



ITALIAN CHAMPIONS

A review of the 2013-2023 period

 EQUITA

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ITALIAN CHAMPIONS GROW UP, BUT HAVE TO BE NURTURED

The analysis of the best-performing Italian stocks of the last 10 years highlights some elements of continuity compared to 5 years ago (sales CAGR close to 10%, improvement in margins, presence in diversified sectors, high propensity for exports and M&A, family/entrepreneurial reference shareholder) and others of change (higher capitalization today, reduction of the controlling stakes of the reference shareholders, greater use of non-bank financing channels). A critical issue related to the low liquidity of mid-caps remains, and a new issue of compression of valuations has emerged, both in absolute value and compared to international peers, a warning of the diminished ability of domestic capital markets to support their National Champions. Against this trend, some urgent actions have been proposed in the recent "Manifesto for the Development of Capital Markets in Italy", promoted by Equita, Assonime, Bocconi University and Borsa Italiana.

"Italian Champions" of the 2013-2023 period

There are 40 Italian stocks with a capitalisation of more than € 1bn that have outperformed the Italian market (FTSE Italy All Share) in the last 10 years, ranging from Sesa (+987% total return in 10 years) to Saras (+126%). The panel is **well balanced between large caps** (21 FTSE MIB stocks) **and small-mid caps** (19 FTSE MID) and see a greater concentration compared to the market of **industrials, utilities, consumers and technology**. Some of the most representative companies of the panel (**Amplifon, Banca Mediolanum, Buzzi, De Longhi, Interpump, Mediobanca and Prysmian**) will participate today and tomorrow in Milan at the conference dedicated to Italian Champions. We will also host 3 companies (**Fineco Bank, Lottomatica and Technogym**) which, despite not yet having 10 years of listing and therefore not present in the panel, represent in our view Italian excellence in their reference sectors.

■ How the Italian Champions have changed in the last 5 years

We analysed in particular how the characteristics of the top 10 companies in today's basket (**Sesa, Reply, Stellantis, MOL, STM, Amplifon, Recordati, Interpump, TIP and ERG**) have changed compared to 5 years ago, when we conducted our first analysis on the Italian Champions. The analysis shows that:

- The average capitalisation of the basket has risen sharply (**around € 12bn, almost tripled compared to € 4bn in 2018**) with a presence of **large groups that were absent in 2018** (the highest capitalisation in 2018 was less than € 10bn compared to € 55bn today);
- **The majority of stocks (60%) are now traded on the FTSE MIB**, up from 40% in 2018;
- The portfolio sees **the entry of renewables (ERG)** that were not present in 2018 and a **strong expansion of technology-related stocks** (in addition to **Reply**, which is confirmed in the basket, **Sesa, STM** and a fintech such as **MOL** have also entered). Players such as **Recordati** and **Amplifon** linked to the **healthcare sector are confirmed. Two industrials such as Interpump** (very close to the threshold in 2018) and **Stellantis** (capable of carrying out a transformational deal in 2019 such as to strengthen its competitive positioning and support its performance) are entering in place of two other industrials such as **Brembo** and **IMA** (delisted). The other stock entering the panel is **TIP**, a financial player that has **always focused on investments in excellent companies** and which, compared to 2018, has now largely exceeded the € 1bn capitalization threshold;
- The stocks in the basket recorded an **average revenue CAGR of 9%** and **earnings CAGR of 24%** over the decade, confirming a **strong vocation for exports**, which represents on average over 60% of revenues;

- **A prevalent entrepreneurial/family connotation is confirmed** for the companies in the basket (8 out of 10 have the entrepreneur or the founding family as their reference shareholder), **but in less rigid control structures**, given that today only in 30% of these companies the reference shareholder holds at least half of the capital, a percentage that rises to 50% if we look at voting rights, thanks to the widespread adoption of multiple voting rights (present in 6 out of 10 cases). In 2018, 90% of the companies on the panel had a reference shareholder at or above 50% of the capital, and 100% had a shareholder controlling more than 50% of the voting rights!
- **Stock liquidity remains a critical issue.** The average of the panel sees a **daily liquidity in the first 9 months of 2023 of € 35mn**, a number, however, strongly distorted by **Stellantis and STM which have average daily volumes above € 100mn**. 6 out of 10 stocks in the basket traded less than € 10mn per day in this same period;
- **The diversification of credit supply sources has increased**, with 60% of the companies in the basket resorting to the capital market compared to just 20% in 2018;
- The recourse to M&A has remained widespread among companies in the basket: **for 9 out of 10 companies, the ability to acquire and integrate companies is an essential part of the growth drivers**;
- Despite the strong performance of the last 10 years, **valuations are now more compressed than they were 5 years ago**, with an average basket **multiple of 15x 1-year forward Adj PE compared to 19x in 2018** and **with individual stocks trading mostly at a discount to international peers (15% on average)**, a discount that did not emerge in 2018.

■ Conclusions

The analysis of the characteristics of the Italian Champions of the decade 2013-2023 showed some elements of continuity and other elements of change compared to five years ago.

Today as then, the Italian Champions:

- **Have been able to develop revenues with CAGR close to 10%, widening margins**;
- Have maintained a **strong exposure to foreign markets**;
- Have been able to grow **both organically and via M&A**;
- **Often still have a reference shareholder of a family/entrepreneurial nature** who has increased the free float over time.

Compared to 5 years ago, today's Italian Champions however:

- **Have on average higher market caps**;
- Predominantly see a **reference shareholder with a share of capital well below 50%**;
- Have made **greater use of the debt capital market**.

Liquidity remains a major issue for smaller-cap companies, with average daily trading levels decidedly limited compared to capitalizations, although improved compared to 2018.

A new critical issue has emerged related to the compression of the valuations of the companies in the panel, both in absolute terms and compared to international peers, a warning for the diminished ability of Italian capital markets to support their National Champions. In addition to entrepreneurial spirit and a propensity for international growth, both organic and inorganic, there is the need for 1) **efficient capital markets** to attract the best-performing companies and 2) **investors** - typically predominantly domestic for medium-small caps - **capable of supporting their development and fair valuation**. This is one of the main objectives of **the recent Manifesto for the development of Capital Markets in Italy**, promoted by Equita, Assonime, Bocconi University and Borsa Italiana and signed by leading players in the Italian financial system ([Manifesto per lo sviluppo dei Mercati dei Capitali](#)). The Manifesto proposes some **urgent actions** focused on listed companies ranging from the creation of investment funds and funds of funds dedicated to listed SMEs, to initiatives to relaunch the PIR (Personal Saving Plans) and alternative PIR instrument, to initiatives to support independent research on small and medium-sized companies, to interventions to encourage IPOs and access to debt capital markets.

