

Gismondi 1754

Sector: Hard Luxury



Acquiring goldsmithing Made in Italy excellence

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.

3Q23 Revenues confirm sector slowdown

On October 19th, Gismondi disclosed its latest operating revenues figures, reporting high-single digit growth for 9M23 (+7% y/y) but a more challenging 3Q23, down 8% y/y and confirming the slowdown of 2Q23, shared with all the major players of the Hard Luxury sector. Nonetheless, GIS special business model, characterized by very close relationships with HNWI's (which also sustained the Group during the pandemic), offset much of the adverse macro scenario, driving the 9M23 y/y growth. Indeed, Special Sales (+28% y/y) and Franchising (+36% y/y) offset the negative performance of Wholesale (-25% y/y) and Retail (-35% y/y).

HyperionLab for in-house production and margins expansion

On November 14th, GIS disclosed the binding agreement for the acquisition of HyperionLab, top-of the range jewelry company specialized in third parties goldsmithing services, based in Valenza. For FY22, HyperionLab reported Revenues at €1.34mn, EBITDA at €256k and a Net Cash Position of €144k. The acquisition of 51% of the share capital of the target should be closed at €1.02mn, while there are crossed call and put options on remaining share capital to be exercised within six months of approval of FY25 financial statements. Based on the majority stake price, we calculate the deal to be accretive at ca. 1.4x EV/Sales and 7.3x EV/EBITDA 2022A.

Lower “organic” contribution but growing synergies from M&A

While we still believe that the strong seasonality typical of 4Q should drive the bulk of FY23 financials, we adjust our estimates to factor in the lower-than-predicted 3Q23 Revenues and the high uncertainty and low visibility on the luxury sector outlook for future quarters. The downwards “organic” forecasts review is partially offset by the contribution of HyperionLab, to be consolidated from January 2024. In 2025E, we expect VoP at €26.6mn (21% CAGR), EBITDA at €4.4mn (17% margin) and Net Debt at €5.6mn.

Fair Value at €6.80 p/s (€6.40 Fully-Diluted)

We update Gismondi Fair Equity Value at €6.80 p/s (outstanding NOSH) from €7.40 p/s, given the downwards estimates revision but the slightly higher peers' multiples vs. one month ago (previous update), with stocks' prices flattish but lower consensus earnings after 3Q23 earnings season.

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Fair Value (€) 6.8/6.4(*)
Market Price (€) 3.90
Market Cap. (€m) 16.0

(*) Fully Diluted

KEY FINANCIALS (€mn)	2022A	2023E	2024E
VALUE OF PRODUCTION	15.2	16.2	20.8
EBITDA	3.0	2.3	3.2
EBIT	2.6	1.8	2.5
NET PROFIT	1.6	1.1	1.4
EQUITY	11.0	12.1	13.6
NET FIN. POS.	-3.0	-7.5	-5.8
EPS ADJ. (€)	0.40	0.26	0.34
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	14.2	15.2
EBIT MARGIN (%)	17.2	10.9	12.0
NET DEBT / EBITDA (x)	1.0	3.3	1.8
NET DEBT / EQUITY (x)	0.3	0.6	0.4
EV/SALES (x)	1.2	1.5	1.1
EV/EBITDA (x)	6.3	10.7	7.2
EV/EBIT (x)	7.3	13.8	9.1
P/E ADJ. (x)	9.8	15.2	11.4

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

STOCK DATA	
MARKET PRICE (€)	3.90
SHS. OUT. (m)	4.1 (*)
MARKET CAP. (€m)	16.0
ENTERPRISE VALUE (€m)	24.4
FREE FLOAT (%)	34.0
AVG. -20D VOL. ('000)	4,500
RIC / BBG	GIS.MI / GIS IM
52 WK RANGE	3.82 – 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
Value of Production	15.2	16.2	20.8	26.6
y/y (%)	52.2%	6.6%	28.9%	27.7%
EBITDA	3.0	2.3	3.2	4.4
EBITDA Margin (%)	19.8%	14.2%	15.2%	16.6%
EBIT	2.6	1.8	2.5	3.7
EBIT Margin (%)	17.2%	10.9%	12.0%	14.0%
Net Profit	1.6	1.1	1.4	2.3
y/y (%)	nm	-35.5%	33.8%	61.4%
Adjusted Net Profit	1.6	1.1	1.4	2.3
y/y (%)	nm	-35.5%	33.8%	61.4%
Net Financial Position	-3.0	-7.5	-5.8	-5.6
Net Fin. Pos. / EBITDA (x)	1.0	3.3	1.8	1.3
Capex	-0.4	-0.6	-0.4	-0.3
OpFCF b.t.	-2.5	-2.1	2.6	1.5
OpFCF b.t. as % of EBITDA	-84.9%	-92.0%	82.8%	33.4%

