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CFA Institute Research Challenge
Initiation of coverage
13th February 2024

GVS S.p.a

Italy | Industrial Filtration

In DEBT we TRUST

FILTER TECHNOLOGY

HOLD

INVESTMENT SUMMARY

GVS

Price:	€6.05
Target Price:	€6.64
Upside:	9.8%
Dividend Yield FY24E:	0%
P/E FWD:	21.5x

Stock data

Market Capitalization:	€1066 mln
Shares Outstanding:	174.6 mln
Exchange:	FTSE ITMC
Ticker:	GVS.MI
52 Week HL:	4.00-6.46
Avg. Daily Volume (90d):	93.551
TTM[%]:	19.2%
YTD[%]:	10.6%

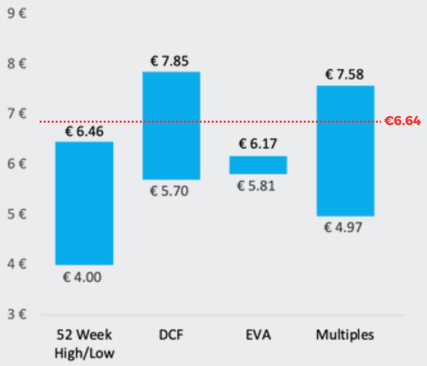
Stock Performance

Price ret.	3M	1Y
GVS:	39%	19.2%
ITMC:	13.8%	1.7%
ITLMS :	8.4%	12%

Shareholders Structure

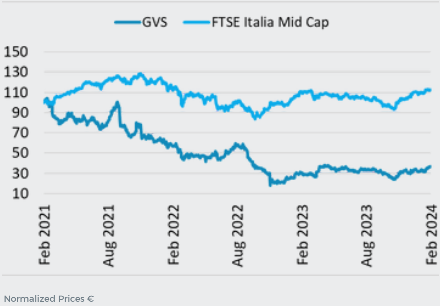
Family Ownership:	60%
Free Float:	40%
Founder voting rights:	75%

Valuation Football Field



Source: Team elaboration

Historical Performance



Source: Factset, team elaboration

We initiate coverage on GVS with an **HOLD recommendation** and a year-end target price of €6.64, implying a 9.8% upside on the last close of €6.05 as of 2 February 2024 (€6.05/share). We believe that GVS's market price discount already its future potential, leading to a **shift in focus towards resolving debt** instead of pursuing new acquisitions.

With a market capitalization of €1066 million and **expected sales of €427 million in FY23E**, GVS is a key player in the global filtration sector. Exploiting its global presence, the Group offers a diversified product portfolio, for both medical and industrial needs. Together with its local-for-local approach, it **mitigates international trade risks** while expanding its market share through targeted acquisitions.

GVS DOMINATED THE FILTRATION PODIUM...

GVS, headquartered in Bologna, is an Italian filtration company **controlled by the Scagliarini family**, holding 60% of shares and 75% of voting rights. The company operates across three core segments: Healthcare & Life Sciences, Energy & Mobility, and Health & Safety, each **playing a distinct role in its revenue stream**. For the long-term we forecast Healthcare & Life Sciences, focused on medical filters and plastic components, to **remain the main revenue driver** (CAGR FY23E-FY27E: 8.6%). Following closely, Health & Safety, specialized in respiratory masks and filters (CAGR FY23E-FY27E: 4.3%). As last, Energy & Mobility, exclusively serving B2B clients (CAGR FY23E-FY27E: 7.4%). Geographically, the **primary source of GVS's sales revenue stems from North America** (46% FY22) and Europe (30% FY22). In 2023, the company could moreover see rising revenues from Asia, signaling its expanding market reach.

...BECOMING A SALES SUPERNOVA IN 2020...

GVS's succeeded impressively during the Covid-19 crisis, with disposable masks accounting for 27.5% of the Group's sales (€363 million FY20 versus €227 million FY19). In the pandemic, the company played indeed a relevant role by **meeting the increase in demand for medical filters** and protective masks. In sync with the pandemic surge in demand, the Group boosted its revenues by exploiting Mergers & Acquisitions (8.2% CAGR from FY18 to FY22), which permitted GVS to expand **its product portfolio and market reach**. Historically targeting developed regions, the Group turned attention to emerging countries as well. The acquisition of Shanghai Transfusion Technology, in fact, **facilitated entrance in the Asia Pacific region**. The efficacy of GVS's acquisitions is particularly evident in the sales of 2023, with **respirators acquired from RPB emerging as the best-selling items**.

...BUT ITS DEBT BURDEN MADE IT STUMBLE.

Following the surge in demand prompted by the pandemic, **GVS's performance has shown signs of decline**. The first risk for GVS emerges from the rising demand for electric vehicles (EV), impacting its liquid filters segment, which constitutes 7% of FY23E sales. However, the **main challenge that the Group faces stems from increased debt** due to the recent M&As: in FY22 its net debt peaked at €342 million, mainly due to the €212 million acquisition of Haemotronic. Concurrently, **margins declined below pre-COVID levels** (EBITDAm: 20% in FY22 versus 27% in FY19, EBITm: 14% in FY22 versus 21.7% in FY19). As a result, even though GVS cash flow demonstrated **robust performance over FY18-FY20**, it began declining from 2021 because of the worsening change in working capital, associated with its recent business activities. Indeed, the Group's reliance on debt financing for acquisitions has led to a current **Net Debt to adjusted EBITDA of 3.5x**, with outstanding loans funding recent takeovers, mostly RPB and Haemotronic. The Group's FY22 DSCR plummeting to 0.63 suggests some **potential challenges in fulfilling debt obligations** with operational cash flows. The over reliance on loans is impacting the company's credit risk rating and financial covenants, although efforts are underway to diminish GVS financial debt between 2024 and 2025.

GVS's financial data - TABLE 1

Source: Team elaboration

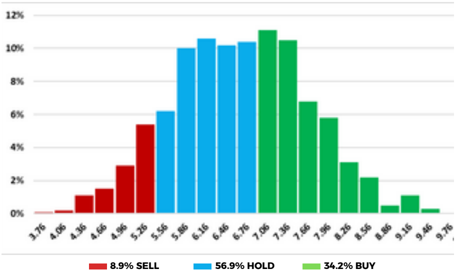
€(mln)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Revenues	209	227	363	338	388	427	460	497	534	568	603	636	671
growth (%)		8.9%	59.8%	-6.9%	14.6%	10.2%	7.7%	8.0%	7.5%	6.5%	6.0%	5.5%	5.5%
EBITDA	53	62	138	106	67	92	109	120	130	140	151	163	176
EBITDAm (%)	25.2%	27.3%	38.1%	31.4%	17.4%	21.6%	23.7%	24.1%	24.3%	24.7%	25.1%	25.7%	26.2%
EBIT	34	46	119	82	29	45	60	69	77	86	96	107	118
EBITm (%)	16.3%	20.1%	32.8%	24.4%	7.5%	10.5%	13.0%	13.9%	14.5%	15.2%	16.0%	16.8%	17.6%
Net Profit	23	33	78	68	24	13	30	38	45	52	71	79	87
growth (%)		43.2%	136.7%	-13.4%	-64.3%	-46.4%	134.6%	25.9%	18.3%	15.6%	36.2%	10.8%	10.5%
FCF	22	26	62	-124	-191	22	8	35	53	53	71	75	83
CAPEX	-13	-13	-18	-19	-18	-36	-20	-21	-21	-22	-22	-22	-21
Tangible CAPEX	-11	-10	-15	-19	-18	-30	-14	-14	-14	-14	-13	-13	-12
Intangible CAPEX	-3	-3	-3	-4	-5	-6	-6	-7	-7	-8	-8	-9	-9
Net Financial Position	134	105	-27	92	342	320	312	277	224	171	100	25	-58
Net Debt/adj EBITDA	2.5x	1.7x	-0.2x	0.8x	4.3x	3.5x	2.9x	2.3x	1.7x	1.2x	0.7x	0.2x	-0.3x
ROE	40.6%	43.9%	52.1%	28.0%	16.9%	7.9%	12.7%	13.7%	14.3%	14.7%	17.1%	16.7%	16.3%

GVS's team estimates
FIGURE 1

		FY23E	FY24E	FY25E
Revenues	Team Est.	427	460	497
	Consensus	423	445	470
EBITDAm	Team Est.	21.6%	23.7%	24.1%
	Consensus	22.0%	24.0%	26.6%
DPS	Team Est.	0.15	0.26	0.30
	Consensus	0.21	0.28	0.35

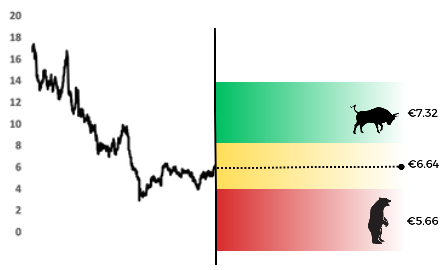
Source: Refinitiv, team elaboration

Monte Carlo simulation
FIGURE 2



Source: Company data, team estimates

Bull & Bear scenarios
FIGURE 3



Source: Refinitiv, team estimates

SCAGLIARINI FAMILY: DOMINATING GVS, BUT AT WHICH COST?

Despite efforts to improve its governance structure, **GVS still faces relevant risks**. The new Board of Directors appointed in 2023, with more than 50% independent members, marks a positive development in governance. However, there is still a low public ownership and a weak voting structure: **the Scagliarini family maintains indeed a dominant position** with 60% ownership and 75% of voting rights. This concentration of power, with double voting rights for the controlling shareholder, could raise conflicts of interest. Limited leadership diversity, with Massimo Scagliarini as CEO since 2003, risks instead to limit innovation and **harm long-term competitiveness**. In the Governance pillar GVS falls below the industry average, C+ in FY22 (Source: Refinitiv).

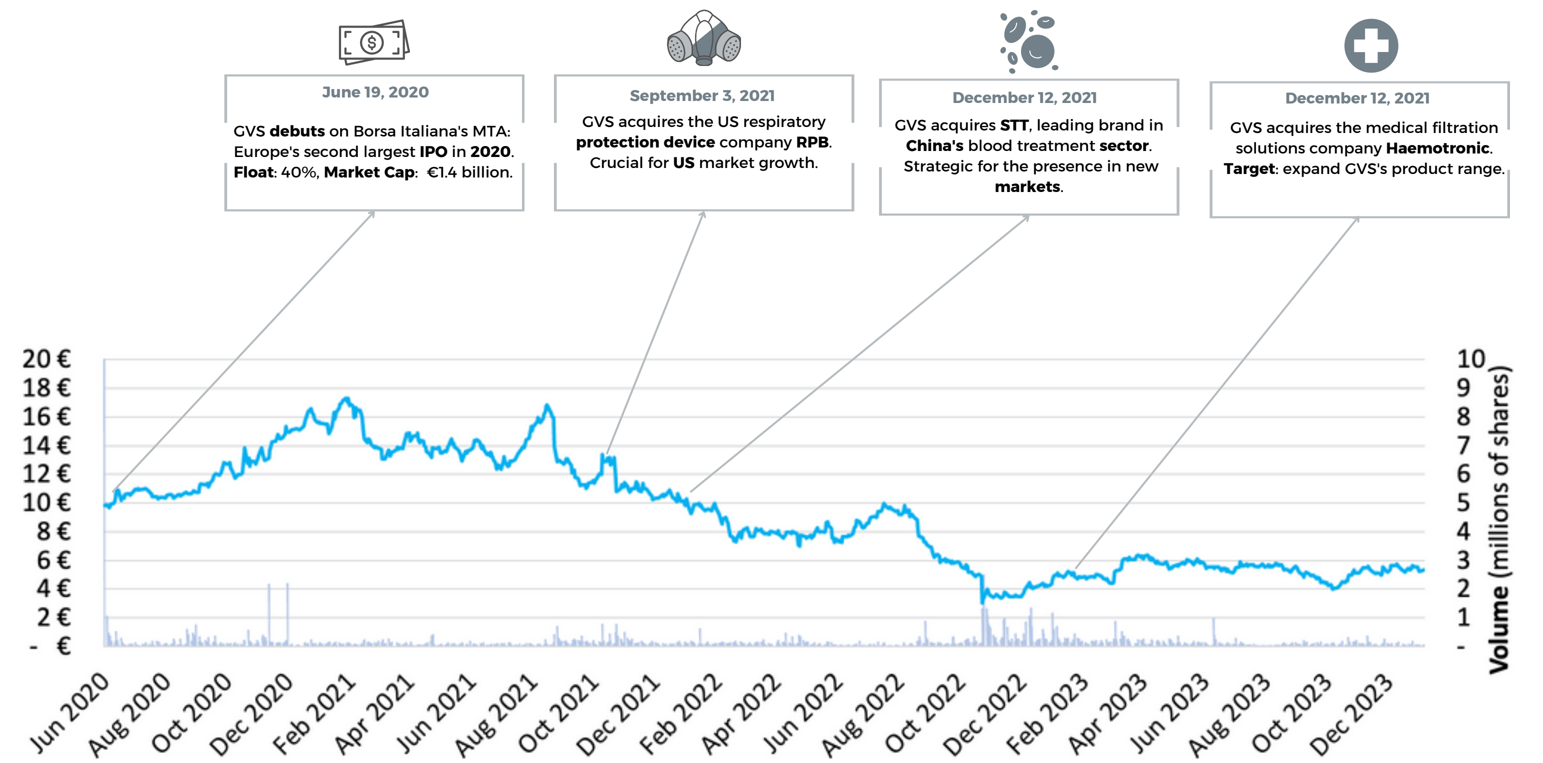
VALUATION.

Our **target price of €6.64**, representing a **9.8% premium over the 02/02/24 closing price**, is the result of a comprehensive analysis, which integrates (i) intrinsic valuation, (ii) relative valuation, and (iii) Economic Value Added. (i) Exploiting a three-stage discounted cash flow model (DCF) with a WACC of 8.2% and a terminal growth rate of 2% we obtained a value of €6.79 per share, with a 12.2% premium compared to €6.05. (ii) Our relative valuation, comparing GVS with industry peers on margins and brand positioning, yielded a target price of €7.29, 20.5% premium to the last close. (iii) The EVA model, considering a ROIC of 9.8% and a WACC of 8.2%, suggested a target price of €6.14 per share, showing just a 1.4% premium. In line with the Monte Carlo simulation results, indicating a 56.9% probability of hold, GVS investors shall maintain their current holdings. Even if **€6.64 represents the balance price**, in our analysis we presented two scenarios. In the best-case scenario, GVS can manage its debt in the short term and benefit from cost reduction strategies for growth, with an upside potential of 10.2% from the base case and a probability of 34.2%. In the worst-case scenario, however, challenges like innovation lag may hinder growth, with a downside potential of 14.8% and a probability of 8.9%.

INVESTMENT RISK.

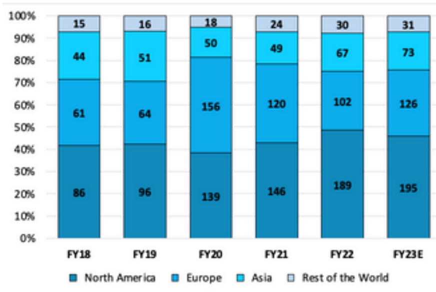
GVS faces various risks, both external and internal:
(i) Externally, **market risks like economic downturns and geopolitical tensions**, alongside inflation and currency fluctuations, pose significant challenges. Although **projections of Euro area inflation at 2.8%** (Source: Eurostat) in 2024 indicate some relief, ongoing geopolitical events, such as recent Red Sea disruptions, still threaten supply chains. (ii) Internally, GVS encounters risks associated with its M&A activity, management turnover, as well as credit ratings. While overpriced acquisitions can strain the Group's finances, rare changes in leadership may disrupt operational continuity. With respect to the last risk, instead, GVS's BB credit rating (Source: Refinitiv) emphasizes instead the **need for prudent financial management to sustain investor confidence**. To manage these risks effectively, the company should carefully research M&A deals, plan for leadership changes, and handle debts promptly.

