

# Gismondi 1754

Sector: Hard Luxury



## Good 1H23, but what about 4Q?

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.

### 1H23 results approved: VoP +11% y/y, EBITDA +72% y/y

Gismondi approved the full set of 1H23 results on September 21<sup>st</sup>: Top Line confirmed up double digit as from last July release (€8.0mn, up 11% y/y); EBITDA at €1.4mn with a margin of 17% compared to 11% of 1H22 and Net Profit at €674k (€374k in 1H22). Net Debt closed at €5.1mn vs €3.0 as of Dec 2022, due to a material increase in stocks, including finished products to boost new collections and feed new store openings in 2H23.

### Delivery of growth strategy ongoing

So far in FY23 management have been committed to the execution of GIS growth strategy, focusing on product innovation, expansion of the franchising network and of the wholesale channel, as well as via further M&A (with ongoing negotiations with potential targets to gain additional high-end craftsmanship capacity). However, the international geopolitical and economic instability can't be ignored, calling for some caution when looking at 2H23.

### Forecasts fine-tuned to factor 2H macro uncertainties

As Gismondi 1H usually accounts for ca. 40% of FY financials and a relatively high volatility is typical of prestigious jewellery and special sales, it is particularly hard to gauge clear indications for future quarters. We decided to fine-tune our estimates due to the rising uncertainty of the Hard Luxury sector (stock market keeps questioning about 2023 Xmas season and 2024 outlook). Still, our forecasts are only slightly impacted, as GIS top-end positioning and strong business development should mitigate the sector outlook. In 2025E we now expect:

- ◆ Value of Production at €27.7mn, i.e. 22% CAGR<sub>22A-25E</sub>;
- ◆ EBITDA at €4.7mn (EBITDA Margin at ca. 17%);
- ◆ Net Debt at €4.2mn, strong POS expansion.

### Fair Value at €7.40 p/s (€6.80 Fully Diluted)

We update Gismondi Fair Equity Value at €7.40 p/s (€6.80 p/s fully diluted) from €8.00 p/s (€7.30 p/s fully diluted), given (i) the mild downwards estimates revision and (ii) peers' multiple de-rating, as falling stock prices incorporate rising concerns about downside risk for consensus earnings. However, a lower Italian Equity Risk Premium drives a higher DCF-based fair value, partially offsetting our relative valuation.

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**Fair Value (€)** 7.4/6.8(\*)  
**Market Price (€)** 4.50  
**Market Cap. (€m)** 18.4

(\*) Fully Diluted

KEY FINANCIALS (€mn)	2022A	2023E	2024E
VALUE OF PRODUCTION	15.2	17.0	22.4
EBITDA	3.0	2.5	3.6
EBIT	2.6	2.0	3.0
NET PROFIT	1.6	1.2	1.9
EQUITY	11.0	12.3	14.2
NET FIN. POS.	-3.0	-5.7	-5.3
EPS ADJ. (€)	0.40	0.30	0.47
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	14.9	16.2
EBIT MARGIN (%)	17.2	11.8	13.6
NET DEBT / EBITDA (x)	1.0	2.2	1.5
NET DEBT / EQUITY (x)	0.3	0.5	0.4
EV/SALES (x)	1.4	1.4	1.1
EV/EBITDA (x)	7.1	9.5	6.5
EV/EBIT (x)	8.2	11.9	7.8
P/E ADJ. (x)	11.3	15.0	9.5

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

STOCK DATA	
MARKET PRICE (€)	4.50
SHS. OUT. (m)	4.1 (*)
MARKET CAP. (€m)	18.4
ENTERPRISE VALUE (€m)	24.0
FREE FLOAT (%)	34.0
AVG. -20D VOL. ('000)	12,960
RIC / BBG	GIS.MI / GIS IM
52 WK RANGE	4.08 – 8.05

