

# Italian Mid Small Caps Monthly

## Quality Stocks Should Remain the Safest Asset Class

by Intermonte Research Team

Italian Equity Market

- **Performance (+).** The Italian equity market (prices as at 19th July 2022) has declined just 0.2% in the last month and is down 20.6% YtD. The FTSE Italy Mid-Cap index (+2.1% in the last month) has outperformed the main index by 2.4% (-1.0% YtD on a relative basis), with the FTSE Italy Small Caps index (-0.7% in the last month) performing 0.5% worse than the market in the last month, or +10.3% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 2.5% in the last month, performing slightly better than Italian mid-caps.
- **Estimates (-).** Since the beginning of the year, we have implemented a +5.0% revision to our 2022 EPS estimates, 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 4.6%. In the last month, if we focus on our mid/small cap coverage, we have made limited changes to our 2022 EPS projections (-0.2%) but we have become more cautious on projecting growth in 2023 (2023E EPS -2.9%), consistent with a deterioration of the macro outlook.
- **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 26.7% de-rating YtD (it was -25.2% one month ago); mid-caps have de-rated by 17.6% while small caps have de-rated 0.7%. On a P/E basis, our panel is trading at a 45% premium to large caps, well above the historical average premium (17%) and above the level one month ago (37%).
- **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 26.4% lower than the 1Y average, deteriorating further compared to one month ago when the same metric was -14.3%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -47.1% change, while for small caps the same metric has decreased by 41.2%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.71mn in the last month, down 35.0% on the corresponding period one year ago.
- **Investment strategy.** The fall of the Draghi government marks the end of the Legislature and sets the scene for early elections in October 2022. The new Parliament will have to draw up the Budget law, find countermeasures to curb the loss of purchasing power linked to inflation, seek alternative energy sources to replace Russian gas, ensure that the milestones of the Recovery Plan are achieved on time, and, lest we forget, cope with the continuation of the covid emergency. Many of these issues are not specific to Italy but the high public debt exposes the country to particular volatility. We think that in this context, Italian mid-small caps, as a relatively riskier asset, may suffer in particular from international investors underweighting their positions. Domestic stocks should be those most exposed to volatility, so our preference goes to those stocks with good exposure to business abroad, with visible trends, or which enjoy existing contracts or a clear industry trend (e.g., digital revolution, green transition). Balance sheet solidity is another element that can make a difference. Regarding PIR, inflows in May were highly negative, suffering a sharp deterioration due to the recent market volatility and uncertainty; this has prompted us to take a more cautious outlook on the remainder of the year.

*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

### Mid-caps outperforming thanks to growth stocks

The Italian equity market (prices as at 19<sup>th</sup> July 2022) has declined just 0.2% in the last month and is down 20.6% YtD. The FTSE Italy Mid-Cap index (+2.1% in the last month) has outperformed the main index by 2.4% (-1.0% YtD on a relative basis), with the FTSE Italy Small Caps index (-0.7% in the last month) performing 0.5% worse than the market in the last month, or +10.3% on a relative basis since the beginning of 2022.

#### Italian Market Indexes – performance analysis (prices as at 19<sup>th</sup> July 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	39,096	2.1%	-9.6%	-18.0%	-21.6%	-14.3%	16.5%	4.7%	-2.7%
FTSE Italia Small Cap	29,071	-0.7%	-4.8%	-8.7%	-10.3%	9.0%	53.7%	51.8%	23.4%
FTSE Italia Star	47,528	5.6%	-10.3%	-20.7%	-26.4%	-13.3%	31.3%	36.9%	36.5%
FTSE AIM ITALIA	9,303	0.4%	-10.5%	-17.0%	-19.0%	-5.5%	35.3%	4.4%	-2.0%
FTSE Italia All-Share	23,777	-0.2%	-11.6%	-20.3%	-20.6%	-9.6%	6.9%	0.9%	0.3%
FTSE MIB	21,696	-0.4%	-11.9%	-20.7%	-20.7%	-9.5%	6.3%	0.3%	1.0%
<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		2.4%	2.0%	2.3%	-1.0%	-4.6%	9.6%	3.8%	-3.1%
FTSE Italia Small Cap		-0.5%	6.7%	11.6%	10.3%	18.6%	46.7%	50.9%	23.1%
FTSE Italia Star		5.8%	1.3%	-0.4%	-5.8%	-3.7%	24.4%	36.0%	36.2%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 2.5% in the last month, performing slightly better than Italian mid-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	142	5.2%	-6.7%	-11.3%	-12.2%	-3.4%	14.6%	8.9%	9.3%
MSCI Europe Small Cap	396	2.5%	-12.3%	-18.1%	-21.2%	-14.2%	15.1%	11.3%	9.6%

