



GM Leather, a leading company in the Arzignano District, squeezes an eye on luxury

Sector: Luxury

- The G.M. Leather Group was founded in Arzignano (Vicenza), within Italy's largest tanning district, through the establishment of SNAM by the Marcigaglia family in 1976, fully represents "Made in Italy" through high value-added processing of leathers intended mainly for the "Luxury" (leather goods and footwear) and "Life-Style" (furniture) mid/high-end markets.
- The Group is characterized by a highly integrated structure and offers its customers a tailor-made product that meets, at the same time, their requirements and the high-quality standards they demand. In detail, G.M. Leather S.p.A. and its subsidiary SNAM S.r.l. carry out the activities of sourcing raw materials (raw bovine hides and semi-finished hides), the processing of the hides, from liming/tanning to quality control, is entrusted to another subsidiary, Genesi S.r.l., while the sales network is in charge of marketing the finished products in Italy and abroad (mainly USA, UK, Germany, Hong Kong, and China).
- GM Leather, through intensive production, sales and R&D activities, acts as a partner for leading international (76.2% of total revenues) and Italian (23.8% of total revenues) clients such as distributors and brands active in the furniture, footwear and leather goods sectors, demonstrating ability to anticipate both trends and the demands of the target market, as well as to develop and customize products according to clients' specifications, with delivery of the finished product with highly competitive timelines.
- GM Group currently employs 110 highly qualified resources (93 employees and 17 consultants) and operates through two production sites and two warehouses in the towns of Arzignano (VI) and Zermeghedo (VI) with an area of about 26,000 square meters and a production capacity of more than 3 mln square meters of finished product.
- On 23 February 2023, the Group finalised, with "Conceria Palladio S.p.A.", an extraordinary transaction that allowed it to internalise production processes with a high added value and strategic in a GREEN perspective. "Conceria Palladio" represented for G.M. Leather S.p.A. a historical supplier. It is estimated that these activities, included in the Group's production process, will bring in incremental revenues estimated at about Euro 5 m and a consequent EBITDA of about Euro 1.2 m.
- The company realized FY22 revenues of Euro 40.8 m. and an EBITDA of Euro 4.98 m, corresponding to an EBITDA margin of 12%. Over the next years, we expect the Group to be able to grow revenues at a 23-26 CAGR of 20% to Euro 85.8 m in FY26, thanks to the increase in sales volumes from established customers, as well as from the development of products for the luxury market, which will ensure higher marginality.
- On 13th July 2022, G.M Leather S.p.A. was admitted to trading on the Euronext Growth Milan (EGM) market managed by Euronext. The listing took place with the placement of a total of 2.235.000 ordinary shares, of which 2.058.000 were newly issued and the IPO enabled G.M Leather to raise Euro 3.9 m (including partial exercise of the option Greenshoe in capital increase), which allowed it to pursue its planned strategies aimed at consolidating its competitive position, as well as to continue with growth by internal and external lines through an extraordinary finance operation aimed at internalize production processes with high-added value and strategic from a green perspective.
- We initiate our coverage on GM Leather with a target price of Euro 5.85 p.s., obtained as the average between a DCF and multiple comparison analysis. Our target price represents a potential upside of 296% and an implicit 2023-2024 EV/EBITDA multiple of 11.3x and 9.6x respectively.

Target Price € 5.85

Price (€) 1.48

Market Cap (€ m) 16.63

EV (€ m) 32.02

As of June 09<sup>th</sup>, 2023

#### Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	GML.MI/GML:IM
ISIN	IT0005498610
N. of Shares	11.235.000
Free Float	13,79%
CEO	Simone Voltolin

#### Financials

	2022A	2023E	2024E	2025E
Sales	40.8	59.2	66.3	75.3
YoY %	-18%	+45%	+12%	+14%
EBITDA	5.0	6.3	7.0	7.9
EBITDA %	12%	10,4%	10,5%	10,3%
EBIT	3.3	4.1	5.0	5.9
EBIT %	8%	7%	7,5%	7,7%
Net Income	2.0	2.9	3.6	4.3
Net Debt	15.4	14.0	13.1	11.4

#### Performance

	1M	3M	6M
Absolute %	-4.5	-17.8	-14.9
Relative (FTSE Italia Growth)	-4.9	-15.1	-12.8
52-week High/Low (Eu)	1.95	/	1.45

Research Department of



Edoardo Fumagalli

[e.fumagalli@irtop.com](mailto:e.fumagalli@irtop.com)

## TABLE OF CONTENTS

GM LEATHER SNAPSHOT .....	3
KEY FINANCIALS.....	4
GROUP OVERVIEW.....	5
KEY MILESTONES.....	6
GROUP STRUCTURE AND INTERNATIONAL PRESENCE.....	7
BUSINESS MODEL .....	8
SUPPLY CHAIN – PRODUCTS AND SERVICES.....	11
VALUE PROPOSITION AND R&D INVESTMENTS .....	12
SUSTAINABILITY.....	13
REFERENCE MARKET.....	18
INDUSTRY BUSINESS SYSTEM AND STRATEGIES.....	25
STRATEGY AND ACTION PLAN .....	27
ORGANIZATIONAL STRUCTURE AND GOVERNANCE.....	28
FINANCIALS AND ESTIMATES .....	30
VALUATION .....	35
INDUSTRY COMPARISON .....	37
PEERS DESCRIPTION.....	38
GM LEATHER ON EURONEXT GROWTH MILAN .....	39
STOCK PERFORMANCE.....	39

**GM LEATHER SNAPSHOT**

**Company description**

The G.M. Leather Group was founded in Arzignano (Vicenza), within Italy's largest tanning district, through the establishment of SNAM by the Marcigaglia family in 1976, fully represents "Made in Italy" through high value-added processing of leathers intended mainly for the "Luxury" (leather goods and footwear) and "Life-Style" (furniture) mid/high-end markets.

**Management**

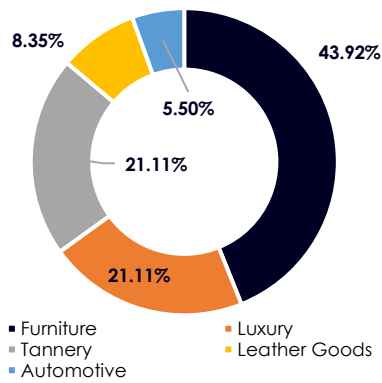
Carmen Marcigaglia  
Simone Voltolin  
Marco Malagutti

**Key Shareholders**

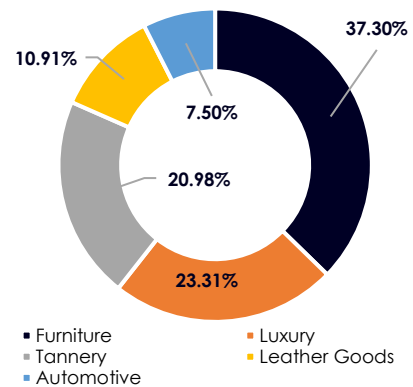
Assunta Srl (80.11%)  
Smart Capital SpA (6.10%)

**Revenue breakdown**

**by business lines FY23**



**by business lines FY26**



Source: PMI Capital Research elaboration

**Investment highlights**

More than 45 years of entrepreneurial history and among the leading players by market presence for resilience and reputation;

High sector know-how and highly specialized technical staff;

Operational flexibility and oversight of activities with higher added value, marginality and strategicity in the production process;

Solid relationships with subcontractors active in the district to ensure outsourcing of the most standardized work and processes;

Multi-year relationships with high standing customers in the furniture, luxury and leather goods;

Ability to meet customer requirements and guarantee the finished product in a quick and competitive timeframe;

Structured research & development to anticipate market trends and meet specific customer requirements;

Strong export vocation with presence of an active sales network in major international markets.

## KEY FINANCIALS

<b>Profit&amp;Loss Statement</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenues (VoP)	50.1	41.2	60.3	67.1	76.0
EBITDA	4.4	5.0	6.3	7.0	7.9
EBIT	3.6	3.3	4.1	5.0	5.9
Financial Income (charges)	(0.3)	(0.7)	(0.4)	(0.5)	(0.5)
Pre-tax profit (loss)	3.3	2.3	3.6	4.4	5.2
Taxes	(0.8)	(0.3)	(0.7)	(0.9)	(0.9)
Net profit (loss)	2.5	2.0	2.9	3.6	4.3

<b>Balance Sheet</b>					
Net working capital (NWC)	16.9	21.6	19.1	21.6	23.9
Net fixed assets	5.7	5.8	10.2	10.5	10.8
M/L Funds	(0.3)	(0.4)	(0.7)	(0.8)	(0.9)
Net Capital Employed	22.3	27.1	28.6	31.2	33.8
Net Debt	14.2	15.4	14.0	13.1	11.4
Minorities	0.0	0.0	0.0	0.0	1.2
Equity	8.1	11.7	14.6	18.1	22.4

<b>Cash Flow</b>					
Net Profit	2.5	2.0	2.9	3.6	4.3
Non cash items	0.1	0.1	0.4	0.1	0.1
Change in Working Capital	(5.7)	(4.7)	2.5	(2.4)	(2.3)
Cash Flow from Operations	(3.2)	(2.7)	5.7	1.2	2.0
Capex	1.9	(1.8)	(6.6)	(2.3)	(2.3)
Operating Free Cash Flow	(1.3)	(4.5)	(0.9)	(1.1)	(0.3)
Acquisitions					
Free Cash Flow	(1.3)	(4.5)	(0.9)	(1.1)	(0.3)

### Per Share Data

<b>Current Price</b>	1.48
Total shares out fully diluted (mn)	11235

<b>Ratios</b>					
EBITDA margin	8.8%	12.1%	10.4%	10.5%	10.3%
EBIT margin	7.2%	8.0%	6.8%	7.5%	7.7%
Net Debt/Equity	175.5%	131.3%	96.4%	72.4%	51.1%
Net Debt/(Net Debt + Equity)	63.7%	56.8%	49.1%	42.0%	33.8%
Net Debt/EBITDA	3.21	3.09	2.24	1.87	1.45
Interest cover EBIT	12.37	4.81	10.03	10.89	11.33
ROE	30.4%	17.2%	19.6%	19.6%	19.0%
ROCE	19.8%	13.3%	16.7%	18.8%	20.0%
Free Cash Flow Yield	n.m.	n.m.	n.m.	n.m.	n.m.

