

Italian Mid/Small Caps Monthly

Results Newsflow Largely Supportive, But Liquidity Still Fragile

by Intermonte Research Team

Italian Equity Market

- **Performance (+).** The Italian equity market (prices as at 21 August 2023) has decreased 2.9% in the last month but is up 16.5% YtD. The FTSE Italy Mid-Cap index (-2.3 %) has slightly outperformed the main index by 0.6% in the last month (-11.9% YtD on a relative basis), with the FTSE Italy Small Caps index (+0.3%) performing 3.2% above the market, but -20.0% on a relative basis since the beginning of 2023. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has decreased 4.8% in the last month, performing worse than Italian mid/small caps.
- **Estimates (+).** Since the beginning of 2023, we have implemented a +17.5% upward revision to our 2023 EPS estimates, with a more limited revision (+10.9%) to 2024 EPS; focusing on our mid/small cap coverage, however, we have raised 2023 EPS by a more moderate 5.8% since 1 January 2023. Notably, in the last month, we have significantly raised our estimates for both FTSE MIB stocks (+8.4% on 2023 EPS) and for our mid-cap coverage (+7.2%, mainly thanks to the surprisingly high margins reported by cement stocks) but we have reduced our estimates for our small cap coverage (-6.2%).
- **Valuations (=).** If we compare performance YtD to the change in FY23 estimates over the same period, we see that FTSE MIB stocks have recorded a 0.5% de-rating YtD (the same metric was +12.9% one month ago, before estimate upgrades); mid-caps have de-rated by 4.0%, while small caps have re-rated by 14.4%. On a P/E basis, our panel is trading at a 32% premium to large caps, well above the historical average premium (17%) but broadly in line with the level one month ago (30%).
- **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 51.6% higher than in the corresponding period one year ago (healthy newsflow from 2Q23 results) but remains 1.2% lower YtD. The picture is much more worrying for mid/small caps: specifically, YtD liquidity is down 20.1% YoY for mid-caps and 28.4% YoY for small caps.
- **Investment strategy.** Overall, the interim results released so far have provided positive indications, with the main surprises in our mid/small cap coverage coming in the cement and financial sectors, more than offsetting a few earnings disappointments, chiefly among small caps. The overall picture remains fragile, however, not only due to the macro fears recently ignited by the real estate crisis in China but also because liquidity invested in mid/small caps has continued to dwindle; to the best of our understanding the protracted poor performance of some high quality stocks (e.g. some digital names) is more likely to be related to some fund managers trimming their over-exposure to balance portfolio risk rather than genuine concern over earnings estimates. While the timing is hard to predict, we are convinced this trend will reverse in light of the valuations of many quality stocks which have become very attractive (we are thinking of digital stocks in particular). Outflows from ordinary PIR funds remained severe in 2Q23, any improvement would be a notable trigger.

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Performance

Small caps outperforming large caps in a negative month

The Italian equity market (prices as at 21 August 2023) has decreased 2.9% in the last month but is up 16.5% YtD. The FTSE Italy Mid-Cap index (-2.3 %) has slightly outperformed the main index by 0.6% in the last month (-11.9% YtD on a relative basis), with the FTSE Italy Small Caps index (+0.3%) performing 3.2% above the market, but -20.0% on a relative basis since the beginning of 2023.

Italian Market Indexes – performance analysis (prices as at 21 August 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	41,168	-2.3%	-5.3%	-7.3%	4.6%	3.0%	-16.2%	20.2%	0.7%
FTSE Italia Small Cap	26,763	0.3%	-4.4%	-10.9%	-3.5%	-9.1%	-7.1%	42.1%	25.5%
FTSE Italia Star	44,078	-4.0%	-8.6%	-11.7%	-4.7%	-7.5%	-26.8%	15.8%	19.2%
FTSE AIM ITALIA	8,846	-2.4%	-3.1%	-7.6%	-4.4%	-8.5%	-18.4%	33.2%	-5.9%
FTSE Italia All-Share	29,962	-2.9%	1.0%	1.1%	16.5%	21.6%	5.3%	39.2%	30.1%
FTSE MIB	27,987	-3.0%	1.7%	2.1%	18.1%	24.2%	8.0%	42.1%	34.7%

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	0.6%	-6.3%	-8.4%	-11.9%	-18.6%	-21.6%	-19.0%	-29.4%
FTSE Italia Small Cap	3.2%	-5.4%	-11.9%	-20.0%	-30.7%	-12.4%	2.9%	-4.7%
FTSE Italia Star	-1.1%	-9.6%	-12.7%	-21.2%	-29.1%	-32.1%	-23.4%	-10.9%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has decreased 4.8% in the last month, performing worse 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	151	-3.5%	-4.3%	-3.2%	5.8%	2.8%	-2.6%	24.6%	16.5%
MSCI Europe Small Cap	383	-4.8%	-5.5%	-8.0%	0.9%	-6.0%	-22.6%	8.9%	0.8%

