

INITIATION OF COVERAGE



GISMONDI

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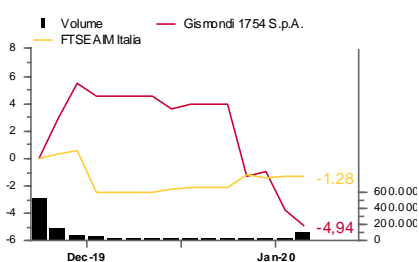
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Relative Performance Chart since IPO



Market Data:

Current Price (€)	3.08
Fair Value (€)	4.65
Market Cap (€mn)	13.74
52 Wk High (€)	3.60
52 Wk Low (€)	2.94
Free Float (%)	0.4
Avg. Daily Trading 90d	103760
Price Change 1w (%)	-9.41
Price Change 1m (%)	n.a.
Price Change YTD (%)	-8.88
EV/EBITDA 2019E	8.30
EV/EBITDA 2020E	6.95
P/E 2019E	16.98
P/E 2020E	14.08

Diamonds are Investors' Best Friends

Overview. Gismondi 1754 SpA, headquartered in Genoa, is an Italian luxury company which designs and distributes its jewels worldwide. The company enjoys a history of seven generations of jewelry know-how and delivers the best craftsmanship thanks to the collaboration with artisans from the Valenza district, the Italian capital of jewelry creation. The company offer includes Tailor-made products and Gismondi collections, both distributed through retail and wholesale channels along with sales based on direct client relationships.

Snapshot of the Market. Gismondi operates in the hard luxury market, 33% of the €260bn personal luxury good industry in 2018. The jewelry category grew by 7% to €18bn between 2017 and 2018, outperforming the reference industry and its main substitution products (watches and apparel). In terms of distribution channels, 2018 showed the predominance of wholesale with 62% share over the 38% of retail. Looking at the share of global market by region, in 2018, Europe, the largest market (32%) reached €84bn (+3% YoY), followed by the Americas which rose to €80bn (31%), up by 5% with respect to 2017. According to Bain, worldwide market of personal luxury good is expected in the range of €320-360bn in 2025 growing at a CAGR 2018-2023 of 3-5%.

Historical Financial Results. Gismondi recorded €5.6mn of total revenues (€5.5mn sales revenues) in FY18, growing by 19% YoY. In 2018, in terms of revenues Retail accounted for 34%, reaching €1.9mn; Wholesale recorded revenues of €1.2mn (23% of revenues), more than doubling with respect to 2017, following expansion of the wholesale channel; Special sales accounted for 43%, reaching €2.4mn. EBITDA reached €977k in 2018, with a margin of 17.3%, while Net Income stood at €589k (10.4% net margin). 2018 NFP stood at €1.9mn. Looking at 1H19 interim results, revenues reached €2.3mn, and EBITDA reached €434k (margin of 18.6%). 1H19 NFP improved to €1.7mn.

IPO and Drivers of Growth. Gismondi went public on 18th December 2019 with an IPO price of €3.20 and raising €5.0mn through capital increase. Gismondi strategy is based on two pillars: a) International expansion through the wholesale channel, also leveraging on the partnership with Neiman Marcus, one of the most important USA luxury department stores; ii) strengthening of brand positioning empowering the communication strategy.

Future Estimates. Starting from the top line, we expect revenues at €6.4mn in 2019 (+13% YoY) and at €12.9mn in 2023, with a CAGR 2018A-2023E of 18%, mainly driven by the growth of wholesale revenues following the internationalization of the brand. On the back of business strategy, based on indirect channel expansion, wholesale revenues are expected to increase their contribution from the 19% of 2018 to 34% in 2023, while retail revenues are expected to account for 23% in 2023 (from 34% of 2018). We forecast EBITDA at €1.1mn in 2019 (+18.1% YoY) and at €2.5mn in 2023E, with a 2019-2023E CAGR of 21%. Looking at company cash generation, we expect the company to reach in 2023 a net cash position of €5.5mn.

Valuation. Our valuation - based on both DCF and market multiple models - returns an equity value of €18.9mn or €4.65ps, a potential upside of 51% on current market price (€3.08ps).

€ Million	Total Revenues	EBITDA	EBITDA Margin	EBIT	Net Profit	Net Margin
2018A	5.6	1.0	17.3%	0.9	0.6	10.4%
2019E	6.4	1.2	18.1%	1.1	0.7	11.5%
2020E	7.9	1.4	17.6%	1.3	0.9	11.3%
2021E	10.0	1.9	18.8%	1.8	1.2	12.5%
2022E	11.5	2.2	19.2%	2.1	1.5	12.8%
2023E	12.9	2.5	19.4%	2.4	1.7	12.9%

Source: Company data, KT&Partners' estimates

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Gismondi 1754 S.p.A. - Key Figures

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	3.08	4.65	Luxury Goods				39%
Per Share Data							
	2018A	2019E	2020E	2021E	2022E	2023E	
Total shares outstanding (mn)	n.m.	4.06	4.06	4.06	4.06	4.06	
EPS	n.m.	0.00	0.00	0.00	0.00	0.00	
Dividend per share (ord)	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.	
Profit and Loss (EUR million)							
Revenues	5.6	6.4	7.9	10.0	11.5	12.9	
EBITDA	1.0	1.2	1.4	1.9	2.2	2.5	
EBIT	0.9	1.1	1.3	1.8	2.1	2.4	
EBT	0.8	1.0	1.3	1.8	2.1	2.4	
Taxes	(0.2)	(0.3)	(0.4)	(0.5)	(0.6)	(0.7)	
Tax rate	30%	29%	29%	29%	29%	29%	
Net Income*	0.6	0.7	0.9	1.2	1.5	1.7	
Balance Sheet (EUR million)							
Total fixed assets	0.3	0.4	0.4	0.4	0.4	0.3	
Net Working Capital (NWC)	3.6	3.6	4.3	5.4	6.2	6.8	
Provisions	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.5)	
Total Net capital employed	3.8	3.8	4.4	5.5	6.1	6.6	
Net financial position/(Cash)	1.9	(2.9)	(3.2)	(3.4)	(4.3)	(5.5)	
Total Shareholder's Equity	1.9	6.8	7.7	8.9	10.4	12.1	
Cash Flow (EUR million)							
Net operating cash flow	-	0.8	1.0	1.4	1.6	1.8	
Change in NWC	-	(0.0)	(0.6)	(1.2)	(0.7)	(0.6)	
	-	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	
Other cash items/Uses of funds	-	0.1	0.1	0.1	0.1	0.1	
Free cash flow	-	0.7	0.3	0.2	0.9	1.2	
Enterprise Value (EUR million)							
Market Cap	n.a.	13.7	12.5	12.5	12.5	12.5	
Minorities	-	-	-	-	-	-	
Net financial position/(Cash)	1.9	(2.9)	(3.2)	(3.4)	(4.3)	(5.5)	
Enterprise value	n.a.	11	9	9	8	7	
Ratios (%)							
EBITDA margin	17.3%	18.1%	17.6%	18.8%	19.2%	19.4%	
EBIT margin	16.1%	16.8%	16.4%	17.9%	18.3%	18.4%	
Gearing - Debt/equity	99.5%	-43.2%	-42.3%	-38.2%	-41.0%	-45.2%	
Interest cover on EBIT	8.1%	3.4%	2.6%	1.7%	1.3%	1.0%	
NFP/EBITDA	1.93x	-2.53x	-2.35x	-1.81x	-1.92x	-2.17x	
ROCE	24.0%	28.0%	29.1%	32.5%	34.4%	36.1%	
ROE	31.0%	10.9%	11.6%	14.0%	14.2%	13.9%	
EV/Sales	1.70x	1.50x	1.22x	0.96x	0.83x	0.74x	
EV/EBITDA	9.82x	8.30x	6.95x	5.10x	4.33x	3.82x	
P/E	21.25x	16.98x	14.08x	10.03x	8.49x	7.47x	
Free cash flow yield	0%	7%	4%	2%	9%	13%	
Growth Rates (%)							
Sales	n.m.	13.2%	22.9%	27.3%	15.4%	12.3%	
EBITDA	n.m.	18.2%	19.5%	36.2%	17.8%	13.4%	
EBIT	n.m.	18.2%	19.6%	39.1%	17.7%	13.3%	
Net Income	n.m.	24.3%	20.6%	40.4%	18.2%	13.6%	

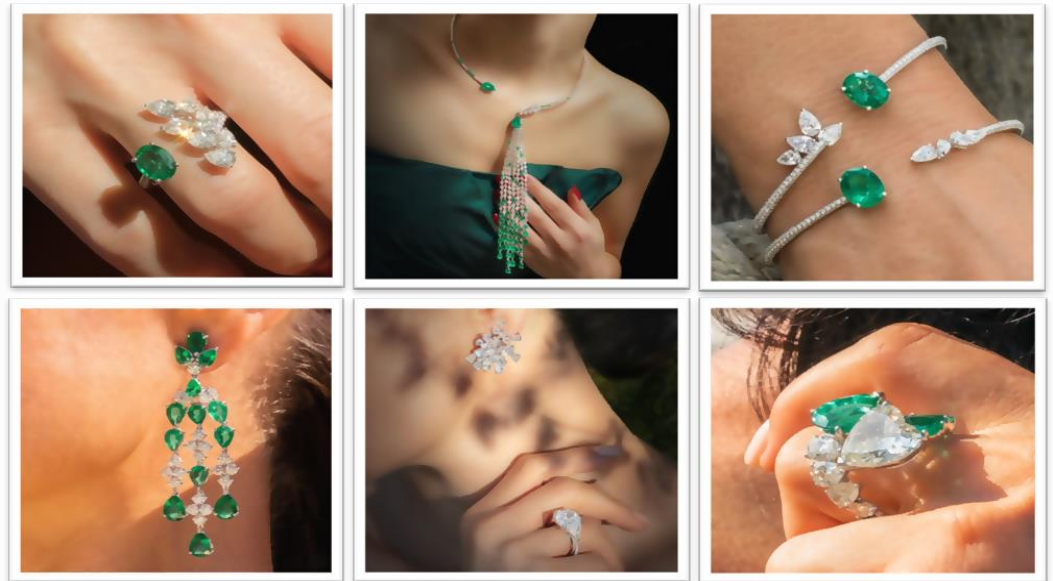
Source: Company Data, KT&Partners' Elaboration

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Investment Case

Gismondi Creations



Source: Company's Presentation

7th Generation of Jewelers. Gismondi is a niche player in the Italian high-end jewelry market, which leverages on 250+ years of heritage passed down through seven generations of talented jewelers. In 1798, Gio Batta Gismondi, the family and company founder, created the icon of the Virgin Mary, a masterpiece still displayed in the Vatican Museums. The family talent tradition is stronger than ever. In fact, in 2019, Gismondi 1754 Spa, founded by Massimo Gismondi - who represents the family's 7th generation - was awarded, at its first participation in the prestigious Las Vegas Couture Show, the PEOPLE'S CHOICE AWARDS and placed 2nd for the EDITOR'S CHOICE AWARDS - competing against more than 200 jewelers - thanks to the design of the "Essenza" collection necklace.

Premium Luxury Brand. The brand is distinguished by its heritage, unique design and the use of precious gems. Gismondi jewels are manufactured by Valenza's goldsmith artisans, who, following their traditional techniques, are able to forge jewels of individual style and distinctive shapes. Gismondi, thanks to the best manufacturing and the use of high-value gems, and with an average selling price of €10k, is positioned among the high-end luxury markets, along with companies such as Chopard, Van Cleef and Boucheron, with products reaching over €1 million in price.

A Worldwide Appreciation. In recent years the company gained access to Neiman Marcus, one of the most important luxury department stores in the USA - which offered the company 15 corners throughout their stores. Furthermore, Hollywood celebrities, such as Jane Fonda and Gwyneth Paltrow often choose to wear Gismondi's jewels, not as a promotional exercise but through choice, during the most important show events.

Strong Market. Gismondi operates in a market which presents strong resilience even during downturn macroeconomic scenarios. From 2010 to 2018, the personal luxury goods market grew at an average rate of 5% per year, with the jewelry category outperforming the personal goods industry, growing by 7% In

2018. Thanks to premium product pricing, the sector is also characterized by an average EBIT margin of ca. 19-20%.¹

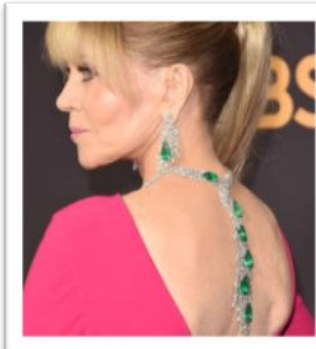
Strategic Value Chain Positioning. The value chain phases covered by Gismondi, such as design, procurement and distribution, are the keys to building a successful growth strategy and win the competition in this segment. The design phase, one of the most important to create a competitive advantage, is carried out by an internal team, led by Massimo Gismondi, which is able to create distinctive design and innovative beauty, as well as satisfying clients' customization requests.

