

Italian Mid Small Caps Monthly

Indiscriminate De-Rating Throws Up Opportunities

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 19 September 2022) has fallen 2.4% in the last month and is down 19.7% YtD. The FTSE Italy Mid-Cap index (-8.3%) has underperformed the main index by 5.9% in the last month (-6.8% YtD on a relative basis), with the FTSE Italy Small Caps index (-5.8%) performing 3.4% worse than the market in the last month, but +5.3% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has dropped 8.6% in the last month, performing broadly in line with Italian mid-caps.
- **Estimates (-).** Since the beginning of the year, we have implemented a +3.6% revision to our 2023 EPS estimates, driven by significant earnings upgrades to energy stocks, while on average we have cut forecasts for the remaining stocks, by 8.5% for our mid/small cap coverage in particular. In the last month, if we focus on our mid/small cap coverage, we have reduced our 2022 and 2023 EPS forecasts by 1.1%.
- **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 39.4% de-rating YtD (it was -39.5% one month ago); mid-caps have de-rated by 28.7% while small caps have recorded an estimate revision just 3.1% larger than the share price correction. On a P/E basis, our panel is trading at a 38% premium to large caps, well above the historical average premium (17%) but below the level one month ago (46%).
- **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 28.1% lower than the 1Y average, a slight improvement on the previous month when the same metric was -38.7%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -44.0% change, while for small caps the same metric has decreased by 41.5%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.3mn in the last month, down 56% on the corresponding period one year ago.
- **Investment strategy.** The recent market fall reflects the fear of economists and investors that central banks may need to be even more aggressive in their efforts to temper growth and bring inflation back down, after recent corrections in gas prices and improvements in the supply chain were not able to ease the picture. Bond markets are now pricing in a significant recession in 2023. Investor appetite towards Italian stocks is likely to remain low in the short-term amid the impact of energy costs on corporates and households (with the risk of a lack of supply) and the upcoming general elections that may lead to a period of volatility. While mid-small caps are vulnerable to these factors, the recent indiscriminate de-rating of growth stocks has also penalised a number of companies with a good international profile and visible trends that benefit from existing contracts or clear industry trends (e.g., digital revolution, recovery plan programmes). We believe these companies remain attractive, especially when market estimates price in the upcoming recession. As for PIR, July inflows remained negative, unsurprisingly; we cut our inflow forecast for the year and visibility remains low.

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 19 September 2022) has fallen 2.4% in the last month and is down 19.7% YtD. The FTSE Italy Mid-Cap index (-8.3%) has underperformed the main index by 5.9% in the last month (-6.8% YtD on a relative basis), with the FTSE Italy Small Caps index (-5.8%) performing 3.4% worse than the market in the last month, but +5.3% on a relative basis since the beginning of 2022.

Italian Market Indexes – performance analysis (prices as at 19th September 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	36,648	-8.3%	-4.3%	-15.9%	-26.5%	-25.6%	5.4%	-3.5%	-12.2%
FTSE Italia Small Cap	27,726	-5.8%	-5.3%	-5.2%	-14.4%	-6.9%	46.4%	40.6%	11.6%
FTSE Italia Star	42,936	-9.9%	-4.6%	-21.4%	-33.5%	-30.9%	9.0%	22.1%	17.1%
FTSE AIM ITALIA	9,297	-3.8%	0.4%	-9.9%	-19.1%	-17.6%	38.6%	15.6%	-4.7%
FTSE Italia All-Share	24,044	-2.4%	0.9%	-9.3%	-19.7%	-14.9%	12.6%	-0.2%	-2.7%
FTSE MIB	22,141	-1.7%	1.6%	-8.6%	-19.0%	-13.9%	13.4%	0.1%	-1.3%
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		-5.9%	-5.1%	-6.6%	-6.8%	-10.7%	-7.1%	-3.3%	-9.5%
FTSE Italia Small Cap		-3.4%	-6.2%	4.1%	5.3%	8.0%	33.9%	40.8%	14.3%
FTSE Italia Star		-7.4%	-5.5%	-12.1%	-13.8%	-15.9%	-3.6%	22.3%	19.8%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has dropped 8.6% in the last month, performing broadly in line with 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	137	-6.7%	1.4%	-9.8%	-15.4%	-10.1%	12.1%	3.7%	6.2%
MSCI Europe Small Cap	373	-8.6%	-3.6%	-18.0%	-25.9%	-24.8%	4.2%	3.1%	2.4%

