CFA Institute Research Challenge

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CFA Institute
Research Challenge 2024

BUY

GVS S.p.A.

Italy | Filtration Industry

Initiation of Coverage

12th February 2024

GVS

Price:	**€6.12**
TP:	**€6.90**
Upside:	**12.7%**

Stock Data

Market Capitalization:	1,072M
Shares Outstanding:	175M
52 week Range €:	4.00-6.46
Avg. Daily Volume (3 Mo)	97,042
EV (M)	1,366M
LT Growth Rate	28.4%

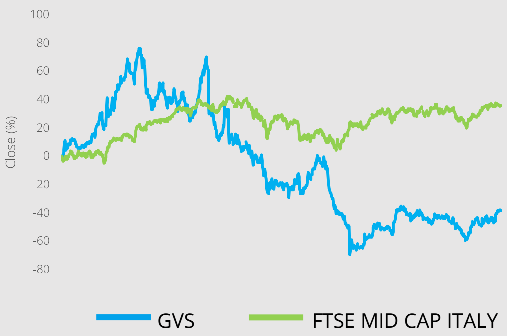
Market Data

Exchange:	MTA
Ticker:	GVS
ISIN:	IT0005411209
Sector:	Filtration
Index:	Euronext Milan
First Trading Date	19 Jun 20

Shareholders Structure

Insider Ownership:	63.12%
Free Float:	36.88%
Founder voting rights:	75%

Stock Performance



INVESTEMENT SUMMARY

Initiating coverage on GVS's stock, we advocate a BUY rating, projecting a target price of € 6.90 per common share over the next 12 months, reflecting a substantial 12.7% potential upside from the present value. Our assessment is based on two primary methodologies: (i) The Discounted Cash Flow (DCF) Model, with an 80% weight, and (ii) The Multiples Approach, with the remaining 20%. Our recommendation and the corresponding target price is based by pivotal factors such as:

-HUNGRY FOR SUCCESS: GVS'S FILTRATION FEAT & FINANCIAL FEAST

GVS asserts market leadership with unique positioning, know-how, and a strong financial profile. A seamless blend of family business ethos (60% ownership - 75% voting rights) and a seasoned management team makes GVS a vertically integrated player with a full-scale filtration platform. The company secures prime positions in high-margin niches, aligns with secular trends, and maintains brand awareness, customer loyalty, and global stability. With a focus on value-driven M&A and robust R&D, GVS is poised for future growth.

-ECHOES OF TRIUMPH, FUTURE UNWRITTEN

Despite the adage that "the past doesn't foretell the future", those venturing into GVS investments will recognize a history of prowess, a 20% revenue CAGR from FY09-20, showcasing an impressive 11% organic growth. Anticipating the journey ahead, a projected 15% revenue CAGR from FY08-24E, with a substantial 7% organic component, sets the stage for GVS's ongoing narrative of success.
GVS's journey is marked by a resilient margin trajectory and elevated Return on Capital Employed (ROCE). A testament to its strategic aptitude, the company self-funded 16 acquisitions between FY09-21. Despite an expected below-average CAGR for FY20-24E, originating from an exceptionally high FY20 baseline, we are confident in GVS's ability to maintain robust growth, impressive margins, and enduring ROCE. This optimism is grounded in GVS's sustainable competitive advantages, a seasoned management team, a steadfast market positioning, an unwavering focus on product innovation, and ample room to further consolidate its influence in the industry.

-ROLLING INTO FILTRATION'S TOMORROW

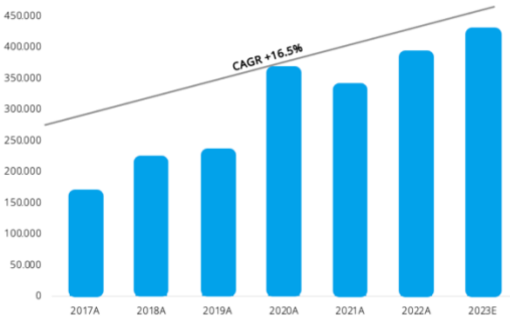
GVS strategically positions itself within the dynamic filtration industry, adeptly aligning with emerging trends. The company excels in the personal safety sector by offering innovative reusable masks, with a pronounced focus on direct-to-consumer (B2C) channels. In the air safety market, GVS stands at the forefront with Powered Air-Purifying Respirators (PAPR) that effectively address biological risks. Within the energy and mobility landscape, GVS pioneers durable and energy-efficient filtration solutions, anticipating the surge in demand driven by e-mobility trends. The strategic roadmap entails expanding the product portfolio, venturing into new markets, and developing compact solutions for emission reduction in hybrid and electric vehicles. Concurrently, GVS seeks to fortify relationships with key players in the burgeoning e-mobility sector.

-INVESTMENT RISKS

In assessing GVS's prospects, several key risk factors merit attention. (i) Innovation gap and tech lag of products may hinder the company's growth despite substantial barriers to entry and rigorous regulatory processes. The dynamic nature of the market, particularly in emerging fields like e-mobility, fuel cells, and lithium batteries, requires constant innovation to stay competitive. After the FY20 peak, (ii) unexpected profit decline is possible due to changes in government procurement in FY21-22. GVS's profitability, driven by 17 strategic mergers since FY09 with a 20% revenue CAGR, may encounter (iii) potential challenges leading to a decline, due to the possibility of acquiring expensive or poorly integrated assets. Despite financial capacity, misjudged acquisitions could jeopardize the company's strategy. GVS, as a family-owned company, faces (iv) the risk of management turnover. While the current CEO, Massimo Scagliarini, is part of the controlling family, frequent or unsuccessful turnover in key positions could threaten the company's stability and long-term success. Additionally, (v) challenges in managing the cost of debt and increased competition from highly specialized players further compound the potential risks GVS may face in maintaining its competitive edge.

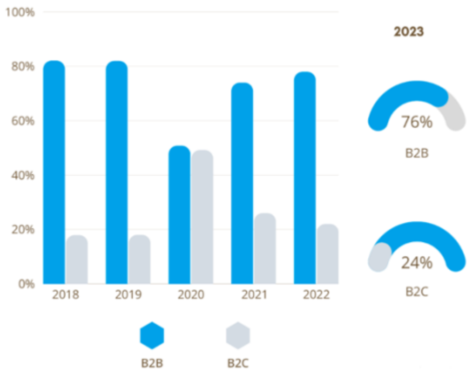
BUSINESS DESCRIPTION

GVS's Rv growth––Exhibit1



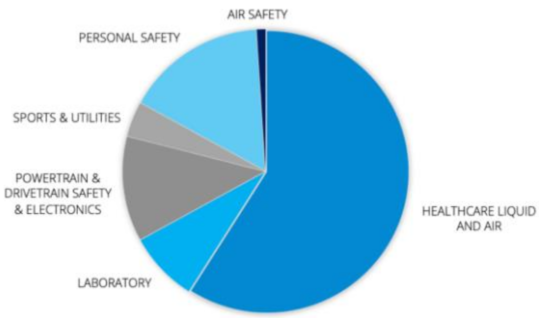
Source: company data and, team elaboration

GVS customers––Exhibit 2



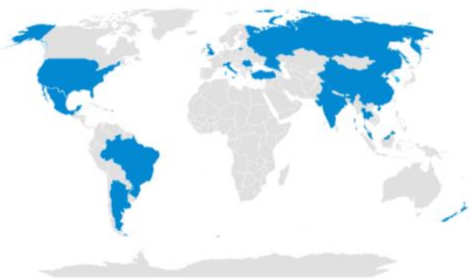
Source: company data and, team elaboration

Business segmentation––Exhibit 3



Source: company data and, team elaboration

Geographical expansion––Exhibit 4



Source: company data and, team elaboration

COMPANY DESCRIPTION

GVS, a leading Italian company in the field of industrial filtration with a market cap of €916.1M and FY23E revenues (Rv) of € 428M (*Exhibit 1*), offers customized solutions for critical applications. Founded in 1979 in Bologna by Grazia Valentini and her father Renato, GVS initially ventured into producing medical filters for blood treatment. Through her father's recognition as an early innovator among Italian injection mold designers, GVS has grown significantly. The company is controlled by GVS Group SpA, owned by Grazia Valentini's two sons: Massimo Scagliarini (who holds 51% and has been CEO of GVS since 2003) and Marco Scagliarini (holds 49%). The Scagliarini family holds key positions in management, controlling stake (75% of the voting rights) and as well as the shares (60%). GVS has achieved important milestones in recent years. In FY20A, the company acquired the Haemonetics plant in Puerto Rico, cementing its status as a leading manufacturer of white blood cell filters. Later that year, GVS was successfully listed on the MTA market of the Italian Stock Exchange. In FY21A, the strategic acquisitions of RPB and Shanghai Transfusion Technology underscored GVS's commitment to growth and leadership in healthcare solutions. GVS is mainly active in international markets and generated € 388m euros in FY22A. The Rv split is as follows: 26% in Europe (of which less than 5% is estimated to be in Italy), 49% in North and South America, 17% in Asia, and the remaining 8% in the rest of the world.

CORPORATE STRATEGY

GVS bases its core activities on three strategies, which are achieved through a combination of (i) technology and innovation, (ii) diversification across segments, (iii) M&A and global reach.

(i)TECHNOLOGY & INNOVATION-SHAPING THE FUTURE OF FILTRATION: GVS has made a significant impact in the filtration industry, particularly in membrane technology. Their innovative membrane solutions are versatile across sectors, from cleanroom maintenance to biopharmaceutical production and healthcare applications. The company's expertise extends to developing HEPA and ULPA filters for air purity in controlled environments. With a substantial patent portfolio and ongoing R&D investments, GVS remains committed to technological advancement. Recent breakthroughs in membrane filtration highlight the company's leadership, with advancements in microporous membrane manufacturing, enhancing selectivity and fouling resistance. Strategic acquisitions position GVS to provide filtration solutions for electric vehicles, battery separators, hydrogen filtration, and HEPA filters for air purification. This integrated approach reinforces GVS's leadership in the filtration industry, driven by cutting-edge membrane technology.

(ii)DIVERSIFICATION UNLEASHED-AN ONGOING TRAVEL: GVS, a global leader in membrane manufacturing, adopts a diversified "local-to-local" strategy across three main segments. In Healthcare & Lifesciences (53% of FY21A Rv), GVS collaborates with the biopharmaceutical industry, offering specialized solutions in Healthcare Liquid, Healthcare Air & Gas, and Laboratory & Membranes. The Energy & Mobility sector (21%) focuses on tailored filters for automotive applications, including Powertrain & Drivetrain, Safety & Electronics, and Sports & Utility. In the Health & Safety segment (26%) *(Exhibit 3)*, GVS designs respiratory protection devices, split into Personal Safety and Air Safety. The company's commitment to innovation is evident with 5-9% of sales allocated to R&D. GVS manages the entire production process internally, with membrane production in the USA and Italy following a global "local-for-local" strategy. Sales extend across both B2B (78% in FY22A) and B2C (22%) channels *(Exhibit 2)*. Customer fragmentation varies, with the largest customer contributing 5% of sales and the top ten customers accounting for 31%. GVS's strategic diversification, innovation, and collaborative approach underscore its influence as a key player in the global market.

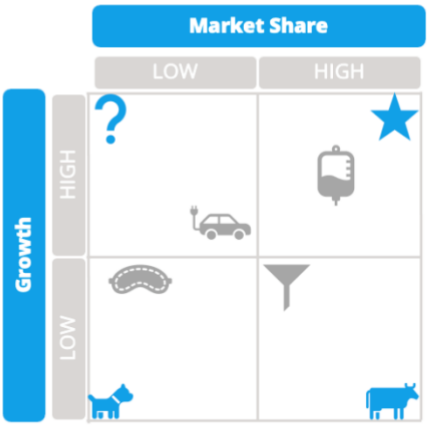
(iii)THE ART OF M&A AS THE CATALYST FOR GROWTH: GVS has strategically expanded its global presence through 17 acquisitions since FY09 (Exhibit 4), focusing on developed regions like the United States and Europe. Demonstrating proficiency in integration, the company acquired RPB (US) for synergies in personal security and Shanghai Transfusion Technology (China) for entry into the Chinese healthcare market in FY21A.

Despite a €391M investment in acquisitions in the last two years, contributing to a €120M sales growth, net debt increased to around €400M in FY22A. GVS follows a 'local-for-local' strategy, prioritizing regional activities and leveraging proximity to customers, except for membrane production in Italy and the USA. This approach minimizes geopolitical risks and aligns with the needs of multinational customers globally. Anticipating a shift in focus to emerging regions, GVS is expected to strategically emphasize M&A, particularly in enhancing its healthcare business in the dynamic Asian market.

INDUSTRY OVERVIEW

The global industrial filtration market is projected to expand from USD 33.5B in FY22A to USD 45.2B by FY27E, driven by: government regulations and policies that prioritize environmental protection, the need for safe working environments in industries that increases demand for reliable equipment, and technological advancements in emerging economies. Due to increasing investments in the manufacturing industry to reduce harmful particulate emissions and the introduction of increasingly stringent air pollution control regulations, North America is expected to emerge as the major market for industrial filtration, closely followed by Asia Pacific. Europe is the second largest market for industrial filtration due to the presence of economically advanced nations such as Germany, Italy, and France. Over the next five years, lucrative prospects may arise for market players through contracts, agreements, investments, and spending (M&A strategy). The core business of GVS is the sale of a complete range of filtration products, from blood membrane filters to automotive and air filtration solutions, positioning GVS within industrial filtration *(Exhibit 5).*

BCG Matrix––Exhibit 5



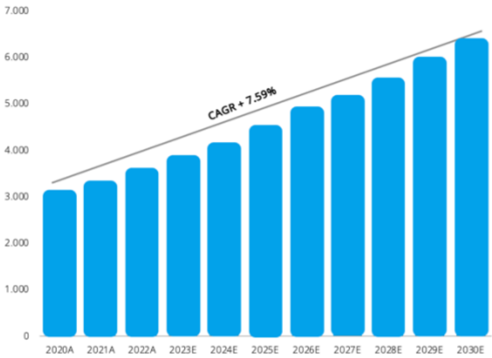
Source: Team elaboration

"THE BEAUTY AND THE BEAST" OF THE FILTRATION INDUSTRY: INDUSTRY ATTRACTIVENESS AND CHALLENGES

Filtration solutions play a crucial role in various industrial processes, offering significant benefits while facing notable challenges. These systems efficiently remove contaminants such as solid particles, impurities, and microorganisms from liquids, gases, or air, contributing to product quality and ensuring a safe working environment. However, the industry is under pressure due to increasingly stringent environmental regulations. Diverse applications, spanning healthcare, biopharmaceuticals, automotive, and energy industries, provide companies with opportunities for product diversification.

