

Italian Mid Small Caps Monthly

Scouting Opportunities in the Current Tough Momentum

by Intermonte Research Team

Italian Equity Market

- **Performance (-).** The Italian equity market (prices as at 14th January 2022) has grown 3.2% in the last month but is up just 0.3% YTD. The FTSE Italy Mid-Cap index (-0.8% in the last month) has underperformed the main index by 4.1%, a gap that has been almost entirely created since the beginning of the year (-4.0% YTD on a relative basis), with the FTSE Italy Small Caps index (+0.5% in the last month) performing 2.7% worse than the market in the last month, or -1.8% on a relative basis since the beginning of 2022. Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 2.3% in the last month, performing better than Italian mid/small caps.
- **Estimates (=).** Since the beginning of the year, we have implemented only minor revisions to our 2021 and 2022 EPS estimates; so far, the company updates we have published have been too few to provide any insightful commentary. Similarly, if we take changes in the last month into consideration, we see only negligible variations.
- **Valuations (=).** If we compare YTD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 0.7% re-rating YTD, while mid-caps and small caps have de-rated by 2.8% and 1.4% respectively. On a P/E basis, our panel is trading at a 34% premium to large caps, well above the historical average premium (17%) but slightly below the level of one month ago (35%).
- **Liquidity (-/+).** Looking at official Italian index trends, we note that liquidity for large caps in the last month (as measured by average volumes multiplied by average prices in a specific period) is slightly below the yearly average, coming in 6.6% lower than the 1Y average, decelerating from one month ago when the same metric was +12.0%. Interestingly, liquidity for mid-caps has witnessed a much weaker trend, showing a -16.4% change (versus -3.4% one month ago), while for small caps the same metric has decreased by 7.3%. This trend should mainly be due to the usually poor newsflow in the holiday season. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.5mn in the last month, up 106% on the corresponding period one year ago.
- **Investment strategy.** In the last two weeks, the market has witnessed a significant rotation from growth to value stocks triggered by a more hawkish approach from Central Banks in order to fight rising inflation. We were aware of this risk, which has negatively impacted our recommended stock selection; more generally and looking ahead, it raises doubts about the performance of this asset class in the coming months (growth stocks are more prevalent among mid/small than large caps). However, in our bottom-up approach, we still believe earnings direction, which will emerge from the upcoming reporting season, will provide solid support for a number of equity investments whose valuations are now under discussion. Moreover, in our view, inflationary pressures will pose a challenge to growth outlook going forward: over the course of the next few months, this should lead to Central Banks stepping back from recent more restrictive announcements in order to renew their support for economic recovery through more dovish monetary policies. We update our recommended portfolio, which combines equity stories exposed to the recovery plan with others that should continue to enjoy favourable business momentum and good visibility. Regarding mid/small cap liquidity, recent market volatility, if prolonged, could be a headwind, but we look at 2022 with greater confidence following the increasingly positive inflow figures reported in October and November 2021 for PIR funds.

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Performance

Mid small cap valuations have been under pressure since the start of the year

The Italian equity market (prices as at 14th January 2022) has grown 3.2% in the last month but is up just 0.3% YTD. The FTSE Italy Mid-Cap index (-0.8% in the last month) has underperformed the main index by 4.1%, a gap created almost entirely since the start of the year (-4.0% YTD on a relative basis), with the FTSE Italy Small Caps index (+0.5% in the last month) performing 2.7% worse than the market in the last month, or -1.8% on a relative basis since the beginning of 2022.

Italian Market Indexes – performance analysis (prices as at 14th January 2022)

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	47,969	-0.8%	-3.0%	0.5%	-3.8%	24.7%	17.0%	34.7%	44.5%
FTSE Italia Small Cap	31,899	0.5%	3.2%	14.2%	-1.5%	45.0%	39.9%	70.1%	62.4%
FTSE Italia Star	60,125	-3.3%	-2.7%	6.3%	-6.9%	32.0%	51.9%	83.8%	114.5%
FTSE AIMITALIA	11,246	-0.9%	2.9%	11.5%	-2.1%	50.2%	42.1%	32.1%	42.7%
FTSE Italia All-Share	30,019	3.2%	4.0%	8.6%	0.3%	21.7%	15.1%	42.4%	40.9%
FTSE MIB	27,544	3.7%	4.8%	9.3%	0.7%	21.7%	15.1%	43.7%	41.1%

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	-4.1%	-7.1%	-8.1%	-4.0%	3.0%	1.8%	-7.7%	3.5%
FTSE Italia Small Cap	-2.7%	-0.8%	5.6%	-1.8%	23.2%	24.8%	27.7%	21.5%
FTSE Italia Star	-6.5%	-6.8%	-2.3%	-7.1%	10.2%	36.8%	41.4%	73.5%

Looking at mid/small cap performances across Europe, the MSCI Europe Small Caps index has grown 2.3% in the last month, performing better than Italian mid/small caps.

European Market Indexes – performance analysis

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
MSCI Europe	160	2.8%	3.8%	5.0%	-1.1%	17.3%	13.7%	36.4%	29.1%
MSCI Europe Small Cap	487	2.3%	-0.7%	1.3%	-3.1%	14.4%	21.4%	48.4%	48.3%

