

Italian Mid/Small Caps Monthly

What Can Reverse The Underperformance Trend?

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 20 July 2023) has grown 3.9% in the last month and is up 19.9% YtD. The FTSE Italy Mid-Cap index (-1.7 %) has underperformed the main index by 5.5% in the last month (-12.6% YtD on a relative basis), with the FTSE Italy Small Caps index (-2.1%) performing 5.9% below the market, and -23.7% on a relative basis since the beginning of 2023. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has increased 1.8% in the last month, performing better than Italian mid/small caps.
- **Estimates (=).** Since the beginning of 2023, we have implemented an +8.0% upward revision to our 2023 EPS estimates, with a more limited revision (+5.3%) to 2024 EPS; focusing on our mid/small cap coverage, however, we have raised 2023 EPS by just 0.5% since 1 January 2023. Notably, in the last month, we have left estimates unchanged for both FTSE MIB stocks and our mid/small cap coverage.
- **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 12.9% re-rating YtD (the same metric was +8.3% one month ago); mid-caps have re-rated by 5.4%, while small caps have re-rated by 8.5%. On a P/E basis, our panel is trading at a 30% premium to large caps, well above the historical average premium (17%) but well below the level one month ago (42%).
- **Liquidity (-).** Looking at official Italian index trends, we note that liquidity for large caps in the last month (measured by multiplying average volumes by average prices in a specific period) is 13% higher than in the corresponding period one year ago but is down 6.5% from a YtD perspective. The picture is much more worrying for mid/small caps: specifically, YtD liquidity for mid-caps is down 24.4% YoY while for small caps it is down 30.9% YoY.
- **Investment strategy.** Despite expectations for a recession due to rising interest rates and inflation, the US and EU economies are showing signs of resilience. The job market remains strong, consumer spending is growing, and corporate profits are robust. Cooling inflation offers hope that interest rate increases might end soon. Economists are cautiously optimistic about the possibility of a soft landing, but risks still loom, and a recession could still occur. In this context, we don't expect 2Q23 results to trigger a significant cut in estimates, but will this be enough to reverse the underperformance of mid/small stocks (especially those on the STAR index) which continues to widen? So far, liquidity invested in mid/small caps has continued to dwindle, with the focus therefore mostly on seeking out bad news to identify what to sell rather than good news to understand what to buy. While the timing is hard to predict, we are convinced this trend will reverse in light of the valuations of many quality stocks (we are thinking in particular of those in the digital sector) which have become very attractive. Over the past year, the STAR index has underperformed the FTSE MIB by 34%; we don't perceive are fundamental reasons for this gap to widen further.

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 nonmonetary benefit" in accordance with article 12, paragraph 3, sub-paragraph b) of Commission Delegated Directive (EU) 2017/593 of 7 April 2016.

Performance

Mid/small caps keep on underperforming large caps in a stable month

The Italian equity market (prices as at 20 July 2023) has grown 3.9% in the last month and is up 19.9% YtD. The FTSE Italy Mid-Cap index (-1.7 %) has underperformed the main index by 5.5% in the last month (-12.6% YtD on a relative basis), with the FTSE Italy Small Caps index (-2.1%) performing 5.9% below the market, and -23.7% on a relative basis since the beginning of 2023.

Italian Market Indexes – performance analysis (prices as at 20 July 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	42,248	-1.7%	-3.2%	-1.3%	7.3%	9.0%	-7.9%	25.5%	2.1%
FTSE Italia Small Cap	26,687	-2.1%	-9.9%	-9.8%	-3.8%	-7.4%	-0.9%	39.7%	21.2%
FTSE Italia Star	46,108	-3.7%	-4.7%	-6.7%	-0.3%	-2.4%	-16.4%	26.5%	23.2%
FTSE AIM ITALIA	9,082	0.0%	-1.5%	-4.8%	-1.8%	-2.2%	-8.3%	31.8%	-5.9%
FTSE Italia All-Share	30,830	3.9%	3.5%	10.3%	19.9%	31.7%	16.5%	37.5%	28.3%
FTSE MIB	28,816	4.5%	4.3%	11.8%	21.5%	35.0%	19.5%	39.7%	32.2%
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		-5.5%	-6.6%	-11.6%	-12.6%	-22.7%	-24.4%	-12.0%	-26.2%
FTSE Italia Small Cap		-5.9%	-13.4%	-20.1%	-23.7%	-39.1%	-17.3%	2.2%	-7.0%
FTSE Italia Star		-7.6%	-8.1%	-16.9%	-20.2%	-34.0%	-32.9%	-11.0%	-5.1%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has increased 1.8% in the last month, performing better than Italian mid small 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	156	0.9%	-0.9%	2.6%	9.3%	9.9%	5.3%	24.7%	19.8%
MSCI Europe Small Cap	403	1.8%	0.1%	-1.0%	6.1%	1.4%	-13.2%	16.0%	5.7%