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THE 40 STOCKS THAT HAVE OUTPERFORMED IN THE LAST 10 YEARS

5 years after we had drawn the first identikit, we wanted to update our analysis to understand **how the profile of the Italian Champions, the Italian listed companies with a capitalization of more than € 1bn best performing in the last 10 years, has changed.**

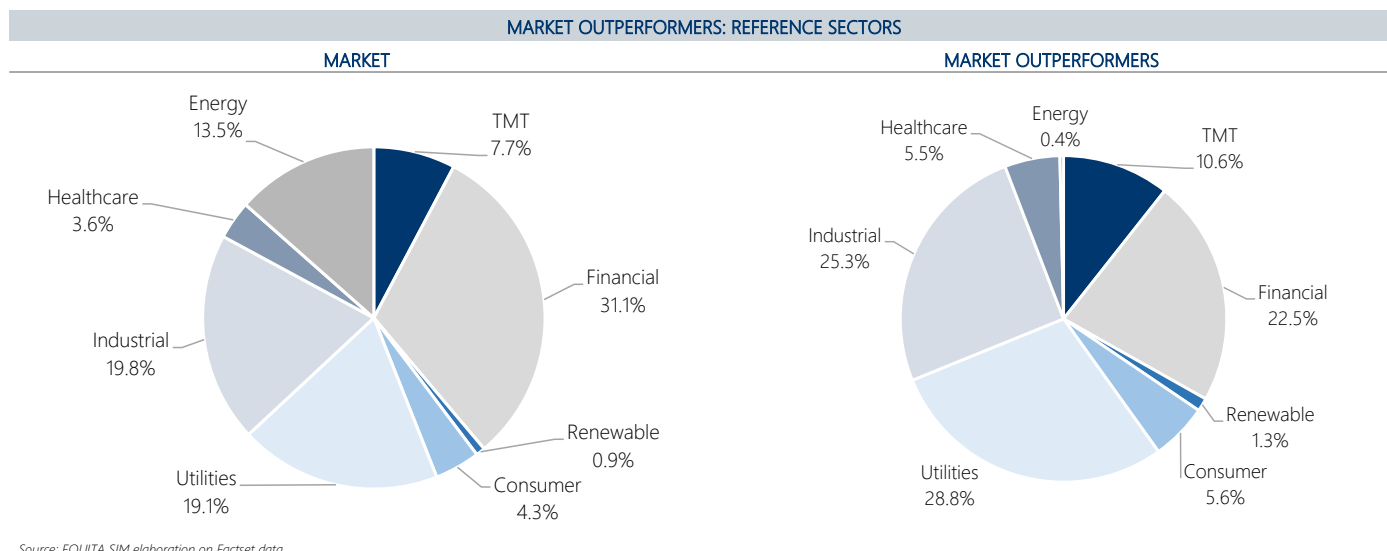
The portfolio of Italian stocks with a capitalisation of more than € 1bn that have outperformed the market in the last 10 years (reference period 1 October 2012 - 30 September 2023) is represented by **40 names ranging from Sesa** (best performer with a total return of 987%, +27% annual average) **to Saras** (+126% total return or +8.5% annual average, slightly better compared to +125% for the Italian market).

MARKET OUTPERFORMERS OVER THE LAST 10 YEARS (€ mn)		
Company	total return (10-year)	Market cap @ 10/31/23 (€ mn)
Sesa	987%	1,476
Alerion Clean Power	835%	1,266
Reply	796%	3,324
Stellantis	691%	55,340
Gruppo Mutuonline	666%	1,064
STM	648%	32,753
Amplifon	641%	6,031
Recordati	556%	9,118
Interpump	494%	4,290
Tamburi Investment Partners	414%	1,458
Erg	406%	3,487
Sol	405%	2,467
Zignago Vetro	331%	1,104
Davide Campari	278%	12,115
Brembo	264%	3,389
A2A	262%	5,548
Mediobanca	253%	9,571
Cementir	240%	1,252
Leonardo	237%	8,230
Italmobiliare	236%	1,014
Terna	232%	14,524
Maire Tecnimont	229%	1,443
Enel	224%	60,878
Brunello Cucinelli	219%	5,158
Banca Generali	213%	3,578
Diasorin	210%	4,728
Iren	205%	2,457
Unipolsai	196%	6,333
Intesa Sanpaolo	172%	44,912
Prysmian	163%	9,463
Banca Mediolanum	162%	5,733
Unipol Gruppo	159%	3,668
Buzzi	155%	4,816
Hera	152%	3,953
Snam	147%	14,553
Azimut Hldg	136%	2,848
De Longhi	135%	3,190
Credito Emiliano	130%	2,611
Acea	127%	2,421
Saras	126%	1,305
FTSE ITALIA ALL SHARE	125%	704,336

Source: EQUITA SIM elaboration on Factset data

Of these 40 stocks, **21 belong to the FTSEMIB and 19 to the FTSEMID**, with a well-balanced presence between large and small-mid caps.

In terms of reference sectors, the **majority of stocks belongs to the industrial (10) and financial (10) sectors**, followed by utilities (7), technology (4), consumer (3) and healthcare (3), renewables (2) and energy (1). This distribution of the best performing stocks, weighted by market capitalizations, shows a stronger concentration compared to the entire panel of Italian stocks with capitalizations above € 1bn mainly in the **industrials, utilities, consumers, and TMT sectors**.



Also in 2023, as usual, we have selected **some of the most representative companies within this panel to participate in our conference dedicated to Italian Champions** to be held today and tomorrow in Milan, after the edition organized in Frankfurt on September 27th, in London on September 13th-14th and in Paris on June 15th.

In today's and tomorrow's edition in Milan, we will host in particular the top management of 7 companies that belong to the panel (**Amplifon, Banca Mediolanum, Buzzi, De Longhi, Interpump, Mediobanca and Prysmian**) and 3 companies that, despite not having yet 10 years of listing and therefore not present in the panel, we believe represent Italian excellence in their reference sectors (**Fineco Bank, Lottomatica and Technogym**).

In the London, Frankfurt and Paris editions of the Italian Champions Conferences we also hosted the top management of 5 other companies positioned at the top of the panel (**Diasorin, MOL Group, Recordati, Reply and TIP**), and 6 companies of excellence of more recent listing (**Ariston, Denora, GVS, Intercos, Racing Force and Technoprobe**).

HOW HAVE THE ITALIAN CHAMPIONS CHANGED IN THESE 5 YEARS?

