

Italian Mid Small Caps Monthly

Quarterly Results Supportive Overall

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 17 November 2022) has grown 13.6% in the last month but is still down 12.1% YtD. The FTSE Italy Mid-Cap index (+10.1%) has underperformed the main index by 3.6% in the last month (-9.0% YtD on a relative basis), with the FTSE Italy Small Caps index (+5.9%) performing 7.7% worse than the market in the last month, and -2.4% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has improved 8.1% in the last month, underperforming the Italian mid-caps.
- **Estimates (+).** Since the beginning of the year, we have implemented a +10.5% revision to our 2023 EPS estimates, driven by significant earnings upgrades to energy stocks, while on average we have left forecasts unchanged for the remaining stocks; focusing on our mid/small coverage, we have cut 2023 EPS by 5.6%. In the last month, looking at our mid/small cap coverage, we have raised our 2022 and 2023 EPS forecasts by 3.2% and 3.3% 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 38.5% de-rating YtD (it was -43.9% one month ago); mid-caps have de-rated by 27.1%, while small caps have recorded an estimate revision 2.9% higher than the share price correction. On a P/E basis, our panel is trading at a 42% premium to large caps, well above the historical average premium (17%) but slightly below the level one month ago (43%).
- **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 12.8% lower than the 1Y average, but still improving on one month ago when the same metric was -19.8%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, down -18.0%, while for small caps the same metric has decreased by 19.8%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.8mn in the last month, down 48% on the corresponding period one year ago.
- **Investment strategy.** Recent weeks have been extremely positive for equities, spurring Central Banks to take a more hawkish tone in order to limit the implications for inflation of a “wealth effect”, especially for US consumers. Looking ahead, it is probable that the markets will gain if weak macro figures suggest that inflation is close to peaking, but a correction would be likely if consumption is higher than expected, which would tend to suggest a new tightening of monetary policy. Quarterly results were positive in general with some profit warnings from the consumer goods industry. Our calls on IT names, despite the support of positive quarterly data, have not paid off, but we remain convinced it is just a matter of time and that re-rating will regain momentum. For industrial names, net working capital absorption has been a general trend and we have tried to select those names that will justify this decision thanks to strong 4Q22 data. We have tried to base 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, subparagraph b) of Commission Delegated Directive (EU) 2017/593 of 7 April 2016.

Performance

A positive month but mid/small caps underperformed large caps

The Italian equity market (prices as at 17 November 2022) has grown 13.6% in the last month but is still down 12.1% YtD. The FTSE Italy Mid-Cap index (+10.1%) has underperformed the main index by 3.6% in the last month (-9.0% YtD on a relative basis), with the FTSE Italy Small Caps index (+5.9%) performing 7.7% worse than the market in the last month, and -2.4% on a relative basis since the beginning of 2022.

Italian Market Indexes – performance analysis (prices as at 17th November 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	39,333	10.1%	-2.7%	-7.5%	-21.1%	-22.3%	9.1%	-2.0%	-5.9%
FTSE Italia Small Cap	27,699	5.9%	-6.7%	-8.8%	-14.5%	-14.6%	39.0%	30.5%	18.8%
FTSE Italia Star	46,451	10.5%	-4.1%	-7.0%	-28.1%	-27.5%	11.6%	23.1%	27.8%
FTSE AIM ITALIA	9,252	4.7%	-5.6%	-6.1%	-19.5%	-18.4%	41.0%	19.4%	-2.6%
FTSE Italia All-Share	26,331	13.6%	5.8%	-0.8%	-12.1%	-13.5%	13.0%	2.6%	8.0%
FTSE MIB	24,340	14.2%	7.0%	0.2%	-11.0%	-12.5%	13.6%	3.2%	10.2%
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		-3.6%	-8.5%	-6.7%	-9.0%	-8.7%	-3.9%	-4.6%	-13.9%
FTSE Italia Small Cap		-7.7%	-12.5%	-8.0%	-2.4%	-1.0%	26.0%	27.9%	10.8%
FTSE Italia Star		-3.1%	-9.9%	-6.2%	-16.0%	-14.0%	-1.4%	20.5%	19.8%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has improved 8.1% 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	144	7.3%	-2.3%	-2.1%	-11.1%	-11.4%	11.4%	5.3%	11.0%
MSCI Europe Small Cap	384	8.1%	-7.2%	-9.4%	-23.6%	-24.7%	-0.3%	1.1%	5.3%