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 (%)
SERI INDUSTRIAL	4.67	252	22%
SARAS	1.27	1,209	16%
CYBEROO	3.20	128	12%
CREDITO EMILIANO	7.67	2,618	11%
AUTOGRILL	7.07	2,722	11%
MAIRE TECNIMONT	3.67	1,207	9%
BANCA IFIS	15.25	821	9%
CEMENTIR	7.90	1,257	9%
DE' LONGHI	20.46	3,091	7%
TOD'S	41.62	1,377	7%
BUZZI-UNICEM	23.82	4,588	6%
BFF BANK	10.18	1,900	6%
INDEL B	23.90	140	5%
MONDADORI	2.11	552	4%
INTERCOS	15.82	1,523	3%
EMAK	1.04	170	3%
BANCA SISTEMA	1.25	101	3%
SAES GETTERS	28.35	627	3%
UNIDATA	42.00	130	3%
MATICA FINTEC	1.92	21	2%
FTSE Italia Mid Cap			-2%
FTSE Italia Small Cap			-2%
FTSE MIB			4%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
SECO	4.67	611	-12%
RELATECH	2.15	93	-12%
CY4GATE	8.31	196	-10%
ACEA	11.48	2,445	-10%
BREMBO	13.02	4,348	-10%
TXT E-SOLUTIONS	20.75	270	-9%
SAFILO	1.21	499	-8%
ESPRINET	5.35	269	-8%
AQUAFIL	3.66	157	-8%
RAI WAY	5.14	1,398	-8%
BRUNELLO CUCINELLI	76.40	5,195	-8%
TECHNOGYM	8.18	1,647	-8%
REPLY	100.20	3,749	-7%
ALKEMY	10.62	60	-7%
MARR	13.70	911	-7%
TINEXTA	16.65	786	-7%
PHARMANUTRA	58.00	561	-7%
GEOX	0.83	215	-6%
ELICA	2.59	164	-6%
PIAGGIO	3.51	1,257	-5%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
TXT E-SOLUTIONS	20.75	270	62%
CYBEROO	3.20	128	52%
TOD'S	41.62	1,377	37%
BFF BANK	10.18	1,900	37%
WEBUILD	1.82	1,854	32%
BUZZI-UNICEM	23.82	4,588	32%
THE ITALIAN SEA GROUP	7.49	397	32%
SALCEF GROUP	22.45	1,401	29%
CEMENTIR	7.90	1,257	29%
MEDIA FOR EUROPE	0.72	1,694	28%
REEVO	17.50	89	27%
PIAGGIO	3.51	1,257	25%
BREMBO	13.02	4,348	25%
INTERCOS	15.82	1,523	25%
TIP	8.98	1,656	23%
MARR	13.70	911	20%
SAES GETTERS	28.35	627	20%
MAIRE TECNIMONT	3.67	1,207	18%
MONDADORI	2.11	552	17%
OVS GROUP	2.45	714	17%
FTSE Italia Mid Cap			7%
FTSE Italia Small Cap			-4%
FTSE MIB			22%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
AQUAFIL	3.66	157	-40%
DOVALUE	4.33	346	-40%
ILBE	0.83	20	-30%
TINEXTA	16.65	786	-27%
MATICA FINTEC	1.92	21	-25%
GPI	10.82	313	-25%
EL.EN.	10.67	853	-25%
SAFILO	1.21	499	-21%
ESPRINET	5.35	269	-21%
DATALOGIC	6.71	392	-19%
BANCA SISTEMA	1.25	101	-18%
IGD	2.55	281	-18%
ELICA	2.59	164	-13%
SECO	4.67	611	-13%
FERRAGAMO	14.41	2,432	-13%
EMAK	1.04	170	-11%
ACEA	11.48	2,445	-11%
SERI INDUSTRIAL	4.67	252	-11%
ANIMA	3.34	1,098	-11%
UNIDATA	42.00	130	-10%

Source: FactSet

Earnings Momentum

Forecasts for our mid/small cap coverage unchanged in the last month

Since the beginning of 2023, we have implemented a +8.0% upward revision to our 2023 EPS estimates, with a more limited revision (+5.3%) to 2024 EPS; focusing on our mid/small cap coverage, however, we have raised 2023 EPS by just 0.5% since 1 January 2023. Notably, in the last month, we have left unchanged our estimates for both FTSE MIB stocks and for our mid/small cap coverage.

Italian Market – Intermonte changes to 2022 and 2023 estimates

EPS REVISION	Since January 1st 2023		Since 20/6/2023	
	% chg in EPS FY23	% chg in EPS FY24	% chg in EPS FY23	% chg in EPS FY24
Total Market	8.0%	5.3%	0.0%	0.2%
Total Market - Ex Energy	10.8%	7.1%	0.0%	0.1%
Domestic	8.7%	2.9%	0.0%	0.4%
Non domestic	7.2%	7.8%	-0.1%	0.0%
Non domestic - Ex Energy	6.5%	8.3%	0.0%	-0.4%
FTSE MIB	8.7%	5.7%	0.0%	0.3%
Mid Caps (our coverage)	1.9%	2.0%	-0.1%	-0.1%
Small Caps (our coverage)	-12.3%	-10.1%	-2.1%	-0.8%
Intermonte Mid&Small Caps coverage	0.5%	0.6%	-0.3%	-0.2%

Source: Intermonte SIM

For individual stocks, the following tables rank the biggest changes to our 2023 adjusted net profit estimates YtD.

Intermonte Mid & Small Cap Coverage - largest changes to 2023 est. (up/down) YtD

Stock	Restated Net Profit 23 as of 31/12/22	Restated net profit 23 last estimate	% chg from 31/12/22
Upward Revision			
GEOX	9	17	95.3%
AUTOGRILL	108	149	38.7%
WEBUILD	153	204	33.1%
CREDITO EMILIANO	294	384	30.5%
TOD'S	34	45	30.2%
PIAGGIO	91	114	24.2%
IEG	10	12	20.5%
REEVO	2	3	20.1%
RELATECH	8	10	19.1%
OMER	7	8	18.9%
Downward Revision			
FINCANTIERI	126	-50	-139.3%
SERI INDUSTRIAL	12	-1	-105.7%
AQUAFIL	25	17	-33.8%
BANCA SISTEMA	28	19	-32.0%
ABITARE IN	35	24	-30.3%
FERRAGAMO	50	36	-28.6%

Source: Intermonte SIM

Valuation

Mid/small cap valuation premium down significantly in the last month

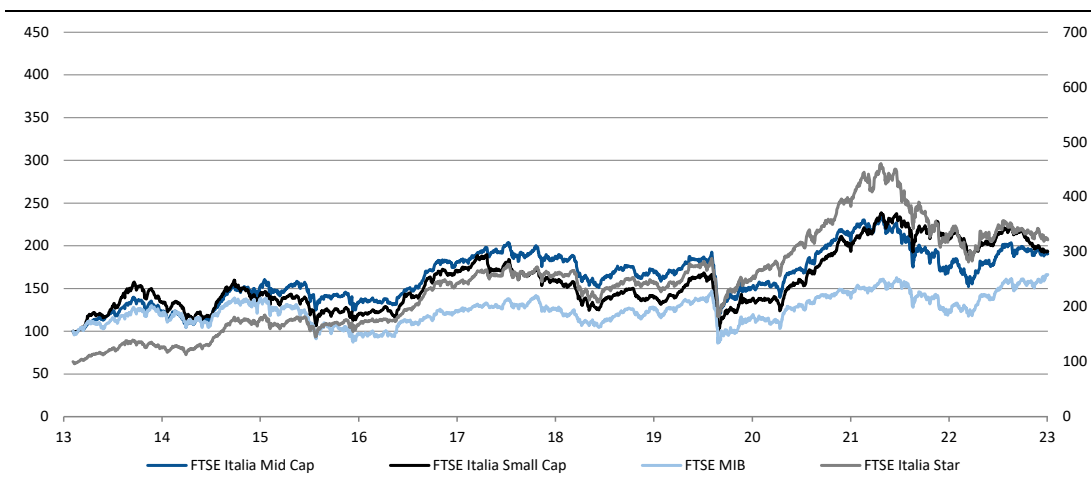
If we compare performance YtD to the change in FY23 estimates over the same period, we see that FTSE MIB stocks have recorded a 12.9% re-rating YtD (the same metric was +8.3% one month ago); mid-caps have re-rated by 5.4%, while small caps have re-rated by 8.5%.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY23 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	21.5%	8.7%	12.9%
FTSE Italia Mid Cap	7.3%	1.9%	5.4%
FTSE Italia Small Cap	-3.8%	-12.3%	8.5%