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>
TXT E-SOLUTIONS	11.76	153	26%
BRUNELLO CUCINELLI	50.45	3,431	24%
EL.EN.	13.83	1,104	20%
ILBE	1.80	43	20%
REPLY	125.50	4,695	19%
CYBEROO	3.80	75	17%
SESA	135.20	2,095	16%
FERRAGAMO	16.29	2,750	15%
GPI	13.82	252	13%
SALCEF GROUP	18.98	1,184	12%
TOD'S	32.64	1,080	11%
AVIO	11.44	302	10%
PHARMANUTRA	64.40	623	9%
ABITARE IN	6.02	160	7%
ERG	31.48	4,732	6%
AUTOGRILL	6.54	2,517	6%
DEA CAPITAL	1.12	300	5%
FINCANTIERI	0.58	986	5%
SAFILO	1.29	533	5%
ENAV	4.21	2,281	5%
<b>FTSE Italia Mid Cap</b>			2%
<b>FTSE Italia Small Cap</b>			-1%
<b>FTSE MIB</b>			0%
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. 1M (%)</b>
BANCA SISTEMA	1.53	123	-17%
IEG	1.89	58	-16%
EXPERT.AI	0.73	38	-14%
IREN	1.84	2,390	-14%
RELATECH	1.99	86	-13%
SABABA SECURITY	2.80	21	-12%
BANCA IFIS	12.59	677	-12%
ACEA	13.83	2,945	-11%
SERVIZI ITALIA	1.31	42	-11%
DE' LONGHI	18.62	2,810	-11%
MEDIA FOR EUROPE	0.62	1,392	-10%
SOGEFI	0.79	95	-9%
SCIUKER FRAMES	5.85	127	-8%
TESMEC	0.12	73	-8%
SARAS	1.16	1,105	-7%
MAIRE TECNIMONT	2.66	875	-7%
WIIT	18.95	531	-7%
SOMEK	29.70	205	-7%
THE ITALIAN SEA GROUP	4.90	260	-7%
AQUAFIL	6.09	261	-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	1.16	1,105	111%
TXT E-SOLUTIONS	11.76	153	16%
TESMEC	0.12	73	13%
ERG	31.48	4,732	11%
ENAV	4.21	2,281	7%
AUTOGRILL	6.54	2,517	5%
CYBEROO	3.80	75	2%
AVIO	11.44	302	-2%
RAI WAY	5.04	1,371	-3%
FINCANTIERI	0.58	986	-4%
REEVO	14.90	75	-4%
CREDITO EMILIANO	5.51	1,881	-5%
IGD	3.61	398	-6%
DEA CAPITAL	1.12	300	-7%
NOTORIOUS PICTURES	1.51	34	-7%
BUZZI-UNICEM	17.21	3,314	-9%
BFF BANK	6.43	1,192	-9%
EL.EN.	13.83	1,104	-11%
UNIPOLSAI	2.19	6,208	-12%
SAES GETTERS	21.70	418	-12%
<b>FTSE Italia Mid Cap</b>			-22%
<b>FTSE Italia Small Cap</b>			-10%
<b>FTSE MIB</b>			-21%
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. YTD (%)</b>
EXPERT.AI	0.73	38	-67%
DATALOGIC	7.14	417	-53%
MEDIA FOR EUROPE	0.62	1,392	-50%
FINE FOODS	8.25	182	-46%
SCIUKER FRAMES	5.85	127	-44%
ELES	2.11	28	-42%
ALKEMY	13.12	75	-42%
EMAK	1.25	205	-41%
DE' LONGHI	18.62	2,810	-41%
OVS GROUP	1.54	447	-40%
TINEXTA	23.16	1,093	-39%
SERVIZI ITALIA	1.31	42	-37%
MAIRE TECNIMONT	2.66	875	-36%
TOD'S	32.64	1,080	-34%
SOGEFI	0.79	95	-33%
IREN	1.84	2,390	-31%
ILBE	1.80	43	-30%
DOVALUE	5.88	470	-30%
REPLY	125.50	4,695	-30%
MARR	13.28	883	-30%

Source: FactSet

## Earnings Momentum

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

Since the beginning of the year, we have implemented a +5.0% revision to our 2022 EPS estimates, 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 4.6%. In the last month, if we focus on our mid/small cap coverage, we have made limited changes to our 2022 EPS projections (-0.2%) but we have become more cautious on projecting growth in 2023 (2023E EPS -2.9%), consistent with a deterioration of the macro outlook.