### Growth Rates

Revenues (VoP)	-18%	46%	11%	13%
EBITDA	13%	26%	12%	12%
EBIT	-8%	23%	23%	17%
Net Profit	-18%	42%	25%	20%

Source: Consolidated Group Data for 2022 and PMI Capital Research estimates

## GROUP OVERVIEW

The G.M. Leather Group was founded in Arzignano (Vicenza), within Italy's largest tanning district, through the establishment of SNAM by the Marcigaglia family in 1976, fully represents "Made in Italy" through high value-added processing of leathers intended mainly for the "Luxury" (leather goods and footwear) and "Life-Style" mid/high-end markets.

The Group is characterized by a highly integrated structure and offers its customers a tailor-made product that meets, at the same time, their requirements and the high-quality standards they demand. In detail, G.M. Leather S.p.A. and its subsidiary SNAM S.r.l. carry out the activities of sourcing raw materials (raw bovine hides and semi-finished hides, c.d. "Wet blue"), the processing of the hides, from liming/tanning to quality control, is entrusted to another subsidiary, Genesi S.r.l., while the sales network is in charge of marketing the finished products in Italy and abroad (mainly USA, UK, Germany, Hong Kong, and China).

The Group, through intensive production, sales and R&D activities, acts as a partner for leading international (76.2% of total revenues) and Italian (23.8% of total revenues) clients such as distributors and brands active in the furniture, footwear and leather goods sectors, demonstrating ability to anticipate both trends and the demands of the target market, as well as to develop and customize products according to clients' specifications, with delivery of the finished product with highly competitive timelines.

With 93 employees and 17 consultants, the Group realized FY22 revenues of Euro 40.8 m and an EBITDA of Euro 4.98 m, up 14% compared to Euro 4.37 m in the previous year, corresponding to an EBITDA margin of 12.2% (vs. 8.8% in FY21).

On 13th July 2022, G.M Leather S.p.A. was admitted to trading on the Euronext Growth Milan (EGM) market managed by Euronext. The listing took place with the placement of a total of 2.235.000 ordinary shares, of which 2.058.000 were newly issued and the IPO enabled G.M Leather to raise Euro 3.9 m (including partial exercise of the option Greenshoe in capital increase), which allowed it to pursue its planned strategies aimed at consolidating its competitive position, as well as to continue with growth by internal and external lines through an extraordinary finance operation aimed at internalize production processes with high-added value and strategic from a green perspective.

## IPO structure

OFFER KEY POINTS	<b>ISSUER</b>	<ul style="list-style-type: none"> <li>G.M Leather S.p.A.</li> </ul>
	<b>LISTING MARKET</b>	<ul style="list-style-type: none"> <li>Borsa Italiana, Euronext Growth Milan</li> </ul>
	<b>OFFER STRUCTURE</b>	<ul style="list-style-type: none"> <li>Offer Structures: Increase of capital for Euro 3.9 m, including Greenshoe in capital increase.</li> <li>Warrant for new subscribers. Allocation ratio 1:2, conversion ratio 1:1. Strike price: +5% CAGR on IPO price on a half-yearly basis (conversion windows every 6 months)</li> <li>Warrant for all holders of Company's share. Allocation ratio 1:4, conversion ratio 1:1. Strike price: +5% CAGR on IPO price on a half-yearly basis (conversion windows every 6 months)</li> </ul>
	<b>LOCK-UP</b>	<ul style="list-style-type: none"> <li>12 months</li> </ul>

Source: Company Presentation & PMI Capital Research Elaboration

#### **KEY MILESTONES**

---

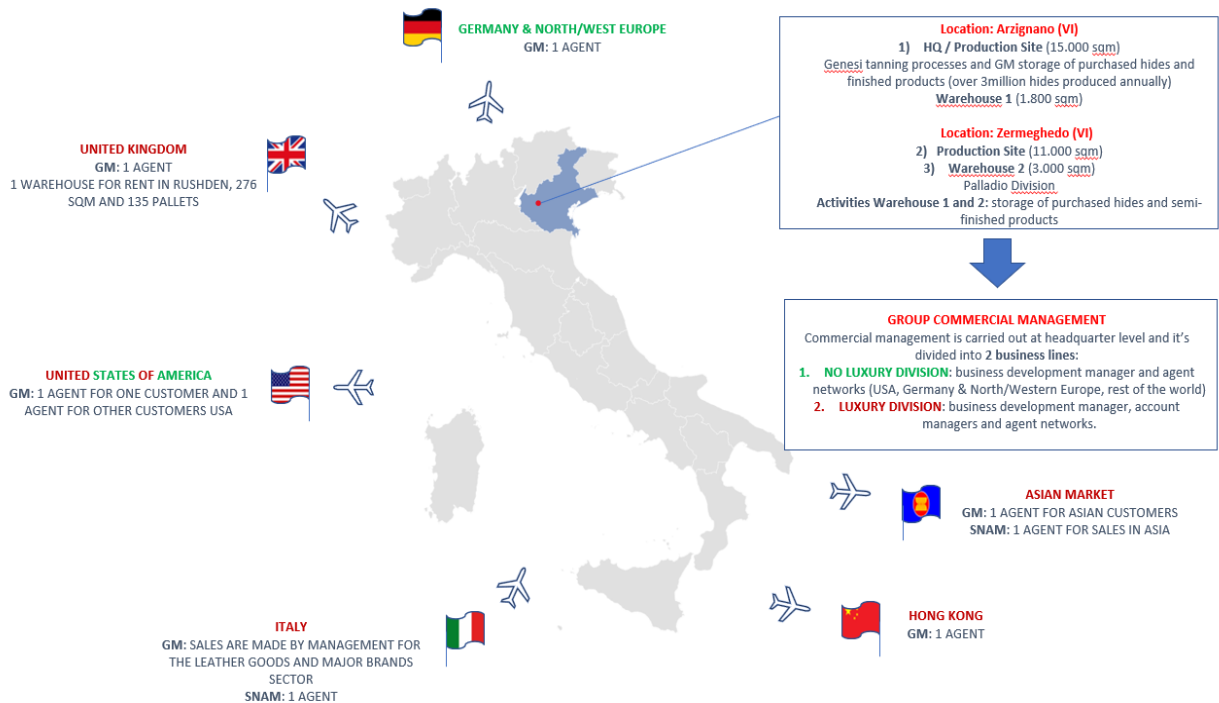
- **1976:** The Marcigaglia family constitutes SNAM S.r.l., company initially active in leather processing for third parties
- **1980-1999:** The first investments, aimed at increasing production capacity, are made when new machinery was purchased.
- **2011:** Carmen Marcigaglia founds G.M. S.r.l., focused on the marketing of both raw hides both semi-finished and finished, while processing was outsourced to third parties
- **2015:** The Group's growth started thanks to the development of commercial relationships with important distributors and furniture brands. In the same year, the SNAM processing business is sold and from this moment the company will focus its business on the commercialization of Wet Blue leathers (semi-finished).
- **2017:** Genesi S.r.l. is born with the aim of internalizing certain processes and those with greater added value, marginality, and customization to respond more quickly and effectively to customer and market demands.
- **2018:** The Group has joined the Leather Working Group' ('LWG'), a non-profit organization responsible for environmental certification and invests to strengthen and better structure the R&D function with the purpose to anticipate market demands with highly competitive timing, quality, and prices.
- **2020-2021:** The Group has developed an on-demand supply chain capability aimed at optimizing warehouse/stock management. This investment allowed purchasing and always having raw materials and semi-finished leathers 'Wet Blue' at highly competitive prices.
- **2022:** The Group decides to undertake several initiatives including: direct funding to the R&D function, the inclusion of new strategic figures, the definition of a corporate governance model, the launch of the procedure to obtain 'Blue Angel' certification, and, finally, the process of listing on Euronext Growth Milan.
- **2023:** In February, G.M. Leather SpA has completed through the subsidiary Genesi Srl, an extraordinary operation that allows the Group to internalize an upstream production process, in order to improve marginality and oversee the phases with greater added value in a green perspective.  
The operation refers to the contracts concluded between Genesi Srl and Conceria Palladio SpA for the lease of business units and for the sublease of properties instrumental to the operation of the business in Zermeghedo (VI), partly already subject to a lease to the affiliate Snam di Marcigaglia A. and C. Srl.  
The Group purchased machinery, equipment, and movable property from Conceria Palladio for a total value of Euro 5 m plus VAT. This value has been determined based on the valuation criteria provided by market practices for similar operations and is also supported by an expert assessment carried out by an independent expert.