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

EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON GISMONDI 1754 SHARES



## 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>17.0</b>	<b>22.4</b>	<b>27.7</b>
y/y (%)	52.2%	12.2%	31.7%	23.8%
<b>EBITDA</b>	<b>3.0</b>	<b>2.5</b>	<b>3.6</b>	<b>4.7</b>
EBITDA Margin (%)	19.8%	14.9%	16.2%	17.1%
<b>EBIT</b>	<b>2.6</b>	<b>2.0</b>	<b>3.0</b>	<b>4.1</b>
EBIT Margin (%)	17.2%	11.8%	13.6%	14.9%
<b>Net Profit</b>	<b>1.6</b>	<b>1.2</b>	<b>1.9</b>	<b>2.7</b>
y/y (%)	nm	-24.6%	58.3%	41.1%
<b>Adjusted Net Profit</b>	<b>1.6</b>	<b>1.2</b>	<b>1.9</b>	<b>2.7</b>
y/y (%)	nm	-24.6%	58.3%	41.1%
<b>Net Financial Position</b>	<b>-3.0</b>	<b>-5.7</b>	<b>-5.3</b>	<b>-4.2</b>
Net Fin. Pos. / EBITDA (x)	1.0	2.2	1.5	0.9
Capex	-0.4	-0.6	-0.4	-0.3
<b>OpFCF b.t.</b>	<b>-2.5</b>	<b>-1.2</b>	<b>1.4</b>	<b>2.5</b>
OpFCF b.t. as % of EBITDA	-84.9%	-49.0%	39.5%	53.6%

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

## Investment case

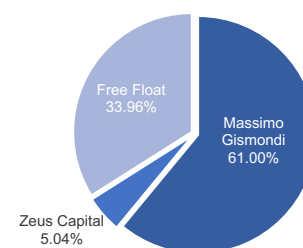
### Strengths / Opportunities

- ◆ 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

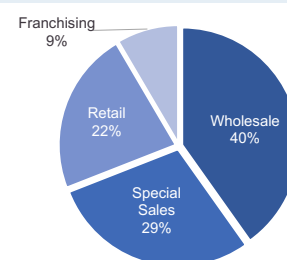
- ◆ Limited Brand Awareness and Customer Base due to small scale and few DOS;
- ◆ High Inventory Requirements limiting ROCE and FCF;
- ◆ Travel Restriction Scenarios.

## Shareholders Structure



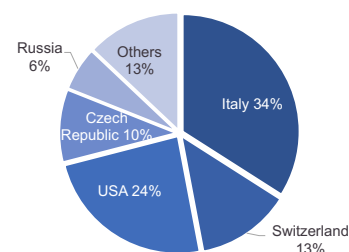
Source: Gismondi

## Revenues by Distribution Channel



Source: Gismondi, FY22

## Revenues by Geographic Area



Source: Gismondi, FY22

## Stock Multiples @ €7.40 Fair Value

	2023EE	2024E
EV / SALES (x)	2.1	1.6
EV / EBITDA (x)	14.2	9.8
EV / EBIT (x)	17.8	11.7
EV / CAP.EMP. (x)	2.0	1.8
OpFCF Yield (%)	-3.5	4.0
P / E (x)	24.7	15.6
P / BV (x)	2.5	2.1
Div. Yield. (%)	0.0	0.0

Source: Value Track

## 1H23 Financials

On September 21<sup>st</sup>, Gismondi BoD approved the full set of 1H23 results. GIS confirmed the preliminary Top Line reported back in July (low-double-digit growth), while also highlighting a strong EBITDA Margin (up 610bp y/y) and an increase of ca. €2mn in Net Debt compared to Dec 2022.

### Key Figures

About 1H23 financials, we believe worth to highlight:

- ◆ **Value of Production at €8.0mn**, +11% y/y, benefitting from greater channel diversification;
- ◆ **EBITDA at €1.4mn**, +72% thanks to a substantial bargain on the purchase of some diamonds;
- ◆ **Net Profit at €0.7mn**, almost doubling y/y thanks to the outstanding operating margins;
- ◆ **Net Debt at €5.1mn**, increasing by slightly less than €2mn due to some inventory buildup.

### Gismondi: Key Financials 1H21-1H23

(IT GAAP, €mn)	1H21	1H22	1H23	y/y
<b>Value of Production</b>	<b>3.9</b>	<b>7.2</b>	<b>8.0</b>	<b>11%</b>
<b>EBITDA</b>	<b>0.3</b>	<b>0.8</b>	<b>1.4</b>	<b>72%</b>
<i>EBITDA Margin (%)</i>	<i>7.8%</i>	<i>11.3%</i>	<i>17.4%</i>	<i>+610bps</i>
<b>Net Profit</b>	<b>0.1</b>	<b>0.4</b>	<b>0.7</b>	<b>80%</b>
<b>Net Financial Position [Net debt (-) / Cash (+)]</b>	<b>0.7</b>	<b>-0.3 (*)</b>	<b>-5.1</b>	<b>nm</b>