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

EPS REVISION	Since January 1st 2022		Since 20/6/2022	
	% chg in EPS FY22	% chg in EPS FY23	% chg in EPS FY22	% chg in EPS FY23
<b>Total Market</b>	<b>5.0%</b>	<b>-0.8%</b>	<b>0.3%</b>	<b>-4.8%</b>
<b>Total Market - Ex Energy</b>	<b>-3.4%</b>	<b>-7.2%</b>	<b>0.3%</b>	<b>-5.5%</b>
Domestic	0.1%	-2.6%	-0.9%	-3.4%
Non domestic	10.4%	1.2%	1.5%	-6.2%
Non domestic - Ex Energy	-8.2%	-13.1%	2.3%	-8.4%
<b>FTSE MIB</b>	<b>6.0%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>-5.0%</b>
<b>Mid Caps (our coverage)</b>	<b>-4.0%</b>	<b>-8.5%</b>	<b>-0.2%</b>	<b>-3.2%</b>
<b>Small Caps (our coverage)</b>	<b>-9.5%</b>	<b>-4.4%</b>	<b>0.1%</b>	<b>-1.0%</b>
Intermonte Mid&Small Caps coverage	-4.6%	-8.0%	-0.2%	-2.9%

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	16	151.3%
AUTOGRILL	-28	1	102.1%
CY4GATE	6	11	76.8%
BRUNELLO CUCINELLI	51	68	32.4%
TXT E-SOLUTIONS	7	8	21.0%
SCIUKER FRAMES	16	18	16.4%
EL.EN.	49	55	12.8%
MEDIA FOR EUROPE	294	330	12.2%
GEFRAN	11	12	7.6%
<b>Downward Revision</b>			
IEG	0	-6	-10684.4%
GEOX	-5	-12	-131.6%
DATALOGIC	47	13	-72.8%
FINE FOODS	14	4	-67.3%
SERI INDUSTRIAL	12	5	-58.4%
SOGEFI	36	21	-39.9%

Source: Intermonte SIM

## Valuation

### Valuation Premium up in the Month Driven by Mid-Cap Outperformance

If we compare YtD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 26.7% de-rating YtD (it was -25.2% one month ago); mid-caps have de-rated by 17.6% while small caps have de-rated 0.7%.

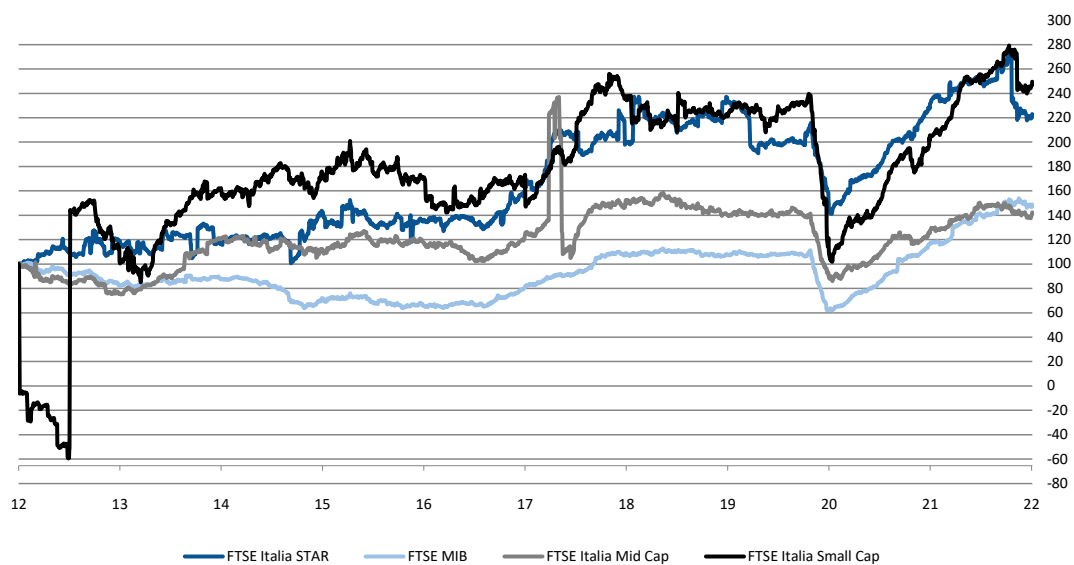
#### Italian Market – re/de-rating by index

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-20.7%	6.0%	-26.7%
FTSE Italia Mid Cap	-21.6%	-4.0%	-17.6%
FTSE Italia Small Cap	-10.3%	-9.5%	-0.7%

