

Gismondi 1754

Sector: Hard Luxury



1H holding up amidst luxury mixed signals

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.

After strong 1Q a slower growth in 2Q: overall +12% y/y in 1H23

Gismondi published 2Q23 Operating Revenues at ca. €3.7mn (+7% y/y), implying 1H23 Top Line at €7.9mn (+12% y/y), with growth rates in line with global peers and influenced by 1H seasonality, which usually accounts for about 40% of FY financials, and by a certain volatility typical of prestigious jewelry/special sales. The Group diversification strategy is responding very well, with European Wholesale and Qatar franchising more than offsetting the weaker y/y results of US and Genoa and Sankt Moritz retail stores (supported in 2Q22 by some non-recurring sales).

Delivery on Point

During 2Q23 GIS was strongly committed to the execution of its strategy, focusing on additional diversification. Here the main developments:

- ◆ Las Vegas “The Couture Show 2023”: ca. €1.6mn orders collected (+25% y/y), of which €200k for Vendorafa;
- ◆ Middle-East Franchising: agreement with Al Mana confirmed, with delivery of ca. €500k worth of jewelry for the new Doha store;
- ◆ M&A Updates: ongoing negotiations with potential targets in Valenza Po for the internalization of additional craftsmanship capacity.

Forecasts confirmed despite some market concerns

Despite uncertain outlook and mixed signals from the earning season of Gismondi and its peers, we are confirming our estimates owing to the usual seasonality of 2H23 and the extremely high-end offer of the Group, less exposed to cyclicity of consumer spending. Our medium-term outlook remains strong and in 2025E, we expect:

- ◆ Value of Production at €29.0mn, i.e. 24% CAGR_{22A-25E};
- ◆ EBITDA at €5.1mn (EBITDA Margin at ca. 18%);
- ◆ Net Debt at €3mn, flat vs. 2022A despite strong POS expansion.

Fair Equity Value confirmed at €8.0 (€7.3 Fully Diluted)

Since our Initiation, the majority of GIS peers’ witnessed a slight derating (due to mixed signals from their earnings season), not significant enough to justify a review of Gismondi relative valuation though. As such, we confirm GIS Fair Value at €8.0 p/s (€7.3 fully diluted).

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Fair Value (€) **8.0/7.3(*)**

Market Price (€) **5.55**

Market Cap. (€m) **22.7**

(*) 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	9.2	6.7
EV/EBIT (x)	9.8	11.2	7.8
P/E ADJ. (x)	13.9	15.1	10.2

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

STOCK DATA	
MARKET PRICE (€)	5.55
SHS. OUT. (m)	4.1 (*)
MARKET CAP. (€m)	22.7
ENTERPRISE VALUE (€m)	26.9
FREE FLOAT (%)	34.0
AVG. -20D VOL. ('000)	21,520
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
Value of Production	15.2	18.3	23.8	29.0
y/y (%)	52.2%	20.5%	30.1%	22.0%
EBITDA	3.0	2.9	4.0	5.1
EBITDA Margin (%)	19.8%	16.0%	16.8%	17.6%
EBIT	2.6	2.4	3.4	4.5
EBIT Margin (%)	17.2%	13.2%	14.4%	15.6%
Net Profit	1.6	1.5	2.2	3.0
y/y (%)	nm	-7.2%	47.7%	35.7%
Adjusted Net Profit	1.6	1.5	2.2	3.0
y/y (%)	nm	-7.2%	47.7%	35.7%
Net Financial Position	-3.0	-4.3	-4.0	-3.0
Net Fin. Pos. / EBITDA (x)	1.0	1.5	1.0	0.6
Capex	-0.4	-0.4	-0.3	-0.3
OpFCF b.t.	-2.5	0.2	1.5	2.5
OpFCF b.t. as % of EBITDA	-84.9%	8.0%	38.1%	48.4%

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

Investment case

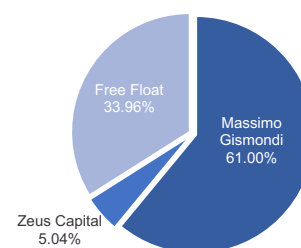
Strengths / Opportunities

- ◆ Premium positioning (€10k-€15k 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