GVS 's STOCK PRICE - TABLE 1



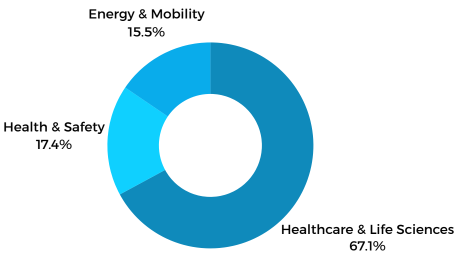
Source: Refinitiv, team elaboration

Revenues by geography
FIGURE 4



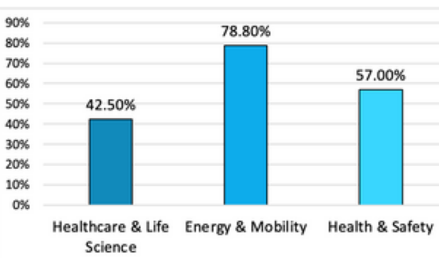
Source: Company data, team estimates

Revenues by segment 2023E
FIGURE 5



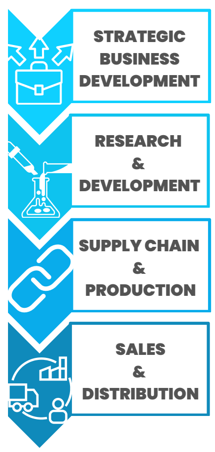
Source: team estimates

Top 15 customer
FIGURE 6



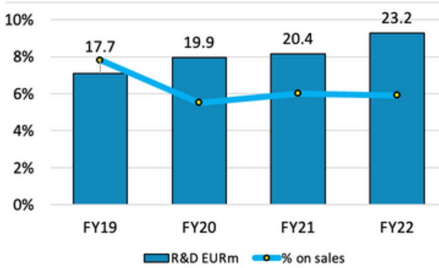
Source: Company data, team elaboration

Vertical integration
FIGURE 7



Source: Company data

R&D investments
FIGURE 8



Source: Company data, team estimates

OVERVIEW

With a market cap of €1066mln, GVS is a global manufacturer of advanced filtration solutions, with Corporate headquarters in Bologna, Italy. Founded in 1979, it operated as a privately owned company until its IPO on 19 June 2020. Yet, it is a **family-owned and family-run business**, with the Scagliarini family controlling a significant portion of voting rights. Starting with the production of medical filters for blood's treatment in its early years, it has expanded to become a leader in the development and manufacture of highly technological diversified filters. GVS's wide range of products promote health and safety in the most critical environments, mainly serving highly-regulated end markets.

Strategy: In over 40 years of history, the Group has been following an **international strategy**; therefore, it can currently count on 19 worldwide production plants, and 10 commercial offices. This global structure enables the Company to address large multinational customers' requirements across their locations worldwide. Additionally, GVS has been adopting a **local-for-local approach**, with the customer base in key locations served by production at local plants. Proximity to customers in each region is seen as a competitive advantage, and the local production and commercial network help mitigate risks arising from international trade dynamics (for instance, the conflict in the Red Sea poses minimal direct risk for the Company). In terms of production facilities, GVS's current strategy involves closing/grouping plants, with an anticipated uptick in EBITDA for each closure. This move is intended to enhance efficiency in the remaining plants in the upcoming years, especially amidst the current market destocking, poised to capitalize the projected rebound in demand in 2025. Another cornerstone of the group's growth strategy is **M&A**. Over the past 14 years, the Group strategically acquired 17 companies, expanding its product portfolio and penetrating new markets and geographies **(Annex B.1 - B.2)**. The main target are companies based in developed countries, since the demand of filtration solutions in emerging areas is currently low. As a consequence, GVS's global reach is mainly attributable to its acquisitions. In fact, revenues come primarily from developed regions **(Figure 4)**: with North America historically holding the position as the primary market (except for FY20 when revenues increased in Europe). Moreover, the acquisition of Shanghai Transfusion Technology (STT) in 2021 has further enabled GVS to expand into the Asia Pacific region, particularly in China. As of now, GVS has temporarily suspended its M&A strategy, prioritizing the resolution of debt accumulated in preceding years.

BUSINESS LINES

GVS operates through 3 business segments, which all include several sub-segments **(Annex B.3-B.4)**.

(i) Healthcare & Life Sciences (67.1% FY23E revenues, **Figure 5**): this is the most important unit, with a large and well-diversified client base. The production is focused on crafting filters and plastic components for **medical and laboratory applications**; many of the products in this division have CE marking, are registered with the FDA in the US, or have registrations for the specific countries in which GVS operates. The division is composed by 3 sub-segments: Healthcare Liquid (medical plastic components), Healthcare Air & Gas (respiratory filters and medical procedures filters), and Laboratory (filtration devices and membrane filters).

(ii) Energy & Mobility (15.5% FY23E revenues, **Figure 5**): in this division GVS uses systems with very **high volumes** and **high-precision** mechanical processing to produce filters and components mainly for the mobility sector. Additionally, it manufactures products for molecular filtration that retain chemicals and environmental contaminants from the air. It is made up of 3 sub-segments: Powertrain & Drivetrain (liquids are mainly involved), Safety & Electronics (air is typically involved) and Sports & Utility. GVS sells these products mainly to automotive OEMs. Therefore customer concentration is less diversified than in the other division **(Figure 6)**. The segment was largely expanded through the acquisition of Kuss Filtration in 2017 (€24.41 mln revenues contribution FY17).

(iii) Health & Safety (17.4% FY23E revenues, **Figure 5**): this sector is specialized in the production of industrial and commercial **respiratory masks** and filters, used in various industries requiring the adoption of worker safety equipment. The client base is large and diversified and the division includes 2 sub-segments: Personal Safety (93% of divisional revenues), and Air Safety (HEPA filters). During Covid-19 pandemic the demand of disposable masks increased: starting from zero, GVS launched in a few months the fabrication of these products and therefore the division saw a large peak in revenues (€100mln sales in FY20 and €51mln in FY21).

BUSINESS MODEL

GVS business model is divided into 4 stages, and it is deeply rooted in innovation and customer collaboration. The company is vertically integrated: it manages the entire production process internally, from prototyping to the final stages of industrial production **(Figure 7)**. Additionally, the process is analogous across the three segments since the products share many common features.

(i) Strategic business development: GVS monitors new business opportunities and identifies the needs of its clients thanks to local sales managers' feedback. Then, the projects are assigned to specific teams who design the products, except for the Energy & Mobility sector where there is a cooperation with OEMs. Additionally, strategic business development goals also involve identifying opportunities for inorganic growth through acquiring companies or manufacturing sites.

(ii) Research & development: This phase is the essence of the business model, historically representing 6-9% of the revenues, including expensed and capitalized **(Figure 8)**. Thanks to its 9 worldwide research centers (Italy, US, Brazil, China, and UK) and R&D investment, the Company aims to have access to the most advanced technologies. Starting with product conceptualization and project cost/revenue estimation, the process proceeds to a feasibility assessment, examining raw materials, competitors, and addressing intellectual property. Subsequently, tests ensure compliance with specifications, standards, and safety through a sample panel, guiding decisions on production scaling.

(iii) Supply chain & production: GVS sources raw materials and components based on inventories, sales volumes, and order backlog visibility. Supplier selection follows predetermined criteria, emphasizing R&D and ISO certifications, with business relationships primarily tied to individual orders. The manufacturing strategy prioritizes market proximity or plant specialization to optimize production capacity, with **flexibility across locations in production process**. Health & Safety

products are produced only in the UK, Brazil, and Romania, while those from the other divisions are manufactured globally, with a local-for-local approach.
(iv) Sales & distribution: GVS sells its products both through its internal salesforce (B2B) and external distributors (B2C), with the former largely predominant.

REVENUE DRIVERS

The primary sources of revenues for GVS are driven by:
(i) Customer Contracts accounting for 98.5% of the total (September 30, 2023). In 2022, the DSO for GVS have been 75 days, increasing from the 70 days of 2021 (Source: FactSet). The Group has over 4600 customers across five continents. Most of the customer base is B2B **(Figure 9)** with B2C representing a small portion. For its internal salesforce, the company aims to make direct sales to OEMs, while for its external distributor, it does not consider sales to final consumers, rather customers served by distributors. The Company transacts with them and third-party resellers via individual purchase orders or framework contracts (may include minimum sales volume targets). Distribution contracts typically last 3 years, while framework supply contracts have a 2-year duration.
(ii) M&A broadly contributed to 8.2% of GVS revenue CAGR FY18-FY22. As for 2023 so far, it was a strong contributor to growth, with an €18.7m contribution to sales from the enlarged perimeter, and a further €6.9m of revenues added via up-selling and raised pricing in the quarter.

INDUSTRY OVERVIEW

THE INDUSTRIAL FILTRATION MARKET

The industry main activity involves removing harmful particles from liquid and gases. These systems safeguard both equipment and work environments by **eliminating contaminants**, ensuring a safer workplace and preserving machinery efficiency. In 2022, it was valued at €35,7 billion (Source: Precedence Research), mostly focused in **North America and Europe** (41% and 25% of the market share). In 2023-32, the stricter air pollution regulations will consolidate the position of leadership of North America, but the **urbanization** of Asia Pacific will permit the region to overtake Europe.

INDUSTRY TRENDS

The anticipated expansion of the industrial filtration market (5.2% CAGR FY23E-FY32E, Source: Precedence Research, **Figure 10)** is expected to be driven by the **rise of pollutants** induced by chemical processes, potentially causing cross-contamination and posing risks to workers.
The main trends affecting the industry are:
(i) Greater awareness on occupational risks. The growth trajectory within the Health & Safety sector is being guided by the implementation of increasingly stringent regulations.
(ii) Future emission standards. The higher chemical and petrochemicals toxins could lead to positive trends in the Energy & Mobility sector, as car manufacturers will be forced to comply with such regulations and adapt to the increasing demand for electric vehicles.
(iii) Rising demand for infusion procedures, hemodialysis, and transfusions. The Healthcare & Life Sciences sector is anticipated to experience a surge in sales, driven by the stricter requirement mainly in quality for high-purity raw materials and a growing interest among the population.
The expansion of the market size could also be caused by growing **respiratory diseases, surgery under anesthesia** and **operating rooms' control** and environmental monitoring.

GVS POSITIONING

Given the previous considerations, we conducted a comprehensive and thorough analysis to evaluate GVS's strategic positioning within the industrial filtration market.
(i) [+] Greater awareness on occupational risks. The Group solidifies its market position within the segment through the production of advanced filtration devices for employees protection and cutting-edge HEPA filters designed to ensure a safe and secure working environment.
(ii) [-] Future emission standards. While the increasing demand for electric vehicles is expected to elevate the requirements for filtration and ventilation, the advent of e-mobility poses a potential challenge to the liquid filters manufacturing segment, constituting 7% of GVS FY23E revenues (Source: Company information). Nevertheless, we believe that the balance could be positive in the long run, given the consistent upward trajectory in the value of filtration solutions **(Figure 11)**.
(iii) [+] Rising demand for infusion procedures, hemodialysis, and transfusions. The acquisition of Haemotronic in 2022 could increase GVS product portfolio in the clinical therapeutics and blood management, expanding its presence in the European and North American markets.

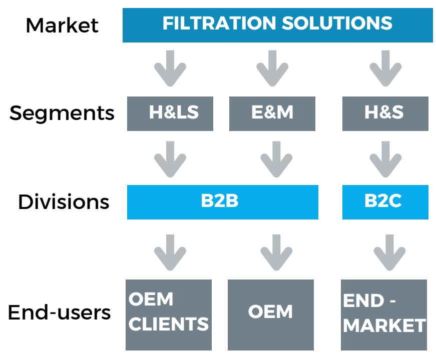
INDUSTRY ATTRACTIVENESS

To analyze the competitive forces within the industry, we conducted the Porter's Five Forces model **(Figure 12)**. **(i) Threat of new entrants** is minimal as the markets in which GVS operates are characterized by high barriers, economies of scale, and strict regulations which require substantial time and effort to comply with. The degree of **(ii) internal rivalry** is high considering the presence of major conglomerates and small specialized niche players, undermining the attractiveness of the industry. **(iii) Power of Buyers** is overall low, mainly because of substantial cost associated with changing suppliers. Moreover, the switch would take time as it entails a complete restart of the safety standard certification that products must fulfill. Within the industrial filtration market the balance between technological dynamism and certified quality can determine the success and the **(iv) power of suppliers**. Therefore, those who adapt to innovation or possess ISO certifications have an higher power. Direct **(v) substitutes products** for filtration can be challenging to identify as filtration is a unique process for removing particles or impurities from a fluid.

COMPETITIVE POSITIONING

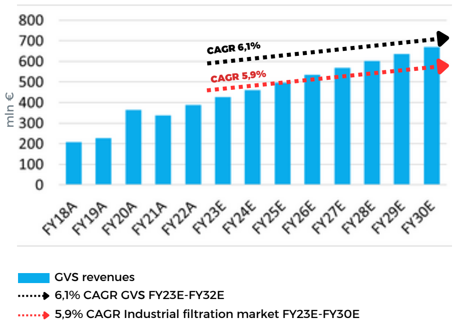
The markets in which GVS operates are fragmented, with the presence of **few worldwide players** with diversified product portfolios and **local firms** with a strong expertise and reputation. GVS has established a solid relationship with a well-diversified range of reputable blue chip clients **(Figure 13 - Annex C.1)**, although its customers' revenues are not comparable to those of its main peers. In the Healthcare & Life Sciences, GVS is well-positioned, especially in the Healthcare Liquid subdivision, as it has been able to differentiate itself from the competition through its high degree of specialization in infusion and transfusion. Therefore, the main competitor remains Pall (which was acquired by

GVS customers
FIGURE 9



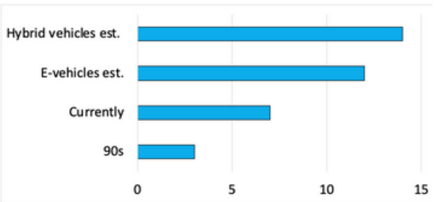
Source: Company data, team elaboration

Industry growth vs GVS
FIGURE 10



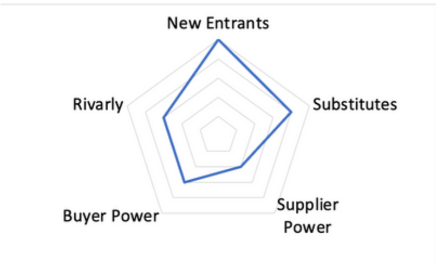
Source: Company data, team estimates

Average value of filters per vehicles
FIGURE 11



Source: Company data, Team Research

Porter's five forces framework
FIGURE 12



Source: team elaboration

GVS blue chips clients
FIGURE 13

Healthcare Liquid & Healthcare Air	PHILIPS
Laboratory	Coca-Cola
Powertrain & Drivetrain and Safety & Electronics	Ford
Sports & Utilities	Mercedes-AMG Petronas Formula One Team
Personal Safety	amazon
Air Safety	dyson

Source: Company data

Danaher) with a comparable product offer (PALL LS Revenues 7,1m€ FY22 vs GVS H&LS Revenues €245m FY22). In the Energy & Mobility sector, GVS maintains its strongest market share in the Powertrain & Drivetrain sub-segment. ABS stands out as the product with the highest market share, serving as the company's primary focus for driving growth and solidifying GVS's global position in the Safety & Electronics sub-segment. As for the Health & Safety division, GVS has strengthened its position, within the Personal Safety sub-segment during Covid-19 pandemic (due to the increasing demand for disposable masks), as well as with the acquisition of RPB (expanding its product range through professional masks). Nevertheless, as of FY23, the company only holds a 2% market share in this segment. In fact, we see GVS's competitive position to be threatened mostly by the **presence of big conglomerates** such as 3M (€30.229B revenues FY23).

SWOT

(Figure 14) GVS draws its strength from the **vertical integrated business structure** which allows to self-produce 60-70% of the filtration membranes. Moreover, the company can take advantage of the increasing trend demand for e-vehicle components in order to expand its business in the sector. The predominant exposure to developed countries is also due to the fact that the adoption of filtration solutions in emerging countries is still low. Therefore, an inverted trend in these areas gives GVS the opportunity to grow. Despite high barriers to entry, the reference market is dynamic in terms of technologies. Any delay in maintaining a competitive edge could hinder business opportunities, growth, and profitability, posing clearly a threat for the Company.

SWOT analysis
FIGURE 14

S
- Vertical integration
- Glocal structure: global reach and local flexibility
- Strong customer involvement

W
- Smaller size compared to the peers
- Intricated certification procedure
- Restricted market share growth
- Limited exposure to developing countries

O
- New filtration systems for electric vehicles
- Higher protection devices standards
- M&A expansion in international markets

T
- Low management turnover
- Expensive and bad integrated acquisitions
- Profitability reduction after the COVID-19 boost

Source: Company data

ENVIRONMENTAL, SOCIAL & GOVERNANCE

ESG SCORE

In 2021, the company adopted a sustainability policy, expanding the risk assessment model to cover ESG issues, including those associated with climate change. A strategic sustainability plan with macro and detailed objectives has been outlined (Annex D.1). In alignment with the Code of Ethics, GVS adheres to sustainability principles, encompassing environmental protection, human rights, workplace health and safety, and the prevention of both active and passive corruption. As consequence, ESG score have been improved across FY20-FY22 to B- (Figure 15). As for 2023 we anticipate the overall score to remain the same, with improvement only in Governance due to the adjustment in the BoD. Overall, GVS score is slightly below the average of its main peers (Figure 16).

ESG score over years
FIGURE 15

SCORE	2020	2021	2022
ESG Score	C+	C+	B-
Environment Score	C	C+	C+
Social Score	B-	B	B
Governance Score	C-	C-	C+

Source: Refinitv

GVS score vs peers
FIGURE 16

Score 2022	FactSet	Refinitiv
GVS	Average	B-
3M	Laggard	A
BAXTER	Average	A-
SARTORIOUS	Average	A
MEDTRONIC	Below Average	B+
Becton Dickinson	Average	A-
Parker Hannifin	Average	B
Donalson	Below Average	B-
MSA	Average	A-

Source: FactSet, Refinitv

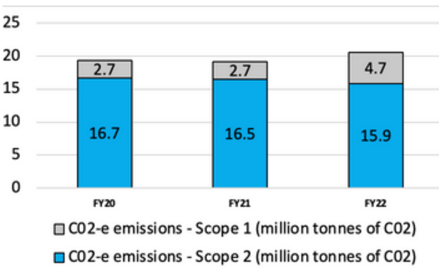
ENVIRONMENTAL

GVS scores far lower than the average of the industry in the environmental pillar. While there have been incremental improvements over the past few years, the projected outlook suggests that the score for the current year is expected to align closely with that of 2022.