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 (%)
RELATECH	2.36	101	6%
PHARMANUTRA	70.30	681	5%
CREDITO EMILIANO	5.99	2,045	5%
GREENTHESIS	0.90	140	3%
UNIPOLSAI	2.28	6,440	3%
BFF BANK	6.95	1,289	1%
TOD'S	40.54	1,342	1%
LU-VE	22.05	490	1%
NOTORIOUS PICTURES	1.52	34	1%
INDEL B	24.00	140	0%
CIVITANAVI SYSTEMS	4.00	123	0%
SABABA SECURITY	2.90	22	0%
GPI	13.56	248	0%
ABITARE IN	5.60	149	-1%
IEG	2.00	62	-1%
SCIUKER FRAMES	6.41	139	-2%
AUTOGRILL	6.43	2,477	-2%
FINE FOODS	8.35	184	-2%
DOVALUE	5.80	464	-2%
MONDADORI	1.66	435	-2%
FTSE Italia Mid Cap			-8%
FTSE Italia Small Cap			-6%
FTSE MIB			-2%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
SARAS	0.94	895	-27%
AVIO	9.98	263	-26%
EMAK	1.01	166	-19%
MEDIA FOR EUROPE	0.49	1,143	-18%
TINEXTA	19.55	923	-17%
ILBE	1.36	33	-16%
OMER	2.39	69	-16%
IREN	1.46	1,893	-16%
DE' LONGHI	15.91	2,401	-16%
SAFILO	1.29	532	-15%
FERRAGAMO	14.75	2,490	-15%
SOMEK	26.00	179	-14%
MARR	10.90	725	-14%
EL.EN.	11.86	947	-14%
SESA	110.00	1,704	-13%
ELICA	2.70	171	-13%
TIP	7.12	1,313	-12%
GEFRAN	8.41	121	-12%
WIIT	16.00	448	-12%
SOGEFI	0.77	93	-12%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SARAS	0.94	895	71%
ERG	33.22	4,994	17%
TESMEC	0.12	73	13%
TXT E-SOLUTIONS	11.04	144	9%
ENAV	4.13	2,238	5%
AUTOGRILL	6.43	2,477	3%
CREDITO EMILIANO	5.99	2,045	3%
CYBEROO	3.68	73	-1%
BFF BANK	6.95	1,289	-2%
NOTORIOUS PICTURES	1.52	34	-7%
PHARMANUTRA	70.30	681	-7%
RAI WAY	4.80	1,306	-8%
LU-VE	22.05	490	-8%
UNIPOLSAI	2.28	6,440	-8%
REEVO	14.00	71	-10%
INDEL B	24.00	140	-10%
DEA CAPITAL	1.07	284	-12%
SAES GETTERS	21.10	423	-15%
AVIO	9.98	263	-15%
BRUNELLO CUCINELLI	51.45	3,499	-15%
FTSE Italia Mid Cap			-26%
FTSE Italia Small Cap			-14%
FTSE MIB			-19%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
EXPERT.AI	0.88	46	-61%
MEDIA FOR EUROPE	0.49	1,143	-61%
WIIT	16.00	448	-55%
EMAK	1.01	166	-52%
DATALOGIC	7.47	437	-51%
DE' LONGHI	15.91	2,401	-50%
TINEXTA	19.55	923	-49%
ELES	1.90	25	-48%
ILBE	1.36	33	-47%
ALKEMY	12.02	68	-47%
FINE FOODS	8.35	184	-46%
IREN	1.46	1,893	-45%
SERVIZI ITALIA	1.15	36	-45%
MARR	10.90	725	-42%
SCIUKER FRAMES	6.41	139	-39%
OVS GROUP	1.57	457	-39%
REPLY	109.60	4,100	-39%
MAIRE TECNIMONT	2.57	844	-38%
OMER	2.39	69	-38%
SESA	110.00	1,704	-37%

Source: FactSet

Earnings Momentum

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

Since the beginning of the year, we have implemented a +3.6% revision to our 2023 EPS estimates, driven by significant earnings upgrades to energy stocks, while on average we have cut forecasts for the remaining stocks, by 8.5% for our mid/small cap coverage in particular. In the last month, if we focus on our mid/small cap coverage, we have reduced our 2022 and 2023 EPS forecasts by 1.1%.