Source: Intermonte SIM and FactSet

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

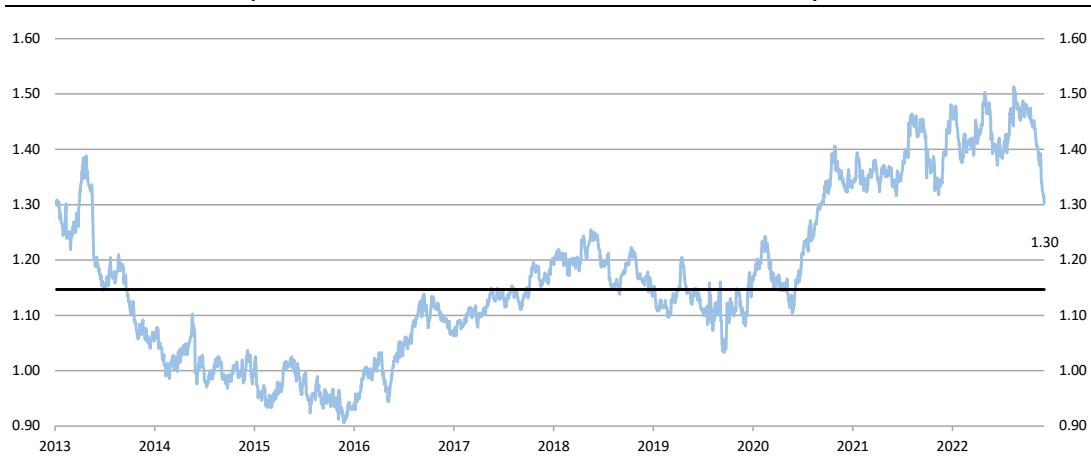


Source: FactSet

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 30% premium to large caps, well above the historical average premium (17%) but well below the level one month ago (42%).

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 2023, based on 2023 estimates.

European Market – Valuations

	P/E 11	P/E 12	P/E 13	P/E 14	P/E 15	P/E 16	P/E 17	P/E 18	P/E 19	P/E 20	P/E 21	P/E 22	P/E 23	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	8.6 x	9.5 x	-	15.7 x	-39.6%
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	15.5 x	11.7 x	-	18.3 x	-36.1%
FTSE Italy Smi	35.8 x	23.9 x	60.5 x	34.2 x	nm	nm	18.9 x	14.5 x	nm	51.5 x	20.2 x	14.9 x	10.2 x	-	18.9 x	-46.0%
Germany DAX	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	12.4 x	11.8 x	24.9%	14.3 x	-17.1%
Germany MDI	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	16.4 x	15.9 x	36.0%	20.3 x	-21.7%
France CAC 40	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	13.1 x	14.2 x	49.8%	16.0 x	-11.4%
France CAC M	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	12.8 x	9.6%	18.2 x	-29.5%
France CAC Sn	n.m.	28.5 x	24.9 x	25.3 x	26.5 x	32.9 x	31.0 x	32.6 x	-56.1 x	-77.1 x	45.0 x	23.8 x	22.0 x	115.7%	25.9 x	-15.0%
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	21.8 x	21.1 x	13.0 x	10.5 x	10.8 x	13.8%	14.0 x	-22.7%
FTSE 250	16.1 x	19.0 x	19.8 x	17.3 x	16.5 x	14.6 x	12.7 x	13.4 x	43.1 x	43.8 x	21.2 x	14.3 x	11.5 x	-2.2%	15.5 x	-26.2%
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	10.8 x	11.1 x	16.9%	13.5 x	-18.1%
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	14.5 x	13.9 x	19.0%	18.0 x	-22.4%

