

Italian Mid Small Caps Monthly

Fly To Quality Remains Our Mantra

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 22 August 2022) has grown 4.0% in the last month but it is down 19.1% YtD. The FTSE Italy Mid-Cap index (flat) has underperformed the main index by 4.0% in the last month (-2.4% YtD on a relative basis), with the FTSE Italy Small Caps index (+0.8%) performing 3.2% worse than the market in the last month, but +8.8% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has dropped 1.1% in the last month, performing worse than Italian mid-caps.
- **Estimates (+).** In the last month, on the back of positive indications from 1H22 results, we have implemented a very significant earnings revision on our large cap coverage (+12.4%/+4.4% on 2022/2023 EPS) not only related to energy stocks but also to industrial names and some banks. Looking at our mid/small cap coverage, we have made limited changes to our 2022 and 2023 EPS projections (+0.5%/+0.6% respectively). Since the beginning of the year, the 2023 EPS revision for our mid/small cap coverage remains negative to the tune of 7.3%, showing the increased prudence we have factored into our models to reflect the worsening macro picture.
- **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 39.5% de-rating YtD (it was -26.7% one month ago); mid-caps have de-rated by 24.5% while small caps have recorded an estimate revision equivalent to the share price correction. On a P/E basis, our panel is trading at a 46% premium to large caps, well above the historical average premium (17%) and almost in line with the level one month ago (45%).
- **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 38.7% lower than the 1Y average, deteriorating further than was the case one month ago when the same metric was -26.4%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -48.9% change, while for small caps the same metric has decreased by 46.1%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.19mn in the last month, down 47% on the corresponding period one year ago.
- **Investment strategy.** The recent stock market rebound, fuelled by a batch of better-than-expected 1H22 earnings reports, has started to reverse. Indeed, investors recognise they're still not out of the woods when it comes to Central Banks' future actions, in particular quantitative tightening to cool inflation. In Italy, focus in the coming weeks will be on the 25 September elections, in an attempt to anticipate the policies to be implemented by the right-wing parties that are likely to run out winners. We think that in this context, Italian mid/small caps, as a relatively riskier asset, may be penalised, even though estimates direction has been quite resilient so far. Domestic stocks and those highly exposed to energy consumption should be the most affected by volatility, so our preference goes to those stocks with a good international profile, with visible trends, or which benefit from existing contracts or clear industry trends (e.g., digital revolution, recovery plan programmes). Balance sheet solidity is another element that can make a difference. Regarding PIR, June inflows remained negative, unsurprisingly; our estimates for the remainder of the year once again look challenging.

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 Small caps underperformed Large Caps in the last month

The Italian equity market (prices as at 22 August 2022) has grown 4.0% in the last month but is down 19.1% YtD. The FTSE Italy Mid-Cap index (flat) has underperformed the main index by 4.0% in the last month (-2.4% YtD on a relative basis), with the FTSE Italy Small Caps index (+0.8%) performing 3.2% worse than the market in the last month, but +8.8% on a relative basis since the beginning of 2022.

Italian Market Indexes – performance analysis (prices as at 22nd August 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	39,156	0.0%	-6.1%	-13.1%	-21.4%	-20.3%	14.3%	7.6%	-3.2%
FTSE Italia Small Cap	29,062	0.8%	-4.3%	-4.4%	-10.3%	0.9%	54.3%	56.1%	21.0%
FTSE Italia Star	46,984	-2.4%	-3.8%	-13.6%	-27.2%	-21.9%	23.5%	39.6%	34.1%
FTSE AIM ITALIA	9,558	2.3%	-1.5%	-6.9%	-16.8%	-11.9%	43.9%	19.7%	0.9%
FTSE Italia All-Share	24,235	4.0%	-7.8%	-14.6%	-19.1%	-14.8%	12.6%	6.7%	1.1%
FTSE MIB	22,166	4.5%	-8.0%	-14.9%	-18.9%	-14.5%	12.5%	6.5%	2.0%
Relative Performance vs FTSE Italy All Share		% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
FTSE Italia Mid Cap		-4.0%	1.7%	1.4%	-2.4%	-5.5%	1.7%	0.9%	-4.3%
FTSE Italia Small Cap		-3.2%	3.5%	10.2%	8.8%	15.7%	41.7%	49.3%	19.9%
FTSE Italia Star		-6.4%	4.0%	1.0%	-8.2%	-7.1%	10.9%	32.9%	33.0%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has dropped 1.1% in the last month, performing worse 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	145	1.9%	0.9%	-4.4%	-10.1%	-6.1%	20.2%	15.3%	14.7%
MSCI Europe Small Cap	400	-1.1%	-4.5%	-10.4%	-20.3%	-19.1%	13.7%	16.2%	12.6%