In this section, we remind readers **the main characteristics of the Italian Champions as they emerged in our analysis of the decade 2008-2018 and compare them with characteristics that emerge today from an analysis updated to the period 2013-2023**, focusing on the first 10 stocks of the panel with daily liquidity of at least € 0.5mn.

■ What were the characteristics of the Italian Champions 5 years ago?

In our previous report on Italian Champions in October 2018, we identified the following portfolio of 10 Italian Champions (companies with a capitalization of more than € 1bn with the best total returns over a 10-year period): **De Longhi, Reply, Brembo, Amplifon, Recordati, IMA, Diasorin, MARR, Banca Generali and Campari**.

What we wrote then:

*"If we consider the characteristics of the following 10 stocks (De Longhi, Reply, Brembo, Amplifon, Recordati, IMA, Diasorin, MARR, Banca Generali and Campari), which have a market capitalisation of more than €1bn and which have recorded **the best performance in the last 10 years** (annualized returns between 20% and 30% on average per year), we find that these companies have a **market capitalisation of between €1.5bn and €9bn (with an average of around €4bn)**, most of them are not listed on the main index, operate in **diversified sectors** (and not in the stereotyped sectors of Italian excellence in the mechanical industry or fashion) and are **firmly in the hands of a reference shareholder** (often family-owned, confirming empirical evidence of the global outperformance of family-owned companies). However, there is a growing willingness of the controlling shareholder to expand the presence of institutional investors in the capital, also thanks to the recent introduction of multiple voting rights in Italy.*

*These "Italian Champions" are on average **highly exposed to exports (over 50% of turnover)**, have a **strong propensity for M&A activities** and in the 10 years between 2007 and 2017 have **substantially doubled their turnover and quadrupled their profits**.*

Despite this success, the liquidity ratios of the "Italian Champions" are still quite low (average daily trading volume of € 7.9mn, with a range ranging from less than € 2mn to € 22mn). In addition, they tend to use few financing alternatives compared to the traditional banking channel.

In terms of valuations, the "Italian Champions" trade at a 50% premium to the Italian Mid Cap Index and, on average, trade in line with their main international competitors."



■ What are the 10 Italian Champions of the decade 2013-2023?

The **10 Italian companies with a capitalisation of more than € 1bn** and average daily trades of at least € 0.5mn **that have performed best** over the last 10 years (total return in the period October 1st, 2013 - September 30th, 2023) are:

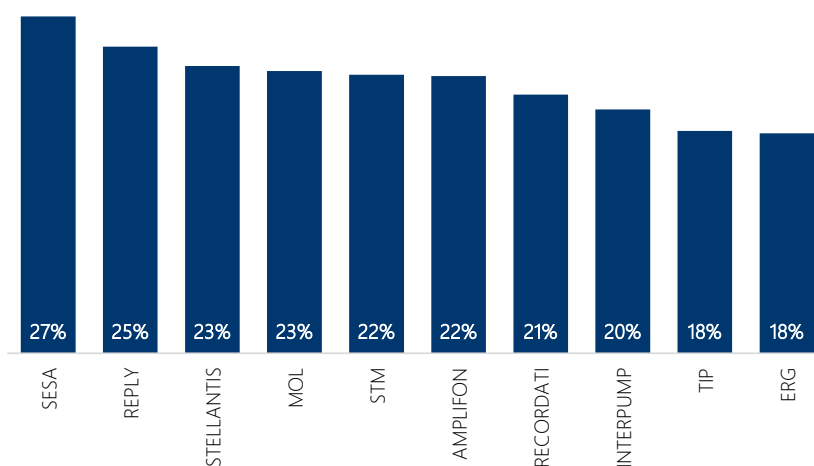
Sesa, Reply, Stellantis, MOL, STM, Amplifon, Recordati, Interpump, TIP and ERG.

2023 ITALIAN CHAMPIONS



Source: EQUITA SIM elaboration

ITALIAN CHAMPIONS: 10 BEST ANNUALIZED TOTAL RETURNS 2013-2023



* Reference period: October 1st, 2013 - September 30th, 2023

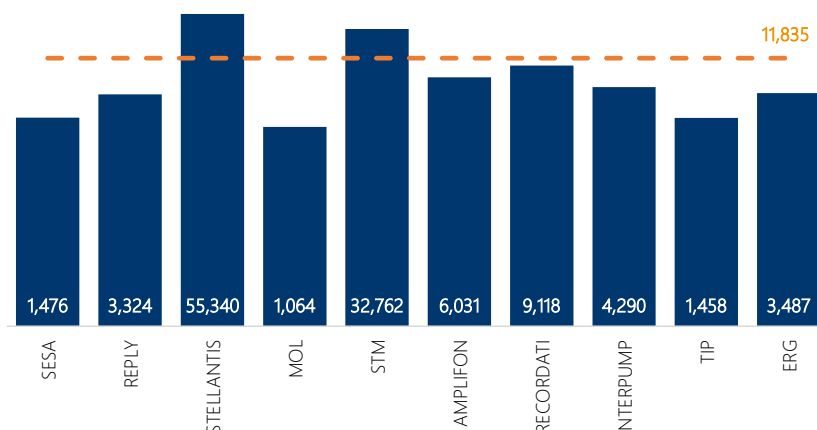
Source: EQUITA SIM elaboration on Factset data

■ What has changed in the characteristics of the Champions compared to 5 years ago?

1. Significantly higher average capitalization

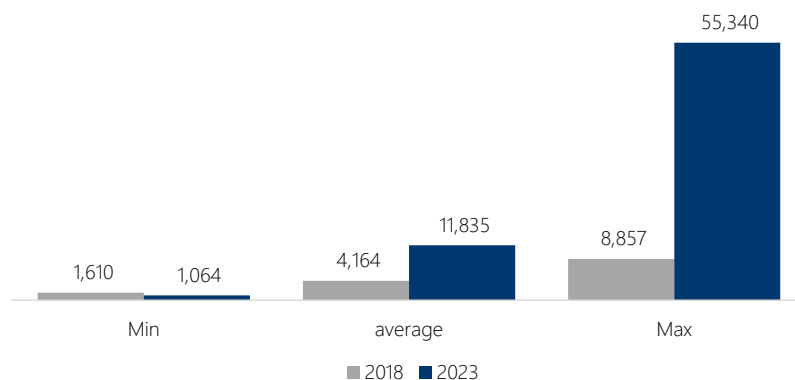
The capitalisation of today's 10 Champions is between € 1.1bn (Gruppo MOL) and €55bn (Stellantis), with a **presence of large groups that were absent in 2018** (the highest market cap in 2018 was less than € 10bn), with an **average capitalisation of around € 12bn, almost tripled compared to € 4bn in 2018**.