Source: Gismondi, Value Track Analysis, (\*) As of FY22 NFP was -€3.0mn

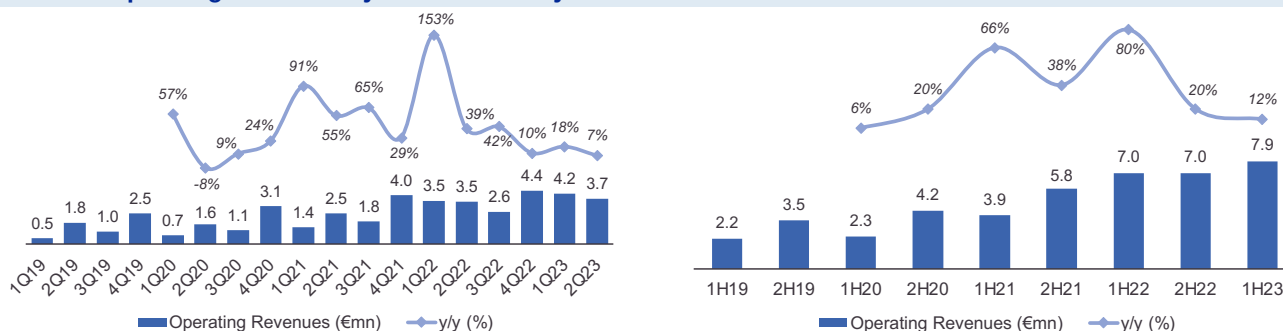
### Key Messages

#### Top Line: Double-Digit Growth Thanks to Strong 1Q23 and Indirect Channels

1H23 Revenues figures 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

We also remind the following about Gismondi distribution channels and sales mix:

- ◆ **Wholesale** running at full speed in Europe (1H23 at +97% y/y), but lagging in the USA (1H23 at -23% y/y) with total revenues at **€3.7mn** (+22% y/y) and with a strong 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)** with performances very much differentiated among stores and heavily exposed to seasonality, that can largely depend on the month/week when HNWI's go on holidays in the prestigious locations covered, causing often a certain volatility of sales;
- ◆ **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, +47% y/y)** thanks to the delivery of goods to the new store in Doha – Qatar, while the store in Prague recorded a -16% y/y in 1H23, also due to tough comps.

The trends outlined are in line with management diversification strategy: an increasing focus on indirect distribution channels, more scalable and less capital intensive.

#### 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%
<b>Operating Revenues</b>	<b>3.5</b>	<b>3.7</b>	<b>7%</b>	<b>7.0</b>	<b>7.9</b>	<b>12%</b>

Source: Gismondi, Value Track Analysis

#### Margins at Very High Levels, on Effective Purchasing Policy

**EBITDA Margin** expanded materially from 11.3% of 1H22 up to **17.4%** of 1H23, implying an over 600 bps increase mostly explained by a very favourable management of purchase costs (precious stones, diamonds) and by the benefit of scale effect. We see the former as a temporary factor, which boosted GIS operating profitability also in 2H22, and expect margins to “normalize” already from 2H23E. On the other hand, the long-term growth potential is expected to drive EBITDA margin gradually up over the forecasted period, however below FY22 levels.

#### Inventory Dynamics Affecting Net Debt

The only negative element of the interim results was the material increase of Net Working Capital, namely finished products inventory, and the related increase of **Net Debt**, climbing by ca. €2mn from €3.0mn of December 2022 to **€5.1mn** of June 2023.

Management underlines that Gismondi is heavily investing on the launch of the new collections – which in turn means feeding the longer-term growth - and is working hard to provide an appropriate level of finished products for the new store openings of 2H23 (Doha franchising and new wholesale points of sales). Yet, this is an element of potential risk, should sell-out targets be missed on major macroeconomic and geopolitical unfavourable conditions.

## Business Development

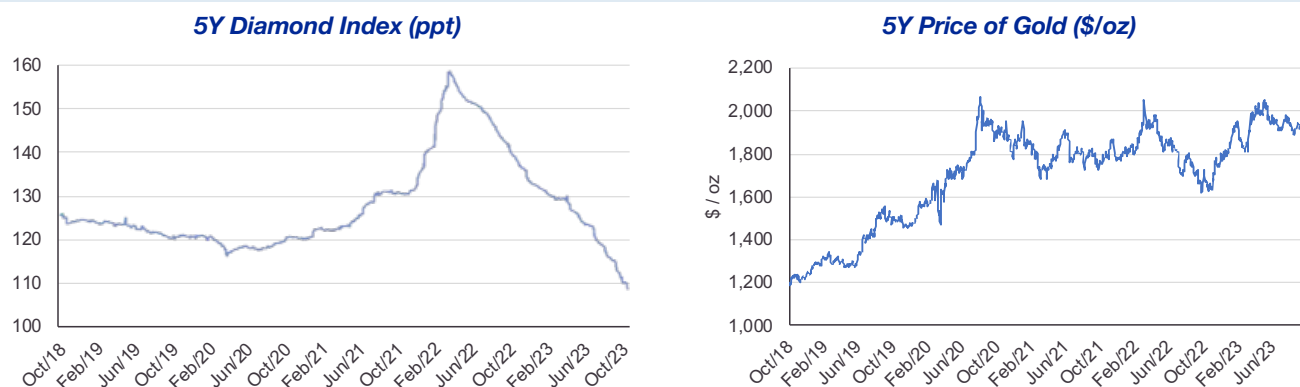
Gismondi is following a clear growth path, with 1H23 highlighting new commercial agreements (Al Mana family for new franchising stores in the Middle East), the strengthening of the Gismondi 1754 brand in the US market and the acquisition of Vendorafa Lombardi brand and assets for increased product offer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

