# CFA Institute Research Challenge

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**Gleams Vs Shadows**

The CFA Institute Research Challenge is a global competition that tests the equity research and valuation, investment report writing, and presentation skills of university students. The following report was prepared in compliance with the Official Rules of the CFA Institute Research Challenge, is submitted by a team of university students as part of this annual educational initiative and should not be considered a professional report.

**GVS S.p.A.**

**Italy | Medical Equipment, Supplies & Distribution**

Initiation of Coverage | 9th February 2024

# HOLD

| | |
|---|---|
| Current Price: | 6.10 |
| **Target Price:** | **6.42** |
| Upside: | 5.25% |

| | |
|---|---|
| Exchange: | Italian Stock Exchange |
| Market: | Euronext Milan |
| Ticker: | GVS.MI |

### Market Data

| | |
|---|---|
| Market Capitalization: | €1.07B |
| Shares Outstanding: | 174.76M |

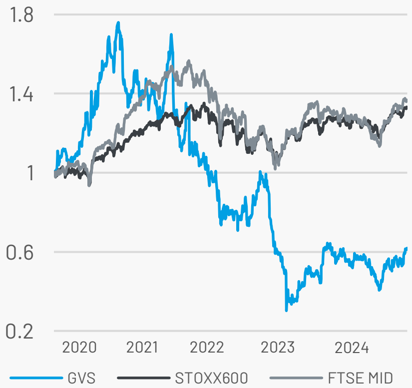
### Shareholders Structure

| | |
|---|---|
| GVS Group S.r.l. | 60.00% |
| *Voting Rights* | *73.68%* |
| Free Float | 36.88% |
| 7-Industries | 3.12% |

### Stock Performance

| | |
|---|---|
| 1 Month: | +11.43% |
| 6 Months: | +8.36% |
| 1 Year: | +18.12% |

**GVS' Performance** – Exhibit 1




*Source: Refinitiv, team assessment*

| | |
|---|---|
| 52-week High | €6.46 |
| 52-week Low | €4.00 |
| Avg. Daily Volume (52w) | 118.64K |
| Daily standard deviation | 2.92% |

### Key Financials

| | FY23E | FY24E | FY25E |
|---|---|---|---|
| **Revenues** (€M) | 427 | 446 | 470 |
| **EBITDAm** (%) | 22.27 | 23.90 | 26.07 |
| **FCFO/Sales** (%) | 12.49 | 12.84 | 14.47 |
| **Adj. NFP** (€M) | 260 | 192 | 133 |
| **Adj. Leverage ratio** | 2.7x | 1.8x | 1.1x |

*Source: team assessment*

# Investment Summary

## GVS, HOLD ON TIGHT

**We initiate our coverage on GVS with a HOLD recommendation and a one year-end target price of €6.42/share,** implying a 5.25% upside on the 9th February 2024 closing price (€6.10/share). **Combining high quality products with a strategic diversification approach across various end-markets**, the Company has showcased remarkable achievements throughout the years. The organic expansion is coupled by strategic **M&A activities, representing an important growth catalyst** for the Company. However, the **excessive level of indebtedness** stemming from recent acquisitions, combined with the Group's focus on integrating recently acquired companies, **currently hinders GVS from pursuing further inorganic expansion.** Nonetheless, we maintain an optimistic outlook for the future, viewing the **current landscape as a setting for new paths to growth**. Our target price, in fact, reflects Company's ability in riding profitable growth opportunities and resilience in overcoming challenges. Compared to the past, **the stock is currently traded at a lower price** because Covid-19 generated a deviation from the normal trend of the demand, thus pushing up Revenues and hence expectations.

## BUSINESS: FILTERED MARKET NICHES

Founded in 1979 by Grazia Valentini and her father, GVS is an Italian-based company, with a €1.07B Market Cap and €427M in Revenues in FY23E, operating in different market segments of the **Filtration Industry** with its 3 divisions: Healthcare & Life Sciences, Energy & Mobility and Health & Safety. **These three separate divisions merge into one operational core**, generating synergies across all product families and reflecting the **flexibility and dynamism of GVS' business model**. The Group's strategy is based on a **"glocal" approach**, which reflects the strong collaboration between the Company (as a **global manufacturer**) and **local partners,** and ensures substantial transportation cost savings, since products are sold directly from their manufacturing locations. **Settled in market niches**, the Company benefits from formidable **entry barriers set by the stringent regulatory landscape of the Filtration Market**. Certifications of product quality, in fact, help in solidifying GVS' market share, yet **also pose challenges**: the expensive and time-consuming process tied to these certifications **reduces clients' incentives to change suppliers** and thus makes it harder to expand the customer base. Mostly exposed to developed regions (US and Europe), GVS aims at further expanding into emerging markets. Indeed, extending its geographical footprint **and broadening the product portfolio are the main rationales behind a sustained M&A activity carried out over the years**, which represents a key value driver of the Company.

## INDUSTRY: THRIVING IN FERTILE GROUNDS

The Global Filtration Market is a thriving environment, worth roughly €6.3B in FY22 (excluding disposable masks), following a steady growth at a 5.11% CAGR in FY19-22. To study the possible future evolution of this market and analyse the different growth drivers, **we create our Industry Proprietary Model which properly reflects the segmentation in three end-markets**. The market **growth drivers** can be summarized in *i)* **population ageing**, which affects the incidence of chronic diseases, *ii)* **automotive industry evolution** and *iii)* **stricter regulation on workplace safety.** Overall, these drivers will lead to a 4.94% Market CAGR in FY23E-33E. Within the realm of Healthcare, while **leading pharmaceutical competitors boast extensive product portfolios, GVS positions itself in the specialized niche of filtration products**, suffering from the established reputation and commercial channels of these industry giants. In the fiercely competitive Automotive sector, **a shift to E-mobility is reshaping the industry**, even though GVS is not actively embracing this revolutionary trend. Finally, in the Safety market, GVS operates in line with its peers, offering a **broad range of sophisticated products known for their top-notch quality and design**.

## FINANCIAL: DEBT HOLDING BACK GROWTH

After experiencing an **exceptional surge in Sales during the Pandemic** with a 37.89% EBITDAm in FY20, GVS saw a **substantial contraction in Revenues and margins** (EBITDAm fell to 17.20% in FY22). The **favorable external environment** will lead the EBITDAm to return to pre-Pandemic levels, even though at a slow pace due to **GVS' subpar competitive positioning** . At the same time, **recent acquisitions have left the Group with an overwhelming debt burden**, leading to a **covenant breach** and hindering further future expansion. Therefore, **the inability to engage in acquisitions in the short term is likely to constrain a strong upside potential of the share price**. In summary, we foresee *i)* moderate expansion (5.35% FY23E-33E Revenues CAGR), *ii)* sustained cash flow generation (8.44% FY23E-33E FCFF CAGR), *iii)* incisive deleveraging policy leading to a viable capital structure (Debt-Equity ratio of 59% in FY27E, assessed on book values).

## VALUATION: THREE STAGES FOR A FAIR PRICE

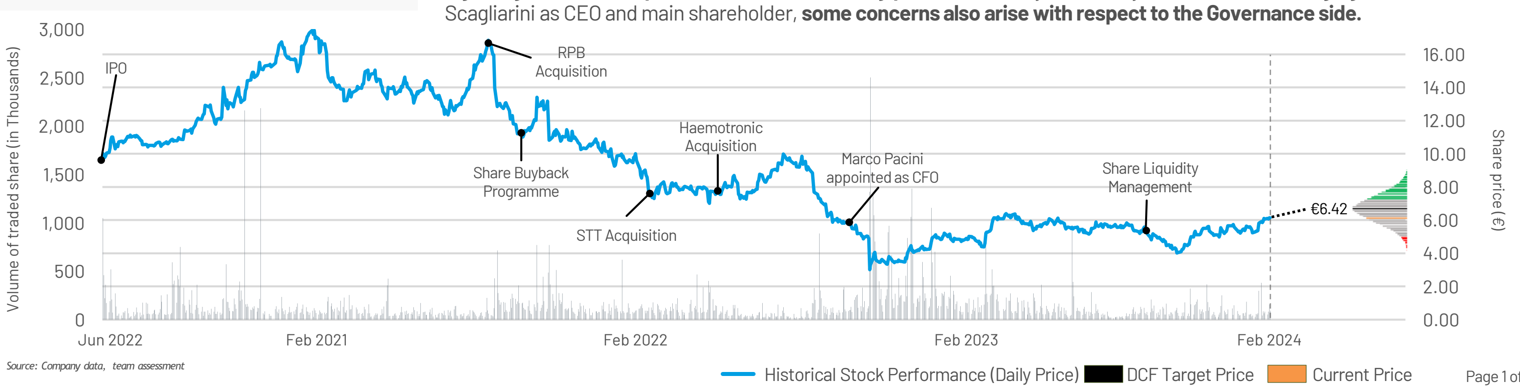
**Our forecasted 1Y Forward Target Price of 6.42€, with a 5.25% upside, is the result of a DCF-based valuation** corroborated by Monte Carlo simulation, sensitivity and tornado analyses. The stages of our DCF reflect the different growth profiles which we believe GVS will experience: 1) **First stage** (FY25E-30E), characterized by **moderate-high growth** rates reflecting the sustained demand for medical devices, the investments' rebound in the automotive sector and the increasing demand for Personal Protective Equipment. 2) **Second stage** (FY31E-35E), when we expect a **lower but still favorable momentum** for the whole market. 3) **Terminal growth stage**, with a 2.50% perpetual growth mainly driven by market crowding. Moreover, to confirm and strengthen our DCF's results we carry out a Multiple Valuation based on the EV/EBITDA and the P/E ratios, which also allows us to incorporate the market expectations on the Company. Finally, we also investigate the impact of an overly aggressive M&A scenario in the short-term on GVS' target price.

## RISKS: SAILING UNCERTAIN WATERS

GVS consistently engages in proactive risk management, diligently monitoring activities to identify and address potential risks. In the near future, the Company will face heightened concerns related to *i)* **potential supply chain disruptions** affecting the manufacturing of specific products, due to the **Company's high reliance on raw materials** and *ii)* **M&A execution hurdles**, including successful **integration of acquired companies and target selection issues**. Moreover, with a markedly higher turnover rate compared to competitors, **employee retention poses a critical threat,** which jeopardizes operational continuity and implies increased recruitment costs. Looking ahead, the Company recognizes strategic and **competition-related risks embracing both increased competitive pressures and a technological disparity with competitors**.

## ESG: BEYOND THE NUMBER

Through our **ESG proprietary model based on 74 key metrics**, we assess GVS' behavior and assign a **6.00/10 score, corresponding to a BB valuation**. Despite the Company's increasing focus on ESG issues, its policies are currently insufficient to position it as a standout player. GVS falls behind the industry average in both Environmental (especially in energy efficiency, CO2 emissions and waste reduction) and Social (turnover employees and workplace injuries) pillars, signaling a **need for improvement in sustainability practices**. Finally, intricately linked to the challenging role of Massimo Scagliarini as CEO and main shareholder, **some concerns also arise with respect to the Governance side.**




*Source: Company data, team assessment*

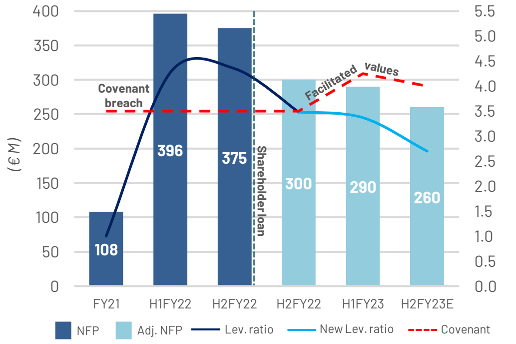
# OUR SUMMARY IN CHARTS

### *A small player in the favorable Filtration Industry...*

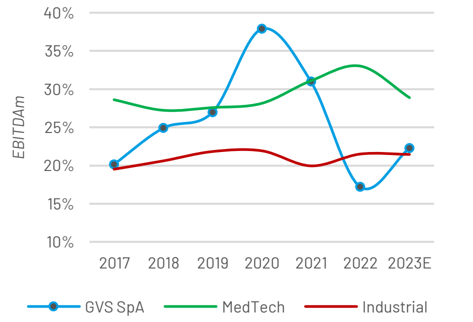
Industry Proprietary Model

| | CAGR FY19-22 | CAGR FY23E-25E | CAGR FY26E-30E | CAGR FY31E-35E |
|---|---|---|---|---|
| Healthcare & Life Sciences | 7.25% | 5.27% | 4.60% | 2.73% |
| Energy & Mobility | -4.50% | 4.82% | 4.58% | 3.58% |
| Health & Safety | 6.87% | 8.08% | 6.15% | 3.73% |

### *... tackling challenges ...*



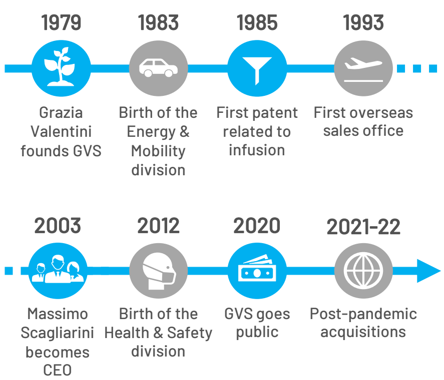

### *... positioned in the crossroad between Industrial and MedTech*




*Source: Company data, team assessment*

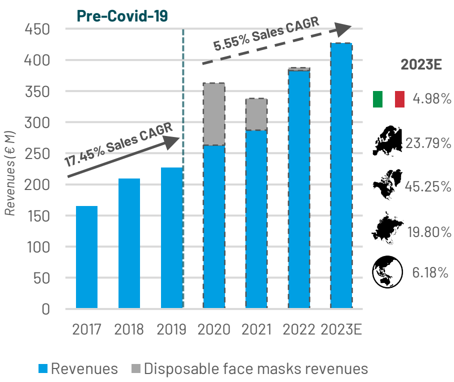
# Business Description

**GVS' milestones** – Exhibit 2



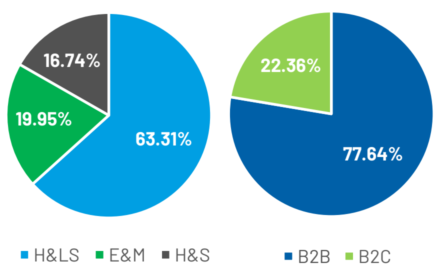

*Source: Company data, team assessment*

**GVS' Revenues growth** – Exhibit 3




*Source: Company data, team assessment*

**Business segmentation** – Exhibit 4




*Source: Company data, team assessment*

**Revenues breakdown by divisions** – Exhibit 5

| (€M) | Healthcare & Life Sciences | Energy & Mobility | Health & Safety |
|---|---|---|---|
| FY21 | 180.32 | 70.72 | 87.10 |
| FY22 | 245.39 | 77.33 | 64.88 |
| FY23E | 288.39 | 67.91 | 70.95 |

*Source: Company data, team assessment*

## COMPANY PRESENTATION: ITALIANS FILTER BETTER

Among specialized competitors, **GVS positions itself as a small yet dynamic player** in the complex landscape of **filtration solutions**, an intricate industry characterized by growth and resilience, though not without challenges. **Founded in 1979** by Grazia Valentini and her father Renato, GVS has transformed itself from a small facility producing medical filters for blood treatment into a global manufacturer in the Filtration Industry (*Exhibit 2*), recording a Market Cap of €1.07B and €387.59M Sales in FY22 (*Exhibit 3*).

GVS managed to turn the challenging times of the Pandemic into a **stock market triumph**, making its debut on the **Italian Stock Exchange** in June 2020. The Italian-based group, operating in more than 10 countries, is made of 33 companies (*Annex 1*) and 29 commercial offices located all over the world. Its facilities are present in Italy, United Kingdom, Brazil, United States, China, Mexico, Romania and Puerto Rico.

The Company is controlled by **Massimo Scagliarini**, who assumes the dual role of **CEO and main shareholder** as he controls a substantial **60% of the Group's share capital** and owns **73.68% of voting rights**. Overseeing all GVS' crucial aspects and exercising **significant authority**, Massimo has also demonstrated to have "skin in the game" by personally ensuring the financial stability of the family business.

**MISSION.** With over 5000 employees, GVS' mission is to protect people's lives **using the power of science and technology to deliver cutting-edge products. Flexibility, quality and attention to detail** are the strengths through which GVS aspires to successfully meet the changing demands of the market.

## THREE DISTINCT IDENTITIES, ONE OPERATIONAL CORE

Throughout the years, the Group has enlarged its presence far beyond Italy, reaching other European countries, North America and Asia (*Exhibit 3*). Its customers base comes from both **Business-to-Business (B2B) and Business-to-Consumer (B2C) segments** (*Exhibit 4*), with the former (78% of FY22 Revenues) identifying industrial customers like drug manufacturers, Original Equipment Manufacturers (OEMs) and Tier 1 and 2 suppliers, and the latter (22% of FY22 Revenues) including online and specialized distributors (*Annex 3*). Three distinct divisions converge into **one operational nucleus**, with the same production plants and professionals, common manufacturing processes and technologies, fostering synergies across product families. The extensive product portfolio offered by GVS is organized in the following divisions (*Exhibit 5*):

*i)* **Healthcare & Life Sciences (H&LS)** - With over 1700 customers in 80 countries, it represents the **highest contributing division of the Company** (63.31% of FY22 Revenues and 28.69% FY19-22 CAGR), designing and manufacturing filters and components mainly deployed in medical and laboratory end-markets. Moreover, its countercyclical nature establishes H&LS division as a strong asset for the Company, enhancing the overall resilience of the Group.

*ii)* **Energy & Mobility (E&M)** - Created in 1983 and strongly affected by Covid-19 (19.95% of FY22 Revenues and -4.32% FY19-22 CAGR), it spans across multiple filtration engine technologies belonging to the automotive industry. Over the years, the contribution of the division to the top-line more than halved since FY19. Currently, the **rise of E-mobility** poses a challenge for GVS, due to the need of providing the market with new products related to hybrid and full-electric vehicles.

*iii)* **Health & Safety (H&S)** - It provides devices used in the field of personal and collective respiratory protection, such as full and half masks, with a **strong focus on reusability**, and High Efficiency Particulate Air (**HEPA**) Panels. After experiencing a **fast growth** during the Pandemic (16.74% of FY22 Revenues and 39.32% FY19-22 CAGR), Revenues have more than halved in the post Pandemic, due to a **reduction in the demand for face masks** (-31.68% CAGR FY20-22).

## REVENUE DRIVERS AND STRATEGIC GUIDELINES

In recent years GVS has experienced a considerable growth in Revenues (19.45% FY19-22 CAGR) thanks to (*Exhibit 6*):

**1) SETTLEMENT IN MARKET NICHES.** GVS operates in markets known for their **high barriers to entry**, characterized by **stringent regulations, escalating safety standards and sophisticated technological solutions**. The **protracted approval timelines** of certifications and validation processes for final products fortify GVS' position, who leverages on its experience and know-how. Reflecting its **compliance with technological changes and regulatory requirements**, the Company has been awarded the key quality management system certifications. Facilities operate according to the CE marking and a wide range of products is registered with the FDA in the US or possesses country specific licenses. Within the realm of Filtration, GVS capitalizes **pivotal opportunities for organic growth**, aligning with the dynamic trajectory of this **thriving sector**.

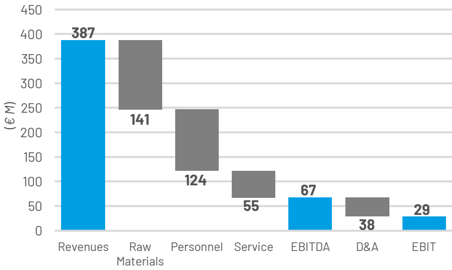
**2) ATTENTION TO MARKET NEEDS AS A ROOT FOR LONG-LASTING CUSTOMER RELATIONSHIPS.** As demonstrated during the Pandemic, **the Company is capable of promptly meeting market demands**. Indeed, the recalibration of production facilities and the strategic expansion into new product lines has shown the business model's **flexibility and dynamism**. Constantly focused on the ever-changing needs of its customers, partners and associates, GVS dedicates itself to satisfy their specific demands, leveraging on 9 global R&D centres, 7 testing laboratories and over 100 R&D professionals. Nevertheless, **the Group does not possess patents that would set it apart from competitors**. GVS, instead, aligns itself with industry rivals by either creating or acquiring new patents (*Annex 2*). **Collaboration with B2B customers, from the product conception phase to its industrial production**, is a key factor for the continuity of commercial relationships in the long term. The Group's strategy is based on the so called **"glocal" approach**, emphasizing the synergy of **local partners' agility and flexibility** with the **international footprint of global operators**. Fuelling the strongest possible advancements, such a method helps reducing both time to market and transportation costs, as **85% of products are sold directly from their manufacturing sites**.

**3) GROWTH AND DIVERSIFICATION THROUGH M&A.** GVS has historically demonstrated great ability to fuel growth with external expansion, with 17 acquisitions carried out since 2009. Over the years, the Company has consistently favored M&A as a key value driver, rather than relying on internal R&D initiatives. The essence of the M&A strategy lies in **vertical and horizontal integration**, along with **geographical expansion**. Reflecting its beliefs and goals, GVS leverages on an **investment strategy targeting organizations that share similar technologies** and, therefore, simplify the integration process. In 2009 the acquisition of **Fenchurch Group**, which is one of the UK's premier providers of Heating, Ventilation and Air Conditioning (**HVAC**) services and air filters, including **HEPA filters**, marked GVS' entry into the medical air sector. Such deal also established its H&S division, centered around the advanced ***Elipse*** **mask**, which is still one of the Company's

**Revenue drivers** – Exhibit 6

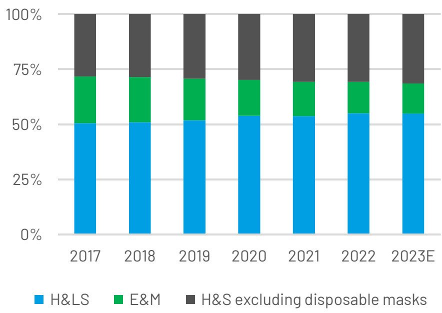

*Source: Company data, team assessment*

**Cost Drivers FY22** – Exhibit 7



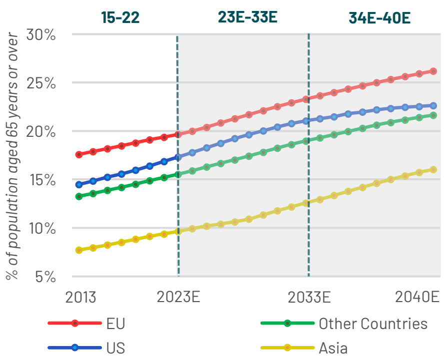

*Source: Company data, team assessment*

**Global Filtration Market evolution** – Exhibit 8



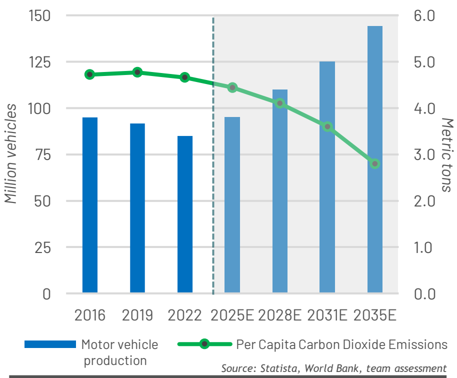

*Source: Statista, team assessment*

**Population ageing per region** – Exhibit 9



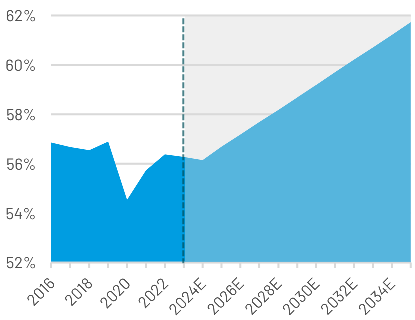

*Source: Statista, Our World In Data, team assessment*

**Vehicles and emissions** – Exhibit 10




*Source: Statista, World Bank, team assessment*

**Worldwide employment rate** – Exhibit 11




*Source: Statista, team assessment*

top-selling products. The bottom-line expansion has accelerated since 2017 thanks to the complete integration of **KUSS Filtration** (acquired for €111.2M), which reinforced the Group in the E&M division through the establishment of the new Sport & Utility subdivision. The latest acquisitions account for 28.65% of FY22 Revenues: (a) RPB Group; (b) Shanghai Transfusion Technology, STT; (c) Haemotronic SpA.

Consistently **working on integrating the acquired companies** and rebalancing its product portfolio, GVS wants to keep on consolidating the recent achievements even once the exceptional circumstances of the Pandemic are over.

## COST DRIVERS

GVS specializes in producing filters and components, where the primary cost drivers comprise **raw material purchases** (plastic granules, plastic filter media, mesh and membranes; 36.43% of FY22 Revenues) and **personnel expenses** (31.87% of FY22 Revenues) (*Exhibit 7*). The acquisition of raw materials is planned according to incoming orders and inventories availability, with a **limited backlog visibility** for H&LS and H&S divisions (about 1.5 months on average vs 6 months on average for E&M). The Company strategically improves its cost structure by **vertically integrating** companies, as occurred in 2012 with the acquisition of **Maine Manufacturing,** a US-based manufacturer for precision-molded plastic, filtration, membranes and biological technologies. By **internally incorporating membrane production**, most of GVS' membranes are homemade and crafted within its facilities situated in North America and Italy.

