

Italian Mid/Small Caps Monthly

Mid/Small Caps In a Position To Outperform the Market

by Intermonte Research Team

Italian Equity Market

- **Performance (+).** The Italian equity market (prices as at 17 January 2024) has posted a negative 0.8% performance in the last month and is down 0.9% YtD. The FTSE Italy Mid-Cap index (+0.5%) has outperformed the main index by 1.3% in the last month (-0.1% YtD on a relative basis), with the FTSE Italy Small Caps index (+0.8%) performing 1.6% above the market, or -2.6% on a relative basis since the beginning of 2024. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has decreased 2.7% in the last month, performing worse than Italian mid/ small caps.
- **Estimates (=).** Since the beginning of 2024, we have implemented a -0.2/-0.3% downward revision to our 2023/2024 EPS estimates; focusing on our mid/small cap coverage, however, we have left our 2023 EPS unchanged while trimming 2024 by a similar amount (-0.3%). Notably, in the last month, changes are broadly the same.
- **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 0.6% de-rating YtD (inverting the positive trend recorded one month ago); mid-caps have de-rated by 1.0%, while small caps have de-rated by 3.8%. On a P/E basis, our panel is trading at a 33% premium to large caps, above the historical average premium (17%) but slightly below the level one month ago (35%).
- **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 15.0% higher than in the corresponding period one year ago and is up 6.9% from a YtD perspective. The picture is more worrying for mid/small caps: specifically, YtD liquidity is down 6.6% YoY for mid-caps and 6.3% YoY for small caps, although it did improve in the last month, mainly thanks to a significant portfolio reshuffle at YE23.
- **Investment strategy.** In our recent 1H24 strategy report, we presented our expectation for a gradual decline in interest rates, although central banks could implement reductions on a less aggressive timescale than expected by investors. Despite geopolitical tensions and even after the positive 2023 performance, we still have a constructive view on the Italian market. In this context, we expect mid/small caps to regain momentum after the 2023 underperformance generated by portfolio rotations (from growth to value stocks) and redemptions from Individual Saving funds (PIR). We think there are various stocks in the segment with excellent growth prospects and generally attractive valuations. Our preference goes in particular to those stocks with high visibility on estimates and resilient business models, such as companies enabling the digital transformation, utilities, some industrials linked to long-term investment plans, and consumers with strong pricing and positioning. M&A could again become a significant factor for a variety of stocks that generate abundant cash and are seeking growth opportunities, as well as for acquisition targets or companies in the crosshairs for a delisting.

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Performance

Mid Small caps outperformed large caps in the last month

The Italian equity market (prices as at 17 January 2024) has posted a negative 0.8% performance in the last month and is down 0.9% YtD. The FTSE Italy Mid-Cap index (+0.5%) has outperformed the main index by 1.3% in the last month (-0.1% YtD on a relative basis), with the FTSE Italy Small Caps index (+0.8%) performing 1.6% above the market, or -2.6% on a relative basis since the beginning of 2024.

Italian Market Indexes – performance analysis (prices as at 17 January 2024)

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	44,090	0.5%	13.3%	4.4%	-1.0%	3.9%	-8.9%	16.2%	22.3%
FTSE Italia Small Cap	27,339	0.8%	8.3%	3.0%	-3.5%	-7.3%	-15.3%	25.9%	44.4%
FTSE Italia Star	46,520	-0.4%	13.1%	0.3%	-2.7%	-6.5%	-23.6%	3.4%	39.7%
FTSE Italia Growth Index	8,215	1.4%	3.6%	-9.2%	-1.1%	-14.1%	-27.6%	10.4%	-4.2%
FTSE Italia All-Share	32,193	-0.8%	6.7%	5.1%	-0.9%	14.4%	6.6%	32.0%	50.5%
FTSE MIB	30,099	-0.9%	6.1%	5.2%	-0.8%	15.8%	8.7%	34.5%	54.6%

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	1.3%	6.6%	-0.7%	-0.1%	-10.6%	-15.5%	-15.7%	-28.2%
FTSE Italia Small Cap	1.6%	1.6%	-2.1%	-2.6%	-21.8%	-21.9%	-6.0%	-6.1%
FTSE Italia Star	0.3%	6.4%	-4.8%	-1.8%	-20.9%	-30.3%	-28.5%	-10.8%

Source: FactSet

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has decreased 2.7% 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	157	-1.7%	3.8%	2.1%	-2.2%	2.5%	-2.0%	16.2%	32.7%
MSCI Europe Small Cap	400	-2.7%	7.8%	0.9%	-4.2%	-2.4%	-18.0%	-4.9%	20.2%

