

# Italian Mid Small Caps Monthly

## Quarterly Results to Outline the Winners in this Scenario

by Intermonte Research Team

Italian Equity Market

- **Performance (+/-).** The Italian equity market (prices as at 18 October 2022) has fallen 2.7% in the last month and is down 21.9% YtD. The FTSE Italy Mid-Cap index (-1.9%) has outperformed the main index by 0.8% in the last month (-5.9% YtD on a relative basis), with the FTSE Italy Small Caps index (-5.6%) performing 2.9% worse than the market in the last month, but +3.5% 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 4.6% in the last month, underperforming the Italian mid-caps.
- **Estimates (-).** Since the beginning of the year, we have implemented a +5.7% 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, in particular by 8.6% for our mid/small cap coverage. In the last month, if we focus on our mid/small cap coverage, we have reduced our 2022 and 2023 EPS forecasts by 0.7% and 0.5% respectively.
- **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 43.9% de-rating YtD (it was -39.4% one month ago); mid-caps have de-rated by 30.0%, while small caps have recorded an estimate revision just 1.0% lower than the share price correction. On a P/E basis, our panel is trading at a 43% premium to large caps, well above the historical average premium (17%) and above the level one month ago (38%).
- **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 19.8% lower than the 1Y average, still improving on one month ago when the same metric was -28.1%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -36.0% change, while for small caps the same metric has decreased by 33.7%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.5mn in the last month, down 57% on the corresponding period one year ago.
- **Investment strategy.** The macro picture remains extremely complex. In Italy, political uncertainty is easing after the elections and especially in view of the expected birth of the new government in the coming days. The recent missteps of the British government in the economic field should be a further factor urging caution on the budget choices of the Italian government. As for the quarterly results, we expect them to show a clear slowdown for some sectors, for example those related to spending on semi-durable goods, but also to confirm the investments of companies on issues related to long-term competitiveness and in particular digital transformation, energy efficiency, environmental and social sustainability. We have tried to guide our investment ideas on these concepts.

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

## Performance

### Small caps underperformed large caps in the last month

The Italian equity market (prices as at 18 October 2022) has fallen 2.7% in the last month and is down 21.9% YtD. The FTSE Italy Mid-Cap index (-1.9%) has outperformed the main index by 0.8% in the last month (-5.9% YtD on a relative basis), with the FTSE Italy Small Caps index (-5.6%) performing 2.9% worse than the market in the last month, but +3.5% on a relative basis since the beginning of 2022.

#### Italian Market Indexes – performance analysis (prices as at 18<sup>th</sup> October 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	35,997	-1.9%	-6.1%	-17.0%	-27.8%	-27.6%	6.6%	-5.7%	-16.4%
FTSE Italia Small Cap	26,436	-5.6%	-8.0%	-12.8%	-18.4%	-15.3%	40.3%	32.3%	2.0%
FTSE Italia Star	42,715	0.0%	-8.6%	-19.5%	-33.8%	-31.6%	6.0%	22.4%	11.7%
FTSE AIM ITALIA	8,910	-4.1%	-3.3%	-14.8%	-22.5%	-19.4%	37.3%	15.3%	-6.8%
FTSE Italia All-Share	23,382	-2.7%	0.7%	-13.8%	-21.9%	-19.0%	10.4%	-3.8%	-5.5%
FTSE MIB	21,519	-2.7%	1.7%	-13.4%	-21.3%	-18.1%	11.0%	-3.6%	-3.7%
<b>Relative Performance vs FTSE Italy All Share</b>		<b>% Change 1 Month</b>	<b>% Change 3 Months</b>	<b>% Change 6 Months</b>	<b>% Change YTD</b>	<b>% Change 1 Year</b>	<b>% Change 2 Years</b>	<b>% Change 3 Years</b>	<b>% Change 5 Years</b>
FTSE Italia Mid Cap		0.8%	-6.8%	-3.2%	-5.9%	-8.7%	-3.8%	-2.0%	-10.9%
FTSE Italia Small Cap		-2.9%	-8.7%	1.0%	3.5%	3.7%	29.9%	36.0%	7.5%
FTSE Italia Star		2.6%	-9.3%	-5.7%	-11.9%	-12.6%	-4.4%	26.2%	17.2%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has dropped 4.6% in the last month, underperforming the 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	134	-2.0%	-4.1%	-12.5%	-17.0%	-13.1%	10.5%	1.9%	1.7%
MSCI Europe Small Cap	357	-4.6%	-8.8%	-21.5%	-29.1%	-27.8%	-1.4%	-2.2%	-4.5%

