

Italian Mid Small Caps Monthly

Maintaining a Selective Approach after a Strong Start

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 19 January 2023) has grown 8.0% in the last month and is up 7.9% YtD. The FTSE Italy Mid-Cap index (+7.8%) has underperformed the main index by 0.2% in the last month (-0.6% YtD on a relative basis), with the FTSE Italy Small Caps index (+6.2%) performing 1.8% worse than the market in the last month, and -1.9% on a relative basis since the beginning of 2023. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 6.6% in the last month, slightly underperforming Italian mid-caps.
- **Estimates (=).** Since the beginning of 2022, we have implemented an +12.2% upward revision to our 2023 EPS estimates, driven by significant earnings upgrades to energy stocks, while on average we have left forecasts almost unchanged for the remaining stocks; focusing on our mid/small coverage, we have cut 2023 EPS by 6.3% since January 1st, 2022. In the last month, we have left 2022 and 2023 EPS forecasts for our mid/small cap almost unchanged (-0.1%/+0.1%).
- **Valuations (+).** If we compare YtD performance to the change in FY23 estimates over the same period, we see that FTSE MIB stocks have recorded a 8.9% re-rating YtD (partly recovering the significant de-rating suffered in 2022); mid-caps have re-rated by 7.1%, while small caps have re-rated by 7.2%. On a P/E basis, our panel is trading at a 41% premium to large caps, well above the historical average premium (17%) but below the level one month ago (49%).
- **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 27.0% lower than the 1Y average, worsening compared to one month ago when the same metric was -16.6%. Liquidity for mid-caps remained stable MoM and has witnessed a similar contraction, down -27.4%, while for small caps the same metric has decreased by 25.6%.
- **Investment strategy.** 2023 has started very positively for the Italian market, mainly thanks to signals that inflation should have peaked. However, in the coming weeks it is possible that new restrictive action and comments from Central Banks will trigger a correction. That said, looking forward in 2023, we see reasons for optimism (Italian stocks are trading at attractive valuations, the reopening of China should sustain global demand) and in particular we would overweight mid-small caps, because we think this asset class will reverse the underperformance suffered in 2022 (growth stocks should regain momentum). In this scenario, we believe that the direction of estimates – which will emerge from quarterly results - will remain the main discriminating factor for portfolio selection, and therefore confirm our preference for quality stocks exposed to solid trends, especially in the IT sector. Liquidity remains limited, as also confirmed by negative flows recorded by PIR funds.

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Performance

Mid/small caps slightly underperformed large caps in a very positive month

The Italian equity market (prices as at 19 January 2023) has grown 8.0% in the last month and is up 7.9% YtD. The FTSE Italy Mid-Cap index (+7.8%) has underperformed the main index by 0.2% in the last month (-0.6% YtD on a relative basis), with the FTSE Italy Small Caps index (+6.2%) performing 1.8% worse than the market in the last month, and -1.9% on a relative basis since the beginning of 2023.

Italian Market Indexes – performance analysis (prices as at 19th January 2023)

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	42,247	7.8%	17.7%	8.1%	7.3%	-11.4%	11.2%	2.4%	-5.7%
FTSE Italia Small Cap	29,407	6.2%	11.3%	1.2%	6.0%	-7.7%	34.8%	28.0%	18.9%
FTSE Italia Star	49,084	6.9%	15.6%	3.3%	6.1%	-18.1%	8.4%	22.3%	25.2%
FTSE AIM ITALIA	9,531	3.0%	6.7%	2.4%	3.0%	-14.9%	26.8%	19.4%	-1.6%
FTSE Italia All-Share	27,746	8.0%	18.9%	16.7%	7.9%	-7.0%	13.6%	5.5%	6.0%
FTSE MIB	25,596	8.1%	19.2%	18.0%	8.0%	-6.5%	14.1%	6.0%	7.8%
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		-0.2%	-1.2%	-8.6%	-0.6%	-4.4%	-2.4%	-3.1%	-11.7%
FTSE Italia Small Cap		-1.8%	-7.7%	-15.5%	-1.9%	-0.7%	21.2%	22.5%	12.9%
FTSE Italia Star		-1.1%	-3.4%	-13.4%	-1.8%	-11.1%	-5.2%	16.8%	19.2%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 6.6% in the last month, slightly underperforming Italian mid-caps.

European Market Indexes – performance analysis

Index	Price	% 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	151	5.9%	13.1%	6.4%	6.1%	-5.6%	11.9%	6.1%	11.8%
MSCI Europe Small Cap	404	6.6%	15.0%	2.0%	6.3%	-16.5%	-4.4%	-0.2%	3.5%