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 (%)
TESMEC	0.14	87	33%
MAIRE TECNIMONT	4.67	1,535	18%
IGD	4.18	461	16%
THE ITALIAN SEA GROUP	6.80	360	15%
BANCA IFIS	18.23	981	15%
AUTOGRILL	6.65	2,560	14%
MONDADORI	2.23	583	13%
ENAV	4.16	2,251	11%
DOVALUE	8.25	660	9%
SOMECE	38.20	264	9%
SOGEFI	1.29	154	8%
ANIMA	4.69	1,730	8%
OMER	3.97	114	8%
CREDITO EMILIANO	6.22	2,123	7%
SARAS	0.59	558	7%
FILA	9.70	417	7%
PIAGGIO	2.86	1,024	5%
UNIPOLSAI	2.55	7,227	4%
CATTOLICA	5.79	1,321	4%
FINCANTIERI	0.60	1,027	4%
FTSE Italia Mid Cap			-1%
FTSE Italia Small Cap			0%
FTSE MIB			4%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. 1M (%)
OVS GROUP	2.41	702	-15%
SCIUKER FRAMES	9.20	200	-15%
TINEXTA	31.14	1,470	-14%
REPLY	155.80	5,829	-11%
TOD'S	44.50	1,473	-10%
ERG	25.66	3,857	-9%
SERI INDUSTRIAL	9.03	442	-8%
FERRAGAMO	20.27	3,421	-7%
ILBE	2.52	61	-7%
SESA	163.60	2,535	-6%
DE' LONGHI	28.22	4,258	-6%
EMAK	1.97	323	-5%
FINE FOODS	14.20	313	-5%
ELES	3.54	46	-4%
DATALOGIC	14.41	842	-4%
ACEA	17.50	3,727	-3%
AQUAFIL	7.45	319	-3%
EL.EN.	14.10	1,125	-3%
SAES GETTERS	23.60	473	-3%
IREN	2.60	3,380	-3%

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

Best Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
TESMEC	0.14	87	34%
MAIRE TECNIMONT	4.67	1,535	12%
MONDADORI	2.23	583	9%
SOGEFI	1.29	154	9%
IGD	4.18	461	8%
CREDITO EMILIANO	6.22	2,123	7%
BANCA IFIS	18.23	981	7%
AUTOGRILL	6.65	2,560	6%
SARAS	0.59	558	6%
THE ITALIAN SEA GROUP	6.80	360	6%
ENAV	4.16	2,251	6%
ANIMA	4.69	1,730	5%
OMER	3.97	114	3%
UNIPOLSAI	2.55	7,227	3%
IEG	2.72	84	2%
SOMEK	38.20	264	1%
CYBEROO	7.50	74	1%
DEA CAPITAL	1.32	352	1%
BREMBO	12.62	4,214	1%
ASCOPIAVE	3.49	818	1%
FTSE Italia Mid Cap			-4%
FTSE Italia Small Cap			-2%
FTSE MIB			1%
Worst Performers	Price (Eu)	Market Cap (Eu mn)	Perf. YTD (%)
TINEXTA	31.14	1,470	-18%
REPLY	155.80	5,829	-13%
SCIUKER FRAMES	9.20	200	-12%
BRUNELLO CUCINELLI	54.10	3,679	-11%
DE' LONGHI	28.22	4,258	-10%
CY4GATE	11.10	167	-10%
ERG	25.66	3,857	-10%
EL.EN.	14.10	1,125	-9%
LU-VE	22.00	489	-8%
ALKEMY	20.90	119	-8%
FINE FOODS	14.20	313	-8%
SERI INDUSTRIAL	9.03	442	-7%
EMAK	1.97	323	-7%
ACEA	17.50	3,727	-7%
TXT E-SOLUTIONS	9.49	123	-6%
RELATECH	2.63	99	-6%
ELICA	3.43	217	-6%
ESPRINET	12.13	618	-6%

Earnings Momentum

Estimates almost unchanged in the last month

Since the beginning of the year, we have implemented only minor revisions to our 2021 and 2022 EPS estimates; so far, the company updates we have published have been too few to provide any insightful commentary. Similarly, if we take changes in the last month into consideration, we see only negligible variations.

Italian Market – Intermonte changes to 2021 and 2022 estimates

EPS REVISION	Since January 1st 2022		Since 17/12/2021	
	% chg in EPS FY21	% chg in EPS FY22	% chg in EPS FY21	% chg in EPS FY22
Total Market	0.2%	-0.1%	0.2%	-0.1%
Total Market - Ex Energy	0.2%	-0.1%	0.1%	-0.2%
Domestic	0.3%	-0.1%	0.3%	-0.1%
Non domestic	0.0%	0.0%	0.0%	-0.2%
Non domestic - Ex Energy	0.0%	-0.1%	-0.1%	-0.3%
FTSE MIB	0.2%	0.0%	0.2%	-0.1%
Mid Caps (our coverage)	0.2%	-1.0%	0.2%	-0.9%
Small Caps (our coverage)	-0.4%	-0.1%	-2.1%	0.7%
Intermonte Mid&Small Caps coverage	0.1%	-0.9%	-0.1%	-0.7%

For individual stocks, the following tables rank the biggest changes to our 2021 adjusted net profit estimates YTD.

Intermonte Mid & Small Cap Coverage - largest changes to 2021 est. (up/down) YTD

Stock	Restated Net Profit 21 as of 31/12/21	Restated net profit 21 last estimate	% chg from 31/12/21
Upward Revision			
BRUNELLO CUCINELLI	29	36	24.6%
Downward Revision			
ABITARE IN	14	12	-12.6%
ERG	164	164	-0.4%
DOVALUE	52	52	-0.2%