Accountability: As willing to achieve **carbon neutrality** by 2040, GVS has taken a significant step forward since 2021 by supplying renewable certified electricity to its main European production sites. The Company expects the conversion of 7GWh to renewable energy for manufacturing, resulting in a reduction of over 2,600 million tons of CO2 emissions annually (equivalent to planting more than 17,000 trees). Despite a 7.4% increase in absolute CO2 emissions in 2022 to 20,585 tons, the emission intensity (TCO2/revenues EURm) decreased due to a 14,3% YoY growth in revenues. In the same year GVS saw a 6% increase in waste production, totaling 4,916 tons, although also the Waste Recycled/Total Waste has increased up to 11%. Additionally, as GVS sources water from a public network, the fresh water withdrawal also increased to 113,053 m3. The increment compared with the year before is 59%, which is significantly greater than the revenue growth.

Commitment: GVS adopted a strategy that aims to reduce plastic waste and promote sustainability within the company. However, the Group's operations do not directly contribute to positive climate change. Certain customer segments, such as automotive will need substantial structural changes in the coming decades to address the climate change issues. Particularly, E-mobility benefits **filtration**. In fact, GVS estimates a fully electric vehicle might require approximately EUR12 worth of filters, despite the elimination of liquid filters. The compact size of E-motors generates space for new filtration systems as a result.

Historical Scope 1 and 2 Emissions
FIGURE 17



Source: FactSet, Refinitv

SOCIAL

GVS has consistently excelled in its social performance with a steady B score over the years, aligning with its primary peers. Furthermore, we anticipate this positive performance will persist into 2023.

Working conditions: The employee training at GVS, spanning approximately 23 hours, primarily emphasizes the acquisition of technical skills and aims to minimize occupational accidents, which numbered 39 in 2019 and increased to 62 in 2020.

Product responsibility: With its operations, GVS prioritizes product safety, quality and environmental protection. Indeed, given that filtration solutions are utilized in healthcare and other critical sectors, the **compliance with regulations** becomes crucial. The Group emphasizes even behavioral principles for suppliers, with a focus on local sourcing for both economic and social responsibility reasons and so it aims to implement green purchasing practices. Supplier qualification involves assessing quality, environmental, and safety aspects, with ISO 9001:2015 certification as the minimum requirement.

Human rights: In accordance with the UN Declaration of Human Rights, GVS pays particular attention to the principles of non-discrimination: 44% of Board of Directors members, 59% of the total workforce and 38% of the managers are women. Accordingly, during 2019 and 2020, 60% of employees were trained on human rights issues.

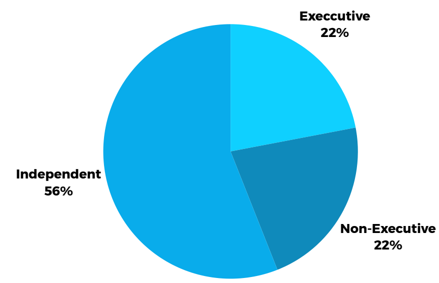
Local communities: With the pandemics outbreak, the Group has strongly supported the local community. In 2020, GVS donated 58,000 FFP3 masks and **hired 857 temporary workers.**

GOVERNANCE

Within the Governance pillar, GVS currently scores below the industry average. Nevertheless, we anticipate a closer alignment with its competitors, projecting an improvement from C+ to B- in 2023, primarily attributed to the new Board of Directors structure.

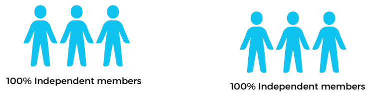
Board of Directors: The current BoD (Annex D.2) was elected during Spring 2023 and it is composed of 9 members, with Massimo Scagliarini as CEO since 2003. In contrast to the previous one, notable improvements have been made: the proportion of **independent members** now exceeds 50%

BoD decomposition
FIGURE 18



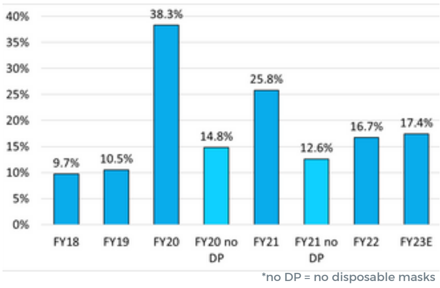
Control & Risk Commiteee

Nomination & Compensation Committee



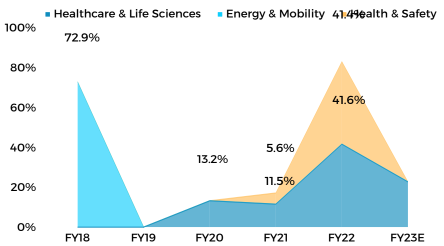
Source: Company data

Health & Safety contribution on revenues
FIGURE 19



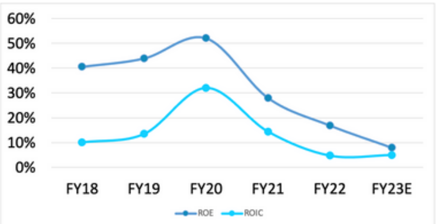
Source: Company data, team estimates

M&A Contribution
FIGURE 20



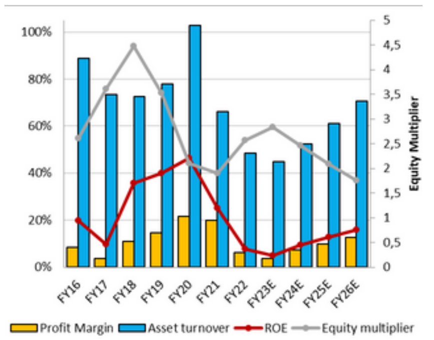
Source: Company data

GVS' ROIC and ROE
FIGURE 21



Source: Company data, team estimates

DuPont analysis
FIGURE 22



Source: Company data, team elaboration and estimates

(Figure 18), and a newly appointed chairman, independent from family ties, has been chosen. **Remuneration:** GVS's members rights are held under LT and ST incentives plans connected to ESG target. The remuneration policy aims to: 1) acknowledge the managerial value and contribution to company growth; 2) reward performance tied to economic, financial, and non-financial objectives; 3) attract, retain, and motivate key resources; 4) align company and management interests with shareholders; and 5) support long-term shareholder value. Overall, the company's remuneration policy is fairly designed and the compensation levels appear to align with industry peers. **Shareholders:** (Annex D.3) During the IPO (June 2020), 70m shares were placed at the price of €8.15 per share: 10m were newly issued with a gross cash-in of €81.5m, while 60m existing shares were sold by the holding company, controlled by the Scagliarini family. Today the holding GVS Group S.p.A owns 60% of shares and 75% of the voting rights, being the only shareholder entitled for the double voting per share. In turn, GVS Group is owned for 37.5% by Massimo Scagliarini, and for 36.5% by Marco Scagliarini. The free float is 40% of the total shares and represents 25% of the voting rights. The Company's low public ownership and the actual voting system may open discussion over conflict of interests, remaining a vulnerability in the governance structure.

FINANCIAL ANALYSIS

PROFITABILITY

Revenues: GVS has primarily centered its turnover on B2B transactions, accounting for an average of 73.66% of the total turnover FY17-FY22. The only exception was in FY20, when the pandemic led to a temporary increase in the proportion of B2C (49.2%), due to the high selling of FFP3 masks via resellers and distributors. We will analyze each division as well as M&A contribution. **(i) Healthcare & Life Sciences** is GVS's key revenue contributor, which has experienced a strong growth during the years (19.3% CAGR FY18-FY22). The Healthcare Liquid and the Laboratory sub-segment helped mitigate the decline seen in the Healthcare Air & Gas, associated with decreased demand during the pandemic. As for FY23E, the segment has been greatly impacted by destocking and the relative YoY growth FY22-FY23E of 16.7% is entirely driven by the effects of the acquisition of Haemotronics in 2022. **(ii) Energy & Mobility** was the second segment by revenue until FY19. However, in FY20 it faced challenges related to the pandemic including disruptions in logistics and supply chains, leading to order rescheduling and delays in deliveries. However, despite the Group's progressive efforts to restore production levels to pre-pandemic standards, this segment suffered the greatest impact from destocking in FY23E (-14.3% YoY growth FY22-FY23E). **(iii) Health & Safety** has been historically the least contributing (Figure 19). However, during the pandemic, its revenues accounted for 38.3% FY20 (10.5% FY19 pre-pandemic), primarily due to an increase in disposable mask sales. As the pandemic recedes and demand decreases, there has been a significant decline in organic sales contribution. Consequently the company shifted its production focus towards professional masks to mitigate the pandemic's effects. Additionally, with the acquisition of RPB, GVS started focusing on the production of reusable masks, creating synergies to drive the growth of the segments in FY23E (14.7% YoY FY22-FY23E). **(iv) M&A** broadly contributed to 8.2% of GVS revenue CAGR FY18-FY22 (Figure 20). As just said, the recent acquisitions of RPB (€42mln FY22 contribution), STT (€20K for the 10-month period ending on 31 December 2022) and Haemotronic (54K€ for the period of 6 months and 15 days ending on 31 December 2022) are proving successful with a total of €387mln FY22. Those results highlight the group's proficiency in leveraging synergies from these strategic deals, which led GVS to prioritize M&A over increasing its dividends per share.

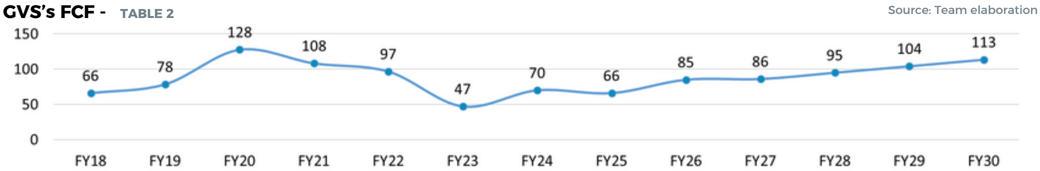
Capital efficiency: GVS's ROE experienced an upward trajectory, rising from 35.7% FY18 to its peak at 46.3% FY20 (Figure 21), whilst **ROIC increases from 10.1% FY18 to 32% FY20, sustained by the strong sales of disposable masks**. However, ROE declined to 7.7% FY22. Assessing GVS's DuPont composition (Figure 22), the decline was primarily due to a contraction in net profit resulting from escalating costs. Among these, **raw materials (+46.9% FY21-FY22) and cost of services (+48.8% FY21-FY22) witnessed the most significant increases**. Pre-COVID ROIC consistently remained above GVS's WACC of 7%, indicating an effective period of capital allocation for the company. However, a significant destruction was observed during and after Covid as ROIC/WACC ratio dropped to 1% in FY22. This trend in the **ROIC/WACC** ratio suggests variations in the company's ability to generate returns above its cost of capital over the years.

Margins: EBITDA growth rate FY18-FY19 stood at 6.9%, followed by a remarkable peak margin of 39.6% in FY20. However, it's important to highlight that this margin surge was entirely atypical, as it was **boosted by gross margin expansion and exploitation of operating leverage**, particularly due to the surge in demand for personal safety filtration solutions (FPP3). In fact, subsequently, this margin experienced a decline, dropping below pre-COVID levels in FY22. **The same trend has been followed also by the EBIT** which saw a notable increase of 20.5% FY18-FY19, reaching a peak margin of 34.4% in FY20 before gradually decreasing to 11.4%.

Cash flow: **GVS Cash flow conversion (FCF/Net Income) has demonstrated robust performance** over FY18-FY20, at c.84% on average. From FY21, it began to decline until FY22 due to the worsening in changing working capital, driven by a rise in both inventories and business combinations net of cash acquired (correlated with the last M&A). This also caused the reduction of FCF (Table 2). As for FY23, instead, **the improved management of net working capital resulted in increased cash flow** compared to the previous period. Despite potential challenges related to the current footprint reorganization, **the Group's management is anyway focused on enhancing cash generation** by reducing inventories. If the company can overcome these challenges and reduce inventories faster than anticipated, **it might lead to a quicker-than-expected normalized level in debt**: GVS recently augmented its financial position by raising covenants for the net debt/EBITDA ratio from 3.5x to 4.25x until June 2023, and maintaining it at 4.0x through December 2023.

GVS's FCF - TABLE 2

Source: Team elaboration



CAPITAL MANAGEMENT

Sources of financing and terms: GVS focus towards M&A is not only reflected by its product portfolio but even by its capital structure. The predominance of debt to finance the acquisition activities of the Group has led the Debt to Capital to 59.2%. The current outstanding loans (Annex E.1), respectively of **€150 and €230 million**, have funded the takeover of **RPB and Haemotronic**. The over reliance on loans has led the Group to **score BB** on its credit risk, with a probability of default of 0.3% (Source: Refinitiv), remaining below the peer average (11%, **Figure 23**). For example, Interpump (Italian company specialized in high pressure water pump production), holds an A score, despite being engaged in M&A activities, with a more diversified debt structure (€41.5 million in bonds and a €90 million loan). It is even important to mention the effort of GVS in 2022 to comply with **financial covenants** leverage ratio (3.5x) mainly through changes in agreements with lender banks managing credit lines, and with bondholders, as well as through the issuing of a subordinated and unsecured loan by the majority shareholder GVS Group Srl. This loan was excluded from the adjusted net financial debt, and consequently from the Adjusted Leverage Ratio. Therefore, the Group anticipates a reduction in its **financial debt** from FY23E to FY25E, projecting an Adjusted Leverage Ratio ranging between 1.2x and 1.3x FY25E, contrasting with the FY23E anticipated ratio of 2.7x to 2.8x.

Debt serviceability: GVS's credit profile along with anticipated operational cash flows are adequate for the Group purposes. GVS's financial performance, reflected through different financial ratios, has displayed temporal fluctuations, portraying dynamic shifts in financial risk profiles and adeptness in debt management. Specifically: (i) The **net debt to EBITDA** ratio ranged between -0.2x FY20 and 3.9x FY22 (Figure 24) and (ii) the maximum **D/E** ratio recorded was 3.3x FY17, while the minimum was 0.4x FY20: lower values may imply better debt repayment capacity as there's a lower proportion of debt in the capital structure. (iii) **ICR** reached its peak at 38.46 FY20. As the ICR FY22 is currently near the minimum point, the Group has some difficulty to cover its interest expenses exclusively with operating income (Figure 25), while (iv) **DSCR** hit its lowest point at 0.63 in FY22, as a consequence, it suggests potential difficulties in meeting debt obligations from operational cash flows. (v) The **current ratio** fluctuated between its highest value of 2.9 FY17 and its minimum of 0.6 FY22, indicating potential liquidity challenges in meeting immediate obligations if we take into account the latest value 0.6 FY22. **Dividends and payout:** GVS paid a dividend of €0.13 per share in June 2021 for FY20 (Figure 26), with a net profit of €78mln in 2020. However, although GVS shows a payout ratio of 20.1%, the **distribution of dividends** has not been constant throughout the past years. We forecast a reduction in the company's net debt, currently equal to €334 million, which could lead to further payments from 2025. Our estimates indicate that after an initial increase in 2025, with dividends at €0.01 per share, yearly payments could set at €0.10.

Competitive financial analysis: (Annex E.2) GVS positioning with respect to **EBITm** lies below the average of the competitors in each division (11,4% FY22 EBITm GVS vs 17.9% avg. FY22 peers). On the other hand, **EBITDAm** (Annex E.3) shows an opposite placement with regard to its rivals (41,38% FY22 EBTIDAm GVS vs 23,66% avg. FY22 peers). In terms of **profitability**, GVS surpasses the industry average within the Healthcare & Life Science sector compared to its peers (6.2% FY22 ROCE GVS vs 5.7% avg. FY22 ROCE peers). However, it is significantly below the peers' average within the Energy Mobility (6.3% FY22 ROCE GVS vs 22.3% avg. FY22 ROCE peers) and the Health & Safety segment (6.3% FY22 ROCE GVS vs 30% avg. FY22 ROCE peers). On the **expansion side**, as well as GVS, its main competitors adopted a strong M&A strategy over the years. Although in the short term GVS (2% 5Y avg. Net Debt/EBITDA) does not plan to do any further M&A, **willing to reduce its debt**.

VALUATION

TARGET PRICE: HOLD RECOMMENDATION

Our target price of €6.64, c.9.81% premium to last close **(HOLD)** was calculated via a weighted average (60%, 10%, 30%) of DCF, relative valuation and EVA. We gave the highest weight to DCF as we believe it is the most suitable method to evaluate the company, representing the capability of GVS to generate cash flows in the future taking into account the debt structure.