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
SARAS	1.52	1,443	44%
SAES GETTERS	30.75	641	32%
SERI INDUSTRIAL	6.45	348	26%
IEG	2.54	78	23%
WEBUILD	1.70	1,709	21%
DATALOGIC	9.45	552	20%
AQUAFIL	6.16	264	18%
WIIT	20.62	578	18%
TECHNOGYM	8.57	1,725	17%
BFF BANK	8.51	1,578	16%
SCIUKER FRAMES	8.15	177	15%
CYBEROO	4.79	96	14%
IREN	1.67	2,169	14%
MAIRE TECNIMONT	3.44	1,131	13%
ELICA	3.09	196	13%
FINCANTIERI	0.59	1,005	13%
MARR	12.62	840	12%
FILA	7.46	321	11%
ANIMA	3.85	1,333	11%
GEFRAN	9.92	143	11%
FTSE Italia Mid Cap			8%
FTSE Italia Small Cap			6%
FTSE MIB			8%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
CIVITANAVI SYSTEMS	3.46	106	-23%
AVIO	9.80	258	-8%
CY4GATE	9.29	219	-5%
PHARMANUTRA	61.20	592	-2%
GREENTHESIS	0.96	149	-2%
REEVO	13.35	67	-2%
UNIDATA	48.20	122	-2%
FINE FOODS	8.18	180	-1%
ALKEMY	11.02	63	-1%
RAI WAY	5.32	1,446	-1%
ILBE	1.27	31	-1%
MATICA FINTEC	2.56	28	-1%
ABITARE IN	5.94	158	-1%
OMER	2.70	78	0%
BRUNELLO CUCINELLI	70.85	4,818	0%
DEA CAPITAL	1.49	397	1%
TESMEC	0.15	91	1%
NOTORIOUS PICTURES	1.50	34	1%
EL.EN.	14.71	1,174	2%
LU-VE	26.65	593	2%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SARAS	1.52	1,443	32%
SAES GETTERS	30.75	641	30%
WEBUILD	1.70	1,709	23%
SERI INDUSTRIAL	6.45	348	23%
TECHNOGYM	8.57	1,725	20%
SCIUKER FRAMES	8.15	177	16%
BFF BANK	8.51	1,578	15%
WIIT	20.62	578	15%
CYBEROO	4.79	96	14%
GEFRAN	9.92	143	14%
IREN	1.67	2,169	14%
DATALOGIC	9.45	552	14%
PIAGGIO	3.16	1,132	13%
FINCANTIERI	0.59	1,005	11%
MAIRE TECNIMONT	3.44	1,131	11%
MARR	12.62	840	11%
ACEA	14.19	3,022	10%
TINEXTA	25.04	1,182	10%
REPLY	117.10	4,381	9%
FERRAGAMO	17.85	3,013	8%
FTSE Italia Mid Cap			7%
FTSE Italia Small Cap			6%
FTSE MIB			8%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
LU-VE	26.65	593	-5%
REEVO	13.35	67	-3%
FINE FOODS	8.18	180	-2%
PHARMANUTRA	61.20	592	-2%
RAI WAY	5.32	1,446	-2%
INDEL B	25.00	146	0%
MATICA FINTEC	2.56	28	0%
INTERCOS	12.67	1,220	0%
EXPERT.AI	0.62	38	0%
ALKEMY	11.02	63	0%
GPI	14.48	419	0%
AQUAFIL	6.16	264	0%
DEA CAPITAL	1.49	397	0%
SOMEC	32.70	226	1%
CY4GATE	9.29	219	1%
SAFILO	1.54	635	1%
AUTOGRILL	6.60	2,541	2%
AVIO	9.80	258	2%
BRUNELLO CUCINELLI	70.85	4,818	3%

Source: FactSet

Earnings Momentum

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

Since the beginning of 2022, we have implemented an +12.2% upward revision to our 2023 EPS estimates, driven by significant earnings upgrades to energy stocks, while on average we have left forecasts almost unchanged for the remaining stocks; focusing on our mid/small coverage, we have cut 2023 EPS by 6.3% since 1 January 2022. In the last month, we have left 2022 and 2023 EPS forecasts for our mid/small cap almost unchanged (-0.1%/+0.1%).

Italian Market – Intermonte changes to 2022 and 2023 estimates

EPS REVISION	Since January 1st 2022		Since 20/12/2022	
	% chg in EPS FY22	% chg in EPS FY23	% chg in EPS FY22	% chg in EPS FY23
Total Market	26.7%	12.2%	-0.8%	-0.8%
Total Market - Ex Energy	10.1%	2.0%	-0.7%	-0.7%
Domestic	25.1%	14.7%	0.0%	0.0%
Non domestic	28.3%	9.5%	-1.7%	-1.8%
Non domestic - Ex Energy	-10.4%	-14.0%	-2.1%	-1.8%
FTSE MIB	29.1%	14.1%	-0.9%	-0.9%
Mid Caps (our coverage)	4.7%	-5.9%	0.1%	0.2%
Small Caps (our coverage)	-20.8%	-9.2%	-2.0%	-1.2%
Intermonte Mid&Small Caps coverage	1.9%	-6.3%	-0.1%	0.1%

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	581	2430.7%
AUTOGRILL	-28	26	195.0%
TOD'S	6	17	172.7%
BRUNELLO CUCINELLI	51	87	69.2%
SCIUKER FRAMES	16	24	52.3%
CY4GATE	6	9	49.6%
MATICA FINTEC	2	2	44.1%
TXT E-SOLUTIONS	7	9	34.7%
AQUAFIL	23	29	27.2%
SAES GETTERS	23	29	26.2%
Downward Revision			
IEG	0	-3	-5389.4%
FINE FOODS	14	-12	-190.8%
SERI INDUSTRIAL	12	-5	-137.6%
FINCANTIERI	146	-7	-104.7%
DEA CAPITAL	18	0	-102.2%
AVIO	12	3	-77.2%

Source: Intermonte SIM

Valuation

Mid/small cap valuation premium decreased in the last month

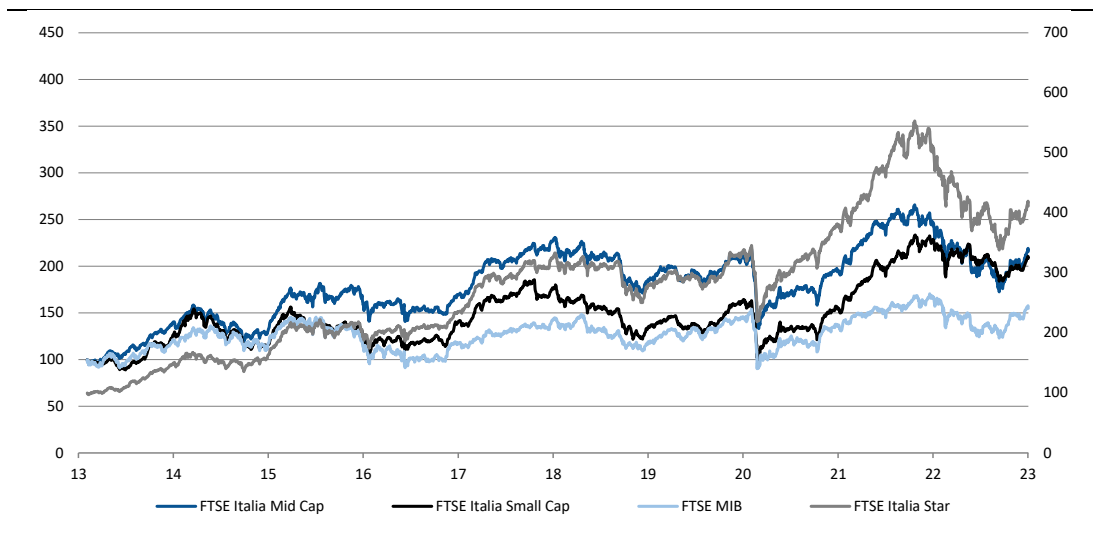
If we compare YtD performance to the change in FY23 estimates over the same period, we see that FTSE MIB stocks have recorded a 8.9% re-rating YtD (partly recovering the significant de-rating suffered in 2022); mid-caps have re-rated by 7.1%, while small caps have re-rated by 7.2%.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY23 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	8.0%	-0.9%	8.9%
FTSE Italia Mid Cap	7.3%	0.2%	7.1%
FTSE Italia Small Cap	6.0%	-1.2%	7.2%