In terms of **execution**, management confirmed that the development plan (point of sales openings, partnerships) and financial results is in line with their expectations. However, the international geopolitical and economic instability can't be ignored, calling for some **caution when looking at the second semester of the year**. Indeed, the sector outlook remains uncertain:

- ◆ **Diamond Prices** keep falling consistently from March 2022 peak and this seems to provide a bearish sign for market demand of Hard Luxury;
- ◆ **Equity Capital Markets** are still extremely nervous on the sector and falling stocks' prices incorporate rising concerns about downside risk for consensus earnings;

However, we also remind that the current bearish market conditions may help the Group to secure attractive assets at less demanding transaction multiples.

### Gismondi: Gold and Diamond Market Prices



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

## 2Q23 Business Updates

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 (Germany, Spain, Bahrein, United Arab Emirates).
- ◆ **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.
- ◆ **Some Recruiting**. GIS 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.

## Forecasts 2023E-25E

### Estimates Revision

As Gismondi 1H usually accounts for ca. 40% of FY financials and a relatively high volatility is typical of prestigious jewelry and special sales, it is particularly hard to gauge clear indications on future quarters. We decided to fine-tune our estimates post-release of the full set of 1H23 financials and mainly due to the rising uncertainty of the Hard Luxury sector (see Business Development chapter). We expect a weaker than usual business seasonality in the second semester of the year, curbed by a slowdown of luxury goods purchases, unable to escape from inflationary pressures.

Still, our estimates are only slightly impacted, as Gismondi top-end positioning (selling its products to the highest-end of the market, less vulnerable to negative macroeconomic effects) and strong business development should mitigate the sector outlook.

#### Gismondi: Old vs. New Estimates

Key Financials (IT GAAP, €mn)	2023E			2024E			2025E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Value of Production	18.3	17.0	-7%	23.8	22.4	-6%	29.0	27.7	-4%
EBITDA	2.9	2.5	-13%	4.0	3.6	-9%	5.1	4.7	-7%
EBITDA Margin (%)	16.0%	14.9%	-106bps	16.8%	16.2%	-62bps	17.6%	17.1%	-49bps
EBIT	2.4	2.0	-16%	3.4	3.0	-12%	4.5	4.1	-9%
EBIT Margin (%)	13.2%	11.8%	-133bps	14.4%	13.6%	-88bps	15.6%	14.9%	-71bps
Net Profit	1.5	1.2	-19%	2.2	1.9	-13%	3.0	2.7	-9%
Net Financial Position	-4.3	-5.7	-1.4	-4.0	-5.3	-1.3	-3.0	-4.2	-1.2

Source: Value Track Analysis

## Forecasts 2023E-25E

### Key Estimates & Drivers

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

- ◆ **Value of Production at €27.7mn**, i.e. 22% CAGR<sub>22A-25E</sub> driven by Franchising and Wholesale;
- ◆ **EBITDA Margin at ca. 17%** excluding future “special deals” that benefitted FY22-1H23;
- ◆ **Net Working Capital absorbing ca. €2mn-€3mn per year**, albeit normalizing vs. FY22;
- ◆ **Net Debt at €4.2mn**, after 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	17.0	22.4	27.7	22%
EBITDA	3.0	2.5	3.6	4.7	17%
EBITDA Margin (%)	19.8%	14.9%	16.2%	17.1%	-270bps
Δ Net Working Capital	-5.2	-3.2	-1.8	-1.9	nm
Net Financial Position [Net debt (-) / Cash (+)]	-3.0	-5.7	-5.3	-4.2	nm

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 22<sup>nd</sup>, 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 2H22-1H23, increasing 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.