# Industry overview & Competitive positioning

## INDUSTRY OVERVIEW: THE GLOBAL FILTRATION MARKET

GVS operates in the **Global Filtration Market** (*Exhibit 8*), which is segmented as follows:

*i)* **Healthcare & Life Sciences Filtration Industry**, focused on filtration and separation of liquids and gas/air equipment used in the medical and laboratory sectors.

*ii)* **Energy & Mobility Filtration Industry**, focused on filtration technologies employed in the mobility sector.

*iii)* **Health & Safety Filtration Industry**, focused on filtration devices for personal (masks and respirators) and collective (HEPA filter panels) respiratory protective equipment.

Such partitioning of the Market requires a detailed analysis of the various Industries to fully discern their specific features.

## HEALTHCARE & LIFE SCIENCES FILTRATION INDUSTRY

The **Healthcare & Life Sciences Filtration Industry**, currently worth roughly €3.43B in FY22, has been growing at a 7.25% CAGR in FY19-22 (*source: Industry Proprietary Model, Statista*). What in the '70s was a biomedical growing segment is now a market with a wide range of advanced products capable of addressing an ever-expanding number of medical needs. It offers filters, disposable components and membranes for filtration of liquids and air, and separation solutions with multiple applications such as infusion, transfusion and dialysis.

**DEMAND DRIVERS.** The importance of living a healthy life has markedly heightened since the Pandemic, underscoring the pivotal role of medical equipment in our daily lives. When analysing the determinants of the Healthcare Industry, our focus centers on the following forces driving demand. With an expected population of 9B in 15 years (*source: Statista*), **population ageing** (*Exhibit 9*) will lead **seniors' worldwide incidence** to increase from 12.50% in 2022 to 21.27% in 2050 (*source: Industry Proprietary Model, Our World In Data*). In turn, such an increase directly impacts the **number of individuals affected by chronic diseases,** which is expected to rise from 20.24% in 2022 to 33.85% by 2050 (*source: Industry Proprietary Model, Our World In Data*). This trend points at a significant rise in healthcare needs, fuelling demand for medical devices and biomedical tools.

## ENERGY & MOBILITY FILTRATION INDUSTRY

The **Energy & Mobility Filtration Industry**, currently worth roughly €0.88B in FY22, has experienced a -4.50% CAGR in FY19-22 (*source: Industry Proprietary Model, Statista*). With time, vehicles have evolved and emission standards have tightened, prompting the development of advanced filtration systems to address **environmental concerns**. It includes a wide range of filters and components with applications in vehicles security and powering, spanning gasoline, diesel and urea technologies. However, in recent years, **supply chain disruptions and economic downturns** strongly affected the entire market, resulting in a negative aggregate growth.

**DEMAND DRIVERS.** Since filters are mostly used in transportation, **market demand drivers** can be traced by analysing the **automotive and other affine sectors**:

*i)* **Worldwide motor vehicle manufacturing industry**. The **production declined** from 92M vehicles in 2019 to 85M in 2022 (*source: Industry Proprietary Model, Statista; Exhibit 10*), mostly due to the latest negative **economic shocks**. During the Pandemic, the car industry suffered a **strong decrease in sales**, plunging from €2.88T in FY19 to €2.52T in FY22 (*source: Industry Proprietary Model, Statista*), primarily attributed to **stringent lockdown policies** resulting in a temporary halt of various business activities. As the negative cycle comes to an end, we expect volumes to be **restored to pre-Pandemic** levels by 2025.

*ii)* **Net-zero emission goal**. To prevent a net increase in atmospheric pollution, the International Energy Agency has outlined to cease sales of combustion engine vehicles by 2035. Shifting from fossil fuels to **electric and hydrogen fuel-cell vehicles**, the expected reduction in permitted pollutant emissions (*source: World Bank*) requires **advanced filtration systems**. Since hybrid and electric vehicles necessitate **fewer filters** when compared to traditional combustion engine ones, the overall production volumes will decrease, partly offset by **higher prices** for more sophisticated technologies.

## HEALTH & SAFETY FILTRATION INDUSTRY

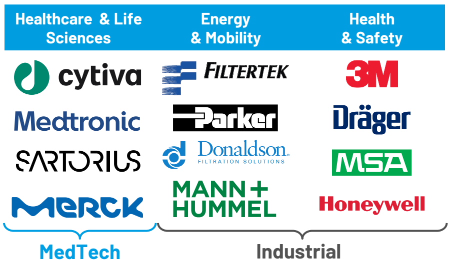
Currently worth roughly €33.54B in FY22, the **Health & Safety Filtration Market** has been growing at a 177.51% FY19-22 CAGR (*source: Industry Proprietary Model, Statista*). However, when excluding the contribution of disposable masks, the market is worth roughly €1.92B in FY22 with a 6.87% CAGR in FY19-22. It presents components for the medical sector and respiratory devices, Covid-19 protective masks and professional masks. The **unparalleled growth rate** reflects the impact of the Pandemic, with industry participants going under **strategic transformation** of their production facilities to cater to the demand for **health-related needs** and to take advantage of the sizeable business opportunity. Specifically, the market for disposable face masks experienced an **astonishing shift**, escalating from €1.24B in 2019 to €204B in 2020 (*source: Industry Proprietary Model, Statista*). Nevertheless, as the emergency subsides, the market growth will soon stabilize **close to its pre-Pandemic level.**

**DEMAND DRIVERS.** Over the past years, the International Labour Organization has adopted a global strategy to **improve occupational health and safety**, emphasizing the development of a preventive culture at the workplace. Therefore, the **demand drivers** of the division place roots in the Personal Protective Equipment (**PPE**) sector. The need for **safety tools and equipment will keep on growing** as stricter regulation and greater awareness on practical safety measures take place to prevent worker injuries. In addition, the demand for PPE is also strictly linked to opposite pressures concerning the workforce. The global **employment rate is expected to gradually expand** in the upcoming years, unfolding at a slow and steady pace (*Exhibit 11*). However, **the changing nature in work tasks and workforce between sectors**, driven by technological progress and increased skill levels, has shifted away from manual occupations to office roles (*source: European Agency for Safety and Health at Work*). This transition will partially **counterbalance the surging demand for PPE**.

**Zero Defection requirement: Navigating the Regulatory Horizon**

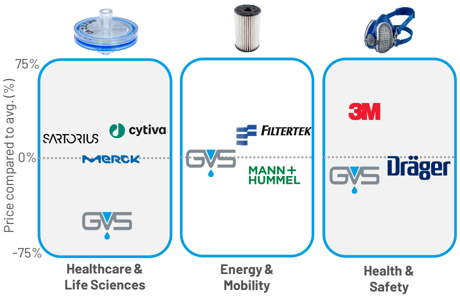
Resulting from the escalating stringency around product conformity and quality, **high barriers to entry** characterize the Global Filtration Market and its players' solid dedication to uphold rigorous standards. Moreover, the protracted process to obtain approvals determines a **scarce incentive for customers to change supplier**. In order to thrive in the sector, companies must impeccably meet precise and severe quality certifications. Facilities stick to **stringent authorizations** and adhere to the **strict requirement of zero defection of their products**. Therefore, the **regulatory landscape**, which encompasses aspects such as product certifications, safety and emissions standards, emerges as a pivotal influence shaping the composition of the market. Survival in this arena is an exclusive grant for companies that bear a heavy cost structure to comply with ever-changing requisites, emblematic of a market that prioritizes a **quality-centric approach**.

**Competitive landscape** – Exhibit 12



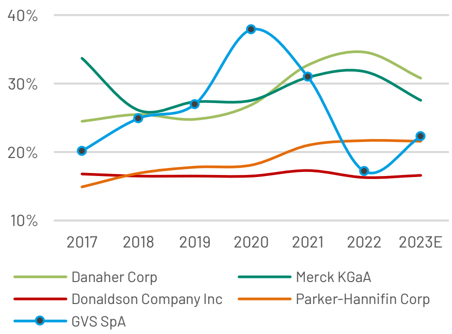

*Source: Company data, team assessment*

**GVS' products positioning** – Exhibit 13




*Source: Company data, team assessment*

**Peers' EBITDA margin dynamics** – Exhibit 14



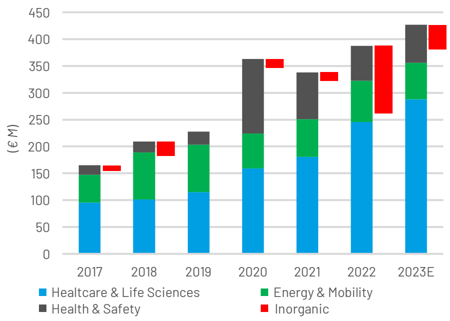

*Source: Refinitiv, team assessment*

**Industry growth by end-markets** – Exhibit 15

| Industry Proprietary Model | CAGR FY19-22 | CAGR FY23E-25E | CAGR FY26E-30E | CAGR FY31E-35E |
|---|---|---|---|---|
| Healthcare & Life Sciences | 7.25% | 5.27% | 4.60% | 2.73% |
| Energy & Mobility | -4.50% | 4.82% | 4.58% | 3.58% |
| Health & Safety | 6.87% | 8.08% | 6.15% | 3.73% |

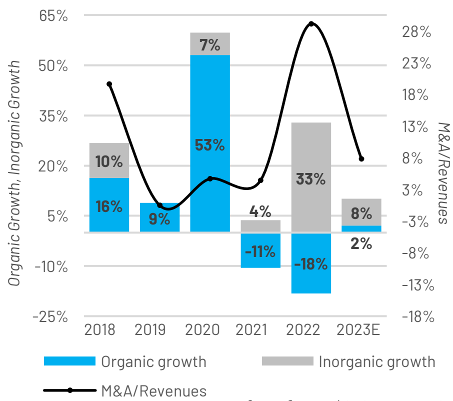
*Source: Company data, team assessment*

**Revenues breakdown** – Exhibit 16




*Source: Company data, team assessment*

**GVS organic and inorganic growth** – Exhibit 17




*Source: Company data, team assessment*

## COMPETITIVE POSITIONING: BEAT ON PRICES TO NOT BE BEATEN

**PRODUCT POSITIONING.** GVS is **hardly comparable to other companies** due to its presence in **multiple end-markets**. To assess the competitive environment in which the Group operates (*Exhibit 12*, *Annex 9*), we focus on each subdivision:
**Healthcare & Life Sciences.** **A lack of differentiation and competitive prices** characterize the product offering in both **Healthcare Liquid and Air & Gas**. For example, in the Liquid segment, **Speedflow** (an Inferior Vena Cava Filter used in chemotherapy, antibiotic and anesthesia) can be easily substituted with IV Supor and Intrapur, produced by Cytiva (Danaher Group) and B. Braun Medical respectively. Similarly, in the Air & Gas segment, GVS' Heat and Moisture Exchangers Filters (used within anesthesia, respiratory and care clinical areas) can be replaced by the Filta-Therm HMEF by Intersurgical and the DAR filters by Medtronic. However, GVS is able to sell its products at **competitive prices** despite competing with much larger companies, which typically benefit from economies of scale. Moving to the **Laboratory & Membranes division**, **the Company occupies a distinctive niche**, selling its membranes and syringe filters to major pharmaceutical companies, thanks to the specificity of its products. **Despite its products are "unique", GVS refrains from charging high prices, which highlights its limited pricing power with respect to larger competitors** (*Exhibit 13*). Moreover, the Company aims at expanding into the profitable B2C channel, since the whole H&LS division predominately directs towards the B2B segment. In this regard, GVS encounters an **expansion dilemma**: its B2B offer is mainly addressed to direct competitors such as Cytiva, Sartorius and Merck, which in turn resell the same products to end-customers or integrate them as components in their final goods. This **dual role of competitors** creates a delicate balance, **limiting GVS from venturing into the B2C market without potential conflicts with existing B2B clients**.
**Energy & Mobility.** GVS faces **difficulties in standing out from its peers through both products offering and pricing strategies** (*Exhibit 13*). Again, an example of GVS' best-selling product –the engine oil filter– can be substituted by Mann Hummels' Modern oil filter, comparable in terms of price and performance. On the other hand, **GVS covers the most extensive set of products**, surpassing competitors who generally provide no more than half of its range. Moreover, the Group leverages on a **strong integration of technological capabilities and know-how across divisions.** Specifically, in cabin air and engine air filtration, the Company exploits the expertise cultivated in the Healthcare Air & Gas subdivision.
**Health & Safety.** In the **Personal Safety** subdivision, GVS offers **cheaper products** (*Exhibit 13*) compared to its peers. The Company's recent entry into the Powered Air Purifying Respirator (**PAPR**) market, through RPB acquisition, allows for a further broadening of products and clientele. Additionally, the Group responds to the call for sustainability by offering **reusable masks** such as half masks (Elipse) and full masks (Elipse Integra), a departure from the prevailing disposable trend observed in companies like 3M (with a market share of around 65% in the Safety industry). Conversely, the **Air Safety subdivision seems to be taking on a more marginal role in the business model**, registering a 4% organic decline in FY22, and no evident effort in stimulating inorganic growth seem to be exerted.
**FINANCIAL INSIGHTS.** In terms of margins, **GVS aligns with its industrial peers**, standing at 22.27% EBITDAm in FY23E compared to the industry average of 21.50% (*Exhibit 14*). However, **it still lags significantly behind the MedTech sector to which GVS aspires to converge** (MedTech average EBITDAm 28.27% in FY23E). Furthermore, GVS trails its competitors in terms of profitability, with a 3.01% ROA in FY22 (MedTech average 8.57% and Industrial average 17.16%) and indebtedness, with a Debt-to-Equity ratio of 145.30% in FY22 (MedTech average 63.97% and Industrial average 115.38%).

**Our unfolding path of the Industries' future**

Based on the drivers mentioned above, we construct an Industry-based Proprietary Model (*Annex 8*) aimed at assessing the future evolution of the sector and able to capture the **growth dynamics of the Global Filtration Market** (*Exhibit 15*). Our key findings regarding these growth dynamics are segmented by time horizon:
*i)* In the **short-term (FY23E-25E)** we anticipate a **moderate YoY growth** ranging between 4-5% for both H&LS and E&M Industries. The former will be driven by the **sustained demand for medical devices** and the latter by the **after-Pandemic investments' rebound** (5.27% and 4.82% FY23E-25E CAGR respectively). Concurrently, we forecast a substantial boost in the H&S market demand (8.08% FY23E-25E CAGR), primarily attributed to the increasing demand for professional devices to comply with **heightened safety standards**.
*ii)* In the **medium-term (FY26E-30E)**, we foresee a **persistent growth** for both H&LS and E&M Industries (4.60% and 4.58% FY26E-30E CAGR respectively), given the ever-growing incidence of chronic diseases, which necessitates continual medical support, and the inevitable **transition towards electric vehicles** to align with forthcoming government climate change policies. Concerning H&S Industry, the **demand for disposable masks will stabilize,** resulting in a 6.15% FY26E-30E CAGR.
*iii)* In the **long-run (FY31E-FY35E)**, we forecast a more **subdued growth** for the entire Global Filtration Market, primarily attributed to the landscape of intense rising competition (2.73% FY31E-35E CAGR in H&LS, 3.58% FY31E-35E CAGR in E&M, and 3.73% FY31E-35E CAGR in H&S). Our projections point towards a **decline in filtration demand** due to *i)* a lower population growth rate, *ii)* a lower necessity for filters in electric vehicles and *iii)* a diminished employment in industrial roles, gradually replaced by technology.

# Financial Analysis

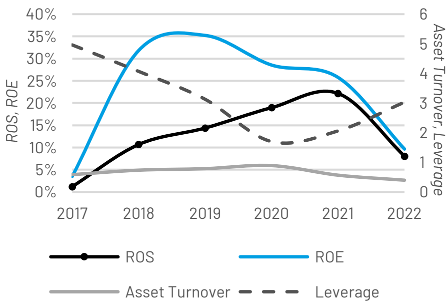
## HISTORICAL ANALYSIS

Since its debut on the Italian Stock Exchange, GVS' Revenues have exhibited a **pronounced variability** (*Exhibit 16*), showcasing substantial jumps. During the Pandemic, the Company experienced an **astonishing top-line growth**, fuelled by the **ability to meet the demand of disposable face masks.** However, immediately after, it faced a **negative rebound in Revenues** (-6.93% FY20-21 CAGR), signaling difficulties in creating value as market needs rapidly changed. The ongoing **recovery is solely attributed to M&A strategies**, reflected in a 14.63% FY21-22 CAGR, which comprises -18.21% organic growth and 32.84% inorganic growth (*Exhibit 17*).

**BUSINESS LINES BREAKDOWN.**

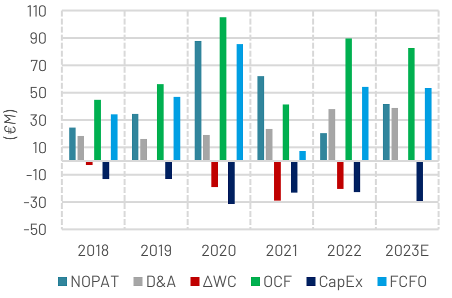
**1. The Healthcare & Life Sciences** division experienced a 28.69% FY19-22 CAGR, stemming from the high demand of medical equipment during the lockdown and the substantial contribution of acquisitions.
*i)* **Healthcare Liquid** (€181M in FY22): in recent years the subdivision has experienced an extremely favorable growth (37.62% FY19-22 CAGR). In the beginning, the **positive response to Pandemic needs** led to 24.74% FY20-21 CAGR, then, the **strategic acquisitions** of STT and Haemotronic resulted in 81.10% FY21-22 CAGR (6.23% organic and 74.87% inorganic).
*ii)* **Healthcare Air & Gas** (€30M in FY22): exhibiting a 4.51% FY19-22 CAGR, the subdivision maintained a modest growth in line with its peers. After experiencing an **exceptional 123% growth in Sales in FY20**, primarily attributed to the increased demand for respiratory devices, in subsequent years it faced a significant contraction marked by -28.45% FY20-22 CAGR.
*iii)* **Laboratory & Membranes** (€34M in FY22): with a 20.89% CAGR in FY19-22, the subdivision has faced no substantial adversities to date. Particularly noteworthy is the sizeable 56.56% **surge in Revenues in FY21**, driven by the sale of products such as the Flame Covid-19 Variants Amplification Kit, catering to Pandemic-related demands.
**2. The Energy & Mobility** division has been severely hit by the Pandemic, resulting in a -4.32% FY19-22 CAGR. All sub-segments **suffered a decline in Revenues**: their contribution to the top-line more than halved since FY19 because of **economic downturns** and the subsequent **destocking issues**. Specifically, the Powertrain & Drivetrain segment (€31M in FY22) recorded a -8.30% FY19-22 CAGR, whereas Safety & Electronics (€22M in FY22) and Sport & Utility (€24M in FY22) experienced a milder decrease (-1.18% and -1.22% FY19-22 CAGR respectively). Since 2018, **no M&A contribution** has uplifted the division, which **struggles to return to pre-Pandemic values**.
**3. The Health & Safety** division experienced **superior growth,** exhibiting a 39.32% FY19-22 CAGR (6.25% organic and 33.07% inorganic), **with the Company's M&A strategy and the flourishing industry landscape as key value drivers.**
*i)* **Personal Safety** (€60M in FY22): with an impressive 58.54% FY19-22 CAGR (11.89% organic and 46.65% inorganic), it is the **sole driver** of the Health & Safety expansion, indicating the **rising significance of the subdivision and the crucial role of RPB acquisition** in expanding the product mix. Experiencing an **unprecedented surge in Sales thanks to Covid-19** related products, **Revenues jumped nine-fold** from €13.97M in FY19 to €132.93M in FY20 (of which €100M for disposable masks). **In the second half of 2021, the demand declined** as the Italian public administration shifted to Chinese suppliers for the purchase of FFP3 masks and partially replaced them with FFP2 ones, area in which GVS was not involved. This explains the contraction to €81.98M in FY21 (of which €51M for disposable masks and €13.33M of inorganic proceeds).
*ii)* **Air Safety** (€5M in FY22): contributing to roughly 1% of Revenues in FY22, the subdivision experienced a -21.14% FY19-22 CAGR, without any M&A contribution. The declining trend underscores its **diminishing relevance** within GVS' business.

**DuPont analysis** – Exhibit 18



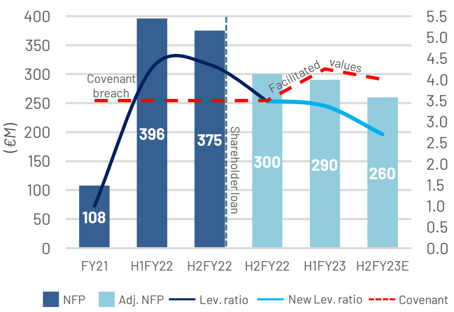

*Source: Company data, team assessment*

**Breakdown of Cash Flow generation** – Exhibit 19



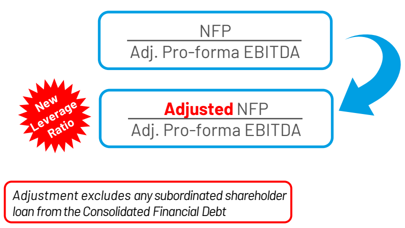

*Source: Company data, team assessment*

**Covenant breach and new leverage ratio** – Exhibit 20




*Source: Company data, team assessment*

**New Leverage Ratio** – Exhibit 21




*Source: Company data, team assessment*

**Future growth projections** – Exhibit 22

| CAGR | 23E-25E | 26E-30E | 31E-35E |
|---|---|---|---|
| **Healthcare & Life Sciences** | **4.18%** | **6.30%** | **3.61%** |
| *Organic growth* | *4.18%* | *3.66%* | *2.75%* |
| *Inorganic growth* | *-* | *2.65%* | *0.86%* |
| **Energy & Mobility** | **4.02%** | **3.33%** | **2.55%** |
| *Organic growth* | *4.02%* | *3.33%* | *2.55%* |
| *Inorganic growth* | *-* | *-* | *-* |
| **Health & Safety** | **8.42%** | **9.89%** | **4.18%** |
| *Organic growth* | *8.42%* | *6.17%* | *4.18%* |
| *Inorganic growth* | *-* | *3.72%* | *-* |
| **Total GVS** | **4.87%** | **6.55%** | **3.59%** |
| *Organic growth* | *4.87%* | *4.83%* | *2.27%* |
| *Inorganic growth* | *-* | *1.72%* | *1.32%* |

*Source: Company data, team assessment*

**Team estimates vs Consensus** – Exhibit 23

| | | FY23E | FY24E | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| Revenues (€M) | Team Est. | 427 | 446 | 470 | 492 | 513 |
| | Consensus | 427 | 445 | 470 | 497 | 521 |
| EBITDAm | Team Est. | 22.27% | 23.90% | 26.07% | 26.90% | 27.57% |
| | Consensus | 22.27% | 24.20% | 26.74% | 27.03% | 28.02% |

*Source: Refinitiv, team assessment*

## PROFITABILITY AND CASH ANALYSIS: AFTER THE ZENITH, A PRONOUNCED SUNSET…

**PROFITABILITY.** GVS has historically reported **solid EBITDAm** (28.27% avg in FY19-22), **which peaked at 37.89% in FY20** due to the surge in demand during the Pandemic and **more than halved in FY22, reaching a value of 17.20%**. The FY22 decrease is due to both the post-Pandemic reduction in Revenues and the **higher impact of costs for raw materials** (+801bps of Sales Ratio in FY22), **personnel expenses** (+271bps of Sales Ratio in FY22) and **service costs** (+324bps of Sales Ratio in FY22). Such increases also explain the dynamic of **EPS**, which fell from €0.39 in FY21 to €0.14 in FY22, and the drop in various profitability measures. Indeed, **ROE** strongly declined from 25.79% in FY21 to 9.67% in FY22, primarily due to the drop in both **ROS** from 22.20% in FY21 to 8.1% in FY22 and **Asset Turnover** from 56.37% in FY21 to 39.48% in FY22 (*Exhibit 18*).

**CASH FLOWS ANALYSIS.** GVS' **Operating Cash Flows** (*Exhibit 19*) have grown at a 16.90% FY19-22 CAGR, reaching a **peak of €105M in FY20.** This rise was primarily driven by a **huge increase in face masks sales**, resulting in an average OCF to Sales Ratio of 22.2%. In turn, **Free Cash Flows have supported**, to some extent, **inorganic growth initiatives** (such as STT acquisition financed with €55M cash) and **shares buy-back** (such as the one realized in FY21-22 for €4.8M). The **CapEx to Sales Ratio** remained quite stable in the last years (6.78% avg. FY19-22). Finally, in recent years, **working capital has absorbed a considerable amount of resources** (avg. Change in WC of €17.02M FY19-22) due to contrasting pressures: *i)* **Days Sales Outstanding** increased from 56 days in FY19 to 68 in FY22, *ii)* **Days Payable Outstanding** instead improved, increasing from 52 days in FY19 to 107 in FY22, *iii)* **Days Inventory Outstanding** rose extraordinarily from 167 days in FY19 to 273 days in FY22 due to client destocking experienced in the Healthcare & Life Sciences and Energy & Mobility divisions.