IPO and Use of Proceeds. On December 18th, 2019, the company went public on the AIM Italia Market raising €5mn, entirely as a primary offer. The financial resources generated by the IPO are expected to be invested in: a) wholesale expansion to penetrate new markets and to strengthen international market positioning; b) marketing to strengthen brand awareness; c) company structure consolidation.

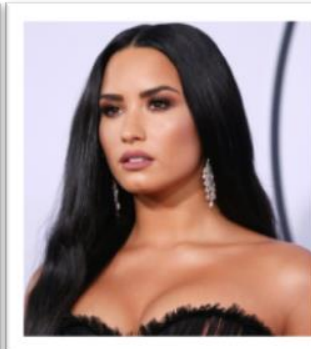
Statement of Risks. Despite new players potentially entering the market attracted by high margins, we expect the company to maintain its competitive advantages thanks to its creativity and niche positioning. The risk associated with the key figure of Massimo Gismondi as creative director and CEO is planned to be mitigated through the gradually assignment of key activities to other managers. Other risks could arise from changes in prices in the procurement market, as the diamond and gold prices could change over time. However, the diamond market over recent years has been characterized by high stability, and gold represents a negligible component in comparison to gems and the total materials used in jewelry.

Hollywood celebrities wearing Gismondi Jewels

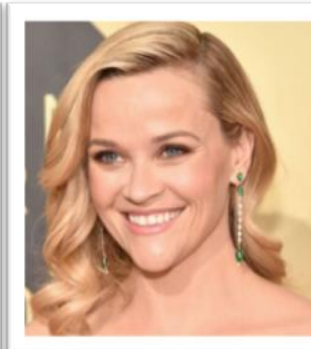
Jane Fonda



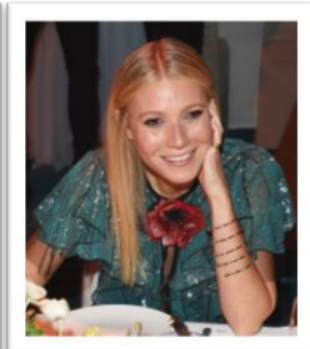
Demi Lovato



Reese Whitherspoon



Gwyneth Paltrow



Source: Company's data

¹ *Luxury goods worldwide market study, 2018 - Bain*

Company Overview

Gismondi 1754 is an Italian luxury jewels company which designs and commercializes its products globally. Mr. Massimo Gismondi, CEO and creative director of the company, represents the seventh generation of the family. The company is recognized for fine jewelry, characterized by craftsmanship and high customization, resulting in jewels with a perfect balance between innovative design and a long tradition of jewelry.

The brand is distinguished by its heritage and the use of precious gems. Gismondi works with goldsmith artisans, who, following their traditional techniques are able to forge high-quality jewels with unique shapes. Gismondi beauty and distinctiveness is the reason why it is very well appreciated among Hollywood celebrities who often decide to wear the jewels, not as a promotional exercise but through choice, during the most important events.

During its bicentenary history, 1996 represented a cornerstone for the company, as Massimo Gismondi, the current CEO of the group, opened the first store exclusively dedicated to jewels. Later, Massimo decided to introduce a hint of innovation, without abandoning the company's long-established tradition, by launching the brand Gismondi 1754.

Gismondi 1754's business proposition is based on offering "one of a kind" products with an innovative design with the possibility of it being customized on request. The company is able to deliver such products and experience since it covers the key function of the jewelry value chain: design, procurement and distribution. Furthermore, leveraging on its long-time sector experience and working with highly skilled artisans and committed commercial partners, the company is able to deliver the best product experience to its clients.

The company operates in the high-end luxury segment offering products based on fully internal design ideas - the Collection product line - and on client requests - the Tailor-made product line. Both lines are designed by Massimo Gismondi and his team and are aimed at meeting the needs of a clientele with high attention to product quality and looking for unique pieces. The offer is delivered through both retail and wholesale channels, along with special sales based on direct relationships with the most important clients.

The strategy for the upcoming years is to strengthen the brand awareness and positioning, by focusing on international expansion through the wholesale channel, targeting the USA, improving the brand's presence in Europe and acquiring new markets in Russia and the Middle East.

Gismondi's mission and vision are based on strong ethical values, by focusing on the human side of both clients and Gismondi collaborators. The company closed the financial year 2018 with €5.6mn revenues, up by 19% from 2017. For 2018, EBITDA reached €977k and net income stood at €589k.

The group comprises three companies that operate with the Gismondi 1754 brand: the holding Gismondi S.p.a and the subsidiaries Stelle Srl and Vivid S.A., which focus on retail channels in Italy and Switzerland respectively.

Gismondi's Jewels

The company focuses on high-end customized jewels, the result of outstanding Italian craftsmanship and excellence in the art of jewelry, delivering the finest jewels to the market.

Gismondi's products are characterized by top-quality materials and the exclusive design.

The product range covers the entire jewel line: mainly rings, necklaces, earrings, bracelets. Products are mostly characterized by a strong prevalence of precious stones (mainly diamonds but also other precious gems like sapphires, rubies, emeralds, tanzanites, aquamarines, tourmalines etc.) over gold, giving the products a high intrinsic value.

The company's offer is mostly dedicated to women with high income, demand for detail and attention to the surrounding social stream. The target niche of Gismondi's jewels is therefore high-spending clients with large budgets looking for exclusivity.

The company's offer consists of two main categories of product: the Collection and the Tailor-made jewels.

Gismondi's Collection

The Collection comprises several different lines: jewels designed by Massimo Gismondi and his team of designers, inspired by the company vision and heritage, reflecting the strong brand identity. Every year Gismondi launches two or three new collections and different limited-edition pieces.

Some example of Gismondi's Collection



Source: Company's Presentation

Tailor-made Jewels

In addition to the Collections, the company is able to create “one of a kind” jewels designed from scratch combining the customer’s desire and request with Gismondi’s unique style. These products generally target niche clients who look for unique pieces and high levels of personalization. The strong relationship that Gismondi is able to create with its clients is one of the main drivers of business growth.

Looking at production timing, for the Collection the time to market varies from 4 to 5 weeks, while for the Tailor-made jewels Gismondi takes from 7 to 20 weeks from the design of the jewel to the delivery to the client. The company aims to reduce the time to market further so as to improve the service offered to clients.

Product Line Characteristics

Collection	Tailor-made
✿ Time to market: 4 to 5 weeks	✿ Time to market: 7 to 20 weeks
✿ Distribution: retails - wholesale - franchising	✿ Distribution: special direct sale
✿ Client: High income desiring for recognition	✿ Client: HNWI searching for uniqueness

Source: KT&Partners’ Elaboration

In 2019, Gismondi 1754 participated for the first time at the prestigious Las Vegas Couture Award, winning the PEOPLE’S CHOICE AWARDS, and was awarded 2nd place as EDITOR’S CHOICE AWARDS: the necklace of the “Essenza” collection, created by Massimo Gismondi, triumphed among more than 200 jewelers thanks to its distinctive and unique design.

The company continuously invests in the positioning of the Gismondi 1754 brand, attracting top-level celebrities such as Gwyneth Paltrow, Reese Witherspoon, Angela Basset and Jane Fonda, who choose to wear Gismondi jewels during awards shows, popular and media events. Moreover, unlike others famous jewels brands, Gismondi follows the strategy of not paying any fee to celebrities who, therefore, freely choose to wear the proposed creations. With reference to the US market, the company has also entrusted the promotion of Gismondi jewels to an American PR and communication agency, which has allowed Gismondi to gain worldwide visibility, mainly thanks to the wearing of an iconic emerald set by Jane Fonda. This strategy has accelerated the visibility of the brand and its credibility, especially in the American market, favoring the start of the collaboration with the Neiman Marcus chain.

In 2019, Gismondi has focused great part of the investments on social media, (Instagram and Facebook), thus reaching a significant number of followers.

**People’s Choice Awards:
The Necklace of the “Essenza”
Collection**



Source: Company’s Presentation

A Global Presence

Considering the product exclusiveness, Gismondi follows a highly *selective* distribution strategy delivering its jewels worldwide through different channels and approaches:

- **Retail:** the company promotes its brand and its products through four proprietary stores located in strategic luxury cities (Milano, Portofino, St. Moritz, and Genoa), and is able to start new relationships with clients, that eventually could drive new special sales. The direct retail stores attract customers with high budget and also improve brand awareness;
- **Wholesale and Franchising:** thanks to partnerships with primary players in the luxury market, such as Neiman Marcus, Gismondi is expanding to the international markets;
- **Special Sales:** characterized by a direct and close relationship with clients, this channel also comprises the sales of Tailor-made products to address HNWI requests.

Current Distribution Network

Distribution Type	Number of Stores
Retail	4 Direct Stores
Wholesale	12 Corners (mainly USA)
Franchising	1 Franchise (Prague)

Source: Company's Presentation

The company sells its products in many countries among which the most important are: Italy (39%), Switzerland (44%), the USA (10%) and Czech Republic (4%). In 2019 the company expanded its distribution to Russia and is also planning to reach the Middle East. The current geographical positioning and expansion plan could be a solid base to capture market opportunity and thus to boost future growth. USA represents the main strategic country, being the second market for luxury goods after Europe (Luxury Goods Worldwide Market Study, Fall-Winter 2018 - Bain) while the Czech Republic is strategic for the relationship with Russians and for its local market.

Distribution Map



Source: Company's Presentation

Gismondi lab



Source: Company's website

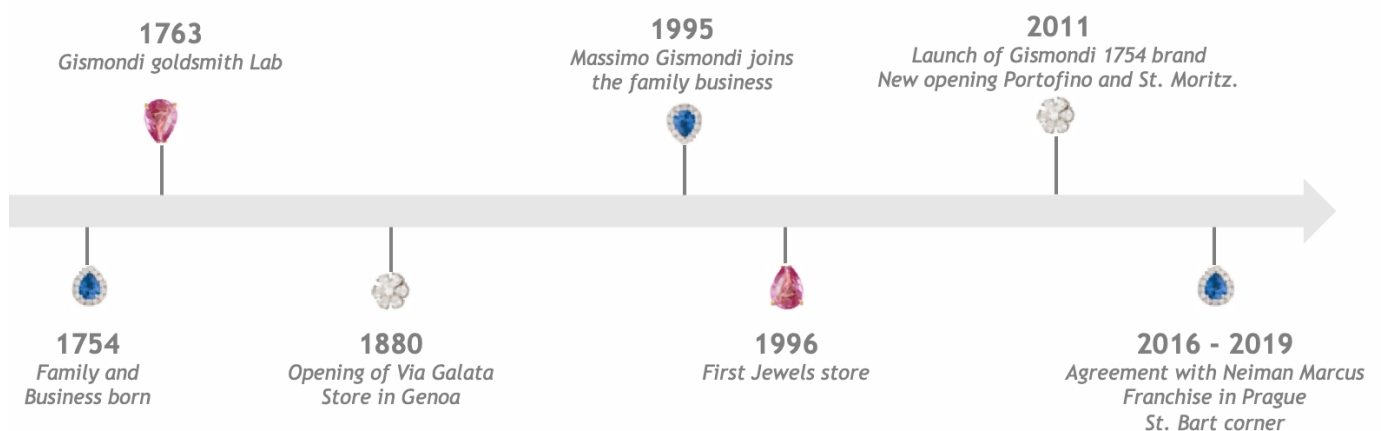
History

The history of Gismondi Jewellery is directly related to the Gismondi family and starts in 1754, when Gio Batta Gismondi - the family founder - was born. Since then, experience and passion for jewels have been passed down through seven generations. After a period of apprenticeship with a paternal uncle, in 1763 Gio Batta Gismondi opened the first lab. He soon became a supplier of Papa Pio VI and the Doria family, one of the most important noble families in the history of Italy. In 1798, he created the icon of the Virgin Mary which is still on display at the Vatican Museum. After a century of experience and professional achievements as a silversmith, in 1880 Pietro Gismondi, a descendant of the founder, opened the first store in "Via Galata" in Genoa, the city of the company's actual headquarter.

The 1990s have been years of consolidation building a successful entrepreneurship story. In fact, in 1995 Massimo Gismondi started working with the family business and the year after he opened the first store focused on jewelry.

However, the 2000s represent a turning point for the business, as the company began its expansion process. In 2006, a new store was opened in Nervi (Genoa). 2011 was marked by: i) the launch of the Gismondi 1754 brand; ii) the opening of a store in Portofino; and iii) the start of the international expansion, which led to the opening of a store in St. Moritz (first store opened abroad).

