

Euronext Growth Milan



EGM Stock Guide

Research Team

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FTSE Italia Growth **8,215**
Mkt Cap (€bn) **ca. 9.2**

About ValueTrack

ValueTrack is a capital markets and corporate finance firm focused on mid-small caps offering a wide range of services: Advisory, Equity- Debt Research, Investor Access. Our research is available on ValueTrack and Borsa Italiana websites, Bloomberg, FactSet, Thomson Reuters, S&P Capital IQ.

EGM Stock Market: 2023 definitively not a bullish year...

In 2023 EGM market was burdened by higher interest rates and deteriorating economic conditions, thus leading to unsatisfactory full year KPIs, such as:

- (i) FTSE IT Growth Index down by ca. 11% in the 12 months period;
- (ii) EGM trading volumes down by 14% y/y, with only ~16% of EGM listed companies recording average daily turnover above the €50k threshold;
- (iii) IPO multiples sharply contracting (IPO EV/EBITDA FY1 at 4.4x in 2023 vs. 5.6x as of 2022 and 7.7x as of 2021);
- (iv) EGM current stock multiples at the lowest in the latest 4-5 years: 1.1x EV/Sales, 5.8x EV/EBITDA, 12.1x P/E on 2024E consensus estimates.

...but some signs of relief are emerging

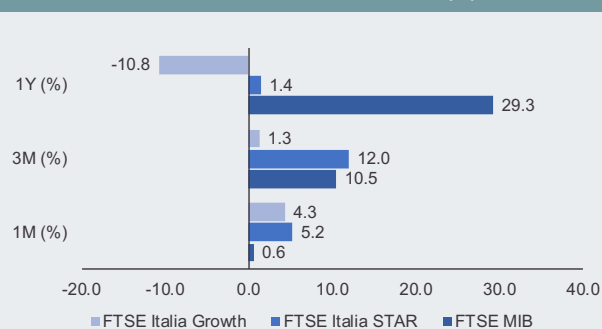
On the positive side we note that:

- (i) IPO activity remained strong, with # 34 EGM deals in 2023, +31% y/y;
- (ii) Trading volumes have been, recently, rebounding: ca. +37% y/y in 3Q23 and ca. +43%y/y in 4Q23;
- (iii) Stock performances are turning positive. Indeed, at the end of December 2023, -3M and -1M FTSE IT Growth performances are +1.3% and +4.3% respectively;
- (iv) Despite the negative EGM market performance, there are #39 stocks that in 2023 enjoyed a higher than 20% stock price appreciation.

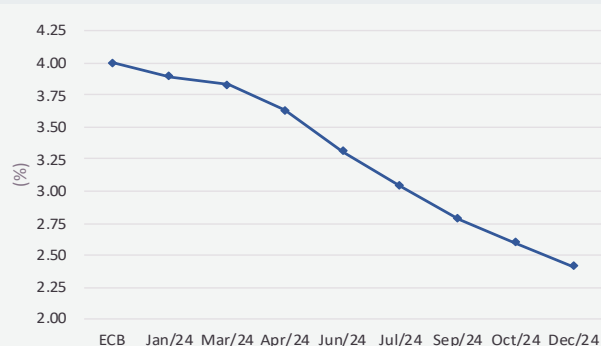
The year ahead is poised for a better stance

We're quite optimistic on 2024 EGM market evolution. Indeed, a reduction of Official interest rates within 2024 year-end is in the cards and could lead to a future reallocation of assets from bonds into equity, potentially revitalizing EGM stock market, also thanks to the above-mentioned current low multiples. Last but not least, we believe that downside risks on EGM consensus estimates to be manageable. Even a possible further 25% downward revision in aggregate EBITDA forecasts would lead to 7.5x EV/EBITDA market multiple that would not appear expensive in a lower interest rates scenario.

ITALIAN STOCK INDEXES 2023 PERFORMANCE (%)



ECB DEPOSIT RATE EXPECTED EVOLUTION (%)



EGM: STOCK TRADING MULTIPLES 2023E-24E-25E

(Avg. ex Fin.)	2023E	2024E	2025E
EV / SALES	1.3x	1.1x	0.9x
EV / EBITDA	8.1x	5.8x	4.7x
P / E	15.8x	12.1x	8.8x

Source: ValueTrack Analysis, Market Consensus, Bloomberg, Various



Executive Summary

The year that has just ended: More shadows than lights

Taking into account the **Euronext Growth Milan** stock market as proxy for Italian cap equity asset class, we note that **2023 was a tough year**, burdened by the combination of higher interest rates and deteriorating economic conditions.

As a matter of fact, we identify many “shadows” but also a few “lights”.

Bad news first: 2023 down y/y on many KPIs for Euronext Growth Milan market...

Many KPIs related to EGM boasted a negative evolution in the whole 2023:

- ◆ **Stock Prices:** FTSE Italia Growth Index is down by -10.8% in 2023, deeply underperforming FTSE MIB (positively affected by banks stock prices surge) and somehow also the FTSE STAR;
- ◆ **Trading Volumes:** Total EGM market trading countervalue stood at a “poor” €2.1bn level in 2023, ca. -14% down y/y (and much lower than 2021 figures). Only ~16% of EGM listed companies boasted an average daily turnover above the €50k threshold, and an equal number of companies recorded (data for December 2023) a daily turnover below €5k;
- ◆ **IPO Multiples:** IPO EV/EBITDA FY0-FY1 stood at 5.8x-4.4x respectively in 2023, down from 8.3x-5.6x as of 2022. As far as IPO P/E FY0-FY1, it stood at 8.3x-7.3x in 2023, down from 13.0x-9.2x as of 2022;
- ◆ **IPO Discount rate** on EGM remained stable y/y at ca. 48% on blended figures, or some 35% if we adjust for the amount of money raised in the various deals ;
- ◆ **Delisting:** In 2023 # 22 EGM companies moved out of EGM, out of which # 9 due to PTO and # 5 due to translisting to EXM or STAR.

...but there is also some good news

- ◆ **New Listings:** In 2023 # 34 companies have been admitted to Euronext Growth Milan (including IPO on PRO), i.e., ca. +31% the number of listings occurred in 2022, and total capital raised at IPO stood at ~€306mn, (ca. €9.0mn per deal).

As a result, as of the end of December 2023, #202 companies were “actively” listed on Euronext Growth Milan, representing nine industries and a aggregate Market Capitalization slightly below €9.2bn;

- ◆ **Other ECM deals:** In 2023 we counted # 6 rights issues deals (vs. 4 in FY22) and # 9 ABB deals (up vs. both FY21 and FY22), worth on aggregate €27.8mn;
- ◆ **Q3-Q4 Trading Volumes:** EGM market trading value is rebounding. Indeed, it was up ca. +37% y/y in 3Q23 and ca. +43%y/y in 4Q23, with some ~23% of EGM listed companies boasting an average daily turnover above the €50k threshold in December.

And if it’s true that ca. 16% of listed stocks recorded in 2023 a daily turnover below €5k, at the same time it is worthy to note that in 1H23 such percentage stood at 50%;

- ◆ **Q4 Stock Prices:** We note that FTSE IT Growth performances are recently turning positive: indeed, -3M and -1M FTSE IT Growth performances are +1.3% and +4.3%, respectively;
- ◆ **Stock Picking:** Despite the overall underperformance, we underline that in 2023 # 86 EGM stocks recorded a positive performance, with # 39 ones achieving a higher than 20% stock price increase. By the way, several of the outperforming stocks are among the ones that we suggested in our latest Stock Guides, (*Casta Diva Group, FAE Technology, Altea Green Power, Powersoft, and TPS* just to make a few examples).

The year ahead: More lights than shadows

In our view some positive hints suggest that EGM stock market might continue on its recovery path during 2024, following the small bounce recorded at the end of 2023.

Positive hint #1: A relatively attractive combo of GDP & Inflation forecasts

Recent macroeconomic forecasts suggest a positive shift in the EU/ITA economic outlook as, according to the latest *European Economic Forecast*, Italian and EU macroeconomic outlook is expected showcasing a marginal growth in the next biennium, despite a sharp normalization of inflation.

Positive hint #2: Significant official interest rates cuts may trigger asset reallocation

With inflation approaching the 2% target, central banks may start (sooner or later) to cut official interest rate, reversing the aggressive monetary tightening witnessed during 2023.

Indeed, current market expectations, as reflected in the Fed Fund Target Rate and the ECB deposit rate forward contracts, are **pricing in a reduction of official interest rates by 170-160bps within 2024 year-end**, i.e. approximately 5-6 cuts of 25bps each.

Despite this dynamic may follow a slower timing and though it is largely factored into current bond prices, it could serve as a catalyst, and lead to a reallocation of assets from bonds into equity, potentially revitalizing equity markets.

Positive hint #3: Italian Small Caps (EGM) trade at undemanding multiples on consensus figures

Should rate expectations be confirmed, the EGM market, currently characterized by relatively low valuations, stands poised to be a primary beneficiary, as it might benefit from multiple potential switches and portfolio repositioning. Indeed, **EGM market multiples are at their lowest in the last 4-5 years**: 1.1x EV/Sales, 5.8x EV/EBITDA, and 12.1x P/E on 2024E consensus forecasts.

Positive hint #5: The impact of possible downward revision of consensus estimates can be managed

As highlighted in our recent *EGM Stock Guide (November)*, **we maintain the stance that FY23E consensus may be too bullish**, especially in terms of bottom-line projections.