Source: FactSet

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

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

<b>Best Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. 1M (%)</b>
OVS GROUP	1.82	531	17%
SCIUKER FRAMES	7.50	163	17%
OMER	2.83	81	15%
MATICA FINTEC	2.27	24	13%
MAIRE TECNIMONT	2.83	931	11%
SAFILO	1.41	584	9%
TESMEC	0.12	75	8%
BREMBO	9.68	3,231	7%
CYBEROO	3.83	76	7%
TXT E-SOLUTIONS	11.72	152	6%
SARAS	1.04	987	6%
FERRAGAMO	15.16	2,559	6%
CIVITANAVI SYSTEMS	4.18	129	6%
REPLY	111.80	4,183	3%
BRUNELLO CUCINELLI	51.45	3,499	2%
AVIO	10.22	269	2%
BFF BANK	6.97	1,293	2%
ILBE	1.40	34	2%
TECHNOGYM	6.56	1,321	2%
ACEA	11.81	2,515	1%
<b>FTSE Italia Mid Cap</b>			-2%
<b>FTSE Italia Small Cap</b>			-6%
<b>FTSE MIB</b>			-3%
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. 1M (%)</b>
EXPERT.AI	0.51	27	-43%
ELES	1.46	19	-24%
IGD	2.65	292	-18%
SERI INDUSTRIAL	5.53	273	-17%
INDEL B	20.20	118	-16%
AQUAFIL	5.26	225	-15%
ELICA	2.35	149	-15%
WIIT	14.20	398	-15%
GREENTHESIS	0.81	125	-13%
ERG	29.40	4,419	-11%
PHARMANUTRA	64.00	620	-10%
LU-VE	20.00	445	-10%
SOMEC	23.10	159	-10%
FINE FOODS	7.50	165	-10%
ENAV	3.69	1,997	-10%
NOTORIOUS PICTURES	1.38	31	-9%
ABITARE IN	5.20	138	-9%
THE ITALIAN SEA GROUP	4.50	239	-9%
DATALOGIC	7.22	422	-8%
RELATECH	2.18	94	-8%

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	1.04	987	88%
TESMEC	0.12	75	16%
TXT E-SOLUTIONS	11.72	152	16%
ERG	29.40	4,419	3%
CYBEROO	3.83	76	3%
AUTOGRILL	6.33	2,436	1%
CREDITO EMILIANO	5.81	1,983	0%
BFF BANK	6.97	1,293	-2%
ENAV	3.69	1,997	-6%
SAFILO	1.41	584	-10%
UNIPOLSAI	2.18	6,163	-12%
AVIO	10.22	269	-13%
REEVO	13.60	69	-13%
RAI WAY	4.54	1,235	-13%
MATICA FINTEC	2.27	24	-14%
SAES GETTERS	21.10	415	-15%
PHARMANUTRA	64.00	620	-15%
BRUNELLO CUCINELLI	51.45	3,499	-15%
NOTORIOUS PICTURES	1.38	31	-15%
DEA CAPITAL	1.02	273	-15%
<b>FTSE Italia Mid Cap</b>			<b>-28%</b>
<b>FTSE Italia Small Cap</b>			<b>-18%</b>
<b>FTSE MIB</b>			<b>-21%</b>
<b>Worst Performers</b>	<b>Price (Eu)</b>	<b>Market Cap (Eu mn)</b>	<b>Perf. YTD (%)</b>
EXPERT.AI	0.51	27	-77%
MEDIA FOR EUROPE	0.46	1,048	-63%
WIIT	14.20	398	-60%
ELES	1.46	19	-60%
EMAK	0.97	159	-54%
DATALOGIC	7.22	422	-53%
FINE FOODS	7.50	165	-51%
TINEXTA	19.17	905	-50%
DE' LONGHI	15.93	2,404	-49%
IREN	1.38	1,791	-48%
SERVIZI ITALIA	1.08	34	-48%
ALKEMY	11.86	67	-48%
ILBE	1.40	34	-46%
MARR	10.32	687	-45%
SERI INDUSTRIAL	5.53	273	-43%
SOGEFI	0.71	85	-40%
WEBUILD	1.27	1,283	-39%
SOMEK	23.10	159	-39%
REPLY	111.80	4,183	-37%
ABITARE IN	5.20	138	-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 +5.7% 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, in particular by 8.6% for our mid/small cap coverage. In the last month, if we focus on our mid/small cap coverage, we have reduced our 2022 and 2023 EPS forecasts by 0.7% and 0.5% respectively.