The rapid technological evolution poses challenges, requiring the development of innovative filtration technologies to handle complex industrial processes. The industry's growth potential is linked to product digitalization, particularly evident in real-time monitoring facilitated by sensors in industrial filters. Certain segments of the filtration industry, especially in critical applications like healthcare, demonstrate resilience during economic downturns, ensuring stability in challenging economic environments. The market is highly competitive, posing challenges in terms of price, quality, and performance, especially for smaller companies aspiring to compete with global and regional players. Achieving minimal energy consumption without compromising performance remains a constant challenge in industrial filtration processes. The demand for energy-efficient solutions is growing to reduce operating costs and environmental impact. Industrial processes introduce new contaminants, such as microplastics, pharmaceutical residues, and nanoparticles. Filtration technologies must adapt to effectively remove these contaminants, requiring continuous research and development efforts. Managing waste generated during filtration processes is an ongoing challenge. Scaling up filtration processes for large industrial applications is challenging, requiring maintenance of efficiency, uniformity in large systems, and handling high flow rates without compromising quality. Collaborating with other sectors, such as healthcare, automotive, and environmental engineering, presents opportunities for interdisciplinary partnerships and innovation.

CAGR Filtration Laboratory––Exhibit 6



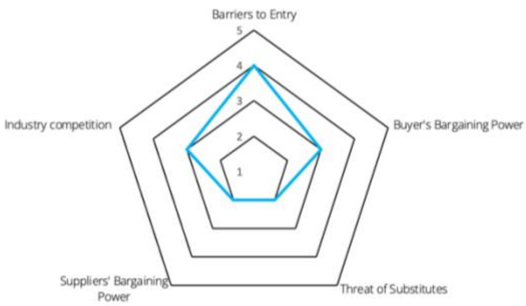
Sources: Allied Market Research, Inkwood, team elaboration

INDUSTRIES TRENDS

Some of the sectors in which the company operates are countercyclical to the economy, as demonstrated by the positive development during the COVID-19 period in FY20A, particularly in the health and safety industry. The industry is characterized by a variety of long-term trends, which include both favorable and unfavorable trends.

(i) Rising demand for environmental monitoring and quality control. In recent years, awareness of air quality has increased significantly, leading to rising demand for filters, particularly in developing countries *(Exhibit 6).*

Porter's Analysis––Exhibit 7

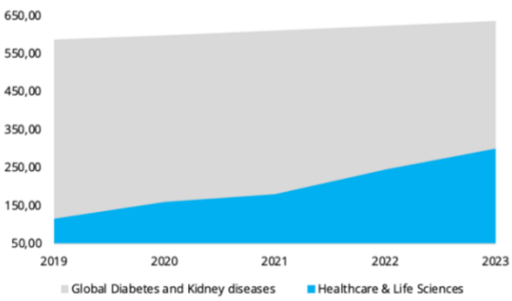


Source: Team elaboration

In addition, this initiative aims to protect the well-being of workers by addressing air quality concerns in industrial environments and mitigating potential health risks associated with the handling of materials that could release pollutants.

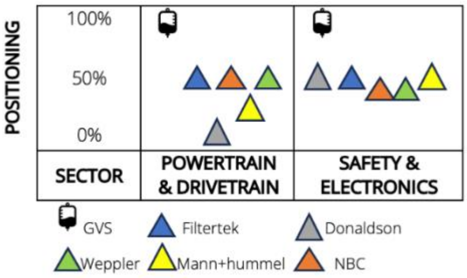
(ii) The electrification of vehicles combined with the production of green hydrogen in membrane cells offers opportunities to improve energy efficiency and sustainable transport. In line with the European Union's environmental objectives, hydrogen is a versatile energy carrier that can be used in various sectors. Despite its potential, the high cost of green hydrogen hinders its widespread use. Filtration technology plays a crucial role in water/electrolyte treatment and hydrogen purification to reduce costs and increase efficiency. GVS, with its expertise in gas separator membranes, is leading the advancement of the Energy & Mobility sectors.

Chronic Disease vs Healthcare's Rv––Exhibit 8



Source: IHME, and team elaboration

GVS products positioning ––Exhibit 9

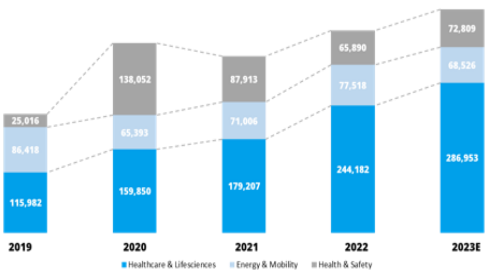


Source: Team elaboration

SWOT Analysis ––Exhibit 10

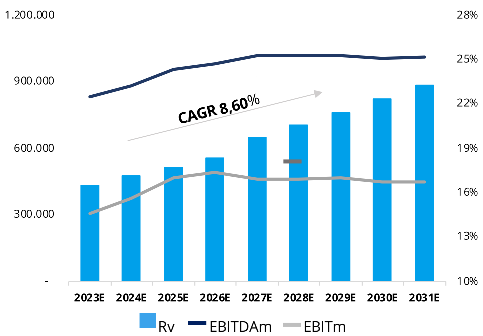
S	• Cutting-edge technology in the industry. • Extensive range of products and solutions. • Leadership role in in dynamically expanding niche markets. • Healthcare-related sectors: solid and steady growth, low cyclicality. • High entry barriers. Global presence, well-diversified customer base. • Vertical integration in the production of goods.
W	• Dependency on a limited number of key clients. • Rv dependence on a single sector. • Family management. • Restrictive regulations. • Low organic growth • Limited size compered to international peers.
O	• Further expansion of M&A operations with other industry leaders. • Limited presence in emerging countries continues. • Positive impact: increased filters for the use of electric vehicles • Increase in the use of filters in hemodialysis
T	• Highly costly and unsustainable acquisitions. • Regulatory changes that may impact the company's decisions. • Risk of losing key customers due to low bargaining power. • Management turnover

Path's Rv ––Exhibit 11



Source: company data and, team elaboration

GVS's Rv estimates —Exhibit 12



Source: company data and, team estimates

(iii) Growing demand for infusion procedures, hemodialysis and transfusions: according to the Global Burden of Disease (GBD), the prevalence of Chronic Kidney Disease (CKD) has increased by 29.3% worldwide from 1990 to date (*Exhibit 8).* In Italy, around 10% of the population suffers from CKD, which often goes undiagnosed in the early stages. In FY21A, expenditure on this disease will account for 3.2% of total national healthcare expenditure (€4B). The INSIDE CKD study predicts an annual cost increase of 10.8% by FY26E, with renal replacement therapy accounting for 53%.
(iv) The number of operations performed under anesthesia has increased significantly. Following the emergence of COVID-19, the number of requests for esthetic surgery has increased, according to the SICPRE (Italian Society of Plastic, Reconstructive, Regenerative and Aesthetic Surgery). This trend also goes hand in hand with combined procedures linked to the advent of smart working, which allows for a more comfortable recovery. The growing demand for these procedures requires an increasing use of filters during intubation and anesthesia masks.

COMPETITIVE POSITIONING

GVS operates in a relatively consolidated market characterized by high barriers to entry and limited competitors. In this landscape *(Exhibit 7)*, it is difficult to find a competitor that manufactures similar products and covers such a broad range of industries. GVS has successfully differentiated itself from its competitors by focusing on comprehensive product differentiation and a consistent commitment to product quality *(Exhibit 9)*. In addition, the company skillfully addresses the needs of the European and North American markets, both of which have a significant concentration of sales (EU 43.1%, NA 38.1%), and benefits from economies of scale while maintaining a commitment to high quality.
Another strength lies in GVS's ability to provide a comprehensive customer solution. The management team is committed to improving the overall customer experience by offering a wide range of solutions in one central location or as a complete product range.

SWOT ANALYSIS

The market offers remarkable opportunities, driven by industry trends, which GVS must exploit to increase its market share. This means that it must capitalize on its production flexibility and vertical integration, with a particular focus on membrane manufacturing. Prudent management and a thorough reassessment of potential regulatory threats in various countries, particularly in relation to devices, are essential. In addition, it is of utmost importance to achieve an effective balance in the management structure, which is clearly family-centered, notwithstanding the separation between the Board of Directors and the executive team *(Exhibit 10)*.

FINANCIAL ANALYSIS

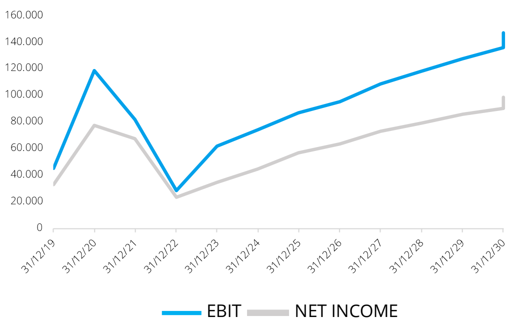
A SUCCESSFUL MID-SIZED ITALIAN COMPANY

GVS has followed a path of impressive, consistent growth, with a staggering 16.5% CAGR from FY21A to FY23E. This ascent began in FY09A, with periods of steady progress: 13% CAGR from FY09-17A, followed by a jump to 17% CAGR from FY17-19A. Remarkably, the FY09-20A timeframe saw an overall 20% CAGR in Rv, fueled by 11% organic growth and a strategic 9% boost from acquisitions. But FY20A became a game-changer. A successful IPO, combined with GVS's ready answer to the COVID-19 pandemic, propelled the Company to new heights. GVS were among the first to retool production lines, swiftly shifting to manufacture face masks. This strategic move led to a surge in sales volume, with Rv skyrocketing 60% year-over-year to reach a remarkable €363M. Furthermore, the company achieved an impressive 40% EBITDA margin. Since then, GVS has maintained a solid 16.5% Rv CAGR from FY19-23E *(Exhibit 12)*. Each year witnessed new peaks, culminating in €425M in Rv for FY23E *(Exhibit 11)*. This success stems from a combination of factors: organic growth, strategic acquisitions, market expansion, innovative product development, and robust operational efficiency.

POWER IS NOTHING WITHOUT CONTROL

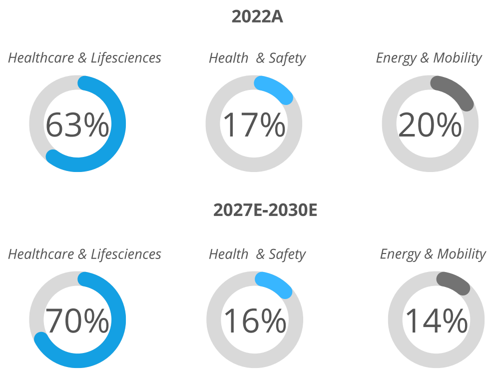
GVS has made several strategic acquisitions over the years, which have helped to fuel its growth. With seven deals since 2011 and low R&D costs (5-9% of Rv), they prioritize buying expertise in the Company's core sectors, strategically expanding its know-how and mark it reach. These acquisitions have given GVS access to new markets, technologies, and customers. Since FY09, GVS has strategically expanded through 17 acquisitions, focusing on both emerging markets and areas deemed crucial for its future. The last two years saw the consolidation of the US-based RPB acquisition and the strategic additions of Haemotronics (Italy) and Shanghai Transfusion Technology (China). Having mastered the art of acquisition, GVS is now shifting its focus. The Company is centered on unlocking the full potential of these mergers through improved production synergies. This strategic move is expected to deliver both cost efficiency and margin consolidation, further solidifying GVS's position in the market.

EBIT vs Net Income —–Exhibit 13



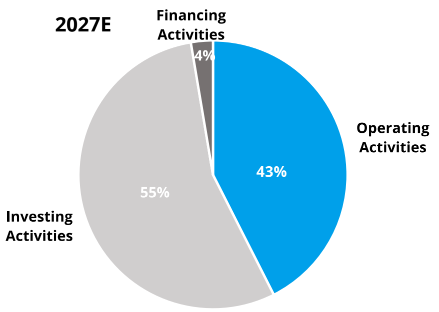
Source: company data and, team estimates

Evolution of Rv composition —Exhibit 14



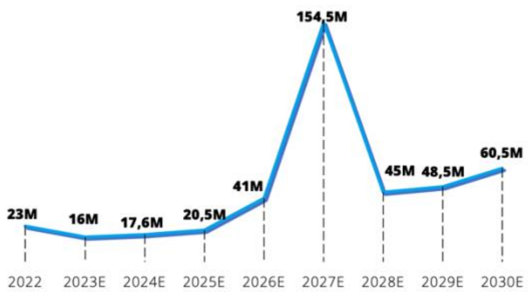
Source: company data and, team estimates

Operational segment CF—Exhibit 15



Source: company data and, team elaboration

Path's Capex—Exhibit 16



Source: company data and, team estimates

THE FUTURE IS A CRYSTAL BALL, BUT ONE THING IS CLEAR...

GVS is likely to continue its acquisition-driven growth strategy. It is reasonable to predict the possibility of new acquisitions in a scenario analysis, so we project a new deal in the Healthcare and Life Sciences sector by FY27E, a perfect fit considering it was the starting point for the Company in 1970 and remains GVS's largest revenue generator (63% Rv in FY22A). Emerging markets, like the APAC countries, could further fuel this sector's growth and we predict a revenue growth in the healthcare and life sciences sector of up to 70%, justified by the aforementioned acquisition in the period FY26E and FY30E. However, the automotive industry's electric revolution might dampen potential acquisitions in Energy and Mobility. GVS's focus on combustion engine filters and the reduced filtration needs of electric cars could steer the Company towards other sectors for future expansion. As a result, we have revised a significantly more conservative revenue growth estimates for this sector, predicting a contribution of 14% Rv, compared to the 20% in FY22A.Within this projection, 16% is specifically attributed to the Health and Safety segment.

Looking at GVS's specific positioning in its markets, the Company has a vast catalogue, a global reach with predominant exposure to developed areas, and Rv come primarily from those regions, with North America and Europe being the largest. In FY19A, North America contributed 42% to total Rv, while Europe and Asia accounted for 28% and 22%, respectively. During the pandemic, North America's market share initially dipped to 38% in FY20A, but a remarkable turnaround saw it climb to 49% by FY23E. Meanwhile, Europe enjoyed a temporary 43% peak in FY20A before steadily declining to 26%. Asia, held steady, maintaining a consistent 14-17% throughout the period. In our analysis, we've observed a consistent uptrend in North America's contribution, signaling a successful market penetration for GVS.

GVS's diverse operations encompass three distinct sub-segments: Healthcare and Life Science, the undisputed champion, contributed €116M in FY23E, representing a commanding 62% of the company's total revenue. This dominance is attributed to their strategic focus on developing and marketing innovative healthcare products and services, experiencing a robust 10% CAGR over the past five years. Energy and Mobility, a steady contender, secured an average of 23% of total Rv within the same timeframe, translating to €86M in FY23E. This sub-segment has exhibited a moderate but consistent growth of 5% annually, fuelled by GVS increasing focus on the renewable energy and electric vehicle markets, capitalizing on the global sustainability wave. Health and Safety, while the smallest contributor, plays a crucial role, averaging €15% of total revenue *(Exhibit 14)*. Looking ahead, the future is bright for GVS. Key trends like the aging population in developed countries, projected to drive demand for healthcare solutions, are expected to contribute €3.87B to the Healthcare and Life Science sub-segment by FY30E. Similarly, in the Energy and Mobility sector the emerging market presents a €5.2B opportunity by FY30E; themes driving this growth include electrification, smart filtration, and hydrogen. However, GVS could find a high level of competition in the sector due to specialized competitors with a much longer history in the mobility sector. Moreover, the growing emphasis on safety and compliance regulations is anticipated to propel the Health and Safety sub-segment to €1.2B by FY30E. In conclusion, GVS's diversified business model, coupled with its strategic focus on emerging trends and critical decisions, positions it for remarkable growth and industry leadership in the years to come.

