



EGM Analysis – 3Q24

25 October 2024

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Agenda



EGM ALL COMPANIES



2024 NEW LISTINGS

Euronext Growth Milan is dedicated to dynamic and competitive listed SMEs seeking capital to finance growth through a balanced regulatory approach. Euronext Growth Milan offers a simplified path to listing, compared to the Euronext Milan, with minimum access requirements and fulfilments tailored to SMEs.

2024 Facts & Figures



At the end of September 2024,

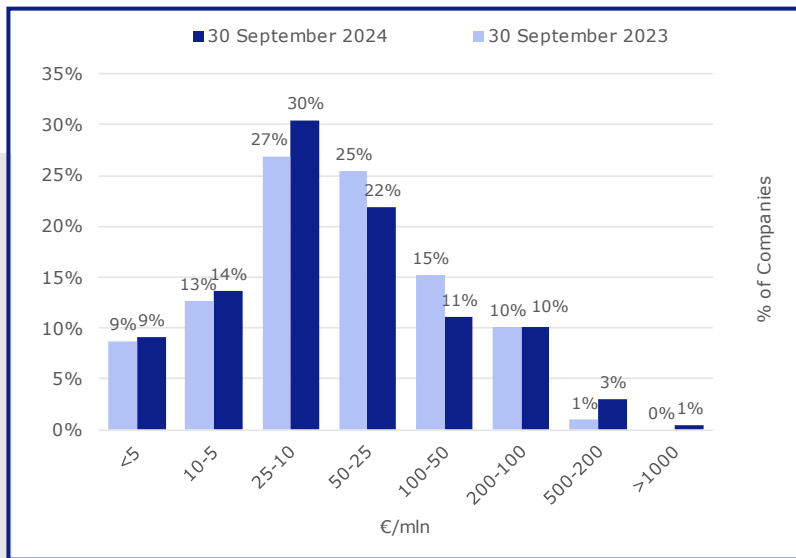
- EGM included **208 companies** (vs 197 yoy), of which **17 new listings** (vs 27 yoy) since the beginning of the year.
- Year to date, EGM has raised **€158mln (vs €278mln)** from **IPO proceeds**, with an average of €9.3mln (vs 10.3mln).
- 8 companies have been delisted.
- Total market capitalization was €9.7bn (vs €8bn yoy).
- The **average market capitalization** was €46.8mln (vs €40.8mln yoy).

EGM - From Small to Micro caps

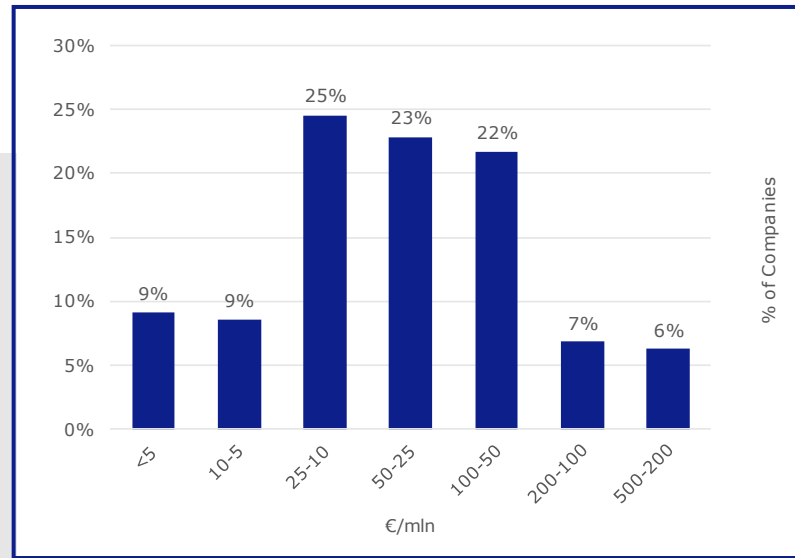


At the end of September, 86% of EGM (vs 89% yoy) companies had a **market capitalization below €100mln**, with 53% (vs 48% yoy) falling below the €25mln threshold.

A similar distribution in terms of revenue: in FY23, 87% of EGM companies reported **revenue below €100mln**, with 42% operating below the €25mln mark.



EGM segment by market capitalization
(as of September 30, 2024)



EGM* segment by FY23 Revenues

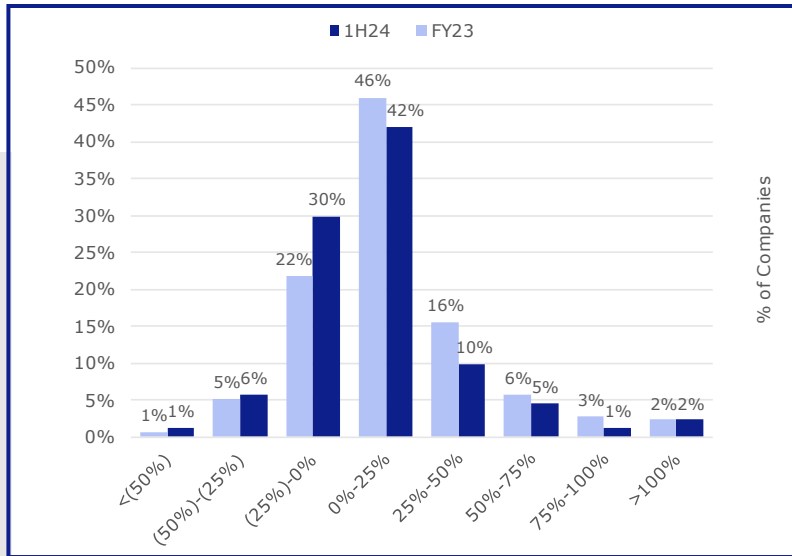
EGM - Growth and profitability



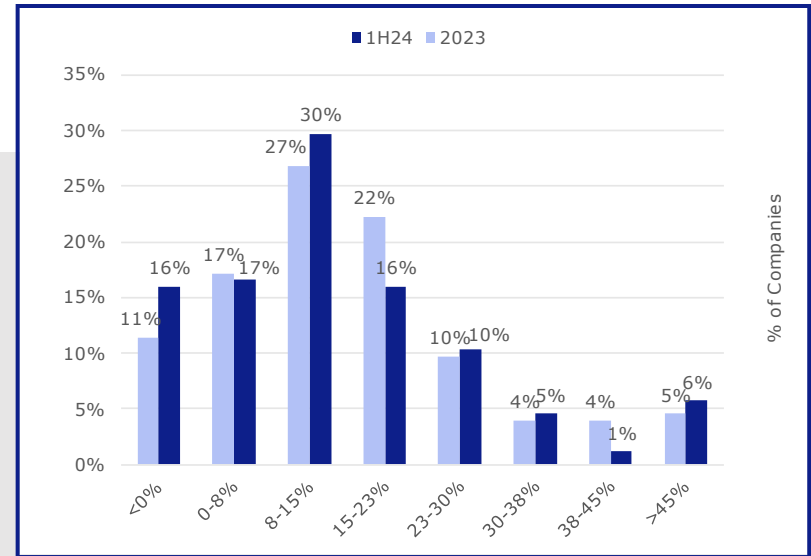
In 1H24, 60% of EGM (vs 72% in FY23) companies reported a **yoy Revenue growth**.