#### Italian Market – Intermonte changes to 2022 and 2023 estimates

EPS REVISION	Since January 1st 2022		Since 18/9/2022	
	% chg in EPS FY22	% chg in EPS FY23	% chg in EPS FY22	% chg in EPS FY23
<b>Total Market</b>	<b>20.6%</b>	<b>5.7%</b>	<b>0.7%</b>	<b>1.1%</b>
<b>Total Market - Ex Energy</b>	<b>6.2%</b>	<b>-3.4%</b>	<b>0.5%</b>	<b>0.9%</b>
Domestic	13.7%	3.8%	0.6%	1.0%
Non domestic	28.3%	7.8%	0.8%	1.1%
Non domestic - Ex Energy	-4.1%	-12.9%	0.4%	0.7%
<b>FTSE MIB</b>	<b>22.6%</b>	<b>7.2%</b>	<b>0.8%</b>	<b>1.2%</b>
<b>Mid Caps (our coverage)</b>	<b>2.2%</b>	<b>-9.1%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Small Caps (our coverage)</b>	<b>-17.4%</b>	<b>-5.9%</b>	<b>-5.5%</b>	<b>-2.8%</b>
Intermonte Mid&Small Caps coverage	-0.1%	-8.6%	-0.7%	-0.5%

Source: Intermonte SIM

For individual stocks, the following tables rank the biggest changes to our 2022 adjusted net profit estimates YTD.

#### Intermonte Mid & Small Cap Coverage - largest changes to 2022 est. (up/down) YTD

Stock	Restated Net Profit 22 as of 31/12/21	Restated net profit 22 last estimate	% chg from 31/12/21
<b>Upward Revision</b>			
SARAS	-25	529	2222.3%
AUTOGRILL	-28	26	195.0%
TOD'S	6	16	157.1%
SCIUKER FRAMES	16	25	57.2%
CY4GATE	6	9	49.6%
BRUNELLO CUCINELLI	51	70	35.6%
ERG	167	207	23.7%
SAES GETTERS	23	27	16.3%
LU-VE	29	33	15.2%
EL.EN.	49	56	15.1%
<b>Downward Revision</b>			
IEG	0	-8	-15019.3%
FINE FOODS	14	-6	-144.8%
SERI INDUSTRIAL	12	-5	-137.6%
GEOX	-5	-12	-131.6%
FINCANTIERI	146	-7	-104.7%
DEA CAPITAL	18	0	-102.2%

Source: Intermonte SIM

## Valuation

### Mid/small cap valuation premium up in the last month

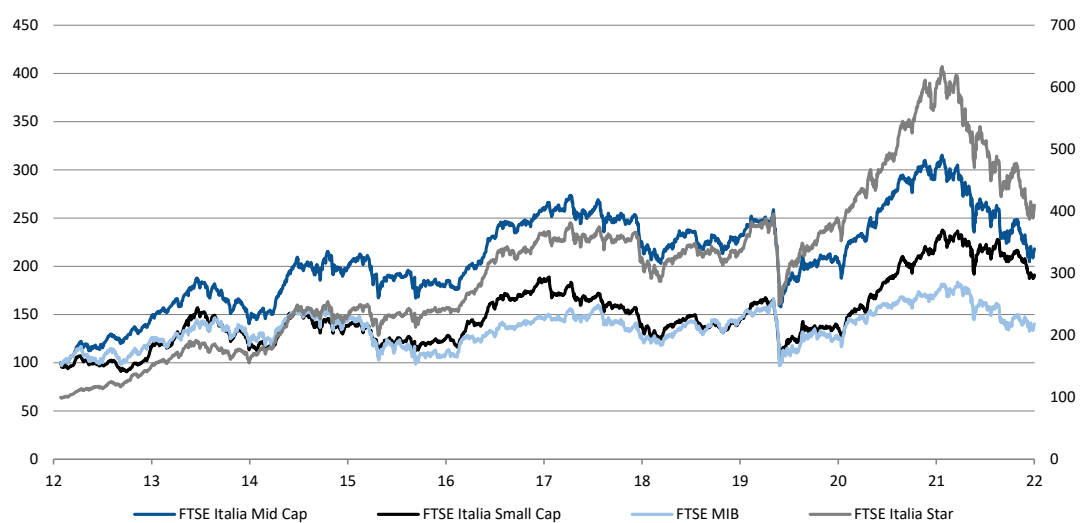
If we compare YtD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 43.9% de-rating YtD (it was -39.4% one month ago); mid-caps have de-rated by 30.0%, while small caps have recorded an estimate revision just 1.0% lower than the share price correction.