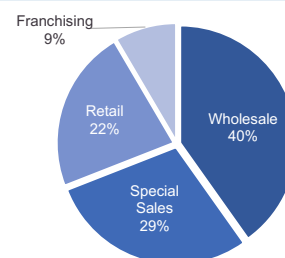
- ◆ Limited Brand Awareness and Customer Base due to small scale and few DOS;
- ◆ High Inventory Requirements limiting ROCE and FCF;
- ◆ Travel Restriction Scenarios.

Shareholders Structure



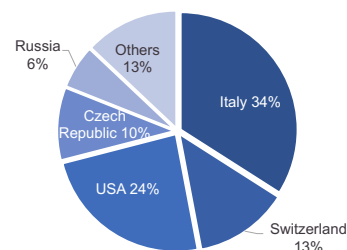
Source: Gismondi

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

2Q23/1H23 Operating Revenues

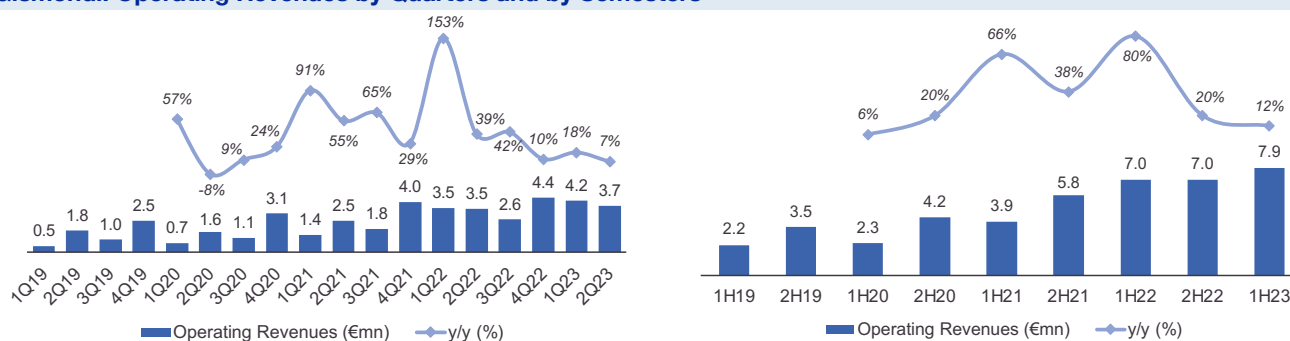
On July 20, Gismondi published its 2Q23/1H23 results for Operating Revenues, reporting low-double-digit growth figures for the semester, in line with globally renowned peers and affected by the usual business seasonality of the first part of the year, which usually accounts for ca. 40% of FY financials, as well as by the typical volatility of revenues in top-end and prestigious jewelry, with significant “special sales” and very high average value per ticket.

Key Figures & Messages

Latest Operating Revenues results highlight:

- ◆ **2Q23 at €3.7mn** vs. €3.5mn of 2Q22, i.e. **+7% y/y**, pointing at a **slowdown** with respect to previous quarters (4Q22-1Q23), and affected by some **non-recurring sales in 2Q22** that make the y/y comparison more challenging;
- ◆ **1H23 at €7.9mn** vs. €7.0mn of 1H22, i.e. **+12% y/y**, benefitting from the strong 1Q23 and from the greater **diversification** of the Group in terms of distribution channels, aimed at mitigating adverse macroeconomic scenarios and **seasonality** and higher **volatility** of Retail stores.

