

Italian Equity Strategy Monthly

Conflicts & Mega Investments Puzzle Markets

by Intermonte Research Team

Italian Equity Market

■ **Market outlook.** February was again a volatile month characterized by uncertainty over tariffs, corporate newsflow (earnings), and geopolitics (US/Israeli attacks that started on Feb 28th). On top of that, a number of sectors were put under pressure by the potential impact of AI. That was more than enough to keep temperatures high on financial markets but the month closed with only a marginal decline in the main US equity indexes (S&P500 -1.4% and NASDAQ -3.8%), while the FTSEMIB posted a positive market performance of +4.6% sustained by some stocks like Tenaris, Saipem and Moncler despite the collapse of Stellantis.

■ **Investment strategy & corporate newsflow.** The start of 2026 has been marked by a series of significant events. A wave of announcements regarding real or perceived structural changes driven by AI adoption across multiple sectors has triggered sharp moves by individual names and broader industry groups. Geopolitics has re-emerged as a central market theme following the launch of a joint US-Israeli military operation in Iran. Meanwhile, the ongoing earnings season has delivered a mixed picture: industrial and consumer names have disappointed on both results and guidance, drawing negative market reactions, while energy and utilities have benefited from solid earnings, constructive outlooks, and a supportive market backdrop. Financials have broadly delivered in line with expectations, though the sector remains under scrutiny given potential risks associated with AI-related initiatives. On the AI front, we maintain the view that the technological revolution will be profound and far-reaching across all sectors. However, the at-times disorderly market reaction to mere announcements of AI-related initiatives — particularly in sectors where trust-based relationships are a core competitive differentiator — appears, in our assessment, disproportionate. That said, we view the adoption of these new technologies as essential, both to capture meaningful productivity gains and to preserve long-term competitiveness.

Geopolitical risk is, and remains, a key overarching theme. The repercussions of the military action in Iran are, at this stage, too uncertain to draw well-grounded conclusions regarding the risk of a broader regional escalation or its ultimate impact on the macroeconomic outlook. The trajectory of economic growth will depend primarily on potential commodity price pressures — crude oil being the most critical variable — as well as any disruption to global supply chains.

The Italian equity market has shown resilience, supported by its structural tilt toward value-oriented sectors with solid fundamental prospects and attractive dividend profiles that continue to stand out in a broader income context. This month, attention will turn to the outcome of the justice reform referendum scheduled for 21–22 March. While the result is unlikely to be decisive for the government's stability, it may nonetheless influence the administration's policy agenda going forward.

■ **Portfolio selection.** Our recommended portfolio has absorbed the impact of several guidance revisions for industrial names, where recovery paths are proving either longer or less robust than previously anticipated. We are implementing selective adjustments while maintaining an overall constructive view on the Italian equity market.

Large caps to overweight: we remove Banca Mediolanum after the recent downgrade on limited upside.

Mid/small caps to overweight: we add Interpump following overreaction to FY results and guidance, and Seco following the recent upgrade.

Stocks to underweight: no change.

Our preferred list of stocks to over/underweight is on page 5.

Italian Equity Market - Asset Allocation by Sector

Positive	Neutral	Negative
MEDIA	AM & INSURANCE	CONSUMERS 
UTILITIES	BANKS	
	TELECOM	
	ENERGY 	
	INDUSTRIALS	

Source: Intermonte SIM

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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 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.

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

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

As at 2 March 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.58%
OUTPERFORM:	38.35%
NEUTRAL:	29.32%
UNDERPERFORM:	00.75%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (73 in total) is as follows:

BUY:	53.42%
OUTPERFORM:	31.51%
NEUTRAL:	13.70%
UNDERPERFORM:	01.37%
SELL:	00.00%

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