However, assuming that FY24E consensus EBITDA falls by another 25-30%, 2024E EV/EBITDA would rise from current 5.8x to ca. 7.5x. We note that 7.5x FY1 EV/EBITDA multiples would not appear expensive in a lower interest rates scenario, as visibly below the 9-10x EV/EBITDA multiples witnessed during the 2019-2021 *zero-interest-rate* period.

Euronext Growth Milan in 2023

The global macroeconomic uncertainties have exerted a downward pressure on Euronext Growth Milan, and this is reflected in several KPIs: i) EGM has underperformed other Italian segments and only ~30% of EGM stocks have posted a positive stock performance over the past year; ii) some 80% of EGM companies exhibit an average daily turnover below €50k; iii) average FY1 multiples for EV/EBITDA and P/E at IPOs stand at 4.4x and 7.3x, respectively, down y/y.

On the positive side, the number of EGM listed companies is higher and higher thanks to a steady flow of IPOs (#34 IPOs with €306mn total capital raised vs ca. €172mn in 2022, not considering Technoprobe). We also note that in 2023 ABB deals totalled €27.8mn, higher than FY21 and FY22.

Taking into account the **Euronext Growth Milan** stock market as proxy for Italian cap equity asset class, we note that **2023 was a tough year**, burdened by the combination of higher interest rates and deteriorating economic conditions. As a matter of fact, we identify a few “lights” and many “shadows”.

Lights: The number of EGM listed companies is higher and higher, thanks to a steady flow of IPOs;

Shadows: Many KPIs are down y/y: EGM stock market prices, trading volumes, IPO multiples.

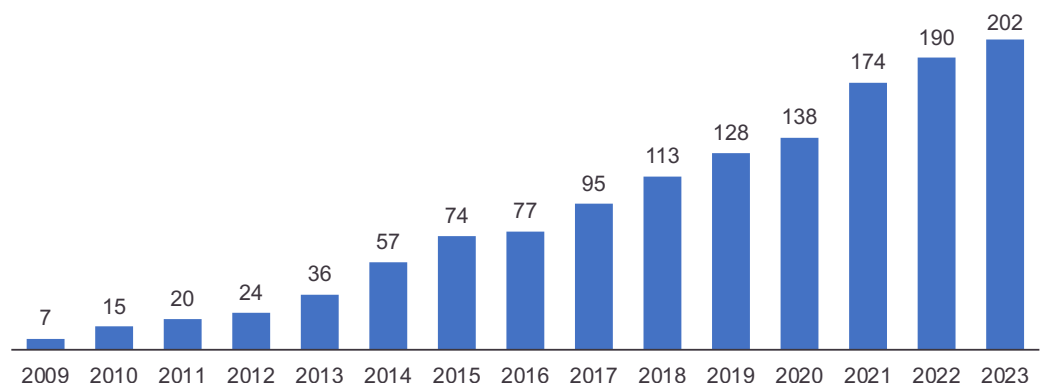
The “light”: # 200 EGM listed companies threshold achieved

202 listed companies, ca. €9.2bn aggregate market capitalization...

As of the end of December 2023, **#202 companies were listed on Euronext Growth Milan** (out of which *Agatos* and *Enertronica* suspended, please note that we do not consider *Industrial Stars of Italy 4* in our statistics), representing nine industries and a **current aggregate Market Capitalization slightly below €9.2bn**.

The range offered in terms of Market Capitalization remained quite wide, ranging from a few millions (with a few names trading below €10mn) to ca. €983mn of *Sbe-Varvit* (listed at the end of FY23), but more than half of the companies (#135) are currently trading with Market Caps below €40mn, while there are **only 22 companies with a Market Cap greater than €100mn**.

Euronext Growth Milan: Number of Listed Companies (#)(*)



Source: Borsa Italiana, ValueTrack Analysis (*) Industrial Stars of Italy 4 is not taken into account in our statistics

In terms of market composition by industry, we underline:

- ◆ **Industrial Goods is now the 1st industry by Market Cap** (€2.9bn, ca. 31% of aggregated Market Cap), surpassing *Technology* that was severely hit by stock prices retracement;
- ◆ But for *Industrial Goods*, *Technology*, *Consumer Goods* and *Consumer Services*, all remaining sectors are hardly represented. Indeed, five industries (*Health Care*, *Telcos*, *Media*, *Energy & Utilities* and *Financials*) representing all together less than 25% of EGM (see below).

Euronext Growth Milan: Key Stats & Figures

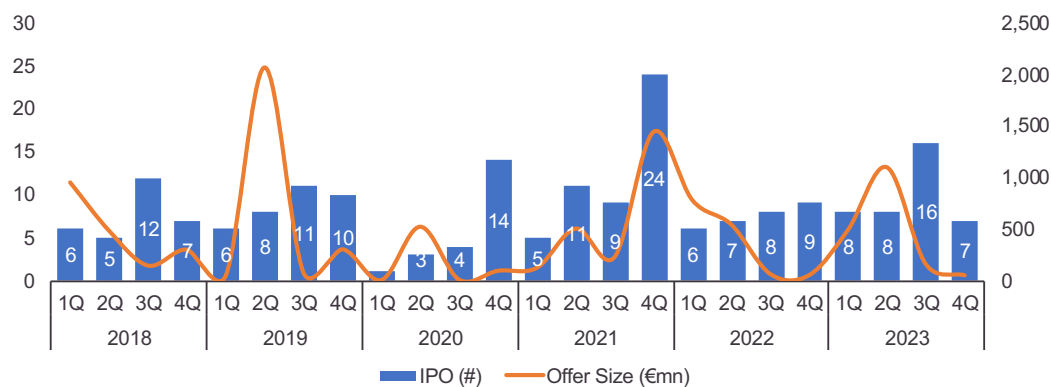
Industry	Listed Companies		Market Cap	
	Number (#)	As a % of Total	Value (€mn)	As a % of Total
Energy & Utilities	15	8%	876	10%
Telecommunications	3	2%	209	2%
Health Care	12	6%	392	4%
Technology	41	21%	1,743	19%
Media	17	9%	213	2%
Consumer Goods	35	18%	1,430	16%
Consumer Services	23	12%	919	10%
Industrials Goods	33	17%	2,862	31%
Financials	21	11%	528	6%
Total EGM	200 (*)	100%	9,173	100%

Source: Borsa Italiana, ValueTrack Analysis, (*) Net of suspended companies, i.e., Agatos and Enertronica

...thanks to a steady flow of IPOs

This positive development is predominantly attributable to the vigorous activity of listings during FY23, rebounding from FY22, which was markedly affected by apprehensions related to the Ukrainian-Russian conflict. Indeed, in 2023 **34 companies have been admitted to Euronext Growth Milan** (including IPO on PRO), i.e., ca. +31% the number of listings occurred in 2022, and **total capital raised at IPO stood at ~€306mn**, (ca. €9.0mn per deal), not a large amount, but it compares to ~€172mn for the whole 2022 (€6.9mn per deal), not considering Technoprobe.

Italian Stock Exchange: Number of IPOs and Offer Size



Source: Borsa Italiana, Value Track Analysis

Euronext Growth Milan: Listings 2023

Company	Date	Offer Size (€mn)
Deodato Gallery	25/01/23	2.1
TMP Group	02/02/23	4.3
Gentili Mosconi	07/02/23	23.0
Valtecne	01/03/23	5.5
Creactives Group	07/03/23	1.0
Reway Group	08/03/23	20.0
Cube Labs	21/03/23	4.1
Ecomembrane	28/04/23	14.9
RES	04/05/23	10.8
Pasquarelli Auto	26/05/23	5.2
Redfish Longterm Capital	30/06/23	4.0
AATech	03/07/23	1.6
IMD International Medical Devices	07/07/23	5.7
Green Oleo	11/07/23	5.5
Riba Mundo Tecnologia	28/07/23	5.5
VNE	02/08/23	3.1
Sicily By Car	03/08/23	100.0
iVision Tech	03/08/23	2.0
Execus	04/08/23	0.9
Porto Aviation Group	04/08/23	1.6
Arras Group	04/08/23	1.9
La Sia	09/08/23	6.0
E-Globe	09/08/23	5.0
Edil San Felice	27/09/23	11.3
Elsa Solutions	28/09/23	4.2
Emma Villas	29/09/23	3.2
Valica	29/09/23	1.8
Xenia Hotellerie Solution	06/11/23	2.3
SBE-Varvit	14/11/23	25.0
Bolognafiere	20/12/23	15.0
Cloudia Research	22/12/23	4.0
Lemon Sistemi	29/12/23	2.0
Simone	29/12/23	3.2
Yakkyo	29/12/23	0.0