Valuation

Valuation gap to large caps trimmed in the last month

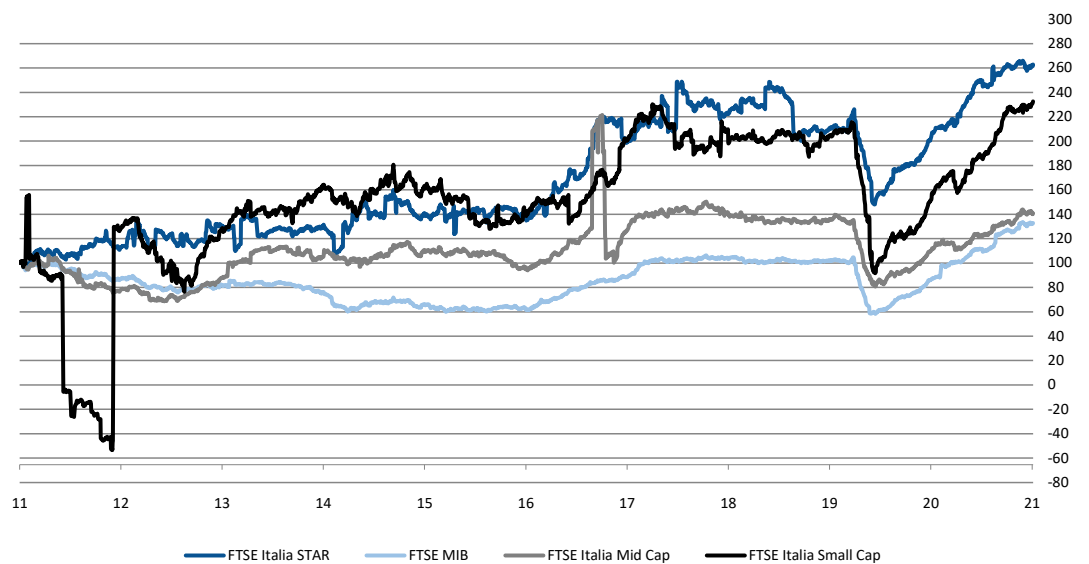
If we compare YTD performance to the change in FY22 estimates over the same period, we see that FTSE MIB stocks have recorded a 0.7% re-rating YTD, while mid-caps and small caps have de-rated by 2.8% and 1.4% respectively.

Italian Market – re/de-rating by index

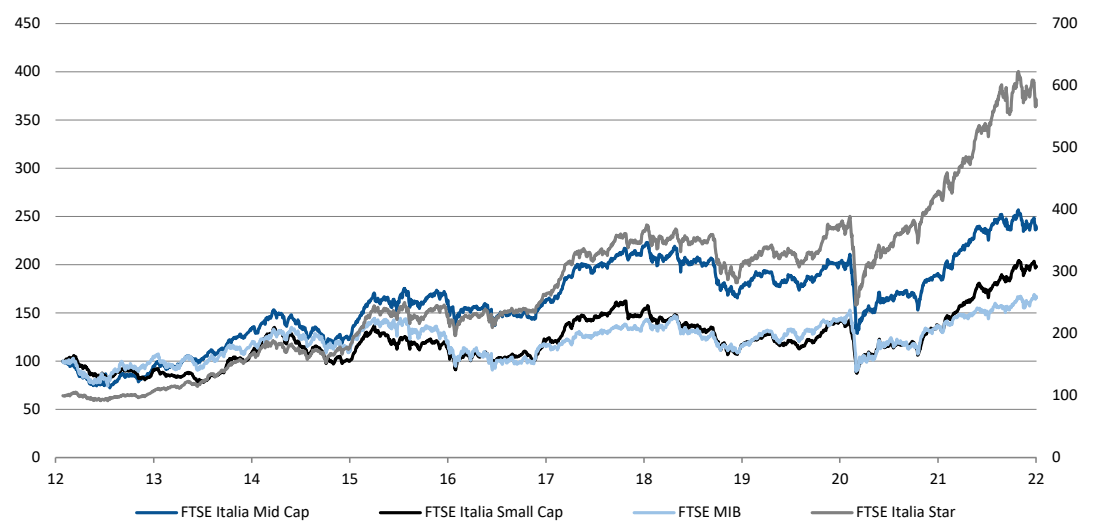
Index	% Change YTD	on FY22 estimates	
		Chg in estimates	Re/De-rating
FTSE MIB	0.7%	0.0%	0.7%
FTSE Italia Mid Cap	-3.8%	-1.0%	-2.8%
FTSE Italia Small Cap	-1.5%	-0.1%	-1.4%

The following graph shows earnings direction over the last 10 years.

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



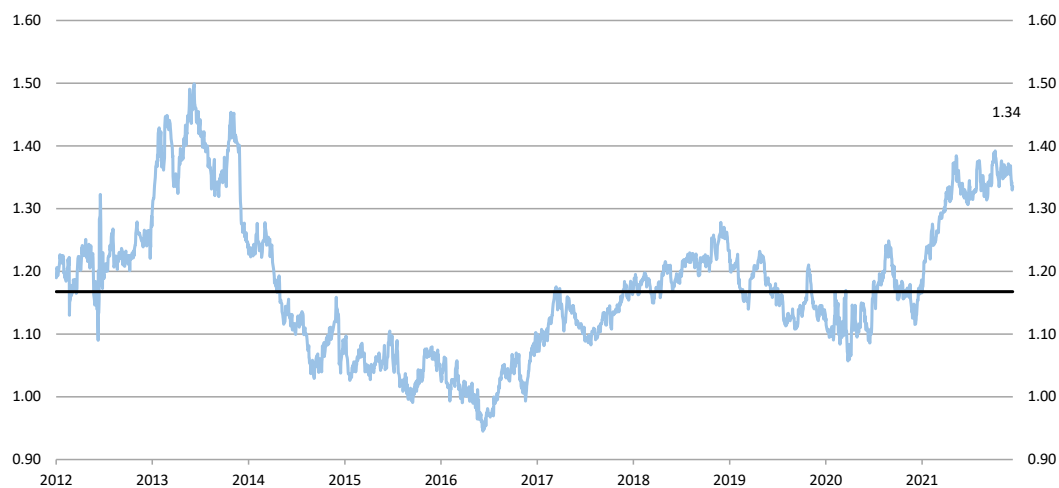
Italian Market Indices – performances for the last 10 years (base 100)



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 34% premium to large caps, well above the historical average premium (17%) but slightly below the level of one month ago (35%).

Intermonte Mid & Small Cap Panel – next twelve months' P/E relative to FTSE MIB, last 10 years



The table on the next page shows the stocks in our mid/small cap coverage that have posted the largest re-ratings/de-ratings since January 2022, based on 2021 estimates.