Italian Market – Intermonte changes to 2022 and 2023 estimates

EPS REVISION	Since January 1st 2022		Since 20/8/2022	
	% chg in EPS FY22	% chg in EPS FY23	% chg in EPS FY22	% chg in EPS FY23
Total Market	18.6%	3.6%	-0.1%	-0.1%
Total Market - Ex Energy	4.8%	-5.0%	-0.1%	-0.1%
Domestic	13.0%	2.8%	-0.2%	-0.2%
Non domestic	24.8%	4.5%	0.0%	0.0%
Non domestic - Ex Energy	-6.7%	-15.2%	0.0%	0.0%
FTSE MIB	20.4%	4.9%	0.0%	0.0%
Mid Caps (our coverage)	2.2%	-9.1%	-1.1%	-1.2%
Small Caps (our coverage)	-11.3%	-4.7%	-0.9%	-0.3%
Intermonte Mid&Small Caps coverage	0.6%	-8.5%	-1.1%	-1.1%

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	157.1%
CY4GATE	6	10	62.2%
BRUNELLO CUCINELLI	51	70	35.6%
ERG	167	207	23.7%
SCIUKER FRAMES	16	18	16.4%
SAES GETTERS	23	27	16.3%
LU-VE	29	33	15.2%
EL.EN.	49	56	15.1%
Downward Revision			
IEG	0	-8	-15019.3%
FINE FOODS	14	-6	-144.8%
GEOX	-5	-12	-131.6%
FINCANTIERI	146	-7	-104.7%
SERI INDUSTRIAL	12	5	-58.4%
DATALOGIC	47	20	-57.1%

Source: Intermonte SIM

Valuation

Mid/Small Cap Valuation Premium down in the last month

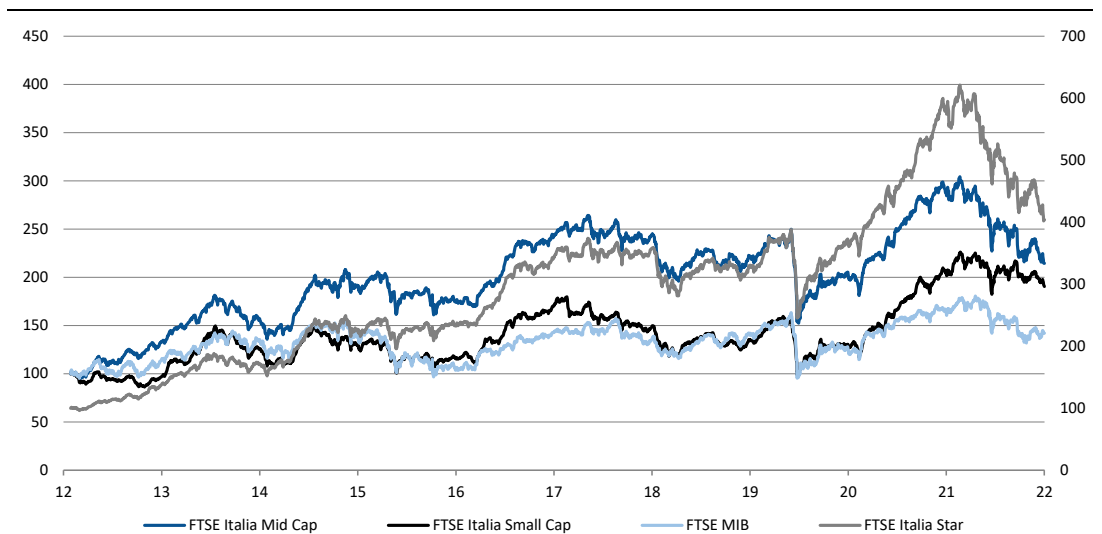
If we compare YtD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 39.4% de-rating YtD (it was -39.5% one month ago); mid-caps have de-rated by 28.7% while small caps have recorded an estimate revision just 3.1% larger than the share price correction.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-19.0%	20.4%	-39.4%
FTSE Italia Mid Cap	-26.5%	2.2%	-28.7%
FTSE Italia Small Cap	-14.4%	-11.3%	-3.1%