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
EXPERT.AI	0.92	48	22%
TOD'S	40.24	1,332	21%
SARAS	1.33	1,267	17%
AVIO	13.40	353	17%
SAFILO	1.47	608	14%
ERG	34.00	5,111	13%
SCIUKER FRAMES	6.35	138	10%
DATALOGIC	7.82	457	8%
RELATECH	2.23	96	8%
CREDITO EMILIANO	5.72	1,952	8%
GEFRAN	9.20	132	7%
TESMEC	0.13	78	6%
MONDADORI	1.70	444	6%
BRUNELLO CUCINELLI	55.15	3,750	5%
THE ITALIAN SEA GROUP	5.06	268	5%
BANCA SISTEMA	1.53	123	5%
ELICA	3.00	190	4%
SOGEFI	0.87	104	4%
FINE FOODS	8.65	191	4%
CIVITANAVI SYSTEMS	3.95	122	4%
FTSE Italia Mid Cap			0%
FTSE Italia Small Cap			1%
FTSE MIB			4%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
ILBE	1.49	36	-18%
FINCANTIERI	0.50	857	-12%
SESA	122.30	1,895	-11%
ALKEMY	12.82	73	-10%
MEDIA FOR EUROPE	0.58	1,305	-10%
OMER	2.77	80	-7%
ELES	1.99	26	-7%
MARR	12.28	817	-6%
IREN	1.68	2,187	-6%
EL.EN.	13.64	1,089	-6%
SALCEF GROUP	17.58	1,097	-6%
EMAK	1.21	198	-6%
GPI	13.20	241	-5%
REPLY	123.40	4,617	-4%
SERVIZI ITALIA	1.30	41	-4%
GREENTHESIS	0.85	131	-4%
BFF BANK	6.30	1,169	-4%
REEVO	14.35	73	-4%
BREMBO	9.61	3,207	-3%
ACEA	13.39	2,852	-3%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SARAS	1.33	1,267	142%
ERG	34.00	5,111	20%
TESMEC	0.13	78	19%
TXT E-SOLUTIONS	11.68	152	15%
AVIO	13.40	353	15%
ENAV	4.19	2,270	7%
AUTOGRILL	6.52	2,509	4%
CYBEROO	3.78	75	2%
CREDITO EMILIANO	5.72	1,952	-2%
RAI WAY	4.91	1,336	-6%
SAFILO	1.47	608	-7%
NOTORIOUS PICTURES	1.52	34	-7%
IGD	3.57	394	-8%
REEVO	14.35	73	-8%
DEA CAPITAL	1.11	296	-8%
BRUNELLO CUCINELLI	55.15	3,750	-9%
LU-VE	21.55	479	-10%
PHARMANUTRA	67.00	649	-11%
BFF BANK	6.30	1,169	-11%
INDEL B	23.80	139	-11%
FTSE Italia Mid Cap			-21%
FTSE Italia Small Cap			-10%
FTSE MIB			-19%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
EXPERT.AI	0.92	48	-59%
MEDIA FOR EUROPE	0.58	1,305	-54%
DATALOGIC	7.82	457	-49%
WIIT	18.58	521	-48%
ELES	1.99	26	-46%
FINE FOODS	8.65	191	-44%
ALKEMY	12.82	73	-44%
EMAK	1.21	198	-43%
ILBE	1.49	36	-42%
DE' LONGHI	18.53	2,796	-41%
OVS GROUP	1.54	449	-40%
SCIUKER FRAMES	6.35	138	-40%
TINEXTA	23.28	1,099	-39%
MAIRE TECNIMONT	2.57	845	-38%
SERVIZI ITALIA	1.30	41	-38%
IREN	1.68	2,187	-37%
MARR	12.28	817	-35%
WEBUILD	1.40	1,408	-33%
ABITARE IN	5.64	150	-32%
REPLY	123.40	4,617	-31%