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

Investment case

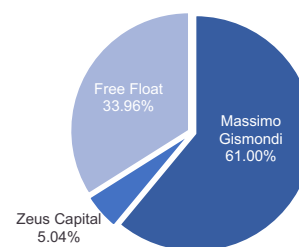
Strengths / Opportunities

- ◆ 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

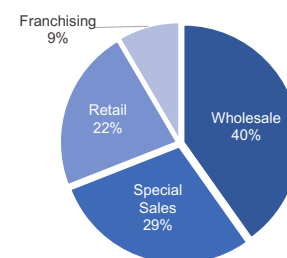
- ◆ Limited Brand Awareness and Customer Base due to small scale and few DOS;
- ◆ High Inventory Requirements limiting ROCE and FCF;
- ◆ Travel Restriction Scenarios.

Shareholders Structure



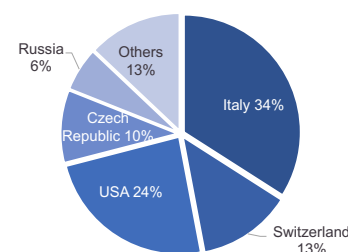
Source: Gismondi

Revenues by Distribution Channel



Source: Gismondi, FY22

Revenues by Geographic Area



Source: Gismondi, FY22

Stock Multiples @ €6.80 Fair Value

	2023EE	2024E
EV / SALES (x)	2.2	1.7
EV / EBITDA (x)	15.8	10.9
EV / EBIT (x)	20.5	13.8
EV / CAP.EMP. (x)	1.9	1.8
OpFCF Yield (%)	nm	7.6
P / E (x)	26.5	19.8
P / BV (x)	2.3	2.1
Div. Yield. (%)	0.0	0.0

Source: Value Track

3Q23/9M23 Operating Revenues

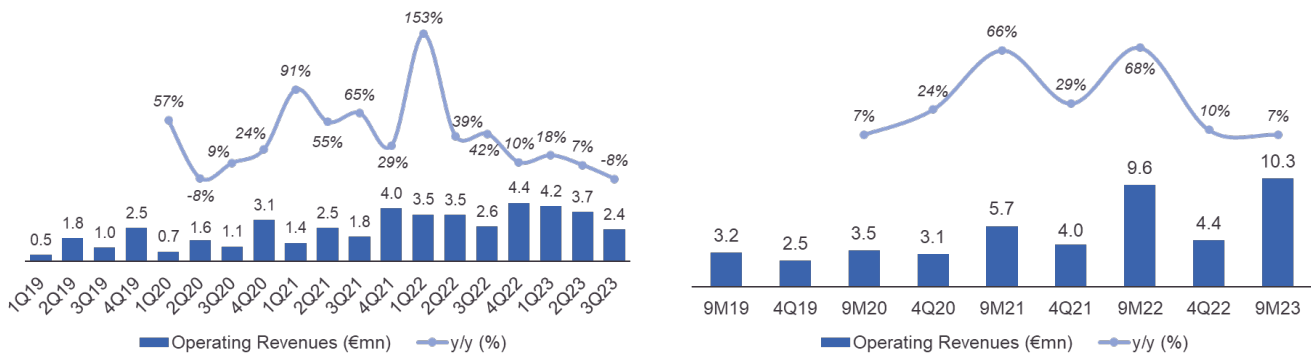
On October 19th, Gismondi disclosed its latest operating revenues figures, reporting high-single digit growth for 9M23 but a more challenging 3Q23, down 8% y/y and confirming the slowdown of 2Q23, shared with all the major players of the Hard Luxury sector. Nonetheless, GIS special business model, characterized by very close relationships with HNWIs (which also sustained the Group during the pandemic), offset much of the adverse macro scenario, driving the 9M23 y/y growth.