**GROUP STRUCTURE AND INTERNATIONAL PRESENCE**



Source: Company presentation & PMI Capital Research Elaboration

The G.M. Leather Group has a strong presence in the Italian and global markets through its network of agents located in Italy (Veneto, Toscana, Marche), USA, UK, Germany and North/West Europe, France, Hong Kong, and Asian markets.



Source: Company presentation & PMI Capital Research Elaboration

## **BUSINESS MODEL**

The Group's business is located within the tanning industry, specifically between the food industry that deals with the slaughtering of animals, from which the raw hides are recovered and stored, and the manufacturing industry that uses the processed and finished hides deals with the production and sale of the finished leather products.

During its production activity, G.M. Leather Group cooperates with some strategic subcontractors of Arzignano district for standardized processes, while higher value-added processing, marginality, and customization are internalized and carried out by the wholly owned subsidiary Genesi.

## **Business Process**

**1 – Procurement:** Purchase of fresh raw material (Europe) and "Wet Blue" (Brazil).

**2 – Preliminary work and Tanning:** "Regreening", "Liming", "Fleshing", "Deliming" and "Pickling" are the different preliminary stages. "Tanning" is done by "Conceria Palladio" and consists of 3 stages.

**3 – Retanning, Dyeing, Greasing:** Phases processed by "Genesi".

**4 – Drying:** This operation allows to lose of a significant amount of water to the hides, without waste of energy

**5 – Finishing and testing:** The process of "Finishing" is carried out by several techniques, after which Genesi proceeds through both "Chemical" and "Physical" tests

**6 – Classification and measurement:** Grading of the hides is done according to criteria dictated by the customer or predetermined internally, and the hides are then trimmed by a measuring machine

**7 – Sales of hides and finished workmanship:** The sale of the finished product is entrusted to GM.

Source: Company presentation & PMI Capital Research Elaboration

## **1 – Procurement**

The procurement of raw materials is done through purchasing from international companies active in animal slaughter (food industry) and from tanneries that sell the leather obtained. Especially, GM purchases raw hides from Europe, while SNAM procures semi-finished hides from Brazil.

Afterward, the selection of the raw materials, one of the key points of the processing, is carried out by highly qualified personnel and can be done at various points in the processing.

The selection allows them to decide on the splitting thickness and to choose the leather according to the type of final article and according to the requirements specified by the customer, once the final prototype has passed the laboratory tests and it's accepted.

## **2 – Preliminary work and Tanning**

The first processing phase to which the hides are subjected is "Regreening", a stage that allows the regain of the water lost during the storage phase.

The next step is called "Liming" and is necessary to evenly stretch the fibre structure and remove fur and epidermis and takes place in the same drum as the regreening.

With the operation of "Fleshing" the subcutaneous tissue and residual fat from hides are removed through a roller machine with helical blades in order to relax and open the fibre for subsequent treatments with chemical products.

After that, the "Deliming/Maceration" process begins, the former consists of the elimination of the lime present in the hide, while the latter is a treatment with enzymes, generally extract from animal pancreatic glands, which allow operating a decomposition of the remains of the epidermis and fur not yet completely removed in the previous operations.

Later, the tanning preparation operation called "Pickling", the last preliminary processing takes place. "Tanning" represents the initial stage that allows an increase in the thermal and mechanical resistance of the hide, reduces hydration and swelling capacity, and increases resistance to acid, alkaline, and enzymatic attacks to obtain hides that are suitable to produce leather goods.



This treatment consists of 3 stages:

1. Pressing: in which excess water is removed so that the material can be easily transported
2. Splitting: division of the hide into two parts
3. Shaving: in which the thickness of the hide is further refined by enlarging the fibres bonded by the pressing operation

### **3 – Retanning, Dyeing, Greasing**

“Tapering” is a process performed in wooden drums or other suitable material, in which using water, and natural or synthetic products, the hide is processed to be dyed.

“Dyeing” is a stage that can be carried out in a restricted water bath at low temperature, simultaneously with retanning, before or after the fattering phase. Different types of dyes can be used for dyeing: acid, basic, amphoteric, and metal-complex dyes and each of these types defines the characteristics, and especially the general fastnesses at the dyeing level, of the finished leather.

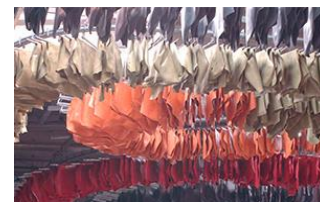
Finally, “Fattaring” has the function to prevent the sticking of the fibres during the drying stage of the same with emulsions obtained from synthetic and natural oils, fats, and waxes appropriately combined and prepared to make them suitable for use on leather.

These phases are processed by Genesi

### **4 – Drying**

This operation allows to lose of a significant amount of water to the hides, without waste of energy and it can take place in different ways:

- Frame drying: consists of spreading the wet leather on a surface (frame);
- Retorsa drying: consists of passing and crossing the leather through a roller in order to remove water and stretch the leather before the next;
- Vacuum drying: is a drying system consisting of several work surfaces heated (from 2 to 8) ones that rest against each other and special rubber gaskets that make it possible to hermetically seal the surface where the hides are located to be dried through the circulation of hot water, forming an airtight chamber;
- Air Chain Drying: this is the normal completion of the drying cycle, which consists of hanging the hides on an aerial chain that exploits the normal movement of hot air, from the bottom to the top, conditioning the material and bringing it to the desired humidity.



Source: GM Leather Group

### **5 - Finishing and Testing**

The process of “Finishing” is carried out by several techniques to improve the physical characteristics of the final article:

- Rolling coating: gives the leather the effect of “hand buffering” and is achieved by an even spreading of a semi-liquid product.
- Spraying: gives the leather a spray effect.

- Drying tunnel: drying of finishing films, carried out by means of moisture extractors.
- Printing (outsourced): hides destined for furniture articles are printed through flat or rotatory prints or with different designs.
- Filling barrels: upon return from printing operations, the hides are generally subject to rolling operation, to soften and relax their surface.
- Dry nailing (outsourced): involves spreading the hides on a frame with the use of pliers, and subsequent insertion inside the ovens.
- Refit: process in which the hides are sprayed again with a spray mixture.
- Fixing: operation required to increase the physical strength of the finished product through water-based fixatives.
- Kelatura: the hides are evened out and any defects are removed.



Source: GM Leather Group

Once the processing stages are completed, Genesi proceeds through both "Chemical" tests, which are tests on finished products, regulated by the European Community, to limit and prohibit the use of chemicals that are considered dangerous, and "Physical" tests to ensure the customer about the conformity of the material and on the durability of the finished article. The main tests are:

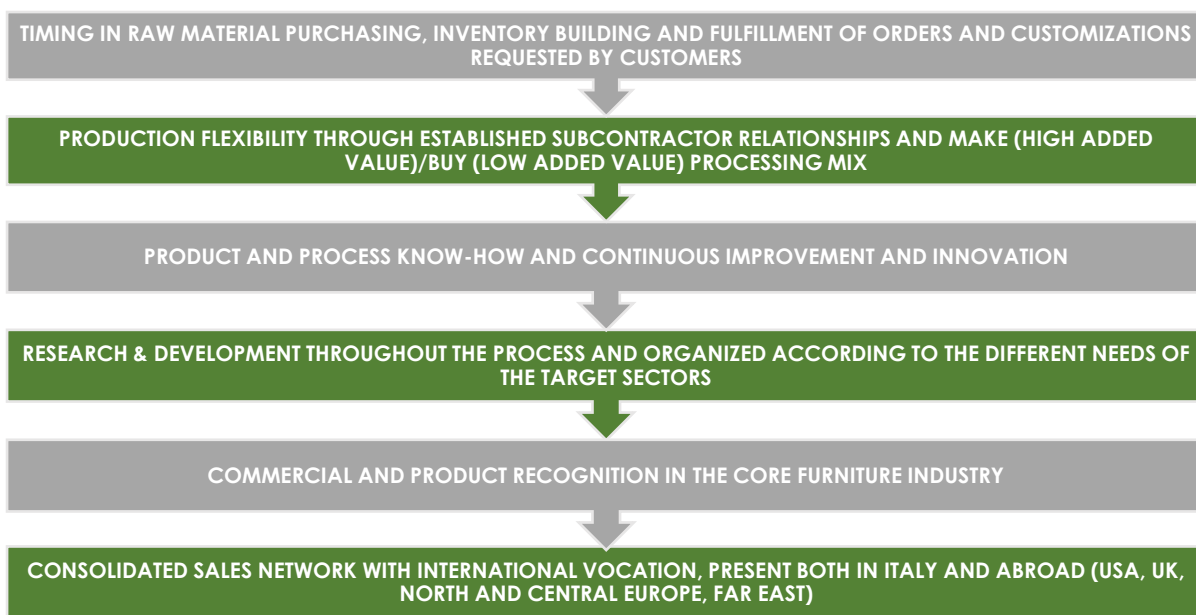
- Resistance to rubbing: this check involves testing the tightness of the finishing layer to a repeated passage of a felt pad over the surface of the leather.
- Lightfastness: this test is used to determine the change in colour of the surface of the material when exposed directly to the light of a xenon lamp for a given time.
- Adhesion of the finishing: a test used to calculate the force required to detach the bars from the support (in Newton/mm), using a dynamometer.
- Single tear strength: the aim is to calculate the average force and the resistance undergone by the dynamometer to tear a piece of leather, previously die-cut, with a longitudinal cut in the middle.
- Resistance to repeated bending: a test carried out, especially for those points where stresses are more frequent, e.g., to assess the lifespan of a sofa.
- pH and differential index: test that can determine the "acidity" of the leather.