The **average revenue growth was 8%** (vs 14% in FY23).

38% (vs 45% in FY23) of them showed an **EBITDA margin exceeding 15%**.



EGM* segment by FY23 and 1H24 Revenue growth yoy



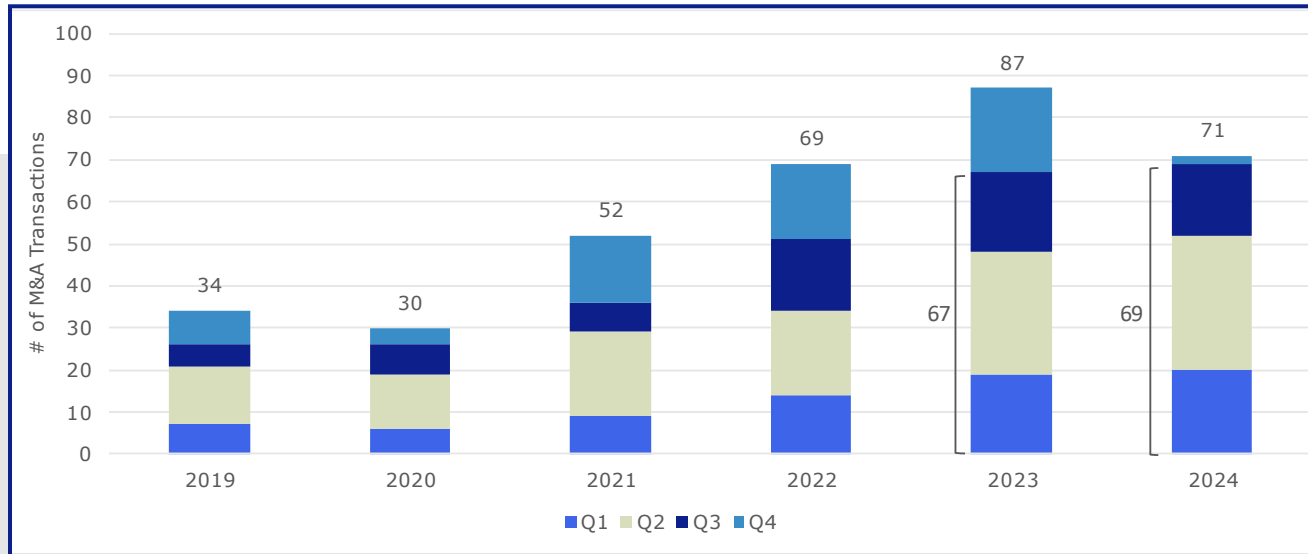
EGM* segment by FY23 & 1H24 EBITDA margin

EGM - Growth in M&A transactions



Over the past 5 years, except for the pandemic-related downturn, **M&A activity has been growing steadily**, setting a record in 2023 with 87 deals.

In 9M24, there were 69 M&A transactions, in line with the number recorded in the first nine months last year (67). Year to date the number of M&A deals has reached 71.



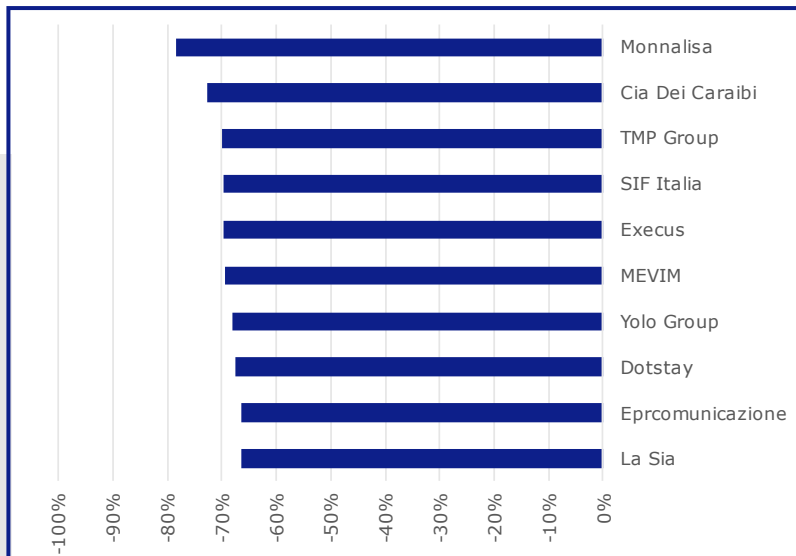
of M&A transactions in EGM* from 2019 to October 2024

EGM - Best and worst performers

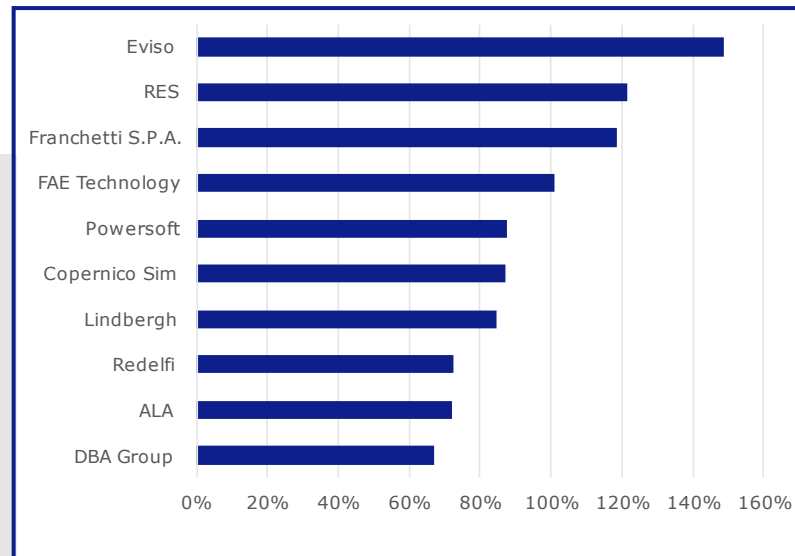


In the last 12 months, the **average performance** of EGM-listed companies was **negative by almost 6%**.

Eviso was the best performers whereas Cia Dei Caraibi showed the biggest decline.



