

## Working Through Short-Term Pressures

ADD | Fair Value: €3.66 (€4.26) | Current Price: €1.07 | Upside: +242%

## Research Update

April 30<sup>th</sup>, 2025 – 7.00 h

€ Million	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Total Revenues	42.4	41.7	41.1	46.1	50.6	54.0	56.3
EBITDA	5.0	6.2	6.4	8.9	10.6	12.1	13.6
margin	11.7%	14.8%	15.7%	19.3%	20.9%	22.5%	24.1%
Net Profit	2.0	2.0	0.3	3.3	4.4	5.5	6.5
margin	4.7%	4.9%	0.8%	7.2%	8.8%	10.3%	11.6%
EPS	0.18	0.18	0.03	0.29	0.40	0.49	0.58
NFP	15.4	25.7	25.7	20.8	16.0	10.7	4.1

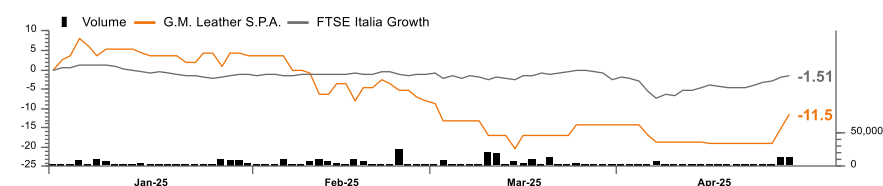
Source: KT&amp;Partners' Elaboration on Company Data (2022-2024), KT&amp;Partners' Estimates (2025-2028)

**FY24 Financials.** On March 28<sup>th</sup>, 2025, G.M. Leather reported consolidated FY24 results with Sales Revenues of €40.5mn, broadly stable YoY (-1.0%) and slightly below our €41.0mn forecast (-1.3%). Finished products (75% of FY24 Sales) grew to €30.2mn (+22.3% YoY), supported by resilient demand and the six-month consolidation of Chiorino Technology (c.€5mn), while semi-finished products (25% of Sales) declined by 36.6% YoY to €10.3mn. Gross Profit rose to €27.3mn (+11.7% YoY), with Gross Margin expanding to 66.5% (+7.9p.p. YoY), driven by favorable inventory dynamics. EBITDA increased to €6.4mn (+4.0% YoY), with a 15.7% margin (+0.8p.p. YoY), despite higher service and personnel costs. EBIT fell to €3.1mn (-22.1% YoY) due to higher D&A charges (€3.4mn, +49.1% YoY), including a €0.4mn write-down of Chiorino Technology. Net income dropped to €0.3mn (vs. €2.0mn in FY23), mainly impacted by rising net financial charges. NFP remained flat at €25.7mn despite improved operating cash flows, weighed by elevated inventories (€28.9mn) and delayed international collections with shipping times extended by an average of 45 days.

**Change in Estimates.** FY25E revenues have been revised down by 14.4% to €46.1mn (vs. €53.8mn prev.), mainly due to the sharper-than-expected contraction in semi-finished products and a more cautious ramp-up in finished goods. Revenues are expected to grow at a 8.2% FY24-28E CAGR to €56.3mn by FY28E. EBITDA was revised down by 10.7% to €8.9mn in FY25E (w/ a 19.3% EBITDA margin, +0.8p.p. vs. prev.), reflecting a higher-margin mix and cost control despite a slightly higher COGS incidence. By FY28E, EBITDA is expected to reach €13.6mn at a 24.1% margin, while net income is projected at €3.3mn in FY25E (-27.5% vs. prev.) and €6.6mn in FY28E. On the balance sheet side, inventory is expected to decline to €22.9mn in FY25E, with a gradual rebound thereafter at a lower DIO level. Trade receivables are projected to rise to €15.5mn in FY25E (103 DSO, up from 91 in FY24) due to ongoing supply chain delays, reaching €16.2mn by FY28E (DSO down to 88 as logistics normalize). Trade Working Capital is forecasted to increase from €26.9mn in FY25E (58% of revenues) to €27.7mn in FY28E (49%). Net Financial Position is projected to improve from €20.8mn of net debt at end-FY25E to €4.1mn by FY28E, driven by stronger operating cash flow and working capital optimization.

**Valuation.** Our valuation - based on DCF and market multiples method (EV/EBITDA) - returns an average equity value of €41.1mn or a fair value of €3.66ps, showing potential upside of +242% on current market price.

## Relative Performance Chart – YTD



Source: Factset.

## Equity Research Team

[connect@ktepartners.com](mailto:connect@ktepartners.com)

## Michele FILIPPIG

[mfilippig@ktepartners.com](mailto:mfilippig@ktepartners.com)

+39 331 631 6783

## Carlo Alberto MORLETTO

[cmorletto@ktepartners.com](mailto:cmorletto@ktepartners.com)

## Market Data

Main Shareholders	
Assunta Srl	80.3%
Smart Capital SpA	6.1%
Mkt Cap (€ mn)	12.0
EV (€ mn)	37.7
Shares out.	11.2
Free Float	13.6%

Market multiples	2024	2025E	2026E
EV/EBITDA			
GM Leather	5.9x	4.2x	3.6x
Comps Average	7.2x	8.1x	8.0x
GM Leather vs Average	-18%	-48%	-55%
P/E			
GM Leather	36.8x	3.6x	2.7x
Comps Average	9.9x	10.1x	10.2x
GM Leather vs Average	272%	-64%	-74%

## Stock Data

52 Wk High (€)	4.44
52 Wk Low (€)	1.10
Avg. Daily Trading 90d	20,921
Price Change 1w (%)	-15.08
Price Change 1m (%)	-27.70
Price Change YTD (%)	-19.55

KT&PARTNERS PREPARED THIS DOCUMENT PURSUANT TO AN ENGAGEMENT LETTER ENTERED INTO WITH BPER BANCA S.P.A. ACTING AS SPECIALIST IN ACCORDANCE TO ART. 35 OF EURONEXT GROWTH ITALIA MARKET RULES FOR COMPANIES.