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

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-21.3%	22.6%	-43.9%
FTSE Italia Mid Cap	-27.8%	2.2%	-30.0%
FTSE Italia Small Cap	-18.4%	-17.4%	-1.0%

Source: Intermonte SIM and FactSet

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

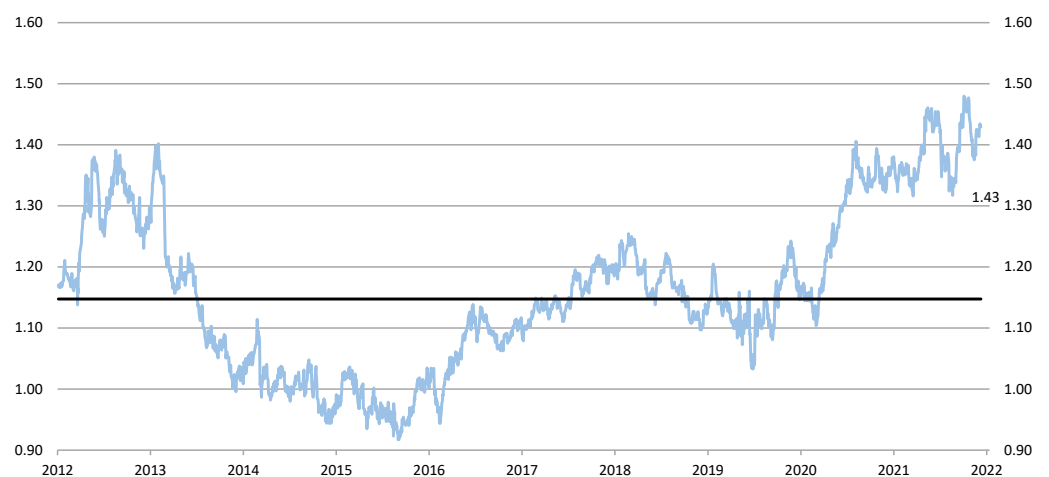


Source: FactSet

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 43% premium to large caps, well above the historical average premium (17%) and above the level one month ago (38%).**

#### 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/E22 vs Italian Equivalent	Last 10Y Median	Premium vs Avg
<b>FTSE MIB</b>	12.5 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	7.2 x	-	15.7 x	-53.9%
<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	10.7 x	-	18.3 x	-41.6%
<b>FTSE Italy Small Cap</b>	11.8 x	35.8 x	23.9 x	208.4 x	60.5 x	nm	nm	27.2 x	18.9 x	nm	51.5 x	20.2 x	12.8 x	-	27.2 x	-52.9%
<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	10.6 x	47.1%	14.5 x	-26.6%
<b>Germany MDAX</b>	14.4 x	15.2 x	30.6 x	27.9 x	24.5 x	16.8 x	19.8 x	21.7 x	16.5 x	20.9 x	43.8 x	26.6 x	13.9 x	30.1%	23.1 x	-39.7%
<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	10.5 x	45.6%	16.0 x	-34.3%
<b>France CAC Mid 60</b>	19.4 x	15.8 x	18.0 x	22.7 x	25.6 x	20.1 x	20.2 x	35.9 x	16.1 x	15.5 x	-31.9 x	20.2 x	12.0 x	11.6%	20.1 x	-40.6%
<b>France CAC Small</b>	18.2 x	n.m.	28.3 x	34.6 x	28.0 x	30.2 x	30.9 x	40.3 x	38.8 x	43.1 x	-77.1 x	45.0 x	22.0 x	72.4%	32.8 x	-32.7%
<b>FTSE 100</b>	12.3 x	11.1 x	12.2 x	15.0 x	14.8 x	15.4 x	18.3 x	14.7 x	13.2 x	12.6 x	21.1 x	13.0 x	8.9 x	23.5%	14.8 x	-39.5%
<b>FTSE 250</b>	15.1 x	13.9 x	15.4 x	18.4 x	18.9 x	16.5 x	16.1 x	14.3 x	12.8 x	13.3 x	43.8 x	21.2 x	12.1 x	12.5%	16.3 x	-25.9%
<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	9.4 x	30.3%	17.4 x	-45.8%
<b>IBEX MEDIUM</b>	17.4 x	11.2 x	18.3 x	28.6 x	18.1 x	20.5 x	18.9 x	20.9 x	17.0 x	13.8 x	20.4 x	15.4 x	12.2 x	13.7%	18.6 x	-34.5%