Source: Intermonte SIM and FactSet

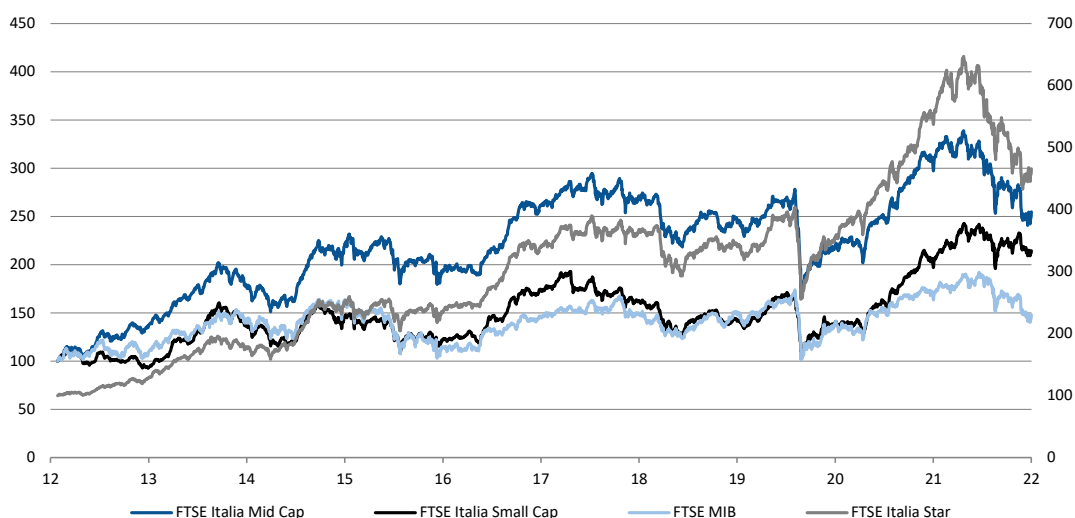
The following graph shows earnings direction over the last 10 years.

#### 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)

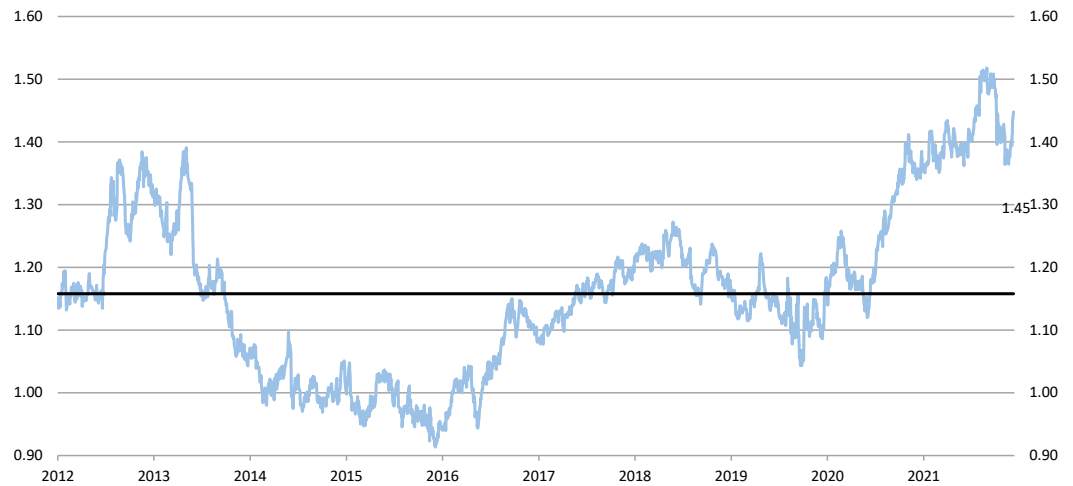


Source: FactSet

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 45% premium to large caps, well above the historical average premium (17%) and above the level one month ago (37%).**