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	0.73	38	57%
DE' LONGHI	21.18	3,196	37%
SOGEFI	0.92	110	32%
EMAK	1.19	196	31%
BANCA IFIS	13.68	736	26%
WEBUILD	1.48	1,489	25%
SARAS	1.26	1,194	25%
THE ITALIAN SEA GROUP	5.31	281	24%
SOMECC	27.60	190	24%
TINEXTA	22.22	1,049	24%
GREENTHESIS	0.97	150	22%
DATALOGIC	8.44	493	22%
DOVALUE	6.74	539	22%
BREMBO	11.12	3,713	21%
ACEA	13.12	2,794	21%
ANIMA	3.59	1,245	21%
PIAGGIO	2.74	981	21%
OVS GROUP	2.14	623	20%
MEDIA FOR EUROPE	0.52	1,176	19%
BRUNELLO CUCINELLI	60.35	4,104	19%
FTSE Italia Mid Cap			10%
FTSE Italia Small Cap			6%
FTSE MIB			14%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
TOD'S	31.88	1,055	-20%
ESPRINET	7.12	359	-8%
ILBE	1.27	31	-7%
OMER	2.52	72	-5%
REEVO	12.95	65	-5%
ALKEMY	11.08	63	-1%
PHARMANUTRA	64.50	624	-1%
REPLY	111.10	4,156	2%
AUTOGRILL	6.44	2,481	2%
BFF BANK	7.17	1,329	3%
SABABA SECURITY	2.95	22	4%
FINE FOODS	8.08	178	5%
GEFRAN	9.21	133	5%
FILA	6.94	298	6%
IEG	2.03	63	6%
NOTORIOUS PICTURES	1.50	34	6%
ABITARE IN	5.56	148	7%
SAFILO	1.47	608	7%
FOS	3.09	21	7%
FERRAGAMO	16.40	2,768	8%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SARAS	1.26	1,194	138%
TESMEC	0.14	86	32%
TXT E-SOLUTIONS	12.88	168	28%
CYBEROO	4.23	84	14%
CREDITO EMILIANO	6.43	2,195	10%
ERG	30.20	4,540	9%
AUTOGRILL	6.44	2,481	3%
ENAV	4.19	2,271	3%
LU-VE	23.10	514	1%
BFF BANK	7.17	1,329	1%
BRUNELLO CUCINELLI	60.35	4,104	-1%
UNIPOLSAI	2.43	6,865	-1%
RAI WAY	5.12	1,393	-1%
SAES GETTERS	23.45	462	-4%
MATICA FINTEC	2.48	27	-6%
PIAGGIO	2.74	981	-6%
SAFILO	1.47	608	-6%
DEA CAPITAL	1.10	292	-9%
BREMBO	11.12	3,713	-9%
NOTORIOUS PICTURES	1.50	34	-9%
FTSE Italia Mid Cap			-21%
FTSE Italia Small Cap			-14%
FTSE MIB			-11%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
EXPERT.AI	0.73	38	-64%
MEDIA FOR EUROPE	0.52	1,176	-58%
ELES	1.71	23	-52%
ALKEMY	11.08	63	-51%
ILBE	1.27	31	-50%
FINE FOODS	8.08	178	-49%
DATALOGIC	8.44	493	-44%
ESPRINET	7.12	359	-43%
EMAK	1.19	196	-42%
MARR	11.04	734	-41%
TINEXTA	22.22	1,049	-41%
IREN	1.58	2,054	-40%
SERVIZI ITALIA	1.28	41	-39%
REPLY	111.10	4,156	-38%
SERI INDUSTRIAL	5.98	295	-37%
TOD'S	31.88	1,055	-34%
OMER	2.52	72	-34%
ABITARE IN	5.56	148	-33%
DE' LONGHI	21.18	3,196	-33%
SESA	118.40	1,835	-32%

Source: FactSet

Earnings Momentum

2023 forecasts for our mid/small cap coverage up in the last month

Since the beginning of the year, we have implemented a +10.5% revision to our 2023 EPS estimates, driven by significant earnings upgrades to energy stocks, while on average we have left forecasts unchanged for the remaining stocks; focusing on our mid/small coverage, we have cut 2023 EPS by 5.6%. In the last month, looking at our mid/small cap coverage, we have raised our 2022 and 2023 EPS forecasts by 3.2% and 3.3% respectively.