European Market – valuations

	P/E10	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/E21 vs Italian Equivalent	Last 10Y Median	Premium vs Avg
FTSE MIB	12.4 x	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	13.0 x	11.7 x	-	15.7 x	-25.5%
FTSE Italy Mid Cap	9.5 x	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	57.0 x	19.2 x	17.8 x	-	18.8 x	-5.5%
FTSE Italy Small Cap	11.8 x	35.8 x	23.9 x	197.2 x	60.5 x	nm	nm	27.2 x	18.9 x	nm	51.5 x	22.2 x	16.1 x	-	27.2 x	-40.8%
Germany DAX (TR)	13.0 x	11.9 x	11.4 x	14.7 x	16.6 x	12.9 x	15.6 x	14.5 x	14.4 x	15.2 x	21.3 x	15.0 x	14.4 x	22.8%	14.8 x	-3.2%
Germany MDAX	13.4 x	14.5 x	27.8 x	26.2 x	23.4 x	16.4 x	18.4 x	20.2 x	16.3 x	19.1 x	37.6 x	28.7 x	19.3 x	8.8%	19.7 x	-2.1%
France CAC 40	12.4 x	11.3 x	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	17.0 x	15.9 x	35.9%	16.1 x	-1.1%
France CAC Mid 60	18.1 x	15.2 x	17.2 x	21.7 x	24.2 x	19.6 x	19.5 x	33.3 x	16.7 x	15.4 x	-32.6 x	23.9 x	15.8 x	-11.1%	19.5 x	-19.1%
France CAC Small	17.7 x	n.m.	22.1 x	27.3 x	25.0 x	25.0 x	27.1 x	30.9 x	27.7 x	27.8 x	-149.7 x	46.0 x	21.1 x	31.4%	27.2 x	-22.2%
FTSE 100	12.3 x	10.9 x	12.1 x	14.9 x	14.6 x	15.3 x	18.5 x	14.7 x	13.0 x	12.5 x	20.9 x	13.0 x	12.7 x	8.2%	14.6 x	-13.5%
FTSE 250	14.0 x	12.9 x	14.9 x	17.6 x	17.5 x	15.8 x	15.5 x	14.2 x	13.0 x	13.5 x	46.0 x	23.7 x	15.5 x	-13.0%	15.6 x	-1.2%
IBEX 35	12.0 x	10.7 x	18.9 x	19.6 x	20.0 x	19.4 x	15.9 x	13.5 x	13.9 x	13.2 x	34.8 x	11.6 x	12.7 x	8.2%	14.9 x	-15.1%
IBEX MEDIUM	17.4 x	11.2 x	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	16.0 x	12.9 x	-27.2%	18.5 x	-30.0%

Intermonte Mid & Small Cap Coverage – YTD de-rating/re-rating on 2021 estimates

Stock	Restated Net Profit 21 as of 31/12/21	Restated net profit 21 last estimate	% Chg in Net Profit 21	Share Price perf. YTD	De-rating(-) Re-rating(+)
TESMEC	5.6	5.6	0%	34%	33.6%
MAIRE TECNIMONT	83.4	83.4	0%	12%	12.3%
MONDADORI	38.7	38.7	0%	9%	9.3%
SOGEFI	19.4	19.4	0%	9%	8.8%
IGD	62.6	62.6	0%	8%	8.2%
CREDITO EMILIANO	265.2	265.2	0%	7%	6.9%
BANCA IFIS	88.9	88.9	0%	7%	6.8%
AUTOGRILL	-172.0	-172.0	0%	6%	6.5%
SARAS	-127.9	-127.9	0%	6%	6.5%
THE ITALIAN SEA GROUP	13.4	13.4	0%	6%	6.3%
ENAV	59.0	59.0	0%	6%	5.8%
ANIMA	230.4	230.4	0%	5%	4.5%
OMER	9.1	9.1	0%	3%	3.4%
UNIPOLSAI	771.2	771.2	0%	3%	3.0%
IEG	-25.0	-25.0	0%	2%	1.9%
SOMEK	6.5	6.5	0%	1%	1.3%
CYBEROO	-0.3	-0.3	0%	1%	0.8%
DEA CAPITAL	15.0	15.0	0%	1%	0.8%
BREMBO	223.5	223.5	0%	1%	0.7%
ASCOPIAVE	46.3	46.3	0%	1%	0.6%
FALCK RENEWABLES	31.3	31.3	0%	1%	0.5%
BANCA SISTEMA	21.7	21.7	0%	0%	0.2%
FINCANTIERI	96.8	96.8	0%	0%	0.2%
MARR	39.0	39.0	0%	0%	0.2%
CATTOLICA	158.7	158.7	0%	(0%)	(0.1%)
FILA	40.9	40.9	0%	(0%)	(0.2%)
CEMENTIR	129.4	129.4	0%	(0%)	(0.2%)
SERVIZI ITALIA	4.3	4.3	0%	(0%)	(0.2%)
CERVED	108.0	108.0	0%	(0%)	(0.5%)
PIAGGIO	58.7	58.7	0%	(0%)	(0.5%)
RAI WAY	63.4	63.4	0%	(1%)	(0.8%)
SALCEF GROUP	52.9	52.9	0%	(1%)	(0.8%)
AVIO	14.8	14.8	0%	(1%)	(0.9%)
CELLULARLINE	9.8	9.8	0%	(1%)	(1.2%)
DOVALUE	52.3	52.2	0%	(2%)	(1.5%)
NOTORIOUS PICTURES	4.4	4.4	0%	(2%)	(1.5%)
SAFILO	17.7	17.7	0%	(2%)	(1.9%)
IREN	259.3	259.3	0%	(2%)	(2.1%)
ILBE	17.7	17.7	0%	(2%)	(2.3%)
FOS	1.3	1.3	0%	(3%)	(2.6%)
WIIT	9.2	9.2	0%	(3%)	(2.6%)
MATICA FINTEC	1.1	1.1	0%	(3%)	(2.7%)
AQUAFIL	17.3	17.3	0%	(3%)	(2.7%)
GEOX	-40.4	-40.4	0%	(3%)	(3.0%)
ELES	0.9	0.9	0%	(3%)	(3.3%)
TECHNOGYM	61.4	61.4	0%	(4%)	(4.0%)
SAES GETTERS	15.2	15.2	0%	(4%)	(4.5%)
INDEL B	14.5	14.5	0%	(4%)	(4.5%)
GPI	12.4	12.4	0%	(5%)	(4.6%)
PHARMANUTRA	12.8	12.8	0%	(5%)	(5.0%)
SESA	57.8	57.8	0%	(6%)	(5.7%)
OVS GROUP	39.7	39.7	0%	(6%)	(5.7%)
GEFRAN	11.7	11.7	0%	(6%)	(5.8%)
DATALOGIC	38.6	38.6	0%	(6%)	(5.8%)
ESPRINET	44.8	44.8	0%	(6%)	(6.0%)
ELICA	14.6	14.6	0%	(6%)	(6.0%)
RELATECH	5.4	5.4	0%	(6%)	(6.1%)
TXT E-SOLUTIONS	5.2	5.2	0%	(6%)	(6.4%)
ACEA	325.7	325.7	0%	(7%)	(6.7%)
EMAK	36.1	36.1	0%	(7%)	(6.8%)
FINE FOODS	11.5	11.5	0%	(8%)	(7.8%)
ALKEMY	5.0	5.0	0%	(8%)	(7.9%)
LU-VE	22.1	22.1	0%	(8%)	(8.3%)
ERG	164.4	163.9	0%	(10%)	(9.4%)
EL.EN.	45.1	45.1	0%	(9%)	(9.5%)
TOD'S	-24.3	-24.3	0%	(10%)	(9.7%)
CY4GATE	3.6	3.6	0%	(10%)	(9.9%)