12M worst performers
(as of September 30, 2024)



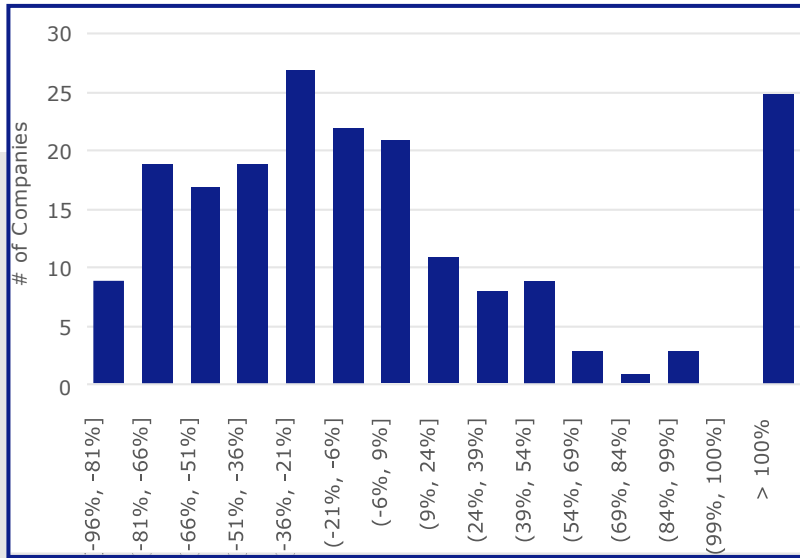
12M best performers
(as of September 30, 2024)

EGM - Performance from IPO

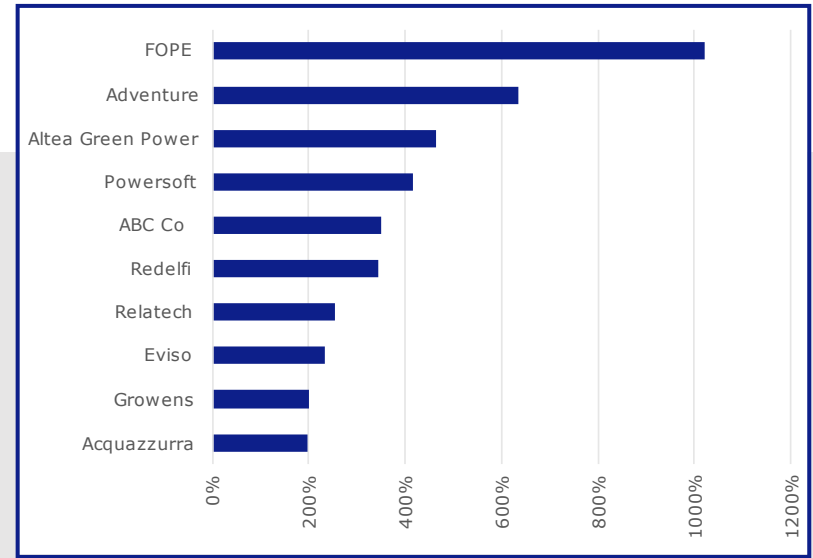


Since their IPO, over 60% of EGM companies have experienced negative performance.

Among the best performers are FOPE, Adventure and Altea Green Power.



Performance since IPO
(as of September 30, 2024)

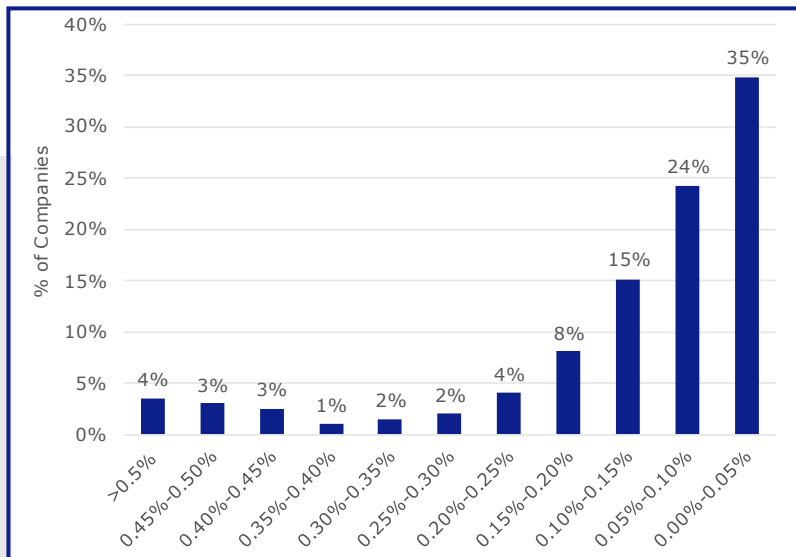


Best performers since IPO
(as of September 30, 2024)

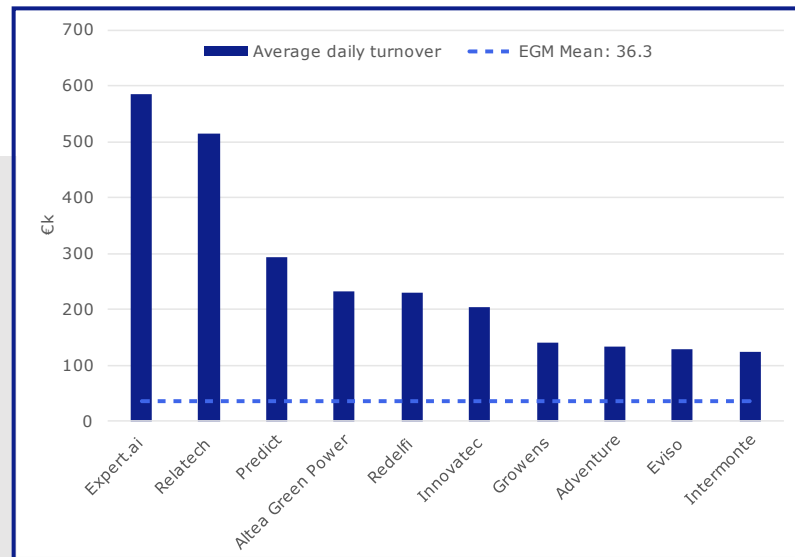


Liquidity remains the critical issue in the EGM.

In 3Q24, **59% of companies** (vs 55% yoy) traded **less than 0.1% of their market capitalization**. The average daily traded value was €36.3k (vs €48.5k in the last 12M).