Key Figures & Messages

Latest operating revenues highlight:

- ◆ **3Q23 at €2.4mn** vs. €2.6mn of 3Q22, down 8% y/y, following the contraction of the retail and wholesale channels in particular. This slowdown is shared across the industry as a consequence of the challenging macro and geopolitical stance driving a softening demand of luxury goods. Indeed, both Richemont and LVMH jewelry houses reported weak 3Q23 figures (+1% y/y and -5% y/y, respectively);
- ◆ **9M23 at €10.3mn** vs. €9.6mn of 1H22, up 7% y/y, thanks to the strong 1Q23 and to the diversified business model, aimed at mitigating adverse macro scenarios thanks to close direct relationships with customers (Special Sales up 28% y/y in 9M23).

Gismondi: Operating Revenues by Quarters and by Semesters



Source: Gismondi, Value Track Analysis

Special Sales and Franchising offsetting the negative performance of Wholesale and Retail. In detail:

- ◆ **Wholesale** 3Q23 revenues at ca. €0.4mn (-25% y/y) with shrinking figures both in Europe and US. 9M23 sales came out at ca. €4.1mn, i.e. +15% y/y thanks to the strong performance of Europe in the first two quarters of the year (9M23 at +72% y/y), more than offsetting US (-24% y/y);
- ◆ **Retail** continued to suffer, with all stores reporting negative performances in 3Q23 (ca. €0.7mn, -44% y/y). On 9M basis, revenues were reported at ca. €1.7mn (-35% y/y);
- ◆ **Special Sales** strongly up, with 3Q23 revenues at ca. €1.2mn (+74% y/y) and 9M23 at ca. €3.3mn (+28% y/y), sustaining the Group top line in the challenging quarter;
- ◆ **Franchising** 3Q23 at ca. €0.1mn (-16% y/y due to the Prague-based store which reported booming figures throughout FY22) and 9M23 at ca. €1.1mn, growing 36% y/y benefitting from the opening of the new Qatar store in February.

Gismondì: Operating Revenues by Distribution Channel

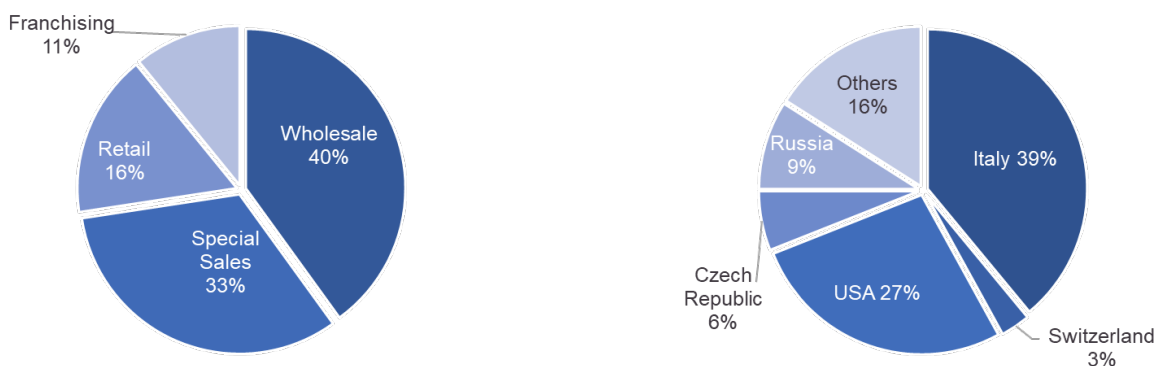
(IT GAAP, €mn)	3Q22	3Q23	y/y	9M22	9M23	y/y
Wholesale	0.5	0.4	-25%	3.6	4.1	15%
Retail	1.3	0.7	-44%	2.6	1.7	-35%
Special Sales	0.7	1.2	74%	2.6	3.3	28%
Franchising	0.1	0.1	-16%	0.8	1.1	36%
Operating Revenues	2.6	2.4	-8%	9.6	10.3	7%