GVS NAVIGATES A DIVERSE RV LANDSCAPE, CATERING TO BOTH B2B AND B2C MARKETS

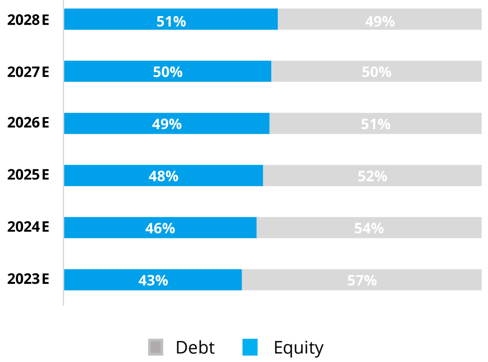
The B2B segment has been the dominant force, securing an average of 87% of total revenue over the past five years. The B2C segment, although smaller, has witnessed its own unique trajectory. While averaging a steady €37.5M annually, it experienced significant peaks in FY20A (€137.3M) and FY21A (€81M). Driven by the COVID-19 pandemic, demand for personal protective equipment, particularly face masks, skyrocketed. These products were primarily sold through online channels.

Excluding the pandemic's impact, the B2C segment exhibited moderate growth of 3% annually, aligning with the general e-commerce market trend. This indicates a stable base for future expansion in the B2C market, particularly as online shopping continues to gain momentum. Looking ahead, GVS strategic focus remains firmly on the B2B segment. By expanding its product offerings and venturing into new markets, the Company aims to sustain and accelerate its B2B growth.

DEBT DIET: GVS SHEDS POUNDS, GAINS POWER

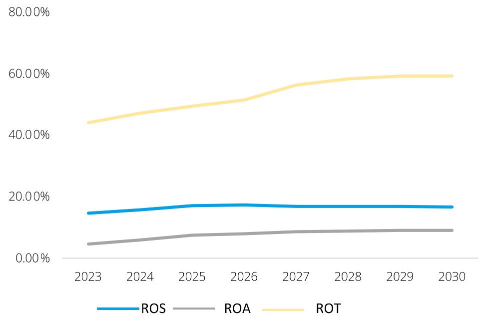
GVS's commitment to sustained growth is evident in its recent debut on the Italian Stock Exchange's mid-cap market and its robust financial architecture. The Company carries a substantial debt level, which is on a downward trend, while its financial health remains strong. Over the past five years, the debt-to-equity ratio (D/E) has steadily declined, falling from 2.3x in FY17A to 1.75x in FY19A and further to 1.45x in FY22A. The temporary deviation observed in FY20-FY21A can be attributed to the unique market conditions presented by the COVID period, wherein GVS achieved exceptional profitability and subsequently entered the stock market, leading to an equity increase.

Financial structure's composition—Exhibit 17



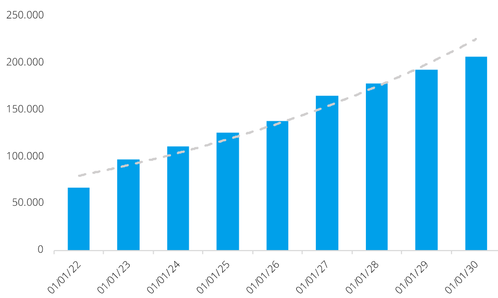
Source: team estimates

ROS vs ROA vs ROT —Exhibit 18



Source: team estimates

EBITDA Growth ––Exhibit 19



Source: company data and, team estimates

We forecast a decrease in the debt-to-equity ratio (D/E) due to the Management's ongoing deleveraging strategy *(Exhibit 17)*; this approach aims to solidify the financial structure, minimize the impact of interest expenses on net income, and establish a firm foundation for substantial future investments. Consequently, the net debt position (NFP) is anticipated to improve significantly, progressing from -€375M FY22 to -€180M by FY25E.

GVS: WE SPEAK FLUENT CASH FLOW.

Despite the execution of 17 acquisitions spanning from FY09-22A (*see: "POWER IS NOTHING WITHOUT CONTROL"*), the company's cash flow remains robust, particularly evident in the FY21-22A period. Anticipated cash flow for FY23E-26E continues this positive trajectory, reflecting the effective deleveraging strategy employed by management and consistent CapEx investments of approximately €20M. These expenditures are counterbalanced by the cash-in-flow generated by the greater efficiency of the production structure. We expect a decrease in liquidity in FY27E, -20% compared to FY26E, due to our expected acquisition in the Healthcare & Lifesciences sector *(Exhibit 15)*, funded through a combination of debt and internal financial resources. In terms of Capital Expenditure (CapEx), an upward trajectory of +100% is expected in FY27E-30E compared to FY23-25E, escalating from €20M to €40M *(Exhibit 16)*. This expansion phase aligns with GVS's strategic objectives. In line with the outlined corporate strategy, a conservative dividend policy is foreseen during the consolidation period of FY23-24E, with dividend disbursements expected to start at the end of FY25E. Although distributing dividends may be imprudent during a period of investment like the one, anticipated in FY26-30E, we believe it is essential to create a positive perception in the market, signaling that the company is financially stable and generates consistent profits.

PROFIT & EFFICIENCY PLAYGROUND

GVS has a strong track record for profitability. Between FY19-21A, the company's average EBITDA margin was 31.95%. This was due in part to the high levels of revenue generated by the Healthcare and Safety sector during those years. In FY22A, GVS acquired Haemotronic S.p.a. The acquisition was financed mainly by debt, which led to a decrease in both operating and total profitability. The EBITDA margin fell from 27% in FY19A to 17% in FY22A, and the net profit margin fell from 14% in FY19A to 6% in FY25E. We forecast an improvement in the gross margin from 50.70% in FY22A to 56.30% in FY25E, driven by improved production efficiency, with the closure of underutilized plants and increased saturation in others. With the adoption of the deleveraging policy, the company's profitability will further increase; we estimate a +5% increase in NPM in FY25E compared to FY22A.

EFFICIENCY IS THE WATCHWORD FOR THE FUTURE

Management's strategy to optimize production involves closing less-efficient plants and maximizing utilization of existing facilities (targeting 85% saturation) – this strategy is projected to steadily increase the EBITDA margin, rising from 17.2% in FY22A to a robust 25.2% by FY25E *(Exhibit 19)*. This momentum is expected to hold steady through FY30E, with a slight dip anticipated in FY27E due to a major investment that we estimate during that period. Overall, GVS's commitment to efficiency bodes well for its future profitability and growth.

[€m]	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	227,416	363,296	338,126	387,591	428,288	471,117	494,673	519,406	595,377	625,145
Growth %		59.7%	-6.9%	14.6%	10.5%	10.0%	5.0%	5.0%	5.0%	5.0%
EBITDA	62,216	138,362	106,330	67,432	97,532	110,299	121,715	129,988	151,373	158,743
EBITDA [%]		122.4%	-23.2%	-36.6%	44.6%	13.1%	10.4%	6.8%	16.5%	4.9%
EBIT	45,664	118,997	82,340	28,954	62,226	73,438	83,073	87,745	95,419	99,080
EBITm [%]	20.1%	32.8%	24.4%	7.5%	14.5%	15.6%	16.8%	16.9%	16.0%	15.8%
Net income	33,083	78,062	67,591	24,098	34,863	44,526	54,149	57,906	62,689	65,094
Growth [%]		136.0%	-13.4%	-64.3%	44.7%	27.7%	21.6%	6.9%	8.3%	3.8%
CapEx	13,063	31,365	23,195	22,865	15,847	17,431	19,787	38,436	154,168	40,009
CapEx in PPE	10,252	27,306	19,440	17,841	9,422	8,009	9,893	25,970	101,191	25,006
CapEx in intagibles	2,811	4,059	3,755	5,024	6,424	9,422	9,893	12,466	52,977	15,003
NFP	-103,133	31,727	-88,173	-375,473	-308,061	-230,609	-180,061	-151,767	-245,052	-198,399
ROE	35.1%	46.3%	25.1%	7.7%	10.1%	11.6%	12.9%	12.9%	13.1%	12.7%

Source: company data and, team estimates

VALUATION

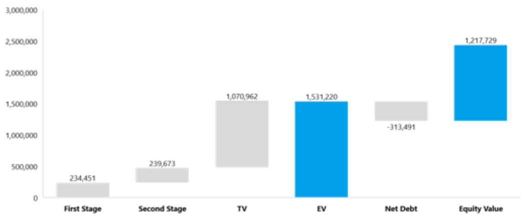
Peer group definition––Exhibit 20

Source: FacSet and, team elaboration

We estimate 12 months target price of € 6.9/share (+12.7% upside) and, thereby, a BUY recommendation for the stock. Our target price calculation analysis is structured as follows: to provide a comprehensive overview, we firstly summarize our assumptions (already outlined in the previous section) concerning key financial items. Then, both an internal valuation via DCF model and a market-based valuation via Multiple Method were undertaken *(Exhibit 20)*. For the former, we achieve a target price of € 6.98, for the latter we calculate a target price of €6.88. We attribute an 80% weight to DCF analysis and 20% to Multiple Analysis. We believe that GVS should be valued using a peers' analysis, to better capture the economic cycle and stock market phase, and a DCF model, to take into account for the less cyclical nature of the Company.

DCF VALUATION- NUMBERS TELL A STORY, BUT THE REAL MUSIC LIES BEYOND THE COLD CALCULATIONS. TURNING UP THE VOLUME IS CRUCIAL TO TRULY GRASP POTENTIAL.

Key steps DCF––Exhibit 21



Source: company data and, team estimates

We adopted a three-stage DCF approach to discount the projected future cash flow from operations, allowing us to thoroughly explore the various growth phases of the company to estimate its overall value. The first phase, spanning from FY23-25E, focuses on cost optimization and streamlining of productive synergies resulting from numerous recent acquisitions, with particular attention to those of significant scale. During this period, we expect a reduction in net working capital in line with management objectives to avoid excessive liquidity absorption, while capital expenditure will remain limited to €20M maximum to focus on integrating synergies between acquired companies and increasing the efficiency of existing facilities. We anticipate a healthy cash flow generation in this initial phase. The subsequent phase, from FY26-30E, will see a significant increase in capital expenditure as a direct result of the preceding phase, marking a period of expansion. In this phase, we also anticipate a strategic acquisition in FY27E, in line with GVS's operational approach, estimated at around €150M. For the final phase, extending beyond FY30E, we will use the Gordon growth formula, assuming a perpetual growth rate of 2.2% *(Exhibit 21)*.

Stage 1: Synergies, Efficiency, Planning

Recent M&A performance––Exhibit 22

Source: company data and, team estimates

GVS has experienced remarkable growth in recent years, achieving a 16% CAGR between FY19-22A. This success can be attributed to several factors, including a successful IPO in FY20A, the pandemic boom, and the ability to sustain high growth levels even after the pandemic. GVS stands out for its constant focus on innovation, resulting in a unique offering in its market. The company's solid growth strategy is based on several pillars: increasing sales volumes, improving synergies between different divisions, promoting cross-selling, and leveraging its international network of manufacturing plants. Considering the above, the future outlook is very positive: Rv is expected to grow at a CAGR of 9.8% FY23-25E. In simple words, GVS has performed exceptionally well in recent years, and there are strong reasons to believe that it will continue to grow at an elevated pace.

-**EFFICIENCY & PRODUCTIVITY:** we forecast an efficiency journey in the initial stage (FY23– 25E) focused on streamlining operations and optimizing costs. Two key pillars drive this mission: leveraging synergies and maximizing the value of recent acquisitions like Haemotronics (Italy) and STT (China) *(Exhibit 22)*. These expansions have opened doors to new markets, including the Chinese market which is resistant for non-domestic products. GVS's strategic focus on cost reduction and operational efficiency in stage 1 is expected to deliver a significant boost to profitability. Maximizing the value of synergies and optimizing recent acquisitions, we anticipate a reduction in overall costs alongside a gross margin increase from 50% in FY22 to 55% in the first stage. This translates to robust profit growth, with EBITDA and NET PROFIT experiencing substantial gains, consolidating GVS's financial strength. The positive profitability picture is further underscored by a consistently rising EBITDA. In FY22A, EBITDA reached an impressive €67M, and future forecasts paint an even brighter picture, predicting a doubling to 120M € by the end of 1st stage. This projected growth is fueled by two key factors: revenue expansion in a growing market, thanks to GVS's strong competitive position, and continued cost optimization through its efficiency initiatives. Additionally, the EBITDA margin is expected to jump significantly to 24% (from 17% FY22), confirming the achievement of GVS's efficiency goals and demonstrating sound management practices. In conclusion, GVS's profitability analysis for FY23-25E paints a clear picture of a company in excellent health. With a robust financial foundation, strategic initiatives driving efficiency gains, and a promising outlook for future growth, GVS is well-positioned for continued success.

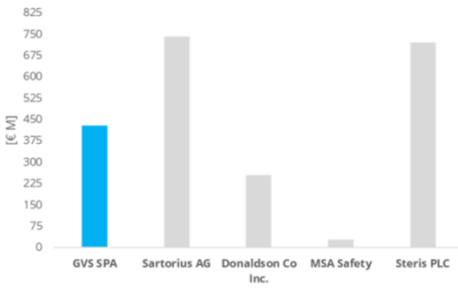
DCF stage data ––Exhibit 23

	FIRST STAGE	SECOND STAGE	TERMINAL VALUE
Years	***2023E-25E***	***2026E-30E***	***>2031E***
Sales CAGR	9.8%	8%	2.2%
Average EBITm	15.7%	16.9%	17%
% on EV	15%	16%	69%

Source: company data and, team estimates

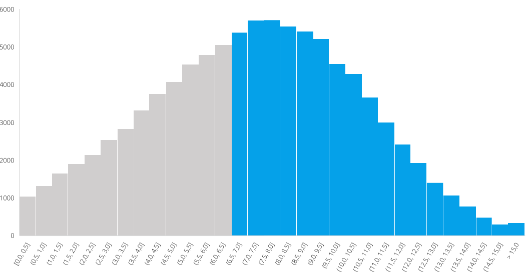
-**Cash flow**: Guided by a commitment to maximizing efficiency and flexibility, we project a scenario for GVS **in which** the initial phase (FY23-25E) is characterized by the strategic prioritization of moderate Capex.

GVS M&A vs Filtration Industry ––Exhibit 24



Source: company data and, team estimates

MonteCarlo Simulation ––Exhibit 25



Source: company data and, team estimates

WACC evaluation––Exhibit 26

Risk free rate	2.33%
Beta	1.19
Equity risk premium	6.2%
Cost of equity	9.7%
Cost of debt	4.07%
Tax rate	26%
D/(D+E)	31.22%
WACC	**7.95%**

Source: company data and, team estimates

Scenario Analysis ––Exhibit 27

Source: company data and, team estimates

Projected at €15-20M annually, this strategy aligns with the company's objectives by optimizing the utilization of existing resources, minimizing waste, and preserving adaptability for future growth opportunities. Furthermore, NWC is anticipated to decrease through enhanced inventory management and commercial credit and debt policies, enabling GVS to reduce liquidity absorption and generate robust cash flows. This strategic focus on cash flow generation allows GVS to achieve self-financed growth and capitalize on potential strategic acquisitions emerging in the second phase. By maintaining financial flexibility, the Company can pursue its strategic ambitions without relying heavily on external funding sources. Consequently, the analysis reveals GVS as a financially-sound and well-managed entity, capable of consistently generating cash flows and independently fueling its growth. Notably, the strong alignment between strategic objectives and financial planning underpins GVS's success *(see: "DEBT DIET: GVS SHEDS POUNDS, GAINS POWER").*

Stage 2: Consolidation, Acquisition, and Growth

The second stage of our forecast, which begins in FY26-30E, is characterized by a series of key factors that outline GVS's subsequent growth trajectory.

