

Italian Mid/Small Caps Monthly

Complex Liquidity & Economic Outlook Require Good Visibility

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 15 September 2023) has grown 1.3% in the last month and is up 19.9% YtD. The FTSE Italy Mid-Cap index (-2.3%) has underperformed the main index by 3.5% in the last month (-15.6% YtD on a relative basis), with the FTSE Italy Small Caps index (-1.2%) performing 2.5% below the market, or -24.0% 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 1.0% in the last month, performing slightly better than Italian mid/small caps.
- **Estimates (-).** Since the beginning of 2023, we have implemented a +17.7% upward revision to our 2023 EPS estimates, with a more limited revision (+11.0%) to 2024 EPS; focusing on our mid/small cap coverage, however, we have raised 2023 EPS by a more moderate 5.5% since 1 January 2023. Notably, in the last month, we have not significantly changed our estimates for either FTSE MIB stocks (+0.3% on 2023 EPS) or our mid-cap coverage, but we have reduced our estimates for our small cap coverage (-3.2%).
- **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 3.0% de-rating YtD (the same metric was +0.5% one month ago); mid-caps have de-rated by 4.3%, while small caps have re-rated by 16.6%. On a P/E basis, our panel is trading at a 30% premium to large caps, well above the historical average premium (17%) but slightly below the level one month ago (32%).
- **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 26.7% higher than in the corresponding period one year ago but is up just 1.3% from a YtD perspective. The picture is much more worrying for mid/small caps: specifically, YtD liquidity is down 17.9% YoY for mid-caps and 24.0% YoY for small caps, despite improving in the last month.
- **Investment strategy.** The macro picture continues to offer little support because the attitude of central banks has remained hawkish (although the ECB hike might be the last). Recently published results were mixed, with weaker-than-expected indications emerging in some sectors and starting to reflect the ongoing deterioration of outlook for industrial output and consumption that we consider to be the logical consequence of the current interest rate and inflation scenario. We still believe, though, that the risk of a fully-fledged recession is fairly limited. In this context, we advise investors to focus on stocks capable of enjoying good business visibility, whether this is because they operate in regulated businesses, boast significant order backlog, or benefit from sector trends with limited exposure to the economic cycle. In terms of PIR flows, we have further worsened the estimates after significant redemptions in the first 7 months and in light of important expected bond issues targeted at retail customers. We think that in some sectors, such as technological business services, valuations are particularly attractive, and that the underperformance should soon reverse. This also applies at the asset class level (mid/small caps vs. large caps).

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Performance

Mid/Small caps underperformed large caps in the last month

The Italian equity market (prices as at 15 September 2023) has grown 1.3% in the last month and is up 19.9% YtD. The FTSE Italy Mid-Cap index (-2.3 %) has underperformed the main index by 3.5% in the last month (-15.6% YtD on a relative basis), with the FTSE Italy Small Caps index (-1.2%) performing 2.5% below the market, or-24.0% on a relative basis since the beginning of 2023.

Italian Market Indexes – performance analysis (prices as at 15 September 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	41,052	-2.3%	-5.7%	-1.4%	4.3%	10.1%	-16.7%	17.0%	-1.0%
FTSE Italia Small Cap	26,592	-1.2%	-3.6%	-9.4%	-4.1%	-6.0%	-10.7%	40.4%	24.1%
FTSE Italia Star	43,492	-3.5%	-10.8%	-9.1%	-6.0%	-0.1%	-29.5%	9.9%	14.8%
FTSE Italia Growth Index	8,625	-3.3%	-5.6%	-6.4%	-6.8%	-8.1%	-23.5%	29.0%	-8.7%
FTSE Italia All-Share	30,833	1.3%	3.2%	11.4%	19.9%	26.8%	8.9%	41.4%	33.1%
FTSE MIB	28,895	1.6%	4.2%	13.0%	21.9%	29.2%	12.2%	44.8%	38.4%
Relative Performance vs FTSE Italy All Share		% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change YTD	% Change 1 Year	% Change 2 Years	% Change 3 Years	% Change 5 Years
FTSE Italia Mid Cap		-3.5%	-8.9%	-12.8%	-15.6%	-16.7%	-25.5%	-24.4%	-34.1%
FTSE Italia Small Cap		-2.5%	-6.8%	-20.8%	-24.0%	-32.8%	-19.6%	-1.0%	-9.0%
FTSE Italia Star		-4.8%	-14.0%	-20.4%	-25.9%	-27.0%	-38.4%	-31.5%	-18.3%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has decreased 1.0% in the last month, performing slightly 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	155	1.6%	-0.4%	6.0%	9.0%	11.5%	1.4%	26.3%	22.1%
MSCI Europe Small Cap	391	-1.0%	-3.5%	0.2%	2.8%	2.9%	-21.0%	9.5%	3.4%

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 (%)
SAES GETTERS	33.85	568	16%
IREN	2.00	2,604	11%
IEG	2.79	86	10%
SARAS	1.33	1,262	9%
UNIDATA	44.00	136	8%
PIAGGIO	3.57	1,277	7%
ACEA	10.93	2,328	6%
GREENTHESIS	0.95	147	5%
FINE FOODS	8.43	186	5%
MAIRE TECNIMONT	3.78	1,242	5%
MARR	13.42	893	5%
ABITARE IN	5.60	149	4%
CIVITANAVI SYSTEMS	3.87	119	3%
WEBUILD	1.80	1,832	3%
ANIMA	3.83	1,261	3%
CREDITO EMILIANO	7.67	2,618	1%
SOMEK	31.00	214	1%
BRUNELLO CUCINELLI	74.75	5,083	1%
UNIPOLSAI	2.36	6,678	1%
SESA	105.40	1,633	0%
FTSE Italia Mid Cap			-2%
FTSE Italia Small Cap			-1%
FTSE MIB			2%

Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
LU-VE	22.85	508	-18%
AQUAFIL	2.78	119	-16%
ILBE	0.93	22	-15%
SCIUKER FRAMES	5.63	122	-14%
SAFILO	0.89	367	-13%
DOVALUE	3.99	319	-13%
MEDIA FOR EUROPE	0.61	1,429	-12%
INTERCOS	12.96	1,248	-12%
ESPRINET	4.47	225	-12%
CEMENTIR	7.56	1,203	-10%
NOTORIOUS PICTURES	1.25	28	-9%
TXT E-SOLUTIONS	17.12	223	-9%
ELICA	2.40	152	-9%
EL.EN.	9.35	747	-8%
GPI	9.59	277	-8%
ALKEMY	9.17	52	-8%
WIIT	15.86	444	-7%
SALCEF GROUP	22.75	1,420	-7%
TECHNOGYM	7.64	1,537	-7%
BUZZI-UNICEM	25.96	5,001	-7%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
CYBEROO	3.21	128	53%
BUZZI-UNICEM	25.96	5,001	44%
SAES GETTERS	33.85	568	43%
IREN	2.00	2,604	36%
THE ITALIAN SEA GROUP	7.61	403	34%
TXT E-SOLUTIONS	17.12	223	33%
WEBUILD	1.80	1,832	31%
SALCEF GROUP	22.75	1,420	31%
BFF BANK	9.52	1,777	28%
PIAGGIO	3.57	1,277	27%
TOD'S	38.44	1,272	27%
CEMENTIR	7.56	1,203	23%
MAIRE TECNIMONT	3.78	1,242	22%
TIP	8.72	1,608	19%
MONDADORI	2.16	563	19%
BREMBO	12.39	4,138	19%
MARR	13.42	893	18%
BANCA IFIS	15.55	837	17%
CREDITO EMILIANO	7.67	2,618	16%
SARAS	1.33	1,262	15%
FTSE Italia Mid Cap			4%
FTSE Italia Small Cap			-4%
FTSE MIB			22%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
AQUAFIL	2.78	119	-55%
DOVALUE	3.99	319	-44%
SAFILO	0.89	367	-42%
EL.EN.	9.35	747	-34%
GPI	9.59	277	-34%
ESPRINET	4.47	225	-34%
IGD	2.26	249	-28%
DATALOGIC	6.07	355	-27%
BANCA SISTEMA	1.14	92	-25%
TINEXTA	16.99	802	-25%
ILBE	0.93	22	-22%
SECO	4.20	550	-21%
SERI INDUSTRIAL	4.15	224	-21%
SCIUKER FRAMES	5.63	122	-20%
ELICA	2.40	152	-19%
LU-VE	22.85	508	-19%
REPLY	88.30	3,303	-17%
TESMEC	0.12	70	-17%
ALKEMY	9.17	52	-17%
ACEA	10.93	2,328	-15%

Source: FactSet

Earnings Momentum

In the last month, forecasts are down for small caps

Since the beginning of 2023, we have implemented a +17.7% upward revision to our 2023 EPS estimates, with a more limited revision (+11.0%) to 2024 EPS; focusing on our mid/small cap coverage, however, we have raised 2023 EPS by a more moderate 5.5% since 1 January 2023. Notably, in the last month, we have not significantly changed our estimates for either FTSE MIB stocks (+0.3% on 2023 EPS) or our mid-cap coverage, but we have reduced our estimates for our small cap coverage (-3.2%).

Italian Market – Intermonte changes to 2022 and 2023 estimates

EPS REVISION	Since January 1st 2023		Since 18/8/2023	
	% chg in EPS FY23	% chg in EPS FY24	% chg in EPS FY23	% chg in EPS FY24
Total Market	17.7%	11.0%	0.3%	0.2%
Total Market - Ex Energy	21.7%	13.0%	0.3%	0.2%
Domestic	14.2%	7.9%	0.0%	-0.1%
Non domestic	21.5%	14.5%	0.6%	0.5%
Non domestic - Ex Energy	20.7%	15.0%	0.3%	0.3%
FTSE MIB	18.8%	11.7%	0.3%	0.3%
Mid Caps (our coverage)	8.6%	6.3%	0.0%	-0.2%
Small Caps (our coverage)	-20.7%	-17.1%	-3.2%	-3.9%
Intermonte Mid&Small Caps coverage	5.5%	3.6%	-0.3%	-0.6%

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			
AVIO	4	10	177.4%
BUZZI-UNICEM	477	844	77.1%
CREDITO EMILIANO	294	451	53.4%
IEG	10	14	37.6%
TOD'S	34	46	34.1%
CEMENTIR	158	201	27.8%
BANCA IFIS	121	155	27.7%
WEBUILD	153	191	24.2%
PIAGGIO	91	114	24.2%
BRUNELLO CUCINELLI	90	109	20.2%
Downward Revision			
FINCANTIERI	126	-50	-139.3%
SERI INDUSTRIAL	12	-1	-105.7%
AQUAFIL	25	0	-100.4%
ESPRINET	59	29	-51.5%
FERRAGAMO	50	30	-40.5%
BANCA SISTEMA	28	17	-40.0%

