

UPDATE

EQUITY RESEARCH

SIM  
INTEGRÆ

# G.M. Leather

Euronext Growth Milan | Tannery | Italy

Created 10/04/2024, h. 18:30

Published 11/04/2024, h. 07:00



Rating

**BUY**

unchanged

Target Price

**€ 5,30**

prev. € 5,30

Risk



Medium

Upside potential

**345,2%**

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Revenues	40,9	50,0	55,0	65,0
VoP	41,7	50,5	55,5	65,5
EBITDA	6,2	7,6	8,5	10,2
EBIT	3,9	5,0	5,7	7,4
Net Income	2,0	3,0	3,6	4,9
EBITDA margin	15,1%	15,2%	15,5%	15,7%
EBIT margin	9,6%	10,0%	10,4%	11,3%
Net Income margin	5,0%	6,0%	6,5%	7,5%

## Stocks performance relative to FTSE Italia Growth



### Stock Data

Price	€ 1,19
Target price	€ 5,30
Upside/(Downside) potential	345,2%
Ticker	GML IM
Market Cap (€/mln)	€ 13,37
EV (€/mln)	€ 39,02
Free Float	13,62%
Share Outstanding	11.235.750
52-week high	€ 1,82
52-week low	€ 1,12
Average daily volumes (3 months)	8.016

Mattia Petracca | [mattia.petracca@integraesim.it](mailto:mattia.petracca@integraesim.it)Edoardo Luigi Pezzella | [edoardo.pezzella@integraesim.it](mailto:edoardo.pezzella@integraesim.it)

Stock performance	1M	3M	6M	1Y
Absolute	0,0%	-11,2%	-19,0%	-28,7%
to FTSE Italia Growth	-0,6%	-9,6%	-20,3%	-15,5%
to Euronext STAR Milan	-1,4%	-11,4%	-34,9%	-25,9%
to FTSE All-Share	-1,9%	-22,6%	-41,9%	-52,0%
to EUROSTOXX	-0,8%	-23,1%	-40,6%	-44,8%
to MSCI World Index	-1,5%	-20,3%	-37,9%	-52,2%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	6,3 x	5,1 x	4,6 x	3,8 x
EV/EBIT	9,9 x	7,8 x	6,8 x	5,3 x
P/E	6,6 x	4,5 x	3,7 x	2,7 x

## FY23A Results

Revenues amounted to € 40.90 million, in line with the end of 2022 figure of € 40.83 million, and slightly lower than the € 45.50 million estimated in our previous report. EBITDA, at € 6.18 million, saw a growth of 24.2% compared to the € 4.98 million of the previous year, in line with our previous estimate of € 6.18 million. The EBITDA margin, equal to 15.1%, was higher than both the previous year's figure (12.2%) and our estimate (13.2%). EBIT, after depreciation and amortization of € 2.26 million (€ 1.68 million in FY22A), came in at € 3.92 million (€ 3.30 million in FY22A), compared to our estimate of € 3.80 million. Net Income stands at € 2.04 million (€ 2.01 million in FY22A), in line with the € 2.10 million of our previous estimate.

## Estimates Update

In light of the results published in the FY23A annual report, we have adjusted our estimates for both the current and the following years. In particular, we now estimate FY24E Revenues of € 50.00 million, and an EBITDA of € 7.60 million, corresponding to a margin of 15.2%. In the following years, we expect Revenues to reach € 77.00 million (CAGR 23A-27E: 17.1%) in FY27E, with EBITDA equal to € 12.35 million (corresponding to a margin of 16.0%), up from € 6.18 million in FY23A (corresponding to an EBITDA margin of 15.1%). On the balance sheet, on the other hand, we have adjusted our previous NFP estimate for FY24E, arriving at a value of approximately € 22.44 million of debt.

## Valuation Update

We conducted our valuation of the equity value of G.M. Leather based on the DCF method. The DCF method (including, for prudential purposes, a specific risk of 2.50% in the calculation of the WACC) returned an equity value of € 59.5 million. The target price is € 5.30, with a BUY rating, and MEDIUM risk.

