

Gismondi 1754

Sector: Hard Luxury



Flawless execution in a struggling sector

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.

Low demand in 4Q23; some signs of recovery in 1Q24

FY23 P&L came out lower than expected, affected by challenging macro and geopolitical scenario (visible on the entire luxury segment). However, GIS was able to report operating revenues (€14mn) in line with FY22 (which was heavily pushed by post-pandemic “revenge shopping”), but lower profitability (EBITDA at €1mn vs. €3mn) due to no discounts on purchases, different distribution mix, increased services and labour costs. Net Debt (€6mn, in line with 1H23) was impacted by inventory build-up and M&A (for in-house production). 1Q24 sales (€4.4mn) grew 5% y/y thanks to Hyperion Lab consolidation (ca. €310k), with organic growth at -2%, supported by special sales (+20% y/y).

Flawless strategy execution to bear fruits in FY24E-25E

FY23 was fundamental in terms of business development (acquisition of Vendorafa brand and Hyperion Lab craftsmanship, plus the new franchising agreement in the Middle East), building the foundation for future growth prospects. New strategic objectives are (i) the exploitation of Gismondi 1744 and Vendorafa brands cross selling opportunities, (ii) Hyperion Lab integration and ramp-up (synergies to be highly visible from 4Q24), (iii) overall costs optimization, (iv) further international expansion (especially in the US with a dedicated branch, but also Middle East, South Pacific, UK).

Estimates revised due to persistent sector uncertainties

Excluding Hyperion Lab contribution, we project GIS to grow mid-single digit in FY24E given the uncertain sector stance of 1H24. We are more bullish on FY25E-26E, assuming a good market recovery, the take up of cross selling synergies, and the contribution of Gismondi USA. In our “normalized” scenario, we believe GIS to return to double digits EBITDA margin already in FY24E. In FY26E, we expect Gismondi to reach a VoP of €25mn (20% CAGR_{23A-26}), an EBITDA Margin just below 17% and a Net Debt of €5.2mn (Net Debt / EBITDA ratio down from 6.2x of FY23 to 1.2x).

Fair Value at €5.50 p/s (€5.42 Fully Diluted)

We reduced GIS FV due to the significant estimates review, only partially offset by higher peers’ multiples (following last 6M positive performance). We remind that GIS profitability is highly volatile and dependent on special sales: a demand recovery for top-end jewelry would translate in additional value already in the short-term (pre-Hyperion full synergies integration).

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Fair Value (€) 5.5/5.4(*)
Market Price (€) 3.36
Market Cap. (€m) 13.8

(*) Fully Diluted

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	14.6	17.5	21.5
EBITDA	1.0	2.3	3.4
EBIT	0.5	1.5	2.5
NET PROFIT	0.0	0.6	1.3
EQUITY	11.4	12.2	13.6
NET FIN. POS.	-6.0	-6.1	-5.6
EPS ADJ. (€)	0.01	0.14	0.31
DPS (€)	0.00	0.00	0.00

Source: Gismondi (historical figures)
Value Track (2024E-25E estimates)

KEY RATIOS	2023A	2024E	2025E
EBITDA MARGIN (%)	6.7	13.1	15.7
EBIT MARGIN (%)	3.7	8.6	11.8
NET DEBT / EBITDA (x)	6.2	2.6	1.6
NET DEBT / EQUITY (x)	0.5	0.5	0.4
EV/SALES (x)	2.0	1.2	0.9
EV/EBITDA (x)	29.8	9.0	6.0
EV/EBIT (x)	nm	13.8	8.0
P/E ADJ. (x)	nm	24.0	10.9

Source: Gismondi (historical figures)
Value Track (2024E-25E estimates)

STOCK DATA	
MARKET PRICE (€)	3.36
SHS. OUT. (m)	4.1 (*)
MARKET CAP. (€m)	13.8
ENTERPRISE VALUE (€m)	20.7
FREE FLOAT (%)	33.4
AVG. -20D VOL. ('000)	8,060
RIC / BBG	GIS.MI / GIS IM
52 WK RANGE	€3.22 – €6.20

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	2023A	2024E	2025E	2026E
Value of Production	14.6	17.5	21.5	25.3
y/y (%)	-4.0%	20.2%	22.8%	17.4%
EBITDA	1.0	2.3	3.4	4.2
EBITDA Margin (%)	6.7%	13.1%	15.7%	16.6%
EBIT	0.5	1.5	2.5	3.4
EBIT Margin (%)	3.7%	8.6%	11.8%	13.5%
Net Profit	0.0	0.6	1.3	2.1
y/y (%)	-97.8%	nm	nm	64.1%
Adjusted Net Profit	0.0	0.6	1.3	2.1
y/y (%)	-97.8%	nm	nm	64.1%
Net Financial Position	-6.0	-6.1	-5.6	-5.2
Net Fin. Pos. / EBITDA (x)	6.2	2.6	1.6	1.2
Capex	-1.5	-0.5	-0.5	-0.5
OpFCF b.t.	-2.8	0.7	1.6	2.6
OpFCF b.t. as % of EBITDA	nm	29.3%	46.3%	62.8%

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

Investment case

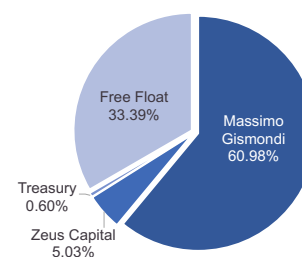
Strengths / Opportunities

- ◆ 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

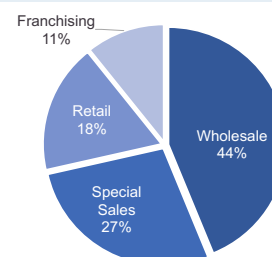
- ◆ Limited Brand Awareness and Customer Base due to small scale and few DOS;
- ◆ High Inventory Requirements limiting ROCE and FCF;
- ◆ Travel Restriction Scenarios.

Shareholders Structure



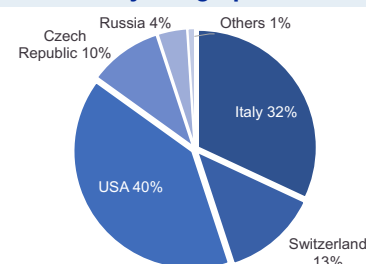
Source: Gismondi

Revenues by Distribution Channel



Source: Gismondi, FY23

Revenues by Geographic Area



Source: Gismondi, FY23

Stock Multiples @ €5.50 Fair Value

	2024E	2025E
EV / SALES (x)	1.7	1.3
EV / EBITDA (x)	12.9	8.6
EV / EBIT (x)	19.7	11.4
EV / CAP.EMP. (x)	1.6	1.5
OpFCF Yield (%)	2.3	5.4
P / E (x)	39.4	17.8
P / BV (x)	1.9	1.7
Div. Yield. (%)	0.0	0.0

Source: Value Track

FY23 Financial Results

Key Figures & Messages

FY23 financial results came out lower than expected, affected by the extremely challenging macroeconomic and geopolitical scenario, whose tightening is visible on the entire hard luxury segment. Nevertheless, Gismondi was able to report revenues in line with the exceptional FY22, which was heavily pushed by post-pandemic “revenge shopping” dynamics.

