



GWS

The logo features the letters 'GWS' in a bold, grey, sans-serif font. The letter 'V' is replaced by a blue downward-pointing triangle. Below the triangle is a blue teardrop shape. The background is black with light blue wavy line patterns on the left and right sides.

GVS GROUP

2024 CFA Institute Research Challenge

OVERVIEW

INVESTMENT THESIS

VALUATION

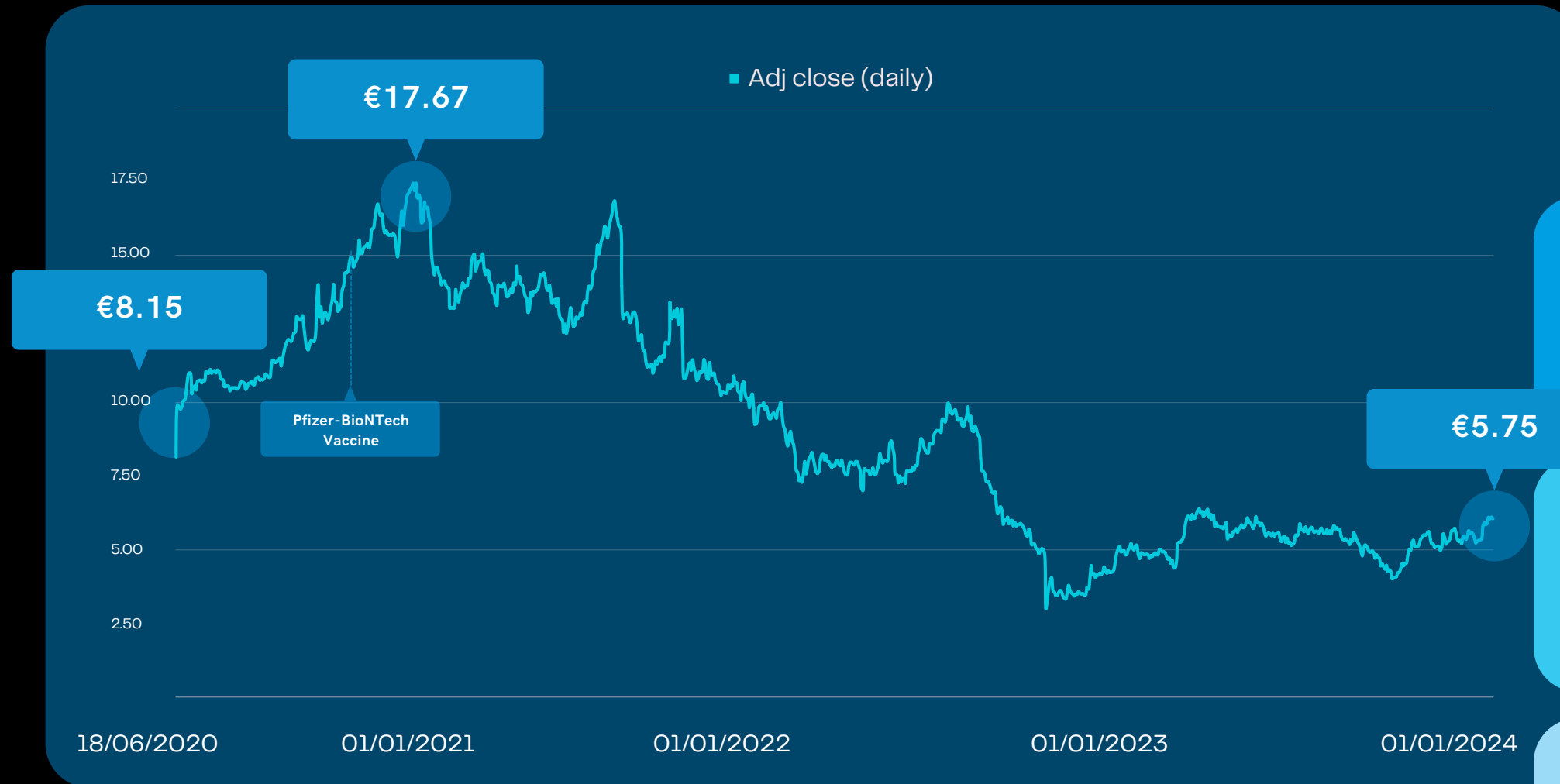
ESG

ADVANCED FILTRATION SOLUTIONS

NUMEROUS DIVERSIFIED
END-MARKETS



Advanced filtration solutions



Source: Bloomberg stock price graph for GVS (18/06/2020 - 31/12/2023)

- 1 QUALITY ORIENTED
- 2 VERTICALLY INTEGRATED BUSINESS MODEL
- 2 STRONG BARRIER TO ENTRY AND HIGH MARGIN NICHES

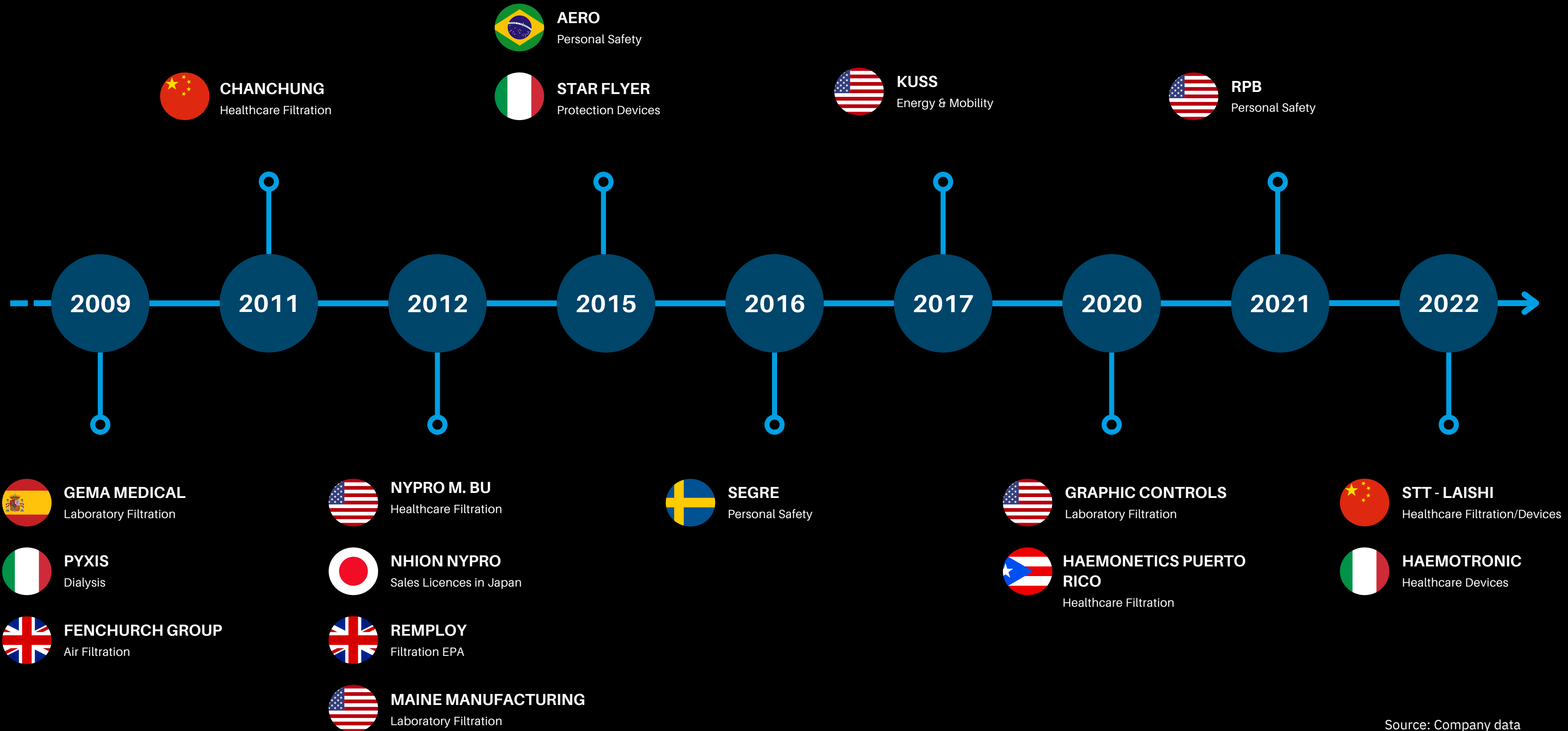
COMPANY'S LOCATIONS

GVS production sites and sale offices around the world;