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Revenues	40,83	40,90	50,00	55,00	65,00	77,00
Other Revenues	1,54	0,81	0,50	0,50	0,50	0,60
<b>Value of Production</b>	<b>42,37</b>	<b>41,71</b>	<b>50,50</b>	<b>55,50</b>	<b>65,50</b>	<b>77,60</b>
COGS	20,62	17,26	20,80	22,80	26,80	31,70
Services	11,61	11,86	14,40	15,75	18,55	21,80
Use of assets owned by others	0,76	0,76	0,90	1,00	1,20	1,40
Employees	4,10	5,37	6,50	7,10	8,35	9,85
Other Operating Expenses	0,30	0,27	0,30	0,35	0,40	0,50
<b>EBITDA</b>	<b>4,98</b>	<b>6,18</b>	<b>7,60</b>	<b>8,50</b>	<b>10,20</b>	<b>12,35</b>
<i>EBITDA Margin</i>	<i>12,2%</i>	<i>15,1%</i>	<i>15,2%</i>	<i>15,5%</i>	<i>15,7%</i>	<i>16,0%</i>
D&A	1,68	2,26	2,60	2,80	2,85	3,00
<b>EBIT</b>	<b>3,30</b>	<b>3,92</b>	<b>5,00</b>	<b>5,70</b>	<b>7,35</b>	<b>9,35</b>
<i>EBIT Margin</i>	<i>8,1%</i>	<i>9,6%</i>	<i>10,0%</i>	<i>10,4%</i>	<i>11,3%</i>	<i>12,1%</i>
Financial Management	(0,98)	(1,16)	(0,90)	(0,80)	(0,70)	(0,70)
<b>EBT</b>	<b>2,32</b>	<b>2,77</b>	<b>4,10</b>	<b>4,90</b>	<b>6,65</b>	<b>8,65</b>
Taxes	0,31	0,73	1,10	1,30	1,75	2,35
<b>Net Income</b>	<b>2,01</b>	<b>2,04</b>	<b>3,00</b>	<b>3,60</b>	<b>4,90</b>	<b>6,30</b>

CONSOLIDATED BALANCE SHEET (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
<b>Fixed Assets</b>	<b>5,84</b>	<b>11,66</b>	<b>12,50</b>	<b>11,20</b>	<b>9,85</b>	<b>8,35</b>
Account receivable	16,38	11,94	14,10	15,05	17,80	21,10
Inventories	10,81	24,28	24,50	25,00	27,60	30,50
Account payable	7,48	10,23	12,45	13,70	16,30	19,20
<b>Operating Working Capital</b>	<b>19,71</b>	<b>26,00</b>	<b>26,15</b>	<b>26,35</b>	<b>29,10</b>	<b>32,40</b>
Other receivable	3,49	4,41	3,70	3,85	4,60	5,50
Other payable	1,56	2,34	2,60	2,90	3,00	3,10
<b>Net Working Capital</b>	<b>21,64</b>	<b>28,06</b>	<b>27,25</b>	<b>27,30</b>	<b>30,70</b>	<b>34,80</b>
Severance Indemnities & Other Provisions	0,37	0,62	0,85	0,95	1,10	1,30
<b>NET INVESTED CAPITAL</b>	<b>27,10</b>	<b>39,11</b>	<b>38,90</b>	<b>37,55</b>	<b>39,45</b>	<b>41,85</b>
Share capital	0,11	0,11	0,11	0,11	0,11	0,11
Reserves	9,59	11,30	13,34	16,34	19,94	24,84
Net Income	2,01	2,04	3,00	3,60	4,90	6,30
<b>Equity</b>	<b>11,72</b>	<b>13,46</b>	<b>16,46</b>	<b>20,06</b>	<b>24,96</b>	<b>31,26</b>
Cash & cash equivalents	1,18	1,95	2,56	4,51	5,51	7,41
Short term financial debt	9,30	15,59	14,00	12,00	11,00	10,00
M/L term financial debt	7,27	12,02	11,00	10,00	9,00	8,00
<b>Net Financial Position</b>	<b>15,39</b>	<b>25,65</b>	<b>22,44</b>	<b>17,49</b>	<b>14,49</b>	<b>10,59</b>
<b>SOURCES</b>	<b>27,10</b>	<b>39,11</b>	<b>38,90</b>	<b>37,55</b>	<b>39,45</b>	<b>41,85</b>

