CFA Institute Research Challenge

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Membrane Marvels

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GVS S.p.A.

Italy |Industrials | Capital goods

CFA Institute Research Challenge 2024

Initiation of Coverage
9th February 2024

Recommendation

BUY

Date	02/09/2024
Current Price	**€6.00**
Target Price	**€7.07**
Upside	**+17.9%**

Stock Data

First trading day	06/15/2020
52-Week High 04/14/23	**€6.46**
52-Week Low 27/10/23	**€4.00**
Ticker	GVS.MI
Stock Exchange	Italian Stock Exchange

Market Data

Shares Outstanding	174.6mln
Market Capitalization	€1.05bln
EPS	€0.27
Free Float	37mln
CEO Ownership	60%

Event	Date	Price (€)
Covid related restrictions	26/10/20	12,0
Acquisition RPB	01/09/21	16,4
Ukraine war outbreak	24/02/22	8,5
Acquisition Haemotronics	02/03/22	8,6
ECB first interes rate increase	21/07/22	8,9
ECB second interes rate increase	08/09/22	7,7
Energy costs and trasportation surge	10/11/22	3,0
End of pandemic emergency (WHO)	03/04/23	6,1

Executive Summary

We initiate our coverage on GVS.MI with a BUY recommendation and a one-year target of €7.07. The years since listing in 2020 have been extremely volatile and the market is failing to appreciate GVS as a future quality compounder. We believe that 2025 **company guidance is conservative** and **we set our estimates 11% above consensus on 2025 Adj. EPS**. From our numbers, **GVS is trading with a 23% discount on 2025 peers EV/EBITDA multiples**.

Exhibit 1

GVS Financial Summary

(€Mln)	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	230,6	365,2	343,1	392,0	429,2	454,7	483,4	517,1	553,8	593,2
Growth (%)	*9,1%*	*58,4%*	*-6,1%*	*14,3%*	*9,5%*	*6,0%*	*6,3%*	*7,0%*	*7,1%*	*7,1%*
EBITDA	62,0	138,0	105,9	66,9	94,9	113,0	133,0	144,5	154,7	165,7
Margin (%)	*26,9%*	*37,8%*	*30,9%*	*17,1%*	*22,1%*	*24,8%*	*27,5%*	*27,9%*	*27,9%*	*27,9%*
Net Income	33,1	78,1	67,6	24,1	26,6	35,9	51,8	61,0	68,9	77,6
Margin (%)	*14,3%*	*21,4%*	*19,7%*	*6,1%*	*6,2%*	*7,9%*	*10,7%*	*11,8%*	*12,5%*	*13,1%*
EPS (€)	0,27	0,63	0,43	0,27	0,25	0,30	0,39	0,45	0,49	0,54
Vs Consenus						*6,9%*	*10,9%*			
P/E	0,0	24,1	24,4	15,2	24,1	19,8	15,2	13,4	12,2	11,1
EV/EBITDA	0,0	15,0	18,5	16,2	14,9	12,3	10,1	8,9	8,0	7,1
ROIC (%)	28,2%	61,4%	21,1%	7,4%	10,9%	12,1%	14,4%	15,5%	16,2%	16,8%
Net Cash (Debt)	-92,4	40,4	-107,8	-375,5	-357,4	-316,0	-265,2	-209,5	-152,5	-91,4

Source: Refinitiv, Company Data, Team Estimates

GVS is an Italian Family company that has become leader in growing speciality niches of the global filters industry ($79.2bln) **employing a multifaceted strategy:** (I) vertical integration in critical membrane; (II) R&D activities and quality obsession; (III) local-for-local model with global presence; and (IV) M&A focus. **GVS target markets show good growth prospects and attractive competitive dynamics.** GVS is active in **Healthcare and Life Science, Energy & Mobility and Health & Safety filter markets, (€43bln in total), expected to show healthy structural 8% Exp. 22/27 CAGR with low cyclicality.**

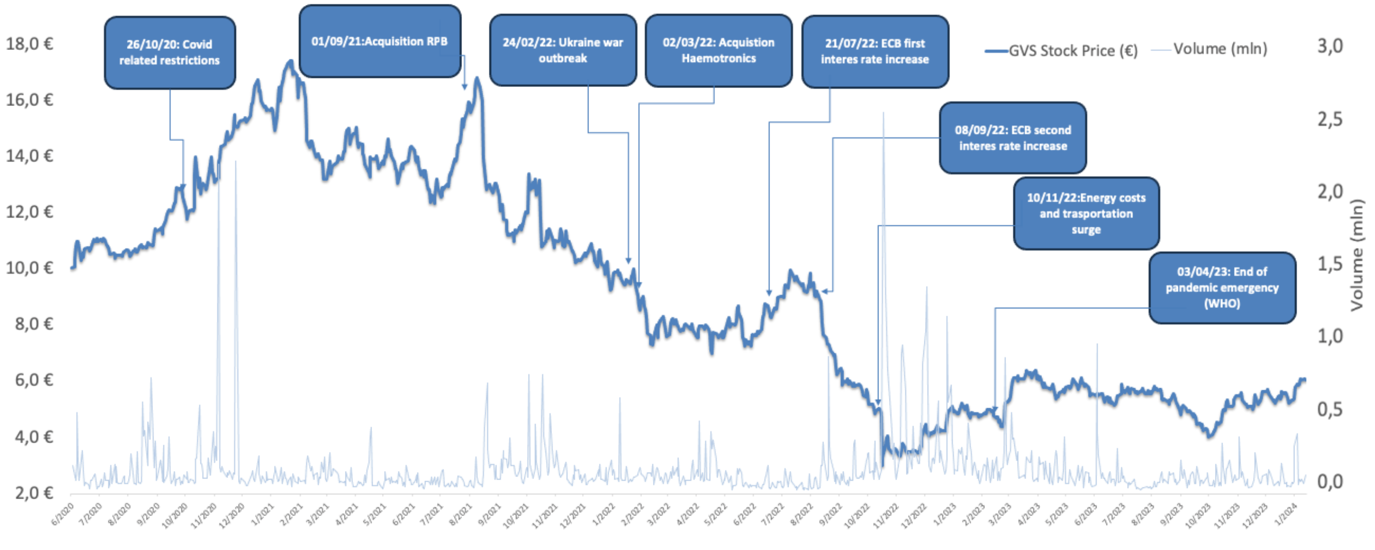
GVS's competitive arena, albeit fragmented, has many positive attributes with a **moderate level of competition and strong entry barriers.** These good qualities emerge as many peers show high historical growth, marginality and returns. **GVS shows a focus on higher quality niches as represented by normalised historical mid-teens ROIC** (Return on Invested Capital) **, low 20s normalised EBIT margins and HSD organic growth.**

The years since its listing on the Milan Stock Exchange in June 2020 (ticker: GVS.MI) the company has lived through a roller coaster in its financials and stock performance. From Covid to Ukraine, even usually stable end-markets have experienced major fluctuations and an ill-timed M&A spree added salt onto the wound.

Our analysis suggests that **GVS is finally on the right path to normalisation by 2025 and will again show the KPIs of a good quality cash generative compounder**: (I) High Single Digit organic growth and (II) EBITDAm% in line with historic 27.5% (III) ROIC above the historic 15%, **which are the real indicators of the financial goodness of the business.**

GVS will become again a Quality Growth stock, even if the market is not appreciating it. A blend of DCF and Peer multiple valuations gives us our **€7.07 target (17.9% upside)**. We expect the company to restart accretive M&A after 2025, and while not including it in our target, we see this as a positive optional upside.

Historical Stock Performance



Source: Refinitiv, Team Analysis

Exhibit 2

GVS in Numbers

GVS	2022	2023E	2024E	2025E	2026E	2027E	2028E
Total Revenues	392	427	452	481	514	551	590
Adj EBITDAm %	17,1%	22,1%	24,8%	27,5%	27,9%	27,9%	27,9%
Adj EBITm %	14,0%	17,3%	18,4%	20,7%	21,3%	21,5%	21,7%
ROIC	5,8%	10,5%	12,1%	14,4%	15,5%	16,2%	16,8%
EPS (€)	0,27	0,25	0,30	0,39	0,45	0,49	0,54

Source: Team Analysis

An Underappreciated Future Quality Compounder

We recommend a BUY for GVS stock, setting a target of €7.07 per share. The last few years after Covid have been extremely volatile and we believe that the market is failing to appreciate the normalisation of the external environment nor the quality of the business model and the favourable competitive landscape where GVS operates. We expect the company to get back to **its full normalised potential by 2025, and post KPIs of a good quality compounder**: GVS will be able to grow **high single-digit organically with** a **ROIC above 15%** which is the real indicator of the financial goodness of the business. We believe that **2025 company guidance is conservative** and **we set our estimates 11% above consensus on 2025 Adj. EPS**. On our numbers, **GVS is trading with a 23% discount on 2025 peers EV/EBITDA multiples**.

Exhibit 3

GVS's Corporate Strategy

Source: Team Analysis

Quality Business with Leadership Positions

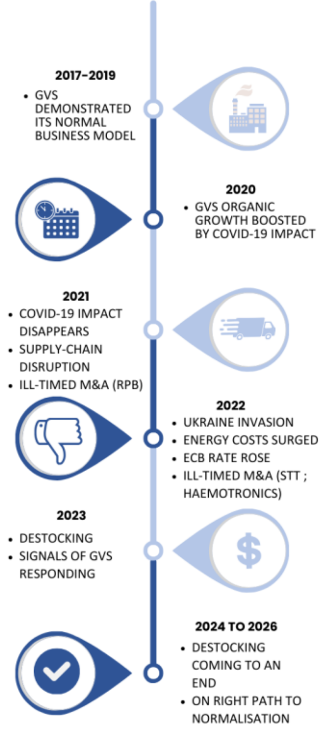
Founded in 1979 and led by CEO Massimo Scagliarini, GVS is an Italian Family company. As a small player in the fragmented $79.2bln global filters market, **GVS has achieved leading positions in specific global niches** (e.g. 11% mkt shr. in Haemodialysis). **The company has grown sales by 17% CAGR in 2017-2023E** to €426.8mln in revenues with a mix of organic growth and M&A. GVS's vision prioritises operational excellence, quality and safety, innovation, and a customer-centric approach, to fortify its leadership in its niches and enter new ones becoming a key player in the filtration technology sector. **GVS employs a multifaceted strategy to be a winner:** (I) vertical integration: it is one of the few competitors producing filter membrane internally; (II) R&D activities and quality obsession; (III) local-for-local model: GVS serves clients globally (39% North America, 31% Europe, 17% Asia) with a local manufacturing presence; (IV) M&A focus: 3 deals in past 3 years adding €127.5mln sales.

Growing End-Market, Attractive Industry and Competitive Dynamics

GVS is focused on growing speciality niches in the global filters industry **that show good growth prospects and attractive competitive dynamics.** Healthcare & Life Science **(HC&LS)**, **GVS's main reference market at 63% of sales** and where the company shows stronger leadership**, is worth more than $7bln** and **expected to grow 7% by 2027**. GVS is active in most innovative products in the larger Energy & Mobility **(E&M) (€25bln in 2022, 3.6% Exp. 22/27 CAGR; 20% of sales)** and is a leader in specific high safety products in the **Health & Safety** (**H&S) markets (€23bln, 8% Exp. 22/27 CAGR; 17% of sales). GVS's competitive arena has many positive attributes** with a **moderate level of competition given** (I) **fragmentation of the market**; (II) **the custom-made, critical and high value-added/low unitary weight** on client product costs that create higher switching costs for customers; (III) **constant co-development with clients**, coupled with efficient engineering, make substitutes challenging; (IV) **high barriers**, driven by stringent regulations on quality and safety and wide presence of patents; (V) **very low client concentration**; and (VI) **highly vertically integrated** process that consumes widely available materials. These good qualities emerge as many peers show high historical growth, marginality and returns. **GVS shows a focus on higher quality niches as represented by normalised historical mid-teens ROIC, low 20s normalised EBIT margins and HSD organic growth.**

Exhibit 4

GVS events roadmap



Source: Team Analysis

5-Years Roller coaster, the Path to Normalisation is Set and Not Priced by the Market

Since its listing on the Milan Stock Exchange in June 2020 (ticker: GVS.MI) the company has lived through a roller coaster in its financials and stock performance: from being one of the major Covid beneficiaries in 2020 to then hitting debt covenants in 2022 after an ill-timed M&A spree, through a global recession and recovery after the end of lockdowns, major inflationary shocks and strains to global supply chains, and last but not least geopolitical tensions after the Ukraine invasion. Even if stable end markets have usually experienced major fluctuations. The **stock price followed the volatility in results:** growth swung organically between +54% in 2020 to -24% in 2022. EBITm% fluctuated between 35.2% in 2020 and 14.0% in 2023, and high leverage hit covenants by the end of 2022. **We believe GVS is finally on the right path to normalisation by 2025 and set our 2025 estimates 10% above consensus on 2025 Adj. EPS as we see management's guidance as particularly conservative on sales** (among other reasons: GVS has not included usual historical pricing effects, nor sales synergies from recent acquisitions, and HC&LS market destocking is coming to an end) **and visible on margins** (as plant re-organization after recent M&A will increase operating leverage and reduce fixed costs) with **cash generation reducing leverage to 2x**. **By 2025, GVS will again show the KPIs of a good quality cash generative compounder**: (I) High Single Digit organic growth and (II) ROIC above the historic 15%: **these are the real indicators of the financial goodness of the business.**

Exhibit 5

Different prices achieved

GVS's Price	Price	Weight	Upside
Current Price	6,00		
DCF	6,91	75%	15%
Peer Multiples	7,56	25%	26%
Hist. Multiples	9,57		59%
Target Price	7,07		18%

Source: Team Analysis

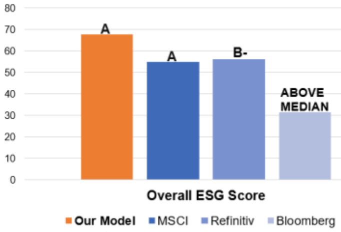
A Quality Growth Company Snubbed by a Shortsighted Market

The market is not appreciating GVS normalisation and we think this is where the opportunity lies. We set our **€7.07 target (17.9% upside)** as a blend of 2 methods: 75% with a DCF, the best model to incorporate LT normalised potential (give us a €6.9 target, 15.2% above the current price); 25% a peer multiple valuation on 2024 and 2025 PE EV/EBITDA and EV/NOPAT multiples (valuation of €7.6 or 26.6% upside).

What about M&A? We actually prove that even 2021 2022 M&A has been accretive (we estimate 17.5% IRR). With GVS deleveraging fast, and under a few market assumptions (reinvesting to keep max leverage of 3x Net Debt/EBITDA at average M&A multiple of 15.1x), we estimate that future M&A could create a net present value of nearly €300mln. However, we don't believe that the market will pay this in advance and we leave it as future upside optionality.

Exhibit 6

ESG Scores



Source: Team Analysis

A Quality Company from an ESG Perspective

Our proprietary ESG assessment highlights a robust GVS sustainability score (A in absolute terms, AA when measured against its peers), **testament again of the quality of the company.** The company has demonstrated a commendable commitment to quality and social responsibility (Social pillar A). However, there is an opportunity for improvement in the Environmental pillar (BBB) as we see improvement potential in **CO2 emissions and waste reduction targets. As of Governance the presence of strong practices earns GVS a good rating (A). The market often considers family ownership a detracting factor but we believe this is misplaced,** as family provides long termism in capital allocation decisions, as also proven in 2022 when the family financed GVS below market rates to avoid covenant breaches, in the belief that the company will quickly regain its margins and reduce leverage.

Company Presentation

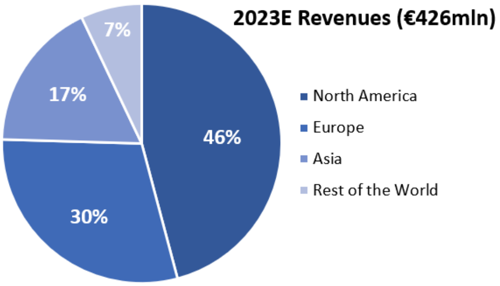
Founded in Bologna in 1979 by Grazia Valentini and currently led by her son and CEO Massimo Scagliarini, **GVS is an Italian Family company that has made significant steps in the global filtration technology sector**. Via organic growth and M&A, the company has evolved into a worldwide leader in many filter market niches. Today, GVS is present with 18 facilities globally, encompassing manufacturing plants, sales offices, and R&D centers. With €392mln of revenues in 2022, GVS is a small player in the overall $79.2bln global Filter technology market, but has reached leading positions in few specific global niches. **GVS operates across three core divisions (E: (I) Healthcare & Life Sciences (HC&LS) (63% of revenues in 2022).** GVS's solutions find diverse applications in medical and laboratory filtration, specialising in the filtration and technological separation of liquids and gases. **(II) Energy & Mobility (E&M) (20%)**. This division focuses on filtration technologies tailored for the mobility sector, including products such as filters for ABS braking systems, injector filters, and molecular filtration items for chemical retention and odour control. R&D is now studying membranes for electric vehicles battery separators and for hydrogen electrolysers. **(III) Health and Safety (H&S) (17%).** GVS manufactures filters and components dedicated to respiratory protection (critical environment FFP3 masks and safety and respirators for industrial and hospital use), adhering to global quality standards. **GVS is among the few vertically integrated competitors that controls the production of the core component, the membrane**. This enables GVS to offer a diverse range of microfiltration devices with applications in laboratories, medical and pharmaceutical fields, food and beverage industries, and automotive sectors. While primarily operating as a B2B direct critical supplier of components in HC&LS and E&M division (OEM customers like med tech companies, tier 2 and 3 car suppliers, labs and hospitals), GVS sales channel is closer to a B2C one in within the personal safety division H&S (via distributors for industrial masks, direct to hospitals for specific HC safety products). **GVS is a global company** (in 2023, 46% of sales have been generated in North America, followed by Europe at 30%, Asia at 17%, and the Rest of the World at 7%) (Exhibit 7) with local-for-local set up (18 production plants in 4 continents close to end markets).

GVS is listed on the Milan Stock Exchange (ticker: GVS.MI), with a €6.0 share price and a market cap of €1.05bln. Capital is divided in 175mln ordinary shares, of which 60% are owned by Massimo Scagliarini, while 40% are floating. Shareholder control is in the hands of Scagliarini Family, that holds 73.68% of voting rights thanks to multiple voting provisions.