Even more importantly, last year was fundamental in terms of business development (acquisition of the Vendorafa Lombardi brand and Hyperion Lab craftsmanship, plus the new franchising agreement in the Middle East), building the foundation for solid future growth prospects.

Here follows key FY23 financial highlights:

- ◆ **Value of Production at €14.6mn**, 4% lower vs. FY22 due to weak demand in 2H23 (-18% y/y);
- ◆ **EBITDA at €1.0mn**, -68% vs. FY22 (precious stones bought at substantial discount in 2H22);
- ◆ **Net Profit at break-even**, after flat D&A and financial charges vs. FY22;
- ◆ **Net Debt at €6.0mn**, ca. €3.0mn more than FY22 due to M&A and inventory build-up.

Gismondi: Key Financials FY21-FY23

Key Financials (IT GAAP, €mn)	FY21	FY22	FY23	y/y
Value of Production	10.0	15.2	14.6	-4%
EBITDA	1.0	3.0	1.0	-68%
EBITDA Margin (%)	9.6%	19.8%	6.7%	-13ppt
Net Profit	0.4	1.6	0.0	-98%
Net Financial Position	0.3	-3.0	-6.0	-2.9

Source: Gismondi, Value Track Analysis

Significant slow-down in the second part of the year

4Q23-FY23 Operating Revenues highlight:

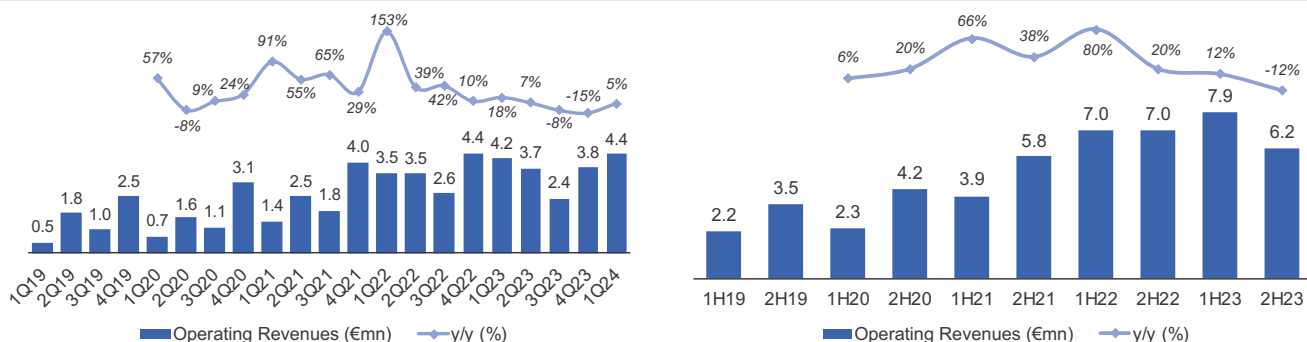
- ◆ **4Q23 at €3.8mn** vs. €4.2mn of 4Q22, down 15% y/y primarily due to Special Sales shrinking 63% y/y from €1.4mn to €0.5mn, a sign of reduction in tourists’ spending and softened demand shared across the luxury industry (e.g., Fope 2H23 top line implies a -7% reduction y/y), which was already evident over 3Q23. However, we remind that the Special Sales category is highly volatile and involves a few, high-value, number of sales; hence, even one or two sales can make a significant difference on FY revenues;
- ◆ **FY23 at €14.0mn**, flat vs. FY22, as the first two quarters of the year totally offset the weaker performance of the second semester, supported by the great diversification of the Group distribution channels.

By looking at sales breakdown, the Group indirect channels outperformed Retail and Special Sales:

- ◆ **Wholesale** robust performance of 1H23 (+22% y/y) was followed by a weak 3Q23 (-25% y/y) and a flattish 4Q23 (-1% y/y), implying FY23 revenues of €6.1mn (+9% y/y). While European corners registered great performances in the first half of the year, US-based points of sales supported the Group in latest months, also thanks to Vendorafa Lombardi strong presence;
- ◆ **Retail** recorded a strong last quarter (+54% y/y) but the first nine months suffered a -35% decline y/y. As a result, FY23 revenues were down 21% y/y at €2.5mn vs. €3.2mn in FY22;
- ◆ **Special Sales** disappointed in 4Q23 (-63% y/y) but 1Q23 and 3Q23 (+29% and +74% y/y, respectively) saved the FY performance (-4% y/y), with revenues at €3.9mn vs. €4.1mn in FY22;

- ◆ **Franchising** stores reported flat revenues in 4Q23 (+3% y/y) but the FY performance was the highest among GIS distribution channel (+26% from €1.2mn in FY22 to €1.5mn in FY23), benefitting from the opening of the new Doha store after the agreement with the Al Mana family.

Gismondì: Operating Revenues by Quarters and by Semesters



Source: Gismondì, Value Track Analysis

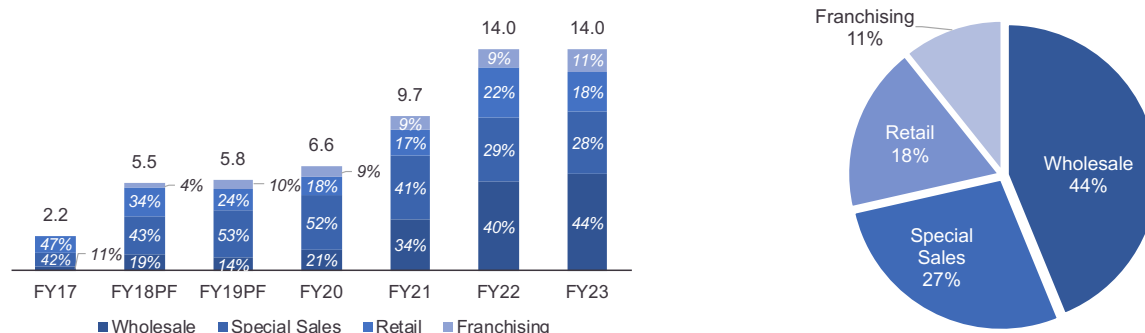
Gismondì: Operating Revenues by Distribution Channel

(IT GAAP, €mn)	4Q22	4Q23	y/y	FY22	FY23	y/y
Wholesale	2.1	2.0	-1%	5.6	6.1	9%
Retail	0.5	0.8	54%	3.2	2.5	-21%
Special Sales	1.4	0.5	-63%	4.1	3.9	-4%
Franchising	0.4	0.4	3%	1.2	1.5	26%
Operating Revenues	4.4	3.8	-15%	14.0	14.0	0%

Source: Gismondì, Value Track Analysis

Despite lower-than-expected results, Gismondì business model continues to be well-diversified among distribution channels, with Wholesale being the main contributor (44% of FY23 operating revenues), followed by Special Sales (27%), Retail (18%) and Franchising (11%).