Italian Market – Intermonte changes to 2022 and 2023 estimates

EPS REVISION	Since January 1st 2022		Since 18/10/2022	
	% chg in EPS FY22	% chg in EPS FY23	% chg in EPS FY22	% chg in EPS FY23
Total Market	25.3%	10.5%	4.0%	4.6%
Total Market - Ex Energy	8.6%	0.2%	2.4%	3.9%
Domestic	22.0%	12.2%	7.3%	8.0%
Non domestic	29.0%	8.6%	0.8%	1.0%
Non domestic - Ex Energy	-9.9%	-15.3%	-5.7%	-2.5%
FTSE MIB	27.5%	12.1%	4.1%	4.7%
Mid Caps (our coverage)	6.0%	-5.1%	3.7%	4.0%
Small Caps (our coverage)	-17.3%	-9.0%	-0.3%	-0.6%
Intermonte Mid&Small Caps coverage	3.2%	-5.6%	3.2%	3.3%

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	581	2430.7%
AUTOGRILL	-28	26	195.0%
TOD'S	6	17	172.7%
ERG	167	264	57.6%
SCIUKER FRAMES	16	25	57.2%
BRUNELLO CUCINELLI	51	78	52.9%
CY4GATE	6	9	49.6%
MATICA FINTEC	2	2	44.1%
TXT E-SOLUTIONS	7	9	34.7%
AQUAFIL	23	29	27.2%
Downward Revision			
IEG	0	-8	-15019.3%
FINE FOODS	14	-12	-190.8%
SERI INDUSTRIAL	12	-5	-137.6%
FINCANTIERI	146	-7	-104.7%
DEA CAPITAL	18	0	-102.2%
ELES	2	0	-84.3%

Source: Intermonte SIM

Valuation

Mid/small cap valuation premium has slightly decreased in the last month

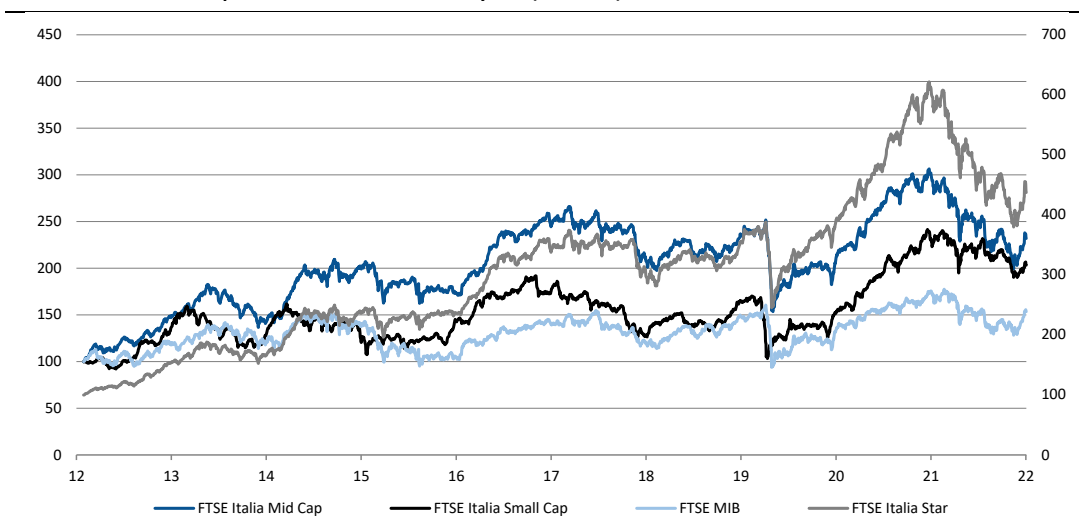
If we compare YtD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 38.5% de-rating YtD (it was -43.9% one month ago); mid-caps have de-rated by 27.1%, while small caps have recorded an estimate revision 2.9% higher than the share price correction.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-11.0%	27.5%	-38.5%
FTSE Italia Mid Cap	-21.1%	6.0%	-27.1%
FTSE Italia Small Cap	-14.5%	-17.4%	2.9%

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 42% premium to large caps, well above the historical average premium (17%) but slightly below the level one month ago (43%).