3Q24 daily traded volume ratio to market capitalization



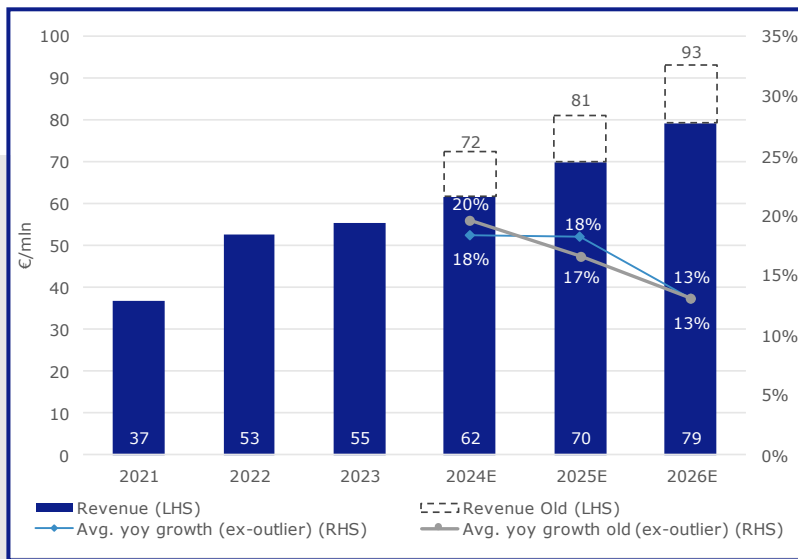
Top 10 for daily turnover in 3Q24



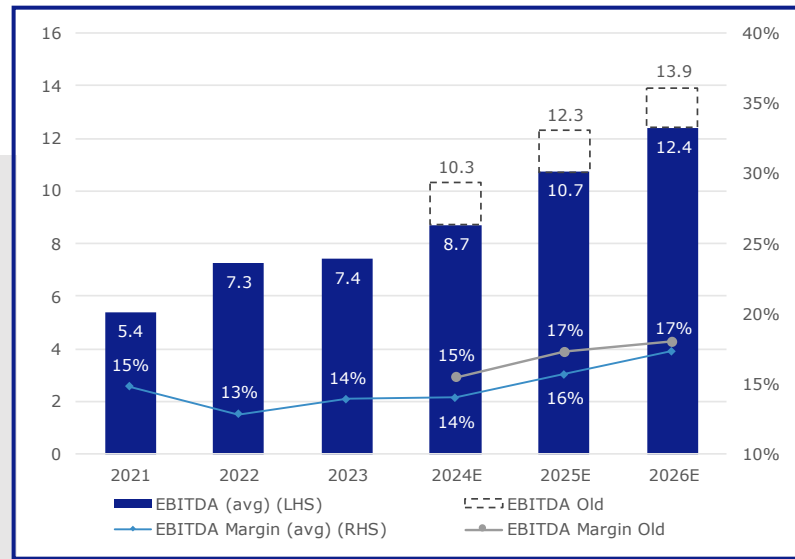
Since our last EGM report (in May) and amid disappointing 1H24 results, consensus has **reduced its revenue and EBITDA expectations** for 2024, 2025 and 2026.

Consensus **cut its FY24 revenue forecast by 14%** and now expects, on average, €62m from previous €72m or +18% yoy from previous +20% yoy. Consensus also trimmed revenue expected 2023-2026 CAGR to 13% from previous 19%.

In terms of **EBITDA margin**, consensus cut its FY24 forecast **by ~1.4pp** to 14%, with no improvement from FY23. Three-year cumulated EBITDA has been reduced by €4.7m. Nevertheless, margin improvement has been confirmed at +3% to 17% by 2026.



EGM* segment by Average Revenue



EGM* segment by Average EBITDA

EGM - Signs of stabilization



After reaching a **record high** of 11,551 in **January 2022**, the **FTSE Italia Growth Index** experienced a **liquidity crisis, bottoming out** at 7,594 in late **October 2023**.

Since then, it has **partially recovered** and **recently stabilized** around 8,000 points for: (i) undemanding valuations; (ii) the ECB easing monetary policy; and (iii) optimism regarding new specific stimulus measures expected to be activated in 2025.

In fact, year to date the EGM index has lost 2.5% only.

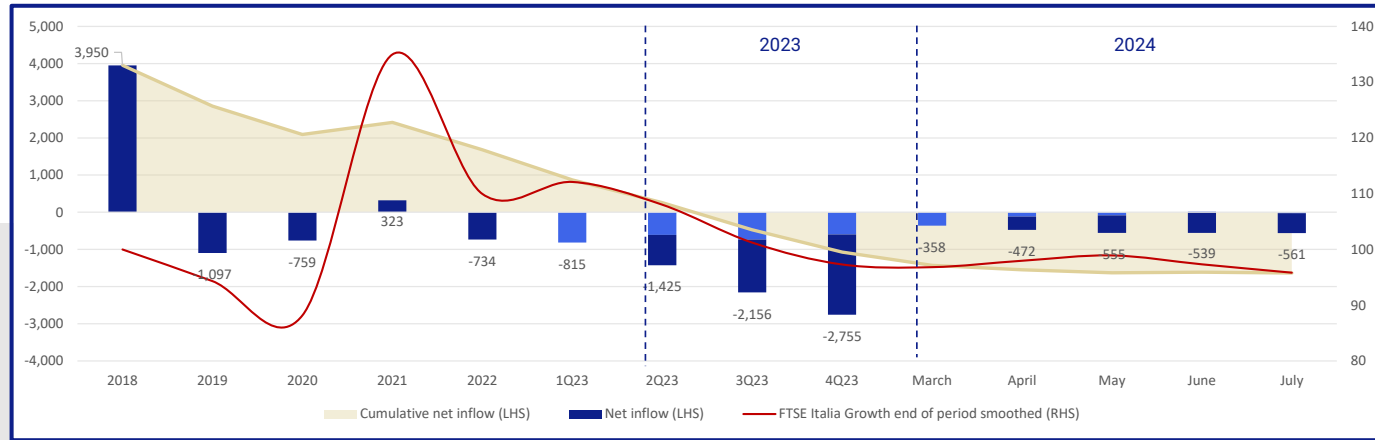


FTSE Italia Growth Index 2022 – 2024

EGM - Cautious optimism



Since **their launch in 2017**, Individual Saving Plans (ordinary **PIR**) **peaked** at over €21 bn at the **end of 2021**, then **declined** to below €17 billion by the **end of 2023**. This decrease was due to the **expiration** of the 5-year tax relief on capital gains, ongoing geopolitical uncertainties, restrictive monetary policies, and higher attractiveness of bond yields. **Net outflows** reached a **peak** of over €2.5 billion at the **end of 2023**. Since the beginning of **2024**, net outflows from PIRs have significantly declined and **stabilized**. The FTSE Italia Growth Index followed a similar trend from 2017 to 2024.



Source: Osservatorio PIR, settembre 2024, Assogestioni

Moreover, **new measures** are now **ready to support EGM liquidity** and attract international investors. In this specific historical moment, **Italy** might be more attractive due to its **greater political stability** compared to other European (and non-European) countries.

As far as is known, starting from Q1 2025, the **Indirect National Strategic Fund (FNSI)**, a closed-end fund of funds entirely subscribed by the MEF and managed by CDP, will be able to **co-invest** (with private institutional or retail investors) up to a maximum of 49% of the capital of newly established OICRs, which must invest predominantly **in companies** listed **outside the FTSEMIB**. It can also act as an anchor investor in IPOs. The initial capital of this FNSI fund is expected to be €350 mln. Will enough of this liquidity injection reach the EGM? Will this liquidity injection be addressed to the secondary market or primarily to the IPOs?