Liquidity

Decreasing liquidity in the last month due to seasonality effects

Looking at official Italian index trends, we note that liquidity for large caps in the last month (as measured by average volumes multiplied by average prices in a specific period) is slightly below the yearly average, coming in 6.6% lower than the 1Y average, decelerating from one month ago when the same metric was +12.0%. Interestingly, liquidity for mid-caps has witnessed a much weaker trend, showing a -16.4% change (versus -3.4% one month ago), while for small caps the same metric has decreased by 7.3%. This trend should mainly be due to the usually poor newsflow in the holiday season. It is worth noting that average daily liquidity for our mid/small cap coverage has been Eu1.5mn in the last month, up 106% on the corresponding period one year ago.

Italian Market – liquidity analysis

	Avg Daily Volume * Avg Price (Eu mn)					% Changes	
	1M	3M	6M	1Y	3Y	1M vs 1Y	3M vs 1Y
FTSE MIB							
All stocks	48.41	53.20	50.53	51.84	51.39	(6.6%)	2.6%
Top 20% by market cap	149.01	157.34	152.09	152.84	148.52	(2.5%)	2.9%
FTSE Italia Mid Cap							
All stocks	2.70	3.27	3.21	3.23	2.90	(16.4%)	1.2%
Top 20% by market cap	5.29	6.46	6.03	5.73	5.42	(7.6%)	12.8%
FTSE Italia Small Cap							
All stocks	0.43	0.55	0.50	0.47	0.37	(7.3%)	18.0%
Top 20% by market cap	1.27	1.68	1.45	1.27	0.90	0.3%	32.6%

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)
AUTOGRILL	2,225	11,750,550
FALCK RENEWABLES	2,519	9,384,213
FERRAGAMO	3,583	9,330,313
REPLY	6,371	9,089,401
OVS GROUP	761	8,641,811
TOD'S	1,619	7,317,692
SARAS	522	6,944,546
ERG	4,263	6,324,464
DE' LONGHI	4,582	6,273,645
WEBUILD	2,054	6,259,975
CATTOLICA	1,287	5,578,650
CERVED	1,992	5,378,972
TECHNOGYM	1,675	5,238,044
BREMBO	4,158	5,222,740
ESPRINET	604	5,064,358
IREN	3,445	4,242,289
SESA	2,696	4,203,090
BRUNELLO CUCINELLI	3,869	4,089,555
MAIRE TECNIMONT	1,321	3,815,405
ANIMA	1,622	3,757,779
UNIPOLSAI	6,984	3,751,620
BANCA IFIS	860	3,251,014
EL.EN.	1,168	3,047,730
ENAV	2,041	2,881,290
SAFILO	648	2,827,875
PIAGGIO	996	2,289,483
TIP	1,781	2,237,947
ACEA	3,880	1,939,741
FINCANTIERI	1,010	1,844,981

Criteria for investing in Mid/Small Caps

Italian Mid & Small Cap Coverage - geographical breakdown of sales (FY21)

Stock	Italy	Europe (incl. Russia, UK, Turkey)	North America (incl. Mexico)	South America	Asia (incl. China, India, South East Asia)	RoW (Africa, Middle East, Australia, Japan)
Intermonte Coverage	51.4%	25.5%	9.5%	1.6%	6.3%	5.7%

A ranking of stocks with the highest expected earnings growth for 2022 vs 2021, and the highest 2021 dividend yields, can be found in the following tables.