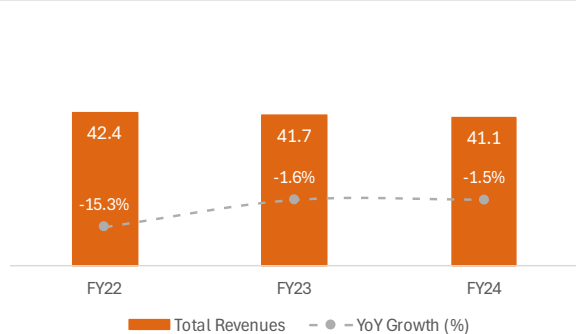
## Key Figures - GM Leather SpA

Current Price (€)	Target Price		Sector				Free Float (%)
1.07	3.66		Manufactured Products				13.6%
Per Share Data	2022	2023	2024	2025E	2026E	2027E	2028E
Total shares outstanding (mn)	11.2	11.2	11.2	11.2	11.2	11.2	11.2
EPS	0.18	0.18	0.03	0.29	0.40	0.49	0.58
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)	2022	2023	2024	2025E	2026E	2027E	2028E
Total Revenues	42.4	41.7	41.1	46.1	50.6	54.0	56.3
EBITDA	5.0	6.2	6.4	8.9	10.6	12.1	13.6
EBIT	3.3	3.9	3.1	6.0	7.5	8.9	10.1
EBT	2.3	2.8	0.9	4.4	5.9	7.3	8.6
Taxes	(0.3)	(0.7)	(0.6)	(1.0)	(1.4)	(1.8)	(2.1)
Tax rate	13%	26%	65%	24%	24%	24%	24%
Net Income	2.0	2.0	0.3	3.3	4.4	5.5	6.5
Net Income attributable to the Group	2.0	2.0	0.3	3.3	4.4	5.5	6.5
Balance Sheet (EUR million)	2022	2023	2024	2025E	2026E	2027E	2028E
Total fixed assets	5.8	11.7	12.3	12.4	12.6	12.8	12.9
Net Working Capital (NWC)	21.6	28.1	27.7	26.4	26.3	27.0	27.2
Provisions	(0.4)	(0.6)	(0.7)	(1.2)	(1.7)	(2.2)	(2.8)
Total Net capital employed	27.1	39.1	39.2	37.6	37.3	37.5	37.4
Net financial position/(Cash)	15.4	25.7	25.7	20.8	16.0	10.7	4.1
Total Shareholder's Equity	11.7	13.5	13.5	16.8	21.3	26.8	33.3
Cash Flow (EUR million)	2022	2023	2024	2025E	2026E	2027E	2028E
Net operating cash flow	4.7	5.5	4.4	7.5	8.8	10.0	11.1
Change in NWC	(5.3)	(6.4)	0.4	1.2	0.1	(0.6)	(0.3)
Capital expenditure	(1.7)	(8.0)	(3.6)	(3.0)	(3.2)	(3.4)	(3.6)
Other cash items/Uses of funds	(0.0)	0.1	(0.3)	0.5	0.5	0.5	0.6
Free cash flow	(2.4)	(8.8)	1.0	6.2	6.1	6.5	7.8
Enterprise Value (EUR million)	2022	2023	2024	2025E	2026E	2027E	2028E
Market Cap	19.3	15.3	12.0	12.0	12.0	12.0	12.0
Net financial position/(Cash)	15.4	25.7	25.7	20.8	16.0	10.7	4.1
Enterprise value	34.7	40.9	37.5	32.6	27.8	22.5	15.8
Ratios (%)	2022	2023	2024	2025E	2026E	2027E	2028E
EBITDA margin	11.7%	14.8%	15.7%	19.3%	20.9%	22.5%	24.1%
EBIT margin	7.8%	9.4%	7.4%	13.1%	14.9%	16.5%	17.9%
Gearing - Debt/equity	1.3x	1.9x	1.9x	1.2x	0.7x	0.4x	0.1x
NFP/EBITDA	3.1x	4.1x	4.0x	2.3x	1.5x	0.9x	0.3x
ROCE	12.2%	10.0%	7.8%	16.0%	20.3%	23.7%	27.0%
ROE	17.2%	15.2%	2.4%	19.4%	20.7%	20.5%	19.4%
EV/Sales	0.9x	0.9x	0.9x	0.8x	0.7x	0.7x	0.7x
EV/EBITDA	7.6x	6.1x	5.9x	4.2x	3.6x	3.1x	2.8x
P/E	6.0x	5.9x	36.8x	3.6x	2.7x	2.2x	1.8x
Free cash flow yield	-0.2x	-0.7x	0.1x	0.5x	0.5x	0.5x	0.7x
Growth Rates (%)	2022	2023	2024	2025E	2026E	2027E	2028E
Sales	-15.3%	-1.6%	-1.5%	12.2%	9.7%	6.7%	4.4%
EBITDA	12.6%	24.2%	4.0%	38.5%	18.7%	14.8%	11.7%
EBIT	-7.9%	18.9%	-22.1%	97.7%	25.0%	18.1%	13.3%
Net Income	-18.0%	1.4%	-83.7%	n.m.	34.4%	24.7%	17.7%

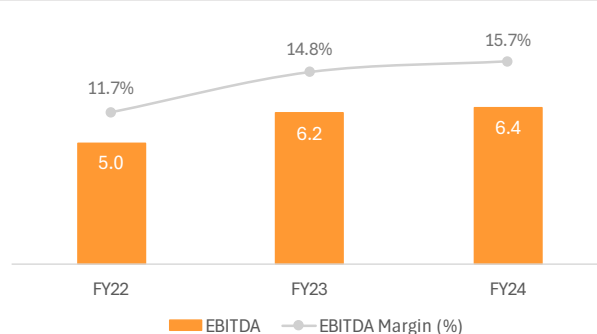
Source: KT&amp;Partners' Elaboration on Company Data (2022-2024), KT&amp;Partners' Estimates (2025-2028)