**CAPITAL STRUCTURE ANALYSIS.** The **Debt-to-Equity (D/E) Ratio** assessed at book values experienced a **substantial surge**, escalating from 41% in FY20 to a notable 145% in FY22, due to **€150M loan in FY21 and €230M loan in FY22 to finance recent acquisitions**. For the €150M financing line, GVS entered into 3 interest rate swaps which allowed to **switch from a variable to a fixed cost of 3%**. Notably, the Company left unhedged the €230M major financing line, with **interest payments determined as the Euribor six-month rate plus a spread** (tied to the Net Financial Position/consolidated EBITDA, from a minimum of 100bps if the ratio is less than 1.25 to a maximum of 245bps if the ratio is greater than or equal to 4). The discernible increase in debt underscores **GVS' heightened reliance on external funding**, strategically employed to sustain its M&A activities. Such decision is reflected in the Company's level of cash, going from €58.54M in FY19 to €135.17M in FY22, which in turn contributed to satisfying levels of the Current Ratio in FY19-21 (avg. 2.44). In FY22, Current Ratio declined to 0.63 due to the **reclassification of €366.60M of long-term debt into short-term debt, originating from a technical covenant breach** that saw GVS surpassing the Leverage Ratio threshold (Net Financial Position/ Adj. Pro-forma EBITDA) of 3.5x in June (*Exhibit 20*). Subsequent negotiations with the pool of lending banks led to the following adjustments to the covenant (*Exhibit 21*):

*i)* **Exclusion of any subordinated shareholder loan from the Consolidated Financial Debt**.

*ii)* **Facilitated thresholds** set at 4.25x for June 2023 and 4.00x for December 2023.

These adjustments aligned with the **€75M shareholder loan agreed by Massimo Scagliarini** in December 2022 and issued in March 2023. Such a strategic move enabled the Company to attain an Adj. Net Financial Position/Adj. Pro-forma EBITDA value of 3.48x in December 2022, thus ensuring compliance with the covenant (*Exhibit 20*). Finally, GVS' **Pay-Out Ratio** stood at 2.40% in FY20 and then experienced a significant uptick in FY21, soaring to 29.84%. This remarkable increase was propelled by the extraordinary profits for the heightened demand of medical devices in response to the global health crisis.

## FUTURE ANALYSIS: …LEADING TO A NEW DAWN

In the section below we proceed to forecast **the Company's future evolution by adopting a top-down approach**. We start by investigating the most likely trajectory of **the Global Filtration Market** through our Industry Proprietary Model, to obtain forecasts of the future demand for the three industries. Next, **by combining these estimates with GVS' current financial structure and competitive positioning**, we assess the Company's future performance and its expected Revenues by end-market, profitability and financial position.

**Shaping Tomorrow: GVS' Journey Across Time Horizons**

Our projections are based on the **Company's capability of seizing growth opportunities** and its resilience in overcoming challenges. We hold an optimistic view for the future, seeing the current landscape as a scenario for the discovery of new paths of growth. Nonetheless, some reservations arise with respect to the Company's full capacity to benefit from the external favorable conditions, stemming from *i)* **GVS' suboptimal positioning** with respect to its competitors and *ii)* an **excessive level of indebtedness**. Indeed, the **current leverage acts as a momentary constraint**, impeding to engage in acquisitions and **explore additional growth opportunities,** disrupting a source of value creation for the Group. In this regard, it is important to underline that the Company pursues **value enhancement through M&A**, prioritizing it over an internal R&D approach. In FY22 the Company allocated 6% of Revenues to R&D, aligning itself with the spending patterns of industrial companies but still stepping behind the average investments performed by MedTech companies.

Building upon this comprehensive overview, we provide a detailed analysis of the pivotal drivers shaping future growth. To forecast GVS' future performance (*Exhibit 22*), we start by estimating its Revenues, considering both current and expected industry trends for all the end-markets as well as its positioning in market niches.

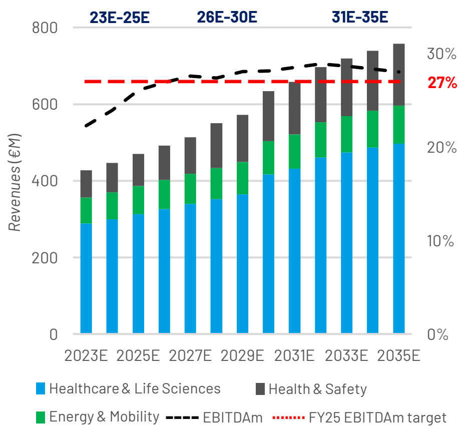
*i)* **Healthcare & Life Sciences**, accounting for 67.50% of Revenues in FY23E, is poised to consolidate its position as the **powerhouse of the Group**, enhancing its significant role in the product range. In the **immediate future**, we believe the division to **further expand its organic trajectory** (4.18% FY23E-25E CAGR), propelled by an elevated demand for medical devices. Diving deeper, a **strategic specialization and focus on membranes production** are foreseen to significantly uplift the Laboratory & Membranes subdivision (4.90% FY23E-25E CAGR). For the **medium-term**, we expect the end-market to sustain its position as the fulcrum of the Group's business, emblematic of a **diversified and continually expanding product portfolio** (3.66% FY26E-30E organic CAGR) reinforced by a **strategic M&A approach** (2.65% FY26E-30E inorganic CAGR). In the very **long-term** we foresee **moderate growth rates** (3.61% FY31E-35E CAGR, comprised of 2.75% organic and 0.86% inorganic), due to market crowding and declining trend drivers.

*ii)* **Energy & Mobility**, accounting for 15.89% of Revenues in FY23E, is likely to progressively **reduce its top-line contribution**. After an **initial period of growth**, influenced by the post-Pandemic and energy crisis **investments' rebound** (4.02% FY23E-25E CAGR), in the **medium-term** we expect **subdued growth** (3.33% FY26E-30E CAGR), diverging from the industry average (4.58% FY26E-30E CAGR). This trajectory results in line with the **division's presently lackluster performance** and the future fierce competition. The **E-mobility poses both threats and opportunities** (the lower amount of filters needed is partially mitigated by higher prices), which result in a negative balance for GVS, given the **Company's lack of interest in riding this trend**. **Long-term** growth forecasts confirm such diminishing trend (2.55% FY31E-35E CAGR), with GVS trailing behind the growth rates observed within the sector.

*iii)* Lastly, an expanding influence on the top-line growth stems from **Health & Safety**, accounting for 16.61% of FY23E Revenues. Our **short-term** projections foresee a continuous **upswing in the organic contribution** of the division, exhibiting high single-digit growth rates (8.42% FY23E-25E CAGR) and soaring to 17.75% of FY25E Revenues. This surge is attributable to the strong attractiveness of the **premium price-quality relationship** of its protective masks and respirators, providing a competitive edge that positions the Company to **outperform the benchmark** (8.08% FY23E-25E industry average CAGR). Moreover, we expect a **strong medium-term growth** (9.89% FY26E-30E CAGR, comprising of 6.17% organic and 3.72% inorganic), determined by the increasing need for safety devices and reinforced by inorganic contributions. In the **long-run** we expect a sustained growth (4.18% FY31E-35E CAGR) driven by a **broader product portfolio**, coupled with **heightened competition.**

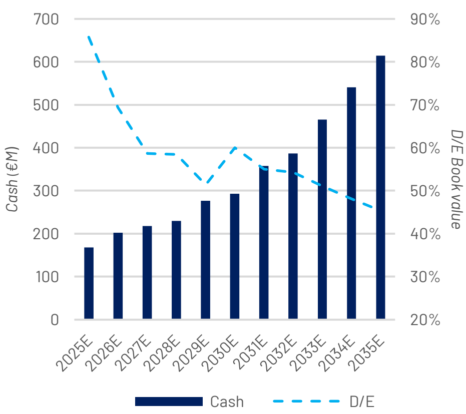
**MARGINS.** In FY23E we expect that **EBITDAm will remarkably exceed the value reported in FY22** (from 17.20% to 22.27%) (*Exhibit 23*), primarily due to *i)* a slightly lower impact of **raw materials costs** (-328bps of Sales Ratio in FY23E) and almost unchanged **personnel expenses** and *ii)* an average +5% **increase in final product prices** (*source: Company information*). Indeed, the Company only partially shifts the inflationary pressure onto final consumers to maintain market appeal, in line with the business strategy to adopt competitive pricing. For the near future we prudently expect a **comeback to pre-Pandemic margins in FY26E**, slightly below the Company's declared 27% target for FY25E (*Exhibit 24*). Looking ahead, margin improvement unfolds gradually, driven by aligning the top-line with the thriving industry and easing cost burdens. Taking into account **GVS' suboptimal positioning**, our approach foresees a sizable increase in Revenues. Indeed, despite the Company **falls slightly short of the market leaders**, its performance **benefits from external favorable conditions.**

## GVS' Revenues by end-market – Exhibit 24



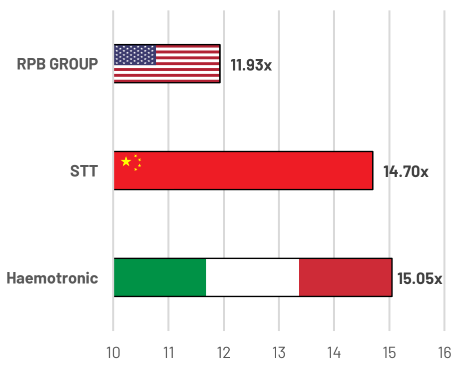

Source: Company data, team assessment

## Indebtedness and Cash – Exhibit 25



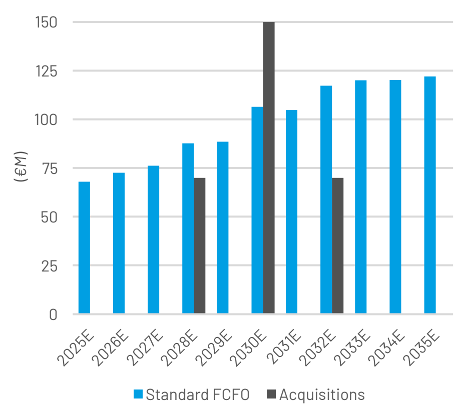

Source: Company data, team assessment

## Historical M&A EV/EBITDA – Exhibit 26




Source: Company data, team assessment

## Standard FCFO and Acquisitions – Exhibit 27




Source: Company data, team assessment

## DCF stages data – Exhibit 28

| | FIRST STAGE | SECOND STAGE | TERMINAL VALUE |
|---|---|---|---|
| Years | 2025E-2030E | 2030E-2035E | >2035E |
| Sales CAGR | 6.17% | 3.59% | 2.50% |
| Average EBITm | 19.49% | 20.27% | 20.23% |
| % on EV | 17.12% | 18.54% | 64.34% |

Source: Company data, team assessment

At the same time the Company's **M&A track record instills confidence** about its ability in seamlessly integrating the recent acquisitions (STT and Haemotronic) and extracting cost synergies. **Reallocating production lines and reorganizing operational activities** allow the Company to refine its cost structure within the claimed timeframe.

**CASH-FLOWS.** GVS will experience a **sustained cash generation** (*Exhibit 25*) in the coming years, strategically allocated towards both **deleveraging** and operating activities. The Standard OCF is expected to rise at a 7.73% FY23E-33E CAGR. The Standard FCFF exhibits an increase at 8.44% FY23E-33E CAGR, with occasional decreases in years characterized by potential acquisitions. Relevant to equity holders, we project a rapid growth in Standard FCFE (24.95% FY23E-33E CAGR), peaking at €120.33M in FY33E. **This solid cash generation suggests a future dividends distribution** with an average Pay-Out Ratio of 27.40% in FY27-35E.

**CAPITAL STRUCTURE. The current level of indebtedness** represents a constraint which **negatively affects the ability of the Company to engage in M&A activities** in the near future. For this reason, we believe that **GVS must give priority to a deleveraging strategy**. In the medium term, after the **restoration of a viable capital structure**, we expect that the Company will finance its M&A activities only partly with debt, not to burden its financial position again. In this regard, the Company revolves around deleveraging, but this strategic pursuit takes a temporary halt when potential acquisitions arise, leading to a deliberate rise in debt. In addition, the expected uptick in EBITDA and the reduction in Net Financial Position make the likelihood of covenant breaches highly remote in the future. Overall, we are confident about the **Company's capability to keep a balanced capital structure and maintain a sustainable Leverage Ratio**. However, any deviation from such a path could potentially hinder the Company's growth.

## HISTORICAL M&A: DAZZLING LIGHT, CONCEALING SHADOWS

With 17 acquisitions since 2009, **M&A strategies lie at the heart of GVS' business model**. Specifically, the growth witnessed by the Company in the post-Pandemic years has been exclusively steered by strategic acquisitions. The common threads of M&A operations rest in the need to **further enlarge the product mix and increase GVS' physical presence** in both established and emerging markets, perfectly reflected in the three latest acquisitions. a) **RPB Group**, acquired in September 2021 for €172M, is specialized in the design and manufacture of respiratory protection equipment. It serves as a **core example of the product portfolio enrichment and vertical integration strategy**, aimed at boosting the production of professional respirators. The 11.93x EV/EBITDA multiple paid (*Exhibit 26*) is supported by the opportunity to enter in new segments of Supplied Air Respirators (**SARs**) and Powered Air Purifying Respirators (**PAPRs**). Additional synergies come from the extension of the Elipse customer base to the RPB world and the internalization of various stages of its production process; b) **Shanghai Transfusion Technology** (**STT**), acquired in December 2021 for €55M, is engaged in the manufacturing of products related to blood management. **This geographical expansion has opened the doors to the appealing Chinese market** justifying the 14.70x EV/EBITDA multiple; c) **Haemotronic SpA**, acquired in May 2022 for €212M, manufactures pharmaceutical disposable bags and other medical components, further broadening GVS' portfolio. The high price paid for this deal, 15.05x EV/EBITDA multiple, is explained by the **strong reinforcement in the US and European markets and cost synergies related to Haemotronic's manufacturing sites in Mexico.**

**Venturing East: Seizing Opportunities in the Chinese Market**

In the expansive world of filtration, it appears that GVS is skillfully attempting to mirror and adopt certain strategies that have proven profitable for the industry giants. Within the Healthcare sector, M&A activities represent typical strategies that companies pursue to enhance their competitive position. In this regard, **GVS' recent foothold in China achieved through the acquisition of STT** aligns with the broader industry trend of seeking to penetrate a market rich in lucrative prospects, such as the Chinese landscape. Considering the notable escalation in China's medical technology market, which exhibits a pronounced increase in size from €20.4B in FY17 to €30.6B in FY22 (*source: Statista*), the Chinese government designed expansionist initiatives to promote the development and use of local medical devices. A €9M earn-out, associated with the STT transaction, is directly linked to the commercialization of a novel product —**sterile prefilled syringes**— into the market, for which **GVS has been granted an exclusive certification by the Chinese government**.

## FUTURE M&A: DARK CLOUDS, BRIGHT HORIZONS

GVS' value creation is fueled by its product development strategy, with **M&A activities playing a crucial role**. Historically, the Group has fostered volume growth and cost easing by penetrating in adjacent niches or extending the product range. Our future outlook underscores the Company's M&A reliance to both enhance and diversify the product portfolio, all while taking into account the ongoing commitment to deleveraging and integrating acquired entities. **We deem realistic the Group will focus on a deleveraging strategy, reducing or not performing at all M&A for a while**. Indeed, in our model, acquisitions are suspended until FY27 (*Exhibit 27*), as **the Company's prevailing financial conditions act as a temporary deterrent to inorganic growth in the short term**. Once optimal conditions are restored, we expect an **acceleration in the Personal Safety segment**, marked by higher growth rates. In FY28, GVS may venture into the firefighting niche with a €70M investment, broadening its product portfolio with technologies such as Self-Contained Breathing Apparatus (SCBA) and **catching up to competitors** like Dräger and MSA. In subsequent years, the Company's major challenge will be the **complete transition from an Industrial entity to a MedTech company**, which is the key rationale behind future acquisitions. The Company will **reinforce its presence in the Healthcare Industry**, embarking on a dual strategy: an acquisition for €150M in the Healthcare Liquid subdivision in FY30, extending into therapeutic apheresis, and a €70M investment in the Laboratory & Membranes segment in FY32, specifically targeting advancements in nanofiltration and reverse osmosis, critical technologies in the industry. In addition, this acquisition may empower GVS to pioneer innovative membrane solutions such as green hydrogen membranes. **We do not foresee any M&A activities in the Energy & Mobility segment**, considering both the Company's growing interest in converging to the MedTech Industry, which justifies the lower contribution of this division to Group's Sales, and the long time since the last acquisition occurred in this sector. Finally, **well-spaced intervals acquisitions will enable the Company to efficiently extract synergies**: this strategic approach allows for meticulous integration processes and ensures a measured optimization of resources, ultimately contributing to the Group's sustained growth and competitive advantage.

| *TABLE 1 – IS at a glance* €M | 2022 | 2023E | 2024E | 2025E | 2026E | 2028E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|---|
| **Revenues (Breakdown by End-Market)** | **388** | **427** | **446** | **470** | **492** | **550** | **634** | **757** |
| Healthcare & Life Sciences | 245 | 288 | 299 | 313 | 326 | 352 | 417 | 497 |
| Energy & Mobility | 77 | 68 | 70 | 73 | 76 | 81 | 87 | 99 |
| Health & Safety | 65 | 71 | 77 | 83 | 89 | 117 | 130 | 161 |
| Other Revenues | 4 | 5 | 5 | 6 | 6 | 7 | 8 | 11 |
| **Operating Costs** | **(325)** | **(336)** | **(343)** | **(351)** | **(364)** | **(404)** | **(462)** | **(553)** |
| **EBITDA** | **67** | **96** | **108** | **124** | **134** | **152** | **181** | **215** |
| **EBITDAm** | 17.20% | 22.27% | 23.90% | 26.07% | 26.90% | 27.38% | 28.12% | 28.01% |
| D&A | (38) | (39) | (38) | (38) | (37) | (45) | (53) | (59) |
| **EBIT** | **29** | **57** | **69** | **86** | **96** | **107** | **127** | **155** |
| EBITm | 7.39% | 13.23% | 15.39% | 18.09% | 19.34% | 19.22% | 19.83% | 20.23% |
| **Net Income** | **24** | **31** | **41** | **53** | **63** | **70** | **82** | **101** |

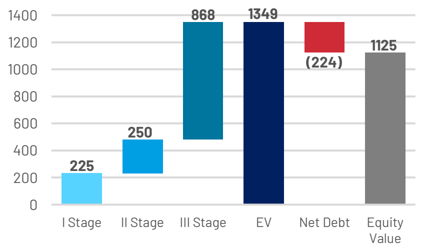
Source: Company data, team assessment

# Valuation

## VALUATION METHODS

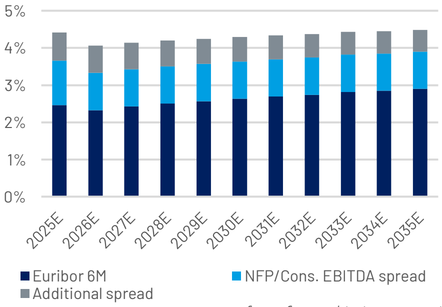
**We issue a HOLD recommendation on GVS, with a 1Y Forward forecasted target price of €6.42 corresponding to a 5.25% upside** on 9th February 2024 closing price. We obtain our target price by running a **Discounted Cash Flow to Firm Model**. We believe that the **DCF method is the most appropriate approach to value GVS** (*Exhibit 28*), given the Company's specific business model and the absence of proper comparables. To reinforce our investment recommendation, **we also perform a complementary market-based Multiple Valuation using both Enterprise Value to EBITDA Ratio (EV/EBITDA) and Price Earnings Ratio (P/E)**. In addition, to assess the robustness of our target price in response to shocks in key business variables, we operate the following analyses: Monte Carlo simulation, Sensitivity, and Tornado. Finally, we also investigate the impact of an overly aggressive M&A scenario in the short-term on GVS' target price (*Annex 18*).

**DCF bridge** – Exhibit 29



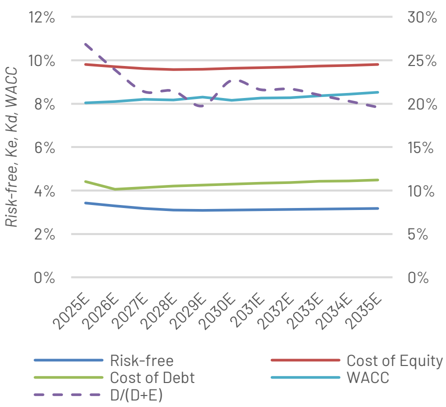

Source: Company data, team assessment

**Forecasted cost of debt** – Exhibit 30




Source: Company data, team assessment

**WACC composition** – Exhibit 31



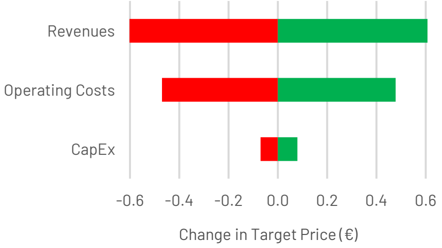

Source: Company data, team assessment

**Sensitivity analysis**– Exhibit 32

| Δ TERMINAL GROWTH RATE | PRICE | Δ WACC -0.75% | -0.50% | -0.25% | 0% | 0.25% | 0.50% | 0.75% |
|---|---|---|---|---|---|---|---|---|
| | 0.75% | 8.20 | 7.75 | 7.34 | 6.97 | 6.62 | 6.30 | 6.00 |
| | 0.50% | 7.93 | 7.51 | 7.13 | 6.77 | 6.44 | 6.14 | 5.85 |
| | 0.25% | 7.69 | 7.29 | 6.93 | 6.59 | 6.28 | 5.99 | 5.72 |
| | 0% | 7.46 | 7.09 | 6.71 | 6.42 | 6.13 | 5.85 | 5.59 |
| | -0.25% | 7.25 | 6.90 | 6.57 | 6.27 | 5.98 | 5.72 | 5.47 |
| | -0.50% | 7.06 | 6.69 | 6.41 | 6.12 | 5.85 | 5.59 | 5.35 |
| | -0.75% | 6.88 | 6.56 | 6.26 | 5.98 | 5.72 | 5.48 | 5.24 |

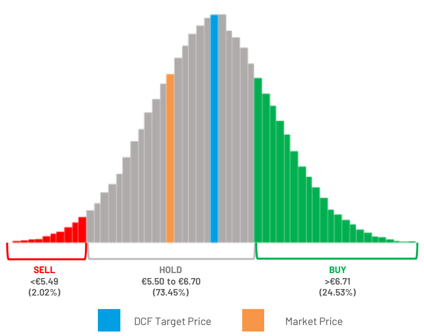
Source: Company data, team assessment

**Tornado chart**– Exhibit 33




Source: Company data, team assessment

**Monte Carlo simulation on DCF** – Exhibit 34




Source: Company data, team assessment

## DISCOUNTED CASH FLOW MODEL

We use a 3-stage DCF approach (*Exhibit 29, Table 2*) to discount the future expected Free Cash Flow to Firm carefully estimated in accordance with the hypotheses outlined in the previous "Future Analysis" and "Future M&A" sections.
*i)* The **first stage** spans from FY25E to FY30E, when **Revenues expansion is expected to be primarily organic**. This growth is **supported by a sharp demand** for medical equipment within H&LS and safety devices in H&S, and a post-Pandemic rebound in E&M. In addition, **new acquisitions starting from FY28E delineate a distinct contribution embodying inorganic growth, which complements the organic path**. We foresee these acquisitions to be the main capital outlay, with an average 6.6% CapEx to Sales Ratio in FY25E-30E.
*ii)* The **second stage** covers the years FY31E-35E and will be characterized by a **moderate growth** attributed to **heightened competition and relatively weaker competitive edge**. The expansion will also result from the **full integration of previously acquired companies, coupled with additional inorganic contributions**, allowing the Company to maintain the 28% targeted EBITDAm. Moreover, in this stage CapEx will become pure maintenance CapEx, with a value converging to the forecasted D&A.
*iii)* The **third stage** employs a perpetuity method with a constant 2.50% long-term growth, in line with our forecasted **steady state of the Global Filtration Market**, reflecting: *i)* **market crowding** and *ii)* **suboptimal positioning.**

**TABLE 2 - DCF**

| €M | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|
| **Revenues** | 470 | 492 | 513 | 550 | 572 | 634 | 757 |
| **Operating Costs** | (351) | (364) | (376) | (404) | (417) | (462) | (553) |
| **EBIT** | 86 | 96 | 106 | 107 | 117 | 127 | 155 |
| Taxes | 23 | 26 | 29 | 29 | 31 | 34 | 42 |
| **NOPAT** | 63 | 70 | 77 | 78 | 85 | 93 | 114 |
| D&A | 38 | 37 | 37 | 45 | 46 | 53 | 59 |
| Change in the WC | (2) | (5) | (6) | (5) | (6) | (5) | (0) |
| CapEx | (30) | (33) | (36) | (35) | (39) | (42) | (59) |
| **Standard FCFO** | 68 | 73 | 76 | 88 | 89 | 106 | 122 |
| Acquisitions | - | - | - | (70) | - | (150) | - |
| **Standard FCFF** | 68 | 73 | 76 | 18 | 89 | (-44) | 122 |
| **Present Values** | 63 | 62 | 60 | 13 | 60 | (-27) | 51 |
| **Target Price** | €6.42 | | | | | **Terminal Value** | €4.13 (64.33%) |

Source: team assessment

## WACC

Our DCF valuation employs a **dynamic WACC** (*Exhibit 31, Table 3*) changing over time according to our estimated Debt/Equity Ratio evolution and **geographic composition of Revenues**. Our assumptions are the following:
*i)* For the **Risk-Free Rate**, we opt for a **geographically weighted basket**, including the German Bund, Treasury Bills, Asian Bonds and a term structure representative of other countries. This approach is chosen to better reflect GVS' diverse commercial and productive activities across various regions. The corresponding yield curve will be downward sloping, starting from 3.42% in FY25E to 3.17% in FY35E, reaching a minimum in FY29E.
*ii)* **Financial Leverage** (D/(D+E) assessed at market values) moves from 26.84% in FY25E to 19.61% in the long run.
*iii)* The **Cost of Debt** is computed taking into account the Company's current financing conditions. It is represented by the **Euribor at 6-month plus a spread tied to the NFP/Consolidated EBITDA** as specified in the covenant's metrics. Moreover, **we decide to be prudent and include an additional spread** to incorporate the Company's capital structure and possible future variability (*Exhibit 30*).
*iv)* The **Cost of Equity** is derived from the **CAPM: the Equity Risk Premium changes over time** according to the change in the Group's Revenues composition (Annex 14), whereas the **Beta** is obtained through a **linear regression** of weekly observations of GVS excess returns since IPO on the corresponding STOXX600 Europe excess returns (Annex 15).