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 2022 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
FTSE MIB	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	8.0 x	-	15.7 x	-49.0%
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	13.8 x	-	18.3 x	-25.0%
FTSE Italy Small Cap	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	13.9 x	-	27.2 x	-48.7%
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	41.7%	14.5 x	-21.7%
Germany MDAX	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	15.4 x	11.8%	23.1 x	-33.4%
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	11.7 x	45.6%	16.0 x	-27.3%
France CAC Mid 60	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	12.4 x	-10.2%	20.1 x	-38.6%
France CAC Small	18.2 x	n.m.	28.3 x	34.6 x	28.1 x	30.2 x	30.8 x	40.2 x	38.6 x	43.0 x	-77.1 x	45.0 x	22.9 x	64.1%	32.7 x	-30.1%
FTSE 100	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	9.6 x	19.9%	14.8 x	-35.0%
FTSE 250	15.1 x	13.9 x	15.4 x	18.4 x	18.9 x	16.4 x	16.1 x	14.3 x	12.8 x	13.3 x	43.8 x	21.2 x	14.1 x	2.8%	16.3 x	-13.0%
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	9.9 x	23.5%	17.4 x	-43.1%
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	12.6 x	-8.7%	18.6 x	-32.5%

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%	(24%)	14995.3%
FINE FOODS	13.7	-12.4	-191%	(48%)	143.3%
SERI INDUSTRIAL	12.2	-4.6	-138%	(38%)	99.3%
FINCANTIERI	146.0	-6.9	-105%	(10%)	94.6%
DEA CAPITAL	18.0	-0.4	-102%	(10%)	92.7%
AVIO	12.2	2.8	-77%	(12%)	65.2%
TESMEC	13.1	9.0	-31%	32%	63.5%
GEOX	-5.0	-8.2	-64%	(23%)	40.9%
ELES	1.7	0.3	-84%	(53%)	31.0%
SOMECH	11.0	5.3	-52%	(27%)	25.1%
SAFILO	28.6	20.7	-28%	(7%)	20.9%
SOGEFI	35.7	21.4	-40%	(22%)	17.6%
DE' LONGHI	347.8	174.3	-50%	(33%)	17.1%
CYBEROO	3.6	3.6	0%	14%	13.8%
DATALOGIC	47.3	23.5	-50%	(45%)	5.4%
OMER	10.9	6.7	-39%	(34%)	4.2%
NOTORIOUS PICTURES	5.7	5.1	-11%	(8%)	3.2%
DOVALUE	65.1	50.5	-22%	(20%)	2.7%