## Key Charts

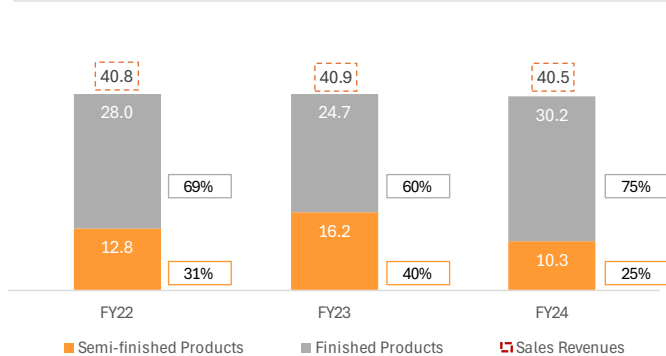
Total Revenues (€mn) and YoY Growth (%)



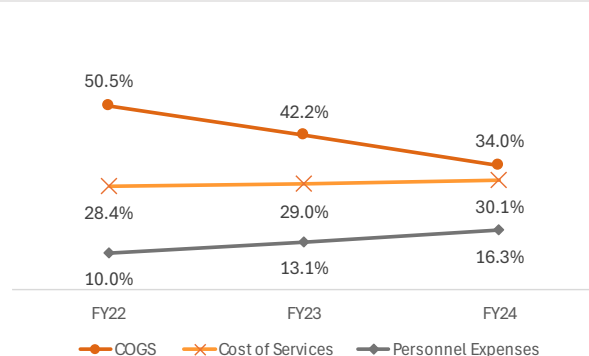
EBITDA (€mn) and EBITDA Margin (%)



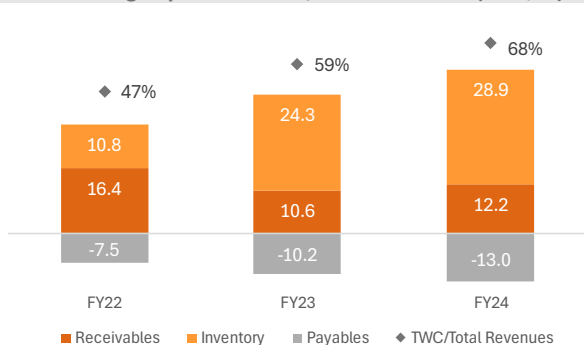
Sales Revenues Breakdown by Product Line (€mn, %)



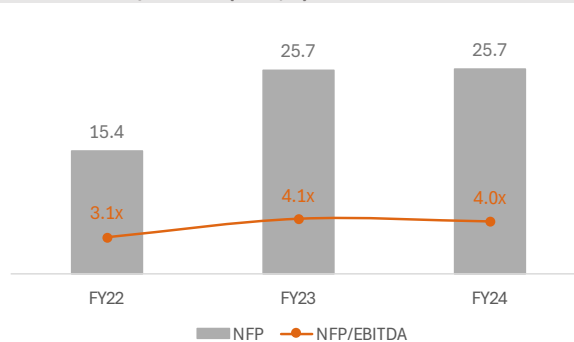
Operating Expenses' incidence over Sales (%)



Trade Working Capital and TWC/Total Revenues (€mn, %)



NFP and NFP/EBITDA (€mn, x)



Source: KT&amp;Partners' Elaboration on Company Data (2022-2024)

Investment Case

**An industry leader.** G.M. Leather combines nearly 50 years of heritage and a “Made in Italy” strong brand credibility to secure a leading position in the global leather industry. Based in Arzignano—the heart of Italy’s tanning district, responsible for over 60% of Europe’s and 25% of the world’s leather production—the Group benefits from a dense network of specialized firms, skilled artisans, and a culture of innovation. Its strategic location, coupled with close relationships across the supply chain and a fully vertically integrated business model enables G.M. Leather to foster cost synergies, anticipate market trends, sustain premium pricing on high-end products, and enhance operating leverage.

**Global outreach and geographical diversification.** Exports represent a core pillar of G.M. Leather’s business model, historically accounting for c.70% of total sales (49.4% generated in FY24 from United States, South America, and Southeast Asia). Through a well-established presence across the Americas, APAC, and other international markets, the Group effectively diversifies its geographic risk and mitigates exposure to regional volatility. This global footprint, supported by a widespread network of commercial agents, has enabled G.M. Leather to maintain resilience and adaptability in sustaining its international market share despite external fluctuations.

**Luxury market as a key growth driver.** G.M. Leather has successfully reinforced its positioning in the high-end luxury segment, a market characterized by strong customer loyalty, pricing power, and structurally higher margins. The Group’s growing portfolio of luxury clients—supported by the strategic integration of Chiorino Leather in 2024—has further enhanced its value proposition, enabled greater product differentiation and sustained premium pricing. With finished product revenues projected to grow at a 10.0% 2024–2028E CAGR, driven largely by luxury sector expansion, this segment represents a critical engine for both topline growth and margin improvement.

**Innovation-Led Sustainability.** G.M. Leather leverages a continuous R&D effort to anticipate customer needs, develop cutting-edge leather solutions, and foster strong client retention. Its commitment to innovation extends beyond product development into process sustainability—reducing water and chemical usage, prioritizing ethically sourced hides, and promoting eco-conscious leather alternatives. These investments not only align with the growing global demand for sustainable luxury but also enhance the Group’s positioning with high-end ethical brands, reinforcing its competitive edge and long-term value creation.

**Opportunity from U.S.–China Tariff Dynamics.** Recent trade tensions between the U.S. and China—culminating in tariffs as high as 145% on American hides—have materially disrupted global leather supply chains, offering a structural opportunity for European producers. As Chinese buyers shift away from U.S. imports in search of alternative high-quality sources, G.M. Leather, through its SNAM division, is well positioned to capitalize on this realignment. With a robust inventory of premium European hides, primarily sourced from Germany, and in-house processing capabilities through Palladio, the Group stands to benefit from the potential rise in demand for European leather in international markets. This external tailwind, combined with G.M. Leather’s established quality leadership and supply chain control, could strengthen export volumes and pricing power over the medium term.



