

# GVS SPA.

**GVS:IM**

**SELL**

***53% downside***

**12 Month Price Target: 2.65 EUR**

**Close Price 28/12/2023: 5.65 EUR**



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# COMPANY OVERVIEW

## BUSINESS OVERVIEW

- GVS, a family controlled organisation in filtration systems, is renowned for its high-performance solutions in healthcare, safety, energy, and mobility, in 4 different continents.
- Listed on the Milan Stock Exchange in the Euronext Milan segment.

## BUSINESS PLAN

- The GVS organizational structure is characterized by strong synergies among its sectors, driven by similar approval processes, common production technologies, and high-quality standards.



# INDUSTRY OVERVIEW

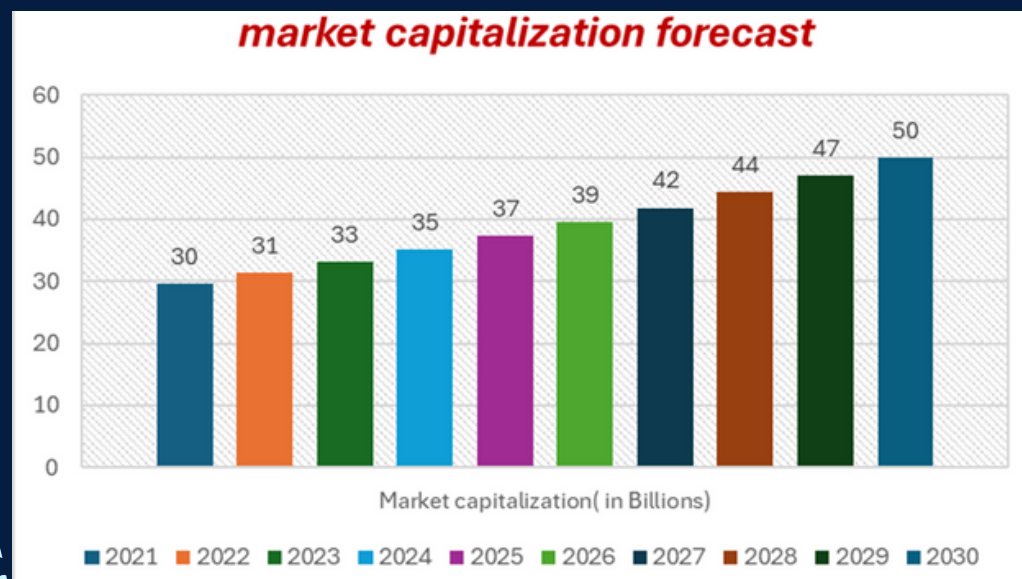
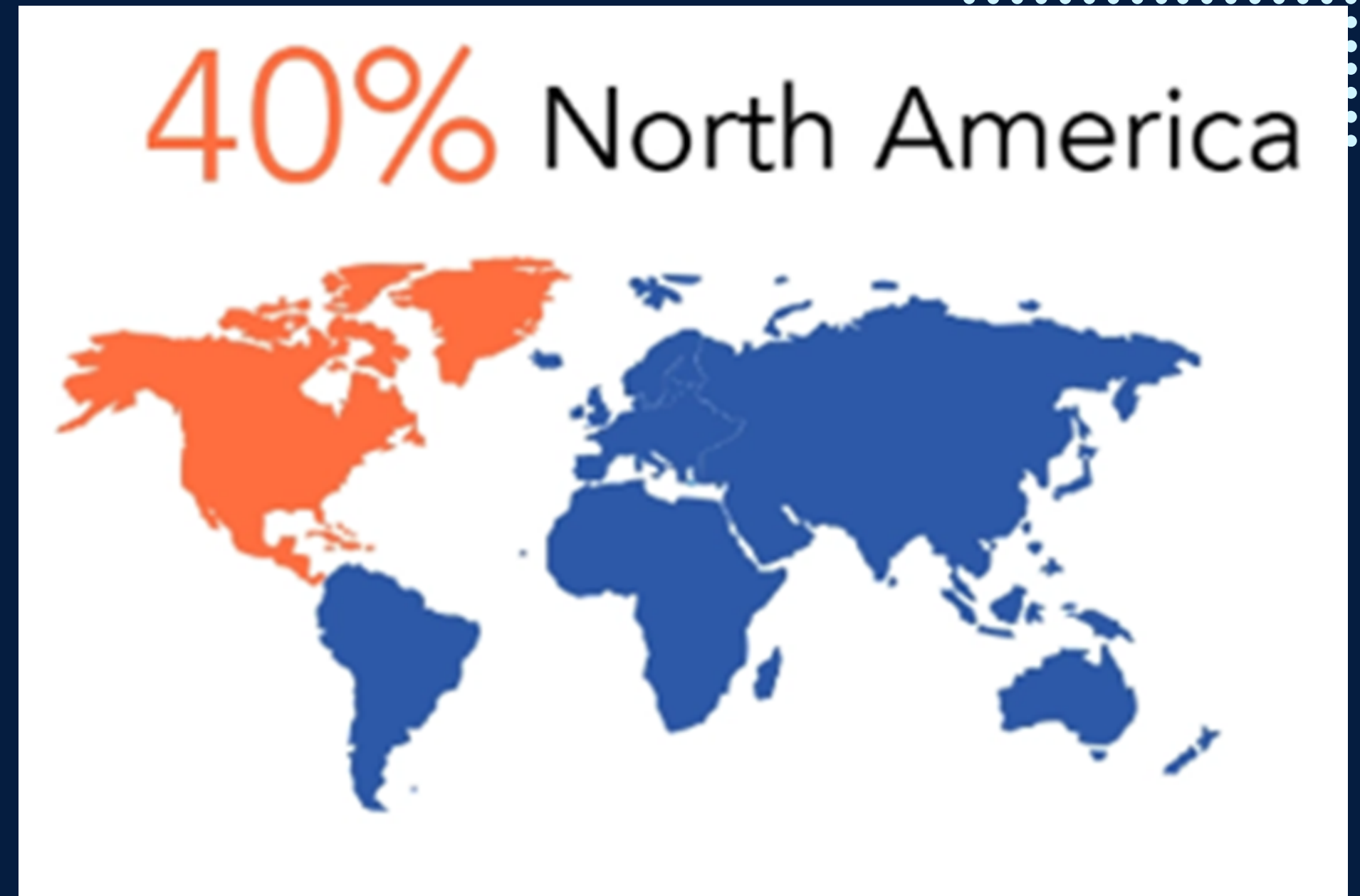


**01** The industrial filters market is expected to have a growth CAGR of 6%. 

**02** Projected to reach \$50 billion by 2029, with Asia-Pacific leading the charge. 

**03** The Asian market represents a great opportunity, at the same time challenges at macroeconomic and social level.

**04** The main market in terms of capitalization and growth margin remains the North American market. The European one is expected to have a growth CAGR ~5.4%





# COMPETITIVE POSITIONING

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**Medical suppliers in healthcare industry.  
(Germany)**