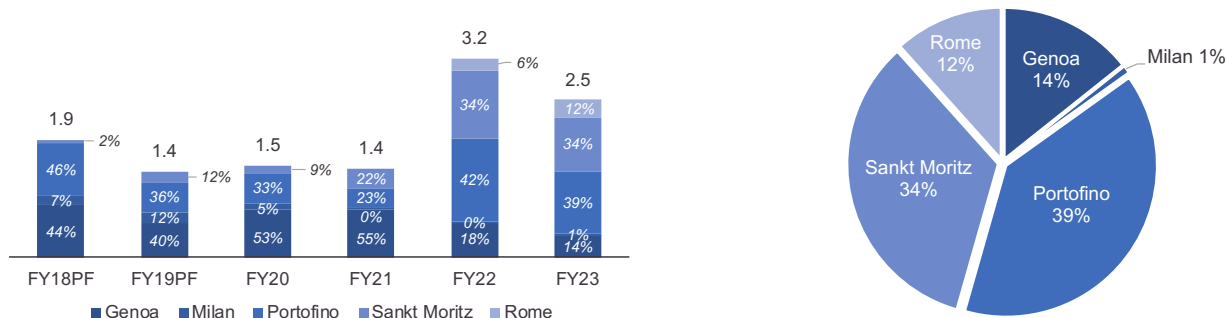
Gismondì: FY23 Operating Revenues by Distribution Channel



Source: Gismondì, Value Track Analysis

Looking more closely at Retail sales, the Portofino boutique is still the highest contributor to the total (39%), with Sankt Moritz at the heels (34%), followed by Genoa (14%), Rome (12%), and Milan (1%). FY23 performance-wise, Rome and Milan recorded strong growth rates (+63% and +75% y/y, respectively), while Sankt Moritz (-22%), Portofino (-26%) and Genoa (-35%) lagged behind.

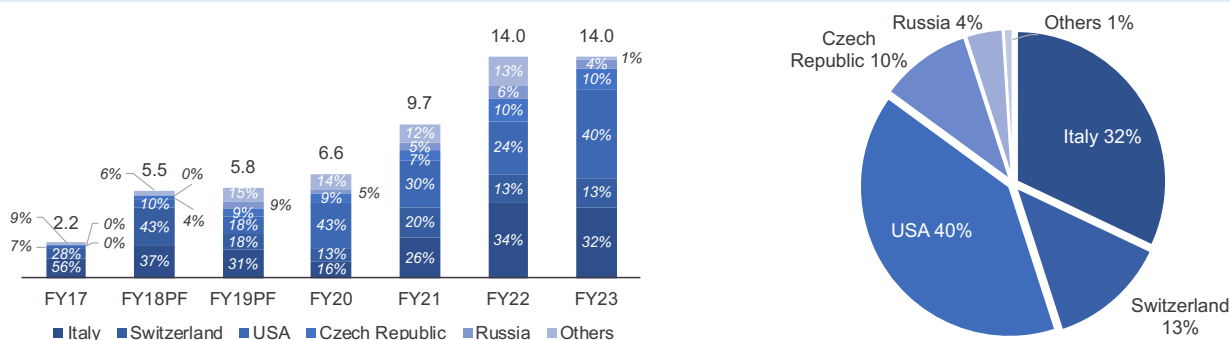
Gismondi: FY23 Retail Operating Revenues by Boutique



Source: Gismondi, Value Track Analysis

In terms of geographic breakdown, Gismondi made the most of its sales in the **US** (now at 40% of the total vs. 24% in FY22), with **Italy** behind at 32% (from 34%), followed by **Switzerland** (flat at 13%), **Czech Republic** (flat at 10%), **Russia** (4% from 6%) and **Others** (from 13% to 1%).

Gismondi: FY23 Operating Revenues by Geographic Location



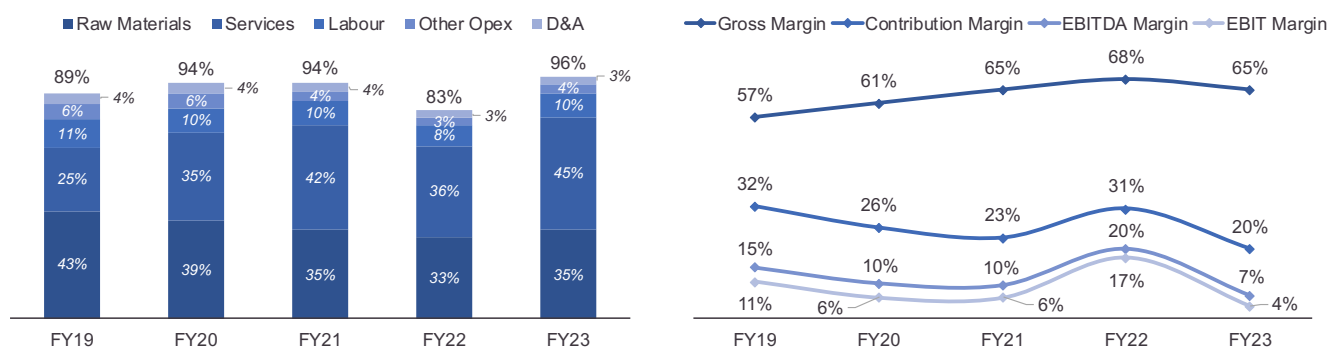
Source: Gismondi, Value Track Analysis

Profitability suffering from different budget expectations

A flattish top line implied negative operating leverage, resulting in lower levels of profit margins:

- ◆ **Gross Profit at €9.4mn**, down 8% y/y (**Gross Margin** at ca. **65%** vs. 67% in FY22), due to (i) y/y 2H22 substantial discounts on the purchase of precious stones (challenging comparison y/y), (ii) different distribution mix more skewed towards indirect sales channels (Wholesale, Franchising), and (iii) more price discounts vs. FY22;
- ◆ **Contribution Margin at €2.9mn**, down ca. 40% y/y (ca. **20%** of VoP vs. 31% in FY22), affected by the increased incidence of Costs of Services on top line (45% vs. 36%, mainly caused by heightened marketing costs to push sales on challenging months);
- ◆ **EBITDA at €1.0mn** vs. €3.0mn in FY22 (**EBITDA Margin** at ca. **7%** vs. ca. 20%), after Labour Costs growth for #3 new employees hired over the year (ca. €150k-€160k) to increase future logistics efficiencies (warehouse moved in Valenza, close to Hyperion Lab factory, from Genoa);
- ◆ **EBIT at €0.5mn** from €2.6mn in FY22 (**EBIT Margin** at ca. **4%** vs. ca. 17%), after flat D&A;
- ◆ **Net Profit at break-even** vs. €1.6mn in FY22, following financial charges in line y/y.