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 (%)
ILBE	0.96	23	15%
DE' LONGHI	23.28	3,517	13%
BUZZI-UNICEM	27.38	5,274	12%
ANIMA	3.65	1,202	10%
BANCA IFIS	16.10	866	6%
TINEXTA	17.36	820	6%
SALCEF GROUP	24.20	1,510	6%
THE ITALIAN SEA GROUP	7.73	410	4%
IREN	1.79	2,334	4%
FILA	8.06	346	4%
IEG	2.59	80	4%
CEMENTIR	8.22	1,308	4%
EMAK	1.06	174	4%
FINE FOODS	8.12	179	2%
RELATECH	2.16	94	2%
OMER	2.91	84	2%
SOMEK	31.20	215	2%
CYBEROO	3.25	130	2%
UNIPOLSAI	2.34	6,627	1%
GREENTHESIS	0.90	140	1%
FTSE Italia Mid Cap			-2%
FTSE Italia Small Cap			0%
FTSE MIB			-3%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
SAFILO	1.00	412	-15%
WIIT	16.96	475	-12%
REPLY	87.40	3,270	-11%
SECO	4.15	543	-11%
IGD	2.28	251	-11%
TXT E-SOLUTIONS	18.28	238	-11%
NOTORIOUS PICTURES	1.26	28	-11%
GEOX	0.75	195	-10%
ACEA	10.25	2,183	-10%
OVS GROUP	2.20	640	-10%
TOD'S	37.84	1,252	-9%
INTERCOS	14.18	1,365	-8%
LU-VE	26.65	593	-8%
MARR	12.60	838	-8%
DATALOGIC	6.13	358	-8%
TESMEC	0.12	73	-8%
AQUAFIL	3.38	145	-8%
BRUNELLO CUCINELLI	71.90	4,889	-7%
ENAV	3.62	1,962	-7%
WEBUILD	1.67	1,703	-7%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
CYBEROO	3.25	130	55%
BUZZI-UNICEM	27.38	5,274	52%
TXT E-SOLUTIONS	18.28	238	42%
SALCEF GROUP	24.20	1,510	39%
THE ITALIAN SEA GROUP	7.73	410	36%
CEMENTIR	8.22	1,308	34%
BFF BANK	9.65	1,802	30%
REEVO	17.55	89	28%
TOD'S	37.84	1,252	25%
PIAGGIO	3.44	1,232	23%
BREMBO	12.78	4,268	22%
IREN	1.79	2,334	22%
WEBUILD	1.67	1,703	22%
SAES GETTERS	28.60	420	21%
BANCA IFIS	16.10	866	21%
MEDIA FOR EUROPE	0.67	1,586	20%
MONDADORI	2.11	550	16%
OMER	2.91	84	16%
FILA	8.06	346	16%
TIP	8.46	1,560	16%
FTSE Italia Mid Cap			5%
FTSE Italia Small Cap			-4%
FTSE MIB			18%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
AQUAFIL	3.38	145	-45%
DOVALUE	4.51	361	-37%
SAFILO	1.00	412	-35%
GPI	10.40	301	-28%
IGD	2.28	251	-27%
EL.EN.	10.45	835	-27%
DATALOGIC	6.13	358	-26%
MATICA FINTEC	1.93	21	-25%
ESPRINET	5.05	254	-25%
TINEXTA	17.36	820	-24%
BANCA SISTEMA	1.17	94	-24%
SECO	4.15	543	-23%
ACEA	10.25	2,183	-21%
ILBE	0.96	23	-19%
REPLY	87.40	3,270	-18%
SERI INDUSTRIAL	4.30	232	-18%
TESMEC	0.12	73	-14%
ELICA	2.59	164	-13%
FERRAGAMO	14.44	2,437	-12%
NOTORIOUS PICTURES	1.26	28	-12%

Source: FactSet

Earnings Momentum

In the last month, forecasts are up for mid-caps and down for small caps

Since the beginning of 2023, we have implemented a +17.5% upward revision to our 2023 EPS estimates, with a more limited revision (+10.9%) to 2024 EPS; focusing on our mid/small cap coverage, however, we have raised 2023 EPS by a more moderate 5.8% since 1 January 2023. Notably, in the last month, we have significantly raised our estimates for both FTSE MIB stocks (+8.4% on 2023 EPS) and for our mid-cap coverage (+7.2%, mainly thanks to the surprisingly high margins reported by cement stocks) but we have reduced our estimates for our small cap coverage (-6.2%).

Italian Market – Intermonte changes to 2022 and 2023 estimates

EPS REVISION	Since January 1st 2023		Since 21/7/2023	
	% chg in EPS FY23	% chg in EPS FY24	% chg in EPS FY23	% chg in EPS FY24
Total Market	17.5%	10.9%	8.4%	5.1%
Total Market - Ex Energy	21.6%	12.9%	9.4%	5.4%
Domestic	14.3%	7.9%	4.8%	4.8%
Non domestic	20.9%	14.0%	12.5%	5.5%
Non domestic - Ex Energy	20.3%	14.7%	16.7%	6.1%
FTSE MIB	18.6%	11.5%	8.6%	5.2%
Mid Caps (our coverage)	8.5%	6.5%	7.2%	5.1%
Small Caps (our coverage)	-17.9%	-13.4%	-6.2%	-3.5%
Intermonte Mid&Small Caps coverage	5.8%	4.2%	6.0%	4.2%