#### 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>	12.7 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	7.7 x	-	15.7 x	-51.2%
<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	13.4 x	-	18.3 x	-27.0%
<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	14.2 x	-	27.2 x	-47.8%
<b>Germany DAX (TR)</b>	12.9 x	11.8 x	11.3 x	14.6 x	16.5 x	12.9 x	15.6 x	14.4 x	14.3 x	14.9 x	20.8 x	13.1 x	11.0 x	43.0%	14.5 x	-24.6%
<b>Germany MDAX</b>	14.3 x	15.1 x	30.0 x	27.8 x	24.8 x	16.9 x	19.2 x	21.0 x	16.6 x	20.9 x	43.8 x	26.6 x	14.7 x	9.9%	22.9 x	-35.6%
<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	11.3 x	48.1%	16.0 x	-29.3%
<b>France CAC Mid 60</b>	20.3 x	16.3 x	19.0 x	24.7 x	27.9 x	22.3 x	21.8 x	39.3 x	17.2 x	16.6 x	-31.9 x	20.2 x	13.5 x	1.0%	21.0 x	-35.5%
<b>France CAC Small</b>	18.3 x	n.m.	29.1 x	34.3 x	27.8 x	29.3 x	31.0 x	39.9 x	39.4 x	43.4 x	-77.1 x	45.0 x	19.6 x	38.2%	32.7 x	-40.1%
<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	14.7 x	13.2 x	12.6 x	21.1 x	13.0 x	9.9 x	29.2%	14.8 x	-33.1%
<b>FTSE 250</b>	15.2 x	13.9 x	15.7 x	18.7 x	18.7 x	16.2 x	16.2 x	14.5 x	12.9 x	13.3 x	43.8 x	21.2 x	13.2 x	-1.7%	16.2 x	-18.6%
<b>IBEX 35</b>	12.0 x	10.6 x	18.9 x	19.5 x	19.9 x	19.5 x	15.9 x	13.4 x	13.8 x	13.2 x	34.8 x	11.9 x	10.2 x	33.4%	17.4 x	-41.3%
<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	13.0 x	-3.3%	18.6 x	-30.3%

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%	(29%)	10655.2%
GEOX	-5.0	-11.6	-132%	(26%)	106.0%
TESMEC	13.1	8.7	-34%	13%	46.9%
SERI INDUSTRIAL	12.2	5.1	-58%	(26%)	32.7%
AVIO	12.2	8.2	-33%	(2%)	30.8%
ENAV	97.9	81.1	-17%	7%	24.3%
FINE FOODS	13.7	4.5	-67%	(46%)	20.8%
DATALOGIC	47.3	12.9	-73%	(53%)	19.4%
FINCANTIERI	146.0	118.9	-19%	(4%)	14.7%
ERG	167.3	163.6	-2%	11%	12.9%
SAFILO	28.6	20.7	-28%	(18%)	9.4%
NOTORIOUS PICTURES	5.7	4.9	-15%	(7%)	7.3%
SOGEFI	35.7	21.4	-40%	(33%)	6.5%
CREDITO EMILIANO	236.0	209.4	-11%	(5%)	5.9%
INDEL B	16.7	13.8	-17%	(12%)	5.1%
BUZZI-UNICEM	477.3	416.0	-13%	(9%)	3.5%
WEBUILD	157.8	115.4	-27%	(28%)	(0.7%)
RAI WAY	68.5	66.8	-2%	(3%)	(1.0%)
OMER	10.9	8.9	-18%	(20%)	(1.6%)
CYBEROO	3.6	3.8	5%	2%	(2.5%)
SAES GETTERS	23.1	21.3	-8%	(12%)	(4.3%)
TXT E-SOLUTIONS	6.9	8.4	21%	16%	(5.1%)
SALCEF GROUP	60.2	49.7	-17%	(23%)	(5.7%)
DOVALUE	65.1	49.3	-24%	(30%)	(5.7%)
ANIMA	198.5	161.7	-19%	(24%)	(5.9%)
DE' LONGHI	347.8	226.2	-35%	(41%)	(6.0%)
PIAGGIO	85.9	76.4	-11%	(18%)	(6.8%)
DEA CAPITAL	18.0	18.0	0%	(7%)	(7.2%)
IGD	68.9	71.1	3%	(6%)	(9.7%)
LU-VE	28.6	27.8	-3%	(13%)	(10.2%)
BREMBO	268.6	239.1	-11%	(21%)	(10.4%)
MARR	59.2	48.1	-19%	(30%)	(10.9%)
FERRAGAMO	81.7	68.7	-16%	(28%)	(11.7%)
SOMEK	11.0	10.0	-9%	(21%)	(11.9%)
UNIPOLSAI	740.4	750.4	1%	(12%)	(12.9%)
GPI	14.5	14.2	-2%	(15%)	(13.1%)
CEMENTIR	149.3	132.7	-11%	(25%)	(13.5%)
FOS	1.6	1.5	-4%	(20%)	(15.6%)
PHARMANUTRA	14.4	14.7	2%	(15%)	(16.8%)
AQUAFIL	22.9	22.1	-3%	(20%)	(17.0%)
FILA	51.7	53.2	3%	(15%)	(17.5%)
TECHNOGYM	76.4	72.8	-5%	(23%)	(18.6%)
MATICA FINTEC	1.5	1.5	0%	(19%)	(18.6%)
SERVIZI ITALIA	4.8	4.1	-15%	(37%)	(21.9%)
BANCA SISTEMA	25.3	24.0	-5%	(28%)	(22.1%)
IREN	294.7	272.7	-7%	(31%)	(23.3%)
MONDADORI	51.4	53.6	4%	(20%)	(23.9%)
BANCA IFIS	110.8	108.3	-2%	(26%)	(24.0%)
EL.EN.	48.7	55.0	13%	(11%)	(24.1%)
ACEA	340.7	333.8	-2%	(26%)	(24.3%)
THE ITALIAN SEA GROUP	24.7	25.1	1%	(23%)	(24.8%)
ELICA	20.6	21.4	4%	(21%)	(24.9%)
SESA	78.6	81.8	4%	(22%)	(26.2%)
OVS GROUP	61.8	53.7	-13%	(40%)	(26.8%)
AMBIENTHESIS	13.6	14.0	3%	(24%)	(26.8%)
RELATECH	6.2	6.2	0%	(29%)	(28.8%)
TINEXTA	67.2	60.5	-10%	(39%)	(29.4%)
GEFRAN	11.2	12.0	8%	(22%)	(29.8%)
EMAK	36.3	32.9	-9%	(41%)	(31.6%)
MAIRE TECNIMONT	98.1	94.0	-4%	(36%)	(31.8%)
REPLY	168.5	174.5	4%	(30%)	(33.4%)
WIIT	16.6	14.4	-13%	(47%)	(33.6%)
ILBE	14.2	15.0	5%	(30%)	(35.7%)
ELES	1.7	1.7	0%	(42%)	(42.3%)
BRUNELLO CUCINELLI	51.3	67.9	32%	(17%)	(49.3%)
ALKEMY	6.1	6.6	7%	(42%)	(49.4%)
SCIUKER FRAMES	15.7	18.3	16%	(44%)	(60.7%)
MEDIA FOR EUROPE	294.0	329.8	12%	(50%)	(62.3%)
AUTOGRILL	-27.9	0.6	102%	5%	(97.4%)
CY4GATE	6.1	10.8	77%	(25%)	(101.3%)