Source: Intermonte SIM

Valuation

Mid/small cap valuation premium stable in the last month

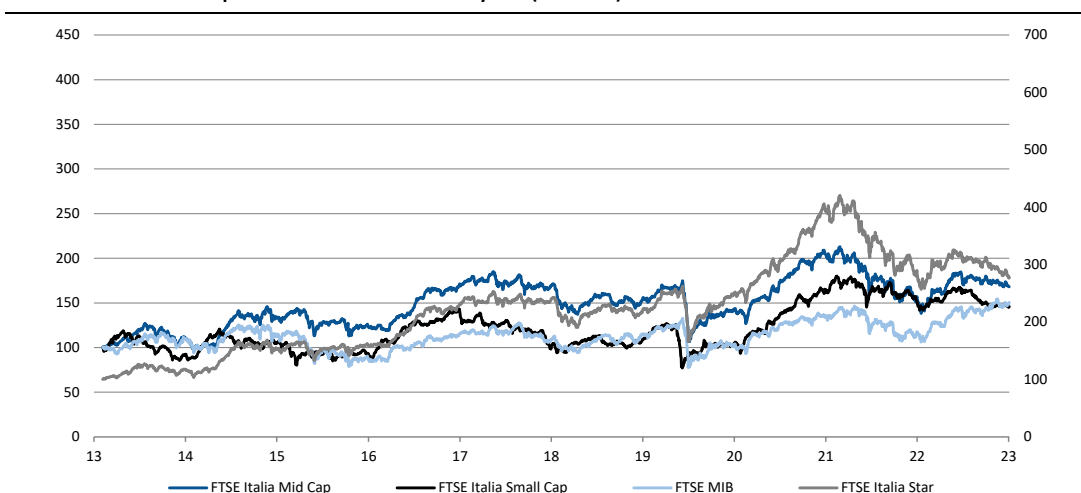
If we compare performance YtD to the change in FY23 estimates over the same period, we see that FTSE MIB stocks have recorded a 3.0% de-rating YtD (the same metric was +0.5% one month ago); mid-caps have de-rated by 4.3%, while small caps have re-rated by 16.6%.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY23 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	21.9%	18.8%	3.0%
FTSE Italia Mid Cap	4.3%	8.6%	-4.3%
FTSE Italia Small Cap	-4.1%	-20.7%	16.6%

Source: Intermonte SIM and FactSet

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

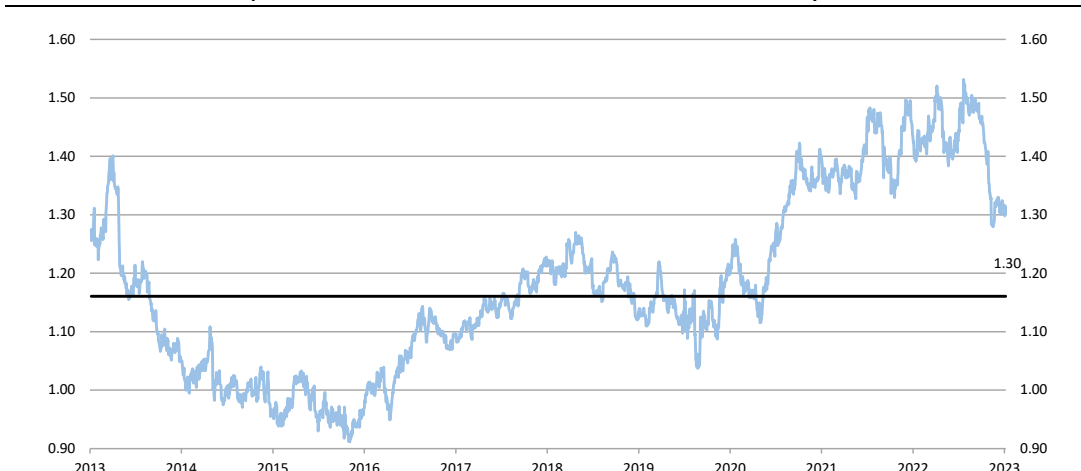


Source: FactSet

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 slightly below the level one month ago (32%).

