

# Gismondi 1754

Sector: Hard Luxury



## A Gem in EGM

Gismondi 1754 SpA is an Italian-based awards winning company active in the designing, marketing and distribution under its proprietary brand of very high-end jewelry handcrafted from precious gems.

### Seven Generations of Made in Italy Premium Jewelry

With an average selling ticket at ca. €10k-€15k, Gismondi is active in the very top end of the global jewelry market. As of today, Gismondi offers 10 high-end collections (ca. 71% of FY22 Revenues) and tailor-made exclusive creations (ca. 29% of FY22 Revenues).

The Group maintains a strong control over the jewels value chain, internally carrying out design, procurement, marketing (these costs account for ca. 17% of FY22 Revenues), while outsourcing the crafting stage to highly specialized laboratories. As of now, Gismondi counts 41 points of sales at world level (6 DOS, 30 certified retailers, 2 franchise, 3 temporary stores), with a strong presence in Italy and US (together ca. 58% of Revenues).

### Focus on Brand, Foreign Markets, In-House Production

Gismondi growth strategy should be based on: (i) strengthening of brand awareness; (ii) faster and more scalable expansion on international markets, via wholesale channels (both multibrand and Gismondi franchise stores); (iii) M&A activity for in-house craftsmanship, repeating the positive outcome of the acquisition of Vendorafa Lombardi brand and assets.

### Financial Forecasts 2023E-25E

We forecast Gismondi to reach the following financial figures in 2025E:

- ◆ VoP at €29.0mn, i.e. 24% CAGR<sub>22A-25E</sub>, mostly driven by new openings, organic growth and consolidation of Vendorafa Lombardi;
- ◆ EBITDA Margin at ca. 18% (€5.1mn), supported by economies of scale;
- ◆ NWC absorbing ca. €2.0mn-€2.5mn per year, due to inventory build-up to support retail expansion, but Net Debt at €3mn, flat vs. 2022A, despite the strong growth (and excluding M&A).

### Fair Equity Value at €8.00 p/s (€7.30 Fully Diluted)

Averaging our Peers Analysis and DCF, we initiate coverage on GIS with a Fair Equity Value of €8.0 p/s (€7.3 p/s FD). Gismondi would therefore trade at 1.5x EV/Sales 2024E, ca. 45% discount vs. luxury leaders. While on the short-term we believe the discount is justified by qualitative and quantitative factors, our DCF embeds GIS medium-term valuation appeal, to improve depending on the upside that new partnerships/openings, internalization of production capacity and impact of marketing investments would give to the Group growth, scalability and brand awareness.

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**Fair Value (€)(\* )** **7.30**  
**Market Price (€)** **5.60**  
**Market Cap. (€m)** **23.8**

(\* ) Fully Diluted

| KEY FINANCIALS (€mn) | 2022A | 2023E | 2024E |
|----------------------|-------|-------|-------|
| VALUE OF PRODUCTION  | 15.2  | 18.3  | 23.8  |
| EBITDA               | 3.0   | 2.9   | 4.0   |
| EBIT                 | 2.6   | 2.4   | 3.4   |
| NET PROFIT           | 1.6   | 1.5   | 2.2   |
| EQUITY               | 11.0  | 12.5  | 14.8  |
| NET FIN. POS.        | -3.0  | -4.3  | -4.0  |
| EPS ADJ. (€)         | 0.40  | 0.37  | 0.54  |
| DPS (€)              | 0.00  | 0.00  | 0.00  |

Source: Gismondi (historical figures)  
Value Track (2023E-24E estimates)

| KEY RATIOS            | 2022A | 2023E | 2024E |
|-----------------------|-------|-------|-------|
| EBITDA MARGIN (%)     | 19.8  | 16.0  | 16.8  |
| EBIT MARGIN (%)       | 17.2  | 13.2  | 14.4  |
| NET DEBT / EBITDA (x) | 1.0   | 1.5   | 1.0   |
| NET DEBT / EQUITY (x) | 0.3   | 0.3   | 0.3   |
| EV/SALES (x)          | 1.7   | 1.5   | 1.1   |
| EV/EBITDA (x)         | 8.6   | 9.3   | 6.7   |
| EV/EBIT (x)           | 9.9   | 11.3  | 7.8   |
| P/E ADJ. (x)          | 14.0  | 15.2  | 10.3  |

Source: Gismondi (historical figures)  
Value Track (2023E-24E estimates)

| STOCK DATA            |                 |
|-----------------------|-----------------|
| MARKET PRICE (€)      | 5.60            |
| SHS. OUT. (m)         | 4.1 (*)         |
| MARKET CAP. (€m)      | 23.8            |
| ENTERPRISE VALUE (€m) | 28.0            |
| FREE FLOAT (%)        | 34.0            |
| AVG. -20D VOL. ('000) | 145.2           |
| RIC / BBG             | GIS.MI / GIS IM |
| 52 WK RANGE           | 4.08 – 8.05     |

Source: Stock Market Dat, (\*) 5.2 Fully-Diluted

## Business Description

Gismondi is a long heritage Italian jewelry that operates, since 1754, in the design, marketing and distribution of high-end jewelry under its own brand. Gismondi jewelry is characterized by an important intrinsic value due to the strong prevalence of precious stones over gold and a great craftsmanship that highlights a balanced combination of classic and modern design. The Group boasts 41 POS (o/w 6 DOS) across the world, other than personal relationships between Massimo Gismondi (CEO and creative director) and special customers, who often require tailor-made pieces that match their needs and the Company style.

## Key Financials

| €mn                           | 2022A       | 2023E       | 2024E       | 2025E       |
|-------------------------------|-------------|-------------|-------------|-------------|
| <b>Value of Production</b>    | <b>15.2</b> | <b>18.3</b> | <b>23.8</b> | <b>29.0</b> |
| y/y (%)                       | 52.2%       | 20.5%       | 30.1%       | 22.0%       |
| <b>EBITDA</b>                 | <b>3.0</b>  | <b>2.9</b>  | <b>4.0</b>  | <b>5.1</b>  |
| EBITDA Margin (%)             | 19.8%       | 16.0%       | 16.8%       | 17.6%       |
| <b>EBIT</b>                   | <b>2.6</b>  | <b>2.4</b>  | <b>3.4</b>  | <b>4.5</b>  |
| EBIT Margin (%)               | 17.2%       | 13.2%       | 14.4%       | 15.6%       |
| <b>Net Profit</b>             | <b>1.6</b>  | <b>1.5</b>  | <b>2.2</b>  | <b>3.0</b>  |
| y/y (%)                       | nm          | -7.2%       | 47.7%       | 35.7%       |
| <b>Adjusted Net Profit</b>    | <b>1.6</b>  | <b>1.5</b>  | <b>2.2</b>  | <b>3.0</b>  |
| y/y (%)                       | nm          | -7.2%       | 47.7%       | 35.7%       |
| <b>Net Financial Position</b> | <b>-3.0</b> | <b>-4.3</b> | <b>-4.0</b> | <b>-3.0</b> |
| Net Fin. Pos. / EBITDA (x)    | 1.0         | 1.5         | 1.0         | 0.6         |
| Capex                         | -0.4        | -0.4        | -0.3        | -0.3        |
| <b>OpFCF b.t.</b>             | <b>-2.5</b> | <b>0.2</b>  | <b>1.5</b>  | <b>2.5</b>  |
| OpFCF b.t. as % of EBITDA     | -84.9%      | 8.0%        | 38.1%       | 48.4%       |

Source: Gismondi (historical figures), Value Track (estimates)

## Investment case

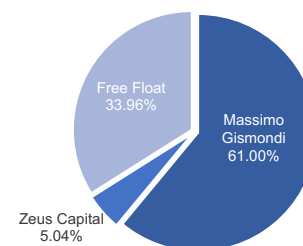
### Strengths / Opportunities

- ◆ Premium positioning (€10k-€15 average ticket) in the Hard Luxury market;
- ◆ Made in Italy artisanship, strong heritage, modern design, exclusivity;
- ◆ Strong control on the value chain (highly selective and direct relationships);
- ◆ International Expansion in various underpenetrated and growing markets.

### Weaknesses / Risks

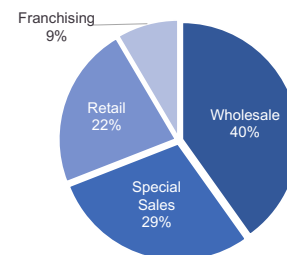
- ◆ Limited Brand Awareness and Customer Base due to small scale and few DOS;
- ◆ High Inventory Requirements limiting ROCE and FCF;
- ◆ Travel Restriction Scenarios.

## Shareholders Structure



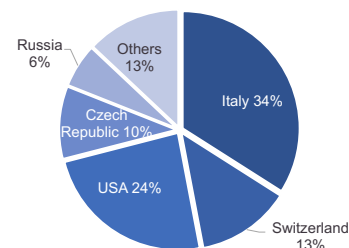
Source: Gismondi

## Revenues by Distribution Channel



Source: Gismondi, FY22

## Revenues by Geographic Area



Source: Gismondi, FY22

## Stock multiples @ €8.00 Fair Value

|                   | 2023EE | 2024E |
|-------------------|--------|-------|
| EV / SALES (x)    | 2.0    | 1.5   |
| EV / EBITDA (x)   | 12.7   | 9.2   |
| EV / EBIT (x)     | 15.4   | 10.7  |
| EV / CAP.EMP. (x) | 2.2    | 2.0   |
| OpFCF Yield (%)   | 0.6    | 4.2   |
| P / E (x)         | 21.7   | 14.7  |
| P / BV (x)        | 2.6    | 2.2   |
| Div. Yield. (%)   | 0.0    | 0.0   |

Source: Value Track

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## Executive Summary

### Gismondi 1754: Seven Generations of Made in Italy Premium Jewelry

Gismondi 1754 SpA (“Gismondi”, “the Group”, “the Company”) is an Italian-based, Euronext Growth Milan-listed company active in the designing, marketing and distribution of **high-end jewelry**.

With over **7 generations** of know-how (the business was founded in 1754), Gismondi boasts an **exclusive** portfolio of bracelets, earrings, necklaces, rings and cufflinks under its **proprietary brand**, handcrafted from precious gems (mainly diamonds) and, on a fewer extent, gold.

With an **average selling ticket at ca. €10k-€15k**, Gismondi is active in the very top end of the €28bn worth global Jewelry sector, expected to grow at ca. 8% CAGR driven by the rising percentage of High-Net-Worth-Individuals, and is positioned in the same cluster of other pure hard luxury players such as Chopard, Chaumet, Graff, Boucheron, JAR, Van Cleef & Arpels.

We note that in the latest years, Gismondi creations won several prizes, out of which the “People’s Choice Award” among 200 items at the 2019 Las Vegas Couture Award. Last year, Gismondi won again at the same fair, this time in the “Best in Diamonds Above \$20k” category.

### Products: Both Collections and Tailor-Made Creations

As of today, Gismondi features **10 different collections** (and over 360 items), each of them vaunting different styles, precious gems and price points (entry usually around €1,500 and top at €160k), and representing ca. 71% of FY22 Operating Revenues.

Gismondi launches new collections and limited edition jewels every year and the current design portfolio should cover new collections for the next 5-6 years.

On the other hand, **tailor-made creations** arise from direct relationships with **HNWIs**, and are designed from scratch or moving from existing creations on customers’ request, but in accordance with Gismondi style. These pieces can sell up even above €1mn and are recorded as “Special Sales”. In FY22 they stood at ca. 29% of Revenues.

### Well-Crafted Business Model

The Group maintains a strong control over the jewels value chain, internally carrying out the phases of design, procurement, marketing and a good part of distribution, while outsourcing the crafting stage to highly specialized laboratories of best-in-class artisans in **Valenza**, the Italian capital of jewelry.

### Design and Production

We can identify three main steps: Design, Procurement, Crafting.

- 1. Design.** Gismondi is able to launch 2 collections per year and the current design portfolio could potentially cover the next 5-6 years of new collections. In addition, the style team manage the special sales segment, dealing directly with clients and designing one-of-a-kind pieces for them;
- 2. Procurement.** Gismondi mainly uses precious stones (diamonds, sapphires, rubies, emeralds, etc.) and, to a lesser extent, gold in its production process, often purchasing diamonds directly from DTC (Diamond Trading Company owned by De Beers) *sightholders*;
- 3. Crafting.** The production phase is carried out externally through selected laboratories, all required to sign non-disclosure agreements to protect the Group know-how.

### Marketing

Marketing expenses are crucial in order to boost Gismondi brand awareness, and in FY22 they totaled ca. €2.5mn, i.e. ca. 17% of Revenues from Sales. Marketing initiatives involve: (i) the participation at

the most important international jewelry **fairs**, (ii) the organization of **dedicated events** in the most exclusive Gismondi locations dedicated to all the Group stakeholders, (iii) substantial advertising and **social media** investments, and (iv) PR and communication aimed at generating highly valuable brand ambassadors among **top-level celebrities** such as Jane Fonda, Gwyneth Paltrow, Angela Basset and many more freely choosing to wear proposed Gismondi creations.

### Distribution

Gismondi sells its creation both directly, through retail stores positioned in crucial locations (e.g. Genoa, Portofino, Sankt Moritz, Milan, Rome, San Teodoro) and direct relationships with clients (“Special Sales”), and indirectly, through wholesale to independent jewelries and franchising agreements. As of now, Gismondi counts **41 points of sales around the globe**, (with a strong presence in **Italy** and **North America**, worth ca. 58% of total Revenues), split as follows:

- ◆ **Retail Stores / DOS (6)**: Gismondi DOS generated **22%** of Operating Revenues in FY22, and indirectly contributed to **Special Sales**, that in FY22 accounted for **29%** of Operating Revenues;
- ◆ **Wholesalers (30, out of which 14 in USA)**: independent multibrand jewelries or corners in renowned department stores, reaching €5.6mn in FY22, i.e. **40%** of the total after;
- ◆ **Franchises (2)**: Gismondi franchise channel generated €1.2mn Operating Revenues (**9%**) in FY22 with 1 POS;
- ◆ **Temporary Stores (3)**: These accounted for a minimal part of FY22 Operating Revenues.

### Strategies: Brand Awareness, International Expansion, In-House Production

Gismondi growth strategy should follow three different lines of action:

- 1. Strengthening of Brand Awareness**: allocation of relatively significant resources for promotional activities, such as advertising campaigns, special events, trade fairs;
- 2. Faster and more scalable/less capital-intensive expansion on International Markets.** The focus should be on channels that boast lower setup costs and faster time to achieve breakeven, i.e. **wholesale and franchising**, with also a progressively lower percentage of jewels delivered on consignment, thus improving the cash flow generation for the Company;
- 3. M&A activity for In-House Craftmanship**: after the recent acquisition of Vendorafa Lombardi brand and assets, Gismondi is looking for another target in order to internalize some production capacity, furtherly increase margins and optimize the cash conversion cycle.

### Financial Forecasts 2023E-25E

We believe Gismondi to reach the following financial figures in **2025E**:

- ◆ **Value of Production at €29.0mn**, i.e. 24% CAGR<sub>22A-25E</sub>, driven mostly by new openings (Franchising and Wholesale) and to lesser extent by organic growth and by the consolidation effect of Vendorafa Lombardi in 2023E;
- ◆ **EBITDA Margin at ca. 18% (€5.1mn in absolute value)**, benefitting from operating leverage;
- ◆ **Net Working Capital absorbing ca. €2.0mn-€2.5mn per year**, due to inventory build-up required by the expansion of the distribution network, only partially reduced by the business mix moving towards franchise and wholesale channels. While this implies a cash absorption, it does not really increase the Company risk profile, as finished good stocks offer high and resilient value (and are accounted for at their direct cost value);
- ◆ **Net Debt at €3mn**, flat vs. 2022A after the cash-out for Vendorafa and the material investments in stocks for new openings.

## SWOT Analysis: Spotting a Few Growth Opportunities

Gismondi enjoys several strengths thanks to the **luxury** nature of its business, the long **heritage** know-how and **creativity** of Massimo Gismondi, and the superior skills of Valenza Po **craftsmen**. On the other hand, **limited brand awareness** and **inventory build-up** are the main points to address in the future. We would also expect Gismondi to strengthen its internal crafting capacity to support its long-term growth and brand value.

The planned **international expansion** via wholesale channels and steady **marketing investments**, both factored in our forecasts, should do most of the work. On top of this, a combination of **selective M&A and DOS expansion** – we see these in the cards over the medium term – should complete the strategy execution and drive Gismondi brand value further up.

## Valuation: Fair Equity Value at €8.0 p/s (€7.3 p/s Fully Diluted)

Averaging the outcomes of our Relative Multiples Valuation analysis and DCF model, we initiate coverage on Gismondi with a **Fair Equity Value of €8.0 p/s (€7.3 p/s Fully Diluted)**. Gismondi would therefore trade at 1.5x EV/Sales 2024E, still at substantial discount (ca. 45%) vs. its peers, a cluster including the Luxury Leaders vaunting the most globally recognized brands of the world. While on the short-term we believe the discount is justified by qualitative and quantitative factors, our DCF embeds GIS medium-term valuation appeal, expected to improve depending on the upside that new partnerships and openings, the internalization of production capacity and the impact of current and future marketing investments would give to the Group growth, scalability and brand awareness.

## Gismondi 1754 at a Glance

*Gismondi is a long heritage Italian jewelry that operates, since 1754, in the design, marketing and distribution of high-end jewelry under its own brand. Gismondi jewelry is characterized by an important intrinsic value due to the strong prevalence of precious stones over gold and a great craftsmanship that highlights a balanced combination of classic and modern design. The Group markets its creations through a total of 41 direct and indirect point of sales across the world, and through personal relationships between Massimo Gismondi (CEO and creative director) and special customers, who often require tailor-made pieces that match their needs and the Company style.*

### Business Description: Seven Generations of Made in Italy Premium Jewelry

Gismondi 1754 SpA (“Gismondi”, “the Group”, “the Company”) is an Italian-based, Euronext Growth Milan-listed company active in the designing, marketing and distribution of **high-end jewelry** since 1754. With over **7 generations** of know-how, Gismondi boasts an **exclusive** portfolio of bracelets, earrings, necklaces, rings and cufflinks under its **proprietary brand**, handcrafted from precious gems (mainly diamonds and, on a fewer extent, gold) in the well-renowned **Valenza district** and sold across the world through **41 point of sales**, either directly operated stores (“DOS”) or carefully selected franchises, multi-brands jewelries, department stores and temporary shops.

#### Gismondi: Combination of Design and Crafting Skills for Superior Jewelry



Source: Gismondi

### Products: Both Collections and Tailor-Made Creations

Thanks to the know-how and creativity of Massimo Gismondi and his team, and the best-in-class artisanship skills of its crafting partners in Valenza Po, the Group is able to offer a combination of **strong heritage, modern design** and **exclusivity** through continuously renewed collections and tailor-made creations. As of today, Gismondi features **10 different collections** (and over 360 items), each of them vaunting different styles, precious gems (diamonds, rubies, emeralds, sapphires, tanzanite, aquamarines, tourmalines, etc.) and price points (entry usually around €1,500 and top at €160k) Gismondi launches new collections and limited edition jewels every year and the current design portfolio should cover new collections for the next 5-6 years.

On the other hand, **tailor-made creations** arise from direct relationships with **HNWI** (“high net worth individuals”), recurring customers and brand aficionados, and are designed from scratch or

inspired by existing pieces, based on customers' specific request but in accordance with Gismondi style. These pieces could sell up even above €1mn, thus recorded by the Group as "Special Sales".

Considering both collections and tailor-made products, Gismondi average ticket is around **€10k-€15k**, which is in the top-end of the global jewelry sector, along with competitors such as Chopard, Chaumet, Graff, Boucheron, JAR, Van Cleef & Arpels.

### Go to market: Highly-Selective Distribution Network

Gismondi sells its creation both (i) directly, through **retail stores** and **direct relationships** between Massimo Gismondi or Gismondi brand ambassadors/agents and clients ("Special Sales"), and (ii) indirectly, through **wholesale** and **franchising** agreements. The first DOS was opened in Genoa in Via Galata in 1880 by Pietro Gismondi, a descendent of Gio Batta Gismondi (founder), and is still open, along with other 5 boutiques in Portofino, Sankt Moritz, Milan, Rome and San Teodoro. Up to 2016, DOS was the only sales channel, but due to the high inventory requirements of the DOS model, Gismondi has focused on the development of its wholesale network, that now generate ca. 40% of Revenues thanks to 30 POS in multi-brands jewelries or corners in renowned department stores.