Gismondi Timeline - from a family store to an international brand



Source: KT&Partners' Elaboration

The last three years have reflected the ambition to become an internationally recognized jewelry brand. Indeed:

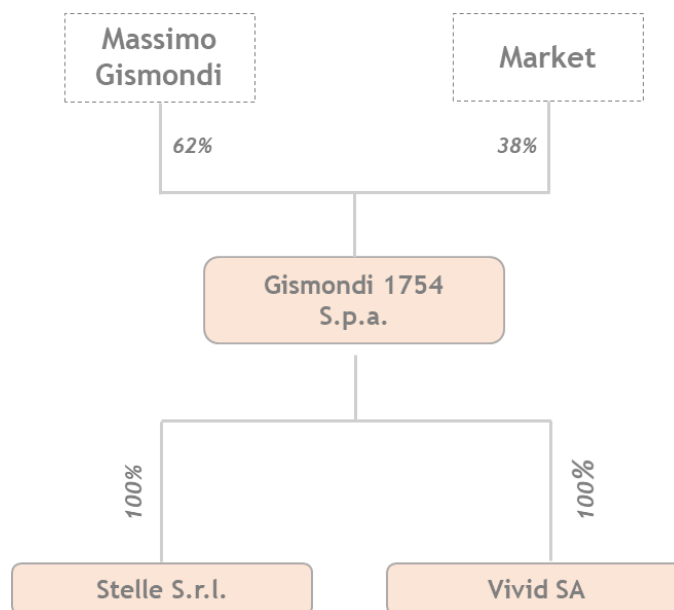
- i) in 2016, the company opened a corner in a multibrand store in St. Barth (a Caribbean Island popular among rich and famous people) and a store in Milan inside the luxury hotel Baglioni Carlton;
- ii) in 2017, Gismondi signed a distribution agreement with the USA luxury chain store Neiman Marcus - one of the most famous in the world - and it also started collaborating with an independent store in Saint Petersburg;
- iii) in 2018, the company opened the first franchise in Prague and starts a collaboration with a jewelry dealer in Naples.

The year 2019 has been important for the company, enriched by great international acclaim, as one of its necklaces was awarded Best People’s Choice at the Couture Awards in Las Vegas (USA). Furthermore, in December 2019 Gismondi went public on the AIM Italia Market, with the aim of increasing its international presence and brand awareness.

Group Structure

The control of the group is secured by Massimo Gismondi through a trust which holds 62% of Gismondi 1754 S.p.A., while the remaining is held by the market. The holding, Gismondi 1754 S.p.A., manages the group core activities including design, procurement and distribution channels (wholesale and franchising). In 2019, on the expectation of future international growth and the Initial Public Offer, Gismondi 1754 S.p.A. reorganized its group structure by acquiring 100% of Stelle S.r.l. and Vivid S.A., previously owned by Massimo Gismondi. The companies Stelle S.r.l. and Vivid S.A. manage the retail distribution channels. Stelle S.r.l. is an Italian company which oversees distribution in Italy. Vivid S.A., based in Switzerland, manages the distribution in Switzerland and the HNWI clients in the region.

Group Structure



Source: KT&Partners’ Elaboration

Board of Directors and Management Team

The Board of Directors is made up of Massimo Gismondi (Chairman and CEO), Stefano Rocca (Managing Director) and Andrea Canonici (Independent Director).

Gismondi's management team, consisting of three members, boasts a deep knowledge of the jewelry industry, which has allowed them to impart a distinctive character to the company.



Massimo Gismondi, Chairman and CEO

With 35 years of experience in the jewelry business, Massimo Gismondi is the CEO and creative director of the company. In 1994, he achieved his Gemmology Diploma, specializing in diamond, pearl and colored stone jewelry. In 1995, he joined the family business, inheriting a century-old craftsmanship tradition which had been passed from father to son for seven generations. Not long afterwards, his passion for jewelry and desire to expand inspired him to start up his own business. In 2011, he launched the Gismondi 1754 brand and rapidly opened prestigious boutiques in such wondrous locations as Portofino and Saint Moritz.



Stefano Rocca, Managing Director

Stefano Rocca has more than 20 years' experience in the jewelry industry. He joined Gismondi in 2015 and he oversees the development of the Gismondi business concept along with supervising the company's expansion strategy and the relationship with commercial partners. From 2012 to 2015, he was an executive director at Vhernier S.p.A. From 1984 to 2004, he worked at Bulgari Group covering several roles: from Store Director to Training and International Communication Director, passing through Sales Director, Trade Marketing Director and Trade Quality Director for EMEA regions. He holds a master's degree in literature and philosophy.



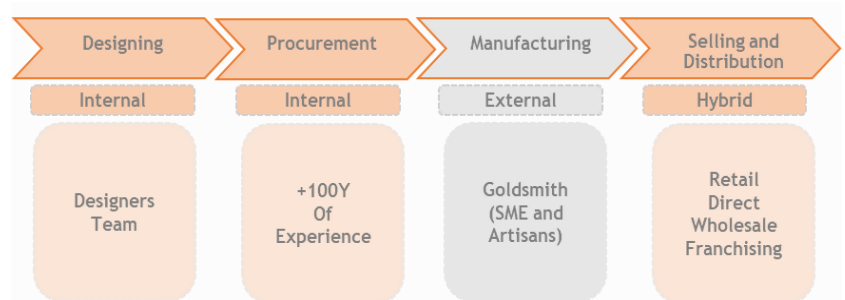
Alberto Gaggero, CFO

A graduate in Business Management from Genoa University, he boasts 15 years' experience in the finance and control field. Previously, he worked as CFO at Telerobot S.p.A., a company of the IMA Group. Currently, he is CFO at Gismondi 1754 S.p.A.

The Jewels Value Chain

Gismondi covers the key value-added phases of the jewels value chain, allowing the company to have strict control of products, achieve high quality and define a strong brand identity. The control of these strategic functions, coupled with the knowledge acquired over the years, represents the company's distinctive features.

Gismondi Value Chain



Source: KT&Partners' Elaboration

Design

Jewel production starts with the designing phase which is carried out by an internal team led by Massimo Gismondi. The designing follows the different needs of the two product lines:

- **the Collection**, designed by the company following its vision and concept ideas;
- **the Tailor-made jewels**, fully customized to meet clients' requests and thus created in collaboration with clients.

The two products lines, due to their different characteristics, have different production cycles, clients and market approaches.

Gismondi's key distinctive characteristic is the ability to produce multiple ideas for jewels; indeed, according to the management, with the current design portfolio the company could cover its Collections needs for the next couple of years.

The production process involves two phases, **Design** and **Production** (outsourced) and requires highly skilled artisans and use of difficult techniques to work on metals and gems. Currently Gismondi distributes several collections inspired by design ideas defined by collection names. On average, the company launches two new collections per year and different limited editions.

The Design phase is led by the creative director Massimo Gismondi supported by a designer who has worked for one of the leading global jewelry brands. Massimo and his team are able to create concepts inspired by the family history, knowledge and a perception of jewels "out of time". The designing process includes three main steps: a) drawing picture on paper, b) rendering the model with wax or paper, and c) transferring the rendering on the multimedia level.

Design and know how



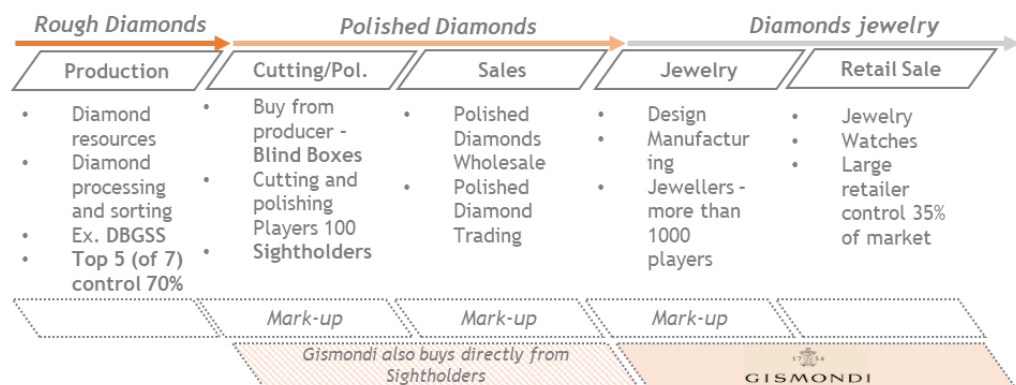
Source: Company's Website

Procurement and Diamond Markets Structure

The diamonds extraction market is an oligopoly, where few players control ca. 70% of the extraction of raw diamonds and sell them to strictly selected and certified buyers. The buyers (ca. 100) - called *Sightholders* (companies certified by mining companies) - buy the diamonds during auctions offering called "Blind Boxes".

The Sightholders only know the stone's segment type, while the precise box content is unknown. The Sightholders process raw stones, cut them and place them on the exchange market, the World Exchange Diamond Market (WDA), where they are then bought by jewelers.

Gismondi Procurement and Diamond Market - Organization Chart



Source: KT&Partners' Elaboration from Bain & Company - Global Diamond Industry 2018

Gismondi buys diamonds on the markets of New York, Anversa and Tel Aviv. Thanks to its procurement expertise and high reputation, the company is also able to deal directly with the Sightholders, as well as buying on stock exchanges or privately. The direct relationship with the Sightholders allows the company to secure a discount up to 50% with respect to prices on the WDA.

During the procurement phase, Gismondi first receives diamonds on view and only buys the stones that both meet its quality standards and are needed for the jewels. The attention to the buying process allows the company to efficiently manage inventories without waste of material.

Apart from diamonds, the other colored gems are bought on the Indian, Colombian and Middle East markets.

Manufacturing

The manufacturing takes place in Valenza (Piedmont), recognized as the Italian capital of jewels, and is entrusted to eight different laboratories (SME) and is completely overseen by Gismondi. Valenza's artisan "*Orafi e Incastonatori*" use the most sophisticated procedures to realize the Gismondi creations and to meet customers' needs. These artisans have a long-term working relationship with the company and have signed a non-disclosure agreement to protect Gismondi know-how and creations.

Due to the small size and the high value of the materials, the manufacturing process requires high precision. The high complexity is reflected in the time to market of the product lines: for the Collection line, it is 4 to 5 weeks, including 3 to 4 weeks for production, while Tailor-made products reach the customer in 7 to 20 weeks, assuming 4 to 16 weeks for production.

Gismondi fine manufacturing



Source: Company website

Distribution

The company operates in the high-end luxury segment with prices for jewels reaching more than €1mn. Indeed, the Gismondi average selling price for 2018 was ca. €10k with 550+ products sold.

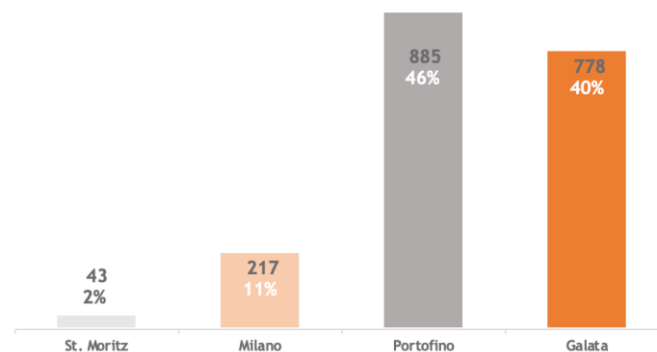
Gismondi distributes its products following jewels features, target clients and company strategy: i) directly, in the high streets of the main luxury capitals and ii) indirectly, by selecting strategic partners (i.e. Neiman Marcus). The client base is typically sophisticated, searching for a distinctive product and often also for a unique piece. Luxury customers often spend their budget during holidays in cities recognized for a luxury lifestyle.

Gismondi distribution network is seen as an extension of the company and has to reflect the craftsmanship, exclusivity and heritage of the brand. Jewels are distributed through four channels: Retail, Wholesale, Franchising and Direct special sales.

Retail stores (€1.9mn or 34% of total 2018 revenue)

The retail channel comprises four boutiques located in Milan, Genoa, Portofino and St. Moritz, where the target clients are also the international tourists. The stores are directly controlled by the company through its subsidiaries. The retail stores allow the company to promote the brand - and its high-quality manufacturing and artistic value - and to attract potential special sales clients. Retail revenues amounted to €1.9mn in 2018. Portofino and Genoa together represent more than 80% of sales, denoting strong positioning and brand awareness in the Italian market. It is important to note that retail not only contributes €1.9mn of revenues, but also contributes to the promotion of special sales.

2018 Retail Revenues Contribution (by Cities) (€k,%)



Source: Company data and KT&Partners' Elaboration

Special sales (€2.4mn or of 43% of total 2018 revenue)

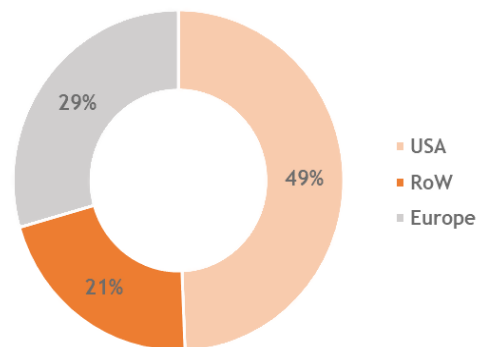
The Special sales include Tailor-made and high-value products, targeting High Net Worth Individuals (HNWI). The special sales are complementary to the other distribution channel, as each one could contribute to developing a direct relationship with a new client or convert a store client into special sales by strengthening the relationship. The approach is personal and is the best expression of the company, where the essence of the brand fully meets clients' needs.