Source: FactSet

Earnings Momentum

2023 forecasts for our Mid/Small Cap coverage slightly up in the last month

In the last month, on the back of positive indications from 1H22 results, we have implemented a very significant revision to earnings forecasts on our large cap coverage (+12.4%/+4.4% on 2022/2023 EPS) not only related to energy stocks but also to industrial names and some banks. If we focus on our mid/small cap coverage, we have made limited changes to our 2022 and 2023 EPS projections (+0.5%/+0.6% respectively). Since the beginning of the year, the 2023 EPS revision for our mid/small cap coverage remains negative to the tune of 7.3%, showing the increased caution we have factored into our models to reflect the worsening macro picture.

Italian Market – Intermonte changes to 2021 and 2022 estimates

EPS REVISION	Since January 1st 2022		Since 22/7/2022	
	% chg in EPS FY22	% chg in EPS FY23	% chg in EPS FY22	% chg in EPS FY23
Total Market	18.7%	3.7%	12.4%	4.4%
Total Market - Ex Energy	4.9%	-4.9%	8.5%	2.4%
Domestic	13.3%	3.0%	11.9%	5.6%
Non domestic	24.8%	4.5%	12.9%	3.0%
Non domestic - Ex Energy	-6.7%	-15.2%	3.3%	-2.3%
FTSE MIB	20.5%	5.0%	13.6%	4.8%
Mid Caps (our coverage)	3.1%	-7.7%	0.6%	0.5%
Small Caps (our coverage)	-10.2%	-4.4%	0.3%	1.1%
Intermonte Mid&Small Caps coverage	1.7%	-7.3%	0.5%	0.6%

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
Upward Revision			
SARAS	-25	530	2225.5%
AUTOGRILL	-28	26	195.0%
TOD'S	6	16	151.3%
CY4GATE	6	11	76.8%
BRUNELLO CUCINELLI	51	68	32.4%
ERG	167	207	23.7%
SCIUKER FRAMES	16	18	16.4%
TXT E-SOLUTIONS	7	8	14.1%
EL.EN.	49	55	12.8%
Downward Revision			
IEG	0	-6	-10684.4%
GEOX	-5	-12	-131.6%
FINCANTIERI	146	-7	-104.7%
FINE FOODS	14	4	-67.3%
SERI INDUSTRIAL	12	5	-58.4%
DATALOGIC	47	20	-57.1%

Source: Intermonte SIM

Valuation

Mid/Small Cap Valuation Premium up in the last month

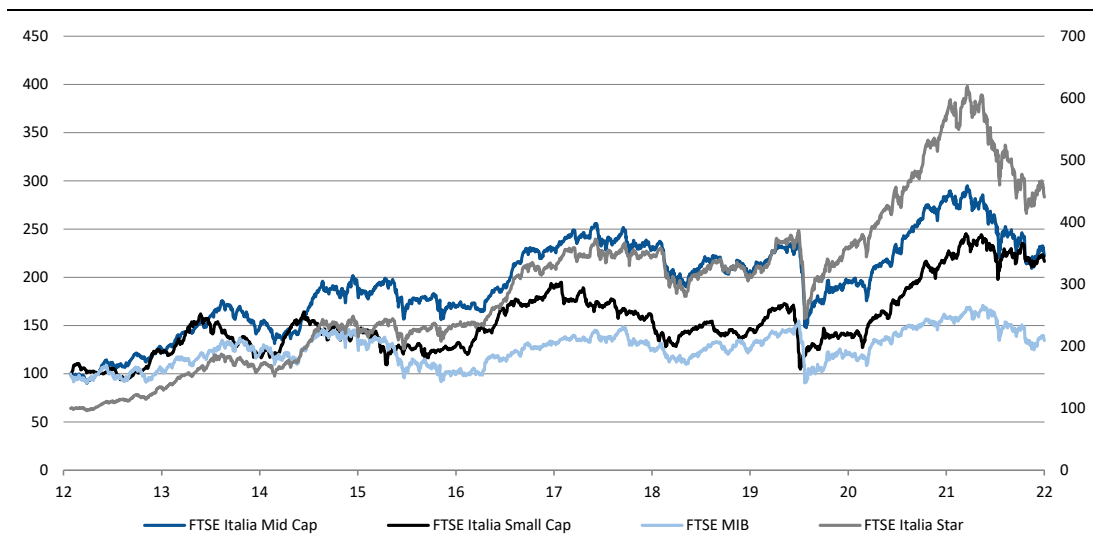
If we compare YtD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 39.5% de-rating YtD (it was -26.7% one month ago); mid-caps have de-rated by 24.5% while small caps have recorded an estimate revision equivalent to the share price correction.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-18.9%	20.5%	-39.5%
FTSE Italia Mid Cap	-21.4%	3.1%	-24.5%
FTSE Italia Small Cap	-10.3%	-10.2%	0.0%