**Specialized in comprehensive filtration solutions  
(USA)**



**Specializes in fluid engineering. (Switzerland)**

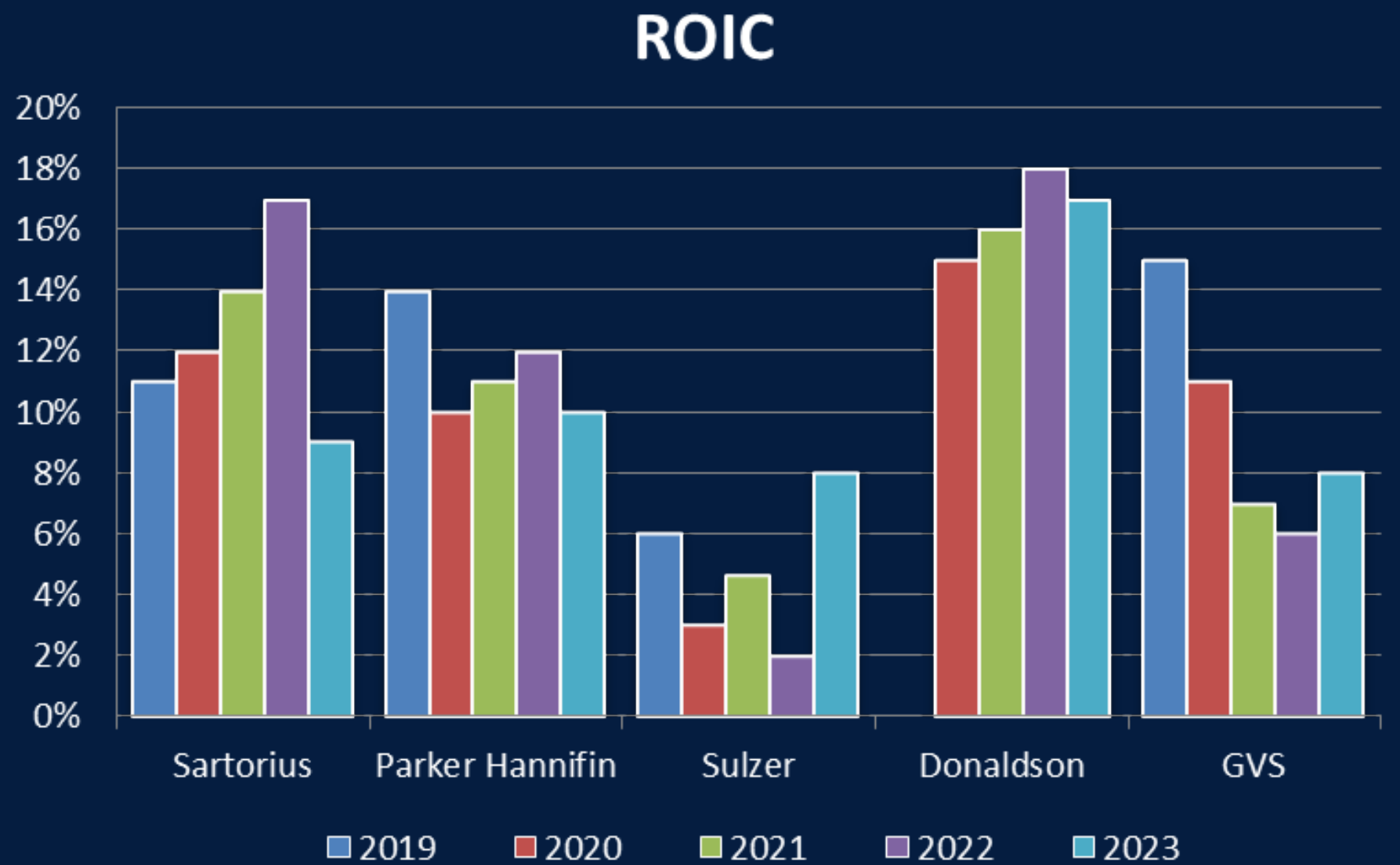
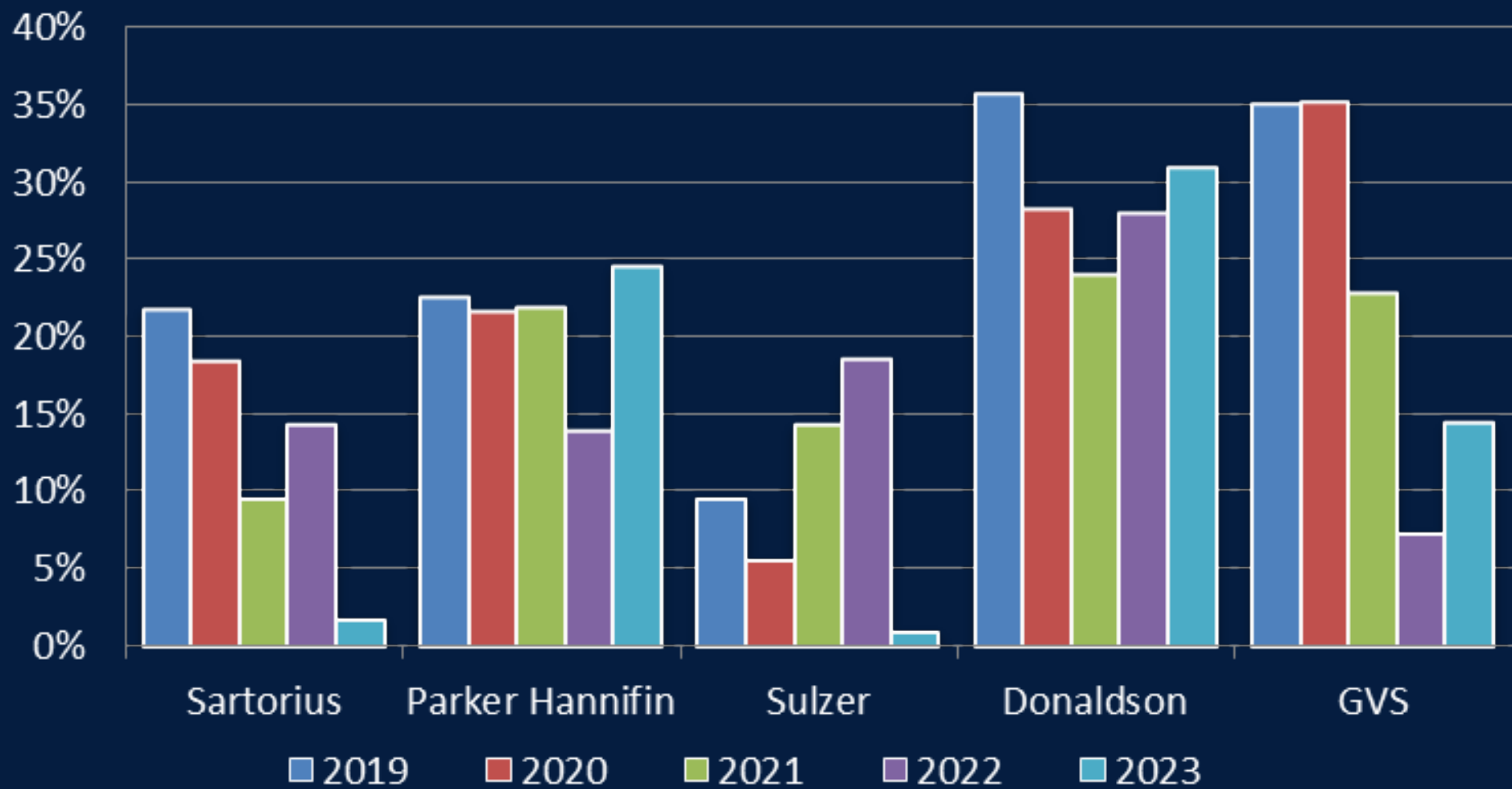


**Motion and control technologies, extending  
beyond filtration. (USA)**



- Sartorius shows a consistent upward trend until 2022, with a slight decrease in 2023.
- Parker Hannifin experiences marked fluctuations, recovering from a downturn in 2020.
- Sulzer exhibits a surge in 2021 but faces a decline in 2022.
- Donaldson demonstrates substantial growth until 2022, followed by a modest contraction in 2023.
- GVS displays notable fluctuations, reaching a peak in 2019 and a nadir in 2023.