Gismondì: Operating Expenses Incidence on VoP and Profit Margins



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

Gismondì: P&L FY21-FY23

P&L (IT GAAP, €mn)	FY21	FY22	FY23	y/y
Operating Revenues	9.7	14.0	14.0	0%
Adjustments	0.0	0.7	0.2	-71%
Revenues from Sales	9.7	14.7	14.2	-3%
Other Revenues	0.3	0.5	0.3	-28%
Value of Production	10.0	15.2	14.6	-4%
Raw Materials (incl. Δ Inventory)	-3.5	-4.9	-5.2	5%
Gross Profit	6.4	10.2	9.4	-8%
Gross Margin (%)	64.6%	67.5%	64.6%	-290bps
Costs of Services	-4.2	-5.5	-6.5	18%
Costs of Rent	-0.3	-0.3	-0.4	5%
G&A	-0.1	-0.2	-0.2	2%
Labour Costs	-1.0	-1.2	-1.4	14%
EBITDA	1.0	3.0	1.0	-68%
EBITDA Margin (%)	9.6%	19.8%	6.7%	-1300bps
D&A & Provisions	-0.4	-0.4	-0.4	10%
EBIT	0.6	2.6	0.5	-79%
EBIT Margin (%)	6.0%	17.2%	3.7%	-1350bps
Net Financial Charges	-0.1	-0.4	-0.4	12%
Pre-Tax Profit	0.5	2.2	0.1	-96%
Taxes	-0.2	-0.6	-0.1	-89%
Minorities	0.0	0.0	0.0	nm
Net Profit	0.4	1.6	0.0	-98%

Source: Gismondì, Value Track Analysis

Net Debt drove up by inventory and Hyperion Lab acquisition

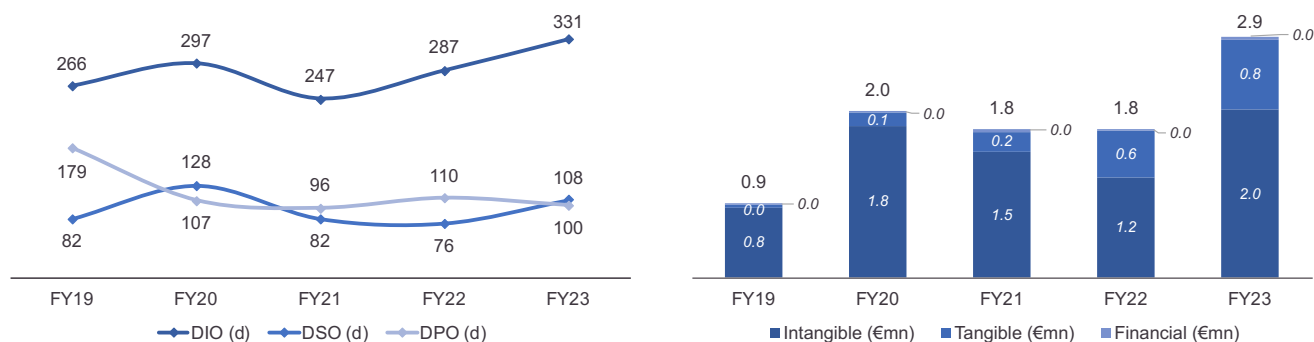
Gismondì reported a FY23 Net Debt of ca. €6mn, up by ca. €3mn vs FY22, but very close to the value reported as of June 30th, 2023 (€5.8mn). Main catalysts were:

- ◆ **Net Working Capital** absorbing €2.3mn, mainly related to the build up of inventory due to the implementation of new collections and the increase of points of sales (we remind that inventory represents the core asset of Gismondì and of the whole luxury industry, composed by finished

products for about 95% and therefore embedding a high intrinsic value that could even appreciate over time and be considered as cash equivalent in case of company liquidation). At the same time, DSO increased from 76 days in FY22 vs. 108 in FY23, while DPO decreased by 10 days y/y;

- ◆ **M&A**, i.e. the acquisition of the Vendorafa brand in on March 30th (€608k); and of the 51% stake in Hyperion Lab on December 27th (€1.02mn, with an option for the remaining 49%);
- ◆ **Equity** negatively impacted by shares buyback for ca. €97k, which were however more than offset by the addition of third parties' net equity and by the conversion of warrants (for only €5,604).

Gismondi: Operating Working Capital and Net Fixed Assets



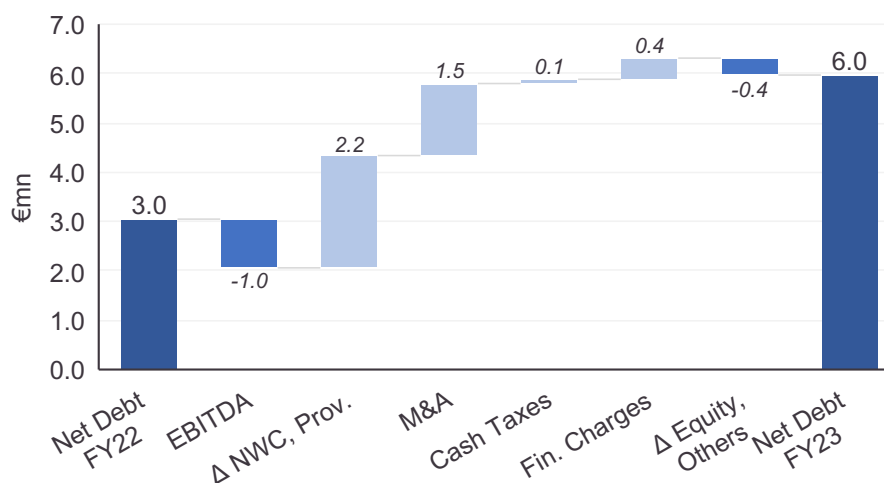
Source: Gismondi, Value Track Analysis

Gismondi: Balance Sheet FY22-FY23

Balance Sheet (IT GAAP, €mn)	FY21	FY22	1H23	FY23
Net Fixed Assets	1.8	1.8	1.9	2.9
Net Working Capital	7.3	12.5	15.1	14.7
Provisions	0.1	0.1	0.2	0.2
Total Capital Employed	8.9	14.1	16.9	17.4
Group Net Equity	9.2	11.0	11.8	11.4
Net Financial Position [Net debt (-) / Cash (+)]	0.3	-3.0	-5.8	-6.0

Source: Gismondi, Value Track Analysis

Gismondi: Cash Flow Statements FY23



Source: Gismondi, Value Track Analysis

1Q24 Operating Revenues

Key Figures & Messages

1Q24 Operating Revenues were reported at **€4.4mn** vs. €4.2mn of 1Q23, up 5% y/y primarily due to Special Sales growing 20% y/y from €1.2mn to €1.5mn. Special Sales are highly volatile and involve a few, high-value, number of sales; hence, even one or two sales can make a significant difference.