Source: Intermonte SIM and FactSet

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

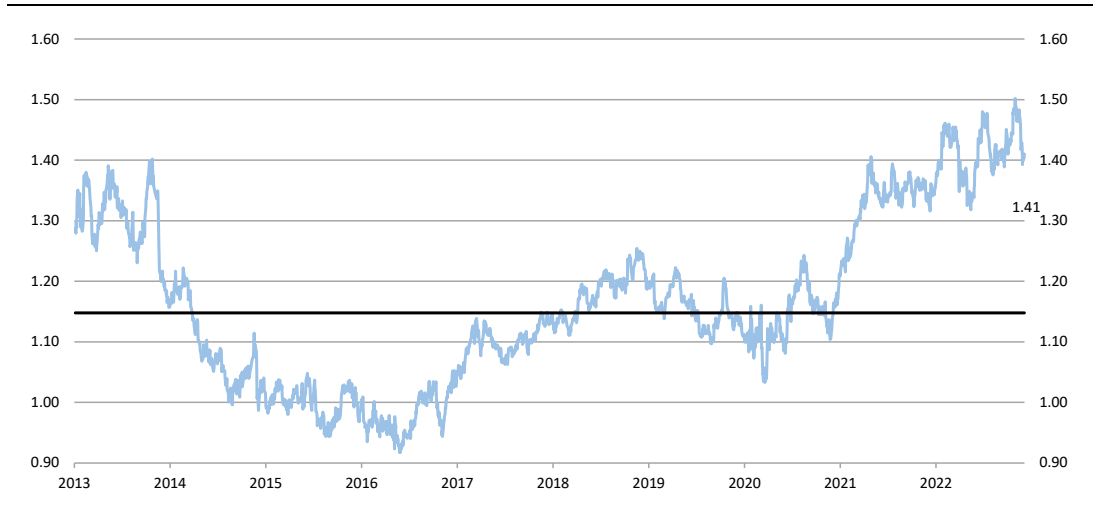


Source: FactSet

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 41% premium to large caps, well above the historical average premium (17%) but below the level one month ago (49%).

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/E11	P/E12	P/E13	P/E14	P/E15	P/E16	P/E17	P/E18	P/E19	P/E20	P/E21	P/E22	P/E23	P/E23 vs Italian Equivalent	Last 10Y Median	Premium vs Avg
FTSE MIB	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	8.2 x	8.4 x	-	15.7 x	-46.6%
FTSE Italy Mid	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	13.6 x	13.1 x	-	18.3 x	-28.5%
FTSE Italy Smz	35.8 x	23.9 x	58.2 x	32.5 x	nm	nm	18.2 x	14.2 x	nm	51.5 x	20.2 x	14.7 x	11.7 x	-	18.2 x	-35.9%
Germany DA	11.3 x	14.6 x	16.5 x	12.9 x	15.5 x	14.3 x	14.2 x	14.8 x	20.5 x	20.8 x	13.1 x	12.2 x	12.4 x	47.9%	14.3 x	-13.1%
Germany MD	30.2 x	28.8 x	24.4 x	16.7 x	19.7 x	21.6 x	16.3 x	21.0 x	55.5 x	43.8 x	26.6 x	16.7 x	16.3 x	24.0%	20.3 x	-20.1%
France CAC 4i	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	28.6 x	15.6 x	12.8 x	13.5 x	61.0%	16.0 x	-15.8%
France CAC N	18.2 x	23.1 x	26.0 x	20.4 x	20.4 x	36.8 x	16.2 x	15.6 x	623.1 x	-31.9 x	20.2 x	13.3 x	12.5 x	-4.8%	18.2 x	-31.5%
France CAC S	n.m.	28.4 x	24.8 x	25.1 x	26.5 x	32.7 x	30.9 x	32.4 x	-54.5 x	-77.1 x	45.0 x	21.2 x	19.4 x	65.9%	25.8 x	-24.9%
FTSE 100	12.2 x	15.0 x	14.8 x	15.3 x	18.2 x	14.7 x	13.2 x	12.6 x	21.2 x	21.1 x	13.0 x	10.6 x	10.7 x	27.6%	14.0 x	-23.4%
FTSE 250	16.0 x	19.0 x	19.7 x	17.2 x	16.3 x	14.3 x	12.7 x	13.2 x	41.1 x	43.8 x	21.2 x	13.7 x	12.0 x	-8.4%	15.3 x	-21.5%
IBEX 35	18.8 x	19.5 x	19.9 x	19.4 x	15.8 x	13.3 x	13.7 x	13.0 x	32.1 x	34.8 x	11.9 x	10.6 x	11.9 x	42.3%	13.5 x	-11.8%
IBEX MEDIUM	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	20.4 x	15.4 x	14.9 x	13.3 x	1.4%	18.0 x	-26.0%