#### Gismondi: Boutiques in Milan and Genoa



Source: Gismondi

### Geographical Presence: 41 POS Across the World

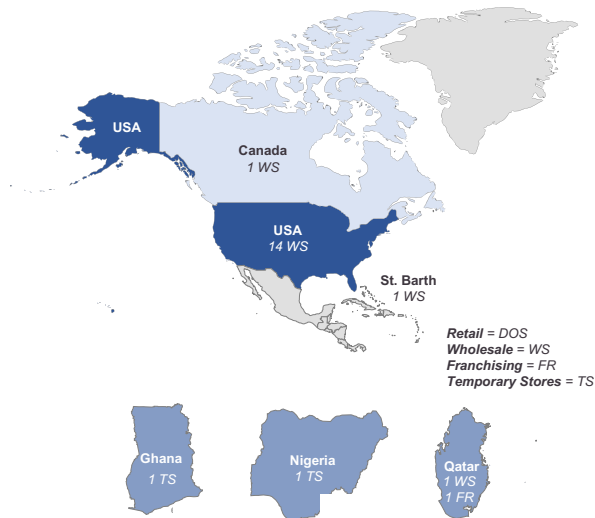
Gismondi counts 41 point of sales around the globe, with a strong presence in **Italy** and **North America**, generating ca. 58% of Operating Revenues combined. The US was indeed the first international country approached by the Group thanks to the partnership with the American luxury retailer Neiman Marcus that guaranteed 5 Gismondi corners from 2017. Since then, the Company intensified its presence in the US thanks to new agreements with several multi-brands jewelries and strategic partnerships, the last being for 6 corners inside Saks Fifth Avenue retail chain. Gismondi replicated this model in Europe and, more recently, the **Middle East**, where the second franchise of the Group should open between 2Q23-3Q23 in Doha. Gismondi POS are split as follows:

- ◆ **Retail Stores / DOS (6):** Genoa, Portofino, Sankt Mortiz, Milan, Rome, San Teodoro;
- ◆ **Wholesalers (30):** USA (14), Italy (6), Canada, St. Barth, Qatar, London, France, Germany, Romania, Albania, Monaco;
- ◆ **Franchises (2):** Prague (Czech Republic) and Doha (Qatar, from 2Q23-3Q23);
- ◆ **Temporary Stores (3):** Ghana, Nigeria and Portugal.

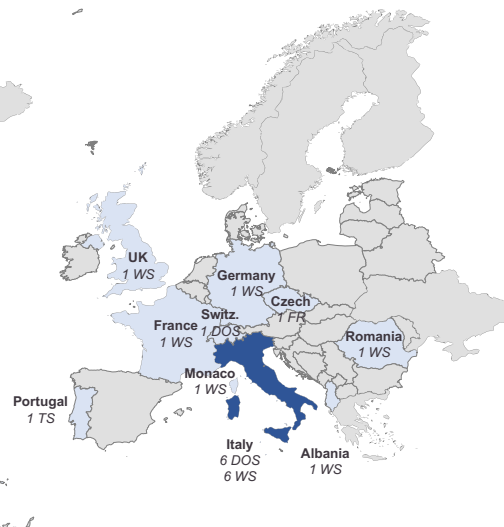


### Gismondì: Global Geographical Presence

#### North America, Africa and Middle East Presence (\*)



#### European Presence



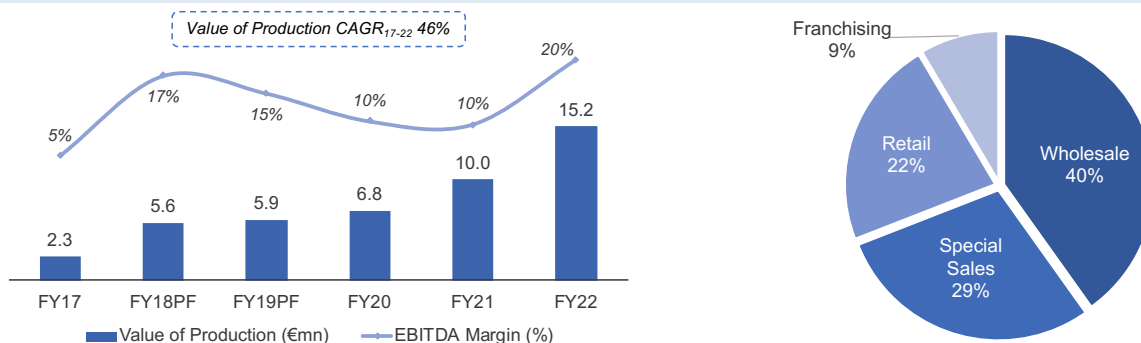
Source: Gismondì, Value Track Analysis, (\*) Out of scale

### Financials: Strong Growth and Margins; FCF Limited by Working Capital

Over the last 5 years, Gismondì witnessed a strong expansion phase, passing from €2.3mn **Value of Production** in FY17 to over **€15mn in FY22**, growing at almost **50% CAGR<sub>2017-22</sub>**. More importantly, the Group was able to record significant growth figures even during the pandemic thanks to (i) the strong contribution of Special Sales (based on direct relationships with customers), (ii) the well-distributed geographical presence, (iii) the opening of the Group e-commerce and the availability of Gismondì pieces on third parties' marketplaces and (iv) the more anticyclical nature of the hard luxury sector with respect to the whole luxury industry and, more substantially, to other industries.

At the same time, Gismondì was able to increase its operating profitability, reaching an all-time high of ca. **20% EBITDA Margin in FY22**. On the other hand, the Company Free Cash Flow generation has always been limited by **high inventory requirements**, which however is made for ca. 95% of highly valuable finished goods (jewelry made of precious gems and golds), that never become obsolete but could rather appreciate over time or being re-used.

### Gismondì: Key Financials Evolution and Revenues by Distribution Channel (FY22)



Source: Gismondì, Value Track Analysis

## Strategies: Brand Awareness, International Expansion, In-House Production

Gismondi growth strategy should follow 3 different lines of action:

1. Consolidation of **Brand Awareness**: allocation of resources for the realization of promotional activities, such as advertising campaigns through traditional tools and social media, organization of special events for potential partners, and participation to international trade fairs such as Las Vegas Couture, Qatar International Exhibition, Jeddah, Riyadh, Vicenzaoro and Hong Kong.
2. Expansion on **International Markets** on different distribution channels: sign new wholesale agreements with selected retailers in US, Italy and Europe and develop its franchising channel (after the positive experience in Prague) starting from the Middle East. Indeed, Gismondi recently realized its IPO promise of finding a new master franchise in the region thanks to the agreement with the Al Mana family for the opening of a Doha-based store and other 5 coming over the next few years (Riyadh, Jedda, Kuwait, Oman, United Arab Emirates).
3. M&A activity for **In-House Craftmanship**: after the acquisition of the Vendorafa Lombardi brand in 2Q23, Gismondi is looking for another target (size of ca. €2.0-€3.0mn Revenues) in the Valenza Po district in order to internalize some production capacity, gain even more control on the value chain, furtherly increase margins and optimize the cash conversion cycle.

## SWOT Analysis

Gismondi enjoys several strengths thanks to the luxury nature of its business, the long heritage know-how and creativity of Massimo Gismondi, and the superior skills of Valenza Po craftsmen. On the other hand, the limited brand awareness and inventory build-up are the main points to address in the future. We would also expect Gismondi to strengthen its internal crafting capacity to support its long term growth and brand value. The planned international expansion via wholesale channels, steady marketing investments, combined with selective M&A and DOS expansion, should do the work.

### Gismondi: SWOT Analysis

| STRENGTHS   | WEAKNESSES   |
|---|--|
| <ol style="list-style-type: none"> <li>1. Premium positioning in the <b>high-end jewelry sector</b>, average ticket between €10k-€15k, products retaining value</li> <li>2. <b>Made in Italy</b> artisanship, strong heritage but modern design and <b>exclusivity</b> (tailor-made creations)</li> <li>3. Strong control of the value chain with <b>direct relationship</b> with suppliers and <b>highly selective</b> distribution network</li> <li>4. Exposure to Hard Luxury market and <b>HNWI</b>, with high barriers to entry</li> </ol> | <ol style="list-style-type: none"> <li>1. <b>Limited Brand Awareness</b> and customer base due to small scale and few directly operated stores</li> <li>2. <b>High Inventory</b> requirements limiting the growth of directly operated stores, ROCE and FCF</li> <li>3. <b>Stiff Competition</b> of the Jewelry Sector, high control of suppliers (oligopoly) and customers</li> </ol> |
| OPPORTUNITIES   | THREATS  |
| <ol style="list-style-type: none"> <li>1. <b>International Expansion</b> in various underpenetrated and rapidly growing markets (e.g., Middle East)</li> <li>2. <b>In-House Crafting</b> could boost margins by gaining full control on the supply chain</li> <li>3. New wholesale/franchising openings with limited "on consignment" policies could <b>improve inventory turnover</b></li> </ol>   | <ol style="list-style-type: none"> <li>1. <b>Centralization</b> of design activity on Massimo Gismondi</li> <li>2. <b>Potential shortage</b> of production <b>capacity</b></li> <li>3. Exposure to <b>changes in prices</b> of raw materials and FOREX</li> <li>4. <b>Restricted traveling scenarios</b>: customers' spending highly concentrated on holidays season</li> </ol>        |

Source: Value Track Analysis

## Business Model

*Gismondi value proposition is centered on the top-end quality of its masterpieces, authentic works of art born from the ideas of Massimo Gismondi, crafted with precious stones by best-in-class jewelry artisans, distributed in exclusive boutiques and through selected partners, and wore by some of the most famous Hollywood celebrities. While marketing represents the key driver of economic and brand awareness growth, Gismondi margins depend on the costs structure of its distribution channels, with wholesale and franchising being now the strategic focus thanks to lower upfront investments, short time to breakeven and faster market penetration.*

### Value Proposition: One-of-a-Kind Objects of Desire

Gismondi values, appeal and strong identity become concrete through its jewels, which are able to differentiate from the competition thanks to **one-of-a-kind**, high-end creations that embody a mix of **tradition, creativity** and **intimacy**, all made possible by the **superior design** and **artisanship** know-how of the family and its partners, and by the personal relationships between Gismondi and its customers, usually **HNWI** driven by impulse and looking for **exclusivity** and **timeless** style.

### Products Offer

Gismondi currently vaunts **10 collections** for a total of ca. **360 items** among bracelets, earrings, necklaces, rings and cufflinks, with retail prices ranging from €240 up to ca. **€160k** depending on the value of the gems used (diamonds, rubies, emeralds, sapphires, tanzanite, aquamarines, tourmalines, etc.) vs. gold, and representing ca. 61% of FY22 Operating Revenues. On the other hand, tailor-made jewels are unique pieces of art that could sell up to €1mn and were about 29% of Revenues in FY22. Considering collections and tailor-made products, Gismondi average ticket is around **€10k-€15k**.

#### Gismondi: Products Offer

| Products            | Collections |        |        |         |        |      |       |            |                |       | Tailor-Made |
|---------------------|-------------|--------|--------|---------|--------|------|-------|------------|----------------|-------|-------------|
| Collection          | Aura        | Clip   | Dedalo | Essenza | Genesi | Noi  | Pace  | P. Fiorito | Pria De Ma (*) | Vela  | All         |
| Entry Price (€)     | 1.5k        | 2.1k   | 2.0k   | 7.5k    | 3.5k   | 1.5k | 2.6k  | 2.1k       | 240            | 15.5k | Unspecified |
| Top Price (€)       | 65.5k       | 136.7k | 17.8k  | 130k    | 158k   | 14k  | 18.2k | 145k       | 2.1k           | 31.3k | ca. €1mn    |
| No. of Items        | 46          | 69     | 24     | 19      | 23     | 34   | 21    | 41         | 78             | 7     | Unspecified |
| Time to Mkt         | 4-5 Weeks   |        |        |         |        |      |       |            |                |       | 8-10 Weeks  |
| <b>Revenues (%)</b> | <b>71%</b>  |        |        |         |        |      |       |            |                |       | <b>29%</b>  |

Source: Gismondi, Value Track Analysis (\*) Pria de Ma is a collection at support of a charity project

Collections share a common matrix linked to the experiences, suggestions and special occasions of Massimo Gismondi's life, but each of them has a unique style, artistic and emotional content. The most iconic, renowned and valuable collections are **Essenza** and **Genesi**. For instance, the necklace of the Essenza collection (displayed below and created by Massimo Gismondi) won the "**People's Choice Award**" among 200 items at the 2019 Las Vegas Couture Award, one of the most important international fairs dedicated to high end jewelry. Last year, Gismondi won again at the same fair, this time in the "Best in Diamonds Above \$20k" category.

Following, some Gismondi jewelry examples, clustered by collection.

Gismondi: Latest Collections (1/2)

**AURA**



**CLIP**



**DEDALO**



**ESSENZA**



**GENESI**



**NOI**



**PACE**



**PRATO FIORITO**



Source: Gismondi

**Gismondi: Latest Collections (2/2)**

**PRIA DE MA**

**VELA**



Source: Gismondi

Tailor-made jewels are those requiring the highest crafting techniques in order to make the item compatible to both the client’s needs and Gismondi style.

**Gismondi: Tailor-Made Jewelry**

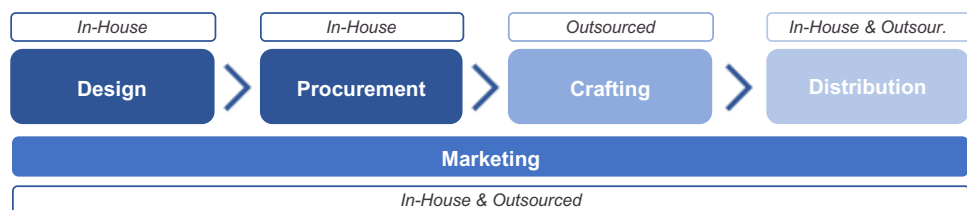


Source: Gismondi

**Key Activities, Value Chain, Partners, Ambassadors and Clients**

To preserve Gismondi brand identity, the Group maintains a **strong control over the jewels value chain**, carrying out the design, procurement, marketing and most of distribution phases internally, while outsourcing the crafting stage to highly specialized laboratories of best-in-class artisans in Valenza Po, the Italian capital of jewelry, and keeping the wholesale channels very selective.

**Gismondi: Value Chain Summary**



Source: Value Track Analysis

## Design

The product is always born from an idea of **Massimo Gismondi** who realizes the first creative sketches that are subsequently reworked by his senior trusted designer and his junior. Drawings are then transferred to 3D rendering and wax printing. The last phase consists in the composition on plasticine of a final appearance of the jewel. Once the new product or entire collection has been definitively approved, the creative team interfaces with both the sales team and marketing manager in order to set up promotional activities for the new launch on the market. Indeed, the creative team is supported by the sales team, which attend the same product development meetings while carrying out analyses of the market needs in order to identify new sales opportunities, customer segments to be intercepted and ideal price bands.

As a consequence, and thanks to both unmatched creativity skills and continuous market updates and know-how, Gismondi is able to launch **2-3 new collections per year**. More importantly, the current design portfolio should cover the next **5-6 years of new collections**.

In addition, the creative team deals with the Special Sales line, i.e. they design the unique items tailored made for these special clients starting from their requests - from scratch or inspired by existing jewels - and creating an item that meets clients' expectations while remaining consistent with Gismondi style.

## Procurement

Gismondi mainly uses **precious stones** (diamonds, sapphires, rubies and emeralds) and, to a lesser extent, gold in its production process. The raw materials supply business, managed directly by Massimo Gismondi and his team, involves a purchase strategy either (i) directly from private companies ("*sightholders*", i.e. those companies accredited by the diamond mining firms to deal with cutting raw gems and entering them in international exchanges); (ii) on different markets (India, Colombia, Far East) for colored gems; (iii) on the World Diamond Exchange for diamonds, which defines the price list "Rapaport" according to carats, cuts, color, weight, clarity, shape and other characteristics (main venues of the World Diamond Exchange are Antwerp, New York, Tel Aviv).

### Gismondi. Diamond Market Structure



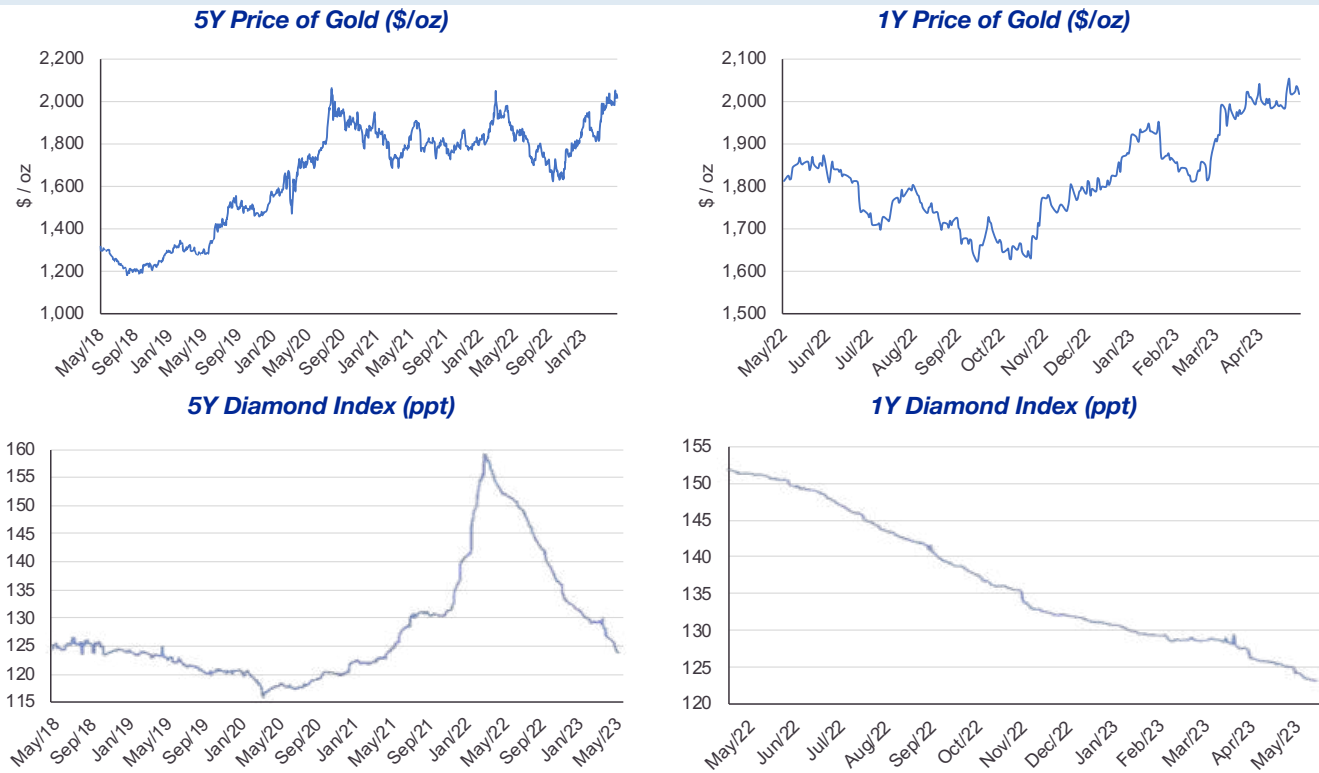
Source: Bain & Company – The Global Diamond Report, Value Track Analysis

- ◆ **Sightholders:** commercial alliances established over decades of activity, Gismondi is able to procure precious stones one step before the World Exchange Diamond Exchange, where other players tend to buy. It sources from 8 suppliers at a discount up to 30%-40%, not contracted in framework agreements but based on single orders and direct relationships.
- ◆ **International Markets:** Gold and diamonds spot prices have high degrees of uncertainty that do not allow to assume point prices of reference. Moreover, gold is bought by Italian banks in €, but the official listing price is in US\$. Therefore, the final purchase price is also influenced by the evolution of the €/€ exchange rate. However, since Gismondi has applied a conservative mark-up

policy to encourage sales, there is always a sufficient margin to allow for rebates on customers of raw materials prices increases (price revision normally occur twice a year).

Either from *sightholders* or international markets, Gismondi receives stones on consignment, performs quality control and returns those not suitable for the realization of final products. The warehouse is therefore composed by high intrinsic value stones or finished jewelry, valued at cost, that can always be reused normally losing only about 10% of its value, i.e. its labor cost content.

**Gismondi: Gold and Diamond Market Prices**



Source: Sole24Ore, IDEX Online (Base Year = February 2001), Value Track Analysis

**Crafting**

The production phase is carried out externally through 8 laboratories located in **Valenza** and selected according to the specific technical capabilities, for a total of 10 goldsmiths and 3 setters, all required to sign non-disclosure agreements to protect the Group know-how.

The production process, characterized by strong artisanship and innovation, can be divided into 7 phases, i.e. lost wax casting, refinement, assembling, cleaning and polishing, setting, final cleaning, quality check. The entire process calls for tremendous skills in order to deal with small size and highly valuable stones. That is why the time to market is about 4-5 weeks for collections and ca. 8-10 weeks for tailor-made creations.

The picture will slightly change following the acquisition of **Vendorafa Lombardi** in Q2 2023, as described further down, as it will bring in-house a 70-year history of craftsmanship.

**Distribution**

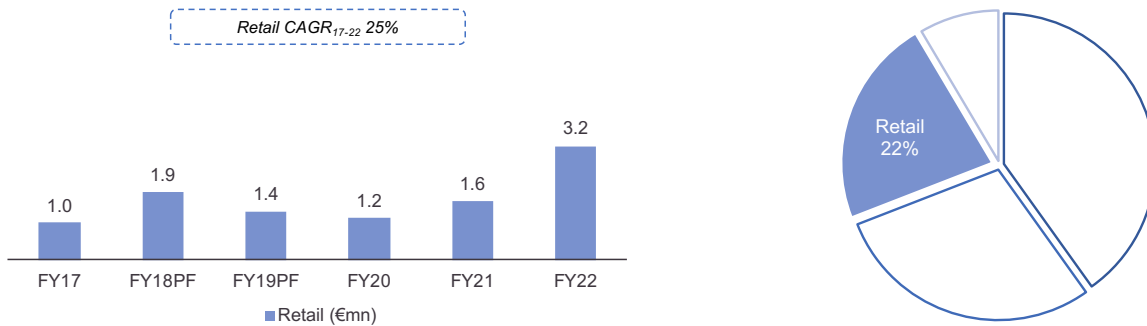
As of today, Gismondi is active in 16 countries with a total of **41 point of sales**. The Group sells its jewels both (i) directly, through boutiques located in Italy and Switzerland and thanks to personal relationships between Massimo Gismondi and clients (“Special Sales”), and (ii) indirectly through wholesale channels and franchise agreements in the Czech Republic and Qatar. Gismondi has always

been highly selective when it comes to choosing the locations and partners for new openings, with a recurring strategy of being present in a few sophisticated places with a high presence of HNWI and thanks to partners that share the Group values, market knowledge and modus operandi.