**TABLE 3 – WACC COMPONENTS**

| | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|
| Weighted risk-free rate | 3.42% | 3.30% | 3.18% | 3.10% | 3.09% | 3.11% | 3.17% |
| **Cost of Debt (Rd,Kd)** | 4.41% | 4.06% | 4.14% | 4.20% | 4.25% | 4.29% | 4.48% |
| **Cost of Equity (Re,Ke)** | 9.80% | 9.71% | 9.62% | 9.57% | 9.59% | 9.63% | 9.80% |
| Equity Risk Premium (ERP) | 6.65% | 6.68% | 6.71% | 6.74% | 6.77% | 6.80% | 6.91% |
| Beta | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 |
| **D/(D+E) Market Value** | 26.84% | 23.93% | 21.40% | 21.49% | 19.76% | 22.68% | 19.61% |
| **E/(D+E) Market Value** | 73.16% | 76.07% | 78.60% | 78.51% | 80.24% | 77.32% | 80.39% |
| **WACC** | 8.04% | 8.09% | 8.20% | 8.17% | 8.30% | 8.16% | 8.52% |

Source: team assessment

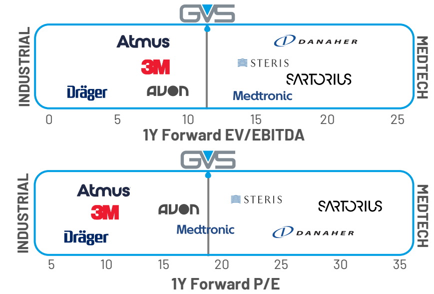
## ROBUSTNESS ANALYSIS

**SENSITIVITY ANALYSIS.** We evaluate the robustness of the DCF 1Y-forward target price to **changes in fundamental variables**. Since the Terminal Value accounts for roughly 64.34% of the Enterprise Value (EV), we undertake this analysis to emphasize the impact of two key factors in our DCF model –the perpetual Weighted Average Cost of Capital (**WACC**) and the **long-term growth rate**– in shaping the target price. The results (*Exhibit 32)* highlight a maximum drawdown of 14% (compared to the current market price) in case of large adverse variations in the parameters and significant growth opportunities in case of positive variations. According to our sensitivity analysis, the **HOLD scenario is the most frequent** (57% of total scenarios vs. 35% BUY and 8% SELL).
**TORNADO CHART.** *Exhibit 33* shows the effect of a 2% persistent shock in **Operating Costs** (raw materials purchases and personnel expenses), **Revenues and CapEx** on the DCF target price. Our results highlight that **the target price is more sensitive to shocks in Revenues and Operating Costs** and less vulnerable to shocks in CapEx.
**MONTE CARLO ANALYSIS.** To assess the variability of our DCF 1Y-Forward target price, we carry out a simulation comprising **100.000 scenarios to evaluate the potential impact of quantifiable risks** on our valuation. By incorporating critical parameters as variables, including Revenues, raw materials costs, and personnel expenses, we derive a share price distribution with an average of €6.42. The distribution reveals a probability of the share value falling within both >10% upside (our threshold for a BUY recommendation) and >10% downside (our threshold for a SELL recommendation) in 73.45% of the cases (*Exhibit 34*). Conversely, the probability of a downside amounts to 2.02%, while that of an upside reaches a considerable 24.53%.

## MULTIPLE VALUATION

Despite the difficulty in drawing comparisons with other companies due to the **distinctive nature of GVS' business model**, a Multiple Valuation approach may convey interesting insights on the market-based expectations. Therefore, we use it only to validate our investment thesis. More precisely, in line with the **Peers Selection** (Annex 16), we create a set of comparable companies by assigning a distinct score to each company, according to its degree of comparability based on **qualitative** (product mix and business model) and **quantitative metrics** (size, profitability, risk and capital structure).

**Multiple valuation** – Exhibit 35



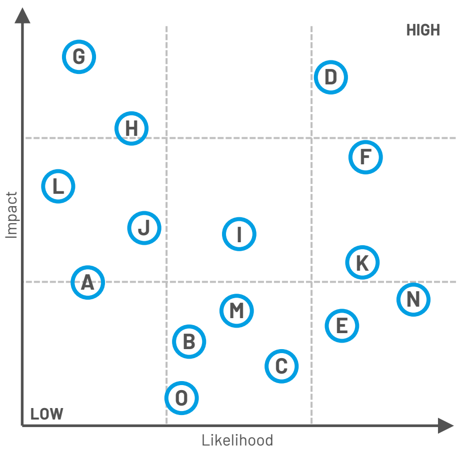

Source: Refinitiv, team assessment

**Risk Inventory** – Exhibit 36

| | MARKET |
|---|---|
| A | Interest rate risk |
| B | Inflation risk on margins |
| C | Macroeconomic conditions risk |
| D | Supply chain market breakdown risk |
| | **OPERATIONAL** |
| E | M&A execution risk |
| F | Employee turnover risk |
| G | Loss of key figure risk |
| H | Client destocking risk |
| I | Competition risk |
| J | Technological risk |
| | **LEGAL** |
| K | Regulatory and legal risk |
| L | Reputational risk |
| | **FINANCIAL** |
| M | Liquidity risk |
| N | Exchange rate risk |
| O | Credit risk |

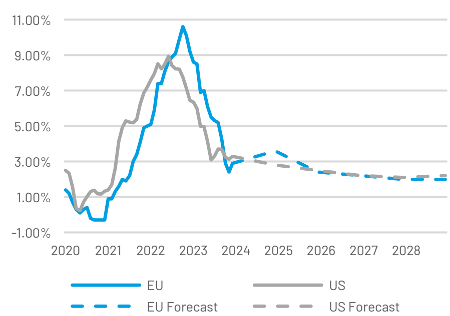
Source: team assessment

**Heat map**– Exhibit 37




Source: team assessment

**Inflation rate evolution** – Exhibit 38

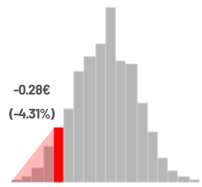
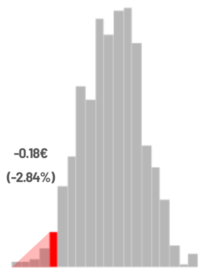
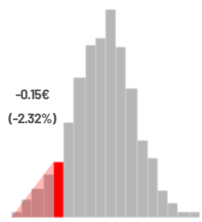
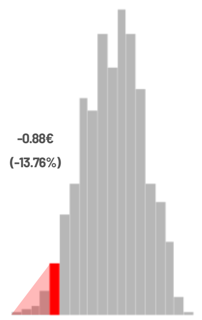
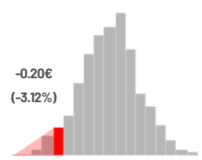
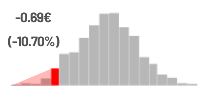



Source: FRED, Refinitiv, team assessment

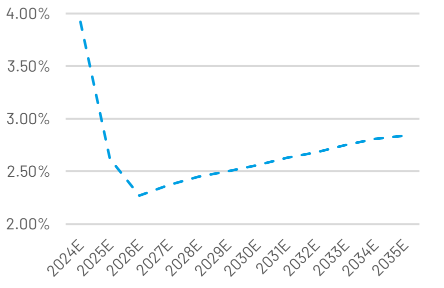
In this regard, each metric contributes differently to the comparability score and a **great emphasis is placed on the product mix**. In the next step we use the resulting set of comparable companies to create a basket of peers which serves as input for the Multiple Valuation, **based on a sequential weighting average mechanism**. More precisely, **we assign a weight to each selected comparable according to both the score derived from the model discussed above and the relative importance of each peer's industry with respect to GVS' Revenues breakdown**. Such a meticulous selection of peers serves to obtain a proper weighted basket for our Multiple Valuation. Then, for each comparable we compute the 1Y Forward Enterprise Value to EBITDA Ratio (**EV/EBITDA**) and Price Earnings Ratio (**P/E**) to comprehensively account for potential future growth opportunities (*Exhibit 35*, *Annex 17*). Finally, we evaluate the basket's weighted average of these multiples, which amount to 12.85x and 19.34x respectively. By applying them to GVS' 1Y Forward EBITDA and EPS (*Annex 17*), we get a price of €6.65 (+9.02% upside) and €6.06 (-0.66% downside) which **confirms our HOLD recommendation**.

# Investment Risks

Risk is an inherent aspect of all business activities. The following section presents market and business-related uncertainties, with the aim of shedding light on GVS' risk factors that could affect our investment thesis (*Exhibit 36*). Our analysis is based on the likelihood and the impact of each risk (*Exhibit 37*) on the Company's key financials, and consequently on our target price in the Worst-Case Scenario (WCS). In addition, we provide further insights in *Annex 19*.

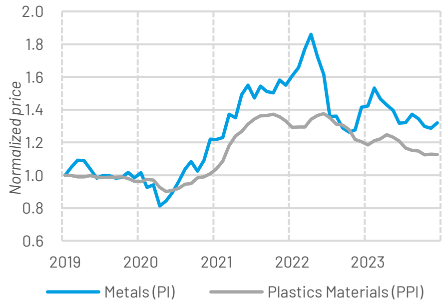
| | RISK (LIKELIHOOD) | VALUATION IMPACT |
|---|---|---|
| MARKET | **A) INTEREST RATE RISK (LOW)**: Inflation (*Exhibit 38*) typically leads to an increase in interest rates, unfavorably impacting the **Company's funding costs as the Group heavily relied on debt to finance its acquisitions**. While a substantial portion of debt is subjected to **fixed rates**, a significant component is based on the **Euribor six-month rate** (*Exhibit 39*) **plus a variable spread**, contingent on the ratio between consolidated Net Financial Position and consolidated EBITDA.<br>**MITIGATION**: On several occasions in the past, the Company has engaged in **swap derivative contracts** to convert floating into fixed rates, offering **protection against fluctuations** in interest rates. However, analysts foresee that Central Banks will suspend a further increase in interest rates, with an **expected decrease in the upcoming year, resulting in a low likelihood of occurrence** of this risk. | **WCS: +150bps Euribor**<br> |
| MARKET | **B) INFLATION RISK ON MARGINS (MEDIUM)**: GVS is susceptible to this risk due to its **dependence on personnel expenses and raw materials**, including plastic granules, plastic filter media, mesh and membranes. In recent years, such costs have risen accounting for 30% and 36% of FY22 Revenues respectively. Factors such as **geopolitical instability**, **conflicts and inflation** have the potential to drive up production expenses for crude oil and petrochemicals, consequently **impacting on plastics prices** (*Exhibit 40*). Higher costs and lower margins can **jeopardize the compliance with financial covenants**, thereby exacerbating the Company's already precarious financial situation.<br>**MITIGATION**: The Group could potentially harmonize this risk by leveraging on its internal synergies, fostering a more **vertically integrated organizational structure** (exemplified by the acquisition of Maine Manufacturing in 2012, which allows GVS to produce most of its membranes' needs internally). Moreover, the Company shows a valuable **elasticity in sales pricing** as it promptly reflects alterations in raw materials purchase costs, implementing a slight increase in products' prices (5% increase in FY23E; *source: Company information*). | **WCS: -200bps EBITm**<br> |
| MARKET | **C) MACROECONOMIC CONDITIONS RISK (MEDIUM)**: The Group's performance is intricately tied to the **prevailing global economic dynamics**, particularly within key regions such as Europe, US, South America and China. A protracted economic downturn in any of these regions or on a global scale has the potential to induce a **substantial contraction in the demand** for the Company's products, thereby impacting its economic and financial position.<br>**MITIGATION**: Unfortunately, this risk remains **non-mitigable**, given that the main customers comprise other companies, which are in turn sensitive to the challenges of global economy, particularly in the Energy & Mobility division. The Company, however, could strategically minimize the risk by sharpening its **focus on the Healthcare sector**, characterized by a lower sensitivity to macroeconomic fluctuations, and further **diversifying its products across various geographical areas**, attenuating its susceptibility to crises in any singular country. | **WCS: +100bps Cost of Debt**<br> |
| MARKET | **D) SUPPLY CHAIN MARKET BREAKDOWN RISK (HIGH)**: Any disruption in the **availability of essential components and materials** would have a detrimental impact on the production of specific products. In cases where authorized products face shortages, **new approvals may be needed** to use replacement components. Within the intricate landscape of the supply chain, the Group has discerned pivotal risks, including adherence to human rights, environmental preservation, workplace health and safety, corruption and quality of both raw materials and finished products. **GVS ensures that its suppliers adhere to behavioural principles aligned with industry best practices**.<br>**MITIGATION**: The supply chain undergoes **continual scrutiny** through the examination of incoming materials, monitoring various performance indicators, conducting audits at production sites and validating the status of quality, environmental, health, and safety certifications. To prevent shortages, **each production plant maintains a stock of raw and semi-finished materials**, providing coverage for approximately one month. An additional measure for risk mitigation could involve the **settlement of extended-term supply contracts**. Lastly, with facilities strategically positioned worldwide, GVS adeptly addresses the difficulties in securing raw materials, as accomplished in the recent plastic supply crises. The Company seamlessly sourced the required materials from **Chinese manufacturers**, showcasing the advantages derived from its **diversified geographical presence**. | **WCS: +150bps Raw Material Purchase**<br> |
| OPERATIONAL | **E) M&A EXECUTION RISK (HIGH)**: This risk is linked to the challenge of either **integrating acquired companies or identifying underperforming businesses during the target selection process**. Companies' acquisitions might not always result in the expected efficiency and synergies, and the harvest of their integration may take time to be fully reaped, leading to unforeseen losses.<br>**MITIGATION**: Prudent management of this risk entails **meticulous analysis of target companies** through a Due Diligence process, with a particular emphasis on **evaluating potential synergies** and the subsequent increase in operating profitability margins and cash flows. Drawing upon **the Company's past experience and track record in M&A**, GVS is capable to approach such decisions in a conscientious and careful way (*Exhibit 41*). | **WCS: -125bps EBITDAm**<br> |
| OPERATIONAL | **F) EMPLOYEE TURNOVER RISK (HIGH)**: The inability to retain highly qualified personnel (*Exhibit 42*) can be a significant challenge for the Company. **Losing skilled and experienced employees can lead to disruptions in productivity**, increased recruitment costs and loss of know-how.<br>**MITIGATION**: GVS aims at cultivating **enduring relationships with key members and talented individuals** by implementing performance-based compensation structures, providing training opportunities and highlighting avenues for professional growth. | **WCS: +150bps Personnel costs**<br> |

**Euribor six months yield curve** – Exhibit 39



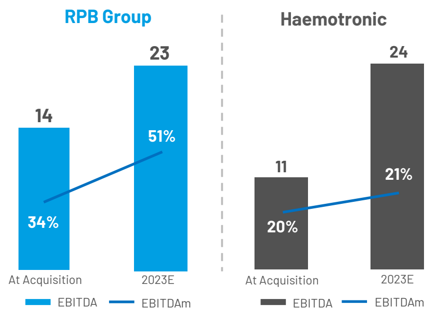

*Source: Refinitiv, team assessment*

**Commodities price evolution** – Exhibit 40



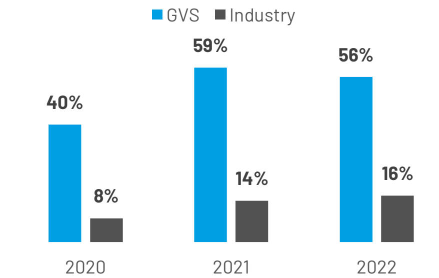

*Source: ECB, FED, team assessment*

**EBITDAm dynamics in M&A** – Exhibit 41




*Source: Company data, team assessment*

**Turnover of employees** – Exhibit 42



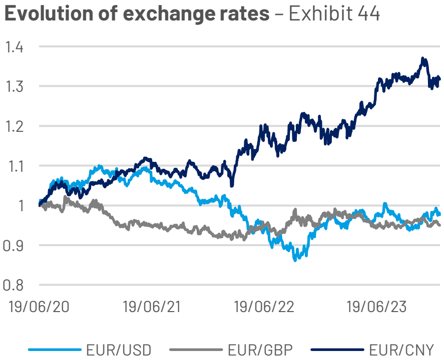

*Source: Refinitiv, team assessment*

**Quality certificates** – Exhibit 43

| | |
|---|---|
| ITA | IATF 16949 2016 - IATF 16949 2016 - ISO 9001 2015 - ISO 13485 |
| UK | ISO 9001 2015 - ISO 13485:2016 |
| RO | ISO 9001 2015 - ISO 13485:2016 - IATF 16949 2016 |
| USA | IATF 16949:2016 - ISO 13485:2016 - IATF 16949:2016 - ISO 9001:2015 - ISO 13485:2016 - ISO TS 16949:2016 - ISO 9001:2015 - ISO 13485:2016 - ISO 9001 - ISO 9001 |
| CHN | IATF 16949:2016 - ISO 9001 2015 - ISO 13485 2016 |
| MX | ISO 9001 2015 - ISO 13485:2016 - IATF 16949 2016 |
| BR | NBR ISO 9001 - IATF 16949:2016 |

*Source: Company data, team assessment*

**Evolution of exchange rates** – Exhibit 44




*Source: Refinitiv, team assessment*

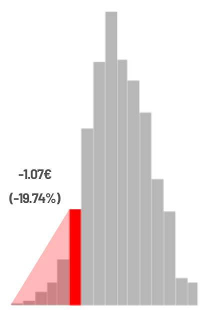
| RISK (LIKELIHOOD) | VALUATION IMPACT |
|---|---|

**OPERATIONAL**

**G) LOSS OF KEY FIGURE RISK (LOW):** GVS is characterized by the **highly concentrated Scagliarini Governance system**, wherein 60% of shares and 73.68% of voting rights are firmly held in the family's hands. The departure of key figures from GVS' leadership ranks, particularly if this involves the CEO Massimo Scagliarini, could lead to a loss of trust among clients and suppliers, **negatively impacting a business model built on creating long-lasting customer relationships**. This risk could arise from a potential takeover: market dynamics often see industry giants, endowed with significant financial resources, pursuing rapid expansion through M&A strategies.

**MITIGATION:** The potential shocks of such a risk on GVS' future trajectory are intense. However, the enduring **dedication of the family to the Company** acts as a substantial mitigating factor, as it is unlikely for the entire family to collectively opt for abandonment. Moreover, the Board of Directors comprises individuals with a solid background in both practical experience and academic study, capable of upholding the Company's standards and social mission, even in the event of Massimo Scagliarini's departure. To address this potential scenario, **GVS approved a Contingency Plan, which defines how to manage the transitional period of absence of the CEO**.

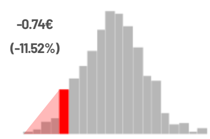
**WCS: +100bps WACC**




**H) CLIENT DESTOCKING RISK (LOW)**: **Weak market demand** poses a substantial threat to the Group's stability, as witnessed in FY22 with the **client destocking**. Following two years of unprecedented Pandemic-related growth, the swift normalization of demand has resulted in a **decline in orders** for many manufacturers operating in the Healthcare and Mobility industries. This challenge may persist until the **inventory destocking cycle** comes to an end.

**MITIGATION:** Regrettably, this risk is inherently **non-mitigable** as it closely mirrors the undulating nature of the business cycle. This destocking phenomenon stems directly from the challenges posed by the Pandemic. However, it is important to underline that this is a **low probability event**, given the ongoing recovery of the whole economy.

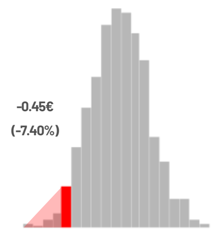
**WCS: -2.5% Revenues**




**I) COMPETITION RISK (MEDIUM)**: **Despite the Company's strategic presence in market niches, the risk of specialized competitors poses a significant challenge**. Further risks could arise from a **change in the competitive environment**, such as **further consolidation** in the markets or **new competitors' entrants**, for example in China, thereby heightening the potential downside risk for GVS due to escalated competitive pressures.

**MITIGATION:** GVS mitigates this risk by leveraging on existing **patents that safeguard the design and technological aspects** of their products, as well as **trademarks that support the brand recognition**. The Group, endowed with a comprehensive product portfolio, provides customers with a wide range of high-tech solutions, thereby sustaining a commendable market share. Nonetheless, the **protracted absence of innovative patented products may negatively affect GVS' market share** in the future. On the other hand, in recent years, the Company has strategically pursued new acquisitions, thus fortifying its market position and opening new potential synergies.

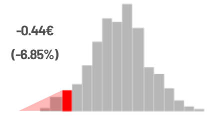
**WCS: -1.50% Market Share**




**J) TECHNOLOGICAL RISK (LOW)**: **Innovation is fundamental** in all Filtration related business sectors. Hence, we believe that the failure to provide **cutting-edge technologies** or a deficiency in fostering innovation could prove detrimental to the Group's competitive position. The possibility of **introducing a new offering behind competitors** holds the potential for economic and financial repercussions.

**MITIGATION:** Sustaining a **proactive approach in developing new products** remains imperative for the Group to consistently elevate customer satisfaction and maintain a competitive edge. With a global network of R&D sites, GVS aims at following new market trends and improving existing products.

**WCS: -75bps Terminal Growth**

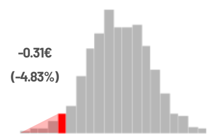



**LEGAL**

**K) REGULATORY AND LEGAL RISK (HIGH)**: Engaged in the Filtration Industry, GVS is subject to **precise legislation dictating the quality and safety parameters of its products**, safeguarding registered patents and adhering to specific regulations for production plants. Modifications to regulatory frameworks can potentially exert influence, necessitating adjustments and refinements to ensure committed compliance.

**MITIGATION:** The mitigation of this risk is effectively guided by the **Director's proficiency in adhering to the most stringent regulatory frameworks** (*Exhibit 43*), cultivating a proactive approach towards risk management within the Group.

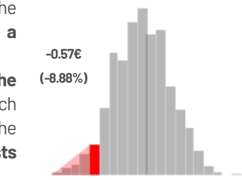
**WCS: -1% Revenues**




**L) REPUTATIONAL RISK (LOW)**: This risk arises from the potential repercussions stemming from **defects in the products offered**. In an industry where great importance is placed on **safety**, the occurrence of such issues could lead to substantial reputational harm, ultimately **resulting in a contraction of the Company's market share**.

**MITIGATION:** The likelihood of such events is very low, given **GVS' deep commitment to the development and provision of top-notch products**, granted by a multitude of safety certifications such as the **zero-defection** one. In the intricate process of introducing a new product to the market, the Company meticulously adheres to a comprehensive procedure encompassing a series of **rigorous tests to ensure an elevated level of quality**.

**WCS: +50bps WACC**

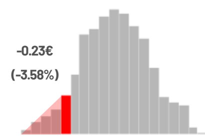



**FINANCIAL**

**M) LIQUIDITY RISK (MEDIUM)**: If financial resources are not sufficient to meet the Group's legal and fiscal obligations, GVS may face **challenges in securing essential funds** to sustain ongoing operations and meet impending commitments.

**MITIGATION:** To address this risk, **the Group evaluates financial needs in advance to support its operations**. This proactive strategy facilitates prompt acquisition of necessary additional resources, ensuring a well-balanced composition concerning maturity dates, financial instruments and liquidity availability thresholds.

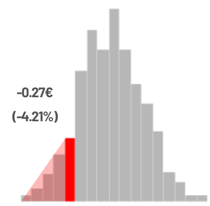
**WCS: +125bps Cost of Debt**




**N) EXCHANGE RATE RISK (HIGH)**: **GVS operates in international markets** and engages in commercial transactions in **several currencies** (EUR, USD, GBP and CNY). Arising from potential fluctuations in exchange rates (*Exhibit 44*), this risk carries significant implications, impacting on sales margins (economic risk), trade payables and receivables, as occurred in FY17 and FY20 when the Company registered foreign exchange losses for over €8M and €9M respectively.