Source: Intermonte SIM and FactSet

Intermonte Mid & Small Cap Coverage – de-rating/re-rating on 2023 estimates since Jan 2022

Stock	Restated Net Profit 23 as of 31/12/21	Restated net profit 23 last estimate	% Chg in Net Profit 23	Share Price perf. 31/12/21	De-rating(-) Re-rating(+)
AVIO	12.2	2.8	-77%	(16%)	61%
TESMEC	13.1	9.0	-19%	40%	58%
FINCANTIERI	146.0	-6.9	-38%	(2%)	36%
FERRAGAMO	81.7	75.1	-54%	(21%)	33%
CYBEROO	3.6	3.6	0%	29%	28%
PIAGGIO	85.9	80.9	-10%	10%	20%
GEOX	-5.0	-8.2	-39%	(22%)	18%
IEG	0.1	-2.8	-22%	(5%)	17%
DOVALUE	65.1	50.5	-25%	(10%)	15%
DE' LONGHI	347.8	174.3	-43%	(28%)	15%
SAES GETTERS	23.1	29.1	10%	24%	15%
NOTORIOUS PICTURES	5.7	4.3	-21%	(8%)	13%
SAFILO	28.6	20.7	-14%	(2%)	11%
ENAV	97.9	103.4	-6%	5%	11%
LU-VE	28.6	34.5	0%	11%	11%
OMER	10.9	6.7	-39%	(30%)	9%
INDEL B	16.7	14.5	-15%	(7%)	8%
CREDITO EMILIANO	236.0	269.4	13%	19%	7%
SERI INDUSTRIAL	12.2	-4.6	-40%	(33%)	6%
WEBUILD	157.8	115.4	-24%	(18%)	6%
DATALOGIC	47.3	23.5	-41%	(38%)	3%
OVS GROUP	61.8	58.4	-16%	(13%)	3%
SOMEK	11.0	5.3	-16%	(13%)	3%
FINE FOODS	13.7	-12.4	-48%	(47%)	1%
TECHNOGYM	76.4	71.7	2%	1%	(0%)
ANIMA	198.5	155.7	-14%	(14%)	(0%)
UNIPOLSAI	740.4	779.2	-3%	(3%)	(1%)
FILA	51.7	41.3	-23%	(23%)	(1%)
BREMBO	268.6	314.7	-5%	(10%)	(5%)
THE ITALIAN SEA GROUP	24.7	26.2	-4%	(9%)	(5%)
TINEXTA	67.2	46.6	-28%	(34%)	(6%)
RAI WAY	68.5	70.8	8%	2%	(6%)
ELICA	20.6	19.9	-8%	(15%)	(7%)
IGD	68.9	67.3	-5%	(13%)	(8%)
MONDADORI	51.4	56.3	4%	(5%)	(9%)
PHARMANUTRA	14.4	15.2	-10%	(19%)	(9%)
BANCA IFIS	110.8	109.4	-8%	(18%)	(10%)
ACEA	340.7	313.8	-13%	(24%)	(12%)
EMAK	36.3	29.2	-30%	(42%)	(12%)
BANCA SISTEMA	25.3	24.1	-7%	(22%)	(15%)
CEMENTIR	149.3	144.4	-7%	(23%)	(17%)
AQUAFIL	22.9	29.1	-3%	(20%)	(17%)
MAIRE TECNIMONT	98.1	99.6	0%	(17%)	(17%)
GEFRAN	11.2	12.0	6%	(12%)	(18%)
IREN	294.7	260.0	-19%	(37%)	(18%)
GREENTHESIS	13.6	14.0	6%	(16%)	(22%)
RELATECH	6.2	6.2	0%	(22%)	(22%)
SALCEF GROUP	60.2	53.3	-1%	(24%)	(23%)
EL.EN.	48.7	57.0	18%	(6%)	(24%)
SERVIZI ITALIA	4.8	4.2	-17%	(41%)	(25%)
AUTOGRILL	-27.9	26.5	32%	6%	(26%)
ABITARE IN	29.9	13.1	-1%	(28%)	(27%)
MEDIA FOR EUROPE	294.0	245.9	-25%	(52%)	(27%)
WIIT	16.6	14.1	-9%	(42%)	(33%)
ESPRINET	56.2	45.6	-9%	(44%)	(35%)
BRUNELLO CUCINELLI	51.3	86.7	52%	17%	(36%)
MATICA FINTEC	1.5	2.2	35%	(3%)	(38%)
TOD'S	6.2	16.8	3%	(36%)	(38%)
SESA	78.6	81.8	9%	(29%)	(39%)
TXT E-SOLUTIONS	6.9	9.3	70%	31%	(39%)
REPLY	168.5	174.0	9%	(34%)	(44%)
ILBE	14.2	11.5	-5%	(51%)	(45%)
GPI	14.5	12.7	35%	(11%)	(46%)
ALKEMY	6.1	5.8	-4%	(51%)	(48%)
SCIUKER FRAMES	15.7	23.9	29%	(22%)	(51%)
CY4GATE	6.1	9.1	87%	(25%)	(111%)
SARAS	-24.9	580.7	5011%	176%	(4836%)

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 27.0% lower than the 1Y average, worsening compared to one month ago when the same metric was -16.6%. Liquidity for mid-caps remained stable MoM and has witnessed a similar contraction, down -27.4%, while for small caps the same metric has decreased by 25.6%.

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	34.84	41.05	39.56	47.74	50.74	(27.0%)	(14.0%)
Top 20% by market cap	102.43	125.10	125.40	150.15	153.76	(31.8%)	(16.7%)
FTSE Italia Mid Cap							
All stocks	1.69	1.76	1.79	2.33	2.73	(27.4%)	(24.4%)
Top 20% by market cap	3.50	3.36	3.53	4.77	5.42	(26.7%)	(29.6%)
FTSE Italia Small Cap							
All stocks	0.17	0.17	0.17	0.23	0.34	(25.6%)	(23.5%)
Top 20% by market cap	0.49	0.47	0.45	0.54	0.70	(8.9%)	(11.6%)

Source: FactSet

For individual stocks, the following table ranks liquidity in our mid/small cap coverage.