-Consolidation and organic growth: In the second stage, we anticipate an Rv CAGR of approximately 8%, driven by: a consolidation of GVS's presence in new markets, a stabilization of managerial efficiency, and a sustained increase in sales volumes. The careful management of the initial phase and GVS's proven experience in the industry open the possibility for a strategic acquisition, likely in the Healthcare & Lifesciences sector, which aligns with the company's core business and offers substantial growth prospects. Assuming an acquisition of €150M, Rv growth can subsequently rise to 10% CAGR in this period, thanks to the contribution of the acquired company and GVS's expertise in integrating post-M&A synergies.

- **Improved profitability and financial strength:** The cost incidence will stabilize at a level lower than the current one, determining a gross margin of about 57% (from 55% at FY25E). The company's profitability will consolidate, with an EBITDA margin above 25% (from 24% at FY25E) and a continuously growing Net income. Thanks to its twenty-year proven experience in M&A, GVS is able to conduct an effective integration of the ongoing operation (plausible acquisition FY26-30E), thanks also to its financial strength.

- **Investments and Cash Flows**: The second stage of GVS's development will see an increase in CapEX as a result of the company's increased sales volume and the mentioned potential acquisition. This reflects the expansion phase that follows the consolidation phase. Capex is expected to be around €40M in FY26E. This year will be a starting point of a strategic, multi-year investments designed to amplify the company's capabilities through accelerated growth. Net working capital will be stabilized to avoid liquidity risks. The continuous generation of cash flows will allow the Company to finance the aforementioned acquisition and strengthen GVS's financial position.

-Dividend Policy: During the initial stage (stage 1), it is not within the management's objectives to distribute dividends. We project that, in the subsequent stage 2, GVS will initiate a consistent dividend payment structure. The Company, thanks to its capacity in generating robust cash flows, will aim to remunerate investors while reaching a more mature phase in its development.

In conclusion, GVS's stage 2 unlocks its full potential for long-term growth. The strategic acquisition, ongoing organic growth, and financial strength allow the Company to position itself for a sustained long-term success.

Stage 3: Impact on Valuation and TV

Finally, 70% of the value comes from stage 3, where we used a stable growth approach (GGM) rather than exit multiples, considering the absence of truly comparable companies. We anticipate a stabilization in cash flows, projected to perpetually grow at a rate of 2.2%. This rate is derived from a weighted average of GDP growth across key macroeconomic regions where the company operates. To substantiate the significance of this growth rate, a regression analysis was conducted, establishing a notably meaningful R-squared (87%). Further, we took the average GDP growth rates for Europe and the USA over the period FY20-25E and subsequently weighted them based on the respective percentages of GVS's Rv in each area. Margins are forecasted to be stable and applying a 7.95% WACC (*see Appendix D1 for details in WACC calculation*) we obtain € 1B of TV.

€6,90	1,80%	2,00%	2,20%	2,40%	2,60%
6,95%	8,11	8,42	8,75	9,11	9,50
7,20%	7,65	7,92	8,22	8,54	8,88
7,45%	7,22	7,47	7,74	8,02	8,33
7,70%	6,84	7,06	7,30	7,55	7,83
7,95%	6,48	6,68	6,90	7,13	7,38
8,20%	6,16	6,34	6,53	6,74	6,97
8,45%	5,85	6,02	6,20	6,39	6,59
8,70%	5,57	5,73	5,89	6,06	6,25
8,95%	5,32	5,46	5,60	5,76	5,93

Source: company data, team estimates

INVESTMENT RISKS

UNLIKELY LIKELY VERY LIKELY

In this section, we will outline the Company's business risks and how they may impact our BUY recommendation. In the following table, we will list the major risks categorized under Market & Competition, Business, and Financial, along with their implications for our DCF model.

			IMPACT
MARKET &COMPETITION RISKS	**M1)Risks related to the complex conditions of financial markets and the global economy due to the effects of the Ukraine-Russia conflict:** in relation to with the conflict between Ukraine and Russia, GVS daily monitors the geopolitical context and the situation in Russia to assess potential future direct and indirect effects.	**Mitigation:** Currently, the Group's exposure to the affected areas is marginal, accounting for approximately 0.3% of consolidated.	Low
	M2)Risks related to the availability and cost of materials and components: The company relies on raw materials and components for its product manufacturing, but their prices and availability can fluctuate significantly due to external factors beyond the company's control, such as new laws, regulations, changes in exchange rates, and price levels.	**Mitigation:** GVS maintains a stock of raw materials in each facility with approximately one month's coverage. Supplier relationships involve individual purchase orders, and for strategic materials, framework contracts are implemented, ensuring a stable supply.	High
	M3)Risks related to the Group's international operations and activities in politically and economically risky countries: GVS's presence and operations in various international markets expose it to risks related, among other things, to the geopolitical and macroeconomic conditions of the countries in which it operates, possible variations in such conditions, and changes in regulatory and tax regimes.	**Mitigation:** The GVS Group mitigates risks associated with international operations in politically unstable countries through geographical diversification, in-depth analysis, insurance, and local partnerships.	Medium
BUSINESS RISKS	**B1)Risks related to product quality and safety, product liability, and resulting reputational risks:** The Group is exposed to the risk that any defects and/or malfunctions in its products could cause losses and/or reputational damage, negatively impacting the productive activity, financial results, and the equity situation of the Group.	**Mitigation:** GVS addresses risks related to product quality and safety by implementing a rigorous quality management system and investing in ongoing staff training. Additionally, the company collaborates with regulatory authorities, demonstrating its commitment to safety and quality.	High
	B2)Risks related to commercial relationships with the Group's distributors and/or retailers: The Group faces the risk of distribution disruptions and reduced sales volumes due to potential termination or performance decline of distributors/retailers. Additionally, challenges in handling problematic commercial relationships may adversely affect the Group's overall financial situation.	**Mitigation:** The Group governs relationships with distributors, sales agents, and third-party retailers through agency agreements and distribution contracts. These agreements define key terms for product sales in different operating countries.	Medium
	B3)Risks related to the inability to execute the Group's expansion strategy: The Group aims to further strengthen its competitive position in the Healthcare & Life Sciences and Energy & Mobility sectors and continue its growth in the Health & Safety sector, both geographically (in areas with growing local demand) and in terms of product portfolio.	**Mitigation:** The Group aims to further consolidate its competitive position in its operational sectors by expanding into regions with growing local demand. Additionally, it plans to enhance its product portfolio through targeted acquisitions and continuous investments in research and development.	Medium
	B4)Risks related to product evolution, obsolescence, and R&D activities: The Group is exposed to the risk of not maintaining its current market position due to the inability to timely capture market trends.	**Mitigation:** GVS excels in offering innovative products through extensive research and development, catering to both standard and customized products tailored to customer needs.	High
FINANCIAL RISKS	**F1)Risks related to exchange rate movements:** The Group is subject to exchange rate risk resulting from transactions denominated in a currency other than the functional currency of individual controlled companies, affecting the net result (transaction risk).	**Mitigation:** The Group minimizes currency risk by making local purchases in the same currency as its subsidiaries' Rv, without utilizing hedging instruments for exchange rate fluctuations.	Medium
	F2)Risks related to interest rate changes: The Group is exposed to the risk of interest rate fluctuations, given that part of its indebtedness is at a variable rate.	**Mitigation:** GVS's policy aims to limit/eliminate the interest rate fluctuation risk by entering into interest rate hedging contracts.	Medium
	F3)Risks related to the consolidated financial leverage of the Group and compliance with obligations and covenants in financing agreements and bond loans: The Group may not be able to obtain the financial resources necessary for repayment commitments or may fail to comply, or be alleged non-compliance, with covenants, resulting in an obligation for immediate repayment of the remaining portions of the loans.	**Mitigation:** GVS manages financial leverage risk through prudent debt management, continuous monitoring, and diversification of funding sources, while maintaining adequate liquidity reserves.	Medium
	F4)Credit risk arising from the possibility of default by a counterparty: The Group faces exposure to credit risk inherent in the possibility of insolvency (default) and/or creditworthiness deterioration of customers.	**Mitigation:** The Group manages the risk of delays or non-payments by customers through stringent customer selection, careful assessment of creditworthiness, and the use of instruments such as insurance, letters of credit, and provisions.	Low

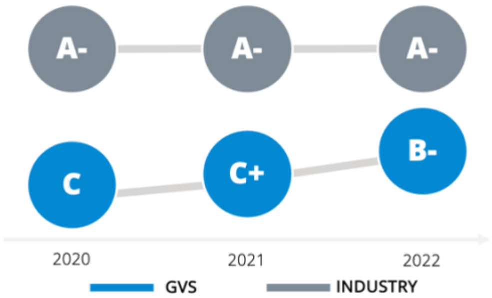
ENVIROMENTAL, SOCIAL & GOVERNANCE

ESG key factors––Exhibit 28

Source: Refinitiv, and team elaboration

The aim of our ESG analysis is to assess GVS sustainability score. We developed a framework according to one of the main ESG rating agencies methodologies (e.g. Refinitiv) which includes metrics clustered into 3 Environmental, 4 Social and 3 Governance key factors (Exhibit 28). We apply this framework to compare GVS's ESG performance in the past 3 years compared to 7 peers selected from the filtration sector. Each factor of the framework is assigned a weight according to its relevance for the industry analyzed, and each peer is selected according to similarity in the business model and products developed. To calculate the Company's rating, the pillar E carries a weight of 16.8%, while pillar S and pillar G account for 47.3% and 35.9%, respectively. From FY20-22A, GVS has marginally enhanced its ESG rating, elevating it to B-, with modest but constant improvements. In contrast, the overall filtration industry has maintained a steady A- rating, despite experiencing a slight dip in FY21A. (Exhibit 29-30).

ESG Score momentum––Exhibit 29

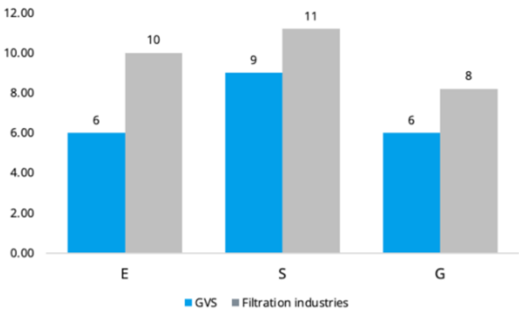


Source: Refinitiv, and team elaboration

ENVIRONMENTAL: C+

GVS, holding a C+ rating, has shown recent improvements in environmental performance, yet notable areas for enhancement remain, especially in renewable energy utilization, recycled water usage, and waste recycling. Currently occupying an intermediary position in terms of environmental sustainability, the company has made strides, but critical aspects require attention to elevate its sustainability profile. A primary area for improvement is the adoption of renewable energy sources, where GVS currently underperforms, demonstrating a limited use of renewable energy. We recommend to GVS to implement programs and policies promoting the adoption of more sustainable energy sources, to contribute to an overall reduction in its environmental footprint. Another area of potential improvement is the use of recycled water. There are significant opportunities to enhance water management through the implementation of recycling systems and the definition of short- and long-term target quotas. The adoption of more advanced and sustainable technologies could not only decrease overall water consumption but also contribute to the preservation of water resources. Waste recycling is a key element of environmental sustainability, and GVS should implement policies conducive to recycling. Last year, GVS increased its percentage of recycled waste relative to total waste, rising this ratio to 59% (+10% compared to the previous year). The adoption of more sustainable practices could not only enhance GVS's ESG rating but also demonstrate tangible commitment to environmental stewardship.

GVS Score vs Industry––Exhibit 30

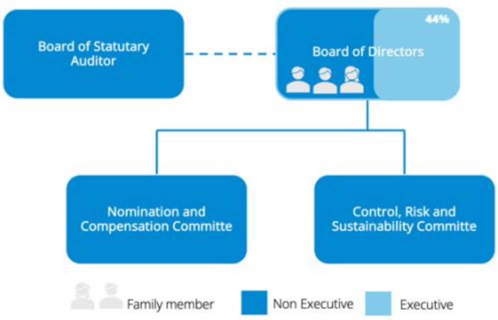


Source: Refinitiv, and team elaboration

SOCIAL: B+

The analysis of GVS social achievements reveals an overall B+ rating, slightly below the industry average. This pillar is crucial and relevant as it significantly contributes to the total score, carrying a weight of 48%. GVS is notably committed to ensuring a substantial percentage of female employment, although there has been a slight decline in the previous year, the overall percentage remains significant, indicating a significant focus on gender inclusion. GVS lacks metrics regarding the percentages of women in managerial positions, which are entirely absent. Among positive aspects, workplace safety for employees stands out, aligning the Company with industry standards. This commitment not only contributes to the Social Pillar but also fosters a secure and protected working environment. The driving force to enhance the Social score is the community category, highlighting GVS's commitment as a "good citizen". Policies defending human rights, product responsibility, and public health protection are key elements bridging the gap compared to the industry average. Despite a slight dip in female employment, GVS demonstrates a strong commitment to social and community responsibility, serving as catalysts to approach industry averages and enhance the overall ESG score.

Governance committees––Exhibit 31



Source: company data, and team elaboration

GOVERNANCE: C+

In our analysis, from FY20-22A, GVS transitions its rating from C- to C+, mainly improving the key factor "Management, Board, and Committees." While GVS demonstrates a commitment to "Gender diversity" with a percentage of 44%, this metric has remained stagnant since FY20A, underscoring a lack of progress toward greater inclusion and representation. A factor negatively impacting the Governance score is the "Shareholders" metric, encompassing the Company's effectiveness in ensuring equitable treatment for shareholders and the use of anti-takeover policies. Despite this criticality, we must note that this metric carries only a 7% weight in the total Governance score. An additional weak point is reflected in the CSR Strategy metric, mirroring GVS's practices in communicating and integrating economic, social, and environmental dimensions into its day-to-day decision-making processes. The absence of a robust strategy in this area can negatively influence GVS's perception in terms of corporate social responsibility. GVS could benefit from implementing stronger practices to address these challenges and enhance its positioning within the ESG framework.

GVS S.p.A – ANNEX

ANNEX A – BUSINESS DESCRIPTION

A1 – PRODUCTS OVERVIEW

The company boasts an extensive array of filtration solutions organized into three primary business divisions: 1) Healthcare & Life Sciences which includes Healthcare Liquid, Healthcare Air & Gas and Laboratory; 2) Energy & Mobility which has Powertrain & Drivetrain, Safety & Electronics and Sports & Utility as subdivisions; and 3) Health & Safety with two sub-divisions, Personal Safety and Air Safety. Best-selling products across GVS divisions include Speedflow IV Filters, Respiratory & Anesthesia Filters and Membranes, In-tank Strainers and Elipse Safety Masks. Here below, we illustrate products and main applications by business segment.