M&A OPERATIONS

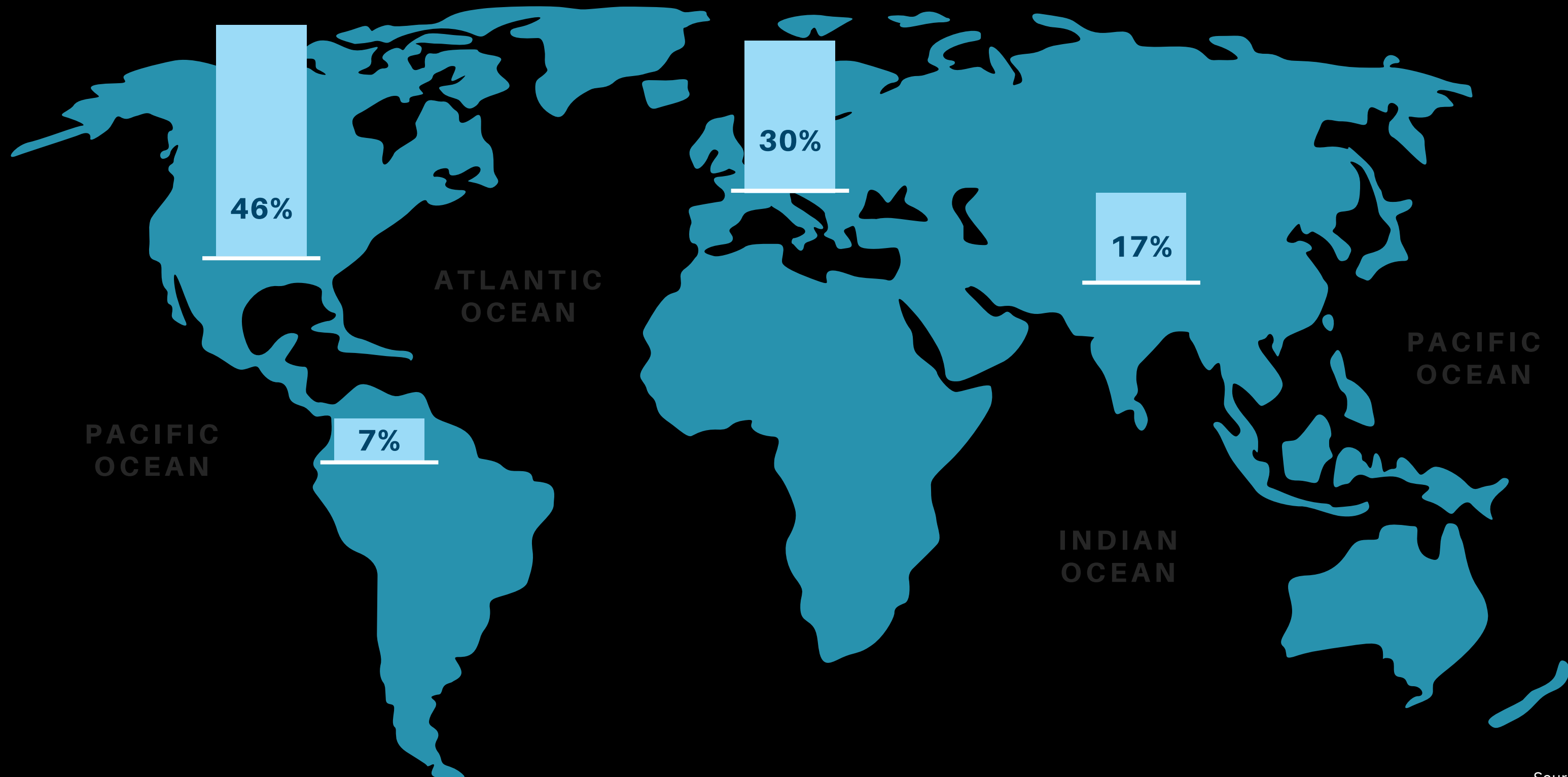
17 M&A operations in 13 years



Source: Company data

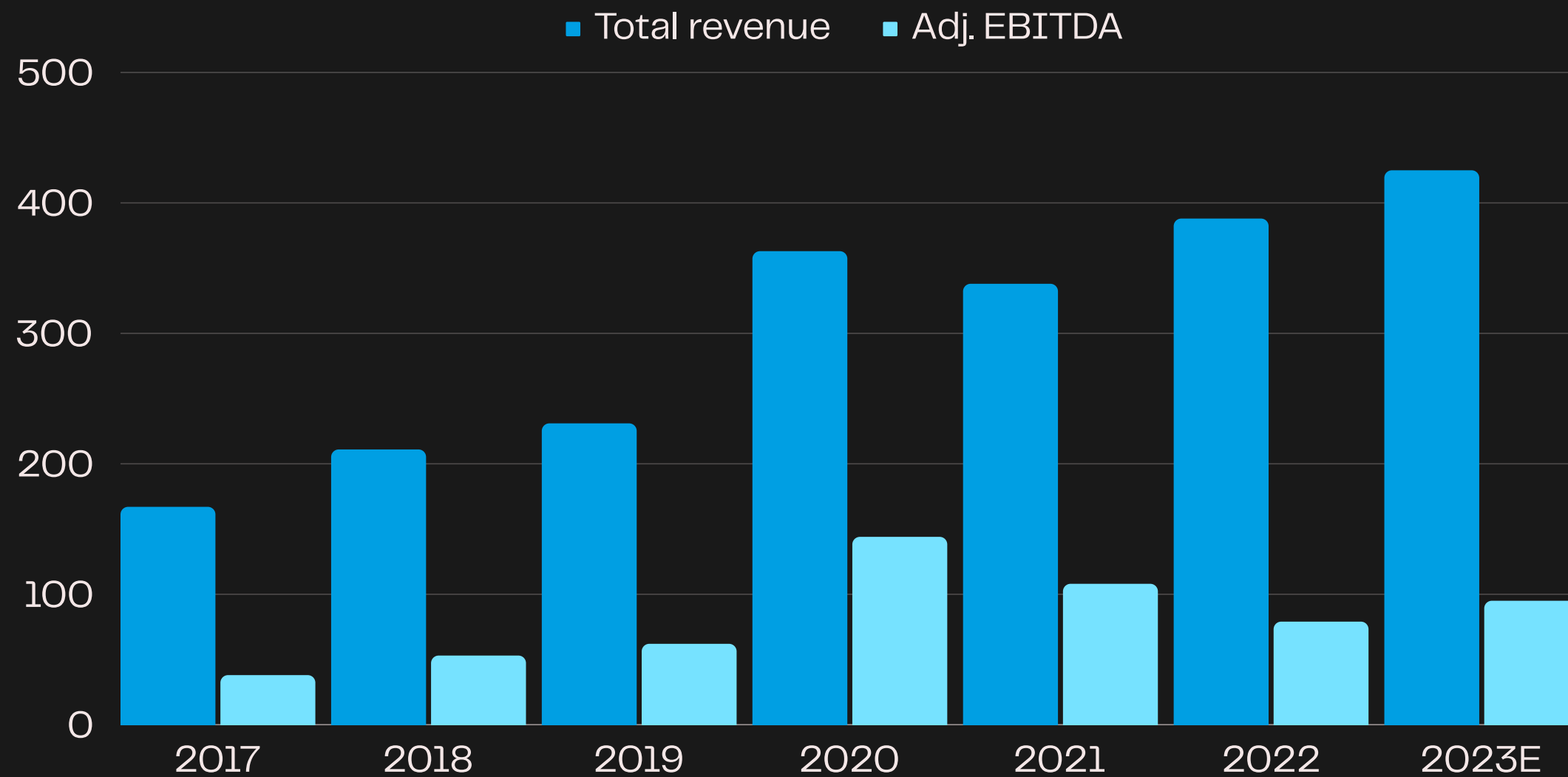
REVENUE BREAKDOWN BY REGION

2023 Revenue Breakdown; percentage of sales



Company performance

Historical revenue and adjusted EBITDA



2023
Expected
Revenue

€425 M

CAGR over
the last 7
years

+ 14%

2023
Expected Adj.
EBITDA
Margin

22%

Notes: data expressed in millions of Euros

Source: Company data & team elaboration

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REVENUE BREAKDOWN BY DIVISION

■ Health & Safety ■ Energy & Mobility
■ Healthcare & Life Sciences



Revenue by Division 2023



Healthcare & Life Sciences



Health & Safety



Energy & Mobility

67%



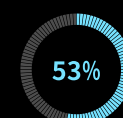
17%



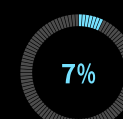
16%



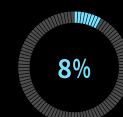
Healthcare Liquid



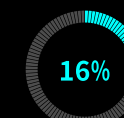
Healthcare Air & Gas



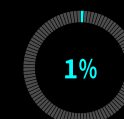
Laboratory



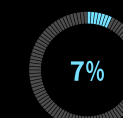
Personal Safety



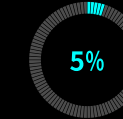
Air Safety



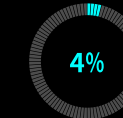
Powertrain & Drivetrain



Safety & Electronics



Sports & Utility



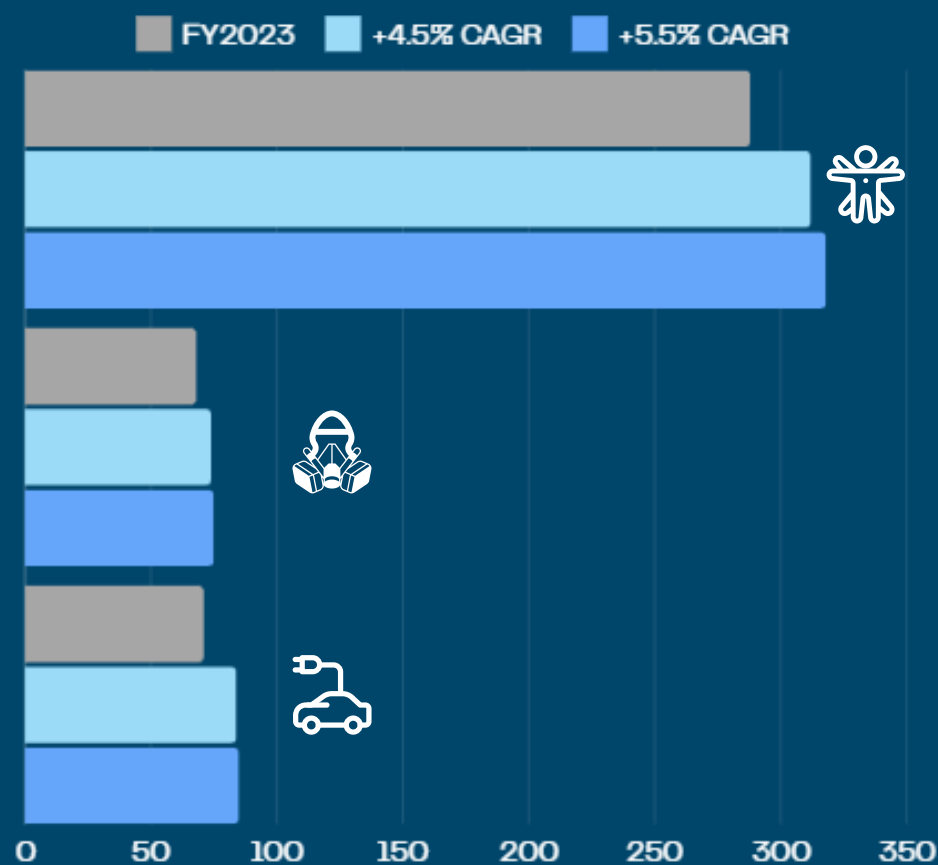
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2023 - 2025 EXPECTED SALES BY DIVISION



Estimated Future Revenue by Division
in millions of Euros



Healthcare & Life Sciences

67%



18%



15%



+4.0% - +5.0%
€312 - €318m

SALES 2023-25 CAGR

Commercial synergies
(HT and STT)

+8.5% - +9.5%
€84 - €85m

SALES 2023-25 CAGR

Commercial synergies
(RPB)

+4.0% - +5.0%
€74 - €75m

SALES 2023-25 CAGR

Launch of new filter
categories for EVs

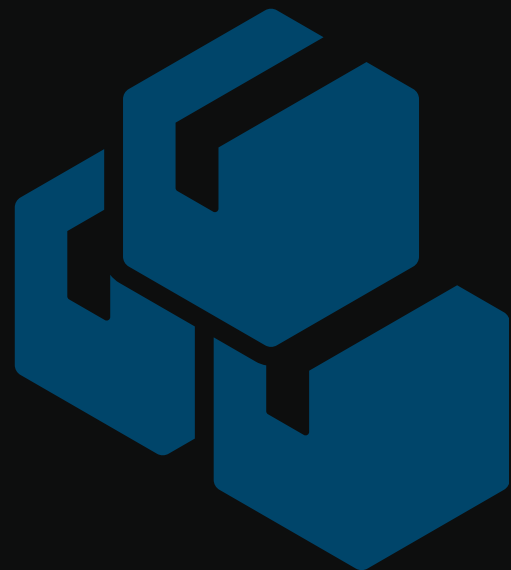
OVERVIEW

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Future Sales Drivers



Volume Increase

31 new products are expected to be launched and 41 are on the list to obtain registration in new markets



Commercial Synergies

Commercial synergies from recent M&A operations would allow cross-selling on the combined client base