#### 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>7.4</b>	<b>10.8</b>	<b>14.2</b>	<b>36%</b>
y/y (%)	72%	32%	46%	31%	nm
L-F-L (%)	41%	5%	0%	0%	nm
POS (#)	28	35	51	67	nm
<b>Retail</b>	<b>3.2</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>	<b>-4%</b>
y/y (%)	93%	-24%	10%	8%	nm
L-F-L (%)	29%	-35%	10%	8%	nm
POS (#)	6	7	7	7	nm
<b>Special Sales</b>	<b>4.1</b>	<b>4.5</b>	<b>4.9</b>	<b>5.2</b>	<b>9%</b>
y/y (%)	3%	11%	8%	7%	nm
L-F-L (%)	-32%	-5%	8%	7%	nm
<b>Franchising</b>	<b>1.2</b>	<b>2.2</b>	<b>3.6</b>	<b>5.0</b>	<b>61%</b>
y/y (%)	35%	84%	64%	39%	nm
L-F-L (%)	35%	-8%	9%	4%	nm
POS (#)	1	2	3	4	nm
<b>Operating Revenues</b>	<b>14.0</b>	<b>16.5</b>	<b>21.9</b>	<b>27.2</b>	<b>25%</b>
Adjustments	0.7	0.0	0.0	0.0	nm
<b>Revenues from Sales</b>	<b>14.7</b>	<b>16.5</b>	<b>21.9</b>	<b>27.2</b>	<b>23%</b>

Source: Gismondi, Value Track Analysis

## 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>16.5</b>	<b>21.9</b>	<b>27.2</b>	<b>23%</b>
Other Revenues	0.5	0.5	0.5	0.5	2%
<b>Value of Production</b>	<b>15.2</b>	<b>17.0</b>	<b>22.4</b>	<b>27.7</b>	<b>22%</b>
Raw Materials, Δ Inventory (Raw Materials)	-4.9	-5.4	-7.8	-9.7	25%
<b>Gross Profit</b>	<b>10.2</b>	<b>11.7</b>	<b>14.6</b>	<b>18.0</b>	<b>21%</b>
Gross Margin (%)	67.5%	68.5%	65.0%	65.0%	-250bps
Costs of Services	-5.5	-7.1	-8.6	-10.5	24%
Costs of Rent	-0.3	-0.4	-0.5	-0.6	17%
G&A	-0.2	-0.2	-0.3	-0.3	27%
Labour Costs	-1.2	-1.4	-1.6	-1.9	15%
<b>EBITDA</b>	<b>3.0</b>	<b>2.5</b>	<b>3.6</b>	<b>4.7</b>	<b>17%</b>
EBITDA Margin (%)	19.8%	14.9%	16.2%	17.1%	-270bps
D&A & Provisions	-0.4	-0.5	-0.6	-0.6	16%
<b>EBIT</b>	<b>2.6</b>	<b>2.0</b>	<b>3.0</b>	<b>4.1</b>	<b>17%</b>
EBIT Margin (%)	17.2%	11.8%	13.6%	14.9%	-230bps
Net Financial Charges	-0.4	-0.2	-0.2	-0.2	-17%
Taxes	-0.6	-0.6	-0.9	-1.2	26%
<b>Net Profit</b>	<b>1.6</b>	<b>1.2</b>	<b>1.9</b>	<b>2.7</b>	<b>19%</b>

Source: Gismondì, Value Track Analysis

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

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Inventory	11.6	13.8	15.3	17.3
As a % of VoP	76%	81%	68%	62%
Trade Receivables	3.7	5.4	6.9	7.8
Trade Payables	4.0	4.8	6.4	7.8
<b>Operating Working Capital</b>	<b>11.2</b>	<b>14.4</b>	<b>15.8</b>	<b>17.4</b>
Other Current Assets	2.5	2.8	3.7	4.6
Other Current Liabilities	1.3	1.5	2.0	2.5
<b>Net Working Capital</b>	<b>12.5</b>	<b>15.7</b>	<b>17.5</b>	<b>19.4</b>
<b>As a % of VoP</b>	<b>82%</b>	<b>92%</b>	<b>78%</b>	<b>70%</b>

Source: Gismondì, Value Track Analysis



**Gismondì: Balance Sheet 2022A-25E**

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Net Fixed Assets	1.8	2.4	2.2	1.9
Net Working Capital	12.5	15.7	17.5	19.4
Provisions	0.1	0.1	0.2	0.2
<b>Total Capital Employed</b>	<b>14.1</b>	<b>17.9</b>	<b>19.5</b>	<b>21.1</b>
<b>Group Net Equity</b>	<b>11.0</b>	<b>12.3</b>	<b>14.2</b>	<b>16.9</b>
<b>Net Financial Position [Net debt (-) / Cash (+)]</b>	<b>-3.0</b>	<b>-5.7</b>	<b>-5.3</b>	<b>-4.2</b>