### Retail Stores / DOS

Up to 2017, before the opening of the franchise in Prague and the signing of the first wholesale agreements in the US, the directly operated stores were the only distribution channel. Now, despite generating only 22% of Operating Revenues in FY22, this channel experienced a sound 25% CAGR between 2017 and 2022 and, more importantly, it indirectly contribute to the growth of Special Sales.

#### Gismondi: Retail Operating Revenues Evolution and Weight on FY22 Total

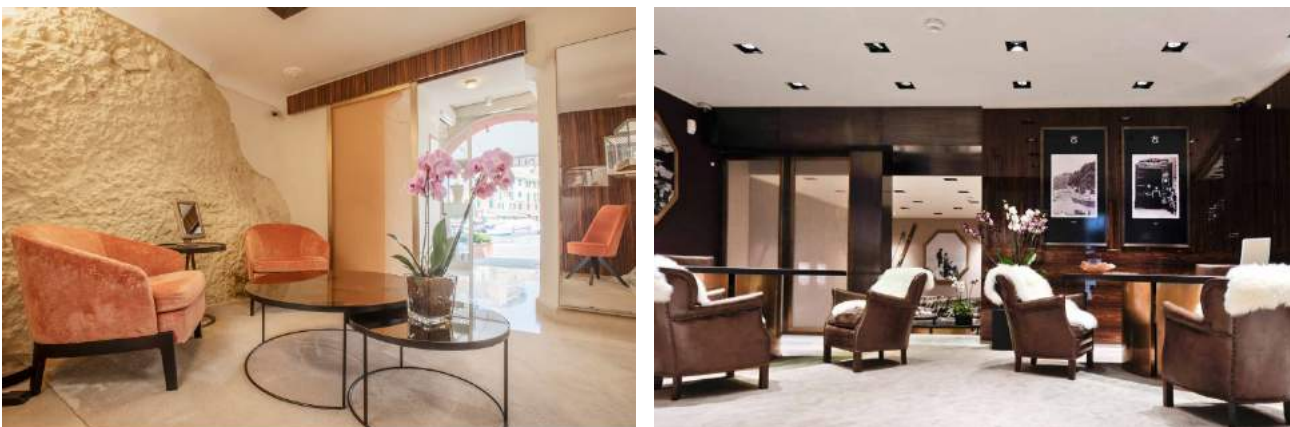


Source: Gismondi, Value Track Analysis

The first boutique to be opened was in **Genoa** in 1880, still active in via Galata, followed by new DOS in Genoa Nervi (closed), **Portofino** (2, of which one is still open), **Sankt Moritz**, London (closed), **Milan**, **Rome**, **San Teodoro**. The last three openings were the result of a new partnership with the highly renowned luxury hospitality brand **Baglioni Hotels & Resorts** in May 2021. The San Teodoro store is active since the first months of 2023.

Since mid-2019, retail stores are directly controlled through Gismondi subsidiaries: Stella Srl for Italian DOS and Vivid SA for the Sankt Moritz boutique.

#### Gismondi: Retail Boutiques in Portofino and Sankt Moritz

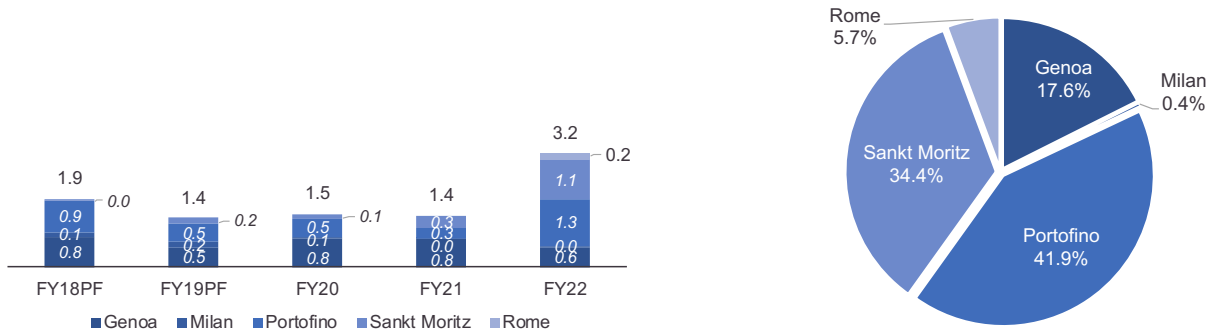


Source: Gismondi



In economic terms, Portofino and Sankt Moritz represent the bulk of retail sales, because of the high percentage of tourists in the summer and winter seasons, respectively.

**Gismondi: Retail Operating Revenues by Boutique and Weight on FY22 Total Retail**



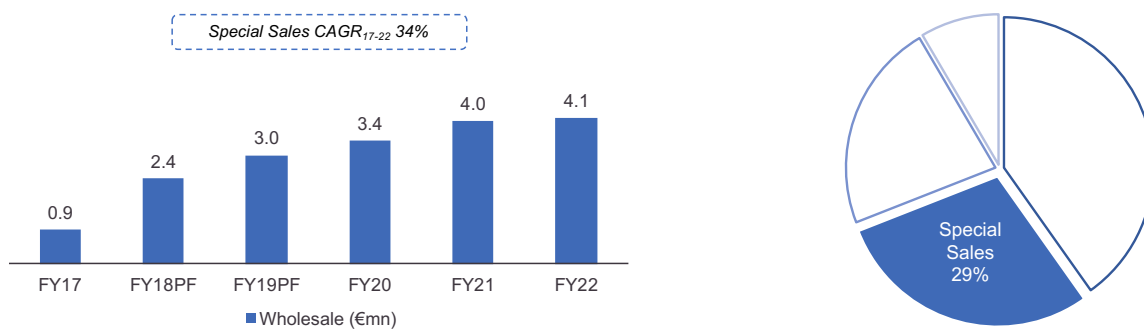
Source: Gismondi, Value Track Analysis

**Special Sales**

Special Sales regards the truth essence of Gismondi offer, **highest-value jewels tailor-made** to special requests of customers, the conversion of a store client into “special” and the development of a direct and personal relationship. This channel increased more than proportionally vs. Retail over the same period of time, at 34% CAGR<sub>2017-22</sub>. However, the weight on total Revenues declined to 29% in FY22 from 53% in FY19, representing a good sign of sales and risk diversification, as these revenues may be erratic, given the high value of each sale.

During 1Q23 Gismondi opened a new boutique in Portofino that will be entirely dedicated to Special Sales in order to further consolidate the client-brand relationship through an ever-enhancing customer experience dedicated to the Group recurring and most special clients.

**Gismondi: Special Sales Operating Revenues Evolution and Weight on FY22 Total**



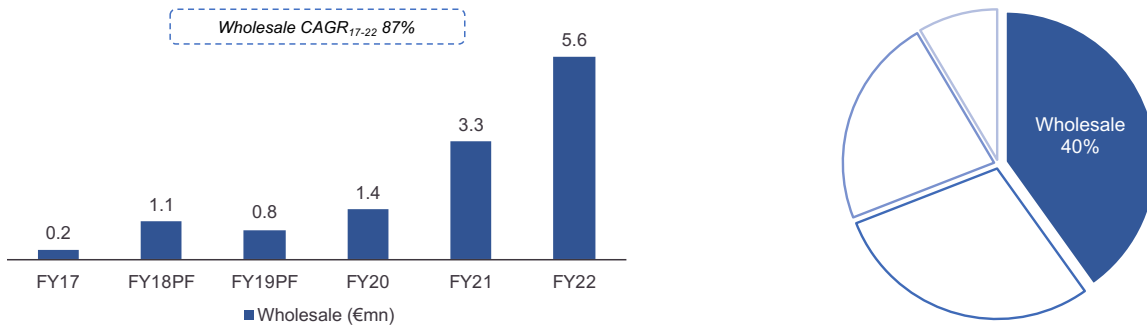
Source: Gismondi, Value Track Analysis

**Wholesale**

Given the high costs of opening DOS and the required time to get to breakeven (€1.5mn and 3 years, respectively, according to the management), since 2017 Gismondi has embarked on a plan to reorganize its business model with an increasing focus on wholesale clients (being either independent multi-brand jewelries or corners / doors in exclusive department stores), allowing to a **faster and profitable market penetration**. After the setup of an office in Miami, Gismondi and **Neiman Marcus** entered a business collaboration that led the Italian brand to be present in 5 corners in the

cities of Garden City, Austin, Charlotte, San Antonio, Honolulu. The Group also opened 4 corners in multi-brand jewelry stores in the USA (Palm Desert, Clayton, Wayne and Midland), plus 1 in St. Barth. Afterwards, many more partnership arose in the US (e.g., **Saks Fifth Avenue** in 2022, with Gismondi jewels at 6 different department stores, including New York), in the Middle East (now replaced by a new franchising agreement) and in Europe (latest with Restivo Gioielli in 1Q23 for 3 corners in Catania, Taormina and Napoli).

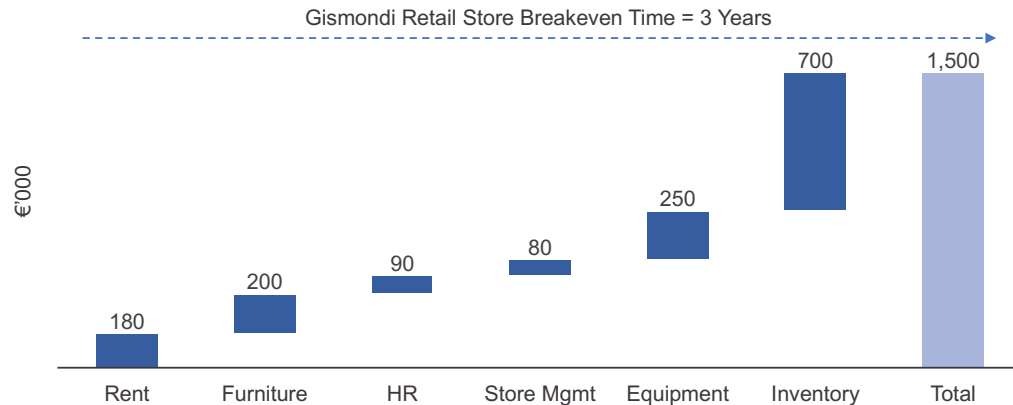
**Gismondi: Wholesale Operating Revenues Evolution and Weight on FY22 Total**



Source: Gismondi, Value Track Analysis

Today, Gismondi creations can be found at 30 independent jewelries and high end department stores around the world and Revenues of this channel reached €5.6mn in FY22, i.e. 40% of the total after an outstanding 87% CAGR<sub>2017-22</sub>.

**Gismondi: Costs Breakdown of Opening a New DOS**



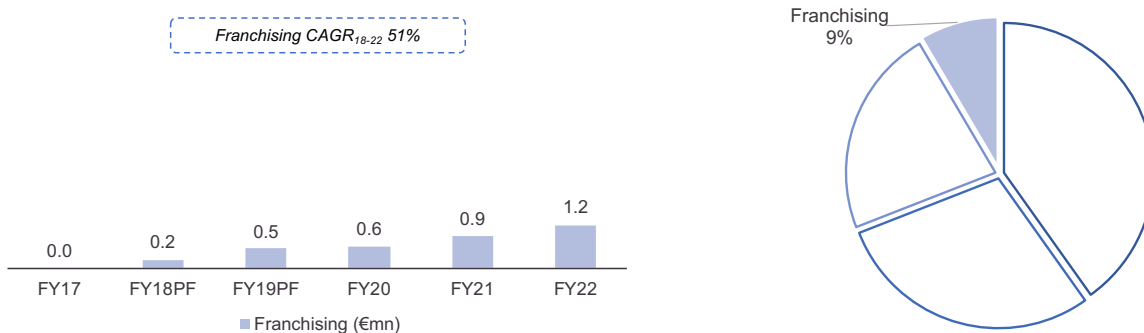
Source: Gismondi, Value Track Analysis

Gismondi wholesale policy has initially worked with a high contribution of products on consignment basis, meaning that the Group receives payments only after the items are sold to the final customers. Given the high inventory exposure to this policy, Gismondi new partnerships should be characterized by higher down payments and lower jewels on consignment. Gismondi has always required an initial minimum order amount (between €150k-€500k) and now we should expect a relatively high percentage of advance payments for the delivered goods (ca. 15%-20% on consignment and the rest to be paid in advance). This is also supported by a) a relatively higher brand awareness and b) the Company can guarantee a relatively competitive pricing to retailers.

## Franchising

Given the success story of the **Prague**-based store and the strong profitability of the channel, franchising is the other development focus of Gismondi, alongside multibrand wholesalers. Indeed, despite Covid-19 and recent geopolitical tension (large portion of the store clients were Russian), the Praga store grew at a 51% CAGR<sub>2018-22</sub> getting to €1.2mn in FY22. A key success factor was the significant marketing investments made by the franchisee (ca. 2.5-5% of Revenues per year, equal to 50%-100% of the royalty fee paid to Gismondi) to promote the brand. Gismondi believes that the model could be easily replicated, especially in the **Middle East**, where the new agreement with the Al Mana family should grant the opening of 6 franchising stores over the next few years, the first of which to be operative in mid FY2023. We also believe there is room for improvements of economics of the Gismondi franchising channel, since all the items for the Prague store (ca. €600k per year) were delivered on consignment, while with the new openings, only a small percentage of jewels should be delivered on consignment, as seen for the franchising channel.

### Gismondi: Franchising Operating Revenues Evolution and Weight on FY22 Total



Source: Gismondi, Value Track Analysis

## Marketing

As previously described, marketing starts alongside the design phase and continues throughout the entire Gismondi value chain. The function is performed both internally and externally, especially in the US, where, since 2017, the American PR and communication agency Blu Print helped the Gismondi brand to gain worldwide visibility thanks to **top-level celebrities** such as Jane Fonda, Gwyneth Paltrow, Angela Basset and many more freely choosing to wear proposed creations, becoming brand ambassadors and generating further admiration for Gismondi jewelry.

Other important marketing initiatives involve (i) the participation at the most important international jewelry **fairs** (e.g., Las Vegas Couture, Qatar International Exhibition, Vicenzaoro, Jeddah, Riyadh, Hong Kong), (ii) the organization of **events** in the most exclusive Gismondi locations dedicated to all the Group stakeholders, especially potential partners, special clients, investors, fashion newspapers, (iii) substantial **social media** investments.

In FY22, Gismondi marketing expenses totaled ca. €2.5mn, ca. 17% of Revenues from Sales, representing the key driver of economic and brand awareness growth. Management expects brand reputation to keep escalating with investments of similar amounts over the next years, with dedicated events being the most important category to gain new partnerships.

**Gismondì: Celebrities Book**

*Jane Fonda*



*Angela Basset*



*Beyoncé*



*Reese Witherspoon*



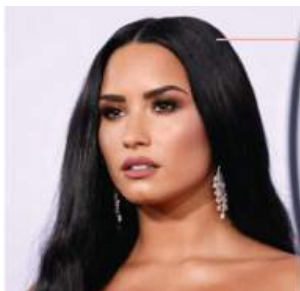
*Gwyneth Paltrow*



*Emily Ratajkowski*



*Demi Lovato*



*Christina Aguilera*



Source: Gismondì

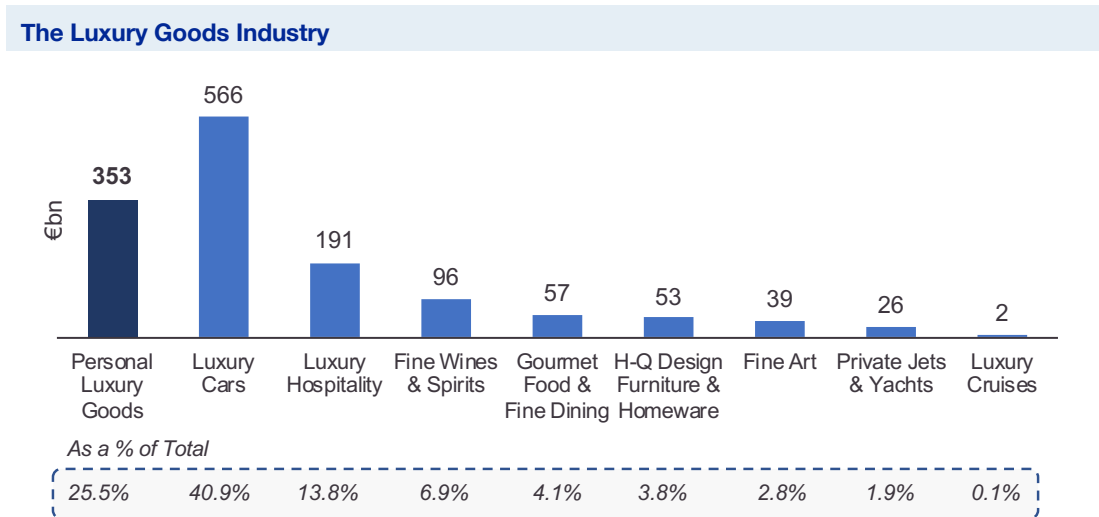
## Reference Market & Positioning

The Personal Luxury Goods Market (€353bn) experienced sound growth rates in 2022 (+22% y/y, +26% vs. 2019), demonstrating strong resilience considering last year’s plummeting macro indicators. Personal Goods should keep growing at ca. 6% CAGR into 2030E driven by (i) emerging markets (Southeast Asia, Korea, India, Middle East), (ii) omnichannel approach, (iii) new generation trends, (iv) expanding, more opinionated customer base (HNWIs), (v) overperformance of the jewelry sector (8% CAGR). In our view, Gismondi current and prospect value proposition fits perfectly with the trends and requirements of the market, standing out from the competition for its heritage and top-end quality, while lagging in terms of brand awareness and size.

### The Luxury Goods Industry

Gismondi is active in the **Luxury Goods Industry**, a business venue that, according to Bain & Co. and Altgamma, should have reached ca. ~€1.38tn globally in 2022, fully recovering from the pandemic effects (+9% vs. 2019) and exceeding 2021 by ca. 20% y/y.

Within the Luxury Goods Industry, Gismondi expertise lies in the Personal Luxury Goods Market, which ranks 2<sup>nd</sup> among all the industry components (ca. 26% share) and should be of the key drivers of the recent substantial industry growth.



Source: Bain - Luxury Goods Worldwide Market Study Fall 2022, Value Track Analysis

### The Personal Luxury Goods Market

The **Personal Luxury Goods Market** comprises a few global operators and numerous specialized players. Thus, key success factors revolve around **product design and concept**, influencing consumer interest and demand.

Over the last two decades, the Personal Luxury Goods Market has demonstrated a consistent and robust growth path, growing at **6.1% CAGR<sub>1996-2022E</sub>** with only two notable declines occurring in 2009 and 2020 due to the global financial crisis and the pandemic. After a V-shaped recovery in 2021, this market experienced a record year in 2022, reaching a value of **€353bn**, representing a +22% y/y growth (current exchange rates), a +26% growth vs. 2019 and a CAGR of 6.1% from 1996 to date. Interestingly, 95% of luxury brands reported a positive growth y/y in 2022, compared to 40% in 2021 and only 10% in 2020.

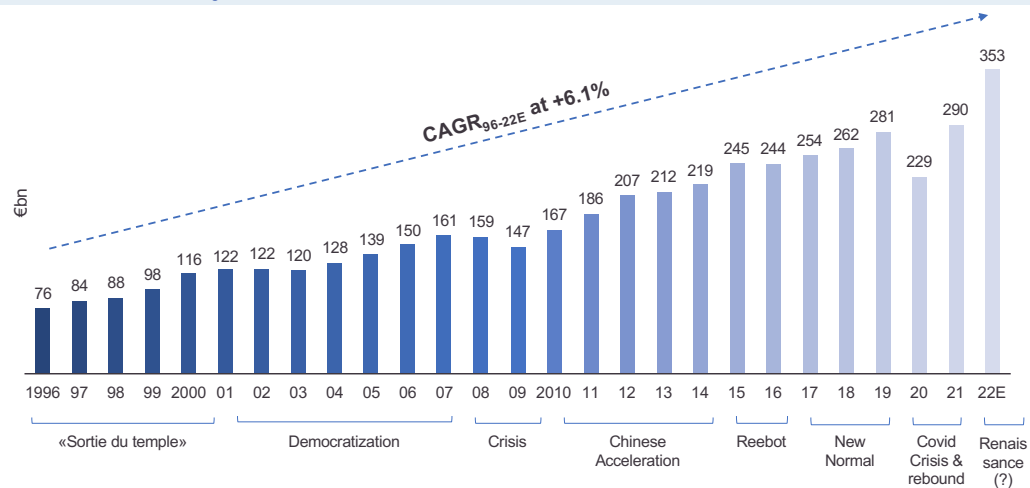
This result looks outstanding and proved the market resiliency when considering last year's plummeting macroeconomic indicators, such as slackening GDP growth, rising inflation and lowest-in-history consumer confidence index.