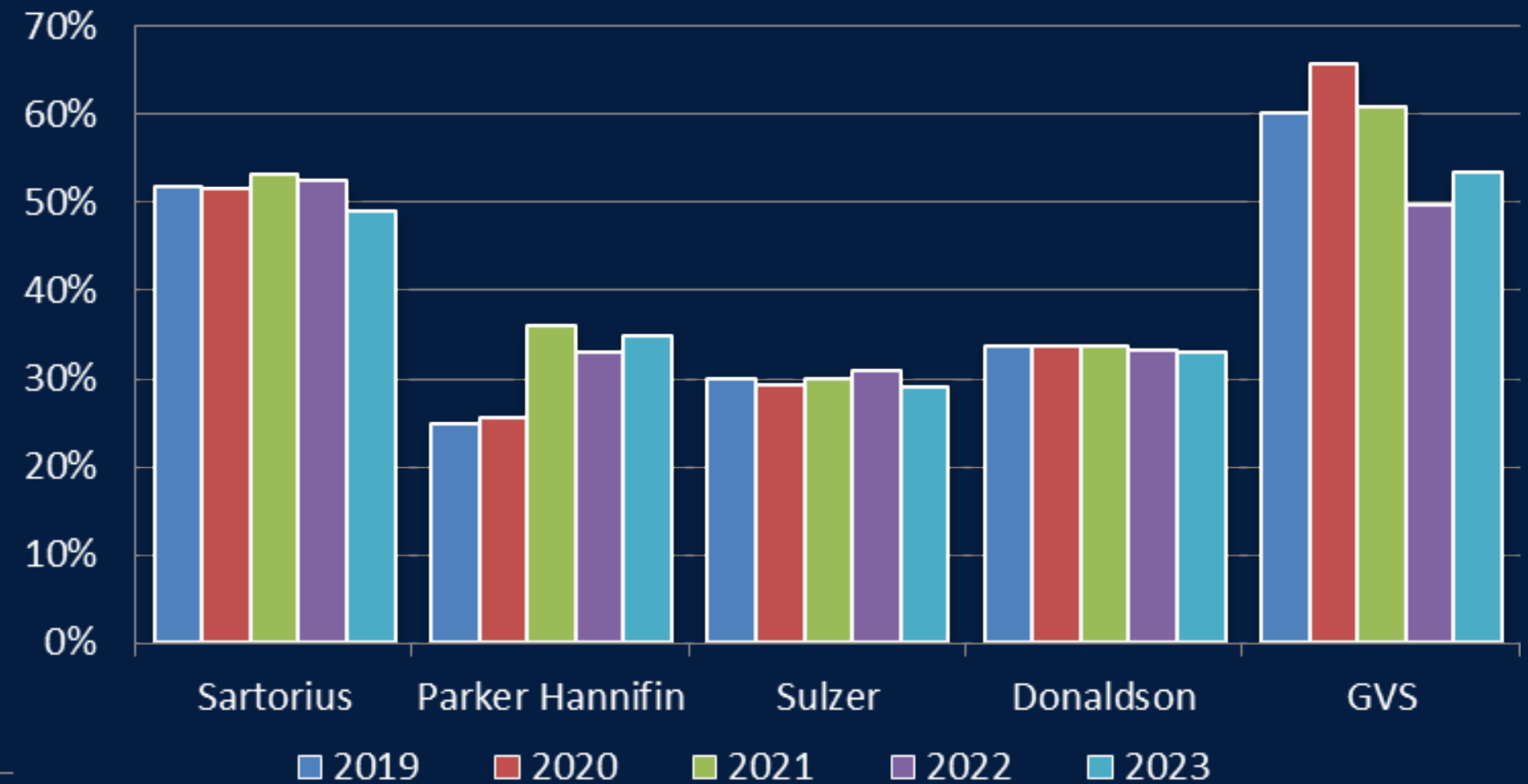
## ROE



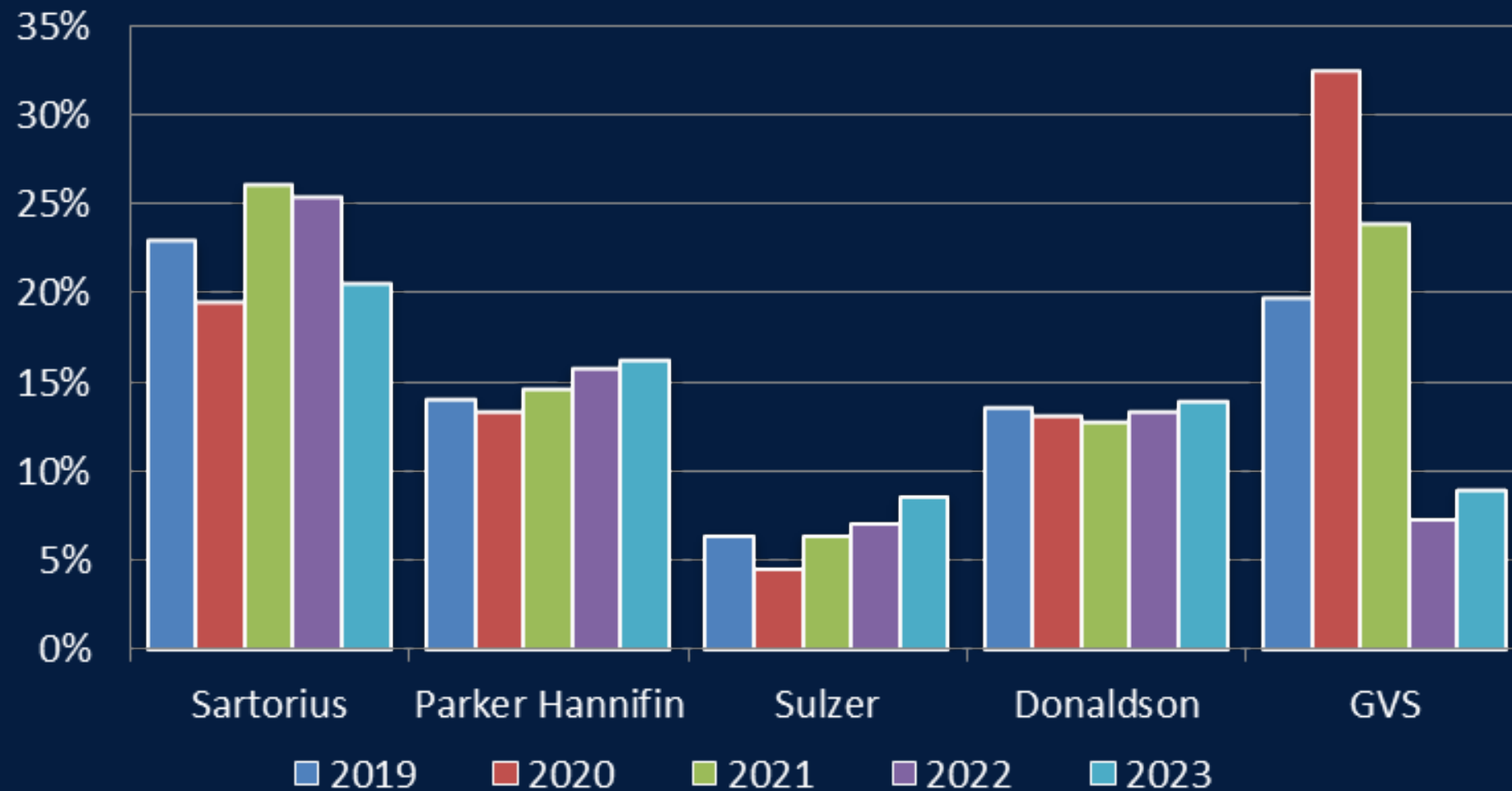
- Sartorius witnesses a gradual decline in ROE.
- Parker Hannifin displays fluctuations, maintaining a moderate ROE.
- Sulzer records an upswing in 2022, followed by a sharp downturn in 2023.
- Donaldson exhibits fluctuations but sustains a relatively high ROE.
- GVS experiences fluctuations, reaching a peak in 2019 and subsequently decreasing in 2023.

- Sartorius sustains a relatively stable Gross Margin.
- Parker Hannifin records an overall increase despite fluctuations.
- Sulzer demonstrates moderate fluctuations, maintaining a respectable Gross Margin.
- Donaldson remains stable.
- GVS registers a decline from 2019 to 2023.

## Gross Margin



## EBIT Margin



- Sartorius maintains a robust EBIT Margin with fluctuations.
- Parker Hannifin shows a steady increase over the observed period.
- Sulzer showcases a consistent ascent in EBIT Margin.
- Donaldson remains stable, signaling resilience in operational profitability.
- GVS experiences a surge in 2020 followed by a subsequent decrease.





# FINANCIAL ANALYSIS

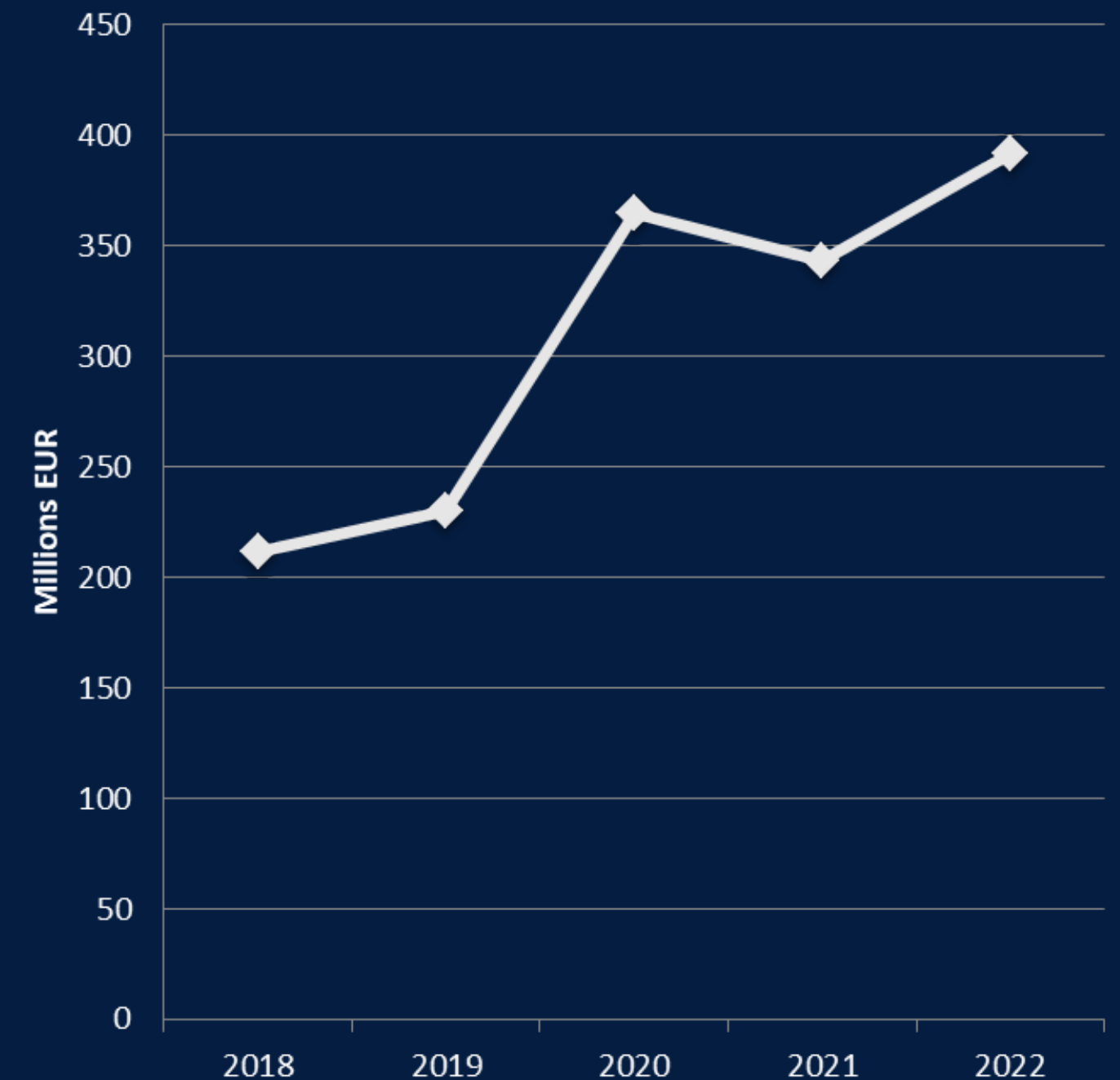
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# KEY FIGURES

## Revenue:

- **2020: Exceptional Growth.** Revenue increased up to 59.8%, driven by Health & Safety and Healthcare & Life Science demand.
- **2021: Setback and Rebound.** The sales dipped by 9%. Q4 2021 rebounded with RPB acquisition.
- **2022: Strategic Surge.** The revenue increased by 15%, fueled by Haemotronic and STT acquisitions. Healthcare & Life Sciences up 81.1%, Healthcare Liquid at €75M.
- **Sep 30, 2023: Sustained Growth.** Total Revenue: €388M (+14.5% from 2022). Healthcare & Life Sciences thriving, Health & Safety up 9.3% YoY.