HEALTHCARE & LIFESCIENCES

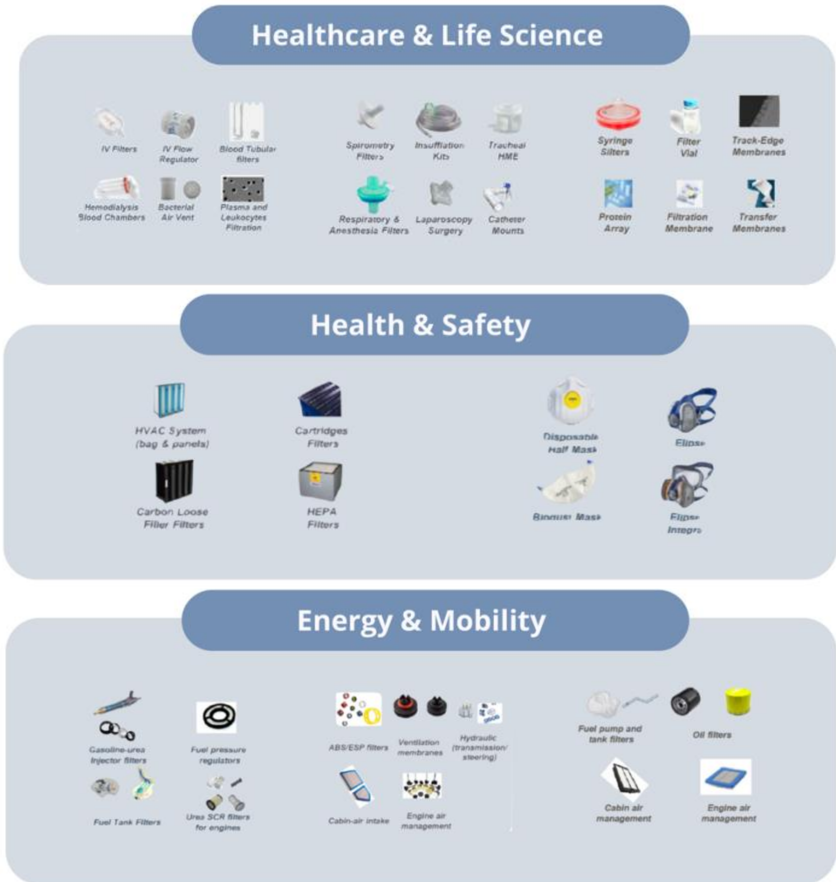
GVS offers filtration solutions across healthcare, from blood processing (filtration, transfusion, infusion, hemodialysis) to anesthesia and ventilation, including their market leading SPEEDFLOW IV filters. Additionally, they provide diverse lab filtration and separation technologies, including micro/ultrafiltration and protein identification. In summary, GVS not only provides a wide range of filtration solutions across healthcare but also focuses on innovation, sustainability, customization, and community engagement to enhance their overall impact in the industry.

HEALTH & SAFETY

In the Personal Safety sector, GVS focuses on B2C operations, crafting air filters for Industrial and Biohazard protection, adhering to stringent quality controls. A significant player in reusable masks, GVS's flagship Elipse mask meets global standards and is distributed in 100+ countries. In Air Safety, the company manufactures filters for HVAC applications, driven by the rising demand for energy efficiency and prolonged filtration durability. GVS remains committed to providing cutting-edge solutions for personal and environmental safety.

ENERGY & MOBILITY

GVS filters go beyond the engine, offering complete solutions for gasoline, diesel, hybrid & electric vehicles: *(i)*Powertrain & Drivetrain: Injectors, oil, fuel & urea filters (mainly gasoline). *(ii)*Beyond the Engine: Electronics, air, braking & hydraulic filters for ALL vehicle types. *(iii)*Sports & Utility: Fuel, air & powertrain filters for racing & agricultural vehicles. This emphasizes their diversity beyond just engines and highlights their reach across various vehicle types and needs.



Source: company data, and team elaboration

A2 – FROM HUMBLE BEGINNIGS TO GLOBAL FILTRATION LEADER: *A 44-YEAR JOURNEY OF GVS*

GVS, founded in 1979 by Grazia Valentini, has blossomed into a global leader in filtration solutions. Its story is one of continuous innovation, strategic acquisitions, and unwavering commitment to quality. ***Early days:*** Starting with medical filters, GVS expanded its reach to other sectors like energy and automotive. International expansion began in the 90s, with offices and plants opening in countries like the US, Brazil, and China. ***A decade of growth (2000-FY10):*** GVS saw a leadership change with Grazia's sons taking the helm. They embarked on an acquisition spree, adding new technologies and geographical reach. R&D remained a focus, with patents filed for various healthcare advancements.

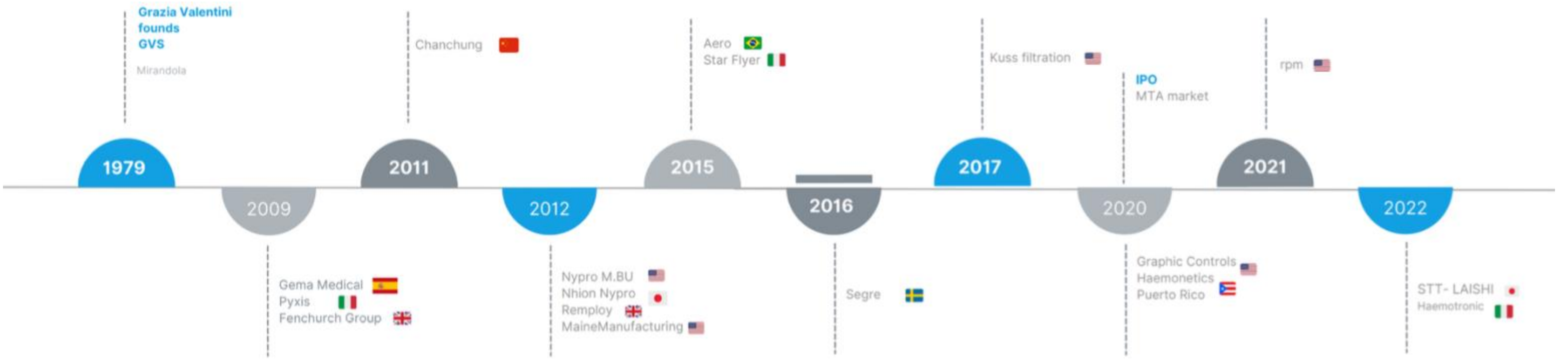
Global expansion continues (FY11-16A): GVS entered new markets like Japan and Korea, while strengthening its presence in existing ones. Acquisitions continued, with a focus on the healthcare and safety sectors.

Becoming a major player (FY17-21A): The landmark acquisition of Kuss Filtration solidified GVS's position in the energy and mobility sector. Entry into the personal safety market with mask production further diversified the company.

Recent milestones (FY20-21A): A successful IPO on the Italian Stock Exchange marked a significant step. Strategic acquisitions like RPB and Shanghai Transfusion Technology expanded the product portfolio and geographical reach.

GVS today: With over 40 years of experience, 19 manufacturing plants, and presence in 29 countries, GVS stands tall as a global leader in filtration solutions. Its focus on innovation, quality, and strategic acquisitions positions it for continued success in the years to come.

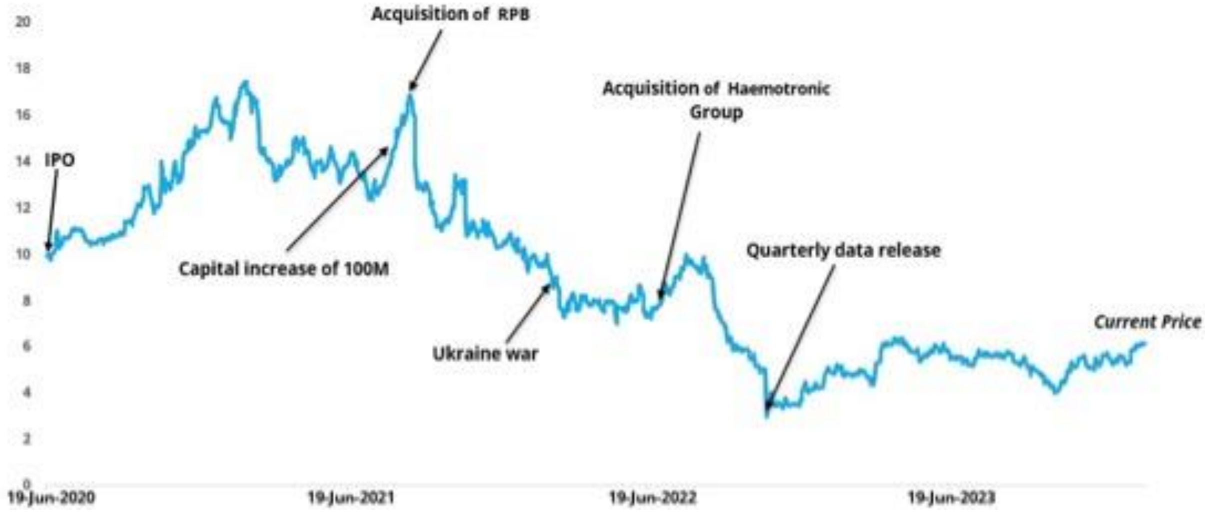
Source: company data, and team elaboration



Source: company data, and team elaboration

A1 – PRICE OVERVIEW

On June 19, 2020, GVS made its stock market debut for the first time through an IPO, generating significant excitement. Amidst the Covid-19 pandemic, the reorganization of production and the sale of protective devices propelled the price to €17.45. Subsequently, the price experienced slight fluctuations with a mix of rises and falls. Throughout 2021, the share price showed a positive trend in the first part of the year, attributed to a capital increase and the acquisition of RPB. However, the onset of the Russo-Ukrainian conflict led to a decline in the share price. The expansion of the business through the acquisition of Haemotronic Group brought GVS's share price to approximately €10. On November 10, 2022, the publication of quarterly company data and the sale of shares by investors due to concerns about the future performance of the company resulted in the share price plummeting to a historic low of €3.00. Currently, the GVS share price stands at €6.12.



Source: FactSet, and team elaboration

ANNEX B - INDUSTRY OVERVIEW & COMPETITIVE POSITIONING

B1 – PORTER VALUE CHAIN

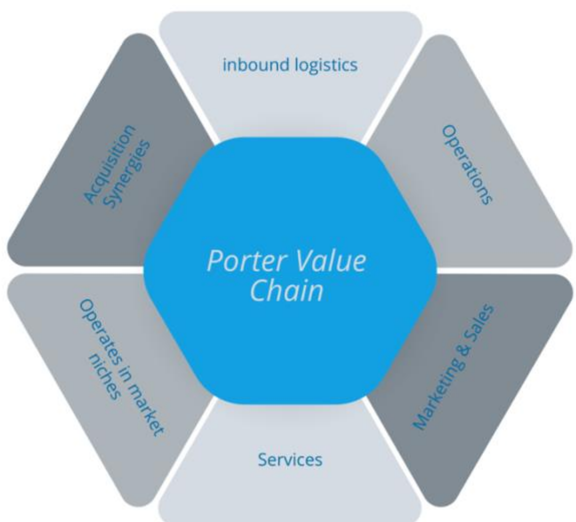
GVS categorizes its primary activities into 4 segments: inbound logistics, operations, marketing and sales, and services.

***(i)*Inbound logistics:** GVS plans material purchases based on sales forecasts and current inventories. Procurement strategies vary by sector, with around six months' visibility in energy & mobility and one month in health & safety. The company prioritizes local suppliers, emphasizing R&D focus and ISO certifications.

***(ii)*Operations:** GVS globally sources plastic resins, locally applying a "Local for Local" approach in healthcare & life sciences and energy & mobility. Proprietary processes transform these materials into filter components, assembled into finished filters using efficient assembly systems. Membrane production exclusively occurs in the US and Italy, while health & safety products are manufactured in the US, the UK, Brazil, and Romania.

***(iii)*Marketing & Sales:** GVS sells products primarily through internal B2B sales (74%), supplemented by B2C distribution (26%). The client base, exceeding 4,600, is diverse, with the top 10 clients contributing around 31% of Rv. In Personal Safety, GVS is strengthening its B2C presence via local websites. High customer retention is driven by filtration solution importance and significant switching costs across all divisions.

***(iv)*Services:** GVS's product development process revolves around seizing opportunities from customers for customized solutions. The company also provides comprehensive services such as full filter maintenance and diagnostic interventions on energy and air quality. Notably, the company currently lacks the capacity to offer complementary services beyond delivering products. The core value in GVS's business is evident in two key aspects: completing product ranges in existing market niches and strategically entering new or adjacent niches. Additionally, GVS aims to capitalize on commercial synergies from acquisitions through cross-selling to the combined client base and leveraging acquired brand awareness.



Source: company data, and team elaboration

B2 – FROM POINT A TO POINT WOW: GVS POSITIONING

In view of the remarkable trends currently emerging in the field of filtration, we have undertaken a comprehensive analysis to determine the positioning of GVS in relation to these dynamic developments. Our research focuses on examining GVS's adaptability and innovative initiatives that address the nuanced challenges and opportunities of today's filtration sector.

Hydrogen: *is* a versatile energy carrier vital for decarbonizing industries and transportation. Its applications include refining, ammonia production, steel manufacturing, heavy vehicles, airplanes, ships, electricity generation, and heating. The International Energy Agency predicts a six-fold increase in global hydrogen demand by 2050. Electrolysis, using renewable energy, produces green hydrogen, but its high cost hinders widespread use. Filtration technology is crucial for water/electrolyte processing and hydrogen purification, impacting capital and operating costs. GVS is making strides in gas separator membrane fractions for efficient hydrogen treatment and production, aligning with energy and mobility sector trends.

Membrane Filtration: Progress in membrane filtration is notable, with thin, semi-permeable barriers separating particles from liquids or gases effectively. Recent breakthroughs yield membranes with improved selectivity, flow rates, and fouling resistance, poised to revolutionize key industries like pharmaceuticals and biotechnology. GVS, a leader in microporous and track-etched membrane manufacturing, is expanding its production capacity to bolster expertise in membranes and filtration solutions, targeting applications such as electric vehicles, battery separators, hydrogen filtration, and HEPA air purification filters.

Recyclable Filters: they are often discarded without recycling or reuse, causing a significant environmental impact. GVS, predominantly working with plastics, faces a challenge as plastic filter media accounts for 53% of its raw material value in FY20A. The company produced 3,798 tons of waste in FY20A, primarily plastic residues from the molding process and packaging. While GVS responsibly disposes of waste, it cannot reuse them in production and instead passes them to other companies as raw materials. This issue is expected to gain importance in the future.

Nanofibers & Digitization: In the filtration technology landscape, digitization and the emergence of nanofibers are reshaping the industry. Digitization allows real-time monitoring of filters, while nanofibers, driven by nanotechnology, enhance filtration efficiency. Academic research is driving growth, with nanofibers gaining traction in the US, Japan, and China. Despite recognizing the potential, GVS has yet to actively engage in this evolving landscape.