Key growth drivers were:

- ◆ **Covid-19 Savings:** boost in savings accumulated during the pandemic;
- ◆ **YOLO ("You Only Live Once") Culture:** the desire for living (missed) experiences despite future uncertainty;
- ◆ **TUNA ("Turbulence-Uncertainty-Novelty-Ambiguity") Resilience:** reduced impact after the global financial crisis;
- ◆ **Luxury as an Asset Class:** purchasing of luxury products with investment purposes and resale opportunities.

According to Altagamma President, in this scenario, Italian brands continued to excel despite profound uncertainty. The **Made in Italy** excellence has succeeded in retaining its leading role in the world during an extremely challenging period, while there is still plenty of room for growth.

### The Personal Luxury Goods Market



Source: Bain - Luxury Goods Worldwide Market Study Fall 2022, Value Track Analysis

Prospects for the Personal Luxury Goods Market out to 2030E are also highly positive, with solid market fundamentals and new tech-enabled profits boosting the market value to €540bn-€580bn, i.e. a **CAGR2022E-30E of 5%-7%**. Key enablers should be:

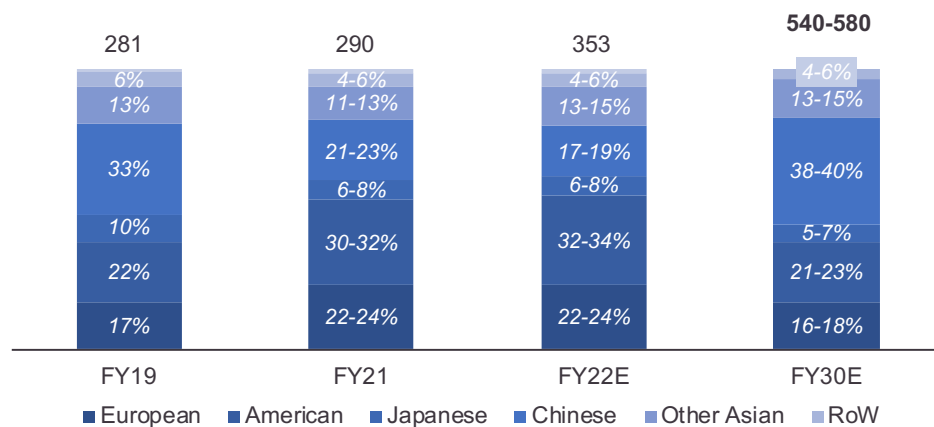
1. **New markets** surprising the industry, old continents still leading
2. Retail winning back its role, but push towards **omnichannel approach**
3. **New generational trends;**
4. **Expanding**, yet elevated customer base (**HNWIs**)
5. **Overperformance of all categories**, focus on Jewelry

### 1. New markets surprising the industry, old continents still leading

In terms of regional breakdown, in 2022E both America and Asia have emerged as the top regions for luxury goods sales, with Europe managed to recover beyond 2019 thanks to solid local demand and extra-boost from US and Middle East tourists. New markets such as **Southeast Asia, Korea and India** are surprising the market in terms of growth and potential, but there will never be “another China” in terms of growth contribution. However, China itself (crucial to the long-term of the luxury industry), is still in a challenging phase, and is expected to recover between 1H23-2H23. Still, projections suggest that by 2030E, Asia will capture a market share exceeding 50%, with China accounting for ~38-40% and other Asian countries contributing around 13-15%.

We also outline strong prospects for the **Middle East** market, of great importance for Gismondi development and expected to grow +7% in 2023E from 2022, benefitting from Russian consumers (no restrictions for them).

#### Personal Luxury Goods Market by Region (€bn)

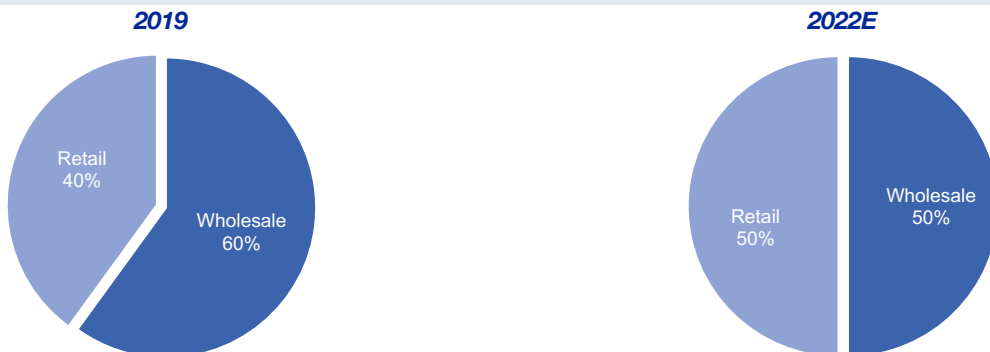


Source: Bain - Luxury Goods Worldwide Market Study Fall 2022, Value Track Analysis

### 2. Retail winning back its role, put push towards omnichannel approach

In terms of distribution, over 2022E the retail channel should have witnessed substantial growth, increasing its market share from 40% in 2019 to 50%, thanks to a fierce “**back to stores**” attitude.

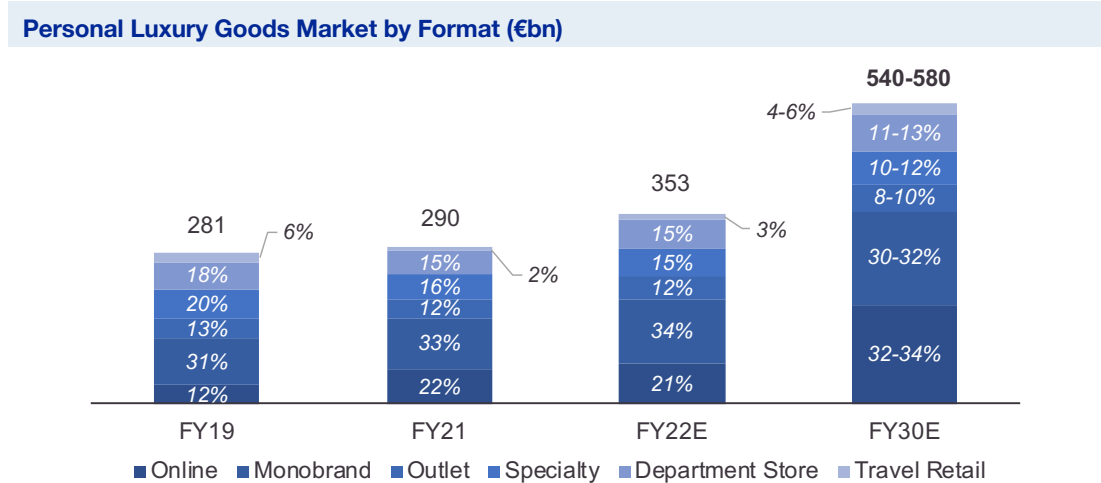
#### Personal Luxury Goods Market by Distribution Channel (%)



Source: Bain - Luxury Goods Worldwide Market Study Fall 2022, Value Track Analysis

Analyzing a deeper distribution segmentation, notable expansion was observed in monobrand channels, with online channels seeing a normalization of their growth after the booming pandemic years. Also, department stores recovered thanks to a renewed value proposition in the US and re-engaging with tourists in Europe.

Coming years will see increasingly blurring boundaries between monobrand and online stores, going towards an omnichannel approach with enhanced technologies. Indeed, these categories should contribute between 60% and 70% of the total Personal Luxury Goods Market in 2030E, with “reinvented” department stores (increasingly shifting toward a direct business for brands) following.



Source: Bain - Luxury Goods Worldwide Market Study Fall 2022, Value Track Analysis

### 3. New generational trends;

Market growth of 2022E should be mainly driven by increased spending of Gen Y (Millennials, 1980-1994) and Gen Z (1995-2009) individuals, who increased their market share from 36% to 47% and from 8% to 18%, respectively, followed by Gen X at 25% (1965-1979) and Baby Boomers (1946-1964). Up to 20230E, the spending of **Gen Z and Gen Alpha** (2010-2024) should rise three times faster than other generations, with Gen Z customers buying luxury items 3-5 years earlier than millennials, at ca. 15 years-old, and getting to a market share between 25%-30%.

### 4. Expanding, yet elevated customer base (HNWIs)

The top-end luxury customer base should expand from ca. 400mn consumers in 2022E to over 500mn in 2030E, driven by hunger for unique products and “money can’t buy experiences”, with brands strategies needing to elevate with dedicated, personalized, exclusive and highly creative product offerings, unique and exclusive touchpoints and enhanced and one-of a kind customer experiences. Consumers are indeed becoming more knowledgeable and opinionated, incrementally polarized (refocused on relevant brands) and choosier, with competition intensifying on loyalty factors. In our view, Gismondi value proposition fits perfectly with these requirements.

We believe that the rising percentage of **High Net Worth Individuals** (HNWIs), the target clientele of Gismondi, is confirmation of an expanding customer base trend.

According to Capgemini, the market for HNWI encompasses approximately 22.5mn individuals, with a cumulative wealth amounting to ~\$86tn. Notably, both the population of HNWI and their collective wealth have witnessed consistent growth over the past 7 years, with a **CAGR<sub>2014-21</sub>** in excess of **6%**



### High Net Worth Individuals: Wealth Bands 2021

| Clusters                           | Number of HNWI's 2021             | Share of HNWI wealth 2021 | HNWI Population Growth FY20-21 | HNWI Wealth |
|------------------------------------|-----------------------------------|---------------------------|--------------------------------|-------------|
| Ultra-HNWIs \$30mn+                | <b>220.1k</b> (1% of Total)       | 34%                       | 9.6%                           | 8.1%        |
| Mid-Tier Millionaires \$5mn-\$30mn | <b>2,055.0k</b> (9.1 of Total)    | 22.8%                     | 8.5%                           | 8.4%        |
| Millionaires Next Door \$1mn-\$5mn | <b>20,183.9k</b> (89.9% of Total) | 43.2%                     | 7.7%                           | 7.8%        |

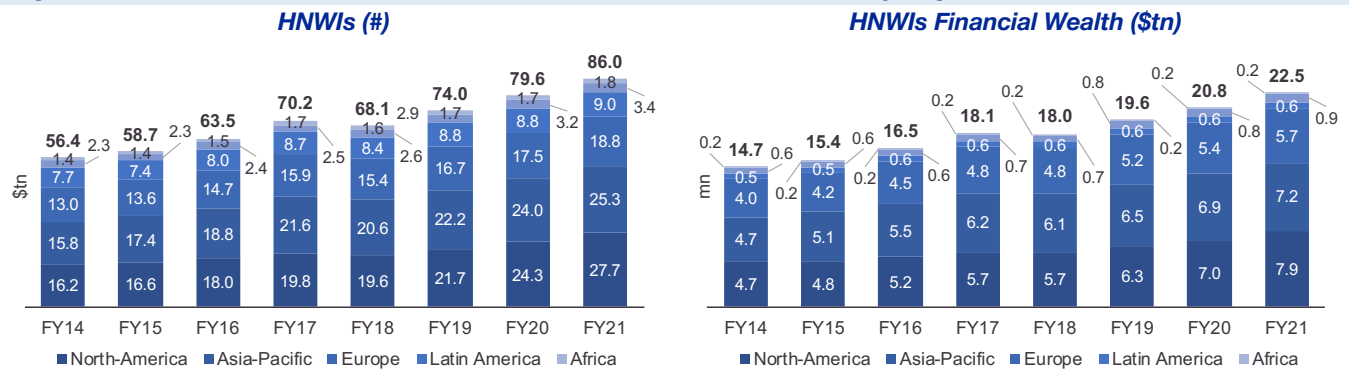
Source: Capgemini - World Wealth Report 2022, Value Track Analysis

In 2021, North America emerged as the dominant region, representing ~35% of the HNWI population, closely followed by the Asia-Pacific region accounted with ~32.0%.

Within North America, HNWI's wealth reached an impressive \$27.7tn in 2021, reflecting a CAGR<sub>2014-21</sub> of 8%. This accounted for 32% of the total HNWI wealth. In the Asia-Pacific region, HNWI's wealth accounted for 29% or \$25.3tn, showcasing a CAGR of 7% during the same period.

On the other hand, Europe housed ~5.7mn HNWI's in FY21, representing approximately 25% of the global HNWI population. The collective wealth of European HNWI's amounted to \$18.8tn, accounting for 22% of the total HNWI wealth and exhibiting a CAGR<sub>2014-21</sub> of 5%.

### High Net Worth Individuals: Number of HNWI's and HNWI's Financial Wealth by Region



Source: Capgemini - World Wealth Report 2022, Value Track Analysis

### 5. Overperformance of all categories, focus on Jewelry

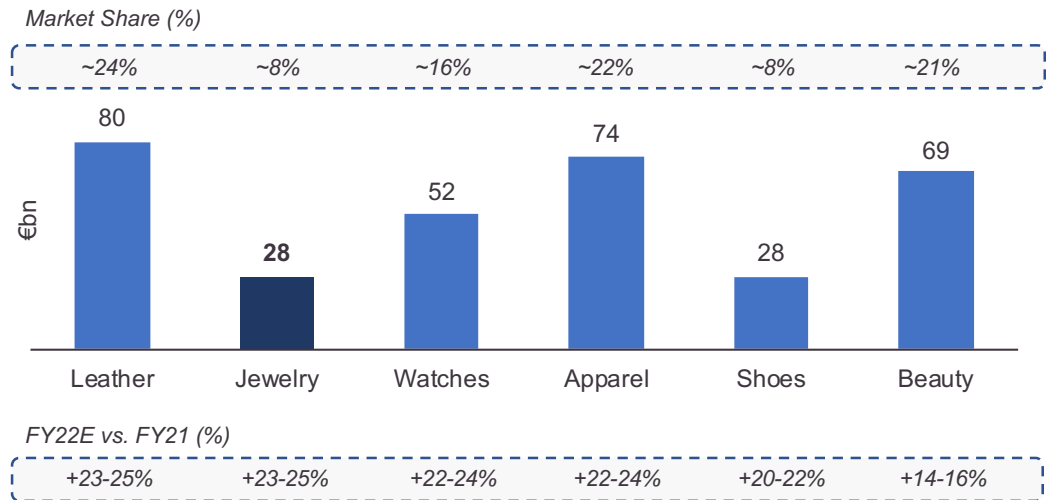
Notably, all categories within the Personal Luxury Goods Market have demonstrated consistent and impressive overperformance, well beyond the levels achieved in 2019. More specifically, Hard Luxury (jewelry and watches), Leather Goods, and Apparel emerged as frontrunners.

The **Jewelry Sector**, ca. **€28bn** value, experienced remarkable growth rates, with an increase of +36-38% compared to 2019 and +23-25% compared to 2021 thanks to:

- ◆ Progressive price increase driving around 60% of the 2019-22 growth;
- ◆ Unparalleled consumer appetite, fueled by extensive efforts and investments made by jewelry brands to captivate their target audience;
- ◆ Exceptionally successful performances of high-end luxury pieces, transcending geographical boundaries, along with the enduring popularity of iconic jewelry pieces and lines;
- ◆ Robust growth observed in the fashion jewelry segment.

Altagamma consensus outlines the Jewelry sector to sustain its positive trajectory also in 2023E, with an unmatched **growth rate of ~8%**, with iconic creations serving as a safe haven and investment asset, thereby contributing to its continued appeal and market performance.

### Personal Luxury Goods Market by Category (€bn)



Source: Bain - Luxury Goods Worldwide Market Study Fall 2022, Value Track Analysis

### Gismondi Competitive Positioning

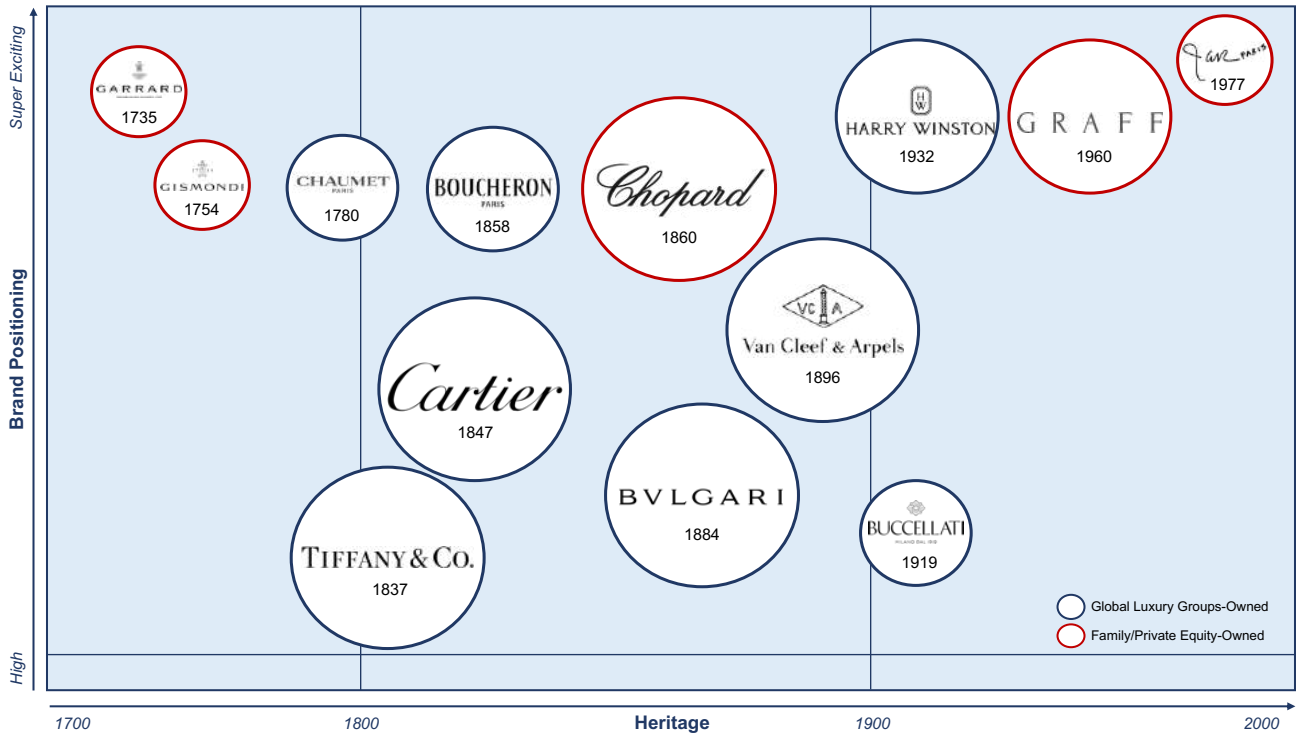
The jewelry sector is a highly **fragmented** one, depending on quality, price, style and type of reputation (heritage vs. fashion) positioning. However, the **stiff competition** of the market is mainly driven by design and exclusivity. The market boasts **high barriers to entry** given incumbents strength and the high inventory and marketing investments for top quality production and distribution networks. There are no substitutes for premium jewelry but **suppliers' and clients' power is high**, as the diamond extraction industry is an oligopoly and both wholesalers and final costumers (i.e. HNWI) demand the highest craftsmanship and customization skills.

Main players are split between:

- ◆ **Pure Jewelers:** family-run brands belonging to the top-end jewelry class and not promoting their brand awareness to the masses, because already recognized by their one-of-a-kind creations. These companies either remained small or larger scale private firms (**JAR, Graff, Chopard Garrard**, the latter being owned by a private equity firm), or have become part of the largest listed luxury holdings (e.g., **Boucheron, Van Cleef & Arpels**). However, they enjoy global fame because of their exclusivity and very strong brand reputation.
- ◆ **Diversified Holdings:** international luxury players that after many acquisitions are now holding companies of highly reputable hard (jewelry, watches) and soft luxury brands. They use traditional marketing techniques to increase their market share in all luxury segments. The most important groups with a significant share of revenues in the high-end jewelry sector are **Richemont** (with brands such as Van Cleef & Arpels, Cartier, Buccellati), **Swatch Group** (Harry Winston) **LVMH** (Chaumet, Bulgari, Tiffany, Fred), **Kering** (Boucheron, Pomellato).

Gismondi clearly belongs to the first cluster, focusing on the high intrinsic value of the raw materials and the outstanding tailor-made offer. According to the management, **JAR** is the closest jewelry company to Gismondi in terms of product quality and personalization. However, JAR already benefits from the greatest brand recognition on the market, despite its estimated small turnover, while Gismondi is still in an expansion phase.

**Gismondì: Competitive Positioning**



Source: Various, Value Track Analysis

## Growth Strategies

*The acquisition of Vendorafa Lombardi from the LVMH group was a strong demonstration of Gismondi commitment to enhance its brand awareness while also getting access to new markets and distribution networks. The Group will keep focus on these points, with special promotional activities (e.g., organization of events reserved to important stakeholders and potential partners) and new openings in the Middle East and the US based on franchising and wholesale agreements. Gismondi also aims at internalizing some production capacity by acquiring a small player in the Valenza district, with operating profitability and inventory turnover likely to benefit.*

### What has been done since the IPO

Gismondi is still in its expansion phase, both in terms of economic growth and brand awareness development. However, since the IPO, Gismondi reputation and financials have largely improved, thanks to (i) more collaborations with domestic and international partners (e.g., Baglioni Hotels & Resorts, Saks Fifth Avenue) (ii) an increasing number of ambassadors (e.g., celebrities), (iii) an enhanced Group structure (new agents and managerial figures), (iv) a booming expansion of total point of sales (41 vs. 17) and, lastly, (v) the acquisition of the Vendorafa Lombardi brand and assets.