## TOTAL REVENUE

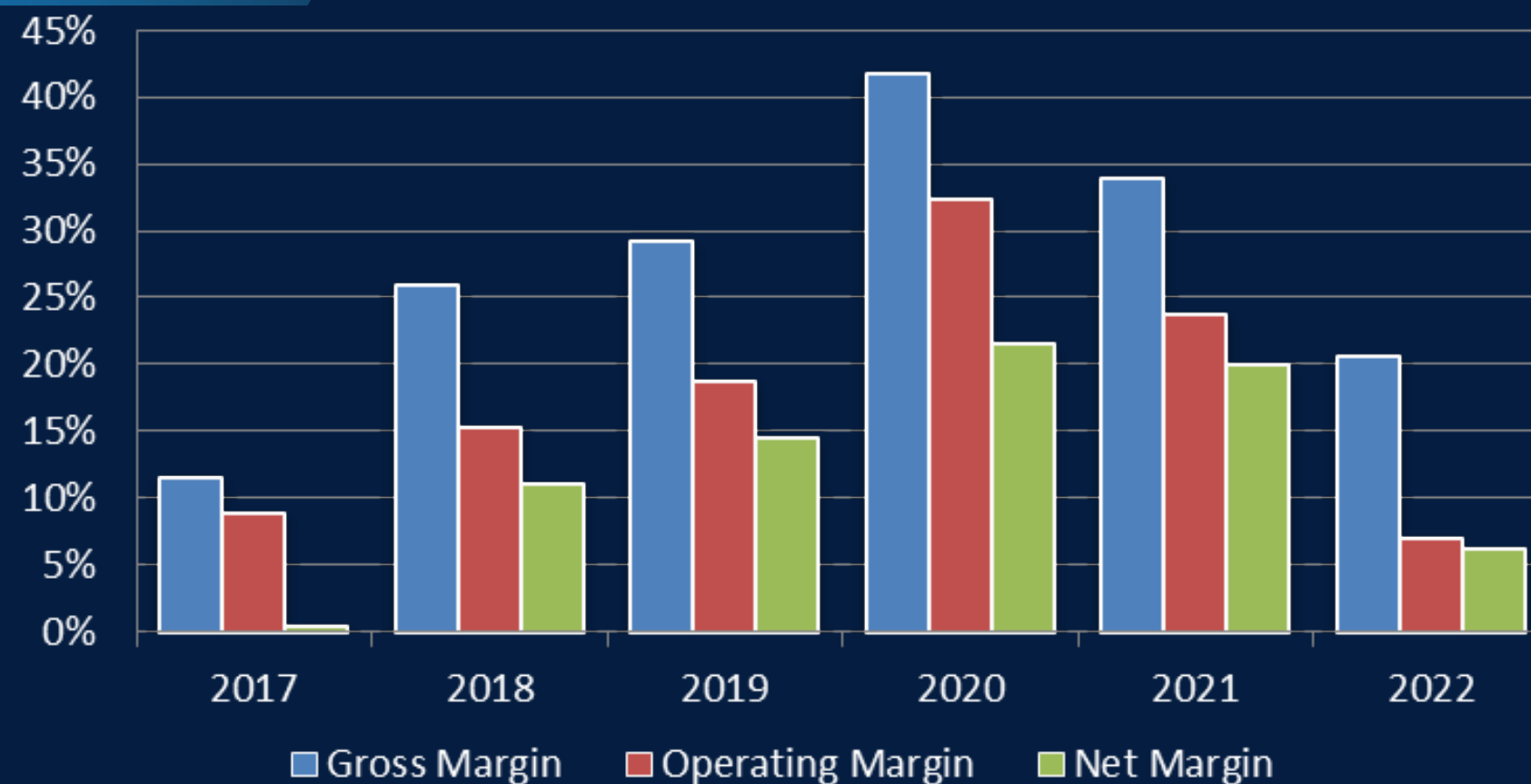


# KEY FIGURES

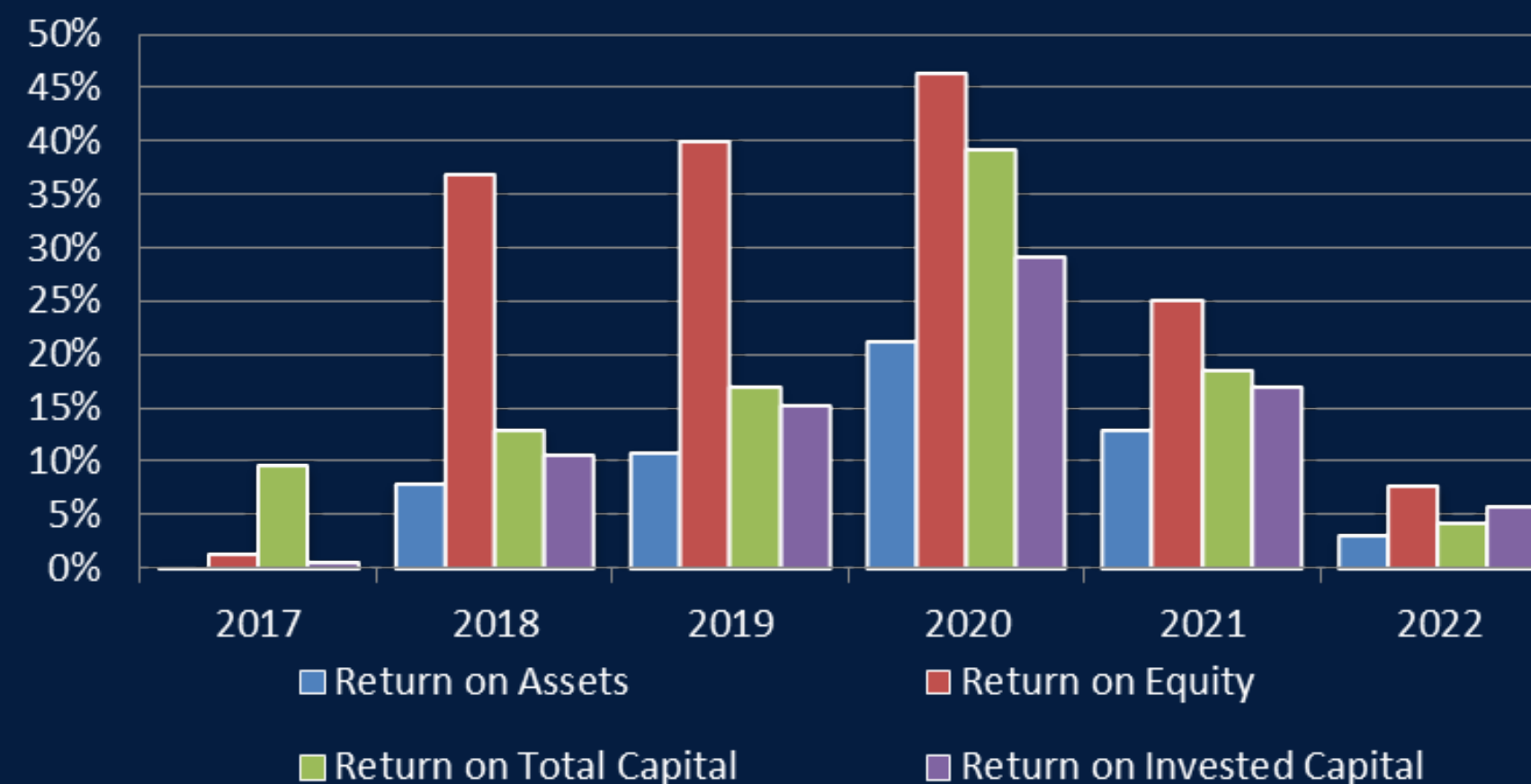
## Profitability

- **2020: Peak Profitability**
- **Highest margin achieved, driven by pandemic-related demand surge.**
- **2021: Dip in Profit.**
- **Downturn due to decreased business in professional and disposable masks.**
- **2022: Factors Influencing Drop.**
- **Delay in applying sales price increase to offset rising production costs.**
- **Increase in amortization and depreciation, notably from RPB, STT, and Haemotronic acquisitions, and accelerated investment plans.**