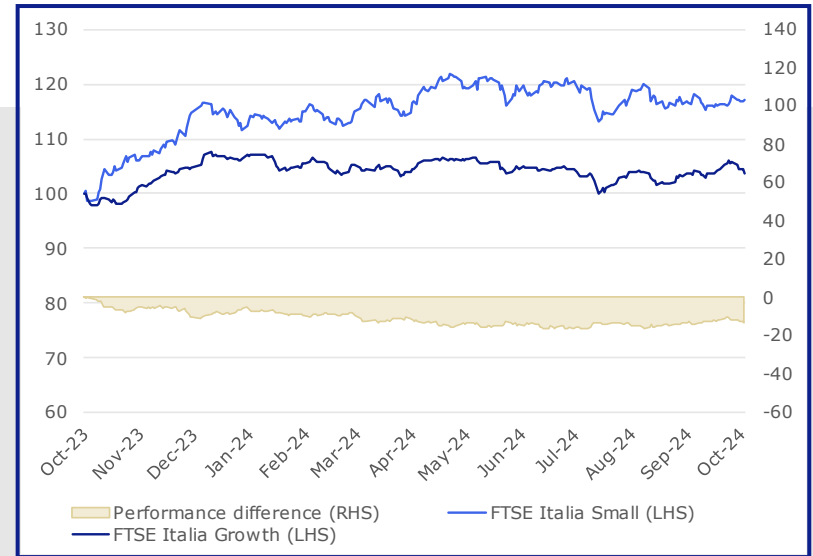
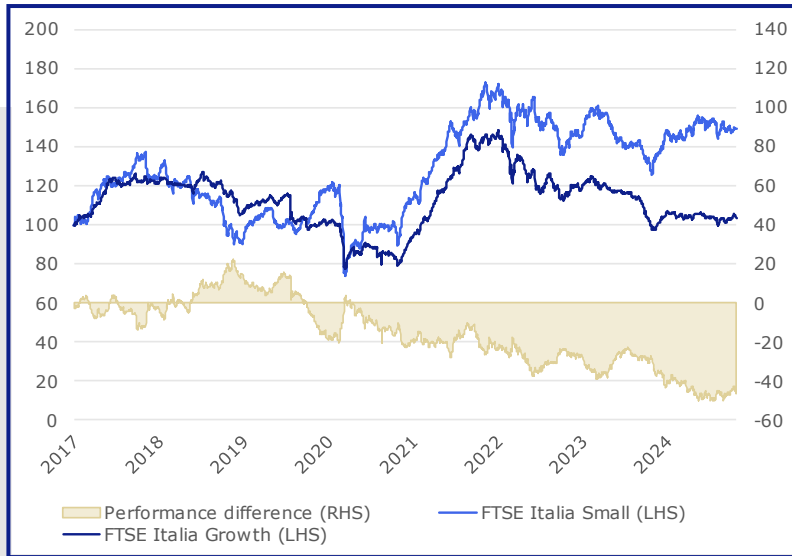
Additionally, the **fiscal credit** covering 50% of advisory costs (up to €500k) for the **listing process** of Mid and Small Caps on regulated stock markets, introduced in 2017, has been **extended to December 2027**.

EGM - Performance divergence among Small Cap indexes



Despite **similar features** and **market capitalization** between the **FTSE Italia Small** and **FTSE Italia Growth** indexes, the latter has **performed worse** over the past seven years except for the already cited 2017-2021 PIR-related period.

Even if the FTSE Italia Growth has partially recovered from its bottom in October 2023 and stabilized thereafter, its performance has been still lower than that of FTSE Italia Small index. Over the past year the FTSE Italia Small gained almost 19% whereas the FTSE Italia Growth has gained just above 5%.

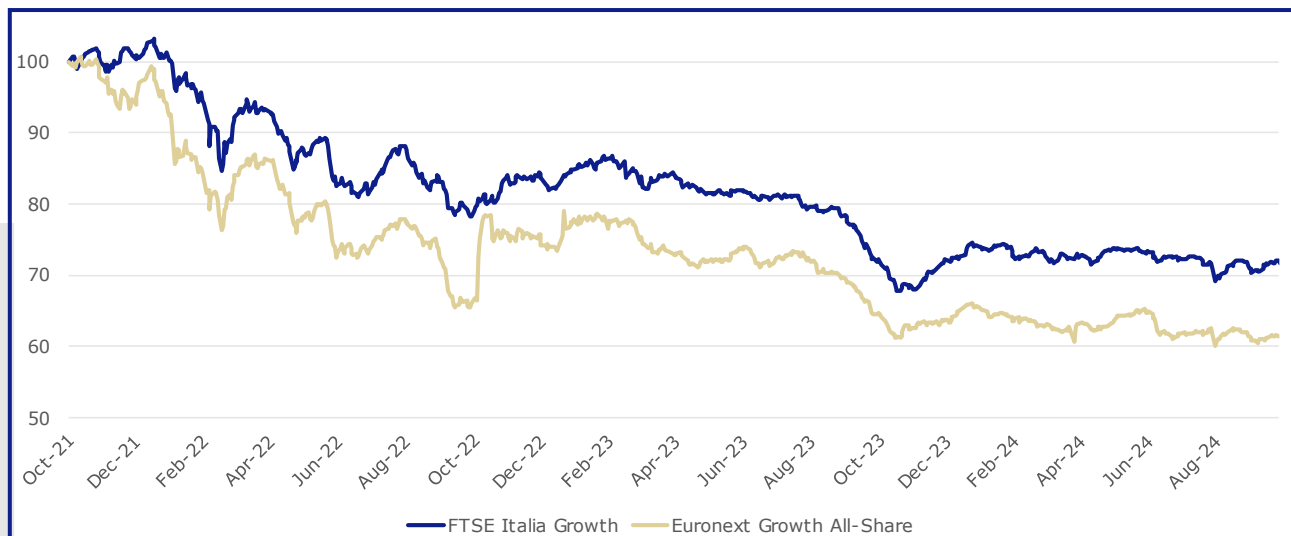


EGM - Not as bad among Euronext Growth indexes



Over the **past three years**, the **FTSE Italia Growth** index has performed (-28.3%) **better than the Euronext Growth All Shares** index (-38.9%).

This is confirmed year to date (-2.5% vs -7.9% respectively).

