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CFA Institute Research Challenge

Initiation of coverage
13th February 2024

GVS S.p.A.

Italy | Filtration systems producer

HOLD

GVS.MI

Current Price:	**€6.12**
Target Price:	**€6.23**
Upside:	**1.80%**
Dividend Yield:	**0%**
Total Shareholder Return:	**1.80%**

Stock Data

Market Capitalization:	**€1.07b**
Shares outstanding:	**174.9m**
Exchange:	**Italian Stock Exchange**
Ticker:	**GVS.MI**
IPO Date:	**June 19, 2020**
52 week H/L:	**€6.46 - €4.00**
Avg. Daily Volume (90d):	**97.04k**
TTM [%]:	**24.90%**
YTD [%]:	**14.18%**

Stock Performance

(IPO - Feb 13th 2024)

Absolute: -38.5%

Rel. to FTSE MIB:

Shareholders structure

	Share	Rights
GVS Group S.r.l.:	60.00%	73.68%
7-Industries Holding:	3.12%	3.67%
Free float:	36.88%	22.64%

Financial highlights [€m]	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	338.1	387.6	427.2	451.5	478.7	508.3	540.3	563.3
EBITDA Adj	106.5	78.3	95.7	112.0	129.6	138.7	148.5	155.6
Margin [%]	*31.5%*	*20.2%*	*22.4%*	*24.8%*	*27.1%*	*27.3%*	*27.5%*	*27.6%*
Net Profit Adj	75.4	46.5	36.3	36.9	54.0	63.3	66.7	70.1
Margin [%]	*22.3%*	*12.0%*	*8.5%*	*8.2%*	*11.3%*	*12.4%*	*12.3%*	*12.4%*
P/E	27.3x	29.4x	25.8x	29.5x	20.2x	17.2x	16.3x	15.5x
EV/EBITDA	18.7x	16.0x	13.2x	12.3x	10.6x	9.9x	9.3x	8.8x
NFP	116.2	380.2	324.7	288.6	221.6	166.4	178,2	186.7
NFP/EBITDA Adj	1.1x	4.9x	3.4x	2.6x	1.7x	1.2x	1.2x	1.2x
ROCE Adj [%]	22.1%	7.8%	7.1%	10.3%	12.7%	13.6%	13.2%	12.5%
EPS Adj [€]	0.43	0.27	0.21	0.21	0.31	0.36	0.38	0.40

Investment Summary

GVS, a history of family-led growth and profitability

We initiate our coverage on GVS with a HOLD recommendation, setting a 2024E year-end target price of 6.23€/share and implying a 1.8% upside on the February 13th 2024 closing price (€6.12).

Founded in 1979 by Grazia Valentini, GVS is a leading designer and manufacturer of filtration products spanning **diversified segments** (Medical, Respiratory Protection, Automotive, Laboratory, HVAC). Despite its 2020 IPO (37% free float), the company remains **family-led**, with Valentini's son, Massimo Scagliarini, serving as CEO and holding 74% of the voting rights. GVS has demonstrated remarkable performance: **(i) double-digit sales growth** (14.4% 2013-2023E CAGR), **(ii) excellent marginality** (avg. 21.3% 2013-2023E EBITDAm Adj excluding the COVID period, peaking at 39.7% in 2020), and **(iii) healthy FCFs generation** (avg. 32.1% 2013-2023E FCFF/EBITDA Adj). Both **inorganic** and **organic** strategies were key. With 17 acquisitions since 2009, the company was able to **push revenues growth** by **(i) geographical expansion**, **(ii) product range expansion** and **(iii) customer acquisition** (8.3% inorganic 2013-2023E sales CAGR and 6.1% organic, totaling 14.4%). Strong **organic industrial capabilities** (avg. 3x 2013-2023E Rev/PPE) and a **favorable competitive dynamics** (high entry barriers, concentration, and buyers switching costs) sustained **high profitability**. However, we have **three major concerns** about GVS' ability to maintain this performance in the future: **(i) sales growth was driven by an M&A strategy difficult to replicate,** with organic sales growth steadily slowing down over the years (1.9% 2019-2023E organic revenues CAGR vs 7.2% 2013-2019, *Team Estimates*), **(ii) liquidity management,** as **recent inorganic growth was sustained at the expense of the financial position,** leading to a surge in indebtedness (+104% 2021-2022 YoY debt) and hindering further M&As, **(iii) recent governance shortfalls reveal a listed company still overly reliant on its founding family,** as 2022 solvency issues (26% 2022 cash/debt) deriving from a breaching of financial covenants (consequent from high indebtedness) were resolved only thanks a last resort Shareholder Loan (SHL) injected by the Valentini-Scagliarini family.

Market constraints and fewer M&A opportunities put a cap on future growth

Neither GVS nor its peers have managed to achieve double-digit growth solely organically, and the announcement of acquisitions is continuous (54 completed in 2023 for ca. 13% of total market size, *source: Team Elaboration, Filtration+Separation*). GVS' recent 17 acquisitions have focused on: **(i) geographical expansion** (e.g., STT in 2022, China), **(ii) product range expansion** (e.g., Segre in 2016, introducing disposable masks), **(iii) fueling customer acquisition** (e.g., Haemonetics blood filtration BU in 2020, adding Haemonetics to the customer base), but also **(iv) acquiring know-how** (e.g., Maine Manufacturing in 2012, integrating membrane production). These acquisitions, mostly **bolt-on** (avg. €20m of acq. revenues/bolt-on M&A), offered several benefits, including reduced integration risk, minimal financial impact, and limited organizational complexity. Moving forward, however, this **M&A strategy is expected to have only a marginal impact** on a company projected to double in size since its IPO in five years (€479m in 2025E revenues vs. €227m in 2020 revenues, excluding COVID masks). The path forward lies in larger acquisitions, which GVS has begun to make in the last years (e.g. Haemotronic in 2022, generating €93.6m of 2022 revenues), but which have **significantly impacted the company's financial position** (+227% 2021-2022 YoY NFP; 4.8x 2022 NFP/EBITDA). Moreover, despite a sound rationale, GVS' already broad product range, geographical reach and established market positioning lead to a lack of numerous suitable targets in its primary segments, but **the company is both late and missing the critical mass needed to enter into bioprocess**, the most attractive filtration segment where top competitors have been focusing M&A activity (avg. 9.9x EV/Sales of 2019-2023 bioprocess M&As vs avg. 2.3x EV/Sales of 2017-2023 GVS M&As) *(Annex D5)*. **Without impactful M&As, sustaining double digit revenues growth is unlikely**, given difficulties of organic customer acquisition within the filtration industry (*see Industry Attractiveness*). We therefore anticipate organic revenues growth to remain at mid single-digit (6.1% 2023E-2027E CAGR), a step back when compared with the historical double-digit trend.

Filtering through cash flows

Recent large M&As, heavily reliant on debt, have pressured GVS' mid-term liquidity (6 M&As from 2017-2022: 3 large averaging €167m in debt per acquisition, and 3 bolt-on averaging €28m in cash per acquisition). Despite healthy FCFFs (avg. 32% 2013-2023E FCFF/EBITDA Asj), a surge in indebtedness in 2022 (+104% YoY increase in financial liabilities) led to breaches of the 3.5x NFP/EBITDA Adj debt covenants, peaking at 4.9x in 2022. Avoiding unsustainable early debt repayment was possible only through a last resort Shareholder Loan (SHL) from the Valentini-Scagliarini family. **Following a CFO change** (01/01/2023), **GVS must now demonstrate its capacity to regain financial stability**, addressing mid-term liquidity challenges stemming from the aggressive debt use. **This will impact the company's ability to finance further necessary large acquisitions**, considering that there is no history of equity financing even when the company was near all-times-high (RPB and Haemotronic acquisitions), compounding the strategic challenges for future M&A.

Governance dilemma: strong legacy but doubts for the future

GVS was the only company listed in the Borsa Italiana EXM in 2020 during COVID (ex. transitions from EGM to EXM), a period which greatly benefited the firm (+59.8% YoY 2019-2020 revenues; 39.7% EBITDAm peak in 2020). With a 37% free float, today it **remains strongly family-led**, with **CEO Massimo Scagliarini retaining 74% of the voting rights** (through the parent GVS Group S.r.l.). Since its inception in 1979, the Scagliarini family

Team Estimates vs Consensus - *Exhibit 1*

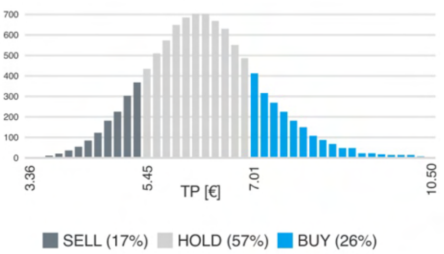
		2023E	2024E	2025E
Rev	Team Estimates	427	452	478
	Consensus	423	445	470
	Company	428	449	472
EBITDA	Team Estimates	96	112	130
	Consensus	93	107	125
	Company	118	123	130
EPS	Team Estimates	0.21	0.21	0.31
	Consensus	0.21	0.28	0.35
	Company	n.a.	n.a.	n.a.

Source: Team Estimates

Football Field Valuation - *Exhibit 2*

Source: Team Estimates

Montecarlo simulation - *Exhibit 3*



Source: Team Estimates

GVS divisions, sub-divisions and segmentation - *Exhibit 4*

	Divisions	Sub-divisions	Segmentation
GVS	H&LS	Healthcare Liquid	Medical
		Healthcare Air & Gas	
		Laboratory & Membranes	Laboratory
	H&S	Air Safety	HVAC
		Personal Safety	Respiratory protection
	E&M	Powertrain & Drivetrain	Automotive
		Safety & Electronics	
		Sport & Utility	

Source: Company Data

has been central to GVS' achievements. CEO Massimo Scagliarini, who assumed control in 2004 after 19 years with the company, played a key role in developing the Medical segment (the firm's flagship sector). Two **PE deals** (B-Group 2001-2005, Mindful Capital Partners 2011-2015) shaped GVS' corporate strategy, **prompting international expansion and inorganic growth**, both exited with a share buyback of the family. Today, however, the lack of a more structured first-line to tackle the managerial complexity that comes with a listed company represents a risk: (i) outside Massimo Scagliarini and Grazia Valentini (2/9 members of the BoD), **none of the Directors has experience in GVS' future key markets** (Medical, Bioprocess, Respiratory Protection), (ii) the **lack of a well-structured succession plan** and **CEO's tight control** on the company could adversely impact expectations if his involvement is impaired, (iii) despite demonstrating **a clear commitment to the firm,** we find the **shareholder loan event a warning signal** of a **listed company still overly reliant on its founding family**. Additional governance uncertainties arise from: **(i) prior shortsighted liquidity management**, with a 2022 NFP projected to decrease and guarantee respect of covenants before breaching them at end-of-year (FY2022 4.8x NFP/EBITDA Adj vs 3.5x needed to respect covenants) (*H1 2022, former CFO: "[...] NFP higher than normal standards, arriving up to 4.2x in relation to our EBITDA pro-forma [...] we expect that this value will decrease under 3.5x, which is the level we have to guarantee to be under the covenants [...]"*), **(ii) the need for a family intervention as a last resort to avoid early repayment of outstanding debt** with a SHL only announced concurrently with FY2022 results, raising concerns about transparency regarding future matters (*9M 2022, former CFO: "[...] there are some possibilities to change the contract and to renegotiate the funding contracts just avoid any issues about the covenant. So [...] we are discussing with the banks, and actually, **there are no action or ideas related to other alternatives**"*), **(iii) the former CFO's abstention from voting on the SHL resolution** (08/03/2023 Board Meeting) and **subsequent depart from GVS** to join the Scagliarini's Family Office (Wallaby S.p.A.) without any clear explanation to the market.

Valuation: *will it happen?*

Our **6.23€/share TP** is estimated accounting for both an internal valuation and a market-based view. For the internal valuation (TP 6.22€, weight 70%) we performed a **three-stage FCFF DCF**. Due to the unlikely event of revelant M&As, in the first stage (2023E-2027E) we assumed an **organic growth in line industry average**, proxied for each segment through identified **market demand drivers**. We expect **Medical** and **Respiratory Protection** to contribute the most and restore pre-COVID profitability levels. In the second and third stage, we downgraded growth assumptions, gradually aligning GVS' terminal rate with the 2% long-term inflation target.

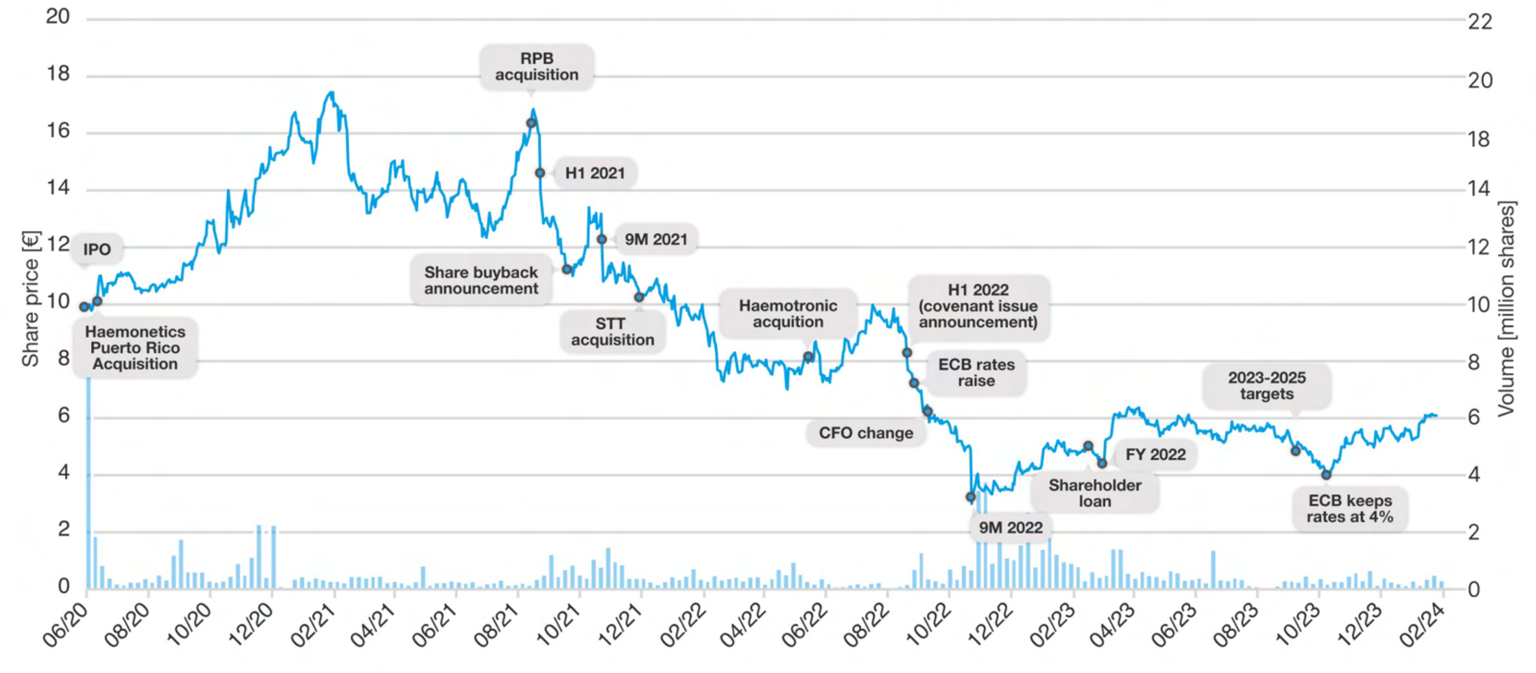
Supporting our DCF analysis, we employed **two relative valuations** to substantiate our **HOLD recommendation**. Our primary market-based methodology follows a **data-driven approach** (TP 6.14€, 25% weight), which extends beyond the filtration industry to **identify Group-level peers sharing similar value drivers to GVS**. Additionally, we complemented the valuation with a more traditional **SOTP approach** (TP €6.74, 5% weight), where GVS is valued against **segment-specific peers**, that due to the company's uniqueness in the competitive landscape do not fully share its value drivers. Given the greater comparability, **we assigned higher weight to the data-driven results** and expect GVS to be priced by the market accordingly.

With its remarkable historical performance, GVS proved that it was able to *Make it happen,* but given the **(i) unlikely event of impactful M&As**, **(ii) mid-term high indebtedness**, **(iii) governance doubts**, *Will it happen*? Not now.

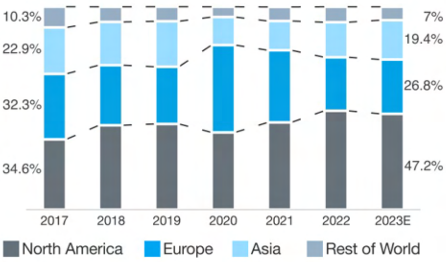
Business Description

Company presentation

Founded in Bologna in 1979 by Grazia Valentini, GVS (Grazia Valentini Scagliarini) quickly established itself as a leading manufacturer of **medical** filters. Two PE deals (B-Group 2001-2005, Mindful Capital Partners 2011-2015), each exited with a share buyback by the Scagliarini family, prompted **M&A and international expansion**. Even after its 2020 IPO (37% free float), GVS maintains strong family leadership under Valentini's son, Massimo Scagliarini, who has served as CEO since 2004 and controls 74% of the voting rights. GVS has diversified its activities through 17+ acquisitions, expanding into the **Automotive** (1993), **Laboratory** (2009), **HVAC** (2012), and **Respiratory Protection** (2015) segments. Inorganic growth has also significantly broadened global reach, with 2023E revenues distributed across North America (47%), Europe (27%), Asia (19%), and the RoW (7%) (*Exhibit 5*). GVS structures its business into three divisions: **(i) Healthcare & Life Sciences (H&LS)**, serving the Medical and Laboratory segments, **(ii) Energy & Mobility (E&M)**, serving the Automotive segment, and **(iii) Health & Safety (H&S)**, active in the Respiratory Protection and HVAC segments. Due to the extensive product range, each division is further split into product-based sub-divisions. (*Exhibit 4*).

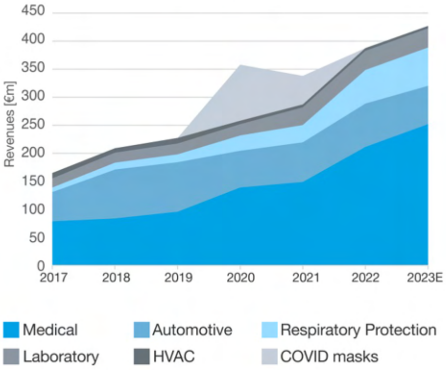


Revenues breakdown by geography - *Exhibit 5*



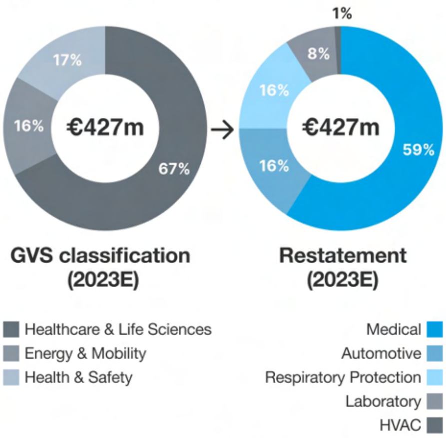
Source: Company Data

Revenues breakdown by segment - *Exhibit 6*



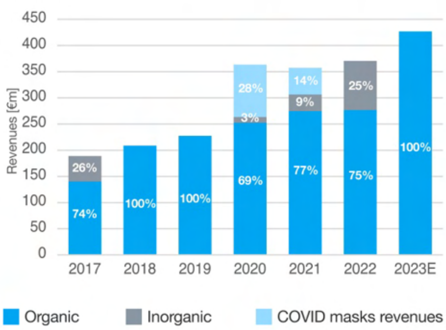
Source: Team Elaboration, Company Data

Revenues classification - *Exhibit 7*



Source: Team Elaboration, Company Data

Organic and Inorganic growth (pro-forma) - *Exhibit 8*



Value drivers - *Exhibit 9*

Industrial Capabilities						
Rev/PPE	2017	2018	2019	2020	2021	2022
GVS	3.1x	4.2x	4.9x	5.3x	4.4x	3.2x
Comps	5.8x	5.7x	4.7x	4.8x	4.7x	4.6x

Research and Development capabilities						
R&D/Rev	2017	2018	2019	2020	2021	2022
GVS	6.0%	8.7%	7.8%	5.5%	6.0%	6.0%
Comps	5.9%	5.7%	5.5%	5.6%	5.4%	5.4%

Source: Team Elaboration, Company Data

Market segmentation and product range overview

We identified **five key segments** in which GVS operates, each characterized by distinct competitive dynamics, competitors, customers, growth profiles and demand drivers. Starting from disclosed company data, we performed a revenues reclassification to align economic results with our segmentation (*Exhibit 7, Annex A1).*

(i) Medical (€249m 2023E revenues, 21% 2017-2023E CAGR): the Medical segment encompasses **liquid and gas filters** used in healthcare systems to ensure patient safety, along with **complementary medical components and devices** acquired by GVS with the recent Haemotronic takeover (Jun 2022). Key applications in the liquid area are blood transfusion, hemodialysis, and intravenous therapies, while the gas area covers anesthesia, intensive care, surgery, and respiratory devices. GVS primarily serves the major medical OEMs (e.g. Baxter, Fresenius, Terumo) except in China, where it directly reaches local distributors.

(ii) Respiratory protection (€68m 2023E revenues, 43% 2017-2023E CAGR): GVS provides personal protection equipment for respiratory safety in industrial and healthcare environments. Key offerings include **disposable respirators** (FFP3/N99 masks, significantly beneficial during the COVID pandemic), **reusable respirators** (which lodge replaceable filters), **PAPRs** and **SARs** (more advanced kinds of respirator added after the RPB acquisition in Jun 2021). The company mainly sells to distributors in this segment.

(iii) Automotive (€68m 2023E revenues, -3% pro-forma 2017-2023E CAGR): the Automotive segment includes liquid and gas filters for passenger, commercial, and recreational vehicles. GVS' product range, completed with the KUSS acquisition (Jul 2017), covers **hydraulic**, **fuel**, **oil**, **engine air**, and **cabin air applications**. As an upstream tier 2 supplier, GVS serves tier 1 suppliers lacking in-house filtration capabilities (e.g. Bosch, FZ, and Continental), which integrate its products into systems for OEMs.