DCF AND FUTURE GROWTH ASSUMPTION

Structure: We computed a three-stages DCF (Figure 27 - Annex F.1), which gives an intrinsic valuation of €6.79 per share, 12.2% premium to the last close. We calculated a WACC of 8.2%, and a terminal growth rate of 2% (in line with inflation target). The three stages were evaluated as follow: **(i) First stage:** we forecast a 7.3% FY23E-FY27E revenue CAGR and an increasing EBITDA to 11.1%. As for CapEx, we expect a decrease of 11.9% as we don't believe GVS will do any further M&A operation. **(ii) Second stage:** We expect the single-digit revenue growth rate to further decline as it stabilizes, with 5.5% CAGR FY28E-FY30E. With the same rationale, both EBITDA and CapEx decrease as well. **(iii) Terminal Value:** finally, 70.5% of the value comes from the third stage, TV. Using a stable growth approach, we obtained €1.065mln of TV. (Annex F.2)

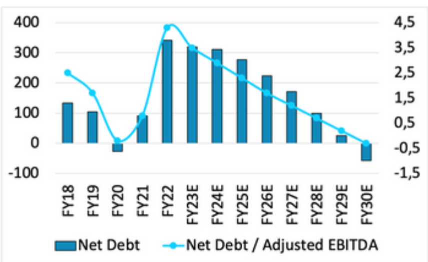
Revenues (6,7% CAGR FY23E-FY30E) (Figure 28 - Annex F.3): considering 9M2023 and 9M2022, we observed a growth of c.14.5%. As a consequence we project +11.7% YoY revenues FY22-FY23E, as the growth rate between the 2Q23 and 3Q23 amounts to -8,85%. Nevertheless, this increase does not represent a consistently sustainable upward trajectory; it indicates a notable convergence to pre-covid levels. Accordingly to our previous considerations (see Financial Analysis and Annex F1), we forecast the future sales of GVS as follows **(i) Healthcare & Life Sciences:** after a FY23E where growth was mainly driven by acquisitions and marked by destocking, we anticipate a slight improvement in FY24E and a recovery starting in FY25E, presuming the destocking process concludes. We foresee that the laboratory segment will lead the growth, particularly due to the heightened emphasis on healthcare testing investments in the aftermath of Covid. Additionally, the company is poised to gain advantages from the rising global demand for hospital procedures, as it is planning to initiate direct sales to these entities. Moreover, it will continue to benefit from the synergies created through M&A. Consequently, we estimate a c.9% CAGR for FY23E-FY27E, with a weight of c.70% of the Company sales in the long term. **(ii) Energy & Mobility:** We believe that the Energy & Mobility division will exhibit the most cyclicality as the majority of its sales go to OEMs, which use its products predominantly in new car sales. Although near-term demand for automotive production has increased substantially owing to COVID-19, it will not be able to compensate the customer

GVS credit score vs peers
FIGURE 23

Company	Credit rating
GVS	BB
3M	BBB-
BAXTER	BBB
SARTORIOUS	BBB-
MEDTRONIC	A
Becton Dickinson	A+
Parker Hannifin	A
Donalson	AA-
MSA	BBB

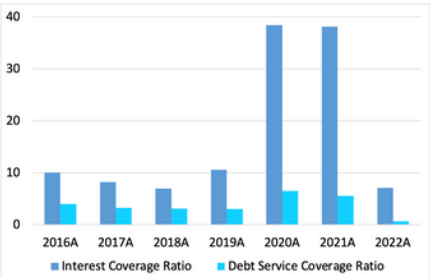
Source: Refinitiv

Net Debt / EBITDA
FIGURE 24



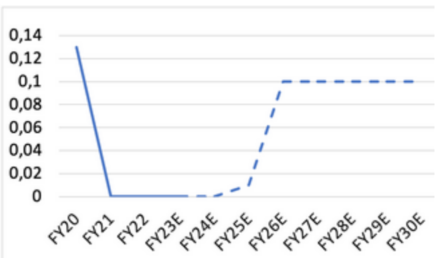
Source: Company data, team estimates

Credit position
FIGURE 25



Source: Company data, team estimates

DPS Historical and Forecast
FIGURE 26



Source: Company data, team estimates

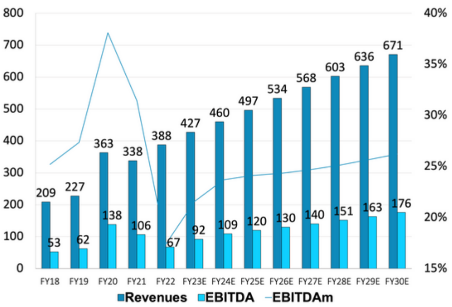
DCF explicit assumption
FIGURE 27

	FIRST STAGE	SECOND STAGE
Years	FY23E-FY27E	FY28E-FY30E
Sales CAGR	7.3%	5.5%
Average EBITDAm	23.7%	25.7%
Average EBITm	13.4%	16.8%

Source: Company data, team estimates

GVS's future revenues

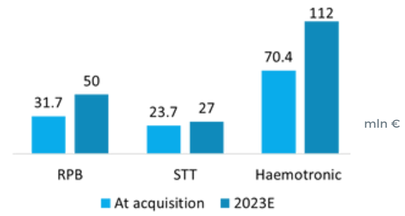
FIGURE 28



Source: Company data, team estimates

Acquisition impact on sales

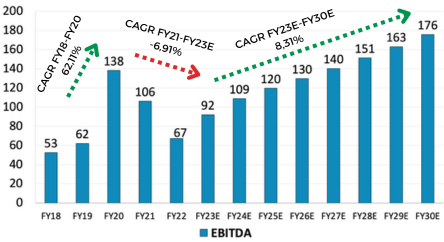
FIGURE 29



Source: Company, team elaboration

GVS's EBITDA

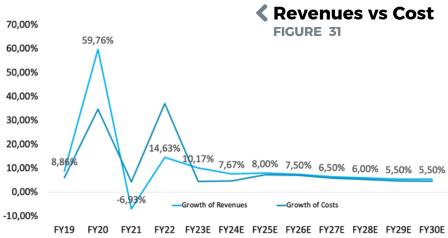
FIGURE 30



Source: Refinitiv, team elaboration

Revenues vs Cost

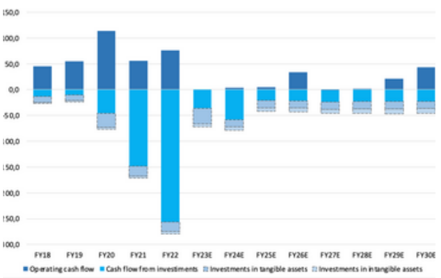
FIGURE 31



Source: Company data, team estimates

GVS's cash flows

FIGURE 32



Source: Company data, team estimates

Index

FIGURE 33

€(mln)	MKT CAP	Weights
GVS	1.060	0.3%
3M	48.589	14.4%
Baxter	18.338	5.5%
Becton	63.543	18.9%
Donaldson	7.510	2.2%
Medtronic	108.047	32.1%
Parker-Hannifin	60.802	18.1%
Sartorius	22.362	6.6%
MSA	6.148	1.8%

Source: Refinitiv, team elaboration

destocking headwinds in the Sports & Utility sub-segment. Therefore, the result is a c.10% downgrade in our FY23 divisional revenue forecast to €69mln. We anticipate a renewed growth starting from FY24, driven primarily by the trajectory for the demand for filters resulting from the spread of e-mobility, which we believe will continue in the long term (c.6% CAGR 2023-2027E). **(iii) Health & Safety:** we anticipate FY23 to be a year of stabilization after Covid effects. However since FY24 we forecast a decrease in growth due to challenging benchmarks in the personal safety segment. As for the Air Safety sub-segment, its sales are correlated with both construction activity and consumer spending. Aligned with the environmental needs, we anticipate sustained demand stemming from the global effort to enhance air quality and energy efficiency in buildings. As a result, we estimate a c.4% CAGR for 2023-2027E. **(iv) M&A:** the recently acquired companies, RPB Haemotronics and STT are proving successful (**Figure 29**). Consequently, we anticipate GVS will sustain revenue growth mainly from the 2 acquired healthcare businesses. However, with the company prioritizing debt reduction, we do not expect any further acquisitions in the near future.

Margins: GVS EBITDA is forecasted at €92.1 million in FY23 (**Figure 30**), with an **expected improvement** of €24.7 million and a 4.18% **EBITDA margin increase** compared to FY22. Cost could grow at a slower rate compared to the increase in revenues FY22-FY30E (**Figure 31**). The **short-term** EBITDA trend is attributed to the synergies deriving from the acquisition of Haemotronics and STT, which has improved GVS **future plant mix**, pricing and structural costs. However, due to the growth of inflation, together with the Group's de-stocking trends, the EBITDA margin could **lower from 3Q23 until 4Q24**. Starting from FY24E, driven by the increase in market demand, we estimate a gradual and consistent growth in the EBITDA margin until FY30E. The term "moderate" denotes a phase of stabilization, characterized by an average YoY growth rate of 0.5%. The FY23E forecast for the company's EBIT points towards a continued upward trend, aligning with the growth pattern observed in its EBITDA. With an anticipated value of nearly €44.7 million in FY23E, we expect a significant improvement of €15.7 million and a 3% rise in the **EBIT margin** with respect to FY22. Similarly to the EBITDAm case, from FY24E onwards we anticipate a gradual and consistent rise in EBITm, signaling a period of deleveraging, with an average YoY growth of 0.5%.

Tangible CapEx: In 1H23 capital expenditure amounted to €9.5 million, due to the **expansion of the Group's production capacity** for the Healthcare & Life Sciences division. The net value of investments in tangible assets has been €6 million. A significant portion (€3.9 million) was allocated to the ongoing **construction of the new production site** in Suzhou, China, while the remaining portion is directed towards acquiring plants, machinery, and equipment. Forecasting a tangible CAPEX to sales of 7%, we expect a tangible CAPEX of €30 million FY23E. In the period spanning from FY24E-FY30E, we forecast instead a notable reduction in tangible capital expenditures, from €30 million in FY23E to €13.8 million in FY24E (**Figure 32**). From FY25E-FY30E, hence in the long-term, we expect a YoY growth of -2.2%, reflecting the short-term trend.

Intangible CapEx: 1H23 investments in intangible assets, equal to €3 million, included KUSS related-patent rights and both technology and trademarks linked to the acquisitions of RPB and STT. Forecasting an intangible CAPEX to sales of 1.4%, we expect a FY23E intangible CAPEX of €6 million, mainly due to **new product development**. From 2024, we forecast instead an intangible growth of 6.7% YoY. The projection incorporates the ongoing development of patents and intellectual property, even in the absence of any M&A in the base scenario.

Net financial position: in FY22, the Group's net financial position, excluding leasing liabilities per IFRS 16, was -€343.3 million. For FY23E we expect a **decrease to -€320.2 million**, driven by cash generated from operations and net of the liquidity used by the Group for net investments, financial charges, and tax payments. **Cash generated by operations** should amount to €90 million net of the liquidity absorbed by changes in working capital for €2.4 million, leading to a **reduction of overall net financial debt**. During FY23E we expect GVS current financial debt will reach €163.1 million and its non-current financial debt to become -€495.6 million. However, the comparison with the FY22 is not informative because of the **shift between current and non-current liabilities**, stemming from the reclassification of long-term to short-term loans in FY22. In line with the FY23E net debt/adjusted EBITDA ratio, equal to 3.5x, we expect a constant net debt reduction even from FY24E to FY30E, with the relative leverage ratio ranging from 2.9x to -0.9x, leading to cash positive in FY30E.

WACC Computation: FCFFs have been discounted at WACC of 8.24% (**Annex F.4**) for both the forecast horizon and terminal period. The **cost of equity** was found to be 10.7%, assuming a 4.25% risk free rate (90 days average of 10 years Italian BTP), 0.8 beta adjusted and 7.7% market risk premium. The **cost of debt** was determined by averaging the yield to maturity across corporate companies with a BBB rating (similar to GVS). These bonds yield approximately 3.6%, to which we incorporate the OAS spread. The result is a 4.6% cost of debt.

GVS's financial data - TABLE 3

Source: Team elaboration

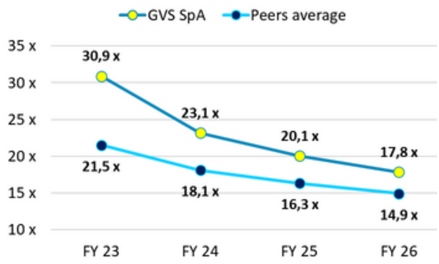
€(mln)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Revenues	209	227	363	338	388	427	460	497	534	568	603	636	671
growth (%)		8.9%	59.8%	-6.9%	14.6%	10.2%	7.7%	8.0%	7.5%	6.5%	6.0%	5.5%	5.5%
EBITDA	53	62	138	106	67	92	109	120	130	140	151	163	176
EBITDAm (%)	25.2%	27.3%	38.1%	31.4%	17.4%	21.6%	23.7%	24.1%	24.3%	24.7%	25.1%	25.7%	26.2%
EBIT	34	46	119	82	29	45	60	69	77	86	96	107	118
EBITm (%)	16.3%	20.1%	32.8%	24.4%	7.5%	10.5%	13.0%	13.9%	14.5%	15.2%	16.0%	16.8%	17.6%
Net Profit	23	33	78	68	24	13	30	38	45	52	71	79	87
growth (%)		43.2%	136.7%	-13.4%	-64.3%	-46.4%	134.6%	25.9%	18.3%	15.6%	36.2%	10.8%	10.5%
FCF	22	26	62	-124	-191	22	8	35	53	53	71	75	83
CAPEX	-13	-13	-18	-19	-18	-36	-20	-21	-21	-22	-22	-22	-21
Tangible CAPEX	-11	-10	-15	-19	-18	-30	-14	-14	-14	-14	-13	-13	-12
Intangible CAPEX	-3	-3	-3	-4	-5	-6	-6	-7	-7	-8	-8	-9	-9
Net Financial Position	134	105	-27	92	342	320	312	277	224	171	100	25	-58
Net Debt/adj EBITDA	2.5x	1.7x	-0.2x	0.8x	4.3x	3.5x	2.9x	2.3x	1.7x	1.2x	0.7x	0.2x	-0.3x
ROE	40.6%	43.9%	52.1%	28.0%	16.9%	7.9%	12.7%	13.7%	14.3%	14.7%	17.1%	16.7%	16.3%

RELATIVE VALUATION

Our relative valuation resulted in an implied share price of €7.29, a 20.5% discount to the last close.

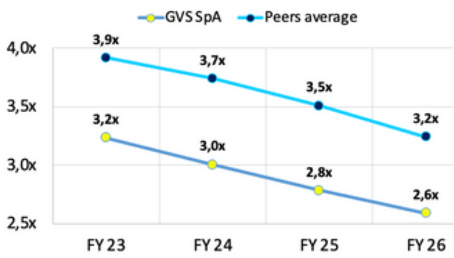
Comparable selection: in the absence of Italian direct competitors, we aimed to capture the growth and margins profiles of GVS with its main global peers. With limited international competitors at GVS's scale, the set consisted of industrial companies (**Annex F.5**), **comparable with GVS mainly in**

EV/EBIT
FIGURE 34



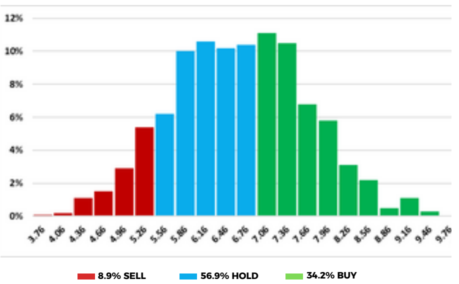
Source: Refinitiv, team elaboration

EV/Sales
FIGURE 35



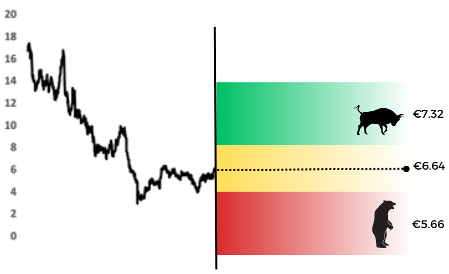
Source: Refinitiv, team elaboration

Monte Carlo simulation
FIGURE 36



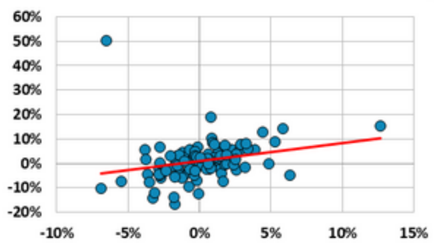
Source: Company data, team estimates

Bull & Bear scenarios
FIGURE 37



Source: Refinitiv, team estimates

GVS X FTSE MIB
FIGURE 38



Source: Refinitiv, team elaboration

terms of product offers. Additionally, as GVS revenues come largely from North America market, 8 out of 9 companies included in the comparison are based in the US. Given our contrasting growth dynamics and outlook forecast for GVS's divisions, our peers selection accounts for 50% of companies from Healthcare & Life Sciences (including peers with similar operating metrics); for 25% of companies from Energy & Mobility (selecting those with significant exposure to fuel systems); and for 25% of companies from Health & Safety (we identified only one potential peers in terms of products offer, but not size, which is 3M producing single-use masks).