Intermonte Mid & Small Cap Coverage – dividend yield 2021

Stock	Price (Eu)	Mkt Cap (Eu mn)	EPS 21	DPS 21	Yield 21 %	PayOut 21 %	Net Debt/EBITDA 21
CATTOLICA	5.8	1,287	0.911	0.450	7.8%	49%	
UNIPOLSAI	2.6	6,984	0.278	0.190	7.4%	68%	
DOVALUE	8.3	646	0.653	0.503	6.1%	77%	2.1x
ANIMA	4.7	1,622	0.593	0.281	6.0%	47%	
OMER	4.0	110	0.316	0.229	5.8%	72%	0.6x
IGD	4.2	417	0.568	0.236	5.6%	42%	10.5x
PIAGGIO	2.9	996	0.164	0.142	5.0%	86%	1.4x
NOTORIOUS PICTURES	1.6	37	0.197	0.079	4.9%	40%	1.1x
ACEA	17.5	3,880	1.529	0.841	4.8%	55%	3.0x
ASCOPIAVE	3.5	805	0.198	0.165	4.7%	84%	4.8x
GEFRAN	10.6	158	0.812	0.487	4.6%	60%	0.1x
EMAK	2.0	342	0.221	0.090	4.6%	41%	1.6x
RAI WAY	5.2	1,376	0.233	0.237	4.6%	102%	0.7x
DEA CAPITAL	1.3	358		0.060	4.5%		
BANCA IFIS	18.2	860	1.653	0.800	4.4%	48%	
CREDITO EMILIANO	6.2	2,004	0.777	0.260	4.2%	33%	
ENAV	4.2	2,041	0.109	0.160	3.8%	147%	2.4x
IREN	2.6	3,445	0.199	0.100	3.8%	50%	3.3x
MONDADORI	2.2	515	0.148	0.076	3.4%	51%	1.8x
SERVIZI ITALIA	2.1	68	0.136	0.068	3.3%	50%	2.0x
BANCA SISTEMA	2.1	166	0.269	0.067	3.2%	25%	
CELLULARLINE	4.2	93	0.449	0.135	3.2%	30%	2.3x
ERG	25.7	4,263	1.090	0.750	2.9%	69%	4.0x
DE' LONGHI	28.2	4,582	2.303	0.814	2.9%	35%	0.8x
WEBUILD	2.0	2,054	0.125	0.055	2.7%	44%	0.6x
CERVED	10.2	1,992	0.553	0.276	2.7%	50%	2.4x
INDEL B	25.6	147	2.477	0.685	2.7%	28%	0.3x
MAIRE TECNIMONT	4.7	1,321	0.254	0.116	2.5%	46%	0.6x
MARR	18.9	1,223	0.586	0.456	2.4%	78%	2.0x
ESPRINET	12.1	604	0.884	0.265	2.2%	30%	3.1x

Intermonte Mid & Small Cap Coverage – EPS growth, 2022 vs 2021

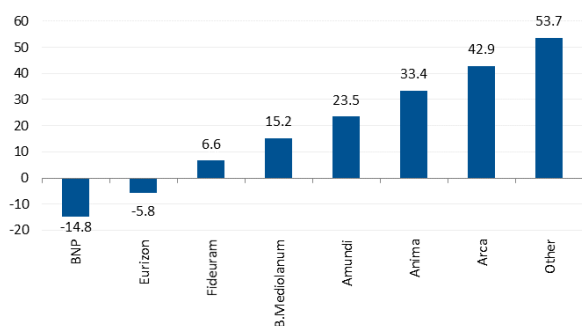
Stock	Price (Eu)	Mkt Cap (Eu mn)	P/E 21	P/E 22	EPS Growth
ABITARE IN	7.8	210	16.8	7.1	136%
TESMEC	0.1	65	15.4	6.5	135%
ELES	3.5	49	55.2	27.7	99%
THE ITALIAN SEA GROUP	6.8	303	26.9	14.6	85%
SOGEFI	1.3	146	7.8	4.3	84%
WIIT	34.9	628	nm	58.7	81%
CY4GATE	11.1	172	46.8	27.3	72%
SOMEK	38.2	253	40.6	24.0	69%
ENAV	4.2	2,041	38.1	23.0	66%
SAFILO	1.5	648	24.1	14.9	62%
OVS GROUP	2.4	761	17.7	11.4	56%
MARR	18.9	1,223	32.3	21.3	52%
SAES GETTERS	23.6	490	34.2	22.5	52%
FINCANTIERI	0.6	1,010	10.6	7.0	51%
FALCK RENEWABLES	8.7	2,519	81.2	54.5	49%
BRUNELLO CUCINELLI	54.1	3,869	nm	69.5	48%
PIAGGIO	2.9	996	17.4	11.9	47%
FERRAGAMO	20.3	3,583	61.0	41.9	46%
MATICA FINTEC	2.6	26	25.0	17.5	43%
CELLULARLINE	4.2	93	9.4	6.6	42%
ELICA	3.4	231	14.8	10.7	39%
SESA	163.6	2,696	43.8	32.3	36%
TXT E-SOLUTIONS	9.5	122	21.7	16.2	34%
MONDADORI	2.2	515	15.0	11.3	33%
AQUAFIL	7.5	328	22.0	16.7	32%
TINEXTA	31.1	1,754	28.6	21.9	31%
LU-VE	22.0	509	22.1	17.1	29%
NOTORIOUS PICTURES	1.6	37	8.1	6.3	28%
SCIUKER FRAMES	9.2	225	16.2	12.7	28%
FILA	9.7	395	12.1	9.6	26%
WEBUILD	2.0	2,054	16.0	12.7	26%
ESPRINET	12.1	604	13.7	10.9	25%
DOVALUE	8.3	646	12.6	10.1	25%
BANCA IFIS	18.2	860	11.0	8.9	25%
TECHNOGYM	8.1	1,675	26.6	21.4	24%
DATALOGIC	14.4	904	21.8	17.8	22%
ALKEMY	20.9	119	22.9	18.7	22%
FOS	3.8	24	18.4	15.2	21%

Update on the Individual Savings Plan (PIR)