Since its listing on the Milan Stock Exchange in June 2020, the company has lived through a roller coaster in its financials and stock performance. It started being one of major Covid beneficiaries in 2020 to then hit debt covenants in 2022 after an ill-timed M&A spree. In this short time span we went through a global recession, to a fast GDP pickup after lockdown reopening, major inflationary shocks and strains to global supply chains, the start of geopolitical tensions with the Ukraine invasion by Russia and strong inventory cycles in usually stable end markets. The stock price moves have been the testament of such volatility, having more than doubled to €17.4 in the first 7 months after IPO down to the lows of €3.0 in 3Q22 to the current €6.0 per share. As we will discuss later, GVS's end markets are structurally growing in the long term and offer a good and thriving competitive environment. **To understand and rate GVS means, we need to answer a few very important questions: what are the normal features of GVS business model once we exit the 2020/2023 period? Can GVS show its past steady organic growth and high margins and returns? Can GVS business model be considered a quality one? We believe so and we will show this through our research work.**

Exhibit 7

Revenue breakdown by geographical region



Source: Refinitiv, Company Data, Team Estimates

Exhibit 8

GVS's products for each division

	Sub division	Main applications	% on Revenues	Production plant
HC&LS	Healthcare Liquid	Infusion, Haemodialysis, Blood Transfusion	53%	🇮🇹 🇨🇳 🇲🇽 🇺🇸 🇵🇷 🇧🇷 🇷🇴
	Healthcare Air&Gas	Breathing Systems Filters, Device Filters, Laparoscopy Filters / Kits, Spirometry Sets	7%	🇧🇷 🇨🇳 🇲🇽 🇬🇧 🇷🇴
	Laboratory	Microfiltration, Ultrafiltration, Vacuum Filtration, Cell Culture	8%	🇮🇹 🇲🇽 🇺🇸 🇧🇷 🇷🇴
E&M	Powertrain & Drivetrain	Fuel system management, SCR urea systems	7%	🇮🇹 🇨🇳 🇲🇽 🇺🇸 🇧🇷 🇷🇴
	Safety & Electronics	Brakes, Ventilation, Transmission and steering, Air management (cabin and engine air), E-Axle, Battery vent anti-explosion	5%	🇮🇹 🇲🇽 🇺🇸 🇨🇳 🇷🇴
	Sports & Utility	Fuel, air and powertrain management for racing, tractors/agriculture, recreational vehicles, marine	4%	🇺🇸 🇲🇽
H&S	Personal Safety	Industrial Protection, Biohazard/ Viral Protection	16%	🇬🇧 🇨🇳 🇲🇽 🇺🇸 🇧🇷 🇷🇴
	Air Safety	Building Filtration, Industrial Application, Appliance Air Filtration	1%	🇬🇧 🇨🇳 🇲🇽 🇷🇴

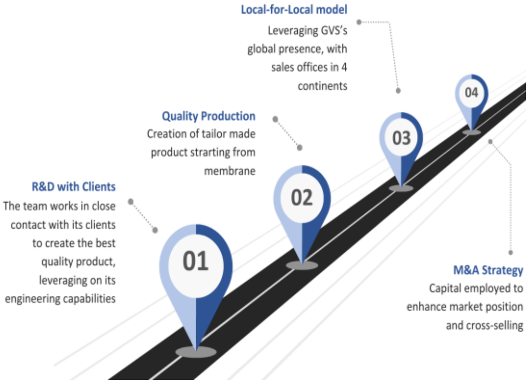
Source: Grand View Research, Company Data, Team Estimates

Corporate Strategy

GVS envisions a world where well-being and safety thrive in regulated environments, shaping its strategic approach to fortify its leading market position in specific niches and enter new ones. The company employs a multifaceted strategy to be a winner. A distinctive focus on **(I) Vertical integration**. GVS sets itself apart by focusing on the production of the membrane, a critical component for filters across various industries. This strategic decision positions GVS uniquely in the market, as only a small percentage of its competitors engage in the production of this crucial element. Robust **(II) R&D activities and quality obsession**. A cornerstone of GVS's strategy is its commitment to growth and innovation. The company channels substantial know-how into its products through its research labs, collaborating with clients, renowned hospital labs, and academic institutions. This innovation-oriented approach empowers GVS to stay at the forefront of technology. GVS is dedicated to offering tailor-made products, engaging with customers from conception and design to validation and mass production. Despite its relatively smaller size compared to industry giants, GVS leverages its R&D capabilities to produce zero-defect, fully customizable products. This commitment has fostered strong customer loyalty, even from established companies like Baxter, client for longer than 20 years. **(III) Local-for-local model with global presence**. GVS has established a global footprint with its local-for-local approach, ensuring continuity of supply and close proximity to customers. Past acquisitions have played a pivotal role in enabling GVS to penetrate emerging markets, particularly in the APAC region. Focus on bolt on **(IV) M&A**. GVS boasts a commendable track record of 17 successful M&A transactions spanning over the last 13 years, strategically executed in key regions like China, the UK, and North America. These transactions have not only enhanced GVS's market position but have also generated cross selling synergies, fostering horizontal and vertical integration, geographical expansion, and operational efficiency. **By seamlessly integrating these strategic pillars, GVS aligns its operations with a vision that prioritizes excellence, innovation, and a customer-centric approach, reinforcing its position as a key player in the filtration technology sector.**

Exhibit 9

GVS's Corporate Strategy



Source: Team Analysis

Exhibit 10

Board composition

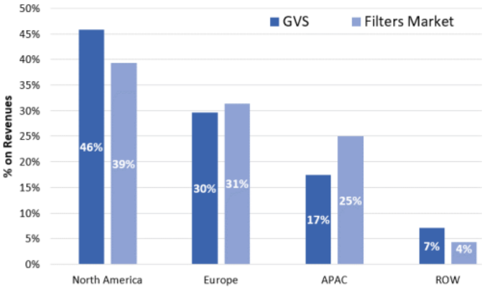
Name	Role	Independent
Massimo Scagliarini	CEO & Director	✗
Marco Scagliarini	Non executive Director	✗
Grazia Valentini	Non executive Director	✗
Marco Pacini	Non executive Director	✗
Alessandro Nasi	Chiarman	✓
Pietro Cordova	Independent Director	✓
Anna Tanganelli	Independent Director	✓
Michela Schizzi	Independent Director	✓
Simona Scarpaleggia	Independent Director	✓

Source: Team Analysis

Industry Overview and Competitive Positioning

Exhibit 11

2023E GVS vs Filter market geographical breakdown



Source: Grand View Research, Company Data, Team Estimates

Exhibit 12

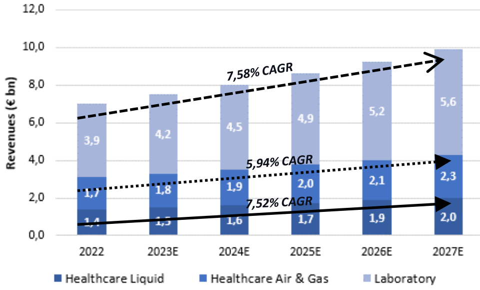
GVS's markets: expected market size and CAGRs

Market size ($bln)	2022	2027E	22/27 CAGR
Healthcare & Life Science	7,0	9,9	***7,18%***
Energy & Mobility	25,0	29,8	***3,58%***
Health & Safety	23,3	34,3	***8,00%***

Source: Grand View Research, Statista, Report Prime, Precedence Research

Exhibit 13

Healthcare and Life Science total GVS' addressable market



Source: Report Prime, Precedence Research, Company Data, Team Estimates

Exhibit 14

EV: more than 1.5x filters content per vehicle

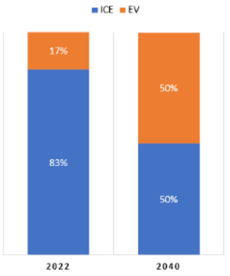
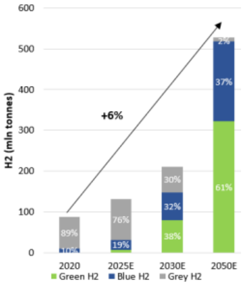


Exhibit 15

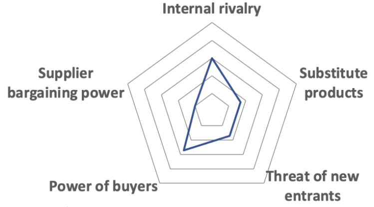
H2 electrolyzers: a nascent opportunity



Source: De Nora's IPO Prospectus, Statista, Goldman Sachs, Team Estimates

Exhibit 16

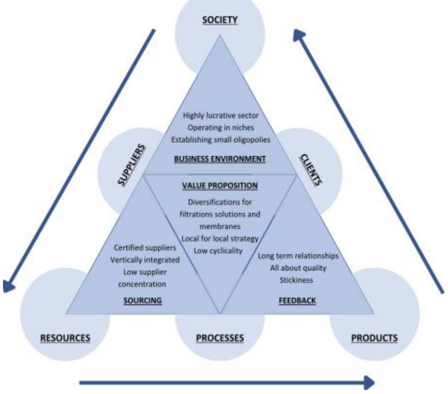
Porter's Five Forces analysis



Source: Team Estimates

Exhibit 17

Value Proposition Pyramid



Source: Team and Faculty Estimates

Market Size and Industry Trends

The global filters industry demonstrates robust potential with an estimated market size of $79.2bln in 2023, poised to reach $112.9bln by 2030, **expected to grow at a CAGR of 5.2%** from 2023 to 2030 *(Grand View Research)*. **The industry is vast, but in reality is characterised by strong fragmentation**, encompassing various niches. North America and Europe represent the primary markets, contributing 39% and 31% of total revenues (Exhibit 11), respectively, while the Asia-Pacific (APAC) is around 25%. **GVS seems a small player with just 0.5% market share (2023E rev of €426.8mln)** compared to the overall market, but **the company boasts strong positions in the niches where it focuses** (e.g. 11% mkt shr. in Haemodialysis, 9% in Breathing Systems and Devices, 8% in Filters for ABS Braking Systems according to *IPO prospectus*). **HC&LS is GVS's main reference market**, and where the company shows stronger leadership. **HC&LS market was worth $7.2bln in 2022 and is forecast to grow by 2027 with a 7.2% CAGR** (*Report Prime, Precedence Research*). GVS has a much smaller market share compared to overall market, but has larger power in high-end niches in **E&M (€25bln in 2022, 3.6% Exp. 22/27 CAGR;** *Statista, Grand View Research: Global Automotive filter market*) and **H&S markets (€23.3bln, 8.0% Exp. 22/27 CAGR;** *Statista: Global Personal Protective Equipment market; Business Fortune Insights: Protective Face Mask market*). **The expected growth in the industry is driven by supportive secular trends**: **(I) Technological Innovations.** Rising demand for **innovative solutions** for dialysis and infusion procedures, as well as for anesthesia and homecare breathing systems in HC&LS. **Electrification of vehicles** (filter content in EVs is higher than in ICE) and **hydrogen production** (eletrolyzers capacity seen 5.0x by 2050) are creating opportunities for further membrane and filtration solutions (e.g. gas separator and battery membranes, air management and collant particle filters) in E&M. **(II) Environmental sustainability and stringent regulations.** Increasing environmental concerns and a global focus on sustainability regulations are driving the demand for advanced filter solutions that **enhance energy efficiency** and **reduce environmental impact**. This trend is particularly evident in industries such as Healthcare, Laboratories, and Automotive, where there is a growing emphasis on meeting **stringent regulations** related to **quality control** and **emissions**. The shift **from single-use masks to reusable, more efficient models** is part of this trend, accompanied by a heightened **focus on biological risk management** after the Covid-19 pandemic. **(III) Ageing population and Healthcare expenditure.** The **ageing population**, increasing at an unprecedented pace, is a crucial factor influencing the markets in which GVS operates. As highlighted by the ***WHO***, this demographic shift is compelling **health systems to prepare for the challenges associated with an older population**. This preparation includes an **increase in health expenditure**, particularly in segments like HC&LS.

Industry Attractiveness

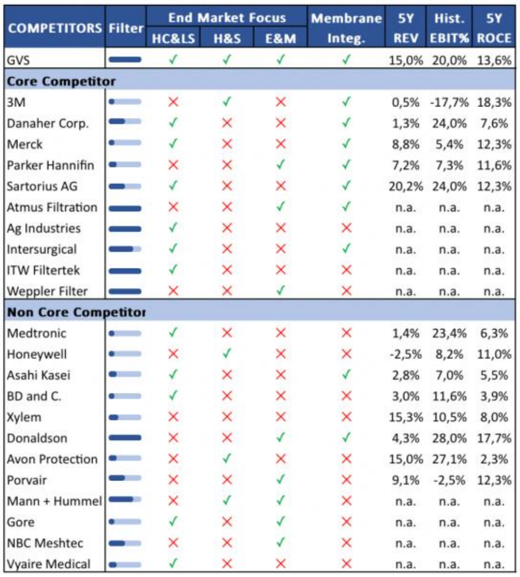
GVS's competitive arena has many positive attributes. We explored GVS competitive positioning and strategic decision-making process through some highly effective tools. First a **Porter model provides valuable perspectives on GVS's competitive arena and highlights its positive attributes**: filter sector is made of many different oligopolistic niches that allow strong returns. **(I) Internal Rivalry: MODERATE**. **GVS's core component, the membrane**, **has limited competitors**, and the filter market's numerous niches result in fragmentation. The competitive landscape is distinct in each division, with no direct competitor operating across all three simultaneously. In each niche, GVS stands out by offering custom-made, critical and high value products, creating a higher cost for customers to switch manufacturers. Recognised competitors in the Healthcare sector include 3M, Danaher, Sartorius, Parker Hannifin, and Donaldson. **(II) Substitute Products: LOW**. In HC&LS and E&M **tailored products**, constant co-development with clients, coupled with efficient engineering, make substitutes challenging. GVS's agility allows cost-effective, large-quantity, high-quality deliveries. Product substitution risk is higher in H&S except in high safety hospital or hazardous environment masks where technical quality and brand are crucial. **(III) Threat of New Entrants: LOW**. **High barriers**, driven by stringent regulations on quality and safety and wide presence of patents, **create challenges for new entrants** in GVS's highly regulated niches. **(IV) Power of Buyers: MODERATE**. Client concentration is very low. In HC&S and E&M the need for zero-defect product, customization of low volumes batches, co-development of innovation for filter components that are of low unitary value but are critical into a high-value client product, **creates a long-lasting and sticky client/supplier relationship**. Filter manufacturers risk their client relationship mainly when they fail on safety and quality. In H&S, brand of product becomes important as the market is mainly B2C. **(V) Supplier Bargaining Power: LOW**. **GVS's process is highly vertically integrated**; even though there are a few high-risk suppliers on particular polymer products, the majority of purchases are on widely available materials that GVS processes. GVS has a large number of suppliers: there is no believable threat of downstream integration.

A Value Proposition analysis assesses how a company leverages these forces to differentiate its value within the competitive arena. We conduct this examination using a **specialised analysis model** developed by a faculty professor at our university, **emphasizing long-term value-creation potential. GVS positioning in its competitive arena scores as highly value accretive**. The model analyzes 4 drivers: **(I) Business environment: What markets does GVS operate in?** As seen, GVS excels in a **highly lucrative sector** characterised by substantial profit margins and captivating products, showcasing exceptional proficiency in delivering high-quality solutions. It strategically navigates the evolving business landscape by capitalising on the growing trend of **operating in niches**, thereby **establishing small oligopolies** and reinforcing its position as a leader in the industry. **(II) Value proposition: What does GVS offer, and what are the distinctive elements?** GVS shows itself as a strong company with the focus on **diversification for filtration solutions,** and especially for the production of the **membrane, key distinctive element of each filter solution**. This **innovative company boasts a global R&D** focus with seven research centers, dedicating on average 7% of turnover to capital expenses. **Prioritising quality and safety, they collaborate with clients in product development**, manage all production phases internally, ensuring total quality control.

Exhibit 18
GVS's presence in the world

Source: Company Data

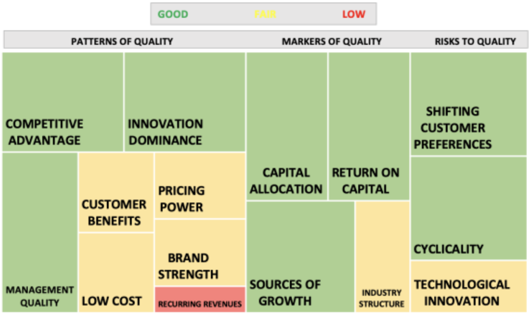
Exhibit 19
GVS Competitive Positioning



COMPETITORS	Filter	End Market Focus			Membrane	5Y	Hist.	5Y
		HC&LS	H&S	E&M	Integ.	REV	EBIT%	ROCE
GVS		✓	✓	✓	✓	15,0%	20,0%	13,6%
Core Competitor								
3M		✗	✓	✗	✓	0,5%	-17,7%	18,3%
Danaher Corp.		✓	✗	✗	✓	1,3%	24,0%	7,6%
Merck		✓	✗	✗	✓	8,8%	5,4%	12,3%
Parker Hannifin		✗	✗	✓	✓	7,2%	7,3%	11,6%
Sartorius AG		✓	✗	✗	✓	20,2%	24,0%	12,3%
Atmus Filtration		✗	✗	✓	✓	n.a.	n.a.	n.a.
Ag Industries		✓	✗	✗	✗	n.a.	n.a.	n.a.
Intersurgical		✓	✗	✗	✓	n.a.	n.a.	n.a.
ITW Filtertek		✓	✗	✗	✗	n.a.	n.a.	n.a.
Weppler Filter		✗	✗	✓	✗	n.a.	n.a.	n.a.
Non Core Competitor								
Medtronic		✓	✗	✗	✗	1,4%	23,4%	6,3%
Honeywell		✗	✓	✗	✗	-2,5%	8,2%	11,0%
Asahi Kasei		✓	✗	✗	✓	2,8%	7,0%	5,5%
BD and C.		✓	✗	✗	✗	3,0%	11,6%	3,9%
Xylem		✗	✗	✗	✗	15,3%	10,5%	8,0%
Donaldson		✗	✗	✓	✓	4,3%	28,0%	17,7%
Avon Protection		✗	✓	✗	✗	15,0%	27,1%	2,3%
Porvair		✗	✗	✓	✗	9,1%	-2,5%	12,3%
Mann + Hummel		✗	✓	✓	✗	n.a.	n.a.	n.a.
Gore		✓	✗	✓	✗	n.a.	n.a.	n.a.
NBC Meshtec		✗	✗	✓	✗	n.a.	n.a.	n.a.
Vyaire Medical		✓	✗	✗	✗	n.a.	n.a.	n.a.

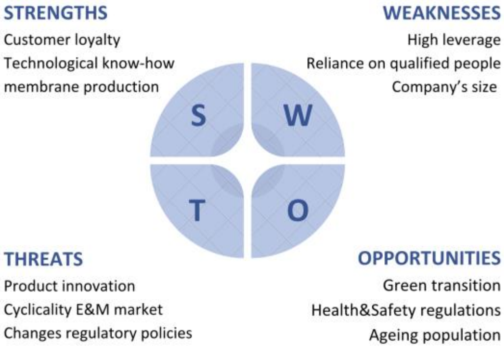
Source: Refinitiv, Competitors' Data, Team Estimates

Exhibit 20
Quality investing: GVS's indicators



Source: Team Estimates

Exhibit 21
SWOT Analysis



STRENGTHS
Customer loyalty
Technological know-how
membrane production

WEAKNESSES
High leverage
Reliance on qualified people
Company's size

THREATS
Product innovation
Cyclicality E&M market
Changes regulatory policies

OPPORTUNITIES
Green transition
Health&Safety regulations
Ageing population

Source: Team Analysis

An 85% **local-for-local strategy** minimises risks through different production sites. Their products meet global standards, holding CE marking for Europe, FDA for the USA, and other registrations worldwide. Despite ST healthcare order visibility (2-3 months), the automotive sector faces longer cycles (6 months). The HC&LS division and H&S for the hospital end market products exhibit **low cyclicality**, unaffected by economic shifts, while the E&M division and part of H&S for the industrial sector are more sensitive to economic fluctuations. **(III) Sourcing**: **How do GVS source raw materials from suppliers, and what supply chain channels can be employed to deliver the product or service efficiently and effectively?** Suppliers are meticulously chosen based on their internal **R&D capabilities and ISO certifications**, ensuring a guarantee of high-quality materials. GVS is **vertically integrated and adopts the highest quality ISO standard** in its manufacturing process. Raw material acquisitions are preferably sourced locally whenever feasible, aligning with a commitment to support local economies. **Risk of excessive supplier** influence **is mitigated by low supplier concentration**, where the largest supplier constitutes 4.1% of raw material purchases. This approach safeguards contractual vulnerabilities and underscores a commitment to diversity and resilience in the supply chain. **(IV) Feedback: How do customers validate the goodness of value proposition? GVS cultivates LT relationships with a dispersed client base** (in 2019, the top client represented 5.1% of revenue, with top 10 income sources accounting just for 31.1% because GVS serves over 4,600 customers). **Clients are extremely loyal, testament of client perception of GVS proposition**. In the 74% of sales sold via B2B OEM channel (HC&LS and E&M), GVS lists client relationship lasting more than 25 years (e.g. Baxter). In the remaining 26% of sales, distributed via B2C channels (H&S, third-party distributors), average contracts last 2-3 years. In these segments GVS boasts strong brand awareness among end users (industrial with GVS masks and Hospital via RPB brand). Market research in 2020 revealed GVS Group's market shares in Healthcare (10.7%) and Automotive (18.7%).

Competitive positioning

Analysis of GVS's competitive position (Exhibit 19) **highlights the good characteristics of the competitive environment as well as the ability of GVS to excel: (I) Fragmented market**: many filter competitors are part of bigger diversified conglomerates. GVS, albeit smaller, is 100% focused on filters. Market is characterised by different small niches, as shown by few cases of direct competition with GVS among companies in the analysis. **(II) Geographical exposure**: GVS is among players with global reach with a local-for-local approach (Appendix 17). **(III) End market exposure:** GVS has, via M&A, diversified into different end markets, while few competitors are more specialised. **(IV) Vertical Integration in membrane production:** GVS is among the few integrated players, which is a competitive advantage. **(V) M&A:** all companies have grown via M&A, testament that the market is made up of solid niches with high barriers to entry from greenfield. GVS has grown historically via acquisitions. **(VI) Structural solid market growth**: GVS, likewise peers, has shown relevant historical growth. **(VII) High-quality competitive environment** (exposure to oligopolistic niches with strong barriers): many peers show high historical marginality and returns. GVS is among companies who shows focus on higher quality niches (mid-teens ROIC, low 20s normalised EBIT margins).

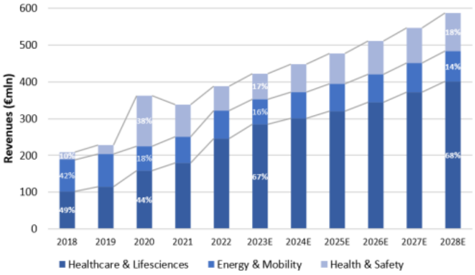
These factors not only position GVS favorably within the market but also **align with the principles of Lawrence A. Cunningham's** "Quality Investing." **We assess that GVS has all the characteristics of a Quality Growth business model** (Appendix 17): this analysis aims to discern **key elements** contributing to **GVS's quality and market positioning**. The three main categories analysed are: **(I) Markers of Quality.** GVS shows mid-high teens normalized returns (ROIC incl gdw of 18.5% before Covid), above 27% Adj. EBITDAm%, and low capex needs; HSD growth with low cyclicality proof of its competitive positioning. **(II) Patterns of Quality.** GVS competitive advantages are rooted in **a) its vertical integration** in the critical membrane material, leveraging IPs, patents, and certifications; **b) the company excels in direct distribution**, particularly in HC&LS and E&M, with a measured reliance on distributors in H&S. GVS's commitment to innovation is evident through its R&D-led approach, customer co-development, and substantial investment in proprietary innovation (average 7% of turnover to capital expenses with 7 global centers); **c) family ownership** fosters LT thinking, and the absence of a superstar culture, coupled with a candid acknowledgment of market challenges, highlights the company's commitment to responsible innovation, ecological transition, and value creation for employees. **(III) Risks to Quality.** GVS faces minimal risks to quality due to its client-focused co-development model, fostering loyalty through quasi-tailor-made products. The high proprietary IP content and regulatory qualifications further solidify GVS's collaborative relationships with clients. In technological innovation, the pace is more gradual than structural, reducing the danger of rapid obsolescence by end customers.