Multiple adjustment: given our chosen peer sample, in order to ensure the validity of comparison, multiples were adjusted by creating an index. This index was calculated by assigning weights to each company based on their relative market capitalization with respect to those of peers'. (Figure 33)

Multiple selection: EV/EBIT and **EV/Sales** were ascribed a 50% each in the relative valuation. We run a linear regression EV/EBIT vs EBIT growth FY24E-FY25E; and a multiple regression EV/Sales vs EBITm and Sales CAGR FY24E-FY25E (Annex F.6). A forward EV/EBIT multiple was used for providing a comparable evaluation, neutral regarding capital structure, and focused on the core business's operations. While EV/Sales was used to consider not only its market value, but also its efficiency in generating revenues, as well as to evaluate attractiveness for acquisition or merger operation.

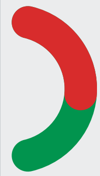
EVA

We computed Economic value added model (EVA), which gives a **target price of €6.14**, 1.4% premium to the last close (Annex F.7). In order to capture a measure of the market value of assets in place, we computed the invested capital by adjusting the book value with respect to PV of operating leases, R&D expenses and goodwill. Operating leases were estimated as the average percentage over the past 5 years on revenues (c.0.5%); R&D historically represented on average 6% of the revenues, thus we opted to project the same for the future; as we don't see any further M&A, we forecast that goodwill will devaluate each year of 1%. As for the EVA, it has been determined using an estimated target ROIC of 9.8% and a WACC of 8.2%.

REVISITING OUR ASSUMPTION

Revisiting our assumption: our analysis gives a €6.64 target price, 9.81% upside market price. Starting from this, we conducted a robustness check through a **Monte Carlo simulation** (Figure 36 - Annex F.8). Additionally we evaluated a "bull-case" scenario, in which the Company manages to reduce its debt in the short term, enjoying higher margins which reflect costs reduction; and a "bear-case" scenario in which GVS must wage a competition within the EV Market and a price war on competitors especially in the Health & Safety segment. (Figure 37 - Annex F.9). Result confirms our HOLD recommendation: a high bull scenario with an high probability, and a bear-case scenario not too low but with the lowest probability.

RISKS

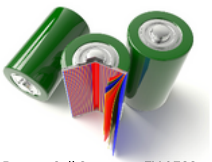
	RISK DESCRIPTION	RISK LIKELIHOOD
MARKET RISK	**[M1] Demand risk**: With a 2 years Beta (Figure 38) of 0.73 GVS is a **pro-cyclical low Beta stock**. Although it aligns with the market, it shows a 27% lower volatility than the market. Although its low Beta suggests potential resilience, **it does not guarantee GVS immunity during market downturns**. Currently, geopolitical instability is regarded as the major risk to the global economic growth, potentially disrupting supply chains and impacting demand for industrial goods (Source: McKinsey). **The division we expect to be the most exposed is the Energy & Mobility**, with 90% of its sales going to OEMs. The OEMs primarily use the division's products in new car sales, linking its performance to the **cyclicality of the automotive industry**. In 2024, S&P Global Mobility forecasts a robust €88.3 million new vehicle sales globally, driven by the economic recovery. In the EV landscape, S&P Global Mobility boldly anticipates a surge with €13.3 million global sales in 2024, capturing 16.2% of passenger vehicle sales (Figure 39). **Valuation impact**: With just 5% revenue share in Safety & Electronics, GVS could face a worrying scenario. Specializing in EV Battery Coolant Filters and Battery Cell Separator EV & ESS (Figure 40) the Group tackles the risk of falling behind in the evolving Asian market for battery cell separator filters. **India and China are indeed the key players in the electronic market**. India's market is set to reach $400 billion by 2025, while China's growth, has a 17% CAGR (Source: National Investment Promotion & Facilitation Agency).	LIKELY 
	[M2] Inflation risk: **Eurostat is forecasting Euro area inflation to be 2.8% in January 2024**, down from 8.6% in January 2023. Non-energy industrial goods and energy fell with respect to 2023, respectively from 6.7% to 2.0% and from 18.9% to -6.3%, with the latter registering the highest decline. **These projections align with limited raw material cost inflation,** attributed to the fall in oil prices following the Russia-Ukraine war (Figure 41). Nevertheless, it is crucial to acknowledge that raw material costs could be risen by other geopolitical events, such as (i) **Red Sea attacks**. **Ongoing Red Sea disruptions caused by Houthi attacks on commercial vessels are posing a threat to Italy's economy**. The attacks, which began in mid-November, have forced companies to avoid the Red Sea, opting for a longer and costlier route around South Africa. This situation might lead to the **marginalization of Mediterranean ports**, impacting both navigation security and Italy's economic stability. Commercial traffic through the Suez Canal, estimated to constitute 40% of Italy's maritime trade, has dropped by 38%, resulting in increased navigation times and a five-fold rise in costs. **Valuation impact**: At the time of its IPO, the Group primarily sourced its raw materials internally, with plastic filtering media, plastic granules, membranes, and mesh being key components (Figure 42). **GVS produces approximately 60% of its membrane needs internally and purchases the remaining 40% from external suppliers**. In addition to these internally produced materials, GVS procures a small percentage of raw materials such as metal, packaging, adhesives, and other products externally.	UNLIKELY 

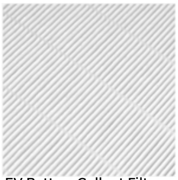
Estimates Battery Electric Vehicles
FIGURE 39

BEV Share Estimates, 2024	BEV Share Estimate in Region	YoY Change (2024 v. 2023)
Europe (Central/Western)	22.2%	41.0%
Us	13.2%	66.4%
China	28.6%	28.0%
India	4.1%	39.0%
Global	16.2%	39.5%

Source: S&P Global Mobility, BEV share estimates, December 2023

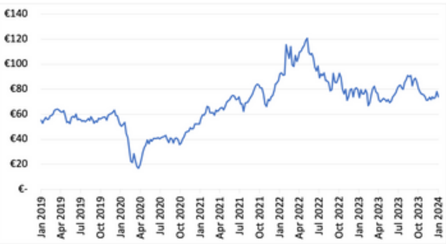
Safety & Electronics: EV products
FIGURE 40


Battery Cell Separator EV &ESS


EV Battery Collant Filters

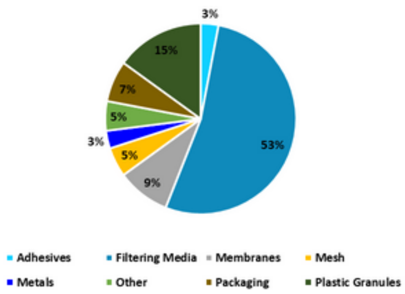
Source: Company

Crude Oil Price 2019-2024
FIGURE 41



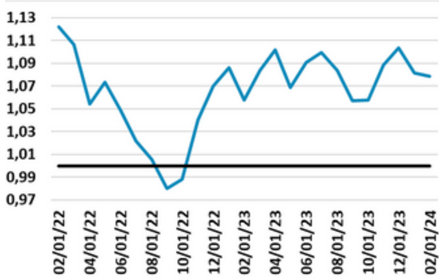
Source: Refinitiv, team elaboration

Raw Materials costs
FIGURE 42



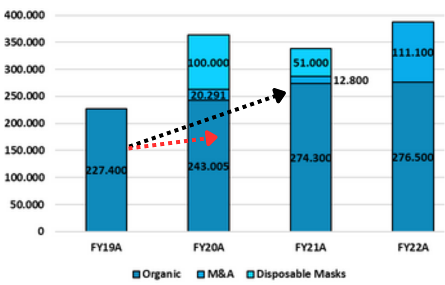
Source: Company data, team elaboration

EUR/USD FX spot rate
FIGURE 43



Source: Refinitiv, team elaboration

M&A Contribution
FIGURE 44



19,4% CAGR GVS revenues FY19-FY22
6,7% CAGR GVS organic growth FY19-FY22
Source: Company data, team elaboration

RISK DESCRIPTION | **RISK LIKELIHOOD**

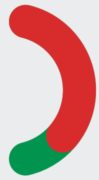
MARKET RISK

With this production strategy **no single supplier accounts for more than 4% of raw material costs**, reason why direct effects of Red Sea disruptions on GVS are estimated to be low. However, the €8.8 billion damage to the Italian foreign trade (Source: Confartigianato) could lead to **indirect consequences for the company**, among which disruptions in the supply chain, increased shipping costs, delays in receiving goods or economic uncertainties. The second event that could trigger an increase in costs is the (ii) **War in Gaza**. From an economic point of view, the current situation bears resemblance to the Yom Kippur War fifty years ago, which made Europe to enter into a recession and Italian GDP to fall by -2% (Source: NiGEM). The main risk is that **Middle Eastern energy producers may limit supplies** to Israel's supporters, contributing to the energy shock and impacting consumers' real incomes and spending. However, because of the low energy self-sufficiency, Europe could face severe effects. **Valuation impact**: Although the war could trigger a shock in oil, leading to a rapid rise in oil prices, GVS European production sites are exclusively shifting to renewable electricity. Indeed, the Group has certified all 2021 energy consumption at these sites as renewable. However, even if the rise in the cost of oil could have negligible effects on its production plants, **indirect effects** (i.e. stock market volatility or exchange rates fluctuations) could impact GVS.

UNLIKELY

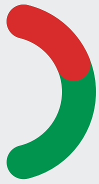
[M3] Exchange rate risk: Following two consecutive years of decline, the euro mounted a comeback in 2023, posting a **significant 3% gain against the dollar**. This recovery followed interest rate hikes in the US, which led to a substantial appreciation of the dollar during 2022 (Figure 43). **Bank of America predicts EUR/USD reaching 1.15 by end-2024**. In contrast, Citigroup forecasts a prolonged European economic weakness, anticipating a EUR/USD pair of 1.02 in the next 6-12 months. **Valuation impact**: GVS encounters exchange rate risk in non-Euro operations, impacting sales margins and financials. Even if no hedging instruments are in place, risk management includes **monitoring currency ratios** to limit exposure to 30%, emphasizing the need for strategic planning in facing foreign exchange risks.

VERY LIKELY



[M4] Interest rate risk: Since the **2% inflation target has not been reached yet**, the European Central Bank decided to maintain interest rates unchanged at a record-high level of 4.5% in 2024. Indeed, despite concerns on a potential recession, the ECB President Lagarde indicated it was **premature to discuss rate cuts**. **Valuation impact**: Since the two current loans requested by GVS are based on the 6-months Euribor rate plus a spread and the Group invests in money market instruments, changes in interest rates could **affect both the cost of debt and the returns on external obligations**. To mitigate this risk, GVS uses contracts as hedges to limit the effects of interest rates.

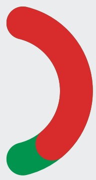
UNLIKELY



FIRM RISK

[F1] M&A risk: Overpriced M&A could strain the Group finances, reduce shareholder value and lead to operational inefficiencies. Indeed, falling to sustain momentum from M&A could result in **eroding the stakeholder confidence**, underscoring the relevance of careful planning. **Valuation impact**: Although in 2019-2022 the total revenue CAGR was 19.45% and the organic CAGR was 6.7% (Source: Company, Figure 44), GVS should consider **refraining from further M&A due to the anticipated high net debt/EBITDA ratio** of 3.4x in FY24E, signaling limited financial firepower. In 2024-25 it is in fact fundamental to prioritize financial stability and operational efficiency over M&A's.

VERY LIKELY



[F2] Security risk: Negligence by drugmakers or device manufacturers led to significant legal claims. The 1974 Dalkon Shield case highlighted the effectiveness of lawsuits in protecting the public health, leading to **compensation for victims and the product's removal from the market**, as seen in cases like Stryker, that paid $1.4 billion for hip implant issues, and Ethicon, which settled for $4 billion in DePuy ASR implant cases. **Valuation impact**: GVS products pertaining to Healthcare & Life Sciences, such as IV filters, IV flow regulators, blood tubular filters and haemodialysis blood chambers **could pose high security risks**, even though in Healthcare & Life Sciences, GVS facilities hold ISO 13485 certifications and FDA approval.

UNLIKELY

[F3] Management turnover risk: GVS, a family-owned company, is predominantly controlled by the Scagliarini family, **holding nearly 60% of shares and 75% of voting rights**. The Group is indeed led by Chairwoman Grazia Valentini, who is the mother of the CEO, Massimo Scagliarini, as well as of the VP of Energy & Mobility, Marco Scagliarini. **Valuation impact**: The risk of management turnover at GVS is mitigated to some extent by the presence of **non-family executives vital to the company's operations**. Notably, COO Matteo Viola, with 12 years of experience, CFO Mario Saccone, serving for 25 years, and VP R&D Luca Querze', contributing for 23 years, play crucial roles.

LIKELY

[F4] Credit risk: GVS currently holds a credit rating of BB (Source: Refinitiv), with a 0.30% probability of defaulting on the €150 million and €230 million loans. Even if **the credit score is among the lowest when compared to its peers**, like Becton Dickinson and Donaldson, the Group evaluates financial needs, securing necessary resources while maintaining a well-balanced composition of due dates. **Valuation impact**: Despite the **recent loans deteriorated the financial position** of the Group, GVS expresses confidence in the sufficiency of its present lines of credit and generated cash flows to meet financial requirements and ensure timely loan repayments.

VERY LIKELY

A. EXECUTIVE SUMMERY

A.1 INCOME STATEMENT

Income Statement €(mln)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue	**209**	**227**	**363**	**338**	**388**	**427**	**460**	**497**	**534**	**568**	**603**	**636**	**671**
Other operating income	3	3	2	5	4	4	4	4	4	4	4	4	4
Purchase of raw materials	-62	-68	-89	-96	-141	-144	-155	-170	-182	-191	-200	-208	-216
as a % of sales	29.8%	29.9%	24.4%	28.4%	36.4%	33.7%	33.6%	24.2%	34.0%	33.7%	33.2%	32.7%	32.2%
Personnel costs	-71	-74	-99	-99	-124	-128	-129	-134	-144	-153	-163	-172	-181
as a % of sales	33.8%	32.4%	27.2%	29.2%	31.9%	30.0%	28.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Cost of services	-23	-23	-36	-37	-55	-62	-67	-72	-77	-82	-87	-92	-97
as a % of sales	11.0%	10.3%	10.0%	10.8%	14.1%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
Other costs	-3	-4	-3	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5
Adjusted EBITDA	**53**	**62**	**144**	**108**	**79**	**91**	**109**	**120**	**130**	**140**	**151**	**163**	**176**
Margin (%)	25.3%	27.3%	40.0%	31.9%	20.4%	21.2%	23.7%	24.1%	24.3%	24.7%	25.1%	25.7%	26.2%
Non recurring costs / (income)	0.2	-0.1	6	2	12	-1	0	0	0	0	0	0	0
Reported EBITDA	**53**	**62**	**138**	**106**	**67**	**92**	**109**	**120**	**130**	**140**	**151**	**163**	**176**
Margin (%)	25.2%	27.4%	38.1%	31.5%	17.4%	21.6%	23.7%	24.1%	24.3%	24.7%	25.1%	25.7%	26.2%
Depreciation, amortisation (excl. PPA)	-13	-13	-15	-19	-24	-30	-32	-35	-37	-40	-42	-44	-47
Adjusted EBIT	**40**	**49**	**129**	**89**	**55**	**61**	**77**	**85**	**92**	**101**	**109**	**119**	**129**
Margin (%)	19.1%	21.7%	35.4%	26.4%	14.1%	14.2%	16.7%	17.1%	17.3%	17.7%	18.1%	18.7%	19.2%
PPA amortization	-6	-4	-4	-5	-14	-18	-17	-16	-15	-14	-13	-12	-11
Reported EBIT	**34**	**46**	**119**	**82**	**29**	**45**	**60**	**69**	**77**	**86**	**96**	**107**	**118**
Margin (%)	16.4%	20.1%	32.8%	24.3%	7.5%	10.5%	13.0%	13.9%	14.5%	15.2%	16.0%	16.8%	17.6%
Finance income	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance expenses	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Net financial expenses	-5	-4	-4	-3	-9	-27	-19	-17	-16	-16	0	0	0
Financial exchange gains (losses)	3	2	-9	11	15	0	0	0	0	0	0	0	0
o/w Exceptional interest items	3	0.5	0	-0.6	-3	3	3	2	2	2	2	2	2
Adjusted Profit Before Tax	35	47	115	97	63	31	56	65	74	83	107	117	127
Reported Profit Before Tax	**32**	**44**	**106**	**90**	**35**	**17**	**41**	**52**	**61**	**71**	**96**	**107**	**118**
Income taxes	-9	-11	-28	-22	-11	-5	-11	-13	-16	-18	-25	-28	-31
Tax Rate (%)	28.5%	24.3%	26.3%	24.7%	30.3%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
o/w Exceptional income tax items	3	0.5	0.4	-0.6	-3	0	0	0	0	0	0	0	0
Reported Net Profit	**23**	**33**	**78**	**68**	**24**	**13**	**30**	**38**	**45**	**52**	**71**	**79**	**87**
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjusted Net Profit attributable to shareholders	**26**	**36**	**88**	**75**	**52**	**26**	**45**	**52**	**58**	**64**	**82**	**89**	**97**
Margin (%)	12.5%	16.0%	24.1%	22.2%	13.5%	6.2%	10.0%	10.5%	10.9%	11.3%	13.7%	14.0%	14.4%
Adjusted net income growth (%)	145.5%	38.8%	141.6%	-14.3%	-30.2%	-49.6%	69.6%	15.6%	11.8%	10.7%	28.1%	8.3%	8.4%
Reported Net Profit attributable to shareholders	**23**	**33**	**78**	**68**	**24**	**13**	**30**	**38**	**45**	**52**	**71**	**79**	**87**
Adjusted EPS (basic)	**0.2**	**0.2**	**0.6**	**0.4**	**0.3**	**0.2**	**0.3**	**0.3**	**0.3**	**0.4**	**0.5**	**0.5**	**0.6**
Adjusted EPS (diluted)	0.2	0.2	0.6	0.4	0.3	0.2	0.3	0.3	0.3	0.4	0.5	0.5	0.6
Reported EPS (basic)	**0.1**	**0.2**	**0.6**	**0.4**	**0.1**	**0.1**	**0.2**	**0.2**	**0.3**	**0.3**	**0.4**	**0.5**	**0.5**
Reported EPS (diluted)	0.1	0.2	0.6	0.4	0.1	0.1	0.2	0.2	0.3	0.3	0.4	0.5	0.5