**MITIGATION:** **The Group has not entered yet derivative contracts designed to hedge exchange rate fluctuations**. Instead, it employs an **exchange rate risk management policy** focused on maintaining the target ratio between purchases of raw materials and revenues denominated in a singular currency below 30% (*source: Company information*). We believe the Group will benefit from adopting financial derivatives to hedge against exchange rate volatility in the event of worsening macroeconomic conditions.

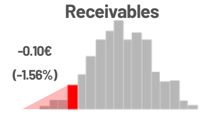
**WCS: -1.5% FX Profits**




**O) CREDIT RISK (MEDIUM)**: Such risk refers to the potential financial loss that GVS may face if its customers or counterparties fail to fulfil their payment obligations due to insolvency (**default**) or **decline in creditworthiness**.

**MITIGATION:** **The Company monitors customers' behaviour and creditworthiness on a daily basis** by leveraging on credit assessment tools, calibrated at different degrees of solicitation and contingent upon customers' specific knowledge and days of overdue payment.

**WCS: -10% Trade Receivables**




*Source: team assessment*

**ESG grade attribution** – Exhibit 45

| Combined ESG Score [Min – Max] | Grade |
|---|---|
| [9.17 – 10] | AAA |
| [8.34 – 9.16] | AA |
| [7.51 – 8.33] | A |
| [6.67 – 7.50] | BBB |
| [5.84 – 6.66] | BB |
| [5.01 – 5.83] | B |
| [4.17 – 5.00] | CCC |
| [3.34 – 4.16] | CC |
| [2.51 – 3.33] | C |
| [0 – 2.50] | D |

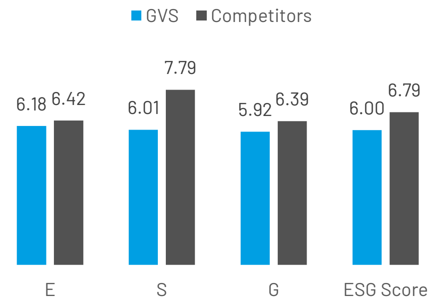
*Source: Refinitiv*

**ESG GVS Score** – Exhibit 46

| PILLAR | E | S | G | GVS |
|---|---|---|---|---|
| WEIGHT | 16.80% | 47.30% | 35.90% | 100% |
| SCORE | 6.18 | 6.01 | 5.92 | 6.00 |

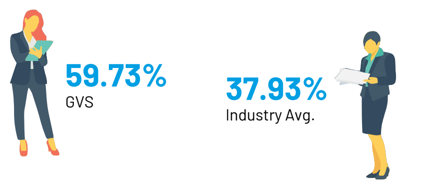
*Source: Company data, team assessment*

**ESG Score Comparison** – Exhibit 47



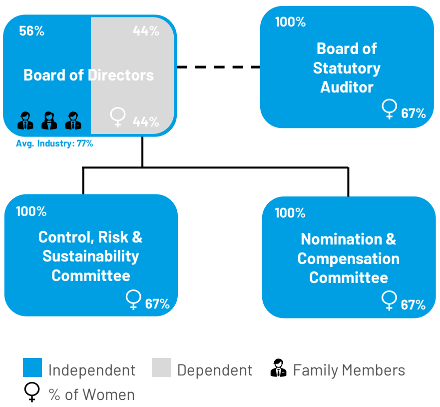

*Source: Company data, Refinitiv, team assessment*

**Women Employees** – Exhibit 48



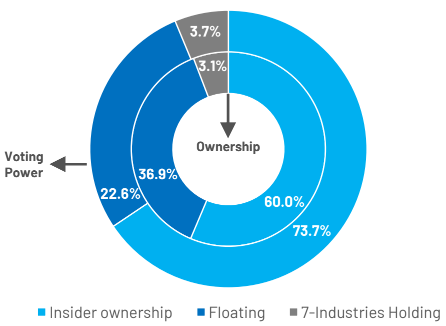

*Source: Company data, team assessment*

**Governance Committees** – Exhibit 49




*Source: Company data, team assessment*

**GVS governance** – Exhibit 50




*Source: Company data, team assessment*

**ESG Risk**

The surge in ESG integration has become significantly pronounced, profoundly impacting the financial dynamics of companies in contemporary times and GVS is by no means an exception. However, despite diligent efforts in addressing ESG matters, which have notably elevated its score from CCC in FY21 to BB in FY23E, some concerns persist, primarily stemming from the concentration of ownership. A more diversified and balanced distribution of decision-making power within the Group becomes pivotal in fostering transparency, accountability, and ensuring the alignment of corporate interests with those of shareholders and stakeholders.

# Environmental, Social & Governance (ESG)

## ESG

In the contemporary business landscape, Environmental, Social, and Governance (ESG) dimensions are becoming increasingly important, with **active engagement at the highest levels of the companies' leadership**. A recent study by NielsenIQ found that 78% of US consumers say that a sustainable lifestyle is important to them: consumers are shifting their spending towards products with ESG-related claims (*source: McKinsey, NielsenIQ*). As of 2021, the Group has undertaken a dedicated commitment to integrate the **United Nations Global Compact principles** into its strategy, culture, and daily operational framework. GVS' commitment rests upon **three strategic pillars**:

*i)* **responsible innovation**. Actively engaging in **international collaborations** with other companies and research entities in safeguarding the **sustainability of its products**, GVS aims at promoting a **judicious application of energy** and considering production technologies that use **environmentally friendly materials.**

*ii)* **ecological transition**. The Company is firm in the conviction that corporate sustainability arises from the conscientious use of **natural resources and the transition to renewable energies**.

*iii)* **enhancing people**. This dedication is expressly articulated in the Code of Ethics, encapsulating the core values, principles, and guiding directives of GVS. Adherence to the Code constitutes an indispensable contractual obligation of all individuals operating on behalf of any entity within the Group.

In verifying the Company's declared adherence to ESG principles, we conduct a thorough analysis by evaluating **74 key metrics** (26 for Environmental, 28 for Social and 20 for Governance; *Annex 22*), encompassing various buckets (clusters of individual parameters). Each indicator is assigned a grade reflecting GVS' comparative position among industry peers, and **the ultimate score is computed as a weighted average of these individual assessments**. The conversion from numerical scores to letters grade is derived from **Refinitiv** (*Exhibit 45, 46*).

## ENVIRONMENTAL (SCORE 6.18 – WEIGHT 16.80% – RATING BB)

GVS is actively undertaking a **progressive shift in its energy sourcing strategy, transitioning from conventional to renewable sources**. In 2022, the Italian production sites of Bologna and Avellino, as well as GVS Filter Technology UK Ltd, GVS do Brasil and RPB New Zealand have successfully completed the transition by securing 100% of their energy needs from renewable sources. Meanwhile, other subsidiaries regularly assess proposals from local distributors to further amplify the incorporation of renewable energy into their operations. However, **the Company trails behind industry players**, as it records a remarkable value of 740.5 in **Total Energy Use per Million of Revenues**. This stands at **more than twice the average** competitor's 281.3, signaling a less favorable performance for GVS, even if a part of this energy derives from renewable sources. Regarding the mobility of its workforce, GVS has been progressively transitioning its employees' rental vehicles to hybrid or electric models. Despite these efforts, the Company exhibits a relative underperformance, marked by **higher-than-average Total CO2 Emissions per Million of Revenues** (49.6 vs the average of 31.5) and **Total Waste per Million of Revenues** (11.9 vs the average of 5.6). Lastly, a distinctive feature is GVS' noteworthy commitment to refrain from Animal Testing, an issue gaining increasing prominence in ethical considerations. This aspect sets the Company apart, especially considering that not all industry peers align with this conscientious indicator. In conclusion, **GVS is enhancing sustainability with progress in renewables and ethical commitments, yet continued efforts are needed to align with industry benchmarks for efficiency and environmental impact.**

## SOCIAL (SCORE 6.01 – WEIGHT 47.30% - RATING BB)

The Company places great emphasis on workforce and contemporary social concerns, yielding a **striking outcome in the share of Women Employees** (from 61.1% in 2021 to 59.7% in 2022, slightly lower but still far above the average of 37.9%; *Exhibit 48*), whereas the **Salary Gap aligns to that of industry peers**. Moreover, underscoring the need for ongoing efforts to enhance employee retention, GVS fosters increased employee engagement as part of its strategic agenda. Since 2017, **the Company has instituted a performance evaluation method** using the MyByz platform. This system acts as a nexus linking employees with department managers and providing updates on the progress of annual objectives. With the aid of this software, there exists a continuous monitoring of employee performance, ensuring transparency on the progress achieved. Nevertheless, despite the Group's dedicated commitment to address workforce concerns, **it still faces a significatively higher Turnover of Employees**, showing a small improvement from 59.4% in 2021 to 56.2% in 2022, against the average of 15.8%. Concerning accident reduction, there stands a **sizeable gap in the Total Injury Rate** which, though exhibiting an improvement from 9.45 in 2021 to 5.49 in 2022, **still remains higher when compared to the industry average** of 3.81. This underscores the ongoing imperative for heightened safety measures and improvement initiatives. **In the sphere of Human Rights and Community matters, GVS aligns with the industry average,** exhibiting a positive trajectory. However, a notable observation in the realm of Product Responsibility is the **absence of a Cyber Security Policy**, signaling an area that warrants strategic attention and development moving forward. GVS demonstrates commendable progress in workforce diversity and engagement. However, the persistently high turnover highlights areas for targeted improvement in employee retention and strategic development.

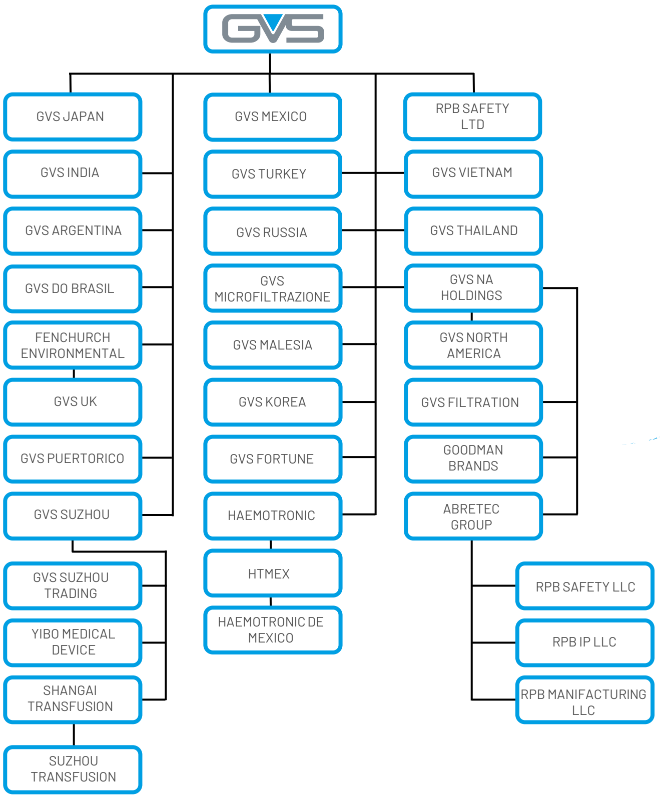
## GOVERNANCE (SCORE 5.92 – WEIGHT 35.90% - RATING BB)

**The profound legacy of the Scagliarini family** is embedded in the roots of the Company. Joined by both his mother Grazia Valentini and brother Marco, **Massimo Scagliarini holds the position of CEO and sole director of the Group**. His prominent influence is manifested through the **substantial ownership of shares**, **amounting to 60% of the share capital and an imposing 73.68% of voting rights**, which has not changed in recent years. The presence of Massimo Scagliarini as both GVS' main shareholder and CEO **adversely effects the governance score, due to conflict-of-interest issues**. Together with the CFO Marco Pacini, Massimo holds an executive role in the board of directors composed by 9 members (4 of whom are women), with a **majority of independent directors** (5 out of 9; *Annex 23*). The slight adjustment in the percentage of independent board members, from 44.4% to 56.6%, still results in a substantial disparity in comparison to industry peers, where the average proportion of independent board members stands at 73.3%. **The Governance Structure is held together by some committees**, like the Control, Risk and Sustainability Committee and the Nomination and Compensation Committee (*Exhibit 49*), **both characterized by a full composition of independent directors**. GVS demonstrates not to present governance complexities such as CEO Duality and Chairman as ex-CEO. However, it is worth mentioning that in the past the role of Chairman had consistently been assumed by Grazia Valentini. To summarize, despite transparent disclosure practices, **the inherent ties within a family-led structure can lead to skepticism among investors regarding fair treatment and alignment with broader shareholder interests** (*Exhibit 50*); however, **Massimo's deep "skin in the game"** —evident in his unwavering dedication to the Company— provides a strong counterbalance.

## BB: BETTER, NOT BEST

**As a result of our model, the combined ESG score of GVS is 6.00 out of 10, corresponding to a rating of BB** (*Exhibit 47*), which places it slightly below the average of its peers (6.79 out of 10, BBB). Despite the progress made allows the ESG score to increase from the previous year (CCC in FY21), **GVS still faces various challenges in multiple areas, trailing behind its competitors**. **The Company could still improve on its position in the future**, for example by committing to attain the objectives set by the Science Based Targets initiative (SBTi), already adopted by other industry peers. Such Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. **We expect GVS to focus on reducing its overall environmental impact, especially in emission reduction and energy waste.**

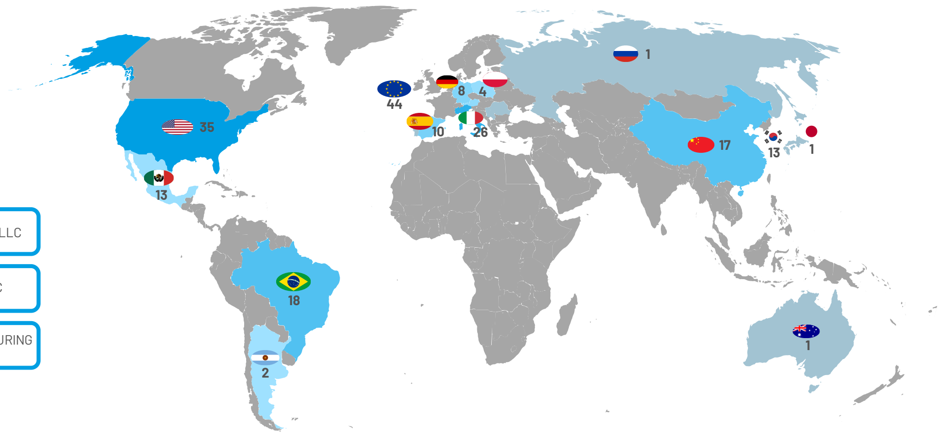
## Annex 1: Group Structure




*Source: Company information*

## Annex 2: Patents

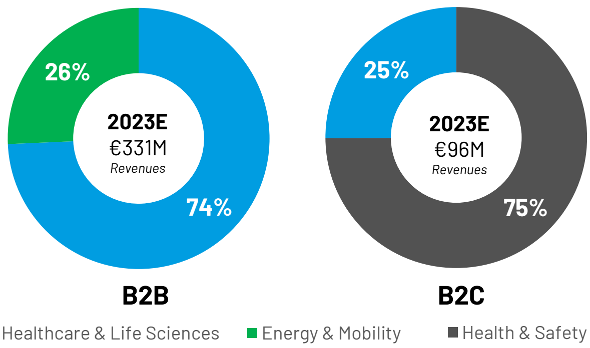
The patent portfolio held by GVS S.p.A. provides comprehensive support for all three divisions of the Company. Globally, GVS boasts a total of 215 patents, 121 of which are currently active. Notably, GVS has filed the maximum number of patents in Europe (92), followed by the United States of America (35), a logical distribution given that these regions constitute the primary markets for GVS. In terms of patent content, the **Healthcare Liquid subdivision stands out as the most protected one**, encompassing 45% of the entire portfolio. In contrast, the **Personal Safety subdivision is still waiting for the approval of all its patents**. This aligns with the Company's business profile, highlighting Healthcare Liquid as the most profitable division and Personal Safety as a promising segment for future growth.
However, **the Group lacks patents that would serve as a distinctive factor** with respect to competitors: GVS, in fact, strives to match industry competitors by either developing or acquiring patents. An illustrative example is given by the 2022 patent filing for the reusable adaptor for mask, a product already offered to the market by competitors such as 3M.




*Source: Espacenet, Company information, team assessment*

## Annex 3: GVS' Customer Base

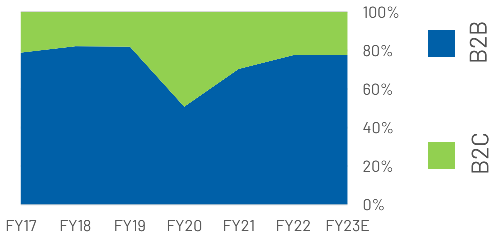
The **B2B segment represents the prevailing commercial channel** in the Healthcare Liquid and Air & Gas subdivisions and half of the clientele in the Laboratory & Membranes subdivision. Large **pharmaceutical companies** buy filtration solutions and resell them to hospitals, whereas **OEMs** purchase specific components required for their final products. Conversely, **the B2C segment holds a residual position** in the H&LS division, only serving the other half of the clientele in the Laboratory & Membranes subdivision. In such segment, **end-consumer sales** are primarily facilitated through a **distribution network.**
The **B2B segment represents the sole type of clientele in the Energy & Mobility division**, with **OEMs** and **industrial players** who extensively employ filters within vehicles and other related industrial applications.
**The Health & Safety division exclusively caters to B2C buyers** directly delivering safety solutions to final consumers. A considerable portion of B2C transactions consists of **online commerce.**




*Source: Company information, team assessment*

## Annex 4: Pandemic Paradigm - B2C ascends, B2B adapts

**During the Pandemic, GVS' B2B segment experienced a downturn**, with B2B transactions constituting 82.02% of FY19 Revenues vs 50.81% in FY20. Stringent containment measures, including lockdowns and business restrictions, resulted in the temporary suspension of numerous activities. In addition, the heightened awareness of personal safety and the **widespread adoption of disposable masks** by the general public have generated significant **individual-level demand**. The adaptation of sales strategies to meet the changing consumer needs has led to an **upswing in B2C transactions in the face masks and other personal safety-related products markets** (from €40.9M in FY19 to €178.7M in FY20).




*Source: Company information, team assessment*

## Annex 5: SWOT Analysis

We implement our **SWOT analysis** assessing GVS' internal strengths and weaknesses, as well as the relative opportunities and threats coming from the market. In the following figures we summarize, for each category, the variables used to analyse GVS' overall positioning.

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|---|---|---|---|
| **Vertically integrated** production process | **Dependence** from key people in the **management** team | **Shift to E-Mobility** due to further reduction in permitted pollutant emissions and vehicle electrification | **Post transaction integration issues** |
| Comprehensive product range with **diversified end-markets** | **Limited size** compared to large multinational competitors and clients | Rising demand for protection devices due to **stricter regulation on workplace safety** | **Inability to offer products aligned with the technological evolution** |
| Exposure to Healthcare-related segments: **solid growth, low cyclicality** | **Long timelines for new product launches** and complex approvals and certifications | **Further M&A expansion** | |
| | Exposure to Energy & Mobility segment: **higher cyclicality** | | |
| "**Glocal**" **structure**, which combines international presence with the flexibility of local branches | **Barriers to B2C expansion** without generating conflicts of interest with B2B customers | Successful **extraction of synergies in China**: prefilled syringe sales | **Spread of cheaper products** on the market offered by Chinese companies |

*Source: team assessment*

## Annex 6: Porter's Five Forces – Industry attractiveness

To assess the attractiveness of the Global Filtration Industry, we delve into a deep examination employing Porter's Five Forces analysis. Scores are assigned mirroring the strength of each force, with lower scores indicating a reduced level of threat. Our conclusion is that the Industry's resilience mitigates concerns posed by potential threats, and the Company stands to benefit from the positive trends within the sector.

| Force | Metric | Healthcare & Life Sciences | Health & Safety | Energy & Mobility | GVS' Score |
|---|---|---|---|---|---|
| Threat of new entrants | Consolidated relationships with customers | The whole sector's revenue structure thrives on long lasting relationships with customers. GVS boasts a rich history in this regard, although with a softer echo in the Energy & Mobility division | | | 2/5 |
| | Patents and know-how | Know-how stands as essential, playing a pivotal role in fostering value through applied expertise and specialized skills. GVS occupies a favorable position within this context. Despite the lower patent added value, the divisions operate within a unique integrated system, where filtration technology is shared across all three divisions. | | | |
| | Regulatory requirements | Emerging companies face the intricate regulatory environment of the market. This includes compliance with stringent standards, spanning from clean room protocols to emissions regulations. | | | |
| | Technological innovation | Introducing advanced technological solutions requires substantial allocations towards R&D investments (6% of FY22 Revenues). | | | |
| | Quality certificates | Quality certificates represent strong barriers to entry. Their acquisition, especially for those aligned with the International Organization for Standardization (ISO), entails strict standards and protocols, requiring significant investments. Their approval process is expensive and time-consuming, giving already certified companies a competitive edge against new entrants. Healthcare & Life Sciences facilities adhere to ISO 13485 certifications and the European Guide to Good Manufacturing Practice. Energy & Mobility plants are certified with ISO-TS 16949. Health & Safety production facilities have the main CE and NIOSH certifications. | | | |
| Threat of substitutes | Price performance | In a context demanding meticulous adherence to specific standards of compliance and quality, competition is mainly driven by prices. Despite its modest size, GVS is able to present a competitive pricing offering, more than a differentiated product range. | | | 3/5 |
| | Number of substitutes | In these sectors there are no real substitutes that cater to the specific needs of medical devices and masks. | | Given its close association with the automotive industry, this sector faces a higher level of vulnerability to this potential threat. | |
| Bargaining power of supplier | Number of suppliers | The primary constituents for filter production encompass raw materials, such as plastic granules, plastic filter media and mesh, with an additional residual component comprising membranes. Despite GVS is currently buying the PTFE membranes from W. L. Gore & Associates (*source: Company information*), it has gradually decreased its reliance on membrane manufacturers over time by producing them internally. Indeed, supplier concentration is low, with the Group's main supplier representing 4% of the costs for raw materials and services. | | | 1/5 |
| | Dependence on the industry | Raw materials and semi-finished products suppliers do not depend on any specific market. | | | |
| Bargaining power of buyers | Type of Buyers | Large pharmaceutical companies, equipment manufacturers, suppliers and distributors of final products, hospitals, research laboratories, universities. | Specialized and online retailers, distributors, outsourcing companies. | Tier 1 and Tier 2 suppliers, manufacturers of agricultural equipment and watercraft. | 3/5 |
| | Concentration | The Healthcare & Life Sciences customer base is quite wide and diversified, as 51.2% of Revenues comes from the top 15 customers, resulting in a modest buyer concentration (*source: Company information).* | In Health & Safety, the customer base has limited diversification, since 70.5% of Revenues comes from the top 15 customers (*source: Company information*). | The Energy & Mobility customer base is entirely concentrated in the top 15 customers, accounting for 97.1% of Revenues (*source: Company information*). | |
| | Product Applications | Indicated by the considerable volume of product applications and diverse end-markets, there exists a significant level of product differentiation among buyers. | Product applications are currently numerous and expected to increase, given their continued growth . | In this market, differentiation is limited as product applications are: Combustion Engine, Hybrid Vehicles, EV/ Batteries and Oil & Transmission. | |
| Internal rivalry | Diversity of Competitors | The majority of competitors offers products with similar features, showcasing a limited degree of differentiation. | | | 4/5 |
| | Number of competitors | GVS competes with much larger companies such as Cytiva (together with Pall Life Sciences as part of Danaher, Market Cap of €155B), Medtronic (Market Cap of €105B), standing as a true market leader of the Air & Gas segment, Merck (Market Cap of €18B) and Sartorius (Market Cap of €22B). | GVS has widened its product range, but competes with big companies such as 3M (Market Cap of €55B), Dräger (Market Cap of €0.9B), MSA (Market Cap of €6B) and Honeywell (Market Cap of €121B). | GVS competes with giant players such as ITW Filtertek (Market Cap of €70.5B) and Donaldson Inc (Market Cap of €6.85B). | |

*Source: team assessment*

## Annex 7: PESTEL Analysis

To evaluate the business environment in which GVS operates, we perform the Pestel analysis. By analysing Political, Economic, Social, Technological, Environmental and Legal factors, we can have a broader understanding of the different dynamics driving both the market and GVS' business.

| | | |
|---|---|---|
| POLITICAL | How can geopolitical factors impact the company? | **West-East Trade Tension:** Trade tensions between the West (US and Europe) and China escalated during last years because each country has enforced significant additional tariffs on a wide range of goods imported from the other. The worsening of this scenario may have a detrimental impact on GVS' future operating cycle, particularly in light of its recent acquisition within the Chinese market.<br>**Government Contribution:** Governments are actively fostering the growth of the Filtration Market. An example is the annual contribution provided to GVS by MISE (Ministero delle Imprese e del Made in Italy), designated to support investments in R&D activities focused on technological innovation. |
| ECONOMIC | Which economic trends could have an impact on GVS? | **GDP and Inflation:** Filtration Market production depends on the change in expectations about future macroeconomic variables.<br>**Currency devaluation and revaluation:** GVS engages in global exports and, as a result, revenues and costs in foreign currencies may be susceptible to fluctuations in exchange rates, potentially impacting sales margins. |

| | | |
|---|---|---|
| SOCIAL | Which are emerging social and demographic trends? | **Increased awareness of health:** The concerns arising from the Pandemic have prompted a greater focus on health consciousness, fostering the adoption of new daily habits. Notably, this includes the widespread use of masks and indoor air quality devices, emblematic of a collective commitment to cultivating a healthier lifestyle.<br>**Increased attention to workplace safety:** A growing emphasis on workplace safety is reinforced by the governments' implementation of stricter laws and regulations. This concerted effort aims to ensure a secure and protected working environment for professionals. |
| TECHNOLOGICAL | Which technological breakthroughs could affect the market? | **Low-carbon technologies:** Growing environmental concerns and the aim to reduce pollution have led to the development of cutting-edge technologies, particularly in hybrid and electric vehicles. The ascendent dominance of E-mobility requires the Company's commitment to meet shifting market demands and challenging itself in the manufacturing of new products. |
| ENVIRONMENTAL | Which ecological aspects influence the business environment? | **Eco-impact:** The heightened focus on sustainability entails a significant shift in both GVS' production methods and product design, reflecting a concerted effort to create a greener and more eco-friendly future.<br>**Consumption of non-renewable resources:** Last year, renewable sources accounted for 36% of the total GVS' energy supply and are expected to increase in the next years. |
| LEGAL | Which changes in legislation could impact on GVS? | **Patents' protection:** The heightened focus on patent protection and simplified registration procedures across different nations is driving the advancement of R&D as a strategic avenue to secure a competitive advantage.<br>**Strict requirements:** In the Global Filtration Market, stringent regulations have been implemented to ensure the highest quality and safety standards. This entails GVS' dedicated commitment to both financial and operational resources to ensure adherence to rigorous standards. |

*Source: team assessment*

## Annex 8: Industry Proprietary Model

To obtain forecasts about GVS' future performance and assess the growth profile of the Global Filtration Market, we create our **Industry Proprietary Model**. Our model analyses the market from a global perspective along three key segments: (1) **Healthcare & Life Sciences**, a stable yet growing market and resilient to economic downturns, is fueled by an increasing demand for medical devices; (2) **Energy & Mobility** mirrors the automotive industry and is extremely vulnerable to economic fluctuations and future technologies; (3) **Health & Safety** is currently experiencing a notable upswing due to the heightened emphasis on workplace safety standards and the post-Pandemic shift towards safety practices. The in-depth analysis of the Global Filtration Market enables us to understand the environment in which GVS will operate in the future, inevitably shaping its economic and financial performance. Our analysis follows a specific approach: starting from **a set of drivers for each end-market**, we meticulously select **the most effective ones capable of capturing both historical trends and future growth prospects**.