Source: Gismondì, Value Track Analysis

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

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
EBITDA	3.0	2.5	3.6	4.7
Δ NWC	-5.2	-3.2	-1.8	-1.9
Capex (excl. Financial Inv.)	-0.4	-0.6	-0.4	-0.3
Δ Provisions	0.0	0.0	0.0	0.0
<b>OpFCF b.t.</b>	<b>-2.5</b>	<b>-1.2</b>	<b>1.4</b>	<b>2.5</b>
<i>As a % of EBITDA</i>	<i>-84.9%</i>	<i>-49.0%</i>	<i>39.5%</i>	<i>53.6%</i>
Cash Taxes	-0.6	-0.6	-0.9	-1.2
<b>OpFCF a.t.</b>	<b>-3.1</b>	<b>-1.8</b>	<b>0.6</b>	<b>1.4</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>-2.6</b>	<b>0.3</b>	<b>1.2</b>
<b>Net Financial Position</b>	<b>-3.0</b>	<b>-5.7</b>	<b>-5.3</b>	<b>-4.2</b>

Source: Gismondì, Value Track Analysis

## Valuation

We update Gismondi Fair Equity Value at €7.40 p/s (outstanding NOSH) from €8.00 p/s, given:

1. Mild downwards estimates revision previously commented;
2. Lower peers' multiples, as falling stocks' prices incorporate rising concerns about downside risk for consensus earnings. However, a lower Italian Equity Risk Premium drives a higher DCF-based fair value, partially offsetting our relative valuation.

Considering the potential dilution from the cash-in of in-the-money warrants over the next exercise window of October 2023, GIS **Fair Equity Value is €6.80 p/s Fully Diluted** (from €7.30 p/s).

We also performed our usual 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	30.2	30.2
Cash-In from Warrant	0.0	5.2
<b>Fair Equity Value</b>	<b>30.2</b>	<b>35.4</b>
<b>NOSH</b>	<b>4.1</b>	<b>5.2</b>
<b>Fair Equity Value p/s (€)</b>	<b>7.40</b>	<b>6.80</b>

Source: Market Consensus, Value Track Analysis

At **€7.40 p/s** (based on outstanding NOSH), Gismondi stock would trade at **1.6x EV/Sales, 9.8x EV/EBITDA, 11.7x EV/EBIT and 15.6x P/E 2024E**.

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

Fair Equity Value p/s (€)	EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			P/E Adj. (x)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
€ 5.90	1.7	1.3	1.0	11.7	8.1	6.0	14.8	9.7	6.8	19.7	12.4	8.8
€ 6.40	1.9	1.4	1.1	12.6	8.7	6.4	15.8	10.4	7.3	21.4	13.5	9.6
€ 6.90	2.0	1.5	1.2	13.4	9.3	6.8	16.8	11.0	7.8	23.0	14.6	10.3
<b>€ 7.40</b>	<b>2.1</b>	<b>1.6</b>	<b>1.2</b>	<b>14.2</b>	<b>9.8</b>	<b>7.3</b>	<b>17.8</b>	<b>11.7</b>	<b>8.3</b>	<b>24.7</b>	<b>15.6</b>	<b>11.1</b>
€ 7.90	2.2	1.7	1.3	15.0	10.4	7.7	18.9	12.4	8.8	26.4	16.7	11.8
€ 8.40	2.4	1.8	1.4	15.8	11.0	8.1	19.9	13.1	9.3	28.0	17.7	12.6
€ 8.90	2.5	1.9	1.5	16.6	11.5	8.5	20.9	13.7	9.8	29.7	18.8	13.3