ANNEX C - FINANCIAL ANALYSIS

Balance Sheet	31/12/2022A	31/12/2023E	31/12/2024E	31/12/2025E	31/12/2026E	31/12/2027E	31/12/2028E	31/12/2029E	31/12/2030E
Intangible assets	248,182	235,234	223,756	212,324	201,976	231,743	219,369	207,073	194,862
Goodwill	246,664	246,664	246,664	246,664	246,664	266,664	266,664	266,664	266,664
Tangible assets	120,404	116,844	111,135	106,586	116,721	190,299	187,806	184,530	187,761
Asset represented by usage rights	22,991	20,040	17,941	15,737	14,415	9,300	8,546	7,595	6,433
Deferred tax assets	3,487	-	-	-	-	-	-	-	-
Other non-current assets	12,097	3,762	4,567	5,467	6,473	5,067	5,394	5,600	5,634
Total non current assets	**653,825**	**622,543**	**604,063**	**586,777**	**586,249**	**703,073**	**687,779**	**671,462**	**661,354**
Inventories	106,922	85,658	76,064	77,015	83,176	97,330	105,116	113,526	122,608
Accounts receivable	74,149	77,092	71,310	69,313	74,858	77,864	84,093	90,821	98,086
Tax receivables	5,691	-	-	-	-	-	-	-	-
Other receivables	12,514	9,314	10,034	10,468	10,583	10,100	10,296	10,362	10,335
Financial instruments	4,779	5,430	5,893	6,110	5,553	5,746	5,825	5,808	5,733
Cash and cash equivalents	135,169	171,883	240,394	290,194	319,912	257,855	308,500	387,162	486,597
Total current assets	**339,224**	**349,375**	**403,695**	**453,100**	**494,082**	**448,894**	**513,831**	**607,679**	**723,359**
Total Assets	**993,049**	**971,919**	**1,007,758**	**1,039,877**	**1,080,331**	**1,151,967**	**1,201,610**	**1,279,141**	**1,384,713**
Share capital	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750
Other reserves	301,780	325,878	360,741	377,193	402,536	430,062	463,404	500,004	540,851
di cui Retained earnings	177,717	201,815	236,678	281,834	339,243	403,375	476,588	556,329	642,610
Net income/(loss)	24,098	34,863	45,156	57,409	64,132	73,213	79,741	86,281	90,869
Group shareholders'equity	**327,628**	**362,491**	**407,647**	**436,352**	**468,418**	**505,024**	**544,895**	**588,035**	**633,469**
Minority interest	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**46**
Total shareholders'equity	**327,674**	**362,537**	**407,693**	**436,398**	**468,464**	**505,070**	**544,941**	**588,081**	**633,515**
Non current Earn Out	40,983	-	-	-	-	-	-	-	-
Deferred tax liabilities	46,086	46,086	46,086	46,086	46,086	46,086	46,086	46,086	46,086
Non current financial liabilities	393,691	379,724	376,779	381,085	383,335	402,835	402,835	422,835	462,835
Non current leasing liabilities	16,899	8,934	10,133	11,227	13,203	12,630	17,140	21,453	25,555
Other non current liabilities	13,851	8,168	9,161	10,050	10,307	9,421	9,735	9,878	9,836
Total non current liabilities	**511,510**	**442,911**	**442,160**	**448,447**	**452,931**	**470,972**	**475,795**	**500,252**	**544,311**
Current Financial liabilities	55,536	91,742	84,426	79,859	78,229	88,554	86,361	89,624	98,381
Current Leasing liabilities	8,312	4,975	6,056	6,593	7,373	7,263	9,934	12,337	14,618
Trade payables	57,944	42,829	38,032	41,075	44,361	51,909	56,062	60,547	65,391
Other current payables	32,073	26,926	29,391	27,505	28,974	28,199	28,517	28,299	28,497
Total current liabilities	**153,865**	**166,471**	**157,905**	**155,032**	**158,936**	**175,925**	**180,874**	**190,807**	**206,887**
Total liabilities and shareholders'equity	**993,049**	**971,919**	**1,007,758**	**1,039,877**	**1,080,331**	**1,151,967**	**1,201,610**	**1,279,141**	**1,384,713**

Source: company data, and team estimates

Income Statement	31/12/2022A	31/12/2023E	31/12/2024E	31/12/2025E	31/12/2026E	31/12/2027E	31/12/2028E	31/12/2029E	31/12/2030E
Revenues	387,591	428,288	475,400	513,432	554,506	648,867	700,776	756,838	817,385
Other revenues and income	4,442	5,715	4,766	6,505	6,313	8,089	7,913	9,190	9,487
Value of production	**392,033**	**434,003**	**480,166**	**519,936**	**560,819**	**656,956**	**708,690**	**766,028**	**826,872**
Purchase of raw materials	141,198	145,618	156,882	164,298	177,442	201,149	217,241	234,620	253,389
Other direct services	54,573	59,960	61,802	66,746	72,086	84,353	91,101	98,389	106,260
Gross margin	**196,262**	**228,425**	**261,482**	**288,892**	**311,292**	**371,454**	**400,348**	**433,019**	**467,223**
Other operating services and charges	5,301	5,742	6,159	7,186	7,491	8,738	9,448	10,303	11,049
Added value	190,961	222,682	255,323	281,706	303,801	362,716	390,900	422,716	456,173
Staff cost	123,529	125,150	144,179	155,614	165,274	197,111	212,022	229,561	249,189
EBITDA	**67,432**	**97,532**	**111,144**	**126,093**	**138,526**	**165,604**	**178,878**	**193,155**	**206,984**
Depreciation, amortization and other accruals	38,478	35,306	36,875	38,723	42,568	56,312	60,470	64,961	70,628
EBIT	**28,954**	**62,226**	**74,269**	**87,369**	**95,959**	**109,292**	**118,408**	**128,195**	**136,357**
Net financial income (charges)	5,670	-16,353	-14,853	-11,832	-11,574	-12,960	-13,486	-14,667	-16,793
Income (loss) before taxes	**34,624**	**45,873**	**59,416**	**75,538**	**84,385**	**96,333**	**104,922**	**113,527**	**119,564**
Income taxes	-10,505	-11,009	-14,260	-18,129	-20,252	-23,120	-25,181	-27,247	-28,695
Net income (loss)	**24,098**	**34,863**	**45,156**	**57,409**	**64,132**	**73,213**	**79,741**	**86,281**	**90,869**

Source: company data, and team estimates

ANNEX D - VALUATION

D1 – WACC COMPUTATION

COST OF EQUITY

The cost of equity assumed by GVS has been computed using the Capital Asset Pricing Model (CAPM).

$R_e = rf + \beta (r_m - r_t)$

$R_e = rf + \beta (r_m - r_t)$

$$\underbrace{WACC}_{7,95\%} = \frac{E}{E+D} * \overbrace{R_E}^{9,7\%} + \underbrace{\frac{D}{E+D}}_{\text{Set to 31\%}} * \underbrace{R_D * (1-T)}_{4,07\%}$$

K_D= Euribor 6M + *SPREAD*

RISK FREE RATE

The risk-free rate utilized in the calculation is 2.33%, which corresponds to the yield offered by 10-year German Bunds.

BETA

The beta of GVS stands at 1.19, calculated using the average unlevered beta of its peers and subsequently relevered to fit our company's profile. This approach was favored over the linear regression of historical returns between the stock and the market, as the historical dataset is not sufficiently large.

EQUITY RISK PREMIUM

The Equity Risk Premium (ERP) was calculated using a Dividend Discount Model for a custom portfolio of stock indices in the major regions where GVS operates, primarily Europe, USA, and APAC. The resulting ERP stands at 6.2%, reflecting the fact that GVS has been listed for only a few years and considering its relatively small market capitalization.

COST OF DEBT

The risk-free rate, standing at 2.33%, is predicated upon the yield offered by 10-year German Bunds. The beta, amounting to 1.19, has been calculated based on the unlevered betas of comparable industry peers and subsequently adjusted using the company's specific financial data. The Equity Risk Premium (ERP) has been derived from a weighted average of the GDP growth rates of the primary macroeconomic regions in which the company operates and the corresponding dividend yields of the reference markets. The resultant ERP of 6.2% is rationalized by the firm's classification as a small-cap entity. The final cost of equity (Ke) is determined to be 9.7%. In contrast, the cost of debt stands at 4.2%, calculated utilizing the 6-month Euribor.

D2 – DCF Model

The Discounted Cash Flow (DCF) was applied to evaluate the company. This method meticulously examines the company's growth phases, enabling a comprehensive valuation.

Stage 1 (FY23-25E): This initial phase prioritizes cost optimization and synergy extraction from recent acquisitions, particularly sizeable ones. We expect reduced net working capital, aligning with management's strategy to avoid excessive liquidity absorption. CapEx remains limited, concentrating on integrating acquired companies and enhancing existing facilities. This phase is anticipated to generate healthy cash flow.

Stage 2 (FY26-30E): Expansion takes center stage, leading to a significant increase in CapEx compared to Stage 1. A strategic acquisition of €150m in FY27E, strategically aligned with GVS's operations, fuels the growth vision.

Stage 3 (Beyond FY30E): The Gordon Growth Formula with a perpetual growth rate of 2.2% is applied to estimate cash flows beyond FY30E. This three-stage DCF approach provides a nuanced and thorough analysis of GVS's value, considering its current consolidation phase, upcoming expansion, and long-term growth potential.

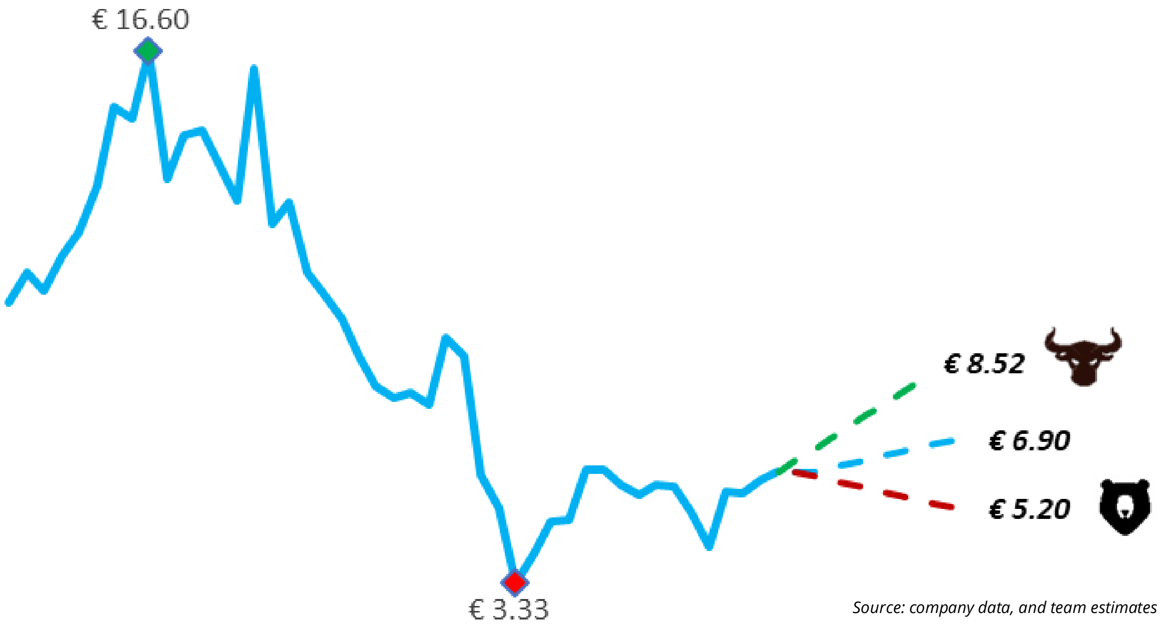
	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	62,226	74,269	87,369	95,959	109,292	118,408	128,195	136,357
Less unlevered taxes	-14,934	-17,825	-20,969	-23,030	-26,230	-28,418	-30,767	-32,726
NOPAT	47,292	56,445	66,401	72,928	83,062	89,990	97,428	103,631
Less incr.in NWC	12,438	12,049	1,541	-7,258	-9,576	-9,833	-10,982	-11,280
Less capex	-15,847	-17,590	-20,537	-41,033	-154,542	-44,850	-48,438	-60,487
Plus depreciation and amort.	35,306	36,875	38,723	42,568	56,312	60,470	64,961	70,628
Free cash flow	79,190	87,779	86,127	67,205	-24,744	95,778	102,969	102,493
Terminal value								1,828,956
Free cash flow with TV	79,190	87,779	86,127	67,205	-24,744	95,778	102,969	1,931,449
FCF discounted	79,190	81,331	73,940	53,458	-18,237	65,405	65,151	1,132,316
Growth rate	**2.2%**							
Discount rate	**7.9%**							

Enterprise value	1,532,554
Less debt	-313,491
Equity value	1,219,063
N. of shares	174,761
TARGET PRICE	**6.98**
Spot price	6.1
upside	12.7%
TV/EV	69 %

Source: company data, and team estimates

D3 – Scenario Analysis

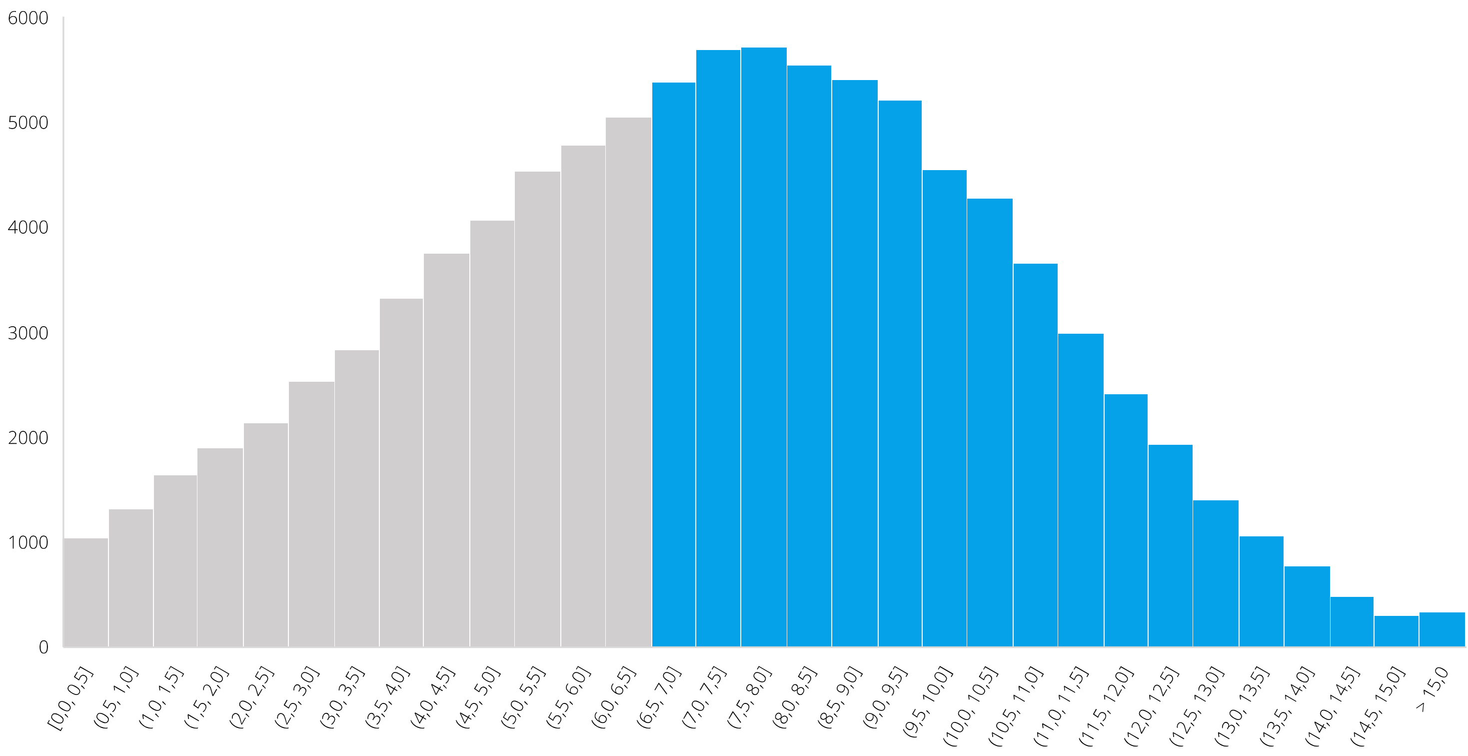
Our scenario analysis identifies a potential BULL case based on the assumption of a significant increase in demand for filtration products, especially in countries experiencing higher economic growth, such as those in the developing APAC region, where the company has already consolidated its distribution network. Assuming GVS possesses the appropriate technologies to address potential demand increases driven by growing environmental concerns and the potential introduction of stricter regulations in this area, the impact of acquisitions made in the APAC area would be amplified, consequently leading to an increase in the company's market share. According to our forecasts, the Rv CAGR would be 11.5% in the FY23-25E period, stabilizing around 10% in the subsequent phase until FY30E. In this perspective, the resulting target price is €8.52, with a potential appreciation of 39.2%.
In the potential BEAR scenario, we hypothesize probable market share losses in America or the EU, where GVS has a higher concentration. This could be due to increasingly stringent regulations, posing challenges for GVS if it lacks the necessary technologies to comply, thereby potentially favoring larger competitors. Additionally, there might be a slowdown in growth in emerging countries in the APAC region, while a contraction in demand for products in the Energy & Mobility sector, where GVS has less bargaining power in terms of pricing, given the intense competition in this sector, could also occur. Faced with such a scenario, we anticipate the company to grow with an RV CAGR of 8% in the first stage, while in the second stage, the CAGR is expected to stabilize around 4.5%. The estimated target price is €5.20, and our recommendation would be to sell.