SWOT Analysis

(I) Strengths: GVS leverages strong customer loyalty and a diversified base, fostering LT relationships. **Value creation is driven by technological know-how** and client co-developed innovation, with over 25% of revenues from patented products. The high IP content across GVS's portfolio, spanning from proprietary membranes to finished products, necessitates vigilant monitoring of market developments to avoid obsolescence or non-compliance with regulations. **(II) Weaknesses**: the financial burden post-strategic investments, reflected in the non-adjusted **NFP/EBITDA ratio of 5.6x in 2022, limits GVS's M&A growth strategy**. GVS relies on qualified personnel in R&D and technical manufacturing. The availability of key workers could limit growth. In H&S, GVS's size is much smaller than its major peers (3M). **(III) Opportunities**: in the cyclical E&M segment, GVS identifies a significant **opportunity amid the Green Revolution**. Vehicle electrification presents avenues for growth, including battery separators, ventilation and lighting membranes, and advanced cabin air filters for electric vehicles. GVS is at an early stage of R&D of gas separator membranes for green hydrogen. The global green hydrogen economy is estimated to show a 40.6% CAGR from 2023 to 2032 *(Statista, Grand View Research)*. HC&LS trends are supported by the ageing global population, leading to an increase in chronic diseases. **(IV) Threats**: changes in regulatory policies in different markets could create issues on product suitability. **Technological evolution** is one of the differentiating factors and, despite continuous investment by the company (6%), GVS's solutions are at risk of becoming obsolete with new technologies. Out of the 3 GVS sectors, while HC&LS and H&S show more stable growth, E&M (15.9% of revenues) is a more cyclical end market.

Exhibit 24

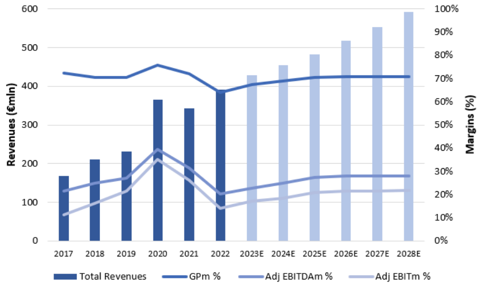
Revenue breakdown by Division



Source: Refinitiv, Company Data, Team Estimates

Exhibit 25

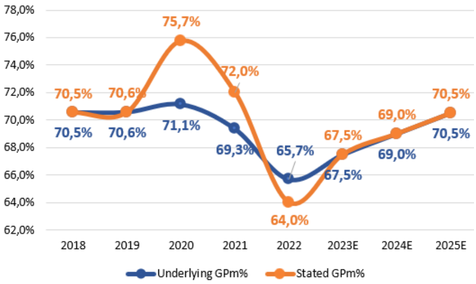
Revenues and Margins



Source: Refinitiv, Company Data, Team Estimates

Exhibit 26

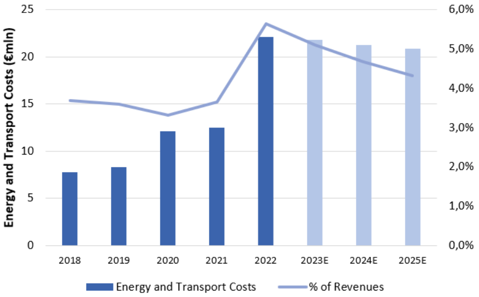
Gross Profit margin: Stated vs Underlying (excl. Covid & non-recurring)



Source: Company Data, Team Estimates

Exhibit 27

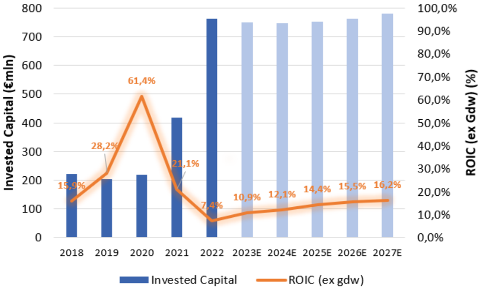
Energy and Transport Costs



Source: Refinitiv, Company Data, Team Estimates

Exhibit 28

ROIC (excluding Goodwill) vs Invested Capital



Source: Refinitiv, Company Data, Team Estimates

Exhibit 29

Working Capital and Capex

	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Tot. Working Capital	**62**	**45**	**46**	**99**	**108**	**104**	**101**	**100**	**104**	**112**
WC/Revenues %	*29,2%*	*19,4%*	*12,6%*	*28,9%*	*27,6%*	*24,2%*	*22,2%*	*20,7%*	*20,2%*	*20,2%*
Net Capex	**-13**	**-9**	**-31**	**-16**	**-23**	**-28**	**-30**	**-31**	**-28**	**-30**
Capex/Revenues %	*-6,2%*	*-3,8%*	*-8,4%*	*-4,7%*	*-5,8%*	*-6,4%*	*-6,5%*	*-6,5%*	*-5,5%*	*-5,5%*

Source: Refinitiv, Company Data, Team Estimates

The last 5 years in the global economy have been one of the most volatile, due to the explosion of Covid-19 in 2020, the strong macro upswing following the end of the lockdowns that created global supply chain strains and the surge of inflation, and, last but not least, the geopolitical tensions following the Ukraine war in 2022 causing wild energy price swings. GVS itself added to the volatility with an ill-timed M&A campaign leveraging the company in 2021. **What is a normal picture of GVS financials?** In the past 5 years growth has swung organically between +54.3% in 2020 to negative -24.1% in 2022. GPm%, close to 70% in the past, has swung to 75% in 2020 and below 65% in 2022. Adj. EBITm% fluctuated between 35.2% in 2020 and 14% in 2023. **We believe it is key to assess what are the normalised KPIs of GVS's business model to value the stock properly.**

Exhibit 22

Revenue by Division

Revenue by Division (€mln)	2018	2019	2020	H1	H2	2021	H1	H2	2022	H1	H2E	2023E
Healthcare & Lifesciences	**101,5**	**115,1**	**159,1**	**94,1**	**86,2**	**180,3**	**95,5**	**149,9**	**245,4**	**144,9**	**140,1**	**285,0**
Growth	**6,9%**	**13,5%**	**38,2%**	**38,4%**	**-5,4%**	**13,3%**	**1,5%**	**73,8%**	**36,1%**	**51,7%**	**-6,5%**	**16,1%**
Organic %	*6,9%*	*13,5%*	*28,6%*	*22,2%*	*-5,4%*	*6,4%*	*-10,6%*	*0,1%*	*-5,5%*	*-9,6%*	*-6,5%*	*-8,1%*
M&A %	*0,0%*	*0,0%*	*9,6%*	*16,2%*	*0,0%*	*6,9%*	*12,1%*	*73,8%*	*41,6%*	*61,4%*	*0,0%*	*24,2%*
Energy & Mobility	**87,1**	**88,3**	**65,2**	**39,0**	**31,7**	**70,7**	**38,9**	**38,3**	**77,3**	**34,1**	**32,9**	**67,0**
Growth	**66,9%**	**1,3%**	**-26,2%**	**26,2%**	**-7,5%**	**8,5%**	**-0,3%**	**20,9%**	**9,4%**	**-12,3%**	**-14,0%**	**-13,3%**
Organic %	*66,9%*	*1,3%*	*-26,2%*	*26,2%*	*-7,5%*	*8,5%*	*-0,3%*	*20,9%*	*9,3%*	*-12,3%*	*-14,0%*	*-13,3%*
M&A %	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Health & Safety	**20,3**	**24,0**	**139,0**	**56,6**	**30,5**	**87,1**	**32,2**	**32,7**	**64,9**	**34,4**	**36,6**	**71,0**
Growth	**14,7%**	**18,2%**	**479,4%**	**19,4%**	**-66,7%**	**-37,3%**	**-43,1%**	**7,2%**	**-25,5%**	**6,8%**	**11,9%**	**9,4%**
Organic %	*14,7%*	*18,2%*	*62,6%*	*-81,9%*	*-84,0%*	*-11,3%*	*12,2%*	*-4,7%*	*6,3%*	*6,8%*	*11,9%*	*9,4%*
M&A %	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*14,0%*	*9,2%*	*29,5%*	*21,6%*	*26,8%*	*0,0%*	*0,0%*	*0,0%*

Source: Company Data, Team Estimates

Exhibit 23

Revenue Growth Decomposition

Revenue Growth (€mln and %)	2018	2019	2020	H1	H2	2021	H1	H2	2022	H1	H2E	2023E
Total Revenues	**208,9**	**227,4**	**363,3**	**189,7**	**148,4**	**338,1**	**166,6**	**221,0**	**387,6**	**213,4**	**209,6**	**423,0**
Growth	26,0%	8,9%	59,7%	29,7%	-31,6%	-6,9%	-12,2%	48,9%	14,6%	28,07%	-5,15%	9,13%
Organic Growth Pre Forex (Est)	***4,8%***	***6,4%***	***54,3%***	***24,1%***	***-42,0%***	***-14,8%***	***-32,5%***	***-4,9%***	***-24,1%***	***-5,7%***	***-2,5%***	***-3,2%***
o.w. Underlying Organic (Est)			*-10,0%*	*14,1%*	*23,0%*	*20,5%*	*4,8%*	*0,1%*	*0,8%*	*-5,7%*	*-2,5%*	*-3,2%*
o.w. Covid Masks and Other Covid Impact			*64,3%*	*10,0%*	*-65,0%*	*-35,3%*	*-37,3%*	*-5,0%*	*-24,9%*	*0,0%*	*0,0%*	*0,0%*
M&A Growth (Est)	***23,0%***	***0,0%***	***6,7%***	***7,5%***	***8,4%***	***7,9%***	***14,8%***	***47,3%***	***32,9%***	***34,1%***	***0,0%***	***14,3%***
Forex Impact (Est)	***-1,8%***	***2,5%***	***-1,3%***	***-1,9%***	***2,0%***	***0,0%***	***5,6%***	***6,5%***	***5,8%***	***-0,3%***	***-2,6%***	***-1,9%***

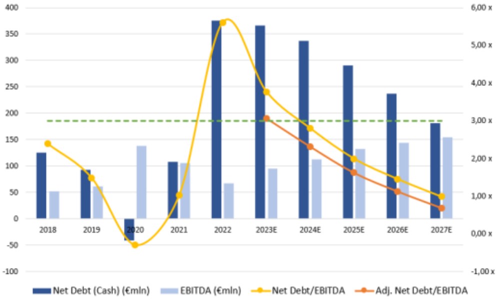
Source: Company Data, Team Estimates

What is normal for GVS? Analysis of 2018-2023

2017-2019: GVS DEMONSTRATING ITS NORMAL BUSINESS MODEL: GVS has shown to be a 27% EBITDA margin company, growing mid-high single-digit organic and generating 15-20% ROIC: the 3 years before Covid (2017-2019) were without major external events and can represent the first example of normal GVS business model trends: **organic growth averaged close to 6%** (which is similar to mid-high single-digit Filter market growth we analysed earlier). Between 2017 and 2018 the company added 14.8% and 23% of sales by acquiring KUSS (E&M division), **Adj. EBITDAm% increased** from 21.5% in 2017, when the company first consolidated Kuss (which had lower margins), **to 27.2% in 2019 after the integration. In 2019 GVS achieved an 18.5% ROIC including the goodwill of past acquisitions,** due to Working Capital of around 19% and average Capex on Sales of 5% (Exhibit 29). **2020-2022 FORM MAJOR COVID BENEFICIARY INTO THE EYES OF THE STORM: GVS experienced a remarkable surge in organic growth in 2020, surpassing 54%,** and redirecting its capacity to the production of Covid masks, contributing to approximately 27.5% of its revenues in 2020 (€100mln) and an additional €15mln from demand for Air filters in the HC&LS division. **This strategic move had a profound impact on the company's economics:** GPm% jumped 570bps to 75.7% and operating leverage led to a record Adj. EBITDAm% at 39.5%. The sharp increase in plant utilisation and business operating leverage played a crucial role in this success with ROIC inc. gdw. that achieved unsustainable levels (43.2%). However, **this unexpected windfall and peak in KPIs quickly transformed into an operational challenge in 2021 and 2022 after a concentration of external negative events coupled with own mistakes:** Covid business disappeared as of 2H21; the end of global lockdown created a sharp global GDP rebound leading to supply chain disruptions in 2021; Ukraine invasion in 2022 hit demand and exacerbated energy costs inflation; GVS ill-timed important M&A in 2021/22, levering the Balance Sheet just ahead of rate rises. **In 2021 and 2022, GVS faced a slew of adverse trends: overall organic growth posted a -14.8% in 2021 and -24.1% in 2022** as Covid-related business disappearance had a stronger negative impact than the recovery of ex covid business starting in 2021 (+20% in 2021 after the lockdown reopening). The company was able to grow at a consolidated level only as it acquired 3 companies (RPB, STT and Haemotronics) between 1H21 and 1H22 adding around 33% to 2022. **Such strong volatility in sales affected margins considerably:** 1) GPm% contracted by 375bps in 2021, and more in 2022 reaching a low of 64.0%. The loss of higher margins Masks revenues was compounded by the impact of higher raw materials starting in 2H21 (360bps contraction of the ex-Covid Underlying GPm% starting in 2H21) (Exhibit 26). EBITDA margins dropped to 31.5% in 2021 and 20.2% in 2022 as negative operating leverage kicked in numerous GVS plants (including those acquired in 2021 and 2022 with RPB, STT and Haemotronics) were left empty as the company still had to start its M&A integration process and had to respond to the sharp drop of masks volumes. On top of this, energy and transport costs increased from 3.2% of revenues in 1H 2021 to 6.5% by 2H22 (Exhibit 27). **GVS returns cratered: ROIC inc. gdw. contracted to 5.0% in 2022 from the normalised 11% of 2018** exacerbated by the increase in working capital (from 12.6% of revenues in 2020 to 27.6% in 2022) as the company had to increase inventory to manage the strains in global supply chains and the higher goodwill from acquisitions (Exhibit 29).

Exhibit 30

Historical Net Debt Position



Source: Refinitiv, Company Data, Team Estimates

Exhibit 31

GVS's markets revenue growth projections

Market segment	GVS's segment	CAGR (22-27)	CAGR (weighted)
Global Filters Market	Global Filters	5,15%	
Healthcare & Life Science	Healthcare Liquid	7,52%	***7,36%***
	Healthcare Air & Gas	5,95%	
	Laboratory	7,59%	
Energy & Mobility	Powertrain & Drivetrain Sport & Utility	3,18%	**3,73%**
	Safety & Electronics	5,48%	
Health & Safety	Personal Safety	7,41%	**7,51%**
	Air Safety	8,51%	
GVS end markets blended expected growth			***6,81%***

Source: Grand View Research, Report Prime, Precedence Research, Statista, Team Estimates

Exhibit 32

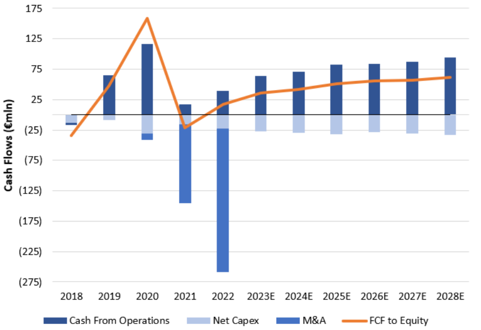
Competitors' comments on destocking

Company	Destocking	*Source*
Danaher	"Destocking persists through Q2: major pharmaceuticals reduce pandemic-built inventory, while emerging biotech remains cautious, conserving capital."	*Q2 2023*
Sartorius	"In Bioprocess solutions ongoing destocking: demand recovery visible since end of Q3, but progressing slower than expected."	*9M 2023*
Becton	"The Life Sciences segment's revenues in Q3 of 2023 reflected the current-year impact of U.S. distributors' destocking of specimen management products."	*Q3 2023*
3M	"Healthcare: normalization of post-COVID related biopharma demand."	*Q3 2023*
Merck	"The Process Solutions business unit saw an organic decrease in sales in the first nine months of 2023 (...) driven mainly by the effects of destocking by key customers."	*Q3 2023*
Asahi Kasei	"Operating income decrease due to inventory adjustments by customers."	*Q2 2023*
Sartorius	"[...] customers are further advanced in optimising their inventories. Business has thus picked up since the third quarter, and we expect this trend to gradually intensify in the course of 2024"	*FY2023 26/01/2024*

Source: GVS' Competitors' Financial Presentations

Exhibit 33

GVS Cash Flows



Source: Company Data, Team Estimates

Exhibit 34

GVS's last years M&A Analysis

RPB	M&A YEAR	TODAY
EV Paid (mln)	**129,2**	
Year	2021	2023
Revenues (mln)	31,7	47,5
Margin (%)	37,9%	50,5%
EV/EBITDA	**10,8**	**7,0**

HAEMOTRONICS	M&A YEAR	TODAY
EV Paid (mln)	**212**	
Year	2022	2023
Revenues (mln)	70,4	109,5
Margin (%)	20,0%	21,0%
EV/EBITDA	**15,0**	**11,0**

STT-Laishi	M&A YEAR	TODAY
EV Paid (mln)	**50,6**	
Year	2022	2023
Revenues (mln)	23,7	25
Margin (%)	10,1%	20,0%
EV/EBITDA	**21,1**	**9,0**

Source: Refinitiv, Company Data, Team Estimates

2023: Still raining but at least we have an umbrella: seeding for normalisation

After such a messy 2 years, it is clear that the market would start doubting the quality of the business model: a) margins and return contracted to very low levels b) the company was not able to show its pricing power as soon as inflation hit c) organic growth was extremely volatile and d) to add salt to the wound the high leverage (5.6x Net Debt/Ebitda in 2022) (Exhibit 30) led GVS to breach bank covenants and raised questions on the management ability to perform M&A and e) 1H23 lagged Covid effects led to a negative surprise in HC&LS with destocking from clients citing extraordinary orders in 21/22 at the surge of supply chains issue. **However, it was between the end of 2022 and the beginning of 2023 that we spotted the first signals of GVS responding: (I) the controlling family showed its commitment** to the company by subscribing to a shareholders' loan at the end of 2022 to avoid a higher spread on bank interest rates after the potential breach of covenants. The Scagliarini Family has conceded a €75mln loan at a rate 100bps lower than 6 months Euribor. The cash is reinvested in an escrow account (earning market rates) and, if used by the company, it will mean the family will not receive any interest on the loan. We believe that the Scagliarini Family has shown its belief in LT company strategy and in the ability to recover correct margins leading to a fast deleverage potential of the company, as shown other times in the past. **(II) GVS showed that its Pricing Power was intact, although with a lag:** a series of list price increases (total of circa 5%) confirmed GVS's ability to recover its GPm%. In 1H23 GPm% grew to 400bps, from the 63.3% registered in 2H22, setting the company on track to achieve past levels again (70%). **(III) Management focused back on Operational Efficiency and M&A Integration:** GVS eventually started its integration and rationalisation plan targeting a reduction from initial 18 plants, concentrating US manufacturing set up in Findlay, while shifting volumes from the US and Puerto Rico to Mexico and concentrating the Chinese capacity in only 2 plants. We estimate also a around 10% reduction in fixed costs absorption.

2023-25 Normalisation at last. 2026 onwards at full steam

In September 2023, management set 2025 financial targets to bring GVS back to its normalised potential: **(I) Return to organic revenues CAGR of 5%** to €473mln, driven by new product launches following the restarted post covid co-development initiatives with clients. **(II) Full recovery of potential margins**: EBITDA margins guided to 27/28% by 2025, after the completion of the integration process concerning the recent acquisitions. **(III) Sharp de-leverage**: Adj. Leverage ratio (excluding €75mln Shareholder's loans) down to 1.2x to circa €165mln in 2025 from the €275mln estimated by GVS for 2023. **(IV) A holiday from new M&A** until it reaches a 1.3x adj. leverage ratio.

We believe GVS will have recovered its normalised financial KPIs by 2025 and will be able to restart MHSD organic growth coupled with renewed M&A as of 2026.