ANIMA	198.5	155.7	-22%	(20%)	1.6%
ENAV	97.9	103.4	6%	7%	1.1%
INDEL B	16.7	14.5	-13%	(13%)	0.5%
MARR	59.2	35.5	-40%	(42%)	(1.6%)
WEBUILD	157.8	115.4	-27%	(29%)	(2.1%)
PIAGGIO	85.9	83.6	-3%	(5%)	(2.1%)
CREDITO EMILIANO	236.0	269.4	14%	10%	(3.7%)
RAI WAY	68.5	70.8	3%	(2%)	(5.3%)
UNIPOLSAI	740.4	779.2	5%	(2%)	(7.4%)
TXT E-SOLUTIONS	6.9	9.3	35%	27%	(7.7%)
FILA	51.7	41.3	-20%	(29%)	(8.4%)
OVS GROUP	61.8	57.2	-8%	(16%)	(8.9%)
TECHNOGYM	76.4	71.7	-6%	(16%)	(10.4%)
TINEXTA	67.2	46.6	-31%	(42%)	(11.1%)
FOS	1.6	1.5	-4%	(20%)	(15.3%)
SALCEF GROUP	60.2	53.3	-11%	(29%)	(17.3%)
GPI	14.5	14.6	1%	(17%)	(17.9%)
GREENTHESIS	13.6	14.0	3%	(15%)	(18.1%)
IGD	68.9	67.3	-2%	(21%)	(18.5%)
BANCA IFIS	110.8	109.4	-1%	(20%)	(18.6%)
FERRAGAMO	81.7	75.1	-8%	(27%)	(19.2%)
PHARMANUTRA	14.4	15.2	6%	(14%)	(20.2%)
RELATECH	6.2	6.2	0%	(21%)	(20.9%)
MONDADORI	51.4	56.3	10%	(12%)	(21.3%)
BANCA SISTEMA	25.3	24.1	-5%	(26%)	(21.4%)
ACEA	340.7	313.8	-8%	(30%)	(22.2%)
CEMENTIR	149.3	144.4	-3%	(26%)	(22.5%)
ELICA	20.6	19.9	-3%	(26%)	(22.7%)
THE ITALIAN SEA GROUP	24.7	26.2	6%	(17%)	(22.9%)
EMAK	36.3	29.2	-20%	(44%)	(24.0%)
LU-VE	28.6	34.5	21%	(4%)	(24.4%)
SERVIZI ITALIA	4.8	4.2	-13%	(38%)	(25.6%)
GEFRAN	11.2	12.0	8%	(18%)	(25.7%)
ESPRINET	56.2	45.6	-19%	(45%)	(25.9%)
MAIRE TECNIMONT	98.1	99.6	2%	(26%)	(27.3%)
BREMBO	268.6	314.7	17%	(11%)	(28.4%)
IREN	294.7	260.0	-12%	(41%)	(28.7%)
EL.EN.	48.7	57.0	17%	(13%)	(29.8%)
SAES GETTERS	23.1	29.1	26%	(5%)	(31.2%)
ILBE	14.2	11.5	-19%	(51%)	(31.3%)
SESA	78.6	81.8	4%	(32%)	(35.9%)
WIIT	16.6	14.1	-16%	(52%)	(36.4%)
REPLY	168.5	174.0	3%	(38%)	(41.1%)
MEDIA FOR EUROPE	294.0	245.9	-16%	(58%)	(41.6%)
MATICA FINTEC	1.5	2.2	44%	(6%)	(49.8%)
AQUAFIL	22.9	29.1	27%	(23%)	(49.9%)
ERG	167.3	263.6	58%	6%	(51.4%)
ALKEMY	6.1	6.2	1%	(51%)	(52.5%)
BRUNELLO CUCINELLI	51.3	78.4	53%	(1%)	(53.5%)
CY4GATE	6.1	9.1	50%	(30%)	(79.3%)
SCIUKER FRAMES	15.7	24.7	57%	(30%)	(87.6%)
AUTOGRILL	-27.9	26.5	195%	3%	(191.8%)