Source: Intermonte SIM and FactSet

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

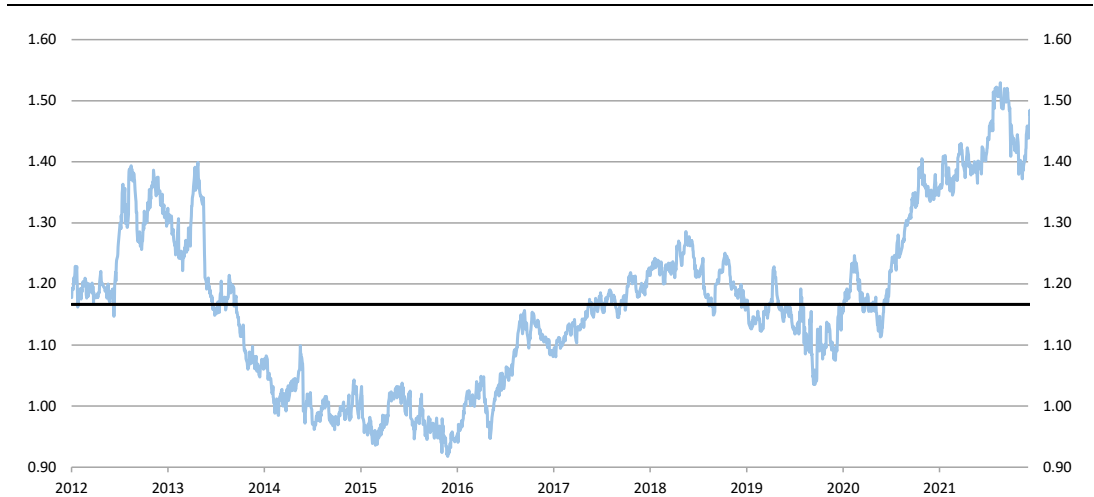


Source: FactSet

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 46% premium to large caps, well above the historical average premium (17%) and almost in line with the level one month ago (45%).

Intermonte Mid & Small Cap Panel – next twelve months' P/E relative to FTSE MIB, last 10 years



Source: Intermonte SIM and FactSet

The table on the next page shows the stocks in our mid/small cap coverage that have posted the largest re-ratings/de-ratings since January 2022, based on 2021 estimates.

European Market – Valuations

	P/E10	P/E11	P/E12	P/E13	P/E14	P/E15	P/E16	P/E17	P/E18	P/E19	P/E20	P/E21	P/E22	P/E21 vs Italian Equivalent	Last 10Y Median	Premium vs Avg
FTSE MIB	12.4 x	14.9 x	12.8 x	11.4 x	11.4 x	18.8 x	19.7 x	16.7 x	n.m.	15.7 x	21.6 x	11.5 x	7.6 x	-	15.7 x	-51.9%
FTSE Italy Mid Cap	9.5 x	18.0 x	17.3 x	15.4 x	15.4 x	22.0 x	20.2 x	16.6 x	18.4 x	19.2 x	60.7 x	18.3 x	13.9 x	-	18.3 x	-24.3%
FTSE Italy Small Cap	11.8 x	35.8 x	23.9 x	197.2 x	60.5 x	nm	nm	27.2 x	18.9 x	nm	51.5 x	20.2 x	13.7 x	-	27.2 x	-49.6%
Germany DAX (TR)	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	11.4 x	50.6%	14.5 x	-21.7%
Germany MDAX	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	15.2 x	9.4%	22.9 x	-33.6%
France CAC 40	12.4 x	11.3 x	14.1 x	15.9 x	17.5 x	16.1 x	16.2 x	16.1 x	15.3 x	16.0 x	28.6 x	15.6 x	11.6 x	53.4%	16.0 x	-27.7%
France CAC Mid 60	20.3 x	16.4 x	19.0 x	24.8 x	28.0 x	22.4 x	21.8 x	39.4 x	17.2 x	16.5 x	-31.9 x	20.2 x	14.0 x	0.6%	21.0 x	-33.5%
France CAC Small	18.3 x	n.m.	29.2 x	34.3 x	27.8 x	29.3 x	31.1 x	40.0 x	39.5 x	43.4 x	-77.1 x	45.0 x	22.5 x	64.7%	32.7 x	-31.0%
FTSE 100	12.3 x	11.1 x	12.2 x	15.0 x	14.9 x	15.4 x	18.2 x	14.7 x	13.2 x	12.7 x	21.1 x	13.0 x	9.9 x	31.6%	14.8 x	-32.6%
FTSE 250	15.2 x	14.0 x	15.5 x	18.6 x	19.0 x	17.0 x	16.1 x	14.5 x	12.8 x	13.2 x	43.8 x	21.2 x	13.1 x	-5.4%	16.5 x	-20.6%
IBEX 35	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	10.3 x	35.9%	17.4 x	-41.0%
IBEX MEDIUM	17.4 x	11.2 x	18.3 x	28.6 x	18.1 x	20.5 x	18.9 x	20.9 x	17.0 x	18.8 x	20.4 x	15.4 x	13.3 x	-4.5%	18.6 x	-28.8%