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			
BUZZI-UNICEM	477	844	77.1%
CREDITO EMILIANO	294	451	53.4%
TOD'S	34	45	30.2%
CEMENTIR	158	201	27.8%
BANCA IFIS	121	155	27.7%
WEBUILD	153	191	24.2%
PIAGGIO	91	114	24.2%
IEG	10	12	20.5%
REEVO	2	3	20.1%
RELATECH	8	10	19.1%
Downward Revision			
FINCANTIERI	126	-50	-139.3%
SERI INDUSTRIAL	12	-1	-105.7%
AQUAFIL	25	0	-100.4%
FERRAGAMO	50	30	-40.5%
BANCA SISTEMA	28	17	-40.0%
DATALOGIC	32	22	-31.3%

Source: Intermonte SIM

Valuation

Mid/small cap valuation premium broadly stable in the last month

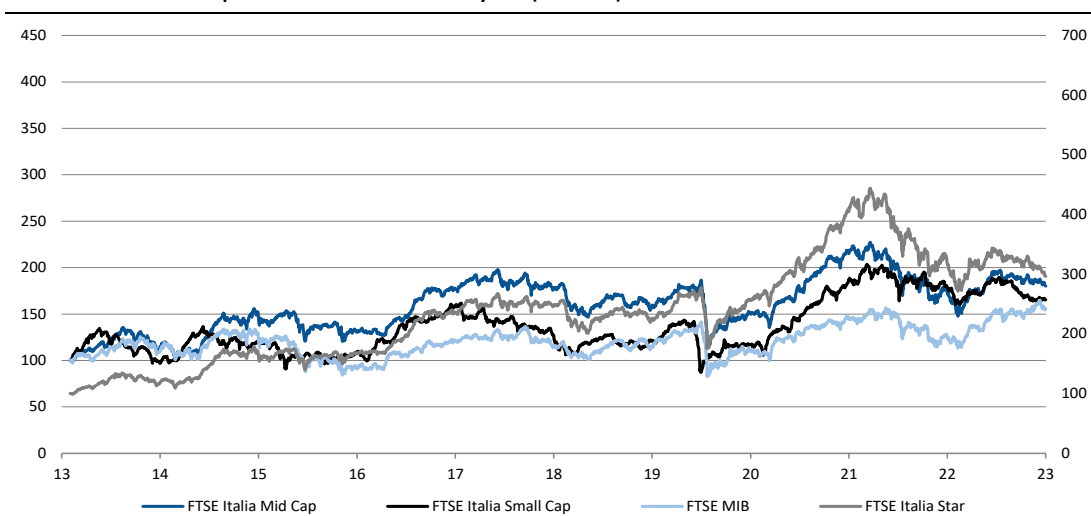
If we compare performance YtD to the change in FY23 estimates over the same period, we see that FTSE MIB stocks have recorded a 0.5% de-rating YtD (the same metric was +12.9% one month ago, before estimate upgrades); mid-caps have de-rated by 4.0%, while small caps have re-rated by 14.4%.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY23 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	18.1%	18.6%	-0.5%
FTSE Italia Mid Cap	4.6%	8.5%	-4.0%
FTSE Italia Small Cap	-3.5%	-17.9%	14.4%

Source: Intermonte SIM and FactSet

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

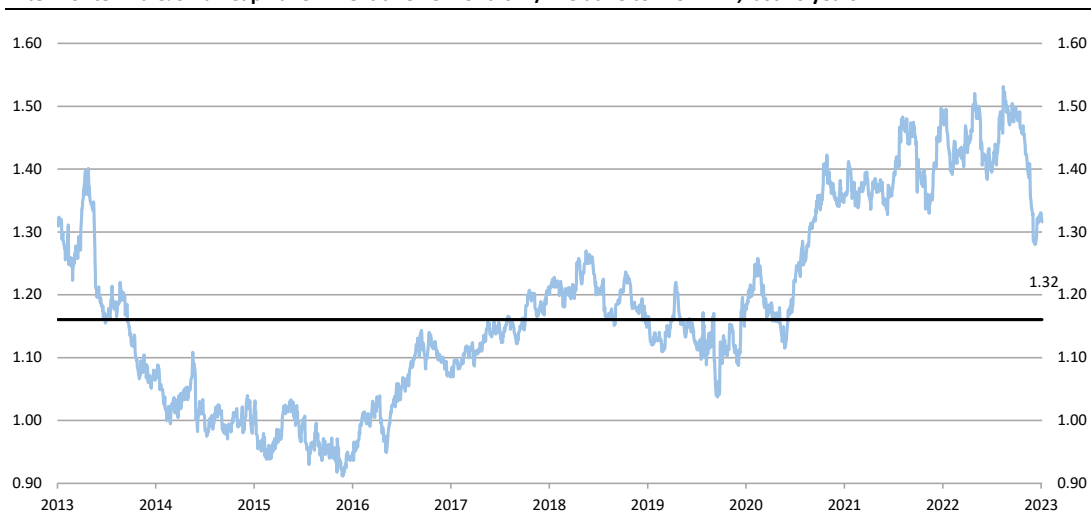


Source: FactSet

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 32% premium to large caps, well above the historical average premium (17%) but broadly in line with the level one month ago (30%).