#### **6/7 – Classification, measurements and sales of finished workmanship**

Subsequently, after obtaining the finished product, guaranteed in terms of safety and usability, it is classified according to criteria dictated by the customer or predetermined internally. The Group companies proceed both in the initial phase to best value the raw material and in the final phase to verify the standing of the product before the final delivery to the customer.

The leather can be discarded and reprocessed if they do not meet customers' requirements. Finally, the sale of the final product is exclusively entrusted to GM Leather, thanks to the work of the commercial management divided into: the non-luxury division, which deals mainly with the furniture sector and it's supervised by a director who coordinates the activity of agents located in USA, Germany and North/East Europe and the luxury division, which is under development and has in-house personnel and a network of dedicated agents.

**Business Model's distinctive elements**



Source: Company presentation & PMI Capital Research Elaboration

**SUPPLY CHAIN – PRODUCTS AND SERVICES**

- 1 – Expertise purchasing negotiation:** Experience and continuous daily monitoring of raw material cost by the purchasing function allows, based on algorithms developed in-house, to buy at the lowest possible cost. Functional management of warehouse inventory allows for just-in-time response to the customer.
- 2 – Contract formalization:** Trading of hides and skins is done in accordance with the standards of the so-called No. 6 contract of international trade in hides and skins, which regulates the goods in quantity, quality, transportation, risk, insurance, ownership, documentary part, payment, any claims and arbitration in case of disputes.
- 3 – Production Scheduling:** The procurement of raw material, both fresh and wet blue, is done on a consistent and scheduled basis to manage the correct inventory standard and to fulfill on-demand just-in-time the demands of the end customer, whether it is a wholesale or retail furniture distributor, a manufacturer, or a fashion brand.
- 4 – Monitoring of outsourced processes:** The GM Group constantly monitors all outsourced and subcontracted processing and phases according to group standards. In this way it is able to control and manage their quality, quantity and timing to achieve its objectives.

Source: Company presentation & PMI Capital Research Elaboration

**VALUE PROPOSITION AND R&D INVESTMENTS**

For GM Group the customer is at the centre of the value proposition and is continuously supported and assisted throughout the process, from the product idealization stages to the post-sales stages. Through the relationship that is established with the customer, the company is able to achieve a strong degree of loyalty.

**Tailor-Made products:** Through the R&D Team, the GM Group supports the customer by proposing products in line with market trends and adapting them to the customer's customization requirements and specifications.

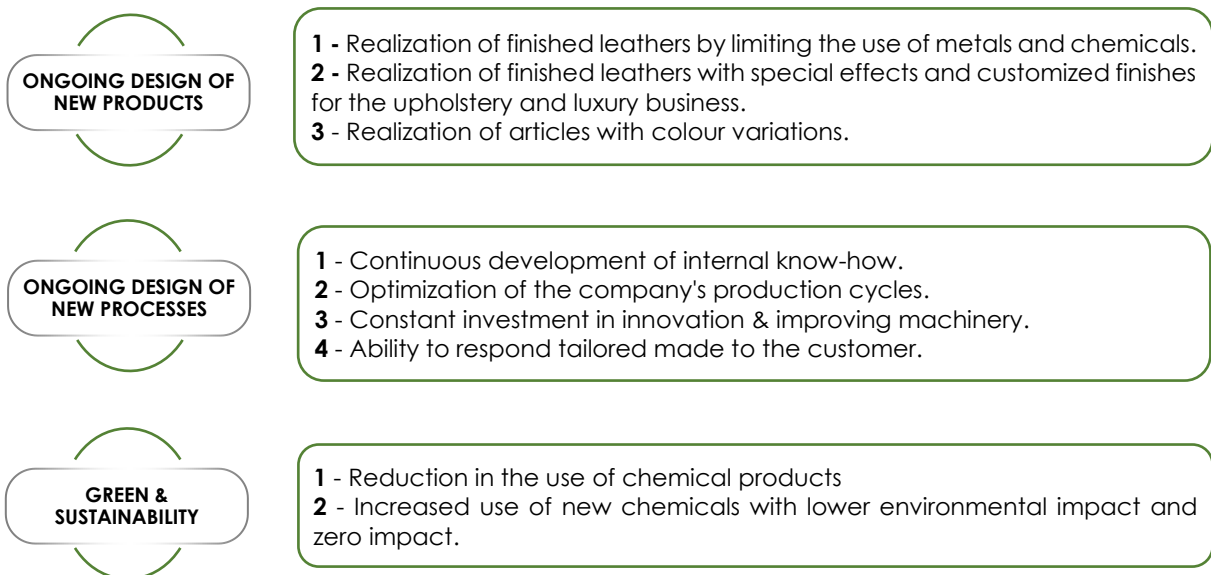
**Customer Engagement and International presence in the market:** Presence of a commercial network and warehouses on an international scale covering all major markets and strategic collaboration to design finished products by offering innovative and technological solutions.

**High quality product:** High quality of raw materials and production processes, guaranteed by cutting-edge technologies and highly specialized technical personnel.

**Wide product portfolio:** GM Group has no standard collections but a wide portfolio of hides ready to be subjected to a high variety of specific processes.

**Timeline:** Short and competitive timing, thanks to the point explained above.

As mentioned above, Research & Development, carried out by technicians with experience in the tanning industry, is a successful glue to process different types of products, developing different combinations of all of these. The results of R&D investments, indeed, enable the Group to constantly develop processing, different product combinations and colours with different degrees of wear resistance to increasingly sustainable solutions such as no use of chemicals and *no waste environment*.



Source: Company presentation & PMI Capital Research Elaboration

As mentioned in "Key Milestones" section above, the lease of the business unit related to the lime/tanning stage from "Conceria Palladio" made it possible to internalize an upstream production process in order to bring margins and oversee the stages with the greatest added value from a green perspective.

Both the acquired company branch and the set of buildings, machinery, equipment and movable assets are instrumental in the preliminary liming and tanning processes.

## SUSTAINABILITY

Improved and optimized production processes are the driving force behind GM Group's commitment to continue to promote sustainable growth.

1. **Metal free** i.e. tanning without metals or with natural materials;
2. **Reduction in water and energy consumption** in cooperation with ARPAV and Acque del Chiampo, the use of which is constantly monitored in terms of both volumes and emissions, and the reduction of wastewater;
3. **Reduction of CO2** in the environment;
4. **No waste management** by reducing production waste such as through the purchase of 4.0 machinery with lower energy consumption and use of chemicals aimed at making the production process more efficient;
5. **Compliance** with the adoption of the "Quality and Testing Regulations for Furniture Protection of the Environment and Personal Health," which ensures that customers meet parameters for restricted substances;
6. **Digitization** with the introduction of barcodes for tracking and supply chain control of production processes;
7. **R&D** through collaborations with laboratories to research new environmentally friendly and innovative production "recipes";
8. **Environmental KPIs** continuously monitored:
  - a. processed raw materials: hides processed by European tanneries come from animals raised primarily for other economic purposes (wool, milk and/or meat). Raw hides and skins are thus "renewable by-products" that are recovered and transformed, through a complex sequence of chemical and mechanical operations, into intermediate material for various strategic industries. In this context, finished leather represents a natural and renewable alternative to petroleum-derived synthetic products;
  - b. process efficiency;
  - c. pollution prevention and control.

Leather is a natural, renewable collagen fiber-based material that, as a result of the tanning process, becomes incredibly versatile, both functionally and aesthetically, for numerous manufacturing uses. It is also breathable, while at the same time insulating and, if necessary, can also be made waterproof. For this reason, it boasts multiple attempts at imitation, which, however, do not replicate its stylistic, technical and performance characteristics.

- The origin of more than 99% of the hides and skins used by the tanning industry are of bovine and ovine and caprine origin, waste from the food industry (defined as SOA Animal By-products of Origin by EU Reg. 1069/2009), recovered by tanneries, which thus avoid their disposal in landfills as waste. Every year, worldwide, tanneries recover a total of about 1,700 square kilometers of raw hide (equivalent to 8 million tons), the disposal of which as waste would produce 5 million tons of greenhouse gases (based on UNIDO DATA).
- its use is alternative to synthetic materials, which are derived from fossil sources, non-renewable and poorly biodegradable;
- waste from tanning processing can be recovered and reused in agriculture, construction, cosmetics, food, etc.
- it is a "bio-based" material by nature, composed of at least 85% collagen, a 100% fully biodegradable organic material.
- leather has unique characteristics of elasticity, strength, and aging, giving it high durability, both in terms of aesthetics and functionality. This is accompanied by a high degree of reparability, which allows its life cycle to be further extended.