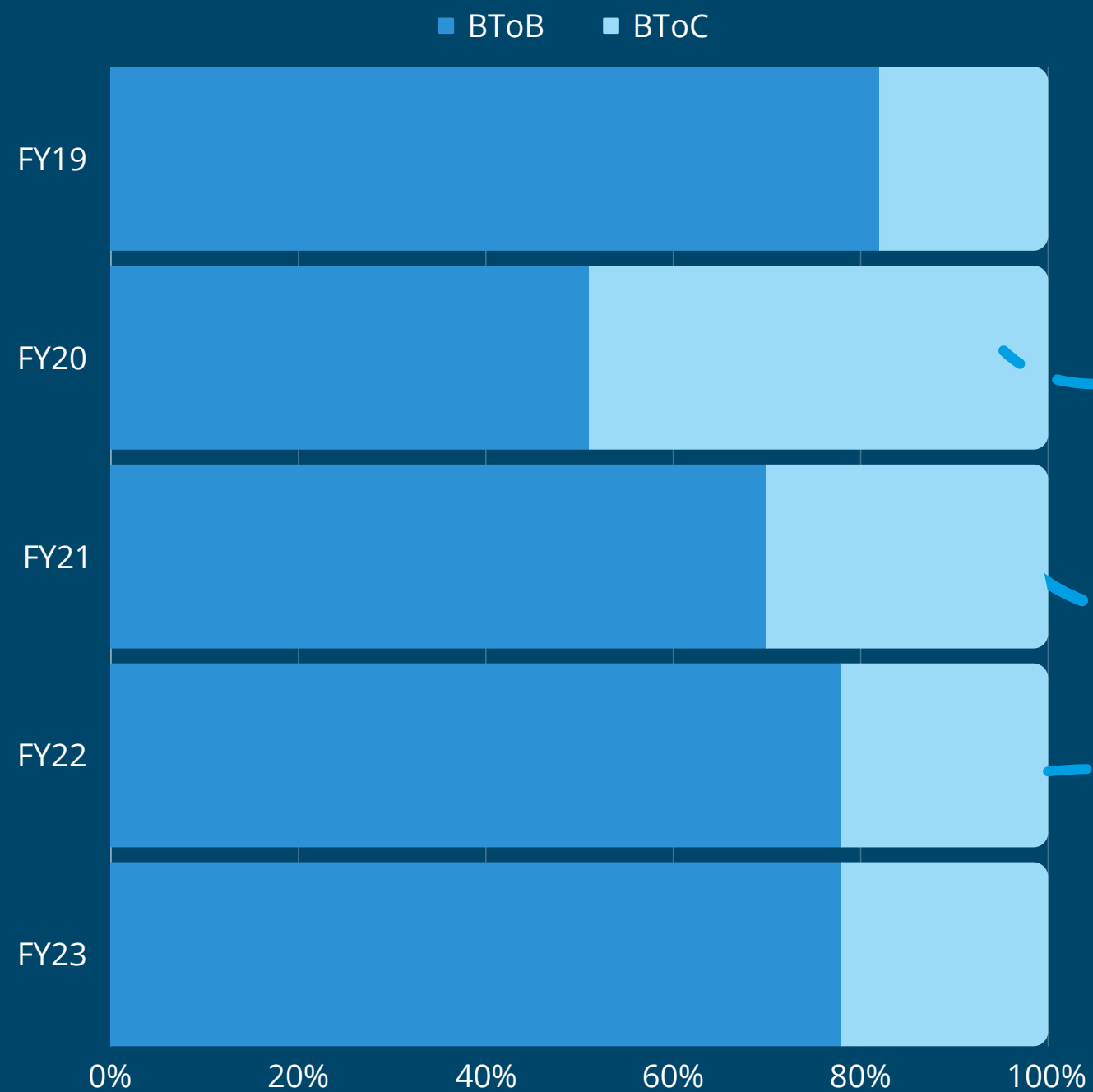


New distribution channels

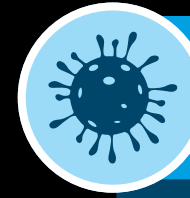
Increase the exposure to B2C channel through the direct sales and E-commerce activity

GVS CUSTOMER BASE

Plans to increase exposure to B2C



Source: Company data & team elaboration



COVID-19

FOCUS ON PPE PRODUCTION

The global COVID-19 pandemic led to unprecedented demand for personal protective equipment (PPE) and filtration products **among individual consumers**.



M&A OPERATION 2021: RPB

RPB's products, especially **PAPRs**, have a **direct application for individual consumers** and professionals in various industries. This aligns with GVS's strategy to increase exposure to the B2C channel.



E-COMMERCE



DIRECT SALES TO HOSPITAL

M&A OPERATION 2022: STT

Develop digital sales platforms specifically for healthcare providers, making it easier for hospitals to purchase directly from GVS.



RPB Z-Link Radiant Heat Respirator

\$2,830.67

Ship to 20145

ADD TO CART



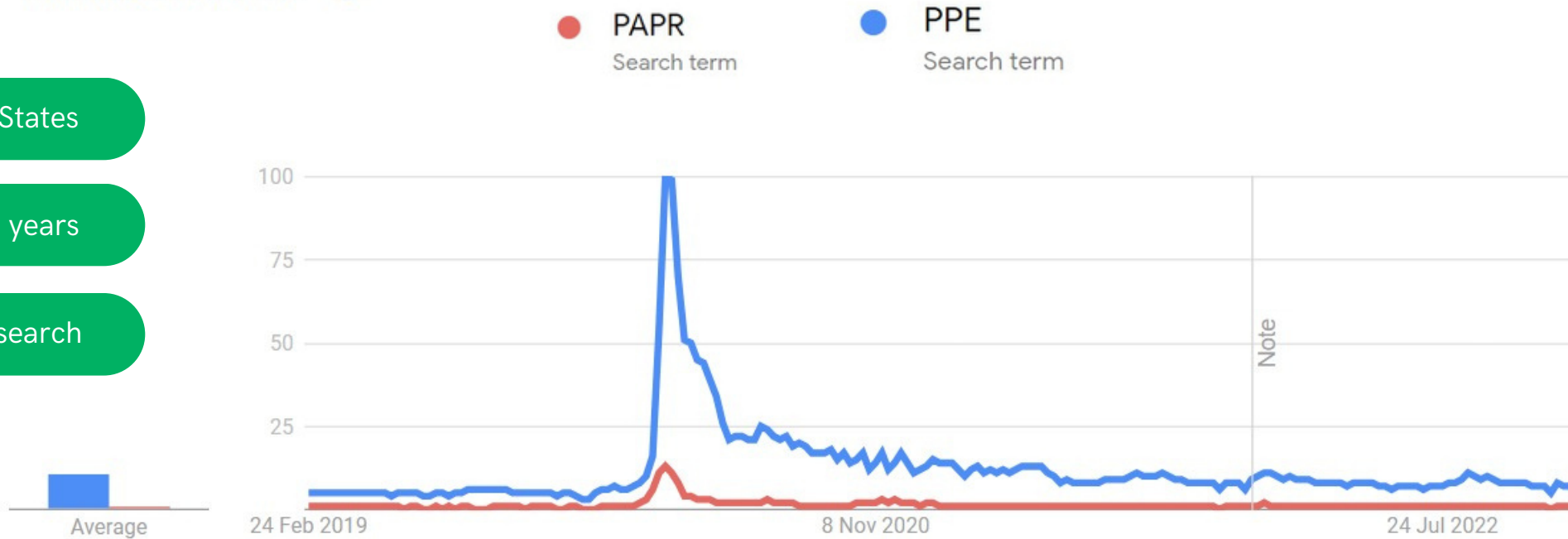
PAPRs

By leveraging RPB's strengths in PPE and specifically in PAPRs, GVS can enhance its direct sales and e-commerce activities, tapping into new customer segments and driving revenue growth through high-margin products.

Source: Google Trends research & team elaboration

- United States
- Past 5 years
- Web search

Interest over time ?



CURRENT PRICE

€ 5.75

**RATING:
HOLD**

TARGET PRICE

€ 5.77

Note: the current price refers to 31/12/2023

The intrinsic value has been derived by a DCF model, which is further analysed in this presentation in Valuation Section

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The catalysts of our analysis



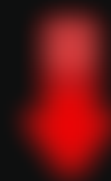
Populations' aging
as a growth factor



Macroeconomic
environment



Factors that dampen
our enthusiasm



OVERVIEW

INVESTMENT THESIS

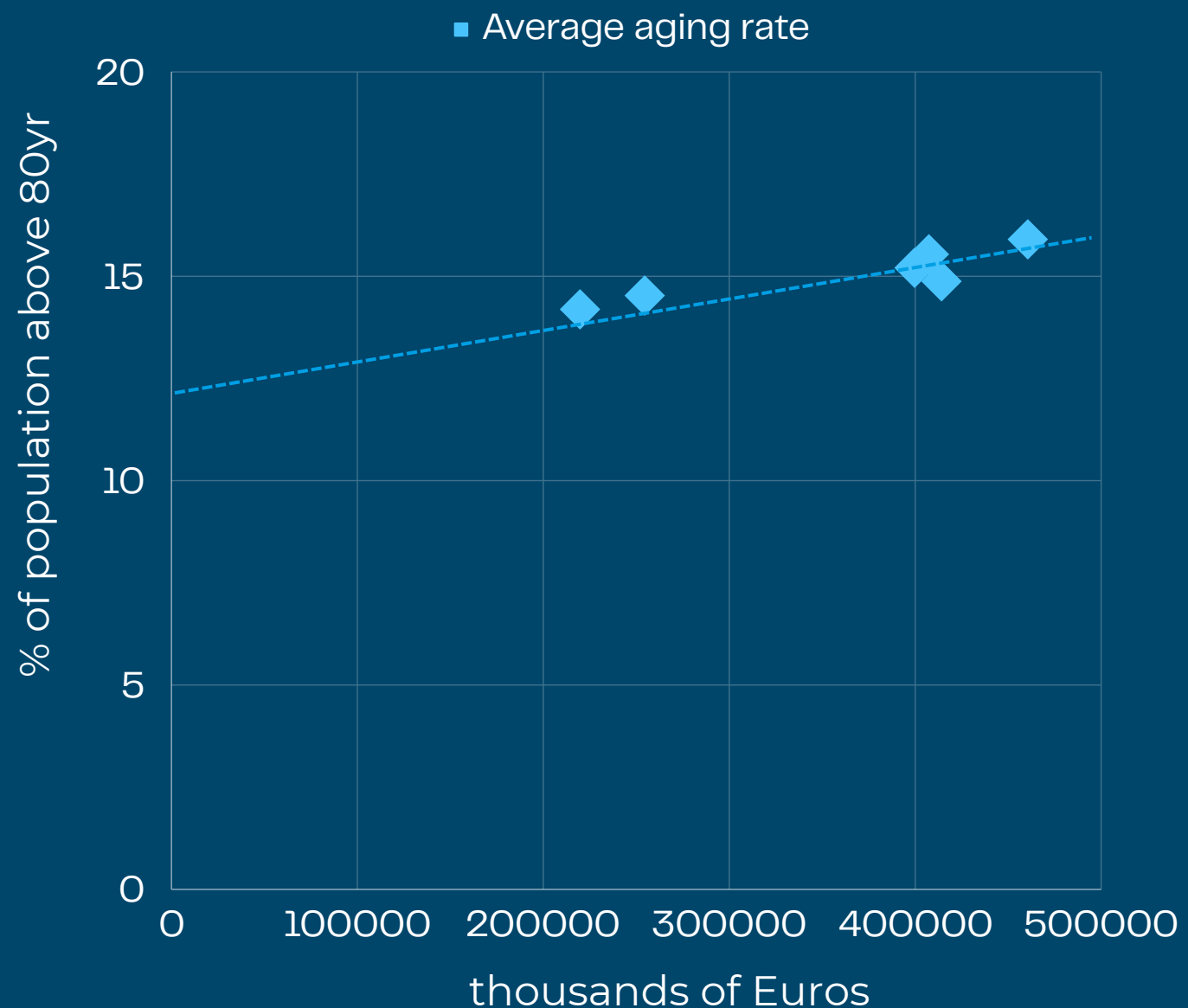
VALUATION

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Population's ageing as a growth factor