Source: Intermonte SIM and FactSet

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

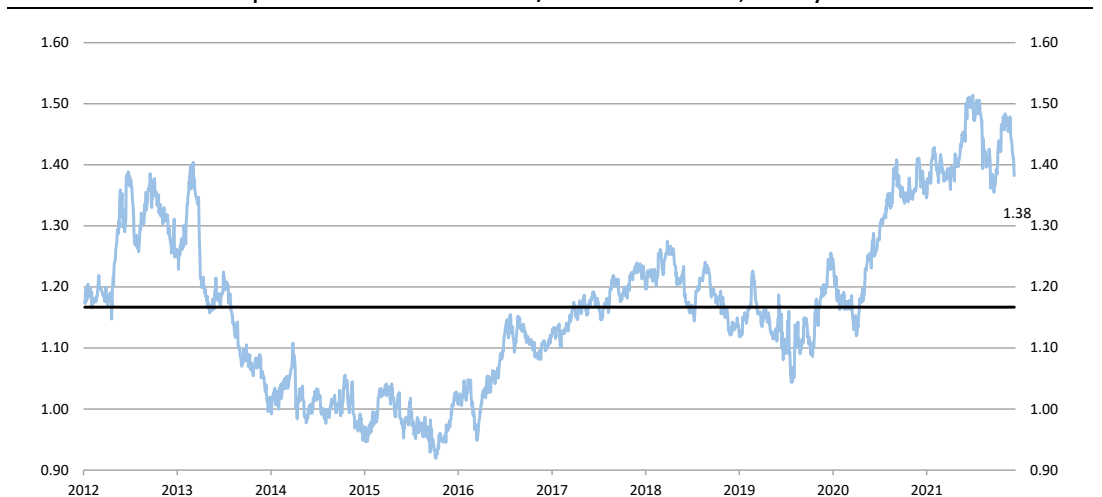


Source: FactSet

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 38% premium to large caps, well above the historical average premium (17%) but below the level one month ago (46%).

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	7.5 x	-	15.7 x	-52.3%
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	13.1 x	-	18.3 x	-28.8%
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	12.7 x	-	27.2 x	-53.4%
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	10.7 x	42.4%	14.5 x	-26.5%
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	13.9 x	6.1%	22.9 x	-39.4%
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	10.7 x	42.5%	16.0 x	-33.4%
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	12.9 x	-0.9%	21.0 x	-38.3%
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	19.1 x	50.9%	32.7 x	-41.5%
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	9.3 x	24.0%	14.8 x	-37.1%
FTSE 250	15.2 x	14.0 x	15.5 x	18.5 x	18.9 x	17.0 x	16.1 x	14.5 x	12.7 x	13.1 x	43.8 x	21.2 x	12.4 x	-4.9%	16.6 x	-24.9%
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	9.8 x	30.1%	17.4 x	-44.0%
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	13.8 x	20.4 x	15.4 x	12.7 x	-2.9%	18.6 x	-31.8%