(iv) Laboratory (€39m 2023E revenues, 13% 2017-2023E CAGR): the Laboratory segment features filters and membranes used for R&D and quality control. GVS' product mix is comprised of **microbiology filters** (used to target viruses and bacteria), **biology filters** (used to isolate DNA/RNA, proteins, etc.), **chemical filters** (used for fluid separation), as well as internally produced **filter membranes**. Laboratory customers of GVS are equally divided between corporate clients and distributors.

(v) HVAC (€4m 2023E revenues, -13% 2017-2023E CAGR): this segment consists of filtration systems for indoor air quality and HVAC systems efficiency. Due to its low strategic relevance (<1% of 2023E revenues, -13% 2017-2023E revenues CAGR), we decided to exclude it from the valuation.

M&A at the center of corporate strategy

M&A is pivotal to GVS' corporate strategy, as it has enabled remarkable revenues growth (14.4% 2013-2023E CAGR, of which 8.3% inorganic and 6.1% organic) through: **(i) product range expansion** (e.g. RPB in 2021, introducing PAPRs), **(ii) geographical expansion** (e.g. Nihon Nypro in 2012, starting GVS' Japanese branch), **(iii) fueling customer acquisition** (e.g. Haemotronic in 2022, expanding the medical client base), but also **(iv) know-how acquisition** (e.g. Maine Manufacturing in 2012, integrating membrane production) (*Annex B1*). With 17 M&As since 2009, GVS surpassed the organic growth limits inherent to the industry and generally outpaced average segment growth (*see Industry Overview and Competitive Positioning)*. However, **by following its traditional M&A strategy focused on bolt-on horizontal acquisitions, GVS is bound to lose its edge**, as it is now a larger firm with revenues expected to double post-IPO by 2025 (€479m 2025E revenues vs €227m 2020, ex. COVID masks). Looking ahead, the way forward is through larger M&As, which GVS has already started executing (e.g. Haemotronic in 2022), but: **(i) they have considerably deteriorated the company's financial position** due to **heavy reliance on debt financing**, compromising the possibility of further acquisitions in the mid term, (ii) GVS' now extensive product range, global reach, know-how, and client base make it **difficult to justify the high price associated with larger targets in its current segments**, and **(iii) the company is both late and lacking the critical mass needed to enter into bioprocess**, the most attractive filtration segment where GVS' top competitors have been focusing M&A activity (avg. 9.9x 2019-2023 EV/Sales, *Houlihan Lockey) (Annex D5*).

Business model

GVS builds its competitive advantage leveraging on 5 key **organic capabilities**:

(i) Industrial at the core: industrial strength drives GVS' value creation, keeping profitability structurally high (avg. 60.1% 2013-2023E Gross Margin) through the achievement of low unit costs and high plant saturation (currently 60% vs. an optimal 80%, *management guidance*). The company's 19 plants offer production flexibility for quick product mix adjustments in response to changes in market demand, which proved crucial during the COVID pandemic as it allowed GVS to shift focus to producing replaceable masks, enhancing revenues and margins (+60% YoY 2019-2020 revenues, peak of 39.7% 2020 EBITDAm). Using the **Revenues/PPE** (*Exhibit 9)* metric to evaluate industrial efficiency, GVS' avg. 4.2x revenue amplification in 2017-2022 shows potential for improvement compared to its main non-outsourcing competitors' avg. 5.1x. Acknowledging the need for greater scale economies, GVS is launching initiatives to streamline operations, boost production efficiency, and bring component manufacturing previously outsourced by recent acquisitions in-house (*management guidance*).

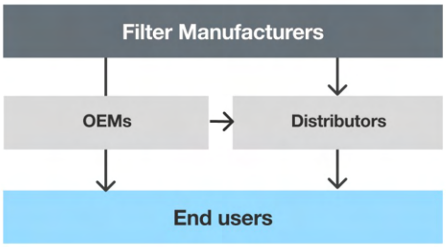
(ii) Research and Development: GVS' R&D is key for value creation as it is aimed at both **(i) enhancing the company's industrial core** with the creation of **more efficient production processes** (ca. 50%, *management guidance)* and **(ii) supporting the development of customized products for OEMs** (OEMs generate 80% of revenues). GVS invests above-average levels of revenues in R&D (avg. 6.7% vs avg. 5.6% competitors 2017-2022 **R&D/Revenues**) (*Exhibit 9*).

(iii) Vertical integration of filter membranes: A critical element of GVS' business model is its ability to produce membranes in-house, offering **direct profitability benefits** and **supporting its niche strategy** by enabling the development of specialized products. However, GVS' range is narrower than key member-producing competitors' one (Danaher, Merck, Sartorius) (*Annex A2*), resulting in about 40% of these products being outsourced.

(iv) Certifications and regulatory compliance: GVS operates in highly regulated markets, where conducting business depends on compliance with local regulations, reflecting the critical need for filters to preserve safety in their applications. **GVS meets** these **quality standards in all its plants**, benefiting from the regulatory environment. Holding certifications boosts customer retention and raises buyers switching costs (both financially and in terms of time-to-market), due to difficulty of finding sources of comparable quality and re-validate final products (average validation time is 26 months for filters and 16 months for OEM products).

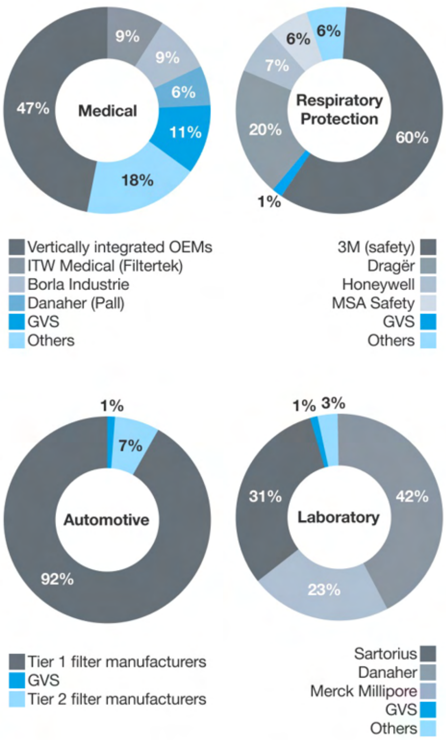
(v) "Glocal" approach: GVS delivers and captures value with a "glocal" approach, which involves that **procurement, production, and distribution activities carried out within the same geographical region**. This on one hand minimizes logistics costs, and on the other allows customer proximity, important when they have different requirements depending on the regulatory regime which affects them (e.g. Chinese vs US customers).

Filtration Industry - *Exhibit 10*



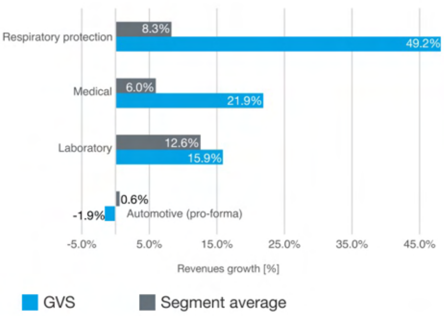
Source: Team Elaboration

Markets structure - *Exhibit 11*



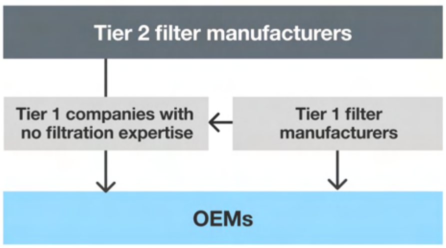
Source: Team Elaboration

Revenues growth rates by segment (2017-2022 CAGR) - *Exhibit 12*



Source: Team Elaboration

Automotive filtration structure - *Exhibit 13*



Source: Team Elaboration

Industry Overview and Competitive Position

Competitive dynamics and competitive positioning

Each segment is characterized by distinct competitive dynamics *(Annex C2)*:

Medical (market size €2.3b, 6.0% 2017-2022 CAGR): width is win

Competition in the €2.3b Medical segment can be divided into two main clusters: **(i) filter manufacturers** (53% of the market) such as GVS, Danaher (Pall), ITW Medical (Filtertek), and Borla Industrie, which sell their filters to medical OEMs, and **(ii) vertically integrated OEMs** (47% of the market) such as Medtronic and Asahi Kasei, producing their own filters. **GVS' main competitor in the segment is Pall**, both recognized for their **industry-standard filters and internal membrane production capabilities**. Pall, once was market leader, has seen its share decline (14% in 2017 vs 6% in 2022) as a result of a gradual shift of focus towards **bioprocess solutions**, with with **GVS benefiting the most** (5% in 2017 vs 11% in 2022). Other competitors, often specialized in either liquid or gas applications, have a narrower market coverage, leading **GVS to maintain a competitive edge thanks to its extensive medical portfolio**. Notably, the recent Haemotronic acquisition added complementary medical components and devices to GVS' range, unlocking the possibility to offer complete solutions to OEMs and position the company as **supplier of complete sets**. Vertically integrated OEMs, larger and with direct end-customer access, cross-sell the single-use filters necessary to operate their final products. GVS' diverse medical portfolio has secured its strong market position, achieving a **21.9% 2017-2022 CAGR**, significantly surpassing competitors, however this performance was influenced by the 2022 Haemotronic acquisition, with **organic results, more in line with industry average** (GVS 8.4% vs 6.0% industry avg. 2017-2022 organic CAGR).

Respiratory protection (market size €6.2b, 8.3% 2017-2022 CAGR): David vs Goliath

In the €6.2b Respiratory Protection market, 3M leads with a 60% share. **GVS stands out by focusing exclusively on respiratory masks**, unlike its larger competitors who offer a broad PPE range. This specialization presents comparability challenges due to size and product scope differences (competitors' PPE revenues average €865m in 2022 vs. GVS' €60m). Generalist PPE manufacturers aim to offer a wide product range, enabling cross-selling but often sacrificing specialized respiratory equipment. In contrast, GVS focuses on developing top-tier masks, targeting specialized end users underserved by these generalist companies. Moreover, with the **RPB acquisition** in 2021 GVS has extended its scope to becoming a direct supplier of generalist players, with the company now supplying part of Dragër's product range. This strategy has led GVS to a **robust 49.2%** revenues **2017-2022 CAGR**, significantly surpassing the market's 8.3% *(Exhibit12)*. Despite the influence of the RPB acquisition, organic growth remains strong at 17.3% CAGR during the same period.

Automotive (market size €0.4b, 0.6% 2017-2022 CAGR): where niche doesn't pay off

Filter manufacturers in the Automotive segment are categorized based on their position in the supply chain: **(i) tier 1**, directly supplying OEMs, and **(ii) tier 2**, serving tier 1 clients lacking internal filtration capabilities *(Exhibit 13)*. The presence of tier 1 filter producers undermines tier 2's competitiveness as they also sell filtration systems to peers on the same level, reducing tier 2's addressable market (market size: €0.4b for tier 2, €9.5b for tier 1). Additionally, tier 2 manufacturers do not engage in direct aftermarket sales, the most profitable channel. These factors have led to varying growth rates between tier 1 and tier 2 firms (5.4% vs. 0.6% 2017-2022 CAGR), with tier 2 facing greater **market saturation**. **GVS** has been the **second-worst performing tier 2 player** (-1.6% vs. the 0.6% tier 2 2017-2022 sales CAGR) and the most affected by the COVID demand shock (-25.7% vs. -8.7% tier 2 2019-2020 YoY revenues drop). Despite this, GVS' revenues are gradually improving, though at a slower rate compared to pre-COVID (1.4% 2020-2023E vs 2.6% 2017-2019).

Laboratory (market size €2.7b, 12.6% 2017-2022 CAGR): the triumvirate

In the €2.7b laboratory filtration segment, competition is mainly comprised by Sartorius, Merck (Millipore brand) and Danaher (Pall & Cytiva), which virtually control the market (C3=94%) *(Exhibit 11)*. Their business is expanded far beyond laboratory filtration, with this segment tagging along the vastly more profitable opportunities presented by **bioprocess filtration** (avg. laboratory EBITDAm vs avg. bioprocess EBITDAm), which applies filtration technology to large scale bioprocesses (e.g. vaccine production, *see Annex D5)* and contextually also provides filters to test them at small-scale in R&D laboratories. Moreover, while serving laboratories, the oligopolists provide a **more comprehensive product range** that includes other consumables, equipment and analytical software, locking-in customers within their ecosystems. As a result, **GVS' laboratory filtration-focused positioning is suboptimal** for winning customers. Due to **(i) the absence of bioprocess-oriented capabilities**, **(ii) the less developed laboratory portfolio**, and **(iii) a brand outside the triumvirate**, GVS is bound to be a secondary option behind these market leaders. Despite the strategic disadvantages, GVS has been able to grow slightly more than average (GVS 15.9% vs 12.6% industry avg. 2017-2022 CAGR). However, it's important to note that **(i) market growth was driven by the 3 oligopolists**, which managed to meet (in Sartorius' case outpace) GVS' performance while having a significantly larger size (avg. €870m 2022 revenues in Laboratory vs GVS €34m), **(ii) GVS' double-digit performance was driven by a bolt-on acquisition** (Graphic Control's laboratory BU in 2020), with **organic revenues growth** settled at **2.7% 2017-2022 CAGR**.

Industry attractiveness

Across all segments, **high buyers switching costs** are the most relevant structural determinant: the criticality of filters encourages customer loyalty and makes sourcing new suppliers expensive primarily in time-to-market terms (average validation time is 26 months for filters and 16 months for OEM finished products). This dynamic, while reducing competitive pressure, also **restricts filter manufacturers' organic growth due to difficulties in acquiring new customers**. OEMs' preference for established supplier relationships, coupled with their price inelasticity (filters typically only cost a few cents and are marginal to OEMs' OPEX, *management guidance*), diminishes the potential impact of competitive pricing, **making economies of scale useful for raising marginality** but **ineffective for fueling revenues growth**. Moreover, OEM's reluctance to validate new suppliers adds friction to market entry with new products. In this context, **M&A is crucial** for filter manufacturers for: **(i) expanding the product range**, **(ii) expanding into new geographies**, and **(iii) fueling customer acquisition**, and the announcement of transactions is continuous (30 completed in 2023 for 10% of total market size, *source: Filtration+Separation*). Due to the diverging competitive dynamics outlined above, industry attractiveness generally differs between segments *(Exhibit 14)*:

Internal rivalry remains of **mild intensity in the Medical and Respiratory Protection** segments, eased by high growth rate, concentration and buyers switching costs. The **Laboratory** segment, although sharing those characteristics, **faces greater price pressures** given the less differentiated products features, at least of those within the boundaries of GVS' range. Lastly, in **Automotive internal rivalry is most intense** as tier 2 players engage in increasingly fierce competition due to a saturated market.

Porter's 5 forces Analysis - *Exhibit 14*

Source: Team Elaboration

SWOT analysis - *Exhibit 15*

STRENGHTS

- Strong industrial capabilities: injection molding expertise
- Effective R&D
- Local-for-local supply chain management
- Vertically integrated production of filter membranes

WEAKNESSES

- Automotive segment ciclicity
- High complexity and time to market for new products
- Difficulty in matching cost inflation with price
- CEO-Centric leadership

OPPORTUNITIES

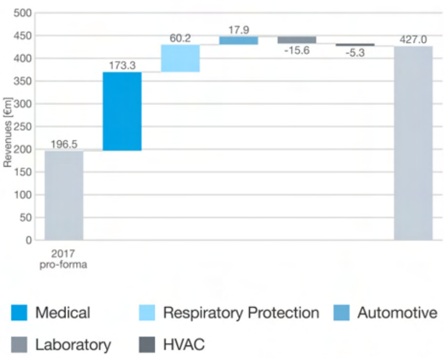
- Expansion in the Asian market
- Electric vehicles trend
- Entrance in Bioprocess segment

THREATS

- Raw materials price fluctuation due to political tension
- High leverage after recent M&As

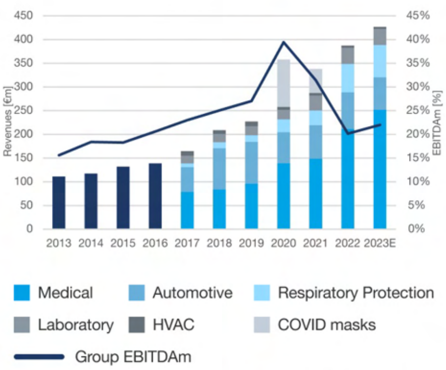
Source: Team Elaboration

Revenues bridge analysis - *Exhibit 16*



Source: Team Elaboration

Revenues vs EBITDAm - *Exhibit 17*



Source: Company Data, Team Elaboration

Buyers power is also of **low intensity** in the **Medical** segment: filter manufacturers have pricing power over OEMs because filters are both critical applications and constitute a small portion of their OPEX. The same applies to **Respiratory Protection**, where ensuring worker safety is paramount. Although theoretically true for the **Automotive** segment as well, the larger volumes purchased and the lower profitability of buyers **increase their power to negotiate lower prices**. In the **Laboratory** segment, buyers power is **relevant**, influenced by low product differentiation.

Suppliers power is **relevant** and **uniform across-segment**, since raw material is purchased by polymer and plastic producers of a size much larger than that of filter manufacturers. Moreover, reliable filters need high-quality input materials, increasing suppliers power to negotiate higher prices. This is mitigated by a large addressable supplier pool, with GVS diversifying its sources so that no single one accounts for more than 5% of raw material expenses (*management guidance*).

New entrants put little pressure on the filtration industry given the **high barriers to entry**, mainly **(i) the need of holding certifications compliant with local regulations** and **(ii) the centrality of established long-term customer relationships**, making **acquisitions-based entrance** the only viable way.

Substitute products are inherently a **low threat**, mainly presented by technological upgrades in OEMs equipment requiring different filter characteristics. However, the close relationship with customers leads filter manufacturers to know about those requirement with an ample interval to satisfy them first-hand.

Market demand drivers

We identified a distinct **market demand driver** for each segment, serving as a **quantitative proxy** for the **potential future growth** of GVS' business environment. This analysis was then incorporated in our **internal valuation** to obtain the **base estimate of future revenues** (*see Valuation, Future Assumptions*). We considered the anticipated growth of the key drivers across the three primary regions where GVS operates (US, EU, CHN):

Medical: Hospital spending. In the Medical segment, hospitals are the main users of filters and related devices for patient care. Consequently, we identified global hospital spending as the principal driver of market demand. Shaped by **growing and aging populations**, hospital spending is projected to witness double-digit growth in **China** (**12.1% 2022-2027E CAGR**), with the **US** (**5.4% 2022-2027E CAGR**) and **EU** (**3.8% 2022-2027E CAGR**) lagging behind at expected mid-low single digits (*sources: OECD, CMS, Eurostat)*.

Respiratory Protection: combined growth of the underlying set of industries. Sales of respirators are originated in a highly diversified set of industries where workers are exposed to respiratory risks: Mining, Chemical, Construction, Healthcare, Pharmaceutical, Oil & Gas, Manufacturing & Industrial, Agriculture. These markets combined are expected to grow at **8.2% 2022-2027E CAGR**, due to increasing tightness and awareness of **occupational health and safety standards**. These expectations make Respiratory Protection the segment characterized by **highest forecasted structural growth** (*source: McKinsey*).

Automotive: nominal GDP growth. The Automotive segment is **highly cyclical**, as OEMs' sales are dependent on the level of disposable income, consumer confidence, credit availability and business investments. As such, we considered nominal GDP growth the prominent market demand driver. After a 2023 characterized by monetary tightening, GDP forecasts have been cut, raising concerns about future prospects: China's growth is expected to be the highest, although failing to keep up with the historical trend (**3.6% 2022-2027E GDP CAGR** vs 6.0% 2017-2022), and a slowdown is anticipated in both the **US** (**1.4% 2022-2027E GDP CAGR** vs 2.4% 2017-2022) and **EU** (**1.2% 2022-2027E GDP CAGR** vs 1.3% 2017-2022) (*source: IMF)*.

Laboratory: pharmaceutical R&D spending. The pharmaceutical industry represents the biggest user of laboratory filters and membranes. Therefore, we pinpointed pharmaceutical R&D spending as the main demand driver. Similarly to hospital spending, **its growth profile is promising across all main geographies**, as they are determined by the same structural trends, growing with a **3.6% 2022-2027 CAGR** globally (*source: Statista)*.

Financial Analysis

GVS has recorded remarkable **double-digit growth** in the past decade (14.4% 2013-2023E revenues CAGR, 29% 2013-2023E NP Adj CAGR), with **best-in-class margins** (avg. 21.3% 2013-2023E EBITDAm ex. COVID period, with a peak of 39.7% in 2020 due to disposable masks and medical filters), **fast-growing EPS** (27.7% 2013-2023E CAGR), and **substantial free cash flow generation** (avg. 32.1% 2013-2023E FCFF/EBITDA). However: **(i) the company's profitability is now below pre-pandemic levels** after a COVID-related surge during 2020-2021, with GVS now needing to **demonstrate** the capability to restore historical pre pandemic margins (25.2% avg. EBITDAm 2017-2019), **(ii) double-digit revenues growth** was driven by a bolt-on M&A strategy bound to become ineffective for a company expected to double in size since IPO by 2025 (€479m 2025E revenues vs €227m 2020 revenues, ex. COVID masks), **(iii) the recent larger acquisitions significantly impacted the company's financial position**, preventing further M&As in the mid-term and **(iv) creating liquidity issues only mitigated by the Shareholder Loan injected by the Scagliarini family**.