### Vendorafa Lombardi Acquisition

#### Deal at a Glance

On March 31<sup>st</sup> 2023, Gismondi finalized the acquisition of **Vendorafa Lombardi** brand and assets from Lombardi Srl, company founded in Valenza in 1951, operating in the gold jewellery sector and controlled by LVMH W&J Jewelry Operations S.r.l., i.e. the **LVMH** group.

Over the years, Vendorafa also started the design and creation of exclusive lines for major international brands. With over 70 years of history, the jewels of Vendorafa have always stood out for their manual processing such as hammering, engraving and embossing, becoming a symbol of Valenza craftsmanship all over the world, a true Made in Italy ambassador, especially in the US and Japan.

We estimate Vendorafa **FY22 Revenues** to be around **€1.0mn-€1.2mn**.

#### Terms of the Deal

The total consideration for Vendorafa brands, production equipment and jewels has been set at **€608k**, of which €358k related to the jewels and to the participation rights to the Couture 2023 fair, while €250k for Vendorafa 2 brands, projects and production equipment. Hence, we calculate Gismondi to have finalized the deal at ca. **0.5x EV/Sales 2022**.

While the first €358k will be paid in 3 tranches, at 60, 90 and 120 days from the goods delivery, the other €250k will be paid in 2 tranches, the first one together with the signing of the notarial deed and the second one within the following 30 days.

#### Deal Rationale

Gismondi brand awareness should be positively impacted by this deal, other than a show of force to make it with the LVMH group. More in detail, the transaction will allow Gismondi to:

- 1. Integrate the Vendorafa brand**, that will retain its identity, its brand and commercial positioning on the market. Vendorafa products are historically recognizable for the completely handmade workings that enhance the value of gold, its light and its aesthetic warmth. A very

strong point of contact with Gismondi, exalting the Italian craftsmanship, albeit in **different types of jewelry**: more iconic and high-end collections those of Gismondi, vs. more "daily use" and metalworking-based those of Vendorafa. On the market, therefore, the two brands will continue independently to represent their different images and customers, but with important **productive and commercial synergies**;

2. **Acquire the Vendorafa heritage**, i.e. drawings, historical collections, inventory of some iconic jewels and production equipment;
3. **Expand in a wide and recognized international presence**, especially in the **US and Japan**. While in the US the Vendorafa brand is present in 30 exclusive retailers, in Japan the brand is distributed by Unoaerre Japan;

## Key Strategic Guidelines

Despite the development of the last few years, there is still much work to do. The goal remains to increase the Group market share, reputation and profitability while maintaining the current top end quality and desirability of its jewelry.

To do so, the management outlined the following strategic directions.

### 1. Consolidation of the Brand Awareness

Allocation of resources for the realization of promotional activities, such as advertising campaigns through **traditional tools** and **social media**, organization of **special events** for potential partners, and participation to **international trade fairs** such as Las Vegas Couture, Qatar International Exhibition, Jeddah, Riyadh, Vicenzaoro and Hong Kong.

### 2. Expansion on International Markets

Further consolidate its position in the US market, sign **new wholesale agreements** with dealers in Italy and Europe, and further develop its **franchising** channel (after the positive experience in Prague) starting from the Middle East. Indeed, Gismondi recently realized its IPO promise of finding a new master franchise in the region thanks to the agreement with the Al Mana family for the opening of a Doha-based store and other 5 coming over the next few years (Riyadh, Jedda, Kuwait, Oman, United Arab Emirates).

### 3. M&A for In-House Craftmanship

After the acquisition of the Vendorafa Lombardi, Gismondi is looking for another target (size of ca. €2.0-€3.0mn Revenues) in the **Valenza Po district** in order to internalize some production capacity, gain even more control on the value chain, furtherly increase margins and optimize the cash conversion cycle.

## Financial Profile

Since the IPO, Gismondi experienced consistent growth rates, double digit operating profitability and demonstrated a strong resiliency even during weak economic scenarios thanks to a few factors such as the exposure to multiple distribution channels and geographical markets, the opening of the brand e-commerce and the anticyclical nature of the hard luxury sector. The major flaw is the limited FCF generation due to the high inventory requirements of the luxury industry, worsened by Gismondi on consignment agreements with wholesalers and franchisee. We believe that the Company should continue its booming growth path, as well as delivering high-double-digit operating margins. The new business mix skewed towards indirect distribution channel should also support inventory normalization and enhance the cash conversion cycle.

### Historical Financials

Gismondi consolidation perimeter include the financial statements of the parent company Gismondi 1754 SpA and of the two subsidiaries Stelle Srl and Vivid SA, both controlled at 100% since May 2019 and managing the Italian and Swiss retail channels, respectively. For comparison purposes, both FY18 and FY19 exhibit Pro-Forma data.

We also highlight that Gismondi 1754 USA Inc., the subsidiary created in 2021 to better monitor the US market, is not yet included in the consolidation perimeter, because of scarce financial relevance.

### Key Figures & Messages

Gismondi financial profile shows **consistent growth and double-digit operating profitability** thanks to multiple factors, i.e. (i) great diversification of distribution channels, (ii) well-distributed geographical presence, (iii) opening of the brand e-commerce and availability on third parties' marketplaces and (iv) more anticyclical nature of the hard luxury sector vs. the whole luxury industry.

For FY22, Gismondi reported outstanding financial results, also made possible by the sale of jewels and precious stones bought at substantial market discount during 2H22.

Key figures that address Gismondi financial profile are:

- ◆ **Value of Production** growing at a **46% CAGR<sub>2017-22</sub>** up to €15.2mn in FY22;
- ◆ **Double-digit EBITDA Margin** since FY18, reaching the all-time high of 19.8% in FY22;
- ◆ **FCF negatively impacted by Working Capital**, with Net Debt at €3.0mn in FY22;

In our view, the main messages underlying this performance are:

1. **Significant expansion in the number of points of sales;**
2. **Costs structure skewed towards fixed costs;**
3. **High inventory requirements** (despite being highly valuable finished goods).

#### Gismondi: Key Financials FY19-FY22

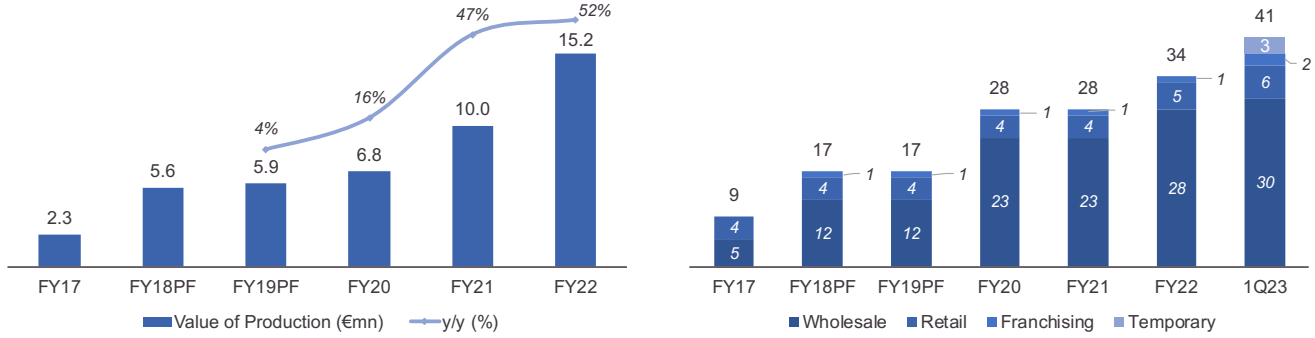
| (IT GAAP, €mn)                                   | FY19  | FY20  | FY21 | FY22  | y/y        |
|--|-------|-------|------|-------|------------|
| Value of Production                              | 5.9   | 6.8   | 10.0 | 15.2  | 52%        |
| EBITDA   | 0.9   | 0.7   | 1.0  | 3.0   | > 200%     |
| EBITDA Margin (%)                                | 14.5% | 10.1% | 9.6% | 19.8% | > 1,000bps |
| Δ Inventory                                      | 0.1   | -1.1  | -1.3 | -5.0  | nm         |
| Net Financial Position [Net debt (-) / Cash (+)] | 3.4   | 0.4   | 0.3  | -3.0  | -3.3       |

Source: Gismondi, Value Track Analysis

### 1. Significant expansion in the number of point of sales

**Value of Production** growth follows a linear regression with the number of new POS opened, their full contribution to fiscal year over 12/24 months, the time they need to be fully operational on sales/sqm and their organic growth. Since 2017, Gismondì added 32 POS, explaining the ca. 50% CAGR of the Group top line over the same period, reaching **€15.2mn in FY22** (+52% y/y).

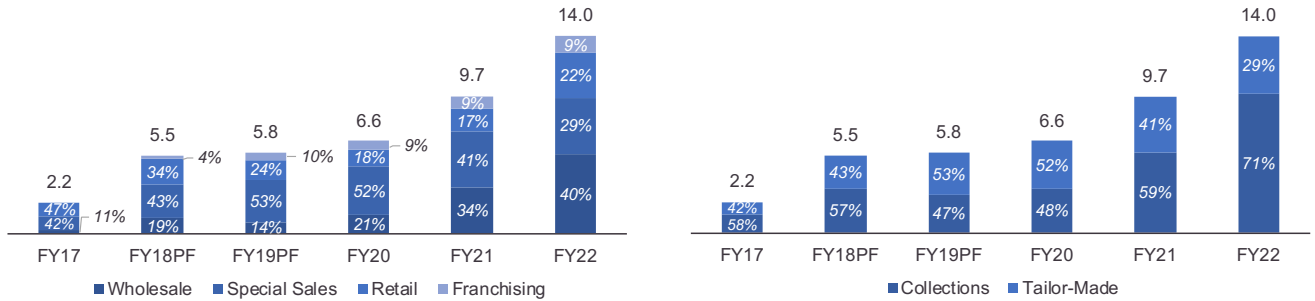
**Gismondì: Value of Production and Points of Sales**



Source: Gismondì, Value Track Analysis

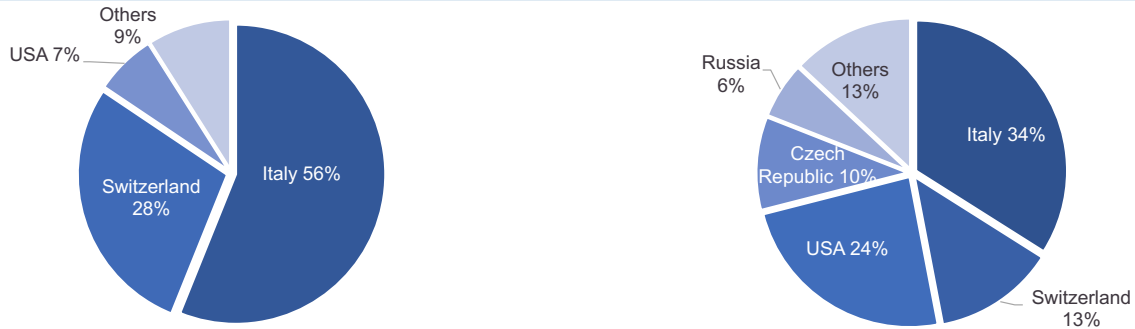
The growing number of point of sales and the increasing **diversification of the distribution network** resulted in a stronger contribution of collections vs. tailor-made jewelry, and therefore a lower annual volatility of Revenues, currently not as exposed to Special Sales as it was up to FY20.

**Gismondì: Operating Revenues by Product Type and Distribution Channel**



Source: Gismondì, Value Track Analysis

**Gismondì: Operating Revenues by Geographic Location in FY17 and FY22**

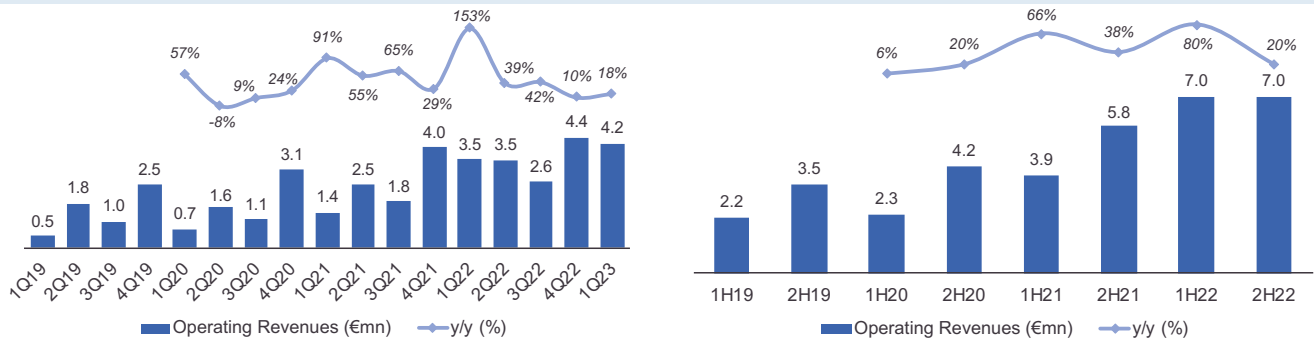


Source: Gismondì, Value Track Analysis

Thanks to new POS, Gismondi was also able to intercept **new geographical markets**, with Italy reducing its weight on Operating Revenues from 56% in FY17 to 34% in FY22. USA gain 17 ppt from only 7% in FY17 to 24% in FY22, followed by Switzerland (13%), Czech Republic (10%), Russia (6%) and other regions, including the Middle East.

Similar to many other consumer goods players, Gismondi is influenced by **business seasonality**, skewed towards the second and fourth quarters of the year, i.e. the beginning of the summer season and the Christmas period. However, the second semester of the year is usually the busiest one, contributing ca. 60% to FY Operating Revenues. FY22 showed a normalization trend, with FY Revenues evenly split between the two semesters.

**Gismondi: Operating Revenues by Quarters and Semester**



Source: Gismondi, Value Track Analysis

**2. Costs structure skewed towards fixed costs**

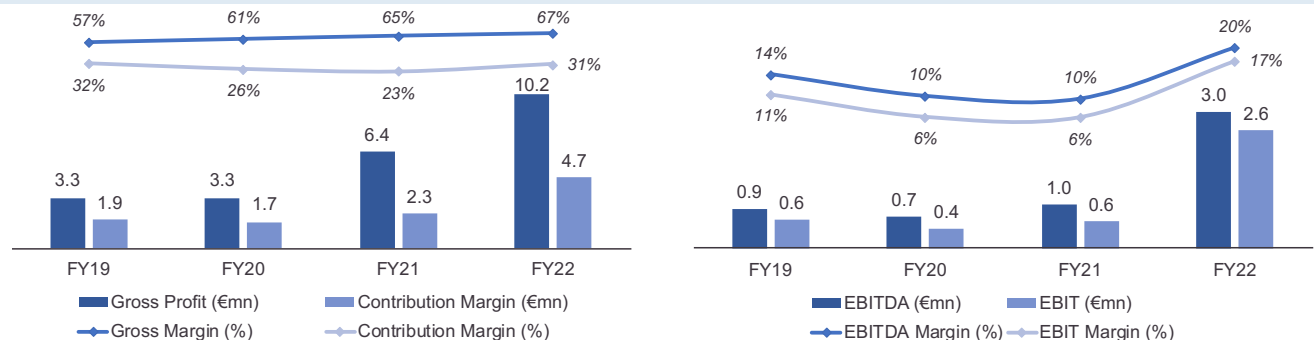
Top line growth was matched by increasing profitability, benefitted from higher volumes and **positive operating leverage**, given the strong percentage of fixed costs on total expenses.

Gismondi margins suffered during the pandemic due to a higher incidence of Costs of Services on Revenues, partially explained by marketing investments, the set-up of the e-commerce and IPO costs.

Profitability highly depend on the distribution mix of the Group: we estimate that retail, franchising and wholesale could average Gross Margins around 75%, 65% and 55%, respectively. However, DOS openings come with high upfront investments and longer time to breakeven.

This seems consistent with Gismondi **FY22 Gross Margin of 67.5%**, €10.2mn in absolute value vs. €6.4mn in FY21 (+59% y/y), also achieved thanks to some precious stones bought at substantial market discount during 2H22.

**Gismondi: Gross Profit, Contribution Margin (\*), EBITDA and EBIT**



Source: Gismondi, Value Track Analysis, (\*) Contribution Margin calculated as Value of Production – Variable Costs (Raw Materials, Services)



**EBITDA** came in at **€3.0mn in FY22** vs €1.0mn, recording the all-time high **EBITDA Margin of 19.8%**, while **EBIT** got to **€2.6mn (17.2% EBIT Margin)**, after steady D&A of ca. €380k given the light Fixed Assets capital structure of the Group.

Net Financial Charges double y/y because of €0.2mn of FX losses. Nonetheless, **Net Profit** was at **€1.6mn** as of FY22, exactly 4x FY21 bottom line.

### 3. High inventory requirements

Based only on a Net Fixed Assets analysis, Gismondi capital structure seems light, with ca. €1.2mn intangibles (brand, trademarks), €0.6mn tangible assets and Capex at ca. 2.0% of top line per year.

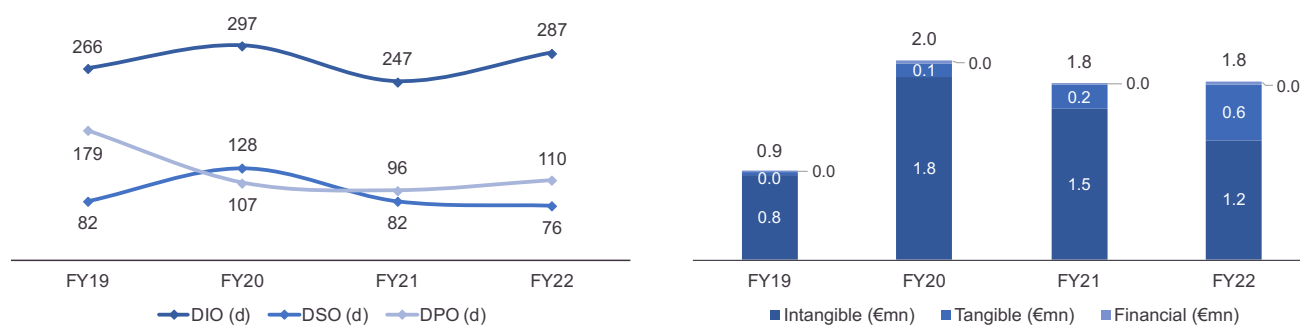
However, the Company is highly exposed to the evolution of inventory, representing the core asset of Gismondi and of the whole luxury industry.

The Group inventory is composed by finished products for about 95% and by gold or precious stones for ca. 5%, therefore embedding a high intrinsic value that could even appreciate over time and could be considered as cash equivalent in case of company liquidation. Still, recent periods have seen a huge inventory buildup, mainly was caused by:

- 1. New DOS and wholesale openings**, requiring high inventory investments, especially because of on consignment policies with dealers;
- 2. Significant discounts** on raw materials prices thanks to Gismondi direct relationships with *sightholders*. The Group prefers to secure its gems at discount (sometimes up to 50%) and increase its inventory levels.

Since Trade Receivables and Payables tend to offset each others thanks to an efficient management of collections and payments, inventory is therefore the main reason for cash absorption.

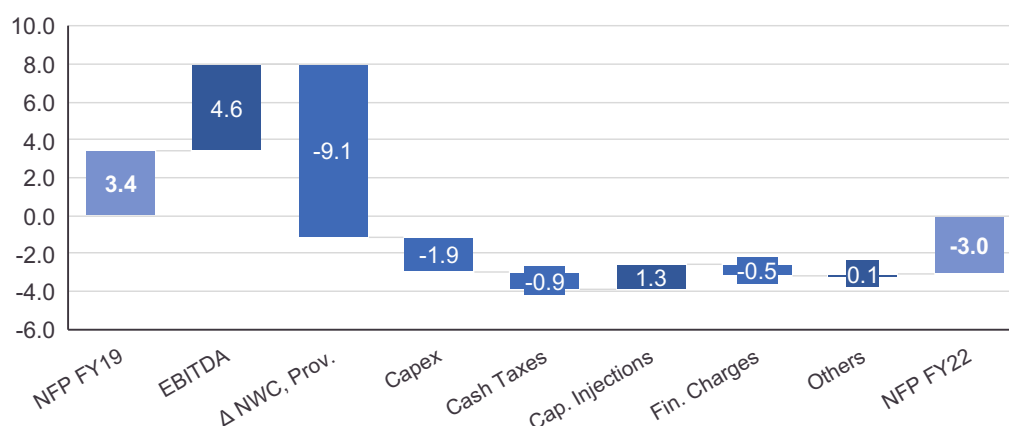
#### Gismondi: Operating Working Capital and Net Fixed Assets



Source: Gismondi, Value Track Analysis

Since FY19 (IPO year, with ca. €5.2mn proceeds), Gismondi Net Financial Position worsened by €6.4mn and got to **FY22 Net Debt of €3.0mn**, with inventory absorbing ca. €7.4mn over the same period (FY22 vs FY19). Nonetheless, the Group financial coverage is strong, with Net Debt / EBITDA ratio at 1.0x at the end of FY22.