Gismondi: Operating Revenues by Quarters and by Semesters



Source: Gismondi, Value Track Analysis

Gismondi distribution channels reported mixed results for 1H23 Revenues:

- ◆ **Wholesale** running at full speed in Europe (1H23 at +97% y/y) but lagging in the USA (1H23 at -23% y/y) with ca. €1.6mn new orders (close to the entire Revenues of FY22, €1.8mn) to be accounted for in 2H23. Overall, Wholesale is the second most-performing channel of Gismondi, reporting 1H23 Revenues at **€3.7mn** (+22% y/y) and with the strongest potential ahead given the number of new points of sales to be opened over the next three years (we estimate around 35-40);
- ◆ **Retail (€1.0mn)**: strong results in Rome (€179k in 2Q23 vs. €37k in 1Q23) but weak performance of Genova (1H23 at -39% y/y) and Sankt Moritz (1H23 at -55% y/y), albeit it should be noted that 2Q22 benefitted from some non-recurring special revenues. Retail stores are hugely exposed to seasonality, that can largely depend on the month/week when HNWI's go on holidays in Gismondi highly distinctive locations;
- ◆ **Special Sales** were down 3% y/y in 2Q23 but the strong 1Q23 (+29% y/y) implied a +13% growth rate on 1H23 vs. 1H22, with Revenues at **€2.2mn**;
- ◆ **Franchising (€1.0mn)** being the most performing channel (+47% y/y) thanks to the delivery of goods to the new Doha-based store in Qatar (see Business Updates), totaling ca. €427k. The Prague-based store recorded lower sales in 1H23 vs. 1H22 (-16% y/y) after the good performance of last year but should recover strongly in the fall-winter seasons.

Overall, with respect to 1H22, Wholesale increased its incidence on total sales from 43% to 47% and Franchising from 10% to 13%. On the other hand, Retail lost 7 percentage points y/y, with Special Sales still accounting for 28% of the total.

This trend is in line with the management diversification strategy for an increasing focus on more scalable and less capital intensive indirect distribution channels.

Gismondi: Operating Revenues by Distribution Channel

(IT GAAP, €mn)	2Q22	2Q23	y/y	1H22	1H23	y/y
Wholesale	1.3	1.5	17%	3.0	3.7	22%
Retail	0.8	0.5	-36%	1.4	1.0	-27%
Special Sales	1.0	1.0	-3%	1.9	2.2	13%
Franchising	0.4	0.7	97%	0.7	1.0	47%
Operating Revenues	3.5	3.7	7%	7.0	7.9	12%

Source: Gismondi, Value Track Analysis

Looking at the geographic breakdown, **Italy** still remains on top, with 42% of total sales, followed by **US** (down at 21% from 29% at FY22 due to weak performance of 2Q23, but not considering yet the new orders from the Las Vegas event to be accounted in 3Q23-4Q23), **Russia** (8%), **Czech Republic** (7%) and **Switzerland** (2%). Other countries worth of mention for their good performances were **Sweden, Israel, Qatar** and **Hong Kong**.

Gismondi: 1H23 Operating Revenues by Distribution Channel and Geographic Location



Source: Gismondi, Value Track Analysis

Business Updates

Gismondi is following a clear growth path, with 1H23 highlighting new commercial agreements (Al Mana family for new franchising stores in the Middle East), the strengthening of the Gismondi 1754 brand in the US market and the acquisition of Vendorafa Lombardi brand and assets for increased product (more "daily use" and metalworking-based jewelry) and market diversification (Japan).

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, 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) and increased marketing efforts, (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 (more details in the Appendix).

2Q23 Business Updates

While in terms of financial results, 2Q23 was marked by a slight slowdown, the Group was strongly committed to the execution of its strategy, focusing on additional diversification.

Here follows a recap of the main events and developments of the quarter:

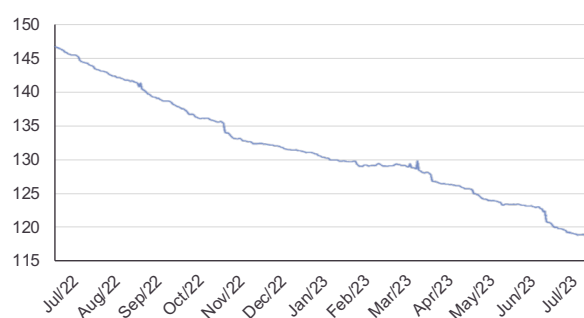
- ◆ **Las Vegas “The Couture Show 2023”.** Great success for Gismondi at the most important global event of high-end jewelry, with ca. €1.6mn (of which ca. €200k for Vendorafa) pre-orders collected (+25% y/y vs. ca. €1.2mn in 2022). In addition, Gismondi ranked second in “The Couture Design Award 2023”, totaling four finals and two wins in four participations at the fair. More, new dealers appreciated Gismondi and Vendorafa collections, becoming potential wholesalers of the brands in the future.
- ◆ **Middle-East Franchising.** The agreement with the Al Mana family for the opening of a new franchising chain (a total of 6 stores are expected) in the Middle-East is confirmed, with the first store to be opened in Doha in late 3Q23 / start of 4Q23. Gismondi delivered ca. €500k worth of jewelry (ca. 2x the order initially agreed, a strong sign of confidence from the new partners).
- ◆ **M&A Updates.** Management is still scouting potential targets in the Valenza Po district for the internalization of its craftsmanship process and initial talks are ongoing.
- ◆ **Execution on track.** Management confirm that the execution plan in terms of point of sales openings, new commercial partnerships and financial results is in line with their expectations. Volatility in terms of business seasonality is normal, especially in the summer months when HNWI spending might depend on their holidays period. Given Gismondi offer being tailored to the richest end of the population, fear of inflation implications on consumer spending is mitigated.
- ◆ **Some Recruiting.** The Company is still strengthening its management structure and it is now searching for a new head of marketing, in line with the strategy of enhancing the Group brand awareness.
- ◆ **Diamond Prices/Sector outlook.** Diamond prices have been falling consistently for one year, providing a bearish sign for market demand and for the outlook of Hard Luxury players (see Valuation). However, we remind that Gismondi clientele is less vulnerable to inflationary effects on consumer spending. On the contrary, more bearish market conditions could also help the Group to secure attractive assets at less demanding transaction multiples in potential M&A scenarios.

Gismondi: Gold and Diamond Market Prices

5Y Diamond Index (ppt)



1Y Diamond Index (ppt)



5Y Price of Gold (\$/oz)



1Y Price of Gold (\$/oz)



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

Next Steps: Recap on Key Strategic Guidelines

Despite the development of the last few years, there is still much work to do. The goal remains to increase market share, reputation and profitability while maintaining the current top-end quality and desirability of its jewelry. To do so, management outlined the following strategic directions:

1. **Consolidation of the Brand Awareness:** realization of promotional activities, such as advertising campaigns through traditional tools and social media, highly visible “testimonials”, 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, Jeddah, Kuwait, Oman, United Arab Emirates);
3. **M&A for In-House Craftmanship:** after the acquisition of 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, to gain further control on the value chain, to increase margins and optimize the cash conversion cycle.

Forecasts 2023E-25E

Estimates Confirmed, but short term news flow unlikely to be supportive

On the back of 1H23 financials consistent with management expectations and the usual business seasonality skewed towards the second half of the year, we are confirming our forecasts for Gismondi FY23E-25E. However, we mark that:

1. As 1H23 sales were affected by unfavorable seasonality and volatility, it would be difficult for 2H23 to exceed our expectations and hence we see limited short-term upside potential;
2. The outlook on the Hard Luxury Market has somewhat deteriorated (see Valuation), with lower visibility on the Consumer Goods industry. Still, we point out that Gismondi sells its products to the highest-end of the market, less vulnerable to potential negative macroeconomic effects.

Forecasts 2023E-25E

Key Estimates and Drivers

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

- ◆ **Value of Production at €29.0mn**, i.e. 24% CAGR_{22A-25E} 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

Here follows a brief summary of the key drivers of the outlined estimates. For more details, see Initiation of Coverage of May 22nd, 2023.