### Healthcare & Life Sciences Filtration Market (€3.6B in FY23E, 4.01% CAGR23E-35E Worldwide):

The precise selection of key drivers shaping the future growth of the Healthcare industry is rooted in the guiding causality principle. The demand for medical devices is designed to address the evolving needs of the population, representing the end-user of industry products and services. Persistent concerns surrounding the **declining birth rate** and the counteracting impact of an **ageing population** will remain pivotal factors, leading to an increasing proportion of older and potentially more fragile individuals. The number of older individuals is projected to nearly double from 12.83% in 2023 to 21.57% in 2050 (*source: Statista, Our World In Data*). Consequently, the number of **individuals suffering from chronic diseases** is expected to escalate from 20.75% in 2023 to 33.85% by 2050 (*source: Our World In Data*), thus **supporting the need for medical devices**. Moreover, the **ever-increasing emphasis on health and preventive measures**, underscored by the Pandemic, has influenced **governmental policies**, strengthening their role as key actors within the industry. The anticipated rise in the **percentage of GDP allocated to healthcare expenditures**, expected to peak at 15% in 2050 (*source: World Bank*), serves as driving force behind an industry with promising growth rates. Finally, the greater efficiency, supported by government initiatives and propelled by the growing demand, translates into **reduced hospitalization length per person** (moving from an average of 7 days in the '90 to 5 nowadays). This positive trend also contributes to a more substantial utilization of single-use devices due to the **increased turnover of hospitalized individuals**. The combined impact of all these factors results in favorable growth rates in the short-medium term.

Our analysis, commencing with historical market values, expects a moderate and persistent growth in the short-medium term, driven by the sustained demand for medical devices and the ever-growing incidence of chronic diseases, which necessitate continual medical support. The more subdued growth of the long term is mainly due to the upcoming lower population growth rate.

### Health & Safety Filtration Market (€2.06B in FY23E, 5.63% CAGR 23E-35E Worldwide):

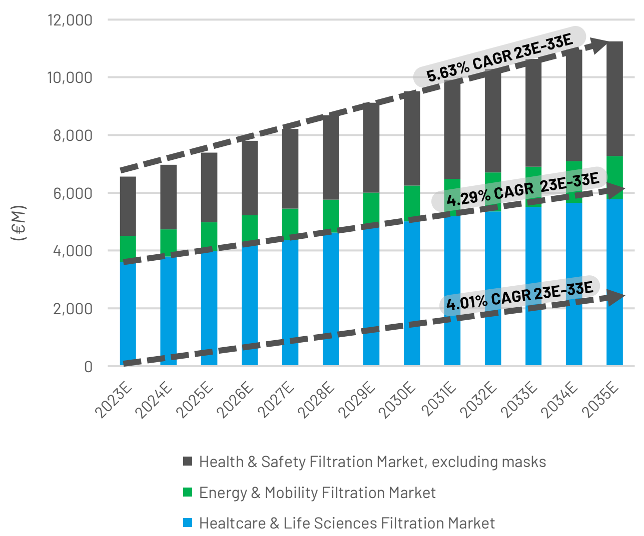
In order to estimate the size of this end-market, we collect data on several key indicators. First and foremost, we consider **future employment growth** (% of the labor force), which is expected to rise globally at a 5.60% CAGR from 2023 to 2033. This suggests an imminent economic upturn primarily driven by the ability to withstand economic tensions (*source: Statista*). Additionally, the ongoing necessity for personal and workplace safety requires heightened commitment from public sectors. This entails a discrete **increase in health expenditure as a percentage of GDP**, projected to escalate from an average of 12% in 2022 to 15% by 2050 (*source: Statista, World Bank*). The future path of the **rate of fatal and non-fatal injuries** as a workplace safety proxy confirms our findings. The rate of fatal injuries has decreased from 0.04% in 2019 to 0.035% in 2022, with an estimated continuation of the downward trend up to 2030, reaching a rate of 0.03%. The rate of non-fatal injuries stood at 0.20% in 2022 and is expected to decrease to 0.17% in 2030 (*source: Eurostat*). This is indicative of greater awareness and practical safety measures taking place to prevent worker injuries, leading to a growing need for safety tools and equipment.

For this Market we foresee a substantial short-term surge in the Personal Safety market size. It is supported by upcoming institutional efforts to prevent and address workplace safety injuries, coupled with a shift in consumer habits towards prioritizing safety matters. A medium-term growth trajectory aligns with the robust short-term increase, whereas a more modest growth is expected in the long-term, primarily reflecting the ongoing substitution of physical labor with automation.

### Energy & Mobility Filtration Market (€0.89B in FY23E, 4.29% CAGR23E-35E Worldwide):

To estimate the size of the Energy & Mobility Filtration Market, we collect data from various sources. This includes insights into the **global car manufacturing industry revenues** (*source: Statista*), shedding light on the financial performance of the automotive sector on a global scale. Additionally, we consider **worldwide motor vehicle production in millions of vehicles** (*source: Statista*), providing valuable information about production levels in the automotive industry, which is highly correlated with the demand for filtration systems. Our analysis indicates a historical alignment between the growth patterns of the Energy & Mobility Filtration Market and motor vehicle sales as well as car manufacturing production. Recognizing the **strong correlation with these drivers**, we project the future evolution of the Filtration Market based on anticipated changes in these factors. Furthermore, to enhance the reliability of our future market value estimates and capture the environmental impact within the Energy & Mobility Filtration Market, we take into account **worldwide CO2 emissions** from liquid fuel consumption (*source: World Bank*). Our results indicate that there exists a strong relationship between the production of new filters and the reduction of CO2 emissions. In the long run, as more intense **global initiatives mitigate the environmental impact**, we also incorporate a structural **shift towards E-mobility**, which requires fewer filters. Such transition may potentially moderate the demand for filtration systems as part of a broader initiative to lower carbon footprints.

To sum up, we expect a moderate upswing in the short run, as a result of post Pandemic investments' rebound. Moving forward, in the medium-long term, growth is foreseen to be slightly lower due to the transition to electric vehicles and the reduced demand for filters in this evolving landscape.




*Source: Statista, team assessment*

| *In million of euro* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Healthcare Liquid Filtration Market** | **1167.40** | **1229.00** | **1294.20** | **1474.90** | **1552.70** | **1630.33** | **1705.80** | **1790.00** | **1876.16** | **1960.85** | **2045.17** | **2365.19** | **2713.88** |
| *YoY growth* | | *5.28%* | *5.31%* | *13.96%* | *5.27%* | *5.00%* | *4.63%* | *4.94%* | *4.81%* | *4.50%* | *4.30%* | *3.75%* | *2.00%* |
| **Healthcare Air & Gas Filtration Market** | **254.60** | **265.70** | **277.70** | **292.10** | **307.70** | **324.40** | **340.23** | **356.56** | **373.50** | **390.31** | **407.09** | **457.17** | **525.29** |
| *YoY growth* | | *4.36%* | *4.52%* | *5.19%* | *5.34%* | *5.43%* | *4.88%* | *4.80%* | *4.75%* | *4.50%* | *4.40%* | *3.75%* | *2.14%* |
| **Laboratory Filtration Market** | **1080.90** | **1135.90** | **1206.60** | **1289.60** | **1378.40** | **1473.80** | **1560.08** | **1653.68** | **1746.29** | **1833.60** | **1921.61** | **2186.57** | **2478.92** |
| *YoY growth* | | *5.09%* | *6.22%* | *6.88%* | *6.89%* | *6.88%* | *5.89%* | *6.00%* | *5.60%* | *5.00%* | *4.80%* | *4.00%* | *2.50%* |
| **Healthcare & Life Sciences Filtration Market** | **2502.90** | **2630.60** | **2778.50** | **3056.60** | **3238.80** | **3428.03** | **3606.11** | **3800.24** | **3995.94** | **4184.76** | **4373.87** | **5008.93** | **5780.06** |
| *Total YoY growth* | | *5.10%* | *5.62%* | *10.01%* | *5.96%* | *5.84%* | *5.19%* | *5.38%* | *5.15%* | *4.73%* | *4.52%* | *3.86%* | *2.23%* |
| **Powertrain & Drivetrain Filtration Market** | **198.10** | **194.00** | **185.70** | **170.90** | **172.86** | **164.38** | **166.99** | **174.81** | **183.55** | **192.73** | **201.98** | **230.27** | **275.74** |
| *YoY growth* | | *-2.07%* | *-4.28%* | *-7.97%* | *1.15%* | *-4.91%* | *1.59%* | *4.69%* | *5.00%* | *4.98%* | *4.80%* | *4.20%* | *3.20%* |
| **Safety & Electronics Filtration Market** | **453.40** | **463.70** | **443.30** | **406.90** | **411.56** | **391.37** | **397.58** | **415.00** | **438.42** | **460.34** | **481.98** | **549.49** | **662.43** |
| *YoY growth* | | *2.27%* | *-4.40%* | *-8.21%* | *1.15%* | *-4.91%* | *1.59%* | *4.38%* | *5.64%* | *5.00%* | *4.70%* | *4.40%* | *3.30%* |
| **Sport & Utility Filtration Market** | **400.00** | **408.38** | **385.30** | **340.70** | **344.60** | **327.70** | **332.90** | **348.50** | **364.18** | **382.39** | **400.74** | **458.63** | **548.12** |
| *YoY growth* | | *2.10%* | *-5.65%* | *-11.58%* | *1.15%* | *-4.91%* | *1.59%* | *4.69%* | *4.50%* | *5.00%* | *4.80%* | *4.50%* | *3.15%* |
| **Energy & Mobility Filtration Market** | **1051.50** | **1066.08** | **1014.30** | **918.50** | **929.02** | **883.44** | **897.47** | **938.32** | **986.15** | **1035.46** | **1084.70** | **1238.39** | **1486.28** |
| *Total YoY growth* | | *1.39%* | *-4.86%* | *-9.44%* | *1.15%* | *-4.91%* | *1.59%* | *4.55%* | *5.10%* | *5.00%* | *4.76%* | *4.40%* | *3.23%* |
| **Personal Safety Filtration Market ***** | **1092.00** | **1157.80** | **1244.00** | **1336.60** | **1436.10** | **1542.90** | **1657.60** | **1793.52** | **1937.01** | **2072.60** | **2212.50** | **2635.06** | **3205.58** |
| *YoY growth* | | *6.03%* | *7.45%* | *9.86%* | *5.09%* | *7.44%* | *7.43%* | *8.20%* | *8.00%* | *7.00%* | *6.75%* | *5.50%* | *3.00%* |
| **Air Safety Filtration Market** | **312.75** | **318.93** | **325.22** | **331.64** | **418.24** | **372.56** | **404.23** | **437.37** | **471.50** | **505.90** | **540.46** | **638.87** | **774.12** |
| *YoY growth* | | *1.98%* | *1.97%* | *1.97%* | *26.11%* | *-10.92%* | *8.50%* | *8.20%* | *7.80%* | *7.30%* | *6.83%* | *5.38%* | *2.72%* |
| **Health & Safety Filtration Market** | **1404.75** | **1476.73** | **1569.22** | **1698.24** | **1854.34** | **1915.46** | **2061.83** | **2230.89** | **2408.51** | **2578.50** | **2752.96** | **3273.93** | **3979.70** |
| *Total YoY growth* | | *5.12%* | *6.26%* | *8.22%* | *9.19%* | *3.30* | *7.64%* | *8.20%* | *7.96%* | *7.06%* | *6.77%* | *5.48%* | *2.95%* |
| **Total Global Filtration Market** | **4.95** | **5.17** | **5.36** | **5.67** | **6.02** | **6.22** | **6.56** | **6.96** | **7.39** | **7.79** | **8.21** | **9.52** | **11.24** |

*** excluding extraordinary disposable face masks

*Source: Company data, team assessment*

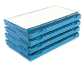
**THE OPPORTUNITY OF A LIFETIME: THE PANDEMIC BOOST.** Originally intended for medical professionals only, face masks transitioned into a quintessential accessory in the modern era. The rapid global spread of Covid-19 prompted individuals to embrace **face masks as a protective measure**. The increase in demand led to an **unprecedented growth in the Face Mask market**, surpassing €200B of Revenues in 2020. This remarkable surge can be attributed, in part, to **speculative behaviors**. At the onset of the Pandemic, in fact, the average price of face masks increased by 500% globally and only interventions by governments – which capped the prices - prevented further escalations (*source: Statista*). This scenario unfolded as an **exceptional opportunity for GVS**, showcasing a prompt response in recalibrating the entire production to cater to the escalating demand for masks. Our future projections indicate a **gradual decline** in the number of people using face masks, with their primary usage becoming confined to the medical community and clinically vulnerable individuals. This is the reason why our Industry Proprietary Model anticipates a **normalization of Personal Safety market growth** from FY26E, foreseeing the complete extinction of Pandemic-related traces by that time. Moreover, given the extraordinary nature of this event, our model reflects this anomaly by delineating the evolution of Health & Safety **net of "extraordinary items"**.

| *In billion of euro* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Personal Safety Filtration Market including disposable face masks** | **1.09** | **1.15** | **1.24** | **203.70** | **116.41** | **33.16** | **10.27** | **4.22** | **2.93** | **2.07** | **2.21** | **2.63** | **3.20** |
| *growth* | | *6.03%* | *7.45%* | *16275%* | *-42.85%* | *-71.51* | *-69.02%* | *-58.87%* | *-30.49%* | *-29.43%* | *6.75%* | *5.50%* | *3.00%* |

*Source: Statista, team assessment*

## Annex 9: Price Comparison

To properly analyse the competitive positioning of GVS, we compare the prices of equivalent products. Specifically, for each GVS product, we look at the competitor's substitute by associating the very same characteristics. For example, when comparing the price of GVS' Syringe Filter with the equivalent one offered by Merck, we consider filters with the same pore size, diameter, material and sterility. This approach is adopted for each product, given the wide range of different characteristics that each product may have. Our analysis highlights that GVS' products are sold at a **lower price** compared to the one of its competitors, indicating how **GVS engages in a price competition given the lack of differentiation of its products**. Furtherly, for B2B products such as Speedflow, Syringe Filters and Disc Filtration Membranes, the difference in price is a good proxy for the marginality that GVS loses following a B2B business model. For B2C products such as Elipse Masks and PAPR, instead, the Company is well positioned with respect to its competitors, with prices lower than the average and a more innovative design.

| ***End-market*** | ***GVS Market Share FY20 (IPO)*** | ***Product*** | | ***Function/Role*** | ***Competitor*** | ***GVS price*** *(per unit)* | ***Competitors' price*** *(per unit)* |
|---|---|---|---|---|---|---|---|
| ***Healthcare Liquid*** | 2.4% | Speedflow |  | Removes particles and contaminants from intravenous (IV) solutions | cytiva | €3.04 | €6.80 |
| ***Healthcare Air & Gas*** | 7.3% | HMEF Filters |  | Provide respiratory support by humidifying and filtering inhaled air | INTERSURGICAL | €1.10 | €1.19 |
| ***Laboratory*** | 1.0% | Syringe Filters |  | Remove particles or microorganisms from a liquid sample as it passes through | MERCK | €0.91 | €3.10 |
| | | Filtration Membranes |  | Separate particles allowing the passage of specific components based on size or molecular characteristics | SARTORIUS | €0.46 | €1.60 |
| ***Powertrain & Drivetrain*** | 16.6% | Fuel Tank Filter |  | Traps and prevents contaminants, such as debris and sediment, from reaching the engine, ensuring clean fuel is delivered for optimal engine performance | MANN+HUMMEL | €5.99 | €7.50 |
| ***Safety & Electronics*** | 2.1% (8.2% in the ABS) | ABS/ESP Brake Filter |  | Removes impurities from the brake fluid, preventing debris and contaminants from reaching the Anti-lock Braking System components | Donaldson | €0.40 | €0.50 |
| ***Sport & utility*** | 2.1% | Oil Filter |  | Cleans and purifies the engine oil, safeguarding the engine by preventing harmful particles from circulating and maintaining optimal lubrication | MANN+HUMMEL | €8.17 | €9.16 |
| ***Personal Safety*** | 4% | PAPR |  | Delivers filtered air to the wearer through a motorized unit and protect against airborne particles and contaminants | Dräger | €1444.17 | €1525.00 |
| | | Elipse |  | Provides effective respiratory protection for the wearer in various environments | 3M | €43 | €70 |
| ***Air Safety*** | 2% | HVAC single Filter Panel |  | Captures and removes airborne particles, dust, and allergens from the air, ensuring cleaner and healthier indoor air quality | MANN+HUMMEL | €3.37 | €4.00 |

*Source: Company information, team assessment*

# Financial Analysis

## Annex 10: Balance Sheet

| €M | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Intangible assets | 101 | 101 | 100 | 91 | 228 | 495 | 483 | 477 | 473 | 468 | 464 | 514 | 509 | 626 | 660 |
| Tangible assets | 53 | 50 | 47 | 69 | 78 | 120 | 123 | 119 | 116 | 118 | 120 | 130 | 128 | 150 | 157 |
| Other non-current assets | 13 | 9 | 12 | 14 | 13 | 37 | 48 | 52 | 58 | 63 | 67 | 74 | 80 | 89 | 111 |
| **Total non-current assets** | **167** | **160** | **159** | **174** | **319** | **654** | **653** | **649** | **647** | **648** | **651** | **718** | **717** | **864** | **928** |
| Inventories | 30 | 33 | 31 | 46 | 72 | 107 | 90 | 89 | 88 | 89 | 92 | 97 | 100 | 106 | 116 |
| Trade receivables | 37 | 39 | 35 | 52 | 53 | 73 | 65 | 69 | 74 | 78 | 82 | 84 | 89 | 93 | 105 |
| Other current assets | 11 | 11 | 11 | 15 | 28 | 24 | 87 | 85 | 85 | 83 | 81 | 81 | 79 | 83 | 98 |
| Cash & cash equivalents | 42 | 46 | 59 | 125 | 137 | 135 | 146 | 158 | 168 | 202 | 217 | 230 | 276 | 293 | 614 |
| **Total current Assets** | **121** | **129** | **136** | **238** | **290** | **339** | **388** | **402** | **414** | **453** | **473** | **493** | **545** | **575** | **933** |
| **Total Assets** | **288** | **289** | **295** | **412** | **609** | **993** | **1,041** | **1,050** | **1,062** | **1,101** | **1,124** | **1,121** | **1,262** | **1,439** | **1,861** |
| **Total Equity** | **58** | **71** | **94** | **243** | **295** | **328** | **365** | **415** | **481** | **553** | **611** | **660** | **721** | **783** | **1,118** |
| Non-current financial Liabilities | 165 | 143 | 118 | 70 | 180 | 11 | 379 | 357 | 319 | 294 | 267 | 289 | 271 | 360 | 381 |
| Other non-current Liabilities | 9 | 8 | 13 | 14 | 21 | 118 | 92 | 91 | 91 | 91 | 80 | 84 | 86 | 94 | 113 |
| **Total non-current Liabilities** | **174** | **152** | **131** | **84** | **202** | **129** | **471** | **447** | **410** | **385** | **347** | **373** | **357** | **454** | **495** |
| Trade payables | 16 | 18 | 13 | 26 | 24 | 58 | 45 | 47 | 48 | 49 | 50 | 53 | 55 | 60 | 67 |
| Current financial Liabilities | 24 | 30 | 37 | 20 | 42 | 438 | 97 | 86 | 73 | 69 | 69 | 72 | 74 | 82 | 93 |
| Other current Liabilities | 15 | 19 | 20 | 40 | 46 | 40 | 63 | 54 | 50 | 45 | 47 | 52 | 54 | 60 | 89 |
| **Total current Liabilities** | **56** | **66** | **70** | **86** | **112** | **537** | **205** | **187** | **170** | **163** | **166** | **177** | **184** | **202** | **249** |
| **Total Equity & Liabilities** | **288** | **289** | **295** | **412** | **609** | **993** | **1,041** | **1,050** | **1,062** | **1,101** | **1,124** | **1,121** | **1,262** | **1,439** | **1,861** |

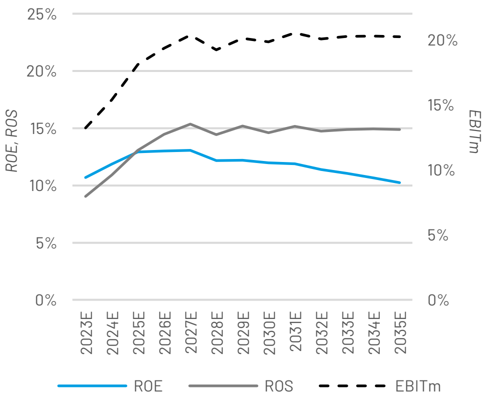
Source: Company data, team assessment

## Annex 11: Income Statement

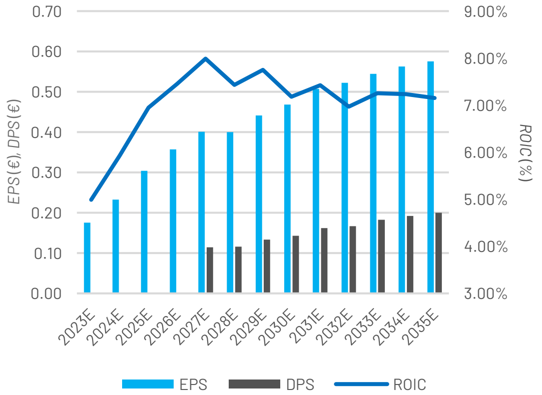
| €M | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Healthcare & Life Sciences | 95 | 101 | 115 | 159 | 180 | 245 | 288 | 299 | 313 | 326 | 339 | 352 | 365 | 417 | 497 |
| Energy & Mobility | 52 | 87 | 88 | 65 | 71 | 77 | 68 | 70 | 73 | 76 | 78 | 81 | 84 | 87 | 99 |
| Health & Safety | 18 | 20 | 24 | 139 | 87 | 65 | 71 | 77 | 83 | 89 | 95 | 117 | 124 | 130 | 161 |
| Other revenues | 2 | 3 | 3 | 2 | 5 | 4 | 5 | 5 | 6 | 6 | 6 | 7 | 7 | 8 | 11 |
| **Total revenues** | **167** | **211** | **231** | **365** | **343** | **392** | **432** | **451** | **475** | **498** | **520** | **557** | **580** | **642** | **769** |
| Raw Materials | (47) | (62) | (68) | (89) | (96) | (141) | (141) | (143) | (146) | (150) | (155) | (167) | (172) | (191) | (233) |
| Personnel costs | (58) | (71) | (74) | (99) | (99) | (124) | (132) | (136) | (138) | (144) | (149) | (159) | (164) | (182) | (216) |
| Service costs | (25) | (23) | (23) | (36) | (37) | (55) | (56) | (58) | (60) | (63) | (65) | (70) | (72) | (79) | (93) |
| Other operating costs | (4) | (3) | (3) | (3) | (5) | (5) | (6) | (7) | (7) | (7) | (8) | (8) | (9) | (9) | (12) |
| **EBITDA** | **34** | **53** | **62** | **138** | **106** | **67** | **96** | **108** | **124** | **134** | **143** | **152** | **163** | **181** | **215** |
| **EBITDAm** | **20.16%** | **24.91%** | **26.98%** | **37.89%** | **30.99%** | **17.20%** | **22.27%** | **23.90%** | **26.07%** | **26.90%** | **27.57%** | **27.38%** | **28.05%** | **28.12%** | **28.01%** |
| Depreciation, amortisations and writedowns | (13) | (18) | (16) | (19) | (24) | (38) | (39) | (38) | (38) | (37) | (37) | (45) | (46) | (53) | (59) |
| **EBIT** | **20** | **34** | **46** | **119** | **82** | **29** | **57** | **69** | **86** | **96** | **106** | **107** | **117** | **127** | **155** |
| **EBITm** | **12.02%** | **16.01%** | **19.80%** | **32.58%** | **24.00%** | **7.39%** | **13.23%** | **15.39%** | **18.09%** | **19.34%** | **20.35%** | **19.22%** | **20.10%** | **19.83%** | **20.23%** |
| Financial income | 0 | 3 | 3 | 0 | 10 | 15 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Financial costs | (12) | (5) | (5) | (13) | (3) | (9) | (20) | (19) | (18) | (16) | (15) | (16) | (16) | (20) | (23) |
| **Profit before tax** | **8** | **32** | **44** | **106** | **90** | **35** | **42** | **56** | **73** | **86** | **96** | **96** | **106** | **112** | **138** |
| Income taxes | (2) | (9) | (11) | (28) | (22) | (11) | (11) | (15) | (20) | (23) | (26) | (26) | (29) | (30) | (37) |
| **Net Income** | **6** | **23** | **33** | **78** | **68** | **24** | **31** | **41** | **53** | **63** | **70** | **70** | **77** | **82** | **101** |