By looking at sales breakdown, we highlight:

- ◆ **Wholesale** declining 6% y/y to ca. **€2.0mn**, with USA dealers recording flattish sales y/y while European corners at -9% y/y (from €1.7mn to €1.6mn);
- ◆ **Retail** recording another weak quarter (-43% y/y at ca. **€270k**) due to lower sales in the Sankt Moritz and Rome stores, while Genoa increased its contribution;
- ◆ **Special Sales** growing 20% y/y to **€1.5mn** vs. €1.2mn, with 1Q24 being the top performing quarter of this category over the last two years;
- ◆ **Franchising** stores (Prague and Doha) recording ca. **€320k**, implying a 5% y/y growth;
- ◆ **Production** (Hyperion Lab) generating ca. **€310k** in the first 3 months of consolidation. Without this contribution, Gismondi would have recorded a 2% organic decrease y/y;

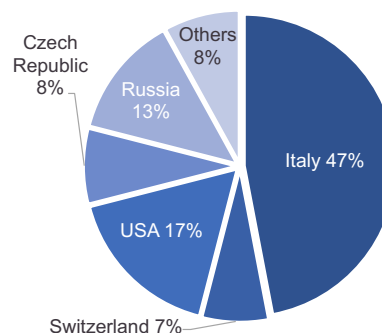
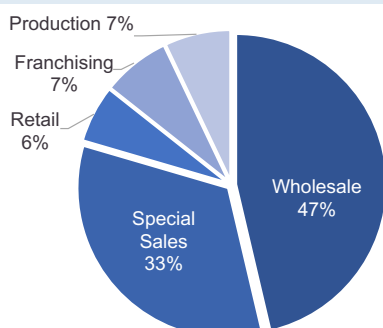
Gismondi: Operating Revenues by Distribution Channel

Operating Revenues (IT GAAP, €mn)	1Q22	1Q23	1Q24	y/y
Wholesale	1.7	2.2	2.0	-6%
Retail	0.5	0.5	0.3	-43%
Special Sales	0.9	1.2	1.5	20%
Franchising	0.3	0.3	0.3	5%
Production (Hyperion Lab)	0.0	0.0	0.3	nm
Operating Revenues	3.5	4.2	4.4	5%

Source: Gismondi, Value Track Analysis

In terms of geographic breakdown, Gismondi made the most of its sales in the **US** (now at 40% of the total vs. 24% in FY22), with **Italy** behind at 32% (from 34%), followed by **Switzerland** (flat at 13%), **Czech Republic** (flat at 10%), **Russia** (4% from 6%) and **Others** (from 13% to 1%).

Gismondi: 1Q24 Operating Revenues by Distribution Channel and Geographic Location



Source: Gismondi, Value Track Analysis

Impeccable Business Development

Gismondi is following a clear growth path, with impeccable strategy execution: (i) increasing its geographical footprint thanks to new agreements with independent dealers (at domestic and international level), (ii) derisking its business model thanks to the acquisition of in-house production capacity (Hyperion Lab deal), and (iii) widening its products offer with an ancillary brand (Vendorafa Lombardi) while not diluting the top-end positioning of Gismondi 1754.

However, the high macroeconomic and geopolitical uncertainty that is affecting the global demand for hard luxury goods is having an impact on Gismondi financials, which are lagging behind the booming commercial developments. Still, the Group should be back on track already in FY24 thanks to the excellent foundations built over FY23, and the new strategic objectives focused on the integration of acquired entities, costs optimization, and further international expansion.

Flawless Strategy Execution

Since the IPO, Gismondi achieved its targeted strategic objectives, i.e. (i) the consolidation of the Group **brand awareness** (increased marketing budget, successful participations at Las Vegas “The Couture Show 2023” and Vicenza Oro, acquisition of Vendorafa Lombardi), (ii) expansion on **international markets** (new wholesale and franchising agreements signed, new openings and access to Japan thanks to Vendorafa, strengthened US commercial effort), (iii) M&A activity for **in-house craftsmanship** (closing of Hyperion Lab deal sealed in December).

While we believe the Group will continue to work on enhancing its brand awareness at an international level and looking at potential new consolidation opportunities, here follows a recap of Gismondi historical development, with main events all happened over FY23.

Franchising Agreement in the Middle East

Master franchise agreement with the **Al Mana family** for the opening of a new chain (a total of 6 stores are expected) in the Middle-East is confirmed, with the first store already opened in Doha and contributing to FY23 operating revenues with over €463k. The other 5 stores should be coming over the next few years in Riyadh, Jeddah, Kuwait, Oman, United Arab Emirates.

Vendorafa Lombardi Acquisition

On March 31st 2023, Gismondi finalized the acquisition of **Vendorafa Lombardi** brand and assets from Lombardi Srl, a company founded in Valenza in 1951, operating in the gold jewelry sector and controlled by 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.

The total consideration for Vendorafa brands, production equipment and jewels was set at **€608k**, implying a transaction multiple of ca. **0.5x EV/Sales 2022** (revenues at ca. €1mn in FY22).

Gismondi brand awareness should be positively impacted by this deal, as the transaction will allow Gismondi to:

- 1. Integrate the Vendorafa brand**, historically recognized for the completely handmade workings that enhance the value of gold, its light and its aesthetic warmth, exalting the Italian craftsmanship, albeit in **different types of jewelry** vs. Gismondi (more "daily use" and

metalworking-based). 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.

Hyperion Lab Acquisition

On December 27th 2023, Gismondi finalized the acquisition of **Hyperion Lab SRL**, top-of the range goldsmithing company based in the renowned Valenza Po district (home to Italian best goldsmiths and gem-setters), that provides contract manufacturing services combining traditional craftsmanship with the most advanced technologies, creating products of the highest quality and innovative design.

Based on FY22 figures (Revenues at €1.34mn, EBITDA at €256k, and Net Cash of €144k) and on the majority stake price (**€1.02mn for 51% of the share capital**), we calculate GIS to have finalized the deal at ca. **1.4x EV/Sales** and **7.3x EV/EBITDA 2022A** (accretive based on our estimates). Also, there are crossed call and put options (fee to be established) on the remaining share capital to be exercised within six months of approval of FY25 financial statements.

The acquisition enables Gismondi to continue an important strategic consolidation process and to internalize some production to protect the Group brands from cost speculation and guarantee commercial competitiveness. Through Hyperion Lab, Gismondi also become a supplier of excellence of Italian jewelry creation. The Group envisages using about 30% of Hyperion production capacity for companies in its portfolio, leaving the remaining 70% for third parties' manufacturing services (business characterized by high profitability).