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/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	8.6 x	9.0 x	-	15.7 x	-42.7%
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	11.2 x	-	18.3 x	-39.1%
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	10.5 x	-	18.9 x	-44.7%
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	12.4 x	11.8 x	31.8%	14.3 x	-17.1%
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	16.4 x	15.9 x	42.6%	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	58.1%	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	14.9%	18.2 x	-29.5%
France CAC S	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	110.5%	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	20.1%	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	2.6%	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	23.3%	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	24.8%	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%	(7%)	132%
SERI INDUSTRIAL	11.6	-0.7	-106%	(18%)	88%
CYBEROO	9.1	6.7	-27%	55%	81%
AQUAFIL	25.5	-0.1	-100%	(45%)	55%
THE ITALIAN SEA GROUP	34.3	35.1	2%	36%	34%
FILA	45.8	38.1	-17%	16%	33%
SERVIZI ITALIA	6.5	5.0	-23%	9%	32%
TXT E-SOLUTIONS	13.3	15.2	14%	42%	28%
FERRAGAMO	50.4	30.0	-41%	(12%)	28%
BFF BANK	185.3	190.0	3%	30%	28%
SALCEF GROUP	64.7	75.3	17%	39%	22%
MEDIA FOR EUROPE	217.1	213.7	-2%	20%	22%
SAES GETTERS	33.1	33.1	0%	21%	21%
TECHNOGYM	90.2	85.6	-5%	11%	17%
BANCA SISTEMA	27.9	16.7	-40%	(24%)	16%
DE' LONGHI	217.0	205.6	-5%	11%	16%
IREN	257.5	273.6	6%	22%	16%
CY4GATE	14.5	10.5	-27%	(12%)	15%
WIIT	19.3	15.3	-21%	(6%)	15%
SOMECC	12.6	10.5	-17%	(4%)	13%
BREMBO	281.8	309.0	10%	22%	13%
ELICA	24.1	18.3	-24%	(13%)	11%
EMAK	27.1	22.2	-18%	(9%)	9%
ANIMA	175.3	157.8	-10%	(2%)	8%
REEVO	2.3	2.7	20%	28%	8%
SARAS	278.9	275.6	-1%	6%	7%
CEMENTIR	157.6	201.5	28%	34%	6%
CIVITANAVI SYSTEMS	7.3	7.5	2%	8%	6%
UNIPOLSAI	741.8	711.9	-4%	2%	6%
DATALOGIC	31.7	21.8	-31%	(26%)	5%
INTERCOS	56.5	60.5	7%	12%	5%
TESMEC	16.4	13.4	-18%	(14%)	4%
MARR	51.4	56.5	10%	11%	1%
MONDADORI	56.3	65.5	16%	16%	0%
GEOX	8.6	8.1	-6%	(6%)	(1%)
ESPRINET	59.5	45.4	-24%	(25%)	(1%)
PIAGGIO	91.4	113.6	24%	23%	(2%)
ALKEMY	6.9	6.4	-8%	(10%)	(2%)
ILBE	14.2	11.8	-17%	(19%)	(2%)
OMER	6.7	8.0	19%	16%	(3%)
WEBUILD	153.4	190.5	24%	22%	(3%)
TOD'S	34.4	44.8	30%	25%	(5%)
IGD	70.5	55.6	-21%	(27%)	(6%)
OVS GROUP	58.6	64.8	11%	4%	(6%)
BANCA IFIS	121.1	154.7	28%	21%	(7%)
AVIO	3.6	3.6	0%	(8%)	(8%)
REPLY	204.8	186.7	-9%	(18%)	(9%)
ENAV	107.8	109.1	1%	(9%)	(10%)
EL.EN.	62.8	52.5	-16%	(27%)	(10%)
INDEL B	16.1	16.5	3%	(8%)	(11%)
SCIUKER FRAMES	30.0	30.0	0%	(11%)	(11%)
SESA	100.5	100.1	0%	(12%)	(11%)
FINE FOODS	8.3	9.1	9%	(3%)	(12%)
UNIDATA	9.7	9.7	0%	(12%)	(12%)
NOTORIOUS PICTURES	5.5	5.5	0%	(12%)	(12%)
BRUNELLO CUCINELLI	90.3	105.6	17%	4%	(13%)
TINEXTA	58.7	52.5	-11%	(24%)	(13%)
LU-VE	33.3	36.2	9%	(5%)	(14%)
IEG	10.1	12.2	20%	5%	(15%)
RELATECH	8.1	9.6	19%	4%	(15%)
GREENTHESIS	15.7	17.5	12%	(4%)	(15%)
PHARMANUTRA	14.5	15.2	5%	(11%)	(16%)
GPI	20.7	18.4	-11%	(28%)	(17%)
ACEA	304.0	297.3	-2%	(21%)	(18%)
RAI WAY	79.9	91.6	15%	(5%)	(19%)
MATICA FINTEC	2.8	2.6	-6%	(25%)	(19%)
BUZZI-UNICEM	476.6	844.2	77%	52%	(25%)