## Margins



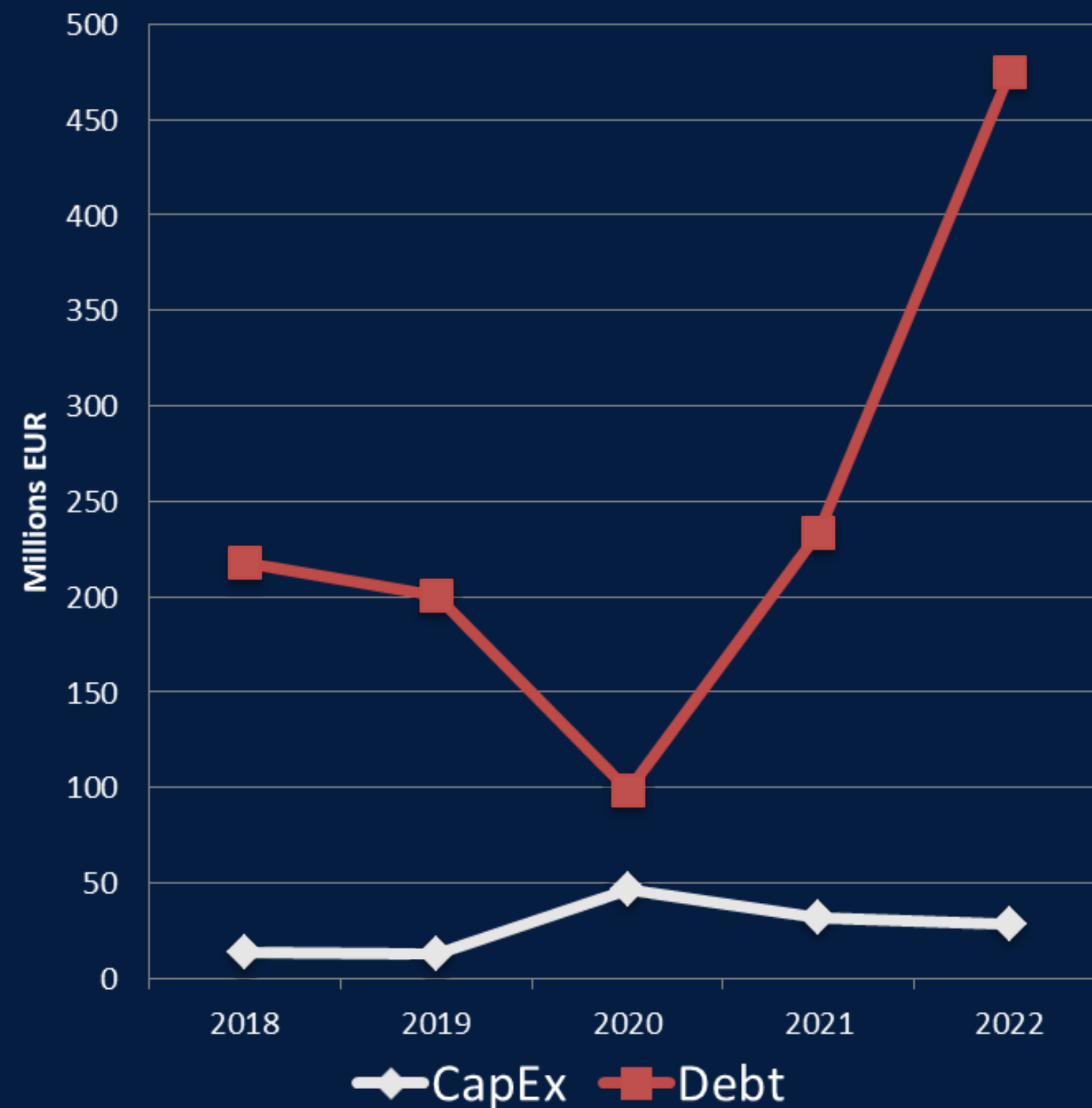
## Returns



# KEY FIGURES

## CAPEX and Debt Strategy

- GVS allocates 7% of revenue to CAPEX (5% new assets, 2% maintenance).
- Despite a capital-intensive industry, GVS's 7% spending signals growth through reinvestment and acquisitions.
- Strategic Investments.
- GVS consistently invests in assets for competitive advantage and long-term success.
- Debt Dynamics.
- GVS manages debt thoughtfully, adjusting levels for strategic initiatives or financial strength.
- Shapes risk profile, optimizes capital costs, ensuring financial flexibility.





# ESG ANALYSIS

**MORNINGSTAR RATING: 11.4**

***ESG Rank:***

- ***8/631 Healthcare Industry***
- ***570/15941 Global Spectrum***

# ENVIRONMENT

## MAIN FIGURES

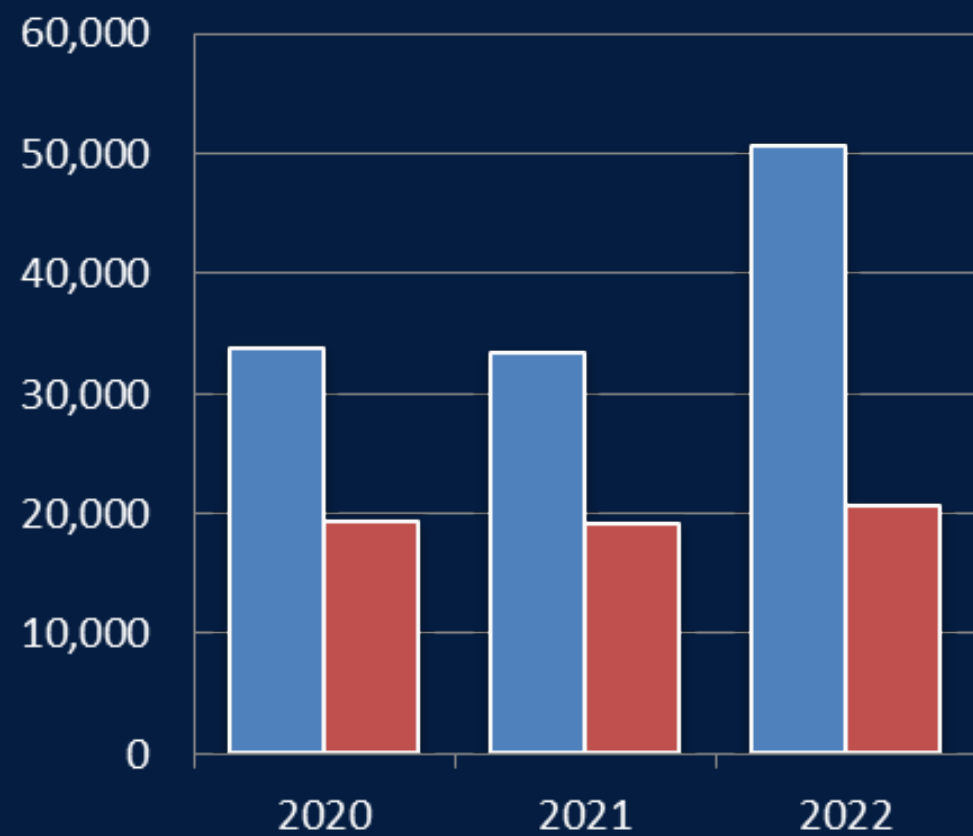
2021

- 123% increase in Renewable Energy Resources
- 22% increase in Total Waste
- ~85% Waste Non-Hazardous

2022

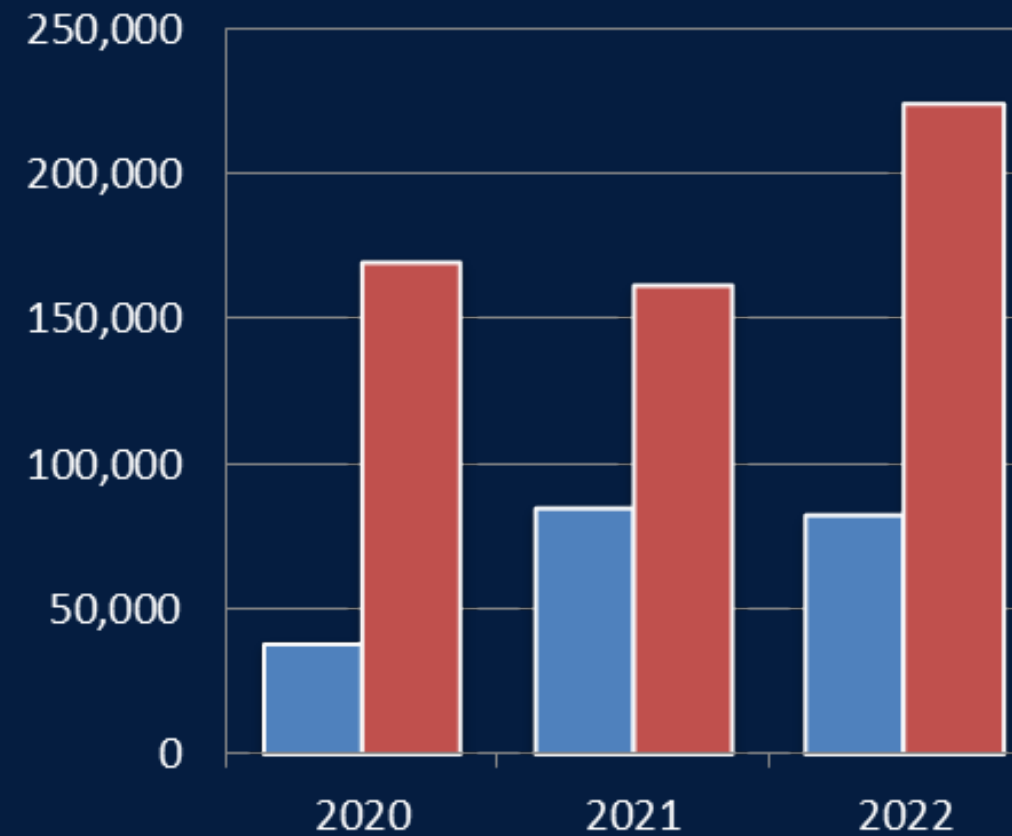
- ~40% increase in Non-Renewable Energy Resources
- 51% increase in Natural Gas
- 6% Increase in Total Waste

### Gas emission



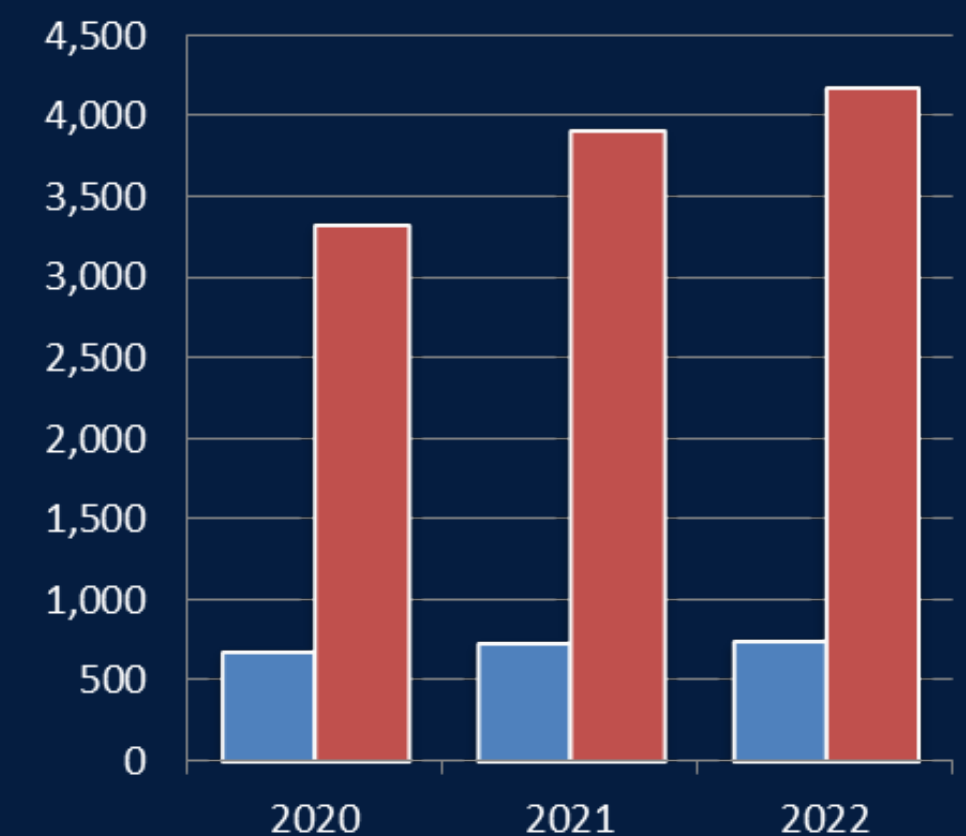
■ Natural gas ■ Total GHG emissions

### Total Energy Used



■ Renewable ■ Non-renewable

### Total Waste Weight



■ Hazardous ■ Non-Hazardous

# SOCIAL

## Organizations supported by GVS:

- Save the Children
- Fondazione Il Bene
- Fondazione Rizzoli Bologna
- Fondazione per Lo Sport
- Canoa Club Bologna
- etc.