P value 0.013
R² = 81.5%

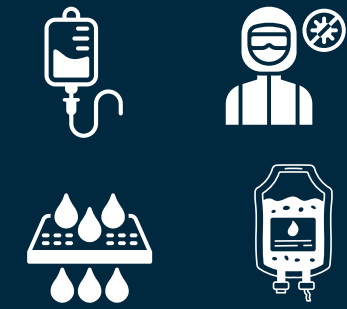


Source: population.un.org & team elaboration



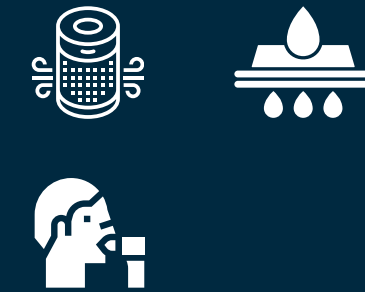
HEALTHCARE DEMAND

This leads to greater use of GVS products in healthcare settings, including air and liquid filtration systems, surgical masks and respirators.



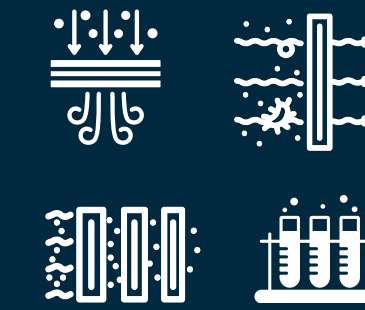
HOME HEALTHCARE SERVICES

GVS's filtration products for home care, such as air purifiers and water filtration systems, stand to see increased demand.



PHARMACEUTICAL INDUSTRIES

GVS's filtration technologies play a crucial role in the pharmaceutical manufacturing process, ensuring the purity and efficacy of pharmaceutical products.



PREVENTIVE CARE

Aging populations have a heightened need for protective measures against infections and diseases, increasing the demand for personal protective equipment (PPE).



The catalysts of our analysis



Profound insights
as a growth factor



Macroeconomic
environment



Factors that dampen
our enthusiasm



Increase demand of medical supplies

The increase in demand for medical supplies during wars correlates with a rise in sales for GVS Group, as conflicts escalate the need for healthcare products



UN PARTNERSHIP



INCREASE DEMAND



PRICE INCREASE

Supply chain disruption

Disruptions in supply chains due to wars correlate with decreased business activity for GVS Group, as logistical challenges impede product distribution and supply.

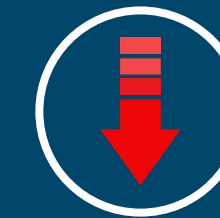


COSTS SOAR



TRADE HALTS

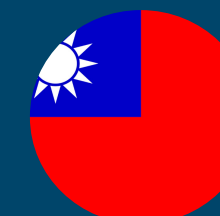
Macroeconomic Environment; wars



Ongoing conflicts:



Areas of interest:



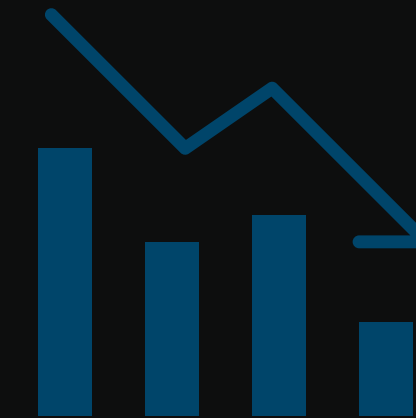
The catalysts of our analysis



Prevalent topics
as a growth factor



Macroeconomic
environment



Factors that dampen
our enthusiasm



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INVESTMENT THESIS

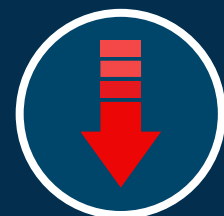
VALUATION

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Factors that dampen our enthusiasm



WHY HOLD?



1 NO DIVIDENDS

GVS was forced to discontinue its dividend policy.



2 NO M&A OPERATIONS

GVS needs to pause its policy and accumulate cash.