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%	(28%)	14991.2%
GEOX	-5.0	-11.6	-132%	(31%)	100.7%
SERI INDUSTRIAL	12.2	-4.6	-138%	(43%)	94.7%
FINE FOODS	13.7	-6.1	-145%	(51%)	93.5%
DEA CAPITAL	18.0	-0.4	-102%	(15%)	86.8%
FINCANTIERI	146.0	-6.9	-105%	(18%)	86.7%
AVIO	12.2	2.8	-77%	(13%)	64.6%
TESMEC	13.1	8.7	-34%	16%	49.9%
SAFILO	28.6	20.7	-28%	(10%)	17.2%
SOMECC	11.0	5.3	-52%	(39%)	13.1%
OMER	10.9	6.7	-39%	(26%)	12.3%
DATALOGIC	47.3	20.3	-57%	(53%)	4.3%
DE' LONGHI	347.8	163.4	-53%	(49%)	3.6%
CYBEROO	3.6	3.6	0%	3%	3.0%
TXT E-SOLUTIONS	6.9	7.9	14%	16%	1.4%
SOGEFI	35.7	21.4	-40%	(40%)	(0.1%)
ENAV	97.9	92.0	-6%	(6%)	(0.2%)
NOTORIOUS PICTURES	5.7	4.9	-15%	(15%)	(0.7%)
CREDITO EMILIANO	236.0	246.8	5%	(0%)	(4.8%)
DOVALUE	65.1	47.6	-27%	(34%)	(7.2%)
PIAGGIO	85.9	76.2	-11%	(21%)	(9.3%)
RAI WAY	68.5	66.8	-2%	(13%)	(10.5%)
INDEL B	16.7	14.5	-13%	(25%)	(11.4%)
ANIMA	198.5	160.0	-19%	(31%)	(11.5%)
WEBUILD	157.8	115.4	-27%	(39%)	(11.9%)
UNIPOLSAI	740.4	750.4	1%	(12%)	(13.5%)
MATICA FINTEC	1.5	1.5	0%	(14%)	(13.7%)
SALCEF GROUP	60.2	49.7	-17%	(34%)	(16.9%)
PHARMANUTRA	14.4	15.0	4%	(15%)	(19.4%)
ERG	167.3	206.9	24%	3%	(20.3%)
TECHNOGYM	76.4	75.2	-1%	(22%)	(20.9%)
OVS GROUP	61.8	57.2	-8%	(29%)	(21.2%)
FOS	1.6	1.5	-4%	(26%)	(21.3%)
TINEXTA	67.2	48.1	-28%	(50%)	(21.4%)
RELATECH	6.2	6.2	0%	(22%)	(22.3%)
FERRAGAMO	81.7	73.6	-10%	(33%)	(22.8%)
MARR	59.2	46.3	-22%	(45%)	(23.6%)
GPI	14.5	14.6	1%	(23%)	(23.9%)
MONDADORI	51.4	55.6	8%	(18%)	(26.4%)
ILBE	14.2	11.5	-19%	(46%)	(26.4%)
CEMENTIR	149.3	138.8	-7%	(34%)	(26.5%)
BANCA SISTEMA	25.3	24.1	-5%	(33%)	(28.1%)
IGD	68.9	67.3	-2%	(31%)	(29.1%)
BANCA IFIS	110.8	108.3	-2%	(33%)	(30.8%)
SAES GETTERS	23.1	26.9	16%	(15%)	(30.9%)
BREMBO	268.6	290.9	8%	(23%)	(31.1%)
THE ITALIAN SEA GROUP	24.7	25.1	2%	(30%)	(31.2%)
SERVIZI ITALIA	4.8	4.0	-16%	(48%)	(31.8%)
LU-VE	28.6	32.9	15%	(17%)	(31.8%)
EMAK	36.3	28.4	-22%	(54%)	(32.2%)
FILA	51.7	52.4	1%	(31%)	(32.3%)
GREENTHESIS	13.6	14.0	3%	(30%)	(32.4%)
GEFRAN	11.2	12.0	8%	(25%)	(32.7%)
AQUAFIL	22.9	23.3	2%	(31%)	(33.1%)
MAIRE TECNIMONT	98.1	99.6	2%	(32%)	(33.4%)
ACEA	340.7	333.8	-2%	(37%)	(35.0%)
EL.EN.	48.7	56.1	15%	(23%)	(37.7%)
REPLY	168.5	170.3	1%	(37%)	(38.5%)
SESA	78.6	81.8	4%	(36%)	(40.5%)
IREN	294.7	274.5	-7%	(48%)	(41.3%)
ELICA	20.6	21.8	6%	(36%)	(41.4%)
WIIT	16.6	14.1	-16%	(60%)	(44.8%)
MEDIA FOR EUROPE	294.0	251.6	-14%	(63%)	(48.3%)
ALKEMY	6.1	6.2	1%	(48%)	(49.1%)
BRUNELLO CUCINELLI	51.3	69.5	36%	(15%)	(50.9%)
ELES	1.7	1.7	0%	(60%)	(60.2%)
CY4GATE	6.1	9.1	50%	(32%)	(81.2%)
SCIUKER FRAMES	15.7	24.7	57%	(29%)	(85.8%)
TOD'S	6.2	15.9	157%	(17%)	(174.6%)
AUTOGRILL	-27.9	26.5	195%	1%	(193.7%)