Intermonte Mid & Small Cap Coverage – most liquid stocks

Stock	Market Cap (Eu mn)	6M Avg Volume * Avg Price (Eu)
SARAS	1,443	9,237,822
TOD'S	1,050	6,051,034
REPLY	4,381	4,234,289
BFF BANK	1,578	4,128,726
AUTOGRILL	2,541	4,054,032
BRUNELLO CUCINELLI	4,818	3,550,888
FERRAGAMO	3,013	2,744,212
OVS GROUP	646	2,460,606
IREN	2,169	2,445,122
BREMBO	3,774	2,237,430
ANIMA	1,333	2,159,027
DE' LONGHI	3,429	2,102,413
UNIPOLSAI	6,780	1,995,110
SESA	1,897	1,903,829
TECHNOGYM	1,725	1,888,549
MAIRE TECNIMONT	1,131	1,739,655
WEBUILD	1,709	1,731,651
ACEA	3,022	1,573,544
BANCA IFIS	752	1,487,488
MEDIA FOR EUROPE	1,295	1,399,278
CREDITO EMILIANO	2,372	1,208,912
ENAV	2,236	1,059,807
TINEXTA	1,182	999,532
AVIO	258	980,641
EL.EN.	1,174	901,058
ESPRINET	366	839,327
DATALOGIC	552	838,436
TIP	1,416	792,089
RAI WAY	1,446	780,601

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 23	DPS 23	Yield 23 %	PayOut 23 %	Net Debt/EBITDA 23
BFF BANK	8.5	1,578	1.000	1.000	11.8%	100%	
IGD	3.4	371	0.639	0.340	10.1%	53%	8.9x
DOVALUE	7.6	607	0.710	0.720	9.5%	101%	1.8x
BANCA IFIS	14.0	752	2.251	1.200	8.6%	53%	
ESPRINET	7.3	366	1.188	0.594	8.2%	50%	-2.1x
UNIPOLSAI	2.4	6,780	0.267	0.190	7.9%	71%	
NOTORIOUS PICTURES	1.5	34	0.245	0.098	6.5%	40%	1.0x
MEDIA FOR EUROPE	0.6	1,295	0.080	0.039	6.5%	48%	1.1x
IREN	1.7	2,169	0.198	0.105	6.3%	53%	3.8x
ACEA	14.2	3,022	1.427	0.851	6.0%	60%	3.4x
PIAGGIO	3.2	1,132	0.263	0.184	5.8%	70%	1.2x
ANIMA	3.8	1,333	0.487	0.220	5.7%	45%	
RAI WAY	5.3	1,446	0.294	0.293	5.5%	100%	0.9x
MONDADORI	1.9	506	0.216	0.104	5.4%	48%	1.2x
EMAK	1.2	202	0.166	0.066	5.4%	40%	2.2x
MAIRE TECNIMONT	3.4	1,131	0.321	0.183	5.3%	57%	-0.1x
BANCA SISTEMA	1.6	132	0.347	0.087	5.3%	25%	
SARAS	1.5	1,443	0.293	0.080	5.3%	27%	-0.3x
SCIUKER FRAMES	8.2	177	1.383	0.415	5.1%	30%	-0.5x
MARR	12.6	840	0.773	0.618	4.9%	80%	1.5x
GEFRAN	9.9	143	0.933	0.466	4.7%	50%	-0.3x
ENAV	4.1	2,236	0.199	0.190	4.6%	95%	1.2x
CREDITO EMILIANO	7.0	2,372	0.861	0.300	4.3%	35%	
THE ITALIAN SEA GROUP	5.8	308	0.648	0.247	4.2%	38%	0.2x
DEA CAPITAL	1.5	397	0.030	0.060	4.0%	200%	2.6x
CEMENTIR	6.4	1,025	0.991	0.250	3.9%	25%	-0.5x
AQUAFIL	6.2	264	0.498	0.227	3.7%	46%	2.3x
ELICA	3.1	196	0.378	0.114	3.7%	30%	0.3x
GPI	14.5	419	0.759	0.500	3.5%	66%	2.0x
WEBUILD	1.7	1,709	0.155	0.055	3.2%	36%	-0.9x

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	6.6	2,541	95.9	23.6	306%
CYBEROO	4.8	96	27.6	11.0	150%
ABITARE IN	5.9	158	12.0	4.8	150%
SOMECC	32.7	226	42.6	17.9	139%
TOD'S	31.7	1,050	62.4	30.5	104%
SABABA SECURITY	3.5	26	20.8	10.8	93%
TESMEC	0.1	91	10.0	5.5	82%
GPI	14.5	419	32.3	19.1	69%
SERVIZI ITALIA	1.2	39	9.3	6.0	57%
CY4GATE	9.3	219	22.2	15.1	47%
MARR	12.6	840	23.6	16.3	45%
REEVO	13.4	67	42.9	29.8	44%
TXT E-SOLUTIONS	13.3	173	17.4	12.2	43%
UNIDATA	48.2	122	18.0	12.7	42%
WIIT	20.6	578	41.1	29.9	37%
CIVITANAVI SYSTEMS	3.5	106	19.7	14.5	36%
DATALOGIC	9.5	552	23.5	17.4	35%
WEBUILD	1.7	1,709	14.6	11.0	33%
THE ITALIAN SEA GROUP	5.8	308	11.8	9.0	31%
ESPRINET	7.3	366	8.0	6.1	31%
AVIO	9.8	258	95.9	73.6	30%
RELATECH	2.2	95	13.2	10.2	29%
NOTORIOUS PICTURES	1.5	34	7.8	6.1	28%
MATICA FINTEC	2.6	28	12.5	9.8	27%
TINEXTA	25.0	1,182	25.4	20.1	26%
TECHNOGYM	8.6	1,725	24.0	19.1	26%
SCIUKER FRAMES	8.2	177	7.4	5.9	26%
DE' LONGHI	22.7	3,429	19.5	15.6	25%
ILBE	1.3	31	3.9	3.1	24%
SESA	122.4	1,897	23.2	18.9	23%
SALCEF GROUP	18.7	1,167	21.9	18.0	21%
ELICA	3.1	196	9.9	8.2	21%
BFF BANK	8.5	1,578	10.3	8.5	21%
ALKEMY	11.0	63	10.7	9.1	18%
REPLY	117.1	4,381	25.2	21.4	18%
BANCA SISTEMA	1.6	132	5.5	4.7	16%
BRUNELLO CUCINELLI	70.9	4,818	55.6	48.0	16%
PIAGGIO	3.2	1,132	13.9	12.0	15%
SAFILO	1.5	635	20.4	17.8	14%