We are aligned to guidance on 2023 while we are above on 2025 estimates at 2% above consensus on revenues, 3% on EBITDA and 11% on Adj. EPS. We see management's guidance as particularly conservative as there are reasons for stronger organic revenue growth: (I) GVS has not included pricing effect while in history it has always been close to 3%; (II) the company is increasing membrane capacity in liquid filters in the HC&LS division on products where it was overbooked; (III) organic growth guidance do not include sales synergies from recent acquisitions, which have already shown significant growth, such as RPB masks sold globally and Haemotronics products sold to new GVS clients; (IV) destocking in HC&LS is coming to an end as indicated by Sartorius' CEO Joachim Kreuzburg, on 26/1/2024 (Exhibit 32); (V) E&M division might reap successful research in EVs (Higher filter content per car vs ICE vehicles) and hydrogen products (Electrolysers filters in partnership with global leader DeNora). **We believe GVS will be able to become again highly cash generative.** We 2025, its 27/28% EBITDA margin targets as (I) GPm% trend will normalise around 70%, (average value before the latest shocks); (II) plant re-organization will increase operating leverage and reduce fixed costs by concentrating production in fewer sites; (III) energy and transportation costs will normalise further. We expect strong deleverage by more than €50mln per year to around 2x Net Debt/EBITDA by 2025 (1.62x Adjusted) thanks to Working Capital on Sales normalising to 20.7% in 2025 (its value before the latest shocks) as inventories have already begun to normalise in 3Q23 and new GVS's CFO has adopted new policies on DSO and DPO. **In our estimates, from 2025 onwards, GVS will show again the KPIs of a good quality compounder**: (I) GVS will be able to grow High Single Digit organically at least as the market (5.2%, Exhibit 31) (II) Adj. EBITDAm% 27.5% on revenues will lead to ROIC ex gdw at or above historic 15% and especially ROIC including gdw close to 10%, which are the real indicator of the financial goodness of the business. What about M&A? This deserves a little focus.

M&A Strategy

We need to spend a last word on M&A to understand management's ability to perform GVS's inorganic strategy as the last 3 deals have seen an unlucky timing and created, in 2H22, strong pressure on GVS stock price. **We believe that even with the last deals, the company is creating value.** GVS's M&A journey has been more than a mean of expansion: it's been a core strategy for staying relevant and competitive in the 3 sectors in which GVS operates. With 17 acquisitions since 2009, GVS strategically secured niches and strengthened its competitiveness. Despite the bad timing, given external volatility in 2022, **our analysis shows that the company is achieving high-quality double-digit returns from recent M&A transactions**. After just 2 years of acquisitions, GVS is showing relevant revenues and margin increases in all the 3 companies acquired, **a testament to the ability to choose interesting assets, achieve operating efficiency and generate revenue synergies** (Exhibit 34). While initial multiples appeared full, especially in STT and Haemotronic case, paid respectively 21.1x and 15x EV/EBITDA vs average sector M&A multiples of 15.1x and average historical sector market trading multiple of HC&LS peers of 18.8x, after just 2 years the implied EV/EBITDA multiples paid have fallen substantially thanks to strong top-line growth (Haemotronic and RPP) or margin accretion (RPB and STT) to levels well below GVS trading multiples, signaling value accretion. **We estimate that GVS is earning IRRs above 17.5% under normalised assumptions** (5 years DCFs, adopting average Filter market growth rates of 7.8%, flat 2023 to 2027 EBITDA margins and Exit value estimated using 3 different EV/EBITDA Multiples: GVS 2025 trading multiple, 10 years Avg. Hist. Filter Peers multiple, and Current Filter Peers EV/EBITDA multiple) (Appendix 13).

Exhibit 35

Selected Peers Multiples

	PE 1YFWD (x)	EV/EBITDA (x)		EV/NOPAT (x)	
		2024	2025	2024	2025
Healthcare&Life Science					
DANAHER CORP	29,6 x	22,1 x	22,7 x	27,2 x	26,5 x
SARTORIUS AG-VORZUG	53,1 x	27,7 x	23,3 x	44,2 x	35,2 x
STERIS PLC	22,7 x	n.a.	n.a.	n.a.	n.a.
BAXTER INTERNATIONAL INC	13,2 x	10,4 x	9,6 x	14,2 x	13,2 x
BECTON DICKINSON AND CO	16,9 x	15,0 x	13,9 x	17,0 x	15,5 x
	27,1 x	**18,8 x**	**17,4 x**	**25,7 x**	**22,6 x**
Health&Safety					
3M CO	11,1 x	8,6 x	8,0 x	11,0 x	10,2 x
MSA SAFETY INC	22,0 x	n.a.	n.a.	n.a.	n.a.
AVON PROTECTION PLC	12,7 x	8,9 x	7,8 x	15,9 x	12,7 x
	15,3 x	**8,7 x**	**7,9 x**	**13,5 x**	**11,4 x**
Energy&Mobility					
PARKER HANNIFIN CORP	17,9 x	14,7 x	13,6 x	17,9 x	16,5 x
DONALDSON CO INC	18,0 x	n.a.	n.a.	n.a.	n.a.
PORVAIR PLC	17,9 x	10,6 x	10,2 x	13,6 x	13,1 x
	17,9 x	**12,6 x**	**11,9 x**	**15,7 x**	**14,8 x**
BLENDED MULTIPLES	**23,7x**	**16,1x**	**14,9x**	**22,0x**	**19,5x**

Source: Refinitiv, Company Data, Team Estimates

Exhibit 36

Peers Multiple Valuation

	GVS MULTIPLE		
	2024	**2025**	**AVG**
Peers 1YF PE	**23,7**		
EPS 2024	0,30		
Per Share Valuation	**7,16**		**7,16**

	2024	**2025**	**AVG**
Peers EV/EBITDA	16,1	14,9	
EBITDA	113	133	
EV	1.820	1.984	
(Net Debt) Cash	-316	-265	
Equity	1.504	1.719	
Per Share Valuation	**8,62**	**9,85**	**9,23**

	2024	**2025**	**AVG**
Peers EV/NOPAT	22,0	19,5	
NOPAT	61	73	
EV	1344	1427	
(Net Debt) Cash	-316	-265	
Equity	1028	1162	
Per Share Valuation	**5,89**	**6,66**	**6,27**

	2024	**2025**	**AVG**
Average GVS target	**7,22**	**7,89**	**7,56**

Source: Refinitiv, Company Data, Team Estimates

Exhibit 37

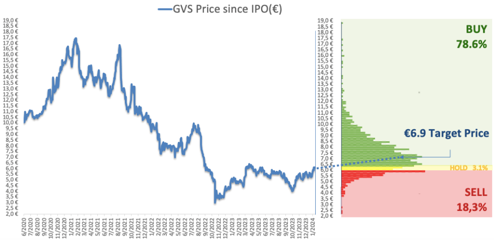
DCF Valuation Sensitivity (WACC and growth rate)

g	WACC						
	6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%
1,52%	8,0	7,1	6,3	5,6	5,1	4,6	4,2
2,02%	8,7	7,6	6,7	6,0	5,4	4,8	4,4
2,52%	9,6	8,3	7,3	6,4	5,7	5,1	4,6
3,02%	10,7	9,1	7,9	6,9	6,1	5,4	4,9
3,52%	12,2	10,2	8,7	7,5	6,6	5,8	5,2
4,02%	14,3	11,7	9,7	8,3	7,2	6,3	5,5
4,52%	17,4	13,7	11,1	9,3	7,9	6,8	6,0

Source: Team Estimates

Exhibit 38

DCF Valuation Monte Carlo analysis



Source: Team Estimates

Exhibit 39

Sector M&A Multiples and Average Trading Multiples

Source: Refinitiv, GVS' Competitors' Financial Presentations, Company Data

We believe that GVS will show its full potential by 2025. But is the market discounting it or is it an opportunity? We think it is an opportunity. Assessing the valuation of GVS proves challenging for market participants due to the absence, over the past five years, of a demonstrable realisation of the normalised potential of the business. We are strong believers in this opportunity and **we set our €7.07 target (17.9% upside)** using a blend of a DCF and a 2024-2025 multiple valuation.

DCF Valuation Price Sensitivity

We think that the best Valuation model that incorporates LT normalised potential is a DCF that gives us €6.91 target, 15.2% above the current price. GVS valuation relies on a Three-Stage DCF model (Annex 09): recovery of historical KPIs in 2024-2025, a second stage in which 2026-2030 shows GVS's full potential in ROCE (above 15.0%) and organic growth (around 7%) while incorporating a third stage fading period to 2033 and a 3% long-term growth rate. DCF highlights a 22% EBITAm% on revenues as a normalised value achievable by GVS in the next analysed years. Terminal value implies a lower EBITAm% of 20% and a ROIC of 15.6% in line with the GVS 2022-2032 average. WACC is already optimised using 2025 2.0x Net Debt/EBITDA. Our **8.1% WACC** does not include neither a penalisation nor a benefit from ESG implications as we rate the company a good one in terms of sustainability.

Peers Multiple Valuation

Using 2024 and 2025 PE EV/EBITDA and EV/NOPAT peer multiples provides a valuation of €7.56 (26.6% upside). This only partially embeds full normalisation as GVS, especially in 2024 has not fully shown its potential yet. GVS discount to peers might integrate a risk premium related to recent GVS issues which we think will be all solved. The team selected peer companies for the multiple valuation (Exhibit 35), based on competitive business models in similar sectors, even if part of larger conglomerates or client businesses with similar top-line dynamics as GVS (Annex 07). We divided peers on their end market exposure and calculated weighted average multiples based on GVS sector exposure on sales.

We find a strong support to our BUY recommendation looking at multiples with a different perspective: we think that the true opportunity lies in sector multiple normalisation. Thus, it's crucial to recognise the influence of the past five years' volatility even on sector multiples. All three subsectors have traded at higher 10-year average multiples than the spot. This is understandable, especially in HC&LS which has gone through a major unexpected destocking in 2023. Using normalised ten-year peers historical average multiples (14.2x) (Exhibit 39) on 2025 normalised GVS data should be a more appropriate method to feel the opportunity if everything goes to plan in GVS and sector trends get back to historic norms. **This approach would show a 59% upside to €9.57 valuation** (Annex 10).

Sensitivity and Monte Carlo

As with every DCF, valuation is extremely sensitive to Terminal value variables. This is especially true as GVS is going to show normal KPIs (growth, returns) only in the medium-long term (TV is 59.9% of our DCF EV). Our target would change +/-13.7% on every 50bps change in WACC and +/-8.2% on every 50bps change in terminal growth. Our terminal value assumes a 20% EBITAm% and a 15% ROIC, lower than in the normalisation and fade period 2026-2033 and back to historical averages. A +-100bps of TV EBITAm% would give a +/-5.8% change to our target.

A Monte Carlo analysis tells us another important point: instead of using a standard Gaussian distribution of outcomes, if we incorporate the strong past 5 years' volatility of the different variables that define ROIC (wider and fatter tails of the distribution of variables we analysed, i.e. Growth% on Revenues, NOPAT% on Revenues, Change in Working Capital and Change in Capex) **we end up with a very wide range of valuation outcomes**. This is a testament that, while normalisation is feasible, it is not without risks. **We think such risks are balanced by the upside potential we have analysed in the context of market multiples normalisation**.

M&A Opportunity

A last silver lining: DCF is not incorporating an important part of GVS's strategy, namely M&A. **We are convinced of GVS's skillful management of M&A, creating value through synergies and operational improvements** as discussed earlier (Exhibit 34). In our assumptions, the company will be again positioned at a favourable Net Debt/EBITDA ratio by the end of 2025, so that it can restart its M&A strategy as of 2026. Under a few market assumptions (Max leverage of 3x Net Debt/EBITDA, average M&A multiple of 15.1x, and past achieved IRRs) (Annex 13), GVS could invest up to €220 million in 2026 and, applying similar cash generation through time, deleverage again in 3 years and buy further companies as early as 2029. A simple DCF shows that future M&A from 2026 to 2029 could create a Net Present Value of nearly €300 million which is a 29% of current market cap and highlights GVS's capability to leverage its financial strength and historical success for future M&A efforts. However, **we don't believe that the market would pay this in advance, waiting first for GVS to show its recovery, especially after the experience of 2021 and 2022.**

Exhibit 40

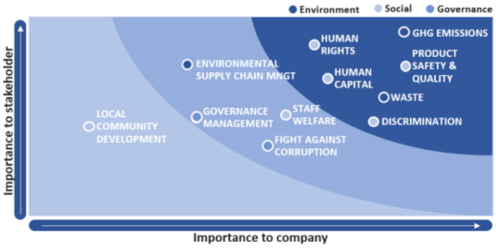
Past M&A Value Creation Analysis

M&A GVS	**RPB**	**STT**	**HAEMOTRONICS**
Acquisition year	2021	2022	2022
EV Paid	129,2	50,6	212,0
GVS 2025 EV/EBITDA	9,7	9,7	9,7
Sector average Hist EV/EBITDA	12,2	18,0	18,0
Sector EV/EBITDA 2024	8,7	18,8	18,8
IRR	20,8%	15,2%	17,3%
AVERAGE IRR	**17,5%**		

Source: Team Estimates

Exhibit 41

GVS materialitv matrix



Source: Company Data, Team Estimates

Exhibit 42

Key ESG metrics

Environment	Social	Governance
Policy Energy Efficiency	Human Rights Policy	CSR Sustainability Committee
Policy Water Efficiency	Salary Gap	Stakeholder Engagement
Environment Management Training	Gender Pay Gap	% Outstanding Shares
Net Emission Target Zero	Average Training Hours	Multiple Voting Rights
Science Based Targets	Training and Development Policy	Shareholder Rights Policy
Water Use To Revenues	Injuries To Million Hours	Board Gender Diversity
Total Energy Use To Revenues	Policy Employee Health & Safety	Independent Board Members
Environmental Supply Chain Management	Net Employment Creation	Board Attendance
Renewable Energy Use Ratio	Women Employees	CEO Chairman Duality
Total CO2 & Equivalent Emissions To Revenues	Turnover of Employees	Audit Board Committee
Waste Recycling Ratio	Whistleblower Protection	
Total Waste To Revenues	Bribery, Corruption and Fraud Controversies	
	QMS Certified	
	Product Quality Controversies	

Source: Team Analysis

Exhibit 43

Sustainability commitments

Source: GVS website

Exhibit 44

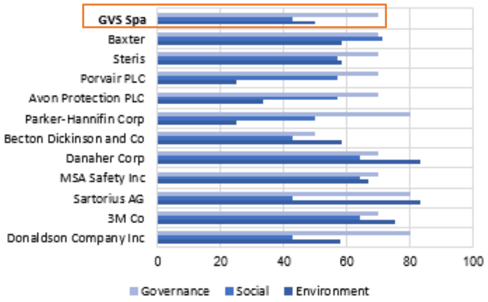
ESG ratings of GVS

Team rating	Sustainalytics	MSCI	Refinitiv	Factset	Bloomberg ESG
A	Low risk	A	B-	Average	Above median

Source: Sustainalytics, MSCI, Refinitiv, Factser, Bloomberg ESG

Exhibit 45

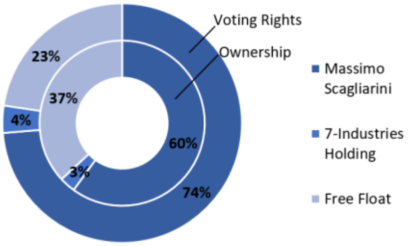
Benchmarking GVS vs Peers



Source: Team Analysis

Exhibit 46

GVS's Shareholders



Source: Refinitiv, Company Data

Our proprietary ESG assessment (Appendix 22) **highlights GVS impressive sustainability score** of **A in absolute terms** and an **AA when measured against its peers**, with the rating scale ranging from AAA to CC (Appendix 22). Our evaluation involved a comprehensive analysis of GVS based on 34 metrics (Exhibit 42), followed by benchmarking against **11 selected peers** operating in the three sectors where GVS is active. Comparing our ESG score with other reputable third-party providers, such as MSCI, ESG Bloomberg, Sustainalytics, Refinitiv, and Factset, we observe alignment in the ratings, indicating a consistent qualitative standing within the average or above. **Our ESG analysis is anchored in the materiality matrix** (Exhibit 41), providing a robust framework to explore the core impacts the company generates. **We adopt a double materiality approach** as we consider how sustainability themes are important in determining the company business model and the company strategy. **GVS demonstrates a robust commitment to sustainability** in addressing a broad spectrum of stakeholder expectations and needs. Moreover, we cosidered GVS adherence to five out of seventeen Sustainable Development Goals (SDGs) by UN Global Compact (Exhibit 43).

Environment

The **Environmental pillar score** is **BBB**. The company put in place several policies, however there is room for improvement in the quantitative metrics. We took into consideration 13 quantitative and qualitative metrics. GVS has implemented a **water efficiency policy** as part of its commitment to minimising waste and optimising water usage and provides **environmental management training**. This indicates an effort to educate and engage employees in environmentally responsible practices, potentially leading to better overall sustainability performance. **Despite implementing energy efficiency policies, the total energy use to revenues is very high.** This may indicate that the company has significant energy requirements in its operations. Further efforts might be needed to optimise energy consumption and reduce the environmental impact. **27%** of the current energy supply is sourced **from renewable sources**, indicating the **potential for further improvement** in this area. However, when examining selected peers' data, it becomes evident that GVS stands out as a notable exception, as many of its peers fail to disclose this crucial information. Looking at GVS's emissions and waste, the numbers aren't promising. Both **CO2 emissions and waste relative to revenues are high**, especially when benchmarked against industry peers. Looking forward, GVS aims to achieve **carbon neutrality by 2040**. However, it's crucial to note that **GVS currently lacks both net-zero and science-based targets.** Focusing solely on **carbon neutrality** may **not** be **sufficient**, as it misses the mark on setting specific targets to reduce various greenhouse gases comprehensively. GVS should consider adopting net-zero targets aligned with the trajectory to limit global temperature increases to 1.5°C. Additionally, the absence of clear science-based targets raises questions about the effectiveness of GVS's emission reduction efforts. It's noteworthy that the majority of **GVS peers lacks science-based targets and Net Zero Targets**. Moreover, none of GVS activities is eligible under EU taxonomy. We believe the company is tackling this issue as it is preparing a new ESG plan focused on Environment. Moreover the company has declared to adhere to SDG 13 Climate action.

Social

In the **Social pillar**, GVS attains a rating of **A**, underscoring its commitment to delivering **high-quality products** while maintaining a vigilant approach to social responsibility throughout the production process. The company's unwavering focus on quality is evident, with **no registered product quality controversies** and a notable **100% of products being QMS certified**. GVS has established key policies, including a validated **Human Rights Policy**, **Employee Health & Safety measures**, and **Whistleblower Protection**. However, benchmarking against peers reveals that these policies, while essential, represent the **baseline standards** followed by most companies in the industry. Notably, GVS demonstrates a commitment to supporting the local community by **sourcing** from **local suppliers** (67% of suppliers). This practice aligns with efforts to reduce transport costs and decrease CO2 emissions. Nevertheless, the relatively low percentages of new suppliers chosen based on environmental (10%) and social (11%) criteria signal areas for **improvement**. While GVS boasts a higher percentage of **women** on **staff (60%)** compared to peers, it does not disclose its gender pay gap. Additionally, the company falls below the industry average in terms of **training hours** (18 hours), despite having a consistent training policy aligned with the material topic of staff development. These aspects present opportunities for GVS to further enhance its commitment to social responsibility and sustainable practices. Four out of five SDGs pursued by GVS are related to the social pillar (Exhibit 43). This again shows the commitment toward the social topics.

Governance

In the realm of governance, **GVS**, as a **family-owned business**, is positioned as **best-in-class**, earning an absolute score of **A**. Key notable indicators include a commendable 98% board attendance, 56% independent board members (Appendix 19), and the presence of an independent chair. Furthermore, the **linkage** of **CEO** and **executive variable remuneration** with **ESG strategic objectives** enhances the company's governance practices. The establishment of a sustainability committee further bolsters GVS's governance standing, contributing to our positive assessment. However, a potential challenge emerges upon closer scrutiny: shares with multiple voting rights. Following inclusion in the special register, shareholders become eligible for **double voting rights after 24 months**. This arrangement has the potential to **concentrate decision-making power** among a select few, posing a **risk to corporate governance balance**. **GVS Group S.p.A.**, the holding company, owns **60%** of the **shares** and nearly **74%** of the **voting rights** (Exhibit 46). While GVS demonstrates positive results and alignment with peers in other key factors, its family ownership structure is usually considered a detracting factor. We believe this is misplaced. Family provides long termism in capital allocation decisions, as it has been proven in 2022 when the family financed GVS below market rates in the belief that the company will shortly regain its margins and reduce leverage quickly.

Global Risks

(I) Geopolitical risk. Low exposure to risky countries (sales offices in Russia, and 25% of sales from Asia and ROW). **Mitigation** by local-for-local strategy.

(II) New pandemic risk. GVS has been both a beneficiary and disadvantaged by Covid. Management has shown flexibility and speed of action. **Mitigation:** implementing a continuity plan, improving safety, diversifying supply chains, promoting remote work, prioritising employee well-being, and keep clear communication and scenario planning

(III) Government expenditure. The ageing population increases demand while the government pushes for savings. GVS products are highly critical with low unitary value and therefore defended by deflation. **Mitigation** of these risks can happen through the innovation of products, improvement of cost efficiency, formation of strategic partnerships, engagement in advocacy efforts, and diversification of their product portfolio.

Production Risks

(I) Product Innovation. Innovation and co-development are key to growth. **Mitigation**: long product shelf life and client stickiness delay the financial impact of the risks.

(II) Intellectual Property Content. The vulnerability lies in potential threats to intellectual property rights and industrial secrets. **Mitigation**: safeguarding these assets is necessary to protect GVS's competitive positioning, especially in the Healthcare and Life Science sector where GVS owns more patents and revenues associated with it.