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%	(26%)	10658.2%
GEOX	-5.0	-11.6	-132%	(26%)	105.9%
FINCANTIERI	146.0	-6.9	-105%	(16%)	88.3%
TESMEC	13.1	8.7	-34%	19%	53.4%
AVIO	12.2	8.2	-33%	15%	47.5%
SERI INDUSTRIAL	12.2	5.1	-58%	(27%)	31.4%
FINE FOODS	13.7	4.5	-67%	(44%)	23.4%
SAFILO	28.6	20.7	-28%	(7%)	20.9%
SOGEFI	35.7	21.4	-40%	(27%)	13.2%
ENAV	97.9	92.0	-6%	7%	12.6%
DE' LONGHI	347.8	163.4	-53%	(41%)	11.8%
DATALOGIC	47.3	20.3	-57%	(49%)	8.2%
NOTORIOUS PICTURES	5.7	4.9	-15%	(7%)	7.9%
INDEL B	16.7	13.8	-17%	(11%)	6.2%
TXT E-SOLUTIONS	6.9	7.9	14%	15%	1.0%
CREDITO EMILIANO	236.0	233.8	-1%	(2%)	(0.8%)
PIAGGIO	85.9	76.4	-11%	(14%)	(2.5%)
CYBEROO	3.6	3.8	5%	2%	(3.0%)
RAI WAY	68.5	66.8	-2%	(6%)	(3.5%)
DOVALUE	65.1	47.6	-27%	(31%)	(3.8%)
SAES GETTERS	23.1	21.3	-8%	(12%)	(4.1%)
ERG	167.3	206.9	24%	20%	(4.1%)
IGD	68.9	67.3	-2%	(8%)	(5.2%)
WEBUILD	157.8	115.4	-27%	(33%)	(5.9%)
ANIMA	198.5	160.0	-19%	(26%)	(6.4%)
LU-VE	28.6	27.7	-3%	(10%)	(7.1%)
DEA CAPITAL	18.0	18.0	0%	(8%)	(8.2%)
OMER	10.9	8.9	-18%	(28%)	(9.4%)
FERRAGAMO	81.7	68.7	-16%	(26%)	(9.7%)
TINEXTA	67.2	48.1	-28%	(39%)	(10.6%)
SALCEF GROUP	60.2	49.7	-17%	(29%)	(11.4%)
BUZZI-UNICEM	477.3	478.9	0%	(12%)	(11.9%)
SOMECC	11.0	10.0	-9%	(21%)	(12.1%)
MARR	59.2	46.3	-22%	(35%)	(13.3%)
PHARMANUTRA	14.4	14.7	2%	(11%)	(13.4%)
UNIPOLSAI	740.4	750.4	1%	(12%)	(13.4%)
FOS	1.6	1.5	-4%	(19%)	(14.5%)
MATICA FINTEC	1.5	1.5	0%	(15%)	(15.2%)
GPI	14.5	14.2	-2%	(19%)	(16.9%)
AQUAFIL	22.9	22.1	-3%	(20%)	(16.9%)
TECHNOGYM	76.4	75.2	-1%	(19%)	(17.8%)
FILA	51.7	52.4	1%	(18%)	(19.1%)
RELATECH	6.2	6.2	0%	(20%)	(20.4%)
CEMENTIR	149.3	138.8	-7%	(29%)	(21.6%)
BANCA SISTEMA	25.3	24.1	-5%	(27%)	(22.2%)
THE ITALIAN SEA GROUP	24.7	25.1	1%	(21%)	(22.3%)
SERVIZI ITALIA	4.8	4.1	-15%	(38%)	(22.7%)
ELICA	20.6	21.8	6%	(18%)	(23.7%)
BANCA IFIS	110.8	108.3	-2%	(27%)	(24.8%)
MONDADORI	51.4	55.6	8%	(17%)	(24.8%)
EL. EN.	48.7	55.0	13%	(12%)	(25.3%)
GEFRAN	11.2	12.0	8%	(18%)	(25.8%)
OVS GROUP	61.8	53.7	-13%	(40%)	(26.6%)
ACEA	340.7	333.8	-2%	(29%)	(26.6%)
IREN	294.7	274.5	-7%	(37%)	(29.8%)
BREMBO	268.6	290.9	8%	(23%)	(31.6%)
REPLY	168.5	170.3	1%	(31%)	(32.0%)
EMAK	36.3	32.9	-9%	(43%)	(33.6%)
SESA	78.6	81.8	4%	(29%)	(33.6%)
WIIT	16.6	14.4	-13%	(48%)	(34.7%)
MAIRE TECNIMONT	98.1	99.6	2%	(38%)	(39.7%)
BRUNELLO CUCINELLI	51.3	67.9	32%	(9%)	(41.5%)
ELES	1.7	1.7	0%	(46%)	(45.6%)
ILBE	14.2	15.0	5%	(42%)	(47.7%)
ALKEMY	6.1	6.6	7%	(44%)	(50.8%)
SCIUKER FRAMES	15.7	18.3	16%	(40%)	(55.9%)
MEDIA FOR EUROPE	294.0	329.8	12%	(54%)	(65.9%)
CY4GATE	6.1	10.8	77%	(25%)	(101.8%)
TOD'S	6.2	15.5	151%	(18%)	(169.6%)
AUTOGRILL	-27.9	26.5	195%	4%	(190.7%)