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 51.6% higher than in the corresponding period one year ago (newsflow related to 2Q23 results was relevant but also the introduction of a windfall tax on banks) but it remains 1.2% down from a YtD perspective. The picture is much more worrying for mid/small caps: specifically, YtD liquidity is down 20.1% YoY for mid-caps and 28.4% YoY for small caps.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn) 2023			Avg Daily Volume * Avg Price (Eu mn) 2022			% Changes (YoY)		
	1M to 21/08	3M to 21/08	YTD to 21/08	1M to 21/08	3M to 21/08	YTD to 21/08	1M to 21/08	3M to 21/08	YTD to 21/08
FTSE MIB									
All stocks	52.99	50.76	52.47	34.94	41.00	53.10	51.6%	23.8%	(1.2%)
Top 20% by market cap	162.49	153.80	161.49	112.61	132.59	168.42	44.3%	16.0%	(4.1%)
FTSE Italia Mid Cap									
All stocks	1.86	1.75	2.03	1.57	1.77	2.54	18.5%	(1.3%)	(20.1%)
Top 20% by market cap	3.79	3.26	3.56	2.90	3.45	4.93	30.6%	(5.6%)	(27.7%)
FTSE Italia Small Cap									
All stocks	0.16	0.16	0.20	0.16	0.18	0.28	0.3%	(6.4%)	(28.4%)
Top 20% by market cap	0.45	0.44	0.53	0.41	0.41	0.63	8.3%	8.2%	(16.2%)

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	1,155	11,305,195
BUZZI-UNICEM	5,274	8,174,124
BRUNELLO CUCINELLI	4,889	6,237,923
BREMBO	4,268	5,293,061
REPLY	3,270	5,190,917
BFF BANK	1,802	4,596,261
WEBUILD	1,703	3,267,211
IREN	2,334	3,092,625
UNIPOLSAI	6,627	2,800,793
FERRAGAMO	2,437	2,776,148
ANIMA	1,202	2,602,773
OVS GROUP	640	2,410,697
TECHNOGYM	1,605	2,353,670
DE' LONGHI	3,517	2,247,739
ACEA	2,183	2,111,678
TOD'S	1,252	1,981,931
ESPRINET	254	1,934,250
DOVALUE	361	1,921,300
PIAGGIO	1,232	1,903,697
BANCA IFIS	866	1,882,995
SESA	1,588	1,656,263
TIP	1,560	1,630,648
MARR	838	1,431,778
ENAV	1,962	1,390,212
FINCANTIERI	835	1,311,666
TINEXTA	820	1,302,836
MEDIA FOR EUROPE	1,586	1,173,933
EL.EN.	835	1,118,682
INTERCOS	1,365	1,057,398

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	56%	23%	10%	1%	7%	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	4.5	361	0.647	0.720	16.0%	111%	2.2x
SARAS	1.2	1,155	0.290	0.120	9.9%	41%	-0.1x
BFF BANK	9.7	1,802	1.025	0.900	9.3%	88%	
IGD	2.3	251	0.504	0.207	9.1%	41%	9.2x
BANCA IFIS	16.1	866	2.874	1.450	9.0%	50%	
ACEA	10.3	2,183	1.396	0.851	8.3%	61%	3.7x
NOTORIOUS PICTURES	1.3	28	0.245	0.098	7.8%	40%	1.2x
ABITARE IN	5.4	143	0.908	0.397	7.4%	44%	0.5x
UNIPOLSAI	2.3	6,627	0.256	0.170	7.3%	66%	
IREN	1.8	2,334	0.210	0.121	6.7%	58%	3.2x
SCIUKER FRAMES	6.3	136	1.383	0.415	6.6%	30%	-0.3x
PIAGGIO	3.4	1,232	0.321	0.225	6.5%	70%	1.0x
ANIMA	3.7	1,202	0.477	0.230	6.3%	48%	
RAI WAY	5.2	1,404	0.337	0.324	6.3%	96%	1.0x
MEDIA FOR EUROPE	0.7	1,586	0.076	0.040	5.9%	52%	1.1x
ENAV	3.6	1,962	0.201	0.203	5.6%	101%	1.2x
MARR	12.6	838	0.849	0.679	5.4%	80%	1.5x
CREDITO EMILIANO	7.5	2,563	1.321	0.400	5.3%	30%	
MONDADORI	2.1	550	0.251	0.110	5.2%	44%	1.0x
EMAK	1.1	174	0.136	0.055	5.2%	41%	2.6x
GPI	10.4	301	0.650	0.500	4.8%	77%	2.1x
BANCA SISTEMA	1.2	94	0.208	0.052	4.5%	25%	
MAIRE TECNIMONT	3.7	#N/D	0.360	0.165	4.4%	46%	0.1x
ESPRINET	5.0	254	0.900	0.222	4.4%	25%	0.4x
TECHNOGYM	8.0	1,605	0.426	0.327	4.1%	77%	-1.0x
WEBUILD	1.7	1,703	0.191	0.060	3.6%	31%	-0.5x
THE ITALIAN SEA GROUP	7.7	410	0.662	0.258	3.3%	39%	0.0x
DATALOGIC	6.1	358	0.389	0.200	3.3%	51%	0.6x
CEMENTIR	8.2	1,308	1.266	0.260	3.2%	21%	-0.5x
ELICA	2.6	164	0.289	0.080	3.1%	28%	0.8x