Source: Intermonte SIM and FactSet

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

Stock	Restated Net Profit 23 as of 31/12/22	Restated net profit 23 last estimate	% Chg in Net Profit 23	Share Price perf. 31/12/22	De-rating(-) Re-rating(+)
FINCANTIERI	126.0	-49.6	-139%	(4%)	135%
SERI INDUSTRIAL	11.6	-0.7	-106%	(11%)	95%
CYBEROO	9.1	6.7	-27%	52%	79%
TXT E-SOLUTIONS	13.3	15.0	13%	62%	49%
BFF BANK	185.3	190.0	3%	37%	35%
SERVIZI ITALIA	6.5	5.0	-23%	10%	33%
THE ITALIAN SEA GROUP	34.3	35.1	2%	32%	30%
MEDIA FOR EUROPE	217.1	213.4	-2%	28%	29%
CEMENTIR	157.6	165.9	5%	29%	23%
SAES GETTERS	33.1	33.1	0%	20%	20%
TECHNOGYM	90.2	85.6	-5%	14%	20%
WIIT	19.3	17.8	-8%	11%	18%
BREMBO	281.8	300.2	7%	25%	18%
CY4GATE	14.5	10.5	-27%	(10%)	17%
BUZZI-UNICEM	476.6	551.9	16%	32%	17%
SARAS	278.9	262.7	-6%	11%	16%
FERRAGAMO	50.4	36.0	-29%	(13%)	16%
INTERCOS	56.5	62.2	10%	25%	14%
IREN	257.5	261.5	2%	16%	14%
SALCEF GROUP	64.7	74.3	15%	29%	14%
BANCA SISTEMA	27.9	19.0	-32%	(18%)	14%
FILA	45.8	43.8	-5%	9%	13%
TESMEC	16.4	13.4	-18%	(7%)	11%
SOMEK	12.6	10.5	-17%	(6%)	11%
MARR	51.4	56.5	10%	20%	10%
ELICA	24.1	18.7	-22%	(13%)	10%
TOD'S	34.4	44.8	30%	37%	7%
REEVO	2.3	2.7	20%	27%	7%
CIVITANAVI SYSTEMS	7.3	7.5	2%	8%	7%
MAIRE TECNIMONT	105.6	118.3	12%	18%	6%
OVS GROUP	58.6	64.8	11%	17%	6%
DE' LONGHI	217.0	201.0	-7%	(2%)	5%
ALKEMY	6.9	6.4	-8%	(4%)	4%
UNIPOLSAI	741.8	711.9	-4%	0%	4%
ESPRINET	59.5	45.4	-24%	(21%)	3%
IGD	70.5	55.6	-21%	(18%)	3%
PIAGGIO	91.4	113.6	24%	25%	1%
MONDADORI	56.3	65.5	16%	17%	1%
ANIMA	175.3	156.4	-11%	(11%)	(0%)
EMAK	27.1	24.1	-11%	(11%)	(0%)
DATALOGIC	31.7	25.7	-19%	(19%)	(1%)
WEBUILD	153.4	204.1	33%	32%	(1%)
REPLY	204.8	193.4	-6%	(6%)	(1%)
NOTORIOUS PICTURES	5.5	5.5	0%	(1%)	(1%)
ENAV	107.8	108.0	0%	(2%)	(2%)
BANCA IFIS	121.1	141.1	17%	15%	(2%)
LU-VE	33.3	36.2	9%	5%	(4%)
AVIO	3.6	3.6	0%	(5%)	(5%)
SESA	100.5	100.1	0%	(6%)	(5%)
BRUNELLO CUCINELLI	90.3	105.6	17%	11%	(6%)
OMER	6.7	8.0	19%	12%	(7%)
AQUAFIL	25.5	16.9	-34%	(40%)	(7%)
INDEL B	16.1	16.5	3%	(5%)	(7%)
SCIUKER FRAMES	30.0	30.0	0%	(8%)	(8%)
EL.EN.	62.8	52.5	-16%	(25%)	(9%)
UNIDATA	9.7	9.7	0%	(10%)	(10%)
PHARMANUTRA	14.5	15.2	5%	(7%)	(12%)
FINE FOODS	8.3	9.1	9%	(3%)	(12%)
ILBE	14.2	11.8	-17%	(30%)	(13%)
ACEA	304.0	310.8	2%	(11%)	(13%)
GPI	20.7	18.4	-11%	(25%)	(14%)
CREDITO EMILIANO	293.9	383.7	31%	16%	(15%)
RELATECH	8.1	9.6	19%	3%	(16%)
TINEXTA	58.7	52.2	-11%	(27%)	(16%)
GREENTHESIS	15.7	17.5	12%	(5%)	(17%)
RAI WAY	79.9	89.3	12%	(5%)	(17%)
IEG	10.1	12.2	20%	1%	(19%)

Source: Intermonte SIM

Liquidity

Mid/small cap liquidity still lower than one year ago

Looking at official Italian index trends, we note that liquidity for large caps in the last month (measured by multiplying average volumes by average prices in a specific period) is 13% higher than in the corresponding period one year ago but is down 6.5% from a YtD perspective. The picture is much more worrying for mid/small caps: specifically, liquidity YtD for mid-caps is down 24.4% YoY while for small caps it is down 30.9% YoY.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn) 2023			Avg Daily Volume * Avg Price (Eu mn) 2022			% Changes (YoY)		
	1M to 20/07	3M to 20/07	YTD to 20/07	1M to 20/07	3M to 20/07	YTD to 20/07	1M to 20/07	3M to 20/07	YTD to 20/07
FTSE MIB									
All stocks	46.80	49.00	52.08	41.29	44.86	55.73	13.3%	9.2%	(6.5%)
Top 20% by market cap	138.42	148.34	160.53	136.58	144.20	176.93	1.3%	2.9%	(9.3%)
FTSE Italia Mid Cap									
All stocks	1.65	1.78	2.05	1.73	2.06	2.71	(4.3%)	(13.5%)	(24.4%)
Top 20% by market cap	3.10	3.25	3.56	3.71	4.07	5.37	(16.2%)	(20.2%)	(33.8%)
FTSE Italia Small Cap									
All stocks	0.15	0.18	0.21	0.16	0.21	0.30	(8.4%)	(14.9%)	(30.9%)
Top 20% by market cap	0.36	0.47	0.54	0.39	0.44	0.67	(6.5%)	6.0%	(19.0%)

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	1,209	11,721,819
BUZZI-UNICEM	4,588	7,695,295
BRUNELLO CUCINELLI	5,195	6,278,793
BREMBO	4,348	5,479,514
BFF BANK	1,900	5,426,306
REPLY	3,749	5,019,670
AUTOGRILL	2,722	4,551,656
ANIMA	1,098	3,852,324
WEBUILD	1,854	3,284,565
IREN	2,212	3,152,472
UNIPOLSAI	6,514	2,988,018
FERRAGAMO	2,432	2,878,957
OVS GROUP	714	2,802,876
TECHNOGYM	1,647	2,639,467
MAIRE TECNIMONT	1,207	2,437,311
TOD'S	1,377	2,393,764
PIAGGIO	1,257	2,224,273
DE' LONGHI	3,091	2,153,896
BANCA IFIS	821	2,078,089
DOVALUE	346	1,921,313
ESPRINET	269	1,807,460
ACEA	2,445	1,794,481
TIP	1,656	1,659,192
SESA	1,694	1,657,897
MARR	911	1,406,775
FINCANTIERI	863	1,384,501
ENAV	2,108	1,340,602
TINEXTA	786	1,299,505
EL.EN.	853	1,182,817

Source: FactSet

Criteria for investing in mid/small caps

Italian Mid & Small Cap Coverage - geographical breakdown of sales (FY22)

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	61%	19%	10%	1%	5%	3%

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 2023 dividend yields, can be found in the following tables.