Source: Company data, Refinitiv, Team elaboration

A.2 CASH FLOW STATEMENT

Cash Flow Statment €(mln)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Profit before tax	32	44	106	90	35	17	41	52	61	71	96	107	118
Total depreciation, amortisation and impairments	18	16	19	24	38	47	49	51	52	54	55	57	58
Losses / (gains) from alienation	-0.1	-0.7	0	-2.9	0	0	0	0	0	0	0	0	0
Financial charges / (income)	2	2	13	-7	-6	27	19	17	16	16	0	0	0
Other non-monetary charges	-0.1	0.5	3	7	7	0	0	0	0	0	0	0	0
(Increase) / Decrease in inventories	-3	2	-21	-10	3	6	7	-3	-7	-7	-7	-6	-7
(Increase) / Decrease in trade receivables	-2	5	-6	-5	-12	4	-4	-6	2	-5	-5	-5	-5
Increase / (decrease) in trade payables	2	-5	18	-6	14	-7	-5	-6	3	3	3	3	3
(Increase) / Decrease in other assets and liabilities	2	2	-2	-1	9	0	0	0	0	0	0	0	0
Change in working captial	**-0.1**	**3**	**-11**	**-21**	**14**	**2**	**-2**	**-15**	**-2**	**-9**	**-9**	**-9**	**-9**
Net change in employee benefits	-2	0	0	0	-2	0	0	0	0	0	0	0	0
Income taxes paid	-5	-10	-16	-33	-10	-5	-11	-13	-16	-18	-25	-28	-31
Net cash generated from operating activities	**45**	**55**	**114**	**55**	**76**	**90**	**96**	**92**	**112**	**113**	**118**	**127**	**136**
Investments in tangible assets	-11	-10	-27	-19	-18	-30	-14	-14	-14	-14	-13	-13	-12
Investments in intangible assets	-3	-3	-4	-4	-5	-6	-6	-7	-7	-8	-8	-9	-9
Disposals in tangible assets	0.3	4	0.6	7	0.1	0	0	0	0	0	0	0	0
Investments in financial assets	-0.9	-2	-4	-3	-4	0	0	0	0	0	0	0	0
Change in financial assets	0.5	0.3	0.2	0.4	6	0	0	0	0	0	0	0	0
Business combinations net of cash acquired	0	0	-11	-129	-236	0	-38	0	0	0	0	0	0
Net cash outflow from investing activities	**-13**	**-10**	**-46**	**-148**	**-256**	**-36**	**-58**	**-21**	**-21**	**-22**	**-22**	**-22**	**-21**
Issuance of long-term financial debt	0	7	41	150	233	0	0	0	0	0	0	0	0
Repayment of long-term financial debt	-15	-25	-103	-19	-44	0	0	0	0	0	0	0	0
Change in current financial payables	-4	0	0	0	0	0	0	0	0	0	0	0	0
Issuance of lease liabilities	0	2	0	0	0	0	0	0	0	0	0	0	0
Repayments of lease liabilities	-3	-3	-4	-2	-5	-5	-5	-5	-5	-5	-5	-5	-5
Financial charges paid	-5	-5	-5	-3	-5	-27	-19	-17	-16	-16	0	0	0
Financial income collected	2,7	0.2	0.3	0.5	1.8	0	0	0	0	0	0	0	0
Capital raise	0	0	75	-3	-1	0	0	0	0	0	0	0	0
Dividends distributed	-5	-8	-2	-23	0	0	-5	-13	-16	-17	-19	-25	-27
Net cash inflow from financing activities	**-29**	**-32**	**1**	**101**	**179**	**-33**	**-29**	**-36**	**-37**	**-39**	**-25**	**-30**	**-32**
Net increase in cash and cash equivalents	**3**	**13**	**70**	**8**	**-2**	**22**	**8**	**35**	**53**	**53**	**71**	**75**	**83**
FX impact and other variations	0.2	0.3	-3	4	-0.2	0	0	0	0	0	0	0	0
Cash and cash equivalents at beginning of year	42	46	59	125	137	135	157	165	200	253	306	377	452
Cash and cash equivalents at end of year	**46**	**59**	**125**	**137**	**135**	**157**	**165**	**200**	**253**	**306**	**377**	**452**	**534**

Source: Company data, Refinitiv, Team elaboration

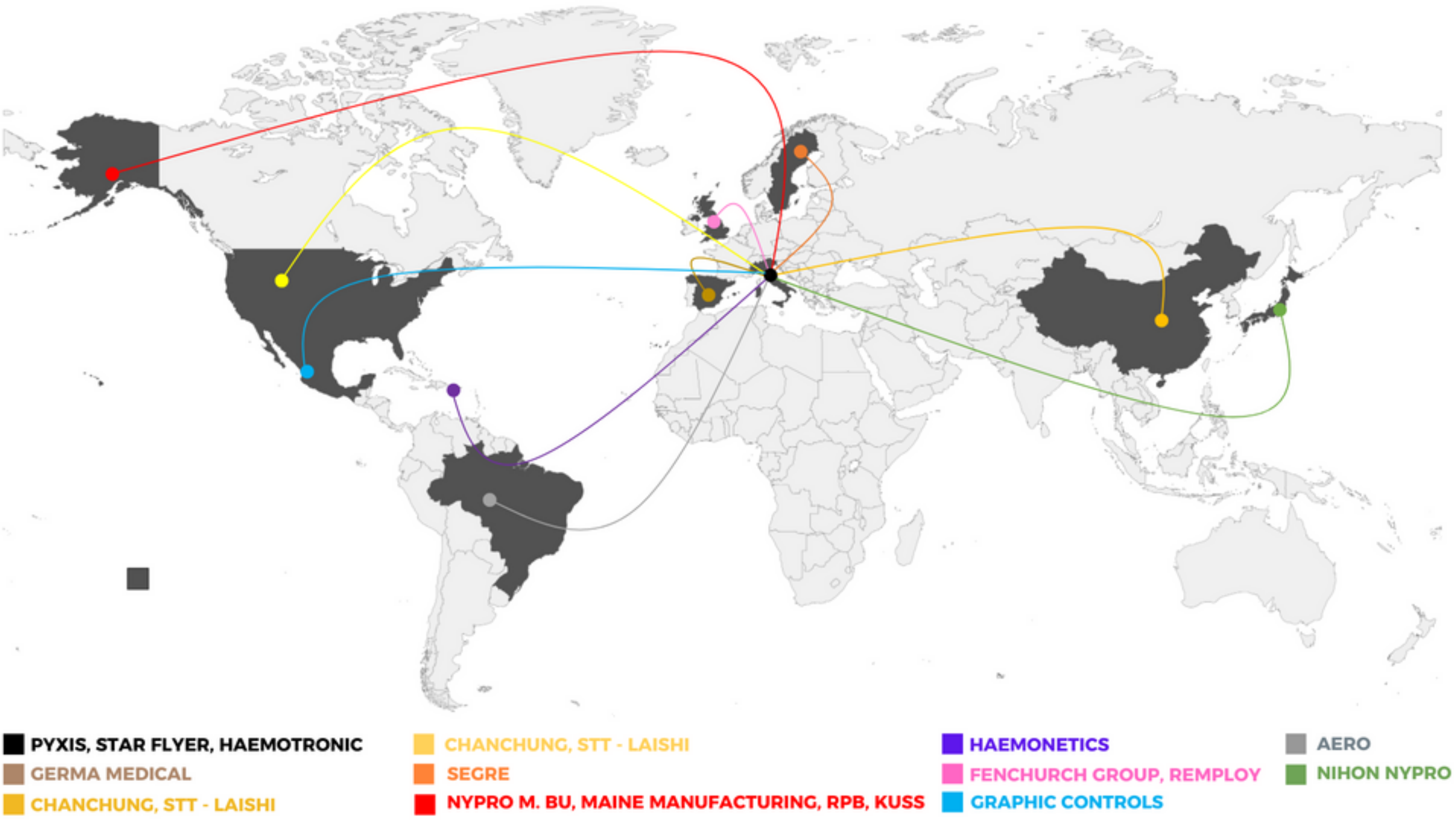
A.3 BALANCE SHEET

Balance Sheet €(mln)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Intangible assets	101	100	91	228	495	477	487	471	456	441	428	416	405
Tangible fixed assets	50	47	69	78	120	126	126	112	96	78	57	34	9
Right to use assets	6	10	8	10	23	28	34	39	45	50	55	61	66
Deffered tax assets	3	1	5	2	3	3	3	3	3	3	3	3	3
Non-current financial assets	0.7	0.5	1	1	4	4	4	4	4	4	4	4	4
Other non-current assets	0	0	0	0	8	8	8	8	8	8	8	8	8
Non-Current Assets	**160**	**159**	**174**	**319**	**654**	**648**	**662**	**637**	**612**	**585**	**556**	**527**	**496**
Inventories	33	31	46	72	107	101	94	97	104	111	117	124	131
Trade receivables	39	35	52	53	73	69	74	79	77	82	87	92	97
Tax receivables	0.3	0.2	0.2	8	6	6	6	6	6	6	6	6	6
Other current assets	9	7	10	12	14	14	14	14	14	14	14	14	14
Current financial assets	2	4	5	8	5	5	5	5	5	5	5	5	5
Cash and cash equivalents	46	59	125	137	135	157	165	200	253	306	377	452	534
Current Assets	**129**	**136**	**238**	**290**	**339**	**352**	**357**	**400**	**459**	**523**	**606**	**692**	**787**
Total Assets	289	295	412	609	993	999	1019	1038	1070	1108	1162	1219	1282
Non-current financial liabilities	143	118	70	180	11	378	378	378	378	378	378	378	378
Non-current lease liabilities	4	8	5	7	17	17	17	17	17	17	17	17	17
Deferred tax liabilities	0.2	0.8	3	6	46	46	46	46	46	46	46	46	46
Provisions for employee benefits	4	4	4	4	5	5	5	5	5	5	5	5	5
Risk provisions	0.1	0	1	5	9	9	9	9	9	9	9	9	9
Other non-current liabilities	0	0	0	0	41	41	41	41	41	41	41	41	41
Total Non-Current Liabilities	**152**	**131**	**84**	**202**	**129**	**496**	**496**	**496**	**496**	**496**	**496**	**496**	**496**
Current financial liabilities	30	37	20	42	438	71	71	71	71	71	71	71	71
Financial liabilities deriving from leases	2	3	3	5	8	8	8	8	8	8	8	8	8
Trade payables	18	13	26	24	58	51	46	40	43	45	48	51	54
Contract liabilities	2	2	5	3	7	7	7	7	7	7	7	7	7
Tax payables	3	2	14	3	3	3	3	3	3	3	3	3	3
Other current liabilities	11	13	18	35	22	22	22	22	22	22	22	22	22
Total Current Liabilities	**67**	**70**	**86**	**112**	**537**	**163**	**158**	**152**	**155**	**157**	**160**	**163**	**165**
Equity attributable to shareholders	**71**	**94**	**243**	**295**	**328**	**341**	**366**	**390**	**420**	**455**	**507**	**561**	**621**
Minority interests	0	0	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Equity	**71**	**94**	**243**	**295**	**328**	**341**	**366**	**390**	**420**	**455**	**507**	**561**	**621**
Total Equity and Liabilities	**289**	**295**	**412**	**609**	**993**	**999**	**1019**	**1038**	**1070**	**1108**	**1162**	**1219**	**1282**
Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Company data, Refinitiv, Team elaboration

B. BUSINESS DESCRIPTION

B.1 M&A SINCE 2009



Source: Company data, Team elaboration

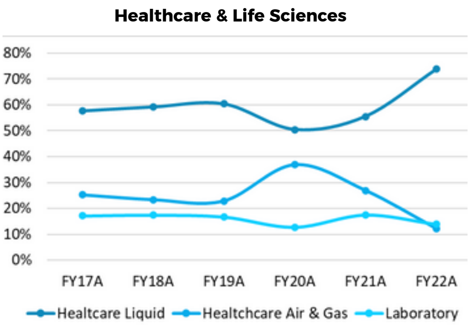
B.2 M&A 2017-2022

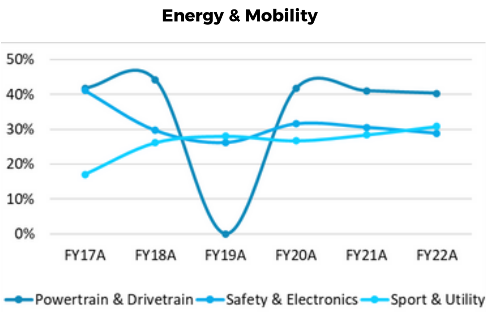
Acquisition	Business	Year	Description	Origin	Closing €(mln)	Revenues* €(mln)
KUSS	Automotive Sport & Utility and off-road sectors	2017	Equipment manufacturer customers in the automotive, industrial equipment, materials handling, lawn and garden, agricultural and motorcycle industries	USA	113.8	24.41
Haemonetics Puerto Rico	Healthcare	2020	Blood filters	Puerto Rico	15.5	12.78
Graphic controls	Life Sciences	2020	Syringe filter product	Mexico	1.97	2.51
RPB	Personal Safety	2021	Respiratory protection devices (including supplied air respirators "SARs" and powered air purifying respirators "PAPRs")	USA	150	13.33
STT-Laishi	Healthcare	2021	Blood management related products (plasma sterilization, leuco-depletion filters and blood transfusion bags,drugs and accessories)	Shangai	50	20.28
Haemotronic	Healthcare	2022	Advanced filtration solutions and components and bags for the medical sector	Italy and Mexico	212	54.67

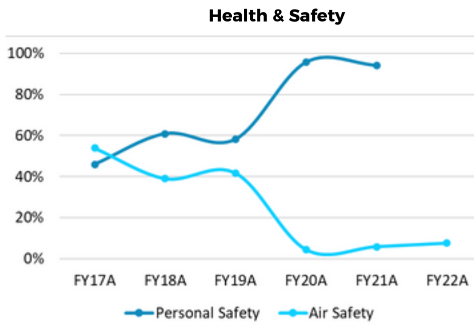
*Revenues related to the FY of acquisiton
Source: Company data, team elaboration

B.3 REVENUES BREAKDOWN BY SUB-SEGMENTS

Revenues €(mln)	FY17	FY18	FY19	FY20	FY21	FY22
Healtcare Liquid	55	60	70	80	100	182
% / Tot Healthcare & Lifescience	57.6%	59.2%	60.4%	50.4%	55.5%	73.9%
% / Tot Revenues	33.2%	28.8%	30.6%	22.1%	29.6%	46.8%
Healtchcare Air & Gas	24	23	26	59	49	30
% / Tot Healthcare & Lifescience	25.2%	23.4%	22.9%	36.9%	27.0%	12.2%
% / Tot Revenues	14.5%	11.3%	11.6%	16.1%	14.4%	7.8%
Laboratory	16	18	19	20	31	34
% / Tot Healthcare & Lifescience	17.2%	17.5%	16.7%	12.7%	17.5%	13.9%
% / Tot Revenues	9.8%	8.5%	8.5%	5.6%	9.3%	8.8%
Healthcare & Life Sciences	**95**	**101**	**115**	**159**	**180**	**246**
Powertrain & Drivetrain	22	39	40	27	29	31
% / Tot Energy & Mobility	41.8%	44.2%	0.1%	41.7%	41.0%	40.3%
% / Tot Revenues	13.2%	18.4%	0.1%	7.5%	8.6%	8.0%
Safety & Electronics	21	26	23	21	22	22
% / Tot Energy & Mobility	41.1%	29.7%	26.2%	31.6%	30.6%	28.9%
% / Tot Revenues	13.2%	12.4%	10.2%	5.7%	6.4%	5.8%
Sport & Utility	9	23	25	17	20	24
% / Tot Energy & Mobility	41.1%	26.2%	28.0%	26.7%	28.4%	30.8%
% / Tot Revenues	13.0%	10.9%	10.9%	4.8%	5.9%	6.1%
Energy & Mobility	**52**	**88**	**88**	**65**	**71**	**77**
Personal Safety	8	12	14	133	82	60
% / Tot Health & Safety	17.1%	60.9%	58.2%	95.6%	94.1%	92.4%
% / Tot Revenues	5.4%	5.9%	6.1%	36.6%	24.2%	15.5%
Air Safety	10	8	10	6	5	5
% / Tot Health & Safety	53.9%	39.1%	41.8%	4.4%	5.9%	7.6%
% / Tot Revenues	57.8%	3.8%	4.4%	1.7%	1.5%	1.3%
Health & Safety	**18**	**20**	**24**	**139**	**87**	**65**
Total	**165**	**209**	**227**	**363**	**338**	**388**