CONSOLIDATED CASH FLOW (€/mln)	FY23A	FY24E	FY25E	FY26E	FY27E
EBIT	3,92	5,00	5,70	7,35	9,35
Taxes	0,73	1,10	1,30	1,75	2,35
<b>NOPAT</b>	<b>3,20</b>	<b>3,90</b>	<b>4,40</b>	<b>5,60</b>	<b>7,00</b>
D&A	2,26	2,60	2,80	2,85	3,00
Change in NWC	(6,43)	0,81	(0,05)	(3,40)	(4,10)
Change in receivable	4,43	(2,16)	(0,95)	(2,75)	(3,30)
Change in inventory	(13,47)	(0,22)	(0,50)	(2,60)	(2,90)
Change in payable	2,75	2,22	1,25	2,60	2,90
Change in others	(0,14)	0,96	0,15	(0,65)	(0,80)
Change in provisions	0,25	0,23	0,10	0,15	0,20
<b>OPERATING CASH FLOW</b>	<b>(0,73)</b>	<b>7,55</b>	<b>7,25</b>	<b>5,20</b>	<b>6,10</b>
Capex	(8,08)	(3,44)	(1,50)	(1,50)	(1,50)
<b>FREE CASH FLOW</b>	<b>(8,81)</b>	<b>4,11</b>	<b>5,75</b>	<b>3,70</b>	<b>4,60</b>
Financial management	(1,16)	(0,90)	(0,80)	(0,70)	(0,70)
Change in Financial debt	11,04	(2,61)	(3,00)	(2,00)	(2,00)
Change in equity	(0,30)	(0,00)	0,00	0,00	0,00
<b>FREE CASH FLOW TO EQUITY</b>	<b>0,78</b>	<b>0,60</b>	<b>1,95</b>	<b>1,00</b>	<b>1,90</b>

Source: G.M. Leather and Integrae SIM estimates

## Company Overview

G.M. Leather was established in 2011 and leads G.M. Group, founded in 1976 by the Marcigaglia family through companies currently entirely controlled by the Issuer, Snam di Marcigaglia Antonio & C Srl and subsequently Genesi Srl. The Group, active for over 45 years and based in Arzignano (Vicenza), in the largest Italian tanning district, is a manufacturing company that fully represents Made in Italy quality, through high added value leather processing for the creation of luxury small goods (including leather goods and footwear) and lifestyle goods (medium to high range furniture). The company has 3 operating sites, totaling approximately 25,000 covered square meters of surface area, with a production capacity of over 3 million square meters of full-cycle finished leather products. The procurement of raw materials (raw bovine hides and semi-finished hides) are carried out by the Issuer and the subsidiary Snam, while the higher value-added processes are entrusted to the subsidiary Genesi. The Group is at the forefront of the circular economy, as it transforms food industry waste into a natural, durable, recyclable product, exemplifying Made in Italy quality, and negating the significant environmental impacts that would otherwise come from landfill disposal or incineration. Furthermore, the Group has long adopted the industry-best environmental, social and governance (ESG) policies, and is a careful and active promoter of animal welfare, supply chain transparency and traceability, while offering excellent service by virtue of distinctive technological advantages developed over the years through substantial investments in R&D, human resources, and latest generation systems.