Intermonte Mid & Small Cap Coverage – dividend yield 2023

Stock	Price (Eu)	Mkt Cap (Eu mn)	EPS 23	DPS 23	Yield 23 %	PayOut 23 %	Net Debt/EBITDA 23
DOVALUE	4.3	346	0.647	0.720	16.6%	111%	2.2x
IGD	2.6	281	0.504	0.309	12.1%	61%	9.2x
BANCA IFIS	15.3	821	2.622	1.450	9.5%	55%	
SARAS	1.3	1,209	0.276	0.120	9.4%	43%	-0.1x
BFF BANK	10.2	1,900	1.025	0.900	8.8%	88%	
ANIMA	3.3	1,098	0.473	0.250	7.5%	53%	
ACEA	11.5	2,445	1.459	0.851	7.4%	58%	3.7x
UNIPOLSAI	2.3	6,514	0.256	0.170	7.4%	66%	
ABITARE IN	5.4	145	0.908	0.397	7.3%	44%	0.5x
IREN	1.7	2,212	0.201	0.121	7.1%	60%	3.3x
NOTORIOUS PICTURES	1.4	32	0.245	0.098	6.9%	40%	1.2x
PIAGGIO	3.5	1,257	0.321	0.225	6.4%	70%	1.0x
SCIUKER FRAMES	6.5	142	1.383	0.415	6.4%	30%	-0.3x
RAI WAY	5.1	1,398	0.328	0.315	6.1%	96%	1.0x
EMAK	1.0	170	0.147	0.059	5.7%	40%	2.5x
MEDIA FOR EUROPE	0.7	1,694	0.076	0.040	5.6%	53%	1.1x
CREDITO EMILIANO	7.7	2,618	1.124	0.400	5.2%	36%	
MONDADORI	2.1	552	0.251	0.110	5.2%	44%	1.0x
ENAV	3.9	2,108	0.199	0.203	5.2%	102%	1.2x
MARR	13.7	911	0.849	0.679	5.0%	80%	1.5x
BANCA SISTEMA	1.3	101	0.236	0.059	4.7%	25%	
GPI	10.8	313	0.650	0.500	4.6%	77%	2.1x
MAIRE TECNIMONT	3.7	1,207	0.360	0.165	4.5%	46%	0.1x
ESPRINET	5.3	269	0.900	0.222	4.2%	25%	0.4x
TECHNOGYM	8.2	1,647	0.426	0.327	4.0%	77%	-1.0x
DATALOGIC	6.7	392	0.440	0.250	3.7%	57%	0.4x
THE ITALIAN SEA GROUP	7.5	397	0.662	0.258	3.4%	39%	0.0x
AQUAFIL	3.7	157	0.329	0.121	3.3%	37%	2.7x
WEBUILD	1.8	1,854	0.206	0.060	3.3%	29%	-0.4x
CEMENTIR	7.9	1,257	1.043	0.260	3.3%	25%	-0.6x

Source: Intermonte SIM and FactSet

Intermonte Mid & Small Cap Coverage – EPS growth, 2024 vs. 2023

Stock	Price (Eu)	Mkt Cap (Eu mn)	P/E 23	P/E 24	EPS Growth
AVIO	9.1	240	68.5	21.2	223%
GEOX	0.8	215	12.9	6.5	99%
FERRAGAMO	14.4	2,432	67.6	38.4	76%
CYBEROO	3.2	128	20.1	11.9	69%
SECO	4.7	611	24.8	15.9	57%
SOMEC	30.5	210	20.1	12.9	56%
SERVIZI ITALIA	1.3	42	8.3	5.3	56%
FINE FOODS	8.1	178	22.7	15.5	47%
NOTORIOUS PICTURES	1.4	32	5.8	3.9	46%
AQUAFIL	3.7	157	11.1	7.6	46%
TOD'S	41.6	1,377	30.8	21.3	44%
TESMEC	0.1	79	5.8	4.1	44%
ABITARE IN	5.4	145	6.0	4.2	44%
DATALOGIC	6.7	392	15.2	11.1	37%
REVO INSURANCE	8.3	205	13.7	10.1	35%
TECHNOGYM	8.2	1,647	19.2	14.3	35%
GPI	10.8	313	16.6	12.4	34%
THE ITALIAN SEA GROUP	7.5	397	11.3	8.5	33%
AUTOGRILL	7.1	2,722	18.3	13.8	32%
REEVO	17.5	89	32.6	25.0	30%
MATICA FINTEC	1.9	21	8.0	6.1	30%
WEBUILD	1.8	1,854	8.8	6.8	30%
CIVITANAVI SYSTEMS	3.8	115	15.5	12.1	28%
WIIT	19.9	558	31.3	24.5	27%
ALKEMY	10.6	60	9.5	7.6	25%
UNIDATA	42.0	130	13.4	10.9	24%
ESPRINET	5.3	269	5.9	4.8	24%
CY4GATE	8.3	196	18.6	15.2	22%
TINEXTA	16.7	786	15.1	12.3	22%
MARR	13.7	911	16.1	13.2	22%
PIAGGIO	3.5	1,257	10.9	9.3	18%
OVS GROUP	2.5	714	11.0	9.3	18%
EL.EN.	10.7	853	15.9	13.6	18%
PHARMANUTRA	58.0	561	36.9	31.5	17%
GREENTHESIS	0.9	138	7.9	6.7	17%
RELATECH	2.2	93	9.7	8.3	17%
ELICA	2.6	164	8.8	7.5	17%
EMAK	1.0	170	7.0	6.0	16%
SESA	109.3	1,694	16.9	14.6	16%

Source: Intermonte SIM and FactSet

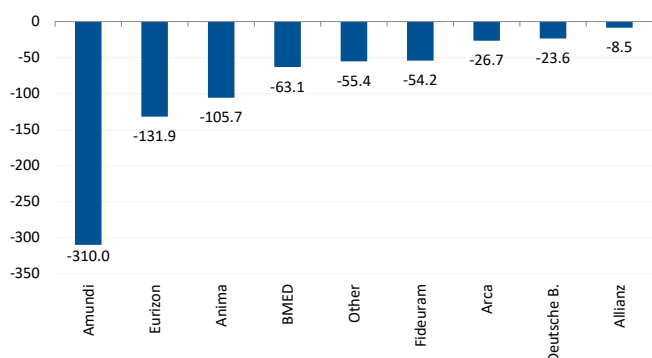
UPDATE on the Individual Savings Plan (PIR)