Source: Intermonte SIM



## Liquidity

### Mid/Small Cap liquidity accelerates its descent 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 26.4% lower than the 1Y average, deteriorating further compared to one month ago when the same metric was -14.3%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -47.1% change, while for small caps the same metric has decreased by 41.2%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.71mn in the last month, down 35.0% 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	39.64	45.67	56.64	53.89	52.38	(26.4%)	(15.3%)
Top 20% by market cap	127.10	140.18	174.23	165.39	154.83	(23.2%)	(15.2%)
<b>FTSE Italia Mid Cap</b>							
All stocks	1.53	1.97	2.62	2.89	2.94	(47.1%)	(31.7%)
Top 20% by market cap	3.66	4.26	5.53	5.95	6.16	(38.5%)	(28.3%)
<b>FTSE Italia Small Cap</b>							
All stocks	0.30	0.37	0.44	0.51	0.46	(41.2%)	(25.8%)
Top 20% by market cap	0.98	1.21	1.37	1.50	1.19	(34.5%)	(19.2%)

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)
SARAS	1,105	12,608,973
BUZZI-UNICEM	3,314	12,429,023
AUTOGRILL	2,517	8,874,189
UNIPOLSAI	6,208	7,034,170
FERRAGAMO	2,750	6,902,415
ERG	4,732	6,142,866
ANIMA	1,176	5,871,009
REPLY	4,695	5,605,652
BFF BANK	1,192	5,363,179
IREN	2,390	4,180,516
BREMBO	3,289	4,178,666
OVS GROUP	447	3,860,515
DE' LONGHI	2,810	3,852,085
MAIRE TECNIMONT	875	3,539,067
TECHNOGYM	1,307	3,466,849
TOD'S	1,080	3,195,369
BRUNELLO CUCINELLI	3,431	3,146,437
BANCA IFIS	677	3,130,991
SESA	2,095	2,744,052
MEDIA FOR EUROPE	1,392	2,527,858
WEBUILD	1,516	2,515,508
ENAV	2,281	1,960,361
TINEXTA	1,093	1,946,456
EL.EN.	1,104	1,918,109
PIAGGIO	845	1,632,156
CREDITO EMILIANO	1,881	1,585,517
FINCANTIERI	986	1,553,323
SAFILO	533	1,551,307
TIP	1,407	1,445,933