### Gismondì: FY19-FY22 Cash Flow Bridge



Source: Gismondì, Value Track Analysis

### Financial Statements FY19-FY22

#### Gismondì: P&L FY19-FY22

| (IT GAAP, €mn)                             | FY19         | FY20         | FY21         | FY22         | y/y             |
|--|--------------|--------------|--------------|--------------|-----------------|
| <b>Operating Revenues</b>                  | <b>5.8</b>   | <b>6.6</b>   | <b>9.7</b>   | <b>14.0</b>  | <b>44%</b>      |
| Adjustments                                | 0.0          | -0.1         | 0.0          | 0.7          | nm              |
| <b>Revenues from Sales</b>                 | <b>5.8</b>   | <b>6.5</b>   | <b>9.7</b>   | <b>14.7</b>  | <b>51%</b>      |
| Other Revenues                             | 0.1          | 0.3          | 0.3          | 0.5          | 87%             |
| <b>Value of Production</b>                 | <b>5.9</b>   | <b>6.8</b>   | <b>10.0</b>  | <b>15.2</b>  | <b>52%</b>      |
| Raw Materials, Δ Inventory (Raw Materials) | -2.5         | -2.7         | -3.5         | -4.9         | 40%             |
| <b>Gross Profit</b>                        | <b>3.3</b>   | <b>4.1</b>   | <b>6.4</b>   | <b>10.2</b>  | <b>59%</b>      |
| <i>Gross Margin (%)</i>                    | <i>57.0%</i> | <i>60.9%</i> | <i>64.6%</i> | <i>67.5%</i> | <i>290bps</i>   |
| Costs of Services                          | -1.5         | -2.4         | -4.2         | -5.5         | 33%             |
| Costs of Rent                              | -0.3         | -0.3         | -0.3         | -0.3         | 18%             |
| G&A  | -0.1         | -0.1         | -0.1         | -0.2         | 133%            |
| Labour Costs                               | -0.7         | -0.7         | -1.0         | -1.2         | 27%             |
| <b>EBITDA</b>                              | <b>0.9</b>   | <b>0.7</b>   | <b>1.0</b>   | <b>3.0</b>   | <b>214%</b>     |
| <i>EBITDA Margin (%)</i>                   | <i>14.5%</i> | <i>10.1%</i> | <i>9.6%</i>  | <i>19.8%</i> | <i>1,020bps</i> |
| D&A & Provisions                           | -0.2         | -0.3         | -0.4         | -0.4         | 8%              |
| <b>EBIT</b>                                | <b>0.6</b>   | <b>0.4</b>   | <b>0.6</b>   | <b>2.6</b>   | <b>338%</b>     |
| <i>EBIT Margin (%)</i>                     | <i>10.5%</i> | <i>6.0%</i>  | <i>6.0%</i>  | <i>17.2%</i> | <i>1,120bps</i> |
| Net Financial Charges                      | -0.2         | -0.1         | -0.1         | -0.4         | 410%            |
| Taxes                                      | -0.2         | -0.1         | -0.2         | -0.6         | 252%            |
| <b>Net Profit</b>                          | <b>0.3</b>   | <b>0.2</b>   | <b>0.4</b>   | <b>1.6</b>   | <b>364%</b>     |

Source: Gismondì, Value Track Analysis

**Gismondì: Balance Sheet FY19-FY22**

| (IT GAAP, €mn)  | FY19       | FY20       | FY21       | FY22        |
|---|------------|------------|------------|-------------|
| Net Fixed Assets  | 0.9        | 2.0        | 1.8        | 1.8         |
| Net Working Capital                                     | 3.3        | 6.7        | 7.3        | 12.5        |
| Provisions  | 0.1        | 0.1        | 0.1        | 0.1         |
| <b>Total Capital Employed</b>                           | <b>4.1</b> | <b>8.5</b> | <b>8.9</b> | <b>14.1</b> |
| <b>Group Net Equity</b>                                 | <b>7.4</b> | <b>8.9</b> | <b>9.2</b> | <b>11.0</b> |
| <b>Net Financial Position [Net debt (-) / Cash (+)]</b> | <b>3.4</b> | <b>0.4</b> | <b>0.3</b> | <b>-3.0</b> |

Source: Gismondì, Value Track Analysis

**Gismondì: Net Working Capital FY19-FY22**

| (IT GAAP, €mn)                   | FY19       | FY20       | FY21       | FY22        |
|----------------------------------|------------|------------|------------|-------------|
| Inventory                        | 4.2        | 5.3        | 6.6        | 11.6        |
| As a % of VoP                    | 71%        | 77%        | 66%        | 76%         |
| Trade Receivables                | 1.6        | 2.8        | 2.7        | 3.7         |
| Trade Payables                   | 2.6        | 1.9        | 2.6        | 4.0         |
| <b>Operating Working Capital</b> | <b>3.1</b> | <b>6.1</b> | <b>6.6</b> | <b>11.2</b> |
| Other Current Assets             | 0.9        | 1.7        | 1.6        | 2.5         |
| Other Current Liabilities        | 0.8        | 1.1        | 0.9        | 1.3         |
| <b>Net Working Capital</b>       | <b>3.3</b> | <b>6.7</b> | <b>7.3</b> | <b>12.5</b> |
| <b>As a % of VoP</b>             | <b>56%</b> | <b>98%</b> | <b>73%</b> | <b>82%</b>  |

Source: Gismondì, Value Track Analysis

**Gismondì: Cash Flow Statement FY19-FY22**

| (IT GAAP, €mn)                  | FY19       | FY20        | FY21        | FY22        |
|---------------------------------|------------|-------------|-------------|-------------|
| EBITDA                          | 0.9        | 0.7         | 1.0         | 3.0         |
| Δ NWC                           | 0.6        | -3.4        | -0.6        | -5.2        |
| Capex (excl. Financial Inv.)    | -0.8       | -1.4        | -0.1        | -0.4        |
| Δ Provisions                    | 0.0        | 0.0         | 0.0         | 0.0         |
| <b>OpFCF b.t.</b>               | <b>0.6</b> | <b>-4.0</b> | <b>0.2</b>  | <b>-2.5</b> |
| As a % of EBITDA                | 67.7%      | nm          | 20.3%       | nm          |
| Cash Taxes                      | -0.2       | -0.1        | -0.2        | -0.6        |
| <b>OpFCF a.t.</b>               | <b>0.4</b> | <b>-4.1</b> | <b>0.0</b>  | <b>-3.1</b> |
| Capital Injections              | 5.2        | 1.2         | 0.0         | 0.1         |
| Others (incl. Financial Inv.)   | 0.0        | 0.0         | 0.0         | 0.1         |
| Net Financial Charges           | -0.2       | -0.1        | -0.1        | -0.4        |
| Dividends Paid                  | 0.0        | 0.0         | 0.0         | 0.0         |
| <b>Δ Net Financial Position</b> | <b>5.5</b> | <b>-3.0</b> | <b>-0.1</b> | <b>-3.3</b> |
| <b>Net Financial Position</b>   | <b>3.4</b> | <b>0.4</b>  | <b>0.3</b>  | <b>-3.0</b> |

Source: Gismondì, Value Track Analysis

## Financial Forecasts 2023E-25E

As far as Gismondi 2023E-25E estimates are concerned, we note that our forecasts are:

- ◆ Built in accordance with IT GAAP principles (OIC);
- ◆ Based on current consolidation perimeter, thus including the Vendorafa Lombardi acquisition announced in April 2023, but not factoring in any potential future M&A deal, even if we acknowledge that the acquisition of a target for in-house production is one of the main growth strategies of the Group;
- ◆ Not providing for the potential cash-in from in-the-money warrants (ca. €5.2mn if exercised during the next window of October 2023);
- ◆ Driven by a bottom-up Revenues model depending on our assumptions of new openings per distribution channel and average Revenues per point of sales.

## Key Estimates

We believe Gismondi to reach the following financial figures in 2025E:

- ◆ **Value of Production at €29.0mn**, i.e. 24% CAGR<sub>22A-25E</sub> driven by Franchising and Wholesale;
- ◆ **EBITDA Margin at ca. 18%** excluding future “special deals” that strongly benefitted 2022A;
- ◆ **Net Working Capital absorbing ca. €2mn per year**, albeit normalizing vs. 2022A;
- ◆ **Net Debt at €3mn**, flat vs. 2022A despite the cash-out for Vendorafa and retail expansion.

### Gismondi: Key Forecasts 2022A-25E

| (IT GAAP, €mn)                                   | 2022A | 2023E | 2024E | 2025E | CAGR    |
|--|-------|-------|-------|-------|---------|
| Value of Production                              | 15.2  | 18.3  | 23.8  | 29.0  | 24%     |
| EBITDA   | 3.0   | 2.9   | 4.0   | 5.1   | 19%     |
| EBITDA Margin (%)                                | 19.8% | 16.0% | 16.8% | 17.6% | -220bps |
| Δ Net Working Capital                            | -5.2  | -2.3  | -2.2  | -2.4  | nm      |
| Net Financial Position [Net debt (-) / Cash (+)] | -3.0  | -4.3  | -4.0  | -3.0  | 0%      |

Source: Gismondi, Value Track Analysis

### 1. Top Line expansion driven by Wholesale and Franchising channels

We are forecasting Gismondi to reach **Value of Production of €29mn in 2025E**, growing at a **24% CAGR<sub>22A-25E</sub>**, i.e. top line almost doubling vs. 2022A, driven by:

- 1. New openings**, especially in the franchising and wholesale channels. We expect 1 new franchisee per year thanks to the agreement with the Al Mana family in the Middle East. For wholesale distribution, we expect Gismondi to more than double the number of current POS over the next three years, split between USA and Europe. We also added 1 new DOS in Portofino that the Group recently open to specifically address Special Sales, dedicating a full boutique to the most important clients that require tailor-made creations;
- 2. Organic growth** of average sales generated by a single POS is mixed. Our like-for-like sales are broadly stable for independent retailers, as we do not have visibility on the store quality mix, while we expect strong LFL growth in the other channels, driven by recent openings, with new openings needing some time in order to be fully operational and get to the levels of revenues/sqm of the Prague franchise or US corner stores;

3. **Vendorafa Lombardi** limited contribution for about €500k in 2023E (consolidation for ca. 6 months) and about €1.5mn from 2024E onwards.

While Retail and Special Sales should grow at 13%-14% CAGR<sub>22A-25E</sub>, Wholesale and Franchising should achieve higher performances, with annual rates of 32% and 61%, respectively.

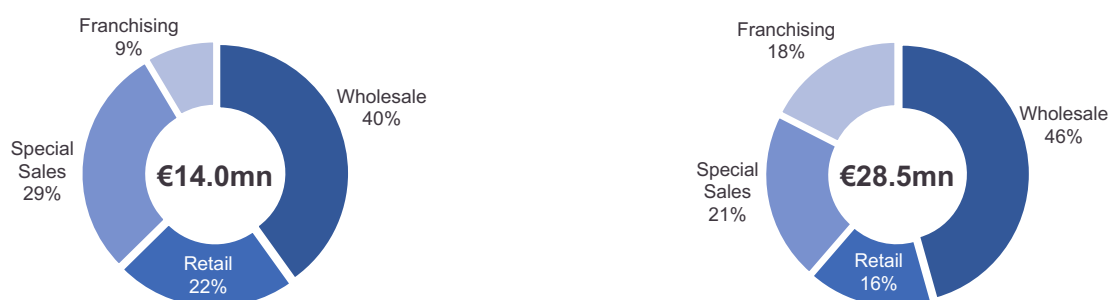
#### Gismondi: Revenues from Sales by Distribution Channel 2022A-25E

| (IT GAAP, €mn)                     | 2022A       | 2023E       | 2024E       | 2025E       | CAGR       |
|------------------------------------|-------------|-------------|-------------|-------------|------------|
| <b>Wholesale (incl. Vendorafa)</b> | <b>5.6</b>  | <b>6.8</b>  | <b>9.9</b>  | <b>13.0</b> | <b>32%</b> |
| y/y (%)                            | 72%         | 21%         | 46%         | 31%         | nm         |
| L-F-L (%)                          | 41%         | -3%         | 0%          | 0%          | nm         |
| POS (#)                            | 28          | 35          | 51          | 67          | nm         |
| <b>Retail</b>                      | <b>3.2</b>  | <b>3.8</b>  | <b>4.2</b>  | <b>4.5</b>  | <b>13%</b> |
| y/y (%)                            | 93%         | 20%         | 10%         | 8%          | nm         |
| L-F-L (%)                          | 29%         | 3%          | 10%         | 8%          | nm         |
| POS (#)                            | 6           | 7           | 7           | 7           | nm         |
| <b>Special Sales</b>               | <b>4.1</b>  | <b>5.2</b>  | <b>5.6</b>  | <b>6.0</b>  | <b>14%</b> |
| y/y (%)                            | 3%          | 28%         | 8%          | 7%          | nm         |
| L-F-L (%)                          | -32%        | 10%         | 8%          | 7%          | nm         |
| <b>Franchising</b>                 | <b>1.2</b>  | <b>2.0</b>  | <b>3.6</b>  | <b>5.0</b>  | <b>61%</b> |
| y/y (%)                            | 35%         | 67%         | 80%         | 39%         | nm         |
| L-F-L (%)                          | 35%         | -16%        | 20%         | 4%          | nm         |
| POS (#)                            | 1           | 2           | 3           | 4           | nm         |
| <b>Operating Revenues</b>          | <b>14.0</b> | <b>17.8</b> | <b>23.3</b> | <b>28.5</b> | <b>27%</b> |
| Adjustments                        | 0.7         | 0.0         | 0.0         | 0.0         | nm         |
| <b>Revenues from Sales</b>         | <b>14.7</b> | <b>17.8</b> | <b>23.3</b> | <b>28.5</b> | <b>25%</b> |

Source: Gismondi, Value Track Analysis

By the end of the forecasted period, the two indirect distribution channels should gain 15 ppt in terms of contribution to total Operating Revenues on a cumulative basis.

#### Gismondi: Operating Revenues by Geographic Location in 2022A and 2025E



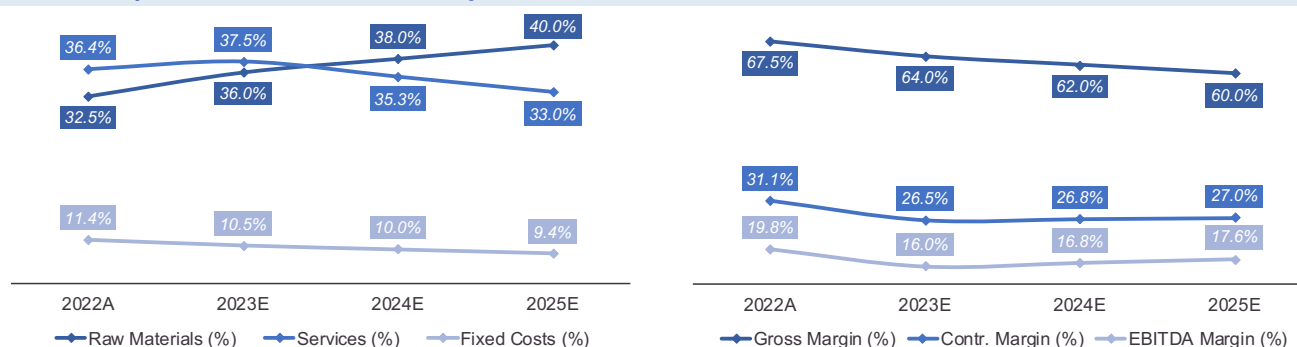
Source: Gismondi, Value Track Analysis

## 2. “Normalized” EBITDA Margin up to 18% thanks to Operating Leverage

In terms of operating and net profitability we expect:

- ◆ **Gross Profit** growing at 19% CAGR<sub>22A-25E</sub> up to **€17.4mn in 2025E**, i.e. less than proportional vs. VoP because of (i) the extraordinary sales made in 2H22 after acquiring some precious stones at a high discount, contributing to increasing FY22 margins well above their “normal” level, and (ii) the increasing incidence of indirect distribution channel vs. Retail and Special Sales;
- ◆ **Contribution Margin at 27% in 2025E**: while on one hand Raw Materials should increase their incidence on VoP (see Gross Profit), Costs of Services should be primarily influenced by marketing expenses, that in our view should grow less than proportional vs. Revenues, benefitting from rising scale;
- ◆ **EBITDA** benefitting from additional economies of scale on fixed costs, especially since no new DOS are expected to be opened in the short-term. EBITDA should therefore achieve **€5.1mn in 2025E**, with **EBITDA Margin** closer to 2022A levels, at **17.6%**;
- ◆ **EBIT** should reduce its gap vs. EBITDA given the light (fixed assets) business model of Gismondi and since Capex should remain around 1%-2% of Revenues. EBIT should total **€4.5mn in 2025E**, while **EBIT Margin** should stand at ca. **15.6%**.
- ◆ **Net Profit** is estimated at approximately **€3.0mn** at the end of the period, with net financial charges steady at ca. €200k (we are not considering any FX income or loss) and an implicit tax rate at ca. 30%.

### Gismondi: Opex Incidence and Profitability



Source: Gismondi, Value Track Analysis

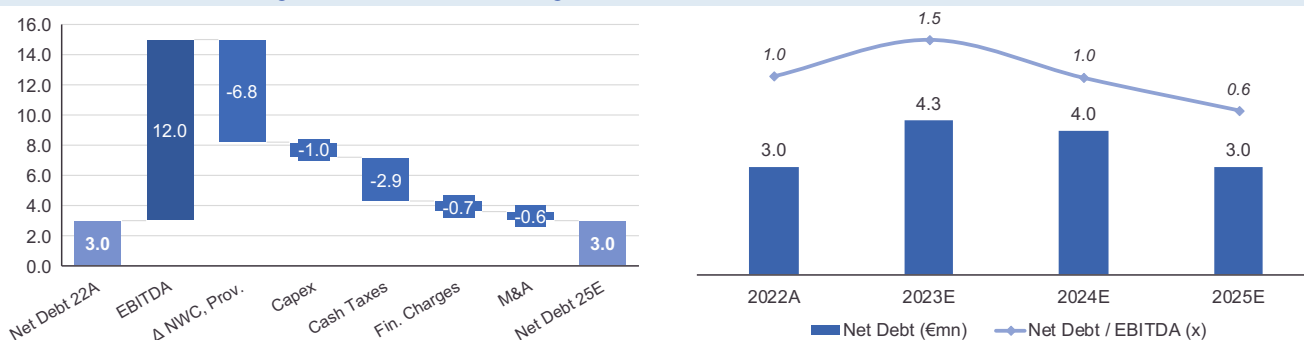
## 3. New Business Mix supporting Net Working Capital and Cash Conversion

Despite the booming growth path that Gismondi should experience over the next few years, the increasing focus towards indirect distribution channel is not as capital intensive as it would be to open new DOS. In addition, new franchising and wholesale agreements should involve lower inventory on consignment, leaving room for further inventory efficiency.

We expect **Net Debt at €3.0mn in 2025E**, remaining flat vs. 2022A despite the following:

- ◆ **Net Working Capital** absorbing ca. €2.0mn-€2.5mn per year, mainly due to inventory build-up that should follow a normalization trend thanks to the business mix more skewed towards franchising and wholesale networks.
- ◆ **Capex** at ca. 2.0% of Revenues, with no major investment forecasted but mainly maintenance;
- ◆ **Vendorafa Lombardi** cash-out of €608k, to be entirely deployed during 2023E;
- ◆ **Other** cash-out related to taxes (ca. €3mn on a cumulative basis) and net financial charges (ca. €700k for the 2023E-25E period).

### Gismondì: Net Debt Bridge and Financial Coverage



Source: Gismondì, Value Track Analysis

We remind that Gismondì could potentially cash-in ca. €5.2mn from the exercise of in-the-money warrants (“**Warrant Gismondì 1754 2019-2024**”) over the next window of October 2023 (ca. 1.11mn warrants at €4.67 p/w). This fresh money could be used for short- and medium-term expansion plan.