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

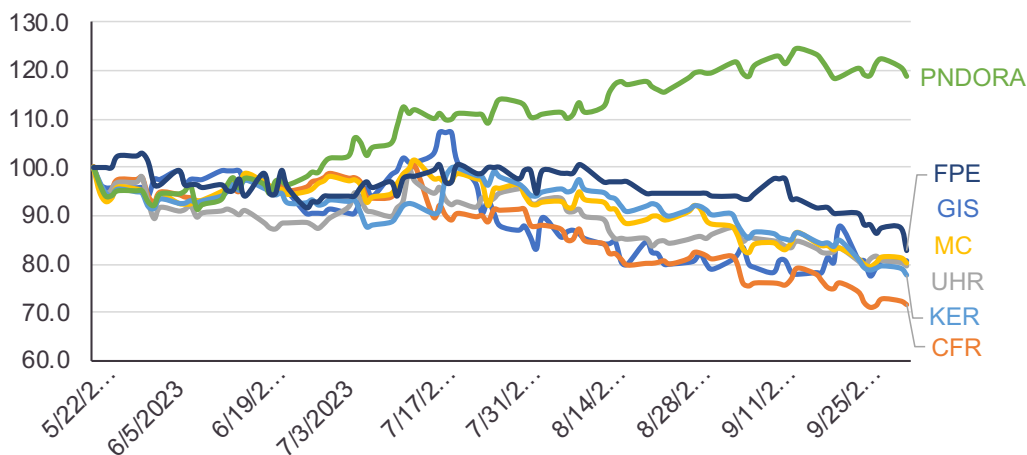
## Peers Analysis

Since our Initiation of Coverage (May 2023), all GIS peers (except for Pandora) witnessed a significant stock price derating of ca. 20%. Such weak and volatile stock performance is 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 by ca. 22% since May.

**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 (x)			EV/EBIT (x)			P/E Adj. (x)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
<b>Hard &amp; Diversified Luxury Leaders</b>												
Richemont	3.0	2.7	2.5	9.3	8.3	7.5	11.8	10.7	9.5	16.0	14.7	13.5
Swatch Group	1.2	1.1	1.0	5.3	4.8	4.3	6.8	6.1	5.5	12.0	11.3	10.8
LVMH	4.4	3.9	3.6	12.5	11.4	10.3	16.2	14.4	13.0	21.8	20.2	18.5
Kering	2.8	2.6	2.3	8.1	7.3	6.5	10.6	9.4	8.3	14.7	13.3	11.9
<b>Average</b>	<b>2.8</b>	<b>2.6</b>	<b>2.3</b>	<b>8.8</b>	<b>7.9</b>	<b>7.1</b>	<b>11.3</b>	<b>10.1</b>	<b>9.1</b>	<b>16.1</b>	<b>14.8</b>	<b>13.6</b>
<b>Median</b>	<b>2.9</b>	<b>2.6</b>	<b>2.4</b>	<b>8.7</b>	<b>7.8</b>	<b>7.0</b>	<b>11.2</b>	<b>10.0</b>	<b>8.9</b>	<b>15.3</b>	<b>14.0</b>	<b>12.7</b>
<b>Other Jewelry Players</b>												
Pandora	2.5	2.3	2.2	7.5	6.9	6.5	9.7	9.0	8.3	12.2	11.2	10.3
Fope	2.3	2.0	1.7	9.7	8.2	7.0	11.0	9.1	7.6	15.3	12.9	11.1
<b>Average</b>	<b>2.4</b>	<b>2.1</b>	<b>1.9</b>	<b>8.6</b>	<b>7.6</b>	<b>6.7</b>	<b>10.4</b>	<b>9.0</b>	<b>8.0</b>	<b>13.7</b>	<b>12.1</b>	<b>10.7</b>
<b>Median</b>	<b>2.4</b>	<b>2.1</b>	<b>1.9</b>	<b>8.6</b>	<b>7.6</b>	<b>6.7</b>	<b>10.4</b>	<b>9.0</b>	<b>8.0</b>	<b>13.7</b>	<b>12.1</b>	<b>10.7</b>
<b>Total Average</b>	<b>2.7</b>	<b>2.4</b>	<b>2.2</b>	<b>8.7</b>	<b>7.8</b>	<b>7.0</b>	<b>11.0</b>	<b>9.8</b>	<b>8.7</b>	<b>15.3</b>	<b>13.9</b>	<b>12.7</b>
<b>Total Median</b>	<b>2.6</b>	<b>2.4</b>	<b>2.2</b>	<b>8.7</b>	<b>7.7</b>	<b>6.7</b>	<b>10.8</b>	<b>9.3</b>	<b>8.3</b>	<b>15.0</b>	<b>13.1</b>	<b>11.5</b>
<b>Gismondì</b>	<b>1.4</b>	<b>1.1</b>	<b>0.8</b>	<b>9.5</b>	<b>6.5</b>	<b>4.8</b>	<b>11.9</b>	<b>7.8</b>	<b>5.5</b>	<b>15.0</b>	<b>9.5</b>	<b>6.7</b>
Discount vs. Total Average. (%)	-47%	-56%	-63%	9%	-16%	-32%	8%	-20%	-37%	-2%	-32%	-47%

Source: Market Consensus, Value Track Analysis

### Relative Valuation

Our peers’ analysis returns a Fair Equity Value of €6.22 p/s, based on outstanding shares. We decided to focus on 2024E-25E as reference years, since:

1. We noted strong correlation between Gismondi share price and FY1-FY2 peers’ multiples;
2. We believe that Gismondi most significant upside should occur from 2024E onwards, 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-25E 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.