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 (%)
OMER	3.33	96	17%
SERVIZI ITALIA	1.91	61	14%
TXT E-SOLUTIONS	20.50	267	13%
BP SONDRIO	6.00	2,718	10%
EMAK	1.05	173	10%
MONDADORI	2.29	597	10%
IEG	3.41	105	9%
THE ITALIAN SEA GROUP	8.77	465	7%
SAFILO	0.93	383	6%
ELICA	2.32	147	6%
BUZZI-UNICEM	29.24	5,632	6%
MAIRE TECNIMONT	4.90	1,609	6%
SARAS	1.70	1,615	5%
AVIO	8.46	223	5%
CEMENTIR	9.52	1,515	5%
REPLY	121.20	4,534	5%
LU-VE	22.85	508	5%
TALEA GROUP	8.82	60	5%
RAI WAY	5.08	1,382	5%
FINE FOODS	8.75	193	5%
FTSE Italia Mid Cap			1%
FTSE Italia Small Cap			1%
FTSE MIB			-1%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
DOVALUE	2.57	205	-23%
ANTARES VISION	1.36	94	-19%
FERRAGAMO	10.57	1,784	-16%
TOD'S	30.36	1,005	-11%
SOMEK	25.70	177	-10%
OVS GROUP	2.04	593	-9%
SERI INDUSTRIAL	2.89	156	-9%
WIIT	17.66	495	-9%
IREN	1.92	2,491	-9%
ABITARE IN	4.87	130	-8%
SECO	3.07	408	-8%
DATALOGIC	6.14	359	-6%
INTERCOS	14.02	1,350	-6%
IGD	2.19	242	-5%
TINEXTA	18.68	882	-5%
CY4GATE	7.47	176	-4%
MARR	11.04	734	-4%
NOTORIOUS PICTURES	1.15	26	-3%
UNIDATA	3.95	122	-3%
EL.EN.	9.33	746	-3%

Source: FactSet

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
SERVIZI ITALIA	1.91	61	14%
IEG	3.41	105	11%
OMER	3.33	96	10%
WEBUILD	1.96	1,998	7%
THE ITALIAN SEA GROUP	8.77	465	7%
MONDADORI	2.29	597	7%
BUZZI-UNICEM	29.24	5,632	6%
SARAS	1.70	1,615	5%
CIVITANAVI SYSTEMS	4.06	125	4%
RELATECH	2.19	95	4%
UNIPOLSAI	2.34	6,616	3%
TXT E-SOLUTIONS	20.50	267	3%
ALKEMY	9.49	54	3%
PHARMANUTRA	58.00	561	3%
CYBEROO	3.09	128	3%
CREDITO EMILIANO	8.25	2,816	3%
BP SONDRIO	6.00	2,718	2%
ELICA	2.32	147	2%
SAES GETTERS	34.55	580	1%
REPLY	121.20	4,534	1%
FTSE Italia Mid Cap			-1%
FTSE Italia Small Cap			-4%
FTSE MIB			-1%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
ANTARES VISION	1.36	94	-27%
DOVALUE	2.57	205	-25%
SERI INDUSTRIAL	2.89	156	-15%
FERRAGAMO	10.57	1,784	-13%
TOD'S	30.36	1,005	-11%
SECO	3.07	408	-11%
OVS GROUP	2.04	593	-10%
SOMEK	25.70	177	-10%
WIIT	17.66	495	-9%
DATALOGIC	6.14	359	-9%
CY4GATE	7.47	176	-9%
TINEXTA	18.68	882	-8%
GPI	9.23	267	-7%
NOTORIOUS PICTURES	1.15	26	-7%
SESA	115.30	1,787	-6%
AQUAFIL	3.24	139	-6%
IGD	2.19	242	-5%
ESPRINET	5.23	263	-5%
GEOX	0.69	180	-5%
FINCANTIERI	0.53	904	-5%

Source: FactSet

Earnings Momentum

Mid-cap forecasts revised slightly down in the last month

Since the beginning of 2024, we have implemented a -0.2/-0.3% downward revision to our 2023/2024 EPS estimates; focusing on our mid/small cap coverage, however, we have left our 2023 EPS unchanged while trimming 2024 by a similar amount (-0.3%). Notably, in the last month, the changes are broadly the same.

Italian Market – Intermonte changes to 2023 and 2024 estimates

EPS REVISION	Since January 1st 2024		Since 19/12/2023	
	% chg in EPS FY23	% chg in EPS FY24	% chg in EPS FY23	% chg in EPS FY24
Total Market	-0.2%	-0.3%	-0.2%	-0.3%
Total Market - Ex Energy	-0.2%	-0.2%	-0.2%	-0.3%
Domestic	0.0%	-0.2%	0.0%	-0.2%
Non domestic	-0.5%	-0.4%	-0.5%	-0.4%
Non domestic - Ex Energy	-0.3%	-0.3%	-0.2%	-0.3%
FTSE MIB	-0.2%	-0.3%	-0.2%	-0.3%
Mid Caps (our coverage)	0.0%	-0.2%	0.0%	-0.2%
Small Caps (our coverage)	0.3%	-1.8%	-2.6%	-4.8%
Intermonte Mid&Small Caps coverage	0.0%	-0.3%	-0.2%	-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 31/12/23	Restated net profit 23 last estimate	% chg from 31/12/23
Upward Revision			
ABITARE IN	24	25	5.0%
Downward Revision			
TECHNOGYM	82	80	-2.7%