(III) Quality And Safety Products. Potential defects, malfunctions, or failure to meet customer requirements pose challenges, leading to product liability issues and consequential reputational risks. **Mitigation**: rigorous quality control measures, compliance adherence, and proactive customer engagement are crucial to minimise the likelihood of such incidents, safeguarding the group's brand integrity and ensuring customer satisfaction in the market.

Management Risks

(I) Reliance on qualified employees. Risk associated with reliance on qualified personnel for R&D, production operations and salespeople with strong LT client relationships. GVS has a minimal turnover of employees. **Mitigation**: keep on low turnover rate and increase talent attraction.

(II) Reliance on one man. Massimo Scagliarini, the CEO, is also a member of the controlling family. **Mitigation**: we think that the company has already built a strong managerial structure and governance models to mitigate this risk.

(III) Shares with increasing voting rights. Shares with multiple voting rights pose potential challenges to corporate governance and minority treatment. **Mitigation**: the board governance structure (56% independent BoD members and transparency policies) mitigates this risk.

(IV) Conflict of interests. 56% of the Board Directors are independent. **Mitigation**: ongoing monitoring of governance practices and transparent disclosure remain essential to ensure that conflicts are well managed.

Financial Risks

(I) High Leverage. Business is high cash generative, but high leverage at the wrong time has already shown its risks. **Mitigation**: management has already reduced its future maximum leverage ceiling to below 3x.

(II) Inflation. GVS has shown a robust pricing power during the recent bout of inflation. **Mitigation**: sector competitive characteristics and business model qualities represent a strong edge.

(III) Changes In Interest Rates. GVS, with its elevated financial leverage and dependence on variable-rate funding, faces vulnerability to shifts in interest rates, impacting both cash flows and earnings. **Mitigation**: by using hedging instruments, diversifying debt portfolios, employing flexible financing terms, monitoring economic indicators.

(IV) Forex Risk. GVS Minimizes P&L and CF transactional forex risk on margins by a natural hedge, operating mainly local-for-local. Forex risk is mainly translational. **Mitigation**: using hedging tools & diversifying currency exposure.

(V) Integration & Synergies In Acquired Companies. When pricing acquisitions, GVS evaluates deals only on potential operational synergies by integrating production processes. Revenue synergies represent an upside that management strategically never pays for. M&A risks can stem from cultural differences, operational disruptions and delays in realizing anticipated savings or efficiency gains. **Mitigation**: thorough due diligence, clear communication, experienced teams, and post-acquisition governance.

Legal and Regulatory Risks

(I) Regulatory Changes. GVS operates in highly regulated sectors such as Healthcare and Life Science and adapting to diverse regulations in the USA, China, and the EU is crucial. **Mitigation**: adopting proactive measures including regular audits.

(II) ESG Compliance. Non-compliance with ESG standards can lead to financial and legal challenges, resulting in reputational damage, regulatory scrutiny and worsening client relations. It can also hinder the attraction of socially responsible investors. **Mitigation**: the company has been implementing sustainability best practices among which the creation of the Sustainability Committee.

Exhibit 46

Relevance formula

IMPACT

A marked effect or influence.

X

PROBABILITY

The quality or state of being probable; the extent to which something is likely to happen or be the case.

=

RELEVANCE

The degree to which something is related or useful to what is happening or being talked about

Source: Team Analysis

APPENDICES

Appendix 01 – Income Statement

Income Statement (€mln)	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Total Revenues	**211,4**	**230,6**	**365,2**	**343,1**	**392,0**	**426,8**	**452,2**	**480,7**	**514,3**	**550,7**	**589,9**
Growth %	**26,0%**	**8,9%**	**59,7%**	**-6,9%**	**14,6%**	**9,1%**	**6,0%**	**6,3%**	**7,0%**	**7,1%**	**7,1%**
Organic Growth Pre Forex	*4,8%*	*6,4%*	*54,3%*	*-14,8%*	*-24,1%*	*-3,2%*	*6,6%*	*6,3%*	*7,0%*	*7,1%*	*7,1%*
o.w. Underlying Organic	*0,0%*	*0,0%*	*-10,0%*	*20,5%*	*0,8%*	*-3,2%*	*6,6%*	*6,3%*	*7,0%*	*7,1%*	*7,1%*
o.w. Covid Masks & oth. Covid impact	*0,0%*	*0,0%*	*64,3%*	*-35,3%*	*-24,9%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
M&A Growth	*23,0%*	*0,0%*	*6,7%*	*7,9%*	*32,9%*	*14,3%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Forex Impact	*-1,8%*	*2,5%*	*-1,3%*	*0,0%*	*5,8%*	*-1,9%*	*-0,7%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Gross Profit	**149,1**	**162,7**	**276,6**	**247,0**	**250,8**	**288,0**	**312,0**	**338,8**	**363,8**	**389,5**	**417,2**
OPEX	(96,5)	(100,7)	(138,6)	(141,1)	(183,9)	(193,7)	(199,8)	(206,7)	(220,2)	(235,8)	(252,6)
GAAP EBITDA	**52,6**	**62,0**	**138,0**	**105,9**	**66,9**	**94,3**	**112,2**	**132,1**	**143,6**	**153,7**	**164,7**
Total D&A	(18,3)	(16,1)	(18,7)	(23,1)	(37,5)	(42,1)	(44,4)	(47,6)	(48,8)	(50,1)	(51,5)
Write Downs and Impairments	(0,1)	(0,3)	(0,3)	(0,5)	(0,5)	(0,9)	(0,9)	(1,0)	(1,1)	(1,1)	(1,2)
Net Provisions	0,0	0,0	0,0	(0,0)	0,0	(0,8)	(0,9)	(0,9)	(1,0)	(1,1)	(1,1)
GAAP EBIT	**34,2**	**45,7**	**119,0**	**82,3**	**29,0**	**54,3**	**66,0**	**82,6**	**92,7**	**101,4**	**110,8**
Interest Expense	(1,9)	(4,4)	(3,6)	(2,6)	(8,7)	(19,4)	(17,1)	(12,7)	(10,8)	(9,3)	(7,5)
Forex Adjustments	0,0	2,4	(9,5)	10,1	14,4	0,9	0,0	0,0	0,0	0,0	0,0
GAAP Pre Tax Income	**32,3**	**43,7**	**105,9**	**89,8**	**34,6**	**35,8**	**48,8**	**69,9**	**81,8**	**92,1**	**103,4**
Income Tax Expense	(9,2)	(10,6)	(27,8)	(22,2)	(10,5)	(8,7)	(13,2)	(18,9)	(22,1)	(24,9)	(27,9)
Minority Interests income/loss	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)
GAAP Net Income	**23,1**	**33,1**	**78,1**	**67,6**	**24,1**	**27,0**	**35,6**	**51,0**	**59,7**	**67,2**	**75,4**
Adj Net Income	**23,1**	**36,6**	**87,2**	**75,4**	**46,5**	**44,0**	**52,6**	**67,9**	**76,7**	**84,2**	**92,4**

Appendix 02 – Cash Flow Statement

Cash Flow Statement (€mln)	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Pre Tax result	**32,3**	**43,7**	**105,9**	**89,8**	**34,6**	**26,6**	**35,9**	**51,8**	**61,0**	**68,9**	**77,6**
Cash Tax Expenses	(5,5)	(9,8)	(16,3)	(32,6)	(9,8)	(9,2)	(13,3)	(19,2)	(22,6)	(25,5)	(28,7)
Depreciation and Amortizazion	18,3	16,1	18,7	23,1	37,5	42,1	44,6	47,7	49,0	50,3	51,6
Non Monetary Financial Charges	0,1	0,3	0,3	0,5	0,5	0,9	0,9	1,0	1,1	1,1	1,2
Non Cash Financial Items	0,0	(2,4)	9,5	(10,1)	(14,4)	(0,9)	0,0	0,0	0,0	0,0	0,0
Change in Working Capital	(61,7)	16,9	(1,1)	(53,3)	(8,9)	4,2	2,9	0,9	(4,4)	(7,4)	(8,0)
Cash From Operations	**(16,5)**	**64,7**	**117,0**	**17,3**	**39,5**	**63,7**	**71,0**	**82,2**	**84,1**	**87,5**	**93,8**
Net Capex	(13,1)	(8,7)	(30,8)	(16,0)	(22,7)	(27,5)	(29,6)	(31,4)	(28,4)	(30,5)	(32,6)
Capex/Revenues %	*-6,2%*	*-3,8%*	*-8,4%*	*-4,7%*	*-5,8%*	*-6,4%*	*-6,5%*	*-6,5%*	*-5,5%*	*-5,5%*	*-5,5%*
Net Acquisitions (Divestitures)	0,0	0,0	(10,5)	(129,2)	(236,0)	0,0	0,0	0,0	0,0	0,0	0,0
Cash From Investing Activities	**(13,1)**	**(8,7)**	**(41,3)**	**(145,2)**	**(258,7)**	**(27,5)**	**(29,6)**	**(31,4)**	**(28,4)**	**(30,5)**	**(32,6)**
Dividends Paid	(5,0)	(8,3)	(1,7)	(22,7)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Increase/Decrease in Capital Stock	0,0	0,0	74,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other (Consolidation effect)	(91,0)	(14,5)	(15,7)	2,3	(48,4)	(18,1)	0,0	0,0	0,0	0,0	0,0
Change in net Cash (Debt)	**(125,6)**	**33,3**	**132,8**	**(148,3)**	**(267,6)**	**18,1**	**41,4**	**50,8**	**55,6**	**57,0**	**61,1**
Net Cash (Debt)	**(125,6)**	**(92,4)**	**40,4**	**(107,8)**	**(375,5)**	**(357,4)**	**(316,0)**	**(265,2)**	**(209,5)**	**(152,5)**	**(91,4)**
GAAP EBIT (operating Income)	**34,2**	**45,7**	**119,0**	**82,3**	**29,0**	**54,3**	**66,6**	**83,3**	**93,4**	**102,2**	**111,7**
Tax rate	*28,5%*	*24,2%*	*26,3%*	*24,7%*	*30,3%*	*25,6%*	*27,0%*	*27,0%*	*27,0%*	*27,0%*	*27,0%*
NOPAT	**24,4**	**37,6**	**94,8**	**67,3**	**38,2**	**55,2**	**61,0**	**73,2**	**80,6**	**87,0**	**93,9**
FCF to Equity	**(34,6)**	**47,7**	**159,0**	**(21,4)**	**16,8**	**36,2**	**41,4**	**50,8**	**55,6**	**57,0**	**61,1**

Appendix 03 – Balance Sheet

Balance Sheet (€mln)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
Tangible Assets	50,1	46,6	68,9	77,6	120,4	125,2	129,7	133,1	132,5	132,7	134,0
Goodwill	68,8	70,0	65,4	98,4	246,7	244,2	244,2	244,2	244,2	244,2	244,2
Intangible Assets	32,1	29,8	25,6	129,4	248,2	231,2	214,2	197,3	180,3	163,3	146,4
Equity Investments	0,7	0,5	1,0	1,3	3,8	3,7	3,7	3,7	3,7	3,7	3,7
Deferred Tax Assets	2,9	1,5	4,6	1,5	3,5	7,2	7,6	8,1	8,7	9,3	10,0
Other LT Assets (Incl RoU)	5,9	10,3	8,4	10,5	31,3	34,3	47,3	66,4	89,5	115,7	145,2
Total Long-Term Assets	**160,5**	**158,8**	**173,9**	**318,7**	**653,8**	**645,9**	**646,9**	**652,9**	**658,9**	**669,0**	**683,5**
Operating Working Capital	53,8	53,5	72,5	101,5	121,9	120,2	118,2	116,0	121,5	130,1	139,4
Total Other Net Working Capital	7,9	(8,7)	(26,7)	(2,4)	(13,9)	(16,3)	(17,3)	(16,0)	(17,1)	(18,3)	(19,6)
Total Working Capital	**61,7**	**44,8**	**45,9**	**99,2**	**108,1**	**103,9**	**101,0**	**100,1**	**104,5**	**111,9**	**119,8**
Working Cap % on Rev.	*29,2%*	*19,4%*	*12,6%*	*28,9%*	*27,6%*	*24,2%*	*22,2%*	*20,7%*	*20,2%*	*20,2%*	*20,2%*
Total Net Assets	**222,2**	**203,6**	**219,7**	**417,9**	**761,9**	**749,7**	**747,8**	**752,9**	**763,3**	**780,9**	**803,3**
Cash and Cash Equivalents	-45,6	-58,5	-125,1	-136,9	-135,2	-132,4	-132,4	-132,4	-132,4	-113,6	-174,8
Financial Assets	-2,5	-4,1	-6,0	-9,7	-8,5	-66,2	-66,2	-66,2	-66,2	-66,2	-66,2
LT Financial Liabilities	173,5	155,0	90,6	188,3	37,5	359,1	317,7	266,9	211,3	211,3	211,3
ST Financial Liabilities	0,0	0,0	0,0	66,1	438,9	121,1	121,1	121,1	121,1	121,1	121,1
Other Liabilities LT Borrowing	0,2	0,1	0,0	0,0	42,8	75,8	75,8	75,8	75,8	0,0	0,0
Net Debt (Cash) EOP	**125,6**	**92,4**	**(40,4)**	**107,8**	**375,5**	**357,4**	**316,0**	**265,2**	**209,5**	**152,5**	**91,4**
Due to Minority Shareholders and Earn-ou	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,2	0,2	0,3	0,3
Employee Benefits	3,9	4,2	4,5	4,4	4,6	4,9	4,9	4,9	5,2	5,5	5,9
Deferred Tax Liabilities	0,2	0,8	3,2	5,7	46,1	50,5	53,5	56,8	60,8	65,1	69,7
Provisions and Other	0,1	0,0	1,0	4,7	9,2	10,1	10,7	11,4	12,2	13,0	14,0
Other Non Current Liabilities	4,1	5,0	8,7	14,7	59,9	65,5	69,1	73,3	78,3	83,9	89,9
Net Equity	**71,0**	**94,2**	**242,7**	**295,3**	**327,7**	**354,2**	**390,1**	**441,9**	**502,9**	**571,8**	**649,4**
Other	21,4	11,9	8,8	(0,0)	(1,2)	(27,4)	(27,4)	(27,4)	(27,4)	(27,4)	(27,4)
Total Net Liabilities	**222,2**	**203,6**	**219,7**	**417,9**	**761,9**	**749,7**	**747,8**	**752,9**	**763,3**	**780,9**	**803,3**

Appendix 04 – Adjusted Figures

Adjusted Figures (€mln)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
GAAP EBITDA	52,6	62,0	138,0	105,9	66,9	94,9	113,0	133,0	144,5	154,7	165,7
Non Recurring Loss (Gains) in EBITDA	0,0	0,7	6,1	2,0	12,1	3,0	0,0	0,0	0,0	0,0	0,0
Adj EBITDA	**52,6**	**62,7**	**144,1**	**107,9**	**79,0**	**97,9**	**113,0**	**133,0**	**144,5**	**154,7**	**165,7**
% on Revenues	*24,9%*	*27,2%*	*39,5%*	*31,5%*	*20,2%*	*22,8%*	*24,8%*	*27,5%*	*27,9%*	*27,9%*	*27,9%*
GAAP EBIT (operating Income)	34,2	45,7	119,0	82,3	29,0	54,3	66,6	83,3	93,4	102,2	111,7
Non Recurring Loss (Gains) in EBIT	0,0	0,0	5,7	1,6	11,6	3,0	0,0	0,0	0,0	0,0	0,0
Of Which PPA	0,0	3,9	3,9	5,4	14,2	17,0	17,0	17,0	17,0	17,0	17,0
Adj EBIT	**34,2**	**49,6**	**128,6**	**89,3**	**54,8**	**74,2**	**83,6**	**100,3**	**110,4**	**119,2**	**128,7**
% on Revenues	*16,2%*	*21,5%*	*35,2%*	*26,0%*	*14,0%*	*17,3%*	*18,4%*	*20,7%*	*21,3%*	*21,5%*	*21,7%*
Net Income GAAP	23,1	33,1	78,1	67,6	24,1	26,6	35,9	51,8	61,0	68,9	77,6
Net Abnormal Losses (Gains)	0,0	(0,4)	5,3	2,4	8,2	0,0	0,0	0,0	0,0	0,0	0,0
Of Which PPA	0,0	3,9	3,9	5,4	14,2	17,0	17,0	17,0	17,0	17,0	17,0
Adj Net Income	**23,1**	**36,6**	**87,2**	**75,4**	**46,5**	**43,5**	**52,8**	**68,7**	**77,9**	**85,9**	**94,6**
% on Revenues	*10,9%*	*15,9%*	*23,9%*	*22,0%*	*11,9%*	*10,1%*	*11,6%*	*14,2%*	*15,1%*	*15,5%*	*15,9%*

Appendix 05 – Key Financial Ratios

Key Financial Relationship	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
Returns Decomposition											
ROIC (ex gdw)	**15,9%**	**28,2%**	**61,4%**	**21,1%**	**7,4%**	**10,9%**	**12,1%**	**14,4%**	**15,5%**	**16,2%**	**16,8%**
Capital Turnover *(Revenues/CE ex gdw)*	1,4	1,7	2,5	1,4	0,8	0,8	0,9	1,0	1,0	1,0	1,1
Operating Margin *(EBIT ex gdw/Revenue*	16,2%	19,8%	32,6%	24,0%	7,4%	12,7%	14,6%	17,2%	18,1%	18,5%	18,8%
Tax burden *(NOPAT/EBIT ex gdw)*	71,5%	82,3%	79,7%	81,7%	131,8%	101,6%	91,6%	87,9%	86,3%	85,1%	84,1%
ROIC (incl gdw)	**11,0%**	**18,5%**	**43,2%**	**16,1%**	**5,0%**	**7,4%**	**8,2%**	**9,7%**	**10,6%**	**11,1%**	**11,7%**
ROE *(Net Inc/Avg Equty)*	**65,0%**	**40,0%**	**46,3%**	**25,1%**	**7,7%**	**7,8%**	**9,6%**	**12,4%**	**12,9%**	**12,8%**	**12,7%**
Interest Burden *(1- PreTax Inc/EBIT ex g*	5,5%	4,4%	11,0%	-9,0%	-19,6%	34,1%	26,1%	14,8%	10,5%	7,5%	4,8%
Op. margin *(EBIT ex gdw/Revenues)*	16,2%	19,8%	32,6%	24,0%	7,4%	12,7%	14,6%	17,2%	18,1%	18,5%	18,8%
Asset Turn. *(Revenues/Avg Total Assets)*	1,9	1,1	1,7	1,1	0,7	0,6	0,6	0,6	0,7	0,7	0,7
Leverage *(Avg Total Asset/Avg Equity)*	3,1	2,6	1,3	1,2	1,9	2,2	2,0	1,8	1,6	1,4	1,3
Key Financial Ratios											
Leverage (Avg Net Debt/Mkt Cap)	0%	0%	0%	6%	53%	35%	32%	28%	23%	17%	12%
Gearing (Avg Net Debt/Book Equity)	177%	98%	0%	37%	115%	103%	86%	66%	47%	32%	19%
Fixed Charge Cover (EBIT/Net Interest)	18,2	10,4	32,7	31,2	3,3	2,8	3,8	6,8	9,5	13,3	20,8
Avg Net Debt/EBITDA	-2,39	-1,49	n.m	-1,02	-5,61	-3,86	-2,98	-2,19	-1,64	-1,17	-0,74
Adj. Avg Net Debt/EBITDA	n.m	n.m	n.m	n.m	n.m	-3,07	-2,32	-1,62	-1,12	-0,69	0,00
FCFF on Sales	-12%	26%	24%	1%	5%	12%	9%	11%	11%	10%	10%
FCF on Adj. EBIT	-76%	120%	69%	4%	38%	71%	50%	51%	50%	48%	48%

Appendix 06 – GVS Valuation Multiples

GVS Valuation Multiples	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Price € (EoY)	**15,3**	**10,6**	**4,1**	**6,0**	**6,0**	**6,0**	**6,0**	**6,0**	**6,0**
Mkt Cap (€mln)	2.100	1.843	707	1.047	1.047	1.047	1.047	1.047	1.047
Net Debt (Cash) (EoY) (€mln)	-40	108	375	366	337	291	237	181	122
Mkt Value Other (€mln)	4	3	1	2	2	2	2	3	3
Enterprise Value (€mln)	**2.064**	**1.954**	**1.084**	**1.416**	**1.386**	**1.340**	**1.287**	**1.231**	**1.172**
P/E	**24,1**	**24,4**	**15,2**	**24,1**	**19,8**	**15,2**	**13,4**	**12,2**	**11,1**
FCF Yield	7,57%	-1,16%	2,38%	3,45%	3,95%	4,85%	5,31%	5,44%	5,84%
Dividend Yield	1,08%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
EV/Sales	5,7	5,7	2,8	3,3	3,0	2,8	2,5	2,2	2,0
EV/EBITDA	**15,0**	**18,5**	**16,2**	**14,9**	**12,3**	**10,1**	**8,9**	**8,0**	**7,1**
EV/EBIT	17,3	23,7	37,4	26,1	20,8	16,1	13,8	12,0	10,5
EV/NOPAT	**21,8**	**29,1**	**28,4**	**25,7**	**22,7**	**18,3**	**16,0**	**14,1**	**12,5**
Price/Book	8,7	6,2	2,2	3,0	2,7	2,4	2,1	1,8	1,6
EV/IC	9,4	4,7	1,4	1,9	1,9	1,8	1,7	1,6	1,5