Source: Intermonte SIM and FactSet

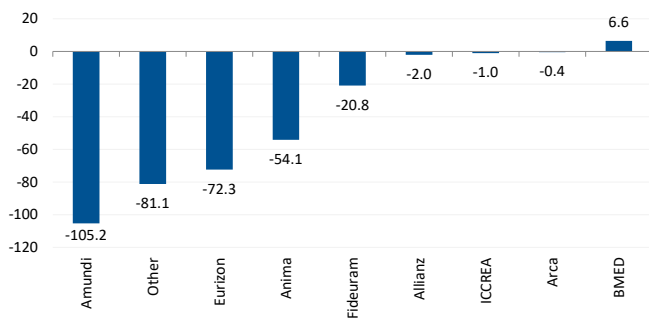
Update on the Individual Savings Plan (PIR)

PIR: official figures for 3Q22

	3Q22 (Eu mn)	2Q22 (Eu mn)	1Q22 (Eu mn)	4Q21 (Eu mn)	3Q21 (Eu mn)	FY21 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	Nr. Of Funds		Invested Capital	
										at September 2022	%	at September 2022	in %
Ordinary PIR	(330)	(196)	160	380	155	323	(759)	(1,097)	3,950	64	40.6%	16,477	28.6%
Alternative PIR	15	153	83	665						13		1,449	
EQUITY FUNDS	(128)	(78)	(12)	154	40	280	(281)	(369)	349	26	40.6%	4,708	28.6%
BALANCED FUNDS	(192)	(121)	147	177	103	214	(321)	(587)	2,525	22	34.4%	7,248	44.0%
FIXED INCOME FUNDS	(2)	(3)	(10)	7	7	17	(1)	(20)	10	4	6.3%	192	1.2%
FLEXIBLE FUNDS	(7)	7	36	41	6	(187)	(160)	(121)	1,067	13	20.3%	4,337	26.3%
CLOSED-END FUNDS	14	153	83							12	18.8%	1,442	8.8%

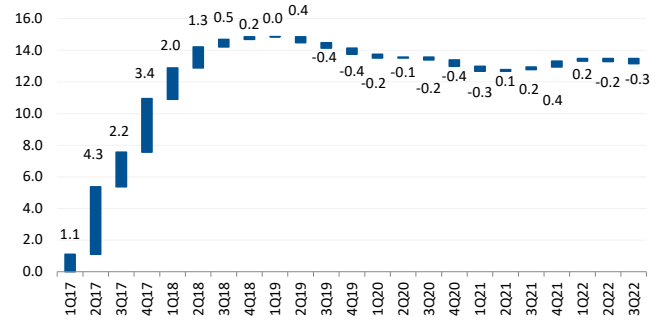
Source: Assogestioni, Quarterly Report, November 2022

Ordinary PIR - Net inflows by asset manager (Eu mn, 3Q22)



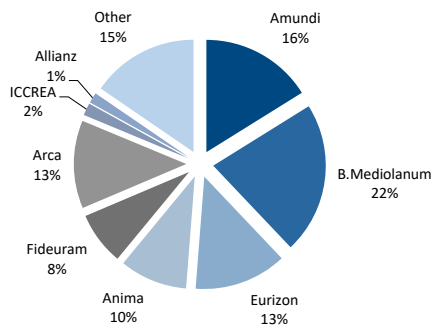
Source: Assogestioni

Ordinary PIR – Inflows by quarter (Eu bn)



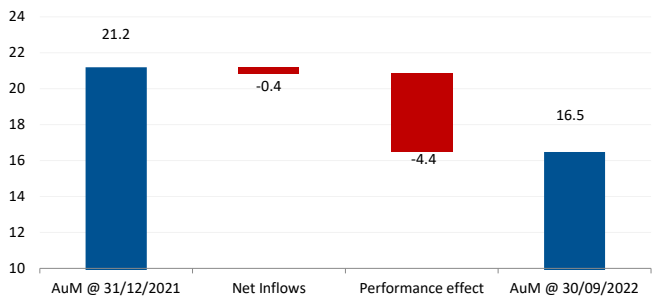
Source: Intermonte SIM estimates, Assogestioni

Ordinary PIR – Market share by asset manager (on AuM at 30/09/22)



Source: Assogestioni

Ordinary PIR – Inflows and total AuM (Eu bn)



Source: Assogestioni

PIR outflows continued in October and November

In its quarterly review on 29 November 2022, Assogestioni released updated figures on 3Q22 PIR inflows. During the quarter, ordinary PIRs saw outflows of Eu330.3mn, while Alternative PIRs recorded inflows of Eu14.5mn. In terms of AuM, ordinary PIRs had Eu16.5bn under management, while Eu1.4bn was invested in alternative PIR funds. Looking at ordinary PIRs, quarterly net inflows further deteriorated sequentially compared to 2Q22 and 1Q22, when net inflows were Eu-196mn and Eu160mn respectively. The total balance YtD therefore stands at Eu-366mn. AuM stood at Eu16.5bn, down from Eu17.5bn as at the end of June, due to both outflows and market performance.