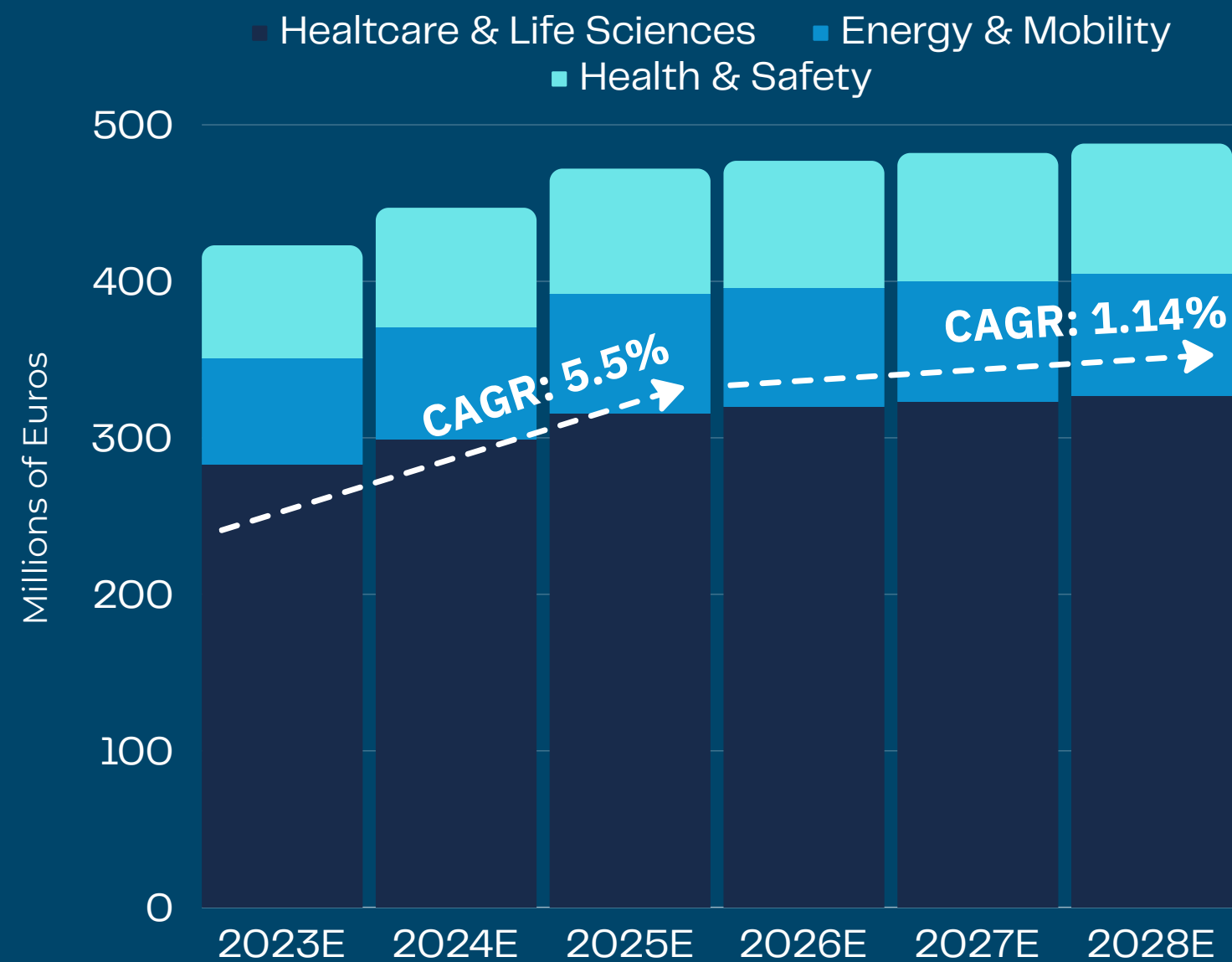


3 NO BUYBACKS

GVS won't complete the buyback program until 2026

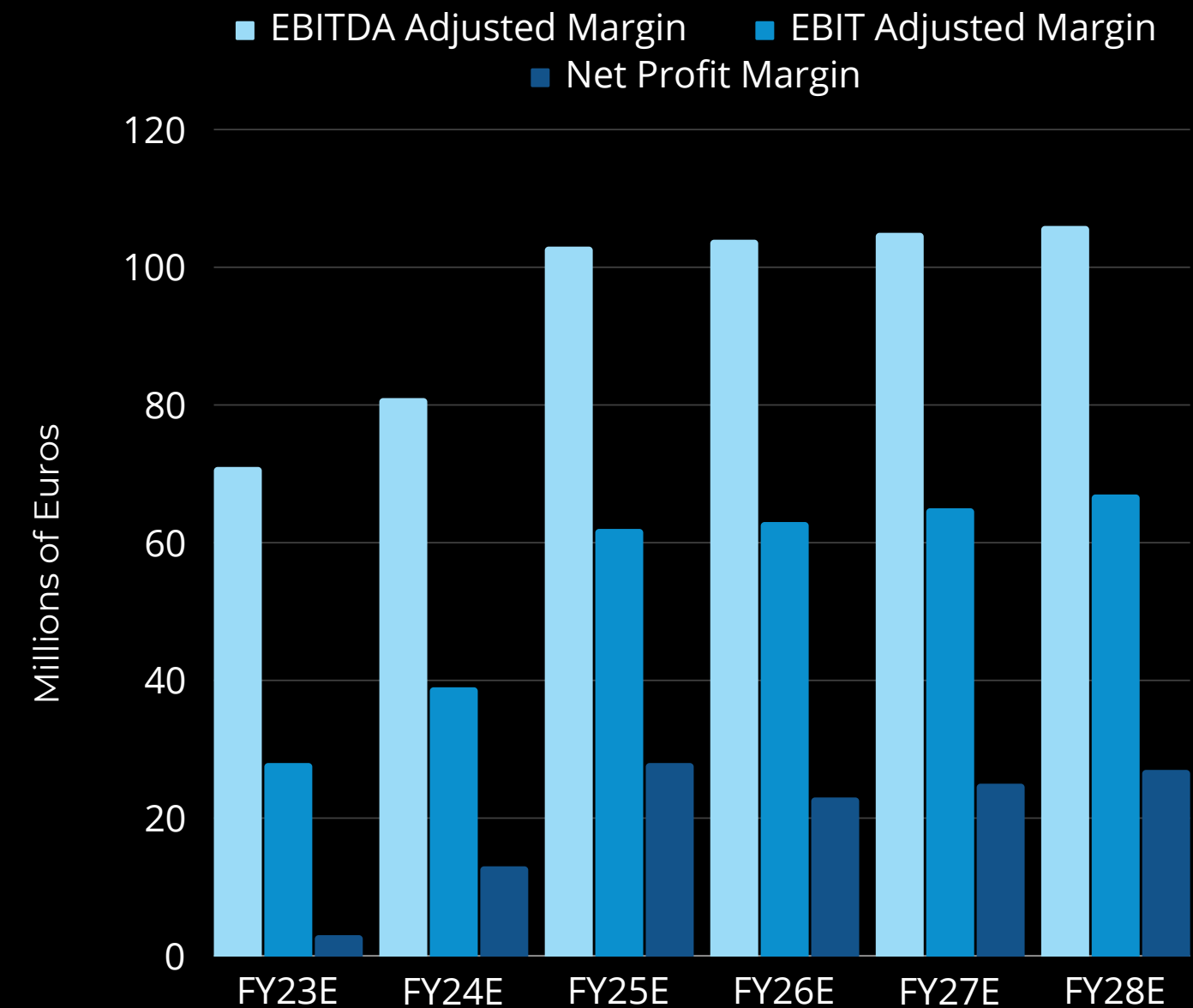


Forecasted revenue by division



Source: company data & team elaboration

Expected margins by division



Source: company data & team elaboration

OVERVIEW

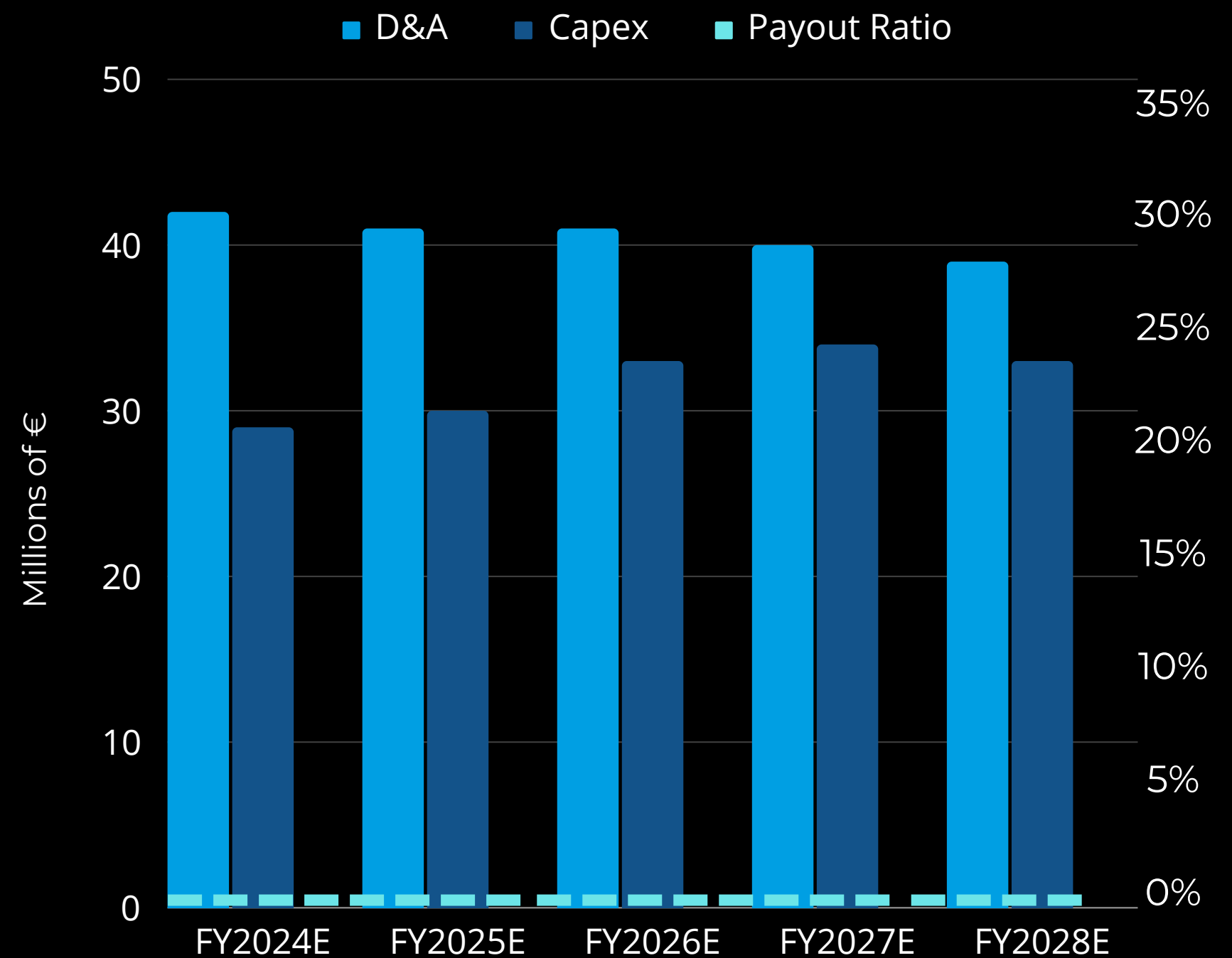
INVESTMENT THESIS

VALUATION

ESG

CAPEX and D&A

From 2023 to 2028, capital expenditures (**CapEx**) are expected to increase, averaging 7% of revenue, indicating ongoing investment in growth. However, a slight rise in depreciation and amortization, averaging between 6.5% and 6.7%, will lead to a gradual decrease in the value of the company's assets over time.



Source: company data & team elaboration

OVERVIEW

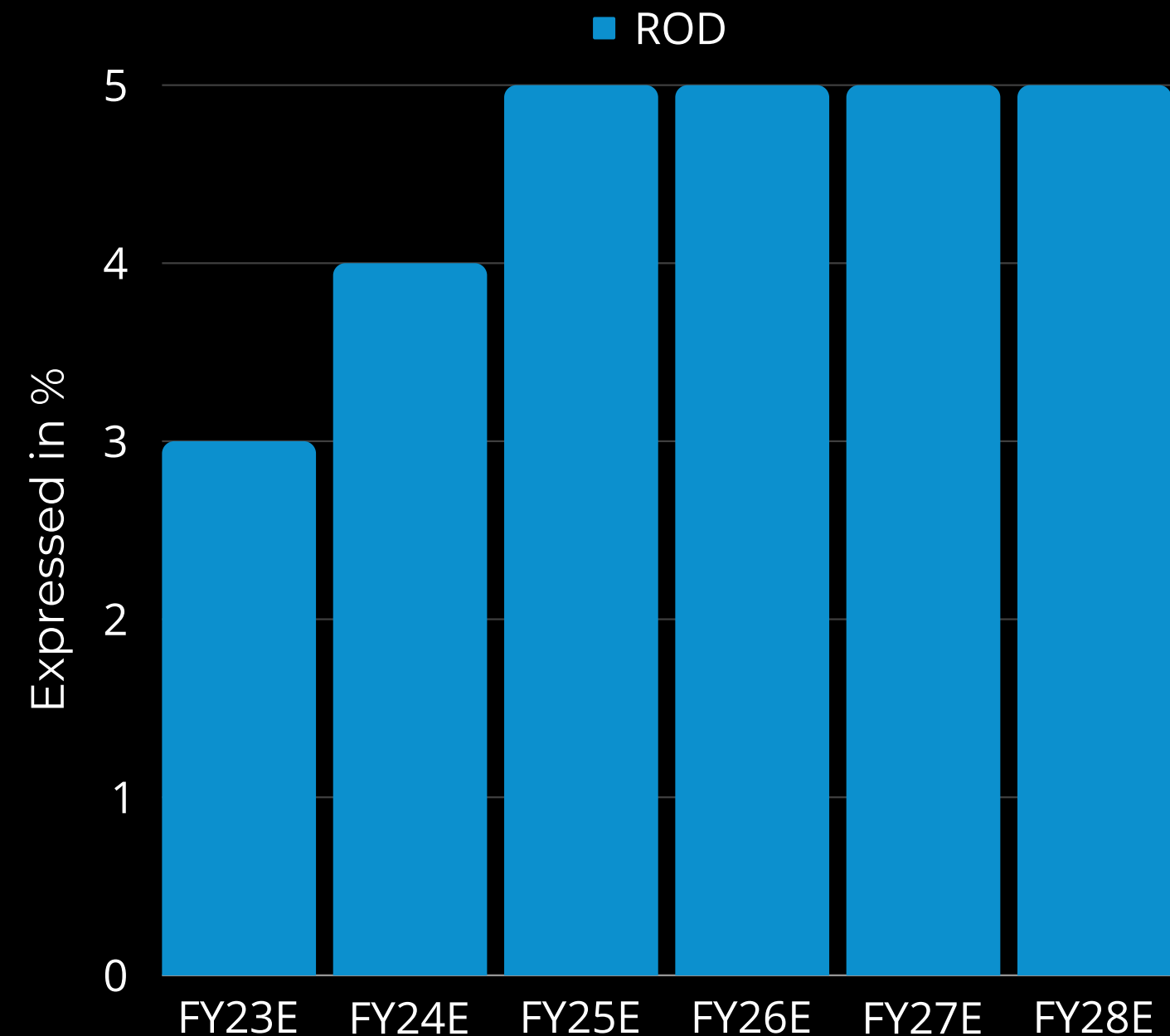
INVESTMENT THESIS

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NFP and ROD

GVS' strategy aims to reduce net financial position by cutting adjusted leverage from 2.8 to 1.3 by 2025. This move is designed to improve liquidity and positively impact financial leverage, despite a slight increase in interest expenses. Ultimately, it's expected to yield a higher return on debt, enhancing our financial stability and flexibility.