## Company Overview

G.M. Leather S.p.A. has over 45 years of experience in the production, processing, and trading of leather. Headquartered in Arzignano (Vicenza, Italy)—the heart of Italy's leather district—the Company fully embodies the Made in Italy excellence, specializing in high value-added processing for the luxury (leather goods and footwear) and lifestyle (mid- to high-end furniture) sectors. In addition to finished products, it also supplies semi-finished leathers to a diversified base of manufacturers. G.M. Leather operates across three production sites totaling approximately 25,000 sqm, with an annual capacity exceeding 3 million sqm of finished leather.

The Group's competitive edge stems from its fully integrated business model, spanning the entire leather production value chain—from raw material procurement to the delivery of high-end finished products. Raw hides and semi-finished leathers are sourced through G.M. Leather S.p.A., which also directs strategy and R&D, and through its subsidiary Snam di Marcigaglia Antonio & C. S.r.l. ensuring both quality control and privileged access to critical supply networks. Product transformation is managed by Genesi S.r.l., specializing in high value-added processes such as re-tanning, dyeing, finishing, and quality control. By internalizing the most strategic phases of production while outsourcing lower-margin activities, the Group maximizes flexibility, quality, and margins. In 2024, G.M. Leather further enhanced its value chain by leasing the business unit of Chiorino Technology S.p.A. through the creation of Chiorino Leather S.r.l., expanding its presence in the luxury segment and strengthening relationships with leading fashion brands. This move has reinforced its positioning in premium markets, boosted brand equity, and unlocked new growth opportunities.

Through its vertically integrated model and focus on high value-added activities, G.M. Leather has established itself as a key partner for international and Italian clients across the furniture, fashion, and leather goods sectors. Leveraging intensive production, commercial, and R&D efforts, the Group anticipates market trends, customizes products to client specifications, and ensures competitive delivery times. Beyond its industrial strengths, G.M. Leather leads in sustainability by transforming a food industry by-product into a natural, durable, and recyclable material, reinforcing its Made in Italy identity while minimizing environmental impact. The Group's long-standing commitment to best ESG practices, including animal welfare, supply chain transparency, and traceability, is supported by continuous investments in innovation, human capital, and state-of-the-art facilities.

G.M. Leather's growth strategy is centered on expanding its presence in high-margin finished products, leveraging an enhanced commercial structure and increasing exposure to luxury sector clients. The Group's shift toward premium finished goods is expected to drive both topline growth and margin expansion over the coming years, supported by the full consolidation of Chiorino Leather and a stronger positioning among leading fashion brands. Operational efficiencies, combined with a focus on high value-added processing, will further sustain profitability improvements without the need for significant new investments. From a financial standpoint, G.M. Leather's limited capex requirements and healthy cash flow profile are set to facilitate a steady deleveraging process, progressively strengthening the Group's financial flexibility and supporting future strategic initiatives.

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**Recent Developments**

- **Merger with Genesi S.r.l.**

On March 28, 2025, GM Leather's Board of Directors approved the merger by incorporation of Genesi S.r.l., a wholly owned subsidiary. The transaction is part of a broader strategy to streamline the Group's structure, simplifying the corporate chain and reducing overhead costs. Given GM Leather's full ownership of Genesi, the merger follows the simplified procedure outlined in Article 2505 of the Italian Civil Code, with no share exchange ratio required. The merger will be effective after the relevant registrations and will allow the parent company to directly consolidate production activities, achieving further operational efficiencies.

- **Strengthening in the Luxury Segment through Chiorino Technology**

In July 2024, GM Leather expanded its luxury positioning by leasing the business unit of Chiorino Technology S.p.A. through the newly incorporated subsidiary Chiorino Leather S.r.l. This move enabled the Group to access Chiorino's prestigious client portfolio and technical know-how, particularly in high-end leather processing. The operation bolstered GM Leather's exposure to the premium fashion sector and enhanced its order backlog for luxury products. Furthermore, in January 2024, GM Leather had already acquired an 18% minority stake in Chiorino Technology from Arcadia SGR, laying the groundwork for deeper industrial synergies.

- **Certification Achievements**

In early 2024, GM Leather's subsidiaries Genesi S.r.l. and Snam S.r.l. successfully renewed their Leather Working Group (LWG) certifications. These renewals, obtained with strong scoring performances, reinforce the Group's commitment to sustainability, supply chain transparency, and responsible sourcing.

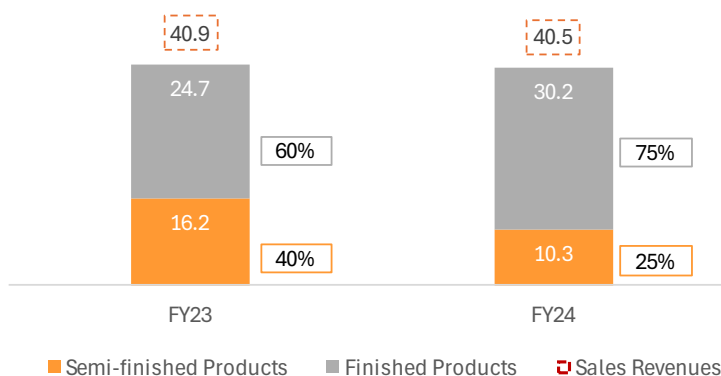
- **Expansion of Vertical Integration**

During 2023, GM Leather consolidated its internal production capabilities by integrating upstream tanning and liming operations. This was achieved through the leasing of Conceria Palladio's business unit by Genesi S.r.l., allowing the Group to directly manage key phases of the leather production process. This strategic move enhanced product quality control, reduced external dependencies, and improved profitability margins across the Group.

## FY24 Financials

On March 28<sup>th</sup>, 2025, G.M. Leather reported its consolidated FY24 results. The Group posted Sales Revenues of €40.5mn, slightly below our €41.0mn estimates (-1.3%) but broadly stable from €40.9mn in FY23 (-1.0% YoY), despite persistent macroeconomic and sector-specific challenges. Revenues from finished products (75% of Sales, up from 60%) rose to €30.2mn in FY24 (+22.3% YoY from €24.7mn in FY23), despite weakness in the luxury segment, where several key client brands showed signs of slowdown. FY24 figure include c.€5mn of Chiorino Technology (consolidated for 6-months in 2024). Overall revenues remain stable however, with semi-finished product sales (25% of Sales, down from 40%) declining 36.6% YoY to €10.3mn (from €16.2mn in FY23).