Historical financial analysis

Revenues: it's a matter of focus

GVS' **double-digit top-line trend** (14.4% 2013-2023E CAGR) has led the firm to double in size since 2017 (€427m 2023E revenues, 2.1x 2017 value). Inorganic growth has been foundational for the company: in the 2017-2023E period revenues grew at 14.5% CAGR (*pro-forma data*), of which 8.3% inorganic and 6.2% organic, with ca. **€210m of acquired sales** distributed across the Medical (55%), Laboratory (7%), Respiratory Protection (15%), and Automotive (23%) segments. By adopting a segment specific view lights and shadows arise (*Exhibit 17*): growth was driven by the **Medical** and **Respiratory Protection** segments, where GVS enjoys the most well-grounded competitive advantage and has focused the most recent M&A activity (RPB, STT, Haemotronic). **Laboratory** has intensified its performance through a bolt-on inorganic contribution (Graphic Control Lab BU), staying in line with Group average. On the other hand, **Automotive** has witnessed a sales contraction since 2017 (*pro-forma data*), despite being beneficiary of the third largest acquisition in GVS' history (KUSS Group). This diverging dynamics highlight GVS needs to focalize to **restore investors' confidence**.

Profitability: historical excellence, present doubts and segments differences

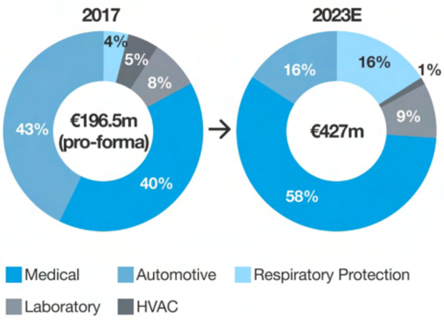
GVS exhibits best-in-class **avg. 23.9% 2013-2023E EBITDAm Adj** and **avg. 11.6% 2013-2023E NPM Adj**. The EBITDAm Adj has consistently grown in the last decade, jumping from 17% in 2013 to 27% in 2019. During the COVID period the company was able to achieve an avg. 36% EBITDAm Adj, given its positive exposure to the demand escalation of FFP2/3 masks and specific medical filters. However, it has since suffered a profitability decline, with 2023E EBITDAm Adj falling back to 2017 levels at 22.4%. Several factors contribute to this situation: **(i) a decrease in customer orders due to destocking following an inventory buildup during COVID, (ii) a delay in raising prices to deal with mounting inflation**, and **(iii) production inefficiencies linked to recent M&A and a non-saturated industrial footprint**. We consider these factors to be temporary:

EBITDAm ranges estimation - *Exhibit 18*

Segment	Lower	Upper
Medical	24%	29%
Automotive	15%	20%
Respiratory Protection	44%	50%
Laboratory	16%	21%

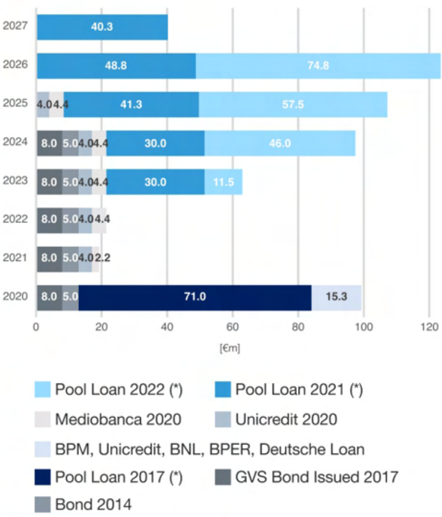
Source: Team Estimates

Revenues composition evolution - *Exhibit 19*



Source: Team Estimates

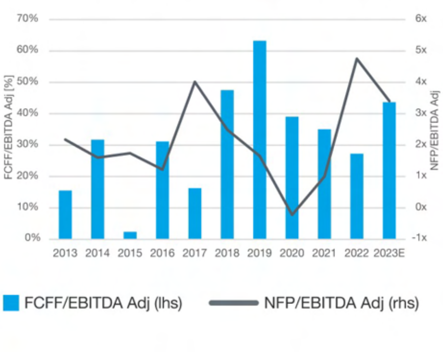
Debt repayment structure - *Exhibit 20*



Loan	[€m]	Lender and Motivation
Pool Loan 2017	90	Mediobanca, Unicredit, BNL. To acquire KUSS
Pool Loan 2021	150	Mediobanca, Banca di credito, CA, Unicredit. To acquire RPB
Pool Loan 2022	230	Mediobanca, Unicredit. To acquire Haemotronic

Source: Team Elaboration, Company Data

Indebtedness vs cash generation - *Exhibit 21*



Source:Team Elaboration

(i) early 2024 reports from GVS' competitors (*Sartorius FY2023 press release*) **confirm an improving outlook for orders, forecasting an end to destocking by mid-2024, (ii) Central Banks' tightening stance is expected cool down inflation in the mid-term, (iii) M&As are being successfully integrated** (*see Historical M&A Analysis*) and **GVS is actively taking measures to restore plant saturation** (*management guidance*). We anticipate profitability to recover by 2025E (26.8% EBITDAm).

Segment margin estimation model

We developed a **segment-specific EBITDA margin estimation model** to capture GVS' different competitive advantage in each of the identified operating segments. This was necessary due to the disparity between competitive dynamics and the lack of divisional operating performance disclosure by the company. The model's outputs are **EBITDAm ranges** estimates, capturing the actual GVS' segment EBITDAm fluctuations during the past 5 years *(Annex B2)*. The estimation approach has been different depending on the segment:

(i) Medical and Automotive: we selected a set of comparable companies for margin estimation through a multi-parameter linear regression model which took into account GVS' identified value drivers.

(ii) Respiratory Protection: due to the lack of comparable companies, the estimate was based on the data of the recent RPB acquisition: in 2023E, it represented 70% of GVS' segment revenues and achieved a 51% EBITDAm. The resulting range is given through a sensitivity analysis on the other 30% of revenues.

(iii) Laboratory: the average margin of selected competitors has been assumed to be a good approximation of GVS' one, given the generally undifferentiated nature of laboratory products.

EBITDAm estimates obtained were **key inputs to our valuation**, which assumes different segment-level EBITDAs.

The model's output confirms **the higher profitability of the Medical and Respiratory Protection segments**. We consider the profitability recovery path to be on the right track: GVS has increased the revenues share in the high-margin segments and decreased its presence in those where least attractive (*Exhibit 18*).

ROCE Adj has been gradually increasing until 2017, with an acceleration in 2018-2019 (avg. 12.6% 2013-2017 ROCE Adj vs avg. 22.5% 2018-2019 ROCE Adj) and a peak in 2020 at 60.9%. On the contrary, 2022 performance was insufficient: remuneration collapsed to 7.8%, due to both a sharp growth in CE (debt for acquisition financing) and a decrease in EBIT Adj. Consequently, we expect ROCE to remain below pre-covid levels in the mid term, with an avg. 11.4% 2023E-2027E figure.

Focusing on **costs**, GVS' major expenses are **raw materials** and **labor**, each comprising avg. 30% on sales in 2017-2022, a pattern expected to continue. In 2022, raw materials, particularly plastic granules and some externally sourced membranes, surged to 36% of revenues due to inflation. Another key expense item for GVS is R&D (avg. 6.7% of sales in 2017-2022), central to its value creation (*see Business Model*) and with its **effectiveness** tied to **high customer retention** and **low unit production costs**.

Liquidity: when debt peaks, cash sinks

GVS' **indebtedness** increased significantly in 2021-2022, driven by the debt-financed acquisitions of RPB and Haemotronic (€380m of debt for 2022-2021 M&A financing, 26% of available liquidity). With a peak of **4.9x 2022 NFP/EBITDA Adj ratio** *(Exhibit 21)*, GVS had to resort to a €75m Shareholder Loan injected by the Scagliarini family to avoid breaching covenants (set at 3.5x NFP/EBITDA Adj), an unsustainable scenario with GVS' liquidity (31.9% 2022 liquidity/breached debt). An ongoing **deleveraging campaign** aims to reduce this ratio (1.7x 2025E NFP/EBITDA Adj), reaching the optimal cost of capital in 2026E (*Annex D2*). However, **this indebtedness landscape will likely prevent further M&As in the mid-term**, challenging the replication GVS' inorganically driven double-digit revenues growth. Despite the current situation, financial leverage **historically remained balanced** (avg. 1.5x 2013-2022 D/E, avg. 2x 2013-2022 NFP/EBITDA Adj), surging only concurrently with the KUSS takeover (GVS' first large acquisition), financed with debt (4.0x 2017 D/E, 3.6x 2017 NFP/EBITDA Adj). Digging deeper, **short term debt coverage** was on average positive (1.6x OFC/current financial liabilities), as was the **capex coverage** (avg. 2.8x 2013-2022 OCF/capex). However, combining the two reveals a **challenge in generating sufficient OCFs** to meet both financial obligations and installments payments (avg. 0.76x 2013-2022). Despite **healthy cash conversion** (avg. 65.9% 2013-2023E OCF/EBITDA Adj), an excessive reliance on debt to finance growth seems structural for GVS, **raising concerns when the equilibrium is broken by M&A financing**.

Substantial FCFs (avg. 32% 2013-2023E FCFF/EBITDA Adj), are primarily deployed for M&As, with only one instance of dividends distribution (€0.13 2020 DPS) and one share buyback since IPO. Besides M&A, **organic capabilities** are fostered through increases in production capacity and efficiency, both reflected in an avg. **6.7% 2013-2023E capex/revenues**, structurally driven by investments in **tangible assets** (80% of capital expenditures). Growth capex accounts for ca. 5% of the capex/revenues ratio, while maintenance Capex for the other ca. 2%, signalling a healthy trajectory of investments.

Looking at the **cash conversion cycle**, GVS is slightly less efficient than its competitors (110 days vs 105 days competitors average, avg. 2013-2022 data). While the **operating cycle seems to run smoothly**, with GVS' *local-for-local* supply chain management approach enabling fast inventory turnover (70 days of inventory holding vs 97 competitors' average, avg. 2013-2022 data), higher DSO and lower DPO indicate GVS' lower bargaining power, potentially due to its smaller size.

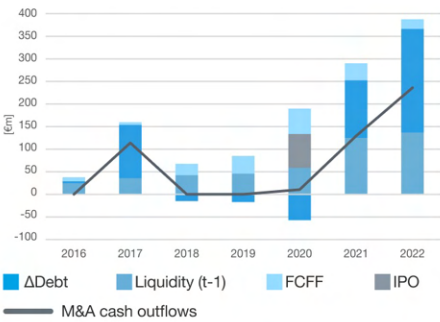
Historical M&A analysis

M&A has significantly fueled GVS' growth, with **43% of 2023E revenues** and **55% of 2023E EBITDA generated by the three latest acquired companies** (RPB, STT, Haemotronic). After a history of **bolt-on acquisitions**, since the KUSS takeover in 2017 GVS has expanded its M&A scope to larger targets, for a total **ca. €600m 2017-2023E M&A cash outflows**. While most deals have led to **horizontal expansion**, one notable exception was the acquisition of **Maine Manufacturing** (2012, ex-General Electric laboratory filtration Business Unit), through which GVS **vertically integrated the production of filter membranes**, further strengthening M&A's centrality to its corporate strategy. As anticipated in the liquidity analysis, **debt has been the main financing tool** for inorganic growth (*Exhibit 22*), used in all latest M&As besides STT (paid with cash on hand). At the core of GVS' M&A strategy there is the **achievement of both revenue and hard cost synergies**: by analyzing the pre and post-transaction performance of RPB, STT and Haemotronic (the only ones for which there is enough publicly available data), we have found evidence confirming GVS' synergy extraction capability.

Cost synergies: masters at integration

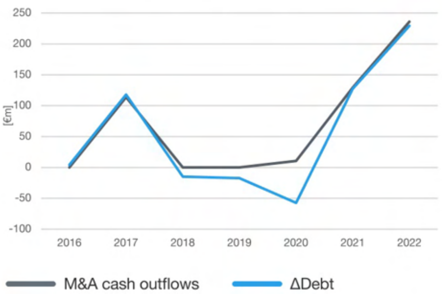
The synergies extraction strategy starts from **target selection**: acquired companies must fulfill the requirement of selling products **manufactured with the same production technology as GVS**. In that way, GVS can overhaul operations after takeover by redistributing volumes across its industrial footprint and reach plants saturation, allowing economies of scale. Moreover, **GVS mitigates execution risk by calculating IRR considering only the realization of cost synergies**, by definition easier to achieve as the target selection policy insures that GVS' industrial capabilities can be shared with the new company. Cost synergies are then achieved through **(i) industrial footprint optimization, (ii) production insourcing, (iii) process streamlining**. In particular, we assessed GVS' cost synergies extraction capabilities through the **change in EBITDAm of targets**

Cash generation vs M&A outflows - *Exhibit 22*



Source: Team Elaboration

Debt financing of acquisitions - *Exhibit 23*



Source: Team Elaboration

Cost synergies - *Exhibit 24*

Target	Acq. year	EBITDAm at acq.	EBITDAm 2023E	Δ%
RPB	2021	34%	51%	52%
STT	2022	10%	20%	98%
Haem.	2022	20%	21%	6%

Source: Team Elaboration, Company Data

Revenues synergies - *Exhibit 25*

Target	Acq. year	3Y Sales CAGR pre-acq.	Sales CAGR post-acq.	Δ%
RPB	2021	21%	22%	9%
STT	2022	5%	3%	-48%
Haem.	2022	16%	25%	58%

Source: Team Elaboration, Company Data

from acquisition year to 2023E (*Exhibit 24*). In the case of RPB, where the main cost-cut implementation has been the insourcing of components previously only assembled by the company, the EBITDAm has grown 52%, reaching an outstanding 51% figure. STT's margin has improved even more, nearly doubling (98% growth) since takeover, thanks to the action along all the three identified dimensions. Few cost synergies have been realized with Haemotronic, increasing its EBITDAm by 6%, thanks to volume reallocation. We deem further Haemotronic margin accretion due to cost synergies to be unlikely, given that the company in 2023E has achieved a marginality close to GVS' estimated one in the Medical segment.

Revenues synergies: still in development

Along with the cost-side intervention, GVS also actively seeks to enhance the revenues generation. Revenue synergies are achieved by means of **(i) cross-selling to the combined customer base**, **(ii) geographical expansion**, **(iii) distribution and sales channels widening**. GVS' revenues synergy extraction capability was assessed by comparing **pre (3Y) and post-acquisition targets' revenues growth**, with the assumption that they should noticeably accelerate in the presence of a synergy realization *(Exhibit 25)*. The result of our analysis is the dual of the cost synergies' one: Haemotronic's was the main company that benefited, accelerating top-line growth by 58% and bringing it in line with GVS' 21% 2017-2023E CAGR in the Medical segment. We believe this to be mainly due to the product-market fit found in the bundling of GVS' filters and Haemotronic medical components and selling them to the combined customer base. On the other hand, RPB and STT are lagging behind: RPB's revenues CAGR has increased by 9% while STT's one almost halved (-48%) if compared to pre-acquistion 3Y performance. Given the high complexity in managing the integration of three large acquisitions and GVS' initial focus on reorganizing the combined industrial base, further revenue synergies can be expected in the next 2 years, especially through the expansion of the current asian business by leveraging STT's brand and reach.

Valuation

We project a year-end **target price of €6.23** for GVS stock, reflecting a 1.8% upside on the 13th February 2024 closing price and prompting an **HOLD recommendation**. Our valuation process includes a **three-stages FCFF DCF** and **two relative valuations**, weighted respectively 70%, 25%, and 5%. The DCF (TP €6.22, 70% weight) is deemed most relevant because it considers the idiosyncratic nature of GVS' competitive positioning. In contrast, to account for a market perspective we adopted a dual methodology: firstly, a **data-driven approach** (TP €6.14, 25% weight) examines a peer set with a similar value architecture to GVS, looking beyond the traditional filtration industry landscape. Secondly, a **SOTP approach** (tp €6.74, 5% weight) shifts focus to GVS' direct competitors in each segment, recognizing that they share value drivers only to a limited extent.

Future assumptions

Revenues assumptions: go with the flow

We forecast revenues to grow at a **6.1% 2023E-2027E CAGR**, exploiting the link between GVS' sales and the identified market demand drivers (*see Market demand drivers*). In particular, we estimated revenues independently for each segment considering both **the anticipated trajectory of the associated market demand driver** and **GVS' capability to increase market share**. Forecasts were conducted individually for each geographical market as growth is varying depending on the region (US, EU, CHN). The different growth of the segments leads revenues to gradually shift towards a terminal mix where the most attractive ones contribute to a higher portion of total sales compared to the one they occupy in 2022.

Medical revenues forecast: our revenues estimates linearly follow the forecasted growth in **hospital spending**, which should impact GVS' customers and increase sales of its consumables. This reflects in a **6.4% 2023E-2027E CAGR**, coherent with past organic revenues growth in the segment.

Respiratory Protection revenues forecast: we expect the respiratory protection segment to deliver the highest growth rate, with a **10.2% 2023E-2027E CAGR**. Our estimates consider GVS' proven ability to outperform structural growth and increase market share in the segment.

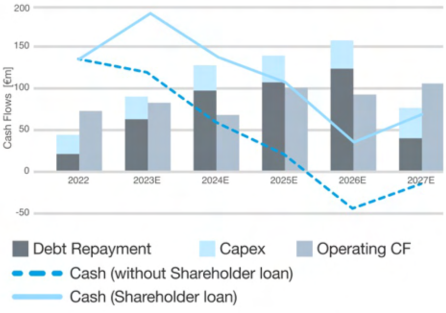
Automotive revenues forecast: capped by nominal GDP growth, automotive sales are affected by the **positive contribution** of an assumed **increase in Hybrid and EV volumes** and by the **negative contribution** of an assumed **decrease in ICE volumes**. Overall, these contrasting trends matched with the historical weakness of GVS in the segment are translated into a low single-digit **1.4% 2023E-2027E CAGR**, in line with the post-COVID 2020-2023E registered performance.

Laboratory revenues forecast: we estimate GVS' sales of laboratory filters to grow with global pharmaceutical R&D spending at **3.6% 2023E-2027E CAGR**. Early 2024 reports of main competitors (Sartorius Stedim Biotech S.A.) highlight an environment still affected by client destocking, expected to recover from mid-2024.

GVS Financial Highlights - *Exhibit 26*

Financial highlights [€m]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues Adj	111.3	117.4	132.2	139.1	164.8	208.9	227.4	363.3	338.1	387.6	427.2	451.5	478.7	508.3	540.3	563.3
Growth	*22.2%*	*5.5%*	*12.6%*	*5.2%*	*18.5%*	*26.7%*	*8.9%*	*59.7%*	*-6.9%*	*14.6%*	*10.2%*	*5.7%*	*6.0%*	*6.2%*	*6.3%*	*4.3%*
EBITDA Adj	17.4	21.6	24.2	28.7	37.8	52.9	62.3	144.1	107.9	79.0	95.3	112.0	129.6	138.7	148.5	155.6
EBIT Adj	7.3	11.4	12.9	17.1	26.7	40.1	49.6	128.5	89.3	54.8	51.5	75.6	91.0	97.7	105.0	110.2
Net Profit Adj	2.9	7.6	9.4	11.9	11.7	26.3	36.6	87.2	75.4	46.5	36.3	36.9	54.0	63.3	66.7	70.1
Margins [%]																
EBITDA Adj Margin	15.6%	18.4%	18.3%	20.6%	22.9%	25.3%	27.4%	39.7%	31.9%	20.4%	22.3%	24.8%	27.1%	27.3%	27.5%	27.6%
EBIT Adj Margin	6.6%	9.7%	9.8%	12.3%	16.2%	19.2%	21.8%	35.4%	26.4%	14.1%	12.1%	16.7%	19.0%	19.2%	19.4%	19.6%
Net Profit Adj Margin	2.6%	6.5%	7.1%	8.6%	7.1%	12.6%	16.1%	24.0%	22.3%	12.0%	8.5%	8.2%	11.3%	12.4%	12.3%	12.4%
Remuneration metrics [%]																
FCFF Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.9%	2.2%	2.7%	3.6%	5.4%	7.4%	6.0%	6.4%	7.0%
ROCE Adj	8.5%	12.7%	12.1%	16.8%	12.7%	19.8%	25.1%	60.9%	22.1%	7.8%	7.1%	10.6%	12.7%	13.5%	13.1%	12.5%
Share metrics [€]																
EPS Adj	0.02	0.04	0.05	0.07	0.07	0.15	0.21	0.50	0.43	0.27	0.21	0.21	0.31	0.36	0.38	0.40
Miscellaneous [€m]																
FCFF	2.7	6.9	0.6	8.6	3.9	25.5	41.0	60.5	40.8	19.2	41.6	61.6	85.4	70.3	75.4	82.1
% EBITDA Adj	*15.5%*	*31.9%*	*2.5%*	*30.0%*	*10.3%*	*48.2%*	*65.8%*	*42.0%*	*37.8%*	*24.3%*	*43.7%*	*55.0%*	*65.9%*	*50.7%*	*50.7%*	*52.8%*
Net Capex	6.5	8.3	15.0	9.8	9.3	10.4	5.8	26.7	12.3	17.7	27.3	31.6	33.5	34.0	36.2	37.7
% Sales	*5.8%*	*7.1%*	*11.4%*	*7.0%*	*5.6%*	*5.0%*	*2.6%*	*7.3%*	*3.6%*	*4.6%*	*6.4%*	*7.0%*	*7.0%*	*6.7%*	*6.7%*	*6.7%*
Capital Employed	85.4	89.9	106.6	101.8	209.8	202.8	197.4	211.0	403.2	703.1	729.4	712.9	717.6	725.6	804.2	882.7
Indebtness [€m]																
NFP	37.3	33.6	41.2	34.3	150.7	135.5	106.7	-26.7	116.2	380.3	324.7	288.6	221.6	166.4	178.3	186.7
NFP/EBITDA	2.2x	1.6x	1.7x	1.2x	4.0x	2.5x	1.7x	-0.2x	1.0x	4.8x	3.4x	2.4x	1.6x	1.2x	1.2x	1.2x
D/E	1.1x	1.1x	1.0x	1.1x	3.6x	2.5x	1.8x	0.4x	0.9x	1.6x	1.3x	0.9x	0.6x	0.5x	0.5x	0.5x