## FY23A Results

TABLE 2 – ACTUAL VS ESTIMATES FY23A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY23A	40,90	6,18	15,1%	3,92	2,04	25,65
FY23E	45,50	6,00	13,2%	3,80	2,10	21,98
Change	-10,1%	3,1%	1,9%	3,3%	-2,8%	n/a

Source: Integrae SIM

In the annual results press release, Simone Voltolin, CEO of G.M. Leather, commented: “We are closing with satisfaction the year 2023, a very difficult year overall for both the economy in general and our sector. Our Group, thanks to its continuous substantial investments, strategic choices and the commitment of all our collaborators, has achieved economic and financial performances that we consider distinctive and characterizing. In addition to significant R&D activities and investments in the field of innovation, aimed at consolidating our presence in the lifestyle segment, and driving growth in the strategic luxury market, in 2023, we made strategic investments in the Palladio Division business unit and in raw materials, for a number of reasons and objectives, including: to increase the competitive capacity of the Group in purchasing hides, internalizing processes and optimizing costs, to increase current and prospective margins, and to mitigate, through these strategic investments, any further uncontrollable exogenous effects, which in recent years have negatively and significantly influenced the economy and the cost of raw materials, utilities and financing, and therefore to prevent supply issues such as market raw materials shortages and delays in international transport due to existing and emerging geopolitical tensions. The investments, made at a time of difficulty in the economic and market context, underline GM Group’s desire to be, in the near future, a market leading company that is able to offer a large product portfolio and rapidly respond to customer needs with tailor-made products, thanks to acquired skills and experience”.

Revenues amounted to € 40.90 million, in line with the end of 2022 figure of € 40.83 million, and slightly lower than the € 45.50 million estimated in our previous report.

EBITDA, at € 6.18 million, saw a growth of 24.2% compared to the € 4.98 million of the previous year, in line with our previous estimate of € 6.18 million. The EBITDA margin, equal to 15.1%, was higher than both the previous year’s figure (12.2%) and our estimate (13.2%). The growth in EBITDA in FY23A is mainly attributable to the internationalization of the production process through the Palladio Division, and the growth in turnover of the luxury segment.

EBIT, after depreciation and amortization of € 2.26 million (€ 1.68 million in FY22A), came in at € 3.92 million (€ 3.30 million in FY22A), compared to our estimate of € 3.80 million. The EBIT margin came in at 9.6%, compared to the FY22A figure of 8.1% and our estimate of 8.4%.

Net Income stands at € 2.04 million (€ 2.01 million in FY22A), in line with the € 2.10 million of our previous estimate. Furthermore, we note a moderate increase in financial charges, evidence of a prudent management of debt, as well as non-speculative but rather well-considered exchange rate risk hedging.

Finally, the NFP showed an increase from € 15.39 million of debt in FY22A to € 25.65 million in FY23A. This NFP increase is mainly due to key investments in the Palladio Division and increased procurement of raw materials. It is also important to underline the investments made in the year in terms of research and development (R&D), which are in line with the strategic objectives of consolidating the traditional lifestyle segment, driving growth in the luxury segment, and developing production processes, technological innovation, and sustainability. The investments were therefore oriented to strengthening commercial offerings, boosting production, and improving environmental efficiency. In total, the value of the investments were in the region of € 19.30 million, net of depreciation, against an increase in NFP of approximately € 10.30 million.

With the aim of developing its entry into the British market, in 2023, the Group also concluded the acquisition of the majority stake of Nene Valley Leather, a company incorporated under UK Law. Furthermore, the acquisition of an 18.92% stake in Chiorino Technology SpA was concluded. Founded in Biella, Italy, in the early 1980s by Lorenzo Chiorino, Chiorino Technology is a manufacturing company specialized in the processing of leather for the luxury and fashion sector, and was acquired in 2018 by Aracadia, an important private equity fund manager focused on Italian SMEs. Chiorino Technology boasts among its customers leading international fashion brands in the leather goods and luxury footwear segment in particular.

Finally, we note that the Group plans to continue to develop cutting-edge practices in environmental, social and governance (ESG) sustainability, to promote animal welfare, and to guarantee transparency and traceability along the entire supply chain, considering these actions not only distinctive but also crucial for its future growth, in as much as being at the forefront of issues related to the circular economy.