PIR: official figures for 1Q23

	1Q23	4Q22	3Q22	2Q22	1Q22	FY21	FY20	FY19	FY18	Nr. Of Funds at March 2023		Invested Capital at March 2023	
	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	(Eu mn)	# Funds	%	(Eu mn)	in %
Ordinary PIR	(779)	(368)	(330)	(196)	160	323	(759)	(1,097)	3,950	66		17,824	
Alternative PIR	58	(9)	15	153	83					14		1,512	
EQUITY FUNDS	(264)	(120)	(128)	(78)	(12)	280	(281)	(369)	349	26	32.5%	5,465	28.3%
BALANCED FUNDS	(466)	(219)	(192)	(121)	147	214	(321)	(587)	2,525	22	27.5%	7,257	37.5%
FIXED INCOME FUNDS	71	4	(2)	(3)	(10)	17	(1)	(20)	10	6	7.5%	280	1.4%
FLEXIBLE FUNDS	(114)	(34)	(7)	7	36	(187)	(160)	(121)	1,067	14	17.5%	4,836	25.0%
CLOSED-END FUNDS	52	(9)	14	153	83					12	15.0%	1,499	7.8%

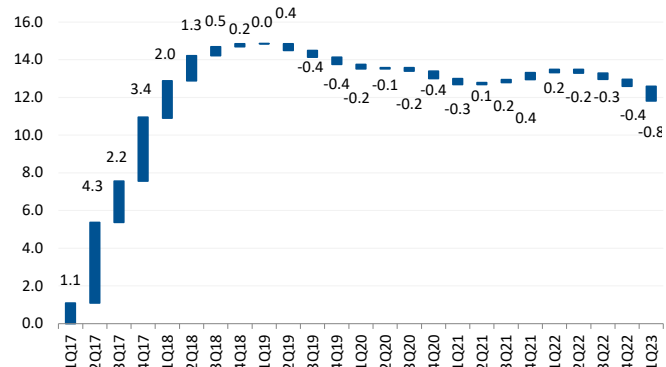
Source: Assogestioni, Quarterly Report, May 2023

Ordinary PIR - Net inflows by asset manager (Eu mn, 1Q23)



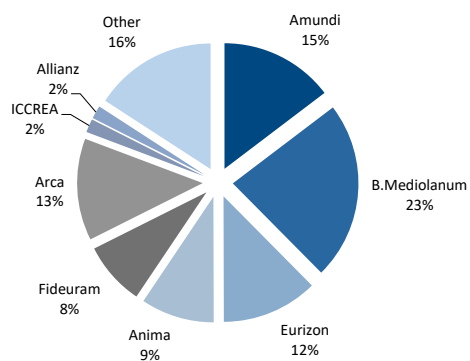
Source: Assogestioni

Ordinary PIR – Inflows by quarter (Eu bn)



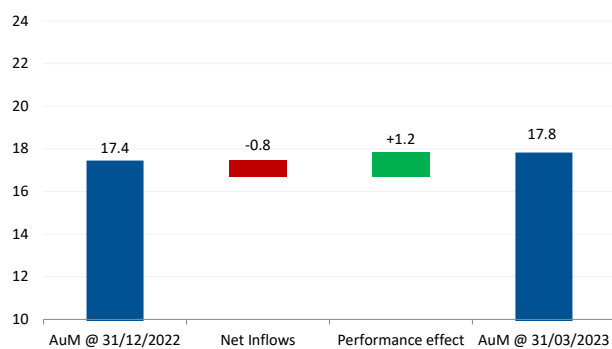
Source: Intermonte SIM estimates, Assogestioni

Ordinary PIR – Market share by asset manager (on AuM as at 31/03/23)



Source: Assogestioni

Ordinary PIR – Inflows and total AuM (Eu bn)



Source: Assogestioni

Very significant PIR outflows have continued in April and May

In its quarterly review on 25 May 2023, **Assogestioni released updated figures on 1Q23 PIR inflows. During the quarter, ordinary PIRs saw outflows of Eu779mn, while Alternative PIRs recorded inflows of Eu58mn.** In terms of AuM, ordinary PIRs had Eu17.8bn under management, while Eu1.5bn was invested in alternative PIR funds. Looking at ordinary PIRs, quarterly net inflows deteriorated further compared to 4Q22 and 3Q22, when net inflows were Eu-368mn and Eu-330mn respectively.

The inflow figure is worse than the one disclosed by *Il Sole 24 Ore's* 'Osservatorio PIR', which estimated Eu667mn of outflows in 1Q23 (with January, February and March at Eu-166mn, Eu-268mn, and Eu-233mn respectively).

Regarding alternative PIR, inflows in 1Q23 came to Eu58mn, a reversal of the negative 4Q22 trend (Eu-9mn).

According to 'Osservatorio PIR', outflows continued in April, at Eu144mn, slowing down from the February and March trends. However, outflows in May were reported at Eu197mn, marking a new deterioration that leaves little optimism for the next few months.

As a reminder, the features of PIR 3.0 are as follows: at least 70% of the fund must be invested in securities issued by listed Italian or EU companies having stable organisation in Italy; of this 70%, 25% (i.e. 17.5% of the total fund) must be invested in securities that are not on the main index (FTSE MIB in the case of Italian-listed stocks). The principal novelty in the new regulation is a mandatory minimum investment of 5% of the 70% (or 3.5% of the total fund) in small caps that are not listed on either the FTSEMIB or the FTSE MID indexes. This measure is likely to channel flows into a universe of small companies that are expected to obtain particular benefits from renewed investor interest. The new regulation also allows Italian pension funds to invest up to 10% of their assets in PIR funds. The fiscal benefit (unchanged) still relates to the elimination of capital gains tax after the investment is maintained in the fund for at least 5 years.