**The Italian tannery is circular not only by nature**

While tannery production is already circular by nature, given that its raw material is a waste product of the food industry, in Italy this paradigm finds a further degree of commitment and investment thanks to the widespread recovery, treatment and reuse of the various waste products of the production process. Fertilizers and bio stimulants for agriculture; gelatine and collagen for the food industry; inert granules and asphalt mixes for construction.

All of these are derived from the wastes of modern tannery processing (sewage sludge, shavings, trimmings, splits and more), and in Italy they are used as secondary raw materials, in the productions of other industries.

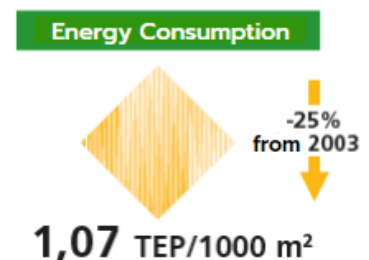
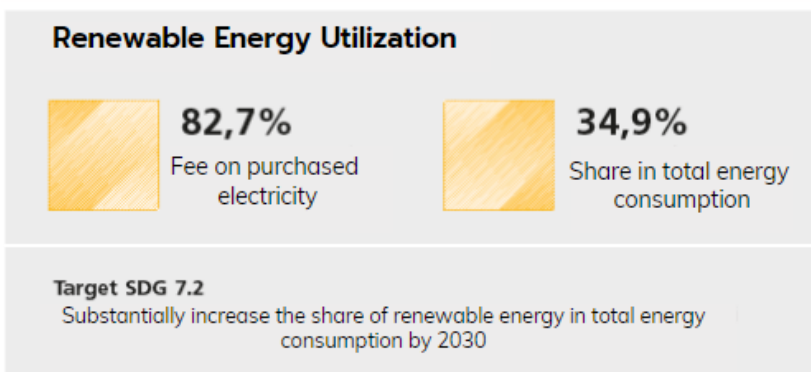
The structure of the tanning sector in Italy has allowed the development of a highly interconnected system between enterprises for the exchange of materials (both SOA and waste) and services, which are particularly relevant from an environmental point of view.

Tanning waste recovery processes are an interesting application case of circular bioeconomy, and the agricultural use of waste tanning biomass, prevalent to date, exemplifies the ideal closing of the circle of natural materials.

**Energy efficiency, climate change and technological innovation**

In recent years, the Italian tanning industry has considerably decreased the amount of energy used in the production process and, at the same time, has worked to increase the use of renewable sources within its supplies and the spread of high-efficiency cogeneration plants.

Regarding VOC emissions, the results obtained are continuously decreasing compared to previous years, thanks to the implementation of new technologies, both in production and emission abatement, and the progressive replacement of solvent-based finishes with water-based formulations.



Source: UNIC Sustainability Report 2022

The Group has been pursuing a path focused on Sustainability for many years, positioning itself as a primary interlocutor for the big brands that have signed the FASHION PACT and set themselves the goal to achieve 25% of low-impact raw materials sourcing by 2025.

The company has recently established, also for the benefit of its subsidiaries, the ESG Committee with the aim of pursuing best practices in leather processing, progressively limiting the environmental impacts resulting from the material transformation processes. Making production processes more and more

sustainable, as also demonstrated by the extraordinary transaction with Tannery Palladio, concluded and announced to the market in February, is an essential point of GM Leather's strategy, also in order to gain accreditation in new markets.

Consistent with the organizational policies and the project to improve the company's positioning also to the environment in which it operates, at the end of 2022 the preparatory activities for the implementation and integration on all Group companies of the organizational model pursuant to Legislative Decree 231/2001 were positively finalized, in order to consolidate the orientation adopted so far of primary attention to the protection of ethical, environmental and legal principles that have always characterized the organizational and management approach of the Group companies.

In compliance with the provisions of Article 2428, paragraph 2, of the Italian Civil Code, it should be noted that the Group companies carry out their activities in full compliance with environmental (Legislative Decree 152/06 and subsequent amendments) and Health and Safety in the Workplace (Legislative Decree 81/08) regulations, thanks to the constant supervision by the Employer, managers and supervisors.

### **Certifications and Collaborations**

---



Member since 2018 of Leather Working Group ("LWG"), a non-profit organization responsible for the world's leading environmental certification for the leather manufacturing industry. As a multi-stakeholder group, LWG has over 1300 members from across the leather supply chain.

LWG aims to improve the impact of the LWG supply chain holistically, becoming the overarching standard for leather manufacturing, covering all elements and players in the leather value chain.

Since its founding in 2005, LWG has identified environmental best practices in the industry and provided guidelines for continuous improvement. In fact, we offer a suite of audit tools to assess the environmental performance of leather production facilities and certify those that meet our standards.

G.M. Leather has obtained the LWG "Silver Rated" certification.



**Good for me.**  
**Good for the environment.**

The Blue Angel certifies each and every item produced, especially assessing emissions of chemicals considered hazardous, e.g., preservatives, heavy metals, etc. Originated in Germany in 1977 as an ecolabel or eco-label in the areas of: health, climate, water, resources.

The certification aims to protect the environment and the health of consumers by verifying, at different stages of production or in the enjoyment of the finished product, the riskiness of the impact towards health, climate, water and the environment according to a procedure for admitting the product to certification validated on an annual basis. This is managed in collaboration with government authorities.

This label becomes a factor not only of distinction but also of recognition throughout the European market and in particular for northern Europe.

This certification, together with the one explained above, were obtained for the following six products: Shetland, Sunshine, Naturale, Prestige, Esprit and Layla.



Under the Beleafing Project GM group has purchased 400 plants: 200 for GM and 200 for SNAM.

The project in partnership with the province of Vicenza and IUAV Venice is to improve air quality and climate. It is a participatory forestation campaign distributed throughout the territory, which will allow the company to combine environmental improvement (meeting the goals of the UN 2030 agenda) with an incisive campaign in Green Marketing calibrated on tangible and concrete actions that can be included

in its sustainability report. The distinctive element of the project, is the choice of varieties; native and allochthonous species divided into two macro categories according to their environmental benefits:

- **Trees to purify the air:** given the huge public health issues related to air pollution, evergreen and late defoliating species were provided in order to help capture particulate matter during the period of greatest need (winter season).
- **Trees to increase biodiversity (safeguarding bees):** given the major issues related to the loss of biodiversity and the reduction of endangered native species in the area resulting in an increase of exotic species, tree species that promote the establishment and pollination activity of bees have been made available.

The municipalities of the Chiampo Valley strongly believe in this initiative and has played a coordinating role in the project to ensure maximum spread of trees and environmental well-being throughout the area. The project is also part of the air pollution prevention actions being defined by the Province of Vicenza.

### REVENUE MODEL

The year 2022 was characterized by an increase in "finished product" sales, a reduction in "semi-finished product" sales due to the drastic drop in orders from Southeast Asia, and significant R&D activity aimed at "consolidating" the historical furniture segment and, above all, commercial activity aimed at growing the strategic Luxury market. Confirming the strategic relevance of the Luxury market are also the investments made in HR, with the hiring of personnel with proven experience, both in the sales and production areas and in latest generation 4.0 machinery and equipment.

The Group continues to focus its activities on the production, processing and trading of leather; in particular, the parent company G.M. Leather SpA is mainly involved in the trading of finished leather for the upholstery, automotive after-market, footwear and leather goods sectors, determines group strategies and directs research and development activities, while the subsidiary SNAM di Marcigaglia Antonio & C. Srl deals mainly with the procurement, selection and trade of semi-finished leathers for the group and for third parties, becoming over time a point of reference in the Arzignano district.

Instead, the entire industrial part related to the product transformation cycle is entrusted to the subsidiary Genesi Srl: group synergies have allowed the continuous and smart development of product and process innovations capable of expanding the article portfolio, which is essential to respond quickly to the changing demands of the market, trying to intercept the increasingly demanding requirements of customers with tailor-made products derived from the ability and experience, and to develop solutions for all types of customers.

The synergy with the industrial reality has allowed, during 2022, as part of an ambitious project in research and development, the realization of a massive production of samples and new articles that will be able to further expand, in the management's development plans for the coming years, the customer portfolio, especially in the strategic luxury segment, as well as to further build the loyalty of those in the relationship.

### Revenues breakdown by destination sector FY21A



#### FURNISHING (54.4% GM Group Revenues 2021)

**Product sold:** Finished leathers

**Customer served:** Companies active in the production of medium- and high-end upholstered furniture and wholesale/retail distributors

**Relationship:** Consolidated Business Partnership

**Pricing:** Medium-High level



#### TANNERY (43.0% GM Group Revenues 2021)

**Product sold:** Wet blue semi-finished leathers that are resold by the customer

**Customer served:** Tanneries and distributors of wet blue semi-finished leathers

**Relation:** ongoing relationships

**Pricing:** medium-low level

Source: Company presentation & PMI Capital Research Elaboration





### **AUTOMOTIVE (1.8% GM Group Revenues 2021)**

**Product sold:** Finished leathers

**Customer served:** Workshops and operators active in the automotive aftermarket

**Relationship:** Consolidated Business Partnership

**Pricing:** Medium-low level



### **LEATHER GOODS/LUXURY (0.8% GM Group Revenues 2021)**

Leather goods medium segment

**Product sold:** Finished leathers

**Customer served:** Companies active in the production of leather clothing and personal accessories

**Relationship:** For most customers, long-term partnerships have been established with continuous proposal and customization of products by GM Group

**Pricing:** medium/high level

---

Source: Company presentation & PMI Capital Research Elaboration

The introduction of the *Luxury segment* has been initiated in 2022 (some customers already served in the past as headquarter-level directional), with the aim of serving the high-end of the leather goods sector, through high quality processing and products and with opportunities to increase pricing and related margins.

