

Equity Focus

3Q25 Shopping List: Rotation in Sight

by Intermonte Research Team

Italian Equity Market

- **Market performance and macroeconomic backdrop in 3Q25.** Financial markets reacted with euphoria to trade agreements, expectations for expansionary monetary policy in the US and fiscal measures in some European countries, such as Germany. Many equity indices are trading at new record highs and a phase of profit-taking is possible considering investors' bullish positioning. Having said that, we remain constructive on equities and expect the emerging signs of sector rotation to increase in the coming months, especially if some degree of cyclical recovery boosted by easy comparisons is confirmed.
- **Earnings direction and market multiples.** Action on estimates was limited last month, with some upward revisions on asset managers. Our expectations now point to a YoY decline of c.4% in 2025 earnings and growth of 10% in 2026, driven by industrials and to a lesser extent consumers, on the back of an expected cyclical recovery. Italian market P/E is now currently broadly in line with the historical average, but still not showing significant excesses and trading well below other markets, in particular the US.
- **Our expectations for 3Q25 results and selected list.** We expect a transitional set of results. After a long string of positive results leading to upward estimate revisions for banks, 3Q should still highlight good indications, but with a tougher comparison on revenue growth. Within the financial arena we expect more positive indications from asset gatherers thanks to strong net inflows and positive financial markets, and insurers on solid technical trends and the contribution from investments. Another mixed quarter is expected for sectors like consumers and industrials, heavily influenced by a volatile trade environment. We expect positive indications from utilities, with energy stocks expected to deliver mixed results. In many cases, estimates have already been revised to reflect these expectations, and a lack of incremental negative news from underperforming sectors and stocks could be a positive. We believe a better environment for mid/small caps is finally materialising and, even though there are still some risks of earnings revisions, we think the tide is turning for many quality / growth companies, in some cases after lacklustre YTD performances. Our large-cap selection includes some asset gatherers, BPER thanks to its leverage of positive surprises on the BPSO consolidation, Ferrari after the recent sell-off and Saipem, which we think will report positive indications. Stocks that could report uninspiring results are in a mix of sectors.

3Q reporting will be concentrated at the end of October and the first two weeks of November.

Our main LONG calls on large stocks: **Banca Mediolanum, BPER, ENEL, Ferrari, Interpump, Saipem**

Our main LONG calls on mid/small stocks: **De' Longhi, ERG, Esprinet, MFE, Reply, TXT**

Our main SHORT calls: **Brembo, Moncler, Marr, Tenaris, Unicredit**

Our stock selection for the 3Q25 reporting season is shown on page 2 of this report.

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

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

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX 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.

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

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

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

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

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

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

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BUY:	31.30%
OUTPERFORM:	38.17%
NEUTRAL:	30.53%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (76 in total) is as follows:

BUY:	51.32%
OUTPERFORM:	30.26%
NEUTRAL:	18.42%
UNDERPERFORM:	00.00%
SELL:	00.00%

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