ITALIAN CHAMPIONS: MARKET CAP (€ mn @ October 31st, 2023 – logarithmic scale)



Source: EQUITA SIM elaboration on Factset data

ITALIAN CHAMPIONS: MARKET CAP vs. 2018 PANEL (€ mn)



Source: EQUITA SIM elaboration on Factset data

ITALIAN CHAMPIONS:
REFERENCE INDEX

Company	Reference Index
Sesa	FTSE MID
Reply	FTSE MID
Stellantis	FTSE MIB
Mol	FTSE MID
Stm	FTSE MIB
Amplifon	FTSE MIB
Recordati	FTSE MIB
Interpump	FTSE MIB
Tip	FTSE MID
Erg	FTSE MIB

Source: EQUITA SIM elaboration

2. The majority are now listed on the main market

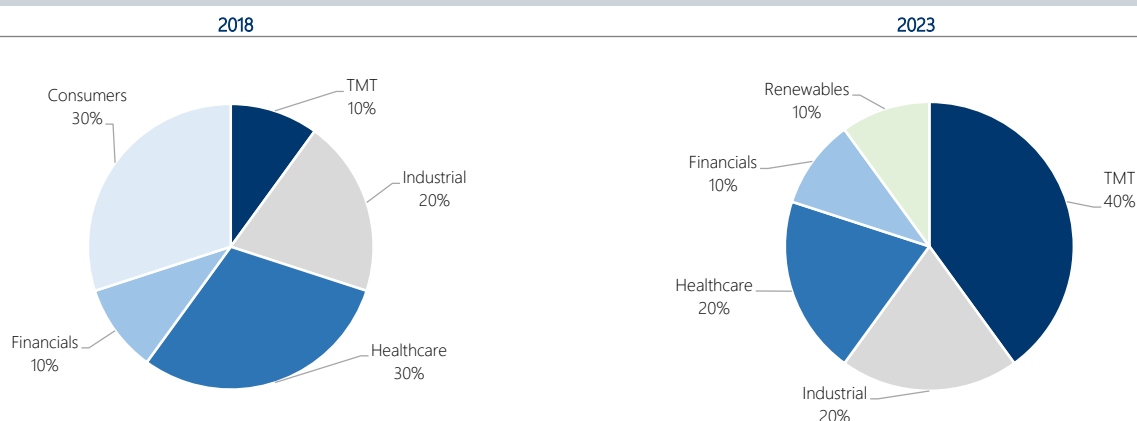
The majority of stocks (6 out of 10 in the basket of new Italian Champions) are included in the FTSE MIB (the index of largest Italian capitalizations), compared to an exactly specular percentage (4 out of 10) in 2018. This is another indication, in our view, that the market has more recently rewarded larger stocks, while maintaining a good balance between large caps and small-mid caps.

3. Sectors: Tech is growing, Renewables are entering, Consumers are leaving

The portfolio of the 10 Italian Champions reflects the trends that have emerged in recent years, with **the entry into the panel of stocks in the renewable energy sector (ERG)** that were not present in 2018 and a **strong expansion of technology-related stocks** (in addition to **Reply**, which is confirmed in the basket, **Sesa**, **STM** and a fintech such as **Gruppo MOL** have also entered). Players such as **Recordati** and **Amplifon** linked to the **healthcare** sector are confirmed. Two industrials such as **Interpump** (very close to the threshold in 2018) and **Stellantis** (capable of carrying out a transformational deal in 2019 such as to strengthen its competitive positioning and support its performance) are entering in place of two other industrials such as **Brembo** and **IMA** (delisted). Finally, **TIP joins the panel**, a financial player that has always focused on investments in companies of excellence and which, compared to 2018, has now largely exceeded the € 1bn capitalization threshold.

Although the panel is confirming the presence of many sectors already included in 2018 (industrials, healthcare, financials, technology), **today the reference sectors appear more concentrated, with a greater presence of tech stocks** (or fintech) **and the absence of consumer stocks** (which in 2018 could count on names such as Campari, now positioned just below the top 10 best performers, De Longhi and a consumer *sui generis* like Marr).

ITALIAN CHAMPIONS: REFERENCE SECTORS 2023 VS. 2018 PENAL



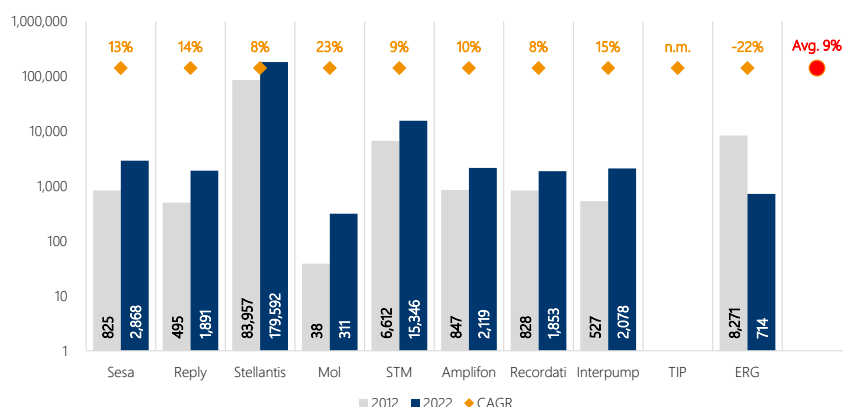
Source: EQUITA SIM elaboration

4. Revenue up 9% CAGR and earnings 24% CAGR as panel average

The revenue progression of the new Italian Champions saw an average CAGR of 9% in the period 2012-2022, a figure similar to that of 2018. We did not include TIP in this calculation, since revenue is a non-significant metric for the group. On the other hand, we have maintained ERG in the panel, even if also for this company the revenue figure is not very significant, given that the company over the decade has implemented a plan of complete repositioning from the energy sector (refining&marketing) to the renewable sector.

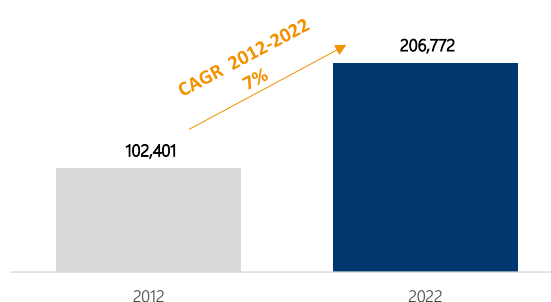
If we look at the cumulative performance of the portfolio, revenue growth would be 7% CAGR, a figure that is less significant in our opinion as it reflects the predominant contribution to the panel of Stellantis (which alone generates revenues similar to the combined sales of the other 9 players), impacted in the period also by the merger with Peugeot.