Source: Intermonte SIM

Valuation

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

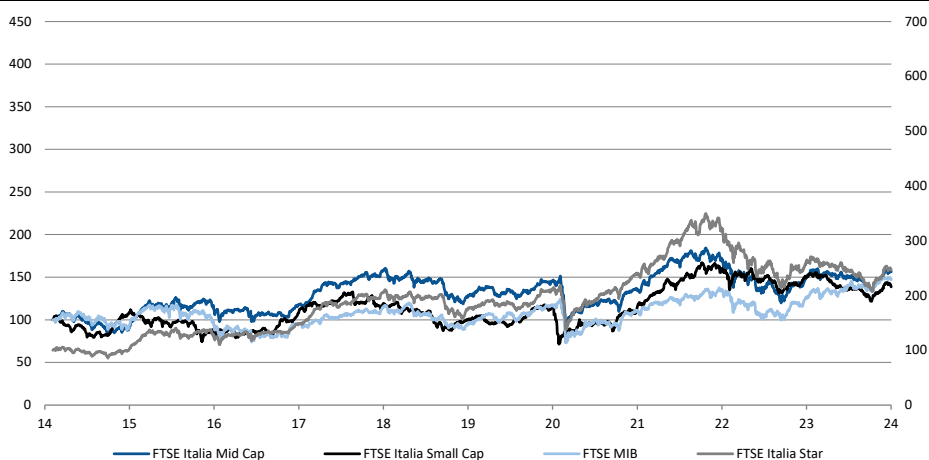
If we compare performance YtD to the change in FY23 estimates over the same period, we see that FTSE MIB stocks have recorded a 0.6% de-rating YtD (inverting the positive trend recorded one month ago); mid-caps have de-rated by 1.0%, while small caps have de-rated by 3.8%.

Italian Market – re/de-rating by index

Index	% Change YTD	on FY23 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	-0.8%	-0.2%	-0.6%
FTSE Italia Mid Cap	-1.0%	0.0%	-1.0%
FTSE Italia Small Cap	-3.5%	0.3%	-3.8%

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 33% premium to large caps, above the historical average premium (17%) but slightly below the level one month ago (35%).

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	9.5 x	-	15.7 x	-39.4%
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	11.5 x	-	18.3 x	-37.1%
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	12.3 x	-	18.9 x	-34.8%
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	24.5%	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	38.0%	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	49.3%	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	11.2%	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	78.5%	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	13.4%	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	-0.7%	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	16.5%	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	20.8%	18.0 x	-22.4%

Source: Intermonte SIM and FactSet

Intermonte Mid & Small Cap Coverage – de-rating/re-rating on 2023 estimates since Jan 2024

Stock	Restated Net Profit 23 as of 31/12/23	Restated net profit 23 last estimate	% Chg in Net Profit 23	Share Price perf. 31/12/22	De-rating(-) Re-rating(+)
SERVIZI ITALIA	5.0	5.0	0%	14%	14%
IEG	17.5	17.5	0%	11%	11%
OMER	7.8	7.8	0%	10%	10%
WEBUILD	190.5	190.5	0%	7%	7%
THE ITALIAN SEA GROUP	34.7	34.7	0%	7%	7%
MONDADORI	65.5	65.5	0%	7%	7%
BUZZI-UNICEM	844.2	844.2	0%	6%	6%
SARAS	319.5	319.5	0%	5%	5%
CIVITANAVI SYSTEMS	7.5	7.5	0%	4%	4%
RELATECH	7.6	7.6	0%	4%	4%
TXT E-SOLUTIONS	14.4	14.4	0%	3%	3%
ALKEMY	5.2	5.2	0%	3%	3%
PHARMANUTRA	15.7	15.7	0%	3%	3%
CYBEROO	4.9	4.9	0%	3%	3%
CREDITO EMILIANO	451.0	451.0	0%	3%	3%
BP SONDRIO	444.8	444.8	0%	2%	2%
ELICA	13.6	13.6	0%	2%	2%
SAES GETTERS	28.8	28.8	0%	1%	1%
REPLY	172.5	172.5	0%	1%	1%
SAFILO	23.7	23.7	0%	1%	1%
ANIMA	158.5	158.5	0%	1%	1%
FILA	39.1	39.1	0%	1%	1%
TALEA GROUP	-1.9	-1.9	0%	1%	1%
MEDIA FOR EUROPE	269.1	269.1	0%	1%	1%
INTRED	6.1	6.1	0%	0%	0%
PIAGGIO	93.3	93.3	0%	0%	0%
UNIDATA	9.6	9.6	0%	0%	0%
BFF BANK	184.7	184.7	0%	0%	0%
TECHNOGYM	82.3	80.0	-3%	(3%)	0%
ACEA	298.4	298.4	0%	0%	0%
ACEA	298.4	298.4	0%	0%	0%
CEMENTIR	201.5	201.5	0%	(0%)	(0%)
FINE FOODS	4.2	4.2	0%	(0%)	(0%)
BANCA IFIS	158.2	158.2	0%	(0%)	(0%)
MAIRE TECNIMONT	120.2	120.2	0%	(0%)	(0%)
FRANCHI UMBERTO MARMI	14.1	14.1	0%	(0%)	(0%)
RAI WAY	92.4	92.4	0%	(1%)	(1%)
BANCA SISTEMA	16.2	16.2	0%	(1%)	(1%)
LU-VE	34.0	34.0	0%	(1%)	(1%)
BREMBO	297.7	297.7	0%	(2%)	(2%)
REVO INSURANCE	39.2	39.2	0%	(2%)	(2%)
TESMEC	4.2	4.2	0%	(2%)	(2%)
INTERCOS	60.5	60.5	0%	(2%)	(2%)
DE' LONGHI	248.7	248.7	0%	(2%)	(2%)
ENAV	108.8	108.8	0%	(3%)	(3%)
INDEL B	16.5	16.5	0%	(3%)	(3%)
IREN	277.2	277.2	0%	(3%)	(3%)
GREENTHESIS	17.5	17.5	0%	(3%)	(3%)
MARR	49.7	49.7	0%	(4%)	(4%)
SALCEF GROUP	78.0	78.0	0%	(4%)	(4%)
EMAK	19.0	19.0	0%	(4%)	(4%)
EL.EN.	47.7	47.7	0%	(4%)	(4%)
FINCANTIERI	-49.6	-49.6	0%	(5%)	(5%)
GEOX	8.1	8.1	0%	(5%)	(5%)
ESPRINET	27.5	27.5	0%	(5%)	(5%)
IGD	55.6	55.6	0%	(5%)	(5%)
AQUAFIL	-19.4	-19.4	0%	(6%)	(6%)
SESA	100.1	100.1	0%	(6%)	(6%)
NOTORIOUS PICTURES	4.4	4.4	0%	(7%)	(7%)
GPI	15.3	15.3	0%	(7%)	(7%)
TINEXTA	54.3	54.3	0%	(8%)	(8%)
ABITARE IN	24.1	25.3	5%	(3%)	(8%)
CY4GATE	9.0	9.0	0%	(9%)	(9%)
DATALOGIC	21.8	21.8	0%	(9%)	(9%)
WIIT	15.0	15.0	0%	(9%)	(9%)
SOMEK	2.7	2.7	0%	(10%)	(10%)
OVS GROUP	64.8	64.8	0%	(10%)	(10%)

