

Italian Equity Strategy Monthly

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by Intermonte Research Team

Italian Equity Market

- **Market outlook.** Solid global equity market trends continued in August. The Italian market rose +3% (+23% YTD) while France underperformed on concerns over budgetary issues and a lot of uncertainties to be faced in September. Overall, markets were supported by progress on tariff agreements, expectations on interest rate cuts and some hopes of a truce in Ukraine, which are now fading rapidly. The best performers in August once again included banks and asset gatherers, along with those reporting strong quarterly results and some industrials like Prysmian and Interpump, while losers were healthcare (Amplifon, Diasorin), energy and utilities stocks.
- **Investment strategy.** September is historically characterized by negative seasonality for the markets, and this year could confirm this trend given the recent positive market performance. In recent weeks, expectations for a US rate cut have increased significantly after some mixed macro data showing a slowdown in the jobs market and limited inflationary impacts (so far) from the tariff measures approved and being implemented. A slowdown in growth in the coming quarters driven by declining demand seems likely, but the expected interest rate cuts continue to favour exposure to the equity market, with a relative recovery of American indices after Europe had enjoyed a more favourable start to the year. Much of the positive market performance is linked to the recovery in value of Italian financial stocks, with banks currently trading above their tangible book value and benefiting from political stability that bolsters the sector, in stark contrast to other countries such as France. Despite the strong re-rating, we believe the Italian market can still offer appealing opportunities, albeit with appropriate selective criteria. Last month, we made several changes in recommendations, trying to seize opportunities in stocks with lacklustre performance and downgrading stocks that have performed very well or do not seem to represent an attractive proposition. We remain positive on several financial stocks, although upside appears more limited given recent performance, utilities, and selected industrial and consumer stocks, while we remain cautious on autos and luxury.
- **Corporate newsflow.** Overall, the indications from corporate results have been moderately favourable given the extreme tariff uncertainty that overshadowed the entire second quarter. Many companies appear able to manage tariff effects, although the impact on consumption in the event of price hikes remains to be defined. The direction of expected earnings continues to show a slight deterioration: since the start of the year expected 2025/2026 earnings have been cut by around -7%/-6%. Given the market's positive 24% performance YTD, this implies a re-rating of over 30% on P/E, with the Italian market now trading at just over 13x expected earnings, essentially in line with historical averages.
- **Portfolio selection:** The recommended portfolio performed broadly in line with the index in August with an outperformance of 464bps since the start of the year. *See page 7 for more details.*
Large caps to overweight: we are making some switches within sectors to take advantage of relative performance and/or upside: we are adding BMPS in place of BAM I and Azimut instead of Banca Mediolanum (the best FTSEMIB performer last month). We confirm our selection on other sectors/stocks.
Mid/small caps to overweight: we are adding MFE as consolidation with ProSieben is particularly attractive, in our view, and removing Technogym following the stock rally.
Stocks to underweight: our stock selection is confirmed for September.
See page 4 for our list of preferred stocks to over/underweight.

Italian Equity Market - Asset Allocation by Sector

Positive	Neutral	Negative
ASSET MANAGEMENT	BANKS	CONSUMERS
INSURANCE	MEDIA	ENERGY
UTILITIES	TELECOM	
	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 FTSEIMIB40 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

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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 1 September 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.34%
OUTPERFORM:	37.31%
NEUTRAL:	31.35%
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 (78 in total) is as follows:

BUY:	50.00%
OUTPERFORM:	29.49%
NEUTRAL:	20.51%
UNDERPERFORM:	00.00%
SELL:	00.00%

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