Source: Company data, team elaboration

B.4 SUB-SEGMENTS MAIN PRODUCTS

Healthcare & Life Sciences

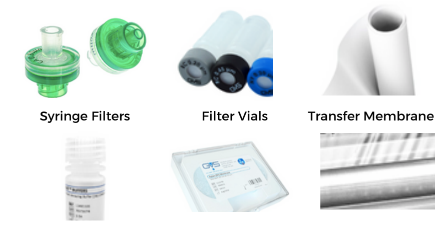
Healthcare Liquid

IV Filters · Infusion Bags · IV Flow Regulator · Bacterial Air Vents · Blood Tubular Filters · Plasma and Leukocytes Filtration

Healthcare Air & Gas

Spirometry Filters · Tracheal HME · Respiratory and Anesthesia Filters · Catheter Mounts · Laparoscopy Surgery · Insufflation Kits

Laboratory



Syringe Filters · Filter Vials · Transfer Membrane · Protein Array · Nylon Membrane · Membrana Track-Edge

Energy & Mobility

Powertrain & Drivetrain

Gasoline-urea injector filters · Fuel Pressure Regulators · Fuel Tank Filters · Urea SCR Filters for engine

Safety & Electronics

ABS-ESP Filters · Ventilation Membranes · Hydraulic (transmission/ steering) · Cabin-air Intake · Engine air management

Sports & Utility

Fuel pump and tank filters · Oil filters · Cabin air management · Engine air mangement

Health & Safety

Personal Safety

Disposable and Reusable Half Mask

Air Safety

HVAC System · HEPA filters · Nailstation

Source: Company data, team elaboration

C. INDUSTRY OVERVIEW

C.1 GVS'S BLUE CHIP CLIENTS

End markets		
Healthcare & Life Sciences	Healthcare Liquid & Healthcare Air	Baxter, mindray, OLYMPUS, JMS, BAYER, NHS, PHILIPS, TERUMO
	Laboratory	Coca-Cola, eurofins, suez, fisher scientific part of Thermo Fisher Scientific
Health & Safety	Personal Safety	amazon.com, GRAINGER, TOOLSTATION, SCREWFIX, FASTENAL
	Air Safety	Santander, UBS, Heathrow Making every journey better, dyson, sky, YOUR LONDON AIRPORT Gatwick
Energy & Mobility	Powertrain & Drivetrain and Safety & Electronics	Ford, Continental, vitesco TECHNOLOGIES, POLARIS, MAGNETI MARELLI, GM, ZF, BOSCH, Aisan, HARLEY-DAVIDSON MOTOR CYCLES, BRIGGS EQUIPMENT, Kawasaki
	Sports & Utility	APTIV, MITSUBA, Delphi Technologies, TI Automotive, Razor, JOHN DEERE, HITACHI, HYUNDAI MOBIS

Source: Company data, team elaboration

D.1 ESG PILLARS

GVS is dedicated to **Sustainable Industry Innovation** and considers **Good Health** a universal right. This commitment is demonstrated through initiatives such as **Filter Air** to foster Safety and **Well-Being**, innovate Healthcare through science, and bring the **energy of mobility** up to the future.

GVS places a strong emphasis on the importance of **human resources** for the overall development of the Group. Through organizational development and **empowerment of company departments**, it has implemented an **incentive system** based on shared goals and individual assessments, fostering values to **motivate each employee**.

GVS views **innovation** as a fundamental pillar in its strategy for ongoing **process improvement**. The meticulous **management of energy consumption** and the minimization of **waste and scrap** are pivotal elements in the execution of this strategy.

GVS upholds **sustainability principles**, including environmental protection, human rights, workplace safety, and anti-corruption efforts. The company **responsibly manages natural resources**, focusing on sustainable energy, and minimizing water consumption and non-recyclable waste.

GVS's **environmental policy** guides continuous **improvement in its activities**, emphasizing **pollution prevention, compliance** with environmental laws, and setting objectives. The company actively **raises awareness among employees** to reduce emission impact.

Source: Company data, team elaboration

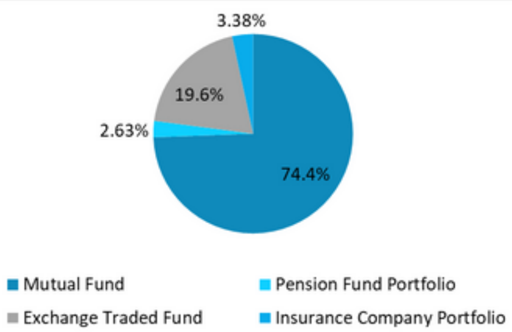
D.2 BOARD OF DIRECTOR

Name	Role	Since	Independet	Committees	
				Remuneration	Risk & Control
Massimo Scagliarini	CEO	2004	No	No	No
Alessandro Nasi	Chairman	2023	No	No	No
Grazia Valentini	Non executive Director	1985	No	No	No
Marco Scagliarini	Non executive Director	2023	No	No	No
Marco Pacini	Non executive Director	2023	No	No	No
Pietro Cordova	Director	2023	Yes	Yes	Yes
Anna Tanaganelli	Director	2021	Yes	No	Yes
Michela Schizzi	Director	2020	Yes	Yes	No
Simona Scarpaleggia	Director	2023	Yes	Yes	Yes

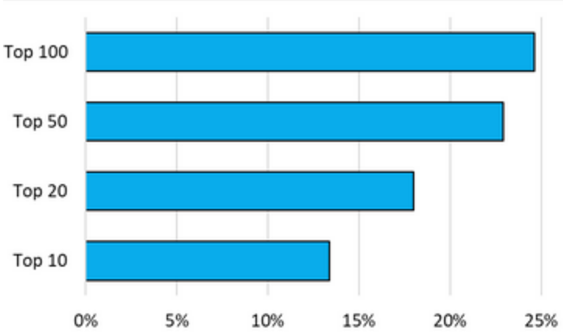
Source: Company data, team elaboration

D.3 INVESTOR TYPE: FUND AND FIRM OWNERSHIP

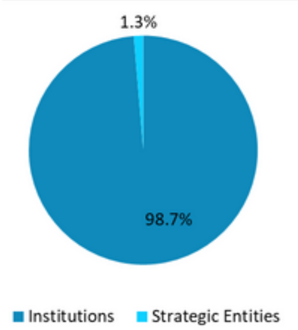
Fund Ownership



Holdings Concentration



Firm Ownership



Source: Refinitiv, team elaboration

E.1 GVS LOANS

TYPE	Issue date	Amount (€ mln)	Due date	# Installments	Frequency	Interests	Currency
Loan	Nov 2020	20	12/11/2025	9	Semiannual	6-month euribor + spread from 0.85% to 1.75%	€
Loan	Nov 2020	20	30/11/2025	60	Quarterly	3-month euribor + spread 0.75%	€
Loan	Jul 2021	150	2026	-	-	6-month euribor + spread	€
Loan	2022	230	2027	-	-	6-month euribor + spread	€

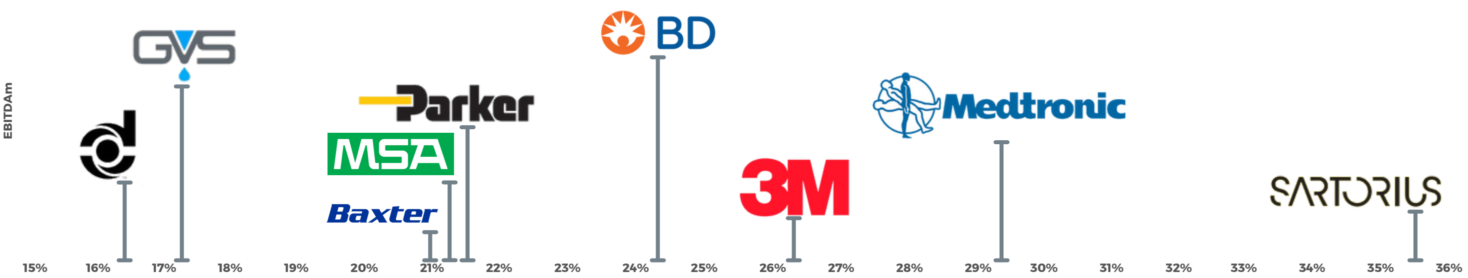
Source: Company data, team elaboration

E.2 FINANCIAL COMPETITIVE ANALYSIS

2022	Size and Growth		Margins			Returns		CapEx		Liquidity
€(mln)	Sales	Sales CAGR 18-22	EBITm	EBITDAm	Net Margin	ROA	ROCE	CapEx/sales	CapEx/D&A	NetDebt/EBITDA
GVS										
GVS	388	16.7%	7.5%	17.4%	6.2%	2.4%	12.4%	20.1%	2	4
Healthcare & Lifescience companies										
Sartorious AG	4.175	27.8%	28.4%	35.3%	16.2%	9.7%	22.8%	13.1%	1.9	1.6
Medtronic	29.996	3.1%	20.8%	29.5%	12.0%	4.8%	9.0%	3.4%	0.4	1.7
Baxter	14.378	11.2%	11.7%	21.0%	-16.1%	-8.8%	8.0%	4.7%	1.1	5.1
Becton Dickinson & Co	18.167	4.3%	13.0%	24.8%	7.4%	2.7%	6,0%	4,0%	0.3	3.0
Average whithin the segment	16.679	11.6%	18.5%	27.6%	4.9%	2.0%	11.5%	6.3%	0.9	2.9
Energy & Mobility companies										
Donaldson Co Inc	3.259	6.8%	14.0%	16.7%	10.5%	13.5%	25.4%	3.1%	1.1	0.8
Parker-Hannifin Corp	18.232	9.8%	17.4%	21.7%	10.9%	7.3%	15.0%	5.4%	1.3	2.8
Average whitin segment	10.745	8.3%	15.7%	19.2%	10.7%	10.4%	20.2%	4.2%	1	2
Health & Safety										
3M	32.564	4%	21.6%	27.0%	16.9%	12.7%	24.5%	4.8%	0.9	1.3
MSA Safety Inc	1.454	6%	17.7%	21.3%	11.8%	7.7%	18.4%	2.9%	0.8	1.2
Average within the segment	17.009	5%	20.0%	24.0%	14.0%	10.0%	21.0%	4.0%	0.9	1.2
PEERS AVERAGE	14.811	8.3%	17.9%	23.7%	10.0%	7.5%	17.7%	4.8%	1	2

Source: Company data, team elaboration

E.3 EBITDA MARGIN GVS & PEERS



Source: Company data, team elaboration

F.1 DCF

€(mln)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue	209	227	363	338	388	427	460	497	534	568	603	636	671
%Growth		8.9%	59.8%	-6.9%	14.6%	10.2%	7.7%	8.0%	7.5%	6.5%	6.0%	5.5%	5.5%
EBITDA	53	62	138	106	67	92	109	120	130	140	151	163	176
%margin	25.2%	27.4%	38.1%	31.5%	17.4%	21.6%	23.7%	24.1%	24.3%	24.7%	25.1%	25.7%	26.2%
D&A	-19	-17	-19	-24	-38	-47.5	-49.3	-50.9	-52.5	-53.9	-55.3	-56.6	-58.1
EBIT	34	46	119	82	29	45	60	69	77	86	96	107	118
%margin	16.4%	20.1%	32.8%	24.4%	7.5%	10.5%	13.0%	13.9%	14.5%	15.2%	16.0%	16.8%	17.6%
Taxation					27.1%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
NOPAT					21	33	44	50	56	63	70	78	86
D&A					-38	-47	-49	-51	-52	-54	-55	-57	-58
Capital Expenditure					23	-36	-20	-21	-21	-22	-22	-22	-21
Change in NWC					14	2	-2	-15	-2	-9	-9	-9	-9
Unlevered FCF					97	47	70	66	85	86	95	104	113
Discounted FCF							65	56	67	63	64	64	65

Source: Company data, team estimates

F.2 SENSITIVITY ANALYSIS

Long Term Growth

WACC	**6.79**	1.50%	1.75%	**2.00%**	2.25%	2.50%
	8.74%	5.71	5.91	**6.12**	6.34	6.58
	8.49%	6.00	6.22	**6.44**	6.69	6.96
	8.24%	**6.32**	**6.55**	**6.80**	**7.07**	**7.36**
	7.99%	6.65	6.90	**7.18**	7.48	7.80
	7.74%	7.01	7.29	**7.60**	7.92	8.29

Source: team estimates

As shown in the sensitivity table, the company is particularly affected by fluctuations in the long term growth rate and in the cost of capital parameters. A decrease of just 0.25% in the growth rate can lead to a decrement of 3.5% in the target price, as well as an increase of the same proportion in WACC, causes a loss of more than 5% in the price, showing GVS volatility.

F.3 REVENUES ESTIMATION

Revenues €(mln)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Healthcare & Life Sciences	101	115	159	180	246	286	317	348	371	398	431	458	483
YoY growth		13.5%	38.2%	13.3%	36.1%	16.7%	10.8%	9,6%	6.7%	7.3%	8.3%	6.2%	5.5%
Energy & Mobility	88	88	65	71	77	66	69	72	80	82	87	89	94
YoY growth		1.3%	-26.2%	8.5%	9.4%	-14.3%	4.1%	4.4%	11.2%	3.0%	6.0%	1.9%	5.5%
Health & Safety	20	24	139	87	65	75	74	77	83	88	85	89	94
YoY growth		18.2%	479.4%	-37.3%	-25.5%	14.7%	-1.1%	4.6%	7.5%	6.5%	-4.3%	5.5%	5.5%
Total	209	227	363	338	388	427	460	497	534	568	603	636	671
YoY growth		8.9%	59.8%	-6.9%	14.6%	10.2%	7.7%	8.0%	7.5%	6.5%	6.0%	5.5%	5.5%

Source: Company data, team estimates

In estimating revenues we consider two different period: (i) 2023 ;(ii) 2024-2027; and (iii) 2028-2030.
(i) 2023 revenue forecasts are based on 9M2023 data. As quarterly data are only available since 2019, and those from FY20 and FY22 were impacted by the pandemic, we could not notice any consolidated seasonal effect. Therefore, we assumed a growth between 3Q23 and 4Q23 equal to the growth between the last 2 quarters of FY22.
(ii) For the period 2023-2027, revenues were projected taking into account future trends for each of the three segments. This approach was selected to facilitate a more comprehensive evaluation of GVS's expected growth in the relevant markets.
(iii) Lastly, for the period 2028-2030 revenue forecasts are estimated jointly for the three segments, assuming a stabilizing growth trajectory that aligns with a long-term growth rate of 5.5% in 2030.

F.4 WACC COMPUTATION

COST OF EQUITY

Cost of Equity (Ke) was estimated with the Capital Asset Pricing Model (CAPM), which lead to a 10.7% Ke.

$$Ke = R_f + \beta(ERP)$$

Risk-Free Rate (Rf)

90 days Average of Italian 10years BTP.

RISK FREE RATE	
10-years bond	avg 90 days
Risk free rate	4.2%

Beta Levered

Firstly, Raw Beta was estimated with a linear regression, considering the Italian benchmark (weekly data from 07-jan-2022 to 05-jan-2024), against GVS's historical return, resulting in a raw Beta of 0.735. This Raw Beta was then adjusted to 0.823, according to the Efficient Market Hypothesis. To calculate Beta Levered, we start by adjusting the Raw Beta to an unlevered state, computing the average of D/E ratio over the past three years. Subsequently, we re-leverage it using a specified target D/E ratio. This process yields a re-levered Beta of 0.841.

Index	
Raw Beta	0.735
Adj Beta	0.823
Beta unlevered	0.616
Beta Re-Levered	0.841

Equity Risk Premium

The Equity Risk Premium was calculated by combining the implied US market Equity Risk Premium of 4% (source: Damodaran) with a weighted Country Risk Premium of 3.06%. The Country Risk Premium was determined by considering the risk premium of each region where GVS operates, weighted by the respective percentage of sales in each region. We obtained a 7.76% ERP.

ERP COMPUTATION	
Implied ERP Mature mkt	4.6%
CRP Weighted	3.1%
ERP	7.66%

COST OF DEBT

Cost of Debt (Kd) was computed by averaging the yield to maturity across corporate companies with a BBB rating (similar to GVS). These bonds yield approximately 3.6%, to which we incorporate the OAS spread. The result is a 4.6% Kd.