Wholesale (€1mn or 19% of total 2018 revenue)

Taking in consideration the high investment needed for retail expansion - ca. €1.5mn mainly for inventories - the company international expansion, starting from 2017, focused on the wholesale channel. Furthermore, wholesale expansion allows a faster market penetration, while new retail stores are expected to reach the breakeven after a 3-year period (according to the management).

In the USA market the international expansion is marked by a partnership with Neiman Marcus, one of the most important luxury department stores. Currently, USA market include five corners in Neiman department stores and 7 multibrand jewelry dealers, plus one multibrand store in St. Barth (we include it in the USA market). In 2018, Gismondi signed new agreements with jewelry dealers in Saint Petersburg which plan to open 2 new stores in Moscow in 2020 and Naples. In 2019 three new agreements have been signed with three new wholesale clients. In line with the company strategy and expansion, wholesale focuses on the international market, which accounts for 70% of 2018 wholesale sales.

Wholesale Channel - 2018 Geographical Breakdown



Source: Company data and KT&Partners' Elaboration

Commercial partners are crucial for properly delivering the standards and values of Gismondi. For this reason, the company requires strict standards during the selection process of its partners. The top three selection drivers are: a) *customer type*, b) *city attractiveness* and c) *corner position*.

Franchising (€0.2mn or 4% of total 2018 revenue),

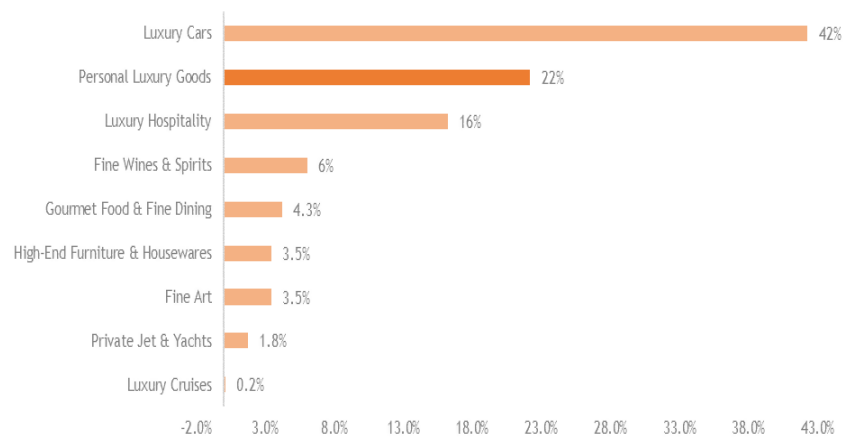
Along with the wholesale channel, franchising is the main focus of the company to boost the international expansion. The company identifies a master franchisee with high market knowledge and commitment to the Gismondi "*modus operandi*". Currently, Gismondi distributes its products in Prague through a franchisee that promotes and sells Gismondi products under the Gismondi brand (in the Czech Republic only). Starting from 2020, the company will invest part of franchising revenues (Gismondi takes a fee of 5% on franchisee turnover) to promote the Gismondi brand in the Czech Republic. The franchisee expansion strategy requires inventory investments, since in the first year products are given on consignment. The estimated inventory investment for a new franchise opening is around €800k and the system will become progressively sustainable, as franchisees will start to buy products from Gismondi rather than take them only on consignment.

The Global Luxury Market

Gismondi operates in the luxury goods industry, which in 2018 registered total sales of €1.17tn, up by 5% (constant exchange rate) with respect to 2017.

Within the luxury industry, Gismondi is active in the personal luxury goods market, which ranks second (22% market share) among all the other luxury markets. Along with cars and hospitality markets, personal luxury goods represent 80% of the total market.

2018 Worldwide Luxury Market

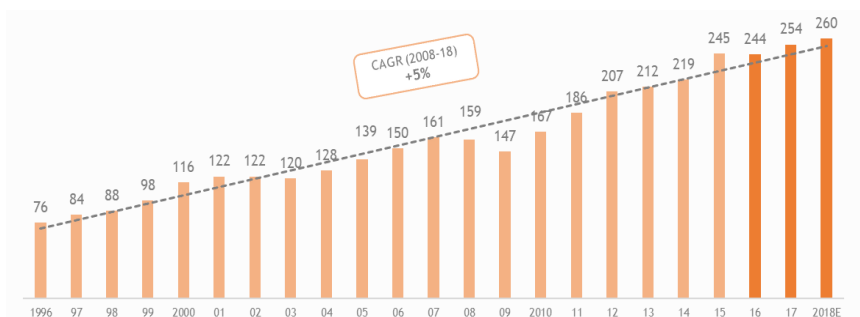


Source: Bain - Luxury Goods Worldwide Market Study - 2018

Focus on Personal Luxury Goods Market

During the last years, the personal luxury goods market has followed a constant and healthy growth path with only one remarkable drop in the years 2008-2009 due to the global financial crisis. In 2018, the personal luxury goods market reached €260bn, experiencing a growth of 2%YoY (5% considering constant exchange rates) and a CAGR of 5% over the last ten years (2008-2018). The global outlook remains positive, driven mostly by: i) the expected growth of Chinese purchasing power; ii) the recovery of the US economy; and iii) the growing emerging markets.

2018 Global Personal Luxury Goods Market (€bn)



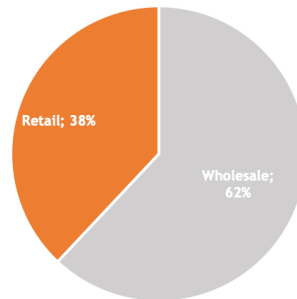
Source: Bain - Luxury Goods Worldwide Market Study - 2018

The personal luxury goods market is characterized by the presence of few global operators and a high number of small players operating in niche markets.

The key successful drivers of the offer have to be based on **product design and concept**.

The market distribution trend in 2018 shows the predominance of the **Wholesale** channel with 62% share and a growth of 1% with respect to 2017. On the other side, **Retail** grew by 4% vs 2017, reaching €99bn (38% of market share).

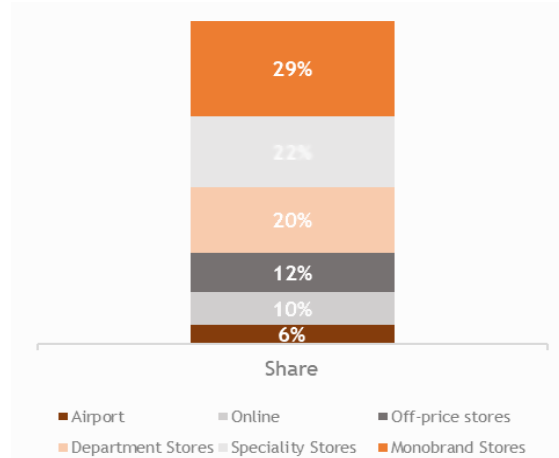
2018 Global Personal Luxury Goods Market by Distribution Channel



Source: Bain - Luxury Goods Worldwide Market Study - 2018

By looking at store format, in 2018 monobrand stores had the highest market share (29%), while department stores account for 20%.

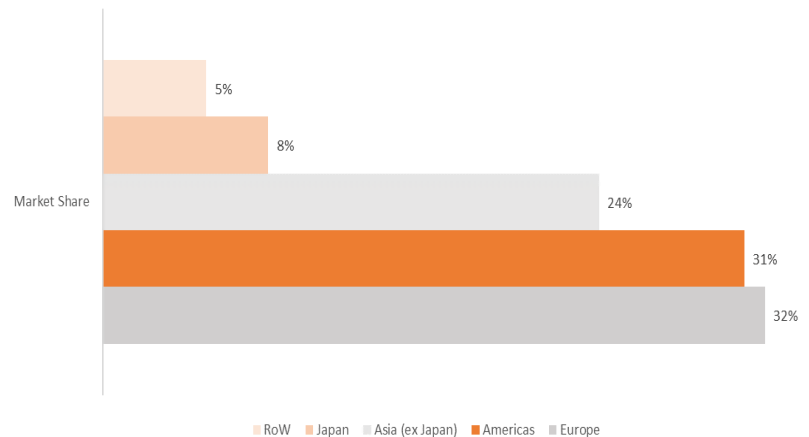
2018 Global Personal Luxury Goods Market by Format



Source: Bain - Luxury Goods Worldwide Market Study - 2018

In 2018 Europe remained the top region for sales (32%), followed by the Americas (31%), Asia (24%), Japan (8%) and RoW (5%). In the same year, Europe reached €84bn, experiencing a moderate growth of 3% mainly due to a decline in tourism spending on the back of strong currencies. Indeed, data on tax free spending confirmed the contraction in tourist spending for major countries like Germany, Italy, UK and Spain, while confirming France as top performer, with 2% growth in 2018. Americas, rose to €80bn, up by 5% with respect to 2017, thanks to a recovery of the economy which boosted disposable income and hence local luxury demand. On the contrary, tourist spending from Asia and Latin America contracted due the dollar appreciation. Mexico and Canada confirmed to be strong markets supported by local consumption, while Brazil reduced its growth following political turmoil.

2018 Global Personal Luxury Goods Market by Region

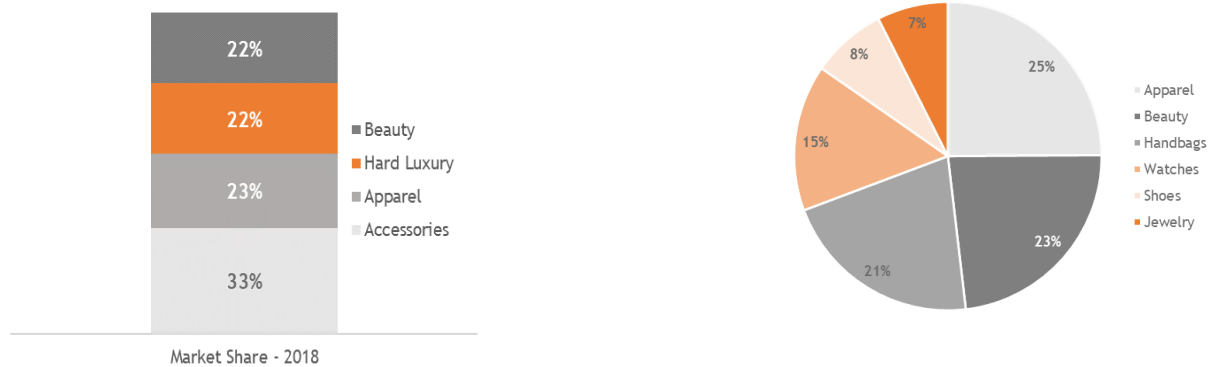


Source: Bain - Luxury Goods Worldwide Market Study - 2018

Jewels Segment

Jewelry along with shoes were among top products in 2018, showing a 7% growth and overperforming the reference market. By looking at the main possible jewels' substitution categories, watches remained flat while apparel faced a decrease of 1%. Jewelry is included in the hard luxury category which represents 33% of €260bn personal good market. Looking at the single product category, Jewels accounted for €18bn in 2018.

2018 Personal Luxury Goods Market by Category and Products

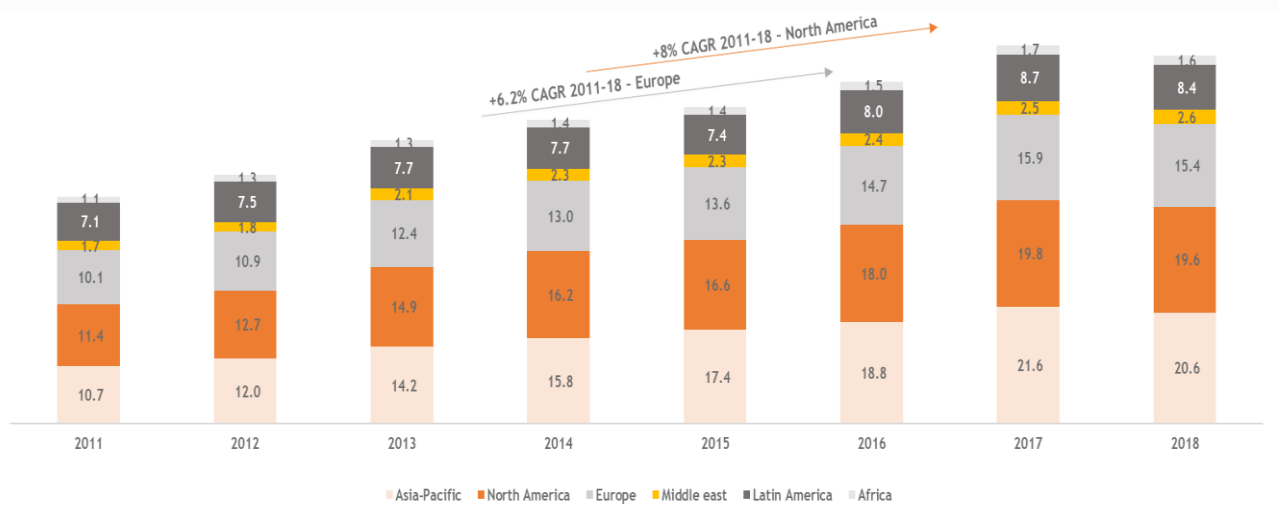


Source: Bain - Luxury Goods Worldwide Market Study - 2018

High Net Worth Individuals (HNWI)

Gismondi has an exclusive positioning in a niche market where quality, design and uniqueness of the product are the key success drivers. The Company address its offer also to the so-called High Net Worth Individuals (HNWI), providing valuable and highly customized products. The market of HNWI counts on 18mn people with a cumulative wealth of \$68.2tn. Both the HNWI population and wealth grew over the last 6 years with a CAGR 2011-17 of 8.7% and 8.9% respectively.