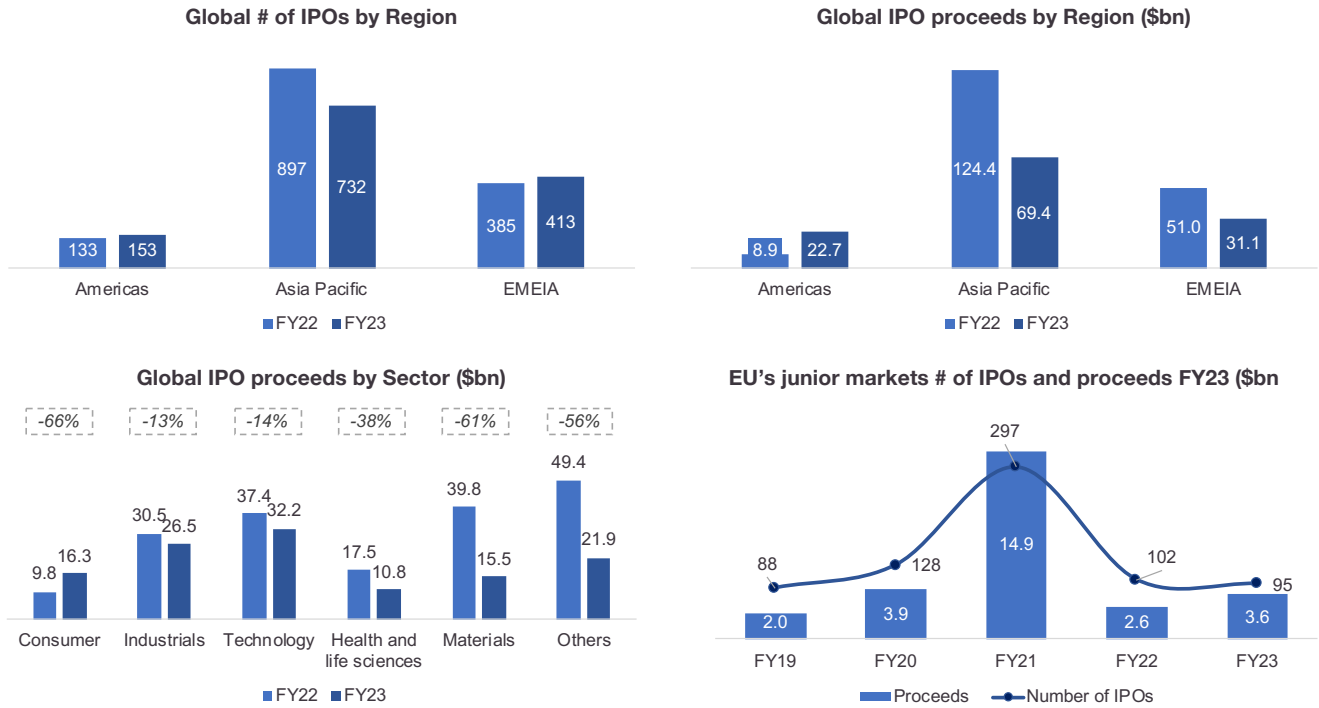
Source: Borsa Italiana, ValueTrack Analysis

Italian IPO stats somehow better than global ones

Comparing Italian IPO stats with global ones returns a mixed picture. The heightened positive sentiment in Western markets was mitigated by a subdued performance in China. Simultaneously, there was an uptick in small cap deals within developing markets, juxtaposed against the lacklustre performance of substantial offerings in developed nations.

The aggregate IPO proceeds for 2023 exhibit a notable decline of ca. -33% compared to the tepid pace witnessed in 2022. However, it is noteworthy that deal volumes have registered an increase in both the Americas and EMEIA. This nuanced market dynamic underscores the interplay of various factors shaping the global IPO landscape during the specified period.

Global ECM Activity in 2023



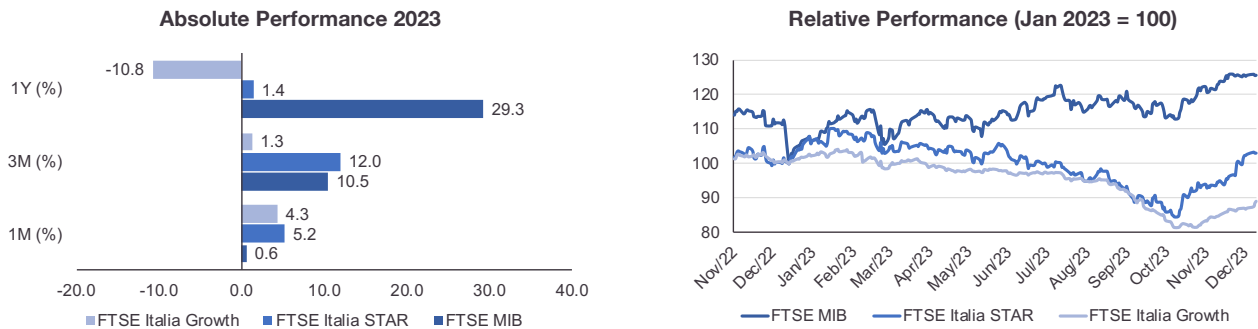
Source: Bloomberg Finance L.P., EY Global IPO Trends 2023, ValueTrack Analysis

Shadow # 1: EGM stock prices down in 2023

EGM the least performing market, even if not in the short term

FTSE Italia Growth Index 2023 return is negative by -10.8%, deeply underperforming FTSE MIB (positively affected by banks stock prices surge) and somehow also the FTSE STAR. However, we note that more recently FTSE IT Growth performances are turning positive. Indeed, -3M and -1M FTSE IT Growth performances are +1.3% and +4.3%, respectively.

FTSE Italia Growth Index Absolute and Relative Performance in 2023



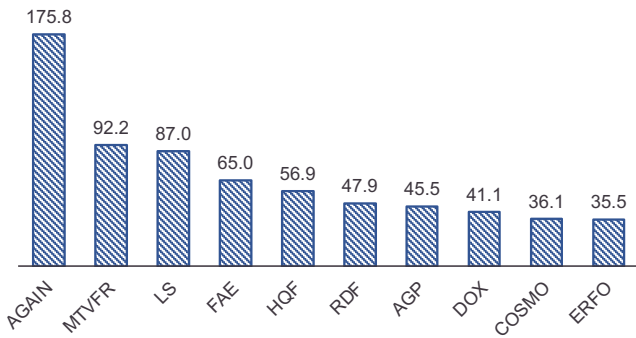
Source: Bloomberg, Value Track Analysis

Notably, as to EGM, in 2023 # 114 companies experienced negative performance, # 86 recorded a positive performance, while # 39 companies achieved a performance exceeding 20%.

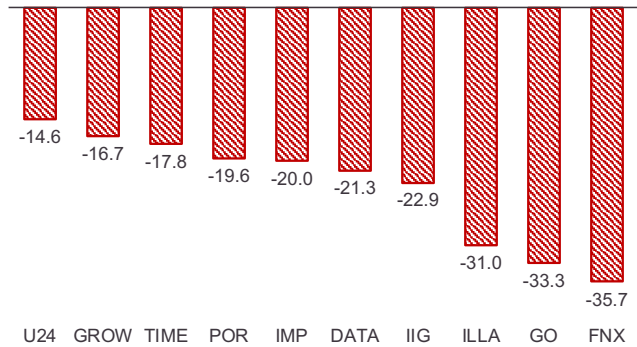
Out of all EGM stocks already listed as of December 2022, there are only # 63 names recording a 1Y positive performance.

Euronext Growth Milan: Best and Worst Stock Price Performers (*)

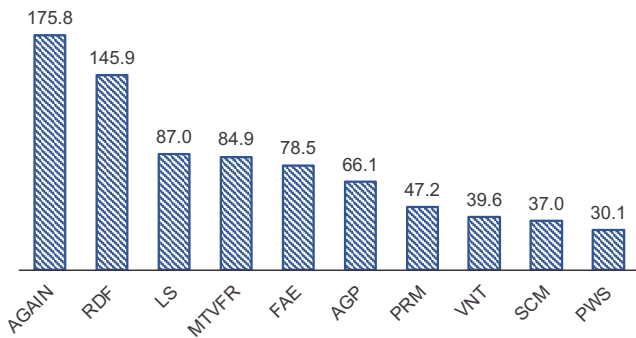
Top 10 by 1M Performance (%)



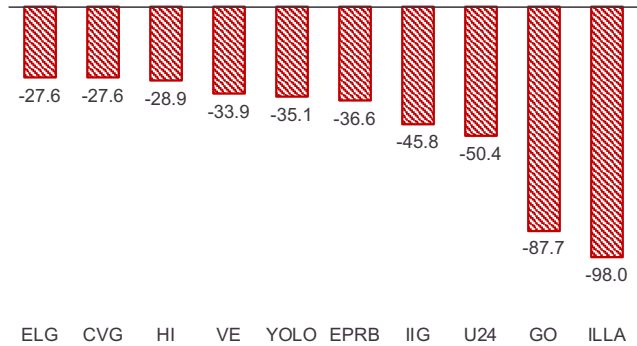
Bottom 10 by 1M Performance (%)



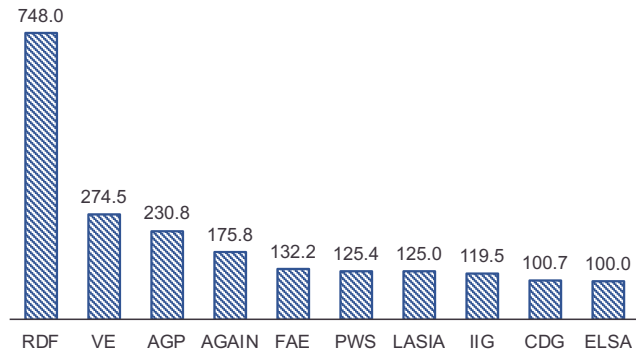
Top 10 by 3M Performance (%)