Source: Intermonte SIM

Liquidity

Mid/small cap liquidity up in the last month

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 15.0% higher than in the corresponding period one year ago and is up 6.9% from a YtD perspective. The picture is more worrying for mid/small caps: specifically, YtD liquidity is down 6.6% YoY for mid-caps and 6.3% YoY for small caps, although it did improve in the last month, mainly thanks to a significant portfolio reshuffle at YE23.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn) 2024			Avg Daily Volume * Avg Price (Eu mn) 2023			% Changes (YoY)		
	1M to 19/01	3M to 19/01	YTD to 19/01	1M to 19/01	3M to 19/01	YTD to 19/01	1M to 19/01	3M to 19/01	YTD to 19/01
FTSE MIB									
All stocks	41.61	49.99	50.62	36.19	41.14	47.35	15.0%	21.5%	6.9%
Top 20% by market cap	27.56	32.78	25.80	17.60	17.50	19.81	56.6%	87.3%	30.3%
FTSE Italia Mid Cap									
All stocks	1.92	2.00	2.01	1.53	1.64	2.16	25.5%	21.6%	(6.6%)
Top 20% by market cap	3.80	3.93	3.50	2.44	2.73	3.95	55.6%	43.8%	(11.3%)
FTSE Italia Small Cap									
All stocks	0.25	0.21	0.22	0.17	0.17	0.23	45.3%	24.4%	(6.3%)
Top 20% by market cap	0.53	0.55	0.55	0.43	0.44	0.54	21.9%	26.2%	1.8%

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	1,615	10,549,401
BP SONDRIO	2,718	8,065,238
BUZZI-UNICEM	5,632	6,647,379
REPLY	4,534	5,175,470
BREMBO	3,650	3,867,104
BFF BANK	1,931	3,548,150
IREN	2,491	2,923,430
DE' LONGHI	4,502	2,865,085
FERRAGAMO	1,784	2,684,542
ANIMA	1,337	2,658,859
MAIRE TECNIMONT	1,609	2,483,626
ACEA	2,945	2,479,463
UNIPOLSAI	6,616	2,389,806
WEBUILD	1,998	2,253,515
PIAGGIO	1,069	2,247,859
OVS GROUP	593	2,246,193
TOD'S	1,005	2,167,519
BANCA IFIS	843	2,148,817
SESA	1,787	1,947,404
TECHNOGYM	1,776	1,945,230
DOVALUE	205	1,881,121
ENAV	1,809	1,572,467
ESPRINET	263	1,491,529
CREDITO EMILIANO	2,816	1,299,038
MARR	734	1,280,273
TINEXTA	882	1,234,655
FINCANTIERI	904	1,204,419
EL.EN.	746	1,096,547
TIP	1,665	1,058,174