Appendix 07 – Peers Comparison

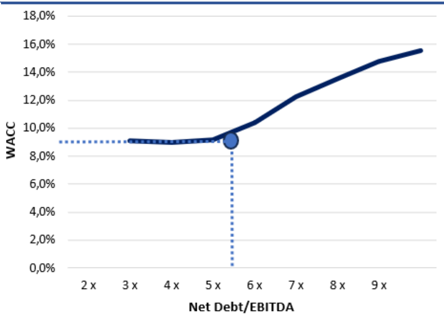
PEERS	Market Cap (€mln)	HC&LS	H&S	E&M	Vertically Integrated	Comparables End Markets	Competitor core	M&A	ROCE	Revenues CAGR (%)	Hist. EBIT (%)	NFP/EBITDA (x)	PE 1YFWD (x)	EV/EBITDA (x)		EV/EBIT (x)		EV/NOPAT (x)		DY	EXPECTED EPS
														2024	2025	2024	2025	2024	2025		
Healthcare&Life Science																					
DANAHER CORP	**155.907**	✓	✗	✗	✓	✓	✓	✓	7,6%	1,3%	24,0%	0,94 x	29,6 x	22,1 x	22,7 x	33,7 x	32,7 x	27,2 x	26,5 x	0,4%	5,1%
SARTORIUS AG-VORZUG	**19.285**	✓	✗	✗	✓	✓	✓	✓	12,3%	10,5%	24,0%	5,14 x	53,1 x	27,7 x	23,3 x	70,2 x	56,3 x	44,2 x	35,2 x	0,3%	18,1%
STERIS PLC	**19.546**	✓	✗	✗	✗	✓	✗	✓	6,0%	6,3%	10,8%	n.a.	22,7 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0,9%	5,5%
BAXTER INTERNATIONAL INC	**18.202**	✓	✗	✗	✗	✓	✗	✓	8,1%	3,3%	4,8%	3,57 x	13,2 x	10,4 x	9,6 x	17,8 x	17,0 x	14,2 x	13,2 x	3,0%	13,6%
BECTON DICKINSON AND CO	**64.221**	✓	✗	✗	✗	✓	✗	✓	3,9%	5,8%	11,6%	2,19 x	16,9 x	15,0 x	13,9 x	19,8 x	18,1 x	17,0 x	15,5 x	1,6%	10,7%
Average									**7,6%**	**5,3%**	**15,9%**	**2,96 x**	**27,1 x**	**18,8 x**	**17,4 x**	**35,4 x**	**31,0 x**	**25,7 x**	**22,6 x**	**1,3%**	**7,3%**
Health&Safety																					
3M CO	**54.950**	✗	✓	✗	✓	✓	✓	✓	18,3%	3,3%	-17,7%	1,29 x	11,1 x	8,6 x	8,0 x	13,5 x	12,5 x	11,0 x	10,2 x	5,6%	7,3%
MSA SAFETY INC	**5.802**	✗	✓	✗	✗	✓	✗	✓	9,9%	4,2%	23,7%	n.a.	22,0 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,1%	7,4%
AVON PROTECTION PLC	**223**	✗	✓	✗	✗	✓	✗	✓	2,3%	7,6%	27,1%	1,98 x	12,7 x	8,9 x	7,8 x	21,4 x	16,9 x	15,9 x	12,7 x	n.a.	34,6%
Average									**10,2%**	**5,0%**	**11,0%**	**1,63 x**	**15,3 x**	**8,7 x**	**7,9 x**	**17,5 x**	**14,7 x**	**13,5 x**	**11,4 x**	**3,4%**	**9,0%**
Energy&Mobility																					
PARKER HANNIFIN CORP	**53.387**	✗	✗	✓	✓	✓	✓	✓	11,6%	4,9%	7,3%	2,26 x	17,9 x	14,7 x	13,6 x	22,3 x	21,1 x	17,9 x	16,5 x	1,3%	9,0%
DONALDSON CO INC	**6.996**	✗	✗	✓	✓	✓	✓	✓	17,7%	5,5%	28,0%	n.a.	18,0 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,6%	10,9%
PORVAIR PLC	**260**	✗	✗	✓	✗	✓	✗	✓	12,3%	6,3%	-2,5%	n.a.	17,9 x	10,6 x	10,2 x	17,3 x	16,9 x	13,6 x	13,1 x	0,0%	4,9%
Average									**13,9%**	**5,6%**	**10,9%**	**2,26 x**	**17,9 x**	**12,6 x**	**11,9 x**	**19,8 x**	**19,0 x**	**15,7 x**	**14,8 x**	**1,0%**	**8,2%**
Other competitors																					
MEDTRONIC PLC	**103.026**	✓	✗	✗	✗	✓	✗	✓	6,3%	4,7%	23,4%	1,95 x	15,5 x	14,0 x	13,1 x	19,0 x	18,0 x	15,9 x	15,1 x	3,1%	6,7%
MERCK & CO. INC.	**272.146**	✓	✗	✓	✓	✓	✓	✓	12,3%	5,8%	5,4%	2,90 x	13,7 x	34,9 x	11,0 x	89,2 x	15,1 x	53,7 x	12,5 x	2,4%	163,3%
HONEYWELL INTERNATIONAL INC	**122.933**	✓	✓	✓	✗	✗	✗	✓	11,0%	5,5%	8,2%	1,22 x	20,4 x	15,3 x	14,4 x	22,1 x	20,9 x	17,4 x	16,4 x	2,0%	9,4%
ATMUS FILTRATION TECHNOLOGIE	**1.741**	✗	✓	✓	✓	✓	✓	✓	n.a.	2,1%	22,6%	1,58 x	11,1 x	8,2 x	8,2 x	12,0 x	12,1 x	9,2 x	9,3 x	n.a.	-0,5%
ASAHI KASEI	**8.937**	✓	✗	✗	✗	✓	✓	✓	5,5%	4,0%	7,0%	2.2 x	11.9 x	7,0 x	6,2 x	22,5 x	17,3 x	15,1 x	12,0 x	3,5%	19,3%
Average									**9,9%**	**5,3%**	**12,3%**	**2,02 x**	**16,5 x**	**21,4 x**	**12,8 x**	**43,4 x**	**18,0 x**	**29,0 x**	**14,6 x**	**2,5%**	**44,7%**

Appendix 08 – WACC

Equity Risk Premium	ERP Region	WEIGHT	ERP
NORTH AMERICA	4,60%	48,66%	2,24%
EUROPE	5,98%	26,39%	1,58%
ASIA	10,26%	17,31%	1,78%
REST OF THE WORLD	10,57%	7,64%	0,81%
Equity Risk Premium			**6,40%**

Risk Free Rate	Rfr Region	WEIGHT	Rfr
North America (US 10Y T-NOTE)	4,01%	48,66%	1,95%
Europe (DE 10Y BUND)	2,14%	26,39%	0,57%
ASIA (CN 10Y T-BOND)	2,56%	17,31%	0,44%
Rest of the World	2,93%	7,64%	0,22%
Risk Free Rate			**3,18%**

Input	Rate	Methodology
Risk-Free Rate	3,18%	Revenue-weighted average based on the revenue per region
Beta	0,96	GVS Levered Beta based on average of Factset, Damodaran, and Bloomberg betas
ERP	6,40%	avg based on the revenue per region
Cost of Equity	9,34%	Capital Asset Pricing Model
Cost of Debt	4,80%	Risk Free Rate and Spread
WACC		**8,08%**



COST OF EQUITY

The **Equity Risk Premium (ERP)** is determined by considering the average provided by Damodaran for North America, Europe, Asia, and the Rest of the World. This average is weighted based on the respective regions' percentage contribution to GVS's total revenues. The **Risk-Free Rate (Rf)** is calculated as the weighted average of the risk-free rates for the same regions, utilizing the yields of 10-year government bonds (e.g. US10Y Govt Bond, EU10Y, etc.) among others. In determining **Beta (β)**, an average is computed by leveraging data from reputable sources like FactSet, Damodaran, and Bloomberg.

Cost of Equity (Ke) = Risk-Free Rate (Rf) + Beta (β) x Equity Risk Premium (ERP)

COST OF DEBT

We estimated the **Cost of Debt (Kd)** through our **leverage analysis model**: the Kd is given by the spread based on coverage ratio at 2023 end plus the Risk-Free Rate. The data are based on the interest coverage ratio given by Damodaran.

WACC = Ke x E/EV + Kd x D/EV x (1 – t)

Releveraged WACC

Net Debt/EBITDA	Rating	Spread	Rfr	Kd	EBITDA	Net Debt	Tax Rate	Unlevered beta	Levered beta	ERP	ke	D/E	d/EV	e/EV	WACC
less 1.0	Aaa/AAA	0,69%	3,18%	3,87%	95	0	27%	0,97	0,96	6,40%	9,34%	0,00	0%	100%	**9,34%**
1 x	Aaa/AAA	0,69%	3,18%	3,87%	95	95	27%	0,97	1,03	6,40%	9,80%	0,09	7%	93%	**9,31%**
2 x	Aa2/AA	0,85%	3,18%	4,03%	95	190	27%	0,97	1,10	6,40%	10,21%	0,18	14%	86%	**9,18%**
3 x	A2/A	1,42%	3,18%	4,60%	95	285	27%	0,97	1,16	6,40%	10,62%	0,27	21%	79%	**9,08%**
4 x	A3/A-	1,62%	3,18%	4,80%	95	380	27%	0,97	1,23	6,40%	11,03%	0,36	28%	72%	**8,90%**
5 x	B1/B+	4,55%	3,18%	7,73%	95	475	27%	0,97	1,29	6,40%	11,44%	0,45	35%	65%	**9,39%**
6 x	Caa/CCC	11,57%	3,18%	14,75%	95	570	27%	0,97	1,36	6,40%	11,85%	0,54	43%	57%	**11,39%**
7 x	Ca2/CC	15,78%	3,18%	18,96%	95	665	27%	0,97	1,42	6,40%	12,27%	0,63	50%	50%	**13,05%**
8 x	C2/C	17,50%	3,18%	20,68%	95	759	27%	0,97	1,48	6,40%	12,68%	0,73	57%	43%	**14,05%**
9 x	D2/D	20,00%	3,18%	23,18%	95	854	27%	0,97	1,55	6,40%	13,09%	0,82	64%	36%	**15,53%**

Appendix 09 – Discounted Cash Flow

		RECOVERY STAGE			NORMALISED STAGE					FADE STAGE			
Discounted Cash Flow	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Value
Revenue	392	429	455	483	517	554	593	636	681	722	758	788	Terminal g
Growth %	14,3%	9,5%	6,0%	6,3%	7,0%	7,1%	7,1%	7,1%	7,2%	6,0%	5,0%	4,0%	3,02%
Organic growth %	-24,1%	-3,2%	6,6%	6,3%	7,0%	7,1%	7,1%	7,1%	7,2%	6,0%	5,0%	4,0%	3,02%
Forex	5,8%	-1,9%	-0,7%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0%
EBITDA	67	95	113	133	144	155	166	178	190	199	209	217	0
% of Revenue	17,1%	22,1%	24,8%	27,5%	27,9%	27,9%	27,9%	27,9%	27,9%	27,5%	27,5%	27,5%	
EBITA	43	71	84	100	110	119	129	139	150	159	167	174	
% of Revenue	11,0%	16,6%	18,4%	20,7%	21,3%	21,5%	21,7%	21,9%	22,0%	22,0%	22,0%	22,0%	20,0%
Depreciation And Ammortiziation	23	25	28	31	32	33	35	36	37	40	42	43	
% of Revenue	5,9%	5,9%	6,1%	6,4%	6,2%	6,0%	5,8%	5,7%	5,5%	5,5%	5,5%	5,5%	5,5%
Delta Working Capital	-9	4	3	1	-4	-7	-8	-9	-9	-8	-7	-6	
Other Operating Cash Adjustment	-5	-18	0	0	0	0	0	0	0	0	0	0	
% of Revenue	-1,3%	-4,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
CF Operations	40	64	91	105	108	113	121	129	138	148	156	164	
% of Revenue	10,1%	15,0%	20,1%	21,7%	20,9%	20,4%	20,3%	20,3%	20,2%	20,4%	20,6%	20,8%	
CF Investing	-23	-28	-30	-31	-28	-30	-33	-35	-37	-40	-42	-43	
% of Revenue	-5,8%	-6,4%	-6,5%	-6,5%	-5,5%	-5,5%	-5,5%	-5,5%	-5,5%	-5,5%	-5,5%	-5,5%	-5,5%
FCF to the Firm	17	37	62	73	80	82	88	94	100	108	115	121	108
% of Revenue	4,3%	8,6%	13,6%	15,2%	15,4%	14,9%	14,8%	14,8%	14,7%	14,9%	15,1%	15,3%	
Present Value		37	57	63	63	60	60	59	58	58	57	56	938

Invested Capital	515	506	504	509	519	537	559	587	621	658	691	718	
growth %	61,2%	-1,9%	-0,4%	1,0%	2,0%	3,4%	4,2%	5,0%	5,8%	6,0%	5,0%	4,0%	
ROCE	5,8%	10,5%	12,1%	14,4%	15,5%	16,2%	16,8%	17,3%	17,7%	17,7%	17,7%	17,7%	15,55%

Appendix 10 – Multiple Valuation

GVS Multiple Valuation

	GVS MULTIPLE		
	2024	2025	AVG
Peers 1YF PE	23,7		
EPS 2024	0,30		
Per Share Valuation	7,16		7,16

	2024	2025	AVG
Peers EV/EBITDA	16,1	14,9	
EBITDA	113	133	
EV	1.820	1.984	
(Net Debt) Cash	-316	-265	
Equity	1.504	1.719	
Per Share Valuation	8,62	9,85	9,23

	2024	2025	AVG
Peers EV/NOPAT	22,0	19,5	
NOPAT	61	73	
EV	1344	1427	
(Net Debt) Cash	-316	-265	
Equity	1028	1162	
Per Share Valuation	5,89	6,66	6,27

	2024	2025	AVG
Average GVS target	7,22	7,89	7,56

Average Historical Sector Multiple Valuation

	AVG HIST SECT MULT. VALUATION		
	2025E	2026E	AVG
Avg Hist Sect 1YF PE	25,6	25,6	
EPS	0,39	0,45	
Per Share Valuation	10,09	11,44	
Disc. p.s. Valuation @ Ke	9,23	9,57	9,40

	2025E	2026E	AVG
Avg Hist Sect 1YF EV/EBITDA	15,7	15,7	
EBITDA	133	144	
EV	2093	2274	
(Net Debt) Cash	-265	-210	
Equity	1828	2065	
Per Share Valuation	10,47	11,83	
Disc. p.s. Valuation @ Ke	9,58	9,89	9,73

	2025E	2026E	AVG
Average GVS target	9,40	9,73	9,57

Peer Multiples Valuation by sector

Peer Multiples	GVS Weight	PE 1YFWD	EV/EBITDA		EV/NOPAT		DY
			2024	2025	2024	2025	
Healthcare&Life Science	67%	27,1	18,8	17,4	25,7	22,6	1,3%
Health&Safety	17%	15,3	8,7	7,9	13,5	11,4	3,4%
Energy&Mobility	16%	17,9	12,6	11,9	15,7	14,8	1,0%
Average	**100%**	**23,7**	**16,1**	**14,9**	**22,0**	**19,5**	**1,6%**

GVS Premium (discount) based on consensus, team estimates and peer average multiples

	PE 1YFWD	EV/EBITDA		EV/EBIT		EV/NOPAT		DY
		2024	2025	2024	2025	2024	2025	
GVS CONSENSUS ESTIMATE	18,6	13,2	11,5	21,5	19,6	20,3	16,3	0,0%
GVS TEAM ESTIMATE	24,1	12,3	10,1	20,8	16,1	22,7	18,3	0,0%
Peer Average Multiples	**23,7**	**16,1**	**14,9**	**29,9**	**26,4**	**22,0**	**19,5**	**1,6%**
GVS Premium (discount)	**-21,4%**	**-18,3%**	**-23,1%**	**-28,1%**	**-25,7%**	**-7,8%**	**-16,2%**	

Appendix 11 – Sensitivity Analysis

Upside Potential Sensitivity WACC

		6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%
g	1,52%	33,1%	17,5%	4,6%	-6,3%	-15,6%	-23,7%	-30,8%
	2,02%	44,9%	26,8%	12,0%	-0,3%	-10,7%	-19,7%	-27,4%
	2,52%	59,7%	38,1%	20,9%	6,7%	-5,0%	-15,0%	-23,5%
	3,02%	78,6%	52,2%	31,7%	**15,2%**	1,7%	-9,5%	-19,0%
	3,52%	103,8%	70,3%	45,1%	25,5%	9,8%	-3,1%	-13,8%
	4,02%	138,7%	94,3%	62,4%	38,4%	19,6%	4,6%	-7,7%
	4,52%	190,7%	127,7%	85,3%	54,8%	31,9%	14,0%	-0,3%

Enterprise Value Sensitivity WACC

		6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%
g	1,52%	1753	1591	1456	1341	1243	1159	1085
	2,02%	1878	1688	1533	1404	1295	1201	1120
	2,52%	2033	1807	1626	1478	1355	1250	1161
	3,02%	2231	1954	1739	**1566**	1425	1307	1208
	3,52%	2494	2144	1880	1674	1510	1375	1262
	4,02%	2860	2395	2061	1809	1613	1456	1327
	4,52%	3404	2744	2300	1982	1741	1554	1404

Equity Value Sensitivity WACC

		6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%
g	1,52%	1394	1231	1096	981	884	799	725
	2,02%	1518	1328	1173	1044	935	841	760
	2,52%	1673	1447	1266	1118	995	890	801
	3,02%	1871	1595	1379	**1207**	1065	948	848
	3,52%	2134	1784	1520	1315	1150	1015	903
	4,02%	2500	2035	1701	1449	1253	1096	967
	4,52%	3045	2385	1941	1622	1382	1194	1044

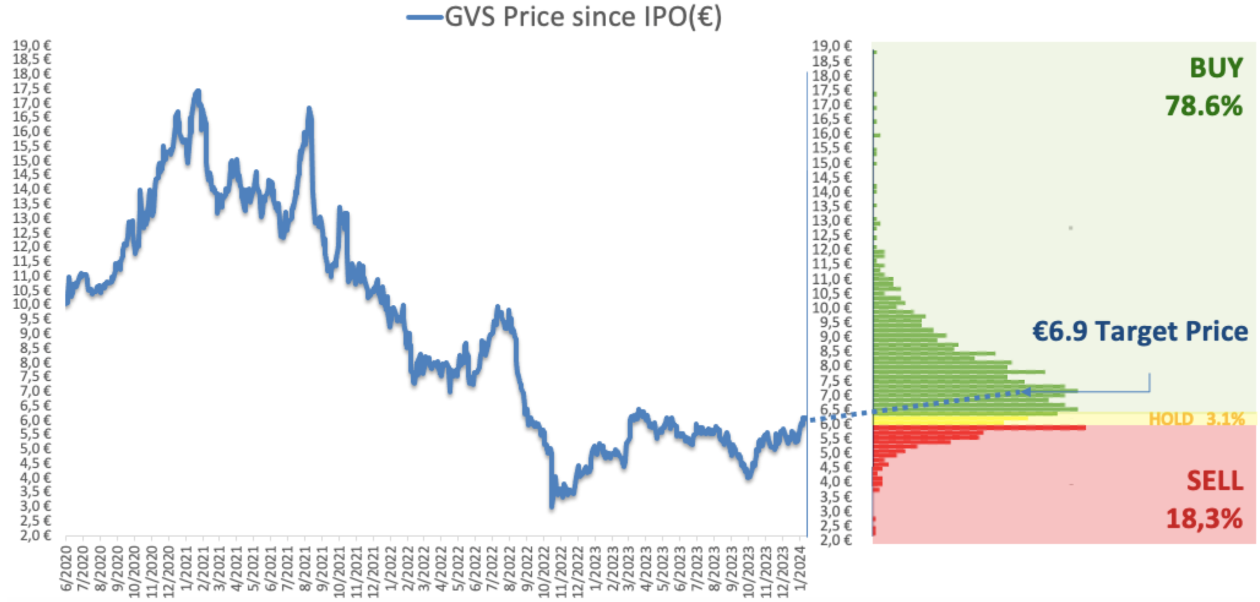
Differential Return Sensitivity WACC

		6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%
g	1,52%	15,5%	2,0%	-9,2%	-18,7%	-26,8%	-33,8%	-39,9%
	2,02%	25,8%	10,1%	-2,8%	-13,5%	-22,5%	-30,3%	-37,0%
	2,52%	38,6%	19,9%	4,9%	-7,3%	-17,6%	-26,2%	-33,6%
	3,02%	55,1%	32,2%	14,3%	**0,0%**	-11,7%	-21,5%	-29,7%
	3,52%	76,9%	47,8%	26,0%	9,0%	-4,7%	-15,9%	-25,2%
	4,02%	107,2%	68,7%	41,0%	20,1%	3,8%	-9,2%	-19,9%
	4,52%	152,3%	97,6%	60,8%	34,4%	14,5%	-1,0%	-13,5%

Price Sensitivity WACC

		6,58%	7,08%	7,58%	8,08%	8,58%	9,08%	9,58%
g	1,52%	7,98	7,05	6,28	5,62	5,06	4,58	4,15
	2,02%	8,70	7,61	6,72	5,98	5,36	4,82	4,36
	2,52%	9,58	8,29	7,25	6,40	5,70	5,10	4,59
	3,02%	10,72	9,13	7,90	**6,90**	6,10	5,43	4,86
	3,52%	12,23	10,22	8,71	7,53	6,59	5,81	5,17
	4,02%	14,32	11,66	9,74	8,30	7,18	6,28	5,54
	4,52%	17,44	13,66	11,12	9,29	7,91	6,84	5,98

Appendix 12 – Monte Carlo Simulation



Our valuation through Monte Carlo analysis suggests a target price of €6.9. To perform the analysis, we considered the mean and standard deviation values over a 6-year period (2018 to 2023), leading to results that are less influenced by the volatility that has occurred over the past 4 years.The distribution shows a 51% probability that the value of the stock will range between €4.5 and €5.5, with a greater weight on the right tail than on the left tail, as a consequence of the assumptions.