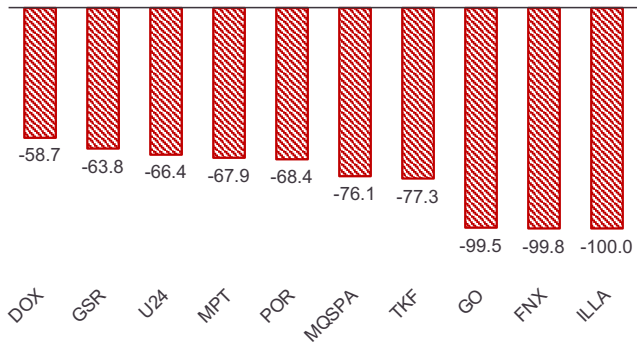
Bottom 10 by 3M Performance (%)



Top 10 by 1Y Performance (%)

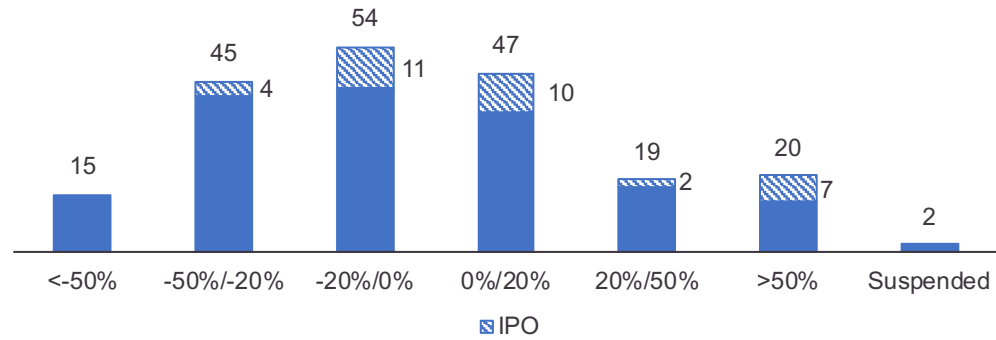


Bottom 10 by 1Y Performance (%)



Source: Bloomberg, Value Track Analysis, (*) For stocks IPOed between Jan 2023 and Dec 2023 if data is missing the analysis returns the performance since IPO

Euronext Growth Milan: Number of Companies by 1Y Performance (*)



Source: Bloomberg, ValueTrack Analysis, (*) Performance since IPO for stocks listed from Jan 2023

VT Top Picks outperformed the market

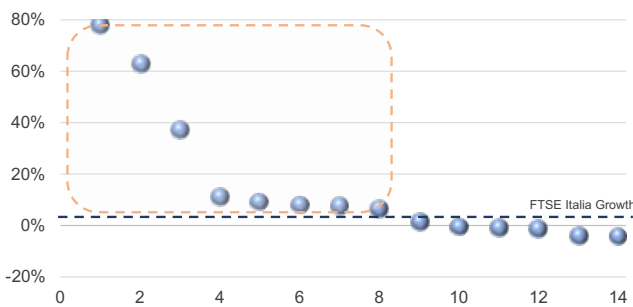
Following the Earnings Season of October 2023 and the Stock Guide of November 2023, we have collectively selected 34 stocks (with several appearing in both reports), some for their momentum, others for being undervalued, and some for their intriguing prospects.

From the date of these reports to date, **on average, 65% of our top picks have outperformed the FTSE Italia Growth index**, which achieved a performance of +3.0% and +5.6% since the dates of our stock guides of October and November, respectively.

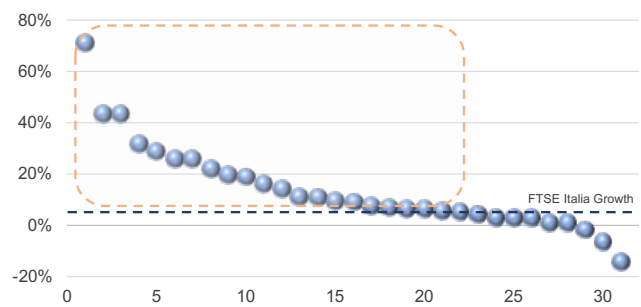
Among the best companies that have recorded better performance to date, we mention *Casta Diva Group, FAE Technology, Altea Green Power, Powersoft, Farmacosmo* and *TPS*.

Stock Performances to date of Top Picks selected by VT

Earnings Season of October 2023 to date



Stock Guide of November 2023 to date



Source: Borsa Italiana, Value Track Analysis

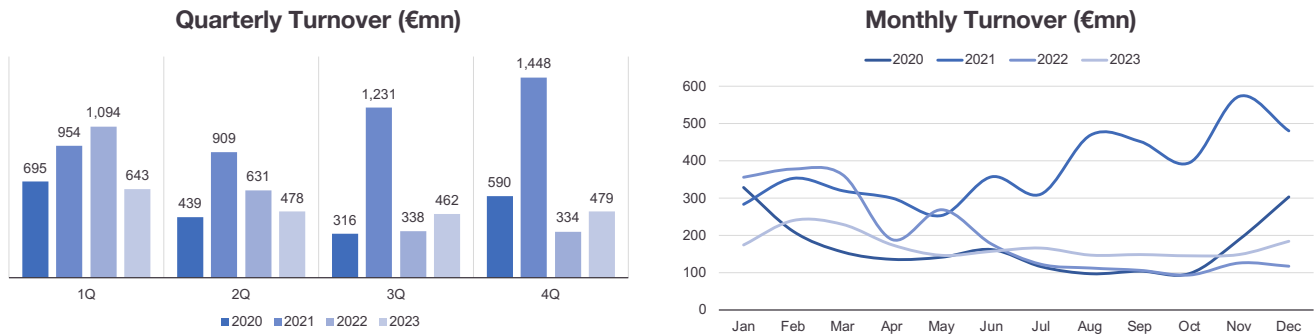
Shadow # 2: EGM very low trading volumes in 2023, but Q4 sees a rebound

Aggregate figures are not good, but Q3-Q4 2023 sees a rebound in traded volumes

The bad news is that total EGM market trading value stood at a “poor” €2.1bn level in 2023, ca. -14% compared to €2.4bn in 2022, and much lower than 2021 figures.

The good news is that volumes are recently rebounding. Indeed, EGM market trading value was up ca. +37% y/y in 3Q23 and ca. +43%y/y in 4Q23.

Euronext Growth Milan: Turnover Figures



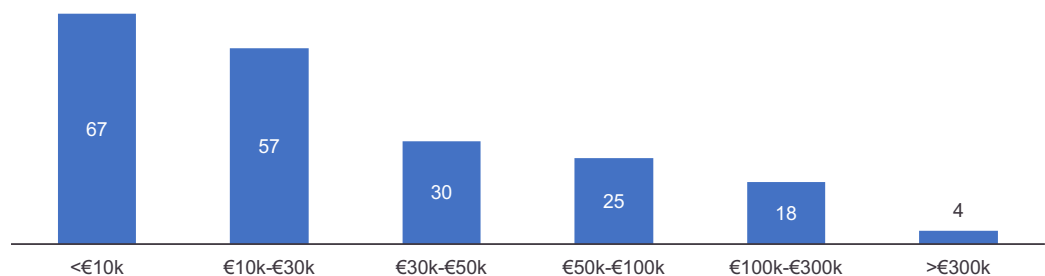
Source: Borsa Italiana, Value Track Analysis

Also, at company level volumes are recently rebounding

Only ~23% of EGM listed companies (i.e., 47 names) boast a daily turnover, calculated as the average of the latest 30 trading days, above the €50k threshold. In particular, we mention *Altea Green Power*, *Redelfi*, *Energy* and *Portobello* above the €300k threshold of daily turnover.

On the opposite side, ca. 16% of listed stocks currently shows a daily turnover below €5k, but it is worthy to note that a couple of months ago such percentage stood at 50%.

Euronext Growth Milan: Number of Companies by Daily Avg. Turnover in the last 30dd (*)



Source: Bloomberg, ValueTrack Analysis, (*) Excluding 1 “not meaningful” stock

Shadow # 3: FY23 IPO multiples down y/y

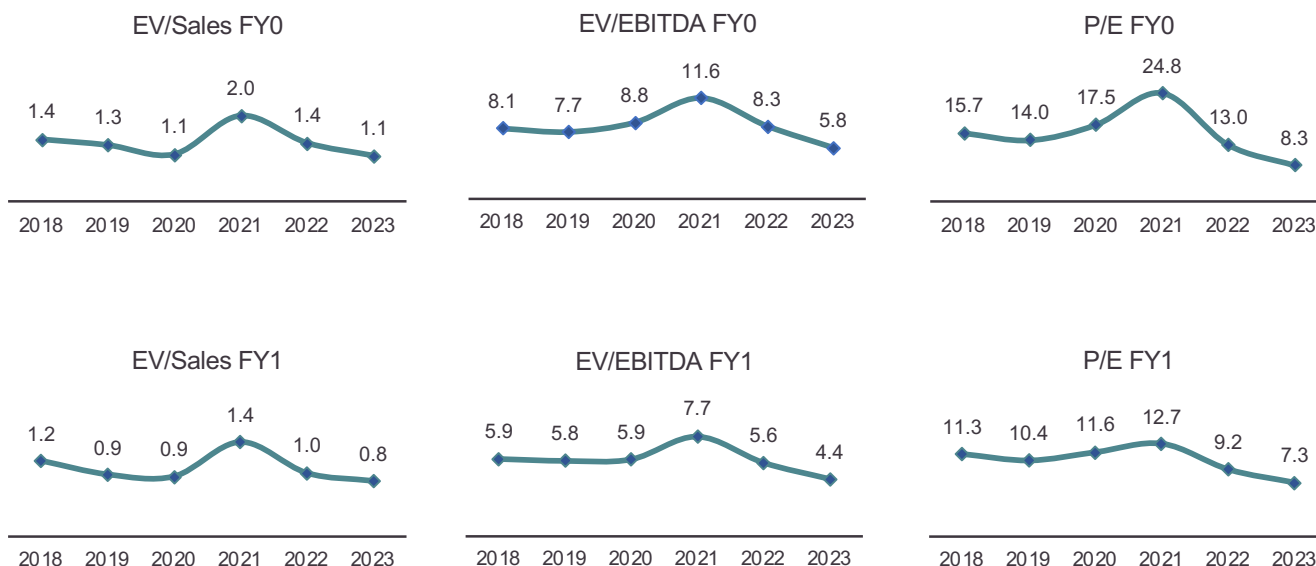
As for 2023 EGM IPO multiples, we calculate they trended downward virtually on all metrics. More in details, we calculate the following 2023 IPO multiples:

- ◆ **EV/Sales FY1 at 0.8x**, down from 1.0x as of 2022;
- ◆ **EV/EBITDA FY1 at 4.4x**, down from 5.6x as of 2022;
- ◆ **P/E FY1 at 7.3x**, down from 9.2x as of 2022.

Conversely, as far as the IPO discount rate on EGM is concerned, we calculate that:

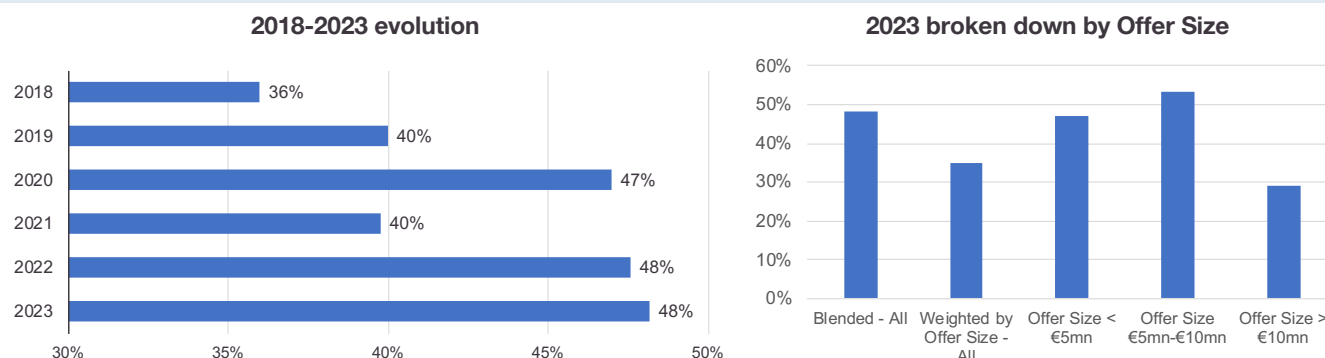
- ◆ The average value of all deals in 2023 has remained stable y/y at very high levels, ca. 48%, but if we calculate the discount weighted by Offer Size it goes down to 35%;
- ◆ Below €10mn Offer Size the IPO discount stands at ca. 50%, while for larger deals it goes massively down to ca. 30%.

Euronext Growth Milan: IPO Multiples evolution in 2018-23 years



Source: Value Track Analysis

Euronext Growth Milan: Average IPO Discount 2018-23 and 2023 broken down by Offer Size



Source: Value Track Analysis

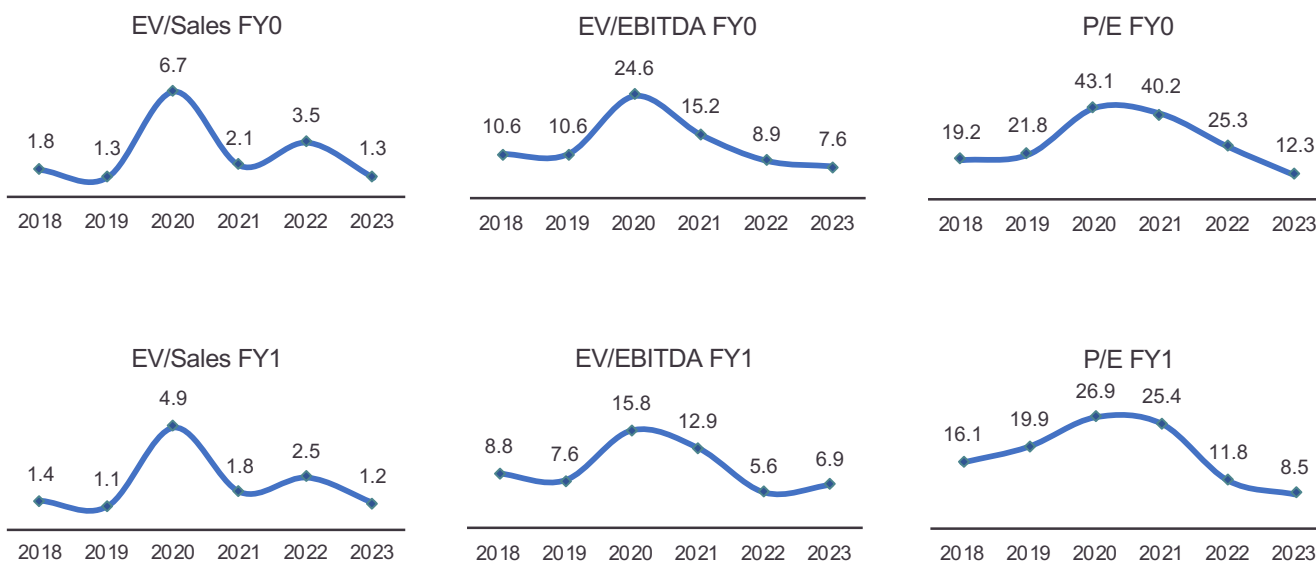
EGM IPO multiples remain at discount vs. EXM ones

In 2023, EXM IPO multiples suffered as well a general downward trend across most metrics:

- ◆ **EV/Sales FY1 at 1.2x**, down from 2.5x as of 2022;
- ◆ **EV/EBITDA FY1 at 6.9x**, up from 5.6x as of 2022;
- ◆ **P/E FY1 at 8.5x**, down from 11.8x as of 2022;
- ◆ IPO discount rate stable y/y at ~33.5%.

We note that EGM IPO multiples remained at discount vs. EXM ones also in 2023, in line with historical hints.

Euronext Milan: IPO Multiples in 2018-23 years



Source: Value Track Analysis

Some further stats on EGM: Rights Issues, ABB, PTOs and delisting deals

Right Issues: only a few

As far as EGM is concerned, we counted only 6 rights issues deals (vs. 4 in FY22) with €2.0mn average funding (vs. €3.8mn in FY22).

Euronext Growth Milan: Right Issues 1H21- 2H23

Rights Issues	1H21	2H21	1H22	2H22	1H23	2H23
Number of Deals (#)	7	7	1	3	3	3
Total Amount (€mn)	13.3	19.8	1.3	14.1	5.0	6.9
Average Amount per Deal (€mn)	1.9	2.8	1.3	4.7	1.7	2.3
Average Subscription Rate (%)			47%	41%	29%	41%
Average TERP Discount (%)			0.0%	-15%	4%	-11%

Source: Value Track Analysis

EXM as well was not so vigorous in terms of number of rights issues deals (6 deals announced in 2023 but total amount raised was obviously much higher than EGM (ca. €629mn) even if lower than FY22 when *Saipem* and *MPS* raised €2bn and €2.5bn, respectively.

Euronext Milan: Right Issues 1H21-2H23

Rights Issues	1H21	2H21	1H22	2H22	1H23	2H23
Number of Deals (#)	7	7	2	4	2	4
Total Amount (€mn)	13.3	19.8	192.6	4,698.9	34.7	594.0
Average Amount per Deal (€mn)	1.9	2.8	96.3	1,174.7	17.4	148.5
Average Subscription			68%	85%	39%	81%
Average TERP Discount			-9.9%	-13%	-20%	-9%

Source: Value Track Analysis

ABB deals: stable y/y

As far as EGM is concerned, in 2023 we counted 9 ABB deals (worth on aggregate €27.8mn) above FY21 and FY22 levels. However, average ABB discount increased: 13.8% in FY23 vs. 10.9% in FY22;

Euronext Growth Milan: Accelerated Bookbuilding 1H21-2H23

ABB	1H21	2H21	1H22	2H22	1H23	2H23
Number of Deals (#)	2	1	4	3	4	5
Total Amount (€mn)	13.3	2.7	97.7 (*)	5.2	19.0	8.8
Average Amount per Deal (€mn)	6.6	2.7	24.4	1.7	4.7	1.8
Average Discount	-12%	-9%	-6%	-20%	-28%	-3%

Source: Value Track Analysis (*) Including €90mn raised from *Cy4gate*

Also the number of ABB deals on EXM remained stable y/y in 2023 (totalling ~€1.3bn, much higher than FY22 levels) with a significant decrease on average discount (11.3% in FY23 vs. 14.3% in FY22).