Capex, Debts vs Operating CFs - *Exhibit 27*



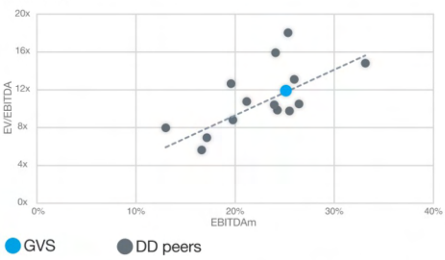
Source: Team Estimates

Fama & French 3 factors model - *Exhibit 28*

Cost of Equity	7.7%	(Fama & French three factors model) $Ke = Rf + \beta m \times ERP + \beta s \times SMB + \beta v \times HML$
Risk-free rate (Rf)	3.49%	Return of **10Y German Government bond**, adjusted adding **Italy Credit Default Spread** to account for the risk of operating in Italy (*source A.Damodaran*).
Beta Market (βm)	0.80	Obtained through a multi-linear regression of GVS historical returns (36 months, weekly data) against **MSCI Europe Small Cap** and two Custom Portfolio which account for SMB and HML premiums in Europe (*source: Kenneth R. French*)
Beta Size (βs)	0.81	
Beta Value (βv)	-0.007	
Market Premium	5.8%	2003-2023 historical return (CAGR) of the MSCI Europe Small Cap index minus Rf
Small Minus Big (SMB)	1.2%	1998-2023 historical return (CAGR) of small-size vs large-size (SMB) and of value stocks vs growth stocks (HML) (*source: Kenneth R. French*)
High Minus Low (HML)	3.0%	
WACC	**6.3%**	$WACC = Ke \times E/(D+E) + Kd \times (1 - tc) \times D/(D + E)$
Cost of Debt (Kd)	4.9%	**Euribor + spread**, estimated deriving a spread to be added to the euribor through the analysis of the company debt structure. This value for Kd implied the optimal level of leverage (*Annex D2*)
Tax rate (tc)	26.5%	Based on GVS historical performances, net of extraordinary tax events
Capital Structure (D/E)	0.5	Target leverage level to **minimize cost of capital**

Source: Team Estimates

DD model: EV/EBITDA linear regression - *Exhibit 29*



Source: Team Estimates

SOTP model: EV/EBITDA multiple analysis *Exhibit 30*

	EBITDAm 2024E	EV/EBITDA 2024E	P/E
Medical			
Average Comps	16.5%	7.8x	11.7x
GVS Medical	25.0%	12.8x	21.4x
Laboratory			
Average Comps	25.6%	19.3x	30.1x
GVS Laboratory	15.0%	8.9x	21.4x
Automotive			
Average Comps	19.1%	11.5x	16.0x
GVS Automotive	12.0%	6.0x	21.4x
Respiratory protection			
Average Comps	20.7%	10x	19.26x
GVS Resp. Prot.	40.4%	18.7x	21.4x
	EV 2024E [€m]	**NFP 2024E [€m]**	**TP [€/share]**
GVS	1,467	289	6.74

Source: Team Estimates

Profitability assumptions: back to normality

Inflation, client destocking, and low plant saturation put a strain on 2022-2023E profitability. However, we believe these factors will not structurally undermine GVS' long-term margins and remuneration capability and we forecast a recovered **26.8% 2025E EBITDAm** and a **12.7% 2025E ROCE**. Our group-level EBITDAm estimates are built with a **ground-up approach**, forecasting how evolving competitive dynamics impact the **segment-specific EBITDAm** obtained with our **estimation model** (*see Financial Analysis*). In particular, we expect (i) the Medical and Respiratory Protection segments to align with the middle-upper bound of their respective ranges, (ii) Laboratory to achieve the mid-point of the range, while (iii) we are **bearish** on the perspectives for the automotive segment. We assume **D&A** will impact GVS' results with the historical weight on revenues (avg. 8.1% 2013-2022 D&A/Revenues), besides in 2023E when the industrial footprint reorganisation due to the STT & Haemotronic integration will disproportionally increase the ratio (10.3% 2023E D&A/ Revenues). **EBITm** will therefore suffer in 2023E before reaching again high double digit figures from 2025E (12.1% 2023E EBITm vs 19.0% 2025E). **NPM** is expected to follow similar dynamics, with 2023E 6-years-low figure rebounding to 2018-2019 results in 2025E (8.2% 2023E NPM vs 11.3 % 2025E).

Indebtedness assumptions: delicate matter

The significant debt burden poses a substantial threat to the mid-term stability of the company, as its **repayment exceeds Operating CF in 2024E-2026E**, leading to a progressive deterioration in cash reserves. The injection of a shareholder loan amounting to €75m prevented the company to face a cash shortfall, reaching a negative value in 2026E, indeed avoid the necessity for a debt refinancing *(Exhibit 27)*. The SHL is subject of two contractually defined clauses for mandatory early repayment: (i) if **repaying all outstanding debt** poses no liquidity risk or covenant breaches; (ii) if, after June 30th 2024E, the NFP/EBITDA (excluding the SHL) **ratio falls below 3**, unless such repayment breaches covenants, and the company could meet its financial obligations for the next 12 months. Under such clauses **our projections make the repayment in 2024E-2025E unaffordable for lack of cash reserves**, violating (ii). From 2026E, the company could opt for new debt, thus adhering to the aforementioned deleveraging guidance and clauses (i) and (ii) allowing for early repayment. Additionally, under the contract the company is entitled to offset the loan through a capital increase, but it represents a sub-optimal scenario: to avoid cap table dilution the capital increase should amount at €125m, setting a €6.01 TP (*Annex C4*). We projected that from 2026E onward, the company will strategically secure new debt in alignment with the optimal **1.2 NFP/EBITDA** leverage ratio *(Annex D2)*, resulting in an ideal **6.3% WACC**. However, only a portion of the new debt can be allocated to new acquisitions, leaving the company in a **sub-optimal scenario**: (i) prioritizing growth, surge its leverage and heightening its exposure to liquidity risks, or (ii) forego M&A in 2026E-2027E to further consolidate its financial position and cash generation.

DCF

We foresee a **€6.22 TP**, based on our **three-stage FCFF DCF**. Due to the unlikely happening of relevant M&As, the **(i) first stage** (2023E-2027E) of our analysis considers a **growth trajectory falling in line with industry average**, proxied with the identified market demand drivers. A **(ii) normalization phase** (2028E-2032E) follows, due to market saturation and increased competition, and a **(iii) fade-out phase** (2033E-2040E), smooths the gradual decline in growth rates leading to the TV. To underpin our valuation, we used a **dynamic WACC** reaching the optimized figure in 2026E (*Annex D2*), computed using the **Fama&French 3 factors model** (*Exhibit 28*). **We estimated the TV with the perpetual growth method**, and we specifically computed the FCFF for the years 2023E-2040E (*Annex D3*).

First stage: go with the flow. As outlined in our future assumptions, we foresee a **6.1% 2023E-2027E revenues CAGR, driven by Medical and Respiratory Protection** (6.4% and 10.2% respectively). Additionally, we anticipate a rebound in EBITDA margins, aligning with pre-COVID profitability (27.5% 2027E vs 27.4% 2019)

Second stage: market maturity and increased competition. In the second stage we downgrade our growth estimates due to increasing difficulty in organic growth and a subsequent rise in the intensity of competitive forces, resulting in an overall **4.4% 2028E-2032E sales CAGR**. We expect the Medical and RP segments to further improve the company margins reaching a long-term stable figure of **28.2% 2032E EBITDAm**.

Third stage: fade out and TV. To avoid overestimating the terminal value of the company, which accounts for the 57% of the DCF analysis, we forecast a fade out phase (2033E-2040E) where the revenues growth gradually aligns with the long-term growth rate of 2% (inflation target of main countries to which GVS is exposed) and margins remain stable. To assess the robustness of our assumptions, we performed a **sensitivity analysis** and a **Montecarlo simulation** *(Annex D6)*. We conducted a **Bull and Bear analysis** to outline specific scenarios that could lead to a change in our recommendation, such as an impactful entry into bioprocess filtration *(Annex D4)*.

Relative Valuation

We employed **two relative valuations** utilizing distinct peer sets to substantiate our **HOLD** recommendation. Our primary methodology involves a **data-driven approach**, that extends beyond the filtration industry to **identify peers with value drivers resembling those of GVS**. This was necessary due to the absence of genuine group-level comparable among GVS' competitors. Additionally, we complemented the data-driven findings with a traditional **SOTP approach**, comparing GVS to **segment-specific peers** that due to the company's uniqueness in the competitive landscape do not fully share its value drivers. Given the greater comparability, **we assigned higher weight to the data-driven results** and **expect GVS to be priced by the market accordingly**.

Data-driven approach (TP €6.14, 25% weight on the target price)

Resulting in a **12.1x 2024E EV/EBITDA** and a **€6.14 TP**, the data-driven approach leverages on a peer set of companies that share GVS' value drivers, identified through a **qualitative** analysis and converted into **quantitative** metrics: (i) R&D/Revenues, (ii) intangible/total assets, (iii) revenues/PPE, (iv) geographical presence, (v) M&A, and (vi) revenues expected growth. To pick them we assigned a **similarity score** (*Annex D7*) to all of the constituents of the MSCI Europe, MSCI Europe Mid Cap, and MSCI Europe Small Cap indexes, and we ranked them accordingly. This process allowed us to extract the **top 14 companies** with a similarity score greater or equal to a 60% threshold, which we regressed on EV/EBITDA vs EBITDAm at group-level to obtain the 2024E year-end target price *(Exhibit 29)*.

Sum Of The Parts approach (TP €6.74, 5% weight on the target price)

We derived a **12.7x 2024E EV/EBITDA** and a **€6.74 TP** through the SOTP approach, where **GVS is benchmarked against its peers in each segment**. The low weight assigned to this methodology follows from the predominantly private ownership of GVS' true peers among its competitors, resulting in a limited pool comparable listed companies. We utilized **our segment EBITDAm estimates** to determine GVS' segment specific target multiple through a linear regression on EV/EBITDA vs EBITDAm for each segment's peer group *(Exhibit 30)*. Finally, we calculated the group-level multiple weighting the results of each regression based on the percentage of GVS' 2024E revenues in the different segment.

Sensitivity analysis - *Exhibit 31*

TP		EBITDAm Medical 22%	24%	26.5%	28%	30%	32%
EBITDAm Respiratory Protection	30%	4.15	4.58	5.12	5.44	5.88	6.31
	35%	4.54	4.97	5.51	5.83	6.27	6.70
	38%	4.77	5.20	5.74	6.07	6.50	6.94
	40%	4.93	5.36	5.90	6.20	6.66	7.10
	44%	5.24	5.68	6.22	6.55	6.98	7.42
	48%	5.55	5.98	6.53	6.85	7.29	7.73
	50%	5.70	6.14	6.68	7.01	7.45	7.89
	53%	5.94	6.37	6.92	7.25	7.69	8.13

SELL HOLD BUY

Source: Team Estimates

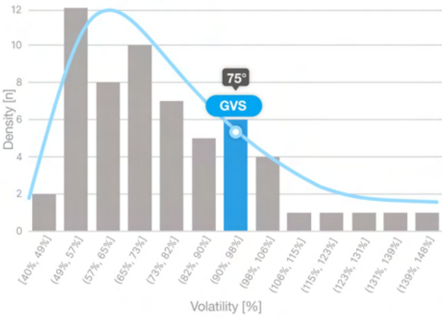
Sensitivity analysis - *Exhibit 32*

TP		Sales CAGR 24E-27E 3.0%	4.5%	6.0%	7.0%	8.5%	10.0%
AVG EBITDAm 2024E-2027E	18%	5.25	5.42	5.61	5.73	5.94	6.16
	20%	5.38	5.56	5.75	5.88	6.09	6.31
	22%	5.51	5.69	5.89	6.02	6.24	6.47
	24%	5.65	5.83	6.04	6.17	6.39	6.63
	26.6%	5.82	6.01	6.22	6.36	6.59	6.83
	28%	5.91	6.11	6.32	6.46	6.69	6.94
	30%	6.04	6.24	6.47	6.61	6.84	7.10
	32%	6.18	6.38	6.61	6.75	6.99	7.25

SELL HOLD BUY

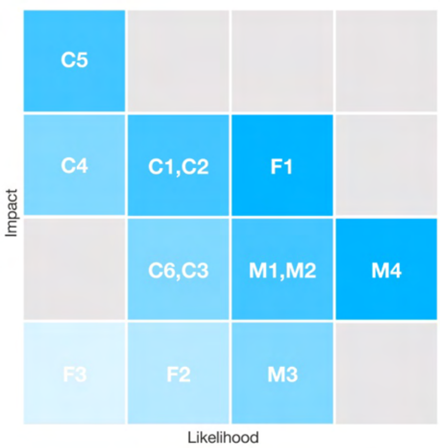
Source: Team Estimates

Small caps daily volume volatility - *Exhibit 33*



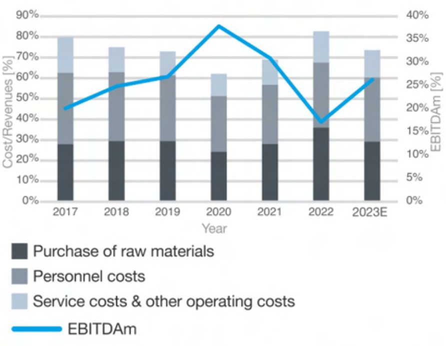
Source: Team Elaboration, Refinitiv, FactSet

Impact-risk matrix - *Exhibit 34*



Source: Team Estimates

Operating Costs vs EBITDAm - *Exhibit 35*



Source: Team Elaboration, Company Data

Investment Risks

[C1] Corporate risk. Degradation of GVS positioning in Medical & RP segments **WCS: 5.20€**
These segments drive up Group marginality and represent the majority of revenues (76% in 2024E) and experience the highest growth rates. Mitigant: (i) high entry-barrier, (ii) clients' price inelasticity (medical) and (iii) high-reliable products. Improving quality comes with high R&D expenses (6% of revenues, 68% higher than the Industry avg. in 2022). Strict regulations further reinforce GVS positioning. Impact: *(Exhibit 31)* Decrease in marginality of the two segments, while Medical worsening is limited (-2.5% on EBITDAm), due to clients' price inelesticity, Respiratory Protection experience a bigger impact (-6.0% on EBITDAm).

[C2] Corporate risk. CEO-Centric leadership and lack of a structured succession plan
In case the current CEO suddenly decided to give up his position, the lack of a clear management succession plan could lead to potential problems in the definition and implementation of the Group strategy. With the CEO holding 74% of voting rights and minority shareholders widely dispersed, the company exposes itself to potential issues and **uncertainties** regarding leadership continuity and strategic direction.

[C3] Corporate risk. Board Members' expertise and company strategic focus discontinuity
An unbalanced Board of Directors, with a 5 out of 9 majority coming from the underperforming Automotive segment, raises concerns about strategic alignment and effective oversight. This composition, recently amplified due to the addition of 4 out of 6 members with such background, including the Chairman, may lead to **suboptimal, defocused decision-making**. Furthermore, the absence of individuals with backgrounds in Medical or Laboratory fields, excluding the CEO, highlights a potential gap in expertise relevant to the company's core operations, which could further compromise strategic direction.

[C4] Corporate risk. Asian market hostage of China
As today, revenues coming from Asia are mainly related to China. Mitigant: (i) long term GVS plants positioning (2011 with Mindful Capital Partners PE), (ii) recent acquisition (STT in 2022) enabled them to establish their presence and authority within the Chinese market under a sub-brand, as well as to cultivate relationships. GVS' exposure is related to (i) Government political decisions and policies, (ii) current geopolitical instability, (iii) more stringent and country-specific regulations, and (iv) chinese suppliers reliability. Impact: (i) loss of revenues and marginality, (ii) difficulties in making compliance products, and (iii) not achieving expected results from STT.

[C5] Corporate risk. Reputational risk **WCS: 4.97€**
Unforeseen operational disruptions pose substantial threats to a company's client base, leading to economic ramifications and a tarnished corporate image. A case in point is the situation faced by 3M, which grappled with allegations regarding the sale of defective combat earplugs, resulting in hearing loss and tinnitus among users. The legal proceedings, initiated in 2016, had profound and enduring consequences for 3M. In February 2018, the initial settlement agreement with the Department of Justice amounted to over $9b. Subsequently, upon the court's decision to proceed with the lawsuit in August 2022, the market responded with a 30% downturn. The legal battle concluded in June 2023 with an additional $6.1b settlement. Mitigant: (i) high R&D investments, (ii) rigorous testing protocols, and (iii) unwavering commitment product quality. A significant hit in reputation would result in: (i) loss of clients, (ii) future growth limitation, and (iii) legal fees increase.

[C6] Corporate risk. M&A execution and sustainability
Acquisitions have and will be a conundrum for GVS: despite boosting growth, the high market multiples combined with not-enough-long term debts contracted to sustain the deals characterize the sub-optimal strategic approach to acquisitions. Future ahead is a fork in the road, but both are unpaved: (i) big acquisitions, as the lately done, bringing additional unaffordable debt, (ii) bolt-on acquisitions, which are bound to be marginal in terms of additional turnover, expansion through cross-selling, internationalisation, market share acquisition. Furthermore, the implementation of neither is guaranteed to deliver optimal performance: cost synergies have been the main rationale behind GVS acquisitions, constituting the innocent and brilliant tip of an iceberg destined to run aground Scagliarini's boat.

[M1] Market risk. Raw material price fluctuation & wages inflation **WCS: 5.69€**
The combination of raw material and personnel costs correspond roughly to 65% of OpEx *(Exhibit 35)*. The world geopolitical instability will keep high price volatility, while the constant high inflation will determine an increase in wages. Mitigant: GVS could (i) hedge its exposure to price volatility by signing longer contract, considering changes in plastic and energy prices, (ii) promptly increase prices to cope with inflation. Impact: *(Exhibit 32)* an increase in OpEx is associated with a proportional decrease in EBITDAm. GVS clients will decrease orders and undermine first stage growth. While margins could be impacted (avg. 22% vs avg. 26.6% 2024E-2027E EBITDAm), the growth rate contraction will be limited (5% vs 6% 2024E-2027E sales CAGR).

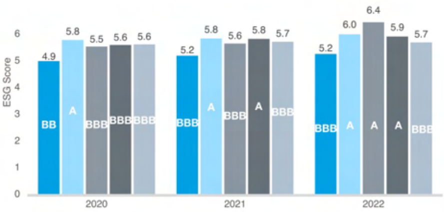
[M2] Market risk. Severe regulations and increasing costs for patents **WCS: 5.98€**
Compliance to regulations requires high investments in production process optimization and new patents. Mitigant: GVS strengths rely on its presence in strictly regulated segments and its high quality products. Impact: extensive investments translate in a temporary short term decrease in margins and a reduction of production volumes due to machines maintenance and improvement. Lower revenues growth in the first period (4% vs 6% 2024E-2027E sales CAGR) and a decrease in marginality (avg. 24% vs avg. 27% 2024E-2027E EBITDAm).

[M3] Market risk. Interest rates
GVS has substantial amount of debt which has to be repaid in the next luster, making the company vulnerable to interest rates fluctuations. Mitigant: interest rate hedging instruments, bank loans contract with fix interest rates and diversified funding sources. Impact: 2022 bank loans has not been hedged and it represents half of the company debt at the end of 2023. Fluctuation of Euribor will impact the company Cost of Debt that will affect financial expenses, resulting in a deteriorate Net Profit.

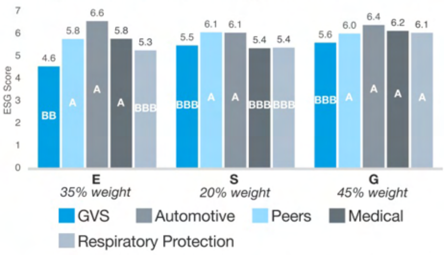
[M4] Market risk. Stock volume volatility
With a 90.3% daily volume volatility, GVS' stock sits in the 75th percentile of EXM constituents *(Exhibit 33)*. This volatility exposes investors to uncertainty and unpredictability, potentially leading to rapid price fluctuations and challenges in executing trades, due to high bid-ask spread. Such fluctuations can amplify both potential gains and losses, making investment outcomes less predictable and increasing the overall investment risk.

[F1] Financial risk. Liquidity and shareholder loan dilemma risk **WCS: 5.79€**
Due to the recent acquisitions (Heamonetics, RBP, STT), GVS faced an increase in its leverage (NFP/EBITDA adj ratio almost tripled in 2022 compared to 2021), despite having a significant amount of cash (35% of revenues in 2022), which led to the subsequent breach of covenants and the shareholder loan agreement. The shareholder loan is a financial dilemma: (i) its actual repayment would lead to a deterioration of liquidity, or alternatively to the creation of new debt and a worsening of the financial situation; (ii) a capital increase without dilution in 2024 (if the NFP/EBITDA adj ratio is below 3.0x), would result in an implicit declaration of GVS being fairly valued at €6.40, or in 2026 (if the ratio is above the threshold), by speculating on the stock's rise. As the company is rather exposed to this risk, for the next two years the focus is on (i) deleveraging, (ii) debt repayment and (iii) improvement in operating CF.

GVS score vs Peers vs Industries - *Exhibit 36*

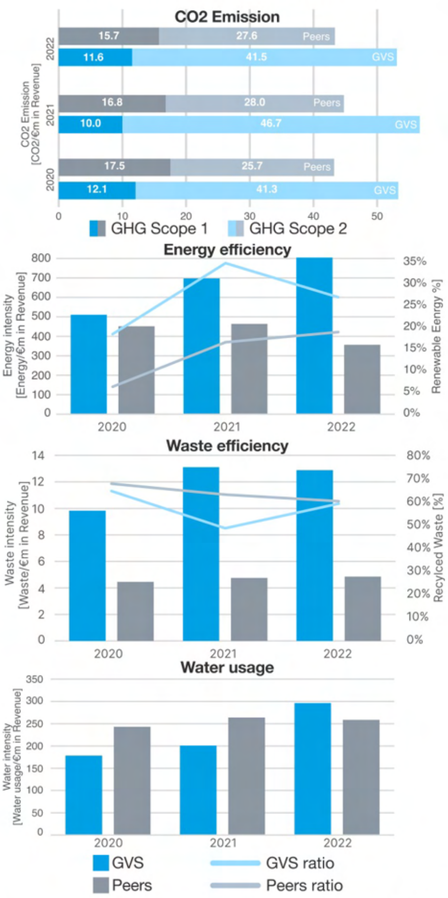


In-depth ESG pillars analysis 2022



Source: Team Estimates, Refinitiv

Main Environmental metrics - *Exhibit 37*



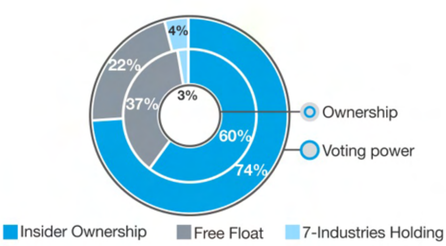
Source: Team Estimates, Company Data, Refinitiv

Main Social metrics - *Exhibit 38*

Metrics	GVS	Peers
Employee turnover	56.2%	17.9%
Gender mix	59.7%	42.4%
New Women Employees	54.8%	45.2%
Injuries To Million Hours	5.5	3.7
Average Training Hours	18.3	21.3
Policy Fair Competition	✓	✓85.7% - ⊗14.3%
Corporate Responsibility Awards	✓	✓57.1% - ⊗42.9%

Source: Team Estimates, Company Data, Refinitiv

GVS Governance - *Exhibit 39*



Source: Team Elaboration, Company Data

[F2] Financial risk. Credit risk **WCS: 5.90€**

The market dynamics dictate the customer loyalty between GVS and its OEMs clients. As 2022 no customer individually accounts for more than 10% of sales and the company has low exposure to unstable emerging countries, credit risk is deemed marginal.