Specifically, the development of this revenue line was planned by the GM Group through two directions:

- *Business Development*, through the entry of managerial figures with many years of experience in international high fashion and luxury brands, with the aim of creating industrial and production partnerships with brands at the high end of the market, and through research & development activities to focus on the proposal of innovative and customized products and solutions.
- *Product Development*, through the continuous improvement of research & development activity aimed at becoming industrial and commercial partners with the goal of not just being suppliers. Also, through the purchase and implementation of the latest generation and "green friendly" machinery (c.d. Sint Leather updated from previous less performing versions that already served leather goods).

## REFERENCE MARKET

G.M. Group's target market is the tanning industry in which companies recover raw hides (from the food industry) and, through processing and tanning activities, allow its preservation in order to obtain processed and finished hides destined for the manufacturing industry.

The 2022 of the Italian tanning industry is worth Euro 4.5 b and marks a growth in value of 7.3% compared to the previous year. This is the picture of the sector returned by the preliminary data of *Unic - Italian Tanneries*, which emerges the potential of the interiors and upholstery segment, up 5-7% YoY.

According to the association's forecasts, which will be confirmed in official data to be published at the end of May 2023, exports of tanning products made in Italy in 2022 jumped ahead in Europe, with France at +33% followed by Spain and Portugal, which put up 25% and 20% respectively.

In the U.S., on the other hand, exports stopped at a 2% increase over 2021, still reporting a 4% gap compared to pre-Covid 2019.

Regarding leather production volumes in Italy, *Unic* estimates a 2.6% drop in the past year. A figure that suggests a two-speed race and this underscores the fact that the most performing segment is the high-end, in a sector that allocates 70% of production to *fashion*.

Concerning the trend of geographical areas, China and Hong Kong are no longer a primary destination, but have given way to European countries such as France and Spain; there are some hopes about an imminent recovery on the eastern front, however, remain firm in the aftermath of the lifting of health restrictions, but more time is needed to outline estimates.

Rather marginal, meanwhile, the States, despite the slow post-pandemic recovery, compared with the centrality of the Old Continent. Almost insignificant is the share represented by Russia and countries of the former Soviet area, weighing a few percentage points and on which the current conflict has therefore had little impact.

The 2023 horizon remains clouded by critical macroeconomic issues, from the still fatigued supply chain to rising commodity and energy prices and makes it difficult to reliably predict trends in the coming months. Expectations are for a mixed year, which is likely to regain momentum in the second half of the year.

The problems that punctuated 2022 still remain and the market at this time appears volatile; so there are expectations for a recovery, especially in the second half of the year, and forecasts on leather goods are very good, less so on footwear. Above all, there is one segment that seems, looking at the data available to date, to be strongly growing-that is, interior.

Precisely because of its development, *Unic* is engaged in a series of initiatives to enhance and capitalize on the potential of this market, a strategic asset despite the still predominant role of fashion. Driving it, after the boom during the pandemic and a decline in 2022, is the growth of the construction market in areas such as the Middle East, Dubai and, in the near future, China itself.

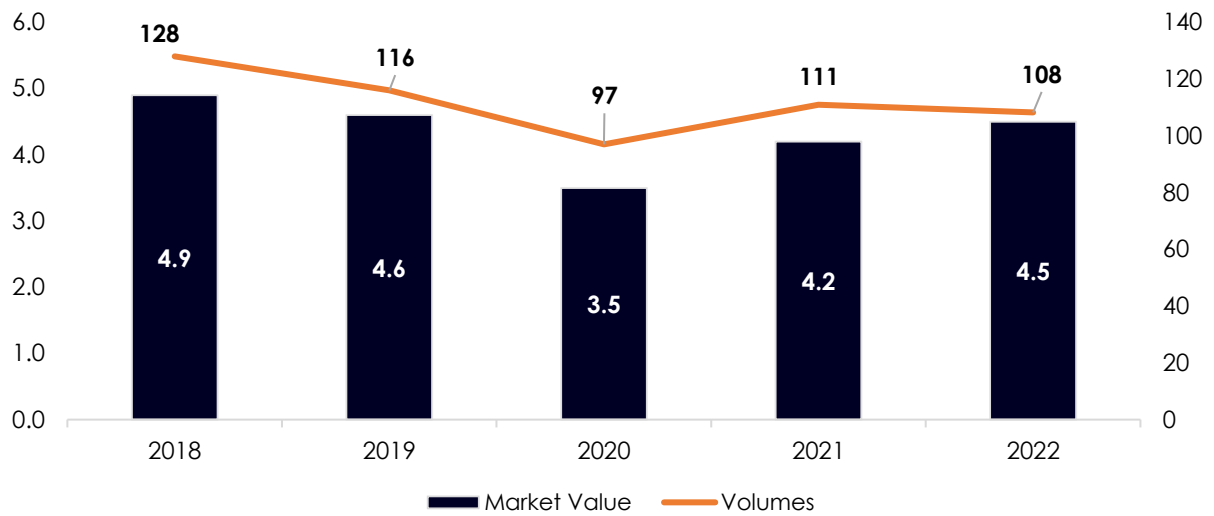
In general, the preliminary data seem in line with the still partial vision anticipated at the last "*Linea pelle edition*", held last February to crown the end of a "two-sided year", stretched toward recovery but still immersed in a difficult economic phase for the entire industry.

In 2021, the Italian tanning industry recorded year-on-year recovery in almost all the main macroeconomic indicators for the sector, showing itself in line with the trend of rebounding from the pandemic that has characterized the entire international economy.

However, the trend with respect to 2020 is only partially representative of the sectoral picture, as the data for that year were exceptionally affected by the effects of Covid-19 and the resulting containment measures (including the suspension of tanning production in Italy for over a month). To get a more complete picture, it is therefore necessary to compare the 2021 results with those for the last pre-pandemic year, i.e., 2019, and this comparison unfortunately shows a persistent decline (-10% production in value and -5% in volume).

Before the conflict in Ukraine, a good degree of confidence was shining brightly around the sector being able to fully recover to pre Covid-19 levels during 2022 but international tensions and very sharp price increases in the main raw materials (raw hides and skins, chemicals and, above all, energy) are likely to inhibit the timing and intensity of recovery, with potentially even very serious consequences for financial sustainability.

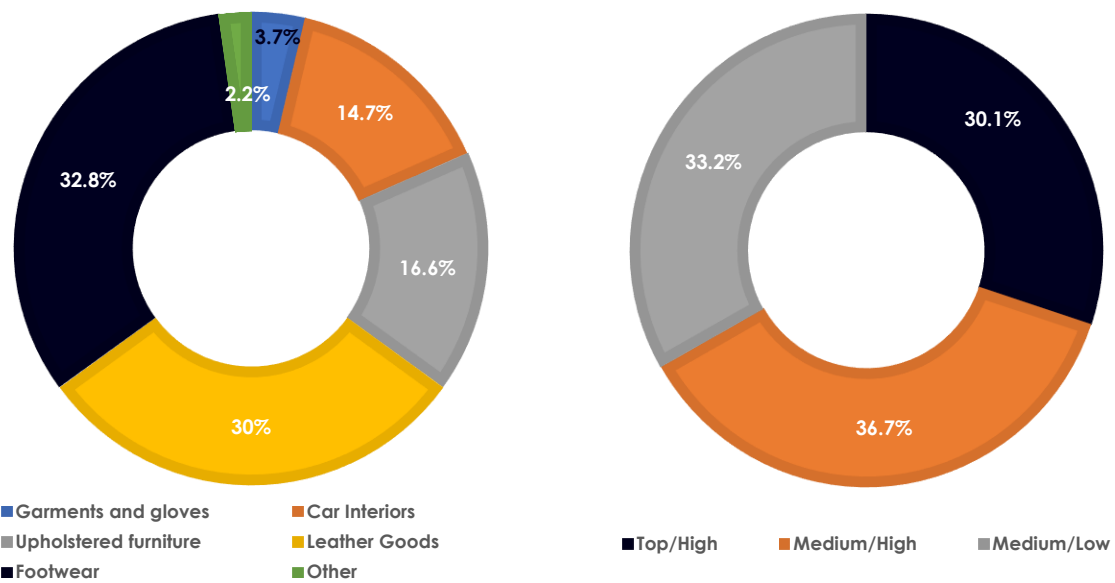
**Italian tanning market value and production volumes 2018-2022 (€/b and sqm/m)**



Source: Economic Performance Italian Tanning Industry by UNIC (2021) & PMI Capital Research Elaboration

**Italian tanning industry export by destination sector**

**Production by price range**



Source: Economic Performance Italian Tanning Industry by UNIC (2021) & PMI Capital Research Elaboration

The Italian tanning industry has always represented a worldwide excellence, in particular in the luxury manufacturing segment, committed to combining beauty, performance and good production practices.

**Arzignano SKIN CAPITAL: registered trademark**

The Italian tannery is built on a district-based industrial development model; the four main regional clusters are located in Veneto, Tuscany, Campania and Lombardy.