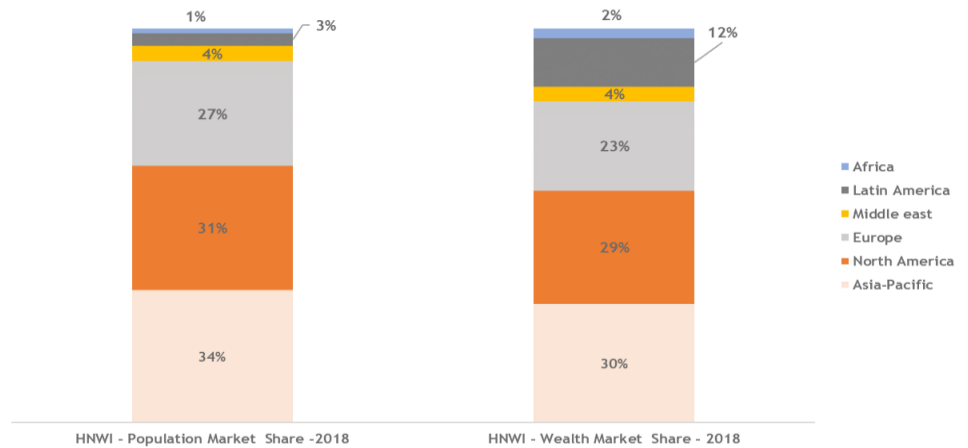
HNWI Wealth by Region - 2011 to 2018



Source: Capgemini - World Wealth Report 2019

North America represents 31.5% of HNWI (+7.7% CAGR11-18) while Europe is just behind with 26.5% (+6% CAGR11-18). In North America, HNWI’s wealth amounted to \$19.6tn in 2018 (+8% CAGR11-18), accounting for 29% of HNWI’s wealth, while European HNWI’s wealth accounted for 23% or \$15.4tn (+6.2% CAGR11-18). The Middle East - which is included in Gismondi’s international expansion plan, owned \$2.2tn of wealth accounting for 4% (+6.3% CAGR11-18).

HNWI Population and Wealth Market Share by Region - 2018

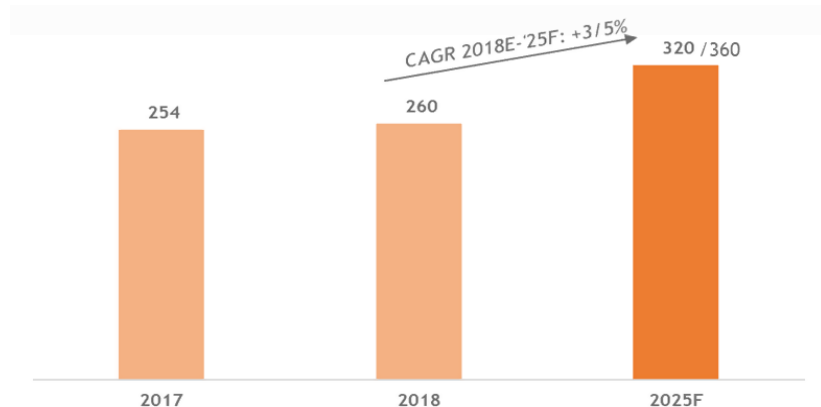


Source: Capgemini World Wealth Report 2019

Future Outlook: Luxury Personal Goods

The market of personal luxury goods is expected to reach €320-360bn by 2025, growing at a CAGR18-25 of 3-5%. Gismondi has most of the key leverages to tackle the market and increase its market share. In fact, the key successful strategies are: a) offer products with a **unique design** which meet customers' needs and tastes; b) develop **dedicated strategies for customers**; c) use the new technologies (social media) to reach clients and **promote the brand image**.

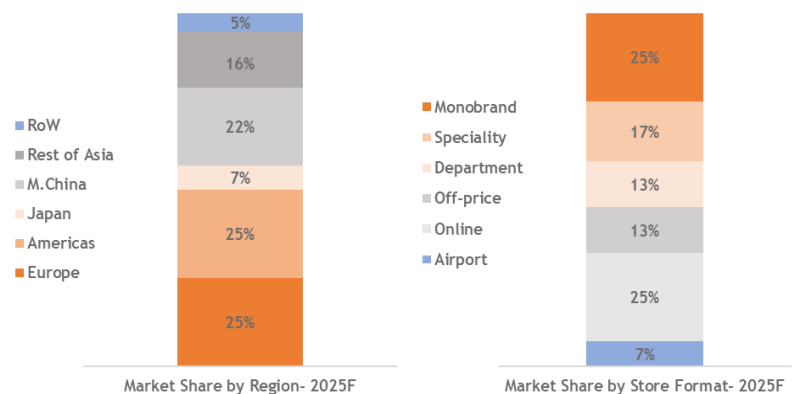
Personal Luxury Goods Market Outlook (€bn)



Source: Bain, Altagamma - Worldwide Luxury Market Monitor - 2018

In 2025, Europe and Americas are both expected to account for 25% of the market, representing the main markets for luxury spending, followed by the Chinese luxury market which is forecast to increase its market share to 22%. With regard to distribution format, the Monobrand and the online channel are expected to be the main channels with a market share of 25% each, followed by Speciality (17%) and Department stores (13%).

Personal Luxury Goods Market Share by Region/Store Format (€bn)

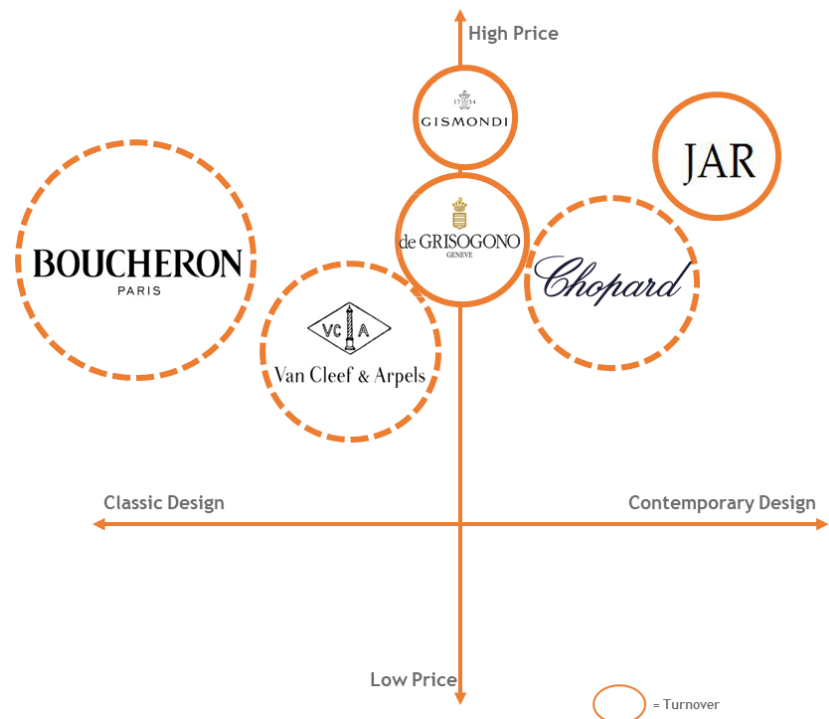


Source: Bain, Altagamma - Worldwide Luxury Market Monitor - 2018

Positioning and Competition Environment

Gismondi’s products proposition is based on high quality and a unique design. These characteristics place Gismondi in a market niche where competitors are mainly focused on key drivers such as **customization and brand identity**. Gismondi’s management identifies Jar as main competitor.

Positioning Map - Price vs Design



Source: Company presentation

Gismondi faces competition from both larger groups such as Tiffany, Bucheron and Cartier and small companies that operate in niche segments. To distinguish itself from other players, Gismondi leverages on the unique characteristics/design and customization of its offer.

The market environment is characterized by: i) *strong competition* as different companies offer distinctive products; ii) high control by suppliers - diamond extraction market is an oligopoly - which set raw stones prices (however, Gismondi is able to optimally manage raw material investments by dealing directly with Sightholders); and iii) the potential entry of new players which could be attracted by the high profitability of the sector (20% EBIT margin on average). High start-up costs related to inventory and marketing investments to build a strong and recognized brand could, however, deter new players from entering the market.

Historical Financials

During 2019, to be prepared for the IPO, Gismondi underwent a group reorganization, consolidating both Stelle S.r.l. and Vivid S.A. (the retail companies). Consolidated financial statements (pro-forma) are available for 2018 only. Comparison data with respect to 2017 are available for revenues only.

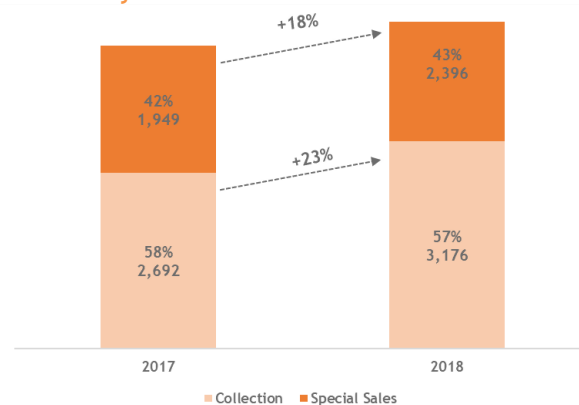
The key financials of 2018 are the following:

- Total revenue at €5.6mn vs €4.8mn in FY17, +19% YoY;
- EBITDA at €977k (17.3% EBITDA margin);
- EBIT at €910k;
- Net income at €589k;
- Net Financial Position (NFP) at €1.8mn.

Revenues Breakdown by Products

Gismondi Sales revenues experienced a growth of 20% in 2018, reaching €5.5mn. The product mix comprises two lines: *Collection* and *Tailor-made*. The revenues contribution of the two lines for 2018 are balanced with a slight prevalence of Collection over the Tailor-made, 57% vs 43% respectively, in line with 2017 revenues (58% vs 42%). Between 2017 and 2018, the Collection increased by 23% to €3.2mn, while Tailor-made products reached €2.4mn experiencing a +18% growth.

Revenues by Product Line

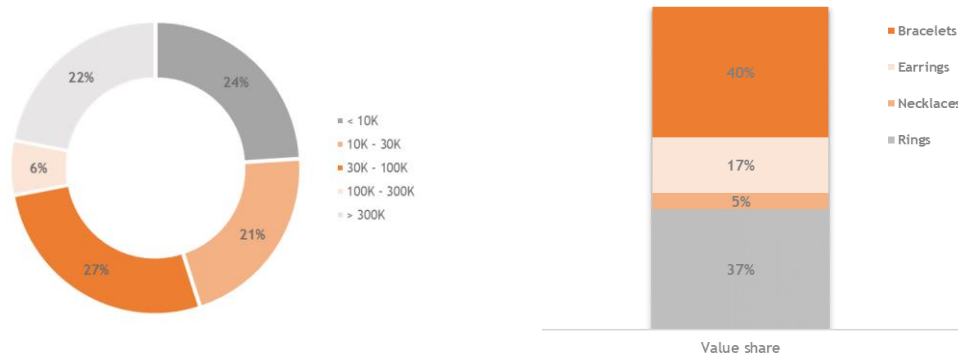


Source: Company data

In terms of categories, the bracelets and rings are the main 2018 contributors, accounting for 40% and 37% respectively.

Looking at price segmentation, the bestsellers for 2018 are the products in the €30-€100K price range with 27% of share, confirming Gismondi's positioning within the high-end luxury segment. Jewels with a price over €300k accounted for 22% of 2018 revenues, driven also by Tailor-made sales.