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	-7.8	-15019%	(25%)	14994.2%
GEOX	-5.0	-11.6	-132%	(28%)	103.6%
FINE FOODS	13.7	-6.1	-145%	(46%)	99.0%
FINCANTIERI	146.0	-6.9	-105%	(19%)	85.6%
TESMEC	13.1	8.7	-34%	13%	46.9%
SERI INDUSTRIAL	12.2	5.1	-58%	(33%)	25.2%
AVIO	12.2	8.2	-33%	(15%)	18.3%
ENAV	97.9	92.0	-6%	5%	11.1%
SAFILO	28.6	20.7	-28%	(18%)	9.2%
NOTORIOUS PICTURES	5.7	4.9	-15%	(7%)	7.9%
DATALOGIC	47.3	20.3	-57%	(51%)	5.9%
SOGEFI	35.7	21.4	-40%	(35%)	5.4%
CREDITO EMILIANO	236.0	233.8	-1%	3%	3.9%
DE' LONGHI	347.8	163.4	-53%	(50%)	3.5%
INDEL B	16.7	14.5	-13%	(10%)	2.8%
DOVALUE	65.1	47.6	-27%	(31%)	(4.0%)
TXT E-SOLUTIONS	6.9	7.9	14%	9%	(5.3%)
RAI WAY	68.5	66.8	-2%	(8%)	(5.6%)
CYBEROO	3.6	3.8	5%	(1%)	(5.7%)
WEBUILD	157.8	115.4	-27%	(33%)	(6.3%)
ERG	167.3	206.9	24%	17%	(6.9%)
ANIMA	198.5	160.0	-19%	(27%)	(7.7%)
PIAGGIO	85.9	76.4	-11%	(21%)	(9.6%)
UNIPOLSAI	740.4	750.4	1%	(8%)	(9.6%)
PHARMANUTRA	14.4	15.0	4%	(7%)	(11.0%)
DEA CAPITAL	18.0	18.0	0%	(12%)	(12.0%)
IGD	68.9	67.3	-2%	(15%)	(13.0%)
GPI	14.5	14.2	-2%	(17%)	(14.7%)
RELATECH	6.2	6.2	0%	(16%)	(15.7%)
SALCEF GROUP	60.2	49.7	-17%	(34%)	(16.6%)
FOS	1.6	1.5	-4%	(21%)	(16.6%)
OMER	10.9	8.9	-18%	(38%)	(19.3%)
TINEXTA	67.2	48.1	-28%	(49%)	(20.4%)
MARR	59.2	46.3	-22%	(42%)	(20.6%)
SOMECH	11.0	10.0	-9%	(31%)	(21.7%)
TECHNOGYM	76.4	75.2	-1%	(25%)	(23.2%)
LU-VE	28.6	32.9	15%	(8%)	(23.3%)
AQUAFIL	22.9	23.3	2%	(22%)	(23.5%)
CEMENTIR	149.3	138.8	-7%	(31%)	(23.7%)
MATICA FINTECH	1.5	1.5	0%	(24%)	(24.0%)
GREENTHESIS	13.6	14.0	3%	(21%)	(24.1%)
BANCA SISTEMA	25.3	24.1	-5%	(29%)	(24.3%)
FERRAGAMO	81.7	73.6	-10%	(35%)	(24.6%)
THE ITALIAN SEA GROUP	24.7	25.1	2%	(24%)	(25.2%)
OVS GROUP	61.8	53.7	-13%	(39%)	(25.6%)
FILA	51.7	52.4	1%	(25%)	(26.4%)
BANCA IFIS	110.8	108.3	-2%	(29%)	(26.5%)
MONDADORI	51.4	55.6	8%	(18%)	(26.6%)
SERVIZI ITALIA	4.8	4.0	-16%	(45%)	(28.7%)
EMAK	36.3	28.4	-22%	(52%)	(30.3%)
SAES GETTERS	23.1	26.9	16%	(15%)	(30.9%)
ELICA	20.6	21.8	6%	(26%)	(31.8%)
GEFRAN	11.2	12.0	8%	(25%)	(32.8%)
ACEA	340.7	333.8	-2%	(36%)	(34.3%)
BREMBO	268.6	290.9	8%	(28%)	(36.1%)
IREN	294.7	274.5	-7%	(45%)	(38.3%)
EL.EN.	48.7	56.1	15%	(24%)	(38.9%)
REPLY	168.5	170.3	1%	(39%)	(39.7%)
MAIRE TECNIMONT	98.1	99.6	2%	(38%)	(39.8%)
WIIT	16.6	14.1	-16%	(55%)	(39.8%)
SESA	78.6	81.8	4%	(37%)	(40.7%)
ELES	1.7	1.7	0%	(48%)	(48.1%)
ALKEMY	6.1	6.2	1%	(47%)	(48.4%)
BRUNELLO CUCINELLI	51.3	69.5	36%	(15%)	(50.9%)
MEDIA FOR EUROPE	294.0	267.1	-9%	(61%)	(51.5%)
ILBE	14.2	15.0	5%	(47%)	(52.6%)
SCIUKER FRAMES	15.7	18.3	16%	(39%)	(55.3%)
CY4GATE	6.1	9.9	62%	(27%)	(89.0%)
TOD'S	6.2	15.9	157%	(18%)	(174.8%)
AUTOGRILL	-27.9	26.5	195%	3%	(192.0%)