Source: Gismondì, Value Track Analysis

With respect to 9M22, Special Sales increased its incidence on total sales from 27% to 33%, Wholesale from 37% to 40% and Franchising from 9% to 11%. On the other hand, Retail weight decreased by 10 ppt from 27% to 17%. The trends outlined are in line with management diversification strategy: an increasing focus on indirect distribution channels, more scalable and less capital intensive.

In terms of geographic breakdown, **Italy** still remains on top with 39% of total sales (up from 34% in 9M22), followed by **USA** (27% from 22%), **Russia** (9% from 7%), **Czech Republic** (6% from 11%) and **Switzerland** (down from 18% to just 3% of the total). Other countries worth to mention because of their good performance are **Sweden, Brazil, Israel, Qatar** and **Hong Kong**.

Gismondì: Operating Revenues 9M23 by Distribution Channel and Geographic Location



Source: Gismondì, Value Track Analysis

HyperionLab Acquisition

Deal at a Glance

On November 14th 2023, Gismondi disclosed the binding agreement for the acquisition of **HyperionLab SRL** (“HyperionLab”), top-of the range jewelry company specialized in goldsmithing, based in the renowned Valenza Po district (home to Italian best goldsmiths and gem-setters), that provides contract manufacturing services. Founded in 2018, the company has managed to combine the traditional craftsmanship of classic jewelry with the most advanced technologies in the industry, with the goal of creating products of the highest quality and innovative design.

For FY22, HyperionLab reported Revenues at €1.34mn, EBITDA at €256k, Net Profit at €155k, Shareholders' Equity at €189k and a Net Cash Position of €144k.

Terms of the Deal

The deal consists of two main stages:

1. The acquisition of 51% of the share capital of HyperionLab from the majority shareholder DIX for €1.02mn, of which €500k at the closing date (by the end of December 2023), €260k by June 30th 2024 and other €260k by June 30th 2025;
2. Crossed call and put options (fee to be established) on the 36.3% remaining share capital of the majority shareholder and on the 12.7% stake of the minority shareholders (Matteo Zamboni and Mauro Trincerì), to be exercised within six months of approval of FY25 financial statements.

Based on FY22 figures and on the majority stake price, we calculate Gismondi to have finalized the deal at ca. **1.4x EV/Sales and 7.3x EV/EBITDA 2022A**. Based on our estimates, the deal is accretive in terms of combined EPS.

We also add that (i) the majority stake price will be adjusted depending on FY23 financials (Adjusted EBITDA and Net Financial Position) and (ii) the majority shareholder DIX will reinvest in Gismondi shares an amount of at least 15% of the majority stake price in HyperionLab capital, as well as a further amount of at least 15% of the remaining stake price. Also, the deal outlines that Mr. Fabio Magrin (current CEO of HyperionLab) will maintain his seat in the company BoD.

Deal Rationale

The acquisition enables Gismondi to continue an important strategic consolidation process (started in April with acquisition of Vendorafa Lombardi, more details in previous reports) and to increase the internalisation of production to protect the Group brands from cost speculation and guarantee commercial competitiveness.

Through HyperionLab, Gismondi also become a supplier of excellence of Italian jewellery creation. Indeed, the Group envisages using about 20% of Hyperion production capacity for companies in its portfolio, leaving the remaining 80% for third parties' manufacturing services (business characterized by high profitability). On the other hand, thanks to Gismondi, HyperionLab will increase its international customer portfolio.

Hyperion Lab is COC (Chain of Custody), COP (Code of Practices) and RJC (Responsible Jewellery Council) certified, representing measures of sustainability, business ethics and respect for human rights in the gold, precious and fashion industry. Obtaining these certifications means following best practices at all stages of processing, from production to extraction to retail, representing a transparency tool for customers and other stakeholders (traceability and responsible sourcing).