Environmental, Social and Governance

Our ESG analysis evaluates GVS' sustainability score against **13 peers selected** by competitors across various sectors (6 Medical & Laboratory, 3 Automotive, and 4 Respiratory Protection). Our framework consists of **117 metrics grouped into 16 key factors** (6 Environmental, 6 Social, and 4 Governance), with varying weights based on their significance (*Annex E2*). We compared GVS' ESG performance over the last three years with (i) all peers, (ii) Medical & Laboratory, (iii) Automotive, and (iv) Respiratory Protection peers. This approach aims to assess GVS' behavior across different segments due to its unique positioning and to gain insights into its performance in the broader filtration industry. GVS' recent listing and mid-cap size have resulted in **qualitative** non-financial reporting rather than **quantitative**, limiting insights into measurable **targets**. However, it should be noted that: **(i) the company is expected to publish a more structured ESG strategy in 2023**, including new dedicated management hires (*management guidance*), **(ii) top management compensation depends for 20% on ESG metrics** (*2023-2025 performance shares plan*). Our research reveals that GVS ranks **below average in both Environmental**, **Social**, and **Governance**, showing significant room for improvement, resulting in an overall ESG score of **BBB** (*Exhibit 36*).

ENVIRONMENTAL: BB. Be Better

GVS is categorized as a "**laggard**" compared with its peers. One of the primary contributing factors to this unfavorable assessment is the level of CO2 emissions (*Exhibit 37*), which comprise two distinct greenhouse gases (GHG): **Scope 1** (22% of the total), for which the company bears direct responsibility through the injection molding of polymeric materials, and **Scope 2** (78% of the total), associated with indirect emissions, primarily such as electricity purchased from the grid for the consumption. Despite the target of achieving net zero CO2 emissions by 2040, there has been no discernible reduction trend over the years. This is attributed to an increase in production within clean rooms and certain acquisitions, such as Haemotronic, which have yet to be optimized. GVS laggard position in energy intensity reinforces the CO2 emissions findings, characterized by consistent growth over the years, exacerbated by acquisitions made over time, in contrast to its peers (*Exhibit 37: "Energy efficiency"*). However, this aspect is mitigated by the company's utilization of **renewable energy** (GVS 27% vs avg. peers 19%), positioning it as a leader in this metric. Regarding water key factor, the company recently implemented a system in GVS N.A. aimed at adjusting wastewater to an acceptable pH level before its disposal into the public sewage system. Even if GVS has consistently utilized on average less **water** volume (*Exhibit 37: "Water usage"*), mainly involved in membrane manufacturing processes, it is noteworthy that in 2022, there was a substantial increase attributable to the steam sterilization processes from the newly acquired company, STT. Furthermore, GVS ranks as the worst-in-class for **waste intensity** and is categorized as average in recycled waste percentage (*Exhibit 37: "Waste efficiency"*). The majority of **material waste** originates from molding activities, wherein plastic scraps are generated and subsequently most of them are recovered by external entities for use as raw materials, while the hazardous waste are disposed of through incineration. Another significant contributing factor to this overall negative assessment is the absence of a long-term strategic plan for environmental sustainability. Nevertheless, we expect a better rating from the next year whether (i) the target disclosed plan (*source: Management guidance*) will actually be adopted and (ii) the plants acquired will perform at least as GVS did before. In the end, our analysis shows that GVS has **ample room for improvement**, but the management needs to **demonstrate its capability to catch it.**

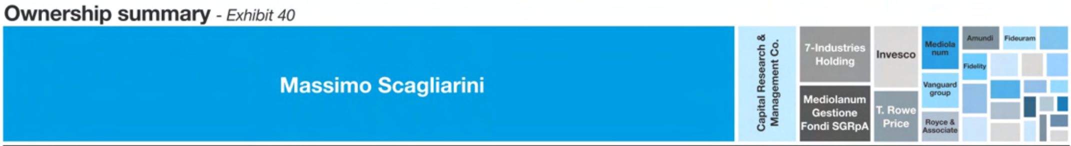
SOCIAL: BBB. Balancing Benefits, Bonding communities

GVS' performance in social commitment is rated as **"below average"**, although generally satisfactory. The company exhibits **divergent outcomes across key factors**: on one hand it falls below average in personnel education and training, leading to a higher incidence of injuries, and ranks as the **worst-in-class in employee turnover** *(Exhibit38)*, which **may result in the loss of know-how**; on the other hand, it is the **best-in-class** in gender diversity with a consistent upward trend in hiring women employees (avg. 63% 2020-2022). Additionally, a crucial aspect of GVS' operations is its positive impact on **local communities**, owing to its extensive geographic presence facilitated by the '*local for local*' approach. Indeed, GVS prefers sourcing from local suppliers (67% of the total, company data), aimed at fostering local community development while simultaneously addressing cost, risk, and environmental concerns. In conclusion, it is noteworthy to highlight among the various **social commitments** undertaken by the company, the significant contribution made during the COVID pandemic, particularly in the donation of 58,000 FFP3 masks (*source*: *NFD-2022 company data*).

GOVERNANCE: BBB. Biased Board, Boss' dominance

Lights and shadows portray the last pillar of our ESG analysis, resulting one more time in a lagging GVS score related to peers. The company's substantial **insider ownership** (60% of total shares), coupled with a the free float level (37%), has inevitably affected this outcome *(Exhibit 40)*. Another **red flag** arises from the firm's voting structure, characterized by the provision of **double voting rights** for long-term owners, ensuring the CEO Massimo Scagliarini 74% of them through the holding GVS Group S.r.l *(Exhibit 39)*. Furthermore: (i) the **strong Valentini-Scagliarini influence is observable as family members make 3 of the 9 BoDs** *(Annex E1)*, (ii) only **4/9** (<50%) **of BoD members are independent directors**, reinforcing the family centricity to company decisions. Counterbalancing this concerns, GVS is in line with the **Corporate Governance Code** for Italian Listed Companies, issued in 2020 by Borsa Italiana S.p.A *(Annex E1)*. In particular having, (i) independent directors, (ii) one director elected from the minority list, (iii) a well-balanced gender mix (4/9 female gender), (iv) clear separation of CEO and Chairman roles, and (v) full independence of the Committees is in compliance with the Code principles. Lastly, the **lack of external BoD members with previous experience in Medical/ Bioprocess/Respiratory Protection industries** has been identified as **potential limitation for the company**. Despite being a family-owned f with a significant degree of internal control, GVS did not face any kind of litigations and controversies acting honestly and without opportunistic behaviors.

Ownership summary - *Exhibit 40*

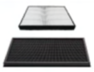


ANNEX

A. PRODUCT DESCRIPTION

A1. GVS products overview

Although the production range is quite heterogeneous, most **GVS products have a number of transversal characteristics**: (i) the **material**, which although varying from product to product also depending on the client's specifications, mainly belong to 3 categories: **plastic granules**, **membranes**, **metal inserts**; (ii) a fairly **small size** and (iii) a relatively **low unit value**. For most products, production is completed with a single closure of a semi-automatic mould from which the finished product emerges; in order to achieve this, **insert moulding technology** is used. With this production method, the filter fabric and/or metal element are inserted into the mould just before the injection of the molten polymer.

		Product category	Characteristics	Application	Acquired
Medical		**Air Filters**	Products of this category find use in anaesthesia, intensive care, surgery, homecare and respiratory devices. They are used to ensure patient safety and air sterility.	Anesthesia, ICU, Emergency, Homecare, Ventilation	✗
Medical		**Liquid Filters**	In the liquid sub-segment, prominent applications include blood transfusion, haemodialysis, and intravenous therapies. GVS' flagship product in this subcategory is the *Speedflow*, an infusion filter, suitable for the infusion of drugs, including chemotherapeutics, anaesthetics, parenteral nutrition and saline solutions for intravascular and neuroaxial applications.	IV Therapy, Chemotherapy, Anesthesia, Infusion, Transfusion	✗
Medical		**Medical components**	This category encompasses complementary medical components and devices, acquired by GVS with the recent Haemotronic takeover (Jun 2022). Some of the products in this category include: connectors, drip chambers, locking devices, injection ports, medical bags, stopcocks, outflow, gravity extensions.	IV, Irrigation, Hemodyalisis, Peritoneal dialysis	✓ *Haemotronic*
Laboratory		**Microbiology filters**	This category includes microbiology filters (used to target viruses and bacteria), and other laboratory grade products, such as funnels, analytical monitors, dilution bottles, vials and swabs.	Air and liquid monitoring	✗
Laboratory		**Biology filters**	This category encompasses biology filters utilized for the isolation of DNA/RNA, proteins, and more. It includes RNA/DNA viral extraction kits as well as amplification kits for the detection of COVID variants.	General filtration, RNA/DNA, protein filtration	✗
Laboratory		**Chemical filters**	This category encompasses reagents for western blotting, as well as chemical filters used to separate different substances in fluids.	Fluids filtration and separation	✗
Laboratory		**Filter membranes**	Suitable for both liquid and air filtration needs. These internally produced filter membranes are chemically compatible with strong acids and most aggressive solvents such as alcohol.	Air and liquid monitoring	✓ *Maine*
Automotive		**Cabin air filters**	Filter solutions for cabin air involves the removal of contaminants and particles from the air circulating.	Cabin air filtration	✓ *KUSS*
Automotive		**Engine air filters**	Air filters are used to clean the air entering the engine. They remove abrasive particles from the inlet air, ensuring combustion in the best possible conditions while maintaining optimal fuel efficiency of the vehicle.	Engine air filtration	✗
Automotive		**Oil filters**	GVS tank filters for automotive fluids prevent contamination from maintenance and topping up operations from affecting the performance of water, oil and coolant tanks and their components.	Oil systems filtration, water and coolant tank filters	✗
Automotive		**Hydraulic filters**	This category includes various filters, such as transmission filters, solenoid valves, steering filters, and filter solutions for the ABS/ESP hydraulic circuit liquid, protecting the wheel speed sensors from metallic dust contaminant and potential failure to detect wheel slip.	Hydraulic systems filtration, brake, ABS, ESP systems	✗
Automotive		**Fuel filters**	Fuel filters are incorporated into the fuel tank filters of cars to protect the fuel pump from debris and contaminants. Also includes filters for SCR Urea system.	Fuel filtration, SCR Urea system	✓ *KUSS*
Respiratory Protection		**Disposable respirators**	FFP3/N99 masks, from which the firm greatly benefited during the COVID pandemic CE-marked disposable masks made of polypropylene filter 94% of contaminants while maintaining low breathing resistance.	Healthcare, industrial, public	✓ *SEGRE AB*
Respiratory Protection		**Reusable respirators**	Reusable masks with a facepiece and replaceable filters, they are recommended for protection against organic gases, dust, pesticides and painting. Find application in automotive, construction, agriculture, shipyard industries, and repair work. Flagship of this category is the ELIPSE mask.	Hazardous environments, chemicals.	✗
Respiratory Protection		**PAPR & SAR respirators**	Complex kind of respirators, acquired with the RPB takeover in Jun 2021, they are described as powered air purifying respirators designed for hazardous environments, especially welding and grinding, providing protection against fumes and particulates.	Welding/grinding, fumes and particulate	✓ *RPB*
HVAC		**HVAC filter**	This segment includes filtration systems used to safeguard indoor environments and atmospheres by removing contaminants, shielding electronic devices/equipment from aerosols or liquid intrusion. For instance, HVAC filters are needed to keep sterility within clean rooms.	Laminar flow hoods, Clean room, Surgery room	✗

Source: Team Elaboration, Company Data

A2. In-depth membrane analysis

Membranes	CA	CN	NY	PES	PVDF	PCTE	PETE	PTFE	MCE	PVC	RC	PA	AVG.
GVS	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✗	✗	58.3%
Cytiva	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	91.7%
Merck	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✗	75.0%
Sartorius	✓	✓	✗	✓	✗	✓	✗	✓	✓	✗	✓	✓	66.7%

Source: Team Elaboration, Company Data

B. HISTORICAL M&As AND SEGMENTAL EBITDAm ESTIMATION

B1. M&A history and rationale

M&As have been pivotal for GVS, accounting for a significant portion of its revenue and EBITDA. The recent acquisitions of RPB, STT, and Haemotronic mark a shift in GVS' acquisition strategy. However, future acquisitions will require a revised rationale. While past acquisitions have driven growth, the high market multiples and limited long-term debt capacity pose challenges. GVS faces a choice between pursuing large acquisitions, potentially increasing debt, or focusing on smaller bolt-on acquisitions (as it has historically done) despite they will be less and less beneficial due to the growing size of the company.

Target Company	Segment	Acquisition date	Plants location	Acquisition Rationale			
				Product range expansion	Geographical expansion	Market Share Increase	Know-how acquisition
Gema Medical	Laboratory	2009	SP	✓			
Pyxis Dialysis	Medical	2009	IT	✓		✓	
Fenchurch Group	Medical, Respiratory protection	2009	UK	✓		✓	
Chanchung	Medical	2011	CH		✓		
Maine Manufacturing *BU*	Laboratory	2012	US	✓			✓
Remploy	Air safety	2012	UK	✓			
NP Medical filtration	Medical	2012	US				
Nihon Nypro - *Sales licenses in Japan*	Medical	2012	JP		✓		
Aero2	Respiratory protection	2015	BZ				
Star Flyer	Respiratory protection	2015	IT				
Segre AB	Respiratory protection	2016	SW	✓			✓
KUSS Group	Automotive	2017	US, BZ, CH	✓	✓	✓	✓
Haemonetics Puerto Rico LLC	Medical	2020	PR		✓		
Graphic Controls - *GCA Business Unit*	Laboratory	2020	US	✓			
RPB Group	Respiratory protection	2021	US	✓		✓	✓
STT-LAISHI	Medical	2022	CH	✓	✓	✓	✓
Haemotronic	Medical	2022	IT, MX	✓		✓	✓

Source: Team Estimates, Company Data

B2. Segmental EBITDA margins estimation

The companies selected for the multi-linear regression analysis and the drivers identified are presented in the table below for the last five years. The assumptions for each segment are clarified as follows: (i) for the Medical segment, as 2020 was significantly affected by COVID, we decided to lower the upper bound of the regression result by aligning it with the highest result obtained in the output of the other years, as we consider it unlikely that the pandemic situation will be repeated in the near future. (ii) Automotive, COVID bumped company performance: we expect EBITDAm to not come back to pre-pandemic level due to GVS focus on more profitable segments.

Company - Medical	EBITDAm					R&D/Revenues					Revenues/PPE					ROIC				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Asahi Kasei	14.5%	14.5%	14.3%	14.3%	11.2%	4.2%	4.3%	4.0%	4.0%	3.9%	3.5	2.9	3.1	3.1	3.1	11.3%	8.0%	8.2%	8.2%	-2.4%
Baxter INTL	23.3%	23.8%	22.3%	20.5%	17.3%	5.4%	4.5%	4.2%	4.1%	4.0%	2.5	2.2	2.2	2.2	2.7	16.0%	14.7%	12.0%	7.6%	-7.2%
Becton Dickinson	25.6%	25.7%	22.9%	24.6%	25.7%	6.3%	6.1%	6.5%	6.7%	6.7%	3.0	3.1	2.7	3.0	3.1	5.0%	5.4%	3.5%	6.1%	6.2%
Intersurgical	16.7%	17.0%	22.5%	21.1%	18.5%	0.2%	0.1%	0.4%	0.2%	0.4%	7.2	7.5	8.0	7.5	8.6	20.9%	22.6%	31.1%	14.8%	11.9%
Lepu Medical	32.2%	32.6%	29.5%	29.5%	31.5%	6.0%	9.2%	8.5%	8.5%	9.0%	3.5	3.0	3.0	3.0	2.4	12.5%	15.5%	13.6%	15.8%	19.1%
Medtronic	28.7%	24.3%	27.1%	27.1%	27.3%	7.6%	8.3%	8.7%	8.7%	8.6%	6.5	5.8	5.8	5.8	5.6	8.1%	6.4%	5.9%	8.0%	7.7%
Merck KGAA	29.7%	32.0%	36.6%	36.6%	36.2%	4.1%	4.2%	3.9%	3.9%	3.8%	3.1	2.7	2.7	2.7	2.7	6.6%	6.8%	10.2%	13.0%	12.3%
Pall Corp	26.3%	34.9%	48.2%	48.2%	45.8%	6.2%	6.0%	5.9%	5.9%	5.5%	6.8	6.8	7.8	7.8	7.9	9.0%	6.3%	6.9%	11.1%	12.5%
Sartorius AG	28.6%	32.3%	36.2%	36.2%	35.7%	5.0%	4.6%	4.1%	4.1%	4.3%	2.4	2.4	2.7	2.7	2.4	13.9%	15.7%	13.3%	23.8%	21.7%
Thermo Fisher	25.2%	25.5%	31.6%	33.1%	26.5%	4.0%	3.9%	3.7%	3.6%	3.3%	5.8	4.7	4.8	4.0	4.1	8.3%	8.9%	14.0%	14.2%	10.9%
Weigao Group	27.0%	28.1%	29.3%	29.3%	28.8%	3.1%	3.1%	3.1%	3.1%	3.6%	2.0	2.0	2.1	2.1	2.0	9.1%	11.1%	11.2%	12.6%	15.9%
GVS - Output regression	**27.5%**	**29.0%**	**31.5%**	**27.5%**	**22.4%**															

Company - Automotive	EBITDAm					R&D/Revenues					Revenues/PPE					ROIC				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Autoliv INC	12.5%	12.6%	10.1%	13.0%	11.4%	4.6%	4.5%	4.8%	4.5%	4.2%	5.1	4.3	3.7	4.1	4.1	16.9%	17.3%	7.9%	14.6%	15.5%
Aotecar	16.5%	7.3%	4.0%	4.4%	8.6%	2.0%	3.4%	4.7%	2.8%	2.7%	3.1	1.9	2.4	3.0	3.7	7.6%	-2.8%	-3.3%	0.0%	3.5%
Donaldson	16.4%	16.2%	16.2%	13.7%	16.3%	2.2%	2.2%	2.4%	2.4%	2.1%	3.3	3.2	2.6	2.6	2.7	27.6%	25.5%	21.1%	24.4%	25.0%
Knorr-Bremse AG	17.7%	18.3%	18.1%	15.7%	14.7%	4.1%	5.2%	5.9%	5.9%	5.8%	7.7	8.1	5.6	7.0	7.0	25.7%	23.0%	16.9%	19.8%	13.6%
Mann + Hummel	7.0%	7.3%	9.2%	9.7%	7.9%	3.5%	3.2%	2.7%	2.6%	2.3%	5.0	4.8	3.6	4.6	5.1	4.3%	6.9%	6.6%	9.3%	7.8%
Parker Hannifin	17.0%	17.8%	18.1%	21.7%	21.7%	2.3%	2.1%	2.2%	1.2%	1.2%	4.1	3.6	3.3	3.4	3.7	16.2%	13.9%	16.1%	15.2%	15.6%
Schaeffler AG	15.2%	12.9%	9.1%	15.8%	13.1%	5.9%	5.9%	6.0%	5.3%	4.8%	2.6	2.6	2.5	2.8	3.3	21.2%	14.5%	-1.7%	19.2%	14.7%
Sogefi	12.5%	11.3%	10.6%	13.7%	12.5%	9.1%	9.3%	8.6%	8.6%	7.8%	5.7	4.7	4.0	3.7	3.9	14.8%	5.7%	0.2%	8.2%	12.6%
Toyoda Gosei	8.9%	6.8%	11.0%	9.2%	9.2%	8.9%	6.8%	11.0%	9.2%	9.2%	4.0	3.3	2.8	2.9	3.4	8.1%	3.5%	7.1%	5.5%	5.6%
Valeo	11.5%	11.2%	7.3%	11.7%	12.5%	6.5%	5.9%	5.8%	5.6%	6.5%	4.2	3.9	4.1	4.2	4.7	11.1%	7.3%	-9.2%	4.2%	6.1%
GVS - Output regression	**19.8%**	**20.5%**	**15.5%**	**15.6%**	**12.4%**															

Company - Laboratory	EBITDAm				
	2018	2019	2020	2021	2022
Ahlstrom	6.5%	8.3%	12.8%	14.8%	22.3%
Danaher	24.9%	25.4%	27.3%	34.6%	34.6%
Merck Millipore	23.6%	24.2%	28.0%	30.4%	30.8%
Porvair plc	19.0%	18.1%	20.5%	21.7%	20.3%
Sartorius - Lab	18.5%	21.6%	21.0%	26.1%	26.2%
GVS - Average	**18.5%**	**19.5%**	**21.9%**	**18.3%**	**21.3%**

Following the disruptions caused by the COVID pandemic, the three major players in the laboratory industry have strategically shifted their focus towards the Bioprocess market. This segment offers the potential for larger profit margins and more consistent growth compared to other areas of their operations. As a result of this strategic shift, **their EBITDAm are excluded from the average computation for the years 2021 and 2022**.