Source: Intermonte SIM

Liquidity

Mid/Small Cap liquidity prolonged 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 38.7% lower than the 1Y average, deteriorating further compared to one month ago when the same metric was -26.4%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -48.9% change, while for small caps the same metric has decreased by 46.1%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.19mn in the last month, down 47% on the corresponding period one year ago.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn)					% Changes	
	1M	3M	6M	1Y	3Y	1M vs 1Y	3M vs 1Y
FTSE MIB							
All stocks	32.59	41.41	51.25	53.13	51.81	(38.7%)	(22.1%)
Top 20% by market cap	102.67	130.17	156.63	163.53	153.27	(37.2%)	(20.4%)
FTSE Italia Mid Cap							
All stocks	1.39	1.62	2.29	2.72	2.84	(48.9%)	(40.4%)
Top 20% by market cap	2.94	3.59	4.92	5.65	6.00	(47.9%)	(36.5%)
FTSE Italia Small Cap							
All stocks	0.26	0.30	0.39	0.49	0.45	(46.1%)	(38.0%)
Top 20% by market cap	0.82	0.98	1.27	1.52	1.22	(45.9%)	(35.7%)

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)
Intermonte Coverage	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	6.3	1,192	0.791	0.791	11.5%	100%	
IGD	3.6	398	0.610	0.381	10.4%	62%	9.6x
DOVALUE	5.8	470	0.595	0.600	10.1%	101%	2.2x
MEDIA FOR EUROPE	0.6	1,392	0.122	0.059	9.9%	49%	1.0x
UNIPOLSAI	2.2	6,208	0.270	0.190	8.6%	70%	
BANCA IFIS	12.5	677	2.013	1.050	8.1%	52%	
ANIMA	3.3	1,176	0.444	0.250	7.3%	56%	
MAIRE TECNIMONT	2.6	875	0.303	0.183	6.9%	60%	0.2x
IREN	1.7	2,390	0.211	0.115	6.7%	55%	3.4x
EMAK	1.2	205	0.201	0.083	6.6%	41%	1.8x
ACEA	13.4	2,945	1.567	0.893	6.6%	57%	3.2x
PIAGGIO	2.5	845	0.215	0.161	6.4%	75%	1.3x
SARAS	1.3	1,105	0.557	0.080	6.2%	14%	-0.2x
MONDADORI	1.7	429	0.213	0.103	6.0%		1.5x
DEA CAPITAL	1.1	300	0.067	0.060	5.3%	89%	-5.6x
CREDITO EMILIANO	5.7	1,881	0.685	0.300	5.3%	44%	
RAI WAY	4.9	1,371	0.245	0.237	4.8%	97%	1.0x