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 2024 vs. 2023, 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	2.6	205	0.647	0.720	28.1%	111%	2.2x
BANCA IFIS	15.7	843	2.941	2.049	13.1%	70%	
IGD	2.2	242	0.504	0.207	9.4%	41%	9.2x
BFF BANK	10.3	1,931	0.988	0.899	8.7%	91%	
ABITARE IN	4.9	130	0.953	0.420	8.6%	44%	1.1x
BP SONDRIO	6.0	2,718	0.981	0.491	8.2%	50%	
UNIPOLSAI	2.3	6,616	0.246	0.170	7.3%	69%	
PIAGGIO	3.0	1,069	0.263	0.210	7.0%	80%	1.1x
MEDIA FOR EUROPE	3.3	1,567	0.474	0.230	7.0%	49%	1.0x
NOTORIOUS PICTURES	1.2	26	0.195	0.078	6.8%	40%	2.5x
RAI WAY	5.1	1,382	0.340	0.327	6.4%	96%	0.8x
IREN	1.9	2,491	0.213	0.121	6.3%	57%	3.2x
ACEA	13.8	2,945	1.401	0.851	6.2%	61%	3.6x
ENAV	3.3	1,809	0.201	0.203	6.1%	101%	1.3x
SARAS	1.7	1,615	0.336	0.100	5.9%	30%	-0.2x
ANIMA	4.1	1,337	0.477	0.230	5.7%	48%	
GPI	9.2	267	0.546	0.500	5.4%	92%	4.7x
MARR	11.0	734	0.747	0.597	5.4%	80%	1.5x
ESPRINET	5.2	263	0.551	0.276	5.3%	50%	1.7x
CREDITO EMILIANO	8.3	2,816	1.321	0.400	4.8%	30%	
MONDADORI	2.3	597	0.251	0.110	4.8%	44%	1.0x
EMAK	1.1	173	0.116	0.047	4.5%	40%	2.8x
BANCA SISTEMA	1.2	96	0.201	0.050	4.2%	25%	
FRANCHI UMBERTO MARMI	6.9	225	0.431	0.264	3.8%	61%	0.6x
MAIRE TECNIMONT	4.9	1,609	0.366	0.174	3.6%	48%	-0.4x
TECHNOGYM	8.8	1,776	0.398	0.305	3.5%	77%	-0.9x
INDEL B	23.3	136	2.830	0.800	3.4%	28%	0.5x
DATALOGIC	6.1	359	0.389	0.200	3.3%	51%	0.6x
THE ITALIAN SEA GROUP	8.8	465	0.655	0.272	3.1%	41%	0.0x
WEBUILD	2.0	1,998	0.191	0.060	3.1%	31%	-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	180	22.3	5.2	329%
SOMECC	25.7	177	66.2	20.9	217%
FINE FOODS	8.8	193	53.0	19.7	169%
TESMEC	0.1	70	16.4	7.6	118%
FERRAGAMO	10.6	1,784	60.4	32.4	87%
ANTARES VISION	1.4	94	13.5	8.0	68%
GPI	9.2	267	16.9	10.5	61%
SERVIZI ITALIA	1.9	61	12.2	7.7	59%
REVO INSURANCE	8.3	203	5.2	3.3	58%
CYBEROO	3.1	128	26.2	17.8	47%
NOTORIOUS PICTURES	1.2	26	5.9	4.1	45%
TOD'S	30.4	1,005	24.7	17.5	42%
DATALOGIC	6.1	359	15.8	11.9	33%
AVIO	8.5	223	22.9	17.4	32%
WIIT	17.7	495	32.9	25.0	31%
RELATECH	2.2	95	12.5	9.5	31%
ALKEMY	9.5	54	10.4	8.1	29%
THE ITALIAN SEA GROUP	8.8	465	13.4	10.4	29%
WEBUILD	2.0	1,998	10.3	8.0	29%
CIVITANAVI SYSTEMS	4.1	125	16.8	13.1	28%
UNIDATA	4.0	122	12.7	10.0	27%
MAIRE TECNIMONT	4.9	1,609	13.4	10.7	25%
CY4GATE	7.5	176	19.6	15.8	24%
PIAGGIO	3.0	1,069	11.4	9.2	23%
MARR	11.0	734	14.8	12.1	22%
REPLY	121.2	4,534	26.3	21.8	21%
EMAK	1.1	173	9.1	7.5	20%
SECO	3.1	408	21.0	17.5	20%
SALCEF GROUP	23.7	1,479	19.0	15.9	19%
ESPRINET	5.2	263	9.5	8.0	18%
OVS GROUP	2.0	593	9.2	7.8	18%
GREENTHESIS	0.9	146	8.4	7.1	17%
TINEXTA	18.7	882	16.2	14.0	16%
INTERCOS	14.0	1,350	22.3	19.3	16%
OMER	3.3	96	12.2	10.6	15%
TECHNOGYM	8.8	1,776	22.2	19.3	15%
EL.EN.	9.3	746	15.3	13.4	14%
ANIMA	4.1	1,337	8.5	7.5	14%
PHARMANUTRA	58.0	561	35.8	31.7	13%

Source: Intermonte SIM and FactSet

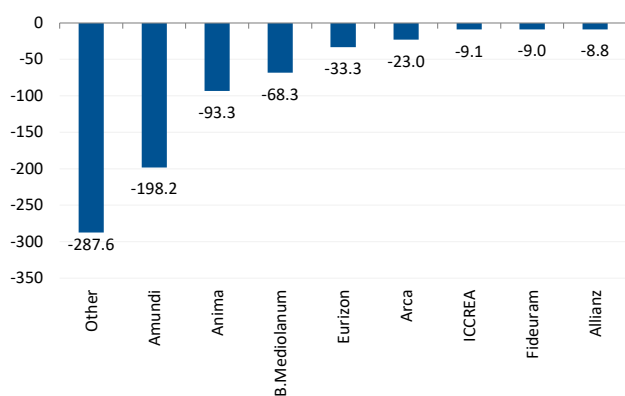
UPDATE on the Individual Savings Plan (PIR)