RPB		EV/EBITDA MULTIPLE DESCRIPTION	MULTIPLES APPLIED TO 2026	2026 EV	IRR
Acquisition Year	2021	GVS 2025 EV/EBITDA	10,1	327,4	20,4%
EV PAID	-129,2	H&S average Hist EV/EBITDA	12,2	395,3	25,1%
2022 - 2026 Organic Grow	7,9%	2024 H&S EV/EBITDA	8,7	283,6	17,0%
		AVERAGE	**10,3**	**335,4**	**20,8%**

STT-Laishi		EV/EBITDA MULTIPLE DESCRIPTION	MULTIPLES APPLIED TO 2026	2026 EV	IRR
Acquisition Year	2022	GVS 2025 EV/EBITDA	10,1	68,2	6,2%
EV PAID	50,6	HC&LS average Hist EV/EBITDA	18,0	121,7	19,2%
2022 - 2026 Organic Grow	7,9%	2024 HC&LS EV/EBITDA	18,8	127,0	20,2%
		AVERAGE	**15,6**	**105,7**	**15,2%**

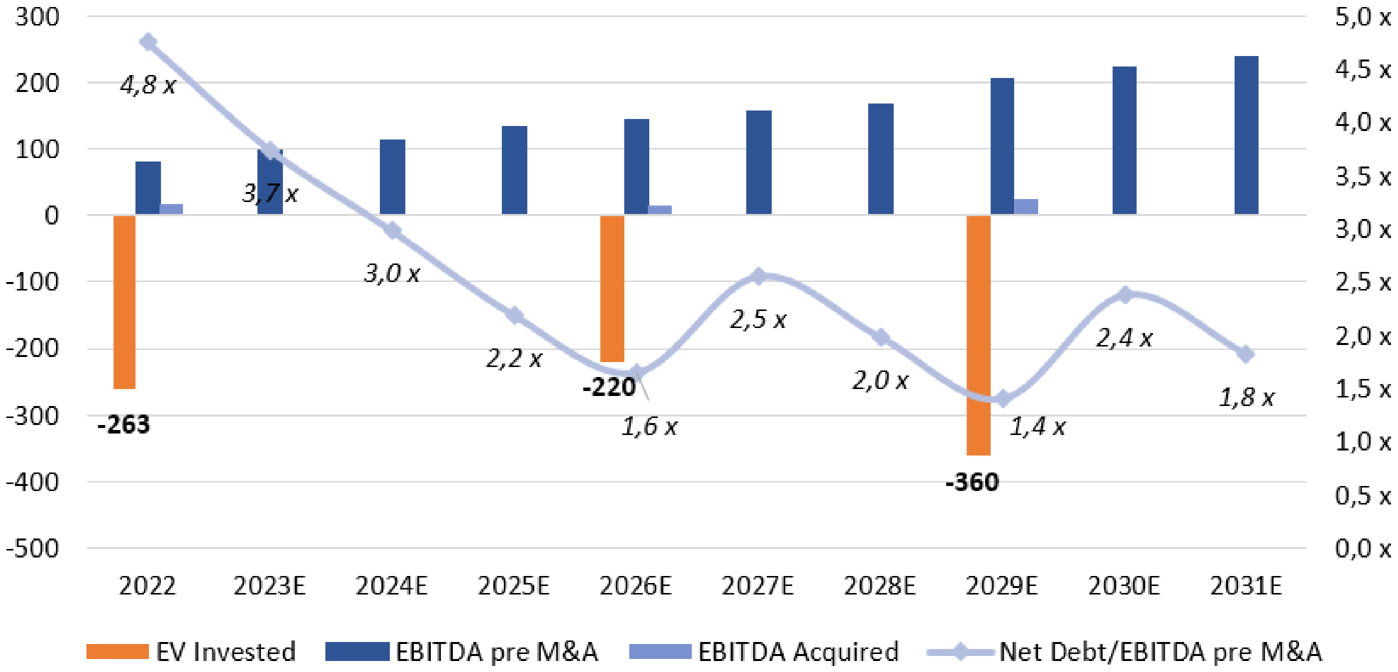
HAEMOTRONICS		EV/EBITDA MULTIPLE DESCRIPTION	MULTIPLES APPLIED TO 2026	2026 EV	IRR
Acquisition Year	2022	GVS 2025 EV/EBITDA	10,1	313,7	8,2%
EV PAID	-212	HC&LS average Hist EV/EBITDA	18,0	560,0	21,4%
2022 - 2026 Organic Grow	7,9%	2024 HC&LS EV/EBITDA	18,8	584,3	22,5%
		AVERAGE	**15,6**	**486,0**	**17,4%**

ACQUISITIONS AVERAGE IRR	**17,5%**

Our analysis of the last 3 GVS's acquistions that accounted for a total of around €392mln: RPB acquired for €129.2mln in 2021, STT for €50.6mln in 2022, and Heamotronics for €212mln in 2022) leads to an average **IRR of 17.5%**. We took in considerations financial data regarding acquisitions given by the company through its financial statements and presentations and our estimates for future impact of each acquisition.

Future M&A Opportunities	2026E	2027E	2028E	2029E	2030E	2031E
Debt/EBITDA pre M&A	1,64			1,40		
Room to M&A (Debt/EBITDA max 3,00x)	**1,22**			**1,26**		
Debt/EBITDA post M&A	2,87	2,55	1,98	2,66	2,38	1,82
EBITDA pre M&A	144	156	168	206	222	240
Average Sector M&A mutlple	14,6			14,6		
EV investable	**220**			**360**		
EBITDA acquired	**15,1**			**24,7**		
Debt post	457	397	333	613	528	436
EBITDA post M&A	160			231		
EBITDA Cash Conversion	38,5%					
Average IRR	**17,50%**					
Average Created Value	65,7%			65,7%		
Investable Created Value	145			237		
WACC	**8,08%**					
NPV	124			160		
Total NPV	**284**					

In our assumptions, GVS will be again positioned at a favourable Ne Debt/EBITDA ratio by the end of 2025, so that it can restart its M&A strategy as of 2026. Under a few market assumptions (max leverage of 3x Net Debt/EBITDA, average M&A multiple of 14.6x and past achieved IRRs of 17.5%), GVS could invest up to €220mln in 2026 and, applying similar EBITDA cash conversion of 38.5% over time, deleverage again in 3 years and buy other companies as early as 2029. A DCF shows that future M&A investments from 2026 to 2029 could create an NPV of up to €284mln and highlights GVS's capability to leverage its financial strenght and historical success of future M&A efforts. However, we do not believe that the market would pay this in advance so it is not included in our price but a testament of GVS's quality business model and inorganic opportunities that could be created in the future.



Appendix 14 – GVS Markets Data

Market segment (€bln)	GVS's segment	2022	2023E	2024E	2025E	2026E	2027E	CAGR 22-27	CAGR (weighted)	Source	Title
Global Filters Market	Global Filters	75,5	79,2	83,2	*87,5*	*92,0*	*96,8*	5,15%	***6,81%***	Grand View Research	Global Filters market
Healthcare & Life Science	Healthcare Liquid	1,4	*1,5*	*1,6*	*1,7*	*1,9*	*2,0*	7,52%	***7,36%***	Report Prime	Global Medical Liquid Filters market
	Healthcare Air & Gas	1,7	1,8	*1,9*	*2,0*	*2,1*	*2,3*	5,95%		Report Prime	Global Medical Gas Filters market
	Laboratory	3,9	4,2	4,5	4,9	5,2	5,6	7,59%		Precedence Research	Global Laboratory Filtration market
Energy & Mobility	Powertrain & Drivetrain Sport & Utility	20,6	21,5	22,0	22,3	23,3	24,1	3,18%	**3,73%**	Statista Mobility foresights	Global Automotive Filters market
	Safety & Electronics	4,4	4,6	*4,9*	*5,1*	*5,4*	*5,7*	5,48%		Grand View Research	Global Automotive Air Filters market
Health & Safety	Personal Safety	10,8	11,6	12,5	13,4	14,4	15,4	7,41%	**7,51%**	Statista Fortune Business Insights	Global PPE market, Protective Face Masks market
	Air Safety	12,5	13,6	14,8	16,0	17,4	18,9	8,51%		Precedence Research	Global Air Filters market

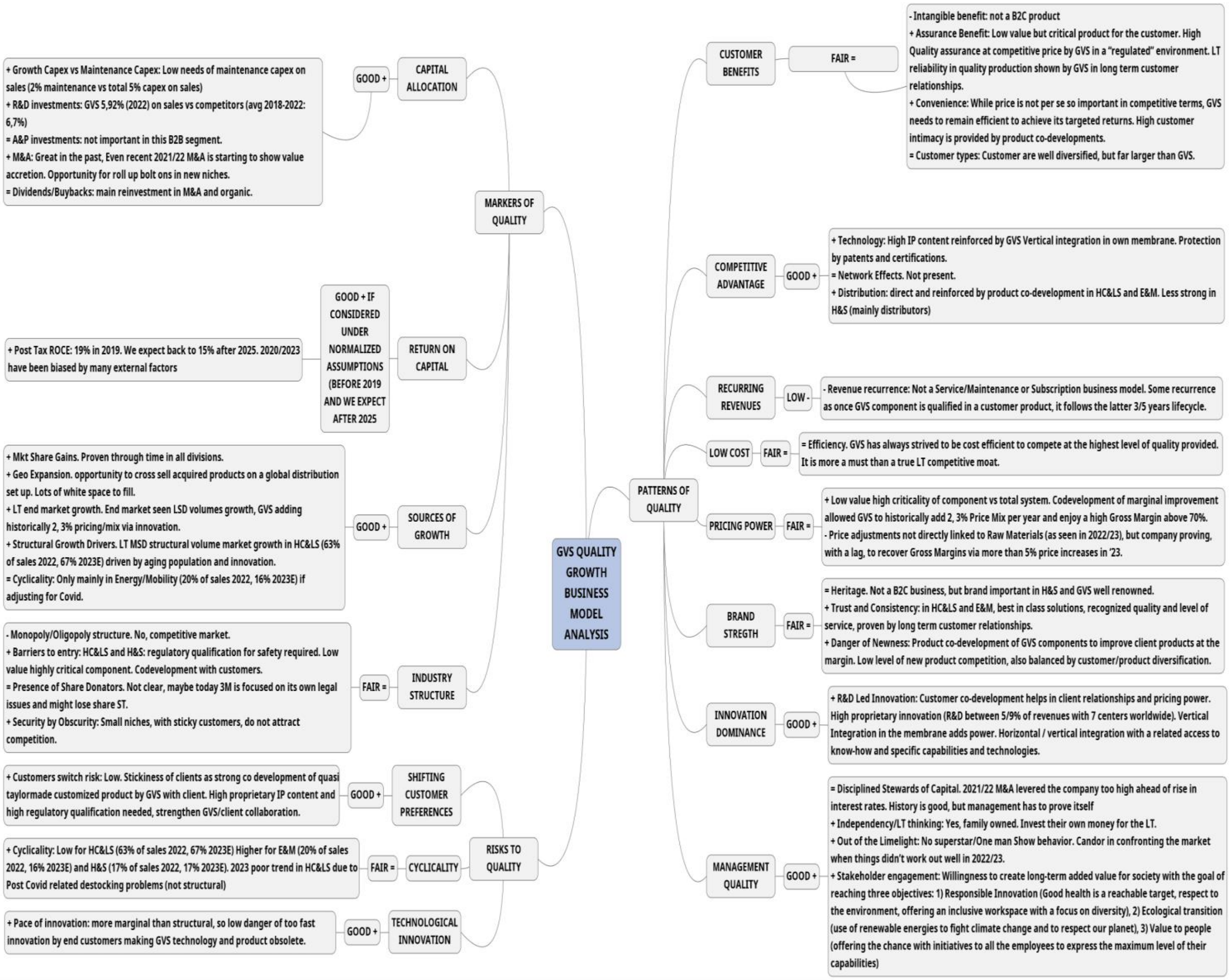
Appendix 15 – GVS's Clients

	Sub division	Main applications	% on Revenues	Clients
HC&LS	**Healthcare Liquid**	Infusion, Haemodialysis, Blood Transfusion	53%	HAEMONETICS Baxter NHS TERUMO BAYER JMS Dräger OLYMPUS PHILIPS mindray
	Healthcare Air&Gas	Breathing Systems Filters, Device Filters, Laparoscopy Filters / Kits, Spirometry Sets	7%	
	Laboratory	Microfiltration, Ultrafiltration, Vacuum Filtration, Cell Culture	8%	cytiva Coca-Cola sartorius eurofins suez fisher scientific
E&M	**Powertrain & Drivetrain**	Fuel system management, SCR urea systems	7%	Ford Continental vitesco TECHNOLOGIES MARELLI GM ZF BOSCH Aisan BRIGGS Kawasaki APTIV HITACHI Inspire the Next PLASTIC OMNIUM HARLEY-DAVIDSON POLARIS MITSUBA Razor Delphi Technologies TI Automotive HYUNDAI MOBIS AMG PETRONAS MOTORSPORT JOHN DEERE
	Safety & Electronics	Brakes, Ventilation, Transmission and steering, Air management (cabin and engine air), E-Axle, Battery vent anti-explosion	5%	
	Sports & Utility	Fuel, air and powertrain management for racing, tractors/agriculture, recreational vehicles, marine	4%	
H&S	**Personal Safety**	Industrial Protection, Biohazard/ Viral Protection	16%	amazon GRAINGER TOOLSTATION SCREWFIX FASTENAL
	Air Safety	Building Filtration, Industrial Application, Appliance Air Filtration	1%	Santander Heathrow SKY Gatwick LONDON AIRPORT UBS dyson

Appendix 16 – Competitive Positioning

COMPETITORS	Sales $ (bln)	Filter	Competitor core	Geographic Breakdown				End Market Focus			Membrane Integ.	Does M&A?	5Y REV	Hist. EBIT(%)	5Y ROCE	NET DEBT/ EBITDA
				America	Europe	Asia	ROW	HC&LS	H&S	E&M						
GVS	0.4	▬	✓	●	●	•	•	✓	✓	✓	✓	✓	15,0%	20,0%	13,6%	3,5
3M	34.2	▬	✓	●	●	•	•	✗	✓	✗	✓	✓	0,5%	-17,7%	18,3%	1,3
Danaher Corp.	31.4	▬	✓	●	●	•	•	✓	✗	✗	✓	✓	1,3%	24,0%	7,6%	0,9
Medtronic	31.2	▬	✗	●	•	●	•	✓	✗	✗	✗	✓	1,4%	23,4%	6,3%	2,0
Honeywell	29.6	▬	✗	●	●	●	•	✗	✓	✗	✗	✓	-2,5%	8,2%	11,0%	1,2
Merck (MilliporeSigma)	22.2	▬	✓	●	●	●	•	✓	✗	✗	✓	✓	8,8%	5,4%	12,3%	2,9
Asahi Kasei	20.4	▬	✓	●	●	●	•	✓	✗	✗	✓	✓	2,8%	7,0%	5,5%	2,2
Becton, Dickinson and C.	18.9	▬	✓	●	•	•	•	✓	✗	✗	✗	✓	3,0%	11,6%	3,9%	2,2
Parker Hannifin	15.8	▬	✓	●	•	•	•	✗	✗	✓	✓	✓	7,2%	7,3%	11,6%	2,3
Xylem	5.5	▬	✗	●	●	●	•	✗	✗	✗	✗	✓	15,3%	10,5%	8,0%	0,4
Sartorius AG	4.1	▬	✓	●	●	●	•	✓	✗	✗	✓	✓	20,2%	24,0%	12,3%	5,1
Donaldson	3.4	▬	✓	●	●	●	•	✗	✗	✓	✓	✓	4,3%	28,0%	17,7%	n.a.
Atmus Filtration Tech.	1.5	▬	✓	●	●	●	•	✗	✗	✓	✓	✓	n.a.	n.a.	n.a.	n.a.
Avon Protection	0.2	▬	✗	●	•	•	•	✗	✓	✗	✗	✓	15,0%	27,1%	2,3%	n.a.
Porvair	0.2	▬	✗	●	●	●	•	✗	✗	✓	✗	✓	9,1%	-2,5%	12,3%	n.a.
Mann + Hummel	5.2	▬	✗	●	●	●	•	✗	✓	✓	✗	✓	n.a.	n.a.	n.a.	n.a.
Gore	4.8	▬	✗	n.a.	n.a.	n.a.	n.a.	✓	✗	✓	✗	✓	n.a.	n.a.	n.a.	n.a.
Ag Industries	1.5	▬	✗	n.a.	n.a.	n.a.	n.a.	✓	✗	✗	✗	✓	n.a.	n.a.	n.a.	n.a.
Intersurgical	0.2	▬	✗	n.a.	n.a.	n.a.	n.a.	✓	✗	✗	✓	✓	n.a.	n.a.	n.a.	n.a.
NBC Meshtec	n.a.	▬	✗	n.a.	n.a.	n.a.	n.a.	✗	✗	✓	✗	n.a.	n.a.	n.a.	n.a.	n.a.
ITW Filtertek	n.a.	▬	✓	n.a.	n.a.	n.a.	n.a.	✓	✗	✗	✗	✓	n.a.	n.a.	n.a.	n.a.
Vyaire Medical	n.a.	▬	✗	n.a.	n.a.	n.a.	n.a.	✓	✗	✗	✗	✓	n.a.	n.a.	n.a.	n.a.
Weppler Filter	n.a.	▬	✓	n.a.	n.a.	n.a.	n.a.	✗	✗	✓	✗	n.a.	n.a.	n.a.	n.a.	n.a.

Appendix 17 – GVS Quality Growth Business Model Analysis



GVS QUALITY GROWTH BUSINESS MODEL ANALYSIS

MARKERS OF QUALITY

- **CAPITAL ALLOCATION** – GOOD +
  - + Growth Capex vs Maintenance Capex: Low needs of maintenance capex on sales (2% maintenance vs total 5% capex on sales)
  - + R&D investments: GVS 5,92% (2022) on sales vs competitors (avg 2018-2022: 6,7%)
  - = A&P investments: not important in this B2B segment.
  - + M&A: Great in the past, Even recent 2021/22 M&A is starting to show value accretion. Opportunity for roll up bolt ons in new niches.
  - = Dividends/Buybacks: main reinvestment in M&A and organic.
- **RETURN ON CAPITAL** – GOOD + IF CONSIDERED UNDER NORMALIZED ASSUMPTIONS (BEFORE 2019 AND WE EXPECT AFTER 2025
  - + Post Tax ROCE: 19% in 2019. We expect back to 15% after 2025. 2020/2023 have been biased by many external factors
- **SOURCES OF GROWTH** – GOOD +
  - + Mkt Share Gains. Proven through time in all divisions.
  - + Geo Expansion. opportunity to cross sell acquired products on a global distribution set up. Lots of white space to fill.
  - + LT end market growth. End market seen LSD volumes growth, GVS adding historically 2, 3% pricing/mix via innovation.
  - + Structural Growth Drivers. LT MSD structural volume market growth in HC&LS (63% of sales 2022, 67% 2023E) driven by aging population and innovation.
  - = Cyclicality: Only mainly in Energy/Mobility (20% of sales 2022, 16% 2023E) if adjusting for Covid.
- **INDUSTRY STRUCTURE** – FAIR =
  - - Monopoly/Oligopoly structure. No, competitive market.
  - + Barriers to entry: HC&LS and H&S: regulatory qualification for safety required. Low value highly critical component. Codevelopment with customers.
  - = Presence of Share Donators. Not clear, maybe today 3M is focused on its own legal issues and might lose share ST.
  - + Security by Obscurity: Small niches, with sticky customers, do not attract competition.