## FY24E – FY27E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E-27E

€/mln	FY24E	FY25E	FY26E	FY27E
<b>Revenues</b>				
New	50,0	55,0	65,0	77,0
Old	56,5	64,5	69,5	n/a
Change	-11,5%	-14,7%	-6,5%	n/a
<b>EBITDA</b>				
New	7,6	8,5	10,2	12,4
Old	7,5	8,6	9,3	n/a
Change	1,3%	-1,2%	9,1%	n/a
<b>EBITDA %</b>				
New	15,2%	15,5%	15,7%	16,0%
Old	13,3%	13,3%	13,5%	n/a
Change	1,9%	2,1%	2,2%	n/a
<b>EBIT</b>				
New	5,0	5,7	7,4	9,3
Old	5,0	5,8	6,4	n/a
Change	0,0%	-1,7%	14,8%	n/a
<b>Net Income</b>				
New	3,0	3,6	4,9	6,3
Old	2,8	3,3	3,6	n/a
Change	7,1%	9,1%	36,1%	n/a
<b>NFP</b>				
New	22,4	17,5	14,5	10,6
Old	19,2	16,8	13,7	n/a
Change	n/a	n/a	n/a	n/a

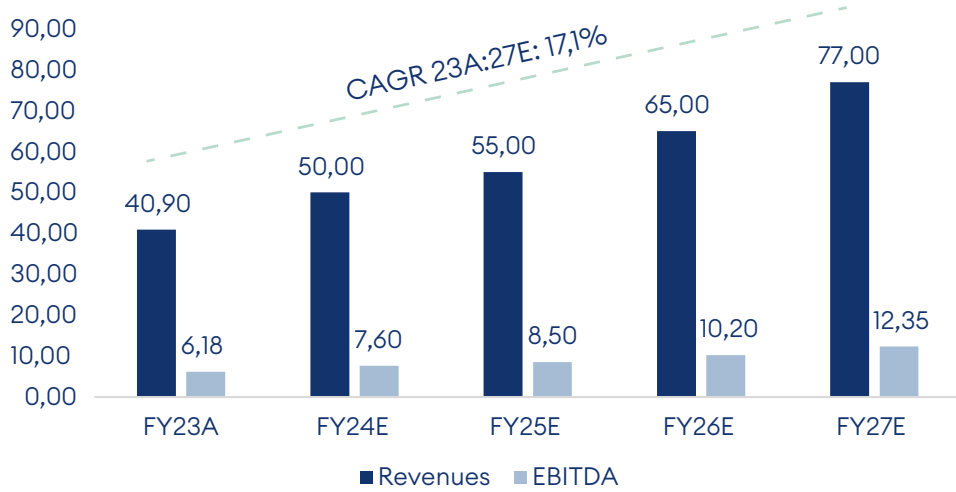
Source: Integrae SIM

In light of the results published in the FY23A annual report, we have adjusted our estimates for both the current and the following years.

In particular, we now estimate FY24E Revenues of € 50.00 million, and an EBITDA of € 7.60 million, corresponding to a margin of 15.2%. In the following years, we expect the value of Revenues to reach € 77.00 million (CAGR 23A-27E: 17.1%) in FY27E, with EBITDA equal to € 12.35 million (corresponding to a margin of 16.0%), up from € 6.18 million in FY23A (corresponding to an EBITDA margin of 15.1%).