PIR: official figures for 3Q23

	3Q23 (Eu mn)	2Q23 (Eu mn)	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 September 2023 # Funds	%	at September 2023 (Eu mn)	in %
Ordinary PIR	(731)	(610)	(815)	(734)	323	(759)	(1,097)	3,950	10,903	64		16,295	
Alternative PIR	8	1	58	242						15		1,516	
EQUITY FUNDS	(351)	(209)	(264)	(338)	280	(281)	(369)	349	2,260	23	29.1%	4,736	26.6%
BALANCED FUNDS	(372)	(474)	(466)	(385)	214	(321)	(587)	2,525	5,962	22	27.8%	6,443	36.2%
FIXED INCOME FUNDS	95	181	35	(12)	17	(1)	(20)	10	75	6	7.6%	449	2.5%
FLEXIBLE FUNDS	(102)	(108)	(114)	2	(187)	(160)	(121)	1,067	2,605	15	19.0%	4,681	26.3%
CLOSED-END FUNDS	7	0	52	240						13	16.5%	1,502	8.4%

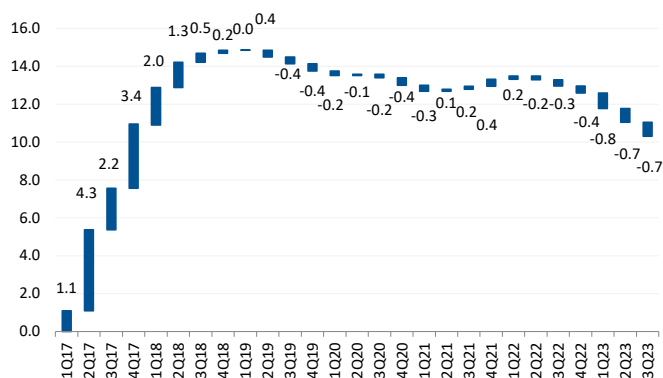
Source: Assogestioni, Quarterly Report, Novembre 2023

Ordinary PIR - Net inflows by asset manager (Eu mn, 3Q23)



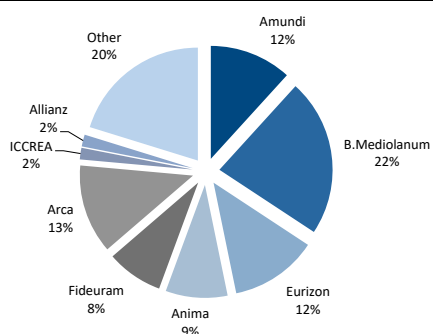
Source: Assogestioni

Ordinary PIR – Inflows by quarter (Eu bn)



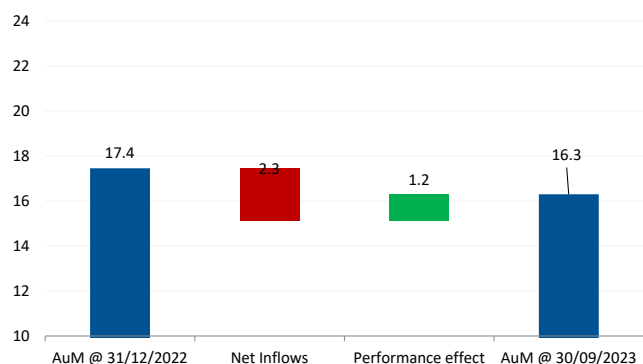
Source: Intermonte SIM estimates, Assogestioni

Ordinary PIR – Market share by asset manager (on AuM as at 30/09/23)



Source: Assogestioni

Ordinary PIR – Inflows and total AuM (Eu bn)



Source: Assogestioni

Significant PIR outflows continued in October

In its quarterly review on 22 November 2023, **Assogestioni** released updated figures on 3Q23 PIR flows. **During the quarter, ordinary PIRs saw outflows of Eu731mn, while Alternative PIRs recorded inflows of Eu7.5mn.** In terms of AuM, ordinary PIRs had Eu16.3bn under management, while Eu1.5bn was invested in alternative PIR funds.

According to *il Sole 24 Ore's* 'Osservatorio PIR' ('PIR Monitor'), outflows in October and November remained unsupportive and amounted to Eu172.1mn and Eu153.8mn, respectively, taking 11M outflows to Eu2.48bn.

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

Our estimates for ordinary PIRs likely to be too optimistic

Assogestioni data for 9M23 showed Eu2,156mn of outflows, and preliminary market data for October and November confirmed a similar negative trend. We are now forecasting Eu2.5bn of outflows, but actual figures are likely to be even worse.

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.