Source: Team Elaboration, Refinitiv, FactSet, Orbis

C. INDUSTRY OVERVIEW AND FINANCIAL ANALYSIS

C1. Filtration industry structure

In the $85bn filtration industry (*American Filtration and Separation Society*), products are categorized into three types: **(i) first fit filters**, originally installed in OEM equipment, **(ii) replacement filters**, swapped out as needed, and **(iii) single-use filters**, mainly used in the medical sector, used once then discarded. Products range from standard off-the-shelf solutions to more custom designs for specific applications. Customers also fall into three categories: **OEMs**, **distributors**, and **end users**. Selling directly to end users typically yields higher margins for filter manufacturers thanks to the lower number of intermediaries, although OEMs often generate larger volumes and act as primary connectors between manufacturers and end users. Moreover, distributors remain crucial links for reaching end markets, as many manufacturers often lack direct sales and distribution networks.

C2. Segmental Market Sizes

	Company	2017		2022		CAGR 17-22
		Revenues [m€]	Market share 2017	Revenues [m€]	Market share 2022	
Medical	**GVS S.p.A**	**78.6**	**5.4%**	**211.3**	**10.9%**	**21.9%**
	Pall	201.7	13.5%	119.0	6.1%	-10.0%
	ITW Medical	149.3	10.3%	178.3	9.2%	3.6%
	Borla Industrie S.p.A	135.6	9.4%	169.9	8.8%	4.6%
	Asahi Kasei	542.5	37.4%	631.5	32.6%	3.1%
	Intersurgical	208.2	14.4%	283.3	14.6%	6.3%
	Others	83.2	5.7%	114.0	5.9%	5.4%
	Market Size	**1,449.7**		**1,936.0**		**6.0%**
Laboratory	**GVS S.p.A**	**16.3**	**1.1%**	**34.1**	**2.2%**	**15.9%**
	Merck Millipore	322.3	40.6%	611.8	38.6%	13.7%
	Pall + Cytiva	717.5	47.4%	1,150.1	72.6%	12.5%
	Sartorius AG	394.2	26.1%	848.2	53.6%	16.6%
	Sabeu	21.7	1.4%	28.3	1.8%	5.5%
	Porvair plc	40.0	2.6%	60.8	3.8%	8.7%
	Market Size	**1512.3**		**2,733.3**		**12.6%**
Respiratory Protection	**GVS S.p.A**	**8.1**	**0.2%**	**18.0**	**0.3%**	**17.3%**
	3M (Safety)	2,468.1	60.0%	3,671.5	60.0%	8.3%
	Avon	113.8	2.8%	193.0	3.2%	11.1%
	Bullard	60.4	1.5%	89.9	1.5%	8.3%
	Draegerwerk AG	904.3	22.0%	1,223.7	20.0%	6.2%
	Honeywell	202.8	4.9%	467.4	7.6%	18.2%
	Moldex	56.8	1.4%	84.5	1.4%	8.3%
	MSA Safety	299.2	7.3%	371.2	6.1%	4.4%
	Market Size	**4,113.5**		**6,119.1**		**8.3%**
Automotive	**GVS S.p.A**	**83.9**	**19.4%**	**77.3**	**17.4%**	**-1.6%**
	NBC Meshtec	83.6	19.4%	96.4	21.7%	2.9%
	Weppler Filters	81.8	19.0%	76.6	17.2%	-1.3%
	Kuefner	40.5	9.4%	38.5	8.7%	-1.0%
	Filtertek	16.3	3.8%	14.4	3.2%	-2.5%
	Filtran Filtration Group	125.5	29.1%	141.7	31.9%	2.4%
	Tier 1	**431.7**		**444.8**		**0.6%**
	Mann + Hummel	3,580.6	49.6%	4,392.0	46.8%	4.2%
	Atmus Filtration	1,153.0	16.0%	1,557.0	16.6%	6.2%
	UFI Filters	215.5	3.0%	211.7	2.3%	-0.4%
	Sogefi	546.4	-	464.0	4.9%	-3.2%
	Hengst	429.1	5.9%	605.5	6.4%	7.1%
	Donaldson	1,294.9	17.9%	2,159.2	23.0%	10.8%
	Tier 2	**7,219.5**		**9,389.5**		**5.4%**
	Tier 1 + Tier 2	**7,651.2**		**9,834.3**		**5.1%**

Source: Team Elaboration, Refinitiv, Orbis

C3. Competitive Financial analysis

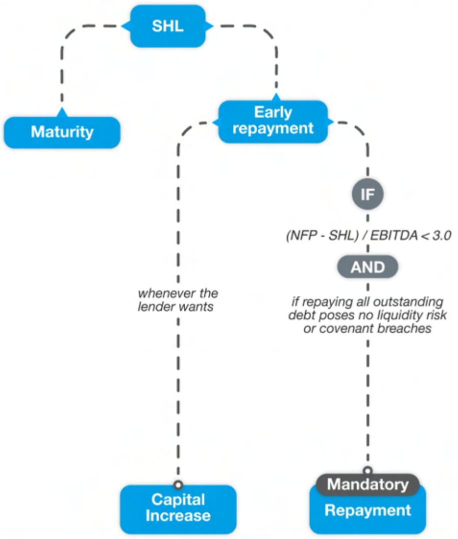
2022	Revenues [€m]	EBITDAm	Net Profit margin	NFP/ EBITDA	D/E	ROIC	ROE	OCF/CFL*	Cffo/Capex	Capex/ Revenues	R&D/ Revenues	Current Ratio	Inventory Turnover Ratio
GVS S.p.A	**387.6**	**20.2%**	**6.2%**	**4.9x**	**1.5x**	**5.8%**	**7.7%**	**0.2x**	**3.2x**	**5.9%**	**6.0%**	**0.6x**	**3.7x**
Medical													
Asahi Kasei	19,346.0	11.2%	-3.3%	2.7x	0.6x	-4.2%	-5.5%	0.8x	1.2x	6.4%	3.9%	1.6x	3.2x
Medtronic	29,999.4	30.8%	12.0%	2.0x	0.5x	5.0%	7.2%	1.6x	4.3x	4.6%	8.6%	2.4x	2.6x
Intersurgical	302.1	18.5%	11.3%	-	-	11.9%	14.3%	-	-	-	0.4%	5.2x	7.9x
Borla Industrie S.p.A.	159.2	25.2%	17.1%	-	-	22.2%	28.1%	-	-	5.6%	-	2.2x	5.6x
Mean	**12,451.7**	**21.4%**	**9.3%**	**1.6x**	**0.4x**	**8.7%**	**11.0%**	**1.2x**	**2.8x**	**5.5%**	**4.3%**	**2.9x**	**4.8x**
Median	**9,824.0**	**21.9%**	**11.6%**	**2.0x**	**0.5x**	**8.4%**	**10.8%**	**1.2x**	**2.8x**	**5.6%**	**3.9%**	**2.3x**	**4.4x**
Laboratory													
Danaher	22,097.5	34.9%	22.9%	1.2x	0.4x	10.4%	15.1%	13.5x	9.8x	3.7%	5.5%	1.9x	4.5x
Porvair plc	202.2	13.6%	8.5%	-0.7x	0.1x	11.1%	12.3%	0.5x	3.1x	2.8%	2.0%	2.2x	4.1x
Sartorius AG	3,395.7	33.8%	16.2%	1.3x	1.3x	19.4%	41.7%	1.7x	2.0x	13.1%	4.3%	1.1x	1.9x
Merck Millipore	55,581.3	38.4%	24.5%	0.8x	0.7x	20.5%	31.6%	3.5x	0.5x	14.8%	19.9%	1.5x	10.0x
Mean	**20,319.2**	**30.2%**	**18.0%**	**0.6x**	**0.6x**	**15.4%**	**25.2%**	**4.8x**	**3.8x**	**8.6%**	**7.9%**	**1.7x**	**5.1x**
Median	**12,746.6**	**34.3%**	**19.6%**	**1.0x**	**0.5x**	**15.3%**	**23.4%**	**2.6x**	**2.5x**	**8.4%**	**4.9%**	**1.7x**	**4.3x**
Automotive													
Cummins Inc.	31,509.1	14.0%	7.7%	1.3x	0.9x	16.4%	24.7%	3.4x	1.8x	3.3%	4.6%	1.3x	4.5x
Donaldson, Inc.	3,259.6	16.7%	10.1%	0.8x	0.6x	19.4%	29.3%	2.2x	3.0x	2.6%	2.1%	2.2x	4.9x
Mann + Hummel	4,826.4	8.2%	-0.2%	4.8x	-	9.8%	11.9%	0.5x	1.2x	5.0%	-	1.3x	6.7x
Parker-Hannifin	18,234.3	19.5%	8.3%	3.1x	1.3x	7.8%	15.3%	1.3x	9.0x	1.5%	1.2%	2.1x	5.3x
Sogefi S.p.A	1,552.1	-	1.9%	1.5x	1.9x	5.3%	14.1%	1.9x	1.3x	6.4%	1.7%	0.9x	10.7x
Mean	**11,876.3**	**14.6%**	**5.5%**	**2.3x**	**1.2x**	**11.7%**	**19.1%**	**1.9x**	**3.3x**	**3.7%**	**2.4%**	**1.6x**	**6.4x**
Median	**4,826.4**	**15.3%**	**7.7%**	**1.5x**	**1.1x**	**9.8%**	**15.3%**	**1.9x**	**1.8x**	**3.3%**	**1.9%**	**1.3x**	**5.3x**
RP													
3M	30,229.0	26.2%	16.9%	1.4x	1.1x	18.9%	38.8%	2.2x	3.8x	5.1%	5.4%	1.5x	3.9x
Avon	228.6	9.2%	2.2%	2.5x	0.4x	2.0%	2.6%	-	4.2x	3.3%	2.1%	2.3x	2.9x
Draegerwerk AG	3,045.2	2.0%	-2.1%	7.5x	0.3x	-4.2%	-5.0%	4.6x	4.8x	2.6%	11.0%	1.6x	2.8x
Honeywell	33,911.3	23.6%	14.0%	1.1x	1.2x	15.0%	28.2%	3.0x	6.6x	2.2%	4.2%	1.3x	4.3x
MSA safety	1,453.8	22.4%	11.8%	-	0.7x	12.0%	20.4%	19.9x	3.6x	2.8%	3.7%	2.5x	2.9x
Mean	**13,773.6**	**16.7%**	**8.5%**	**3.1x**	**0.7x**	**8.7%**	**17.0%**	**7.4x**	**4.6x**	**3.2%**	**5.3%**	**1.8x**	**3.3x**
Median	**3,045.2**	**22.4%**	**11.8%**	**1.9x**	**0.7x**	**12.0%**	**20.4%**	**3.8x**	**4.2x**	**2.8%**	**4.2%**	**1.6x**	**2.9x**

Source: Team Elaboration, FactSet, Orbis

**Operating Cash Flow(OCF)/Current Financial Liabilities(CFL)*

C4. SHL's Associated Outlook

To fully understand the reasons behind the Shareholder Loan (SHL, with a maturity date of December 31, 2027), it is significant to thoroughly analyze the potential short to mid-term scenarios that the company may encounter. The contract provided explicitly outlines situations requiring early repayment, which necessitates a detailed examination of the conditions triggering such action. If the company undergoes a capital increase, the lender (Scagliarini's family) is entitled to offset the capital received from the SHL against the corresponding amount owed by them to GVS resulting from the subscription of the aforementioned capital increase. Additionally, two clauses serve as **early repayment triggers**: (i) if **repaying all outstanding debt** poses no liquidity risk or covenant breaches; (ii) if, after June 30th 2024, the Net Financial Position (excluding the SHL) to EBITDA **ratio falls below 3**, unless such repayment breaches covenants, and the company remains capable of meeting its financial obligations for the next 12 months. Therefore, we evaluated the **diverse outcomes:**



2024 Outlook: Assuming the Net Financial Position to EBITDA ratio falls below 3 after the end of June, triggering an early repayment of the SHL, we anticipate the year-end cash on hand level to be approximately €57.9m, insufficient to cover the following year's financial obligations amounting to €107.2m. This implicitly indicates that clause (ii) is not adhered to. Furthermore, the company should not incur additional debt to meet financial obligations, as it would contravene the guidance stipulated by the company (with the deleveraging period concluding in 2025).
2025 Outlook: Should the aforementioned ratio fall below 3, assuming the SHL repayment, the expected level of cash and cash equivalents at the end of the year is €17.6m, not sufficient to meet the following year's financial obligations amounting to €123.5m, thus indicating a non-compliance with clause (ii).
2026 Outlook: From this year onwards, the company could opt for new debt, thus adhering to the aforementioned deleveraging guidance and clauses (i) and (ii) allowing for early repayment of the SHL. The minimum level of debt required to guarantee enough cash to sustain the company's financial commitments for the following 12 months (€40.25m debt repayment, €36.2m Capex) is €130m leaving the company with an expected liquidity level of ca. €80m. Despite repayment being possible in this option, we consider it to be a suboptimal scenario as it would not optimize the cost of capital.
Capital Increase Outlook: Starting from 2024, this option becomes viable due to a reduced Net Financial Position resulting from the conversion of the SHL into equity and an increased cash level (estimated at €185m in 2024). This cash infusion will include the proportional share of minority shareholders who subscribe to the capital increase (resulting in a €50m cash inflow) to prevent dilution of their shares. This amount will be adequate to meet the financial obligations (€107.2m debt repayment, €33.5m Capex) for the subsequent 12 months.

D.VALUATION

D1. Revenues estimation

Revenues €m	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E	2040E
GVS Group	**387.6**	**427.2**	**451.5**	**478.7**	**508.3**	**540.3**	**563.3**	**587.6**	**613.3**	**640.5**	**669.3**	**690.6**	**712.5**	**729.2**	**746.3**	**763.7**	**779.0**	**794.6**	**810.5**
Growth	*14.6%*	*10.2%*	*5.7%*	*6.0%*	*6.2%*	*6.3%*	*4.3%*	*4.3%*	*4.4%*	*4.4%*	*4.5%*	*3.2%*	*3.2%*	*2.3%*	*2.3%*	*2.3%*	*2.0%*	*2.0%*	*2.0%*
Medical	211.0	248.8	264.3	281.0	299.1	318.6	332.7	347.7	363.5	380.2	398.0	410.0	422.3	432.0	441.9	452.1	461.4	471.0	480.7
Growth	*42.6%*	*17.9%*	*6.2%*	*6.3%*	*6.4%*	*6.5%*	*4.4%*	*4.5%*	*4.6%*	*4.6%*	*4.7%*	*3.0%*	*3.0%*	*2.3%*	*2.3%*	*2.3%*	*2.1%*	*2.1%*	*2.1%*
Laboratory	34.0	39.2	40.6	42.0	43.6	45.1	46.2	47.4	48.6	49.8	51.0	52.1	53.2	54.3	55.4	56.6	57.7	58.9	60.1
Growth	*9.7%*	*15.2%*	*3.6%*	*3.6%*	*3.6%*	*3.6%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*	*2.1%*
Automotive	77.0	68.0	68.3	69.4	70.6	71.9	72.8	73.8	74.8	75.8	76.8	77.9	78.9	80.0	81.1	82.3	83.5	84.6	85.9
Growth	*10.0%*	*-11.7%*	*0.4%*	*1.7%*	*1.7%*	*1.7%*	*1.3%*	*1.3%*	*1.3%*	*1.3%*	*1.4%*	*1.4%*	*1.4%*	*1.4%*	*1.4%*	*1.4%*	*1.4%*	*1.4%*	*1.4%*
RP	64.0	71.0	78.2	86.2	95.0	104.7	111.5	118.8	126.5	134.7	143.5	150.6	158.2	162.9	167.8	172.8	176.4	180.1	183.8
Growth	*-26.4%*	*10.9%*	*10.2%*	*10.2%*	*10.2%*	*10.2%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*6.5%*	*5.0%*	*5.0%*	*3.0%*	*3.0%*	*3.0%*	*2.1%*	*2.1%*	*2.1%*

Source: Team Estimates, Company Data

D2. Dinamic WACC computation

Considering (i) the company's strategic focus on operational improvement and deleveraging for the next two years, (ii) the planned debt repayment and (iii) the projected NFP/EBITDA ratio, we performed a **dynamic calculation 2024E-2025E WACC**, leading to the optimised value in 2026E which is then kept constant.

Cost of Equity

The Cost of Equity is determined by applying the **Fama & French three-factor model**, resulting in an initial value of 8.8% (2023E), optimized to 7.7% by 2026E.

$$Ke = Rf + \beta m \times ERP + \beta s \times SMB + \beta v \times HML$$

10Y German Government bond	CDS Italy	Risk-free
2.15%	1.34%	3.49%

Risk-Free Rate

Equal to the return of the ten-years German Government bond, adjusted by adding the Italy Country Default Spread to include the risk for operating in Italy.

Beta	Coeff.	Premium
βm	0.80	-
βs	0.81	1.2%
βv	-0.007	3.0%

Source: Team Estimates, Company Data

Market Beta, Size Beta, Value Beta

ßm, ßs and ßv were computed with a multilinear regression, considering GVS historical returns, based on weekly data spanning the last 366 months, against the MSCI Europe Small Cap index, which best represents the market of European companies of similar size, along with two long/short portfolios reflecting the SMB and HML factors. We obtained a ßm of 0.798, indicating GVS stock exhibited less volatility compared to the MSCI Europe Small Cap over the last 36 months. Additionally, we derived a ßs of 0.812 and a ßv of -0.007, both with statistically significant results.

Market Risk Premium, SMB Premium, HML Premium

The Market Risk Premium was derived by considering the **Compound Annual Growth Rate of the MSCI Europe Small Cap** over the last 20 years (**9.3%**, based on weekly data), discounted with the Risk-Free Rate. Similarly, **the SMB (Small Minus Big)** and **HML (High Minus Low)** premiums were computed as the Compound Annual Growth Rate of the SMB and HML factors **for a European Custom portfolio**, representing the compounded annual growth rate of small-cap stocks versus large-cap stocks and value stocks versus growth stocks over the last 25 years (*monthly data source: K. R. French*).

NFP/EBITDA	Spread [%]	Kd [%]
<1.2	1.00	4.88
1.5	1.30	5.18
2.0	1.65	5.53
2.5	1.85	5.73
3.0	2.10	5.98
3.5	2.30	6.18
>4.0	2.45	6.33

Source: Team Estimates

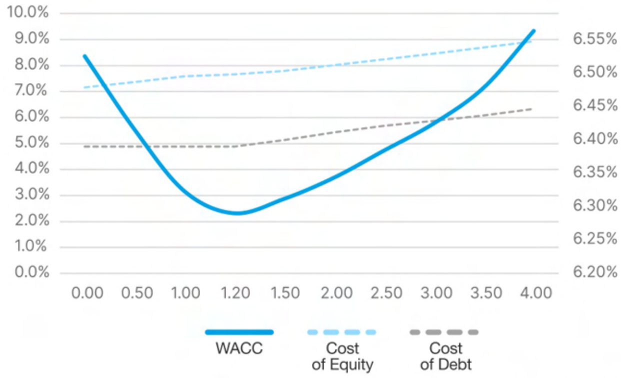
Cost of Debt

Taking into account that (i) GVS has **55% of its bank loans with variable interest rates**, (ii) there are no publicly traded bonds, and (iii) the high volatility of the Interest Coverage Ratio (ICR) over the last decade, we estimated the cost of debt by analyzing the most significant bank loan (50% of the total net debt) that reflects the most recent perception of company risk. The Cost of Debt was calculated by adding **Euribor** to a spread determined by the **company's level of net indebtedness** (NFP/EBITDA).

WACC optimization

We conducted a WACC optimization analysis to **check the deviation between the company's WACC for 2024E and 2025E and its optimal value**, and determined the ideal amount of debt for 2026E that minimizes the cost of capital, thus maximizing shareholder value. Some clarifications should be made: (i) for 2024E and 2025E, considering no new debt issuance and known repayment obligations, **the WACC calculation incorporated the actual level of net debt resulting from deleveraging.** (ii) The Regression Market Beta (ßm = 0.75) was initially unleveraged with the Debt-to-Equity 2023E ratio (1.3x) and then re-leveraged based on the capital structure analysed. (iii) The cost of debt does not take into account potential decreases in Euribor to avoid assuming that new debt negotiations would result in lower interest rates. The peer analysis confirmed the reasonableness of the Kd of 4.88%, so Euribor was held constant. As shown in the table, **an increase in net debt is correlated with an increase in perceived business risk**, which leads to a widening of the spread and thus an increase in the overall cost of debt. We identified an optimal WACC of 6.29%, corresponding to a NFP/EBITDA ratio of 1.2x and a debt-to-equity ratio of 0.51x.

However, **we expect GVS to maintain this optimal structure of capital and leverage after the deleveraging.** The optimal level of leverage represents a historical low, which presents the company with the challenge of preserving this ideal level of Cost of Capital while raising new capital in the future.