Source: company data & team elaboration

WACC=KE*E/(E+D)+KD*D/(E+D)					
	2024	2025	2026	2027	2028
E/(E+D)	0,642	0,662	0,682	0,682	0,682
D/(E+D)	0,358	0,338	0,318	0,318	0,318
Cost of debt (Kd)	6,037%	7,296%	7,296%	7,296%	7,296%
TAX rate	27%	27%	27%	27%	27%
WACC	6,734%	6,941%	6,903%	6,836%	6,772%

WACC breakdown

The cost of debt was estimated to be equal to ROD (return on debt), the ratio of financial charges to the net financial position

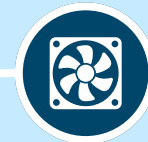
Healthcare & Life Sciences

67%



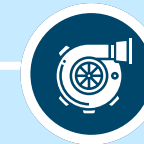
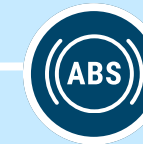
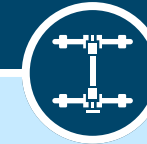
Health & Safety

17%



Energy & Mobility

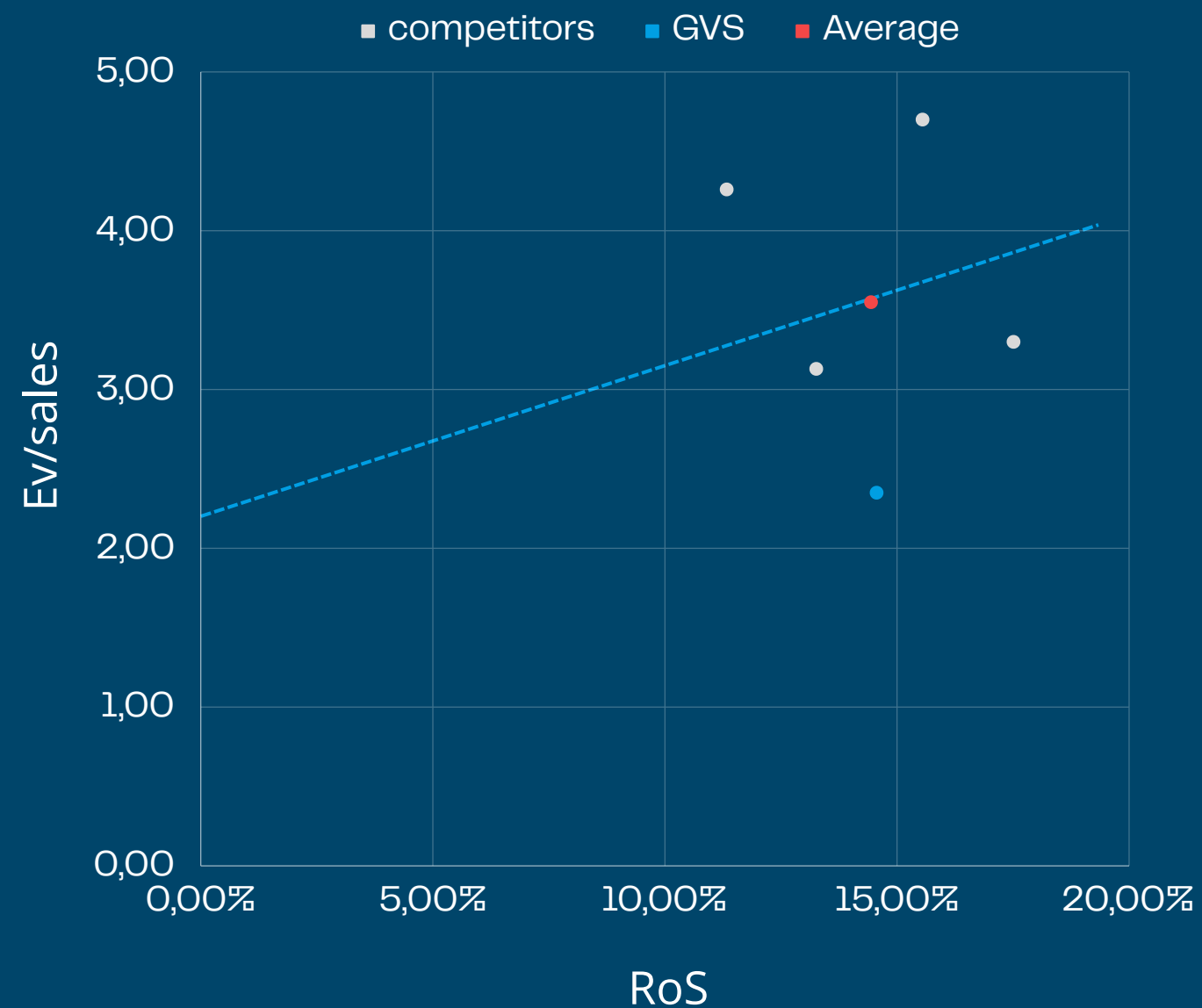
16%



★ Note: main competitors

Source: company data & team elaboration

EV/SALES ratio



4,70

STERIS PLC



4,26

BECTON DICKINSON & CO



3,13

GVS S.P.A.



2,35

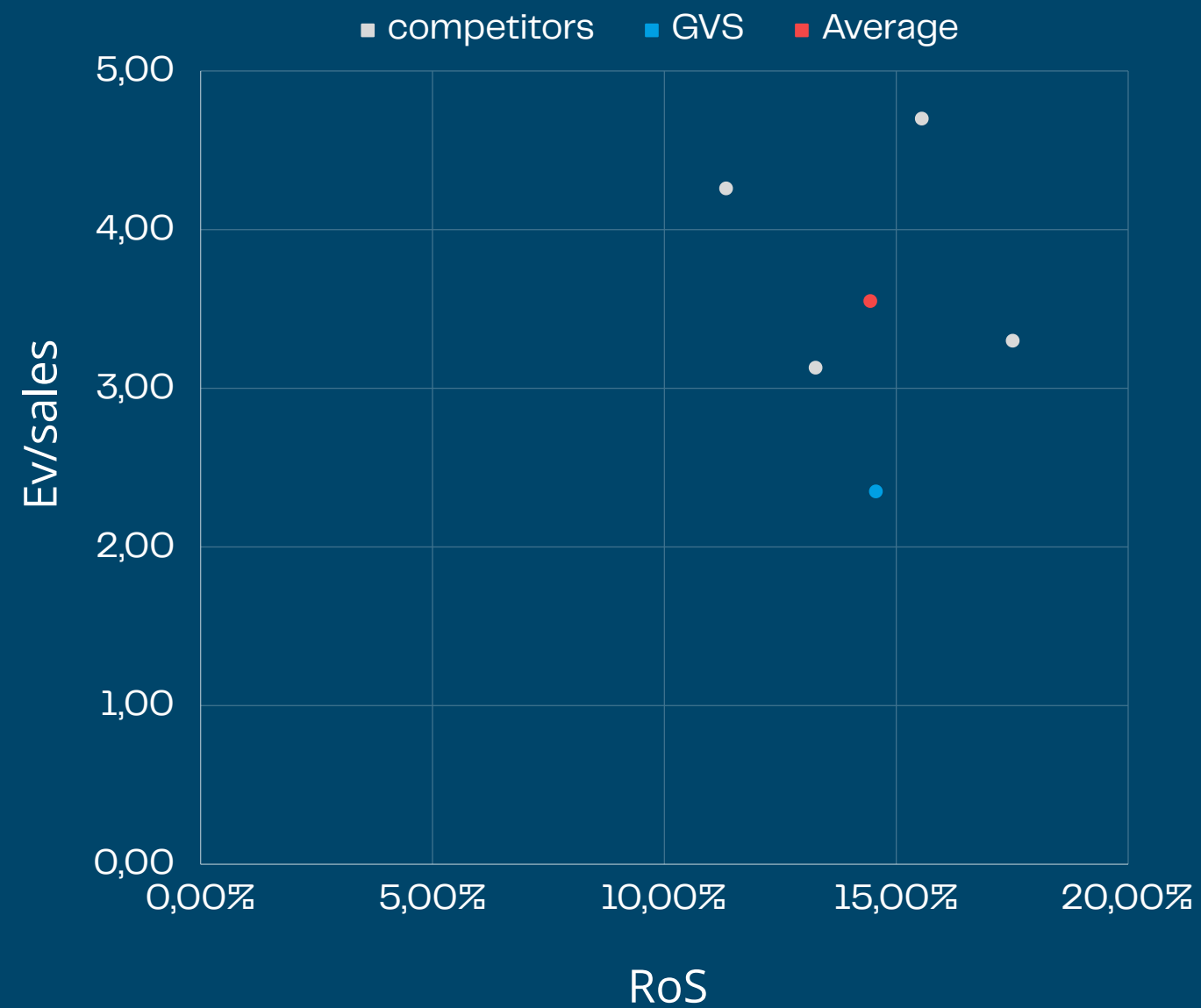
DONALDSON CO INC



3,30

PARKER-HANNILFIN CORP

RoS margin



15,55%

STERIS PLC



11,33%

BECTON DICKINSON & CO



13,26%

GVS S.P.A.



14,56%

DONALDSON CO INC



17,51%

PARKER-HANNILFIN CORP

Simulation's variables

		Terminal growth rate				
W A C C	TP	0.5%	1%	<u>1.14%</u>	1.3%	1.8%
	5%	7.50€	8.38€	8.67€	9.02€	10.37€
	6%	6.23€	6.81€	7.00€	7.22€	8.04€
	<u>6.55%</u>	5.70€	6.18€	6.33€	6.52€	7.16€
	7%	5.34€	5.76€	5.89€	6.04€	6.59€
	8%	4.69€	5.00€	5.09€	5.21€	5.60€