New Strategic Objectives

For FY24, Gismondi targeted new strategic objectives to continue its development plan to sustain a double digit profitable growth:

1. **Commercial Strategy**: the Company will focus on developing the high-end offer of Gismondi 1754, while integrating and strengthening Vendorafa new collections. The aim is to secure new collaborations with Italian and international dealers for either the brands and then integrate the other and benefit from **cross/up selling opportunities**. For instance, in the US the Vendorafa brand seems to be more recognized, hence dealers could be more open to acquire Vendorafa collections at first and then granting access to Gismondi 1754 for a higher-end offer. All in all, the focus will remain on indirect sales channels to avoid the expensive upfront capital requirements of proprietary retail stores (new directly operated stores openings conditioned to renowned locations, substantial levels of turnover expected and quality of clientele);
2. **Hyperion Lab Ramp Up**: through the integration of Hyperion Lab and the expansion of production capacity, the Company now boasts a 2,000 sqm factory for in-house manufacturing to be **less dependent on external production costs** and to offer best-in-class craftsmanship services to small-medium luxury brands. Synergies should become highly visible starting from 4Q24-FY25, when the factory should be running at full speed, and after the significant investments of this year to hire 5-6 new employees (commercial and production manager plus qualified goldsmiths) and equipment. Worth to mention, the factory will also be important to enhance Gismondi **brand awareness** on the market to continue to sell not only the single product but the history and philosophy behind each piece of jewelry, while maintaining a suitable mark-up;

3. **Cost Optimization:** In addition to the future synergies arising from the integration of Hyperion, Gismondi has already taken some actions to **rationalize and optimize** the costs of its directly operated stores network;
4. **Gismondi USA:** Gismondi will also continue to strengthen its presence in the US market, which grew double digits also in FY23 (+18% y/y). Indeed, the Group started to consolidate its American branch (**Gismondi USA**) from the beginning of FY24, with a new manager already in place substituting the Group local agent (allowing for more direct management and an attractive cost reduction). The goal is to consolidate the US presence by expanding the network of independent dealers and increasing the end customers already loyal to Gismondi brands;
5. **Further International Expansion:** about the **Persian Gulf** area, the opening of the first franchise store in Doha will begin to bear fruit during 2024; in addition, the five-year expansion plan in the area continues. As far as the Group global expansion is concerned, negotiations are underway to sign distribution contracts in the **South Pacific** and the **British** market.

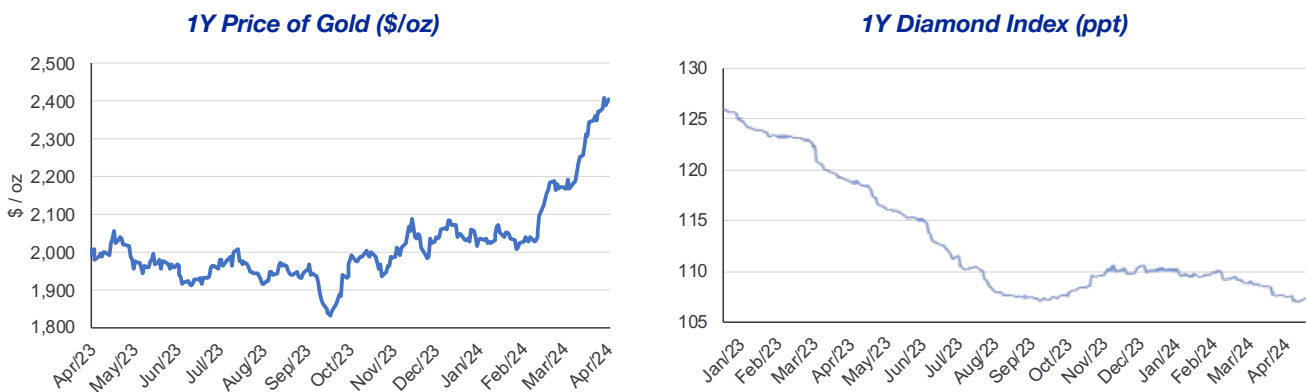
Macroeconomic and Geopolitical Uncertainty

The international geopolitical and economic instability can't be ignored, calling for some **caution when looking at the evolution of next quarters**. Indeed, the sector outlook remains uncertain:

- ◆ **Diamond and Gold** prices decoupling over the last 6 months, with the latter going up thanks to its safe heaven value (and central banks demand), and the former shrinking, inferring bearish market demand.
- ◆ **Equity Capital Markets** still nervous on the sector due to rising concerns about further downwards consensus review of future earnings.

However, we also remind that on a more positive stance a) the current bearish market conditions may help the Group to secure attractive assets at less demanding transaction multiples and b) expectations of easing monetary policies and a greater boost from consumption represent may quickly turn into supportive elements for the sector.

Gismondi: Gold and Diamond Market Prices



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

Forecasts 2024E-26E

Estimates Revision

We reviewed Gismondi estimates based on the persistent uncertainty on the outlook of the hard luxury sector generating low visibility on future quarters (bearish sign from Kering profit warning and LVMH -2% top line growth y/y in 1Q24). In more details, we revised:

- ◆ **Value of Production** down by 15%-20%, being more cautious on the like-for-like growth of single points of sales but assuming increasing collaborations with external dealers, both in Europe and in the US. Excluding the contribution of Hyperion Lab, we project Gismondi to grow mid-single digit in FY24E given the negative sector stance of the first semester of the year. We are more bullish on FY25E-26E growth, assuming a good market recovery, the take up of cross selling synergies between Vendorafa and Gismondi 1754 brands, and successful achievements of Gismondi USA, the American branch included in the Group perimeter since January 2024;
- ◆ **EBITDA** down by a more than proportional 20%-30%, as we expect FY24E to be a transitional year for the integration of Hyperion Lab, which is expected to be running at full capacity from the last quarter of the year, after significant investments especially in terms of human capital. Still, we forecast Gismondi to return to a double digits EBITDA margin already in the current year. Nonetheless, we remind that ours is a “normalized” scenario and that GIS profitability is highly volatile and dependent on the number of special sales recorded and on the magnitude of discounts on both raw materials costs and final selling prices;
- ◆ **Net Debt** up by only ca. €200k in FY24E, as we expect a higher control on inventory build-up, with Net Working Capital reducing its incidence on sales over the next few years.

Gismondi: Old vs. New Estimates

Key Financials (IT GAAP, €mn)	2024E			2025E			2026E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Value of Production	20.8	17.5	-16%	26.6	21.5	-19%	//	25.3	//
EBITDA	3.2	2.3	-28%	4.4	3.4	-23%	//	4.2	//
EBITDA Margin (%)	15.2%	13.1%	-210bps	16.6%	15.7%	-90bps	//	16.6%	//
EBIT	2.5	1.5	-40%	3.7	2.5	-31%	//	3.4	//
EBIT Margin (%)	12.0%	8.6%	-340bps	14.0%	11.8%	-211bps	//	13.5%	//
Net Profit	1.4	0.6	-59%	2.3	1.3	-44%	//	2.1	//
Net Financial Position	-5.8	-6.1	-0.2	-5.6	-5.6	0.0	//	-5.2	//

Source: Value Track Analysis

Forecasts 2023E-25E

Key Estimates

We forecast Gismondi to reach the following financial figures in 2026E:

- ◆ **Value of Production** at **€25.3mn**, 20% CAGR_{23A-26E} driven by indirect channel and Hyperion;
- ◆ **EBITDA Margin** just below **17%**, excluding future “special deals” that benefitted 2H22;
- ◆ **Inventory** reducing its incidence on sales to ca. **65%** thanks to better efficiency;
- ◆ **Net Debt** at **€5.2mn**, with Net Debt / EBITDA ratio down from 6.2x of FY23 to 1.2x.