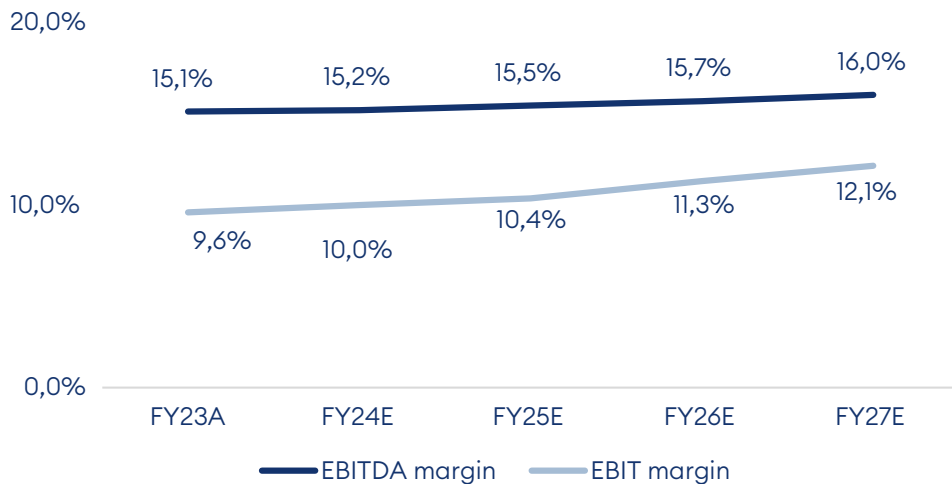
On the balance sheet, on the other hand, we have adjusted our previous NFP estimate for FY24E, arriving at a value of approximately € 22.44 million of debt.

CHART 1 - REVENUES AND EBITDA FY23A-27E



Source: Integrae SIM

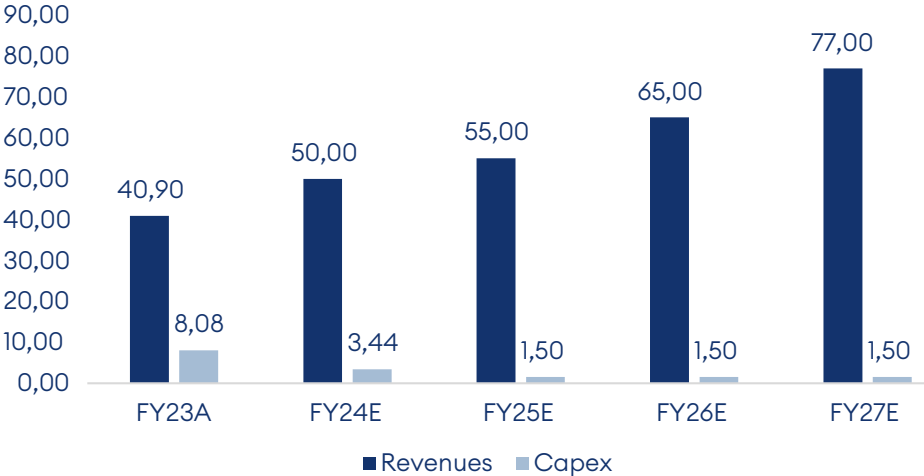
CHART 2 - MARGIN FY23A-27E



Source: Integrae SIM

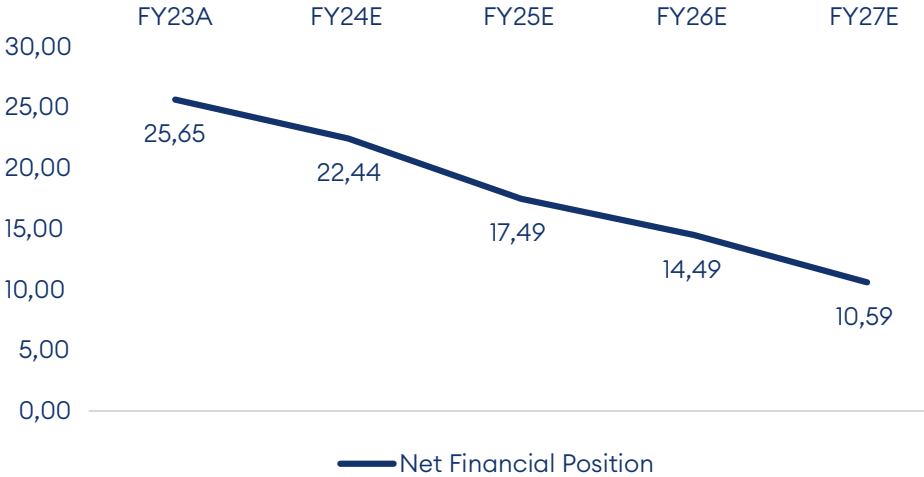


CHART 3 – CAPEX FY23A-27E



Source: Integrae SIM

CHART 4 – NFP FY23A-27E



Source: Integrae SIM

# Valuation

We conducted our valuation of the equity value of G.M. Leather based on the DCF method.