PIR: official figures for 3Q21

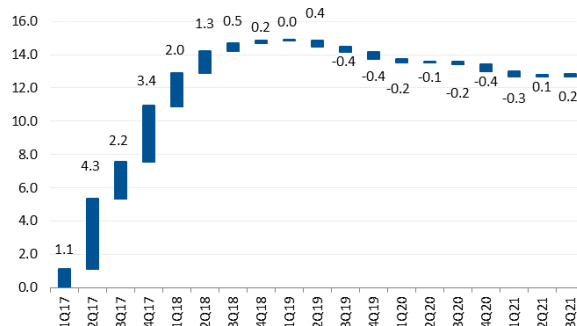
	Net Inflows									Nr. Of Funds		Invested Capital	
	3Q21 (Eu mn)	2Q21 (Eu mn)	1Q21 (Eu mn)	4Q20 (Eu mn)	3Q20 (Eu mn)	FY20 (Eu mn)	FY19 (Eu mn)	FY18 (Eu mn)	FY17 (Eu mn)	# Funds	%	at September 2021 (Eu mn)	at September 2021 in %
Total	155	106	(316)	(403)	(178)	(759)	(1,097)	3,950	10,903	68	100.0%	20,252	100.0%
Newly established funds	106	24	(200)	(245)	(74)	(373)	(760)	3,403	7,864	46	67.6%	11,748	58.0%
Pre-existing funds	49	82	(117)	(158)	(104)	(386)	(337)	547	3,039	22	32.4%	8,505	42.0%
EQUITY FUNDS	40	109	(23)	(74)	(37)	(281)	(369)	349	2,260	26	38.2%	6,080	30.0%
o/w Italy Equity	40	109	(23)	(74)	(37)	(281)	(369)	349	2,260	26	38.2%	6,080	30.0%
BALANCED FUNDS	103	43	(109)	(194)	(107)	(321)	(587)	2,525	5,962	26	38.2%	8,781	43.4%
o/w Balanced Equity	3	(3)	(10)	(11)	(3)	(10)	(63)	181	279	2	2.9%	478	2.4%
o/w Balanced	23	(10)	(51)	(66)	(30)	(120)	(258)	752	1,849	9	13.2%	2,588	12.8%
o/w Balanced bonds	77	56	(47)	(117)	(74)	(191)	(267)	1,592	3,834	15	22.1%	5,715	28.2%
FIXED INCOME FUNDS	7	4	(1)	(3)	(1)	(1)	(20)	10	75	4	5.9%	238	1.2%
o/w Italy Bonds	1	1	(6)	(2)	(2)	(6)	1	(9)	13	2	2.9%	71	0.4%
o/w Europe Bonds	8	1	8	0	2	7	(21)	19	62	1	1.5%	70	0.3%
o/w Mixed	(2)	1	(3)	(2)	(1)	(2)				1	1.5%	98	0.5%
FLEXIBLE FUNDS	6	(50)	(184)	(132)	(32)	(160)	(121)	1,067	2,605	12	17.6%	5,154	25.4%

PIR - Net inflows by asset manager (Eu mn, 3Q21)



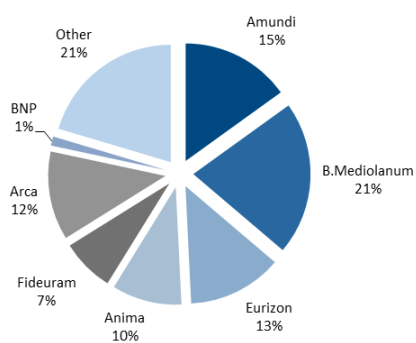
Source: Assogestioni

PIR - Inflows by quarter (Eu bn)



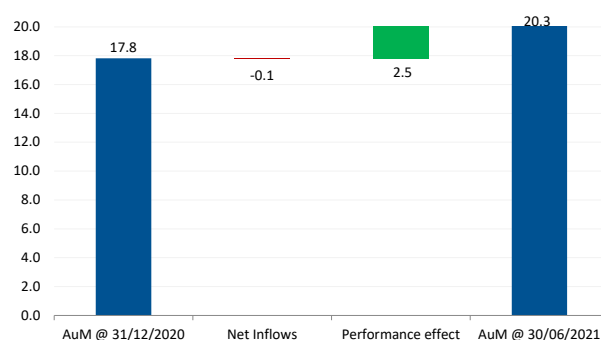
Source: Intermonte SIM estimates, Assogestioni

PIR - Market share by asset manager (on AuM at 30/09/21)



Source: Assogestioni

PIR - Inflows and total AuM (Eu bn)



Source: Assogestioni

PIR inflows strengthen positive performance in 3Q21, further improvement in 4Q21

Assogestioni released updated figures on 3Q21 PIR inflows in its quarterly review on 22nd November 2021. Net inflows amounted to Eu154.7mn in 3Q21, with positive inflows therefore intensifying compared to 2Q21 (+Eu106mn) following three previous quarters of outflows. The figure was similar to the data released by *Sole 24 Ore's* 'Osservatorio PIR', which estimated inflows of about Eu140mn.

According to the monthly figure released by *Sole 24 Ore's* 'Osservatorio PIR', inflows continued to be strong in October and November, improving further to Eu97mn and Eu172mn respectively. Given the progress, we remain confident that interest in this product will continue its recovery in the coming months.

Moreover, on 16th September, Assogestioni released the first official data on Alternative PIR inflows: in 1H21 inflows amounted to Eu428mn, while as at the end of June 2021 Assets under Management were worth Eu684mn. Encouraging figures overall, considering that for the time being only a few funds have received approval.

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.

A recent report published by Assogestioni (October 2020) gave its findings on PIR fund subscriptions by small retail investors: as at YE19, the average/median cumulative investment per capita was only Eu16,383/Eu10,553, with only 3% of total subscribers reaching the maximum annual allowance of Eu30,000 per year.