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	9.3 x	-	15.7 x	-41.0%
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	10.6 x	-	18.9 x	-43.9%
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	12.4 x	11.8 x	27.9%	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 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	13.1 x	14.2 x	53.4%	16.0 x	-11.4%
France CAC IV	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 Si	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	107.4%	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	16.5%	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	19.7%	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%	(6%)	133%
SERI INDUSTRIAL	11.6	-0.7	-106%	(21%)	85%
CYBEROO	9.1	6.7	-27%	53%	79%
SAES GETTERS	33.1	28.8	-13%	43%	56%
AQUAFIL	25.5	-0.1	-100%	(55%)	46%
THE ITALIAN SEA GROUP	34.3	33.0	-4%	34%	38%
SERVIZI ITALIA	6.5	5.0	-23%	8%	31%
IREN	257.5	273.6	6%	36%	30%
FILA	45.8	38.1	-17%	11%	28%
FERRAGAMO	50.4	30.0	-41%	(14%)	26%
BFF BANK	185.3	190.0	3%	28%	26%
CY4GATE	14.5	9.8	-33%	(10%)	23%
TXT E-SOLUTIONS	13.3	15.2	14%	33%	19%
ESPRINET	59.5	28.8	-52%	(34%)	18%
SARAS	278.9	275.6	-1%	15%	17%
BANCA SISTEMA	27.9	16.7	-40%	(25%)	15%
SALCEF GROUP	64.7	75.3	17%	31%	14%
DE' LONGHI	217.0	205.6	-5%	8%	13%
SOMECC	12.6	10.5	-17%	(5%)	12%
ANIMA	175.3	157.8	-10%	2%	12%
TECHNOGYM	90.2	85.6	-5%	7%	12%
CIVITANAVI SYSTEMS	7.3	7.5	2%	12%	10%
MEDIA FOR EUROPE	217.1	213.7	-2%	8%	10%
MAIRE TECNIMONT	105.6	118.3	12%	22%	10%
EMAK	27.1	21.8	-20%	(10%)	10%
BREMBO	281.8	309.0	10%	19%	9%
WIIT	19.3	15.3	-21%	(12%)	9%
ALKEMY	6.9	5.2	-25%	(17%)	8%
MARR	51.4	56.5	10%	18%	8%
UNIPOLSAI	741.8	711.9	-4%	3%	7%
WEBUILD	153.4	190.5	24%	31%	7%
ELICA	24.1	18.3	-24%	(19%)	5%
DATALOGIC	31.7	21.8	-31%	(27%)	4%
MONDADORI	56.3	65.5	16%	19%	3%
PIAGGIO	91.4	113.6	24%	27%	3%
TESMEC	16.4	13.4	-18%	(17%)	1%
GEOX	8.6	8.1	-6%	(8%)	(3%)
OMER	6.7	8.0	19%	15%	(4%)
CEMENTIR	157.6	201.5	28%	23%	(5%)
ILBE	14.2	11.8	-17%	(22%)	(5%)
INTERCOS	56.5	60.5	7%	2%	(5%)
UNIDATA	9.7	9.6	0%	(6%)	(5%)
IGD	70.5	55.6	-21%	(28%)	(7%)
TOD'S	34.4	46.1	34%	27%	(7%)
FINE FOODS	8.3	9.1	9%	1%	(8%)
OVS GROUP	58.6	64.8	11%	2%	(9%)
REPLY	204.8	186.7	-9%	(17%)	(9%)
SESA	100.5	100.1	0%	(9%)	(9%)
ENAV	107.8	109.1	1%	(8%)	(9%)
GREENTHESIS	15.7	17.5	12%	2%	(10%)
BANCA IFIS	121.1	154.7	28%	17%	(11%)
INDEL B	16.1	16.5	3%	(8%)	(11%)
BRUNELLO CUCINELLI	90.3	108.5	20%	8%	(12%)
NOTORIOUS PICTURES	5.5	5.5	0%	(13%)	(13%)
ACEA	304.0	297.3	-2%	(15%)	(13%)
EL.EN.	62.8	50.5	-20%	(34%)	(15%)
TINEXTA	58.7	52.5	-11%	(25%)	(15%)
RELATECH	8.1	9.6	19%	1%	(18%)
SCIUKER FRAMES	30.0	30.0	0%	(20%)	(20%)
PHARMANUTRA	14.5	15.7	8%	(13%)	(21%)
LU-VE	33.3	34.3	3%	(19%)	(22%)
GPI	20.7	18.4	-11%	(34%)	(22%)
IEG	10.1	13.9	38%	13%	(24%)
RAI WAY	79.9	91.6	15%	(11%)	(26%)
BUZZI-UNICEM	476.6	844.2	77%	44%	(33%)
DOVALUE	56.8	51.8	-9%	(44%)	(35%)
CREDITO EMILIANO	293.9	451.0	53%	16%	(38%)

Source: Intermonte SIM

Liquidity

Mid/small cap liquidity up in the last month but still weak YtD

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 26.7% higher than in the corresponding period one year ago but is up just 1.3% from a YtD perspective. The picture is much more worrying for mid/small caps: specifically, YtD liquidity is down 17.9% YoY for mid-caps and 24.0% YoY for small caps, even if improving in the last month.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn) 2023			Avg Daily Volume * Avg Price (Eu mn) 2022			% Changes (YoY)		
	1M to 18/09	3M to 18/09	YTD to 18/09	1M to 18/09	3M to 18/09	YTD to 18/09	1M to 18/09	3M to 18/09	YTD to 18/09
FTSE MIB									
All stocks	47.83	49.72	52.11	37.75	38.19	51.42	26.7%	30.2%	1.3%
Top 20% by market cap	146.00	150.19	160.18	126.54	125.69	163.70	15.4%	19.5%	(2.2%)
FTSE Italia Mid Cap									
All stocks	1.64	1.71	1.99	1.52	1.61	2.42	7.8%	6.7%	(17.9%)
Top 20% by market cap	3.17	3.19	3.51	2.53	3.08	4.64	25.3%	3.4%	(24.5%)
FTSE Italia Small Cap									
All stocks	0.19	0.17	0.20	0.15	0.16	0.27	27.5%	7.5%	(24.0%)
Top 20% by market cap	0.60	0.47	0.54	0.46	0.41	0.61	30.6%	13.7%	(11.1%)