## DCF Method

TABLE 4 - WACC

WACC				9,16%
D/E 150,00%	Risk Free Rate 3,14%	$\beta$ Adjusted 1,7	$\alpha$ (specific risk) 2,50%	
$K_d$ 3,50%	Market Premium 7,81%	$\beta$ Relevered 2,1	$K_e$ 19,11%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 9.16%.

TABLE 5 - DCF VALUATION

DCF		% of EV
FCFO actualized	19,2	23%
TV actualized DCF	66,0	77%
<b>Enterprise Value</b>	<b>85,2</b>	<b>100%</b>
NFP (FY23A)	25,7	
<b>Equity Value</b>	<b>59,5</b>	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an *equity value of € 59.5 million*.

TABLE 6 - EQUITY VALUE - SENSITIVITY ANALYSIS

€/mIn	Growth Rate (g)	WACC						
		7,7%	8,2%	8,7%	9,2%	9,7%	10,2%	10,7%
	3,0%	110,0	96,3	85,0	75,6	67,6	60,7	54,7
	2,5%	98,8	87,3	77,6	69,4	62,4	56,3	51,0
	2,0%	89,5	79,7	71,3	64,1	57,9	52,4	47,6
	1,5%	81,8	73,2	65,9	59,5	53,9	49,0	44,6
	1,0%	75,2	67,7	61,2	55,5	50,4	45,9	41,9
	0,5%	69,6	62,9	57,1	51,9	47,3	43,2	39,5
	0,0%	64,7	58,7	53,4	48,7	44,5	40,7	37,3

Source: Integrae SIM

# Equity Value

TABLE 9 – EQUITY VALUE

Equity Value	
Equity Value DCF (€/mln)	59,5
<b>Target Price (€)</b>	<b>5,30</b>

Source: Integrae SIM

The result is an equity value of approximately € 59.5 million. **The target price is therefore € 5.30 (prev. € 5.30). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	13,8 x	11,2 x	10,0 x	8,4 x
EV/EBIT	21,7 x	17,0 x	14,9 x	11,6 x
P/E	29,2 x	19,8 x	16,5 x	12,1 x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	6,3 x	5,1 x	4,6 x	3,8 x
EV/EBIT	9,9 x	7,8 x	6,8 x	5,3 x
P/E	6,6 x	4,5 x	3,7 x	2,7 x

Source: Integrae SIM

# Disclosure Pursuant to Delegated Regulation UE n. 2016/958

## Analyst/s certification

The analyst(s) which has/have produced the following analyses hereby certifies/certify that the opinions expressed herein reflect their own opinions, and that no direct and/or indirect remuneration has been, nor shall be received by the analyst(s) as a result of the above opinions or shall be correlated to the success of investment banking operations. Neither the analysts nor any of their relatives hold administration, management or advising roles for the Issuer. Mattia Petracca is Integrae SIM's current Head of Research. Giuseppe Rivello, Alessandro Colombo, Edoardo Luigi Pezzella and Alessandro Elia Stringa are the current financial analysts.

## Disclaimer

This publication was produced by INTEGRAE SIM SpA. INTEGRAE SIM SpA is licensed to provide investment services pursuant to Italian Legislative Decree n. 58/1998, released by Consob, with Resolution n. 17725 of March 29th 2011.

INTEGRAE SIM SpA performs the role of corporate broker for the financial instruments issued by the company covered in this report.

INTEGRAE SIM SpA is distributing this report in Italian and in English, starting from the date indicated on the document, to approximately 300 qualified institutional investors by post and/or via electronic media, and to non-qualified investors through the Borsa Italiana website and through the leading press agencies.

Unless otherwise indicated, the prices of the financial instruments shown in this report are the prices referring to the day prior to publication of the report. INTEGRAE SIM SpA will continue to cover this share on a continuing basis, according to a schedule which depends on the circumstances considered important (corporate events, changes in recommendations, etc.), or useful to its role as specialist.