Hence, and as occurred with the Vendorafa acquisition, the transaction is a strong identity declaration for Gismondi, deeply rooted in enhancing and safeguarding the excellence of Italian manufacture in the goldsmith and jewellery sector.

Forecasts 2023E-25E

Estimates Revision

While we still believe that the strong seasonality which is typical of 4Q should drive the bulk of FY23 financials, we adjust our estimates to factor in i) the lower-than-predicted 3Q23 Revenues and ii) the high uncertainty and low visibility on the luxury sector outlook for future quarters. Nonetheless, the downwards “organic” forecasts review is partially offset by the contribution of HyperionLab, to be consolidated from January 2024. In more details, we revise:

- ◆ **Value of Production** down by 5% on average, taking a more cautious approach on FY24E y/y growth that, however, should still be in the 30% range, with HyperionLab third parties’ manufacturing services contributing for about €2.5mn to the total;
- ◆ **EBITDA** down a bit more than proportionally, but still getting to ca. 17% at the end of the forecasted period, helped by the integration of HyperionLab, with the cost synergies arising from the internalization of 20% of production capacity and the higher profitability of third parties’ manufacturing services;
- ◆ **Net Profit** affected HyperionLab minorities (other than D&A and taxes);
- ◆ **Net Debt** embedding €1mn cash-out for the acquisition and a less favourable Net Working Capital cycle, as we believe that the normalization of inventory levels should start in FY24E.

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	17.0	16.2	-5%	22.4	20.8	-7%	27.7	26.6	-4%
EBITDA	2.5	2.3	-10%	3.6	3.2	-12%	4.7	4.4	-7%
EBITDA Margin (%)	14.9%	14.2%	-70bps	16.2%	15.2%	-100bps	17.1%	16.6%	-50bps
EBIT	2.0	1.8	-12%	3.0	2.5	-18%	4.1	3.7	-10%
EBIT Margin (%)	11.8%	10.9%	-90bps	13.6%	12.0%	-160bps	14.9%	14.0%	-90bps
Net Profit	1.2	1.1	-14%	1.9	1.4	-28%	2.7	2.3	-17%
Net Financial Position	-5.7	-7.5	-1.8	-5.3	-5.8	-0.5	-4.2	-5.6	-1.4

Source: Value Track Analysis

Forecasts 2023E-25E

Key Estimates

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

- ◆ **Value of Production at €26.6mn**, i.e. 21% CAGR_{22A-25E} driven by Franchising and Wholesale;
- ◆ **EBITDA Margin at ca. 17%** excluding future “special deals” that benefitted FY22-1H23;
- ◆ **Net Working Capital** progressively normalizing and getting to **ca. 70% of Top Line**;
- ◆ **Net Debt at €5.6mn**, after the cash-out for Vendorafa, HyperionLab and retail expansion.

Financial Statements 2022A-25E

Gismondì: P&L 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E	CAGR
Revenues from Sales	14.7	15.7	20.3	26.1	21%
Other Revenues	0.5	0.5	0.5	0.5	2%
Value of Production	15.2	16.2	20.8	26.6	21%
Raw Materials, Δ Inventory (Raw Materials)	-4.9	-5.1	-7.6	-9.6	25%
Gross Profit	10.2	11.1	13.2	17.0	18%
<i>Gross Margin (%)</i>	<i>67.5%</i>	<i>68.5%</i>	<i>63.6%</i>	<i>63.8%</i>	<i>-370bps</i>
Costs of Services	-5.5	-6.8	-7.6	-9.7	21%
Costs of Rent	-0.3	-0.3	-0.4	-0.5	15%
G&A	-0.2	-0.3	-0.4	-0.4	40%
Labour Costs	-1.2	-1.4	-1.6	-1.9	15%
EBITDA	3.0	2.3	3.2	4.4	14%
<i>EBITDA Margin (%)</i>	<i>19.8%</i>	<i>14.2%</i>	<i>15.2%</i>	<i>16.6%</i>	<i>-320bps</i>
D&A & Provisions	-0.4	-0.5	-0.7	-0.7	22%
EBIT	2.6	1.8	2.5	3.7	12%
<i>EBIT Margin (%)</i>	<i>17.2%</i>	<i>10.9%</i>	<i>12.0%</i>	<i>14.0%</i>	<i>-320bps</i>
Net Financial Charges	-0.4	-0.2	-0.2	-0.2	-17%
Taxes	-0.6	-0.5	-0.7	-1.1	22%
Minorities	0.0	0.0	-0.1	-0.2	nm
Net Profit	1.6	1.1	1.4	2.3	12%