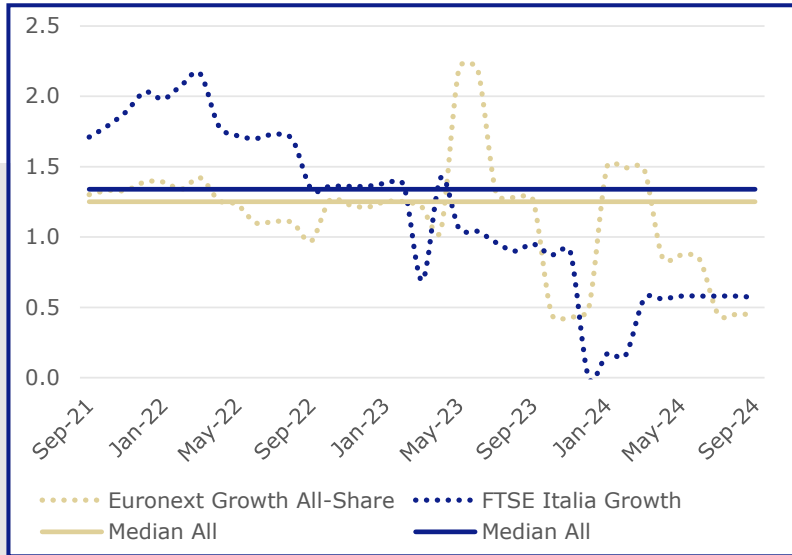


The Euronext Growth All Shares is a full market capitalization based index consisting of companies listed on the Euronext Growth markets (Italy, France, Belgium Ireland, Norway). In October, its capitalization is over €30bn with an average of €60mln and a median of €20mln.

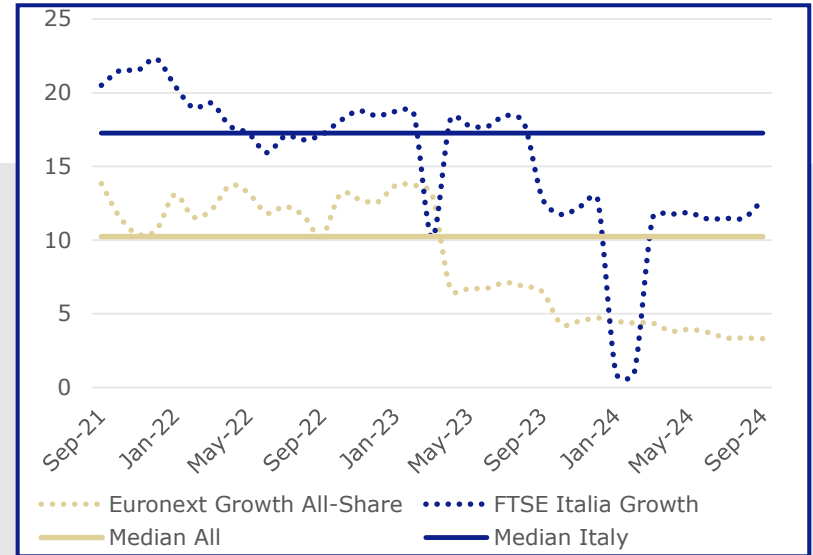
Euronext Growth in Europe - Comparing market multiples



Even in terms of **valuations**, over the **past three years** the **FTSE Italia Growth** has showed a **median EV/Sales** and **P/E higher** than those of the Euronext Growth All-Shares.



EV/Sales FTSE Italia Growth and Euronext Growth All-Share



P/E excl. negative FTSE Italia Growth and Euronext Growth All-Share

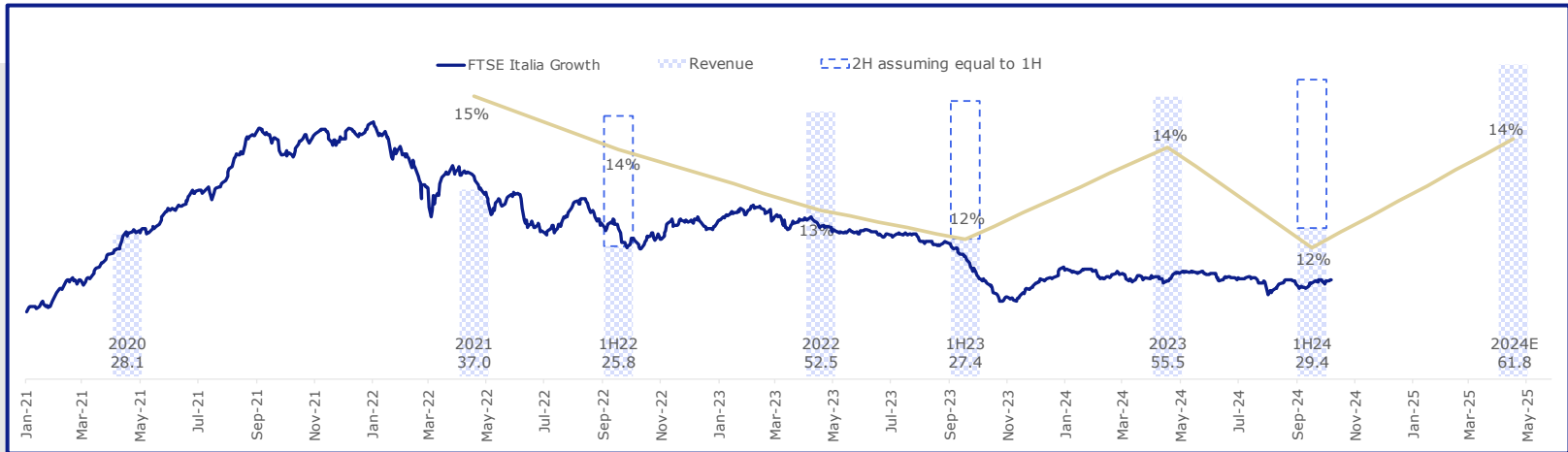
EGM - Index trend vs companies fundamentals



Over the **2021-2023 period**, the **EGM index decline** could **not** be **explained** by a worsening of companies' **fundamentals**. Recent EGM recovery can be considered as sustainable and accompanied by improving fundamentals or simply supported by liquidity measures?

In **2020-2023**, while **EGM companies** had been growing, on average, in terms of revenue at **25% CAGR**, the **FTSE Italia growth** index has **lost 25%** of its value.

Over the **past year**, the **EGM** has started to recover showing a **5% gain** and **EGM companies** have continued to grow showing a **7% revenue average increase** in 1H24. Will this convergence continue?