BANCA SISTEMA	1.5	123	0.299	0.075	4.8%	25%	
NOTORIOUS PICTURES	1.5	34	0.216	0.072	4.8%	33%	1.3x
MARR	12.3	883	0.697	0.557	4.4%	80%	2.1x
GEFRAN	9.2	126	0.836	0.418	4.4%	50%	-0.2x
INDEL B	23.8	137	2.360	1.000	4.2%	42%	0.4x
WEBUILD	1.4	1,516	0.116	0.055	3.8%	47%	-0.9x
BREMBO	9.6	3,289	0.899	0.365	3.6%	41%	0.8x
ENAV	4.2	2,281	0.170	0.150	3.5%	88%	1.7x
CEMENTIR	6.0	1,006	0.872	0.210	3.4%	24%	-0.2x
SOMEK	29.6	205	1.444	0.939	3.1%	65%	1.8x
AQUAFIL	6.1	261	0.431	0.186	3.0%	43%	2.5x
OVS GROUP	1.5	447	0.185	0.048	2.9%	26%	1.0x
ERG	34.0	4,732	1.376	0.900	2.6%	65%	3.0x

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
AUTOGRILL	6.5	2,517	95.1	23.4	306%
SERI INDUSTRIAL	7.1	353	70.2	22.9	207%
FINE FOODS	8.7	182	48.6	18.4	164%
CYBEROO	3.8	75	21.0	8.4	149%
TOD'S	40.2	1,080	85.9	39.7	116%
SABABA SECURITY	2.9	21	19.4	9.0	115%
SERVIZI ITALIA	1.3	42	10.1	5.2	93%
TESMEC	0.1	73	9.1	4.8	89%
ABITARE IN	5.6	160	8.2	4.5	85%
CIVITANAVI SYSTEMS	4.0	124	14.1	8.0	76%
SOGEFI	0.9	95	4.8	2.9	65%
ELES	2.0	28	16.0	9.8	63%
TXT E-SOLUTIONS	11.7	153	18.6	12.6	47%
SOMEK	29.6	205	21.1	14.4	46%
THE ITALIAN SEA GROUP	5.1	260	11.0	7.7	43%
SAES GETTERS	21.8	418	22.4	15.9	41%
DEA CAPITAL	1.1	300	16.8	12.1	39%
SCIUKER FRAMES	6.4	127	7.7	5.6	38%
REEVO	14.4	75	48.4	35.7	36%
MATICA FINTEC	2.2	23	15.1	11.1	36%
WEBUILD	1.4	1,516	12.4	9.3	33%
WIIT	18.6	531	35.4	27.0	31%
NOTORIOUS PICTURES	1.5	34	7.0	5.4	30%
RELATECH	2.2	86	13.5	10.5	29%
MARR	12.3	883	18.2	14.2	28%
GPI	13.2	252	17.1	13.5	27%
ELICA	3.0	183	9.1	7.2	27%
SALCEF GROUP	17.6	1,184	22.2	17.5	27%
DE' LONGHI	18.5	2,810	17.2	13.6	26%
FOS	3.1	20	13.3	10.6	26%
CY4GATE	9.2	219	18.9	15.0	25%
TINEXTA	23.3	1,093	23.0	18.4	25%
AVIO	13.4	302	44.9	36.6	23%
TECHNOGYM	6.8	1,307	18.6	15.2	23%
INDEL B	23.8	137	10.1	8.3	22%
SESA	122.3	2,095	23.9	19.7	21%
ALKEMY	12.8	75	11.0	9.2	19%
PIAGGIO	2.5	845	11.7	10.0	18%
BRUNELLO CUCINELLI	55.2	3,431	57.1	48.9	17%