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	1,262	11,132,312
BUZZI-UNICEM	5,001	7,597,185
BRUNELLO CUCINELLI	5,083	6,373,845
REPLY	3,303	4,930,815
BFF BANK	1,777	4,423,678
BREMBO	4,138	4,189,597
WEBUILD	1,832	3,232,200
IREN	2,604	3,059,310
UNIPOLSAI	6,678	2,626,510
FERRAGAMO	2,388	2,544,261
ANIMA	1,261	2,469,077
DE' LONGHI	3,420	2,337,052
OVS GROUP	625	2,285,762
ESPRINET	225	2,189,899
TECHNOGYM	1,537	2,180,117
ACEA	2,328	2,087,994
TOD'S	1,272	1,961,131
MAIRE TECNIMONT	1,242	1,946,535
DOVALUE	319	1,784,326
BANCA IFIS	837	1,750,805
SESA	1,633	1,700,458
TIP	1,608	1,530,186
CREDITO EMILIANO	2,618	1,494,461
MARR	893	1,494,330
ENAV	1,972	1,404,914
TINEXTA	802	1,230,043
MEDIA FOR EUROPE	1,429	1,194,638
EL.EN.	747	1,119,126
FINCANTIERI	847	1,043,975

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	4.0	319	0.647	0.720	18.0%	111%	2.2x
BFF BANK	9.5	1,777	1.025	0.900	9.5%	88%	
BANCA IFIS	15.6	837	2.874	1.450	9.3%	50%	
IGD	2.3	249	0.504	0.207	9.2%	41%	9.2x
SARAS	1.3	1,262	0.290	0.120	9.0%	41%	-0.1x
NOTORIOUS PICTURES	1.3	28	0.245	0.098	7.8%	40%	1.2x
ACEA	10.9	2,328	1.396	0.851	7.8%	61%	3.7x
SCIUKER FRAMES	5.6	122	1.383	0.415	7.4%	30%	-0.3x
UNIPOLSAI	2.4	6,678	0.256	0.170	7.2%	66%	
ABITARE IN	5.6	149	0.908	0.397	7.1%	44%	0.5x
RAI WAY	4.8	1,307	0.337	0.324	6.7%	96%	1.0x
MEDIA FOR EUROPE	0.6	1,429	0.076	0.040	6.6%	52%	1.1x
PIAGGIO	3.6	1,277	0.321	0.225	6.3%	70%	1.0x
IREN	2.0	2,604	0.210	0.121	6.0%	58%	3.2x
ANIMA	3.8	1,261	0.477	0.230	6.0%	48%	
ENAV	3.6	1,972	0.201	0.203	5.6%	101%	1.2x
CREDITO EMILIANO	7.7	2,618	1.321	0.400	5.2%	30%	
GPI	9.6	277	0.650	0.500	5.2%	77%	2.1x
EMAK	1.1	172	0.133	0.054	5.1%	41%	2.6x
MONDADORI	2.2	563	0.251	0.110	5.1%	44%	1.0x
MARR	13.4	893	0.849	0.679	5.1%	80%	1.5x
BANCA SISTEMA	1.1	92	0.208	0.052	4.6%	25%	
MAIRE TECNIMONT	3.8	1,242	0.360	0.165	4.4%	46%	0.1x
TECHNOGYM	7.6	1,537	0.426	0.327	4.3%	77%	-1.0x
CEMENTIR	7.6	1,203	1.266	0.260	3.4%	21%	-0.5x
THE ITALIAN SEA GROUP	7.6	403	0.622	0.258	3.4%	41%	0.0x
WEBUILD	1.8	1,832	0.191	0.060	3.3%	31%	-0.5x
ELICA	2.4	152	0.289	0.080	3.3%	28%	0.8x
DATALOGIC	6.1	355	0.389	0.200	3.3%	51%	0.6x
INDEL B	23.0	134	2.833	0.700	3.0%	25%	0.5x

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	0.7	191	23.6	5.5	329%
FERRAGAMO	14.2	2,388	79.7	41.9	90%
CYBEROO	3.2	128	20.1	11.9	69%
SERVIZI ITALIA	1.3	41	8.1	5.1	58%
SOMECC	31.0	214	20.4	13.1	56%
SECO	4.2	550	23.9	15.9	50%
FINE FOODS	8.4	186	23.8	16.3	46%
NOTORIOUS PICTURES	1.3	28	5.1	3.5	46%
TESMEC	0.1	70	5.2	3.6	44%
ABITARE IN	5.6	149	6.2	4.3	44%
TOD'S	38.4	1,272	27.6	19.3	43%
REVO INSURANCE	8.1	200	13.4	9.9	35%
THE ITALIAN SEA GROUP	7.6	403	12.2	9.1	35%
TECHNOGYM	7.6	1,537	17.9	13.3	35%
GPI	9.6	277	14.7	11.0	34%
DATALOGIC	6.1	355	15.6	11.7	33%
WIIT	15.9	444	29.0	21.9	32%
AVIO	9.0	237	24.4	18.5	32%
ALKEMY	9.2	52	10.1	7.8	29%
WEBUILD	1.8	1,832	9.4	7.3	29%
CIVITANAVI SYSTEMS	3.9	119	16.0	12.5	28%
UNIDATA	44.0	136	14.1	11.3	24%
TINEXTA	17.0	802	15.3	12.4	23%
ESPRINET	4.5	225	7.8	6.4	23%
CY4GATE	8.3	196	20.1	16.4	23%
BANCA SISTEMA	1.1	92	5.5	4.5	22%
MARR	13.4	893	15.8	12.9	22%
SALCEF GROUP	22.8	1,420	18.8	15.8	20%
ELICA	2.4	152	8.3	7.0	19%
EMAK	1.1	172	7.9	6.7	18%
PIAGGIO	3.6	1,277	11.1	9.4	18%
OVS GROUP	2.1	625	9.6	8.2	18%
GREENTHESIS	1.0	147	8.4	7.2	17%
RELATECH	2.1	91	9.5	8.1	17%
IEG	2.8	86	6.2	5.3	17%
DE' LONGHI	22.6	3,420	16.6	14.3	17%
REPLY	88.3	3,303	17.7	15.3	16%
OMER	2.9	83	10.3	8.9	16%
INTERCOS	13.0	1,248	20.6	17.8	16%