Source: company data, and team estimates

D4 – MonteCarlo Simulation

To test the robustness of our valuation, we performed a Monte Carlo simulation, with EBITDA as the variable. Results showed that 10% of iterations produced prices between €6.1 and €6.98, 34% yielded prices above our target but below €10, 20% exceeded €10, while the remaining 36% fell below €6.1.



Source: company data, and team estimates

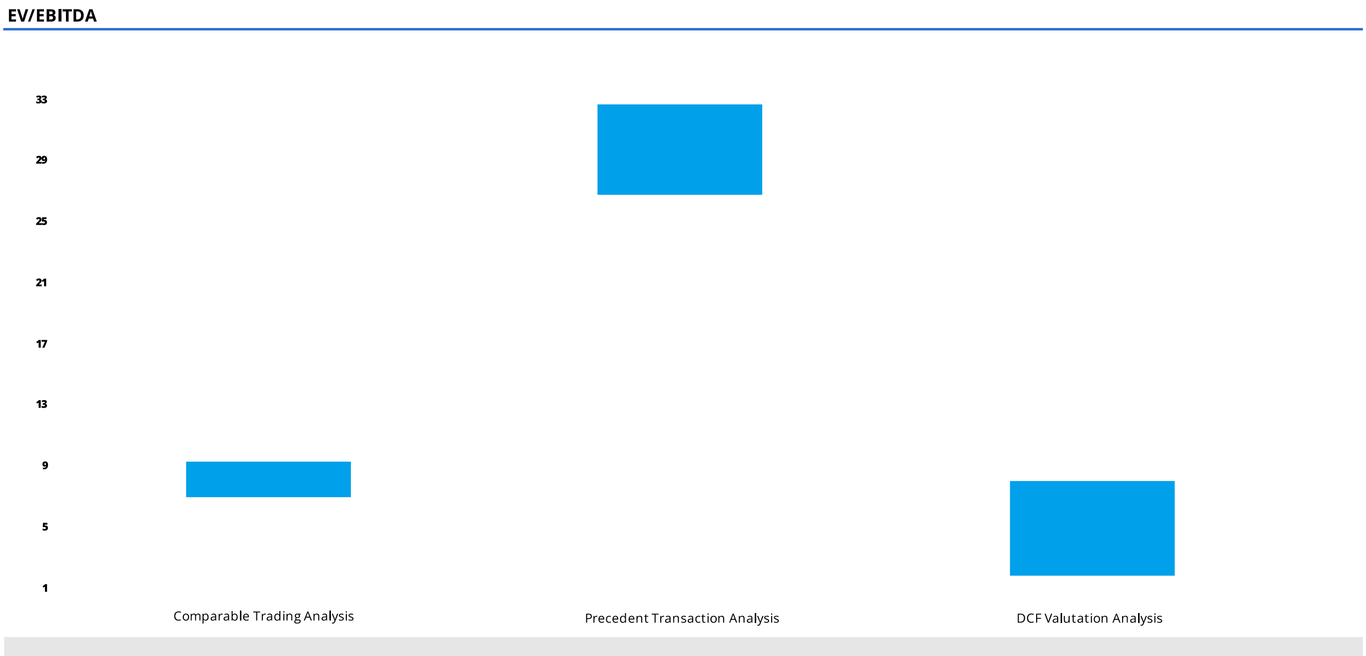
D5 – Multiple Analysis

For our multiples analysis, we pursued two distinct methodologies: comps analysis and transaction analysis. In the comps analysis, our aim was to identify companies that closely resemble GVS in terms of their business operations. While none of these companies may perfectly mirror GVS's profile, we sought out peers that share similar industry dynamics and market characteristics. Additionally, we expanded our scope to include other companies within the FTSE Italy Mid Cap index, providing a broader context for comparison. On the other hand, our transaction analysis involved a deeper dive into recent acquisitions within GVS's industry. Using the FactSet platform, we pinpointed companies that have been acquired in similar sectors, ensuring relevance to GVS's market environment. We made a deliberate choice to exclude companies with significantly larger market capitalizations, as we aimed to focus on acquisitions that align more closely with GVS's scale and scope. In our calculations, we utilized different multiples depending on the analysis. For the comps analysis, we considered both P/E and EV/EBITDA multiples, providing a comprehensive view of valuation metrics. However, in the transaction analysis, we primarily focused on the EV/EBITDA multiple, given its relevance and common usage in assessing acquisition deals. When determining the TP, we opted for a nuanced approach. For EV/EBITDA multiples, we took the average values to derive a fair assessment. For P/E multiples, we relied on the AVG to account for any outliers or skewed data points. It's worth noting a key distinction in our findings: the transaction analysis yielded a valuation that appears higher compared to other models. The higher value produced by transaction multiples is due to the inclusion of the merger or acquisition premium paid by the acquiring company to the target company. This underscores the importance of considering various perspectives and methodologies when evaluating valuation metrics. The TP resulting from this evaluation is thus €6.88, aligning closely with our DCF-based assessment.

Company Name	EV/EBITDA 2023E	P/E 2023E
GVS SpA	**14.9x**	**29.3x**
3M Co	10.0x	11.7x
Sartorius AG	16.8x	33.7x
Danaher Corp	19.6x	24.0x
STERIS plc	16.7x	178.2x
Becton Dickinson and Co	16.3x	52.0x
MSA Safety Inc	18.0x	31.5x
Donaldson Company Inc	14.0x	21.3x
Parker-Hannifin Corp	13.7x	24.0x
El En SpA	11.2x	20.6x
Industrie De Nora SpA	19.7x	32.3x
Lu-Ve SpA	8.5x	13.1x
Saes Getters SpA	7.3x	34.7x
Interpump Group SpA	9.3x	16.7x
Zignago Vetro SpA	12.3x	14.5x
AVG	13.8x	36.3x

Target	EV/EBITDA 2023E
ABIOMED, Inc.	51,43
Antares Pharma, Inc.	39.9x
Coherent, Inc.	61.4x
Ginko International Co., Ltd.	13.8x
Luminex Corp.	20.6x
Natus Medical, Inc.	16.7x
NuVasive, Inc.	16.4x
Ortho Clinical Diagnostics Holdings P	21.9x
SAES Getters SpA /2 Subs/	27.5x
AVG	27.3x

Football Field



Source: company data, and team elaboration

D3 – GVS's Battleground

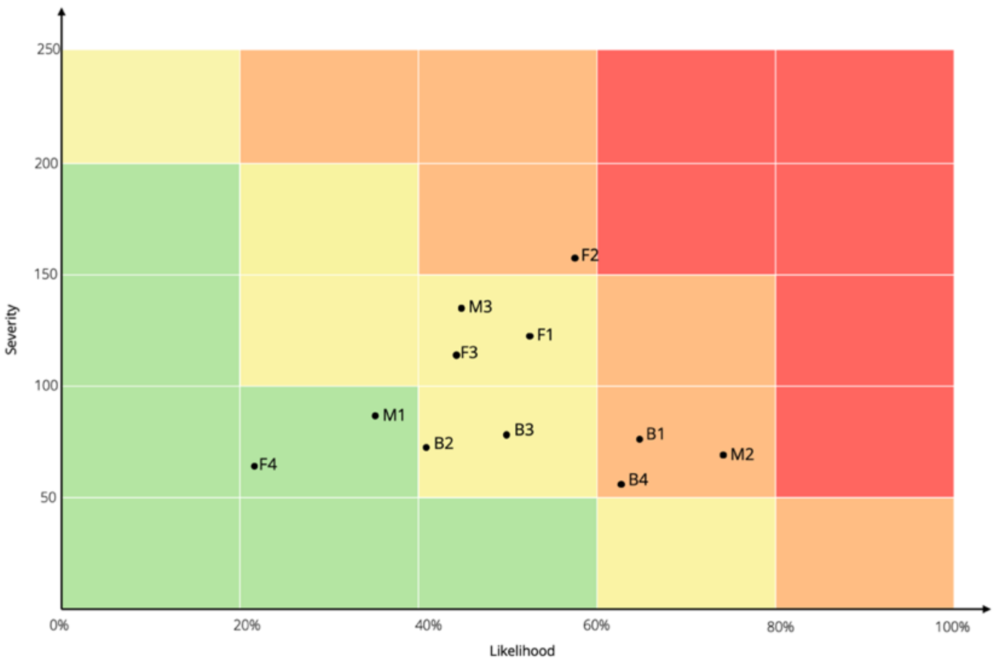
The forthcoming table will compare companies in the Filtration Industry, categorizing them into 1st and 2nd level competitors. **1st level competitors** closely align with GVS's business model and are considered "peers" for comparison.

COMPANY	BUSINESS MODEL	What kind of competitor...?
HEALTHCARE & LIFE SCIENCE		
Danaher Corp	Headquartered in Washington, D.C., DHR is a diversified industrial conglomerate that designs, manufactures, and markets professional, medical, industrial, and commercial products and services. It operates through four segments: Biotechnology, Life Sciences, Diagnostics, and Environmental and Applied Solutions. DHR reached a 3.7% FY18-23E Sales CAGR 8.4% FY18-23E EBIT and 5yr AVG ROA 6.3%	**1 LEVEL COMPETITOR**: DHR bases its business on research and development in the healthcare and life sciences sectors like GVS. However, DHR places a greater emphasis on the diagnostic and biotechnological fields.
Sartorius AG	Based in Göttingen, Germany, SRT offers research solutions for biopharma through its Bioprocess Solutions (single-use tech) and Lab Products & Services (research & quality control) divisions. SRT reached a 16.7% FY18-23E Sales CAGR 43.10% FY18-23E EBIT and 5yr AVG ROA 7.1%	**1 LEVEL COMPETITOR:** GVS and SRT, leaders in filtration and separation tech, offer diverse products for various industries (chemical, pharma, food & beverage). However, SRT focuses on biopharma, while GVS enjoys a broader customer base across sectors.
Steris PLC	Headquartered in Dublin (Ireland), STE specializes in providing healthcare and life science products and service solutions. Its operational segments encompass Healthcare, Life Sciences, Applied Sterilization Technologies, and Dental. STE reached a 13.6% FY18-23E Sales CAGR 12.4% FY18-23E EBIT and 5yr AVG ROA 4.8%	**1 LEVEL COMPETITOR:** GVS and STE are two leading companies in the sterilization and disinfection technology industry. However, STE is significantly larger than GVS and has a greater focus on the healthcare sector, a broader geographic presence and higher profit margins.
Becton Dickinson and Co	Based in Franklin Lakes (NJ), BDX develops, manufactures, and sells medical supplies, devices, and diagnostic products. The company operates through three segments: BD Medical, BD Life Sciences, and BD Interventional, catering to various healthcare needs. BDX reached a 3.9% FY18-23E Sales CAGR -0.4% FY18-23E EBIT and 5yr AVG ROA 2.8%	**1 LEVEL COMPETITOR:** Both companies offer a wide range of medical products and services, including medical devices, in vitro diagnostics, biotechnology, and solutions for the safety of healthcare workers.
HEALTH & SAFETY		
3M Co	MMM is a technology company based in St. Paul, MN. It operates in five segments: Safety and Industrial, Transportation and Electronics, Health Care, Consumer, and Corporate and Unallocated. MMM reached a -0.1% FY18-23E Sales CAGR -74.65% FY18-23E EBIT and 5yr AVG ROA 6.7%	**1 LEVEL COMPETITOR**: 3M offers a wider range of products and services for filtration and separation like GVS, BUT with a strong focus on the healthcare and safety sectors.
MSA Safety Inc	Headquartered in Butler (PA), MSA develops, manufactures, and sells innovative products to enhance worker safety and protect facility infrastructures. The company operates through three geographical segments: Americas, International, and Corporate. MSA reached a 5.0% FY18-23E Sales CAGR 32.3% FY18-23E EBIT and 5yr AVG ROA 6.2%	**1 LEVEL COMPETITOR**: MSA offers a wider range of products and services for safety and personal protection, covering various areas of the body and protecting against a variety of risks.
Avon Protection PLC	Headquartered in Melksham (United Kingdom), AVON engages in the manufacture and design of respiratory protection products for defense and industrial users. The firm also offers polymer-based products for the dairy and defense industries. AVON reached a 3.8% FY18-23E Sales CAGR -13.4% FY18-23E EBIT and 5yr AVG ROA -0.5%0	**1 LEVEL COMPETITOR**: Like GVS, AVON is committed to personal safety and innovation in its products. The company offers a variety of personal protective devices and has a global presence in the industry.
ENERGY & MOBILITY		
Atmus Filtration Technologies Inc	Headquartered in Nashville (TN), ATMU, engages in the design, manufacture, and sale of filters, coolant, and chemical products. It offers products for first fit and aftermarket applications including air filters, fuel filters, fuel water separators, lube filters, hydraulic filters, coolants, and fuel additives.	**1 LEVEL COMPETITOR:** GVS and TN are both leaders in filtra 85tion and separation technology. GVS is larger, more diversified, has a broader geographic presence, and higher profit margins than TN.
Donaldson Company Inc	DCI, based in Minneapolis (MN), manufactures filtration systems and replacement parts. It operates in three segments: Mobile Solutions, Industrial Products, and Life Sciences, serving various industries worldwide. DCI reached a 4.6% FY18-23E Sales CAGR 5.7% FY18-23E EBIT and 5yr AVG ROA 12.7%	**1 LEVEL COMPETITOR:** DCI and GVS dominate filtration, but with different niches: DCI tackles industrial air and gas, while GVS filters air and liquids for both industry and healthcare.
Parker-Hannifin Corp	Headquartered in Cleveland (OH), PH, manufactures motion and control technologies, operating in two segments: Diversified Industrial and Aerospace Systems. The Diversified Industrial segment serves various industries, while the Aerospace Systems segment focuses on commercial and military aerospace markets. PH reached a 5.9% FY18-23E Sales CAGR 10.3% FY18-23E EBIT and 5yr AVG ROA 7.5%	**1 LEVEL COMPETITOR:** PH is committed to innovation and providing high-quality industrial solutions. The company invests in research and development to enhance its products and services and has an extensive global presence in the industrial market.
FTSE IT MID-CAP		
El En SpA	ELN is an Italy-based company primarily engaged in the production of laser systems. The Company's range of products includes laser systems for dermatology, surgery, cosmetics, physiotherapy, dentistry and gynaecology, laser systems for cutting, marking and welding of metals, wood, plastic and glass; decoration of leather and fabrics, conservative restoration of works of art. ELN reached a 17.1% FY18-23E Sales CAGR 23.8% FY18-23E EBIT and 5yr AVG ROA 6.4%	**2 LEVEL COMPETITOR:** Unlike GVS, ELN is specializes in energy management, industrial automation, and electric mobility solutions.
Industrie De Nora SpA	DNR, headquartered in Milan, specializes in electrochemical products and services. Operating across three segments: Electrode Technologies, Water Technologies, and Energy Transition.	**2 LEVEL COMPETITOR**: DNR specializes in electrolysis, filtration, and water treatment solutions.
Lu-Ve SpA	LUVE, established in 1985 in Uboldo, Italy, manufactures and sells heat exchangers, air cooled equipment, and close control products. It operates in two segments: Components and Cooling Systems, providing heat exchangers, glass doors for refrigerated cabinets, and air-cooled equipment. LUVE reached a 18.0% FY18-23E Sales CAGR 23.1% FY18-23E EBIT and 5yr AVG ROA 3.7%	**1 LEVEL COMPETITOR**: Like GVS, LUVE a commitment to quality and operational excellence, along with their global presence in the market. Both provide high-quality products and have international reach.
Saes Getters SpA	SG, established in 1940 in Lainate, Italy, develops and markets advanced technologies in five segments: Metallurgy, Vacuum Technology, Medical, Specialty Chemicals, and Advanced Packaging, offering various products such as metallic getters, Nitinol components, and coating solutions. SG reached a 1.6% FY18-23E Sales CAGR -0.1% FY18-23E EBIT and 5yr AVG ROA 1.8%	**2 LEVEL COMPETITOR**: Unlike GVS, SG provides solutions for gas and particle management within electronic devices
Interpump Group SpA	IP, based in Sant'Ilario d'Enza, Italy, manufactures piston pumps and hydraulic products. It operates in two segments: Water Jetting and Hydraulic, focusing on high-pressure pumps and hydraulic components. IP reached a 13.8% FY18-23E Sales CAGR 14.6% FY18-23E EBIT and 5yr AVG ROA 9.2%	**2 LEVEL COMPETITOR**: Unlike GVS, IP specializes in manufacturing high-pressure pumps and hydraulic components.