**FY23-24 Sales Revenues Breakdown per Product Line (€mn, %)**



Source: KT&Partners' Elaboration on Company's data

Total Revenues came in at €41.1mn, slightly below our estimates of €41.8mn (-1.8%), losing 1.5% YoY from €41.7mn reported in FY23.

Despite a lower topline, the Company reported €27.3mn in Gross Profit, up 11.7% YoY from €24.4mn in FY23 and 12.7% above our €24.2mn estimate. Gross Margin rose to 66.5% from 58.6% (+7.9 p.p.), driven by a sharp reduction in COGS, which fell to €13.8mn from €17.3mn in FY23. The improvement reflects the inventory build-up in prior periods, which allowed the Group to lower purchase volumes in FY24 at more favorable prices, while also benefitting from the full-year contribution of pre-existing inventory from Nene Valley—consolidated for only six months in FY23— and the six-months contribution of Chiorino Technology. In addition, the internalization of key processing phases—through Palladio, whose tanning activities (“calcinio”) were previously outsourced—enabled the Group to reduce external procurement, lowering COGS.

EBITDA reached €6.4mn in FY24, up 4.0% YoY from €6.2mn in FY23 and 3.9% above our estimate of €6.2mn. The EBITDA margin rose to 15.7% (vs. 14.8% in FY23), despite an increase in operating expenses. Cost of Services—the Group's largest expense item—grew in relative terms to 30.1% of Sales (vs. 29.0% in FY23), reflecting its largely fixed nature against the drop at the topline level. Personnel expenses, up from 13.1% to 16.3% of Sales, rose primarily due to the consolidation of Chiorino, which added headcount and associated costs.

EBIT declined to €3.1mn in FY24 from €3.9mn in FY23 (-22.1% YoY), falling short of our €3.5mn projection. This was primarily driven by a sharp increase in D&A, which rose to €3.4mn (+49.1% YoY from €2.3mn in FY23). Included in this figure is the full write-down (€0.4mn) of the Group's equity stake in Chiorino Technology, initially acquired in January 2024 through an 18.9% capital injection. However, following a restructuring process, the Group opted to pivot from an equity partnership to an industrial lease structure—securing operational control via a long-term lease of Chiorino's operations.

Net income fell to €0.3mn in FY24 (vs. €2.0mn in FY23, -83.7% YoY), significantly below our €1.3mn estimate (-74.4%). The decline was largely driven by a sharp rise in financial charges, which nearly doubled to €2.1mn (from €1.2mn in FY23) due to i) higher interest costs linked to Euribor dynamics, ii) a lower positive FX contribution (~€250k in FY24 v. c.€450k in FY23) and iii) the full-year impact of higher FY23 debt levels taken to finance inventory ramp-up, which continued to weigh on financial expenses throughout FY24.

On the balance sheet, FY24 Net Financial Position closed at €25.7mn, flat from FY23. While the Group benefited from improved operating cash flow and robust EBITDA, a still-elevated inventory level (up to €28.9mn in FY24 from €24.3mn in FY23) and delays in receivables collection offset deleveraging efforts. Notably, Trade Working capital increased to €28.1mn from €24.6mn also due to delays in maritime shipping times—extended by an average of 45 days—affecting collections on international shipments, particularly toward the U.S., South America, and Southeast Asia, which account for almost 50% of FY24 Revenues.

## FY21-24 Income Statement

€ million	FY21	FY22	FY23	FY24	YoY %	FY24E	A vs E %
Sales Revenues	49.7	40.8	40.9	40.5	-1.0%	41.0	-1.3%
<b>Sales Revenues</b>	<b>49.7</b>	<b>40.8</b>	<b>40.9</b>	<b>40.5</b>	<b>-1.0%</b>	<b>41.0</b>	<b>-1.3%</b>
Growth %	70.0%	-17.8%	n.a.	n.a.		0.2%	
Other Revenues	0.3	1.5	0.8	0.6	-24.5%	0.8	-26%
<b>Total Revenues</b>	<b>50.0</b>	<b>42.4</b>	<b>41.7</b>	<b>41.1</b>	<b>-1.5%</b>	<b>41.8</b>	<b>-1.8%</b>
Growth %	68.0%	-15.3%	-1.6%	-1.5%		0.3%	
COGS	(25.6)	(20.6)	(17.3)	(13.8)		(17.6)	
<b>Gross Profit</b>	<b>24.4</b>	<b>21.8</b>	<b>24.4</b>	<b>27.3</b>	<b>11.7%</b>	<b>24.2</b>	<b>12.7%</b>
Gross Margin	48.9%	51.3%	58.6%	66.5%	7.9%	57.9%	
Cost of Services	(15.5)	(11.6)	(11.9)	(12.2)		(9.5)	
Rental Costs	(0.6)	(0.8)	(0.8)	(1.2)		(1.1)	
Personnel Expenses	(3.7)	(4.1)	(5.4)	(6.6)		(6.1)	
Other Operating Expenses	(0.2)	(0.3)	(0.3)	(0.9)		(1.2)	
<b>EBITDA</b>	<b>4.4</b>	<b>5.0</b>	<b>6.2</b>	<b>6.4</b>	<b>4.0%</b>	<b>6.2</b>	<b>3.9%</b>
EBITDA margin	8.8%	11.7%	14.8%	15.7%	0.8%	14.8%	
Growth %	27.4%	12.6%	24.2%	4.0%		-0.2%	
D&A and Provisions	(0.8)	(1.7)	(2.3)	(3.4)		(2.7)	
<b>EBIT</b>	<b>3.6</b>	<b>3.3</b>	<b>3.9</b>	<b>3.1</b>	<b>-22.1%</b>	<b>3.5</b>	<b>-11.5%</b>
EBIT margin	7.2%	7.8%	9.4%	7.4%	-2.0%	8.3%	
Growth %	39.9%	-7.9%	18.9%	-22.1%		(0.0)	
Financial Income and Expenses	(0.3)	(1.0)	(1.2)	(2.1)		(1.8)	
Extraordinary items	-	-	-	-		-	
<b>EBT</b>	<b>3.3</b>	<b>2.3</b>	<b>2.8</b>	<b>0.9</b>	<b>-65.8%</b>	<b>1.7</b>	<b>-43.7%</b>
Taxes	(0.8)	(0.3)	(0.7)	(0.6)		(0.4)	
Tax Rate	25.2%	13.4%	26.3%	64.9%		24.0%	
<b>Net Income</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>0.3</b>	<b>-83.7%</b>	<b>1.3</b>	<b>-74.0%</b>
Net margin	4.9%	4.7%	4.9%	0.8%	-4.1%	3.1%	
Growth %	34.8%	-18.0%	1.4%	-83.7%		-37.5%	
Minorities	-	-	-	0.0		-	
<b>Net Income attributable to the Group</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>0.3</b>	<b>1%</b>	<b>1.3</b>	<b>-74.4%</b>
Net margin	4.9%	4.7%	4.9%	0.8%		3.1%	
Growth %	34.8%	-18.0%	1.4%	-84.0%		-37.5%	