Source: Team Elaboration, Company Data

NFP/EBITDA	DEBT [€m]	D/E	BETA	Market Premium	Rf	Ke	Spread	Kd	Tax rate	WACC
0.0	107.7	0.2	0.5	5.8%	3.5%	7.1%	1.0%	4.9%	26.5%	6.57%
0.5	177.0	0.3	0.5	5.8%	3.5%	7.4%	1.0%	4.9%	26.5%	6.45%
1.0	246.4	0.4	0.5	5.8%	3.5%	7.6%	1.0%	4.9%	26.5%	6.36%
1.2	**274.1**	**0.5**	**0.6**	**5.8%**	**3.5%**	**7.7%**	**1.0%**	**4.9%**	**26.5%**	**6.32%**
1.5	315.7	0.6	0.6	5.8%	3.5%	7.8%	1.3%	5.2%	26.5%	6.35%
2.0	385.0	0.7	0.6	5.8%	3.5%	8.0%	1.7%	5.5%	26.5%	6.40%
2.5	454.4	0.8	0.7	5.8%	3.5%	8.2%	1.9%	5.7%	26.5%	6.43%
3.0	523.7	0.9	0.7	5.8%	3.5%	8.4%	2.1%	6.0%	26.5%	6.48%
3.5	593.1	1.1	0.7	5.8%	3.5%	8.7%	2.3%	6.2%	26.5%	6.54%
4.0	662.4	1.2	0.8	5.8%	3.5%	8.9%	2.5%	6.3%	26.5%	6.59%

Source: Team Elaboration, Company Data

D3. Discounted Cash Flow

€m	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E	2040E	TV
Revenues	387.6	427.2	451.5	478.7	508.3	540.3	563.3	587.6	613.3	640.5	669.3	690.6	712.5	729.2	746.3	763.7	779.0	794.6	810.5	
Growth	*14.6%*	*10.2%*	*5.7%*	*6.0%*	*6.2%*	*6.3%*	*4.3%*	*4.3%*	*4.4%*	*4.4%*	*4.5%*	*3.2%*	*3.2%*	*2.3%*	*2.3%*	*2.3%*	*2.0%*	*2.0%*	*2.0%*	
EBITDA adj	78.3	95.7	112.0	129.6	138.7	148.5	155.6	163.1	171.0	179.4	188.4	195.0	201.9	206.9	212.1	217.3	221.7	226.3	230.9	
EBITDAm	*20.2%*	*22.4%*	*24.8%*	*27.1%*	*27.3%*	*27.5%*	*27.6%*	*27.8%*	*27.9%*	*28.0%*	*28.1%*	*28.2%*	*28.3%*	*28.4%*	*28.4%*	*28.5%*	*28.5%*	*28.5%*	*28.5%*	
D&A	38.0	44.2	36.4	38.6	41.0	43.6	45.4	47.4	49.5	51.6	54.0	55.7	57.5	58.8	60.2	61.6	62.8	64.1	65.4	
EBIT	40.3	51.5	75.6	91.0	97.7	105.0	110.2	115.7	121.6	127.8	134.4	139.3	144.5	148.1	151.9	155.7	158.9	162.2	165.5	
EBITm	*10.4%*	*12.1%*	*16.7%*	*19.0%*	*19.2%*	*19.4%*	*19.6%*	*19.7%*	*19.8%*	*20.0%*	*20.1%*	*20.2%*	*20.3%*	*20.3%*	*20.4%*	*20.4%*	*20.4%*	*20.4%*	*20.4%*	
Net Profit	46.5	36.3	36.9	54.0	63.3	66.7	70.1	73.6	77.4	81.4	85.6	88.8	92.1	94.5	96.9	99.4	101.4	103.5	105.6	
Net Profit margin	*12.0%*	*8.5%*	*8.2%*	*11.3%*	*12.4%*	*12.3%*	*12.4%*	*12.5%*	*12.6%*	*12.7%*	*12.8%*	*12.9%*	*12.9%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	
NOPAT	28.1	38.8	55.6	66.9	71.8	77.2	81.0	85.1	89.4	94.0	98.8	102.5	106.2	108.9	111.7	114.5	116.9	119.3	121.7	
CapEx	-22.9	-27.3	-31.6	-33.5	-34.0	-36.2	-37.7	-39.3	-41.1	-42.9	-44.8	-46.2	-47.7	-48.8	-50.0	-51.1	-52.2	-53.2	-54.3	
ΔNOWC	21.1	14.1	-1.2	-13.4	8.5	9.2	6.6	7.0	7.4	7.9	8.3	6.1	6.3	4.8	4.9	5.1	4.4	4.5	4.6	
FCFF	22.1	41.6	61.6	85.4	70.3	75.4	82.1	86.1	90.4	94.9	99.7	105.8	109.6	114.1	117.0	119.9	123.1	125.6	128.2	1068.0
WACC		*6.48%*	*6.40%*	*6.36%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*	*6.32%*
Present Values		41.6	57.9	75.5	58.5	59.0	60.4	59.6	58.8	58.1	57.4	57.3	55.9	54.7	52.7	50.8	49.1	47.1	45.2	376.7
Discounted FCFF				292.4					294.4							789.5				

Terminal Growth Rate 2.0%

Enterprise Value	**1376**
NFP	289
Equity Value	**1088**
# shares outstanding [m]	175
Target Price [€/share]	**6.22**

Source: Team Elaboration, Company Data

D4. Scenarios

We mapped Bull and Bear-case scenarios for GVS' strategy and positioning. The best-case scenario presents an upside potential of 34% compared to the base case. On the other hand, the worst-case scenario carries a downside of 29% compare to the base case.

Bull case: €8.67 TP

In a scenario where all goes according to plan, GVS ultimately reinforces its presence in Medical segment, (i) exploring and exploiting Bioprocess opportunities, (ii) establishing itself as the leader in the blood filtration niche, and (iii) building up its brand equity in Asia.

Bioprocess Brilliance: GVS thrives in Pharma's filtration frontier (+€0.88)*. Embracing the burgeoning Bioprocess trend, GVS strategically aligns itself with the rapid evolution of the Laboratory segment towards Bioprocess and Bioreactor solutions tailored for pharmaceutical companies. This foresighted move not only positions GVS to seamlessly integrate its business operations, but also offers an avenue to secure new client within this dynamically expanding sector. Venturing into Bioprocess is anticipated to usher in a substantial elevation of segment margins, affording GVS the opportunity to deepen its footprint in a flourishing market.

Unmatched Solutions, Unrivaled leadership (+€0.83). GVS, an esteemed frontrunner in the medical domain, has strenghten its position as the premier entity in blood filtration solutions, showcasing a steadfast commitment to expanding its product range across complementary market segments. This strategic initiative underscores the company's dedication to furnishing clients with holistic and unparalleled solutions. Distinguished by best-in-class quality, GVS fortifies its standing through the proprietary production of membranes and sector-specific patents. This fortitude is poised to propel the company into a realm of heightened growth, bolstered margins, and supremacy over competitors.

Beyond the Chinese Wall, propelling Asian prosperity (+€0.74). A pivotal facet of GVS's growth strategy involves scaling the Asian market while mitigating dependency on China. The strategic acquisitions of STT and Heamotronic have been driven by the prospect of penetrating the lucrative Asian market, providing GVS with direct access to end consumers and circumventing intermediary stages in the production chain. This strategic maneuver is anticipated to yield augmented margins and accelerated growth. Furthermore, with GVS's current market presence in Asia standing at a modest 19.4% as of 2023E, the company is poised to capitalize on a vast and untapped market, reaching almost one third of its revenues in Asia by 2030E..

Bear case €4.43

Conversely, in a scenario where plans and macroeconomic policy negatively takle GVS, it will experience (i) a growing competition, (ii) difficulties in assessing and exploiting new trends, and (iii) ridimension of margins.

Endless Strive: Respiratory Protection's growth temptation and rival risks (-€0.87). Respiratory Protection segment emerges as a rapidly expanding and high-margin area. Competitors, eager to amplify their market presence or challenge incumbents, cast a covetous eye on this low-entry-barrier domain. However, this heightened competition threatens to erode GVS' margins and impede its growth trajectory.

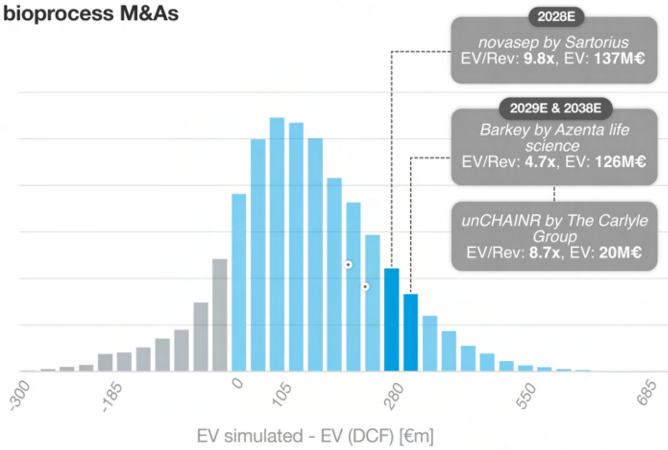
Navigating Macroeconomic Crosswinds: GVS's historical exposure challenges (-€0.53). GVS' historical susceptibility to macroeconomic events presents a persistent challenge. In the face of a prolonged period of high inflation, the company's adaptability to promptly adjust prices, navigate interest rate fluctuations, and manage dwindling client orders will be rigorously tested. Anticipating and hedging against these macroeconomic shifts becomes imperative for sustained resilience in an unpredictable economic landscape.

Dimming Prospects: GVS struggles to ignite in the EV era (-€0.39). The once-burning flame has extinguished, leaving GVS lagging as the automotive world and its clientele pivot towards electric vehicles. The company finds itself unable to transition its production from combustion engine filters to electric vehicle solutions due to a lack of expertise, underperformance relative to competitors, and a reluctance to relinquish outdated filtration methods.

***Main Bull scenario: successfully executed Bioprocess M&A (+0.88€)**

Our main Bull scenario is a **successfully executed Bioprocess acquisition**, consistent with GVS' M&A-based corporate strategy. Such transaction would represent a transformative step for GVS, expanding its laboratory business by pursuing a similar stance to that of the triumvirate currently controlling the market. Bioprocess stems as the most attractive filtration segment, with an **avg. 36% EBITDAm of players** and anticipated double-digit growth at **15% CAGR** in the next decade. We deem the realization of this acquisition a probability more than a possibility: M&A Director has already mentioned an interest in **Bioreactors**, a specific niche within the Bioprocess segment. We expect it to happen starting from **2026E**, when financial leverage will be optimized, leaving space for new debt. **M&A activity within the space has been intense**, as its attractiveness is prompting filtration players historically specialized in other markets (such as the 2021 acquisition of Solaris by Donaldson, tier 1 automotive leader) to make acquisition-based entries. By analyzing the latest 27 deals performed in 2019-2023, we estimated an average acquisition multiple of **9.9x EV/Sales**, triple than the avg. **3x** paid by GVS for the latest 3 acquisitions. To understand the extra-value the firm can generate from such an acquisition, we performed a Montecarlo simulation, **replicating the analyzed deals as if they were done by GVS** (*Annex n*). As it turns out, in 69% of the cases GVS would have improved its EV, considering a strategically well designed debt issuance to sustain the deal.

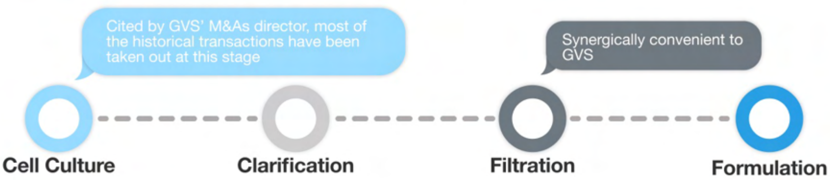
Montecarlo simulation: extra value from well-executed bioprocess M&As



Source: Team Estimates

D5. Historical comparable transactions multiples: Bioprocess market

Bioprocessing is instrumental in biologic drug production and driving innovation within the biopharmaceutical sector. The expansion of R&D in biologics, biosimilars, personalized medicines, and rare disease treatments has led to a **rising demand for advanced bioprocessing solutions**, with biologics now making up over 40% of drug sales, up from 25% a decade ago, emphasizing the need for innovative technologies. This trend has spurred a thriving market for specialized equipment and consumables, expected to surpass the growth of biologics in the future (avg. 15% 2022-2025E CAGR, *Source: Houlihan Lokey, Team Elaboration)*. The bioprocessing ecosystem encompasses input providers, such as cell culture media and cell lines, alongside manufacturers and service providers. **Established incumbents** such as **Merck, Danaher and Sartorius** dominate the market, yet there's significant room for smaller, more innovative players to gain traction. As bioprocessing becomes increasingly intricate and manufacturing costs rise, niche players have an opportunity to specialize in supplying essential inputs and equipment that enhance workflow efficiency. **M&A activity has surged in the sector**, with larger firms strategically acquiring innovative assets to bolster their platforms. Indeed, the market offers a **high multiple**, reflecting the significant potential of this sector, the unique know-how of the companies within it and the **growing interest of new entrants** over the past five years (**avg. 9.9x EV/Sales**).



Bioprocess industry historical acquisitions

Acquisition date	Target Company	Acquirer	EV/sales
May 2023	High Purity	Getinge	13.1x
Apr 2023	Flexeyosis	Repligen	4.1x
Mar 2023	Polyplus	Sartorius	30.0x
Feb 2023	Astrea	Biotage	8.4x
Jun 2022	Barkey	Azenta life science	4.7x
May 2022	Malema	Dover	6.1x
Jun 2022	Purilogics	Donaldson	4.4x
Jan 2022	MyChem	Maravai	16.0x
Dec 2021	Bioflex solutions	Repligen	2.9x
Nov 2021	Solaris	Donaldson	8.2x
Sep 2021	AVITIDE	Repligen	18.8x
Oct 2021	Purolite	Ecolab	9.3x
Sep 2021	Masterflex	Avantor	9.0x
Jul 2021	CellGenix	Sartorius	9.8x
Jun 2021	Aldevron	Danaher	32.0x
Jun 2021	Polymen	Repligen	7.0x
Apr 2021	UnChainr	The CarlyleGrouo	8.7x
Mar 2021	Pendotech	Mettler Toledo	5.5x
Jan 2021	Novasep	Sartorius	9.0x
Oct 2020	ARTeSYN	Repligen	6.7x
Oct 2020	NMS	Repligen	3.2x
Oct 2020	Bia separations	Sartorius	14.4x
Jul 2020	Sanitech west	3i	7.5x
Jun 2020	Engineerd Molding Technology	Repligen	7.7x
Dec 2019	Appikon	Getinge	3.3x
Dec 2019	Astrea	KKR / gamma	12.6x
Oct 2019	Danaher	Sartorius	4.9x
Average acquisition multiple			**9.9x**

Source: Team Elaboration, Houlihan Lokey, Factset, Orbis, Refinitiv

D6. Montecarlo analysis

In order to assess the sensitivity of GVS target price against the main valuation risks, we performed a Montecarlo simulation stressing each of our core assumptions around its base case. Results show that: **(i) 57% of TP outcomes support a HOLD recommendation**, with **only 17% and 26% of outcomes supporting a SELL and a BUY,** and (ii) GVS is very much impacted by its inorganic growth decisions, and by the macro economic scenario variations.

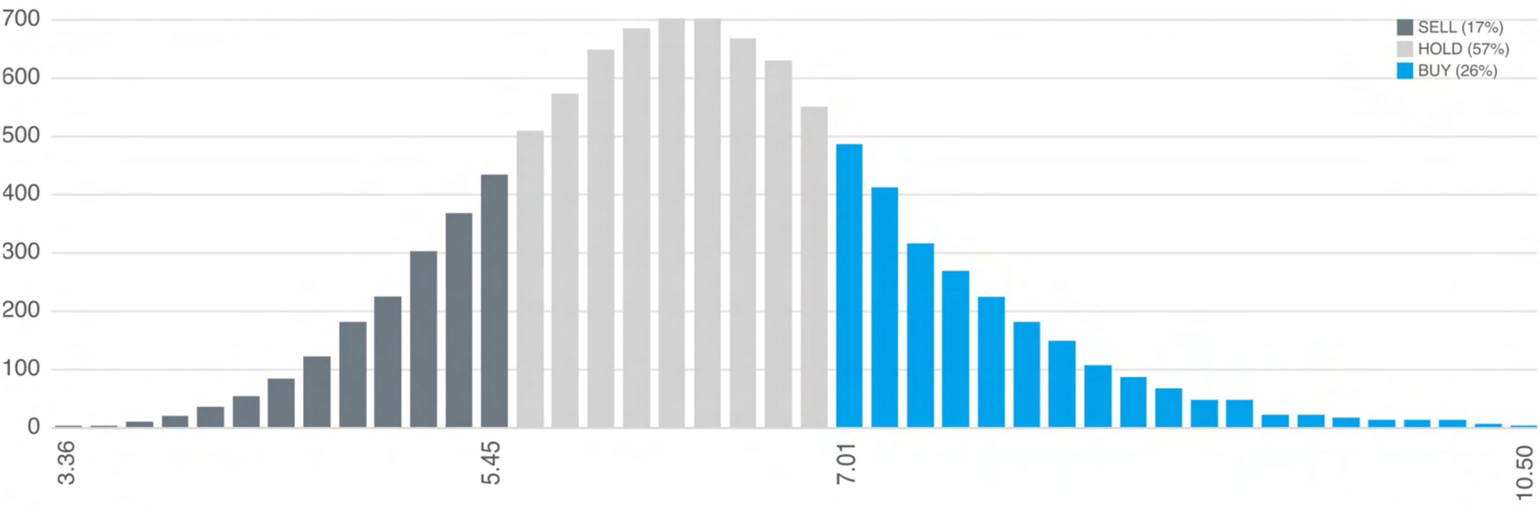
	Montecarlo simulation	DCF	Montecarlo simulation		
		Assumptions	Assumed distribution	Key parameters	Description
	GDP growth	GDP growth forecasts (*source: OECD*)	Normal	StDev: historical standard deviation	GDP growth forecast variations independently distributed in three stages: 2024E, 2025E-2027E, 2028E-2032E
Global trends	*Healthcare spending p.c. growth*	Healthcare spending procapite growth forecast per global region (*source: OECD*)	Normal	StDev: 0.5% for each global trend variable	These factors are remarkably and notoriously unpredictable, so it is essential to incorporate standard deviation to acknowledge their inherent uncertainty to improve realism in the representation of future scenarios.
	Pharmaceutical R&D growth	Pharmaceutical R&D global aggregated growth (*source: Statista*)			
	Electric cars production growth	Electric cars production growth per global region (*source: Statista*)			
	Non-electric cars production growth	Non-electric cars production growth per global region (*source: Statista*)			
	PPE production growth	Personal Protective Equipment global aggregated production growth (*source: McKinsey*)			
Strategic factors	*EBITDA margin per segment*	Linear regression of competitors margins to GVS' value drivers	Normal	StDev: (EBITDA margins 2025E on) > (EBITDA margins 2024E)	Potential variations due to changes in the market and to account potential inaccuracies in the margins' estimates
	WACC (beta)	Multi-linear regression of GVS historical returns (36 months, weekly data) against MCSI Small Cap Europe and two Custom Portfolio which account for SMB and HML premiums in Europe (*source: Kenneth R. French*)	Normal	StDev: standard deviation of the historical linear regression residuals	Potential variations due to macro economical instability and other industry related risks
	NWC	Historical average multiple of receivables, inventories and payables over revenues	Normal	StDev: standard deviation of NWC forecasted residuals (obtained through linear regression)	Potential variations due to NWC optimization

Source: Team Elaboration

M&A generator

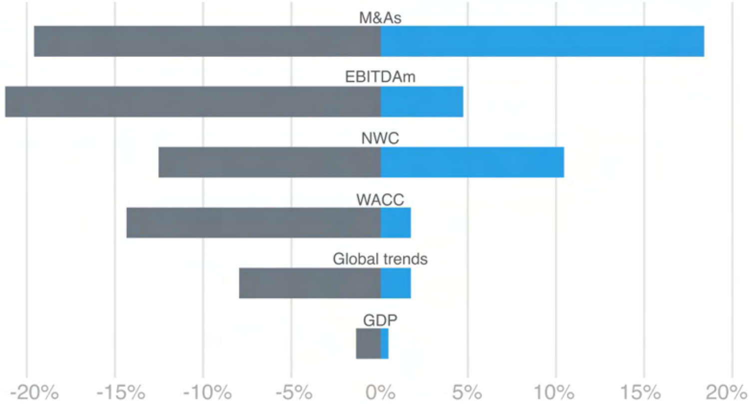
Integrated into the Montecarlo analysis is our M&A generator for GVS, which strategically aligns with the company's priorities. The likelihood of M&A activity varies by segment, with the automotive segment being the least likely, as **GVS itself stated they will focus their future M&A efforts in the Medical, Laboratory, and Respiratory Protection segments**. Multiples (EV/EBITDA), EBITDA margins and the resulting revenue deltas are derived from segment-specific average market data, obtained in the process of the SOTP relative valuation. The deals sizes, simulated through a normal distribution, are centered around 100M€, extending to historical acquisition maximums. **Different financial parameters, which reflect GVS' historical standards**, including (i) cash/revenue, (ii) NFP/EBITDA (leverage level) and (iii) NFP/revenue of the previous year, **work as a filter in the generation of potential acquisitions success**. A 40% occurrence rate after the parameters are met, takes into account the variability of target availability and successful execution **in the effort of capturing leverage and cost synergies related risks. The mergers and acquisitions generated trigger adjustments in all the DCF variables**, including i.e. the leverage level, CAPEX, D&A, EBITDA, taxes and WACC, with the goal of capturing GVS's acquisition strategy in a probabilistic framework.

Monte Carlo simulation



Source: Team Elaboration

Tornado chart



Variables	5th percentile		95th percentile	
	TP[€]	% variation	TP[€]	% variation
GDP	6.16	-1%	6.22	0%
Global trends	5.72	-8%	6.34	2%
WACC (beta)	5.29	-15%	6.34	2%
NWC	5.47	-13%	6.90	11%
EBITDAm	4.85	-22%	6.53	5%
M&As	4.98	-20%	7.40	19%

Source: Team Elaboration

D7. Relative valuation

Data-driven Peer Selection

The starting-point dataset of companies was composed considering the constituents of three indexes: (i) MSCI Europe, (ii) MSCI Europe Mid Cap, (iii) MSCI Europe Small Cap. We then proceeded to assess each of them on the **six individual parameters to produce an overall similarity score**, by assigning a **specific weight to each of the metrics**. The similarity score was computed as follows:

$$Similarity = 20\% \frac{R\&D\ Expense}{Revenues} + 20\% \frac{Intangible\ assets}{Total\ Assets} + 20\% \frac{Revenues}{PPE} + 10\%\ Geographical\ Presence + 20\%\ \#M\&As\ last\ 10Y + 10\%\ CAGR\ Revenues\ 2023E - 2025E$$

The reported companies below obtained a similarity score equal or higher than 60%, and were used as the final peer group of this valuation approach.