The inflow figure is worse than the one disclosed by Il Sole 24 Ore's 'Osservatorio PIR', which estimated Eu244mn of outflows in 3Q22 (with July, August, and September at Eu-63mn, Eu-57mn, and Eu-124mn respectively).

Regarding alternative PIR, inflows in 3Q22 came to Eu14.5mn, decreasing on 2Q22 (Eu153mn) and 1Q22 (Eu83mn), with the YtD figure at Eu251mn, and AuM stable at Eu1.44bn (same figure as at the end of June).

According to 'Osservatorio PIR', outflows continued in October at -Eu92.1mn and in November at -Eu102mn.

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 listed 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 3Q22 PIR data, we have revised our 2022 inflows assumptions to Eu-358mn, down from Eu-159mn, 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;
- 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 50% 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 ~5.3% 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	(358)	657
<i>YoY Growth</i>			<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>
o/w From Continuing Subs. (estimated)							442	700
o/w From New Subscribers (estimated)							40	500
o/w Transformation of Existing Funds/Exit from PIR (est.)							(840)	(542)

Source: Intermonte SIM

Intermonte Pir Mid Caps Coverage - Trading Multiples (ordered by Stock Name)

Company	P/E 2022	P/E 2023	EV/EBITDA 2022	EV/EBITDA 2023	Div. Yield 2022	Div. Yield 2023	FCF Yield 2022	FCF Yield 2023	NET DEBT/EBITDA 2022	NET DEBT/EBITDA 2023
ACEA	9.6	9.9	6.2	6.3	6.0%	6.0%	-8.3%	3.2%	3.3x	3.4x
ANIMA	8.9	7.9			5.2%	5.7%				
AUTOGRILL	95.9	23.6	6.2	5.1	0.8%	1.5%	20.2%	7.3%	2.2x	1.7x
BANCA IFIS	6.9	6.2			8.0%	8.6%				
BFF BANK	10.3	8.5			9.8%	11.8%				
BREMBO	11.6	13.0	5.7	6.0	3.5%	3.1%	-0.1%	6.7%	0.8x	0.6x
BRUNELLO CUCINELLI	55.6	48.0	13.4	16.2	0.9%	1.0%	1.4%	1.1%	2.2x	2.1x
CEMENTIR	7.1	6.5	3.1	2.8	3.3%	3.9%	12.4%	12.9%	-0.2x	-0.5x
CREDITO EMILIANO	8.8	8.1			4.3%	4.3%				
DATALOGIC	23.5	17.4	7.9	7.8	2.1%	2.6%	-1.7%	4.1%	0.9x	0.7x
DE' LONGHI	19.5	15.6	9.6	8.1	1.8%	2.3%	-3.2%	4.6%	-0.6x	-0.8x
DOVALUE	12.0	10.7	4.8	4.7	7.9%	9.5%	6.6%	16.8%	2.1x	1.8x
EL.EN.	20.2	18.4	10.8	10.3	1.4%	1.4%	-2.8%	6.1%	-0.8x	-1.2x
ENAV	21.6	20.7	9.6	9.3	4.4%	4.6%	6.1%	7.6%	1.5x	1.2x
FERRAGAMO	40.1	59.8	7.9	9.3	1.1%	0.8%	2.7%	-0.4%	0.7x	0.9x
FINCANTIERI	nm	8.0	11.2	7.0	0.0%	1.9%	-35.8%	2.6%	4.8x	3.0x
INTERCOS	22.8	21.6	11.0	9.9	0.0%	1.3%	1.1%	3.5%	1.0x	0.7x
IREN	8.3	8.4	6.1	5.9	6.3%	6.3%	-18.5%	-14.2%	3.5x	3.8x
LU-VE	17.2	17.8	8.0	9.2	1.3%	1.3%	-0.5%	5.3%	2.0x	1.6x
MAIRE TECNIMONT	11.3	10.7	5.0	5.0	5.3%	5.3%	12.4%	11.3%	0.2x	-0.1x
MARR	23.6	16.3	11.5	8.6	3.4%	4.9%	0.6%	1.5%	1.8x	1.5x
MEDIA FOR EUROPE	6.5	7.4	3.6	3.1	7.4%	6.5%	18.6%	18.3%	1.2x	1.1x
MONDADORI	9.0	9.0	5.0	4.8	5.4%	5.4%	13.6%	13.5%	1.5x	1.2x
OVS GROUP	11.1	11.0	4.8	5.1	2.3%	2.4%	5.1%	9.1%	1.0x	0.7x
PHARMANUTRA	39.0	40.8	27.4	25.3	1.3%	1.2%	0.1%	2.4%	-0.3x	-0.5x
PIAGGIO	13.9	12.0	4.4	4.9	5.4%	5.8%	7.7%	7.0%	1.3x	1.2x
RAI WAY	20.4	18.1	10.4	9.8	4.7%	5.5%	6.2%	7.0%	0.9x	0.9x
REPLY	25.2	21.4	14.9	11.8	0.8%	0.9%	3.3%	4.5%	-0.3x	-0.8x
SAFILO	20.4	17.8	5.7	4.7	0.0%	0.0%	8.6%	9.5%	0.7x	0.1x
SALCEF GROUP	21.9	18.0	10.2	8.7	2.4%	2.5%	1.5%	3.5%	-0.8x	-0.7x
SARAS	2.5	5.2	0.6	1.8	5.3%	5.3%	56.2%	-1.8%	-0.2x	-0.3x
SESA	23.2	18.9	13.9	8.8	0.7%	0.9%	3.9%	6.5%	-0.5x	-0.4x
TECHNOGYM	24.0	19.1	9.9	9.8	2.0%	2.6%	2.1%	5.2%	-0.8x	-1.0x
TINEXTA	25.4	20.1	14.3	12.1	1.2%	1.5%	3.0%	4.1%	0.7x	0.0x
TIP	22.8				1.6%					
TOD'S	62.4	30.5	6.5	5.0	0.0%	0.0%	-2.4%	0.6%	2.4x	2.2x
UNIPOLSAI	8.5	9.0			7.9%	7.9%				
WEBUILD	14.6	11.0	2.0	1.9	3.2%	3.2%	4.4%	6.2%	-0.9x	-0.9x