ITALIAN CHAMPIONS: SALES AND SALES CAGR 2012-2022 (€ mn – logarithmic scale)



Source: EQUITA SIM elaboration on Factset data

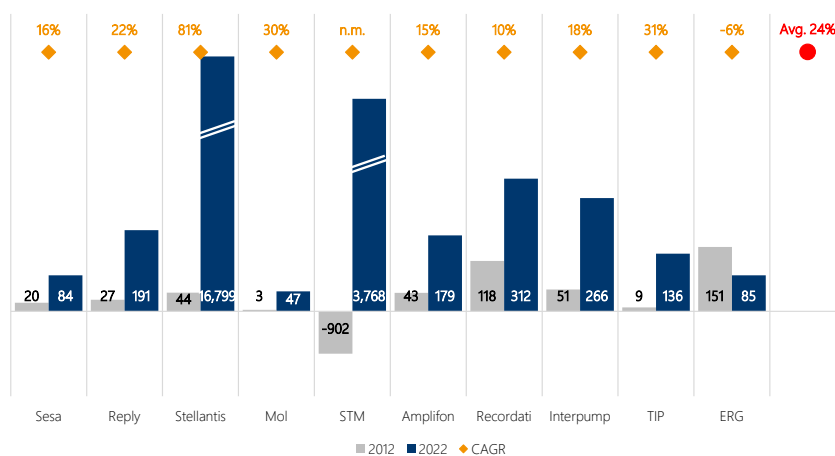
ITALIAN CHAMPIONS: AGGREGATED SALES 2012-2022 (€ mn)



Source: EQUITA SIM elaboration on Factset data

In terms of net profit, **the Italian Champions panel shows an average performance of 24% CAGR** (also in this case with the caveat that ERG's earnings are structurally different in nature today vs. 2012, as they are now 100% generated by renewable assets). At the aggregated portfolio level, it even went **from a loss of €0.4bn in 2012 to a profit of €21.9bn in 2022, thanks to the important turnaround achieved by the two largest caps in the panel, Stellantis and STM**, which in 2012 were break-even or even loss-making and in 2022 generated a profit of €16.8bn and €3.8bn respectively.

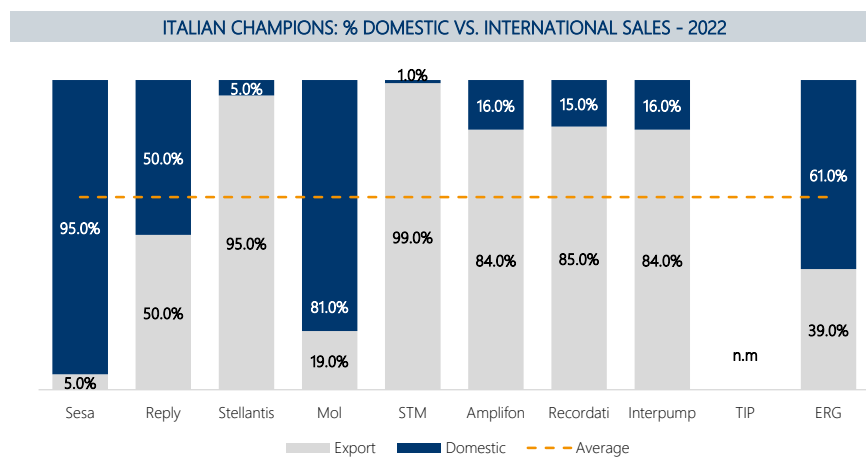
ITALIAN CHAMPIONS: NI AND NI CAGR 2012-2022 (€ mn – chart not in scale)



Source: EQUITA SIM elaboration on Factset data

5. Export-oriented

The export vocation of the Italian Champions remains very evident: today's panel on average achieves over 60% of revenues abroad. 6 out of 9 stocks (excluding TIP from the panel since TIP's international projection derives from the investee portfolio and not from direct revenues) have an export share equal to or greater than 50%. This figure is not very dissimilar to the values of 2018, which saw 7 out of 10 stocks make more than 50% of revenues abroad.



Source: EQUITA SIM elaboration on Factset data

6. Governance: the entrepreneurial/family connotation is still prevalent, but in less rigid control structures

In 2018, 10 out of 10 companies had a controlling shareholder that held a percentage of the votes equal to or greater than 50%. In 9 out of 10 cases, the controlling shareholder was the founding family.

In 2023, even though the average size of companies on the panel is much higher, by far the most prevalent form of governance still sees a reference shareholder represented by the founders or the founding family.

ITALIAN CHAMPIONS: GOVERNANCE ANALYSIS					
Company	Governance	Reference shareholder	% share capital	% voting rights	Multiple votes
Sesa	Management controlled	Founders	53%	69%	YES
Reply	Family owned	Family	40%	57%	YES
Stellantis	Family owned	Family	14%	14%	YES
Mol	Management controlled	Founders	33%	41%	YES
STM	Public company	State	28%	28%	NO
Amplifon	Family owned	Family	42%	59%	YES
Recordati	Private Equity owned	Private Equity	52%	52%	NO
Interpump	Public company	Founders	25%	25%	NO
TIP	Public company	Founders	11%	11%	NO
ERG	Family owned	Family	63%	63%	YES

Source: EQUITA SIM elaboration on Company data

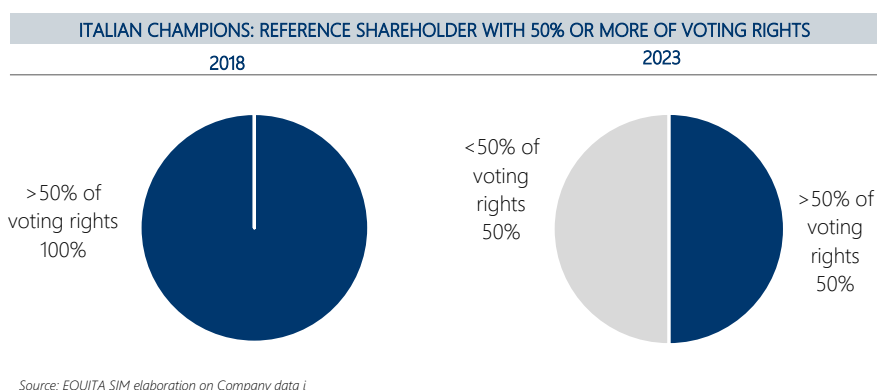
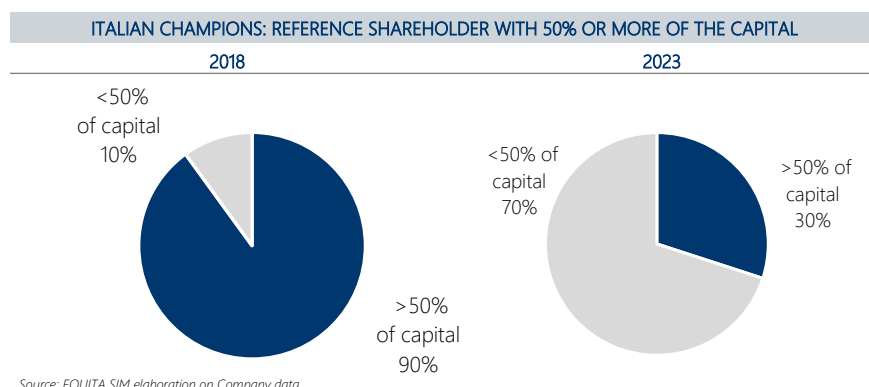
This applies to mid-cap companies such as Sesa, Reply and MOL, but also to larger groups belonging to the FTSE MIB such as Stellantis, Amplifon and ERG. In the case of Stellantis and Amplifon, the family's share of the capital is less than 50%, although in Amplifon the increased voting rights structure allows the family to retain more than 50% of the voting rights.