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
GEOX	0.8	195	24.2	5.6	329%
AVIO	8.8	231	65.9	20.4	223%
FERRAGAMO	14.4	2,437	81.3	42.8	90%
CYBEROO	3.3	130	20.4	12.1	69%
SECO	4.1	543	22.0	14.1	57%
SOMEK	31.2	215	20.5	13.2	56%
SERVIZI ITALIA	1.3	41	8.2	5.3	56%
FINE FOODS	8.1	179	22.9	15.6	47%
NOTORIOUS PICTURES	1.3	28	5.1	3.5	46%
TOD'S	37.8	1,252	28.0	19.4	44%
TESMEC	0.1	73	5.4	3.7	44%
ABITARE IN	5.4	143	5.9	4.1	44%
REVO INSURANCE	8.1	199	13.3	9.9	35%
TECHNOGYM	8.0	1,605	18.7	13.9	35%
GPI	10.4	301	16.0	11.9	34%
THE ITALIAN SEA GROUP	7.7	410	11.7	8.8	33%
DATALOGIC	6.1	358	15.7	11.9	33%
WIIT	17.0	475	31.0	23.4	32%
REEVO	17.6	89	32.7	25.1	30%
MATICA FINTEC	1.9	21	8.0	6.2	30%
WEBUILD	1.7	1,703	8.7	6.8	29%
CIVITANAVI SYSTEMS	3.7	114	15.3	12.0	28%
ALKEMY	10.0	57	8.9	7.1	25%
UNIDATA	41.2	127	13.2	10.6	24%
ESPRINET	5.0	254	5.6	4.5	24%
TINEXTA	17.4	820	15.6	12.7	23%
CY4GATE	8.1	192	18.2	14.9	22%
BANCA SISTEMA	1.2	94	5.6	4.6	22%
MARR	12.6	838	14.8	12.1	22%
SALCEF GROUP	24.2	1,510	20.0	16.8	20%
ELICA	2.6	164	9.0	7.5	19%
PIAGGIO	3.4	1,232	10.7	9.1	18%
OVS GROUP	2.2	640	9.9	8.4	18%
EL.EN.	10.5	835	15.6	13.3	18%
EMAK	1.1	174	7.8	6.6	18%
PHARMANUTRA	55.2	534	35.1	29.9	17%
GREENTHESIS	0.9	140	8.0	6.8	17%
RELATECH	2.2	94	9.8	8.4	17%
DE' LONGHI	23.3	3,517	17.1	14.7	17%

Source: Intermonte SIM and FactSet

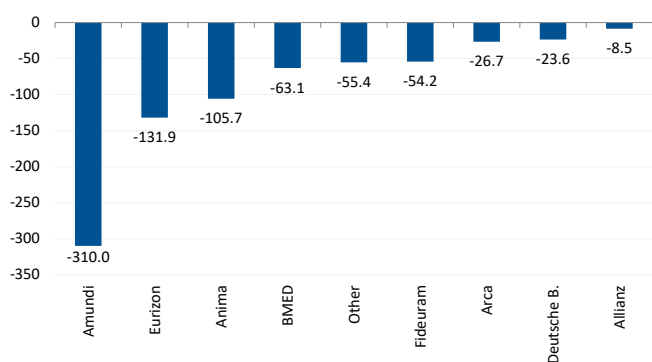
UPDATE on the Individual Savings Plan (PIR)

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%

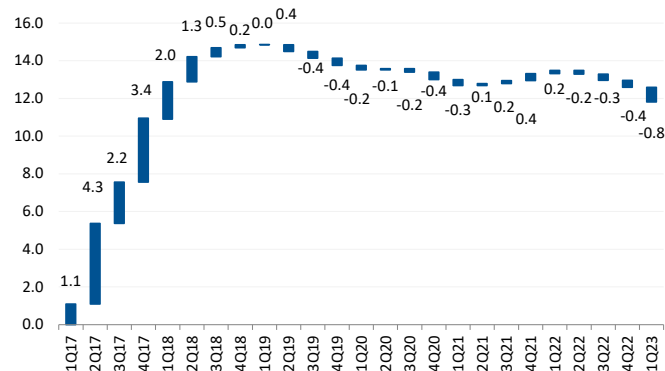
Source: Assogestioni, Quarterly Report, May 2023

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



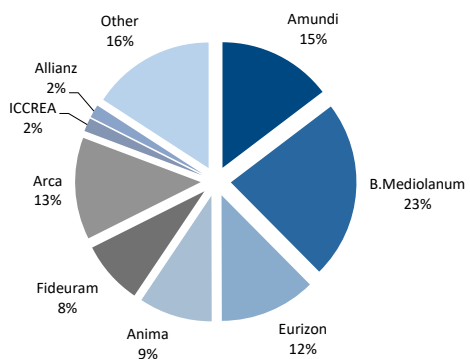
Source: Assogestioni

Ordinary PIR - Inflows by quarter (Eu bn)