On a positive note, the Italian government has passed a new regulation that allows 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: we hope 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 expect interest in this product to 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 Eu50mn;
- 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 ~18% 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)	(2,519)
YoY Growth			-63.8%	nm	nm	nm	nm	244.0%
o/w From Continuing Subs. (estimated)								121
o/w From New Subscribers (estimated)								50
o/w Transformation of Existing Funds/Exit from PIR (est.)								(2,691)

Source: Intermonte SIM

Intermonte PIR Mid Caps Coverage - Trading Multiples (Ranked 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	NETDEBT/ EBITDA 2023	NETDEBT/ EBITDA 2024
ACEA	9.9	9.0	6.2	6.2	6.2%	6.3%	-6.6%	4.6%	3.6x	3.5x
ANIMA	8.1	7.4			5.7%	6.2%				
BANCA IFIS	5.3	5.6			13.1%	12.3%				
BFF BANK	10.5	9.6			8.7%	9.2%				
BP SONDRIO	6.1	6.5			8.2%	7.7%				
BREMBO	11.9	12.1	6.5	5.3	2.6%	2.6%	4.4%	6.4%	0.7x	0.5x
BUZZI-UNICEM	6.7	6.8	2.4	2.8	1.7%	1.9%	14.3%	12.6%	-0.7x	-1.1x
CEMENTIR	7.5	6.9	2.9	2.8	2.7%	3.0%	9.1%	14.2%	-0.5x	-0.9x
CREDITO EMILIANO	6.2	6.6			4.8%	5.1%				
DE' LONGHI	18.1	16.4	6.8	8.5	2.3%	2.5%	4.7%	4.2%	-1.0x	-1.1x
EL.EN.	15.3	13.4	10.3	7.2	2.3%	2.4%	1.1%	7.8%	-0.7x	-1.1x
ENAV	16.6	15.4	8.4	7.1	6.1%	6.2%	8.4%	11.1%	1.3x	0.9x
FERRAGAMO	60.4	32.4	8.8	4.9	0.8%	1.5%	-0.4%	2.0%	1.0x	0.8x
FINCANTIERI	nm	nm	9.3	8.8	0.0%	0.0%			7.0x	6.8x
INTERCOS	22.3	19.3	10.3	8.8	1.1%	1.3%	1.4%	3.6%	0.6x	0.3x
IREN	9.0	8.7	5.5	5.5	6.3%	7.0%	-9.6%	-2.2%	3.2x	3.3x
LU-VE	15.0	14.7	9.2	7.7	1.8%	1.8%	2.6%	5.6%	1.8x	1.5x
MAIRE TECNIMONT	13.4	10.7	4.3	4.4	3.6%	4.5%	12.2%	5.4%	-0.4x	-0.4x
MARR	14.8	12.1	8.1	6.7	5.4%	6.6%	-0.5%	-3.4%	1.5x	1.8x
MEDIA FOR EUROPE	6.9	6.4	2.8	2.6	7.0%	7.6%	19.2%	20.8%	1.0x	0.7x
MONDADORI	9.1	9.0	4.5	4.6	4.8%	4.8%	11.4%	12.0%	1.0x	0.7x
OVS GROUP	9.2	7.8	4.9	3.8	2.8%	3.3%	10.5%	9.3%	0.6x	0.4x
PHARMANUTRA	35.8	31.7	22.8	20.1	1.4%	1.6%	-1.0%	3.0%	0.2x	-0.2x
PIAGGIO	11.4	9.2	4.8	4.0	7.0%	8.7%	6.8%	9.3%	1.1x	1.0x
RAI WAY	14.9	15.3	8.8	8.7	6.4%	6.6%	8.1%	8.0%	0.8x	1.1x
REPLY	26.3	21.8	11.3	11.3	0.9%	1.0%	4.8%	4.4%	-0.7x	-1.0x
SALCEF GROUP	19.0	15.9	8.7	8.0	2.4%	2.8%	3.6%	4.4%	0.0x	-0.2x
SARAS	5.1	11.9	1.6	3.3	5.9%	4.7%	4.1%	10.5%	-0.2x	-0.4x
SECO	21.0	17.5	13.5	8.7	0.0%	0.0%	0.1%	4.5%	1.3x	0.8x
SESA	17.9	16.2	8.9	7.4	0.9%	1.0%	3.7%	6.0%	-0.2x	0.0x
TECHNOGYM	22.2	19.3	10.0	9.7	3.5%	2.5%	4.9%	5.8%	-0.9x	-1.1x
TINEXTA	16.2	14.0	11.1	9.3	2.4%	1.7%	3.6%	6.0%	0.8x	0.4x
TIP	12.5	12.5			1.7%	1.8%			12.3x	
TOD'S	24.7	17.5	5.1	3.8	0.0%	0.0%	2.7%	5.9%	2.2x	1.9x
UNIPOLSAI	9.5	8.6			7.3%	7.9%				
WEBUILD	10.3	8.0	1.9	1.8	3.1%	3.1%	9.5%	5.6%	-0.5x	-0.5x

Source: Intermonte SIM

Intermonte PIR Small Caps Coverage - Trading Multiples (Ranked by Stock Name)