On the other hand, the Alternative PIR is a wrapper with tax benefits similar to PIR (i.e. tax exemption of capital gains for investments held for at least 5 years) and in turn is capable of investing in ELTIFs, private equity funds or private debt funds. Because of the investments in illiquid assets (closer to the real economy but riskier), affluent investors are the target clients. The maximum investible amount per year is Eu300k per person (vs. Eu40k 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	Eu40,000 a year (max Eu200,000)	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

Assogestioni data for 1Q23 showed Eu779.1mn of outflows, higher than the figure for the whole of 2022 (Eu733.8mn). This figure led us to revise our estimates for the year to point to outflows of Eu1.5bn. Our forecast confirms our expectation for an improvement in numbers in 2H23, on which visibility remains low.

Looking at the causes of redemptions from PIR funds, we can certainly hypothesise that many investors, noting positive performances as the 5-year investment period mature (meaning tax benefits on capital gains are retained) decided to cash in to enable them to direct their savings to other funds and markets.

According to the press, the Italian government is looking at an amendment to allow investors to hold more than one personal savings plan (PIR). The plan would cost the government no extra budget as the investment ceiling of Eu40k a year per person (or Eu200k over 5 years) would remain unchanged. We very much welcome this initiative. If approved, we think this move could relaunch inflows to PIR funds, as the advantage of diversifying over several PIR products could increase investments by individual investors.

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 a long-term commitment from investors.

The main assumptions underpinning our current estimates are as follows:

- for 2023, we assume gross inflows from new PIR subscribers of Eu300mn;
- 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 ~15% of Assets under Management in 2023 and 3.5% thereafter.

PIR – Our assumptions

Individual Saving Plan (PIR) - Our assumptions								
	2016A	2017A	2018A	2019A	2020A	2021A	2022A	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	(733)	(1,544)
YoY Growth			-63.8%	nm	nm	nm	nm	110.8%
o/w From Continuing Subs. (estimated)								424
o/w From New Subscribers (estimated)								300
o/w Transformation of Existing Funds/Exit from PIR (est.)								(2,268)

Source: Intermonte SIM

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

Company	P/E 2023	P/E 2024	EV/EBITDA 2023	EV/EBITDA 2024	Div. Yield 2023	Div. Yield 2024	FCF Yield 2023	FCF Yield 2024	NET DEBT/EBITDA 2023	NET DEBT/EBITDA 2024
ACEA	7.9	7.7	6.1	6.0	7.4%	7.6%	-8.8%	6.0%	3.7x	3.6x
ANIMA	7.1	6.6			7.5%	8.4%				
AUTOGRILL	18.3	13.8	4.9	4.2	1.4%	1.9%	7.6%	8.8%	1.5x	1.2x
BANCA IFIS	5.8	5.2			9.5%	9.8%				
BFF BANK	9.9	8.8			8.8%	9.2%				
BREMBO	14.1	13.8	6.5	6.0	2.2%	2.3%	4.4%	5.6%	0.6x	0.4x
BRUNELLO CUCINELLI	49.2	44.0	16.3	14.6	1.0%	1.1%	1.0%	1.4%	1.8x	1.7x
BUZZI-UNICEM	8.3	7.8	3.4	2.9	2.1%	2.3%	14.6%	12.6%	-0.8x	-1.2x
CEMENTIR	7.6	6.8	3.3	2.6	3.3%	3.7%	10.8%	13.0%	-0.6x	-0.9x
CREDITO EMILIANO	6.8	6.8			5.2%	5.5%				
DATALOGIC	15.2	11.1	6.1	5.0	3.7%	4.5%	5.5%	7.7%	0.4x	0.2x
DE' LONGHI	15.2	13.8	6.8	6.2	2.7%	2.9%	5.2%	4.8%	-1.0x	-1.1x
DOVALUE	6.7	6.2	4.0	3.6	16.6%	18.3%	26.7%	28.7%	2.2x	1.8x
EL.EN.	15.9	13.6	8.6	7.2	2.0%	2.1%	3.4%	6.9%	-1.1x	-1.4x
ENAV	19.5	17.3	8.6	7.8	5.2%	5.4%	7.9%	9.4%	1.2x	0.9x
FERRAGAMO	67.6	38.4	8.3	7.0	0.7%	1.3%	0.3%	1.1%	1.0x	0.8x
FINCANTIERI	nm	nm	9.2	8.7	0.0%	0.0%			7.0x	6.8x
INTERCOS	24.5	21.6	11.3	9.9	0.9%	1.2%	1.7%	3.3%	0.6x	0.3x
IREN	8.5	7.8	5.5	5.3	7.1%	7.8%	-8.1%	-3.4%	3.3x	3.3x
LU-VE	18.2	15.9	9.5	8.4	1.4%	1.4%	2.6%	4.6%	1.6x	1.2x
MAIRE TECNIMONT	10.2	9.3	4.7	4.1	4.5%	5.0%	3.8%	8.4%	0.1x	0.0x
MARR	16.1	13.2	8.6	7.6	5.0%	6.1%	0.1%	3.2%	1.5x	1.4x
MEDIA FOR EUROPE	9.4	8.7	3.3	2.9	5.6%	5.6%	16.5%	18.4%	1.1x	0.8x
MONDADORI	8.4	8.3	4.7	4.3	5.2%	5.2%	12.4%	13.0%	1.0x	0.7x
OVS GROUP	11.0	9.3	5.1	4.5	2.4%	2.8%	8.9%	7.8%	0.6x	0.4x
PHARMANUTRA	36.9	31.5	23.2	19.7	1.4%	1.6%	1.4%	2.8%	-0.3x	-0.5x
PIAGGIO	10.9	9.3	4.7	4.2	6.4%	7.5%	9.3%	9.3%	1.0x	0.8x
RAI WAY	15.6	15.6	9.0	9.1	6.1%	6.4%	7.7%	7.9%	1.0x	1.2x
REPLY	19.4	16.8	10.7	8.9	1.1%	1.2%	5.8%	5.5%	-0.7x	-1.0x
SAFILO	14.0		3.8		0.0%		11.9%		0.1x	
SALCEF GROUP	18.9	16.3	9.7	8.2	2.4%	2.8%		3.7%	-0.2x	-0.3x
SARAS	4.6	9.0	1.9	2.5	9.4%	6.3%	0.6%	19.5%	-0.1x	-0.4x
SECO	24.8	15.9	12.4	9.1	0.0%	0.0%	2.4%	2.6%	0.9x	0.4x
SESA	16.9	14.6	8.9	6.7	0.9%	1.2%	5.2%	10.4%	-0.2x	-0.5x
TECHNOGYM	19.2	14.3	9.3	7.2	4.0%	3.4%	5.5%	7.5%	-1.0x	-1.1x
TINEXTA	15.1	12.3	9.4	7.8	2.6%	2.0%	5.1%	6.5%	0.1x	-0.2x
TIP	12.5	nm			1.7%	1.8%			11.2x	
TOD'S	30.8	21.3	5.9	5.2	0.0%	0.0%	-0.4%	4.0%	2.3x	1.9x
UNIPOLSAI	9.0	8.7			7.4%	8.0%				
WEBUILD	8.8	6.8	2.1	1.7	3.3%	3.3%	6.0%	6.2%	-0.4x	-0.4x
WIIT	31.3	24.5	15.0	12.9	1.6%	2.0%	3.7%	4.5%	4.0x	3.1x