Source: KT&Partners' Elaboration on Company Data (2021-2024), KT&P's old Estimates (2024)

## FY21-24 Balance Sheet

€ million	FY21	FY22	FY23	FY24
Intangible	1.7	3.8	4.8	5.5
Tangible	4.0	2.0	6.7	6.8
Other LT Assets	0.0	0.0	0.1	0.0
<b>Fixed Assets</b>	<b>5.7</b>	<b>5.8</b>	<b>11.7</b>	<b>12.3</b>
Trade receivables	12.4	16.4	10.6	12.2
Inventory	12.1	10.8	24.3	28.9
Trade Payables	(8.7)	(7.5)	(10.2)	(13.0)
<b>Trade Working Capital</b>	<b>15.8</b>	<b>19.7</b>	<b>24.6</b>	<b>28.1</b>
Other assets and liabilities	0.5	1.9	3.4	(0.4)
<b>Net Working Capital</b>	<b>16.4</b>	<b>21.6</b>	<b>28.1</b>	<b>27.7</b>
<b>Other Provisions</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.6)</b>	<b>(0.7)</b>
<b>Net Capital Employed</b>	<b>21.7</b>	<b>27.1</b>	<b>39.1</b>	<b>39.2</b>
Group shareholders' equity	8.0	11.7	13.5	13.8
Minorities	-	-	-	(0.2)
<b>Total shareholders' equity</b>	<b>8.0</b>	<b>11.7</b>	<b>13.5</b>	<b>13.5</b>
Short-term debt / Cash (-)	6.8	7.5	13.6	17.2
Long-term liabilities	6.9	7.9	12.0	8.5
<b>Net Financial Position</b>	<b>13.7</b>	<b>15.4</b>	<b>25.7</b>	<b>25.7</b>
<b>Sources</b>	<b>21.7</b>	<b>27.1</b>	<b>39.1</b>	<b>39.2</b>

Source: KT&Partners' elaborations on Company data (2021-2024)

## Change in estimates

Following the release of FY24 results, we have revised our estimates for G.M. Leather over the 2025–2027E period and included projections for FY28E.

We now project total revenues to reach €46.1mn in FY25E (up 12.2% YoY from €41.1mn recorded in FY24), lowered from our previous €53.8mn estimate (-14.4%). The downward revision mainly reflects the sharper-than-expected contraction in semi-finished product sales observed in FY24, combined with a more prudent assumption on the ramp-up of finished products, given the softer luxury demand environment. However, order intake in the early months of FY25 has proved robust, showing a 15–20% YoY increase compared to FY24, supporting positive prospects. We expect revenues to reach €56.3mn by FY28E, implying an 8.2% FY24–28E CAGR under a more cautious growth trajectory.

At the profitability level, we now forecast EBITDA to reach €8.9mn in FY25E, down 10.7% from our previous €10.0mn estimate, in line with a more conservative topline. However, we still expect a significant margin improvement, with EBITDA margin forecasted at 19.3% in FY25E (+0.8p.p. vs. previous forecasts), despite a slightly higher expected COGS incidence (36% of Sales from 34% in FY24), due to a greater proportion of sales derived from inventory in which processing costs were already absorbed. COGS incidence is expected to gradually decline to 34.5% by FY28E, as inventory turnover normalizes and product mix continues to improve. Margin improvement will also be supported by a more favorable sales mix skewed toward high-margin finished products and the progressive benefit of operating leverage. Cost of services—mainly fixed in nature—are projected to reduce their incidence from 30.1% in FY24 to 28% in FY25E, and further improve to 25% by FY28E, aided by a gradual reduction in external processing. On the personnel side, the Company's restructuring plan—including the merger of GM and Genesis by 2H25—is expected to streamline operations and bring personnel expenses to 13.5% of Sales—€6.1mn—in FY25E (from 16.3% in FY24). Accordingly, we now project EBITDA to reach €13.6mn by FY28E, with a 24.1% margin.

Net income forecasts have been revised down to €3.3mn for FY25E (from €4.6mn, -27.5%), increasing to €6.5mn by FY28E, supported by a reduction in net financial charges.

G.M. Leather is expected to continue experiencing delays across the supply chain in early 2025, consistent with the disruptions observed in recent years. Accordingly, we project trade receivables to rise to €15.5mn in FY25E (103 DSO), up from €12.2mn in FY24 (91 DSO), reflecting persistent delays in international shipping. Looking ahead, as logistical conditions gradually normalize and credit management becomes more efficient, DSO is expected to fall to 88 days by FY28E, with trade receivables reaching €16.2mn, following topline growth. In parallel, the Group is targeting a progressive reduction in inventory, expected to decrease in the short term to €22.9mn in FY25E (c.€6mn reduction), and slightly rebound afterwards with a lower level of DIO. Overall, Trade Working Capital is forecasted to slightly increase from €26.9mn in FY25E (58% TWC/Total Revenues) to €27.7mn by FY28E (49% TWC/Total Revenues). Starting from a Net Financial Debt of €25.7mn by end-FY24, we project G.M. Leather to strengthen its financial profile over FY25E, improving its Net Financial Position to €20.8mn of net debt by year-end (a €4.9mn reduction vs. €3.6mn previously estimated). The improvement will be supported by: (i) €8.9mn of EBITDA generation, (ii) €2.7mn of cash absorption from net financial expenses and taxes, (iii) €1.2mn of cash release from trade working capital, (iv) €0.5mn of cash release from other operating cash flows (mainly linked to employee provisions), and (v) €3.0mn of capex investments.