Source: Intermonte SIM and FactSet

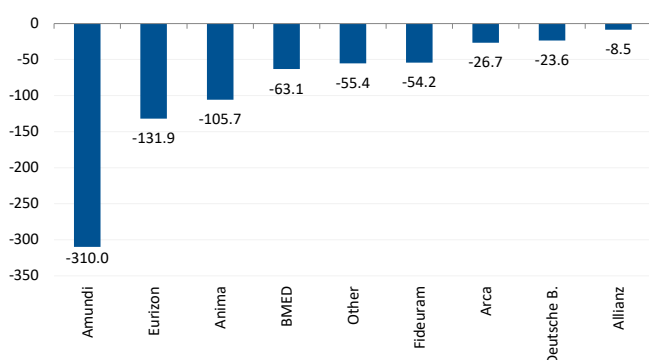
UPDATE on the Individual Savings Plan (PIR)

PIR: official figures for 1Q23

	1Q23 (Eu mn)	FY22 (Eu mn)	FY21 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	Nr. Of Funds		Invested Capital	
								at March 2023 # Funds	%	at March 2023 (Eu mn)	in %
Ordinary PIR	(779)	(734)	323	(759)	(1,097)	3,950	10,903	66		17,824	
Alternative PIR	58	242						14		1,512	
EQUITY FUNDS	(264)	(338)	280	(281)	(369)	349	2,260	26	32.5%	5,465	28.3%
BALANCED FUNDS	(466)	(385)	214	(321)	(587)	2,525	5,962	22	27.5%	7,257	37.5%
FIXED INCOME FUNDS	71	(12)	17	(1)	(20)	10	75	6	7.5%	280	1.4%
FLEXIBLE FUNDS	(114)	2	(187)	(160)	(121)	1,067	2,605	14	17.5%	4,836	25.0%
CLOSED-END FUNDS	52	240						12	15.0%	1,499	7.8%

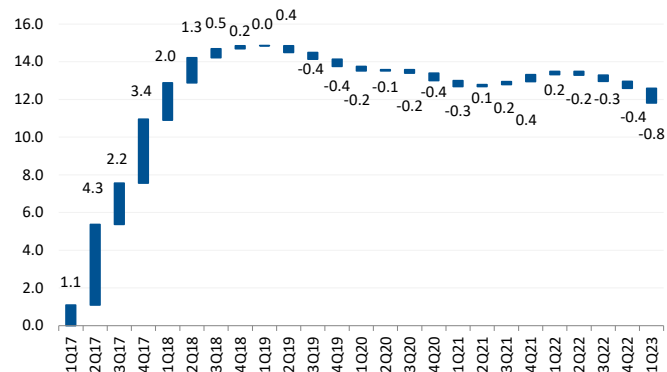
Source: Assogestioni, Quarterly Report, May 2023

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



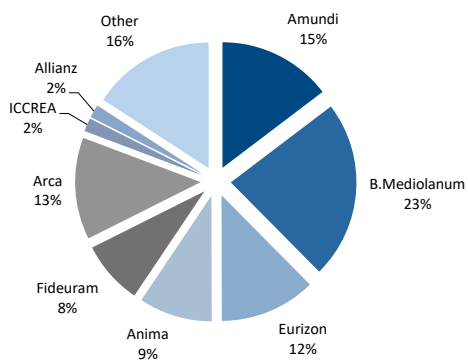
Source: Assogestioni

Ordinary PIR - Inflows by quarter (Eu bn)



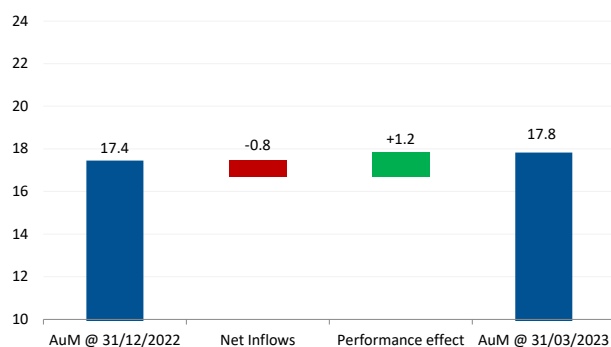
Source: Intermonte SIM estimates, Assogestioni

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 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.