Source: company data & team elaboration

1 EBITDA

2 NET OPERATING INVESTED CAPITAL

3 CAPEX

4 INCOME TAX

5 FCFO

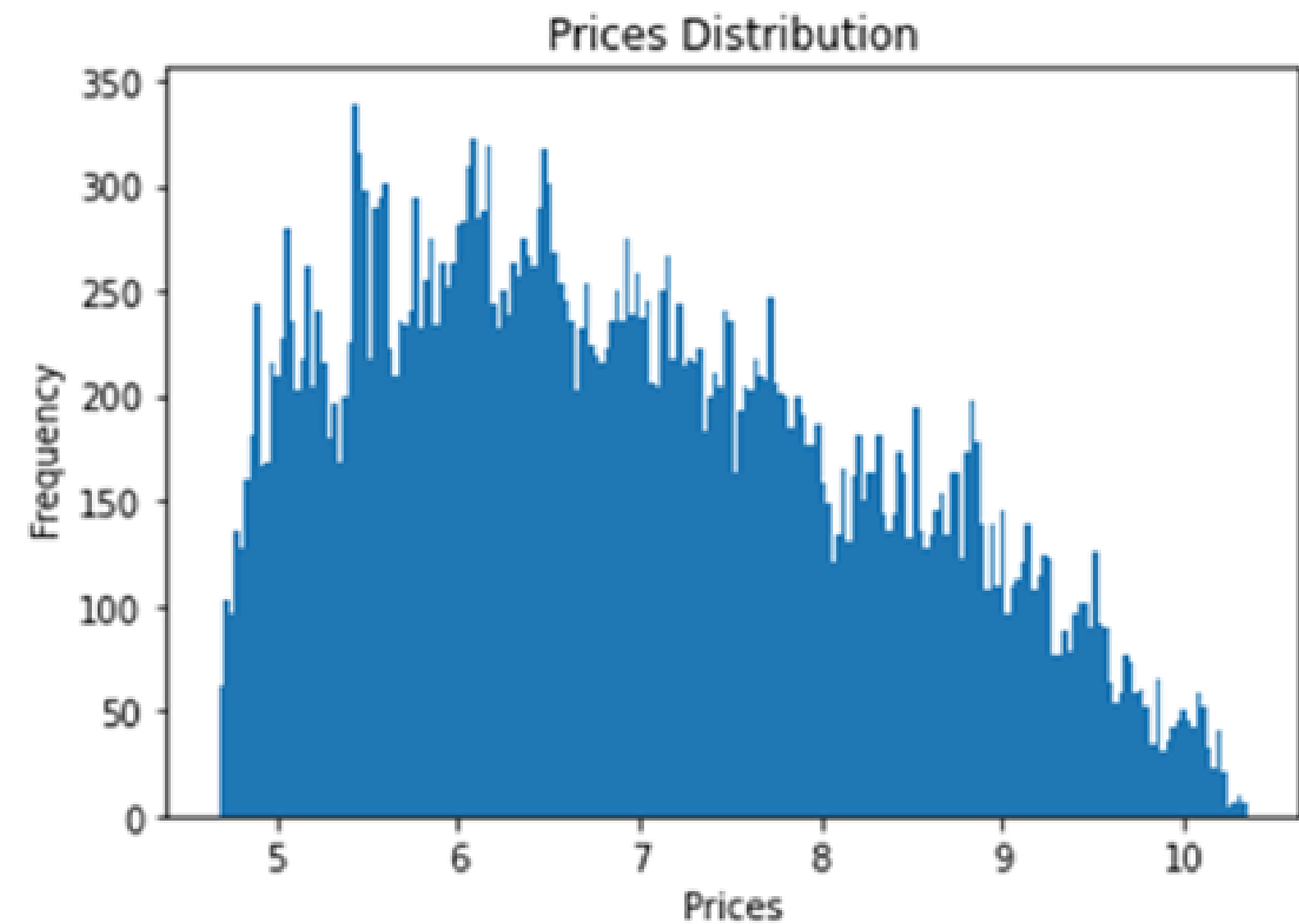
6 NET FINANCIAL POSITION

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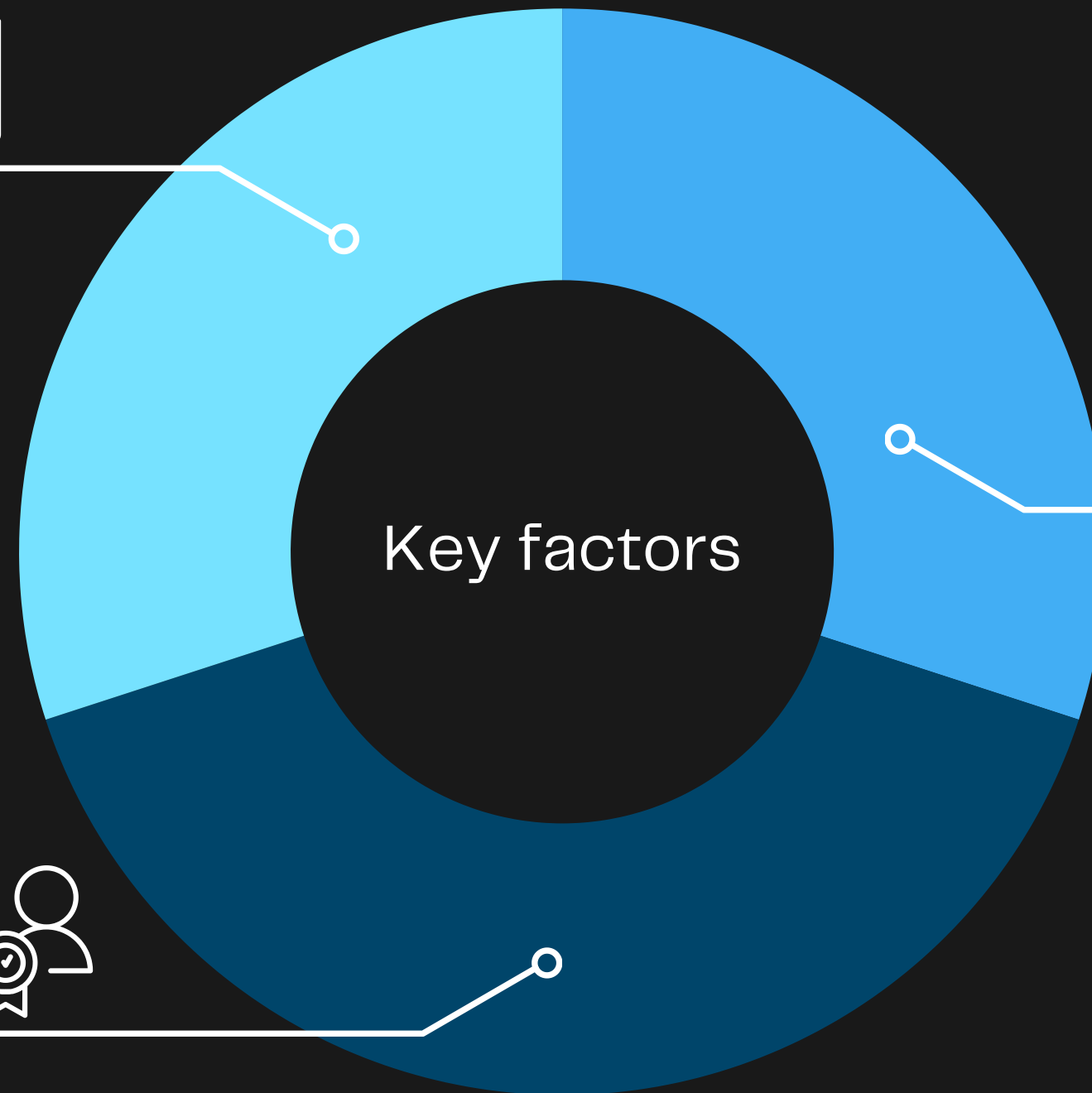
Source: company data & team elaboration