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 19.8% lower than the 1Y average, still improving compared to one month ago when the same metric was -28.1%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, showing a -36.0% change, while for small caps the same metric has decreased by 33.7%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.5mn in the last month, down 57% 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	41.20	38.60	42.76	51.38	51.55	(19.8%)	(24.9%)
Top 20% by market cap	126.72	122.60	132.49	158.00	153.59	(19.8%)	(22.4%)
<b>FTSE Italia Mid Cap</b>							
All stocks	1.46	1.40	1.62	2.28	2.57	(36.0%)	(38.8%)
Top 20% by market cap	2.59	2.46	3.02	4.17	4.82	(37.9%)	(41.0%)
<b>FTSE Italia Small Cap</b>							
All stocks	0.31	0.30	0.35	0.47	0.51	(33.7%)	(35.9%)
Top 20% by market cap	1.14	1.07	1.25	1.55	1.50	(26.6%)	(30.8%)

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	987	11,968,401
AUTOGRILL	2,436	7,041,317
ERG	4,419	5,199,477
TOD'S	1,346	4,473,309
FERRAGAMO	2,559	4,156,142
BFF BANK	1,293	4,094,752
REPLY	4,183	3,940,952
UNIPOLSAI	6,163	3,425,827
ANIMA	1,076	3,172,186
IREN	1,791	3,011,722
OVS GROUP	531	2,461,993
DE' LONGHI	2,404	2,438,498
BRUNELLO CUCINELLI	3,499	2,380,011
BREMBO	3,231	2,346,529
TECHNOGYM	1,321	2,031,365
MAIRE TECNIMONT	931	1,966,184
SESA	1,711	1,942,419
MEDIA FOR EUROPE	1,048	1,887,263
ACEA	2,515	1,654,719
WEBUILD	1,283	1,485,564
BANCA IFIS	615	1,388,221
CREDITO EMILIANO	1,983	1,150,604
TINEXTA	905	1,145,462
PIAGGIO	818	1,024,325
EL.EN.	962	1,003,253
SAFILO	584	948,955
DATALOGIC	422	933,221
TIP	1,283	910,987
MARR	687	821,553