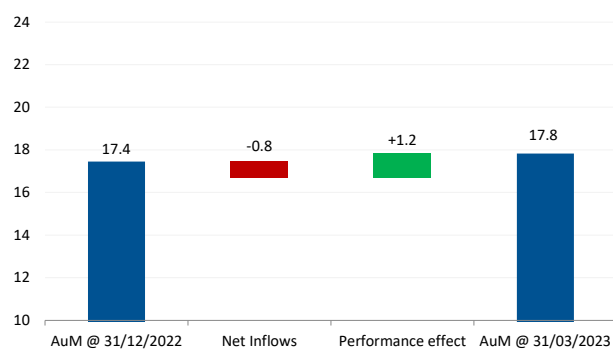
Source: Intermonte SIM estimates, Assogestioni

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 2Q23

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 and June were reported at Eu196.9mn and Eu201.9mn, respectively, 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 (outflows in 1H23 should be around Eu1.3bn).

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	7.3	6.9	6.0	5.9	8.3%	8.5%	-9.9%	3.9%	3.7x	3.6x
ANIMA	7.7	6.9			6.3%	6.8%				
BANCA IFIS	5.6	5.4			9.0%	9.3%				
BFF BANK	9.4	8.4			9.3%	9.7%				
BREMBO	13.5	13.4	6.2	5.8	2.3%	2.3%	4.2%	5.7%	0.6x	0.4x
BRUNELLO CUCINELLI	46.3	41.5	15.3	13.7	1.1%	1.2%	1.1%	1.5%	1.8x	1.7x
BUZZI-UNICEM	6.2	6.3	2.9	2.5	1.8%	2.0%	15.5%	13.6%	-0.7x	-1.1x
CEMENTIR	6.5	5.9	3.1	2.3	3.2%	3.5%	10.5%	16.4%	-0.5x	-0.9x
CREDITO EMILIANO	5.7	6.0			5.3%	5.6%				
DATALOGIC	15.7	11.9	6.0	5.1	3.3%	4.1%	4.8%	7.6%	0.6x	0.3x
DE' LONGHI	17.1	14.7	7.8	6.8	2.4%	2.8%	4.7%	4.5%	-1.0x	-1.0x
DOVALUE	7.0	6.4	4.1	3.6	16.0%	17.6%	25.6%	27.5%	2.2x	1.8x
EL.EN.	15.6	13.3	8.4	7.0	2.0%	2.1%	3.4%	7.0%	-1.1x	-1.4x
ENAV	18.0	15.9	8.0	7.4	5.6%	5.8%	8.3%	10.0%	1.2x	0.9x
FERRAGAMO	81.3	42.8	8.5	7.1	0.6%	1.2%	-0.7%	1.3%	1.1x	0.8x
FINCANTIERI	nm	nm	9.1	8.6	0.0%	0.0%			7.0x	6.8x
INTERCOS	22.6	19.5	10.3	9.0	1.1%	1.3%	1.6%	3.6%	0.6x	0.3x
IREN	8.5	8.2	5.5	5.4	6.7%	7.4%	-9.4%	-2.4%	3.2x	3.3x
LU-VE	16.4	14.3	8.7	7.7	1.5%	1.6%	2.9%	5.2%	1.6x	1.2x
MAIRE TECNIMONT	10.3	9.4	4.8	4.1	4.4%	5.0%	3.8%	8.3%	0.1x	0.0x
MARR	14.8	12.1	8.0	7.1	5.4%	6.6%	0.2%	3.5%	1.5x	1.4x
MEDIA FOR EUROPE	8.8	8.3	3.2	2.8	5.9%	5.9%	17.3%	19.4%	1.1x	0.8x
MONDADORI	8.4	8.3	4.7	4.3	5.2%	5.2%	12.4%	13.1%	1.0x	0.7x
OVS GROUP	9.9	8.4	4.7	4.1	2.6%	3.1%	9.8%	8.6%	0.6x	0.4x
PHARMANUTRA	35.1	29.9	22.1	18.7	1.4%	1.7%	1.5%	3.0%	-0.3x	-0.5x
PIAGGIO	10.7	9.1	4.6	4.2	6.5%	7.7%	9.5%	9.5%	1.0x	0.8x
RAI WAY	15.3	15.6	8.9	9.1	6.3%	6.4%	7.8%	7.9%	1.0x	1.2x
REPLY	17.5	15.1	9.2	7.7	1.3%	1.4%	6.4%	6.1%	-0.6x	-1.0x
SAFILO	11.6		3.2		0.0%		14.1%		0.1x	
SALCEF GROUP	20.0	16.8	10.0	8.4	2.2%	2.7%	3.2%	4.1%	-0.1x	-0.2x
SARAS	4.2	8.4	1.7	2.3	9.9%	6.6%	1.7%	20.7%	-0.1x	-0.5x
SECO	22.0	14.1	11.2	8.2	0.0%	0.0%	2.7%	2.9%	0.9x	0.4x
SESA	15.9	13.7	8.9	6.2	1.0%	1.3%	5.6%	11.1%	-0.2x	-0.5x
TECHNOGYM	18.7	13.9	9.1	7.0	4.1%	3.5%	5.7%	7.7%	-1.0x	-1.1x
TINEXTA	15.6	12.7	10.0	8.3	2.5%	1.9%	3.8%	6.5%	0.6x	0.2x
TIP	11.7	nm			1.8%	1.9%			11.2x	
TOD'S	28.0	19.4	5.4	4.7	0.0%	0.0%	-0.5%	4.6%	2.3x	1.9x