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	6.4	1,192	0.765	0.765	11.9%	100%	
IGD	3.6	398	0.644	0.399	11.0%	62%	9.2x
DOVALUE	5.9	470	0.617	0.600	10.2%	97%	2.0x
MEDIA FOR EUROPE	0.6	1,392	0.122	0.059	9.6%	49%	1.0x
UNIPOLSAI	2.2	6,208	0.270	0.190	8.7%	70%	
BANCA IFIS	12.6	677	2.013	1.050	8.3%	52%	
ANIMA	3.4	1,176	0.449	0.250	7.4%	56%	
MAIRE TECNIMONT	2.7	875	0.286	0.183	6.9%	64%	0.0x
PIAGGIO	2.4	845	0.215	0.161	6.8%	75%	1.3x
EMAK	1.2	205	0.201	0.083	6.7%	41%	1.8x
ACEA	13.8	2,945	1.567	0.893	6.5%	57%	3.2x
IREN	1.8	2,390	0.210	0.115	6.3%	55%	3.5x
MONDADORI	1.6	429	0.206	0.098	6.0%	48%	1.3x
CREDITO EMILIANO	5.5	1,881	0.614	0.300	5.4%		
DEA CAPITAL	1.1	300	0.067	0.060	5.3%	89%	-5.6x
BANCA SISTEMA	1.5	123	0.298	0.075	4.9%	25%	
GEFRAN	8.8	126	0.836	0.418	4.8%	50%	-0.2x
NOTORIOUS PICTURES	1.5	34	0.216	0.072	4.8%	33%	1.3x
RAI WAY	5.0	1,371	0.245	0.237	4.7%	97%	1.0x
MARR	13.3	883	0.723	0.579	4.4%	80%	1.3x
INDEL B	23.5	137	2.360	1.000	4.3%	42%	0.4x
WEBUILD	1.5	1,516	0.116	0.055	3.7%	47%	-0.9x
ENAV	4.2	2,281	0.150	0.140	3.3%	94%	1.9x
CEMENTIR	6.3	1,006	0.834	0.210	3.3%	25%	-0.2x
SOMEC	29.7	205	1.444	0.939	3.2%	65%	1.8x
OVS GROUP	1.5	447	0.185	0.048	3.1%	26%	1.0x
AQUAFIL	6.1	261	0.431	0.186	3.1%	43%	2.5x
BREMBO	9.9	3,289	0.739	0.300	3.0%	41%	0.7x
DE' LONGHI	18.6	2,810	1.513	0.540	2.9%	36%	-0.9x
SCIUKER FRAMES	5.9	127	0.842	0.168	2.9%	20%	-0.1x

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
AUTOGRILL	6.5	2,517	nm	27.3	16049%
SERI INDUSTRIAL	7.2	353	69.6	22.7	207%
FINE FOODS	8.3	182	47.1	17.9	164%
CYBEROO	3.8	75	20.9	8.4	149%
TOD'S	32.6	1,080	69.7	32.2	116%
SABABA SECURITY	2.8	21	18.8	8.7	115%
SERVIZI ITALIA	1.3	42	10.3	5.3	93%
TESMEC	0.1	73	8.4	4.4	89%
ABITARE IN	6.0	160	8.8	4.8	85%
CIVITANAVI SYSTEMS	4.0	124	14.2	8.1	76%
SOGEFI	0.8	95	4.3	2.6	65%
ELES	2.1	28	16.5	10.2	63%
SOMECE	29.7	205	20.6	14.1	46%
DATALOGIC	7.1	417	32.4	22.2	46%
THE ITALIAN SEA GROUP	4.9	260	10.3	7.3	43%
SAES GETTERS	21.7	418	22.5	16.0	41%
DEA CAPITAL	1.1	300	16.7	12.0	39%
SCIUKER FRAMES	5.9	127	6.9	5.0	38%
REEVO	14.9	75	50.0	36.8	36%
MATICA FINTEC	2.1	23	14.4	10.6	36%
WEBUILD	1.5	1,516	13.0	9.7	33%
WIIT	19.0	531	36.9	28.2	31%
NOTORIOUS PICTURES	1.5	34	7.0	5.4	30%
FINCANTIERI	0.6	986	8.3	6.4	30%
ELICA	2.9	183	8.7	6.7	29%
RELATECH	2.0	86	12.1	9.3	29%
GPI	13.8	252	17.4	13.7	27%
SALCEF GROUP	19.0	1,184	23.8	18.8	27%
FOS	3.1	20	13.1	10.4	26%
CY4GATE	9.3	219	18.8	15.0	25%
DOVALUE	5.9	470	9.5	7.6	25%
MARR	13.3	883	18.4	14.7	25%
TECHNOGYM	6.5	1,307	17.9	14.6	23%
AVIO	11.4	302	38.1	31.0	23%
INDEL B	23.5	137	10.0	8.2	22%
SESA	135.2	2,095	25.6	21.1	21%
TINEXTA	23.2	1,093	18.1	15.0	20%
ALKEMY	13.1	75	11.3	9.5	19%
PIAGGIO	2.4	845	11.0	9.3	18%