#### Gismondi: Relative Valuation

Relative Valuation 2024E-25E (€mn)	EV/Sales	EV/EBITDA	EV/EBIT	P/E Adj.
Peers’ Average 2024E (x)	2.4	7.8	9.8	13.9
Peers’ Average 2025E (x)	2.2	7.0	8.7	12.7
Discount (%)	-30.0%	-20.0%	-20.0%	-20.0%
<b>Fair Multiples 2024E (x)</b>	<b>1.7</b>	<b>6.3</b>	<b>7.8</b>	<b>11.1</b>
<b>Fair Multiples 2025E (x)</b>	<b>1.5</b>	<b>5.6</b>	<b>7.0</b>	<b>10.1</b>
<b>Average Fair Equity Value p/s (€)</b>	<b>6.22</b>			

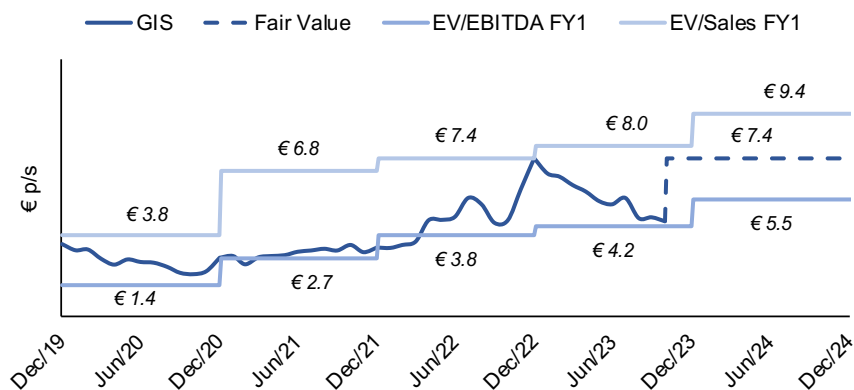
Source: Market Consensus, Value Track Analysis

### Cross Check #1: Correlation between Gismondi 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 €4.2 of 2023, based on EV/EBITDA in the chart below- were not driven by sector multiple expansion, but by GIS financial performance;
3. Our €7.40 Fair Equity Value p/s is consistent with historical analysis and a 12-18 month horizon.

#### Gismondi: 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.

### 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
<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 €8.50 p/s, based on outstanding NOSH and a target capital structure of 30%, given Gismondì expansion phase, the funding needs of a growing retailing network and the potential acquisition of a small target for in-house production capacity.

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

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

WACC Assumptions	(%)
Risk-Free Rate (%)	2.0%
Target Capital Structure (D/D+E) (%)	30.0%
Unlevered Beta (x)	1.13
Levered Beta (x)	1.50
Market Risk Premium (Italy) (%)	6.4%
Credit Spread (%)	2.0%
Tax Rate (%)	24.0%
<b>Cost of Equity (%)</b>	<b>14.2%</b>
<b>Cost of Debt (%)</b>	<b>3.0%</b>
<b>WACC (%)</b>	<b>10.8%</b>

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

The DCF model includes estimated Free Cash Flows from 2024E to 2030E, while the Terminal Value is calculated applying a 1.5% perpetuity growth rate, that is in our view justified by a conservative 6.0x TV/EBITDA exit multiple in 2030E.

### Gismondi: DCF Valuation

DCF Valuation	(€mn)
Discounted Free Cash Flows 2024E-2030E	12.7
Discounted Terminal Value @ 2030E with g=1.5% or TV/EBITDA=6.0x	27.7
<b>Fair Enterprise Value</b>	<b>40.4</b>
Net Financial Position 2023E	-5.7
Adjustments (*)	0.1
<b>Fair Equity Value</b>	<b>34.9</b>
NOSH (mn)	4.1
<b>Fair Equity Value p/s (€)</b>	<b>8.50</b>

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

### Gismondi: DCF Sensitivity Analysis

Fair Equity Value p/s (€)		Perpetuity Growth Rate (%)				
		0.50%	1.00%	1.50%	2.00%	2.50%
WACC (%)	9.8%	9.01	9.45	9.95	10.51	11.14
	10.3%	8.37	8.75	9.18	9.67	10.21
	10.8%	7.79	8.13	<b>8.50</b>	8.92	9.39
	11.3%	7.27	7.57	7.90	8.26	8.67
	11.8%	6.79	7.06	7.35	7.67	8.03

Source: 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% 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 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 (e.g., Germany, Spain) 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 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

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 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 Unoerre Japan;

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