Source: Intermonte SIM

Liquidity

Mid/Small Cap liquidity remained weak 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 28.1% lower than the 1Y average, slightly improving compared to one month ago when the same metric was -38.7%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -44.0% change, while for small caps the same metric has decreased by 41.5%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.3mn in the last month, down 56% 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	38.14	39.40	45.06	53.08	51.76	(28.1%)	(25.8%)
Top 20% by market cap	123.81	126.17	138.32	164.08	153.95	(24.5%)	(23.1%)
FTSE Italia Mid Cap							
All stocks	1.36	1.43	1.78	2.43	2.60	(44.0%)	(41.3%)
Top 20% by market cap	2.18	2.64	3.30	4.46	4.87	(51.1%)	(40.7%)
FTSE Italia Small Cap							
All stocks	0.29	0.31	0.38	0.50	0.51	(41.5%)	(39.0%)
Top 20% by market cap	0.97	1.04	1.28	1.62	1.46	(40.1%)	(35.9%)

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)
SARAS	895	12,965,286
AUTOGRILL	2,477	7,181,564
ERG	4,994	5,578,009
FERRAGAMO	2,490	4,718,726
BFF BANK	1,289	4,419,320
UNIPOLSAI	6,440	4,363,000
REPLY	4,100	4,334,384
TOD'S	1,342	3,929,937
ANIMA	1,134	3,697,814
IREN	1,893	3,471,583
DE' LONGHI	2,401	2,778,977
BREMBO	3,022	2,708,956
BRUNELLO CUCINELLI	3,499	2,460,590
TECHNOGYM	1,281	2,444,477
OVS GROUP	457	2,395,893
MAIRE TECNIMONT	844	2,037,062
SESA	1,704	1,941,453
MEDIA FOR EUROPE	1,143	1,924,491
BANCA IFIS	654	1,697,703
WEBUILD	1,401	1,658,893
ACEA	2,545	1,563,508
EL.EN.	947	1,366,593
PIAGGIO	817	1,210,068
TINEXTA	923	1,185,506
CREDITO EMILIANO	2,045	1,117,981
SAFILO	532	1,072,249
DATALOGIC	437	1,035,268
TIP	1,313	967,374
RAI WAY	1,306	965,920

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
IGD	3.3	361	0.610	0.381	11.6%	62%	9.6x
BFF BANK	7.0	1,289	0.791	0.791	11.4%	100%	
DOVALUE	5.8	464	0.595	0.600	10.3%	101%	2.2x
MEDIA FOR EUROPE	0.5	1,143	0.099	0.048	9.8%	49%	1.2x
BANCA IFIS	12.2	654	2.013	1.050	8.6%	52%	
SARAS	0.9	895	0.557	0.080	8.5%	14%	-0.2x
UNIPOLSAI	2.3	6,440	0.270	0.190	8.3%	70%	
IREN	1.5	1,893	0.211	0.115	7.9%	55%	3.4x
ANIMA	3.3	1,134	0.444	0.250	7.6%	56%	
ACEA	12.0	2,545	1.567	0.893	7.5%	57%	3.2x
MAIRE TECNIMONT	2.6	844	0.303	0.183	7.1%	60%	0.2x
EMAK	1.0	166	0.173	0.072	7.1%	41%	2.3x
PIAGGIO	2.3	817	0.215	0.161	7.1%	75%	1.3x
MONDADORI	1.7	435	0.213	0.103	6.2%		1.5x
DEA CAPITAL	1.1	284	0.067	0.060	5.6%	89%	-5.6x
MARR	10.9	725	0.697	0.557	5.1%	80%	2.1x
BANCA SISTEMA	1.5	120	0.299	0.075	5.0%	25%	
CREDITO EMILIANO	6.0	2,045	0.685	0.300	5.0%	44%	
GEFRAN	8.4	121	0.836	0.418	5.0%	50%	-0.2x
RAI WAY	4.8	1,306	0.245	0.237	4.9%	97%	1.0x
NOTORIOUS PICTURES	1.5	34	0.216	0.072	4.7%	33%	1.3x
BREMBO	9.1	3,022	0.899	0.365	4.0%	41%	0.8x
WEBUILD	1.4	1,401	0.116	0.055	4.0%	47%	-0.9x
ENAV	4.1	2,238	0.170	0.150	3.6%	88%	1.7x
CEMENTIR	5.8	923	0.872	0.210	3.6%	24%	-0.2x
SOMEC	26.0	179	1.444	0.939	3.6%	65%	1.8x
AQUAFIL	6.0	257	0.455	0.192	3.2%	42%	2.5x
THE ITALIAN SEA GROUP	4.9	259	0.474	0.154	3.2%	32%	0.5x
OVS GROUP	1.6	457	0.185	0.048	3.1%	26%	1.0x
TECHNOGYM	6.4	1,281	0.374	0.181	2.8%	48%	-0.7x