- ◆ **Top Line** positively impacted by:
 - New openings (2x POS in 3 years), especially in the wholesale and franchising channels;
 - Organic growth of average sales per POS, with new openings needing more time;
 - Vendorafa Lombardi limited contribution of ca. €1.5mn from 2024E onwards.
- ◆ **Profitability** back to normalized levels because of:
 - Special discounts in 2H22, increasing FY22 margins above their “normal” levels;
 - Indirect distribution channels increasing their incidence on total Revenues;
 - Economies of scale enabling positive operating leverage from 2024E onwards;
- ◆ **Free Cash Flow** improvement thanks to:
 - Net Working Capital benefitting from business mix more towards indirect channels;
 - Capex not embedding major investments but mainly maintenance;
 - Vendorafa Lombardi cash-out of €608k, entirely in 2023E.

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

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

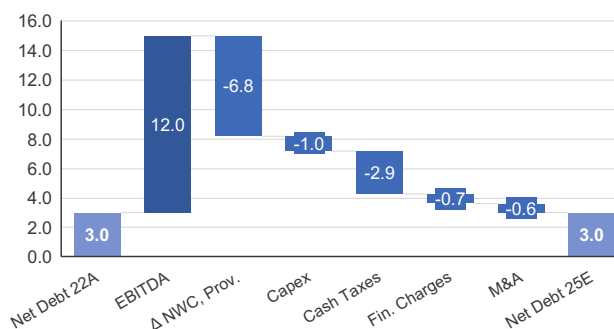
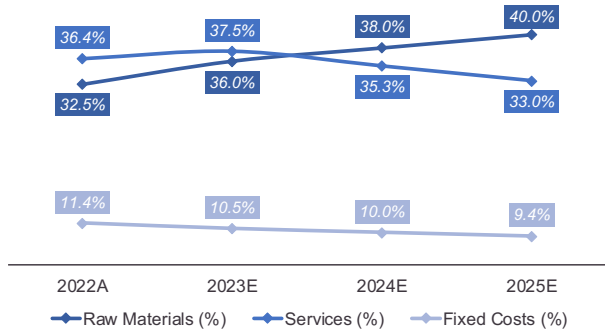
Source: Gismondì, Value Track Analysis

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



Source: Gismondì, Value Track Analysis

Gismondì: Opex Incidence and Net Debt Bridge



Source: Gismondì, Value Track Analysis

Financial Statements 2022A-25E

Gismondi: P&L 2022A-25E

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

Source: Gismondi, Value Track Analysis

Gismondi: 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
Operating Working Capital	11.2	13.4	15.2	17.1
Other Current Assets	2.5	3.0	3.9	4.8
Other Current Liabilities	1.3	1.6	2.1	2.6
Net Working Capital	12.5	14.7	16.9	19.3
As a % of VoP	82%	81%	71%	67%

Source: Gismondi, 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
Total Capital Employed	14.1	16.9	18.8	20.8
Group Net Equity	11.0	12.5	14.8	17.8
Net Financial Position [Net debt (-) / Cash (+)]	-3.0	-4.3	-4.0	-3.0

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
OpFCF b.t.	-2.5	0.2	1.5	2.5
<i>As a % of EBITDA</i>	<i>-84.9%</i>	<i>8.0%</i>	<i>38.1%</i>	<i>48.4%</i>
Cash Taxes	-0.6	-0.7	-1.0	-1.3
OpFCF a.t.	-3.1	-0.4	0.6	1.2
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
Δ Net Financial Position	-3.3	-1.3	0.3	1.0
Net Financial Position	-3.0	-4.3	-4.0	-3.0

Source: Gismondì, Value Track Analysis

Valuation

We confirm Gismondi Fair Equity Value at €8.00 p/s (primary) given:

1. No change in estimates post-1H23 results;
2. No substantial changes in peers' multiples since our Initiation of Coverage (May 2023).

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 €7.30 p/s Fully Diluted**.

We remind that our Fair Equity Value is the average result from a Relative Valuation based on comparables' current FY24 trading multiples and a DCF with target capital structure at 30% (Net Debt / Capital Employed) and a WACC of 11.7%. We also performed a cross-check analysis based on (i) historical correlation between GIS and peers' multiples and (ii) M&A transactions multiples.