Source: Intermonte SIM and FactSet

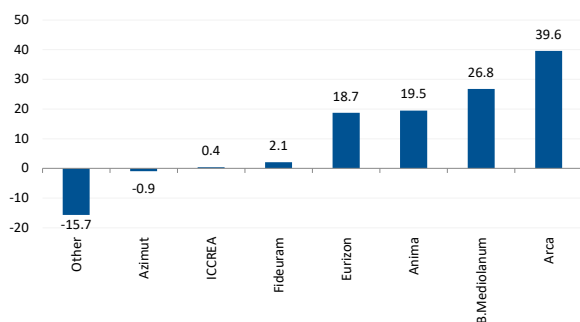
Update on the Individual Savings Plan (PIR)

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	
EQUITY FUNDS	(12)	154	40	109	(23)	280	(281)	(369)	349	27	31.4%	5,853	29.6%
BALANCED FUNDS	147	177	103	43	(109)	214	(321)	(587)	2,525	26	30.2%	8,711	44.0%
FIXED INCOME FUNDS	(10)	7	7	4	(1)	17	(1)	(20)	10	4	4.7%	222	1.1%
FLEXIBLE FUNDS	36	41	6	(50)	(184)	(187)	(160)	(121)	1,067	14	16.3%	5,013	25.3%
CLOSED-END FUNDS	83									15	17.4%	1,804	9.1%

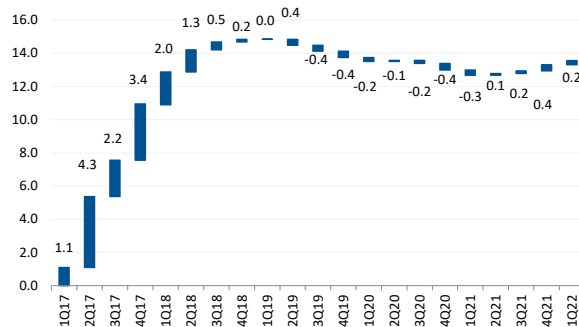
Source: Assogestioni, Quarterly Report, May 2022

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



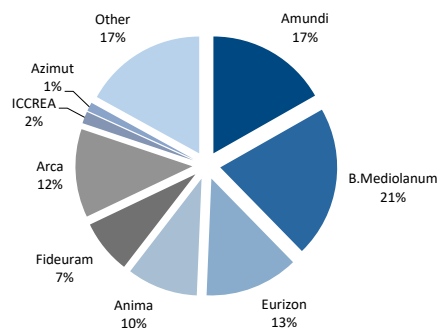
Source: Assogestioni

Ordinary PIR – Inflows by quarter (Eu bn)



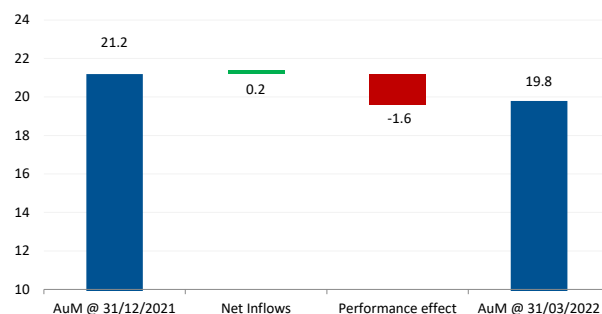
Source: Intermonte SIM estimates, Assogestioni

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 negative territory in 2Q22

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.

However, the situation deteriorated significantly in 2Q22. According to the *Sole 24 Ore PIR Monitor*, inflows in April slowed 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. In June, preliminary indications from *il Sole 24 Ore* point to outflows of Eu-76.2mn, taking the overall outflows in 2Q22 / 1H22 to Eu-234.1mn / Eu-73.90mn, respectively. As we anticipated, this negative trend does not come as a surprise in light of the recent market volatility and uncertainty, which are likely to continue to have a negative impact on inflows in the coming months.

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.

On the other hand, 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 have taken a more prudent stance: our 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
<i>YoY Growth</i>			-63.8%	<i>nm</i>	<i>nm</i>	<i>nm</i>	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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- 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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