Looking ahead, we expect the Net Financial Position to continue improving over the forecast period, reaching a €4.1mn net debt position by FY28E, driven by stronger operating cash flow generation and ongoing working capital optimization.

## Change in Estimates

€ Millions	2024E	2024A	Change	2025E	2025E	Change	2026E	2026E	Change	2027E	2027E	Change	2028E	CAGR 24-28
	Old	Actual		Old	New		Old	New		Old	New		New	New
<b>Total Revenues</b>	<b>41.8</b>	<b>41.1</b>	<b>-1.8%</b>	<b>53.8</b>	<b>46.1</b>	<b>-14.4%</b>	<b>56.3</b>	<b>50.6</b>	<b>-10.1%</b>	<b>58.8</b>	<b>54.0</b>	<b>-8.2%</b>	<b>56.3</b>	<b>8.2%</b>
YoY Change (%)	0.3%	-1.5%		28.7%	12.2%		4.5%	9.7%		4.5%	6.7%		4.4%	
<b>EBITDA</b>	<b>6.2</b>	<b>6.4</b>	<b>3.9%</b>	<b>10.0</b>	<b>8.9</b>	<b>-10.7%</b>	<b>11.7</b>	<b>10.6</b>	<b>-9.6%</b>	<b>13.5</b>	<b>12.1</b>	<b>-10.1%</b>	<b>13.6</b>	<b>20.5%</b>
YoY Change (%)	0.1%	4.0%		61.1%	38.5%		17.3%	18.7%		15.4%	14.8%		11.7%	
EBITDA Margin	14.8%	15.7%		18.5%	19.3%		20.8%	20.9%		23.0%	22.5%		24.1%	
<b>EBIT</b>	<b>3.5</b>	<b>3.1</b>	<b>-11.5%</b>	<b>7.6</b>	<b>6.0</b>	<b>-20.8%</b>	<b>9.6</b>	<b>7.5</b>	<b>-21.2%</b>	<b>11.5</b>	<b>8.9</b>	<b>-22.8%</b>	<b>10.1</b>	<b>34.8%</b>
YoY Change (%)	-12.0%	-22.1%		120.8%	97.7%		25.7%	25.0%		20.5%	18.1%		13.3%	
EBIT Margin	8.3%	7.4%		14.2%	13.1%		17.0%	14.9%		19.6%	16.5%		17.9%	
<b>Net Income</b>	<b>1.3</b>	<b>0.3</b>	<b>-74.0%</b>	<b>4.6</b>	<b>3.3</b>	<b>-27.5%</b>	<b>6.4</b>	<b>4.4</b>	<b>-30.1%</b>	<b>8.2</b>	<b>5.5</b>	<b>-32.4%</b>	<b>6.5</b>	<b>110.6%</b>
YoY Change (%)	-37.3%	-83.7%		256.9%	896.3%		39.5%	34.4%		28.8%	24.7%		17.7%	
Net Margin	3.1%	0.8%		8.5%	7.2%		11.3%	8.8%		13.9%	10.3%		11.6%	
<b>NFP</b>	<b>25.0</b>	<b>25.7</b>	<b>0.7</b>	<b>21.4</b>	<b>20.8</b>	<b>(0.6)</b>	<b>13.1</b>	<b>16.0</b>	<b>2.8</b>	<b>2.9</b>	<b>10.7</b>	<b>7.9</b>	<b>4.1</b>	
YoY Change (€mn)	(0.7)	0.0		(3.6)	(4.9)		(8.3)	(4.8)		(10.3)	(5.3)		(6.7)	

Source: KT&amp;Partners' Elaboration on Company Data (2023-2024), KT&amp;P's Estimates (2024E-2028E)

Valuation

Following G.M. Leather’s future financials projections, we have carried out our valuation using multiple and DCF methods. Our valuation is based on 11.2mn shares and is the result of:

- **EV/EBITDA multiple:** with a 20% liquidity discount, which returns a value of €36.9mn or €3.29ps;
- **DCF analysis** based on WACC of 12.3% and 2.0% perpetual growth, which returns a value of €45.3mn or €4.03ps.

The average of the two methods yields a fair value of €41.1mn or €3.66ps.

Valuation Recap		
	Equity Value (€mn)	Value per share (€)
EV/EBITDA	36.9	3.29
DCF	45.3	4.03
Average	41.1	3.66

Source: FactSet, KT&Partners’ elaboration

## Market Multiples Valuation

Following the comps analysis, we proceeded with the definition of market multiples for our panel, focusing on 2024-27E data.

### Peer Comparison – Market Multiples 2024–27

Company Name	Exchange	Market Cap	EV/SALES 2024	EV/SALES 2025	EV/SALES 2026	EV/SALES 2027	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBITDA 2026	EV/EBITDA 2027	P/E 2024	P/E 2025	P/E 2026	P/E 2027
Pattern S.p.A	Milan	72	0.7x	0.7x	0.7x	0.6x	5.7x	11.9x	8.6x	6.3x	n.m	n.m	n.m	n.m
Gismondi 1754 S.p.A.	Milan	9	1.2x	1.2x	1.1x	1.0x	n.m	n.m	14.6x	9.7x	n.m	n.m	n.m	n.a.
Gentili Mosconi-s.p.A.	Milan	48	0.9x	0.8x	0.7x	0.6x	12.0x	8.7x	5.3x	4.3x	n.m	n.m	11.3x	10.2x
Colefax Group Plc	London	54	0.5x	0.5x	0.5x	n.a.	3.8x	3.6x	3.4x	n.a.	9.9x	10.1x	8.9x	n.a.
Average peer group		46	0.8x	0.8x	0.8x	0.7x	7.2x	8.1x	8.0x	6.8x	9.9x	10.1x	10.1x	10.2x
Median peer group		51	0.8x	0.8x	0.7x	0.6x	5.7x	8.7x	7.0x	6.3x	9.9x	10.1x	10.1x	10.2x
GM Leather SpA	Milan	13	1.0x	0.9x	0.8x	0.7x	6.0x	4.3x	3.6x	3.2x	n.m	3.9x	2.9x	2.3x

Source: FactSet, KT&Partners' Elaboration

We decide to base our valuation upon i) 2025 and 2026 EV/EBITDA multiples; and ii) our estimates of G.M. Leather's EBITDA for 2025 and 2026. We end up with G.M. Leather's equity value of €36.9mn for EV/EBITDA.