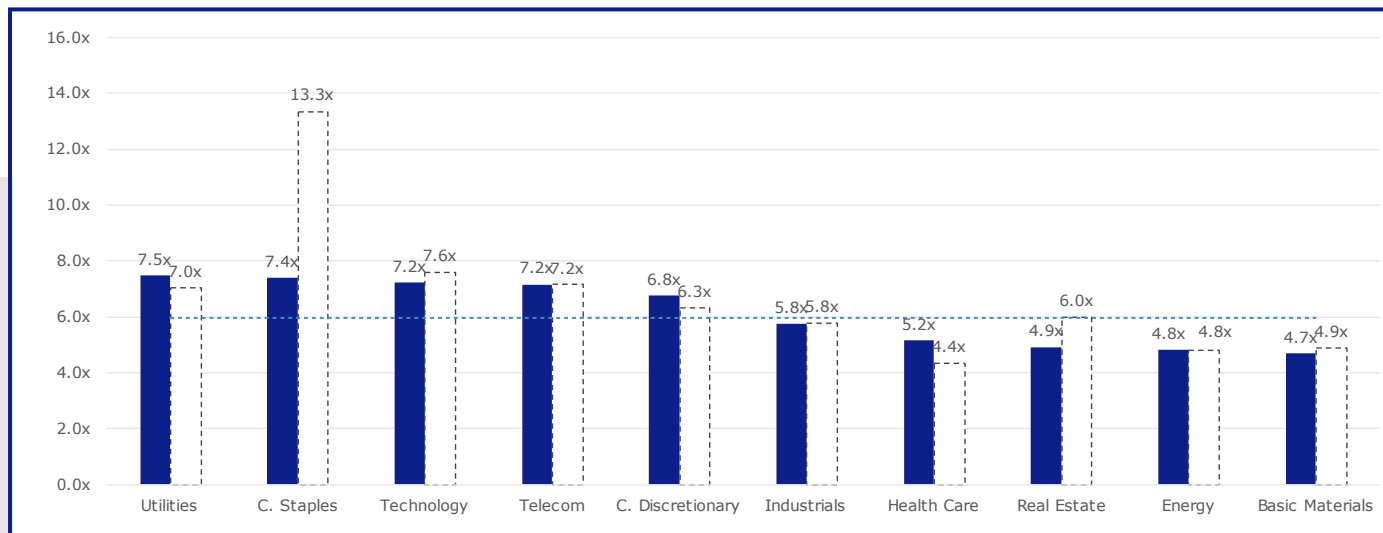


EGM - Sector market multiples



As of 30 September, EGM shows a median EV/EBITDA 2024E of 6x.

In sector comparison, Health Care is no longer **the cheapest**, leaving the place to **Basic Materials**. Furthermore, Consumer Staples is no longer the **most expensive**, being replaced by **Utilities**.



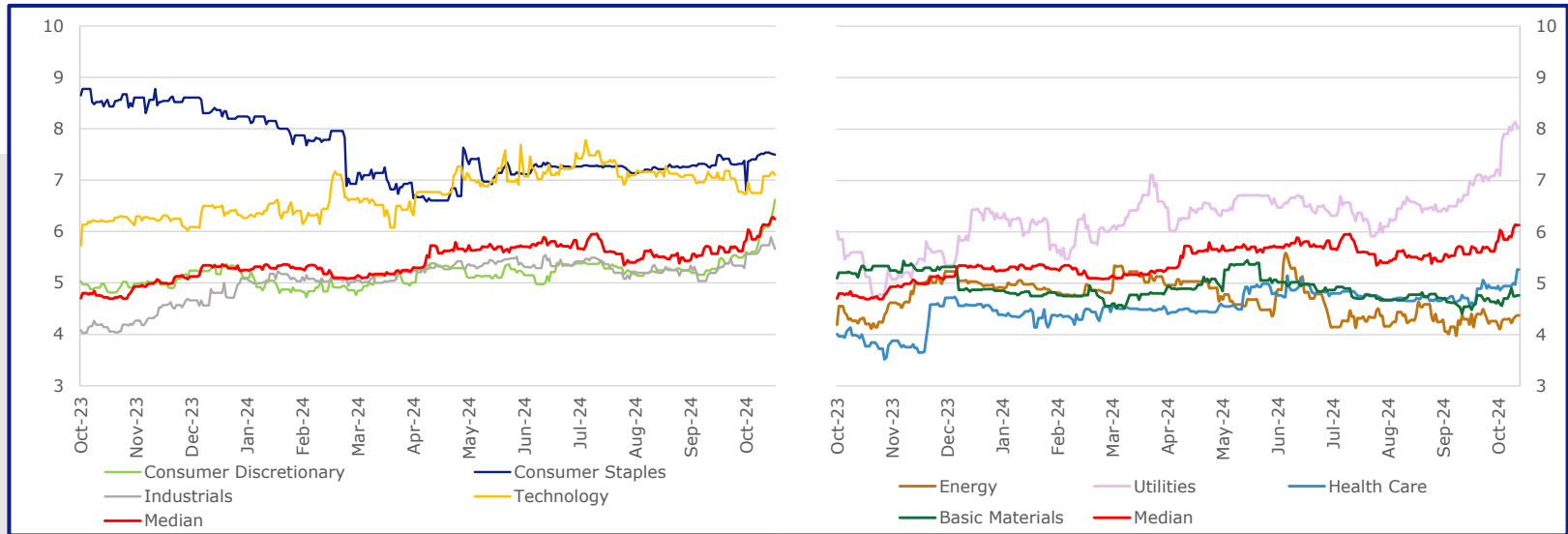
EGM - Sectors market multiples 1-year trend



In the last 12M, the **median EGM EV/EBITDA 1-year forward increased** from 4.7x to 6.2x.

Utilities saw **the largest 12M re-rating, from 6x to 7.9x**, followed by Consumer Discretionary and Industrials, both up +1.6x to 5.2x and 5.1x respectively.

The sole sector which saw a substantial **de-rating** was Consumer Staples, down from 8.8x to 7.6x



EV/EBITDA 1FY by sector (as of 25 October)