ESG score 186 metrics

Comparative ranking with competitors having a similar business model

Source: company data & team elaboration

■ Environmental ■ Social ■ Governance

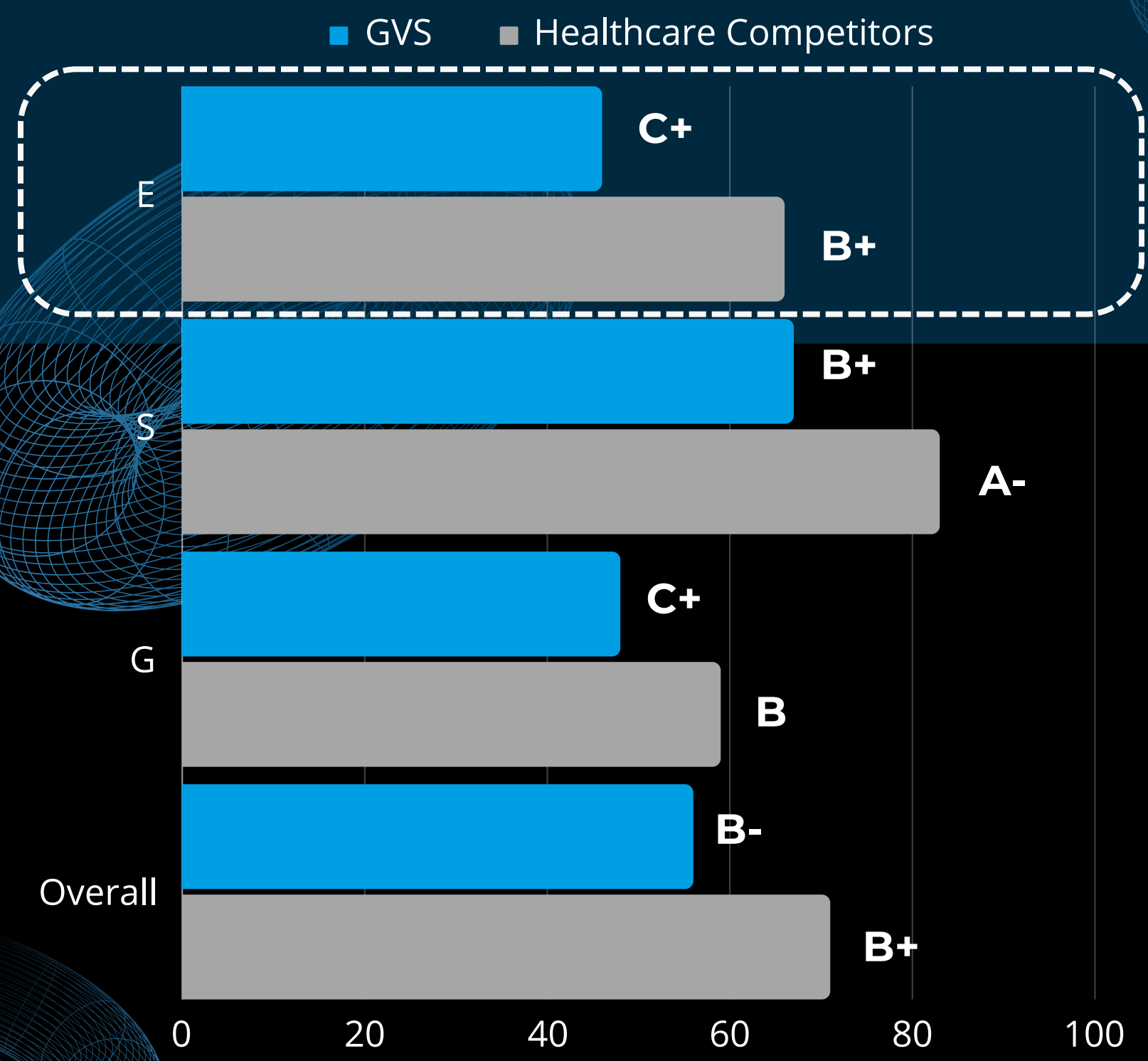


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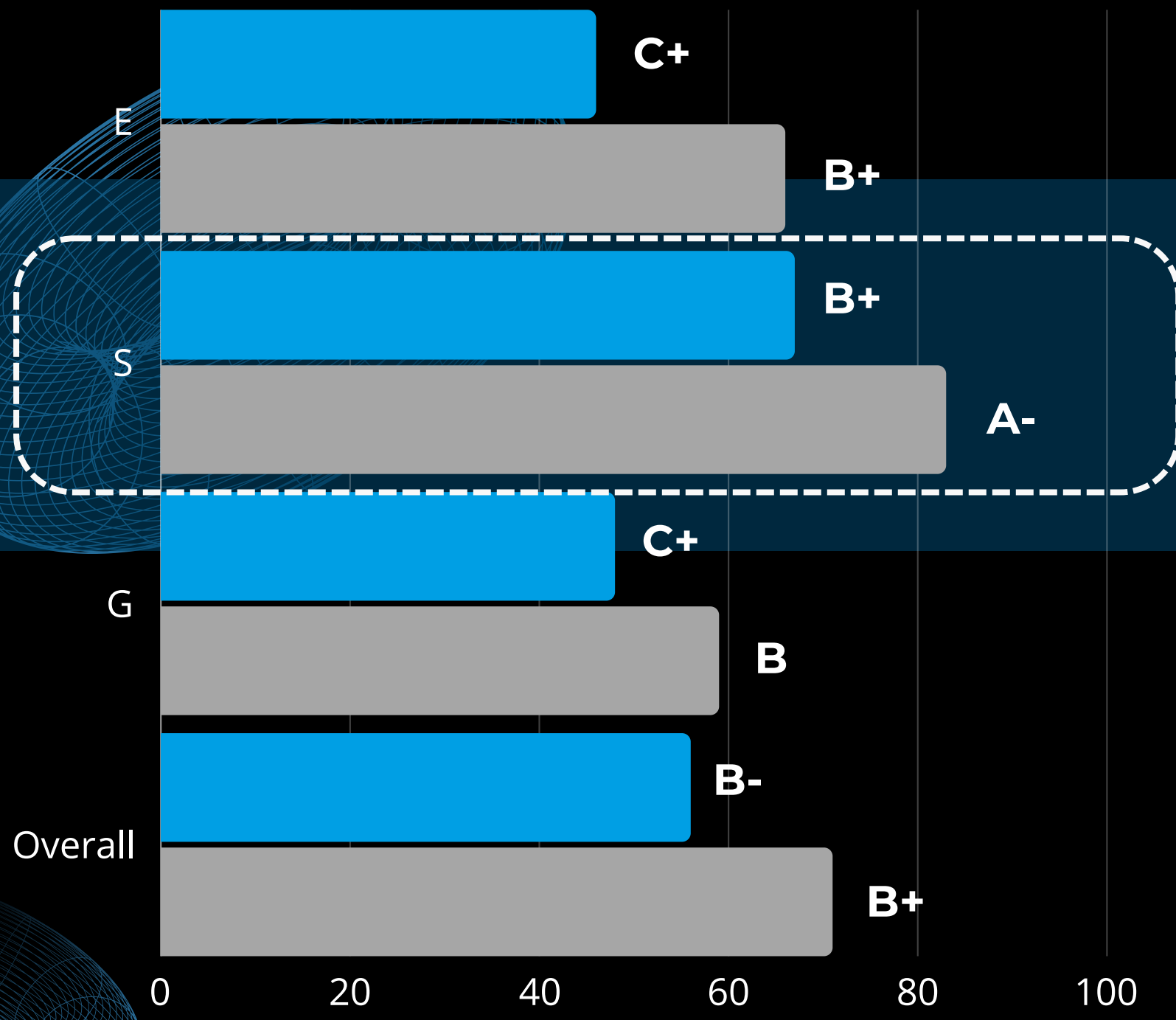
Environmental GVS score is C+ while competitor's average is B+



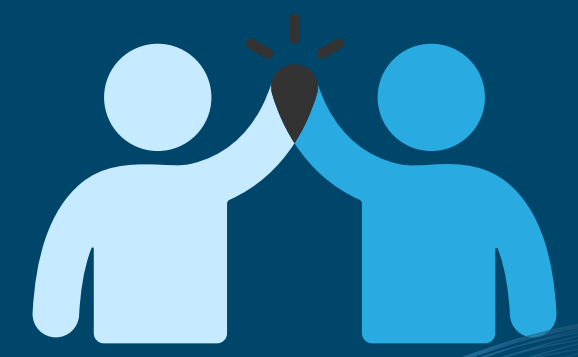
GVS Scores vs Industry Peers

Source: company data & team elaboration

■ GVS ■ Healthcare Competitors

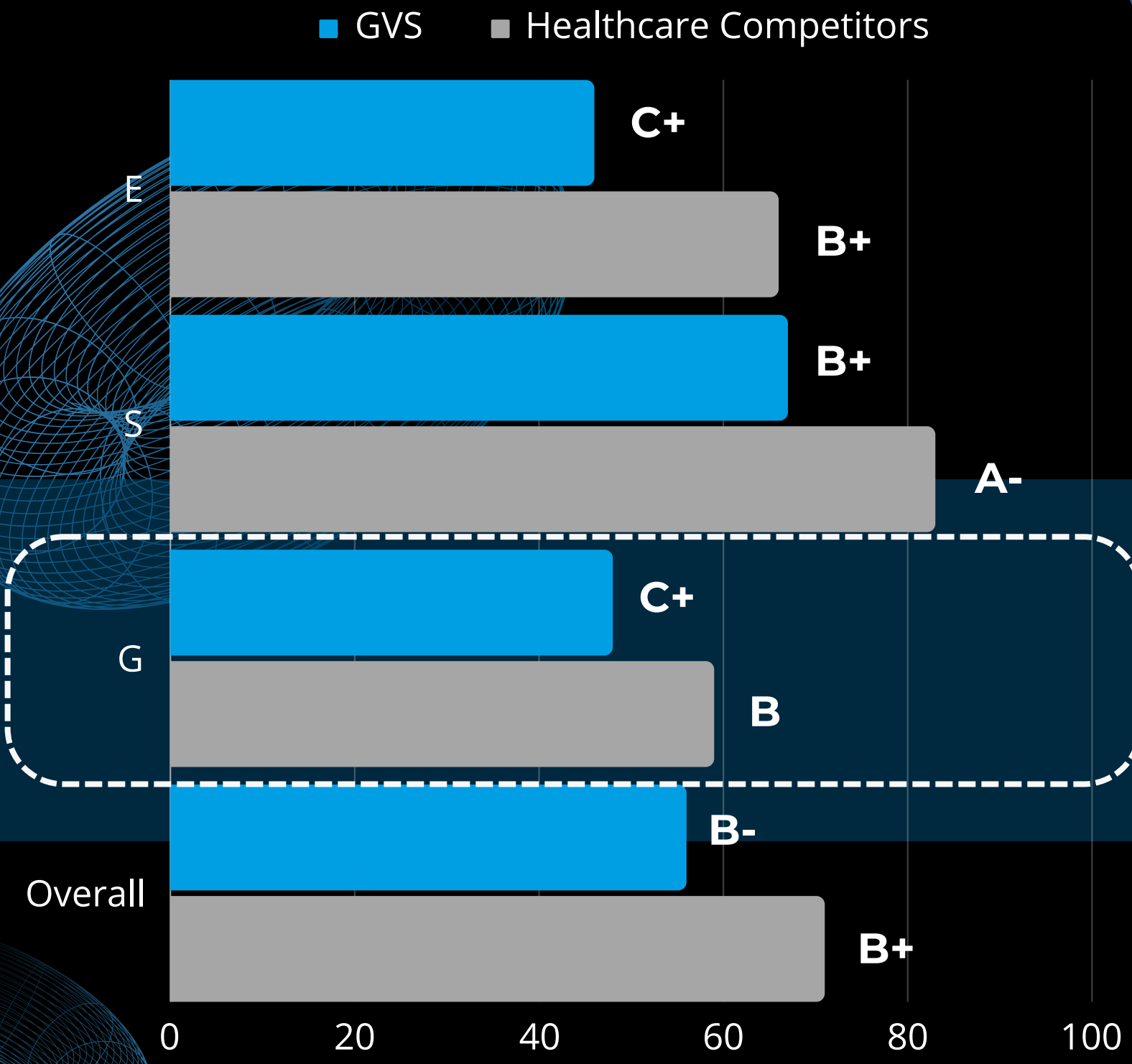


Social GVS score is B+ while competitor's average is A-



GVS Scores vs Industry Peers

Source: company data & team elaboration



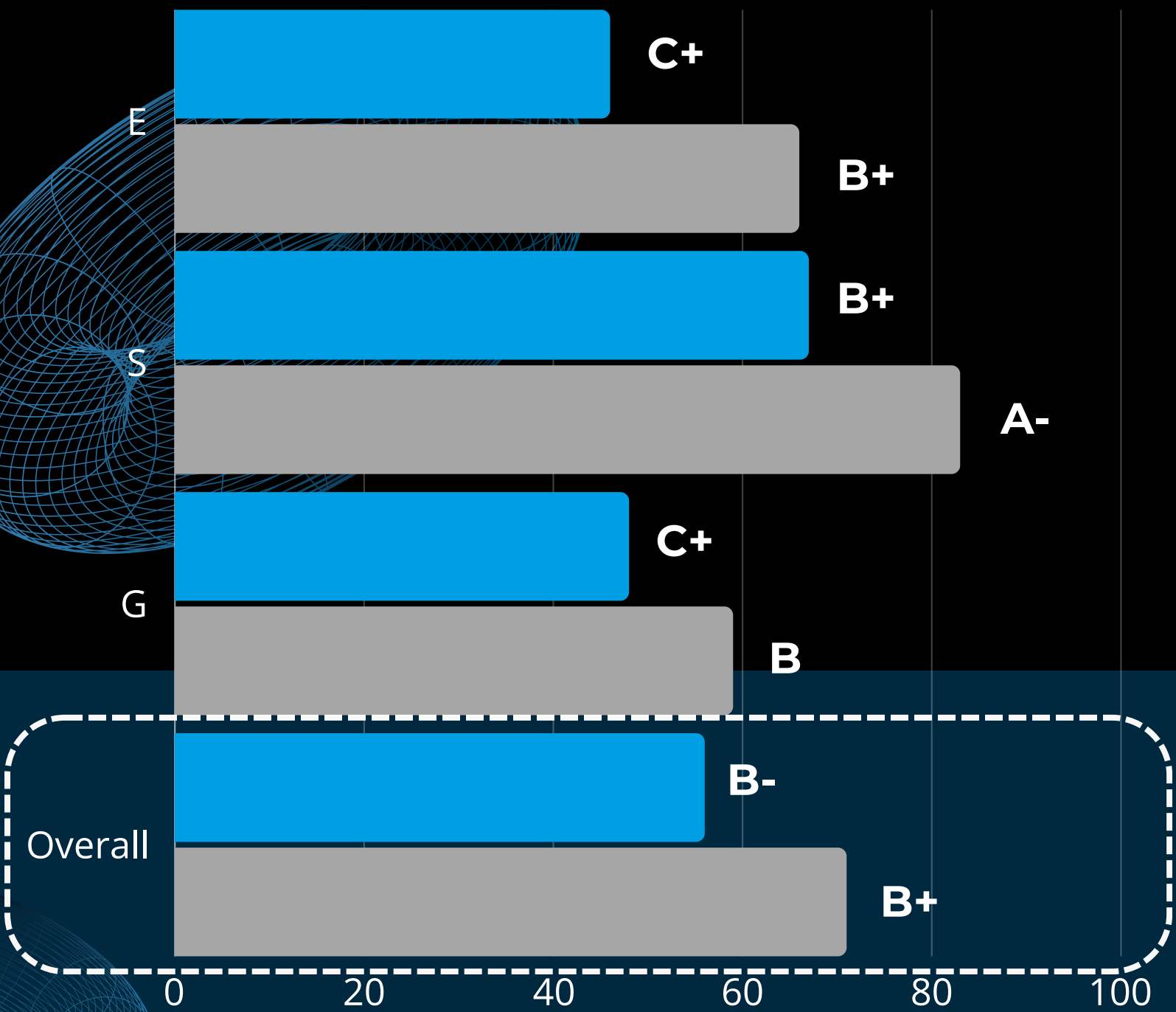
Governance GVS score is C+ while competitor's average is B



GVS Scores vs Industry Peers

Source: company data & team elaboration

■ GVS ■ Healthcare Competitors



Overall GVS score is B- while competitor's average is B+



Source: company data & team elaboration

CURRENT PRICE

€ 5.75

**RATING:
HOLD**

TARGET PRICE

€ 5.77

Note: the current price refers to 31/12/2023



GWS

APPENDIX