The first in terms of production and number of employees is the Veneto district, which is concentrated in the province of Vicenza. In the area, Arzignano has established itself over the past fifty years as a world hub of tanning entrepreneurship and remains the most important municipality where 38% of production units are located and 49% of employees work.

Under this circumstance, in order to increase the recognition of the product and its quality, one of the main sources of competitive advantage, and give an identification to the city of Arzignano, on October 4, 2021, the municipality filed the application for registration for the creation of the "Leather Capital" trademark. On January 11, 2022, the Ministry of Economic Development notified the Trademark Registration at the Italian Patent and Trademark Office (UIBM).

Brand protection allows the district to be increasingly recognized as an industry leader, not only for production values, but also for levels of excellence in the areas of circular economy, social responsibility, high education, innovative technology, and environmental sustainability.

Chiampo Valley (Vicenza) with its 130 square kilometers of territory is home to one of the largest tanning districts in the world, as well as the most important in Italy in terms of production and number of employees. It includes Arzignano and the Chiampo area from Crespadoro to Montebello, from Montorso to Zermeghedo to Montecchio Maggiore. The hub is its engine of development and employment. The first tanning activity dates back to the 1300s.

In 1855, after a long period of dominance of spinning mills and silkworm farms, references were found to the importance of tanneries, some 20 in number, concentrated around Bassano del Grappa. The real birth of the industry occurred after World War I, when Asian competition and the use of synthetic fibers put the yarn industry in crisis and pushed it toward reconversion.

The current peculiarity of this tanning area, whose production counts for more than half of the national total, is represented, from the industrial point of view, by the simultaneous presence of medium-small companies and large industrial groups at the forefront of automation and standardization of process stages, while on the production level the main specialization is medium-large bovine leathers that are mainly destined for upholstery customers (car interiors and furniture), footwear and leather goods.

2021 Data / DISTRICTS	#1 VENETO	TUSCANY	CAMPANIA	LOMBARDY
Production (€ M)	2,546	1,160	220	148
Employees	8,563	5,920	1,864	908
Companies	446	506	141	34

Source: Company Data and PMI Capital Research Elaboration

### **The Tuscan District**

The district that groups the largest number of companies is located in Tuscany and includes the municipalities of S. Croce sull'Arno, Bientina, Castelfranco di Sotto, Montopoli Val d'Arno, San Miniato, and Santa Maria a Monte in the province of Pisa and Fucecchio in the province of Florence.

The earliest manufacturing dates back to the mid-19th century, but substantial development starts only from the 1950s/60s, in parallel with the decline of agriculture. Local tanneries, whose total turnover currently accounts for 28% of the national total, are characterized by the high degree of craftsmanship and flexibility of production, primarily for high fashion; processing concerns mainly medium and small bovine hides (including calves), some of which are used for the specialty of sole leather, which in Italy is almost entirely produced in the municipality of San Miniato and Ponte a Egola.

### **The Campanian District**

In Campania there is a tanning cluster specializing in the tanning of small, sheep and goat skins for clothing, footwear and leather goods. Businesses are mainly located in the area of Solofra (Avellino), Montoro Inferiore, Montoro Superiore and Serino, near Avellino, with some important presences also around Naples (Arzano, Casandrino, Casoria).

Initially limited to the upper destination, it expanded and diversified with clothing, returning in recent years to footwear and leather goods. The first settlements date back to the Bronze Age, but the great growth is after World War II. The value of Campania's leather production is currently 6 percent of the national tota

### Luxury Leather goods market

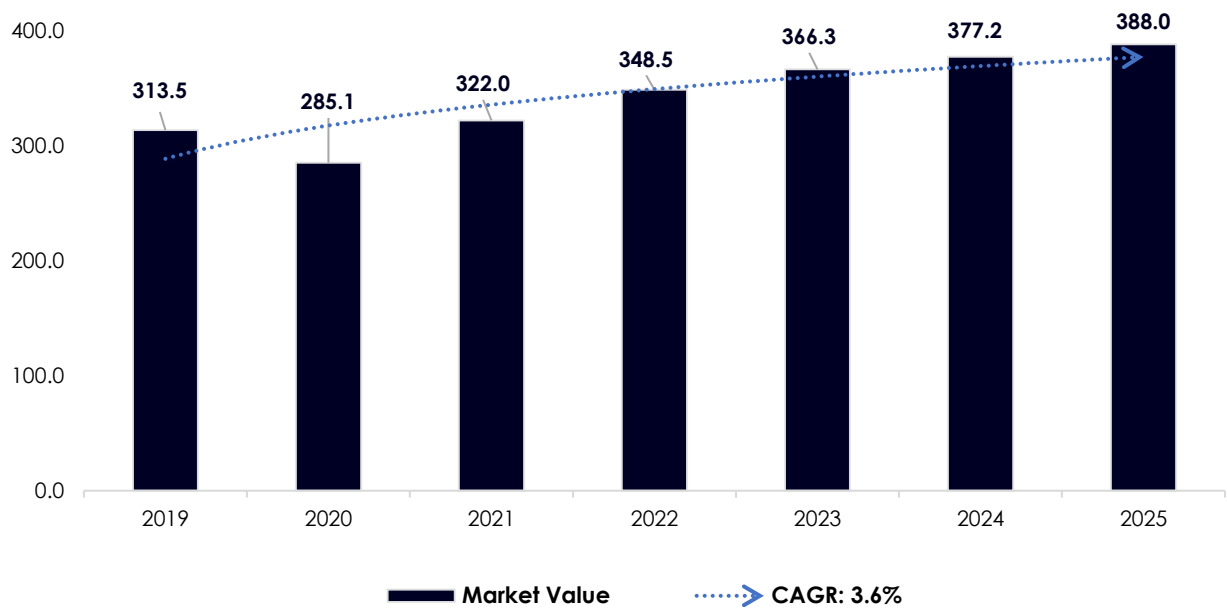
Luxury leather goods is an important part of the "Luxury goods market".

- Luxury Leather Goods cover handbags, suitcases and briefcases as well as small leather goods.
- The market definition corresponds broadly to the segment Luggage & Bags of the Accessories market but covers only the luxury range.
- The market data is based on an analysis of more than 120 of the biggest luxury companies in the world.
- Accordingly, leather goods from smaller companies or artisanal production unaffiliated with the companies covered are not included.

The Luxury Leather goods segment accounted for 16% of the "Luxury Goods market" revenue in 2021.

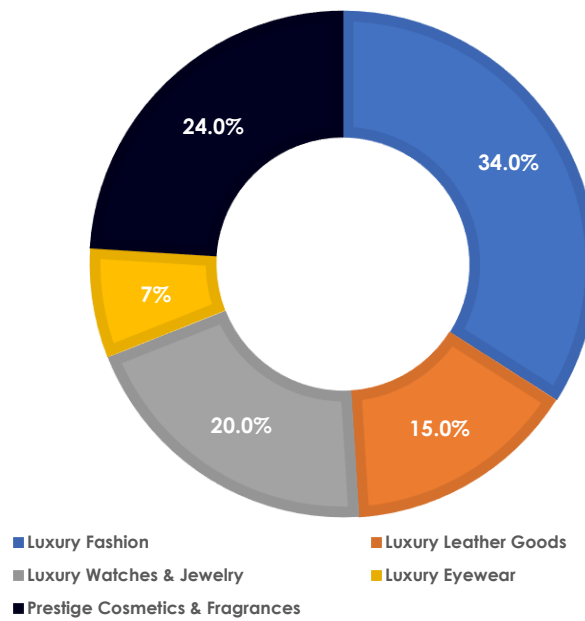
In 2021, luxury goods market generated a total revenue of US\$ 322 b worldwide; at 34%, "Luxury Fashion" was the largest segment of the market under analysis, with US\$ 109.5 b in revenues and "Luxury Leather Goods" segment had a market share of 15.71% with revenue amounted to US\$ 50.6 b in the same year.

### Worldwide Luxury Goods revenue in billion US\$



Source: "Luxury Leather Goods Report" Statista (2021) & PMI Capital Research Elaboration

**Worldwide Revenue share in 2021**

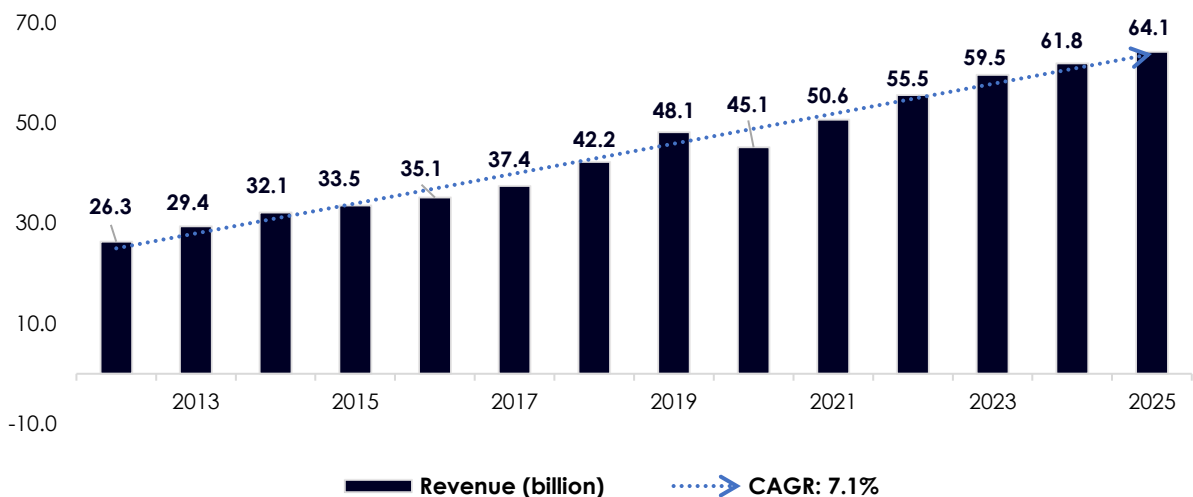


Source: "Luxury Leather Goods Report" Statista (2021) & PMI Capital Research Elaboration

In 2021, worldwide luxury leather goods sales amounted to US\$ 50.6 b and will increase at a CAGR of 7.1% from 2012 to 2025.