Euronext Milan: Accelerated Bookbuilding 1H21-2H23

ABB	1H21	2H21	1H22	2H22	1H23	2H23
Number of Deals (#)	8	6	3	4	5	2
Total Amount (€mn)	545.1	129.8	46.9	621.3	492.4	828.1
Average Amount per Deal (€mn)	68.1	21.6	15.6	155.3	98.5	414.0
Average Discount	-7%	-7%	-18%	-10%	-14%	-4%

Source: Value Track Analysis

More and more PTOs and Delisting

As a result of lower EGM stock market valuations, the number of Public Tender Offers leading to delisting rose also in 2023. More in specific, in FY23:

- ◆ **# 9 takeover bids have been finalized:** *Nice Footwear*, *Sababa Security*, *Finlogic*, *Reevo*, *Cover 50*, *Labomar*, *Sebino*, *Kolinpharma* and *Digital360*, with a total countervalue of €247.6mn);
- ◆ **# 3 further potential PTOs are ongoing:** *Renergetica*, *Agatos* and *Go Internet*;

- ◆ # 5 of the bids already finalized had a countervalue of less than €15mn, while the remaining # 4 are positioned well above, in the €50mn-90mn range (*D360, Reevo, Finlogic, Labomar*);
- ◆ Avg. PTO premium on -6M stock prices at 29.4% in FY23 vs. 41.0% in FY22 and 65.5% in FY21;
- ◆ **Median PTO EV/EBITDA FY1 stood at 6.7x** (with *Reevo* having the highest value at 14.7x, and *Sebino* had the lowest at 5.1x), a decrease from 7.5x in FY22 and 7.1x in FY21;
- ◆ **# 17 EGM companies have been delisted** and **# 5 companies moved to EXM or STAR**.

At the same time, looking at 2023 EXM PTO deal we calculate that:

- ◆ **# 5 takeover bids have been finalized**, with a total countervalue of approx. €1.5bn, and **# 2 further potential PTOs are ongoing**, i.e., *Openjobmetis* and *Servizi Italia*;
- ◆ Average PTO premium on -6M stock market prices stood at 17.8%.

Euronext Growth Milan: PTOs 1H21-2H23

PTO	1H21	2H21	1H22	2H22	1H23	2H23
Number of Deals (#)	2	3	2	4	3	6
Total Amount (€mn)	70.0	10.8	53.6	114.0	105.6	142.0
Average Premium 6M	68%	63%	14%	55%	46%	21%
EV/EBITDA FY1 @ OPA (x) (*)	7.7	6.3	6.0	10.9	6.2	7.2

Source: Value Track Analysis, (*) Median

Euronext Milan: PTOs 1H21-2H23

PTO	1H21	2H21	1H22	2H22	1H23	2H23
Number of Deals (#)	5	9	6	10	4	1
Total Amount (€mn)	3,275.7	1,113.8	2,308.3	2,108.6	382.1	1,138.2
Average Premium 6M			21%	22%	21%	4%

Source: Value Track Analysis

Euronext Growth Milan: Delistings & Translisting 2023 (in addition to PTOs)

Company	Date	Delisting / Translisting Type
Technoprobe	02/05/23	Translisting to EXM
Fabilia Group	03/05/23	No EGA
Digital Value	10/05/23	Translisting to EXM
Portale Sardegna	06/06/23	Merger with Destination Italia
Unidata	06/06/23	Translisting to STAR
Cy4Gate	26/06/23	Translisting to STAR
Comer Industries	12/07/23	Translisting to EXM
BFC Media	21/07/23	Company Decision
Industrial Stars of Italy 4	03/08/23	Business Combination with Sicily By Car
Igeamed	17/08/23	Company Decision
Ki Group	12/09/23	Missing EGA
The Lifestyle Group	15/12/23	Missing EGA
Mondo TV Suisse	18/12/23	Merger with Mondo TV France

Source: Borsa Italiana, ValueTrack Analysis

What's Ahead

In our view some positive hints suggest that EGM stock market might continue on its recovery path during 2024, following the small bounce recorded at the end of 2023. These positive hints are: 1) A relatively attractive combo of GDP & Inflation forecasts; 2) Expectation for significant official interest rates cuts; 3) EGM trading at undemanding valuation. All these hints combined should be enough to manage a likely further downwards revision of EGM forecasts.

A general view on the capital markets outlook for 2024

Over the past five years, global economies have undergone significant and sudden shocks, to which policymakers have reacted first introducing unprecedented mix of monetary and fiscal stimuli (to face the pandemic), and later on pursuing the most aggressive monetary policy tightening in four decades, (to abate high inflation).

Despite the fact that all the above-mentioned triggers have strongly reduced macroeconomic predictability, the latest data points lead towards disinflation and to the end of central banks' rate hike cycle. **In our view these signals suggest that the EGM segment might continue on its recovery path during 2024, following the small bounce recorded at the end of 2023.**

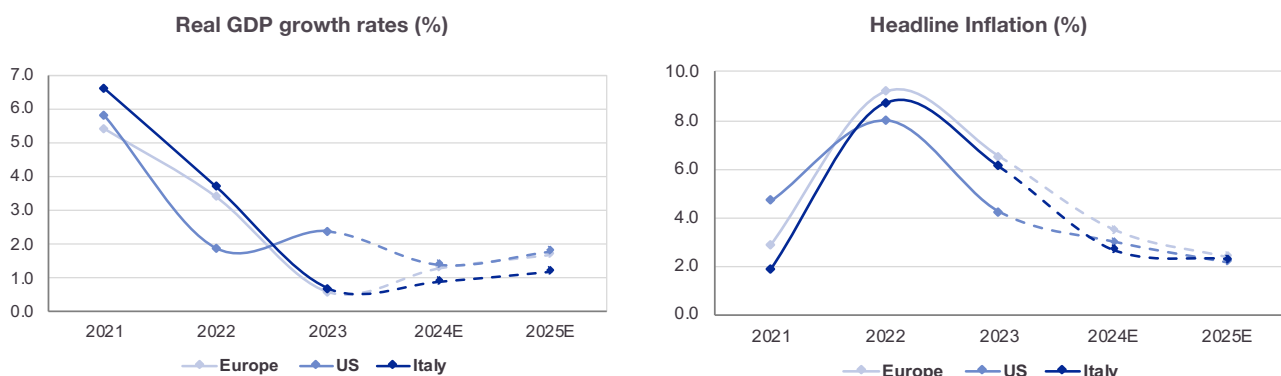
Signal #1: A relatively attractive combo of GDP & Inflation forecasts

Recent macroeconomic forecasts suggest a positive shift in the EU/ITA economic outlook as, according to the latest *European Economic Forecast*, Italian and EU macroeconomic outlook is expected showcasing a marginal growth in the next biennium, despite a sharp normalization of inflation.

Such a combo supports a **scenario of “soft landing” for both EU and US**, despite some residual concerns remain as for 1H 2024. The key points to highlight here are the following:

- ◆ Italian Real GDP growth is expected at ca. 0.7% for FY23 and forecasted at 0.9% for 2024E;
- ◆ Italian headline inflation is expected at ca. +6.1% for FY23 and forecasted at +2.7% over FY24E;
- ◆ The European economic outlook remains comparatively weaker than the US in the short term;
- ◆ European headline inflation has already seen a significant decline and is anticipated to approach the ECB's 2.0% target by 2025.

Real GDP Growth Rates (% , left chart) and Headline Inflation (% , right chart) in Europe, USA, Italy

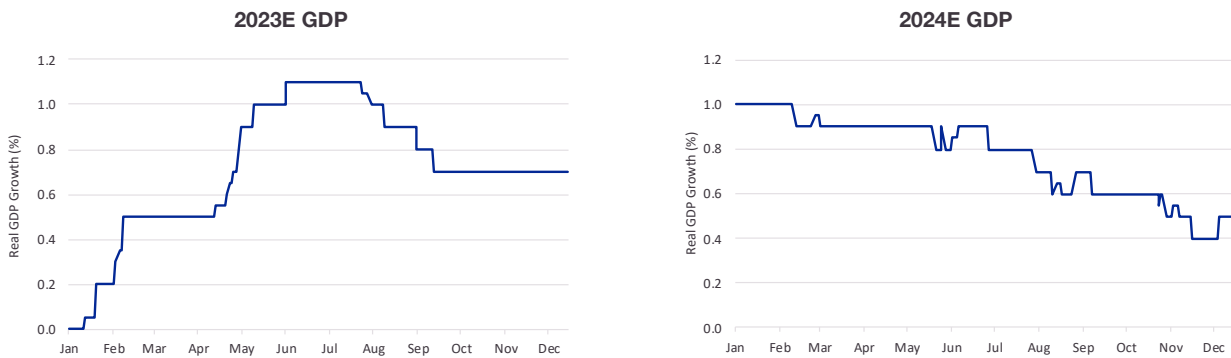


Source: European Commission, Value Track analysis

Looking at the evolution of the **Italian GDP growth consensus** during last year, we note that:

- ◆ Outlook for 2023 GDP has progressively improved from initially expected stagnation stance;
- ◆ As for 2024, expectations have been tempered, with consensus moving from 1% to 0.5% growth;
- ◆ While a cautious stance on 2024 remains, it is important to point out that these changes combine with a very sharp fall in inflation rates and that the cumulated growth 2023-2024 remains higher than initially expected (one year ago).