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

Fair Equity Value (€mn)	Outstanding NOSH	Fully Diluted NOSH
Fair Equity Value Pre-Warrant	33.0	33.0
Cash-In from Warrant	0.0	5.2
Fair Equity Value	33.0	38.2
NOSH	4.1	5.2
Fair Equity Value p/s (€)	8.0	7.3

Source: Market Consensus, Value Track Analysis

At **€8.00 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**.

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
€ 8.00	2.0	1.5	12.7	9.2	15.4	10.7	21.7	14.7
€ 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)

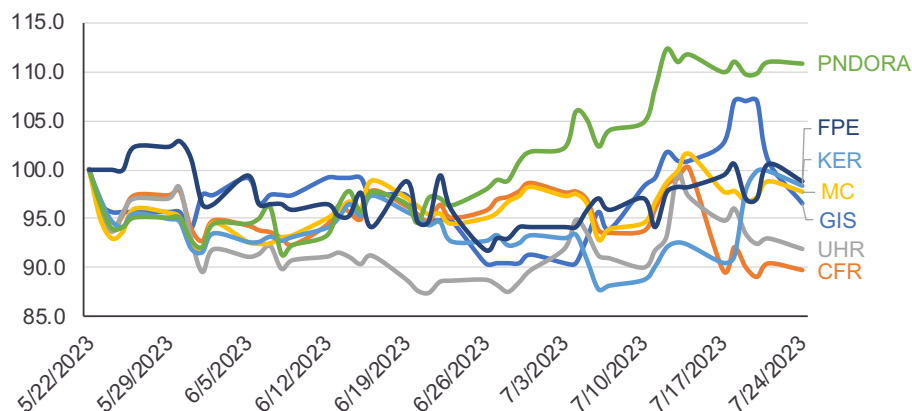
For more details regarding the analysis for the obtained Fair Equity Value p/s, please refer to our Initiation of Coverage report of May 22nd, 2023.

Peers Analysis

Over the last 2 months (since our Initiation), the majority of GIS peers' witnessed a slight derating, albeit not so substantial to require a review of Gismondi relative valuation. Such weak and volatile stock performance seems to be motivated by the mixed signals arising from 2Q23/1H23 Hard Luxury Market earnings season and in general by a more cautious stance relative to consumer goods stocks.

For instance, **Richemont** recorded flattish 2Q23 Revenues in the Americas, perhaps harmed by lower consumer spending from middle-high income individuals triggered by current inflation levels. On the other hand, the **Swatch Group** reported its record half-year results thanks to the lifting of travel restrictions in Asia, but recent stock performance was not much supportive. **Pandora** rerating might be justified by the significant buyback program (ca. €350mn to reach 10% of share capital)) recently announced and started. **Gismondì** trading discount vs comparables remained more or less the same, as its stock price declined over the last days after a +7% since May up to 1H23 results.

Gismondì: Peers' Stock Price Evolution since Initiation of Coverage (22-05-23)



Source: Market Consensus, Value Track Analysis

Gismondì: Peers Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Hard & Diversified Luxury Leaders								
Richemont	3.7	3.4	11.5	10.4	14.4	13.3	18.8	17.5
Swatch Group	1.4	1.2	6.3	5.7	8.2	7.3	14.0	12.8
LVMH	5.1	4.6	14.5	13.0	18.7	16.5	25.9	23.4
Kering	3.4	3.1	9.5	8.6	12.4	11.0	17.3	15.5
Average	3.4	3.1	10.4	9.4	13.4	12.0	19.0	17.3
Median	3.6	3.2	10.5	9.5	13.4	12.1	18.0	16.5
Other Jewelry Players								
Pandora	2.4	2.3	7.2	6.8	9.5	8.9	11.1	10.4
Fope	2.5	2.1	10.1	8.6	11.9	10.0	17.1	14.6
Average	2.4	2.2	8.7	7.7	10.7	9.4	14.1	12.5
Median	2.4	2.2	8.7	7.7	10.7	9.4	14.1	12.5
Total Average	3.1	2.8	9.9	8.8	12.5	11.2	17.4	15.7
Total Median	2.9	2.7	9.8	8.6	12.2	10.5	17.2	15.0
Gismondì	1.5	1.1	9.2	6.7	11.2	7.8	15.1	10.2
Discount vs. Total Average. (%)	-52%	-60%	-6%	-25%	-11%	-31%	-13%	-35%

