	1.761	0.629	2.8%	36%	1.0x
ERG	33.4	5,021	1.093	0.900	2.7%	82%	2.0x

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
SERI INDUSTRIAL	7.3	358	70.7	23.0	207%
FINE FOODS	8.6	190	49.3	18.7	164%
CYBEROO	3.5	70	9.8	3.9	149%
SABABA SECURITY	3.2	24	21.6	10.0	115%
DATALOGIC	8.7	510	36.4	16.9	115%
TOD'S	34.9	1,156	63.1	31.3	102%
TESMEC	0.1	89	10.2	5.4	89%
ABITARE IN	6.1	162	8.9	4.8	85%
SERVIZI ITALIA	1.6	52	12.2	6.7	82%
CIVITANAVI SYSTEMS	4.3	132	15.1	8.6	76%
SOGEFI	0.9	103	4.7	2.9	65%
ELES	2.3	30	18.1	11.1	63%
CELLULARLINE	4.3	93	10.0	6.5	53%
SOMECC	27.9	193	19.3	13.2	46%
AVIO	11.2	296	30.3	21.1	43%
THE ITALIAN SEA GROUP	5.8	305	12.2	8.5	43%
SAES GETTERS	23.5	456	24.3	17.3	41%
DEA CAPITAL	1.3	351	19.5	14.1	39%
SCIUKER FRAMES	6.9	150	8.2	5.9	38%
MATICA FINTEC	2.2	23	14.9	11.0	36%
LU-VE	19.5	433	17.4	13.2	32%
WIIT	21.2	764	41.3	31.6	31%
NOTORIOUS PICTURES	1.6	35	7.2	5.5	30%
RELATECH	2.2	81	13.1	10.1	29%
FALCK RENEWABLES	8.8	2,864	55.3	43.1	29%
WEBUILD	1.7	1,700	10.5	8.2	28%
FINCANTIERI	0.6	1,003	7.8	6.1	28%
ELICA	3.2	201	9.7	7.6	28%
GPI	13.3	243	16.8	13.2	27%
SALCEF GROUP	18.4	1,148	23.1	18.2	27%
FOS	3.1	20	13.1	10.4	26%
CY4GATE	9.8	230	19.7	15.7	25%
DOVALUE	7.2	579	11.7	9.4	25%
MARR	14.6	970	20.2	16.2	25%
PIAGGIO	2.4	863	10.5	8.5	24%
TECHNOGYM	7.6	1,528	21.0	17.1	23%
BANCA SISTEMA	2.0	160	6.6	5.5	21%
TINEXTA	22.8	1,078	17.8	14.8	20%
CREDITO EMILIANO	5.8	1,973	10.0	8.4	19%

Source: Intermonte SIM and FactSet

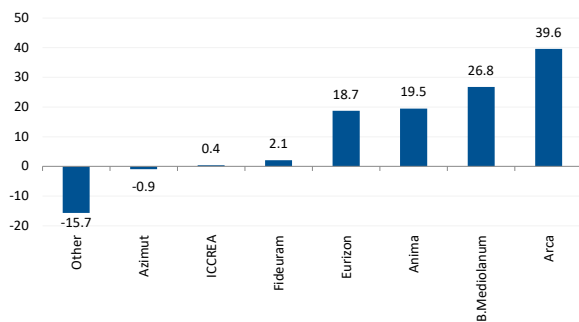
## Update on the Individual Savings Plan (PIR)

### PIR: official figures for 1Q22

	1Q22 (Eu mn)	4Q21 (Eu mn)	3Q21 (Eu mn)	2Q21 (Eu mn)	Net Inflows					Nr. Of Funds at March 2022		Invested Capital at March 2022	
					1Q21 (Eu mn)	FY21 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	# Funds	%	(Eu mn)	in %
Ordinary PIR	160	380	155	106	(316)	323	(759)	(1,097)	3,950	86	31.4%	19,791	
Alternative PIR	83	665								16		1,812	
<b>EQUITY FUNDS</b>	(12)	154	40	109	(23)	280	(281)	(369)	349	27	31.4%	5,853	29.6%
<b>BALANCED FUNDS</b>	147	177	103	43	(109)	214	(321)	(587)	2,525	26	30.2%	8,711	44.0%
<b>FIXED INCOME FUNDS</b>	(10)	7	7	4	(1)	17	(1)	(20)	10	4	4.7%	222	1.1%
<b>FLEXIBLE FUNDS</b>	36	41	6	(50)	(184)	(187)	(160)	(121)	1,067	14	16.3%	5,013	25.3%
<b>CLOSED-END FUNDS</b>	83									15	17.4%	1,804	9.1%