Source: Company data, team assessment

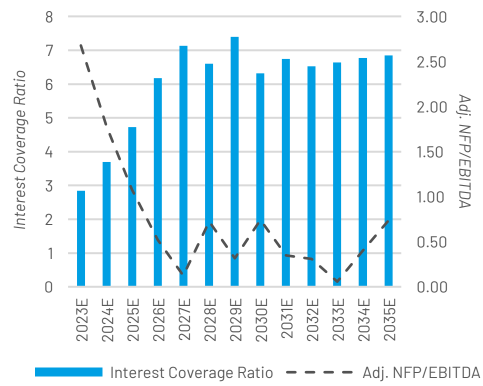
## Annex 12: Ratio Analysis




Source: Company data, team assessment



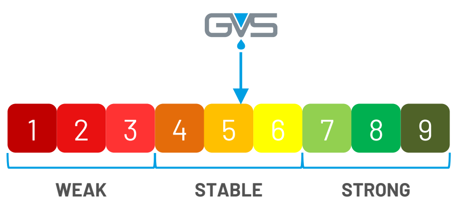

Source: Company data, team assessment




Source: Company data, team assessment

## Annex 13: Piotroski F-Score

The Piotroski F-Score is a financial indicator, designed by the Accounting professor Joseph Piotroski, which puts together 9 criteria to evaluate the financial strength of a business based on its profitability, leverage, liquidity, source of funds and operating efficiency. The score is based on the last 4 accounting years, describing the post-IPO performance results: based on our calculations, **GVS' score is 5.75** out 9, confirming its **subpar financial performance**. However, this overall figure might not sufficiently convey the nuances of GVS' performance. In the challenging year of 2020, amidst the Covid-19 Pandemic, **GVS demonstrated resilience and adaptability**. Fueled by the increased demand for medical equipment, the Piotroski F-Score surged to 7, approaching its maximum of 9. Conversely, during post-crisis recovery years, the Company pursued growth through strategic acquisitions. Nevertheless, the consequential **increase in debt** and the **breach of covenant** significantly impacted the score, declining at 3 in FY21. Notably, the annual results unveil the **counter-cyclical nature of the Company's business** and the Group's tendency to **navigate economic downturns successfully**.




| *(1 if positive; 0 otherwise)* | *FY20* | *FY21* | *FY22* | *FY23E* | |
|---|---|---|---|---|---|
| ROA | 1 | 1 | 1 | 1 | |
| OCF | 1 | 1 | 1 | 1 | |
| Δ ROA | 1 | 0 | 0 | 1 | |
| Accrual | 0 | 0 | 1 | 1 | |
| Δ Long-Term Debt Ratio* | 1 | 0 | 1 | 0 | |
| Δ Current Ratio | 1 | 0 | 0 | 1 | |
| Δ Equity Offering* | 0 | 1 | 1 | 1 | |
| Δ Gross Margin Ratio | 1 | 0 | 0 | 1 | |
| Δ Asset Turnover Ratio | 1 | 0 | 0 | 1 | |
| **SCORE** | **7** | **3** | **5** | **8** | **5.75 (avg.)** |

* 1 if negative; 0 otherwise

Source: Company data, team assessment

## Annex 14: Equity Risk Premium (ERP)

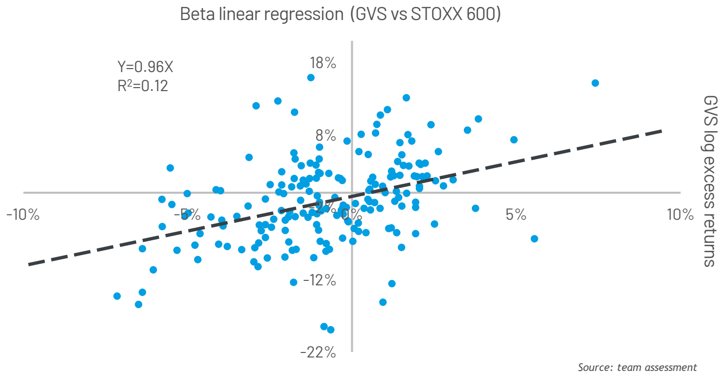
For GVS' Equity Risk Premium (ERP) we use a country-weighted average of market risk premia, considering the Company's geographical sales distribution weights. The marginal contribution for each country, shown in the table below, is then added to obtain the corresponding Regional ERP.

| COST OF EQUITY | | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2035E |
|---|---|---|---|---|---|---|---|---|
| ERP | Damodaran (2023E) | 7.01% | 7.02% | 7.04% | 7.06% | 7.08% | 7.10% | 7.10% |
| Europe | 6.56% | 29.43% | 29.64% | 25.73% | 25.60% | 25.47% | 30.08% | 30.08% |
| North America | 5.00% | 44.10% | 43.66% | 43.23% | 42.79% | 42.37% | 41.94% | 41.94% |
| Asia | 10.87% | 20.40% | 20.61% | 20.81% | 21.12% | 21.44% | 21.76% | 21.76% |
| Others | 10.76% | 6.06% | 6.09% | 6.12% | 6.15% | 6.18% | 6.21% | 6.21% |
| Beta (vs. STOXX Europe 600) | | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 | 0.96 |
| COST OF EQUITY (Ke, Re) | | 10.24% | 10.12% | 10.02% | 9.98% | 9.99% | 10.04% | 10.18% |

*Source: team assessment*

## Annex 15: Beta

We compute GVS' Beta through a linear regression of GVS log historical excess returns against the STOXX Europe 600 Index (SXXP). We consider that this index is an accurate proxy that captures GVS' main exposure to the European market and the Rf (risk-free rate) corresponds to the Germany Government Bond 10Y. The log returns are calculated on weekly basis frequency since IPO to avoid the noisy daily observations. The result is a Beta of 0.96.




*Source: team assessment*

## Annex 16: Peers Selection

To conduct our Multiple Valuation, we need to identify the proper comparables for each division of the **Global Filtration Market**. We implement a **Proprietary Scoring Model** to compare GVS with a wide sample of listed companies of the Advanced Medical Equipment & Technology, Industrial Machinery & Equipment and Health, Safety & Fire protection Equipment industries. Our model hinges on **3-weighted-dimensions**: *i)* **market capitalization**, accounting for 25%; *ii)* **financial metrics, which further breaks down into returns, risks and margins**, carrying a 25% weight and *iii)* **product mix**, on which is placed **greater emphasis with a 50% weight**. Each company is then assigned a score which is computed as the **weighted average** of points collected along the three dimensions, according to its **proximity to GVS' values.** As a result, by ruling out companies with a low score, we identify 15 comparables to GVS.

| GENERAL | | SIZE & GROWTH | | | MARGINS | | RETURNS | | | RISK & LEVERAGE | | | | CASH GENERATION | | | COMPARABLE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Company Name* | *Country* | *Market Cap (€)* | *Revenue (€)* | *Revenue CAGR FY19-22* | *EBITDAm* | *EBITm* | *ROA* | *ROE* | *ROFA* | *D/E* | *Debt Rating* Refinitiv | *Net Debt to Total Capital* | *Beta 5Y* | *Price to Cash Flow* | *WC/ Sales* | *Capex/ Sales* | *SCORE* | *OUTCOME* |
| ***GVS SpA*** | **ITA** | **0.958B** | **0.387B** | **19.45%** | **17.20%** | **7.39%** | **3.01%** | **7.74%** | **7.71%** | **145.30%** | **BB** | **1.03** | **0.96** | **11.12** | **31.46** | **5.90%** | | |
| ***HEALTCARE & LIFE SCIENCES*** | | | | | | | | | | | | | | | | | | |
| Becton Dickinson & Co | US | 62.88B | 17.45B | 4.40% | 25.70% | 13.80% | 2.89% | 5.76% | 7.70% | 63.55% | A | 58.36% | 0.48 | 19.84 | 6.11 | 5.16% | **0.67** | **YES** |
| Danaher Corp | US | 155.85B | 29.93B | 20.67% | 34.67% | 27.61% | 8.61% | 15.73% | 24.41% | 40.64% | A | 28.26% | 0.87 | 18.60 | 17.48 | 3.66% | **0.58** | **YES** |
| Diasorin SpA | ITA | 4.83B | 1.36B | 24.44% | 39.40% | 27.51% | 7.23% | 16.70% | 15.82% | 89.01% | BBB+ | 73.09% | -0.12 | 16.35 | 49.50 | 8.35% | **0.25** | **NO** |
| Medtronic PLC | US | 105.26B | 27.50B | 1.22% | 30.52% | 21.98% | 4.16% | 7.22% | 13.69% | 47.42% | A | 44.33% | 0.76 | 18.70 | 37.31 | 4.32% | **0.67** | **YES** |
| Merck KGaA | DE | 18.53B | 22.23B | 11.24% | 31.76% | 23.67% | 7.11% | 14.19% | 19.43% | 40.10% | BBB+ | 32.95% | 0.66 | 15.31 | 7.28 | 8.12% | **1.33** | **YES** |
| Sartorius AG | DE | 21.93B | 4,17B | 31.73% | 35.29% | 28.41% | 14.41% | 41.73% | 31.62% | 127.71% | BB+ | 119.37% | 0.89 | 19.07 | 5.62 | 12.52% | **0.42** | **YES** |
| Steris PLC | US | 20.28B | 3.94B | 17.97% | 27.10% | 16% | 0.95% | 1.70% | 2.10% | 50.66% | A- | 47.23% | 0.80 | 29.11 | 21.23 | 6.29% | **0.67** | **YES** |
| ***ENERGY & MOBILITY*** | | | | | | | | | | | | | | | | | | |
| Atmus filtration technology | US | 1.73B | 1.48B | 9.10% | 12.60% | 19.69% | 11.20% | 38.37% | 60.33% | 95.64% | A- | 71.08% | 1.07 | 10.21 | 10.42 | 2.14% | **1.33** | **YES** |
| Donaldson Company Inc | US | 6.85B | 2.97B | 5.15% | 16.37% | 13.36% | 13.52% | 29.24% | 38.76% | 49.65% | AA- | 35.38% | 1.09 | 17.22 | 19.05 | 2.59% | **1.33** | **YES** |
| Illinois Tool Works Inc | US | 70.48B | 15.15B | 4.13% | 26.26% | 19.26% | 23.79% | 90.39% | 67.23% | 251.39% | A+ | 228.47% | 1.16 | 19.87 | 14.79 | 2.58% | **0.58** | **YES** |
| Interpump Group SpA | ITA | 5.15B | 2.07B | 14.93% | 22.80% | 18.30% | 9.13% | 18.50% | 34.59% | 57.94% | A | 34.87% | 1.06 | 13.25 | 32.57 | 6.38% | **0.33** | **NO** |
| Parker-Hannifin Corp | US | 54.07B | 14.09B | 3.47% | 21.66% | 7.45% | 17.37% | 21.73% | 22.36% | 122.64% | A | 118.04% | 1.50 | 17.45 | 13.87 | 1.45% | **1.08** | **YES** |
| ***HEALTH & SAFETY*** | | | | | | | | | | | | | | | | | | |
| 3M Co | US | 55.04B | 32.56B | 2.13% | 26.98% | 12.36% | 21.63% | 28.81% | 31.99% | 108.85% | BBB | 82,41% | 1.02 | 8.93 | 16.84 | 5.11% | **1.17** | **YES** |
| Avon Protection PLC | UK | 0.32B | 0.24B | 17.17% | 14.66% | -4.71% | 6.30% | -8.87% | -10.95% | 36.97% | BB | 32.23% | 0.31 | 51.39 | 30.58 | 3,38% | **1.5** | **YES** |
| Draegerwerk AG & Co KGaA | DE | 0.91B | 3.04B | 3.07% | 2.03% | 7.84% | -2.71% | -5.01% | -7.28% | 27.47% | A- | 4.51% | -0.13 | 8.43 | 28.57 | 2.85% | **2.33** | **YES** |
| Honeywell International Inc | US | 121.43B | 33.74B | -1.14% | 23.29% | 7.84% | 19.88% | 28.16% | 24.43% | 117.21% | AA- | 56.66% | 1.05 | 23.72 | 15.38 | 2.16% | **0.75** | **YES** |
| Munters Group AB | SWE | 2.63B | 0.97B | 13.09% | 12.20% | 8.60% | 4.41% | 11.94% | 16.79% | 84.77% | BBB+ | 67.53% | 1.20 | 15.36 | 9.89 | 5.19% | **0.33** | **NO** |
| MSA Safety Inc | US | 5.90B | 1.45B | 2.91% | 21.34% | 7.53% | 17.66% | 20.51% | 21.78% | 62.28% | BBB+ | 43.48% | 0.98 | 24.09 | 32.57 | 6.88% | **1.41** | **YES** |

*Source: Refinitiv, Company data, team assessment*

It is worth mentioning that our Peers Selection process **excludes the following companies:** *i)* **Diasorin SpA**, leader in the molecular diagnostic, which, despite operating in the Healthcare market like GVS, is distinguished by significantly **higher margins** and a **diverse product mix** when compared to GVS; *ii)* similarly, **Interpump Group SpA,** active in the Energy & Mobility market, targets a **markedly different sector**, that is industrial machinery. *iii)* Finally, we decide to exclude **Munters Group AB** from the set of comparables because it primarily focuses on the Air safety sub-division, an area where we expect GVS to **lose ground and focus**.

# Annex 17: Relative valuation

Despite the challenge in evaluating a singularly positioned company like GVS, we use a **Multiple Valuation** approach to confirm our recommendation. We first create a basket of comparables by assigning a weight to each peer, depending on the score obtained in the Proprietary Scoring Model discussed above and the relative importance of the peer's industry with respect to GVS' Revenues breakdown. Then, we compute the **1-year-forward EV/EBITDA and P/E** for each comparable and evaluate the basket's weighted average of these multiples. By applying them to GVS' 1-year Forward EBITDA and EPS, we obtain a final target price of €6.65 (**upside: +9.02%**) and €6.06 (**downside: -0.66%**), which further support our **HOLD** recommendation.

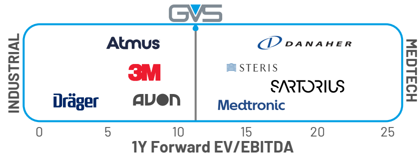
| PROPRIETARY SCORING MECHANISM | | | | |
|---|---|---|---|---|
| ***Company Name*** | ***SIZE*** | ***PRODUCT MIX*** | ***QUANTITATIVE METRICS*** | ***WEIGHT*** |
| ***GVS SpA*** | | | | |
| ***HEALTCARE & LIFE SCIENCES*** | | | | |
| Becton Dickinson & Co | ○○○ | ●○○ | ●○○ | 10.38% |
| Danaher Corp | ○○○ | ●○○ | ◐○○ | 9.08% |
| Medtronic PLC | ○○○ | ●○○ | ●○○ | 10.38% |
| Merck KGaA | ●○○ | ●●○ | ●○○ | 20.77% |
| Sartorius AG | ○○○ | ◐○○ | ●○○ | 6.49% |
| Steris PLC | ○○○ | ●○○ | ●○○ | 10.38% |
| ***SUM*** | | | | ***67.50%*** |
| ***ENERGY & MOBILITY*** | | | | |
| Atmus filtration technology | ●●● | ●○○ | ◐○○ | 4.89% |
| Donaldson Company Inc | ●○○ | ●●○ | ◐○○ | 4.89% |
| Illinois Tool Works Inc | ○○○ | ●○○ | ◐○○ | 2.14% |
| Parker-Hannifin Corp | ○○○ | ●●○ | ●○○ | 3.97% |
| ***SUM*** | | | | ***15.89%*** |
| ***HEALTH & SAFETY*** | | | | |
| 3M Co | ○○○ | ●●○ | ●○○ | 2.70% |
| Avon Protection PLC | ●●○ | ●●○ | ○○○ | 3.48% |
| Draegerwerk AG & Co KGaA | ●●● | ●●○ | ●○○ | 5.41% |
| Honeywell International Inc | ○○○ | ●○○ | ●◐○ | 1.74% |
| MSA Safety Inc | ●○○ | ●●○ | ●◐○ | 3.28% |
| ***SUM*** | | | | ***16.61%*** |

*Source: Refinitiv, team assessment*

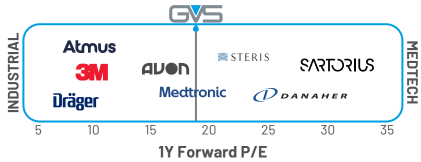
| MULTIPLES | | |
|---|---|---|
| ***Company Name*** | ***1Y Forward EV/EBITDA*** | ***1Y Forward P/E*** |
| ***GVS SpA*** | ***11.13*** | ***16.96*** |
| ***HEALTCARE & LIFE SCIENCES*** | | |
| Becton Dickinson & Co | 12.62 | 16.48 |
| Danaher Corp | 20.50 | 28.43 |
| Medtronic PLC | 13.32 | 16.05 |
| Merck KGaA | 11.52 | 17.73 |
| Sartorius AG | 19.80 | 33.03 |
| Steris PLC | 13.80 | 23.64 |
| ***Weighted Average*** | ***14.32*** | ***21.10*** |
| ***ENERGY & MOBILITY*** | | |
| Atmus filtration technology | 7.22 | 10.66 |
| Donaldson Company Inc | 11.65 | 17.84 |
| Illinois Tool Works Inc | 16.25 | 23.55 |
| Parker-Hannifin Corp | 13.80 | 19.59 |
| ***Weighted Average*** | ***11.44*** | ***16.83*** |
| ***HEALTH & SAFETY*** | | |
| 3M Co | 6.50 | 10.30 |
| Avon Protection PLC | 9.31 | 16.02 |
| Draegerwerk AG & Co KGaA | 3.15 | 8.77 |
| Honeywell International Inc | 13.23 | 18.37 |
| MSA Safety Inc | 14.20 | 24.09 |
| ***Weighted Average*** | ***8.22*** | ***14.04*** |

*Source: Refinitiv, team assessment*

| ***1Y Forward Peers Average EV/EBITDA*** | ***12.85*** |
|---|---|
| *1Y Forward GVS EBITDA* | 108.73M |
| *1Y Forward Enterprise Value* | 1.40B |
| *Net Debt* | 233.85M |
| *Equity value* | 1.16B |
| *N. shares* | 175M |
| *Target Price* | 6.65 |
| *Current Price* | 6.10 |
| *Upside* | 9.02% |



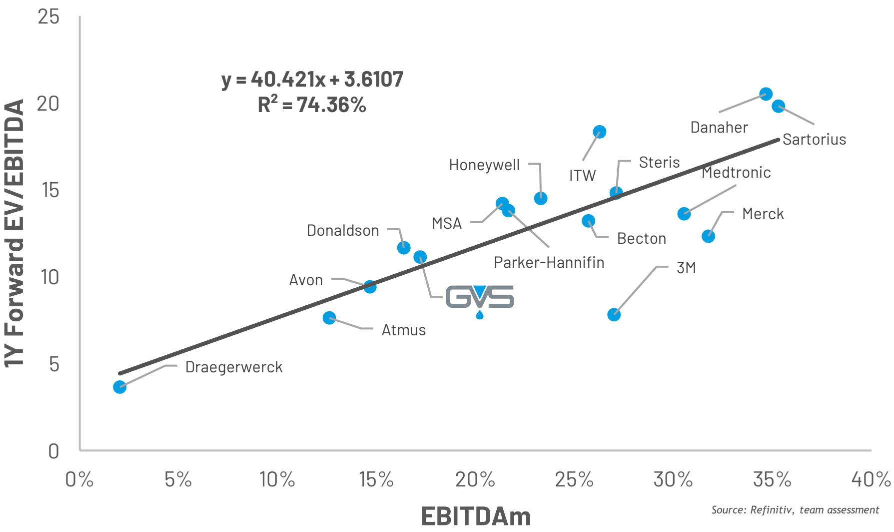

| ***1Y Forward Peers Average P/E*** | ***19.34*** |
|---|---|
| *1Y Forward GVS EPS* | 0.31 |
| *Target Price* | 6.06 |
| *Current Price* | 6.10 |
| *Downside* | -0.66% |



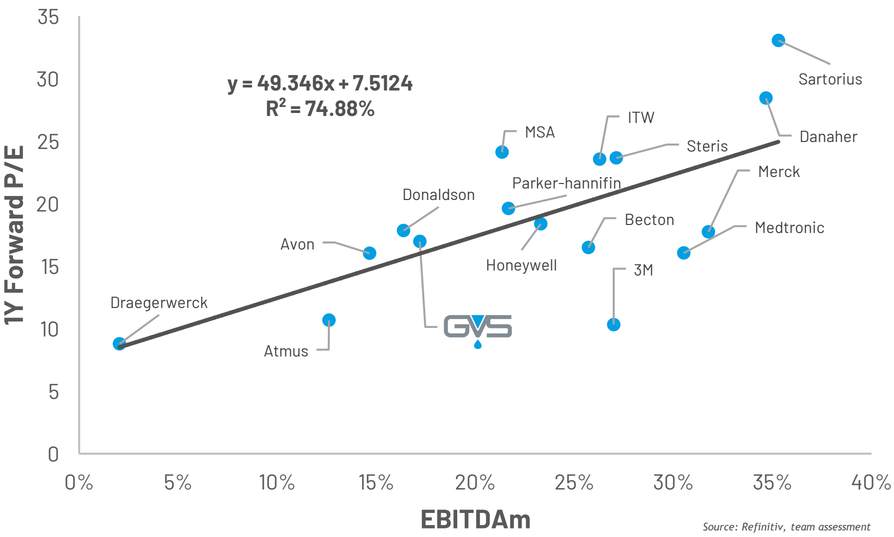

*Source: Refinitiv, team assessment*

Moreover, to assess the predictive goodness of the model, we regress the 1Y forward **EV/EBITDA and P/E** with the **EBITDAm** of the peers. We find a **strong relationship** between the variables, with an $R^2$ coefficient of 74.36% and 74.88% respectively.

Finally, we back this valuation with an **historical analysis** of GVS' 1y Forward P/E Ratio. By applying the average value of this multiple (since IPO) to the 1Y Forward EPS, we obtain a target price of €6.16, further confirming our previous analyses.