The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
27/02/2023	1,75	Buy	6,45	Medium	Breaking News
11/04/2023	1,67	Buy	6,55	Medium	Update
14/06/2023	1,55	Buy	6,55	Medium	Breaking News
04/10/2023	1,40	Buy	5,30	Medium	Update
16/11/2023	1,49	Buy	5,30	Medium	Breaking News

The list of all recommendations on any financial instrument or issuer produced by Integrae SIM Research Department and distributed during the preceding 12-month period is available on the Integrae SIM website.

The information and opinions contained herein are based on sources considered reliable. INTEGRAE SIM SpA also declares that it takes all reasonable steps to ensure the correctness of the sources considered reliable; however, INTEGRAE SIM SpA shall not be directly and/or indirectly held liable for the correctness or completeness of said sources.

The most commonly used sources are the periodic publications of the company (financial statements and consolidated financial statements, interim and quarterly reports, press releases and periodic presentations). INTEGRAE SIM SpA also makes use of instruments provided by several service companies (Bloomberg, Reuters, JCF), daily newspapers and press in general, both national and international. INTEGRAE SIM SpA generally submits a draft of the analysis to the Investor Relator Department of the company being analyzed, exclusively for the purpose of verifying the correctness of the information contained therein, not the correctness of the assessment. INTEGRAE SIM SpA has adopted internal procedures able to assure the independence of its financial analysts and that establish appropriate rules of conduct for them. Integrae SIM S.p.A. has formalised a set of principles and procedures for dealing with conflicts of interest. The Conflicts Management Policy is clearly explained in the relevant section of Integrae SIM's web site ([www.integraesim.it](http://www.integraesim.it)). This document is provided for information purposes only. Therefore, it does not constitute a contractual proposal, offer and/or solicitation to purchase and/or sell financial instruments or, in general, solicitation of investment, nor does it constitute advice regarding

financial instruments. INTEGRÆ SIM SpA does not provide any guarantee that any of the forecasts and/or estimates contained herein will be reached. The information and/or opinions contained herein may change without any consequent obligation of INTEGRÆ SIM SpA to communicate such changes. Therefore, neither INTEGRÆ SIM SpA, nor its directors, employees or contractors, may be held liable (due to negligence or other causes) for damages deriving from the use of this document or the contents thereof. Thus, Integræ SIM does not guarantee any specific result as regards the information contained in the present publication, and accepts no responsibility or liability for the outcome of the transactions recommended therein or for the results produced by such transactions. Each and every investment/divestiture decision is the sole responsibility of the party receiving the advice and recommendations, who is free to decide whether or not to implement them. Therefore, Integræ SIM and/or the author of the present publication cannot in any way be held liable for any losses, damage or lower earnings that the party using the publication might suffer following execution of transactions on the basis of the information and/or recommendations contained therein.

This document is intended for distribution only to professional clients and qualified counterparties as defined in Consob Regulation no. 20307/2018, as subsequently amended and supplemented, either as a printed document and/or in electronic form.

### Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

#### Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR $\geq$ 7.5%	ETR $\geq$ 10%	ETR $\geq$ 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR $\leq$ -5%	ETR $\leq$ -5%	ETR $\leq$ 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

#### Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRÆ SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integræ SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

The estimates and opinions expressed in the publication may be subject to change without notice. Any copying and/or redistribution, in full or in part, directly or indirectly, of this document are prohibited, unless expressly authorized.

At the time of publication of the document, Integræ SIM owns 0,61% of the Company's share capital, deriving from the activity of specialists.

### Conflict of interest

In order to disclose its possible interest conflict Integræ SIM states that:

- It operates or has operated in the past 12 months as the entity responsible for carrying out the activities of Euronext Growth Advisor of the GM Leather SpA;
- It plays, or has played in the last 12 months, role of specialist financial instruments issued by GM Leather SpA;
- It carries out media marketing activities on behalf of G.M. Leather SpA;
- In the IPO phase, Integræ SIM played the role of global coordinator.