Company	Mkt Cap [€m]	Industry	EV/EBITDA 2024E	EBITDAm 2024E	P/E 2024E	R&D/ Revenues	Intangible/ Tot Assets	Revenues/ PPE	Geographical Presence				#M&A/ 10Y	CAGR Sales 23E-25E	Similarity (%)
									EU	NAM	ASIA	ROTW			
Smith & Nephew plc	10,650	Health Technology	9.8x	25%	14.0x	5.8%	49.0%	1.3x	16%	55%	15%	14%	1.40	5.1%	93
JENOPTIK AG	1,503	Electronic Technology	8.8x	20%	14.7x	5.6%	42.4%	1.6x	47%	22%	16%	16%	1.00	6.7%	84
Arkema SA	7,583	Chemicals: Major Diversified	5.6x	17%	9.9x	2.3%	43.0%	1.0x	32%	34%	23%	11%	1.40	4.4%	75
Croda International Plc	7,553	Chemicals: Specialty	15.9x	24%	27.3x	3.2%	37.0%	1.4x	24%	25%	23%	28%	1.10	4.2%	75
Fresenius Medical Care AG	11,217	Medical/Nursing Services	6.9x	17%	12.9x	1.2%	49.2%	1.3x	9%	70%	8%	13%	1.50	3.7%	74
Alfa Laval AB	14,270	Industrial Machinery	12.7x	20%	19.5x	2.6%	44.3%	2.3x	27%	19%	37%	17%	1.20	6.3%	73
Spectris plc	4,330	Electrical Products	10.8x	21%	17.0x	7.7%	44.5%	3.2x	22%	29%	32%	16%	1.40	4.2%	72
ConvaTec Group Plc	5,764	Medical Specialties	13.1x	26%	20.9x	4.3%	66.8%	2.5x	30%	38%	16%	17%	0.70	5.9%	71
Spirax-Sarco Engineering PLC	8,410	Industrial Machinery	18.1x	25%	27.8x	1.0%	53.0%	2.4x	21%	29%	21%	29%	1.20	5.5%	70
SEB SA	6,170	Electronics/Appliances	8.0x	13%	12.5x	2.1%	46.0%	2.3x	26%	14%	35%	25%	1.40	4.6%	69
DiaSorin S.p.A.	4,964	Medical Specialties	14.8x	33%	26.4x	6.8%	58.6%	2.5x	19%	40%	10%	31%	0.30	5.8%	67
Advanced Medical Solutions Group plc	511	Medical Specialties	10.5x	26%	19.8x	3.5%	45.8%	2.2x	37%	33%	5%	25%	0.50	9.3%	64
Interpump Group S.p.A.	4,945	Industrial Machinery	9.9x	24%	15.3x	1.5%	27.5%	1.5x	41%	26%	10%	23%	2.4	2.1%	61
Volution Group plc	950	Industrial Machinery	10.4x	24%	15.2x	1.4%	63.1%	4.0x	36%	1%	1%	62%	1.40	5.8%	60
Median			*10.1x*	*23%*	*16.2x*	*3.0%*	*45%*	*2.1x*	*25%*	*29%*	*19%*	*21%*	*1.2*	*5%*	*71*
Average			*10.4x*	*22%*	*18.1x*	*3.0%*	*46%*	*1.8x*	*27%*	*31%*	*19%*	*23%*	*1.2*	*5%*	*71*
GVS S.p.A			**12.1x**	**25%**	**21.4x**	**5.5%**	**51.6%**	**1.2x**	**18.8%**	**48.7%**	**17.3%**	**15.2%**	**1.3**	**6.2%**	

Source: Team Elaboration, Refinitiv, FactSet

SOTP Peer Selection and Relative valuation

The selected companies below is a **subset of GVS competitors**, characterized by their publicly-listed nature and **similarity**.

Company	Country	Size			Geography mix			Product Mix 2022					Profitability	Risk	Growth		Comparable
		Mkt Cap [€m]	Revenues 2022 [€m]	Employees	EMEA	Americas	APAC	Medical	Laboratory	E&M	Respiratory Protection	Other	EBITDAm 2022	NFP/ EBITDA	Sales CAGR 2023E-25E	EBITDA CAGR 2023E-25E	
3M	US	58,720	32,092	92,000	17%	54%	29%	25%	-	33%	13%	29%	17.5%	1.3x	3%	6%	✓
Ansell	AU	3,101	1,655	14,414	31%	54%	14%	55%				45%	17%	0.8x	4%	6%	✗
Asahi Kasei	JPY	8,971	18,783	48,897	17%	19%	64%	33%	-	8%	-	59%	11.2%	2.2x	7%	9%	✓
Autoliv INC	US	7,900	8,071	69,100	27%	34%	39%	-	-	100%	-	-	9.9%	1.1x	7%	20%	✗
Avon	GB	387	244	928	84%	16%	0%	-		-	64%	36%	14.6%	1.82x	8%	13%	✓
Baxter INTL	IT	16,124	14,378	60,000	19%	44%	17%	100%	-	-	-	-	21.0%	3.7x	3%	7%	✓
Becton Dickinson	IT	75,225	17,450	73,000	27%	57%	15%	49%	26%	-	-	24%	25.7%	3.3x	9%	18%	✓
BorgWarner	US	7,708	15,801	52,700	33%	39%	28%	-	-	100%	-	-	14.0%	1.2x	7%	-2%	✗
Corning inc.	US	25,243	13,499	57,500	14%	39%	47%	-	9%	-	-	91%	20.4%	1.2x	5%	20%	✗
Cummins inc.	US	1,620	1,486	4,250	47%	46%	6%	-	-	100%	-	-	12.6%	1.0x	2%	3%	✓
Danaher	US	7,464	29,939	79,000	22%	44%	34%	62%	22%	-	-	16%	34.7%	1.3x	-2%	3%	✓
Donaldson CO	US	6,543	2,975	13,000	29%	53%	18%	4%	3%	63%	-	30%	16.4%	0.9x	5%	7%	✓
DRAEGERWERK AG & CO KGAA	DE	879	2,970	16,219	33%	33%	33%	60%	-	-	40%	-	2.1%	6.4x	4%	137%	✓
Honeywell	US	134,627	33,740	97,000	19%	60%	21%	-	-	33%	19%	47%	23.3%	1.1x	5%	7%	✓
Lakeland Inds	US	128	113	1,550	14%	66%	20%	-	-	-	49%		6.2%	0.0x	9%	36%	✗
Medtronic plc	US	96,876	27,504	95,000	24%	52%	23%	100%	-	-	-	-	31.5%	2.2x	4%	4%	✓
Merck KGAA	DE	272,910	22,232	64,243	31%	34%	35%	35%	47%	-	-	18%	30.8%	1.1x	6%	6%	✗
MSA Safety	US	5,282	1,454	5,000	23%	57%	20%	-	-	-	100%	-	21.3%	1.2x	5%	7%	✓
Owens & Minor	US	1,485	9,955	13,400	2%	96%	2%	21%			79%		4.3%	4.5x	3%	9%	✗
Parker Hannifin	US	59,140	19,065	62,730	20%	68%	12%			77%		23%	21.7%	2.7x	5%	11%	✓
Porvair plc	GB	344	200	968	41%	56%	3%	-	37%	-	-	63%	15.0%	0.0x	6%	4%	✓
Sartorius AG	DE	15,800	4,175	14,827	39%	35%	26%	-	20%	-	-	80%	35.3%	1.2x	11%	18%	✓
Schaeffler AG	DE	896	15,610	82,773	41%	22%	37%	-	-	100%	-	-	13.7%	1.1x	4%	8%	✗
Sogefi	IT	245	1,552	5,384	57%	29%	14%	-	-	100%	-		12.5%	1.5x	2%	2%	✗
GVS S.p.A	**IT**	**985**	**388**	**5,533**	**26%**	**49%**	**25%**	**55%**	**9%**	**20%**	**16%**	**-**	**20.4%**	**4.9x**	**5%**	**15%**	

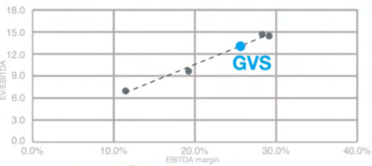
Source: Team Elaboration, Refinitiv, FactSet

Medical	2024E EBITDAm	2024E EV/EBITDA	P/E 2024E
Baxter INTL	19.2%	9.7x	13.8x
Becton	29.2%	14.5x	16.7x
Medtronic	28.3%	14.7x	15.9x
Asahi Kasei	11.5%	7.0x	12.7x
Average	*16.5%*	*7.8x*	*11.7x*
Median	*14.8%*	*6.6x*	*11.3x*
GVS	**25.0%**	**12.8x**	**21.4x***

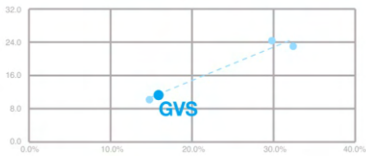
Laboratory	2024E EBITDAm	2024E EV/EBITDA	P/E 2024E
Danaher	32.4%	23.2x	29.6x
Sartorius	29.8%	24.5x	43.4x
Porvair	14.7%	10.3x	17.2x
Average	*25.6%*	*19.3x*	*30.1x*
Median	*29.8%*	*23.2x*	*29.6x*
GVS	**15.0%**	**8.9x**	**21.4x***

Automotive	2024E EBITDAm	2024E EV/EBITDA	P/E 2024E
Atmus filtr.	15.0%	6.9x	12.2x
Parker H.	24.3%	13.9x	18.0x
Donaldson	18.4%	12.3x	17.7x
Average	*19.1%*	*11.5x*	*16.0x*
Median	*18.1%*	*12.7x*	*17.7x*
GVS	**12.0%**	**6.0x**	**21.4x***

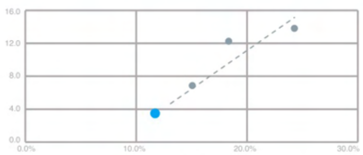
Respiratory Protection	2024E EBITDAm	2024E EV/EBITDA	P/E 2024E
MSA safety	25.5%	14.7x	24.0x
Avon	15.9%	9.5x	20.7x
3M	27.3%	8.0x	12.0x
Honeywell inc	25.8%	14.2x	19.8x
Dräger	8.8%	3.6x	19.8x
Average	*20.7%*	*5.0x*	*19.3x*
Median	*25.7%*	*11.9x*	*20.2x*
GVS	**40.4%**	**18.7x**	**21.4x***

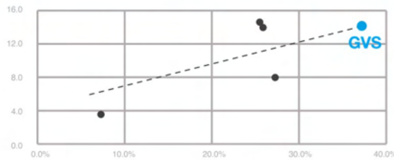


Medical peers



Laboratory peers


Automotive peers



Respiratory Protection peers

Source: Team Estimates, Refinitiv, Orbis

Data-driven and SOTP Relative valuation output

Given GVS's **unique market positioning**, our coverage incorporates both a **data-driven** and a **SOTP relative valuation**. While the data-driven serves as the main valuation tool, the SOTP approach serves as an **additional measure** to reinforce the overall **robustness** of our valuation methodology.This dual-approach methodology aims to provide a comprehensive and robust assessment of GVS' value, considering both **intrinsic value and broader market dynamics**, thus enhancing the depth of our analysis.

Performing Ordinary-Least-Squared (OLS) **linear regression** between multiples and their respective regressor, we focused on the relation between 2024E EV/EBITDA and 2024E EBITDA margin. Applying the implied multiples to the **group level 2024E EBITDAm** and the different **segmental 2024E EBITDAm**, we obtained an EV of **€1,364m** from DD and **€1,467m** from SOTP, resulting in a target price range of **€6.14 - €6.74**.

	Multiple (y)	Regressor (x)	Equation	Multiple (y)	2024E GVS Regressor (x)	2024E EV [€m]	2024E NFP [€m]	2024E #shares [m]	TP [€]
	Market-driven						GVS		
	2024E EV/EBITDA	2024E EBITDAm	y = 44.769x + 0.994	**12.1x**	24.8%	1,364	289	175	**6.14**
Segment	SOTP						GVS		
Medical	2024E EV/EBITDA	2024E EBITDAm	y = 44.753x + 1.627	**12.8x**	25.0%	1,467	289	175	**6.74**
Laboratory			y = 59.655x - 0.052	**8.9x**	15.0%				
Automotive			y = 69.438x - 2.337	**6.0x**	12.0%				
Respiratory Protection			y = 43.792x + 0.999	**18.7x**	40.4%				

Source: Team Estimates

E. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

E1. Corporate Governance and Corporate Governance Responsibility

All members of the BoD were nominated on 3 May 2023, and will be in charge until 31 December 2025. Directors are appointed through a list voting mechanism, shareholder can vote only if they own 2.5% of Group capital.

Investor name	% Outstanding	Position [€m]	Country/ Region	Voting rights
Massimo Scagliarini	60.1%	536	Italy	73.68%
Capital Research and Management Company	5.7%	51	United States	n.a.
7-Industries Holding B.V.	3.1%	28	Netherland	3.67%
Invesco Ltd.	3.0%	27	United Kingdom	n.a.
T.Rowe Price Grou, Inc.	1.8%	16	United Kingdom	n.a.
Mediolanum Gestione Fondi SGR PA	1.6%	14	Italy	n.a.
The Vanguard Group, Inc.	1.4%	13	United States	n.a.
Royce & Associate, LP	1.1%	10	United States	n.a.

Source: Team Elaboration, Refinitiv

Full Name	Offices	In office since	In charge since	N° of other offices	Committees: Control and Risk	Committees: Remuneration	Committees: Appointment Proposal	Background
Alessandro Nasi	Chairman Executive	19/06/2020	03/05/2023	10				• Degree in Business Administration • Board director in many companies
Massimo Scagliarini	CEO Executive	24/07/1990	03/05/2023	0				• Degree in Accounting • Son of Grazia Valentini
Grazia Valentini	Founder and Non Executive Director	18/03/1987	03/05/2023	1				• Master in Business Administration
Marco Scagliarini	Non Executive Director	24/07/1990	03/05/2023	2				• CEO of Wallaby SpA (Family Office) • Son of Grazia Valentini
Marco Pacini	Non Executive Director	01/01/2023	03/05/2023	1				• Degree in Economics • Management, Accounting, Corporate Finance
Pietro Cordova	Independent Director	03/05/2023	03/05/2023	1	✓	✓	✓	• Degree in Economics • Highly experienced individual
Anna Tanganelli	Independent Director	03/05/2023	03/05/2023	1	President			• Degree in Economics • Highly experienced individual
Michela Schizzi	Independent Director	19/06/2020	03/05/2023	1		✓	✓	• Degree in Law • Business Legal Affairs
Simona Scarpaleggia	Independent Director	03/05/2023	03/05/2023	4	✓	President	President	• Degree in Political Science • Board director in many companies

Source: Team Elaboration, Company Data

GVS has adopted “Codice di Autodisciplina” (Italian Code of Conduct for Italian listed companies) since 2021. In the table we summarize the main areas of compliance and not.

Codice di Autodisciplina: COMPLY	Codice di Autodisciplina: DOES NOT COMPLY
Composition of the Board of Directors (BoD): i) 4/9 are independent directors, (ii) 4/9 are of female gender, (iii) absence of the Lead Independent Director justified by the clear separation of the roles of CEO and Chairman.	Some members of the BoD have relevant offices in other companies.
All independent directors were renewed recently.	There is no international representative.
Definition of guidelines for the maximum number of offices that executive/non-executive directors may cover in other companies.	Except the CEO and 2 Non-Executive-Directors (all the family members in the BoD), no one else has experience in the whole GVS related industries.
Members of Internal Auditor are elected through a voting list system.	
Presence of Committees of Remuneration, Control Sustainability and Risk, and Appointment proposal. The Committee of Remuneration (Chairman is not a member) fixes maximum amount of variable remuneration allowed.	
A Committee in 2022 has been appointed to evaluate a succession plan of executive directors.	
Disclosure of CG and main ownership stakes annually, since 2020 (IPO).	
Members of the BoD were elected both from the list of Majority and minority.	
Independent directors compose the Appointment Proposal Committee and Control Sustainability and Risk Committee.	

Source: Team Elaboration, Company Data

*P/E values come from Consensus: Refinitiv Source

E2. ESG analysis

The purpose of our Environmental, Social, and Governance (ESG) analysis is to rate GVS ESG performances by comparing it with **13 competitive and listed peers** belonging to different industrial segments (Automotive, Medical, Laboratory, and Respiratory protection). Firstly, we selected **16 key factors** (6 Environmental, 6 Social, and 4 Governance) to drive the companies' sustainable performances through **117 metrics**, both **quantitative** and **qualitative** (with a binary variable, i.e. TRUE/FALSE,), got by Refinitive and adjusting some items with Non Financial Disclosure of GVS and its peers, due to some discrepancies between the 2 sources, deciding to trust and report directly the value disclosed by the companies. Then, come up with a score for each of those metrics along 3 different years 2020-2022 enabled us to evaluate the annual variation of GVS performances compared to the peers' average.

The following step was to get the final score for each pillar. We initially computed for each single metric a **percentile** score, with its related positive or negative impact, comparing GVS and its peers performances. Going on, we obtained the aggregate percentile of each key factor by averaging the results of the metrics belonging to the same key factors. Afterward, we converted these percentiles into tenths values and got the final **ESG pillar's score** by multiplying them for a weight previously assigned to each key factor, based on its relevance for the pillar under evaluation. After having gone through these phases for all of GVS three pillars, we converted these numeric scores into alphabetical ones, developing our own ratings in compliance with the most prominent ESG rating agencies conversion criteria (i.e. MSCI, Refinitiv). This **pillar-scores method** was adopted for each peers in the selected pool, identifying the best/worst-in-class for each letter.
In the end we assigned a weight to each pillar in order to get a total ESG score for the company, which resulted in a **BBB** (MSCI criteria).

This type of analysis was performed following **3 more times** following similar procedures, given the GVS uniqueness in operating among different industries. Indeed, all the peers previously used were **clustered based on their industry** (Automotive, Medical and Laboratory, and Respiratory protection). Afterward, by adopting the same methodology above, we assessed a ESG rating, for each Industry and for each year analyzed, in order to evaluate GVS performances in comparison with the corresponding segment.

Environment Highlights							
Key factors	**Metric**	**GVS 2022**	**GVS 2021**	**GVS 2020**	**Peers 2022**	**Best 2022**	**Worst 2022**
Environmental policies	**Resource Reduction policy [T/F]**	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE
Environmental objectives	**Resource Reduction Targets [T/F]**	FALSE	FALSE	FALSE	57% T - 43% F	TRUE	FALSE
	Targets Water Efficiency [T/F]	FALSE	FALSE	FALSE	36% T - 64% F	TRUE	FALSE
	Targets Energy Efficiency [T/F]	FALSE	FALSE	FALSE	29% T - 71% F	TRUE	FALSE
	Targets Emissions [T/F]	FALSE	FALSE	FALSE	86% T - 14% F	TRUE	FALSE
	Toxic Chemicals Reduction [T/F]	FALSE	FALSE	FALSE	50% T - 50% F	TRUE	FALSE
Energy efficiency	**Renewable Energy Use Ratio [%]**	26.7%	34.5%	18.3%	18.8%	36.0%	0.8%
	Energy Consumption [GJ/€m Revenues]	804.9	729.8	573.8	357.0	112.3	804.9
Water usage	**Total Water Use/€m Revenues**	296.3	200.9	178.4	258.8	473.5	671.7
Emissions	**CO2 Emissions [ton/€m Revenues]**	53.1	56.7	53.3	36.7	8.2	86.7
	GHG Emissions Indirect, Scope 2	41.5	46.7	41.3	25.4	4.4	84.2
Waste & Recycling	**Waste Certifications (ISO 14000) [T/F]**	TRUE	TRUE	TRUE	93% T - 7% F	TRUE	FALSE
	EMS Certified [%]	85.7%	48.6%	67.8%	50.1%	85.7%	33.3%

Social Highlights							
Key factors	**Metric**	**GVS 2022**	**GVS 2021**	**GVS 2020**	**Peers 2022**	**Best 2022**	**Worst 2022**
Labour Management	**Employee turnover [%]**	56.2%	59.4%	40%	17.9%	6.6%	56.2%
Human Capital Development	**Training Hours [h/employee]**	18.3	27.4	23.0	21.3	36.2	5.9
Community Relations	**Policy Fair Competition [T/F]**	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	-
	Corporate Responsibility Awards [T/F]	TRUE	FALSE	FALSE	57% T - 43% F	TRUE	FALSE
Gender Diversity	**Women Employees [%]**	56.2%	61.1%	60.0%	42.8%	77.2%	28.0%
	Female recruited [%]	54.8%	67.9%	65.1%	50.4%	54.8%	24.2%
Product Responsibility	**Quality Mgt Systems [T/F]**	TRUE	TRUE	TRUE	93% T - 7% F	TRUE	FALSE
	ISO 9000 [T/F]	TRUE	TRUE	TRUE	71% T - 29% F	TRUE	FALSE
Health&Safety	**Injuries To Million Hours**	5.5	9.5	10.1	3.7	1.1	7.3
	OHSAS 18001 [T/F]	TRUE	TRUE	TRUE	79% T - 21% F	TRUE	FALSE

Governance Highlights							
Key factors	**Metric**	**GVS 2022**	**GVS 2021**	**GVS 2020**	**Peers 2022**	**Best 2022**	**Worst 2022**
Ownership	**Public Ownership [%]**	37.1%	37.1%	36.9%	87.7%	99.9%	28.4%
Control	**Different Voting Rights share[T/F]**	TRUE	FALSE	FALSE	93% T - 7% F	FALSE	TRUE
Board	**CEO Chairman Duality [T/F]**	FALSE	FALSE	FALSE	57% T - 43% F	FALSE	TRUE
	Women in the Board [%]	44.4%	44.4%	44.4%	26.6%	54.0%	7.7%
	Nomination Committee Independence [T/F]	TRUE	TRUE	TRUE	79% T - 21% F	TRUE	FALSE
	Succession Plan [T/F]	TRUE	FALSE	FALSE	93% T - 7% F	TRUE	FALSE
	Indipendent Board Members [%]	44.4%	44.4%	44.4%	71.0%	92.3%	38.5%
	CSR Sustainability Committee [T/F]	FALSE	FALSE	FALSE	71% T - 29% F	TRUE	FALSE
Remuneration	**Compensation incentives [T/F]**	TRUE	TRUE	FALSE	57% T - 43% F	TRUE	FALSE
	Shareholders Vote on Executive Pay[T/F]	TRUE	TRUE	TRUE	86% T - 14% F	TRUE	FALSE

Source: Team Estimates, Company Data, Refinitiv