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

Company	P/E 2023	P/E 2024	EV/EBITDA 2023	EV/EBITDA 2024	Div. Yield 2023	Div. Yield 2024	FCF Yield 2023	FCF Yield 2024	NET DEBT/EBITDA 2023	NET DEBT/EBITDA 2024
ABITARE IN	6.0	4.2	4.2	3.7	7.3%	7.1%	67.8%	-17.1%	0.5x	1.0x
ALKEMY	9.5	7.6	6.5	5.5	0.0%	0.0%	6.5%	10.1%	2.2x	1.6x
AQUAFIL	11.1	7.6	4.7	3.9	3.3%	5.4%	22.6%	20.6%	2.7x	2.1x
AVIO	68.5	21.2	6.5	4.7	0.3%	2.2%	-1.2%	6.7%	-0.8x	-0.9x
BANCA SISTEMA	5.3	4.9			4.7%	5.1%				
CIVITANAVI SYSTEMS	15.5	12.1	7.6	5.8	2.7%	2.9%	2.5%	2.3%	-2.6x	-1.2x
CY4GATE	18.6	15.2	7.6	6.5	0.0%	0.0%	3.2%	3.3%	-0.2x	-0.4x
CYBEROO	20.1	11.9	11.5	6.6	0.0%	0.0%	3.2%	6.1%	-0.5x	-0.7x
ELICA	8.8	7.5	4.1	3.4	3.1%	3.5%	7.3%	14.1%	0.8x	0.4x
EMAK	7.0	6.0	4.9	4.4	5.7%	6.6%	17.0%	15.7%	2.5x	2.1x
ESPRINET	5.9	4.8	3.4	2.3	4.2%	10.4%	31.5%	28.5%	0.4x	-0.2x
FILA	10.3	9.6	6.9	6.4	1.8%	1.9%	9.6%	9.8%	3.0x	2.6x
FINE FOODS	22.7	15.5	8.8	7.2	1.8%	2.6%	5.4%	0.2%	1.3x	1.1x
GEOX	12.9	6.5	5.3	4.3	0.0%	7.7%	5.8%	11.4%	3.1x	2.5x
GPI	16.6	12.4	6.6	5.8	4.6%	4.6%	3.1%	5.9%	2.1x	1.8x
GREENTHESIS	7.9	6.7	6.5	5.6	2.5%	3.1%	-3.3%	2.2%	1.9x	1.7x
IEG	6.3	5.6	3.7	3.2	3.2%	4.0%	12.9%	16.4%	2.3x	1.9x
IGD	5.1	5.7	11.8	11.2	12.1%	12.5%	22.7%	20.0%	9.2x	8.7x
ILBE	2.5	2.5	0.5	0.5	0.0%	0.0%	-18.8%	11.3%	0.2x	0.2x
INDEL B	8.4	7.8	4.8	4.2	2.9%	4.2%	8.8%	11.5%	0.5x	0.1x
MATICA FINTEC	8.0	6.1	3.6	2.6	0.0%	0.0%	6.1%	9.9%	-0.5x	-0.7x
NOTORIOUS PICTURES	5.8	3.9	2.7	2.0	6.9%	10.1%	-9.4%	9.0%	1.2x	0.9x
OMER	10.1	8.7	5.6	4.6	1.7%	2.0%	7.8%	8.6%	-1.1x	-1.4x
REEVO	32.6	25.0	13.7	10.6	0.9%	1.3%	1.2%	2.8%	-0.3x	-0.5x
RELATECH	9.7	8.3	4.8	3.9	0.0%	0.0%	6.9%	6.9%	0.4x	0.0x
REVO INSURANCE	13.7	10.1			0.9%	1.8%				
SAES GETTERS	18.9	16.5	8.6	4.4	1.9%	1.9%	4.8%	4.9%	-1.3x	-1.4x
SCIUKER FRAMES	4.7	5.8	2.5	2.3	6.4%	5.2%	11.6%	19.9%	-0.3x	-0.9x
SERI INDUSTRIAL	nm	14.8	12.7	7.0	0.0%	0.0%	-4.2%	-1.7%	4.0x	2.2x
SERVIZI ITALIA	8.3	5.3	2.4	2.3	0.0%	0.0%	0.0%	4.5%	1.8x	1.7x
SOMEK	20.1	12.9	8.6	6.2	2.5%	3.9%	8.1%	12.3%	1.9x	1.0x
TESMEC	5.8	4.1	4.2	3.3	0.0%	0.0%	7.9%	19.0%	2.6x	1.9x
THE ITALIAN SEA GROUP	11.3	8.5	6.8	4.8	3.4%	4.4%	6.4%	13.7%	0.0x	-0.5x
TXT E-SOLUTIONS	16.9	14.7	8.8	7.6	1.1%	1.2%	3.8%	6.7%	0.9x	0.4x
UNIDATA	13.4	10.9	7.2	6.0	0.4%	0.5%	4.1%	3.7%	2.0x	1.6x

Source: Intermonte SIM and Factset

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

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

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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

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

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

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

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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 June 2023 Intermonte's Research Department covered 118 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.08 %
OUTPERFORM:	52.99 %
NEUTRAL:	22.22 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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