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 room for optimism on the next few months. Outflows in July remained unsupportive and amounted to Eu169mn.

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.

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 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).

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

Reducing our estimates for ordinary PIRs

Assogestioni data for 1Q23 showed Eu779.1mn of outflows, and preliminary market data for April-July confirmed a similar negative trend. These figures have prompted us once again to revise our estimates for the year, which now point to outflows of Eu1.9bn (from Eu1.5bn). Our new forecast confirms our expectation for an improvement in numbers in 2H23, on which visibility remains low.

Looking at the reasons for redemptions from PIR funds, we can certainly hypothesise that many investors, noting positive performances as they pass the 5-year mark for maintaining the investment (meaning that tax benefits on capital gains are retained), have decided to cash in their PIR funds, thus enabling them to invest their savings in 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 it 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, we do expect 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 investors.

The main assumptions underpinning our current estimates are as follows:

- for 2023, we assume gross inflows from new PIR subscribers of Eu120mn;
- 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 at ~16% of assets under management in 2023.

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)	(1,875)
YoY Growth			-63.8%	nm	nm	nm	nm	156.0%
o/w From Continuing Subs. (estimated)								424
o/w From New Subscribers (estimated)								120
o/w Transformation of Existing Funds/Exit from PIR (est.)								(2,419)

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	7.8	7.4	6.1	6.0	7.8%	8.0%	-9.4%	3.8%	3.7x	3.6x
ANIMA	8.0	7.3			6.0%	6.5%				
BANCA IFIS	5.4	5.2			9.3%	9.6%				
BFF BANK	9.3	8.3			9.5%	9.9%				
BREMBO	13.0	13.0	6.1	5.6	2.4%	2.4%	4.4%	5.9%	0.6x	0.4x
BRUNELLO CUCINELLI	46.8	42.8	15.8	14.2	1.1%	1.2%	1.1%	1.4%	1.8x	1.6x
BUZZI-UNICEM	5.9	6.0	2.7	2.3	1.9%	2.1%	16.5%	14.5%	-0.7x	-1.1x
CEMENTIR	6.0	5.4	2.8	2.0	3.4%	3.8%	11.4%	17.9%	-0.5x	-0.9x
CREDITO EMILIANO	5.8	6.1			5.2%	5.5%				
DATALOGIC	15.6	11.7	5.9	5.1	3.3%	4.1%	4.8%	7.7%	0.6x	0.3x
DE' LONGHI	16.6	14.3	7.6	6.6	2.5%	2.9%	4.8%	4.7%	-1.0x	-1.0x
EL.EN.	14.5	12.8	8.1	6.9	2.2%	2.4%	0.3%	8.2%	-0.6x	-1.0x
ENAV	18.1	16.0	8.1	7.4	5.6%	5.7%	8.3%	9.9%	1.2x	0.9x
FERRAGAMO	79.7	41.9	8.3	6.9	0.6%	1.2%	-0.7%	1.4%	1.1x	0.8x
FINCANTIERI	nm	nm	9.1	8.7	0.0%	0.0%			7.0x	6.8x
INTERCOS	20.6	17.8	9.5	8.2	1.1%	1.4%	1.7%	3.9%	0.6x	0.3x
IREN	9.5	9.2	5.7	5.6	6.0%	6.6%	-8.6%	-2.2%	3.2x	3.3x
LU-VE	14.8	13.0	8.0	7.1	1.8%	1.8%	2.6%	5.3%	1.7x	1.4x
MAIRE TECNIMONT	10.5	9.5	4.9	4.2	4.4%	4.9%	3.7%	8.1%	0.1x	0.0x
MARR	15.8	12.9	8.5	7.4	5.1%	6.2%	0.1%	3.3%	1.5x	1.4x
MEDIA FOR EUROPE	8.0	7.5	3.0	2.6	6.6%	6.6%	19.1%	21.5%	1.1x	0.8x
MONDADORI	8.6	8.4	4.7	4.4	5.1%	5.1%	12.1%	12.8%	1.0x	0.7x
OVS GROUP	9.6	8.2	4.6	4.0	2.7%	3.2%	10.1%	8.8%	0.6x	0.4x
PHARMANUTRA	33.3	29.4	21.8	18.5	1.5%	1.7%	0.1%	3.0%	0.0x	-0.3x
PIAGGIO	11.1	9.4	4.7	4.3	6.3%	7.4%	9.2%	9.1%	1.0x	0.8x
RAI WAY	14.3	14.5	8.3	8.5	6.7%	6.9%	8.4%	8.5%	1.0x	1.2x
REPLY	17.7	15.3	9.3	7.8	1.2%	1.4%	6.4%	6.1%	-0.6x	-1.0x
SAFILO	10.3		2.9		0.0%		15.7%		0.1x	
SALCEF GROUP	18.8	15.8	9.4	7.9	2.4%	2.9%	3.4%	4.4%	-0.1x	-0.2x
SARAS	4.6	9.2	1.9	2.5	9.0%	6.0%	1.6%	19.0%	-0.1x	-0.5x
SECO	23.9	15.9	11.7	8.8	0.0%	0.0%	2.3%	2.8%	0.9x	0.5x
SESA	16.3	14.6	8.9	6.7	0.9%	1.2%	0.9%	8.2%	-0.2x	-0.1x
TECHNOGYM	17.9	13.3	8.6	6.7	4.3%	3.7%	5.9%	8.0%	-1.0x	-1.1x
TINEXTA	15.3	12.4	9.9	8.2	2.5%	2.0%	3.9%	6.6%	0.6x	0.2x
TIP	12.1	nm			1.7%	1.8%			11.2x	
TOD'S	27.6	19.3	5.2	4.6	0.0%	0.0%	1.2%	4.8%	2.1x	1.8x
UNIPOLSAI	9.2	9.0			7.2%	7.8%				
WEBUILD	9.4	7.3	1.9	1.6	3.3%	3.3%	10.4%	6.1%	-0.5x	-0.5x