Company	P/E 23	P/E 24	EV/ EBITDA 23	EV/ EBITDA 24	Div. Yield 23	Div. Yield 24	FCF Yield 23	FCF Yield 24	NETDEBT/ EBITDA 23	NETDEBT/ EBITDA 24
ABITARE IN	5.1	5.5	5.2	5.7	8.6%	5.4%	64.5%	-36.4%	1.1x	2.5x
ALKEMY	10.4	8.1	7.0	5.5	0.0%	0.0%	4.4%	10.3%	2.6x	1.9x
AQUAFIL	nm	26.8	10.2	5.4	0.0%	0.0%	2.8%	15.8%	6.5x	3.4x
ANTARES VISION	13.5	8.0	13.4	4.1	0.0%	0.0%	-6.2%	8.4%	2.5x	1.8x
AVIO	22.9	17.4	5.4	4.1	1.1%	2.8%	-4.4%	-0.7%	-2.6x	-1.6x
BANCA SISTEMA	5.9	6.3			4.2%	3.9%				
CIVITANAVI SYSTEMS	16.8	13.1	7.7	6.5	2.5%	2.7%	1.0%	2.1%	-2.4x	-1.1x
CY4GATE	19.6	15.8	8.5	6.3	0.0%	0.0%	0.6%	2.2%	0.1x	-0.1x
CYBEROO	26.2	17.8	11.1	8.5	0.0%	0.0%	1.7%	2.4%	-0.6x	-0.6x
DATALOGIC	15.8	11.9	6.8	5.1	3.3%	4.1%	4.8%	7.6%	0.6x	0.3x
DOVALUE	4.0	3.7	4.3	2.9	28.1%	30.9%	45.0%	48.4%	2.2x	1.8x
ELICA	10.8	10.9	4.7	4.0	3.0%	3.0%	11.1%	15.1%	1.1x	0.7x
EMAK	9.1	7.5	5.5	4.9	4.5%	5.3%	11.1%	11.7%	2.8x	2.5x
ESPRINET	9.5	8.0	6.2	4.3	5.3%	6.2%	6.2%	21.8%	1.7x	1.0x
FILA	11.6	10.8	6.6	6.7	1.6%	1.7%	10.5%	6.9%	2.9x	2.5x
FINE FOODS	53.0	19.7	10.5	8.5	0.8%	2.0%	-6.3%	4.5%	2.3x	1.6x
F. UMBERTO MARMI	15.9	15.8	11.7	8.9	3.8%	3.1%	4.2%	8.2%	0.6x	0.2x
GEOX	22.3	5.2	6.0	4.4	0.0%	9.6%	-29.4%	12.3%	3.8x	2.9x
GPI	16.9	10.5	8.9	6.6	5.4%	5.4%	-9.1%	3.8%	4.7x	3.8x
GREENTHESIS	8.4	7.1	6.6	5.8	2.4%	2.9%	-3.2%	2.2%	1.9x	1.7x
IEG	6.0	5.6	3.0	3.1	2.9%	3.0%	18.4%	14.4%	1.7x	1.4x
IGD	4.3	4.8	11.8	10.7	9.4%	9.4%	26.4%	23.4%	9.2x	8.5x
INDEL B	8.2	8.0	5.0	4.4	3.4%	3.4%	8.7%	12.6%	0.5x	0.1x
INTRED	28.6	30.7	9.8	8.8	0.6%	0.6%	-4.1%	1.3%	0.9x	0.8x
NOTORIOUS PICTURES	5.9	4.1	4.2	3.0	6.8%	9.8%	-39.9%	31.2%	2.5x	1.9x
OMER	12.2	10.6	5.6	5.4	1.4%	1.6%	7.2%	8.3%	-1.1x	-1.5x
RELATECH	12.5	9.5	6.3	4.8	0.0%	0.0%	1.5%	6.4%	1.0x	0.3x
REVO INSURANCE	5.2	3.3			2.7%	5.9%				
SAES GETTERS	20.1	18.1	10.8	7.6	1.6%	1.6%	2.7%	4.1%	-0.6x	-0.7x
SAFILO	10.8		3.6		0.0%		15.1%		0.1x	
SERI INDUSTRIAL	nm	nm	16.9	8.2	0.0%	0.0%	45.7%	-26.3%	2.0x	2.6x
SERVIZI ITALIA	12.2	7.7	2.3	2.4	0.0%	0.0%	-6.0%	7.7%	1.7x	1.6x
SOMECC	66.2	20.9	10.8	7.1	0.5%	0.8%	4.9%	10.8%	2.9x	1.8x
TALEA GROUP	nm	52.5	nm	12.7	0.0%	0.0%	-18.6%	4.9%	12.5x	4.1x
TESMEC	16.4	7.6	4.6	3.7	0.0%	0.0%	-13.1%	6.2%	2.9x	2.4x
THE ITALIAN SEA GROUP	13.4	10.4	6.6	5.7	3.1%	3.7%	3.5%	11.9%	0.0x	-0.5x
TXT E-SOLUTIONS	17.4	15.5	8.3	7.8	1.1%	1.2%	5.1%	6.3%	1.2x	0.7x
UNIDATA	12.7	10.0	7.1	5.8	0.4%	0.5%	12.3%	7.3%	2.0x	1.6x
WIIT	32.9	25.0	14.2	11.9	1.5%	2.0%	3.5%	4.7%	4.1x	3.2x

Source: Intermonte SIM

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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 ;

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

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