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	6.4	2,477	93.5	23.0	306%
SERI INDUSTRIAL	6.5	317	62.6	20.4	207%
CYBEROO	3.7	73	20.3	8.1	149%
SABABA SECURITY	2.9	22	19.4	9.0	115%
TOD'S	40.5	1,342	84.6	40.1	111%
ABITARE IN	5.6	149	8.4	4.3	96%
TESMEC	0.1	73	8.4	4.4	89%
SERVIZI ITALIA	1.1	36	9.1	5.0	81%
CIVITANAVI SYSTEMS	4.0	123	14.2	8.0	76%
SOGEFI	0.8	93	4.3	2.6	65%
ELES	1.9	25	14.9	9.2	63%
TXT E-SOLUTIONS	11.0	144	17.1	11.6	47%
SOMECC	26.0	179	18.0	12.3	46%
THE ITALIAN SEA GROUP	4.9	259	10.3	7.1	46%
DEA CAPITAL	1.1	284	15.8	11.4	39%
SCIUKER FRAMES	6.4	139	7.6	5.5	38%
WIIT	16.0	448	31.9	23.2	38%
REEVO	14.0	71	46.9	34.6	36%
MATICA FINTEC	2.0	21	13.5	9.9	36%
CY4GATE	9.0	213	19.9	14.7	35%
WEBUILD	1.4	1,401	12.0	9.0	33%
NOTORIOUS PICTURES	1.5	34	7.0	5.4	30%
RELATECH	2.4	101	14.3	11.1	29%
MARR	10.9	725	15.6	12.2	28%
GPI	13.6	248	17.1	13.5	27%
ELICA	2.7	171	7.9	6.2	27%
SALCEF GROUP	16.3	1,017	20.5	16.1	27%
DE' LONGHI	15.9	2,401	14.6	11.5	26%
FOS	3.0	19	12.9	10.2	26%
TINEXTA	19.6	923	19.2	15.3	25%
AVIO	10.0	263	33.2	27.1	23%
TECHNOGYM	6.4	1,281	17.0	13.9	23%
SESA	110.0	1,704	20.8	17.1	22%
SAES GETTERS	21.1	423	17.3	14.5	19%
BRUNELLO CUCINELLI	51.5	3,499	50.3	42.3	19%
PIAGGIO	2.3	817	10.6	9.0	18%
ALKEMY	12.0	68	11.0	9.3	18%
DOVALUE	5.8	464	9.8	8.4	17%
BANCA SISTEMA	1.5	120	5.0	4.3	16%

Source: Intermonte SIM and FactSet

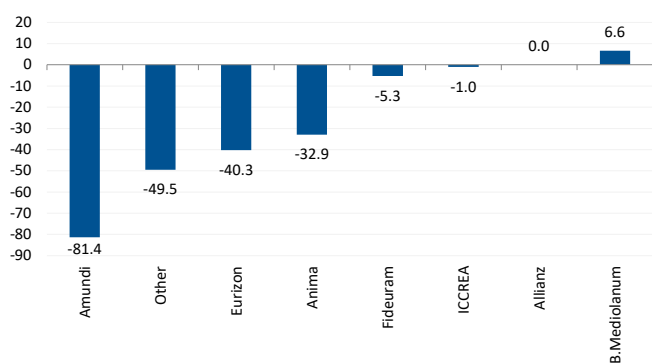
Update on the Individual Savings Plan (PIR)

PIR: official figures for 2Q22

	2Q22	1Q22	4Q21	3Q21	2Q21	FY21	FY20	FY19	FY18	Nr. Of Funds at June 2022		Invested Capital at June 2022	
	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	# Funds	%	(Eu mn)	in %
Ordinary PIR	(196)	160	380	155	106	323	(759)	(1,097)	3,950	65		17,536	
Alternative PIR	153	83	665							13		1,439	
EQUITY FUNDS	(78)	(12)	154	40	109	280	(281)	(369)	349	26	40.0%	5,105	29.1%
BALANCED FUNDS	(121)	147	177	103	43	214	(321)	(587)	2,525	22	33.8%	7,707	43.9%
FIXED INCOME FUNDS	(3)	(10)	7	7	4	17	(1)	(20)	10	4	6.2%	201	1.1%
FLEXIBLE FUNDS	7	36	41	6	(50)	(187)	(160)	(121)	1,067	14	21.5%	4,530	25.8%
CLOSED-END FUNDS	153	83								12	18.5%	1,432	8.2%