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
IGD	2.7	292	0.610	0.381	14.4%	62%	9.6x
BFF BANK	7.0	1,293	0.791	0.791	11.4%	100%	
DOVALUE	5.5	442	0.595	0.600	10.8%	101%	2.2x
MEDIA FOR EUROPE	0.5	1,048	0.093	0.045	9.7%	48%	1.2x
BANCA IFIS	11.4	615	2.013	1.050	9.2%	52%	
UNIPOLSAI	2.2	6,163	0.270	0.190	8.7%	70%	
IREN	1.4	1,791	0.211	0.115	8.4%	55%	3.4x
ANIMA	3.1	1,076	0.444	0.250	8.1%	56%	
SARAS	1.0	987	0.556	0.080	7.7%	14%	-0.2x
ACEA	11.8	2,515	1.567	0.893	7.6%	57%	3.2x
EMAK	1.0	159	0.173	0.072	7.4%	41%	2.3x
PIAGGIO	2.3	818	0.215	0.161	7.0%	75%	1.3x
MAIRE TECNIMONT	2.8	931	0.303	0.183	6.5%	60%	0.2x
MONDADORI	1.7	436	0.213	0.103	6.2%		1.5x
DEA CAPITAL	1.0	273	-0.001	0.060	5.9%	nm	3.5x
MARR	10.3	687	0.697	0.557	5.4%	80%	2.1x
BANCA SISTEMA	1.4	113	0.299	0.075	5.3%	25%	
RAI WAY	4.5	1,235	0.245	0.237	5.2%	97%	1.0x
NOTORIOUS PICTURES	1.4	31	0.216	0.072	5.2%	33%	1.3x
CREDITO EMILIANO	5.8	1,983	0.723	0.300	5.2%	41%	
GEFRAN	8.4	121	0.836	0.418	5.0%	50%	-0.2x
SCIUKER FRAMES	7.5	163	1.137	0.341	4.5%	30%	-0.1x
WEBUILD	1.3	1,283	0.116	0.055	4.3%	47%	-0.9x
ENAV	3.7	1,997	0.170	0.150	4.1%	88%	1.7x
GPI	12.5	228	0.816	0.500	4.0%	61%	3.0x
CEMENTIR	5.6	886	0.872	0.210	3.8%	24%	-0.2x
BREMBO	9.7	3,231	0.899	0.365	3.8%	41%	0.8x
AQUAFIL	5.3	225	0.455	0.192	3.6%	42%	2.5x
THE ITALIAN SEA GROUP	4.5	239	0.474	0.154	3.4%	32%	0.5x
ERG	29.4	4,419	1.376	0.900	3.1%	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	6.3	2,436	92.0	22.6	306%
CYBEROO	3.8	76	22.1	8.8	150%
SOMECE	23.1	159	30.1	12.6	139%
TOD'S	40.7	1,346	84.8	40.2	111%
ABITARE IN	5.2	138	7.8	4.0	96%
SABABA SECURITY	2.9	22	17.4	9.0	93%
TESMEC	0.1	75	8.6	4.5	89%
CIVITANAVI SYSTEMS	4.2	129	15.9	8.4	89%
SERVIZI ITALIA	1.1	34	8.6	4.7	81%
SOGEFI	0.7	85	3.9	2.4	65%
ELES	1.5	19	11.4	7.0	63%
TXT E-SOLUTIONS	11.7	152	18.1	12.4	47%
CY4GATE	8.4	199	20.1	13.7	47%
THE ITALIAN SEA GROUP	4.5	239	9.5	6.5	46%
REEVO	13.6	69	43.7	30.4	44%
WIIT	14.2	398	28.3	20.6	38%
MATICA FINTEC	2.3	24	15.3	11.3	36%
WEBUILD	1.3	1,283	10.9	8.2	33%
NOTORIOUS PICTURES	1.4	31	6.4	4.9	30%
AVIO	10.2	269	100.0	76.8	30%
GPI	12.5	228	15.3	11.8	29%
RELATECH	2.2	94	13.2	10.2	29%
MARR	10.3	687	14.8	11.6	28%
ELICA	2.4	149	6.9	5.4	27%
SALCEF GROUP	16.2	1,012	20.4	16.1	27%
SCIUKER FRAMES	7.5	163	6.6	5.2	26%
DE' LONGHI	15.9	2,404	14.6	11.5	26%
FOS	2.9	18	12.1	9.6	26%
TINEXTA	19.2	905	18.8	15.0	25%
ILBE	1.4	34	4.3	3.4	24%
TECHNOGYM	6.6	1,321	17.5	14.3	23%
SESA	110.4	1,711	20.9	17.2	22%
SAES GETTERS	21.1	415	17.3	14.5	19%
BRUNELLO CUCINELLI	51.5	3,499	50.3	42.3	19%
ALKEMY	11.9	67	10.8	9.2	18%
DOVALUE	5.5	442	9.3	8.0	17%
BANCA SISTEMA	1.4	113	4.7	4.1	16%
ANIMA	3.1	1,076	7.0	6.0	16%
REPLY	111.8	4,183	24.6	21.2	16%