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	6.2	4.3	4.3	3.7	7.1%	6.9%	68.5%	-13.7%	0.5x	1.0x
ALKEMY	10.1	7.8	6.4	5.4	0.0%	0.0%	4.5%	10.6%	2.6x	1.9x
AQUAFIL	nm	18.8	5.9	4.9	0.0%	1.1%	20.4%	9.3%	4.0x	3.2x
AVIO	24.4	18.5	5.4	4.5	1.0%	2.6%	-4.1%	-0.7%	-2.6x	-1.6x
BANCA SISTEMA	5.5	4.5			4.6%	5.6%				
CIVITANAVI SYSTEMS	16.0	12.5	7.9	6.1	2.6%	2.8%	2.4%	2.2%	-2.6x	-1.2x
CY4GATE	20.1	16.4	7.8	6.8	0.0%	0.0%	0.9%	1.9%	0.0x	-0.1x
CYBEROO	20.1	11.9	11.5	6.6	0.0%	0.0%	3.2%	6.1%	-0.5x	-0.7x
DOVALUE	6.2	5.7	3.9	3.4	18.0%	19.8%	28.9%	31.1%	2.2x	1.8x
ELICA	8.3	7.0	3.9	3.2	3.3%	3.8%	8.3%	15.6%	0.8x	0.4x
EMAK	7.9	6.7	5.1	4.6	5.1%	6.0%	13.1%	12.9%	2.6x	2.3x
ESPRINET	7.8	6.4	4.1	2.8	0.0%	0.0%	31.0%	24.0%	0.9x	0.1x
FILA	10.4	9.7	6.8	6.4	1.7%	1.9%	10.6%	8.1%	2.9x	2.6x
FINE FOODS	23.8	16.3	9.5	7.7	1.7%	2.5%	0.2%	2.1%	1.7x	1.3x
GEOX	23.6	5.5	5.6	4.5	0.0%	9.1%	-27.8%	11.6%	3.8x	2.9x
GPI	14.7	11.0	6.1	5.3	5.2%	5.2%	3.5%	6.7%	2.1x	1.8x
GREENTHESIS	8.4	7.2	6.7	5.8	2.4%	2.9%	-3.1%	2.1%	1.9x	1.7x
IEG	6.2	5.3	3.5	3.0	2.9%	3.6%	17.1%	18.8%	2.0x	1.6x
IGD	4.5	5.0	11.5	10.8	9.2%	9.2%	25.6%	22.7%	9.2x	8.5x
ILBE	2.8	2.8	0.5	0.5	0.0%	0.0%	-16.7%	10.0%	0.2x	0.2x
INDEL B	8.1	7.5	4.7	4.0	3.0%	4.3%	9.1%	11.9%	0.5x	0.1x
NOTORIOUS PICTURES	5.1	3.5	2.5	1.8	7.8%	11.4%	-10.6%	10.1%	1.2x	0.9x
OMER	10.3	8.9	5.7	4.7	1.7%	1.9%	7.6%	8.5%	-1.1x	-1.4x
RELATECH	9.5	8.1	4.7	3.9	0.0%	0.0%	7.0%	7.0%	0.4x	0.0x
REVO INSURANCE	13.4	9.9			0.9%	1.8%				
SAES GETTERS	19.7	17.7	11.7	7.4	1.6%	1.6%	2.8%	4.2%	-0.6x	-0.7x
SCIUKER FRAMES	4.1	5.0	2.2	2.0	7.4%	6.0%	13.1%	22.6%	-0.3x	-0.9x
SERI INDUSTRIAL	nm	13.1	11.7	6.4	0.0%	0.0%	-4.7%	-2.0%	4.0x	2.2x
SERVIZI ITALIA	8.1	5.1	2.3	2.1	0.0%	0.0%	-14.4%	13.6%	1.7x	1.6x
SOMEK	20.4	13.1	8.7	6.3	2.4%	3.8%	8.0%	12.1%	1.9x	1.0x
TESMEC	5.2	3.6	4.0	3.2	0.0%	0.0%	8.8%	21.3%	2.6x	1.9x
THE ITALIAN SEA GROUP	12.2	9.1	6.9	4.9	3.4%	4.1%	6.5%	13.7%	0.0x	-0.5x
TXT E-SOLUTIONS	13.8	12.5	7.6	6.3	1.3%	1.5%	5.2%	7.0%	0.9x	0.5x
UNIDATA	14.1	11.3	7.5	6.5	0.3%	0.4%	9.3%	-1.9%	2.1x	1.8x
WIIT	29.0	21.9	12.8	11.0	1.7%	2.3%	4.3%	5.5%	4.1x	3.1x

Source: Intermonte SIM and Factset

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- 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)

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

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