Recordati has seen a change in governance compared to 2018, with **the founding family relinquishing control to private equity**, while remaining in a minority shareholder role.

Interpump and TIP represent two publicly controlled companies, meaning that there is no reference shareholder who holds a controlling stake, **but with a strong entrepreneurial connotation** due to the leadership exercised by the founders.

Finally, STM presents a governance structure with the Italian State and the French State in co-control, a case not present in the 2018 panel.

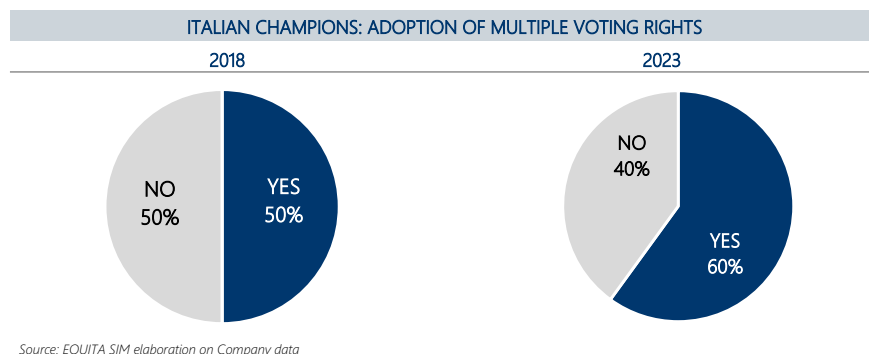
In conclusions, we can say that the prevailing form of governance remains that of a family/entrepreneurial nature, but with a less tight control structure, i.e. with a progressive disappearance of the governance structure with rigid family control (over 50% of the capital and voting rights).



7. Multiple voting rights: adoption levels slightly higher than in 2018

One tool that has allowed families/founders to reduce their share of capital while maintaining a firm grip on voting rights is the adoption of multiple voting rights structure.

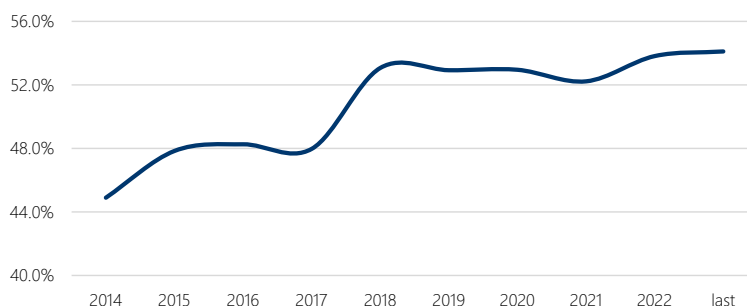
In 2018 we had already highlighted the wide adoption of double voting solutions (loyalty shares) by the companies in the panel, with 5 out of 10 companies equipped with this tool. **In today's Italian Champions panel, this percentage has further risen to 6 out of 10 companies.**



8. Free float: slow but steady progress

Confirming what has been said above about the progressive abandonment of rigid forms of control over capital and voting rights, the historical analysis shows a progressive expansion of the free float by the companies in the panel over the past 10 years, thanks to aggregation or placement of shares on the market.

ITALIAN CHAMPIONS: HISTORICAL TREND OF AVG. FREE FLOAT OF THE PANEL

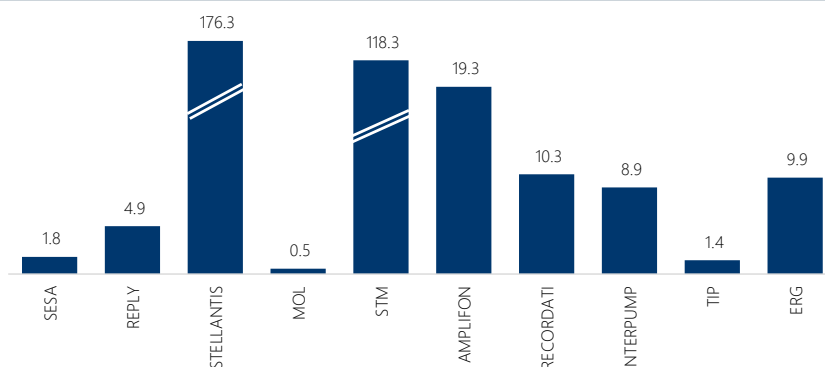


Source: EQUITA SIM elaboration on Factset data

9. Liquidity: still a critical issue for mid-caps

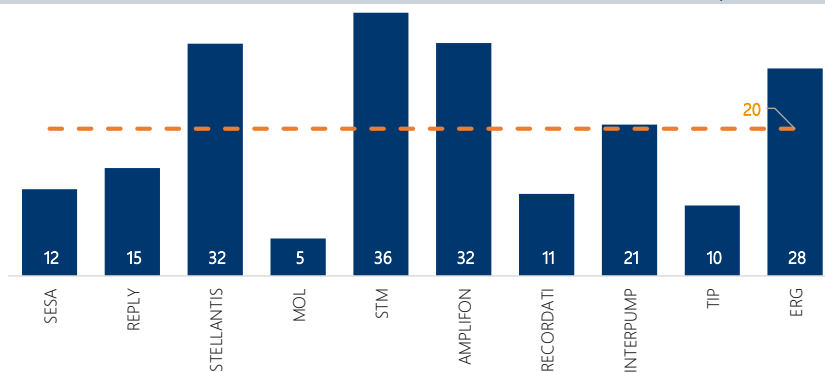
On average, the liquidity of securities is still a critical issue for the Italian market. **The average of the panel shows a daily liquidity in the first 9 months of 2023 of € 35mn**, a number strongly conditioned by the presence in the panel of **Stellantis and STM which generated average daily volumes of more than € 100mn**. **The median fell to € 9.4mn**, a level still 40% higher than that of 2018, thanks to the more significant capitalization of the companies in the panel and partly to the increase in free float, despite average daily trading in the 9M23 falling by 12% compared to 9M18 for the entire Italian market.