"Alternative PIR" officially launched, August decree increased maximum investment per annum from Eu150k to Eu300k: the Alternative PIR is a wrapper with tax benefits similar to PIR (i.e. tax exemption of capital gains for investments held for at least 5 years) and in turn is capable of investing in ELTIFs, private equity funds or private debt funds. Because of the investments in illiquid assets (closer to the real economy but riskier), affluent investors are the target clients. The maximum investible amount per year is Eu300k per person (vs Eu30k for PIR) up to a cumulative maximum of Eu1.5mn per person. Moreover, the concentration limit (i.e. max cumulative investment in a single stock) has been set at 20% (10% being the limit for regular PIR funds).

Investor interest is likely to be high (inflows of Eu3-5bn a year estimated by Assogestioni). These alternative instruments would indeed be suitable for overcoming market volatility given their long-term commitment and are complementary to PIR funds in a broader sense (they are designed for semi-professional rather than retail investors). We believe the introduction of Alternative PIRs could also represent a smart solution to the current impasse at EU level over ELTIF, as the new Alternative PIRs are entitled to buy ELTIF funds, thereby indirectly benefitting ELTIFs.

ALTERNATIVE PIR vs. PIR 3.0

	PIR 3.0	Alternative PIR
Investor Target	Retail Investors	Semi-institutional investors
Main Investment Focus	Mid and Small Caps	Small and Micro Caps, Privately held SMEs
Type of Fund	Open-end Funds	Closed-End Funds, such as ELTIF, private equity funds, private debt funds
Max per capita investment	Eu30,000 a year (max Eu150,000)	Eu300,000 a year (max Eu1.5mn)
Concentration limit	Up to 10%	Up to 20%
Investment Criteria	At least 70% of the fund must be invested in securities issued by listed Italian or EU companies having stable organisation in Italy; of this 70%, 25% (i.e. 17.5% of the total fund) must be invested in securities that are not 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 PIRs

In the long term, our assumptions are based on expectations that interest in this product will remain fairly high thanks to the fiscal benefit and, from a distributor point of view, to the fact that it can count on long-term commitment from the investor. In particular, looking forward to 2022, we consider the mid/small equity class to be well positioned in investors' strategies, which should also translate into greater commercial and distribution efforts by investment houses. We look at 2022 with greater confidence following the positive preliminary inflow figures for October and November.

Our main assumptions are as follows:

- For 2021, we assume gross inflows from new PIR subscribers of Eu0.1bn, followed by Eu2.4bn for 2022;
- 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 60% 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 ~4% of Assets under Management in 2021 and beyond.

PIR – Our assumptions

	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E
Mutual Funds AUM (Eu mn)	887,408	900,318	1,011,183	955,114	1,071,299			
PIR Net Inflows (Eu mn)			10,903	3,950	(1,097)	(759)	301	2,580
<i>YoY Growth</i>				<i>-63.8%</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>758.1%</i>
o/w From Continuing Subs.			-	3,414	989	754	744	784
o/w From New Subscribers			10,903	1,325	-	-	100	2,350
o/w Transformation of Existing Funds/Exit from PIR			4,867	(788)	(2,086)	(1,513)	(543)	(554)

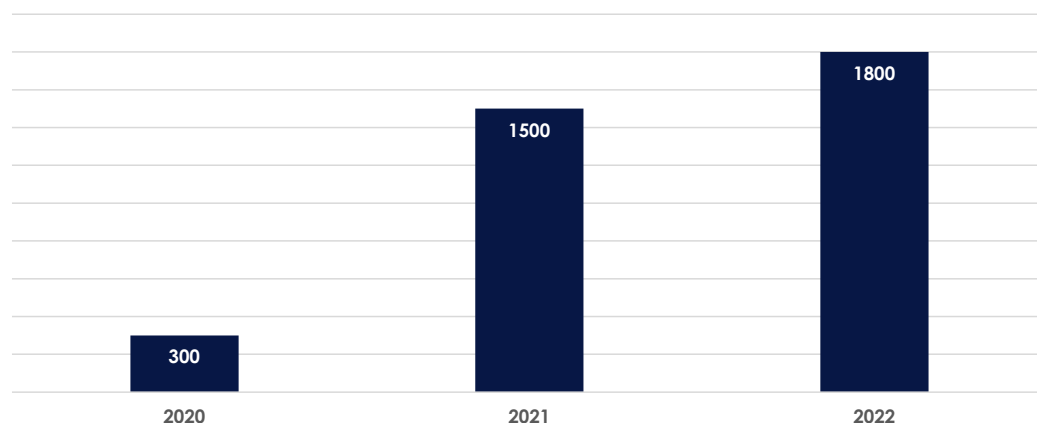
Source: Intermonte SIM

Our Estimates for Alternative PIRs

On publication of the June 2020 report, we also added our estimates on the inflows expected for Alternative PIRs. Several important Italian asset managers have now launched their new funds, mostly ELTIF, compliant with the Alternative PIR regulation and definition (and subject therefore to the fiscal benefits). Based on our expectations for ELTIF, we foresee inflows of Eu300mn in 2020, Eu1.5bn in 2021, and Eu1.8bn in 2022, thus reaching cumulative AuM of Eu3.6bn by YE22. For the moment, our estimates are more cautious than the Assogestioni forecast for this product, which is for inflows of between Eu3bn and Eu5bn per year.

We flag up an important piece of news for Alternative PIRs: in the final days of December 2020, an amendment was added to the Budget giving subscribers of PIR funds set up from 1 January 2021 the right to a tax credit on any capital losses accrued on investments made by 31 December 2021. This credit has a ceiling of 20% of the amount invested and is usable over a 10-year period. We think the tax credit could represent a further important marketing instrument for PIR, improving visibility on our estimates for 2021.

Alternative PIRs – Our estimates (Eu mn)



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)

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 2.5% and a risk premium of 5.0% are being used.

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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;

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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