Source: Gismondì, Value Track Analysis

Gismondì: Net Working Capital 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Inventory	11.6	14.6	14.4	16.7
<i>As a % of VoP</i>	<i>76%</i>	<i>90%</i>	<i>69%</i>	<i>63%</i>
Trade Receivables	3.7	5.2	6.4	7.9
Trade Payables	4.0	4.6	5.9	7.5
Operating Working Capital	11.2	15.1	14.9	17.1
Other Current Assets	2.5	2.7	3.4	4.4
Other Current Liabilities	1.3	1.5	1.9	2.4
Net Working Capital	12.5	16.3	16.4	19.1
<i>As a % of VoP</i>	<i>82%</i>	<i>101%</i>	<i>79%</i>	<i>72%</i>

Source: Gismondì, Value Track Analysis

Gismondì: Balance Sheet 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
Net Fixed Assets	1.8	3.4	3.2	2.8
Net Working Capital	12.5	16.3	16.4	19.1
Provisions	0.1	0.1	0.2	0.2
Total Capital Employed	14.1	19.6	19.5	21.7
Group Net Equity	11.0	12.1	13.6	16.1
Net Financial Position [Net debt (-) / Cash (+)]	-3.0	-7.5	-5.8	-5.6

Source: Gismondì, Value Track Analysis

Gismondì: Cash Flow Statement 2022A-25E

(IT GAAP, €mn)	2022A	2023E	2024E	2025E
EBITDA	3.0	2.3	3.2	4.4
Δ NWC	-5.2	-3.8	-0.1	-2.6
Capex (excl. Financial Inv.)	-0.4	-0.6	-0.4	-0.3
Δ Provisions	0.0	0.0	0.0	0.0
OpFCF b.t.	-2.5	-2.1	2.6	1.5
As a % of EBITDA	-84.9%	-92.0%	82.8%	33.4%
Cash Taxes	-0.6	-0.5	-0.7	-1.1
OpFCF a.t.	-3.1	-2.6	1.9	0.4
Capital Injections	0.1	0.0	0.0	0.0
Others (incl. Financial Inv.)	0.1	-1.6	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	-4.4	1.7	0.2
Net Financial Position	-3.0	-7.5	-5.8	-5.6

Source: Gismondì, Value Track Analysis

Valuation

We update Gismondi Fair Equity Value at €6.80 p/s (outstanding NOSH) from €7.40 p/s, given:

1. Downwards “organic” estimates revision, which should have translated into ca. €0.90/€1.00 fair value de-rating but partially offset by the accretive acquisition of HyperionLab;
2. Slightly higher peers’ multiples vs. one month ago (previous update), with stocks’ prices flattish but lower consensus earnings after 3Q23 earnings season.

Considering the potential dilution from the cash-in of in-the-money warrants’ exercise over the next window of October 2025, **GIS Fair Equity Value is €6.40 p/s Fully Diluted** (from €6.80 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	27.9	27.9
Cash-In from Warrant	0.0	5.7
Fair Equity Value	27.9	33.6
NOSH (mn)	4.1	5.2
Fair Equity Value p/s (€)	6.80	6.40

Source: Market Consensus, Value Track Analysis

At **€6.80 p/s** (based on outstanding NOSH), Gismondi stock would trade at **1.7x EV/Sales, 10.9x EV/EBITDA, 13.8x EV/EBIT and 19.8x P/E 2024E**.