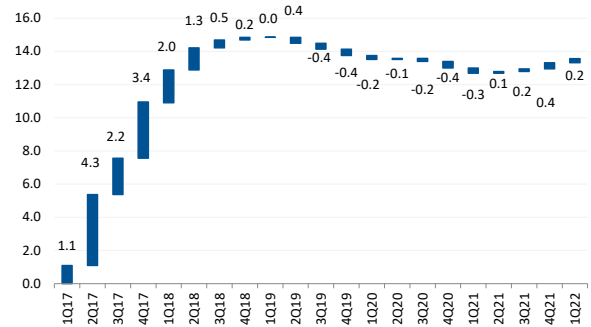
Source: Assogestioni, Quarterly Report, May 2022

### Ordinary PIR - Net inflows by asset manager (Eu mn, 1Q22)



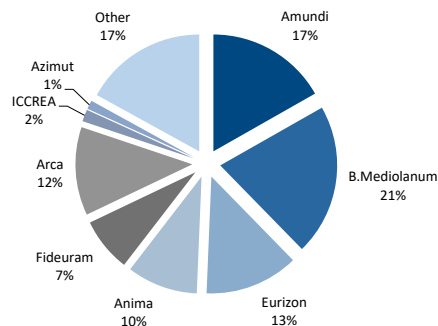
Source: Assogestioni

### Ordinary PIR – Inflows by quarter (Eu bn)



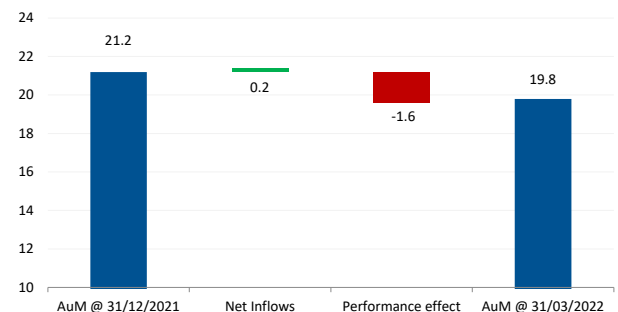
Source: Intermonte SIM estimates, Assogestioni

### Ordinary PIR – Market share by asset manager (on AuM at 31/03/22)



Source: Assogestioni

### Ordinary PIR – Inflows and total AuM (Eu bn)



Source: Assogestioni

## PIR inflows in 1Q22 consistent with preliminary indications

On 18<sup>th</sup> May 2022, Assogestioni released updated figures on 1Q22 PIR inflows in its quarterly review. Assogestioni has changed its reporting and now also releases inflows data for alternative PIR: in 1Q22 ordinary PIRs collected Eu160.2mn, while Alternative PIRs recorded inflows of Eu83.4mn. In terms of AuM, ordinary PIRs have Eu19.8bn under management, while there are Eu1.8bn invested in alternative PIR funds. Looking to ordinary PIRs, quarterly net inflows of Eu160.2mn prolonged the number of quarters witnessing positive trends that began in 2Q21. The figure was better than the data released by *Sole 24 Ore's* 'Osservatorio PIR' ('PIR Monitor', which estimated inflows of about Eu116mn, of which Eu63.5mn in January, Eu37.7mn in February and Eu15.2mn in March.

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.

**"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 ordinary PIRs

Recent market volatility and uncertainty are expected to continue, at least in the short term, and are likely to limit inflows in the coming months. As for our 2022 inflow forecasts, we already pointed out they were based on overly aggressive assumptions. In light of the current scenario and official Assogestioni figures related to 1Q22, we are taking a more prudent stance: our new estimate of 2022 inflows of Eu838mn still implies that the next three quarters will witness overall inflows of almost Eu680mn. 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.

Main assumptions behind our current estimates are as follows:

- For 2022, we assume gross inflows from new PIR subscribers of Eu600mn, down from 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 2022 and beyond.

### PIR – Our assumptions

	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E
<b>Mutual Funds AUM (Eu mn)</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>838</b>	<b>1,886</b>
<i>YoY Growth</i>			<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>159.5%</i>	<i>125.0%</i>
o/w From Continuing Subs. (estimated)							793	970
o/w From New Subscribers (estimated)							600	1,500
o/w Transformation of Existing Funds/Exit from PIR (est)							(555)	(584)

Source: Intermonte SIM

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- 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)

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

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

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

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

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

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