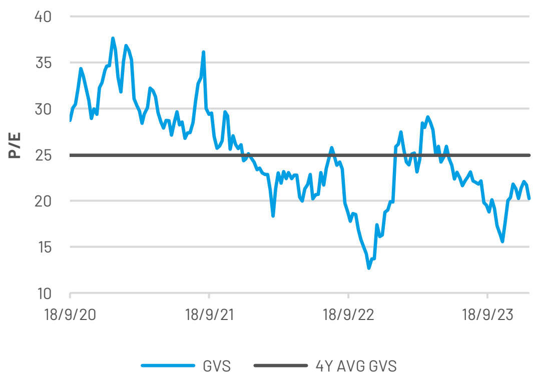



*Source: Refinitiv, team assessment*




*Source: Refinitiv, team assessment*

**GVS' Historical 1Y Forward P/E Ratio**

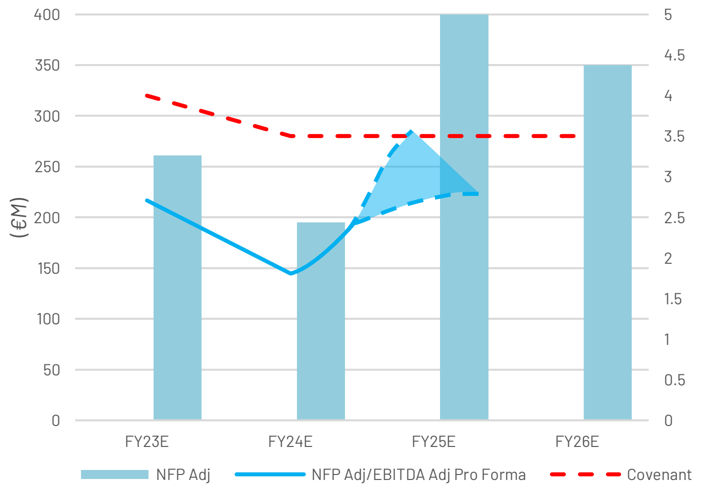



*Source: Refinitiv, team assessment*

To strengthen the reliability of our DCF recommendation, we conduct a **supplementary valuation analysis** using the **1Y Forward P/E Ratio**. This approach involves calculating the target price based on its historical average. The provided chart illustrates GVS' 4-year (since IPO) Time Series of the P/E Ratio, with an average of 24.94. We believe this figure to be fitting as it accommodates the anticipated profitable opportunities in the upcoming years. Applying this multiple to the 1Y Forward EPS yields a target price of €6.16, thereby confirming our **HOLD** recommendation.

## Annex 18: Storm Warning - GVS' Aggressive M&A Moves

In this section we investigate the economic implications of a **what if scenario in which GVS aggressively engages with acquisitions** in the immediate future. We believe that a bold comeback to M&A strategy could be extremely risky, given the **Company's already high indebtedness level**. Indeed, such a strategy would require additional funds, thereby exerting **renewed pressure on the Leverage Ratio**. In our opinion **such timing could be detrimental** for GVS, and we advocate a more cautious approach to the Company's capacity to reinitiate its acquisition strategy, conscious of the existing financial vulnerabilities. A rise in the level of debt would be indicative of an **elevated risk profile for the Company, consequently resulting in an increased WACC**. Moreover, in order to characterize an acquisition as successful, a crucial role is hold by a **prompt and full extraction of industrial and commercial synergies**. Empirical evidence highlights that the **assimilation of acquired companies** typically takes one to three years for GVS to achieve full integration. Therefore, **the failure to fully capture synergies** from the recently acquired STT and Haemotronic would result in a **cost structure that is not as efficient as expected**. To sum up, **the joint effect of a higher WACC and a less efficient cost structure sets the stage for a perfect storm**. The outlined scenario is the result of a complex interplay of variables impacting the Company simultaneously, which necessitates a recalibration of our valuation. If the Company were to pursue such an aggressive setup, **our recommendation for GVS would still be HOLD, yet with a revised target price of €5.92 and a 2.95% downside.**




Source: team assessment

# Investment Risks

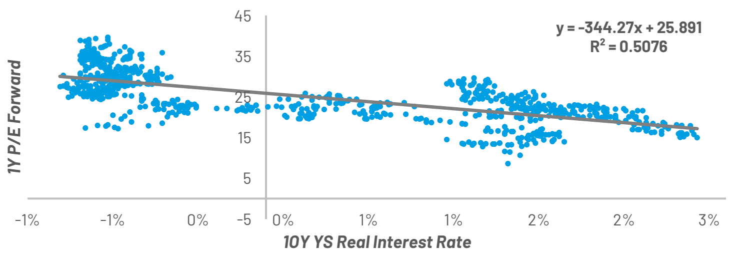
## Annex 19: Additional Risks

In addition to the risks analysed in the related section, we also consider some other relevant risks and the mitigation strategies adopted to face them.
**COUNTRY RISK (MEDIUM)**: The global footprint of the company makes it susceptible to local economic and political conditions, potential limitations on imports and/or exports, and regulatory influences on cash flows and currency exchange rates. Furthermore, disparities in the growth rates of different countries could impact GVS' strategic plans.
**MITIGATION:** Given the worldwide presence of the Group, the adverse effects of small-scale contingencies are limited. However, the potential emergence of significant disruptions in key countries essential for GVS' future expansion, such as the US, Europe, and China, poses a substantial threat to future performance.
**INTELLECTUAL PROPERTY RIGHTS AND INDUSTRIAL SECRETS RISK (MEDIUM):** There exists a potential threat to the Group's market position if it fails to protect its intellectual property, trade secrets and technological know-how, thereby undermining its competitive advantage.
**MITIGATION:** **Legal protection** of industrial property rights, obtained through diligent registration efforts, helps in mitigating this risk. However, challenges may emerge in maintaining trademarks, patents and other intellectual property rights; the **approval of new property rights** is not guaranteed and, even if approved, their scope and geographic applicability could be limited (GVS currently counts **65 patents out of 198 as pending**). Additionally, the **disparities in legal protection of foreign jurisdictions** pose another layer of uncertainty.
**COMMERCIAL RISK (MEDIUM)**: The Group encounters the potential disruption in securing a seamless **continuity of product distribution** or sustaining **optimal sales volumes**, a circumstance arising from the potential ending of **partnerships** with distributors and/or retailers or a decline in their operational efficacy. The degradation of these commercial affiliations poses a significant threat to GVS' business vitality.
**MITIGATION:** GVS endeavors to protect against this risk by cultivating **long-lasting partnerships with retailers** and fostering **customer loyalty**. While the integration of safeguard clauses is implemented, encompassing **specific standards** and **minimum sales thresholds**, the prospect of distributors' non-compliance is not entirely precluded.

## Annex 20: Investor's Risks

**REAL INTEREST RATE RISK**

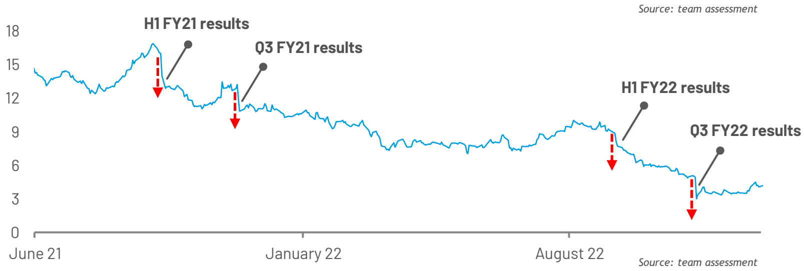
A change in Real Interest Rates can strongly affect GVS' valuation through a reduction of the present value of future expected cashflows and a higher WACC. The regression on the right shows the historical effect on GVS' price of the change in Real Interest Rates.




Source: team assessment

**REVISED OUTLOOK (DOWNSIDE) RISK**

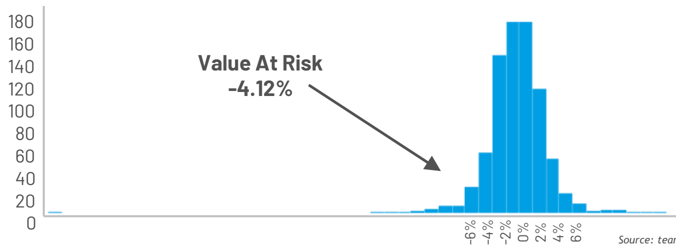
GVS' stock price has been negatively affected by the Company's recurrent pattern of announcing targets for its results, failing to meet them, and subsequently revising them downward. Indeed, the largest daily drops usually corresponded to quarterly results. Even though the results obtained during the Pandemic are irreplicable, revising the outlook for the future is interpreted by the market as lack of credibility. The frequent occurrence of price drops caused the stock to attain a negative annual return of -2.79% (since the IPO until today).




Source: team assessment

**TAIL RISK**

Since the IPO, GVS' share price has experienced an average annual standard deviation of 50.78%.
The average VaR computed at 95% confidence interval using daily returns is -4.12%.




Source: team assessment

## Annex 21: Stock Liquidity risk

In September 2023, GVS started a **Share Management Program** with the aim of supporting stock liquidity. The Company agreed with Kepler Cheuvreux SA a 12-month liquidity support activity on the regulated market Euronext Milan, organised and managed by Borsa Italiana S.p.A. Such initiatives are strategically designed to **make the stock more appealing to potential investors**, fostering improved liquidity dynamics. Nevertheless, it's crucial to recognize the **potential risks associated with the withdrawal of the liquidity provider**, which could result in decreased trading activity and challenges in executing transactions.

| DATE | SHARES SOLD | SHARES BOUGHT | NUMBER OF TRANSACTIONS | PERIOD RETURN |
|---|---|---|---|---|
| 20-29/09/23 | 20,382 | 32,160 | 334 | -4.21% |
| 02-31/10/23 | 61,086 | 87,174 | 966 | -15.94% |
| 01-30/11/23 | 87,626 | 58,230 | 909 | 32.49% |
| 01-29/12/23 | 54,300 | 62,816 | 763 | 4.21% |

Source: team assessment

## Annex 22: ESG

**Score method** – Our methodology takes a **bottom-up approach**, wherein we first assign a grade to each metric and then calculate the weighted average at both bucket and pillar levels. We compare GVS' performance with a panel of **comparable firms belonging to the Global Filtration Market**, **identifying the best and worst-in-class players to deeply understand GVS' relative performance**. The Peers Selection process is based on *i)* value of margins and key ratios, *ii)* geographical presence. Our data is taken from Refinitiv and non-financial reports, used to fill missing data. We use a quantitative model with **74 key metrics** (26 Environmental – 28 Social – 20 Governance).

**ENVIRONMENTAL (WEIGHT: 16.80% – SCORE: 6.18)**

| BUCKET (weight) | METRIC | GVS | *Previous* | COMPETITORS Average [Min – Max] | *Previous* | SCORE METRIC | SCORE BUCKET |
|---|---|---|---|---|---|---|---|
| RESOURCE USE (4.80%) | Resource Reduction Policy | ✓ | *Unchanged* | 100% | *Unchanged* | 6/10 | 6.06/10 |
| | Policy Water Efficiency | ✓ | *Unchanged* | 100% | *Unchanged* | 6/10 | |
| | Policy Energy Efficiency | ✓ | *Unchanged* | 7% ✗ - 93% ✓ | 100% ✓ | 6/10 | |
| | Policy Sustainable Packaging | ✗ | *Unchanged* | 21% ✗ - 79% ✓ | 43% ✗ - 57% ✓ | 4.5/10 | |
| | Policy Environmental Supply Chain | ✓ | *Unchanged* | 100% ✓ | 7% ✗ - 93% ✓ | 6/10 | |
| | Environment Management Team | ✗ | *Unchanged* | 14% ✗ - 86% ✓ | 21% ✗ - 79% ✓ | 4.5/10 | |
| | Environment Management Training | ✓ | *Unchanged* | 21% ✗ - 79% ✓ | 14% ✗ - 86% ✓ | 7/10 | |
| | Total Energy Use/Million in Revenue | $740.52 | $642.05 | $281.34 [79.87 – 861.37] | $287.01 [76.31 - 852.27] | 4/10 | |
| | Renewable Energy Use | ✓ | *Unchanged* | 7% ✗ - 93% ✓ | *Unchanged* | 6/10 | |
| | Total Renewable Energy / Million in Revenue | $212.70 | *$251.50* | $32.19 [0.25 – 181.21] | $32.05 [0.36 – 175.94] | 8/10 | |
| | Total Renewable Energy to Energy Use in million | 268,389 | *344,578* | 93,303 [1,048 – 316,601] | *79,753 [2,056 – 308,925]* | 8/10 | |
| | Green Buildings | ✗ | *Unchanged* | 57% ✗ - 43% ✓ | 50% ✗ - 50% ✓ | 5.5/10 | |
| | Total Water Use / Million in Revenue | $272.55 | $184.86 | $254.27 [43.56 – 1,089.72] | $287.97 [39.31 – 1,170.98] | 5.5/10 | |
| | Environmental Supply Chain Management | ✓ | *Unchanged* | 14% ✗ - 86% ✓ | *Unchanged* | 6.5/10 | |
| EMISSIONS (6.00%) | Policy Emissions | ✗ | *Unchanged* | 100% ✓ | 7% ✗ - 93% ✓ | 3.5/10 | 5.20/10 |
| | Target Emissions | ✗ | *Unchanged* | 14% ✗ - 86% ✓ | *Unchanged* | 4.5/10 | |
| | Total CO2 Emissions /Million in Revenue $ | $49.63 | $49.86 | $31.48 [6.67 – 113.35] | $34.88 [6.52 – 129.26] | 5/10 | |
| | Total Waste / Million in Revenue $ | $11.85 | $12.06 | $5.60 [0.98 – 15.59] | $3.94 [0.81 – 13.92] | 4.5/10 | |
| | Total Hazardous Waste / Million in Revenue $ | $1.78 | $1.9 | $0.87 [0.01 – 5.04] | $1.02 [0.01 – 5.27] | 4.5/10 | |
| | Waste Recycling Initiatives | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | |
| | Waste Recycling Ratio | 59.17% | *48.57%* | 56.26% [0.11 – 85.23] | *62% [0.11 – 96.5]* | 6.5/10 | |
| | e-Waste Reduction | ✗ | *Unchanged* | 71% ✗ - 29% ✓ | 79% ✗ - 21% ✓ | 6/10 | |
| | ISO 14000 or EMS | ISO 14000 | *Unchanged* | 100% ISO14000 | 93% ISO14000 - 7% ✗ | 6/10 | |
| | Environmental Partnerships | ✗ | *Unchanged* | 71% ✗ - 29% ✓ | *Unchanged* | 5.5/10 | |
| INNOVATION (6.00%) | Environmental Products | ✓ | *Unchanged* | 14% ✗ - 86% ✓ | 21% ✗ - 79% ✓ | 6.5/10 | 7.25/10 |
| | Animal Testing | ✗ | *Unchanged* | 64% ✗ - 36% ✓ | 71% ✗ - 29% ✓ | 8/10 | |

**SOCIAL (WEIGHT: 47.30% – SCORE: 6.01)**

| BUCKET (weight) | METRIC | GVS | *Previous* | COMPETITORS Average [Min – Max] | *Previous* | SCORE METRIC | SCORE BUCKET |
|---|---|---|---|---|---|---|---|
| WORKFORCE (9.00%) | Health & Safety Policy | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | 6.04/10 |
| | Policy Employee Health & Safety | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | |
| | Policy Supply Chain Health & Safety | ✗ | *Unchanged* | 7% ✗ - 93% ✓ | 14% ✗ - 86% ✓ | 4/10 | |
| | Health & Safety Training | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | |
| | Salary Gap | 58 | 64 | 57.71 [9 - 157] | 198.43 [13 - 992] | 6/10 | |
| | Net Employment Creation (%) | 79.82% | -1.16% | 4.89% [-3.88 – 16.42] | 7.99% [-9.85 – 35.74%] | 9/10 | |
| | Number of Employees from CSR Reporting | 4,869 | 3,195 | 39,469 [2,105 - 101,157] | 43,446 [1,902 – 98,000] | 6/10 | |
| | Turnover of Employees (%) | 56.20% | 59.40% | 15.80% [6.60 – 57.00] | 14.06% [7.10 – 55.00] | 4/10 | |
| | Women Employees (%) | 59.73% | 61.06% | 37.93% [23.00 – 54.76%] | 35.89% [23.00 – 52.73] | 9/10 | |
| | Total Injury Rate | 5.49 | *9.45* | 3.81 [0.18 – 7.70] | *4.00 [1.00 – 8.20]* | 5/10 | |
| | Average Training Hours | 18.29 | 27.44 | 20.02 [8.42 – 33.00] | 17.96 [8.02 - 27.00] | 5.5/10 | |
| HUMAN RIGHTS (12.00%) | Human Rights Policy | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | 6/10 |
| | Policy Freedom of Association | ✗ | *Unchanged* | 14% ✗ - 86% ✓ | *Unchanged* | 4/10 | |
| | Policy Child Labor | ✓ | *Unchanged* | 100% ✓ | 7% ✗ - 93% ✓ | 6/10 | |
| | Policy Human Rights | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | |
| | Fundamental Human Rights ILO UN | ✓ | *Unchanged* | 36% ✗ - 64% ✓ | 43% ✗ - 57% ✓ | 8/10 | |
| | Human Rights Contractor | ✓ | *Unchanged* | 100% ✓ | 7% ✗ - 93% ✓ | 6/10 | |
| COMMUNITY (12.00%) | Policy Fair Competition | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | 6.1/10 |
| | Policy Bribery and Corruption | ✓ | *Unchanged* | 100% ✓ | 7% ✗ - 93% ✓ | 6/10 | |
| | Policy Business Ethics | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | |
| | Improvement Tools Business Ethics | ✓ | *Unchanged* | 14% ✗ - 86% ✓ | *Unchanged* | 6.5/10 | |
| | Whistleblower Protection | ✓ | *Unchanged* | 7% ✗ - 93% ✓ | *Unchanged* | 6/10 | |
| PRODUCT RESPONSIBILITY (14.30%) | Policy Customer Health & Safety | ✗ | *Unchanged* | 29% ✗ - 71% ✓ | *Unchanged* | 4.5/10 | 5.91/10 |
| | Policy Data Privacy | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | 6/10 | |
| | Policy Cyber Security | ✗ | *Unchanged* | 14% ✗ - 86% ✓ | *Unchanged* | 5.5/10 | |
| | ISO 9000 | ✓ | *Unchanged* | 100% ✓ | 7% ✗ - 93% ✓ | 6/10 | |
| | Armaments | ✗ | *Unchanged* | 71% ✗ - 29% ✓ | *Unchanged* | 7.5/10 | |
| | Oil and Gas Producer | ✗ | *Unchanged* | 100% ✗ | *Unchanged* | 6/10 | |

| GOVERNANCE (WEIGHT: 35.90% – SCORE: 5.92) | | | | | | | |
|---|---|---|---|---|---|---|---|
| BUCKET (weight) | METRIC | GVS | *Previous* | COMPETITORS Average [Min – Max] | *Previous* | SCORE | |
| | | | | | | METRIC | BUCKET |
| **BOARD AND COMMITTEES (24.00%)** | Audit Board Committee | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | *6/10* | **6.20/10** |
| | Compensation Board Committee | ✓ | *Unchanged* | 29% ✗ - 71% ✓ | *Unchanged* | *7.5/10* | |
| | Policy Board Independence | ✗ | *Unchanged* | 14% ✗ - 86% ✓ | *Unchanged* | *5/10* | |
| | Policy Board Diversity | ✓ | *Unchanged* | 100% ✓ | 7% ✗ - 93% ✓ | *6/10* | |
| | Succession Plan | ✓ | *Unchanged* | 21% ✗ - 79% ✓ | *Unchanged* | *7/10* | |
| | Board Size | 9 | *Unchanged* | 10.64 [7 - 16] | 10.50 [7 - 16] | *6/10* | |
| | Board Background and Skills | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | *6/10* | |
| | Independent Board Members (%) | 55.56% | *44.44%* | 73.34% [42.86 – 92.31] | *75.24% [42.86 – 92.86]* | *5/10* | |
| | Board Gender Diversity (%) | 44.44% | *Unchanged* | 32.57% [25.00 – 42.86] | 30.60% [20.00 – 42.86] | *8/10* | |
| | CEO Chairman Duality | ✗ | *Unchanged* | 43% ✗ - 57% ✓ | *Unchanged* | *5.5/10* | |
| | CEO Board Member | ✓ | *Unchanged* | 29% ✗ - 71% ✓ | *Unchanged* | *7/10* | |
| | Chairman is ex-CEO | ✗ | *Unchanged* | 43% ✗ - 57% ✓ | *Unchanged* | *5.5/10* | |
| **SHAREHOLDERS (7.10%)** | Shareholder Rights Policy | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | *6/10* | **5.33/10** |
| | Equal Shareholder Rights | ✓ | *Unchanged* | 100% ✓ | *Unchanged* | *6/10* | |
| | Veto Power or Golden Share | ✓ | *Unchanged* | 86 % ✗ - 14% ✓ | *Unchanged* | *4/10* | |
| **CSR STRATEGY (4.80%)** | CSR Sustainability Committee | ✗ | *Unchanged* | 7% ✗ - 93% ✓ | 14% ✗ - 86% ✓ | *4/10* | **5.37/10** |
| | Global Compact Signatory | ✗ | *Unchanged* | 79% ✗ - 21% ✓ | *Unchanged* | *5.5/10* | |
| | ESG Reporting Scope (%) | 100% | *Unchanged* | 100% [100 – 100] | 94% [46.74 – 100] | *6/10* | |
| | UNPRI Signatory | ✗ | *Unchanged* | 100 % ✗ | Unchanged | *6/10* | |
| | Number of SDG | 5 | *Unchanged* | 6.43 [1 – 14] | 6 [1 – 16] | *5.5/10* | |

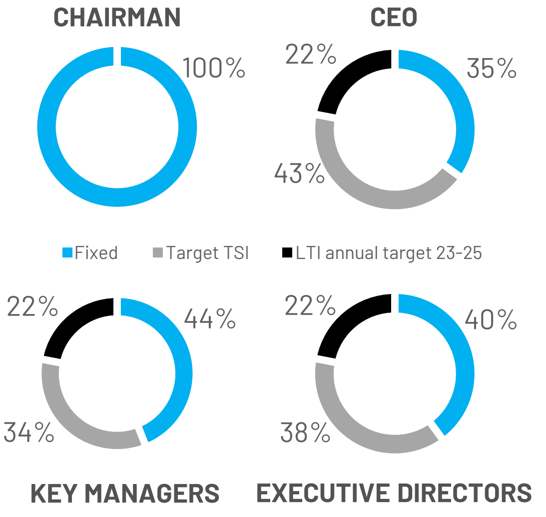
*Source: Company information, Refinitiv, team assessment*

## Annex 23: Board of Directors

| OFFICES | FULL NAME (year of birth) | COMMITTEES | | EDUCATIONAL AND LABOR BACKGROUND |
|---|---|---|---|---|
| | | NOMINATION & COMPENSATION | CONTROL, RISK & SUSTAINABILITY AND TRANSACTION WITH RELATED PARTIES | |
| **Executive Chairman** *(since 2023)* | Nasi Alessandro (1974) | | | Graduated in Business Administration at the University of Turin in 2002, he serves on various boards, including Lego Brand Group, Istituto Italiano di Tecnologia, and 3 Boomerang Capital. He is a Director at CNH Industrial, Iveco Group, Exor NV and Giovanni Agnelli BV. |
| **Chief Executive Officer** *(since 2003)* | Massimo Scagliarini (1965) | | | Degree in accounting from the I.C. Renato Fucini Institute in Rome. With over 35 years of experience, he has led the division operating in the medical sector and turned it into the most successful division of the Group. |
| **Non-Executive Director** *(since 1979)* | Grazia Valentini (1942) | | | Founder of GVS, since 1985, she has served in different roles and managerial positions within the Group. Since 2013, she has served as the CEO of Grace di Grazia Valentini, a company operating in the fashion industry. |
| **Non-Executive Director** *(since 2023)* | Marco Scagliarini (1964) | | | Mr. Scagliarini holds various roles within the companies of the Group, including the role of Chief Executive Officer for GVS Real Estate S.r.l. |
| **Executive Director & Chief Financial Officer** *(since 2023)* | Marco Pacini (1971) | | | Degree with honors in Economics from "La Sapienza" University in Rome and Master degree in Management, Accounting, and Corporate Finance at the University of Turin. Former CFO at Milano Fiera and UniEuro. |
| **Non-Executive Director** *(since 2023)* | Pietro Cordova (1960) | ✓ | ✓ | Graduated in Business Administration from the Sapienza University of Rome. He is partner of a consulting firm and sits on the Board of Director of Terago Inc. |
| **Independent Director** *(since 2023)* | Anna Tanganelli (1981) | | ✓ (Chairperson) | Degree in Business Administration at Bocconi University. Chief Financial Officer and Head of M&A of IREN Group. |
| **Independent Director** *(since 2020)* | Michela Schizzi (1982) | ✓ | | Degree in Law from La Sapienza University of Rome, Master in European Law and admitted to the Bar. General Counsel in Cerved Group since the end of 2022. |
| **Independent Director** *(since 2023)* | Simona Scarpaleggia (1960) | ✓ (Chairperson) | ✓ | Master's degree in Business Administration at SDA Bocconi. She holds a Doctor of Letters Honoris Causa from the International University of Geneva. Member of the Board of Brainforest AG and former member of the Board of Directors of Autogrill SpA. |

*Source: FactSet, Company information, team assessment*

## Annex 24: Remuneration Policy




| | | CEO | KEY MANAGERS | | EXECUTIVE DIRECTORS |
|---|---|---|---|---|---|
| | | | Functions | Commercial | |
| SHORT TERM INCENTIVES | GROUP Performance Objective | 90% | 60% | 40% | 60% |
| | GROUP Strategic Objective | 10% | | | |
| | INDIVIDUAL Performance Objective | ✗ | 30% | 50% | 30% |
| LONG TERM INCENTIVES | Adj. EBITDA margin (%) | 30% | | | |
| | NFP end of Period | 30% | | | |
| | Relative TSR | 20% | | | |
| | ESG Quality | 20% | | | |

*Source: Company data, team assessment*