Intermonte Pir Small Caps Coverage - Trading Multiples (ordered by Stock Name)

Company	P/E 2022	P/E 2023	EV/EBITDA 2022	EV/EBITDA 2023	Div. Yield 2022	Div. Yield 2023	FCF Yield 2022	FCF Yield 2023	NET DEBT/EBITDA 2022	NET DEBT/EBITDA 2023
ABITARE IN	12.0	4.8	12.1	3.1	0.0%	0.0%	-34.2%	72.6%	7.2x	0.0x
ALKEMY	10.7	9.1	9.9	6.6	0.0%	0.0%	2.9%	9.2%	3.0x	2.0x
AQUAFIL	10.8	12.4	6.2	5.9	3.9%	3.7%	-5.4%	10.2%	2.6x	2.3x
AVIO	95.9	73.6	9.7	7.0	0.0%	0.3%	-4.4%	-1.1%	-1.5x	-0.8x
BANCA SISTEMA	5.5	4.7			4.6%	5.3%				
CIVITANAVI SYSTEMS	19.7	14.5	12.0	7.1	0.0%	0.0%	2.2%	-2.4%	-2.6x	-1.5x
CY4GATE	22.2	15.1	12.0	8.4	0.0%	0.0%	2.2%	4.5%	-0.5x	-0.4x
CYBEROO	27.6	11.0	11.6	6.2	0.0%	0.0%	0.8%	4.6%	-0.2x	-0.4x
DEA CAPITAL	nm	49.7	14.6	15.3	4.0%	4.0%			3.5x	2.6x
ELICA	9.9	8.2	3.9	3.4	2.3%	3.7%	17.2%	14.8%	0.7x	0.3x
EMAK	6.9	7.4	5.5	5.0	6.2%	5.4%	-8.4%	14.1%	2.4x	2.2x
ESPRINET	8.0	6.1	8.9	7.2	7.4%	8.2%	-0.4%	6.2%	-2.1x	-2.1x
EXPERT.AI	nm	nm	nm	nm	0.0%	0.0%	-70.5%	-22.9%	nm	10.6x
FILA	9.2	8.3	8.3	7.1	2.0%	2.2%	3.8%	8.5%	3.8x	3.2x
FINE FOODS	nm	25.1	17.5	9.3	2.0%	2.0%	-13.8%	10.1%	3.0x	1.2x
GEFRAN	11.9	10.6	5.1	4.8	4.2%	4.7%	5.9%	6.7%	-0.2x	-0.3x
GEOX	nm	25.4	7.8	5.9	0.0%	0.0%	-4.8%	0.5%	4.8x	3.6x
GPI	32.3	19.1	9.5	8.0	3.5%	3.5%	-2.5%	1.2%	2.4x	2.0x
GREENTHESIS	10.6	9.5	7.7	7.2	1.2%	1.5%	5.3%	4.0%	1.8x	1.5x
IEG	nm	7.8	10.6	4.2	0.0%	3.1%	13.7%	22.8%	8.7x	2.5x
IGD	5.5	5.3	13.6	12.3	11.3%	10.1%	18.9%	20.5%	9.6x	8.9x
ILBE	3.9	3.1	0.9	0.7	0.0%	0.0%	1.2%	4.3%	0.3x	0.3x
INDEL B	10.1	9.1	5.6	5.0	2.4%	2.8%	4.5%	5.5%	0.6x	0.3x
MATICA FINTEC	12.5	9.8	5.0	4.5	0.0%	0.0%	3.6%	5.8%	-0.2x	-0.4x
NOTORIOUS PICTURES	7.8	6.1	3.4	2.6	5.1%	6.5%	-12.9%	4.3%	1.3x	1.0x
OMER	11.6	11.6	6.9	5.3	0.0%	0.0%	1.6%	6.1%	-1.8x	-2.2x
REEVO	42.9	29.8	15.7	10.3	0.0%	0.0%	-0.5%	1.7%	-1.8x	-1.4x
RELATECH	13.2	10.2	6.8	5.0	0.0%	0.0%	3.6%	5.0%	-0.6x	-0.8x
SABABA SECURITY	20.8	10.8	16.7	6.9	0.0%	0.0%	-11.5%	-7.9%	-2.1x	-0.5x
SAES GETTERS	23.3	20.5	6.8	8.8	1.5%	1.5%	1.7%	4.7%	-1.0x	-1.3x
SCIUKER FRAMES	7.4	5.9	3.9	2.9	4.1%	5.1%	7.2%	13.2%	-0.2x	-0.5x
SERI INDUSTRIAL	nm	27.3	21.9	9.9	0.0%	0.0%	-5.3%	0.6%	5.5x	2.6x
SERVIZI ITALIA	9.3	6.0	2.9	2.5	0.0%	0.0%	-2.1%	-2.8%	2.1x	1.9x
SOMEC	42.6	17.9	12.5	8.1	1.5%	2.8%	8.2%	7.8%	3.1x	1.6x
TESMEC	10.0	5.5	5.2	3.9	0.0%	0.0%	4.8%	26.1%	3.1x	2.0x
THE ITALIAN SEA GROUP	11.8	9.0	6.8	5.6	2.6%	4.2%	5.7%	8.1%	0.5x	0.2x
TXT E-SOLUTIONS	17.4	12.2	7.3	6.3	0.0%	0.0%	3.6%	2.4%	1.2x	0.7x
UNIDATA	18.0	12.7	8.5	6.8	0.2%	0.4%	-1.3%	3.6%	0.2x	2.0x

Source: Intermonte SIM and Factset

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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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