Source: Intermonte SIM

Liquidity

Mid/small cap liquidity remained weak in the last month, only marginally improving MoM

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 12.8% lower than the 1Y average, still improving on one month ago when the same metric was -19.8%. Interestingly, liquidity for mid-caps has witnessed a more significant contraction, down -18.0%, while for small caps the same metric has decreased by 19.8%. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.8mn in the last month, down 48% 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	44.43	41.51	42.21	50.97	51.16	(12.8%)	(18.6%)
Top 20% by market cap	131.49	128.30	131.37	156.57	152.26	(16.0%)	(18.1%)
FTSE Italia Mid Cap							
All stocks	1.75	1.52	1.55	2.14	2.51	(18.0%)	(28.9%)
Top 20% by market cap	3.05	2.54	2.78	3.90	4.68	(21.8%)	(34.8%)
FTSE Italia Small Cap							
All stocks	0.38	0.37	0.38	0.48	0.52	(19.8%)	(23.1%)
Top 20% by market cap	1.46	1.37	1.42	1.65	1.56	(11.9%)	(16.9%)

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	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
ESPRINET	371	1,979,200
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
ENAV	1,997	1,159,567
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

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	3.1	292	0.610	0.381	12.4%	62%	9.6x
BFF BANK	7.2	1,293	0.830	0.830	11.6%	100%	
DOVALUE	6.7	442	0.632	0.600	8.9%	95%	2.1x
MEDIA FOR EUROPE	0.5	1,048	0.091	0.044	8.4%	48%	1.2x
BANCA IFIS	13.7	615	2.034	1.120	8.2%	55%	
UNIPOLSAI	2.4	6,163	0.281	0.190	7.8%	68%	
ESPRINET	7.1	371	0.910	0.540	7.6%	59%	-2.1x
IREN	1.6	1,791	0.200	0.105	6.6%	53%	3.5x
ACEA	13.1	2,515	1.474	0.851	6.5%	58%	3.3x
PIAGGIO	2.7	818	0.235	0.177	6.4%	75%	1.3x
EMAK	1.2	159	0.179	0.076	6.4%	43%	2.4x
SARAS	1.3	987	0.611	0.080	6.4%	13%	-0.2x
MAIRE TECNIMONT	3.1	931	0.303	0.183	5.9%	60%	0.2x
MONDADORI	1.8	436	0.216	0.105	5.8%		1.5x
ANIMA	3.6	1,076	0.432	0.200	5.6%	46%	
DEA CAPITAL	1.1	273	-0.001	0.060	5.5%	nm	3.5x
NOTORIOUS PICTURES	1.5	31	0.225	0.075	5.0%	33%	1.3x
RAI WAY	5.1	1,235	0.260	0.252	4.9%	97%	0.9x
BANCA SISTEMA	1.6	113	0.299	0.075	4.8%	25%	
SCIUKER FRAMES	7.3	163	1.137	0.341	4.7%	30%	-0.1x
CREDITO EMILIANO	6.4	1,983	0.789	0.300	4.7%	38%	
GEFRAN	9.2	121	0.836	0.418	4.5%	50%	-0.2x
ENAV	4.2	1,997	0.191	0.180	4.3%	94%	1.5x
AQUAFIL	5.9	225	0.569	0.240	4.1%	42%	2.6x
MARR	11.0	687	0.534	0.427	3.9%	80%	1.8x
WEBUILD	1.5	1,283	0.116	0.055	3.7%	47%	-0.9x
GPI	13.5	228	0.816	0.500	3.7%	61%	3.0x
BREMBO	11.1	3,231	0.973	0.395	3.5%	41%	0.8x
CEMENTIR	6.2	886	0.907	0.210	3.4%	23%	-0.2x
ERG	30.2	4,419	1.754	0.900	3.0%	51%	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
ELES	1.7	19	86.5	16.9	413%
AUTOGRILL	6.4	2,436	93.7	23.1	306%
CYBEROO	4.2	76	24.4	9.7	150%
SOMECE	27.6	159	36.0	15.1	139%
TOD'S	31.9	1,346	62.7	30.7	104%
ABITARE IN	5.6	138	8.4	4.3	96%
SABABA SECURITY	3.0	22	17.8	9.2	93%
CIVITANAVI SYSTEMS	4.7	129	17.9	9.5	89%
TESMEC	0.1	75	9.4	5.2	82%
NOTORIOUS PICTURES	1.5	31	6.7	3.9	70%
SOGEFI	0.9	85	5.1	3.1	65%
SERVIZI ITALIA	1.3	34	9.8	6.2	57%
CY4GATE	8.7	199	20.7	14.1	47%
MARR	11.0	687	20.7	14.3	45%
REEVO	13.0	69	41.6	28.9	44%
TXT E-SOLUTIONS	12.9	152	16.9	11.8	43%
DATALOGIC	8.4	422	21.0	15.5	35%
WEBUILD	1.5	1,283	12.7	9.6	33%
THE ITALIAN SEA GROUP	5.3	239	10.7	8.2	31%
ESPRINET	7.1	371	7.8	6.0	31%
AVIO	10.3	269	nm	77.4	30%
GPI	13.5	228	16.5	12.8	29%
RELATECH	2.2	94	13.4	10.4	29%
MATICA FINTEC	2.5	24	12.1	9.5	27%
SCIUKER FRAMES	7.3	163	6.4	5.1	26%
FOS	3.1	18	13.1	10.4	26%
TINEXTA	22.2	905	22.5	17.9	26%
TECHNOGYM	7.1	1,321	19.8	15.7	26%
DE' LONGHI	21.2	2,404	18.2	14.6	25%
ILBE	1.3	34	3.9	3.1	24%
SESA	118.4	1,711	22.4	18.4	22%
SALCEF GROUP	17.6	1,012	20.6	17.0	21%
ELICA	2.7	149	8.6	7.1	21%
BFF BANK	7.2	1,293	8.6	7.2	21%
REPLY	111.1	4,183	23.9	20.3	18%
ALKEMY	11.1	67	10.1	8.6	18%
BANCA SISTEMA	1.6	113	5.2	4.5	16%
BRUNELLO CUCINELLI	60.4	3,499	52.4	45.5	15%
SAFILO	1.5	584	19.5	17.1	14%