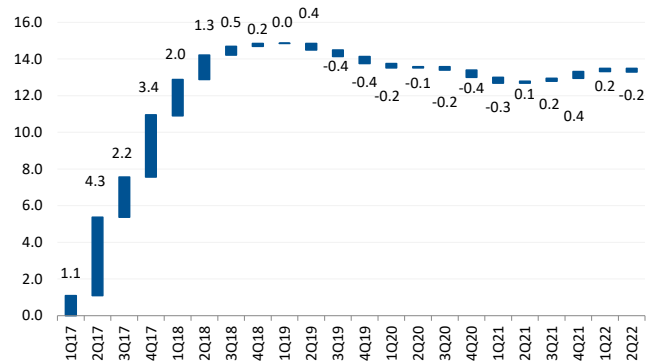
Source: Assogestioni, Quarterly Report, September 2022

Ordinary PIR - Net inflows by asset manager (Eu mn, 2Q22)



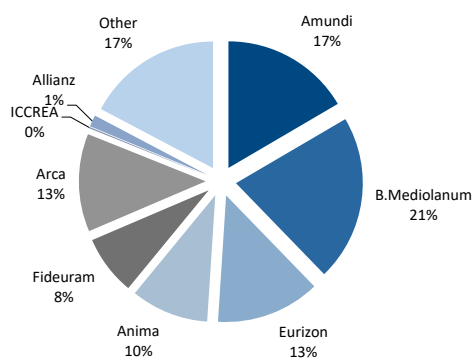
Source: Assogestioni

Ordinary PIR – Inflows by quarter (Eu bn)



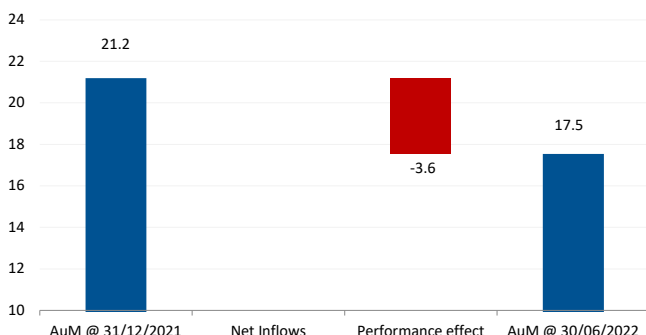
Source: Intermonte SIM estimates, Assogestioni

Ordinary PIR – Market share by asset manager (on AuM at 30/06/22)



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 had Eu19.8bn under management, while Eu1.8bn was 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.

However, the situation deteriorated significantly in 2Q22. In September, Assogestioni reported outflows of €196mn from ordinary PIR-compliant funds in 2Q22, taking the total 1H22 balance to €-35mn. The figure is slightly better than the one anticipated in the Sole 24 Ore's 'Osservatorio PIR', which estimated €234mn of outflows in 2Q22. At the end of June assets under management stood at €17.5bn, down from €19.8bn at the end of March (-11.6%) clearly due to market performance. Regarding alternative PIR, inflows in 2Q22 came to €153mn, an acceleration from 1Q22 (€83mn), with the YTD figure at €236mn, and AuM reaching €1.44bn (vs. €1.8bn at the end of March).

According to 'Osservatorio PIR', outflows continued in July, at €-63mn, taking the YTD figure to €-98mn.

Current market volatility and political instability may continue to negatively affect inflows in the second part of the year.

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).

These alternative instruments are 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 new estimate for 2022 inflows is Eu52mn (from Eu338mn) and we note that visibility remains 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 Eu90mn;
- 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 ~3.5% of Assets under Management in 2022 and beyond.

PIR – Our assumptions

Individual Saving Plan (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	52	800
YoY Growth			-63.8%	nm	nm	nm	nm	1427.8%
o/w From Continuing Subs. (estimated)							517	756
o/w From New Subscribers (estimated)							90	600
o/w Transformation of Existing Funds/Exit from PIR (est.)							(555)	(557)

Source: Intermonte SIM

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price / sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

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

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

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

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

Further information is available at the following link: <http://research.intermonte.it/DislosuresASP>

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