Italian Real GDP Consensus Review during 2023

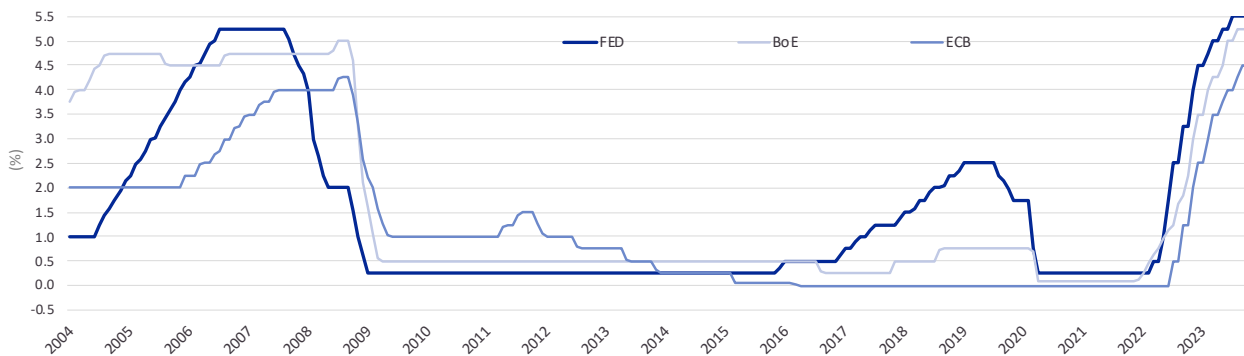


Source: Bloomberg, Value Track analysis

Signal #2: Significant Official Interest Rates cuts may trigger asset reallocation

With inflation approaching the 2% target, policymakers may sooner or later turn their attention to interest rate cuts, reversing the aggressive monetary tightening witnessed during 2023.

Historical Official Central Bank Rates Evolution (FED, BoE, ECB)

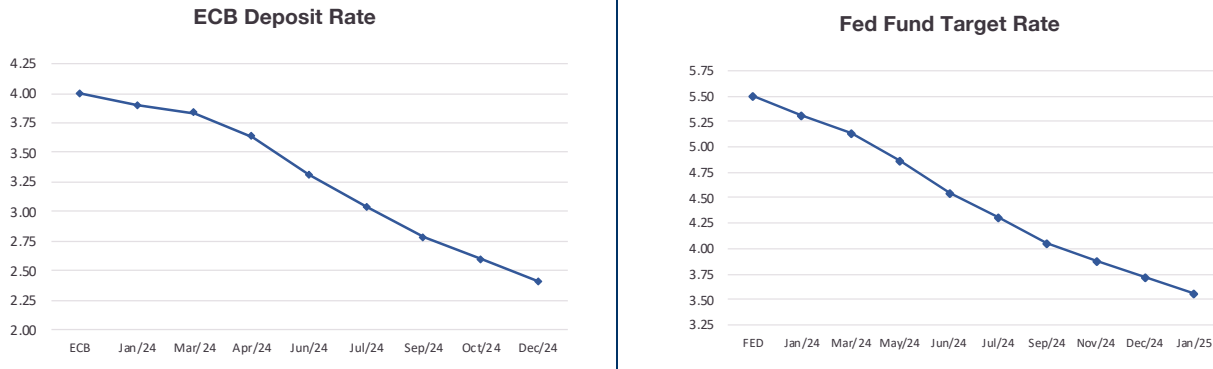


Source: S&P Capital IQ, Value Track Analysis

Current market expectations, as reflected in the Fed Fund Target Rate and the ECB deposit rate forward contracts, are **pricing in a reduction of official interest rates by 170-160bps within 2024 year-end**, i.e. approximately 5-6 cuts of 25bps each. However, we reckon that the timing and extent of these rate cuts will be closely dependent on upcoming data releases on employment and inflation.

Despite this dynamic may follow a slightly slower timing and though it is largely factored into current bond prices, it could serve as a catalyst, and lead to a reallocation of assets from bonds into equity, potentially revitalizing equity markets.

Consensus on Official Central Bank Rates evolution (January 2024)



Source: Bloomberg, Value Track Analysis

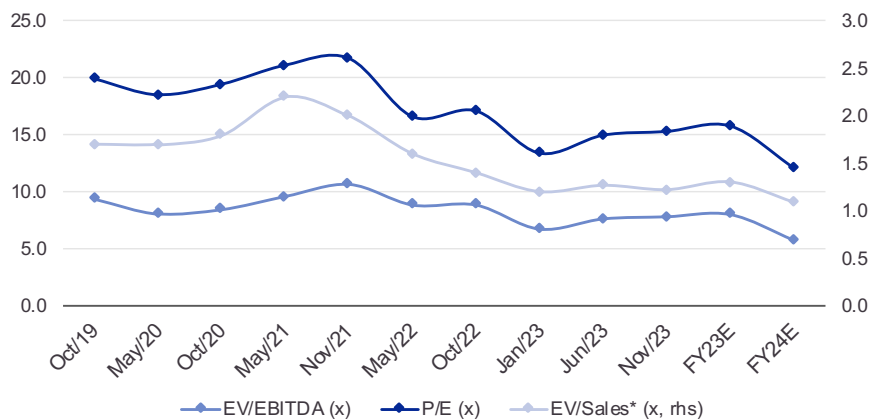
Signal #3: Italian Small Caps (EGM) seems to trade at undemanding multiples

Should rate expectations be confirmed, the EGM market, currently characterized by relatively low valuations, stands poised to be a primary beneficiary, as it might benefit from multiple potential switches and portfolio repositioning:

- ◆ In terms of asset class, from bonds into equities;
- ◆ In terms of sector rotation, from financials into industrials;
- ◆ In terms of risk profile/size, from larger caps into small and micro caps.

The chart below shows the evolution of EGM market multiples (ex-financials), as reported by our periodical research reports since Q4 2019. Being FY1 multiples, they are influenced by the year roll-out effect in the first quarter of each year. In this respect the chart includes as “current” FY1 multiples based on current prices (Jan 2024), both ratios on FY23E metrics (as companies have not reported yet) and on those expected for FY24E, as these will become FY1 multiples very shortly, with FY23 result season.

Euronext Growth Milan: Evolution of FY1 Stock Multiples since 2019



Source: Borsa Italiana, Value Track Analysis, (*) EV/Sales plotted on secondary axis

In more details:

- ◆ Compared to our November 2023 report, EGM companies have undergone a slight re-rating, following the rebound of equity markets from October 2023 lows;
- ◆ Still, market multiples are at their lowest in the last 4-5 years: 1.1x EV/Sales, 5.8x EV/EBITDA, and 12.1x P/E based on 2024E consensus forecasts;
- ◆ The comparison between FY24E and FY25E multiples suggests that consensus implies further growth for EGM names, consistently with a macro picture with accelerating GDP;
- ◆ FY25E multiples in absolute terms suggests undemanding ratings (4.7x EV/EBITDA and 8.8x P/E), even in a scenario of normalised inflation and interest rates;

Euronext Growth Milan – Stock Multiples @ Current Price by Sector

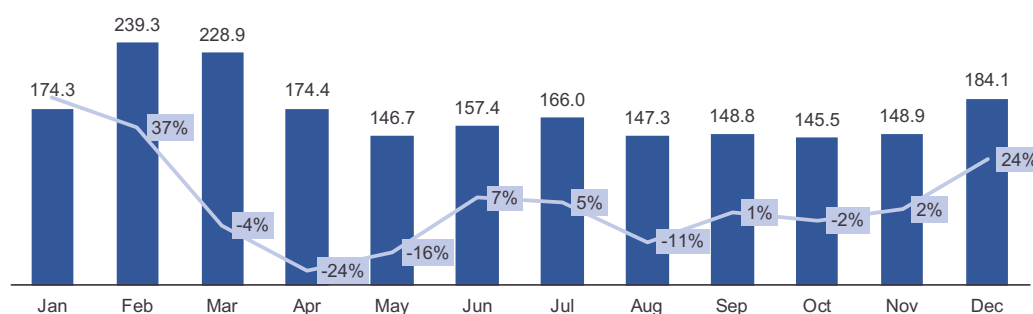
Sector	# Stocks	Mkt. Cap (€mn)	EV / Sales (x)			EV / EBITDA (x)			P / E Adj.(x)		
			FY23A	FY24E	FY25E	FY23A	FY24E	FY25E	FY23A	FY24E	FY25E
Energy & Utilities	15	876	2.7	1.7	1.3	11.1	6.3	4.4	15.5	11.1	7.8
Telecommunications	3	209	2.6	2.2	1.8	7.3	6.0	4.9	20.6	21.1	19.4
Health Care	12	392	0.8	1.3	1.1	7.6	5.6	6.2	15.5	15.1	8.9
Technology	41	1,743	1.7	1.3	1.2	8.5	6.4	5.5	20.4	12.8	10.5
Media	17	213	0.7	0.6	0.5	3.3	2.2	1.9	10.2	9.5	5.0
Consumer Goods	35	1,430	1.0	0.8	0.7	8.5	6.4	5.1	13.4	12.5	9.6
Consumer Services	23	919	0.9	1.0	0.6	6.4	4.2	3.8	16.6	11.5	7.0
Industrials Goods	33	2,862	1.2	1.0	0.8	7.4	6.3	4.8	15.0	11.4	8.8
Avg. EGM ex. Fin.	179	8,645	1.3	1.1	0.9	8.1	5.8	4.7	15.8	12.1	8.8
<i>Change vs. last report (Nov 2023)</i>			6%	8%	n.a.	39%	24%	n.a.	30%	37%	n.a.