### Financial Statements 2022A-25E

#### Gismondì: P&L 2022A-25E

| (IT GAAP, €mn)                             | 2022A        | 2023E        | 2024E        | 2025E        | CAGR           |
|--|--------------|--------------|--------------|--------------|----------------|
| <b>Revenues from Sales</b>                 | <b>14.7</b>  | <b>17.8</b>  | <b>23.3</b>  | <b>28.5</b>  | <b>25%</b>     |
| Other Revenues                             | 0.5          | 0.5          | 0.5          | 0.5          | 2%             |
| <b>Value of Production</b>                 | <b>15.2</b>  | <b>18.3</b>  | <b>23.8</b>  | <b>29.0</b>  | <b>24%</b>     |
| Raw Materials, Δ Inventory (Raw Materials) | -4.9         | -6.6         | -9.0         | -11.6        | 33%            |
| <b>Gross Profit</b>                        | <b>10.2</b>  | <b>11.7</b>  | <b>14.7</b>  | <b>17.4</b>  | <b>19%</b>     |
| <i>Gross Margin (%)</i>                    | <i>67.5%</i> | <i>64.0%</i> | <i>62.0%</i> | <i>60.0%</i> | <i>-750bps</i> |
| Costs of Services                          | -5.5         | -6.9         | -8.4         | -9.6         | 20%            |
| Costs of Rent                              | -0.3         | -0.4         | -0.5         | -0.6         | 19%            |
| G&A  | -0.2         | -0.2         | -0.3         | -0.3         | 22%            |
| Labour Costs                               | -1.2         | -1.4         | -1.6         | -1.9         | 15%            |
| <b>EBITDA</b>                              | <b>3.0</b>   | <b>2.9</b>   | <b>4.0</b>   | <b>5.1</b>   | <b>19%</b>     |
| <i>EBITDA Margin (%)</i>                   | <i>19.8%</i> | <i>16.0%</i> | <i>16.8%</i> | <i>17.6%</i> | <i>-220bps</i> |
| D&A & Provisions                           | -0.4         | -0.5         | -0.6         | -0.6         | 14%            |
| <b>EBIT</b>                                | <b>2.6</b>   | <b>2.4</b>   | <b>3.4</b>   | <b>4.5</b>   | <b>20%</b>     |
| <i>EBIT Margin (%)</i>                     | <i>17.2%</i> | <i>13.2%</i> | <i>14.4%</i> | <i>15.6%</i> | <i>-160bps</i> |
| Net Financial Charges                      | -0.4         | -0.2         | -0.2         | -0.2         | -18%           |
| Taxes                                      | -0.6         | -0.7         | -1.0         | -1.3         | 30%            |
| <b>Net Profit</b>                          | <b>1.6</b>   | <b>1.5</b>   | <b>2.2</b>   | <b>3.0</b>   | <b>23%</b>     |

Source: Gismondì, Value Track Analysis

### Gismondì: Balance Sheet 2022A-25E

| (IT GAAP, €mn)  | 2022A       | 2023E       | 2024E       | 2025E       |
|---|-------------|-------------|-------------|-------------|
| Net Fixed Assets  | 1.8         | 2.3         | 2.0         | 1.7         |
| Net Working Capital                                     | 12.5        | 14.7        | 16.9        | 19.3        |
| Provisions  | 0.1         | 0.1         | 0.2         | 0.2         |
| <b>Total Capital Employed</b>                           | <b>14.1</b> | <b>16.9</b> | <b>18.8</b> | <b>20.8</b> |
| <b>Group Net Equity</b>                                 | <b>11.0</b> | <b>12.5</b> | <b>14.8</b> | <b>17.8</b> |
| <b>Net Financial Position [Net debt (-) / Cash (+)]</b> | <b>-3.0</b> | <b>-4.3</b> | <b>-4.0</b> | <b>-3.0</b> |

Source: Gismondì, Value Track Analysis

### Gismondì: Net Working Capital 2022A-25E

| (IT GAAP, €mn)                   | 2022A       | 2023E       | 2024E       | 2025E       |
|----------------------------------|-------------|-------------|-------------|-------------|
| Inventory                        | 11.6        | 14.1        | 16.1        | 18.3        |
| As a % of VoP                    | 76%         | 77%         | 68%         | 63%         |
| Trade Receivables                | 3.7         | 4.5         | 5.7         | 7.0         |
| Trade Payables                   | 4.0         | 5.2         | 6.7         | 8.2         |
| <b>Operating Working Capital</b> | <b>11.2</b> | <b>13.4</b> | <b>15.2</b> | <b>17.1</b> |
| Other Current Assets             | 2.5         | 3.0         | 3.9         | 4.8         |
| Other Current Liabilities        | 1.3         | 1.6         | 2.1         | 2.6         |
| <b>Net Working Capital</b>       | <b>12.5</b> | <b>14.7</b> | <b>16.9</b> | <b>19.3</b> |
| <b>As a % of VoP</b>             | <b>82%</b>  | <b>81%</b>  | <b>71%</b>  | <b>67%</b>  |

Source: Gismondì, Value Track Analysis

### Gismondì: Cash Flow Statement 2022A-25E

| (IT GAAP, €mn)                  | 2022A       | 2023E       | 2024E       | 2025E       |
|---------------------------------|-------------|-------------|-------------|-------------|
| EBITDA                          | 3.0         | 2.9         | 4.0         | 5.1         |
| Δ NWC                           | -5.2        | -2.3        | -2.2        | -2.4        |
| Capex (excl. Financial Inv.)    | -0.4        | -0.4        | -0.3        | -0.3        |
| Δ Provisions                    | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>OpFCF b.t.</b>               | <b>-2.5</b> | <b>0.2</b>  | <b>1.5</b>  | <b>2.5</b>  |
| As a % of EBITDA                | -84.9%      | 8.0%        | 38.1%       | 48.4%       |
| Cash Taxes                      | -0.6        | -0.7        | -1.0        | -1.3        |
| <b>OpFCF a.t.</b>               | <b>-3.1</b> | <b>-0.4</b> | <b>0.6</b>  | <b>1.2</b>  |
| Capital Injections              | 0.1         | 0.0         | 0.0         | 0.0         |
| Others (incl. Financial Inv.)   | 0.1         | -0.6        | 0.0         | 0.0         |
| Net Financial Charges           | -0.4        | -0.2        | -0.2        | -0.2        |
| Dividends Paid                  | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Δ Net Financial Position</b> | <b>-3.3</b> | <b>-1.3</b> | <b>0.3</b>  | <b>1.0</b>  |
| <b>Net Financial Position</b>   | <b>-3.0</b> | <b>-4.3</b> | <b>-4.0</b> | <b>-3.0</b> |

Source: Gismondì, Value Track Analysis



## Valuation

Averaging the outcomes of our Relative Multiples Valuation analysis and DCF model, we initiate coverage on Gismondi with a Fair Equity Value of €8.0 p/s (€7.3 p/s Fully Diluted). Gismondi would therefore trade at 1.5x EV/Sales 2024E, still at substantial discount (ca. 45%) vs. its peers, a cluster including the Luxury Leaders vaunting the most globally recognized brands of the world. While on the short-term we believe the discount is justified by qualitative and quantitative factors, our DCF embeds GIS medium-term valuation appeal, expected to improve depending on the upside that new partnerships and openings, the internalization of production capacity and the impact of current and future marketing investments would give to the Group growth, scalability and brand awareness.

### Gismondi Fair Equity Value at €8.00 p/s (€7.30 Fully Diluted)

We initiate coverage on Gismondi with a **Fair Equity Value of €8.0 p/s**. Considering the potential dilution from the cash-in of in-the-money warrants over the next exercise window of October 2023, the stock Fair Equity Value is **€7.3 p/s Fully Diluted**.

#### Gismondi: Fair Equity Value based on Outstanding vs. Fully Diluted NOSH

| Fair Equity Value (€mn)                | Outstanding NOSH | Fully Diluted NOSH |
|--|------------------|--------------------|
| Fair Equity Value - Relative Valuation | 31.5             | 31.5               |
| Fair Equity Value - DCF                | 34.4             | 34.4               |
| Average                                | 33.0             | 33.0               |
| Cash-In from Warrant                   | 0.0              | 5.2                |
| <b>Fair Equity Value</b>               | <b>33.0</b>      | <b>38.2</b>        |
| <b>NOSH</b>                            | <b>4.1</b>       | <b>5.2</b>         |
| <b>Fair Equity Value p/s (€)</b>       | <b>8.0</b>       | <b>7.3</b>         |

Source: Market Consensus, Value Track Analysis

At **€8.0 p/s** (based on outstanding NOSH), Gismondi stock would trade at **1.5x EV/Sales, 9.2x EV/EBITDA, 10.7x EV/EBIT and 14.7x P/E 2024E**.

This would translate into a 45% implicit discount on peer's EV/Sales, a key industry reference multiple. In our view, this is justified by **short-term** factors driving our **Relative Valuation** :

- ◆ **Qualitative:** substantial differences in terms of maturity stage, brand awareness and global presence. GIS is still in its development phase and is much less recognizable vs. industry leaders, vaunting the most iconic luxury brands of the world;
- ◆ **Quantitative:** Lower industry KPIs, i.e. EBIT Margin, ROCE and Inventory Turnover currently lagging vs. comparables.

The elements above are, however, partially compensated by a key positive longer-term factor:

- ◆ Gismondi **brand positioning**: in terms of heritage, product quality, price points, clientele, style and exclusivity it is beyond that of the majority of selected peers.

On top of this, our **DCF** model embeds Gismondi **medium-term** valuation appeal, expected to improve depending on the upside that (i) **new partnerships and openings** in various underpenetrated markets (supported also by renewed agreements on inventory) and (ii) the **internalization of production** capacity would give to the Group financials in terms of growth and scalability. The cumulative effects of (iii) recent and future **marketing investments** would also be visible in the medium-term.

### Gismondi: Multiples Sensitivity at Various Stock Price Levels

| Fair Equity Value p/s (€) | EV/Sales (x) |            | EV/EBITDA   |            | EV/EBIT     |             | P/E Adj.    |             |
|---------------------------|--------------|------------|-------------|------------|-------------|-------------|-------------|-------------|
|                           | 2023E        | 2024E      | 2023E       | 2024E      | 2023E       | 2024E       | 2023E       | 2024E       |
| € 6.50                    | 1.7          | 1.3        | 10.6        | 7.6        | 12.8        | 8.9         | 17.6        | 11.9        |
| € 7.00                    | 1.8          | 1.4        | 11.3        | 8.2        | 13.7        | 9.5         | 19.0        | 12.9        |
| € 7.50                    | 1.9          | 1.5        | 12.0        | 8.7        | 14.5        | 10.1        | 20.3        | 13.8        |
| <b>€ 8.00</b>             | <b>2.0</b>   | <b>1.5</b> | <b>12.7</b> | <b>9.2</b> | <b>15.4</b> | <b>10.7</b> | <b>21.7</b> | <b>14.7</b> |
| € 8.50                    | 2.1          | 1.6        | 13.4        | 9.7        | 16.2        | 11.3        | 23.1        | 15.6        |
| € 9.00                    | 2.2          | 1.7        | 14.1        | 10.2       | 17.1        | 11.9        | 24.4        | 16.5        |
| € 9.50                    | 2.4          | 1.8        | 14.8        | 10.7       | 17.9        | 12.5        | 25.8        | 17.4        |

Source: Value Track Analysis Based on outstanding NOSH (primary)

### Peers Analysis

Our relative valuation based on peers' analysis returns a **Fair Equity Value of €7.69 p/s** (based on outstanding NOSH). We opted for 2024E as reference year and applied four different multiples to Gismondi financials, albeit EV/Sales seems to be the one to look at in the Luxury Industry, especially in M&A deals. We also cross-checked our valuation given the strong correlation between GIS historical trading price and FY1 peers' multiples.

### Peers Selection

There is no listed comparable that vaunts the same (i) small size, (ii) early maturity stage, (iii) high-end positioning, (iv) long-term heritage, (v) family-ownership structure, (vi) distribution focus and (vii) financial growth profile of Gismondi. However, there are a number of listed players operating in the same Hard Luxury market which share a few similarities among the mentioned traits, use equal marketing strategies and feature analogous growth drivers and margins. In the end, we opted for the two following clusters:

- ◆ **Hard & Diversified Luxury Leaders:** international luxury holding groups (described in the "Positioning" section of this report) with Market Cap above €15bn, selling also watches and Soft Luxury items, including both top- and lower-end jewelry brands, active in over 200 countries in the world with thousands point of sales. Still, we believe that the Jewelry or Hard Luxury (jewels and watches) divisions of these conglomerates are comparable to GIS, with some brands showing similarities also in terms of positioning and legacy. The cluster includes Richemont, Swatch Group, LVMH and Kering.
- ◆ **Other Jewelry Players,** i.e. Pandora and Fope. While the former is a globally recognized but lower-end jewelry brand, Fope is an Italian jewelry brand listed on EGM, in our view the closest comparable for Gismondi thanks to similar size, maturity stage, distribution focus (indirect channels) and ownership structure (family-owned), albeit being more focused on gold items (rather than precious stones) and selling its creations at much lower average prices.

## Operating Benchmark

Analyzing Gismondi peers' Hard Luxury or Jewelry divisions only, we noticed the following:

- ◆ Luxury Leaders vaunts some of the most **iconic brand houses** of the world, including Cartier, Van Cleef & Arpels, Harry Winston, Tiffany, Boucheron. On the other hand, Pandora, Fope and Gismondi are mono-brand companies.
- ◆ The contribution of jewelry business to the various diversified global players may differ a lot: Richmond division contributed 58% to FY22 consolidated Top Line, while adding watches, the company generates 76% of Revenues in the **Hard Luxury** market. On the other hand, Kering Hard Luxury brands made up for only 7% of total sales, which is still over €1.3bn.
- ◆ All comparables deliver **strong margins**, a sign of a strong and healthy industry. However, Pandora and Fope outperforms Luxury Leaders (except Richemont), with EBIT Margin around 24% vs. Swatch, LVMH and Kering < 20% because of a leaner costs structure focused on mass expansion (Pandora) and indirect distribution (Fope). Gismondi is lagging behind at ca. 17%, still in its development phase vs. more mature peers.
- ◆ The high profitability of the industry is surely driven by **premium selling prices**. Harry Winston and Gismondi seems to be the frontrunners among listed peers, with pieces selling above €10k on average. On the other hand, Pandora items are sold for around €200.
- ◆ Gismondi also lags in terms of total **POS** and **geographical reach**, hence the strategic objective of increasing its market share in underpenetrated countries through wholesale stores and franchises to speed up its global presence.
- ◆ However, Gismondi **marketing** incidence on Revenues is above comparables', as expected by a brand of much smaller scale, that is keeping investing on this.
- ◆ Apart from Swatch Group, all other comparables show better levels of **inventory turnover** with respect to Gismondi, probably explained by their brand strength vs. suppliers, wholesalers and final customers.

### Gismondi: Peers Market Positioning and Key Figures

| Peers  | Hard Luxury revenues (€mn)* | EBIT Margin (%)* | Relevant Jewelry Brands       | Average Price (€k) | Jewelry POS (#) | Countries (#) | Marketing (%) | Inventory (%) |
|--|-----------------------------|------------------|-------------------------------|--------------------|-----------------|---------------|---------------|---------------|
| <b>Hard &amp; Diversified Luxury Leaders</b> |                             |                  |                               |                    |                 |               |               |               |
| Richemont                                    | 11,125                      | 34.3%            | Cartier, V.C. & A, Buccellati | 10.0               | 444             | 130           | 9.5%          | 39.1%         |
| Swatch Group                                 | 7,288                       | 17.2%            | Harry Winston                 | 25.0               | 194             | 37            | 14.4%         | 91.7%         |
| LVMH   | 10,581                      | 19.1%            | Bulgari, Tiffany, Chaumet     | 4.0                | 765             | 81            | 12.0%         | 25.7%         |
| Kering                                       | 1,336                       | 14.4%            | Boucheron, Pomellato          | 5.0                | 176             | 130           | na            | 21.9%         |
| <b>Average</b>                               | <b>7,582</b>                | <b>21.2%</b>     | //                            | <b>11.0</b>        | <b>395</b>      | <b>95</b>     | <b>12.0%</b>  | <b>44.6%</b>  |
| <b>Median</b>                                | <b>8,934</b>                | <b>18.1%</b>     | //                            | <b>11.3</b>        | <b>319</b>      | <b>106</b>    | <b>12.0%</b>  | <b>32.4%</b>  |
| <b>Other Jewelry Players</b>                 |                             |                  |                               |                    |                 |               |               |               |
| Pandora                                      | 3,440                       | 25.5%            | Pandora                       | 0.2                | 7,800           | 100           | 14.1%         | 15.9%         |
| Fope   | 62                          | 22.4%            | Fope                          | 4.0                | 763             | 70            | na            | 22.4%         |
| <b>Average</b>                               | <b>1,751</b>                | <b>24.0%</b>     | //                            | <b>2.6</b>         | <b>4,282</b>    | <b>85</b>     | <b>14.1%</b>  | <b>19.2%</b>  |
| <b>Median</b>                                | <b>1,751</b>                | <b>24.0%</b>     | //                            | <b>2.6</b>         | <b>4,282</b>    | <b>85</b>     | <b>14.1%</b>  | <b>19.2%</b>  |
| <b>Total Average</b>                         | <b>5,639</b>                | <b>22.1%</b>     | //                            | <b>8.2</b>         | <b>4,282</b>    | <b>85</b>     | <b>12.5%</b>  | <b>36.1%</b>  |
| <b>Total Median</b>                          | <b>5,364</b>                | <b>20.7%</b>     | //                            | <b>5.0</b>         | <b>4,282</b>    | <b>85</b>     | <b>13.0%</b>  | <b>24.0%</b>  |
| <b>Gismondi</b>                              | <b>15.2</b>                 | <b>17.2%</b>     | <b>Gismondi 1754</b>          | <b>12.5</b>        | <b>41</b>       | <b>16</b>     | <b>17.0%</b>  | <b>76.2%</b>  |

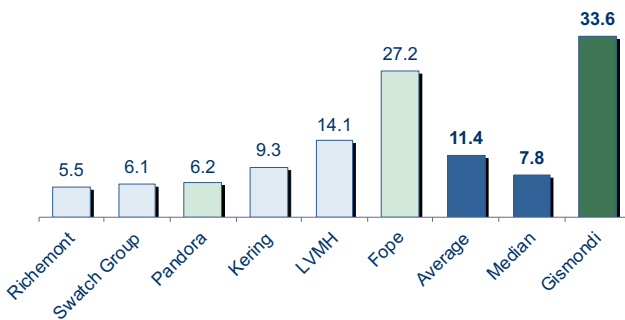
Source: Corporate Web sites, Value Track Analysis, (\*) Top Line and EBIT Margin refers to the Jewelry, Hard Luxury or equivalent divisions only

Looking at total reported figures and given the strong percentage of Revenues generated by Hard Luxury items, the operating benchmark picture outlined above is confirmed. Still, we believe worth to highlight a few additional points:

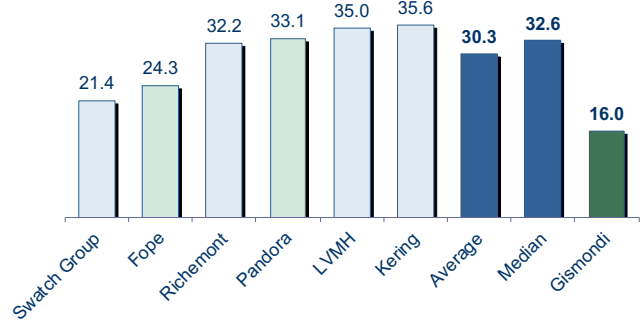
- ◆ Gismondi stronger **growth prospects** vs. comparables, also outperforming Fope in terms of Top Line CAGR<sub>2021A-24E</sub>, i.e. 34% vs. 27%.
- ◆ Meaningful **EBITDA Margin** gap between GIS and peers, albeit biased by other businesses (Soft Luxury). Still, Fope (a pure jewels manufacturer) is already delivering a 24% margin, thanks to a larger scale, high costs efficiencies and full in-house production.
- ◆ **Return on Capital** metrics being influenced by operating profitability, inventory turnover and net fixed assets intensity. That is why, despite very limited fixed assets, Gismondi ROCE is at ca. 14% vs. an industry average of ca. 30%. However, new wholesale agreements and additional operating leverage should drive GIS ROCE in excess of 20% by 2025E (according to our estimates), while internalized production would add further boost.
- ◆ On a positive note, Gismondi is delivering great financials without needing to deploy much **Capex**. Gismondi fixed assets intensity is the lowest among peers, thanks to few DOS and increasing focus on indirect distribution channels.

**Gismondi: Operating Benchmark vs. Peers**

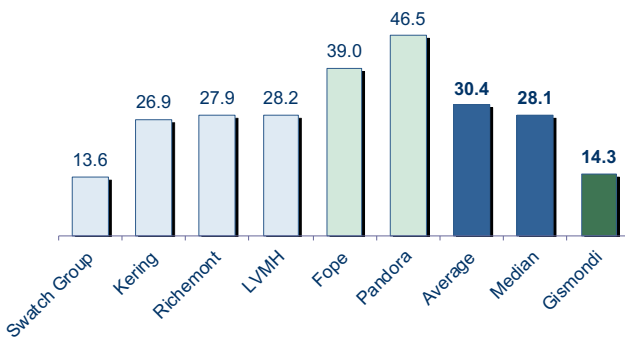
**Group Top Line CAGR<sub>2021A-24E</sub> (%)**



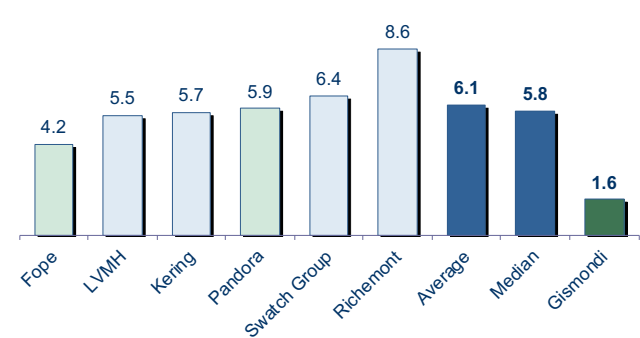
**Group EBITDA Margin (%)**



**Group ROCE (b.t.) (%)**



**Group Capex / Top Line (%)**



Source: Market Consensus, Value Track Analysis

## Multiples Benchmark

Akin to their retail prices, the Luxury Industry trades at **demanding multiples**. More in detail:

- ◆ EV/Sales, the historical reference multiple of the industry (especially in M&A deals), exhibiting highly demanding multiples, with Luxury Leaders trading at 3.6x-3.2x EV/Sales 2023E-24E vs. Pandora and Fope averaging 2.4x-2.2x (45%-50% premium);
- ◆ Within Luxury Leaders, LVMH boasts the highest valuation metrics, followed by Richemont and Kering. The Swatch Group has the lowest EV/Sales of both clusters, at 1.5x-1.4x in 2023E-24E;
- ◆ EV/EBITDA, EV/EBIT and P/E are less demanding. On average both clusters trade at ca. 10x-9x EV/EBITDA, 13x-12x EV/EBIT and 18x-16x P/E 2023E-24E;
- ◆ Gismondi looks very cheap on EV/Sales multiples (50%-60% discount vs. total average). While on the one hand the discount is justified with respect to Luxury Leaders, we believe the stock deserves some rerating vs. Pandora and Fope.