Source: Intermonte SIM and FactSet

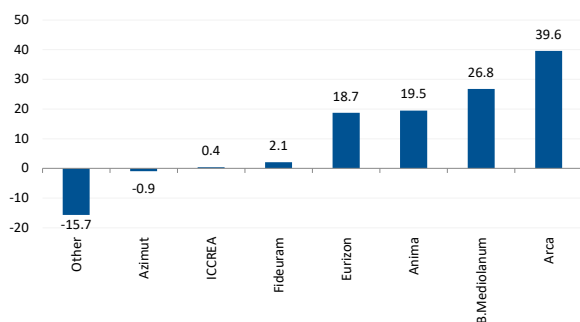
## Update on the Individual Savings Plan (PIR)

### 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%

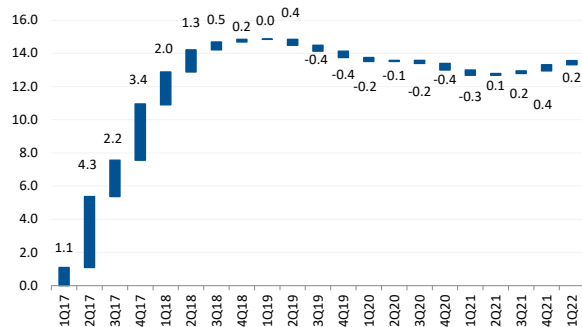
Source: Assogestioni, Quarterly Report, May 2022

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



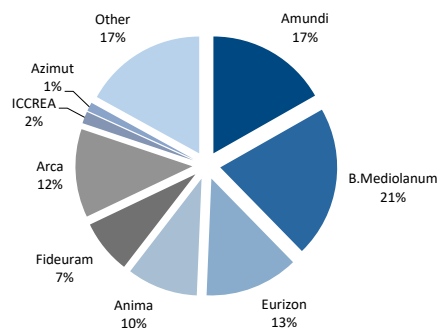
Source: Assogestioni

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



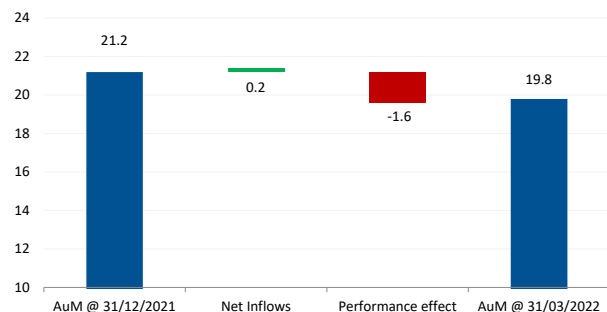
Source: Intermonte SIM estimates, Assogestioni

### 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 again in negative territory

On 18 May 2022, Assogestioni released updated figures on 1Q22 PIR inflows in its quarterly review. Assogestioni has changed its reporting and now also releases inflow 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 Eu1.8bn is invested in alternative PIR funds. Looking at 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.

According to the *Sole24Ore PIR Monitor*, inflows in April slowed down considerably, with the net balance remaining positive by just €0.7mn, before turning negative in May with €158.6mn in outflows; however, more than half of the impact on this fall stemmed from significant outflows suffered by a single passive fund. That said, as we anticipated, the recent market volatility and uncertainty are likely to continue to have a negative impact on inflows, and May outflows have effectively brought the YTD inflow balance only just into positive territory (€2.3mn, combining Assogestioni 1Q data and *Sole 24 Ore* data on April and May).

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 have already pointed out that these were based on overly aggressive assumptions. In light of the current scenario and recent PIR monitor preliminary data, we are taking a more prudent stance: our new estimate for 2022 inflows is Eu338mn, but we note that visibility remains very low, due to both the general market environment and specific Italian political turmoil. 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 Eu100mn;
- 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
Mutual Funds AUM (Eu mn)	900,318	1,011,183	955,114	1,071,299				
PIR Net Inflows (Eu mn)		10,903	3,950	(1,097)	(759)	323	338	1,404
YoY Growth			-63.8%	nm	nm	nm	4.7%	314.8%
o/w From Continuing Subs. (estimated)							793	770
o/w From New Subscribers (estimated)							100	1,200
o/w Transformation of Existing Funds/Exit from PIR (est)							(555)	(567)

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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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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