Source: Intermonte SIM and FactSet

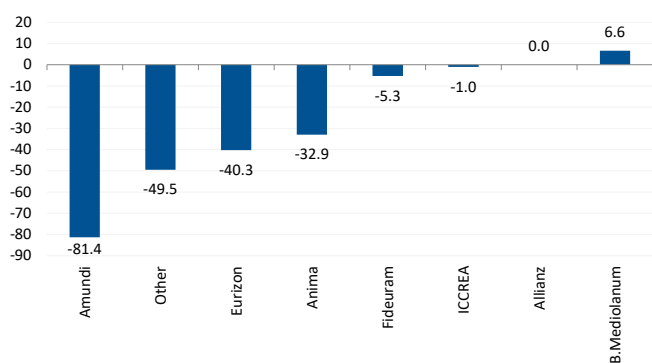
## Update on the Individual Savings Plan (PIR)

### 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 %
<b>Ordinary PIR</b>	(196)	160	380	155	106	323	(759)	(1,097)	3,950	65		17,536	
<b>Alternative PIR</b>	153	83	665							13		1,439	
<b>EQUITY FUNDS</b>	(78)	(12)	154	40	109	280	(281)	(369)	349	26	40.0%	5,105	29.1%
<b>BALANCED FUNDS</b>	(121)	147	177	103	43	214	(321)	(587)	2,525	22	33.8%	7,707	43.9%
<b>FIXED INCOME FUNDS</b>	(3)	(10)	7	7	4	17	(1)	(20)	10	4	6.2%	201	1.1%
<b>FLEXIBLE FUNDS</b>	7	36	41	6	(50)	(187)	(160)	(121)	1,067	14	21.5%	4,530	25.8%
<b>CLOSED-END FUNDS</b>	153	83								12	18.5%	1,432	8.2%

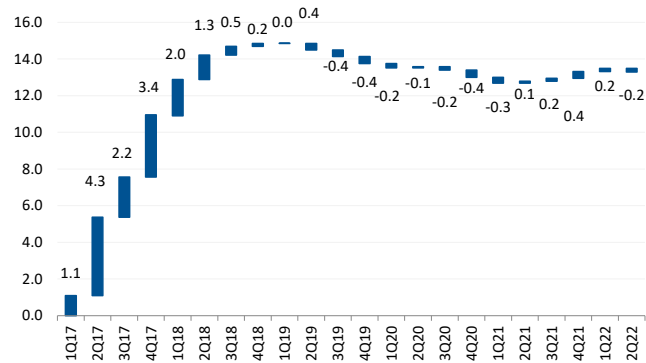
Source: Assogestioni, Quarterly Report, September 2022

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



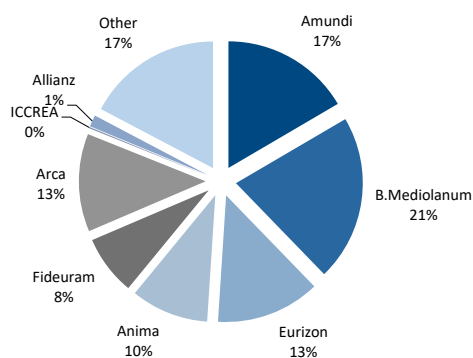
Source: Assogestioni

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



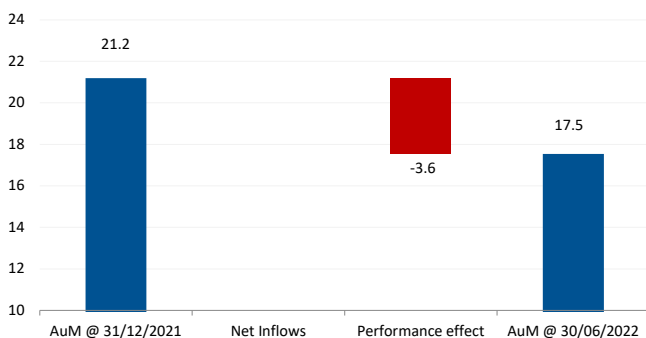
Source: Intermonte SIM estimates, Assogestioni

### 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 to continue in negative territory in 3Q according to preliminary data

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 disclosed by Il Sole 24 Ore's 'Osservatorio PIR', which estimated €234mn of outflows in 2Q22. As at the end of June, assets under management stood at €17.5bn, down from €19.8bn as 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 and August, at €-63mn and €-57mn respectively, taking the YTD figure to €-155mn.

Current market volatility and political instability may continue to adversely 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 confirm our prudent stance: our estimate for 2022 inflows is Eu52mn and we note that visibility remains low, due to both the general market environment and the specific Italian political post-election transition. 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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- 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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