2018 Revenues by Price Range (€) and Product Category (%)



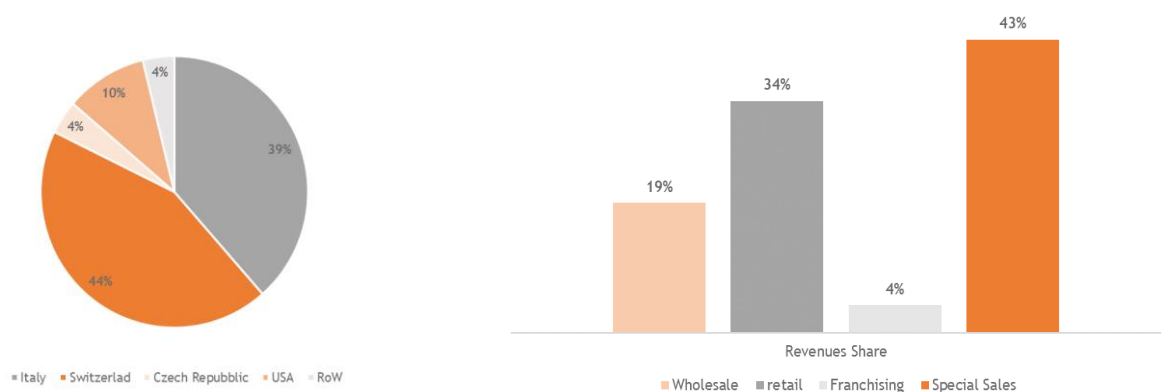
Source: Company data

Revenues by Distribution Channel and Market

The company sells its products through four different channels around the world: Italy, Switzerland, the USA, the Czech Republic and RoW, with an important ongoing expansion process in Russia. Gismondi’s offer is delivered through: **a) Special sales**, also including Tailor-made products, which represent 43% of revenues in 2018, also targeting HNWI; **b) Retail** stores representing 34% of revenues in 2018, mainly associated with the Collection line; **c) & d) Wholesale and Franchising**, together representing ca. 23% of sales, which are expected to boost the international expansion plan. In the last two years the company, to pursue an international expansion, focused on wholesale segment. In fact, the total sales increase is mainly driven by the increase in the wholesale channel which, thanks to the new franchising channel and the consolidation of the position in the USA, registered a +146.5% vs 2017, reaching €1.2mn. The special sales progressed by +22%, following overall company development and the acquisition of new clients. On the contrary, the retail channel, as expected, due to strategic decisions, decreased by 12.8% to €1.8mn.

The main geographic areas are Switzerland and Italy representing 43.4% and 36.6% of total revenues in 2018, respectively, with Italy growing in absolute terms but reducing its weight from 56% to 36% in favor of other markets. The remaining ca. 20% is spread through the USA, Czech Republic and RoW market. The company aims to grow by exploiting market potential by enhancing its position in the USA - which accounted for 10% of revenues vs 6.6% of 2017 - in the Czech Republic (a new market), which accounted for 4.1% of sales, and by targeting new countries such as Russia and Qatar.

2018 Revenues by Country and Distribution Channel



Source: Company data

Profitability Analysis

The company EBITDA benefits from the overall business growth of 2018, reaching €977k with an EBITDA margin of 17.3% with the profitability sustained by an improving operating efficiency. The margin is slightly below the average peer group EBITDA margin (23.6%), signaling the future growth potential, by achieving stronger market positioning and an efficient company structure. Looking at bottom line, the net income stood at €589k and the relative margin at 10.4%. The net income margin compared to the selected peers group (14.3%) emphasizes the potential growth realizable in the coming years.

Summary Profit & Loss, 2018

€ thousand	FY18
Retail	1,894
Wholesale	1,281
Special Sales	2,396
Sales Revenues	5,572
Growth %	20.0%
Other Revenues	74
Total Revenues	5,645
Products and Raw materials	(2,382)
Gross Profit	3,264
Gross Margin	57.8%
Cost of Services	(1,274)
Rental Costs	(302)
Personnel Expenses	(640)
Other Operating Expenses	(71)
EBITDA	977
EBITDA margin	17.3%
D&A and Provisions	(68)
EBIT	910
EBIT margin	16.1%
Financial Income and Expenses	(74)
Extraordinary items	-
EBT	836
Taxes	(247)
Tax Rate	29.5%
Net Income	589
Net margin	10.4%

Source: Company data

1H19 Interim Results

During the first half of the year, the company registered total revenues of €2.3mn. Gismondi business is characterized by seasonality effect, with the second half of the year generally accounting for the 60-65% of revenues, according to the management. The EBITDA 1H19 resulted in €434k, with a growing EBITDA margin of 18.6% (+1.3pp with respect to FY2018). On the bottom line, the company reached €244k, with a margin at 10%, confirming 2018 profitability performance.

Summary Profit & Loss, 2018-1H19

€ million	FY18	1H19
Retail	1,894	912
Wholesale	1,281	672
Special Sales	2,396	655
Sales Revenues	5,572	2,240
Other Revenues	74	95
Total Revenues	5,645	2,335
Products and Raw materials	(2,382)	(785)
Gross Profit	3,264	1,549
<i>Gross Margin</i>	57.8%	66.4%
Cost of Services	(1,274)	(645)
Rental Costs	(302)	(125)
Personnel Expenses	(640)	(327)
Other Operating Expenses	(71)	(18)
EBITDA	977	434
<i>EBITDA margin</i>	17.3%	18.6%
D&A and Provisions	(68)	(26)
EBIT	910	408
<i>EBIT margin</i>	16.1%	17.5%
Financial Income and Expenses	(74)	(49)
Extraordinary items	-	-
EBT	836	359
Taxes	(247)	(114)
<i>Tax Rate</i>	29.5%	31.8%
Net Income	589	244
<i>Net margin</i>	10.4%	10.5%

Source: Company data

Capital Structure Analysis

In 2018, fixed assets stood at €298k, while in 1H19 they reached €337k - mainly composed of intangible assets - reflecting the Gismondi light business model.

Trade working capital (TWC) remained flat at €3.7mn in 1H19 with respect to the €3.6mn of 2018, mainly composed of inventories which amounted to €4.4mn in 1H19, increasing by only €70K from the end of 2018. The high inventory is an intrinsic characteristic of the business sector and the expansion strategy. The company has a cost benefit from purchasing gems directly from “Sightholders”, bypassing other intermediaries, even if this causes an increase in inventory days. On the other hand, Gismondi’s inventories are composed of noble metals and gems, which retain their value over time and sometimes even appreciate, representing a core asset for the company. In addition, the wholesale and the franchising channels, operating mainly on consignment, require the company to invest in inventory to support both business growth and brand visibility.

The company enjoys a stable capital structure with total shareholder’s equity that fully covers the company NFP, which was €1.8mn at the end of 2018, slightly decreasing to €1.7mn by the end of June 2019. The NFP represents 2x of 2018 EBITDA falling in the stability range.

Consolidated Balance Sheet 2018-1H19

€ thousand	FY18	1H19
Goodwill	0	0
Intangible	221	244
Tangible	48	59
Other LT Assets	28	34
Fixed Assets	298	337
Trade receivables	857	1,100
Inventory	4,321	4,392
Trade Payables	(1,559)	(1,824)
Trade Working Capital	3,618	3,668
Other assets and liabilities	(22)	(155)
Net Working Capital	3,596	3,512
Other Provisions	(105)	(106)
Net Capital Employed	3,788	3,744
Group shareholders' equity	1,899	2,092
Minority shareholders' equity	0	0
Total shareholders' equity	1,899	2,092
Short-term debt / Cash (-)	565	454
Long-term liabilities	1,324	1,198
Net Financial Position	1,889	1,652
Sources	3,788	3,744

Source: Company data

Business Strategy at a Glance

The company strategy aims at increasing its market share by covering the most important, famous and strategic cities (high tourism, high concentration of wealth, business capital, recognized as a luxury ambassador), while simultaneously creating and improving a brand image positioned at the top end luxury segment, which reflects the intrinsic heritage and unique beauty of its products, the main characteristics of Gismondi jewels.

Therefore, the company strategy is based on two pillars:

- **Expansion in new markets through the wholesale channel**

The expansion is based on the openings of new corner stores in USA - mainly thanks to the partnership with Neiman Marcus - and in other countries such as Italy, Greece, Romania and in the Middle East. Furthermore, the company is seeking new franchising opportunities in the Middle East.

- **Brand awareness strengthening**

In addition to expansion in new markets which enhances brand visibility, the company is planning to: i) participate in the most important international fairs such as Las Vegas Couture, Qatar international exhibition, Jedda, Riyad, Vicenza and Hong Kong; ii) invest in promotional activities through both traditional and digital channels.

The growth plan relies on the social and ethical values of all external and internal stakeholders, which allow it to strengthen revenues as well as improve management to increase profitability.

Business Strategy



Source: Gismondi Jewels - *Pria de Mã* collection - created for a charity initiative for the San Martino Genoa Hospital to support premature babies.

Future Financials

Deconstructing Forecasts

Analyzing Gismondi’s business model and company strategy, we built our forecast on the period 2019E-2023E. The expected growth is mainly associated with: a) new store openings, following business strategy; b) the consolidation of the business in current markets; and c) the luxury market growth.

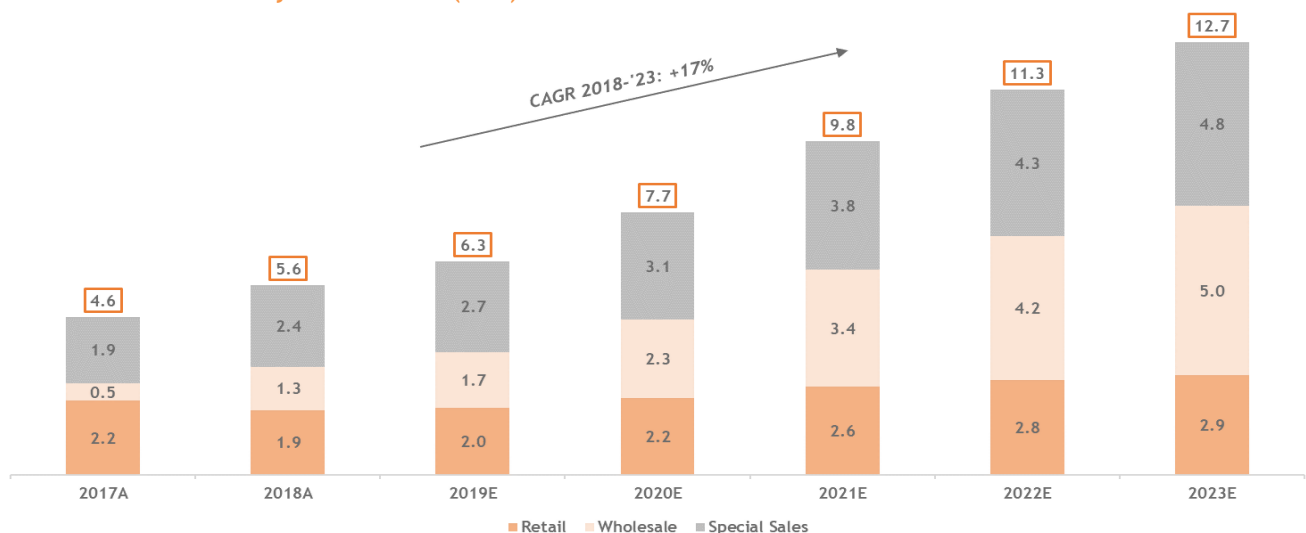
It is important to note that our forecasts are on a stand-alone basis.

Starting from the top line, we expect revenues to grow with a CAGR 2018A-23E of 18%, reaching €12.7mn at the end of the period. To better understand Gismondi potential we started from the analysis of each distribution channel and its average revenues per store. We then based our forecast on both the number of stores and the average revenue per store.

The key points that we included in our forecast are:

- I. **International expansion** through the opening of new stores in the wholesale channel, which includes new franchising stores expected to be opened in the Middle East. Furthermore, we considered the stronger position of established stores thanks to higher brand awareness.
- II. **Retail Business consolidation** thanks to a stronger brand awareness, which we expect will drive higher sales.
- III. Growth of **special sales** business thanks to overall business expansion - through new wholesale openings and retail consolidation - and thus thanks to a wider market recognition.

2018 - 2023E Revenues by Business Unit (€mn)



Source: Company data and KT&Partners' forecast

Considering each business unit, revenue forecasts are as follows:

Retail: it is expected to grow at a CAGR FY2018A-2023E of 9%, reaching €2.9mn at the end of the period. The business unit will benefit from *the strengthening of the brand image*, which is expected to improve stores sales.

Wholesale: according to our estimates, the business unit will reach €5.0mn of revenue in 2023E with a CAGR of 31% over the period 2018A-2023E. The business unit growth is associated with the development of the *Wholesale Channel* through the opening of new: i) corners in luxury department stores (we note that the company has the possibility of increasing Neiman Marcus stores from the current 5 corners to 15 corners ii) franchising, with a focus on the Middle East, and iii) independent corners. Furthermore, we expect each store to strengthen their business in the subsequent years thanks to higher brand recognition. We expect the company to enhance its market position in regions with high business potential, such as the USA, Europe and the Middle East.