Agenda



EGM ALL COMPANIES



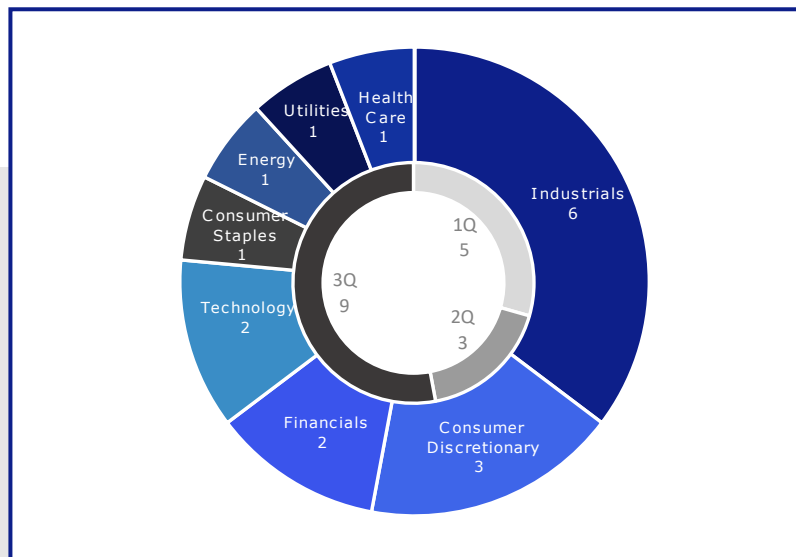
2024 NEW LISTINGS

EGM - New listings by sector and market cap

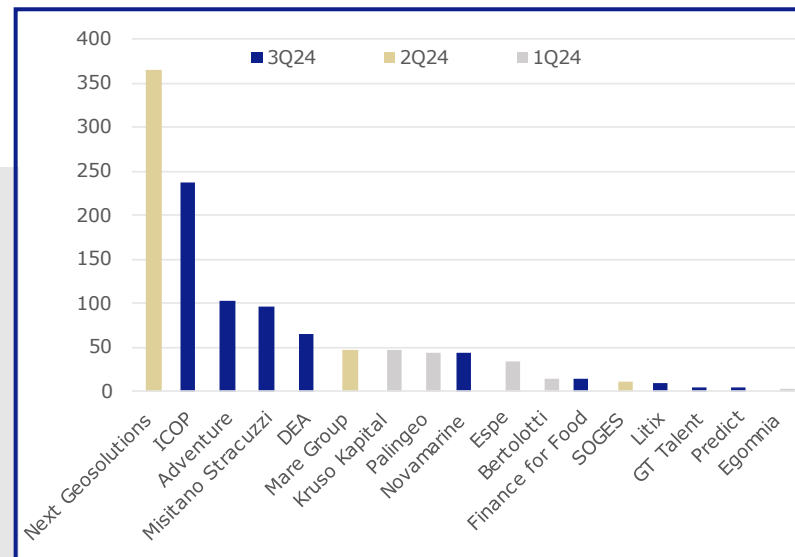


So far this year, there have been **17 IPOs** on the EGM market, down from 27 in the 9M23.

Industrials remained as the dominant sector.

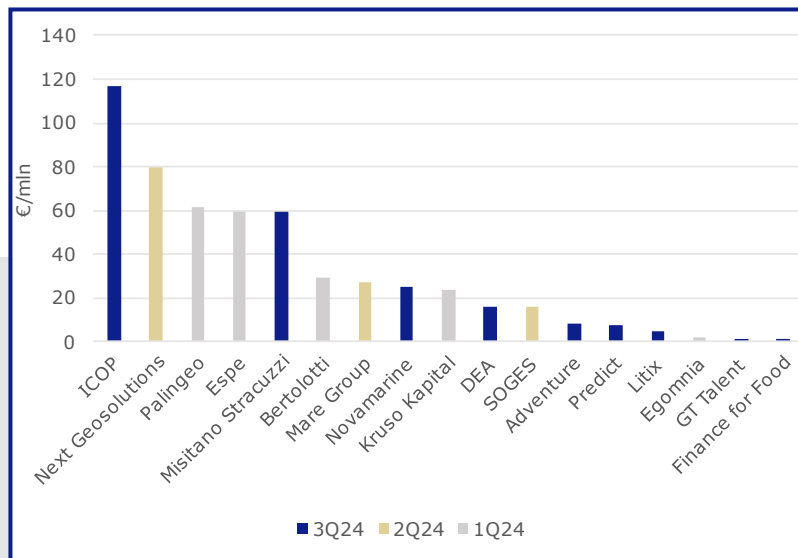


9M24 New Listings by Sector

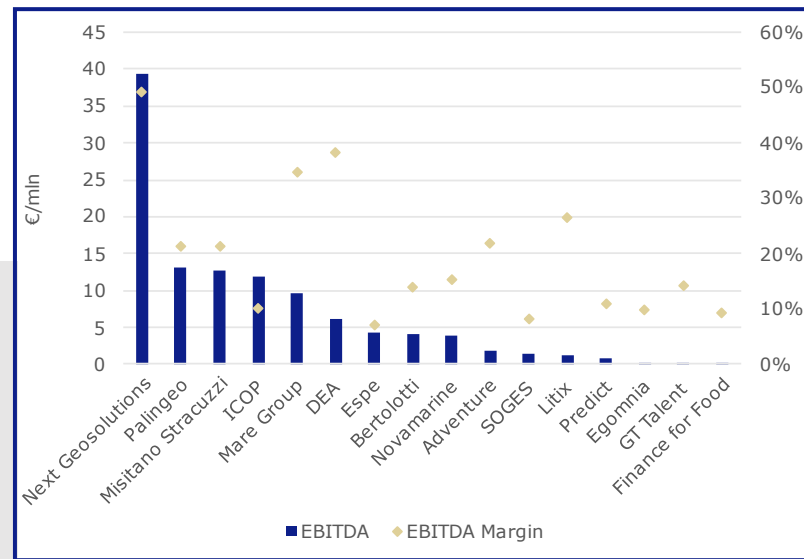


9M24 New Listings by Market Capitalization

EGM - New listings by revenue and margin

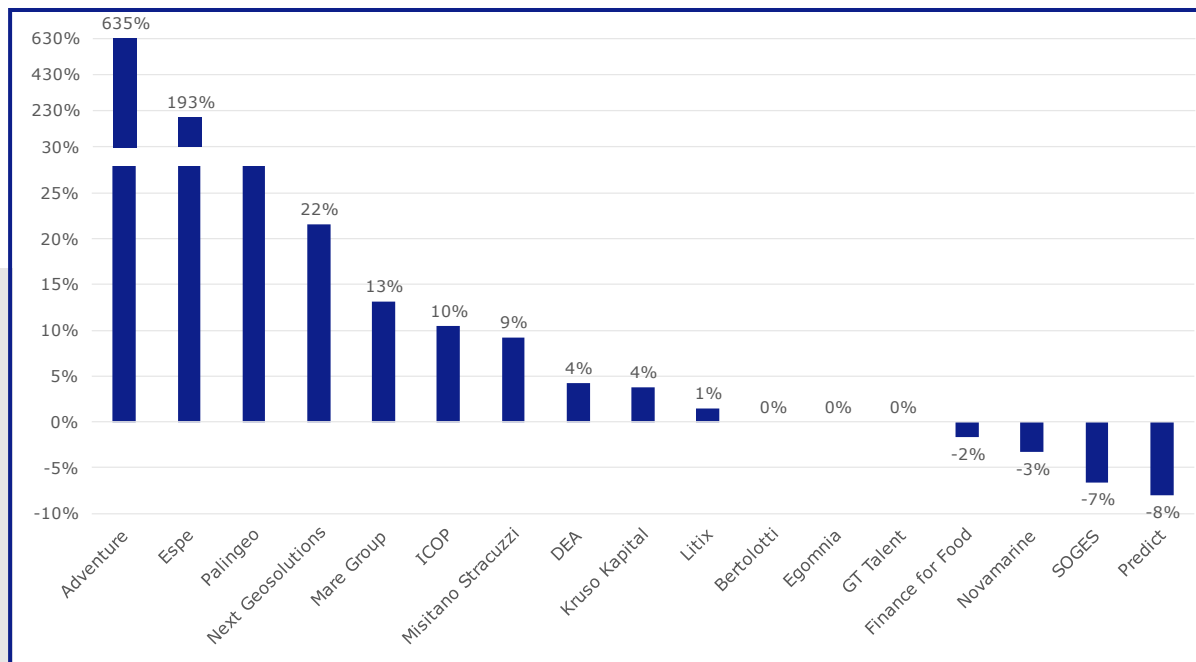


2024 IPOs by 2023 sales



2024 IPOs by 2023 EBITDA and EBITDA margin

EGM - Best performers since IPO



Performance since IPO



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