Financial Statements 2023A-26E

Gismondì: P&L 2023A-26E

P&L (IT GAAP, €mn)	2023A	2024E	2025E	2026E	CAGR _{23A-26E}
Revenues from Sales	14.2	17.0	21.0	24.8	20%
Other Revenues	0.3	0.5	0.5	0.5	14%
Value of Production	14.6	17.5	21.5	25.3	20%
Raw Materials (incl. Δ Inventory)	-5.2	-5.7	-6.9	-8.1	16%
Costs of Services	-6.5	-7.1	-8.7	-10.0	15%
Labour Costs	-1.4	-1.5	-1.8	-2.0	12%
Other Operating Costs	-0.5	-0.9	-0.7	-1.0	23%
EBITDA	1.0	2.3	3.4	4.2	63%
EBITDA Margin (%)	6.7%	13.1%	15.7%	16.6%	990bps
D&A & Provisions	-0.4	-0.8	-0.9	-0.8	24%
EBIT	0.5	1.5	2.5	3.4	85%
EBIT Margin (%)	3.7%	8.4%	11.7%	13.4%	970bps
Net Financial Charges	-0.4	-0.4	-0.4	-0.4	-4%
Taxes	-0.1	-0.4	-0.7	-0.9	>100%
Minorities	0.0	-0.1	-0.2	0.0	nm
Net Profit	0.0	0.6	1.3	2.1	>100%

Source: Gismondì, Value Track Analysis

Gismondì: Balance Sheet 2023A-26E

Balance Sheet (IT GAAP, €mn)	2023A	2024E	2025E	2026E
Net Fixed Assets	2.9	2.5	2.1	2.7
Net Working Capital	14.7	15.9	17.3	18.4
Provisions	0.2	0.2	0.3	0.3
Total Capital Employed	17.4	18.2	19.1	20.9
Group Net Equity	11.4	12.1	13.6	15.6
Net Financial Position [Net debt (-) / Cash (+)]	-6.0	-6.1	-5.6	-5.2

Source: Gismondì, Value Track Analysis

Gismondì: Cash Flow Statement 2023A-26E

Cash Flow Statement (IT GAAP, €mn)	2023A	2024E	2025E	2026E
EBITDA	1.0	2.3	3.4	4.2
Δ NWC (incl. Provisions)	-2.2	-1.2	-1.4	-1.1
Capex	-0.6	-0.5	-0.5	-0.5
OpFCF b.t.	-2.8	0.7	1.6	2.6
Cash Taxes	-0.1	-0.4	-0.7	-0.9
Capital Injections	0.4	0.0	0.0	0.0
Others (incl. Financial Inv.)	-0.9	0.0	0.0	-1.0
Net Financial Charges	-0.4	-0.4	-0.4	-0.4
Δ Net Financial Position	-2.9	-0.1	0.5	0.3

Source: Gismondì, Value Track Analysis

Valuation

We update Gismondi Fair Equity Value at €5.50 p/s (outstanding NOSH) from €6.80 p/s, given:

1. Downwards estimates revision, which should have translated into ca. €1.55 fair value de-rating if not partially offset by higher peers' multiples vs. November (previous update)
 2. Lower Equity Risk Premium but higher unlevered beta inferred by Damodaran data sets;
- 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 €5.42 p/s Fully Diluted** (from €6.40 p/s).

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	22.5	22.5
Cash-In from Warrant	0.0	5.7
Fair Equity Value	22.5	28.3
NOSH (mn)	4.1	5.2
Fair Equity Value p/s (€)	5.50	5.42

Source: Market Consensus, Value Track Analysis

At **€5.50 p/s** (based on outstanding NOSH), Gismondi stock would trade at **1.3x EV/Sales, 8.6x EV/EBITDA, 11.4x EV/EBIT and 17.8x P/E 2024E**.

Gismondi: Multiples Sensitivity at Various Stock Price Levels

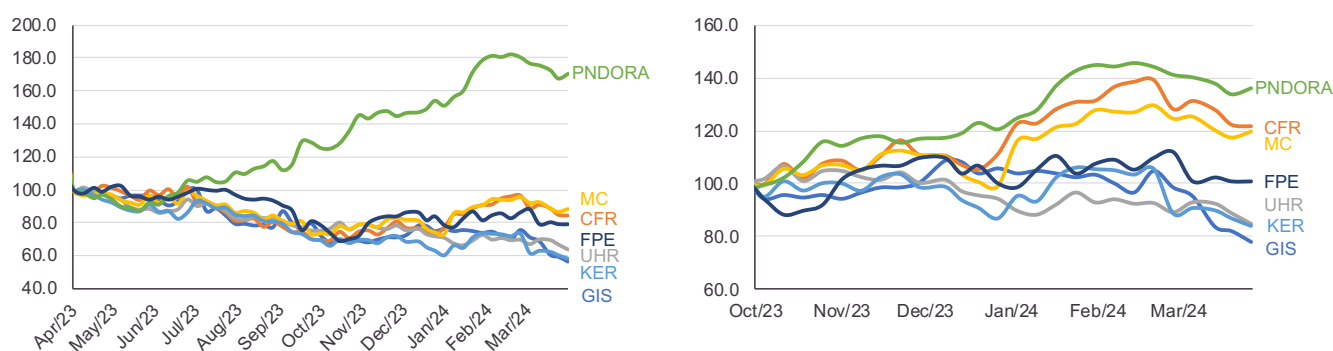
Fair Equity Value p/s (€)	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)		P/E Adj. (x)	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
€4.00	1.3	1.1	10.2	6.8	15.6	9.0	28.6	12.9
€4.50	1.4	1.2	11.1	7.4	16.9	9.8	32.2	14.5
€5.00	1.6	1.3	12.0	8.0	18.3	10.6	35.8	16.2
€5.50	1.7	1.3	12.9	8.6	19.7	11.4	39.4	17.8
€6.00	1.8	1.4	13.8	9.2	21.0	12.2	42.9	19.4
€6.50	1.9	1.5	14.6	9.8	22.4	13.0	46.5	21.0
€7.00	2.0	1.6	15.5	10.4	23.8	13.8	nm	22.6

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. 25%. Such weak and volatile stock performance is motivated by the mixed signals arising from the latest Hard Luxury Market earnings seasons and in general by a more cautious stance relative to consumer goods stocks.

However, over the last 6 months, the trend seems to have slightly changed direction, with Richemont, LVMH and (partially) Fope following Pandora in positive territory, contributing to the raising of valuation multiples.