F.5 PEER SELECTION

Company	Business Description	Relevance	Segment	Comparable
Healthcare & Life Sciences				
PALL (Danaher)	**Pall** is a filtration, separation and purification globally leader company, which was acquired by Danaher in 2015. It provids solutions to meet the critical fluid management needs of customers mainly in the Aerospace, Medical and Biotech sector.	**PALL** (a subsidiary of Danaher) operates within the Life Sciences sector, similar to GVS. Despite the notable revenue concentration in the USA market like GVS , we've chosen to exclude it due to differences in the company's scale and its acquisition by Danaher, which is not a direct peer of GVS.	✓ HEALTHCARE LIQUID ✓ HEALTHCARE AIR & GAS ✓ LABORATORY	NO
Baxter	**Bexter** is an American group operating in the healthcare sector whose products and terapies are used in clinics and hospitals. The company's offer is focused on infusion systems and devices, plastic bags for medical use and advanced surgical equipment.	**Baxter** and GVS, despite significant differences in size, share a common focus on the production of infusion systems and devices. Furthermore, Baxter's implementation of a new business model, which establishes four verticalized global segments while replacing the previous matrixed structure, brings it closer in similarity to GVS. Consequently, we have elected to adopeted Bexter in our comparative analyses.	✓ HEALTHCARE LIQUID • HEALTHCARE AIR & GAS • LABORATORY	YES
Sartorious AG	**Sartorious AG** is a worldwide German company specialized through its two divisions in the biopharmaceutical industry. It provides equipment and cosumables for the laboratory and for all stages of the lifecycle of a biopharma drug.	We have chosen to compare **Sartorius** with GVS due to their similarities, not only because they belong to the same sector, but also for their focus over the past year on integrating the results of acquisitions into their business models	• HEALTHCARE LIQUID • HEALTHCARE AIR & GAS ✓ LABORATORY	YES
Medtronic	**Medtronic** is a U.S. global leader specialized in the provision of medical devices through diverse business units. It focuses on the treatment of complex and challenging conditions, bringing healthcare solutions in more than 150 countries.	Despite **Medtronic** being larger in size compared to GVS, they share several similarities. Both companies provide devices and operate within the Healthcare Air & Gas subsegment. We have opted to include Medtronic in our comparative analysis due to its status as the primary competitor and its extensive product range.	• HEALTHCARE LIQUID ✓ HEALTHCARE AIR & GAS • LABORATORY	YES
Becton Dickinson	**Becton Dickinson** is one of the largest American medical technology companies. It is improving the Healthcare sector by developing innovative technologies, services and solutions that help advance both clinical therapy and clinical process in 3 business units.	Both **Becton Dickinson** and GVS demonstrate solid growth in their respective business units within the Life Sciences sector. For the similarities in the Life Sciences segment production we've decided to adopted it as competitor.	• HEALTHCARE LIQUID • HEALTHCARE AIR & GAS ✓ LABORATORY	YES
Energy & Mobility				
Parker Hannifin	**Parker Hannifin** is a leading U.S. manufacturer of precision engineering solutions. Its technologies and systems, which production is centred on filters for fuel and automobile engines, are used in different markets such as industrial and aerospace.	**Parker**, despite being larger in size compared to GVS, specializes in the filtration market, producing filters for fuel and automotive engines too. Similar to GVS, the majority of its customer base is B2B. This is why we have chosen to include Parker as a competitor in our analysis.	• POWERTRAIN & DRIVETRAIN ✓ SAFETY & ELECTRONICS • SPORTS & UTILITY	YES
Donaldson	**Donaldson** is a vertically integrated filtration company serving a variety of industry sectors including aerospace, pharmaceuticals, industrial. It is particularly engaged in the manufacturing of engine filters and air filters designed for automotive cabins and powertrain vents.	Despite **Donaldson** is more diversified and includes a wide range of filters for various industrial applications, in addition to air filters and fluid filters, both companies operate in the same sector and have international customers. Therefore, Donaldon has been chosen as a relevant competitor of GVS.	• POWERTRAIN & DRIVETRAIN ✓ SAFETY & ELECTRONICS ✓ SPORTS & UTILITY	YES
Health & Safety				
3M	**3M** company is a multinational conglomerate, spanning various industries as Safety & Industrial, Transportation & Electronics, Health Care, and Consumer with its 18k products. Moreover it leads the Safety & Industrial division with its respiratory protection including masks and full face reusable respirators.	Despite their differing business focuses and dimensions, both **3M** and GVS manufacture personal protective equipment and filtration devices and have a global presence, serving clients worldwide. For these reasons, we have decided to consider them as competitors.	✓ PERSONAL SAFETY • AIR SAFETY	YES
Dräger	**Dräger** is a corporation established across 19 countries, which holds a prominent position as a leader in the Medical & Safety division. Whithin this sector, the Company develops and manufacts various anesthesia-realted products that includes accessories such as masks, breathing circuits and expiration valves.	Although both operate in the Health and Safety sector, **Dräger** is more specialized in the production of medical and safety devices, such as ventilators, patient monitors, and toxic gas detectors. On the other hand, GVS primarily focuses on manufacturing personal protective equipment, such as respiratory masks and filters. For this reason, we have decided to exclude Dräger from the set of comparables.	✓ PERSONAL SAFETY • AIR SAFETY	NO
MSA Safety Inc	**MSA Safety Inc.** is a leading American company in the global safety sector, specializing in designing, producing, and distributing personal protective equipment (PPE) and safety gear for various industries. They prioritize workplace safety through training and consultancy programs to reduce accidents and injuries. With a strong dedication to safety and innovation, MSA continues to lead the global safety market.	**MSA Safety Inc.** is a leading American company in the global safety sector, specializing in designing, producing, and distributing personal protective equipment (PPE) and safety gear for various industries. They prioritize workplace safety through training and consultancy programs to reduce accidents and injuries. With a strong dedication to safety and innovation, MSA continues to lead the global safety market.	✓ PERSONAL SAFETY • AIR SAFETY	YES

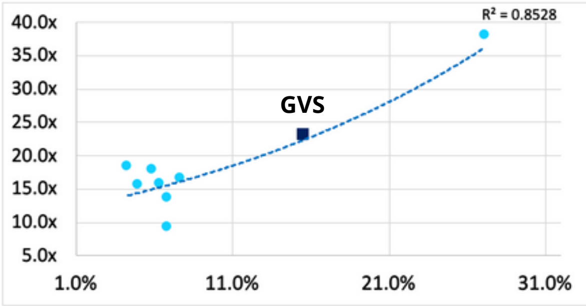
Source: team elaboration

F.6 RELATIVE VALUATION REGRESSION

The regression analysis below examines the relationships between EV/EBIT FY24E vs EBIT CAGR FY24E-FY25E of GVS and peers.

	EV/EBIT	CAGR EBIT
GVS SpA	23.1	15.5%
3M Co	9.2	6.9%
Baxter Inter	13.5	6.8%
Becton Dicki	16.5	7.7%
Donaldson Co	15.6	5.0%
Medtronic PL	15.8	6.4%
Parker-Hanni	18.4	4.3%
Sartorius AG	38.0	27.1%
MSA Safety I	17.8	6.0%

EV/EBIT x EBIT CAGR 25/24



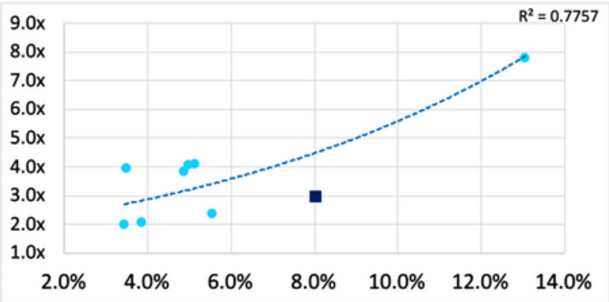
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	9.034	2.177	4.150	0.006	3.706	14.361
EBIT Cagr 25/24	103.377	19.384	5.333	0.001	55.946	150.808

Regression Statistic	
Multiple R	0.909
R Square	0.826
Adjusted R Square	0.797
Standard Error	3.845
Observation	8

The regression analysis below examines the relationships between EV/Sales FY24E vs EBITm FY24E and Sales CAGR FY24E-FY25E of GVS and peers.

	EV/Sales	EBITm	Sales CAGR
GVS SpA	3.00	13.0%	8.0%
3M Co	1.96	21.3%	3.4%
Baxter Inter	2.04	15.1%	3.8%
Becton Dicki	4.05	24.5%	5.0%
Donaldson Co	2.34	15.0%	5.5%
Medtronic PL	4.07	25.8%	5.2%
Parker-Hanni	3.80	20.7%	4.9%
Sartorius AG	7.74	20.4%	13.1%
MSA Safety I	3.93	22.0%	3.5%

EV/SALES x Sales CAGR 25/24



Regression Statistic	
Multiple R	0.954
R Square	0.911
Adjusted R Square	0.875
Standard Error	0.658
Observation	8

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-2.811	1.407	-1.999	0.102	-6.427	0.804
EBITm	17.682	6.366	2.778	0.039	-1.317	34.046
Sales CAGR	52.395	7.925	6.612	0.001	32.024	72.766

F.7 EVA

We computed Economic value added model (EVA), which gives a **target price of €6.14**, 1.4% premium to the last close. In order to capture a measure of the market value of assets in place, we computed the invested capital by adjusting the book value with respect to PV of operating leases, R&D expenses and goodwill. Operating leases were estimated as the average percentage over the past 5 years on revenues (c.0.5%); R&D historically represented on average 6% of the revenues, thus we opted to project the same for the future; as we don't see any further M&A, we forecast that goodwill will devaluate each year of 1%. As for the EVA, it has been determined using an estimated target ROIC of 9.8% and a WACC of 8.2%.

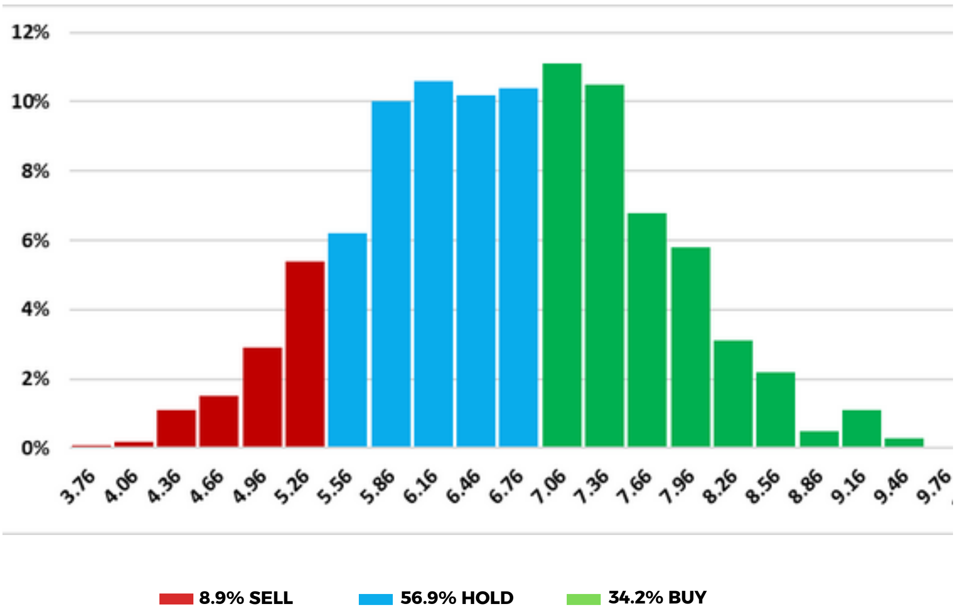
€(mln)	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Invested capital	630	655	685	720	772	826	886
PV OF EVA	119	114	110	107	106	105	104
Sum of PV of EVA	765						
Enterprise value	1396						
Total debt-cash	320						
Pension Liabilities	5						
Minority interests	0.04						
Equity value	1071						
# diluited shares	175						
Target price	6.14						
Last price	6.05						
Up/downside	1.4%						

€(mln)	
WACC	8.24%
ROIC	9.8%
Invested capital in place FY24E	631

Source: Company data, team estimates

F.8 MONTE CARLO

In order to enhance the evaluation of the reliability of our base case assumption, we run a Monte Carlo Simulation where we varied key variables. The results of the simulation indicate a 56.9% probability of a **HOLD** recommendation, with a skewness of 0.05. The upper and lower bounds denote the Bull and Bear scenarios, respectively.



Summary Statistics	
Minimum	3.76
Maximum	9.32
Mean	6.51
Std Dev	1.00
Variance	1.01
Skewness	0.05
Kurtosis	-0.31
Iterations	1000

Percentile	Output Price (€)
1%	4.27
2.5%	4.56
5%	4.90
10%	5.19
20%	5.64
25%	5.77
30%	5.94
35%	6.08
40%	6.23
45%	6.37
50%	6.51
55%	6.65
60%	6.80
65%	6.93
70%	7.07
75%	7.21
80%	7.35
85%	7.57
90%	7.81
95%	8.13
97.5%	8.46
99%	8.96

Source: Company data, team estimates

F.9 REVISITING OUR ASSUMPTION

The analysis considers two scenarios for GVS:
(i) A **best-case scenario** with a 10.2% upside potential with respect to the base case and a 34.2% probability (Monte Carlo density distribution), and (ii) a **worst-case scenario** with a 14.8% downside potential but a likelihood of 8.9%.

Bull case:
In a scenario where everything unfolds as predicted, GVS succeeds in managing its debts and reducing costs, carving out a path among its competitors and takes advantage of its positioning on the filtration market.

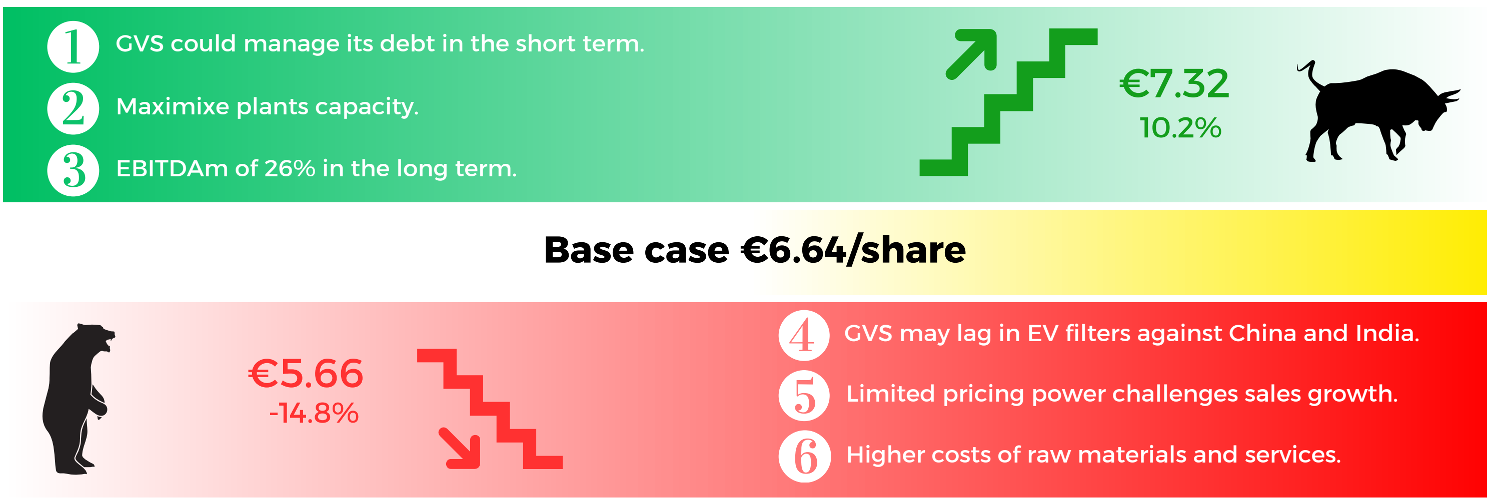
1. **Managing debt**: If the company successfully reduces its overall debt significantly in the short term, this could result in an EBITDAm increase, and consequently facilitate sustainable revenue growth.
2. **Cost reduction**: if GVS manages to maximizes plants capacity, it could benefit from efficiency and long-term cost reductions, leveraging economies of scale and operational efficiencies.

Due to these advantages, the company is forecasted to achieve 8.5% YoY in revenues FY25, **maintaining a 7% in the long run**. As for EBITDAm, we expect a 26% in the long term, reflecting cost reduction.

Bear case:
As GVS adapts to changes in the filtration industry, it faces significant challenges. To evaluate the worst-case scenario, we have pinpointed two critical challenges that demand GVS's attention to **sustain its growth trajectory**:

1. **Innovation lag**: GVS faces the risk of falling behind competitors, particularly in the EV filters production. China and India are considered as the leaders of the electrical market, posing a threat to GVS's position in global markets.
2. **Limited Pricing Power**: Even though GVS has a 5% pricing power in the Health & Safety segment, the cut of costs from main peers could lead to a lower percentage, decreasing GVS profits as well.

Given these challenges, sales are projected to grow at 6.5% YoY in FY25E, **tapering to a 3% YoY growth FY29E-FY30E.**
In terms of costs, we supposed a 2% and a 1.5% increase in raw material costs and costs of services, respectively due to the possible worsening of the exchange rate and energy market volatility.



Source: team estimates