RISKS TO QUALITY

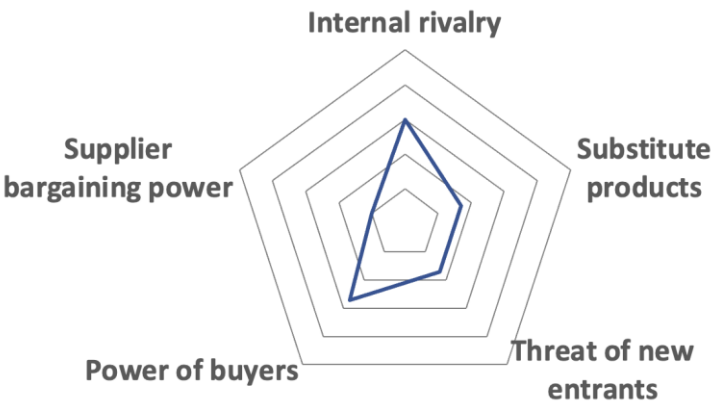
- **SHIFTING CUSTOMER PREFERENCES** – GOOD +
  - + Customers switch risk: Low. Stickiness of clients as strong co development of quasi taylormade customized product by GVS with client. High proprietary IP content and high regulatory qualification needed, strengthen GVS/client collaboration.
- **CYCLICALITY** – FAIR =
  - + Cyclicality: Low for HC&LS (63% of sales 2022, 67% 2023E) Higher for E&M (20% of sales 2022, 16% 2023E) and H&S (17% of sales 2022, 17% 2023E). 2023 poor trend in HC&LS due to Post Covid related destocking problems (not structural)
- **TECHNOLOGICAL INNOVATION** – GOOD +
  - + Pace of innovation: more marginal than structural, so low danger of too fast innovation by end customers making GVS technology and product obsolete.

PATTERNS OF QUALITY

- **CUSTOMER BENEFITS** – FAIR =
  - - Intangible benefit: not a B2C product
  - + Assurance Benefit: Low value but critical product for the customer. High Quality assurance at competitive price by GVS in a "regulated" environment. LT reliability in quality production shown by GVS in long term customer relationships.
  - + Convenience: While price is not per se so important in competitive terms, GVS needs to remain efficient to achieve its targeted returns. High customer intimacy is provided by product co-developments.
  - = Customer types: Customer are well diversified, but far larger than GVS.
- **COMPETITIVE ADVANTAGE** – GOOD +
  - + Technology: High IP content reinforced by GVS Vertical integration in own membrane. Protection by patents and certifications.
  - = Network Effects. Not present.
  - + Distribution: direct and reinforced by product co-development in HC&LS and E&M. Less strong in H&S (mainly distributors)
- **RECURRING REVENUES** – LOW -
  - - Revenue recurrence: Not a Service/Maintenance or Subscription business model. Some recurrence as once GVS component is qualified in a customer product, it follows the latter 3/5 years lifecycle.
- **LOW COST** – FAIR =
  - = Efficiency. GVS has always strived to be cost efficient to compete at the highest level of quality provided. It is more a must than a true LT competitive moat.
- **PRICING POWER** – FAIR =
  - + Low value high criticality of component vs total system. Codevelopment of marginal improvement allowed GVS to historically add 2, 3% Price Mix per year and enjoy a high Gross Margin above 70%.
  - - Price adjustments not directly linked to Raw Materials (as seen in 2022/23), but company proving, with a lag, to recover Gross Margins via more than 5% price increases in '23.
- **BRAND STREGTH** – FAIR =
  - = Heritage. Not a B2C business, but brand important in H&S and GVS well renowned.
  - + Trust and Consistency: in HC&LS and E&M, best in class solutions, recognized quality and level of service, proven by long term customer relationships.
  - + Danger of Newness: Product co-development of GVS components to improve client products at the margin. Low level of new product competition, also balanced by customer/product diversification.
- **INNOVATION DOMINANCE** – GOOD +
  - + R&D Led Innovation: Customer co-development helps in client relationships and pricing power. High proprietary innovation (R&D between 5/9% of revenues with 7 centers worldwide). Vertical Integration in the membrane adds power. Horizontal / vertical integration with a related access to know-how and specific capabilities and technologies.
- **MANAGEMENT QUALITY** – GOOD +
  - = Disciplined Stewards of Capital. 2021/22 M&A levered the company too high ahead of rise in interest rates. History is good, but management has to prove itself
  - + Independency/LT thinking: Yes, family owned. Invest their own money for the LT.
  - + Out of the Limelight: No superstar/One man Show behavior. Candor in confronting the market when things didn't work out well in 2022/23.
  - + Stakeholder engagement: Willingness to create long-term added value for society with the goal of reaching three objectives: 1) Responsible Innovation (Good health is a reachable target, respect to the environment, offering an inclusive workspace with a focus on diversity), 2) Ecological transition (use of renewable energies to fight climate change and to respect our planet), 3) Value to people (offering the chance with initiatives to all the employees to express the maximum level of their capabilities)

LAWRENCE A. CUNNINGHAM, TORKELL T. EIDE & PATRICK HARGREAVES. "*Quality investing owning the best companies for the long term*".

Appendix 18 – Porter's 5 Forces



Internal rivalry: 3	Substitute products: 1,7	Threat of new entrants: 1,7	Power of buyers: 2,7	Supplier bargaining power: 1
HC&LS: 4	HC&LS: 1	HC&LS: 1	HC&LS: 3	HC&LS: 1
E&M: 2	E&M: 1	E&M: 3	E&M: 3	E&M: 1
H&S: 3	H&S: 3	H&S: 1	H&S: 2	H&S: 1
No direct competitor operating across all 3 sector simultaneously but numerous niches	Taylor made products co-developed with clients	High entry barriers driven by regulations on quality and safety and patents	Client concentration low; in HC&S and E&M need for zero-defect product.	Few high-risk suppliers, process is highly vertically integrated

Appendix 19 – Board of Directors

Board of Directors composition

Name	Gender	Age	Role	Board Tenure (Yrs)	Independent	Control, Risks & Sustainability & Related Party Transactions	Appointments & Remuneration Committee	Other employment
Marco Scagliarini	M	59	Non executive Director	34	No	No	No	CEO GVS Real Estate S.r.l.
Alessandro Nasi	M	49	Chairman	4	Yes	No	No	Member of: Lego Brand Group Advisory Board, Istituto Italiano di Tecnologia board, 3 Boomerang Capital Strategic Board, Director of CNH Industrial & Iveco Group, Chairman of Iveco Defence & Astra boards, Chairman of Comau board, Director of Exor NV & Giovanni Agnelli BV
Massimo Scagliarini	M	58	Ceo & Director	34	No	No	No	CEO
Grazia Valentini	F	81	Non executive Director	45	No	No	No	Founder, CEO Grace company
Marco Pacini	M	52	Non executive Director	<1	No	No	No	CFO GVS
Pietro Cordova	M	63	Independent Director	<1	Yes	Yes	Yes	Partner of a consulting firm Ficom Leisure, Board of Director of Terago Inc. a Canadian company
Anna Tanganelli	F	42	Independent Director	<1	Yes	Yes	No	CFO GVS & Head of M&A of IREN Group
Michela Schizzi	F	41	Independent Director	4	Yes	No	Yes	General Counsel in Cerved Group, member of the Advisory Board of the Faculty of Economics at the University of Zurich, of the Institute of International Management at the University of St. Gallen
Simona Scarpaleggia	F	63	Independent Director	<1	Yes	Yes	Yes	Member of the Board of Brainforest AG.

Appendix 20 – Ownership

Ownership Top 15 Institutions & Top 5 Insiders

Rank	Type	%OS	Position (K)	Pos Chg (k)	Mkt Val (mln)	Activism	Report Date	Source
-	**Total**	**83.2**	**145,669**	**-578**	**962**	**-**	**-**	**-**
-	**Institutions**	**19.9**	**34,754**	**-578**	**230**	**-**	**-**	**-**
1	Capital Research & Management Co. (World Investors)	5.0	8,720	0	58	Very Low	12/31/2023	Sum of Funds
2	Mediolanum Gestione Fondi SGRpA	2.9	5,110	36	34	Very Low	09/29/2023	Sum of Funds
3	Invesco Asset Management Ltd.	2.2	3,898	133	26	Low	10/31/2023	Sum of Funds
4	T. Rowe Price International Ltd.	1.7	2,996	-2	20	Very Low	12/31/2023	Sum of Funds
5	The Vanguard Group, Inc.	1.4	2,447	0	16	Very Low	01/31/2024	Sum of Funds
6	Fideuram Asset Management SGR SpA	1.0	1,833	223	12	Very Low	12/31/2023	Sum of Funds
7	Fidelity Management & Research Co. LLC	0.9	1,564	-2	10	Very Low	12/31/2023	Sum of Funds
8	Amundi Asset Management SA (Investment Management)	0.7	1,262	150	8	Low	01/31/2024	Sum of Funds
9	Capital Research & Management Co. (Global Investors)	0.7	1,192	0	8	Very Low	12/31/2023	Sum of Funds
10	Norges Bank Investment Management	0.7	1,174	-265	8	Medium	12/31/2022	Sum of Funds
11	Royce & Associates LP	0.6	996	-828	7	Medium	12/31/2023	Sum of Funds
12	FIL Investments International (Italy)	0.5	923	0	6	Very Low	12/31/2023	Sum of Funds
13	Oddo BHF Asset Management SAS	0.5	906	13	6	Very Low	12/29/2023	Sum of Funds
14	Arca Fondi SGR SpA	0.5	875	-22	6	Very Low	12/29/2023	Sum of Funds
15	Invesco Advisers, Inc.	0.5	857	-13	6	Very Low	10/31/2023	Sum of Funds
-	**Insiders / Stakeholders**	**63.4**	**110,915**	**0**	**733**	**-**	**-**	**-**
1	Scagliarini Massimo	60.0	105,000	0	694	-	05/03/2023	Periodic Shareholder List
2	Wertheimer Ruth (7-Industries holding)	3.1	5,465	0	36	-	05/03/2023	Periodic Shareholder List
3	Gvs Spa	0.3	450	0	3	-	05/03/2023	Periodic Shareholder List

Appendix 21 – Key ESG Metrics

Key ESG metrics taken into consideration in our proprietary model

ENVIRONMENTAL (weight: 25%)		**SOCIAL (weight 40%)**		**GOVERNANCE (weight 35%)**	
Category	**Metric**	**Category**	**Metric**	**Category**	**Metric**
Resource use	Policy Energy Efficiency	Human rights	Human Rights Policy	CSR strategy	CSR Sustainability Committee
	Policy Water Efficiency	Workfoce	Salary Gap		Stakeholder Engagement
	Environment Management Training		Gender Pay Gap	Shareholder protection	% Outstanding Shares
	Net Emission Target Zero		Average Training Hours		Multiple Voting Rights
	Science Based Targets		Training and Development Policy		Shareholder Rights Policy
	Water Use To Revenues		Injuries To Million Hours	Management control	Board Gender Diversity
	Total Energy Use To Revenues		Policy Employee Health & Safety		Independent Board Members
	Environmental Supply Chain Management		Net Employment Creation		Board Attendance
	Renewable Energy Use Ratio		Women Employees		CEO Chairman Duality
Emissions	Total CO2 & Equivalent Emissions To Revenues		Turnover of Employees		Audit Board Committee
	Waste Recycling Ratio	Community	Whistleblower Protection		
	Total Waste To Revenues		Bribery, Corruption and Fraud Controversies		
		Product responsability	QMS Certified		
			Product Quality Controversies		

Appendix 22 – ESG Model

ESG Model Explanation

In developing our ESG model, we analyzed 36 key metrics for GVS and its industry peers. Each metric was considered within a range spanning from average plus or minus 0.05 of average. Subsequently, we determined whether the metric fell above, below, or within this range and associated a positive evaluation accordingly. For example, if the metric "Energy use to Revenues" for a company exceeded the average with one standard deviation, it was considered a negative result. Next, for each ESG pillar, we calculated the number of positive metrics relative to the total metrics within that pillar. In this way we determined the pillar score. The overall ESG score, encompassing all pillars, was instead computed as a weighted average of the pillar scores. The weights assigned were 25% for Environment, 40% for Social, and 35% for Governance. This is to reflect the higher relative importance of outmost perfect quality and safety to the business model of GVS (Social aspects related to employees), the investors focus on Governance as GVS is a family-owned company, while in terms of environmental aspects GVS is not a critical sector. To simplify the measures, we converted them to a scale ranging from 0 to 100. GVS's absolute rating is the weighted average of each score. For the relative rating, we normalized the scores, obtaining various percentiles. Different ratings were assigned based on the percentiles, creating a nuanced evaluation of GVS's ESG performance.

Rating & score range

Rating	AAA	AA	A	BBB	BB	B	CCC	CC
Score	100-87.5	87.5-75	75-62.5	62.5-50	50-37.5	25-37.5	25-12.5	12.5-0

Absolute GVS rating per pillar & overall absolute rating

ESG Pillar	Weight	Nº Positive Metrics	Nº Key Factors	Score	Rating
Environment	25%	7	12	0.6	BBB
Social	40%	10	14	0.7	A
Governance	35%	7	10	0.7	A
Overall	100%	24	36	**67.7**	**A**

Relative ESG rating: GVS vs peers

	ENVIRONMENT		SOCIAL		GOVERNANCE		RESULTS		
Company	**Nº Positive Metrics**	**Score**	**Nº Positive Metrics**	**Score**	**Nº Positive Metrics**	**Score**	**Numerical Score**	**Percentile Ranking**	**Rating**
Donaldson Company Inc	7	0.6	8	0.6	7	0.7	61.9	48.7%	BB
3M Co	8	0.7	7	0.5	8	0.8	64.7	61.2%	BBB
Sartorius AG	8	0.7	10	0.7	6	0.6	66.2	68.4%	A
MSA Safety Inc	8	0.7	7	0.5	8	0.8	64.7	61.2%	BBB
Danaher Corp	7	0.6	10	0.7	7	0.7	67.7	74.9%	A
Becton Dickinson and Co	11	0.9	9	0.6	7	0.7	73.1	100%	AAA
Parker-Hannifin Corp	8	0.7	6	0.4	5	0.5	51.3	0%	CC
Avon Protection PLC	3	0.3	8	0.6	9	0.9	60.6	42.6%	BB
Porvair PLC	4	0.3	8	0.6	7	0.7	55.7	20.1%	CCC
Steris	3	0.3	8	0.6	8	0.8	57.1	26.6%	B
Baxter	9	0.8	8	0.6	8	0.8	69.6	83.9%	AA
GVS	**7**	**0.6**	**12**	**0.9**	**6**	**0.6**	**69.9**	**85.1%**	**AA**

Environmental metrics

Company	Policy Energy Efficiency	Policy Water Efficiency	Environment Management Training	Net Zero Targets	Science-Based Targets	Water Use / Revenues (USD mln)	Energy Use / Revenues (USD mln)	Environmental Supply Chain Management	Renewable Energy Use Ratio	CO2 & Equivalent Emissions / Revenues (USD mln)	Waste Recycling Ratio	Waste / Revenues (USD mln)
GVS SpA	True	True	True	No	No	272.5	740.5	True	0.3	49.6	59.2	11.8
Donaldson Company Inc	True	True	True	No	No	152.1	364.9	True	N/A	34.4	N/A	N/A
3M Co	True	True	True	Yes	Yes	1089.7	861.4	True	N/A	113.4	61.5	13. 5
Sartorius AG	False	True	True	No	Yes	157	161.7	False	0.3	16.1	28.8	4.2
MSA Safety Inc	True	True	True	No	Yes	52.1	172.1	True	N/A	14	85.2	1
Danaher Corp	True	True	False	No	No	181.5	175.7	True	N/A	12.6	65.2	2.2
Becton Dickinson and Co	True	True	True	Yes	Yes	294.2	375.5	True	0.2	31.4	58	3.9
Parker-Hannifin Corp	True	True	False	Yes	Yes	264.8	458.3	False	0.1	41.6	N/A	N/A
Avon Protection PLC	True	False	False	Yes	No	N/A	560.4	False	N/A	41.2	N/A	N/A
Porvair PLC	True	True	False	Yes	No	264.4	N/A	False	N/A	89.7	N/A	N/A
Steris	True	False	True	No	No	N/A	N/A	True	N/A	N/A	N/A	N/A
Baxter	True	True	True	No	Yes	994.3	771.6	True	0.3	52	78.20	5.2
Average Result	-	-	-	-	-	372.3	464.2	-	0.2	45.1	62.3	6
Average plus 0.05*average	-	-	-	-	-	390.9	487.4	-	0.2	47.3	65.4	6.3
Average minus 0.05*average	-	-	-	-	-	353.6	441	-	0.2	42.5	59.2	5.7
GVS SpA w.r.t range	Average	Average	Average	Below	Below	Below	Above	Average	Above	Above	Average	Above
GVS SpA result	**Positive**	**Positive**	**Positive**	**Negative**	**Negative**	**Positive**	**Negative**	**Positive**	**Positive**	**Negative**	**Positive**	**Negative**

Social pillar metrics

Company	Human Rights Policy	Salary Gap	Gender Pay Gap %	Average Training Hours	Training & Development Policy	Injuries / Million Hours	Policy Employee Health & Safety	Net Employment Creation	Women Employees %	Turnover of Employees	Whistleblower Protection	Bribery. Corruption and Fraud Controversies	QMS Certified %	Product Quality Controversies
GVS SpA	True	57.6	N/A	18.3	True	5.5	True	79.8	59.7	2.5	True	False	100	False
Donaldson Company Inc	True	N/A	N/A	N/A	True	7.2	True	6.8	37	N/A	True	False	56.5	False
3M Co	True	N/A	100	25	True	6.3	True	-3.2	36.9	16.9	True	False	N/A	True
Sartorius AG	True	32.2	N/A	14.8	True	5.8	True	15.2	38.9	9.2	True	False	N/A	False
MSA Safety Inc	True	N/A	N/A	N/A	True	3	True	0	N/A	N/A	True	False	N/A	False
Danaher Corp	True	N/A	100	N/A	True	2.5	True	16.4	37.0	17	True	False	100	False
Becton Dickinson and Co	True	N/A	99	N/A	True	2.1	True	2.7	49.0	5.5	True	False	47.6	True
Parker-Hannifin Corp	True	N/A	N/A	N/A	True	1.9	True	0.8	N/A	N/A	True	False	N/A	True
Avon Protection PLC	True	N/A	63.6	N/A	True	N/A	True	-4.7	42.0	N/A	True	False	N/A	False
Porvair PLC	True	16.1	N/A	N/A	True	N/A	True	6.1	30	N/A	True	False	100	False
Steris	True	N/A	N/A	N/A	True	4.3	True	26.3	35.7	17	True	False	40	False
Baxter	True	N/A	N/A	30	True	2	True	0	47.2	N/A	True	False	N/A	True
Average Result	-	N/A	N/A	N/A	-	3.1	-	5.6	39.7	17	-	-	-	-
Average plus 0.05*average	-	-	-	28.9	-	3.2	-	5.8	41.7	17.8	-	-	-	-
Average minus 0.05*average	-	-	-	26.1	-	2.9	-	5.3	37.7	16.2	-	-	-	-
GVS SpA w.r.t range	Average	Above	Below	Below	Average	Above	Average	Above	Above	Below	Average	Average	Above	Average
GVS SpA result	**Positive**	**Negative**	**Negative**	**Negative**	**Positive**	**Negative**	**Positive**	**Positive**	**Positive**	**Positive**	**Positive**	**Positive**	**Positive**	**Positive**

Governance pillar metrics

Company	CSR Sustainability Committee	Stakeholder Engagement	Outstanding Shares %	Multiple Voting Rights	Shareholder Rights Policy	Board Gender Diversity %	Independent Board Members %	Board Attendance	CEO Chairman Duality	Audit Board Committee
GVS SpA	True	True	40	True	True	44.4	55.6	True	False	False
Donaldson Company Inc	True	True	99.5	False	True	25	92.3	False	True	True
3M Co	True	True	99.9	False	True	36.4	92.3	False	True	True
Sartorius AG	True	True	41.7	True	True	41.7	50	False	False	True
MSA Safety Inc	True	True	93.7	False	True	30	90	True	True	True
Danaher Corp	True	True	91.2	False	True	30.8	76.9	False	True	True
Becton Dickinson and Co	True	True	99.9	False	True	27.3	92.9	False	True	True
Parker-Hannifin Corp	False	False	99.4	False	True	25	84.6	False	True	True
Avon Protection PLC	False	True	98.5	False	True	40	57.1	True	False	True
Porvair PLC	True	True	80.5	False	True	40	60	False	False	True
Steris	True	True	99.7	False	True	22.2	81.8	False	False	True
Baxter	True	True	99.2	False	True	33.3	93.3	False	True	True
Average Result	-	-	86.9	-	-	33	77.2	-	-	-
Average plus 0.05*average	-	-	91.3	-	-	34.7	81.1	-	-	-
Average minus 0.05*average	-	-	82.6	-	-	31.4	89.5	-	-	-
GVS SpA w.r.t range	Average	Average	Below	Below	Average	Above	Below	Above	Below	Below
GVS SpA result	**Positive**	**Positive**	**Negative**	**Negative**	**Positive**	**Positive**	**Negative**	**Positive**	**Positive**	**Negative**