## Main Focus:

- Children
- Youth
- People with disabilities
- Sport

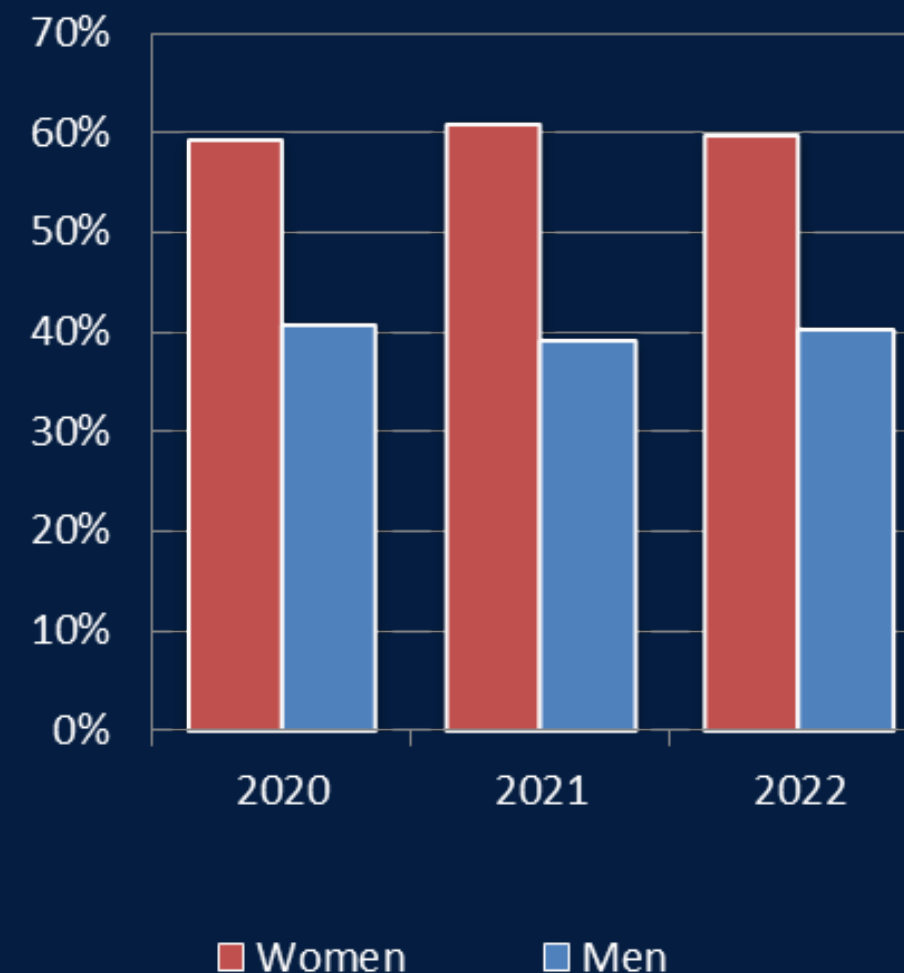
## Gender approach:

- 60% of employees women
- Report on pay-gaps: UK 2022-> 14.9%

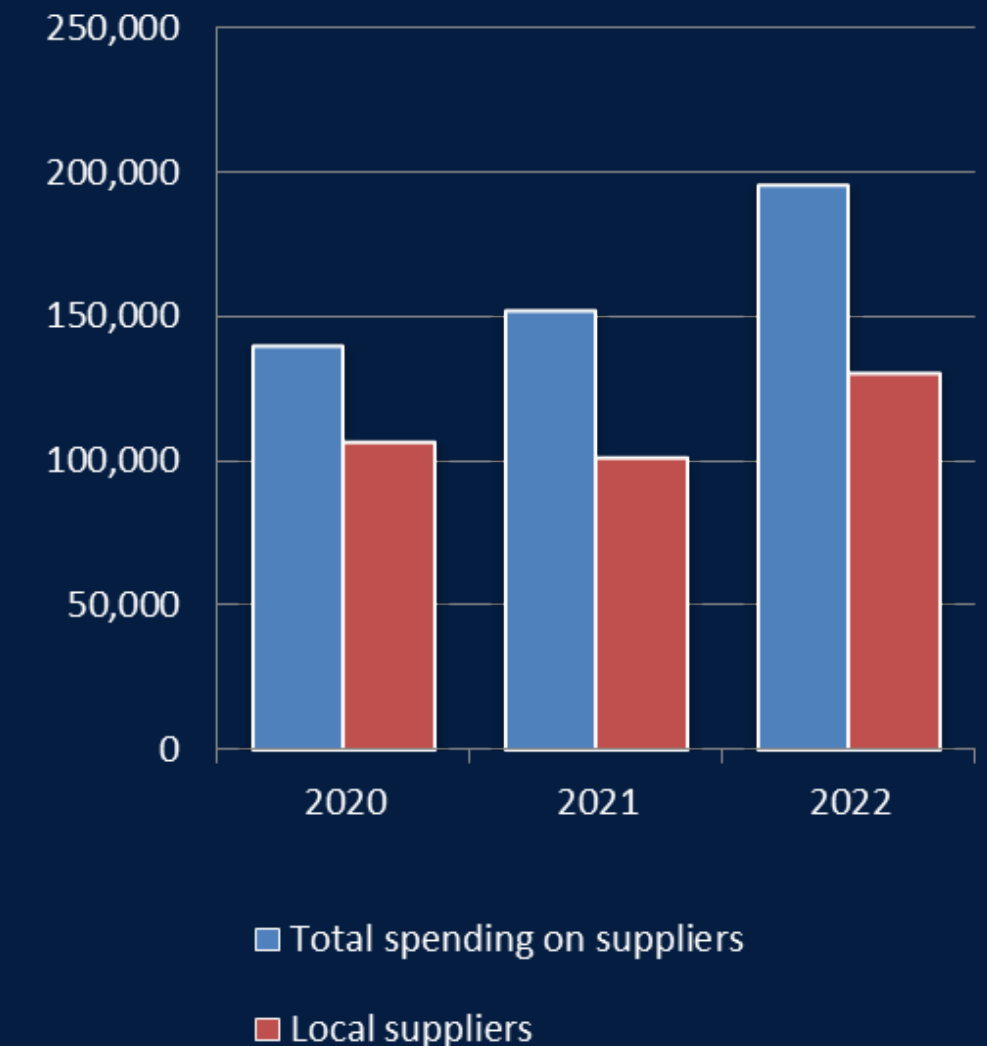
## Local support:

- Majority of suppliers: LOCAL

## Employees' By Gender



## Local Suppliers Spending



# GOVERNANCE

CEO: Massimo Scagliarini

BoD: 9 members (4 independent)

Committees:

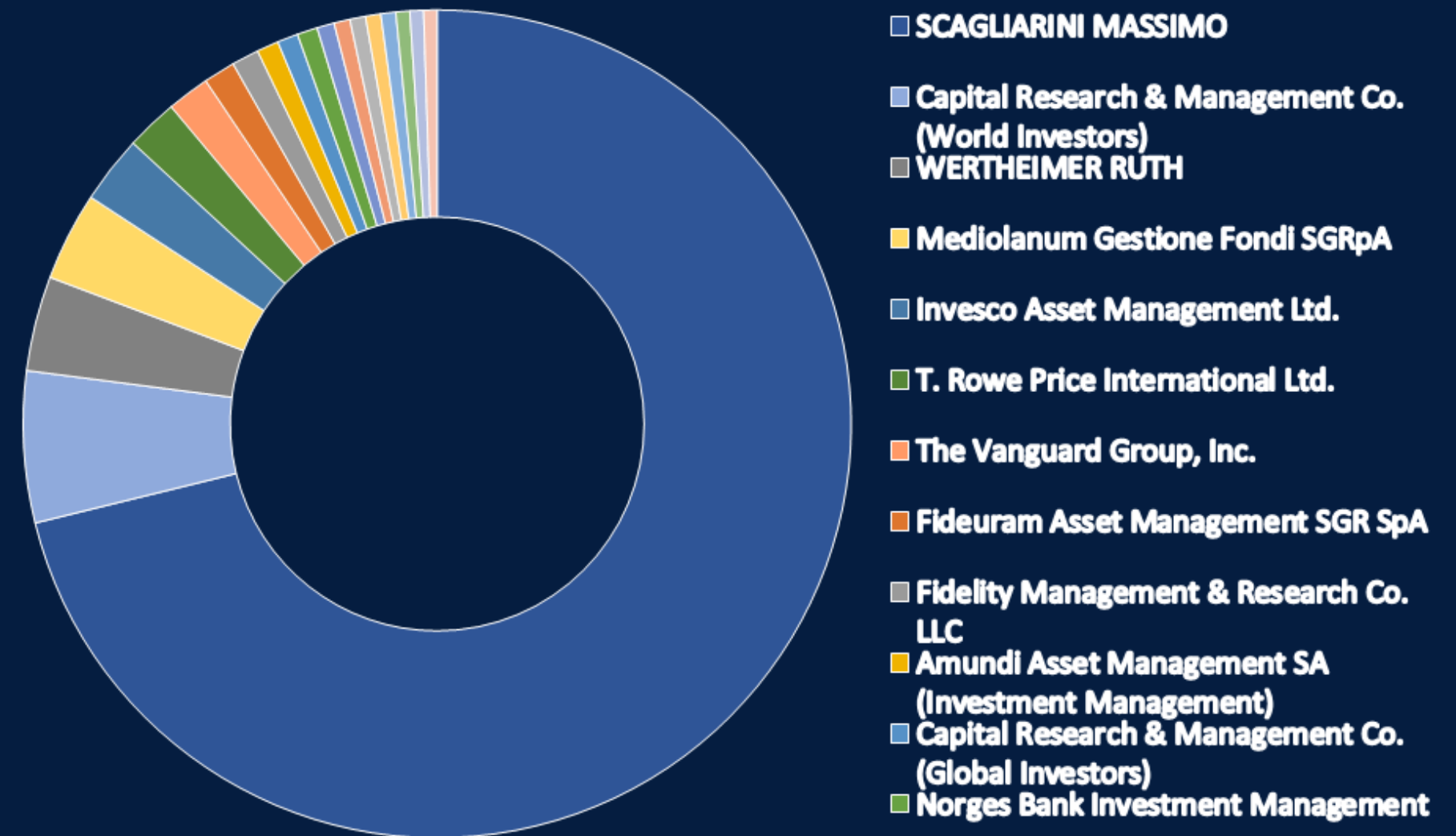
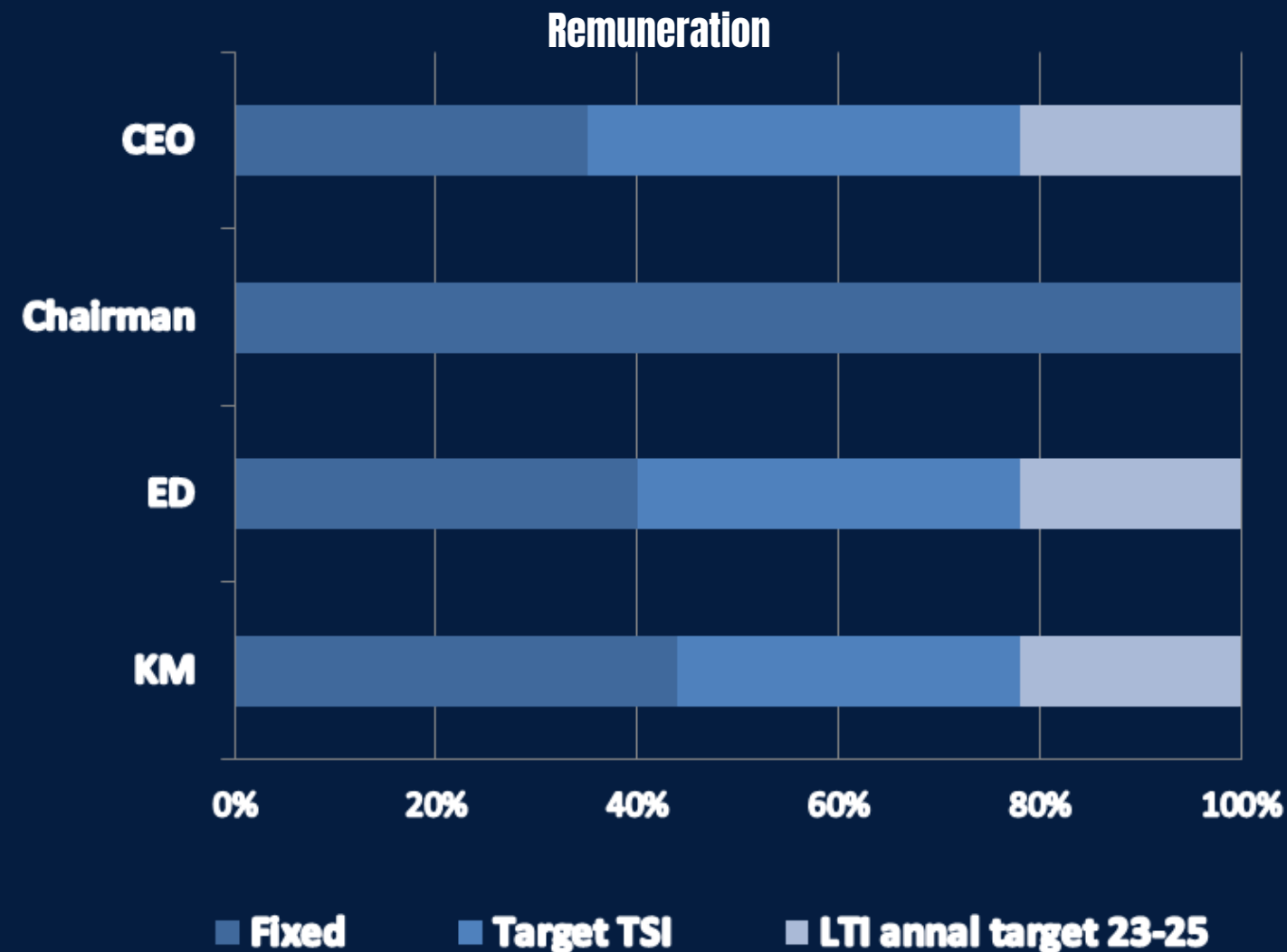
- Appointments and Remuneration
- Control, Sustainability, and Risk

Recent Changes:

- Chairman of BoD: Grazie Valentini -> Alessandro Nasi
- CFO: Mario Saccone -> Marco Pacini
- Mario Saccone -> CFO of Wallaby

Largest Shareholder:

Massimo Scagliarini (CEO)  
*60% of shares*  
*73.7% of voting rights*



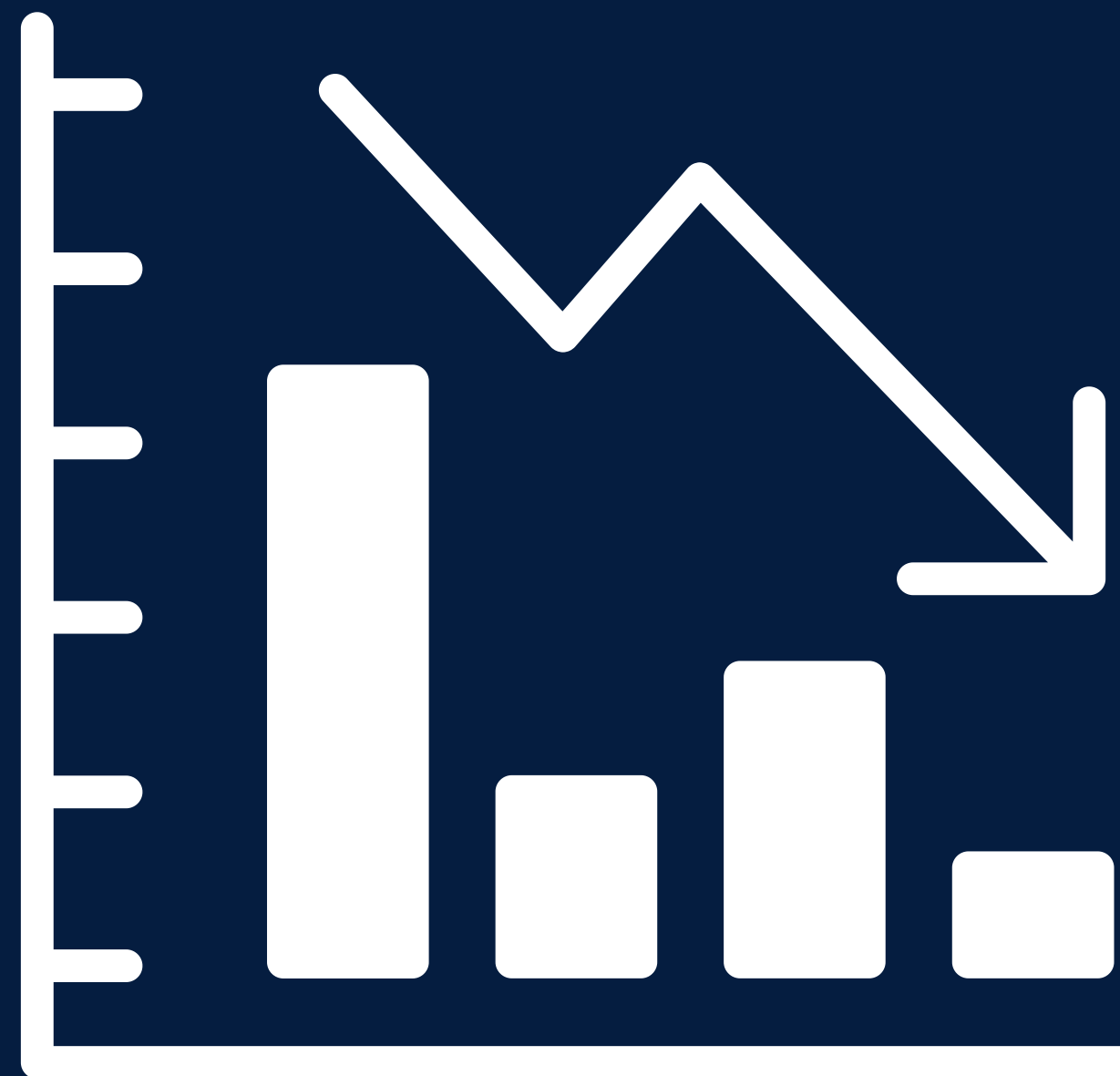


# EVALUATION

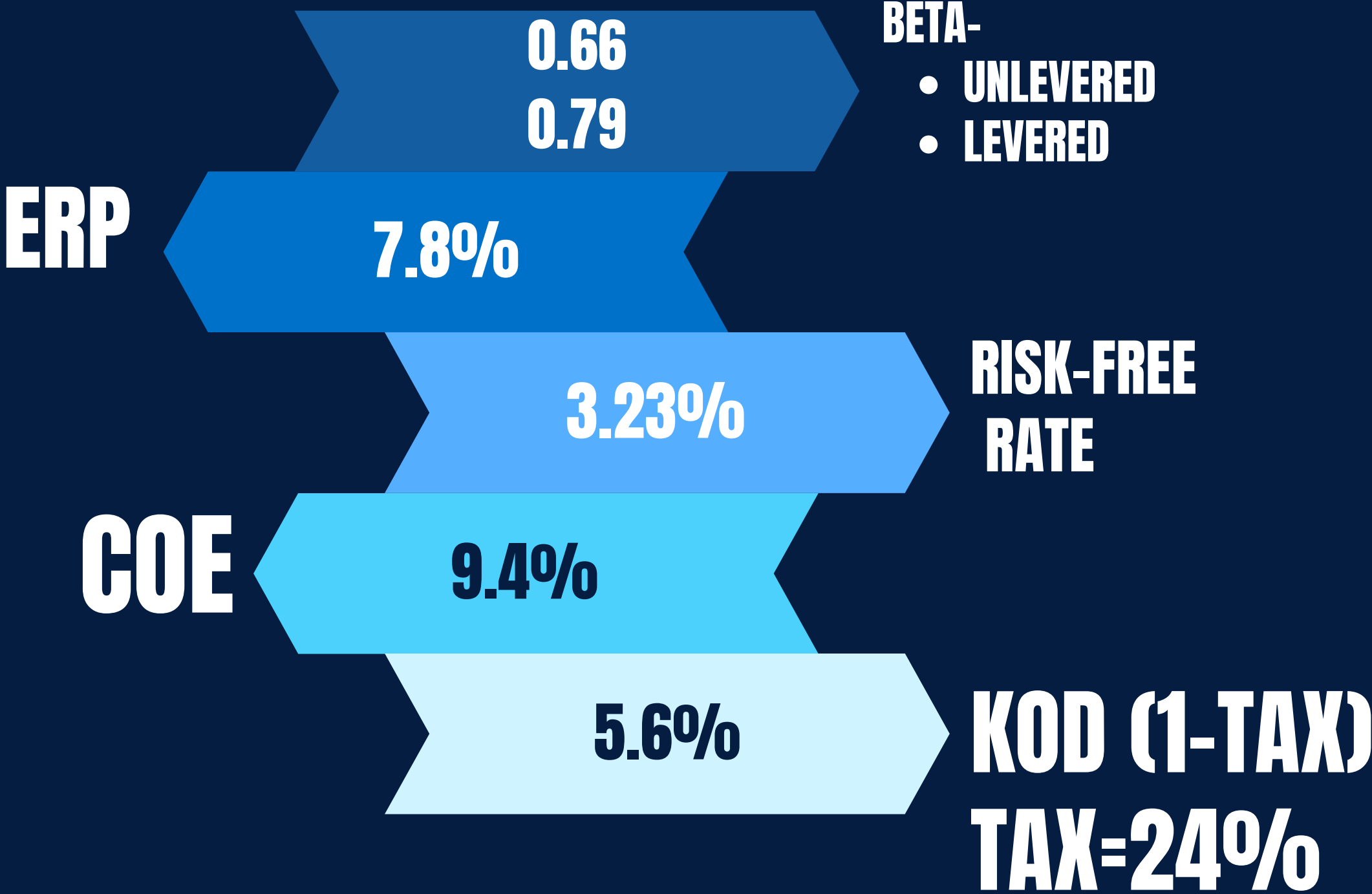
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**SELL** RECOMMENDATION



# WACC = 8.35% (Based on CAPM)



# DISCOUNTING

# FCFF

COGS = 75% OF REVENUE  
 CHANGES IN WORKING CAPITAL = 25% OF REVENUE  
 CAPEX = 7% OF REVENUE  
 TAX RATE = 24%

EXPLICIT GROWTH RATE = 3.7%  
 PERPETUAL GROWTH RATE = 4%  
 EQUITY = 1069 MILLION  
 DEBT = 283.79 MILLION

REVENUE

TOTAL REVENUE

COGS

COGS AS A % OF REVENUE

D&A

EBITDA

EBITDA AS A % OF REVENUE

D&A

D&A AS A % OF REVENUE

EBIT

EBIT AS A % OF REVENUE

TAX

EBIT(1-TAX)

ADD(D&A)

LESS(CAPEX)

CAPEX AS A % OF REVENUE

LESS(CHANGES IN WORKING CAPITAL)

WORKING CAPITAL AS % OF REVENUE

FCFF

	DEC'23	DEC'24	DEC'25	DEC'26	DEC'27	DEC'28
REVENUE	€ 388.00	€ 402.36	€ 417.24	€ 432.68	€ 448.69	€ 465.29
TOTAL REVENUE	€ 388.00	€ 402.36	€ 417.24	€ 432.68	€ 448.69	€ 465.29
COGS	€ 309.00	€ 301.77	€ 312.93	€ 324.51	€ 336.52	€ 348.97
COGS AS A % OF REVENUE	80%	75%	75%	75%	75%	75%
D&A	32.225	33.42	34.65	35.94	37.27	38.64
EBITDA	€ 79.00	€ 100.59	€ 104.31	€ 108.17	€ 112.17	€ 116.32
EBITDA AS A % OF REVENUE	20.4%	25.0%	25.0%	25.0%	25.0%	25.0%
D&A	32.23	33.41733	34.65377	35.93596	37.26559	38.64441
D&A AS A % OF REVENUE	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
EBIT	€ 46.78	€ 67.17	€ 69.66	€ 72.23	€ 74.91	€ 77.68
EBIT AS A % OF REVENUE	12%	17%	17%	17%	17%	17%
TAX	24%	24%	24%	24%	24%	24%
EBIT(1-TAX)	€ 35.55	€ 51.05	€ 52.94	€ 54.90	€ 56.93	€ 59.04
ADD(D&A)	€ 32.23	€ 33.42	€ 34.65	€ 35.94	€ 37.27	€ 38.64
LESS(CAPEX)	€ 25.64	€ 28.16	€ 29.21	€ 30.29	€ 31.41	€ 32.57
CAPEX AS A % OF REVENUE	6.6%	7.0%	7.0%	7.0%	7.0%	7.0%
LESS(CHANGES IN WORKING CAPITAL)	£ 10.93	£ 11.33	£ 11.75	£ 12.18	£ 12.64	£ 13.10
WORKING CAPITAL AS % OF REVENUE	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
FCFF	€ 31.21	€ 44.97	€ 46.64	€ 48.36	€ 50.15	€ 52.01

PV OF CASH FLOW FOR 5 YEARS = 190.45 MILLION

TERMINAL VALUE (TV) = 831.90 MILLION

PV OF TV = 557 MILLION

EV = 746.47 MILLION

EQUITY VALUE = 464.08 MILLION

SHARE O/S = 175 MILLION

SHARE PRICE =

€ 2.65

ALL FIGURES ARE IN EURO MILLION EXCEPT FOR %

# COGS AS A % OF REVENUE

COGS (As a % of revenue)	2018	2019	2020	2021	2022
<b>GVS SPA</b>	<b>76.00</b>	<b>74.03</b>	<b>62.46</b>	<b>70.02</b>	<b>83.75</b>
Sartorius	48.68	48.49	48.35	46.69	47.39
Donaldson	66.12	66.30	66.23	66.40	67.20
Danaher	44.25	44.26	44.02	39.05	39.24
3M Co.	50.59	52.37	51.52	53.01	56.28

## SENSITIVITY ANALYSIS - COGS

### 5% DROP LEADS TO APPROX. 54% INCREASE IN SHARE PRICE

		WACC					
		2.652	6.40%	7.40%	8.40%	9.40%	10.40%
65%	€	11.94	€ 7.74	€ 5.47	€ 4.07	€ 3.13	
70%	€	9.20	€ 5.84	€ 4.04	€ 2.92	€ 2.17	
75%	€	6.45	€ 3.95	€ 2.60	€ 1.77	€ 1.21	
80%	€	3.71	€ 2.06	€ 1.17	€ 0.62	€ 0.25	
85%	€	0.96	€ 0.16	-	-	-	

COGS

EXPLICIT GROWTH RATE

		COGS					
		2.65	65%	70%	75%	80%	85%
1.7%	€	4.96	€ 3.63	€ 2.30	€ 0.97	-	
2.7%	€	5.25	€ 3.86	€ 2.47	€ 1.08	-	
3.7%	€	5.56	€ 4.10	€ 2.65	€ 1.20	-	
4.7%	€	5.87	€ 4.36	€ 2.84	€ 1.32	-	
5.7%	€	6.20	€ 4.62	€ 3.03	€ 1.45	-	

# PERPETUAL GROWTH RATE

## CURRENT ASSUMED RATE - 4%

		WACC				
		6.40%	7.40%	8.40%	9.40%	10.40%
2.65						
2%	€	3.23	€ 2.25	€ 1.58	€ 1.11	€ 0.75
3%	€	4.37	€ 2.90	€ 2.00	€ 1.39	€ 0.95
4%	€	6.45	€ 3.95	€ 2.60	€ 1.77	€ 1.21
5%	€	11.51	€ 5.86	€ 3.56	€ 2.33	€ 1.56
6%	€	41.88	€ 10.52	€ 5.33	€ 3.21	€ 2.07

		CAPEX				
		2%	7%	12%	17%	22%
2.65						
2%	€	3.05	€ 1.61	€ 0.16	-	-
3%	€	3.67	€ 2.03	€ 0.40	-	-
4%	€	4.56	€ 2.65	€ 0.74	-	-
5%	€	5.99	€ 3.64	€ 1.29	-	-
6%	€	8.64	€ 5.47	€ 2.30	-	-

## EXPECTED GROWTH RATE

### = 5.4% BY 2029

# INVESTMENT RISKS

- **Supply Chain Disruption** 

- **Regulatory Challenges** 

- **Currency Risks** 

- **Heavy Competition** 

- **Interest Rate Risk** 

- **Economic Downturn** 