### Gismondi: Peers Trading Multiples

| Peers  | EV/Sales (x) |             | EV/EBITDA   |             | EV/EBIT     |             | P/E Adj.    |             |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2023E        | 2024E       | 2023E       | 2024E       | 2023E       | 2024E       | 2023E       | 2024E       |
| <b>Hard &amp; Diversified Luxury Leaders</b> |              |             |             |             |             |             |             |             |
| Richemont                                    | 4.2          | 3.8         | 13.0        | 11.6        | 17.0        | 15.2        | 21.9        | 20.1        |
| Swatch Group                                 | 1.5          | 1.4         | 7.1         | 6.2         | 9.2         | 8.0         | 14.7        | 13.5        |
| LVMH   | 5.2          | 4.7         | 14.8        | 13.3        | 18.9        | 16.8        | 26.3        | 23.7        |
| Kering                                       | 3.4          | 3.0         | 9.5         | 8.5         | 12.3        | 10.8        | 17.3        | 15.6        |
| <b>Average</b>                               | <b>3.6</b>   | <b>3.2</b>  | <b>11.1</b> | <b>9.9</b>  | <b>14.4</b> | <b>12.7</b> | <b>20.0</b> | <b>18.2</b> |
| <b>Median</b>                                | <b>3.8</b>   | <b>3.4</b>  | <b>11.2</b> | <b>10.1</b> | <b>14.6</b> | <b>13.0</b> | <b>19.6</b> | <b>17.9</b> |
| <b>Other Jewelry Players</b>                 |              |             |             |             |             |             |             |             |
| Pandora                                      | 2.2          | 2.1         | 6.7         | 6.4         | 8.7         | 8.3         | 10.2        | 9.6         |
| Fope   | 2.5          | 2.2         | 10.4        | 8.8         | 12.2        | 10.2        | 17.5        | 14.9        |
| <b>Average</b>                               | <b>2.4</b>   | <b>2.2</b>  | <b>8.5</b>  | <b>7.6</b>  | <b>10.5</b> | <b>9.3</b>  | <b>13.9</b> | <b>12.3</b> |
| <b>Median</b>                                | <b>2.4</b>   | <b>2.2</b>  | <b>8.5</b>  | <b>7.6</b>  | <b>10.5</b> | <b>9.3</b>  | <b>13.9</b> | <b>12.3</b> |
| <b>Total Average</b>                         | <b>3.2</b>   | <b>2.9</b>  | <b>10.2</b> | <b>9.1</b>  | <b>13.1</b> | <b>11.6</b> | <b>18.0</b> | <b>16.2</b> |
| <b>Total Median</b>                          | <b>2.9</b>   | <b>2.6</b>  | <b>9.9</b>  | <b>8.7</b>  | <b>12.2</b> | <b>10.5</b> | <b>17.4</b> | <b>15.2</b> |
| <b>Gismondi</b>                              | <b>1.5</b>   | <b>1.1</b>  | <b>9.3</b>  | <b>6.7</b>  | <b>11.3</b> | <b>7.8</b>  | <b>15.2</b> | <b>10.3</b> |
| <i>Discount vs. Total Average. (%)</i>       | <i>-53%</i>  | <i>-61%</i> | <i>-9%</i>  | <i>-26%</i> | <i>-14%</i> | <i>-32%</i> | <i>-16%</i> | <i>-37%</i> |

Source: Market Consensus, Value Track Analysis

## Relative Valuation

We decided to focus on 2024E as reference year, since:

1. We noted strong **correlation** between Gismondi share price and FY1 peers' multiples;
2. We believe that Gismondi most significant **upside** should occur in the next 6-12 months, when it should become clearer whether the expansion in terms of partnerships, point of sales and, more importantly, brand scalability would be on the right path;
3. The potential internalization of some production capacity from potential **M&A**, according to management strategy, would have its effect not before 2024E.

While we believe GIS is too much impaired on 2024E multiples, on the other hand we acknowledge some discount is necessary given the differences in terms of brand values, global presence and operating profitability. Hence, our fair multiples embed a **20%-30% discount vs. comparables total average**, broadly in line with historical implicit market valuation.

The result is a Fair Equity Value of €7.69 p/s (based on outstanding NOSH).

### Gismondì: Relative Valuation

| Relative Valuation 2024E (€mn)           | EV/Sales     | EV/EBITDA   | EV/EBIT     | P/E Adj.    |
|--|--------------|-------------|-------------|-------------|
| Peers' Average (x)                       | 2.9          | 9.1         | 11.6        | 16.2        |
| Discount (%)                             | -30.0%       | -20.0%      | -20.0%      | -20.0%      |
| <b>Fair Multiples (x)</b>                | <b>2.0</b>   | <b>7.3</b>  | <b>9.2</b>  | <b>13.0</b> |
| <b>Fair Equity Value p/s (€)</b>         | <b>10.71</b> | <b>6.18</b> | <b>6.80</b> | <b>7.08</b> |
| <b>Average Fair Equity Value p/s (€)</b> | <b>7.69</b>  |             |             |             |

Source: Market Consensus, Value Track Analysis

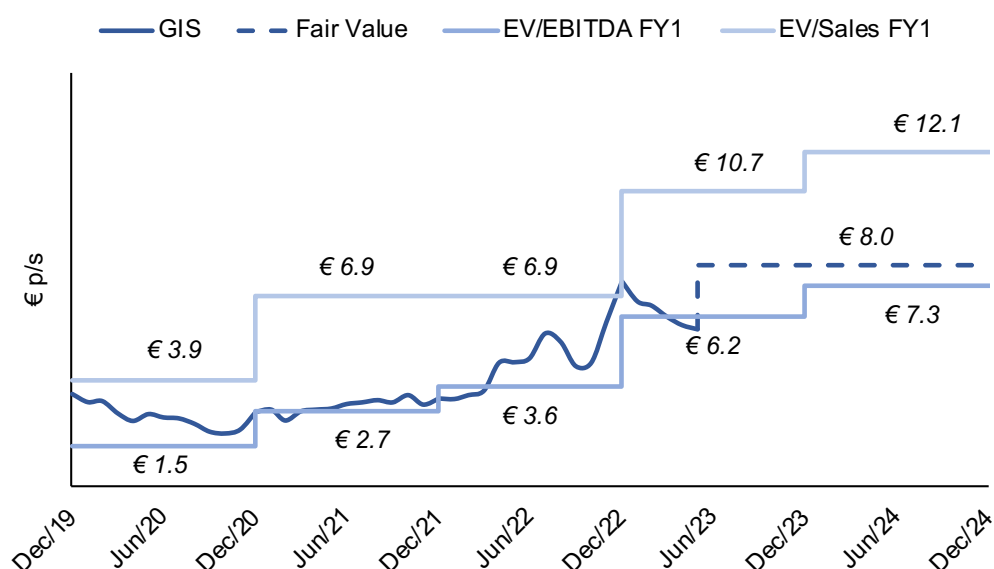
### Cross Check #1: Correlation between Gismondì and Peers Multiples

As previously stated, we noted a strong correlation between GIS share price and its FY1 peers' multiples, adjusted for the above discount factors. In other words, GIS stock has been trading between (i) peers' FY1 EV/EBITDA with a 20% discount and (ii) peers' FY1 EV/Sales multiples at 30% discount, as reported in the chart below.

We also point out that:

1. Peers' multiples have been pretty flat over the analysed period;
2. The growing "fair" values of GIS stock over time - e.g. from €1.5 of 2020 to €6.2 of 2023, based on EV/EBITDA in the chart below- were not driven by sector multiple expansion, but by Gismondì financial performance;
3. Our €8.0 Fair Equity Value p/s is consistent with the historical analysis and with a 12 month horizon, while it may appear a bit conservative on a longer term view.

### Gismondì: Historical (and Potential) Share Price vs. Peers FY1 Multiples



Source: Market Consensus, Value Track Analysis

## Cross Check #2: M&A Transaction Multiples

Over the last 25 years, the Hard Luxury Market witnessed a very strong consolidation process, with many M&A deals announced. Here below a summary of the most relevant ones, confirm a median EV/Sales at ca. 3.0x, in line with peers' current trading multiples.

### Gismondi: M&A Transactions in the Hard Luxury Market

| Year          | Buyer         | Target                               | Transaction Value (mn) | Stake Acquired (%) | EV/Sales (x) |
|---------------|---------------|--------------------------------------|------------------------|--------------------|--------------|
| 1999          | Richemont     | Van Cleef & Arpels                   | 171                    | 60%                | 6.4          |
| 1999          | LVMH          | Chaumet                              | na                     | 100%               | 1.0          |
| 2000          | Gucci         | Boucheron                            | 138                    | 100%               | 0.5          |
| 2000          | Richemont     | Jaeger-LeCoultre, IWC, Lange & Sohne | 1,805                  | 100%               | 7.2          |
| 2011          | LVMH          | Bulgari                              | 4,300                  | 100%               | 4.0          |
| 2013          | Swatch Group  | Harry Winston                        | 998                    | 100%               | 2.4          |
| 2013          | Clessidra     | Buccellati                           | 80                     | 67%                | 4.7          |
| 2013          | Kering        | Pomellato                            | 263                    | 75%                | 2.4          |
| 2013          | Kering        | Qeelin                               | na                     | 100%               | 2.1          |
| 2014          | Kering        | Ulysse Nardin                        | 626                    | 100%               | 3.4          |
| 2016          | Gansu Gangtai | Buccellati                           | 204                    | 85%                | 6.6          |
| 2019          | Family Owners | Damiani                              | 12                     | 17%                | 0.8          |
| 2019          | Richemont     | Buccellati                           | 230                    | 100%               | 6.2          |
| 2021          | LVMH          | Tiffany                              | 13,100                 | 100%               | 2.8          |
| <b>Median</b> | <b>//</b>     | <b>//</b>                            | <b>247</b>             | <b>100%</b>        | <b>3.1</b>   |

Source: Various, Value Track Analysis

## DCF

Our DCF model returns a **Fair Equity Value of €8.39 p/s**, based on outstanding NOSH and a target capital structure of 30%, given Gismondi expansion phase, the funding needs of a growing retailing network and the potential acquisition of a small target for in-house production capacity.

## WACC Assumptions

Here below a summary of our WACC assumptions, mainly sourced by Damodaran online data sets.

### Gismondi: WACC at 30% Target Capital Structure

| WACC Assumptions                     | (%)          |
|--------------------------------------|--------------|
| Risk-Free Rate (%)                   | 2.0%         |
| Target Capital Structure (D/D+E) (%) | 30.0%        |
| Unlevered Beta (x)                   | 1.02         |
| Levered Beta (x)                     | 1.35         |
| Market Risk Premium (Italy) (%)      | 8.1%         |
| Credit Spread (%)                    | 2.0%         |
| Tax Rate (%)                         | 24.0%        |
| <b>Cost of Equity (%)</b>            | <b>15.4%</b> |
| <b>Cost of Debt (%)</b>              | <b>3.0%</b>  |
| <b>WACC (%)</b>                      | <b>11.7%</b> |

Source: Market Consensus, Damodaran Data Sets, Value Track Analysis

## DCF Valuation

The DCF model includes estimated Free Cash Flows from 2024E to 2030E, while the Terminal Value is calculated applying an industry-standard 2.5% perpetuity growth rate, that is in our view justified by a conservative 6.1x TV/EBITDA exit multiple in 2030E.

### Gismondì: DCF Valuation

| DCF Valuation   | (€mn)       |
|---|-------------|
| Discounted Free Cash Flows 2024E-2030E                          | 12.3        |
| Discounted Terminal Value @ 2030E with g=2.0% or TV/EBITDA=6.1x | 26.3        |
| <b>Fair Enterprise Value</b>                                    | <b>38.6</b> |
| Net Financial Position 2023E                                    | -4.3        |
| Adjustments (*)   | 0.1         |
| <b>Fair Equity Value</b>  | <b>34.4</b> |
| NOSH (mn)   | 4.1         |
| <b>Fair Equity Value p/s (€)</b>                                | <b>8.39</b> |

Source: Value Track Analysis (\*) 21,200 treasury shares valued at market

### Gismondì: DCF Sensitivity Analysis

| Fair Equity Value p/s (€) |       | Perpetuity Growth Rate (%) |      |             |       |       |
|---------------------------|-------|----------------------------|------|-------------|-------|-------|
|                           |       | 1.5%                       | 2.0% | 2.5%        | 3.0%  | 3.5%  |
| WACC (%)                  | 10.7% | 8.87                       | 9.29 | 9.77        | 10.31 | 10.92 |
|                           | 11.2% | 8.26                       | 8.63 | 9.04        | 9.50  | 10.03 |
|                           | 11.7% | 7.70                       | 8.03 | <b>8.39</b> | 8.79  | 9.24  |
|                           | 12.2% | 7.21                       | 7.49 | 7.81        | 8.16  | 8.55  |
|                           | 12.7% | 6.75                       | 7.01 | 7.29        | 7.60  | 7.94  |

Source: Value Track Analysis



## Appendix – Corporate Profile

The foundations of Gismondi began in 1754 and seven generations later, Massimo Gismondi emerged as the current CEO, carrying on the family legacy. Key milestones include the establishment of the first workshop in 1763, the inauguration of the Genoa retail store in 1880, the first distribution agreements in the US in 2017 and the IPO on EGM in 2019. The Group is overseen by Gismondi 1754 SpA; top management includes Massimo Gismondi as Chairman and CEO, Stefano Rocca as Managing Director and Alberto Gaggero as CFO. Massimo Gismondi holds the majority of the Group share capital, with free float at 34% and Zeus Capital at 5%.

### Historical Milestones

The origins of Gismondi trace back to **Gio Batta Gismondi in 1754**. Over the course of seven generations, Massimo Gismondi, the current CEO and creative force behind the Group, emerged from this same family lineage. Significant milestones since inception can be summarized as follows:

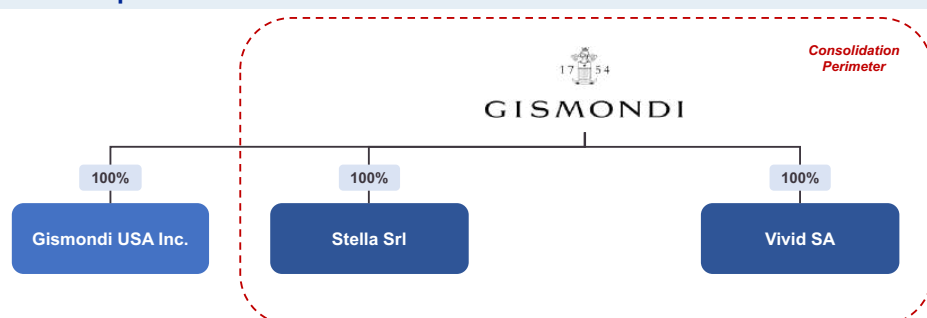
- ◆ **1763:** Establishment of the first goldsmith lab;
- ◆ **1880:** Inauguration of the first retail store in Via Galata, Genoa;
- ◆ **1995-1996:** M. Gismondi joins the family business and inaugurates the first exclusive store;
- ◆ **2006:** Opening of the Nervi store in Genoa;
- ◆ **2011:** Launch of Gismondi 1754 brand and opening of locations in Portofino and St. Moritz;
- ◆ **2016:** Inauguration of the Milan store and the first corner at St. Barth;
- ◆ **2017:** Commencement of distribution through Neiman Marcus in the United States;
- ◆ **2018:** Opening of the franchise in Prague and first dealerships in Naples and Saint Petersburg;
- ◆ **2019:** Listing on the EGM (formerly known as AIM Italia);
- ◆ **2021:** Formation of a partnership with Baglioni Hotels & Resorts;
- ◆ **2022:** Opening of the Rome store.

### Group Structure

Gismondi underwent a reorganization in 2019 with the acquisition of Stelle Srl and Vivid SA, previously under the ownership of Massimo Gismondi, in anticipation of international growth and the IPO. Stelle Srl is the Italian subsidiary responsible for Italy-based retail stores, while Vivid SA manages the Sankt Moritz boutique.

Gismondi 1754 USA Inc. , the subsidiary created in 2021 to better monitor the US market, is not yet included in the consolidation perimeter, because of scarce financial relevance.

#### Gismondi: Group Structure and Consolidation Perimeter



Source: Gismondi

## Top Management

Gismondi top management includes:

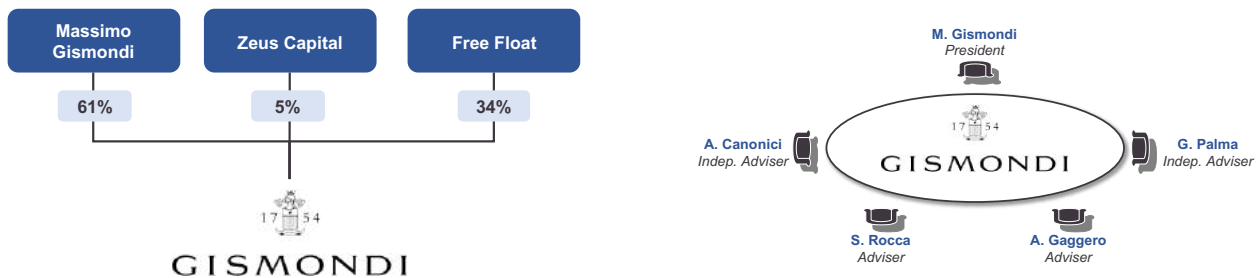
- ◆ **Massimo Gismondi – Chairman and CEO.** With an extensive background of ~35 years in the jewelry industry, Massimo Gismondi obtained his Gemology Diploma in 1994, specializing in diamond, pearl, and colored stone jewelry. Joining the family business in 1995, he inherited a rich tradition of craftsmanship spanning seven generations. Motivated by his passion for jewelry and a vision for expansion, he ventured into his entrepreneurial journey.
- ◆ **Alberto Gaggero – CFO.** Since 2002, he has been engaging in temporary management activities, specifically in the domains of administration, finance, and management control. His expertise has been sought by multiple organizations, primarily within the packaging, automotive, and robotics sectors.
- ◆ **Stefano Rocca – Managing Director.** With 20+ years of experience in the jewelry sector, he joined Gismondi in 2015 and he is currently responsible for developing the Gismondi business concept, overseeing expansion strategy, and managing commercial partner relationships. Before Gismondi, he held executive positions at Vhernier SpA and served in various roles at Bulgari from 1984 to 2004. He holds a master's degree in literature and philosophy.
- ◆ **Francesca Ventura – Sales Director.** Long experience in the high-end luxury industry, more specifically in Polo Ralph Lauren and Prada before entering the jewelry sector in Pomellato, where she reached the position of Sales Director for Europe, Asia and ROW. Then she joined various renowned companies (e.g., Chantecler) as a marketing and global sales consultant.

## Shareholders Structure and Board of Directors

Approximately 61% of Gismondi capital is currently held by Massimo Gismondi. Residual stakes are in the hands of the market (~34%) and Zeus Capital (~5%).

The Board of Directors comprises the aforementioned three senior executives, Andrea Canonici and Giovanni Palma, serving by way of independent directors (both possessing certifications as public accountants and auditors).

### Gismondi: Shareholders' Structure and Board of Directors



Source: Gismondi

## Appendix – Peers Description

### Gismondi: Peers Description

**Compagnie Financière Richemont SA (CFR)** – France-based world leader in hard luxury products, with Jewelry items generating 58% of Revenues, followed by Watches (18%) and Online Distributors. Most relevant jewelry brands are Cartier, Van Cleef & Arpels, Buccellati. Market Cap at ca. €88bn; Revenues of ca. €20bn.

**Swatch Group (UHR)** – Switzerland-based holding company engaged in Watches & Jewelry (80% & 10% of Revenues) and Electronic Systems. Harry Winston is among the top-end jewelries in the world. Relevant watch brands are Omega, Longines, Tissot, Balmain. Market Cap at ca. €15bn; Revenues of ca. €8bn.

**LVMH SE (MC)** – France-based world leader in hard and soft luxury products. Only 13% of Revenues are generated by Watches and Jewelry brands, that, among others, include Tiffany, Bulgari, Chaumet, Fred. The majority of Revenues (49%) is generated by Fashion & Leather Goods (Louis Vuitton, Fendi, etc.). Market Cap at ca. €440bn; Revenues of ca. €79bn.

**Kering (KER)** – France-based global luxury group, managing the development of a series of renowned Houses in Fashion, Leather Goods and Jewelry. Boucheron, Pomellato, Dodo, Qeelin contributed to about 7% to total Revenues. Other renowned Houses include Gucci, Saint Laurent, Bottega Veneta, Balenciaga. Market Cap at ca. €66bn; Revenues of ca. €20bn.

**Pandora (PNDORA)** – Denmark-based company specialized in the design, manufacturing and marketing of jewelry and related items. Pandora average selling price is well above that of previously mentioned peers (ca. €200 vs. several thousands). Market Cap at ca. €7bn; Revenues of ca. €3bn.

**FOPE (FPE)** – Italy-based company engaged in the design, production and marketing of premium jewelry, mainly crafted from gold. Fope is the closest comparable to Gismondi since it is listed on EGM and boasts similar characteristics in terms of size, financial profile and distribution model. Market Cap at ca. €190mn; Revenues of ca. €60mn.

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