Source: Value Track Analysis

Signal #4: Bounce in December 2023 trading volumes...more to come?

We already saw how the EGM market faced a rebound in November-December, with trading volumes bouncing in December to €184mn, (+24% MoM), the highest level since March.

Euronext Growth Milan: Monthly Turnover 2023 (€bn, MoM %)



Source: Borsa Italiana, Value Track Analysis

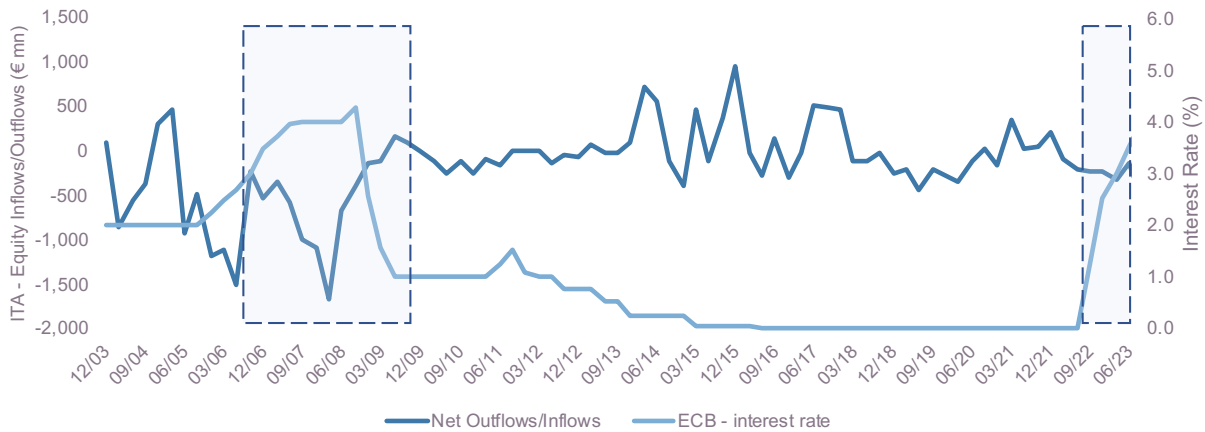
This recovery may have been triggered by early movements along the potential dynamics mentioned above, i.e. asset reallocation, sector rotation, etc., but in this moment, we have no data yet to confirm these trends and drivers.

A clearer understanding will emerge with the final data on in/out flows of Italian equity/bond funds and PIRs.

Until November 2023, these indicators seem to support a relative risk adverse attitude by investors, as suggested by charts below. Indeed, according to Assogestioni figures,

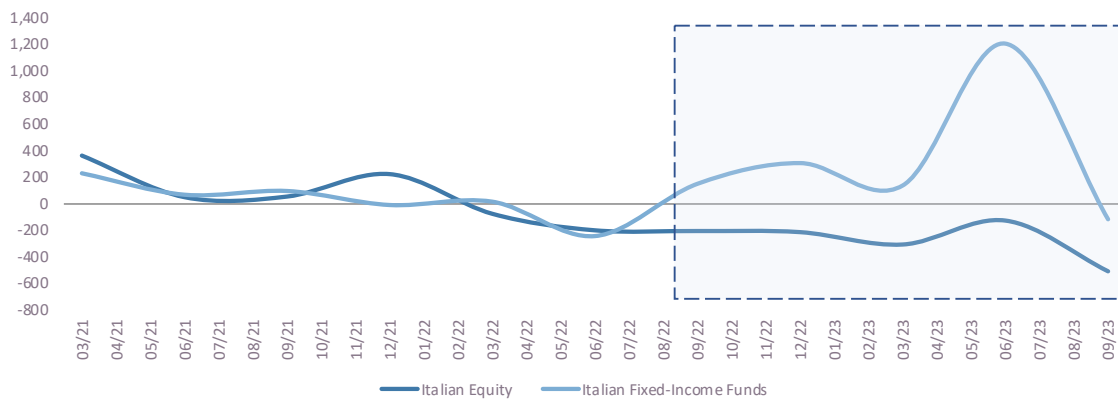
- ◆ **Italian Equity funds** experienced €519.4mn net outflows in 3Q23, registering a negative performance for the 7th consecutive quarter (cumulative €1,689mn withdrawals);
- ◆ **Italian Bond Funds** experienced €127.3mn net outflows in 3Q23, for the first time after 4th positive quarters (cumulative €1,772 inflows gross of the last quarter);
- ◆ **Italian PIRs** have witnessed €723.2mn net outflows in 3Q23, registering a negative performance for the 6th consecutive quarter (cumulative €2,862mn withdrawals).

Italian Equity Funds: Net Outflows/Inflows and ECB rates evolution



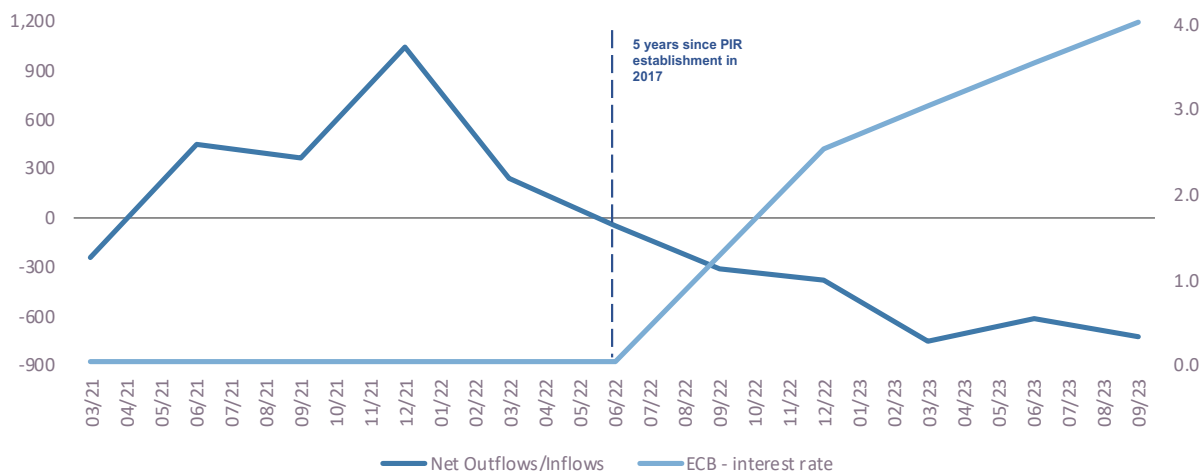
Source: Assogestioni, Value Track Analysis

Italian Equity Funds and Fixed-Income Funds: Net Outflows/Inflows



Source: Assogestioni, Value Track Analysis

Italian PIRs: Net Outflows/Inflows



Source: Assogestioni, Value Track Analysis

Signal #5: Is the Potential Downward Revision of Estimates Already Factored In?

As highlighted in our recent *EGM Stock Guide (November)*, **we maintain the stance that FY23E consensus may be too bullish**, especially in terms of bottom-line projections. This suspicion remains even after significant downward revisions following the latest earnings seasons.

Notably, consensus estimates have more than halved post 1H23 compared to post 1H22, but interim results revealed a substantial deterioration in the bottom line, which seems still not consistent with full-year consensus estimates.

Euronext Growth Milan: Expected Growth Rates Post 1H23 (current) vs. Post FY22

	Post FY22 (Stock Guide Jul 2023)	Reality Check 1H23 Actual Results	Post 1H23 (Stock Guide Nov 2023)
Revenues growth 2023E/22A	16%	8%	6%
EBITDA growth 2023E/22A	23%	0%	8%
EBIT growth 2023E/22A	39%	-13%	9%
Net Profit growth 2023E/22A	68%	-33%	37%
Net Debt / EBITDA 2023E year-end	0.6x	1.4x	1.0x

Source: Market Consensus, Value Track Analysis

If this discrepancy raises questions about the **downside risk of current consensus**, on the other hand EGM multiples described above suggest the **market has already begun to incorporate** consensus revisions. At which point is such rating “adjustment”? Is this consistent also with the new interest rate outlook?

Assuming FY24 as the key figure, as during the next result season investors' attention will focus on FY24 more than FY23, we could add the following considerations:

- ◆ **Assuming consensus FY24E EBITDA falls by another 25-30%, EV/EBITDA would rise from current 5.8x to ca. 7.5x, roughly in line with 2023 average values** (mid-point for 179 non-financial companies);
- ◆ Average FY1 EV/EBITDA multiples at 7.5x seems to factor the new interest rate outlook, as visibly **below the 9-10x EV/EBITDA multiples witnessed during the 2019-2021 zero-interest-rate period.**

Euronext Growth Milan – EV/EBITDA evolution (From VT Stock Guides)

	Falling interest rates → Equity re-rating					Rising interest rates → Equity de-rating					Current Consensus	
	Oct/19	May/20	Oct/20	May/21	Nov/21	May/22	Oct/22	Jan/23	Jun/23	Nov/23	FY23E	FY24E
EV/EBITDA FY1 (x)	9.4	8.1	8.5	9.6	10.7	8.9	8.9	6.8	7.7	7.9	8.1	5.8
Yearly Avg. (x)	9.4	8.3		10.2		8.9		7.5				

Source: Value Track Analysis

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