ITALIAN CHAMPIONS: AVERAGE DAILY VOLUMES 9M23 (€ mn – chart not in scale)



Source: EQUITA SIM elaboration on Factset data

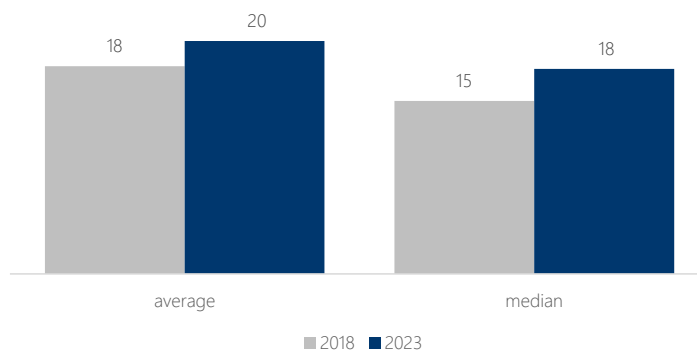
ITALIAN CHAMPIONS: AVERAGE DAILY VOLUME VS. MARKET CAP IN 9M23 (bps)



Source: EQUITA SIM elaboration on Factset data

Compared to capitalizations, average daily volumes are still rather limited, equal to 20 bps as an average and 18 bps as a median, on values 12% and 18% higher than those of 2018 (18 bps as average and 15 bps as median), but still modest.

ITALIAN CHAMPIONS: LIQUIDITY COMPARED TO MARKET CAP 2023 vs. 2018 PANEL (bps)



Source: EQUITA SIM elaboration on Factset data

10. Financing: the diversification of credit supply channels is growing

The companies in the panel mainly use **both bank and market financing instruments**. Compared to 2018, **the share of companies in the Italian Champions panel that used the debt capital market to finance growth increased significantly**, with a percentage that rose from 20% to 60%, probably also due to the increased size of the companies in the panel. 4 out of 10 companies in the panel, however, to date are financed exclusively through the banking channel.

ITALIAN CHAMPIONS: FINANCING CHANNELS

Company	Financing channels
Sesa	loans
Reply	loans
Stellantis	bonds and loans
Mol	loans
Stmicroelectronics	bonds and loans
Amplifon	bonds and loans
Recordati	bonds and loans
Interpump	loans
TIP	bonds and loans
Erg	bonds and loans

Source: EQUITA SIM elaboration on Company data

11. M&A remains an almost essential growth driver

The performance achieved in these 10 years by the companies in the panel has also been possible thanks to the **extensive use of external growth. We can say that for 9 out of 10 companies, the ability to build and integrate companies is an essential part of the core business and investment case**, albeit with very different transaction profiles; transformational deals for Stellantis, many small and medium-sized transactions for Sesa, Reply, MOL, Amplifon, Recordati, Interpump and Erg, very often also aimed at entering new foreign markets (e.g. in the cases of Sesa, Reply, MOL and ERG). However, the panel also features a **company such as STM that has been able to expand in R&D and capital-intensive sectors predominantly organically**.

ITALIAN CHAMPIONS: PREVAILING M&A STRATEGY

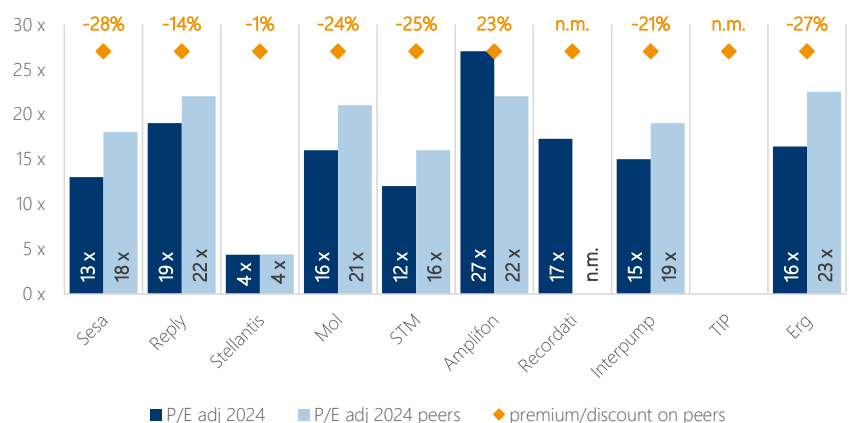
Company	M&A strategy
Sesa	structural, bolt-on and mid-sized
Reply	structural, bolt-on and mid-sized
Stellantis	Transformational
Mol	structural, bolt-on and mid-sized
Stmicroelectronics	mainly organic
Amplifon	structural, bolt-on and mid-sized
Recordati	structural, bolt-on and mid-sized
Interpump	structural, bolt-on and mid-sized
TIP	Structural (for investee companies)
Erg	structural, bolt-on and mid-sized

Source: EQUITA SIM elaboration on Company data

12. Valuations: average panel multiple down vs. 2018 and at a discount compared to peers

We have reported in the chart the comparison of the **Adj. PE 2024 multiples of the Italian Champions** (excluding TIP, as it is not significant) vs. the average multiple of the listed peers of each company. It emerges that the **Italian Champions are now at a significant discount (on average 15%) compared to international peers**, while in 2018 they were trading in line with peers.

ITALIAN CHAMPIONS: ADJ. PE 2024 AND PREMIUM/DISCOUNT VS. INTERNATIONAL PEERS

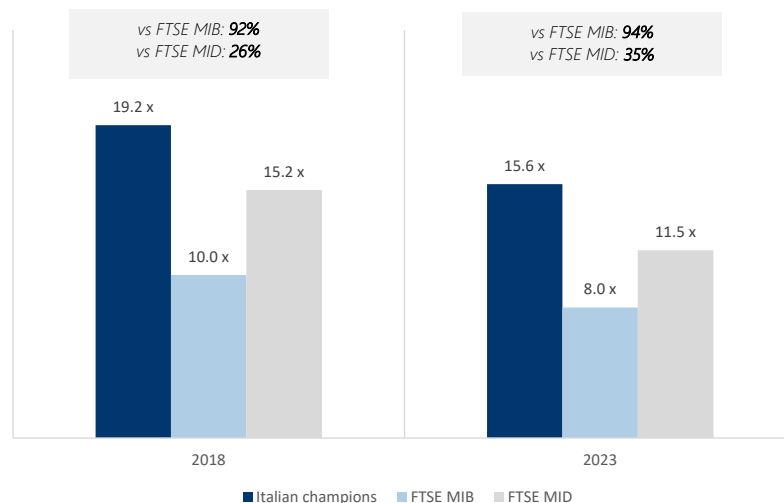


Source: EQUITA SIM elaboration on Equita SIM estimates and Bloomberg consensus

The panel also highlights an average **Adj. PE** (not weighted by capitalization, and excluding TIP for which the metric is meaningless) of **15x 2024** compared to a multiple of 8x for the FTSE MIB and 11.5x for the FTSE MID, with a **premium of 94% and 35% respectively**.