Special Sales: We forecast special sales to grow at a CAGR 2018A-2023E of 15%, reaching €4.8mn at the end of the period. According to our forecast, special sales will benefit from i) the increasing number of stores, which are historically one of the main contributors to driving new special sales and ii) the consolidation of existing client relationships. We thus based our forecast on the back of: a) the growth of overall business, thanks to new corners opening and brand strengthening, and b) the expected growth of *HNWI's wealth*. Furthermore, the company is working on reducing time to market of its Tailor-made products, in order to better satisfy special sales clients, who frequently ask for unique pieces.

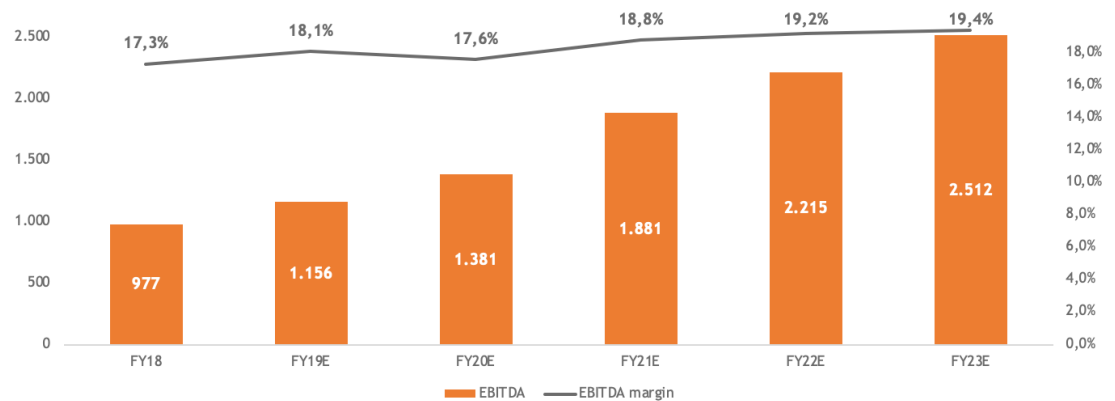
Consolidated Income Statement (€mn) 2018A-2023E

€ thousand	FY18	FY19E	FY20E	FY21E	FY22E	FY23E	CAGR 18A-23E
Retail	1,894	1,951	2,244	2,580	2,787	2,926	9%
Wholesale	1,281	1,659	2,318	3,442	4,228	4,975	31%
Special Sales	2,396	2,665	3,147	3,792	4,307	4,810	15%
Sales Revenues	5,572	6,275	7,710	9,815	11,321	12,712	18%
Growth %	20.0%	12.6%	22.9%	27.3%	15.4%	12.3%	
Other Revenues	74	117	144	183	211	237	26%
Total Revenues	5,645	6,392	7,853	9,997	11,532	12,948	18%
Growth %	18.8%	13.2%	22.9%	27.3%	15.4%	12.3%	
Products and Raw materials	(2,382)	(2,682)	(3,295)	(4,171)	(4,812)	(5,402)	
Gross Profit	3,264	3,710	4,558	5,826	6,721	7,546	18%
Gross Margin	57.8%	58.0%	58.0%	58.3%	58.3%	58.3%	
Cost of Services	(1,274)	(1,437)	(1,765)	(2,248)	(2,547)	(2,860)	
Rental Costs	(302)	(282)	(308)	(344)	(396)	(419)	
Personnel Expenses	(640)	(722)	(964)	(1,178)	(1,359)	(1,525)	
Other Operating Expenses	(71)	(113)	(139)	(177)	(204)	(229)	
EBITDA	977	1,156	1,381	1,881	2,215	2,512	21%
EBITDA margin	17.3%	18.1%	17.6%	18.8%	19.2%	19.4%	
Growth %		18.2%	19.5%	36.2%	17.8%	13.4%	
D&A and Provisions	(68)	(80)	(95)	(91)	(109)	(126)	
EBIT	910	1,075	1,286	1,789	2,106	2,386	21%
EBIT margin	16.1%	16.8%	16.4%	17.9%	18.3%	18.4%	
Growth %		18.2%	19.6%	39.1%	17.7%	13.3%	
Financial Income and Expenses	(74)	(37)	(34)	(31)	(28)	(25)	
Extraordinary items	-	-	-	-	-	-	
EBT	836	1,039	1,253	1,758	2,078	2,361	23%
Taxes	(247)	(301)	(363)	(510)	(603)	(685)	
Tax Rate	29.5%	29.0%	29.0%	29.0%	29.0%	29.0%	
Net Income	589	738	889	1,249	1,475	1,676	23%
Net margin	10.4%	11.5%	11.3%	12.5%	12.8%	12.9%	
Growth %		25.2%	20.6%	40.4%	18.2%	13.6%	

Source: Company data and KT&Partners' forecast

We forecast EBITDA at €2.5mn in 2023E, with a 2018A-2023E CAGR of 21%, higher than revenues growth thanks to the expansion through the wholesale channel which should allow Gismondi to retain the growth of people and rental costs, alike from a growth strategy based on retail stores openings. Furthermore, wholesale expansion does not carry out stores' start-up costs and does not require a long period to reach EBITDA break-even (new retail stores reach a break-even only after 3 years, according to the management).

EBITDA Forecast (€mn) 2018A-2023E



Source: Company data and KT&Partners' forecast

Looking at EBIT path, we foresee a CAGR 2018-2023E of 21% reaching €2.4mn in 2023, thanks to both EBITDA margin expansion and to Gismondi's low capital-intensive business model, which allows economies of scale on D&A costs.

On the bottom line, Net Income is expected to reach €1.7mn at the end of 2023, reaching a net margin of 12.9% (+2.5pp with respect to 2018) thanks to low net financial expenses and a stable tax rate over the period.

Working capital is expected to follow the growth of the company in the next few years, reaching €6.8mn in 2023E. Inventories will grow due to business growth and new store openings, even if we expect a lower incidence on revenues in the following years since some wholesale distributors are expected to start buying products rather than taking them on consignment. Indeed, in Neiman Marcus corners, the department stores usually take products on consignment for the first three years only.

Thanks to its low capital-intensive business model based on wholesale growth, **Capex** are expected to be in the region of €100k per year, mainly related to retail store and other expenses.

We expect the company to reach a net cash position of €5.5mn in 2023, thanks to the company's cash generation positively influenced by low investments needed aside from working capital investments.

Consolidated Balance Sheet 2018A-2023E

€ thousand	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Fixed Assets	298	367	372	381	372	345
Trade receivables	857	962	1,182	1,505	1,736	1,949
Inventory	4,321	4,867	5,767	7,300	8,287	9,154
Trade Payables	(1,559)	(2,175)	(2,653)	(3,341)	(3,832)	(4,290)
Trade Working Capital	3,618	3,654	4,296	5,463	6,191	6,813
Other assets and liabilities	(22)	(22)	(22)	(22)	(22)	(22)
Net Working Capital	3,596	3,632	4,274	5,441	6,168	6,791
Other Provisions	(105)	(159)	(230)	(317)	(418)	(531)
Net Capital Employed	3,788	3,840	4,416	5,504	6,122	6,605
Total shareholders' equity	1,899	6,766	7,656	8,904	10,380	12,056
Short-term debt / Cash (-)	565	(4,151)	(4,364)	(4,424)	(5,182)	(6,275)
Long-term liabilities	1,324	1,224	1,124	1,024	924	824
Net Financial Position	1,889	(2,926)	(3,240)	(3,400)	(4,257)	(5,450)
Sources	3,788	3,840	4,416	5,504	6,122	6,605

Source: Company data and KT&Partners' forecast

Cash Flow Statement 2019E-2023E

€ thousand	FY19E	FY20E	FY21E	FY22E	FY23E
EBITDA	1,156	1,381	1,881	2,215	2,512
Income Taxes	(301)	(363)	(510)	(603)	(685)
Change in NWC	(35)	(642)	(1,167)	(728)	(623)
Change in provision for employee	53	71	87	101	113
Operating Cash Flow	872.4	447.1	291.0	985.2	1,317.8
CAPEX	(150)	(100)	(100)	(100)	(100)
Investments in financial assets	-	-	-	-	-
FCF	722.4	347.1	191.0	885.2	1,217.8
Net financial income/(expenses)	(37)	(34)	(31)	(28)	(25)
Extraordinary Items	-	-	-	-	-
Change in Total Shareholders' Equity	4,130	0	0	(0)	0
Dividend Paid	-	-	-	-	-
Change in NFP	4,815.6	313.4	160.2	857.5	1,193.1
Beginning NFP	1,889	(2,926)	(3,240)	(3,400)	(4,257)
IFRS16 - Debt	-	-	-	-	-
Final NFP	(2,926)	(3,240)	(3,400)	(4,257)	(5,450)

Source: Company data and KT&Partners' forecast

Valuation

Overview

Following the projections of Gismondi's future financials, we carried out the valuations of the company by applying the following methods: (i) DCF method; (ii) EV/EBITDA multiple and (iii) P/E multiple.

According to the different valuation methods, our estimated fair value is equal to €18.8mn or €4.62ps. The different equity valuations result in:

- **DCF valuation: €18.5mn;**
- **EV/EBITDA valuation: €19.1mn;**
- **P/E valuation: €19.1mn.**

Peer Comparison

We carried out an in-depth analysis of potential public companies that could be considered as peers of Gismondi, taking into account its core business, growth profile and the profitability structure and distribution structure. Therefore, our panel consists of 11 companies:

- **Tiffany & Co.** listed on NYSE stock exchange, with a market capitalization of ca. €15bn. Tiffany & Co. is a holding company, which engages in product design, manufacturing, and retailing through its subsidiaries. The firm also sells timepieces, leather goods, sterling silver goods, china, crystal, stationery, fragrances, and accessories. It operates through the following geographical segments: Americas, Asia-Pacific, Japan, Europe, and Other. The Other segment covers retail sales and wholesale distribution in the emerging markets region, wholesale of diamonds, and licensing agreements. In 2018 the company's revenues reached €3.6bn.
- **Compagnie Financière Richemont S.A.** listed on the SIX Swiss exchange, with a market cap of ca. €40bn. Richemont engages in the design, manufacture, and distribution of luxury goods. It operates through the following segments: Jewellery Maisons, Specialist Watchmakers, Online Distributors, and Other. The Jewellery Maisons segment produces jewelry products which include Cartier and Van Cleef & Arpels. In 2018 the company's revenues reached €11bn.
- **Hermès International** listed on Euronext Paris, with a market capitalization of ca. €70bn. Hermès engages in the provision of textiles and apparel. Its activities include manufacturing, sales and distribution of apparel products. The company operates through the following sectors: Leather Goods and Saddlery, Men's & Women's Ready-to-Wear, Footwear, Belts, Gloves, Hats, Silk and Textiles, Jewellery, Furniture, Wallpaper, Interior Fabrics, Tableware, Perfumes, Watches. Its products include leather goods, ready-to-wear and accessories, silk and textiles as well as perfumes and watches. In 2018 the company's revenues reached €5.5bn.

- **Pandora A/S** listed on OMX Copenhagen Stock exchange, with a market capitalization of ca. €4bn. Pandora engages in the design, manufacture and sale of hand-finished and modern jewelry. It operates through the following geographical segments: EMEA, Americas, and Asia-Pacific. In 2018 the company's revenues reached €3bn.
- **The Swatch Group AG** listed on SIX Swiss exchange, with a market capitalization of ca. €13bn. Swatch Group engages in the design, manufacture and sale of finished watches, jewelry, watch movements, and components. It operates through the Watches & Jewelry, and Electronic Systems segments. The Watches & Jewelry segment is involved in the design, production, and marketing of watches and jewelry. Watches brand includes luxury products such as Omega and Breguet. The Electronic Systems segment develops, manufactures, and sells electronic components and sports timing equipment. In 2018 the company's revenues reached €7.1bn.
- **Prada S.p.A.** listed on the Hong Kong stock exchange, with a market capitalization of ca. €9bn. Prada operates as a holding company, which engages in the manufacture and distribution of luxury goods. Its products include leather goods, handbags, footwear, apparel, accessories, eyewear, and fragrances. Its brands include Miu Miu, Church's, Car Shoe, and Pasticceria Marchesi. In 2018 the company's revenues reached €3.2bn.
- **Burberry Group Plc** listed on London stock exchange, with a market capitalization of ca. €10bn. Burberry Group operates as a holding company, manufactures, designs and distributes apparels and accessories under the Burberry brand. It operates through the following segments: Retail and Wholesale, and Licensing. In 2018 the company's revenues reached €3.1bn.
- **Moncler S.p.A.** listed on Milan stock exchange, with a market capitalization of ca. €10bn. Moncler designs, produces and distributes clothing for men, women and children under the Moncler brand name. It directly produces and distributes its own clothing and accessories collections through direct boutiques and exclusive department and multibrand stores around the world. In 2018 the company's revenues reached €1.2bn.
- **Salvatore Ferragamo S.p.A.** listed on the Milan stock exchange, with a market capitalization of ca. €3bn. Ferragamo engages in the creation, development and production of footwear, leather goods, apparel, accessories, and jewelry for men and women. Its product ranges include eyewear, watches, fragrances and body care. In 2018 the company's revenues reached €1.4bn.
- **Brunello Cucinelli S.p.A.** listed on the Milan stock exchange, with a market capitalization of ca. €2bn. Cucinelli is engaged in the design, manufacture and distribution of luxury clothing and accessories. It produces cashmere products and operates business under the brand name Brunello Cucinelli. In 2018 the company's revenues reached €512mn.