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2025E	2026E
EV/EBITDA Comps	8.1x	8.0x
GM Leather EBITDA	8.9	10.6
<b>Enterprise value</b>	<b>72.2</b>	<b>84.4</b>
<b>Average Enterprise value</b>	<b>78.3</b>	
<i>Liquidity/Size Discount</i>	<i>20%</i>	
<b>Enterprise Value Post-Discount</b>	<b>62.6</b>	
FY24 Net Debt	25.7	
<b>Equity Value</b>	<b>36.9</b>	
<i>Number of shares (mn)</i>	<i>11.2</i>	
<b>Value per Share €</b>	<b>3.3</b>	

Source: FactSet, KT&Partners' Elaboration

## DCF Valuation

We have also performed our valuation using a four-year DCF model, based on a 17.4% cost of equity, 6.0% cost of debt and a target capital structure with 65.0% debt. The cost of equity is a function of the risk-free rate of 3.69% (Italian 10y BTP), 5.4% equity risk premium (Damodaran's country equity risk premium for Italy) and a premium for size at 6.5%. We therefore obtained 12.3% WACC.

We discounted 2025–28E annual cash flows and considered a terminal growth rate of 2.0%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ Millions	2025E	2026E	2027E	2028E
<b>EBIT</b>	<b>6.0</b>	<b>7.5</b>	<b>8.9</b>	<b>10.1</b>
Taxes	(1.4)	(1.8)	(2.1)	(2.4)
D&A	2.9	3.0	3.2	3.5
Change in Net Working Capital	1.2	0.1	(0.6)	(0.3)
<b>Net Operating Cash Flow</b>	<b>9.2</b>	<b>9.3</b>	<b>9.9</b>	<b>11.4</b>
Capex	(3.0)	(3.2)	(3.4)	(3.6)
<b>FCFO</b>	<b>6.2</b>	<b>6.1</b>	<b>6.5</b>	<b>7.8</b>
<b>g</b>	<b>2.0%</b>			
<b>Wacc</b>	<b>12.3%</b>			
Discounted Cumulated FCFO	20.6			
TV	77.3			
TV (discounted)	50.4			
<b>Enterprise Value</b>	<b>71.0</b>			
NFP FY24	25.7			
<b>Equity Value</b>	<b>45.3</b>			
Current number of shares (mn)	11.2			
<b>Value per share (€)</b>	<b>4.03</b>			

Source: Company data, KT&Partners' elaboration

DCF Sensitivity Analysis						
€ Millions		WACC				
Terminal growth Rate		12.8%	12.6%	12.3%	12.1%	11.8%
	1.5%	39.7	41.2	42.8	44.4	46.1
	1.8%	40.8	42.4	44.0	45.7	47.5
	2.0%	42.0	43.6	45.3	47.1	49.0
	2.3%	43.3	44.9	46.7	48.5	50.5
	2.5%	44.6	46.3	48.1	50.1	52.1

Source: Company data, KT&Partners' elaboration

## Appendix

### Peers Overview

To define GM Leather' peer sample, we carried out an in-depth analysis of Italian and internationally listed companies active in the design and production of materials or products related to consumer goods. In selecting potential peers, we consider GM Leathers's offering and revenue mix, business model, growth, and profitability profile.

For peer analysis, we built a sample of 4 companies, which includes:

- **Pattern SpA:** listed on the Euronext Milan Stock Exchange with a market capitalization of €72.0mn, Pattern SpA engages in the engineering, designing, development, prototyping and production of clothing for men and women. It operates through the Pattern and Roscini production units. The Pattern production unit operates in the province of Turin and deals with the creation of garments of clothing for men which include outerwear and trousers. The Roscini production unit operates in the province of Perugia and focuses on the clothing line for women which includes dresses and skirts. In FY24, Pattern reached €126.0mn in sales revenues.
- **Gismondi 1754 SpA:** listed on the Euronext Milan Stock Exchange with a market capitalization of €8.9mn, Gismondi 1754 SpA engages in the design, production, and marketing of jewelry in the luxury sector. It operates through various sales network channels of its jewelry products including retail, wholesale, franchising, and special sales for fashion and special occasions under the Gismondi brand. In FY24, Gismondi 1754 reached €12.2mn in sales revenues.
- **Gentili Mosconi SpA:** listed on the Euronext Milan Stock Exchange with a market capitalization of €48.3mn, Gentili Mosconi SpA engages in providing textile products. It offers printed and dyed fabrics, in jacquard and yarn-dyed processes, fabrics with original prints or garment prints, and other special processes for national and international fashion brands. In FY24, Gentili Mosconi reached €41.5mn in sales revenues.
- **Colefax Group PLC:** listed on the London Stock Exchange with a market capitalization of €54.3mn, Colefax Group Plc is a holding company engaged in the provision of furnishing products and related services. It operates through the Product and Decorating divisions. The Product division involves the design and distribution of furnishing fabrics, wallpapers, and upholstered furniture. The Decorating division offers interior and architectural design and decoration, primarily for private individuals. Its brands include Colefax and Fowler, Cowtan and Tout, Jane Churchill, Larsen and Manuel Canovas. In FY24, Colefax Group reached €124.5mn in sales revenues.

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IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

- ADD - FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD - FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE - FOR A FAIR VALUE < -15% ON CURRENT PRICE

