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**BREAKING NEWS**

## G.M. Leather Extraordinary Operation

Ticker	GML IM
Price (24/02/2023)	€ 1.75
Target Price	€ 6.45
Rating	BUY
Risk	Medium

### NEWS

- In the press release of 23 February 2023, G.M. Leather SpA, head of the G.M. Group, active in the processing and marketing of leather for the production of products for the furniture, leather goods and footwear, tanneries, and automotive aftermarket sectors, has announced that it has completed, through the subsidiary Genesi Srl, an extraordinary operation that allows the Group to internalize an upstream production process, in order to improve marginality and oversee the phases with greater added value in a green perspective.
- In detail, the operation refers to the contracts concluded between Genesi Srl and Conceria Palladio SpA for the lease of business units and for the sublease of properties instrumental to the operation of the business in Zermeghedo (VI), partly already subject to a lease to the affiliate Snam di Marcigaglia A. and C. Srl. The contracts have an expected duration of 20 years with effect from 1 March 2023, the possibility of tacit renewal for another 10 years in the absence of cancellation to be communicated with at least 12 months' notice and provide, finally, for an additional annual fee for the Group equal to approximately € 0.28 million plus VAT. Furthermore, it should be noted that Genesi Srl takes over from Conceria Palladio SpA as the employer of 22 employees.
- At the same time, the Group purchased machinery, equipment, and movable property from Conceria Palladio for a total value of € 5.00 million plus VAT. This value has been determined based on the valuation criteria provided by market practices for similar operations and is also supported by an expert assessment carried out by an independent expert. The 50.0% of the purchase cost was settled on 23 February 2023, while the remaining part will be paid by 28 February 2024.
- With reference to the business carried out by the leased branch of the company, Conceria Palladio represents for the G.M. Leather a historic supplier that deals with the processing of the fresh skins purchased by the Group by carrying out greening, calcining, scarring, descaling, and picking activities aimed at tanning and subsequent splitting of the skin in full thickness to obtain the grain with different processing methods. Finally, it should be noted that both the acquired branch of the company, as well as the set of buildings, machinery, equipment, and movable assets are instrumental to the preliminary processing of liming and tanning, which are currently outsourced and placed upstream of the current phases managed by the subsidiary Genesi Srl.

- With reference to the impact of the operation on the Group's activities, these activities will allow an estimated incremental turnover of € 5.00 million which is estimated to result in an increase of approximately € 1.20 million in terms of EBITDA.
- Finally, the operation is well aligned with the sustainability growth path undertaken by the Group in recent years, which, through significant investments in research and development, has focused on reducing the environmental impact of the activities of the production process in the tracking green of the supply chain, positioning itself as a reference interlocutor for the major brands signatories of the Fashion Pact that have set themselves the goal of obtaining a supply of raw materials for 25.0% with low environmental impact by 2025.
- Carmen Marcigaglia, Chairman of the Board of Directors, and Simone Voltolin, Business Developer of G.M. Leather commented: *“The operation concluded today represents, from a strategic, industrial, and management perspective, an important opportunity for the Group's development and completes our objective of becoming a reference point able to respond to the eco-sustainability needs of lifestyle and luxury brands, with a distinctive competitive positioning and with significant prospects for growth and value creation. The internalization of phases of the value-added production process represents a highly synergistic operation: we estimate a significant potential impact in terms of both revenues and marginality, with an additional contribution on the consolidated data estimated at € 5 million of turnover and € 1.2 million of EBITDA, as well as in terms of contractual force towards the suppliers of the products used in the tanning process.”*
- Taking into account the operation concluded, and while waiting to evaluate the 2022 financial results, we confirm our recommendation: target price € 6.45, BUY rating, and Medium risk.

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15/07/2022	1,78	Buy	6,30	Medium	Initiation of Coverage
12/08/2022	1,70	Buy	6,20	Medium	Flash Note
03/10/2022	1,56	Buy	6,45	Medium	Update

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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- In the IPO phase, It played the role of global coordinator.
- It carries out media marketing activities on behalf of G.M. Leather S.p.A..

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