UNIPOLSAI	9.1	8.9			7.3%	7.9%				
WEBUILD	8.7	6.8	1.8	1.5	3.6%	3.6%	11.2%	6.5%	-0.5x	-0.5x
WIIT	31.0	23.4	13.4	11.5	1.6%	2.1%	4.0%	5.1%	4.1x	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	5.9	4.1	4.2	3.6	7.4%	7.2%	68.8%	-17.3%	0.5x	1.0x
ALKEMY	8.9	7.1	6.3	5.2	0.0%	0.0%	7.0%	10.8%	2.2x	1.6x
AQUAFIL	nm	22.8	6.4	5.3	0.0%	0.9%	16.8%	7.7%	4.0x	3.2x
AVIO	65.9	20.4	6.2	4.5	0.3%	2.3%	-1.2%	7.0%	-0.8x	-0.9x
BANCA SISTEMA	5.6	4.6			4.5%	5.4%				
CIVITANAVI SYSTEMS	15.3	12.0	7.6	5.8	2.7%	3.0%	2.5%	2.3%	-2.6x	-1.2x
CY4GATE	18.2	14.9	7.4	6.4	0.0%	0.0%	3.3%	3.4%	-0.2x	-0.4x
CYBEROO	20.4	12.1	11.7	6.7	0.0%	0.0%	3.2%	6.0%	-0.5x	-0.7x
ELICA	9.0	7.5	4.1	3.4	3.1%	3.5%	7.8%	14.6%	0.8x	0.4x
EMAK	7.8	6.6	5.1	4.6	5.2%	6.0%	12.9%	12.7%	2.6x	2.3x
ESPRINET	5.6	4.5	3.2	2.2	4.4%	11.0%	33.4%	30.1%	0.4x	-0.2x
FILA	10.8	10.1	6.9	6.5	1.7%	1.8%	10.3%	7.8%	2.9x	2.6x
FINE FOODS	22.9	15.6	8.8	7.3	1.7%	2.6%	5.3%	0.2%	1.3x	1.1x
GEOX	24.2	5.6	5.7	4.5	0.0%	8.9%	-27.1%	11.4%	3.8x	2.9x
GPI	16.0	11.9	6.4	5.6	4.8%	4.8%	3.2%	6.1%	2.1x	1.8x
GREENTHESIS	8.0	6.8	6.5	5.7	2.5%	3.0%	-3.3%	2.2%	1.9x	1.7x
IEG	6.6	5.8	3.8	3.3	3.1%	3.9%	12.3%	15.6%	2.3x	1.9x
IGD	4.5	5.0	11.5	10.8	9.1%	9.1%	25.4%	22.5%	9.2x	8.5x
ILBE	2.9	2.9	0.5	0.5	0.0%	0.0%	-16.2%	9.7%	0.2x	0.2x
INDEL B	8.2	7.5	4.7	4.0	3.0%	4.3%	9.1%	11.9%	0.5x	0.1x
MATICA FINTEC	8.0	6.2	3.6	2.6	0.0%	0.0%	6.1%	9.9%	-0.5x	-0.7x
NOTORIOUS PICTURES	5.1	3.5	2.5	1.8	7.8%	11.3%	-10.5%	10.0%	1.2x	0.9x
OMER	10.4	9.0	5.8	4.8	1.6%	1.9%	7.6%	8.4%	-1.1x	-1.4x
REEVO	32.7	25.1	13.7	10.7	0.9%	1.3%	1.2%	2.8%	-0.3x	-0.5x
RELATECH	9.8	8.4	4.8	4.0	0.0%	0.0%	6.8%	6.8%	0.4x	0.0x
REVO INSURANCE	13.3	9.9			1.0%	1.9%				
SAES GETTERS	19.1	16.6	8.6	4.5	1.9%	1.9%	4.8%	4.9%	-1.3x	-1.4x
SCIUKER FRAMES	4.5	5.6	2.4	2.2	6.6%	5.4%	12.0%	20.6%	-0.3x	-0.9x
SERI INDUSTRIAL	nm	13.6	12.0	6.6	0.0%	0.0%	-4.5%	-1.9%	4.0x	2.2x
SERVIZI ITALIA	8.2	5.3	2.4	2.3	0.0%	0.0%	0.0%	4.6%	1.8x	1.7x
SOMEK	20.5	13.2	8.7	6.4	2.4%	3.8%	8.0%	12.0%	1.9x	1.0x
TESMEC	5.4	3.7	4.1	3.2	0.0%	0.0%	8.5%	20.6%	2.6x	1.9x
THE ITALIAN SEA GROUP	11.7	8.8	7.0	5.0	3.3%	4.3%	6.2%	13.3%	0.0x	-0.5x
TXT E-SOLUTIONS	14.7	13.3	8.0	6.7	1.2%	1.4%	4.9%	6.6%	0.9x	0.5x
UNIDATA	13.2	10.6	7.1	6.0	0.4%	0.5%	4.2%	3.8%	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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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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