Compared to 2018, the Italian Champions panel has a much lower multiple in absolute value (the panel traded on average at 19x PE 2019E) while the premium compared to the market remained similar (94% premium on the FTSE MIB today compared to 92% in 2018 and 35% premium on the FTSE MID compared to 26% in 2018).

ITALIAN CHAMPIONS: AVERAGE ADJ. PE VS. FTSE MIB E FTSE MID



Source: EQUITA SIM elaboration on EQUITA SIM estimates and Bloomberg consensus

Conclusions

The analysis of the characteristics of the Italian Champions of the decade 2013-2023 showed some elements of continuity and other elements of change compared to five years ago.

Today as then, the Italian Champions:

- have been able to develop revenues with CAGR close to 10%, widening margins;
- have maintained a **strong exposure to foreign markets**;
- have been able to grow **both organically and via M&A**;
- **often still have a reference shareholder of a family/entrepreneurial nature** who has increased the free float over time.

Compared to 5 years ago, however, today's Italian Champions:

- have a **higher capitalization on average**;
- predominantly see a **reference shareholder with a share of capital well below 50%**;
- make **greater use of the debt capital market**.

Liquidity remains a major issue for smaller-cap companies, with average daily trading levels decidedly limited compared to capitalizations, although improved compared to 2018.

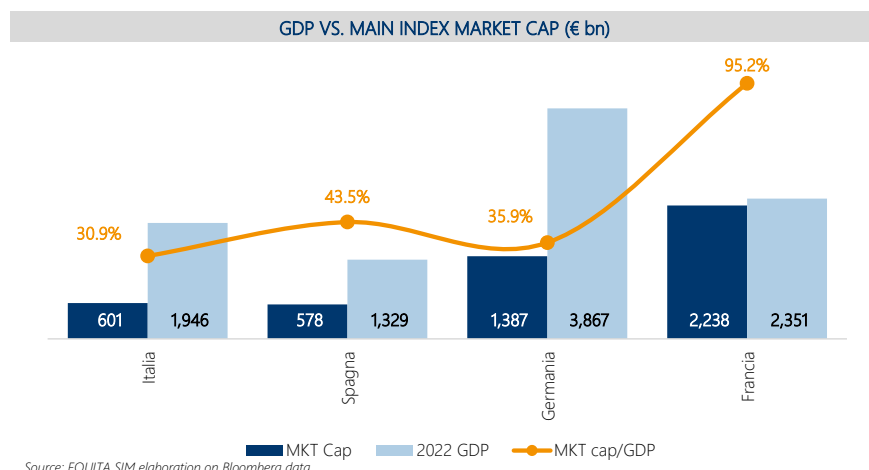
A new critical issue emerged related to the compression of the valuations of the companies in the panel, both in absolute terms and compared to international peers.

In conclusion, we can say that today **Italian Champions are no longer found only in the small and medium caps but increasingly in larger groups with governance more open to the market**. On the other hand, the **compression of valuations**, both in absolute value and relative to international peers, is a warning on the **diminished ability of Italian capital markets to support their National Champions**. In addition to entrepreneurial spirit and a propensity for international growth, both organic and inorganic, there is the need for 1) **efficient capital markets** to attract the best-performing companies and 2) **investors** - typically predominantly domestic for medium-small caps - **capable of supporting their development and fair valuation**.



PROPOSALS TO SUPPORT THE DEVELOPMENT OF NEW ITALIAN CHAMPIONS

The strengths and weaknesses that emerged from our analysis of Italian Champions confirm that **the Italian capital markets have seen some progress in recent years**, highlighted for example by: 1) the increase in the average **capitalization** of companies of excellence; 2) support for **M&A transactions** - including transformational ones - carried out over the five-year period; 3) the trend of expansion of the **free float** by controlling shareholders, also made possible by the growing adoption of multiple **voting mechanisms**; 4) the development of **financing channels alternatives to bank loans**.



In our opinion, much remains to be done, given the dwarfism of the Italian market which, if in 2018 we reported to be equal to 60% of the capitalization of Apple alone, today sees this percentage even drop to 26%. Similar concern about the ability of domestic capital markets to attract new listings and support the growth of new Italian Champions emerges by looking at the **relationship between market capitalization and GDP, which shows a still important gap compared to other major European countries**, decreasing in the last 5 years compared to Germany and Spain, but **widening strongly compared to France** which has a market capitalization of the main index close to 100% of GDP, up from around 70% in 2018.

We have therefore summarised some of the **urgent actions to be taken for listed companies** that have been included among the **10 proposals in the recent Manifesto for the development of Capital Markets in Italy**, promoted by Equita, Assonime, Bocconi University and Borsa Italiana and signed by leading players in the Italian financial system ([Manifesto per lo sviluppo dei Mercati dei Capitali](#)). These are initiatives that in our opinion can **support the development of the new Italian Champions**.

- **Creation of 20-25 portfolios/investment funds** (€ 100-200mn each) **dedicated to listed SMEs**;
- **Creation of a fund of funds of €1bn** that selects 10 managers of € 100m each for investments in Italian listed SMEs through alternative PIRs;
- Evaluation of **initiatives that avoid the recent divestment phenomena from the PIRs** once the tax benefits come into force;
- Increase in the **investable portion of alternative PIRs in listed mid-caps**, thus improving the liquidity of the funds;
- Extension of eligible investors to legal **entities**;
- Introduction of **tax measures** similar to those reserved for investments in innovative SMEs;
- Introduction of a **tax credit on the costs of independent research** incurred by research providers;
- Introduction of a **tax credit on the costs incurred by issuers** for sponsored research;
- Creation of **mutual instruments to support the research costs** incurred by issuers and research providers, with the direct or indirect contribution of the State (e.g. funds built on the Anglo-Saxon model).

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BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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