Gismondì: Peers' Stock Price Evolution (L12M and L6M)


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	3.3	3.0	10.7	9.5	13.7	12.2	18.6	16.9
Swatch Group	1.0	0.9	4.9	4.3	6.5	5.7	11.9	10.8
LVMH	4.6	4.2	14.0	12.6	17.5	15.5	24.6	22.3
Kering	2.8	2.6	9.1	7.9	12.7	11.0	15.5	13.5
Average	2.9	2.7	9.7	8.6	12.6	11.1	17.6	15.9
Median	3.0	2.8	9.9	8.7	13.2	11.6	17.0	15.2
Other Jewelry Players								
Pandora	3.2	3.0	9.9	9.2	12.9	11.8	17.1	15.1
Fope	2.0	1.7	8.1	7.0	9.4	8.0	12.5	10.7
Average	2.6	2.4	9.0	8.1	11.2	9.9	14.8	12.9
Median	2.6	2.4	9.0	8.1	11.2	9.9	14.8	12.9
Total Average	2.8	2.6	9.4	8.4	12.1	10.7	16.7	14.9
Total Median	3.0	2.8	9.5	8.6	12.8	11.4	16.3	14.3
Gismondì	1.2	0.9	9.0	6.0	13.8	8.0	24.0	10.9
<i>Discount vs. Total Average. (%)</i>	<i>-58%</i>	<i>-63%</i>	<i>-4%</i>	<i>-29%</i>	<i>14%</i>	<i>-26%</i>	<i>44%</i>	<i>-27%</i>

Source: Market Consensus, Value Track Analysis

Relative Valuation

Our peers' analysis returns a Fair Equity Value of €4.02 p/s, based on outstanding shares.

While we believe GIS is too 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. Coupled with a weaker FY23 financial performance, we decided to increase the relative discount on FY25E multiples (FY24E not taken into consideration as it should be a transitional year, especially in terms of profitability). Hence, our fair multiples embed a 30%-40% discount vs. comparables total average, and are broadly in line with (i) historical implicit market valuation and (ii) the historical average of our fair multiples applied to GIS stock.

Gismondi: Relative Valuation

Relative Valuation 2025E (€mn)	EV/Sales	EV/EBITDA	EV/EBIT	P/E Adj.
Peers' Average (x)	2.5	8.4	10.7	14.9
Discount (%)	-40.0%	-30.0%	-30.0%	-30.0%
Fair Multiples (x)	1.5	5.9	7.5	10.4
Average Fair Equity Value p/s (€)	4.02			

Source: Market Consensus, Value Track Analysis

Cross Check: 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. 2.8x, 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
2018	L'azurde Company	Izdiad Commercial	49	100%	2.6
2019	Family Owners	Damiani	12	17%	0.8
2019	Richemont	Buccellati	230	100%	6.2
2021	Partners Group	Breitling	2,795	100%	3.8
2021	LVMH	Tiffany	13,100	100%	2.8
2022	Signet Jewelers	Blue Nile	353	100%	0.7
Median	//	//	263	100%	2.8

Source: Various, Value Track Analysis

DCF

Our DCF model returns a Fair Equity Value of €7.02 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 additional small target(s).

The DCF model includes estimated Free Cash Flows from 2025E to 2031E, while the Terminal Value is calculated applying a 1.5% perpetuity growth rate, that is in our view justified by a conservative 5.9x TV/EBITDA exit multiple in 2031E.

Gismondì: WACC at 30% Target Capital Structure

WACC Assumptions	(%)
Risk-Free Rate (%)	2.0
Target Capital Structure (D/D+E) (%)	30%
Unlevered Beta (x)	1.27
Levered Beta (x)	1.68
Market Risk Premium (Italy) (%)	5.6%
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 (%)	10.7%

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

Gismondì: DCF Valuation

DCF Valuation	(€mn)
Discounted Free Cash Flows 2025E-2031E	11.8
Discounted Terminal Value @ 2031E with $g=1.5\%$ or $TV/EBITDA=5.9x$	23.9
Fair Enterprise Value	35.7
Net Financial Position 2024E	-6.1
Adjustments (*)	-0.9
Fair Equity Value	28.8
NOSH (mn)	4.1
Fair Equity Value p/s (€)	7.02

Source: Value Track Analysis, (*) €1mn for HyperionLab minorities (hp) and 24,400 treasury shares valued at market price

Gismondì: DCF Sensitivity Analysis

Fair Equity Value p/s (€)		Perpetuity Growth Rate (%)				
		0.50%	1.00%	1.50%	2.00%	2.50%
WACC (%)	9.7%	7.46	7.85	8.28	8.77	9.33
	10.2%	6.90	7.23	7.61	8.04	8.51
	10.7%	6.39	6.69	7.02	7.38	7.80
	11.2%	5.94	6.20	6.49	6.81	7.16
	11.7%	5.52	5.75	6.01	6.29	6.60

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. 44% of Revenues thanks to 34 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. 72% 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 (e.g., Saks Fifth Avenue retail chain). Gismondi replicated this model in Europe and, more recently, the **Middle East**, where the second franchise of the Group opened between in FY23 in Doha. Gismondi POS are split as follows:

- ◆ **Retail Stores / DOS (5)**: Genoa, Portofino, Sankt Mortiz, Milan, Rome;
- ◆ **Wholesalers (34)**: USA (21), Italy (8), Europe (5);
- ◆ **Franchises (2)**: Prague (Czech Republic) and Doha (Qatar).

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 ca. **€15mn in FY23**, growing at ca. **36% CAGR₂₀₁₇₋₂₃**. 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.

Flawless Strategy Execution. New Objectives Already Targeted

Since the IPO, Gismondi achieved its targeted strategic objectives, i.e. (i) the consolidation of the Group **brand awareness** (increased marketing budget, successful participations at Las Vegas “The Couture Show 2023” and Vicenza Oro, acquisition of Vendorafa Lombardi), (ii) expansion on **international markets** (new wholesale and franchising agreements signed, new openings and access to Japan thanks to Vendorafa, strengthened US commercial effort), (iii) M&A activity for **in-house craftsmanship** (closing of Hyperion Lab deal sealed in December).

While we believe the Group will continue to work on enhancing its brand awareness at an international level and looking at potential new consolidation opportunities, Gismondi also targeted new strategic objectives to continue its development plan to sustain a double digit profitable growth:

1. **Commercial Strategy:** developing the high-end offer of Gismondi 1754, while integrating and strengthening Vendorafa new collections and benefit from cross/up selling opportunities;
2. **Hyperion Lab Ramp Up:** the Company now boasts a 2,000 sqm factory for in-house manufacturing to be less dependent on external production costs and to offer best-in-class craftsmanship services to small-medium luxury brands;
3. **Cost Optimization:** in addition to the future synergies arising from the integration of Hyperion, Gismondi has already taken some actions to rationalize and optimize the costs of its DOS;
4. **Gismondi USA:** inclusion in the consolidation perimeter of its American branch from the beginning of FY24, with a new manager substituting the Group local agent (allowing for more direct management and an attractive cost reduction). The goal is to consolidate the US presence by expanding the network of independent dealers and increasing the end customers;
5. **Further International Expansion:** The five-year expansion plan in the Middle East continues. In addition, new collaborations are underway in the South Pacific and British markets.

SWOT Analysis

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

Gismondi: SWOT Analysis

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 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	THREATS
<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 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

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