ANNEX E - INVESTMENT RISKS

E1- Risk Assessment Model and Matrix: defining impact level

For risk assessment, we constructed a model that assigns a risk level (Sustainable, Moderate, Severe, and Critical) based on the probability and impact of each risk, thus forming a risk matrix.



E2- Sensitivity Analysis

The indirect sensitivity analysis on Rv and EBIT was a strategic investigation conducted to examine how these critical variables could impact the TP of the company. Note that Rv are more sensitive than EBIT, which is a normal consideration given the operating leverage. By only varying EBIT, we might not fully incorporate this aspect.

RV	
0%	€6.99
5%	€10.08
10%	€14.07
15%	€19.12

EBIT	
0%	€6.99
-5%	€6.57
-10%	€6.16
-15%	€5.74

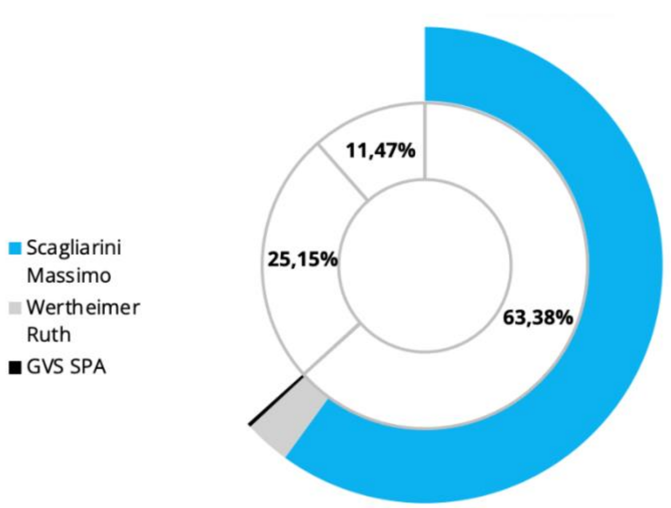
RV	
0%	€6.99
-5%	€4.65
-10%	€3.96
-15%	€3.02

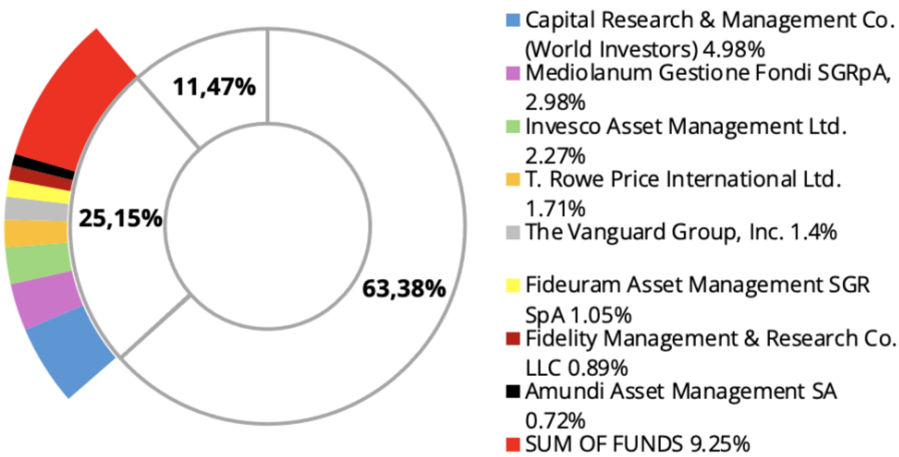
EBIT	
0%	€6.99
5%	€7.40
10%	€7.81
15%	€8.22

ANNEX F - ENVIROMENTAL, SOCIAL & GOVERNANCE

F1- Ownership Structure

The internal ownership of GVS is represented by a robust 63.4%, confirming a strong connection between corporate management and those holding a significant stake. Out of this total, 60% of the shares are held by Scagliarini Massimo, a key figure in directing the company's strategies and decisions. Additional contributions come from Wertheimer Ruth, with 3.1%, and GVS SPA, with 0.3%. The remaining 36.6% of ownership consists of the floating shares, highlighting a market dynamic open to external investors. This component reflects investor confidence in the company's growth potential, and its liquidity provides trading opportunities on the stock market. This float is further divided, with 25.16% held by financial institutions. The most substantial share, amounting to 4.9%, is held by Capital Research & Management, followed by "Mediolanum Gestione Fondi" with 2.9%. Other institutional players, such as Invesco, Fideuram, Amundi, contribute to the overall picture, demonstrating a diversified interest from the financial sector in GVS. The remaining 11.5% of ownership currently remains unidentified. This percentage represents a portion of GVS ownership whose holders are not identified. The diversification and fair distribution of ownership between insiders and the float reflect a robust governance structure and widespread confidence in GVS. This framework provides a stable foundation for future corporate development, with a strong internal leadership and substantial support from external investors.





NAME	AGE	ROLE	DATE OF FIRST APPOINTMENT	INDEPENDENT	COMMITEES	
					REMUNERATION	RISK & CONTROL
MASSIMO SCAGLIARINI	57	CEO	24/07/1990	-	-	-
MATTEO VIOLA	50	DIRECTOR	23/05/2018	NO	-	-
MARCO SCAGLIARINI	58	DIRECTOR	24/07/1990	NO	-	-
GRAZIA VALENTINI	80	CHAIRMAN	18/03/1987	NO	-	-
ALESSANDRO NASI	48	DIRECTOR	13/03/2020	YES	-	MEMBER
MARIO SACCONE	55	DIRECTOR	23/07/2010	NO	-	-
NADIA BUTTIGNOL	45	DIRECTOR	13/03/2020	YES	MEMBER	-
ARABELLA CAPORELLO	50	DIRECTOR	13/03/2020	YES	PARTNER	-
MICHELA SCHIZZI	40	DIRECTOR	13/03/2020	YES	MEMBER	PARTNER

F2- ESG Scoring Methodology

The aim of our ESG competitive analysis is to evaluate GVS's ESG performance relative to a benchmark including 7 companies within the same sector: Ashai Kasei Co., Danaher Corp., Medtronic, 3M, Merck & Co., MSA Safety Inc., Sartorius AG. A total of 34 metrics were examined and categorized into 3 key factors: 10 environmental metrics focused on Resource Usage, Emissions, and Waste; 14 social metrics including Workforce and Gender Diversity, Human Rights, Community Relations, and Product Responsibility; and 10 governance metrics concerning Management, Board and Committees, Shareholder Engagement, and CSR Strategy. 34 critical ESG metrics, both quantitative & qualitative (TRUE/FALSE), dissect GVS's sustainability against industry peers. Scores for each metric were calculated for both GVS and the benchmark industry, consisting of the 7 companies, utilizing data sourced from companies' Sustainability Reports and providers like Refinitiv, spanning the period from FY20-22A. GVS's ESG performance was assessed against a meticulously crafted sector benchmark, with sector highs and lows delineating scoring zones. GVS's performance was evaluated against competitors using a decimal scoring system, facilitating comparison with sector averages for the years FY20-22A. To ensure a fair comparison among companies, the average of metrics within each sector was considered, ensuring a uniform evaluation. This approach is also applied to the three aspects of E, S, and G. Finally, the numerical scores obtained are converted into 12 alphabetical scores (A+, A, A-, B+, B, B-, C+, C, C-, D+, D, D-), following the scale and methodology adopted by Refinitiv. The analysis covers 3 years, assessing both GVS's and its industry momentum. Data from FY20-22A, along with sector averages and the best/worst scores of FY22A, are presented.

Pillar	Key factors and Metrics	GVS 2022	GVS 2021	GVS 2020	Industry 2022	Best 2022	Worst 2022
ENVIRONMENTAL (16,8%)	**Resource Use (4,8%)**	**C+**	**B-**	**C+**	**A**	**A+**	**B+**
	Policy Energy Efficiency [T/F]	TRUE	TRUE	TRUE	80% T - 20% F	TRUE	FALSE
	Policy Sustainable Packaging [T/F]	FALSE	FALSE	FALSE	60% T - 40% F	TRUE	FALSE
	Targets Water Efficiency [T/F]	FALSE	FALSE	FALSE	100% T - 0% F	TRUE	FALSE
	Policy Water Efficiency [T/F]	TRUE	TRUE	FALSE	100% T - 0% F	TRUE	FALSE
	Targets Energy Efficiency [T/F]	FALSE	FALSE	FALSE	60% T - 40% F	TRUE	FALSE
	Energy Use Total [Gj]	307,166	246,792	208,474	17,593,667	37,000,000	722,578
	Total Renewable Energy [Gj]	82,440	85,039	38,216	1,783,521	5,796,000	228,769
	Renewable Energy Use Ratio [%]	26.7%	34.5%	18.3%	19.0%	31.3%	6.8%
	Total Water Use / Million in Revenue $	273	185	164	2,964	13,198	56
	Emissions (6,0%)	**C+**	**C+**	**D+**	**A**	**A+**	**B+**
	Total CO2 Emissions / Million in Revenue $	50	50	44	72	203	9
SOCIAL (47,3%)	**Workforce (9.0%)**	**B**	**B-**	**B**	**A**	**A+**	**A-**
	Health & Safety Training [T/F]	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE
	Salary Gap	58	46	41	105	157	32
	Turnover of Employees [%]	56.2%	59.4%	40%	10.8%	16.9%	0.7%
	Women Employees [%]	59.7%	61.1%	60%	40.9%	50%	28.8%
	New Women Employees [%]	54.8%	67.9%	65.1%	36.4%	52%	17.3%
	Women Managers [%]	--	--	--	40.7%	45%	35.1%
	Net Employment Creation [%]	79.8%	-1.2%	34.5%	4.8%	15.3%	-3.2%
	Injuries To Million Hours	6	10	10	4	6	1
	Human Rights (12.0%)	**B**	**B**	**B**	**A**	**A+**	**A-**
	Policy Child Labor [T/F]	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE
	Policy Forced Labor [T/F]	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE
	Community (12.0%)	**A-**	**B**	**B**	**A**	**A+**	**B+**
	Donations / $Million in Revenue	--	--	--	11,842	30,059	2,401
	Corporate Responsibility Awards [T/F]	TRUE	FALSE	FALSE	80% T - 20% F	TRUE	FALSE
	Product Responsibility (14.4%)	**B**	**B**	**C+**	**A**	**A+**	**B+**
	Policy Customer Health & Safety [T/F]	FALSE	FALSE	FALSE	100% T - 0% F	TRUE	FALSE
	Policy Data Privacy [T/F]	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE
GOVERNANCE (35,9%)	**Management (24.0%)**	**B+**	**C-**	**C**	**B**	**A+**	**C-**
	Audit Committee Independence [%]	--	--	--	90.0%	100.0%	60.0%
	Board Gender Diversity, Percent [%]	44.4%	44.4%	44.4%	33.1%	46.2%	11.1%
	Independent Board Members [%]	44.4%	44.4%	44.4%	71.2%	92.3%	36.4%
	CEO Chairman Duality [T/F]	FALSE	FALSE	FALSE	60% T - 40% F	TRUE	FALSE
	Succession Plan [T/F]	TRUE	TRUE	TRUE	80% T - 20% F	TRUE	FALSE
	Shareholders (7.2%)	**D-**	**D**	**D-**	**B-**	**A-**	**D+**
	Different Voting Right Share [T/F]	FALSE	FALSE	FALSE	20% T - 80% F	TRUE	FALSE
	Shareholders Vote on Executive Pay [T/F]	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE
	CSR Strategy 4.8%)	**D**	**D**	**D+**	**A**	**A+**	**B-**
	CSR Sustainability Committee [T/F]	FALSE	FALSE	FALSE	100% T - 0% F	TRUE	FALSE
	CSR Sustainability Reporting [T/F]	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE
	CSR Sustainability Report Global Activities [T/F]	TRUE	TRUE	TRUE	100% T - 0% F	TRUE	FALSE