Source: Intermonte SIM and FactSet

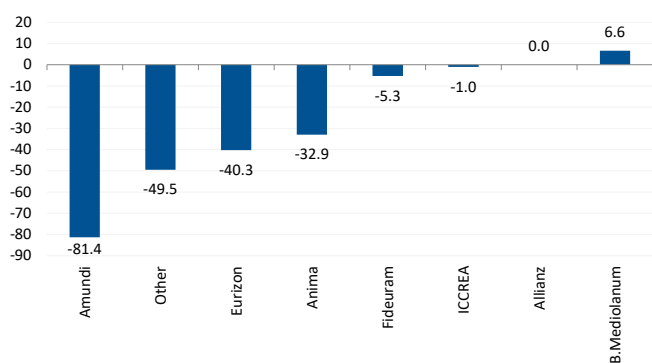
Update on the Individual Savings Plan (PIR)

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%

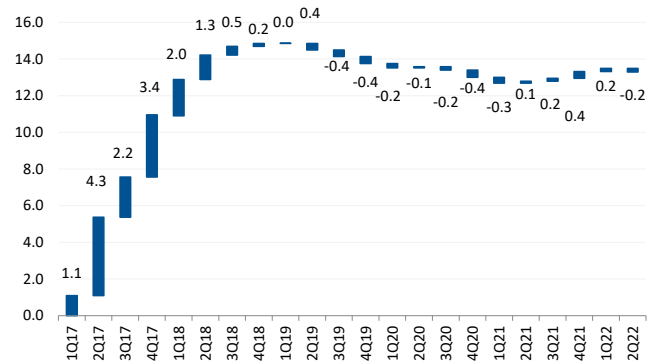
Source: Assogestioni, Quarterly Report, September 2022

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



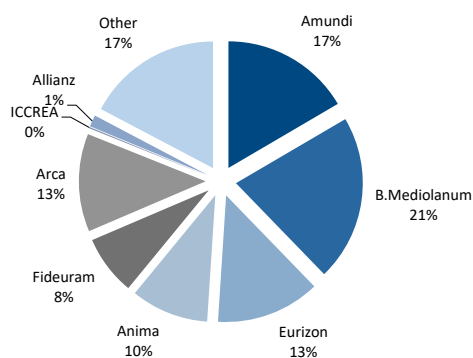
Source: Assogestioni

Ordinary PIR – Inflows by quarter (Eu bn)



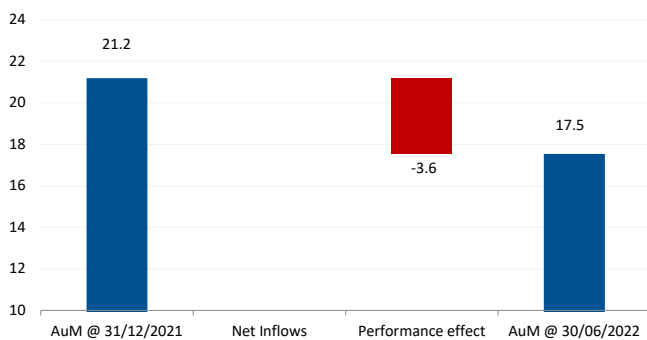
Source: Intermonte SIM estimates, Assogestioni

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 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, which 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, August and September, at €-63mn, €-57mn and €-124mn respectively, taking the YtD figure to €-279mn.

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. In light of the current scenario and recent PIR monitor preliminary data, we revised our 2022 and 2023 inflows assumptions to -Eu159mn and Eu654mn respectively (down from Eu52mn and Eu800mn) 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 Eu40mn (down from 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 ~4.3% 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	(159)	654
<i>YoY Growth</i>			<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>
<i>o/w From Continuing Subs. (estimated)</i>							483	703
<i>o/w From New Subscribers (estimated)</i>							40	500
<i>o/w Transformation of Existing Funds/Exit from PIR (est.)</i>							(682)	(549)

Source: Intermonte SIM