

Italian Equity Strategy Monthly

The Great Reset Accelerates

by Intermonte Research Team

Italian Equity Market

- **Market outlook.** European and Italy equity markets have made a strong start to the year, with European equities notching up an unusually significant outperformance vs US. The winners YTD have been Spanish and Italian markets with the Italian FTSE MIB index up 13% in Jan-Feb. The best performing stocks have been Iveco and Leonardo, while Interpump and Saipem have underperformed. Overall, large caps are continuing to outperform mid-small caps, although we noticed signs of improvement in the performance by quality mid-caps and in investors' attitudes to them.
- **Investment strategy.** After the strong, double-digit equity performance YTD and the uncertainties on tariffs and geopolitics, there could be a pull back by the Italian market, which has also been boosted by M&A, especially in the banking sector. That said, Europe seems set to potentially benefit from more political stability following the German general election, potential stimulus plans (primarily in the defence sector), and a preference for value vs growth sectors, which are well represented in Italy. A solution to the Ukraine war would be positive, while the major risk remains the threat of additional 25% tariffs on auto and other goods exports to the US, recently reiterated by Trump albeit without mentioning specific timing and technicalities of the levies. In a deglobalizing context, the focus on consolidation and cost efficiency appears to be sharpening, and the wave of consolidation among banks in Italy might be followed by other sectors like autos, telecoms and digital payments. The EU appears to be behind the curve on regulatory adjustments and pro-business initiatives, but discussions on reducing red tape, easing regulatory burdens and costs, and sponsoring common spending initiatives on defence and other sectors may improve the environment amid anaemic macro growth. Tariffs may add to risks of a slower retrenchment of inflationary pressure and this is reflected in a more gradual downward path for interest rates with positive implications for financial sector.
- **Corporate newsflow.** Results so far have provided some interesting indications, with financial stocks reporting well once again and some major disappointments from industrials. The coming months will be crucial for determining the outcome of the tidal wave of financial consolidation with five (!) offers on the table and most highlighting stock price misalignments. Estimate changes YTD for 2025/2026 have been slightly negative and once again factor hugely different trends among stocks and sectors. The Italian market trades at around 11x P/E NTM after being one of the top performing markets; the multiple is higher when compared to recent past multiples but still below historical levels and with a continuing remarkable discount vs global equity markets.
- **Portfolio selection:** we are making some changes to our stock selection. Our stock picking portfolio continued to perform well and is up 14.7% YTD with relative outperformance of 114bps compared to benchmark (i.e. FTSE MIB) in February, propelled by the overweigh on Leonardo and underweight on stocks like Stellantis and Prysmian. *Our list of preferred stocks to over/underweight is detailed on page 4 of this report*
Large caps to overweight: we are adding Intesa Sanpaolo and removing BMPS among banks; we are also removing star performer Iveco while adding a laggard, Campari. We confirm the other selection, which includes Enel and A2A among utilities and Pirelli, Leonardo among industrials.
Mid/small caps to overweight: we remove Fincantieri, following a fantastic performance since inception, Cementir, another good performer, and Datalogic while adding ENAV, which has performed poorly.
Stocks to underweight: Eni is added as we see limited positive catalysts from macro & commodities. Unipol is removed as FY indications on industrial trends and dividends were ahead of expectations and a new plan will be disclosed on 28 March.

Italian Equity Market - Asset Allocation by Sector

Positive	Neutral	Negative
UTILITIES	BANKS	INDUSTRIALS
ASSET MANAGEMENT	TELECOM	CONSUMERS
MEDIA	INSURANCE	ENERGY

Source: Intermonte SIM

DISCLAIMER (for more details go to [DISCLAIMER](#))**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1002, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

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

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

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

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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

Explanation of our ratings system:

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

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

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

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

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

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

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

As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte acts as financial advisor to Banco BPM in the context of the offer promoted by UniCredit

Intermonte acts as ECM advisor to Banca Ifis in the offer promoted on illimity Bank

Intermonte acted as financial advisor to Retex S.p.A. - Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aquafil, Banca Ifis, Banco BPM, Maire, Tinexta.

Intermonte SIM is acting as counterparty to WIT Fin S.r.l. in connection with call and put options having WIT Fin S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cygate, DHF, ELEN, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Miami, GPI, Greenthesis (formerly Ambientthesis), IEG, IGD SiQ, Intred, Luve, Misitano & Stracuzzi, Mondadori, Notorious Pictures, Omer, Pharmanutra, Reply, Revo Insurance, Reway, Saes Getters, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, SyS-Dat Group, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema, Zest.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider and/or Specialist and/or Corporate Broker on the following companies: Alkemy, Allcore, Almwave, Bifire S.p.A., B&C Speakers, Casta Diva Group, Cleanbnb, Cofe, Crowdfundme, Cube Labs, Cyberoo, DHF, Digitouch, Ediliziaacrobatica Spa, Eles, Energy, Eviso, Fae Technology, Fiera Milano, Fila, Fope, GM Leather, Green Oleo, High Quality Food, IGD SiQ, Ikonisys, Intred, ISCC Fintech, Lemon Sistemi, Maps Group, Mare Group, Masi Agricola, Misitano & Stracuzzi, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Redfish Long Term Capital, Reti, Sciuker Frames, SG Company, Simone, Solid World Group, Spindox, Talea, Tamburi, Tinexta, TMP Group, Tps Group, Ulisse Biomed, Xenia Hôtellerie Solution Spa Società Benefit, Witi, Zest.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
-----------	---	------------

© Copyright 2025 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available