Gismondi: Multiples Sensitivity at Various Stock Price Levels

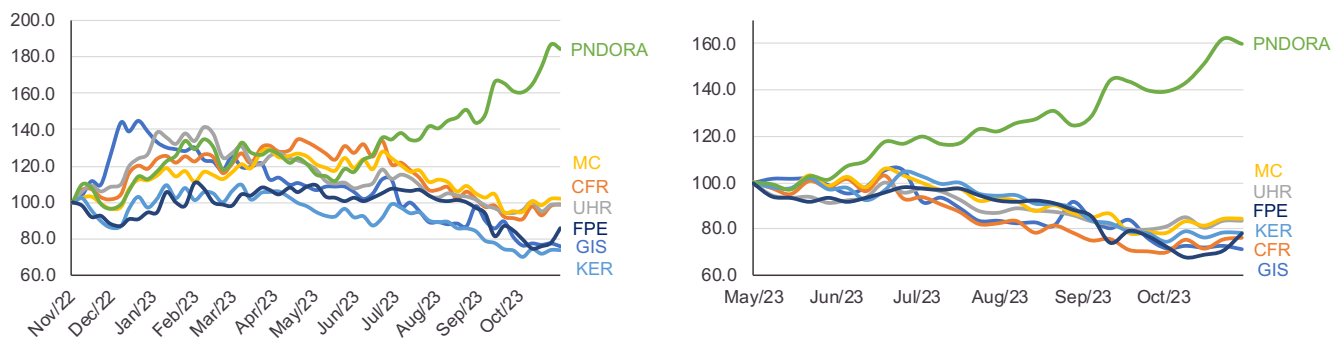
Fair Equity Value p/s (€)	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E Adj. (x)	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
€ 3.80	1.1	0.8	7.0	5.0	8.9	6.0	11.1	6.9
€ 4.80	1.3	1.0	8.3	5.9	10.6	7.1	14.0	8.7
€ 5.80	1.5	1.1	9.6	6.9	12.2	8.2	16.9	10.5
€ 6.80	1.7	1.3	10.9	7.8	13.8	9.3	19.8	12.3
€ 7.30	1.8	1.4	11.6	8.2	14.7	9.8	21.3	13.2
€ 7.80	1.9	1.4	12.2	8.7	15.5	10.4	22.7	14.1
€ 8.30	2.0	1.5	12.8	9.2	16.3	10.9	24.2	15.0

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 latest Hard Luxury Market earnings seasons and in general by a more cautious stance relative to consumer goods stocks.

Gismondì: Peers' Stock Price Evolution (12M and 6M)



Source: Market Consensus, Value Track Analysis

Gismondì: Peers Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E Adj. (x)	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Hard & Diversified Luxury Leaders								
Richemont	2.8	2.6	9.0	8.1	11.4	10.1	15.7	14.2
Swatch Group	1.1	1.0	4.9	4.5	6.3	5.7	11.4	10.9
LVMH	4.0	3.7	11.7	10.7	14.8	13.4	20.7	18.9
Kering	2.7	2.4	7.8	7.0	10.4	9.2	14.1	12.5
Average	2.6	2.4	8.4	7.5	10.7	9.6	15.5	14.1
Median	2.7	2.5	8.4	7.5	10.9	9.6	14.9	13.4
Other Jewelry Players								
Pandora	2.8	2.6	8.4	7.8	11.0	10.0	14.0	12.6
Fope	1.9	1.7	8.0	6.8	8.9	7.4	12.6	10.9
Average	2.4	2.1	8.2	7.3	9.9	8.7	13.3	11.8
Median	2.4	2.1	8.2	7.3	9.9	8.7	13.3	11.8
Total Average	2.5	2.3	8.3	7.5	10.5	9.3	14.8	13.3
Total Median	2.7	2.5	8.2	7.4	10.7	9.6	14.0	12.6
Gismondì	1.1	0.8	7.2	5.1	9.1	6.1	11.4	7.0
Discount vs. Total Average. (%)	-57%	-63%	-14%	-32%	-13%	-35%	-23%	-47%

Source: Market Consensus, Value Track Analysis

Relative Valuation

Our peers' analysis returns a Fair Equity Value of €5.41 p/s, based on outstanding shares.

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.