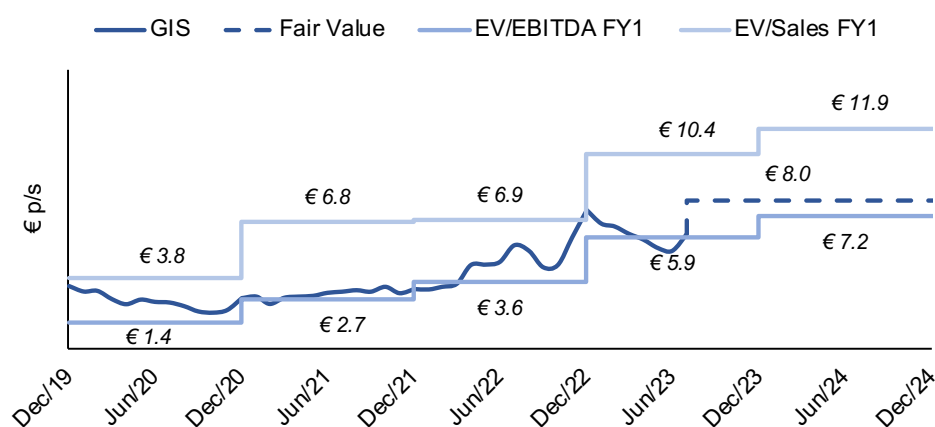
Source: Market Consensus, Value Track Analysis

Cross Check #1: Correlation between Gismondì and Peers Multiples

GIS stock has been usually 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 flattish over the analysed period;
2. GIS growing "fair" values over time - from €1.4 of 2020 to €5.9 of 2023, based on EV/EBITDA in the chart below- were not driven by sector multiple expansion, but by GIS financial performance;
3. Our €8.0 Fair Equity Value p/s (primary) is consistent with the historical analysis and with a 12-month horizon, while it may appear somehow 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

Gismondì: 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
Median	//	//	247	100%	3.1

Source: Various, Value Track Analysis

Appendix - Gismondi 1754 at a Glance

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.

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 3Q23-4Q23 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 3Q23-4Q23);
- ◆ **Temporary Stores (3)**: Ghana, Nigeria and Portugal.

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

Over the last 5 years, Gismondi witnessed a strong expansion phase, passing from €2.3mn **Value of Production** in FY17 to over **€15mn in FY22**, growing at almost **50% CAGR₂₀₁₇₋₂₂**. 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 Gismondi 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, Gismondi 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.

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, Jeddah, 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

1. Premium positioning in the **high-end jewelry sector**, average ticket between €10k-€15k, products retaining value
2. **Made in Italy** artisanship, strong heritage but modern design and **exclusivity** (tailor-made creations)
3. Strong control of the value chain with **direct relationship** with suppliers and **highly selective** distribution network
4. Exposure to Hard Luxury market and **HNWI**, with high barriers to entry

WEAKNESSES

1. **Limited Brand Awareness** and customer base due to small scale and few directly operated stores
2. **High Inventory** requirements limiting the growth of directly operated stores, ROCE and FCF
3. **Stiff Competition** of the Jewelry Sector, high control of suppliers (oligopoly) and customers

OPPORTUNITIES

1. **International Expansion** in various underpenetrated and rapidly growing markets (e.g., Middle East)
2. **In-House Crafting** could boost margins by gaining full control on the supply chain
3. New wholesale/franchising openings with limited "on consignment" policies could **improve inventory turnover**

THREATS

1. **Centralization** of design activity on Massimo Gismondi
2. **Potential shortage** of production **capacity**
3. Exposure to **changes in prices** of raw materials and FOREX
4. **Restricted traveling scenarios**: customers' spending highly concentrated on holidays season

Source: Value Track Analysis

Appendix – Vendorafa Lombardi Acquisition

Deal at a Glance

On March 31st 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 Unoerre Japan;

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