- **Fope S.p.A.** listed on the Milan stock exchange, with a market capitalization of ca. €45mn. Fope operates as a jewelry company, which engages in making watchstraps from gold and other metals. Its products include bracelets, brooches, hand-made chains, hand-made necklaces, jewelry with precious and semi-precious stones, men's jewelry, necklaces, and pendants. In 2018 the company's revenues reached €28mn.

We analyzed the peer companies by considering their marginalities and historical growth rates and compared their average results to Gismondi's historical and expected financials. As expected for a company in an expansion phase, the peer companies have a level of EBITDA marginality which is higher than Gismondi's: the average EBITDA margin in 2018 recorded by the peers was 23.6%, whereas Gismondi's margin was 17.3%. Looking at the 2018 Net margin, Gismondi reached 10.4%, which was below the peer average of 14.3%.

Peers Comparison - Profitability

Company Name	EBITDA Margin				EBIT Margin				Net Margin			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Tiffany & Co.	22.9%	22.7%	23.1%	23.6%	17.7%	17.0%	17.3%	17.7%	13.2%	12.6%	12.8%	13.1%
Compagnie Financiere Richemont	20.5%	19.2%	19.8%	20.4%	14.7%	14.1%	14.6%	15.4%	19.9%	10.5%	11.0%	11.6%
Hermes International SCA	38.6%	39.9%	40.3%	40.6%	35.0%	34.1%	34.5%	35.1%	23.5%	22.3%	22.9%	23.3%
Pandora A/S	32.6%	31.5%	31.6%	34.1%	28.2%	24.0%	23.9%	23.9%	22.1%	12.6%	15.1%	17.9%
Swatch Group Ltd. Bearer	18.5%	19.0%	19.3%	20.1%	12.8%	13.1%	13.5%	14.5%	10.0%	9.6%	9.9%	10.6%
Prada S.p.A.	17.5%	22.5%	23.4%	23.4%	10.5%	9.9%	10.9%	12.3%	6.5%	8.2%	6.8%	7.9%
Burberry Group plc	21.4%	23.7%	24.6%	25.8%	17.1%	16.4%	17.1%	18.0%	12.5%	12.5%	13.2%	14.0%
Moncler SpA	33.1%	35.0%	35.3%	35.4%	29.2%	30.4%	30.7%	30.9%	23.4%	22.0%	20.9%	21.0%
Salvatore Ferragamo S.p.A.	16.4%	14.9%	15.6%	16.6%	11.7%	10.2%	11.0%	12.0%	6.6%	6.4%	7.1%	7.9%
Brunello Cucinelli S.p.A.	18.4%	17.4%	17.5%	17.8%	13.8%	13.0%	13.1%	13.3%	9.2%	8.9%	8.5%	8.6%
FOPE S.p.A.	19.5%	n.a.	n.a.	n.a.	15.9%	n.a.	n.a.	n.a.	10.7%	n.a.	n.a.	n.a.
Peers Average	23.6%	24.6%	25.1%	25.8%	18.8%	18.2%	18.7%	19.3%	14.3%	12.5%	12.8%	13.6%
Gismondi	17.3%	18.1%	17.6%	18.8%	16.1%	16.8%	16.4%	17.9%	10.4%	11.5%	11.3%	12.5%

Source: Company data, FactSet, KT&Partners' estimates

According to our forecast, Gismondi's revenues will grow at 21% CAGR between 2018 and 2021E, overperforming its peers which on average stood at 9.2% CAGR (2018-2021). We also expect EBITDA to grow at CAGR18-21 of 24.4%, outperforming its peer average (10.2%).

Peers Comparison - Sales (€mn) and Sales CAGR (%)

Company Name	2018	YoY 17-18	Sales			CAGR 2018-'21
			2019	2020	2021	
Tiffany & Co.	3,787	3.6%	3,991	4,145	4,344	4.7%
Compagnie Financiere Richemont SA	13,989	27.0%	15,040	15,978	16,954	6.6%
Hermes International SCA	5,966	7.5%	6,847	7,446	8,039	10.4%
Pandora A/S	3,060	-0.1%	2,898	2,813	2,796	-3.0%
Swatch Group Ltd. Bearer	7,340	2.0%	7,681	7,867	8,177	3.7%
Prada S.p.A.	3,142	5.1%	3,213	3,362	3,537	4.0%
Burberry Group plc	3,084	-0.5%	3,331	3,493	3,719	6.4%
Moncler SpA	1,420	19.0%	1,624	1,833	2,034	12.7%
Salvatore Ferragamo S.p.A.	1,347	-3.3%	1,373	1,433	1,500	3.7%
Brunello Cucinelli S.p.A.	553	8.1%	606	656	709	8.6%
FOPE S.p.A.	31	11.5%	n.a.	n.a.	n.a.	n.a.
Peers Average	3,975	10.1%	4,661	4,903	5,181	9.2%
Gismondi	5.6	n.a.	6.4	7.9	10.0	21.0%

Source: Company data, FactSet, KT&Partners' estimates

Peers Comparison - EBITDA (€mn) and EBITDA CAGR (%)

Company Name	YoY 17-18		EBITDA			CAGR
	2018	YoY 17-18	2019	2020	2021	2018-'21
Tiffany & Co.	865	-3.8%	902	951	1,022	5.7%
Compagnie Financiere Richemont SA	2,867	16.4%	2,900	3,149	3,436	6.2%
Hermes International SCA	2,303	6.4%	2,731	3,000	3,266	12.4%
Pandora A/S	996	-12.9%	909	887	952	-1.5%
Swatch Group Ltd. Bearer	1,355	5.8%	1,457	1,517	1,644	6.6%
Prada S.p.A.	551	-3.9%	723	785	827	14.5%
Burberry Group plc	659	-7.8%	788	858	958	13.3%
Moncler SpA	471	21.2%	569	647	719	15.2%
Salvatore Ferragamo S.p.A.	221	-12.9%	205	224	249	4.0%
Brunello Cucinelli S.p.A.	102	9.4%	105	115	126	7.3%
FOPE S.p.A.	6	n.m.	n.a.	n.a.	n.a.	n.a.
Peers Average	1,035	3.5%	1,210	1,287	1,384	10.2%
Gismondi	0.977	n.a.	1.16	1.38	1.88	24.4%

Source: Company data, FactSet, KT&Partners' estimates

Market Multiple Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2019, 2020 and 2021 data.

Peers Comparison - Market Multiples 2019-2021

Company Name	Exchange	Market Cap	EV/SALES			EV/EBITD			EV/EBIT			P/E 2019	P/E 2020	P/E 2021
			2019	2020	2021	A 2019	A 2020	A 2021	2019	2020	2021			
Tiffany & Co.	NYSE	14,391	4.0x	3.8x	3.7x	17.5x	16.6x	15.4x	23.4x	22.1x	20.6x	29.0x	27.2x	25.3x
Compagnie Financiere Richemont SA	SIX Swiss	40,610	2.8x	2.6x	2.5x	14.4x	13.2x	12.1x	19.7x	17.8x	16.0x	24.9x	22.3x	19.8x
Hermes International SCA	Euronext Paris	71,597	10.0x	9.2x	8.5x	25.0x	22.8x	20.9x	29.3x	26.6x	24.2x	46.8x	42.0x	38.2x
Pandora A/S	OMX Copenhagen	4,540	2.0x	2.0x	2.0x	6.2x	6.4x	6.0x	8.2x	8.5x	8.5x	7.7x	8.8x	8.1x
Swatch Group Ltd. Bearer	SIX Swiss	12,704	1.5x	1.4x	1.4x	7.8x	7.5x	6.9x	11.3x	10.7x	9.6x	17.5x	16.4x	14.6x
Prada S.p.A.	Hong Kong	8,816	3.7x	3.5x	3.3x	16.3x	15.0x	14.2x	37.1x	32.0x	27.0x	36.3x	39.1x	32.3x
Burberry Group plc	London	10,383	3.2x	3.1x	2.9x	13.7x	12.6x	11.3x	19.8x	18.1x	16.1x	24.9x	22.6x	20.0x
Moncler SpA	Milan	10,389	6.4x	5.6x	5.1x	18.1x	16.0x	14.4x	20.9x	18.4x	16.5x	29.0x	26.9x	24.1x
Salvatore Ferragamo S.p.A.	Milan	3,142	2.7x	2.6x	2.5x	18.0x	16.5x	14.8x	26.3x	23.4x	20.6x	36.4x	31.1x	26.9x
Brunello Cucinelli S.p.A.	Milan	2,326	4.6x	4.2x	3.9x	26.2x	24.0x	21.9x	35.0x	32.0x	29.2x	44.2x	42.3x	38.3x
FOPE S.p.A.	Milan	47	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average peer group		16,268	4.1x	3.8x	3.6x	16.3x	15.0x	13.8x	23.1x	21.0x	18.8x	29.7x	27.9x	24.8x
Median peer group		10,383	3.5x	3.3x	3.1x	16.9x	15.5x	14.3x	22.2x	20.2x	18.5x	29.0x	27.0x	24.7x

Source: FactSet

We based our valuation upon a size/liquidity discount of 25%, and our estimates of Gismondi's EBITDA and net income for 2019, 2020 and 2021.

Valuation - EV/EBITDA - PE

Multiple Valuation (€mn)	2019E	2020E	2021E
EV/EBITDA Comps	16.9x	15.5x	14.3x
Gismondi EBITDA	1.16	1.38	1.88
Enterprise value	19.5	21.4	26.9
Gismondi 2019E Net Debt	-2.9	-2.9	-2.9
Equity Value	22.4	24.3	29.8
Average Equity Value		25.5	
Size/Liquidity Discount		25%	
Equity Value Post-Discount		19.1	
Number of shares (mn)		4.1	
Value per Share €		4.71	

Multiple Valuation (€mn)	2019E	2020E	2021E
P/E Comps	29.0x	27.0x	24.7x
Gismondi Net Income	0.74	0.89	1.25
Equity Value	21.4	24.0	30.8
Average Equity Value		25.4	
Size/Liquidity Discount		25%	
Equity Value Post-Discount		19.1	
Number of shares (mn)		4.1	
Value per Share €		4.69	

Source: Company data, FactSet, KT&Partners' estimates

DCF Model

We have also conducted our valuation using a five-year DCF model, based on 12.5% cost of equity, 4.0% cost of debt and a target capital structure of 50% equity and 50% of debt. The cost of equity is a function of the risk-free rate of 1.37% (Italian 10y BTP), 5.67% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 5.2%. We, therefore, obtained 9.3% WACC.

We discounted 2019E-2023E annual cash flows and considered a terminal growth rate of 2.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

Valuation - DCF Model

€ thousand	2019E	2020E	2021E	2022E	2023E
EBIT	1,075	1,286	1,789	2,106	2,386
Taxes	(312)	(373)	(519)	(611)	(692)
D&A	80	95	91	109	126
Change in Net Working Capital	(35)	(642)	(1,167)	(728)	(623)
Change in Funds	53	71	87	101	113
Net Operating Cash Flow	862	437	282	977	1,311
Capex	(150)	(100)	(100)	(100)	(100)
FCFO	712	337	182	877	1,211
g	3%				
Wacc	9.3%				
FCFO (discounted)	713	309	153	673	850
Discounted Cumulated FCFO	2,698				
TV	18,279				
TV (discounted)	12,835				
Enterprise Value	15,533				
NFP 2019E	(2,926)				
Equity Value	18,459				
Current number of shares (mn)	4.06				
Value per share (€)	4.54				

Source: KT&Partners' estimates

Sensitivity Analysis - on growth rate and WACC - (€ thousand)

€ thousand		WACC				
		9.8%	9.5%	9.3%	9.0%	8.8%
Terminal growth Rate	2.0%	16,529	17,008	17,520	18,069	18,659
	2.3%	16,919	17,428	17,973	18,559	19,190
	2.5%	17,336	17,877	18,459	19,085	19,762
	2.8%	17,783	18,360	18,982	19,654	20,382
	3.0%	18,262	18,880	19,547	20,270	21,056

Source: KT&Partners' estimates

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