Gismondì: Relative Valuation

Relative Valuation 2024E-25E (€mn)	EV/Sales	EV/EBITDA	EV/EBIT	P/E Adj.
Peers' Average 2024E (x)	2.5	8.3	10.5	14.8
Peers' Average 2025E (x)	2.3	7.5	9.3	13.3
Discount (%)	-30.0%	-20.0%	-20.0%	-20.0%
Fair Multiples 2024E (x)	1.8	6.7	8.4	11.8
Fair Multiples 2025E (x)	1.6	6.0	7.4	10.7
Average Fair Equity Value p/s (€)	5.41			

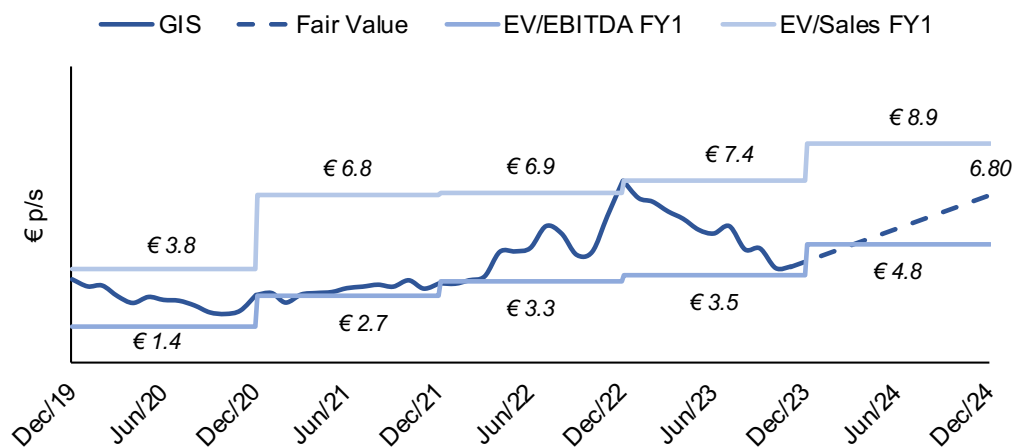
Source: Market Consensus, Value Track Analysis

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 €3.5 of 2023, based on EV/EBITDA in the chart below- were not driven by sector multiple expansion, but by GIS financial performance;
3. Our €6.80 Fair Equity Value p/s is consistent with historical analysis and a 12-18 month horizon.

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
Median	//	//	247	100%	3.1

Source: Various, Value Track Analysis

DCF

Our DCF model returns a Fair Equity Value of €8.26 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.

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)	1.13
Levered Beta (x)	1.50
Market Risk Premium (Italy) (%)	6.4%
Small Cap Market Risk Premium (%)	2.5%
Credit Spread (%)	2.0%
Tax Rate (%)	24.0%
Cost of Equity (%)	14.2%
Cost of Debt (%)	3.0%

WACC (%)	10.8%
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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.

Gismond: DCF Valuation

DCF Valuation	(€mn)
Discounted Free Cash Flows 2024E-2030E	12.9
Discounted Terminal Value @ 2030E with g=1.5% or TV/EBITDA=5.8x	29.4
Fair Enterprise Value	42.3
Net Financial Position 2023E	-7.5
Adjustments (*)	-0.9
Fair Equity Value	33.9
NOSH (mn)	4.1
Fair Equity Value p/s (€)	8.26

Source: Value Track Analysis, (*) €1mn for HyperionLab minorities (hp) and 21,200 treasury shares valued at market price

Gismond: DCF Sensitivity Analysis

Fair Equity Value p/s (€)		Perpetuity Growth Rate (%)				
		0.50%	1.00%	1.50%	2.00%	2.50%
WACC (%)	9.8%	8.79	9.26	9.78	10.37	11.04
	10.3%	8.11	8.52	8.98	9.49	10.06
	10.8%	7.50	7.86	8.26	8.70	9.20
	11.3%	6.96	7.27	7.62	8.01	8.44
	11.8%	6.46	6.74	7.05	7.39	7.76

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% 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 (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, 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 – 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 (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).

Latest 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 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** now slightly recovering after consistently falling from March 2022 peak. Maybe some recovery after the 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.

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.

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