Due to COVID-19, the new 2020 forecast for the segment analysed is 12% lower than the original predictions; in the luxury leather goods segment, Hong Kong (US\$ 178.9) and Singapore (US\$ 102.7) had the highest annual revenue per capita in 2021.

**Worldwide luxury leather goods revenue in US\$ billions**



Source: "Luxury Leather Goods Report" Statista (2021) & PMI Capital Research Elaboration

Luxury Leather Goods sales in Europe will increase at a CAGR1 of 7.5% from 2012 to 2025: France is the country with the highest revenue in the luxury leather goods segment and Italy is in the third position (US\$ 1.7 b.).

### Luxury Leather Goods sales in Europe

#### Revenue in billion US\$

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	CAGR <sup>1</sup>
Luxury Goods total	66.2	71.6	75.1	77.0	80.1	83.7	90.0	97.6	88.8	100.2	108.4	113.9	117.4	120.8	4.7%
<b>Luxury Leather Goods</b>	7.4	8.4	9.3	10.0	10.6	11.3	12.7	14.3	13.4	15.0	16.5	17.6	18.3	18.9	7.5%
Share of total market (in %)	11.1	11.7	12.4	13.0	13.3	13.6	14.1	14.7	15.1	15.0	15.2	15.5	15.6	15.7	2.7%

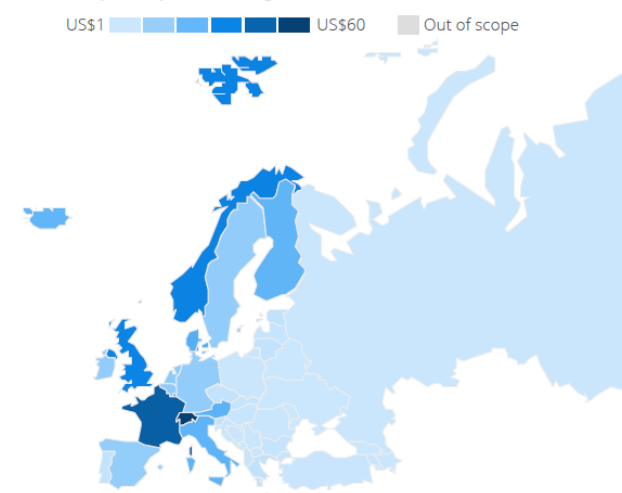
#### Revenue per capita in US\$

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	CAGR <sup>1</sup>
Luxury Goods total	79.8	86.1	90.0	92.0	95.5	99.3	106.6	115.3	104.8	118.0	127.6	134.1	138.2	142.3	4.5%
<b>Luxury Leather Goods</b>	8.9	10.1	11.2	11.9	12.7	13.5	15.0	16.9	15.8	17.7	19.4	20.7	21.5	22.3	7.3%

#### Revenue ranking in billion US\$









































France		3.7
United Kingdom		2.5
Italy		1.7
Germany		1.6
Spain		0.9

#### Revenue per capita ranking in US\$



Source: "Luxury Leather Goods Report" Statista (2021) & PMI Capital Research Elaboration

## Competitive Positioning

Company	Product's Quality	Personalisation & PDT Portfolio	Logistics and timeliness	Degree of Work Internalization	Industries Served	Geographic Markets Served
GM LEATHER 					Furniture Tanneries Leather Goods	Italy UE Americas Asia
Crest Leather Italia 					Furniture	Italy UE Americas Asia
Conceria Tre Emme 					Furniture	Italy UE
Finco 1865 					Furniture	UE USA Asia UE Americas
Futura Leathers 					Furniture	UE Americas
Gruppo Mastrotto 					Furniture Footwear Leather Goods	UE Americas Asia
Rino Mastrotto Group 					Furniture Automotive Leather Goods	UE Americas
Dani SpA 					Furniture Automotive	Italy UE Asia

Source: Company Presentation & PMI Capital Research Elaboration

In terms of quality, comparing the G.M. Group with the same competitors shows its presence in different sectors (furniture, leather goods and footwear) and in different markets (Italy, EU, America and Asia). The quality of products is among the highest, as is the degree of product customization, which leads the group to possess an extremely broad portfolio.

The Group also excels in warehousing and timeliness of delivery, G.M.'s strong point, while as far as the degree of internalization of processing is concerned, it stands at average levels compared to the competitors surveyed.

Specifically, the main difference between the Group and its main competitors is the Group's production of customized tailor-made products and not standard catalog products in order to achieve objectives in terms of volume, margin and especially customer satisfaction.

In addition, the Group has some important distinguishing features in the *luxury segment*, which was launched in 2022 and is under development, with the aim of serving the high-end of the leather goods sector through high quality processing and products.

The drivers that allow the G.M. Leather Group a competitive advantage in this sector are the efficiency in its supply chain, the continuous investments in R&D and metal-free processes, that insure highly innovative products, strongly competitive pricing and products capable of meeting customers' demands and, last but not least, a state of the art technology and continuous updating on new business opportunities.

G.M. Leather Group is able to enhance also leathers of different categories, even those of medium or medium/low quality, both with their machines and with the professionalism within, and for sure this is a peculiar and distinctive aspect in their industry and reference market.



**INDUSTRY BUSINESS SYSTEM AND STRATEGIES**

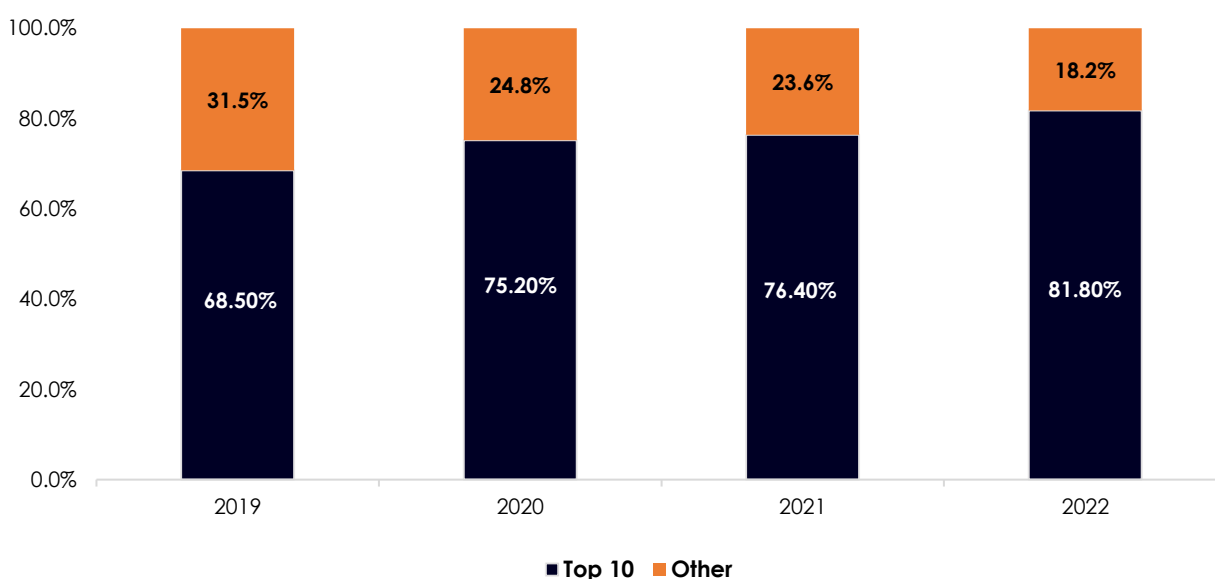
The incidence of the top 10 customers on total revenue has grown from 68.5% in 2019 to 81.8% in 2022.

Specifically, the Group's first customer has an incidence of 24.8% in 2022 and is active in the distribution sector finished leather for furniture, while the second and third customers have an incidence of 10.9% and 7.9% respectively and are active in the production of furniture.

The Group also reduced its customer base over the four-year period, from 180 in 2019 to 127 in 2022, with average revenue per customer falling from Euro 0.138 m to Euro 0.401 m.

This dynamic reflects the G.M. Leather Group's ability to focus on building partnerships with its customers in the medium/long term by increasing the revenue generated per customer, through the proposal of innovative and highly customized solutions, as well as maintaining the typical drivers of entrepreneurial craftsmanship, such as offering a tailor-made product and a speedy response time to customers and order fulfilment.

**Top Ten Clients Weight**



Source: Company Data and PMI Capital Research Elaboration

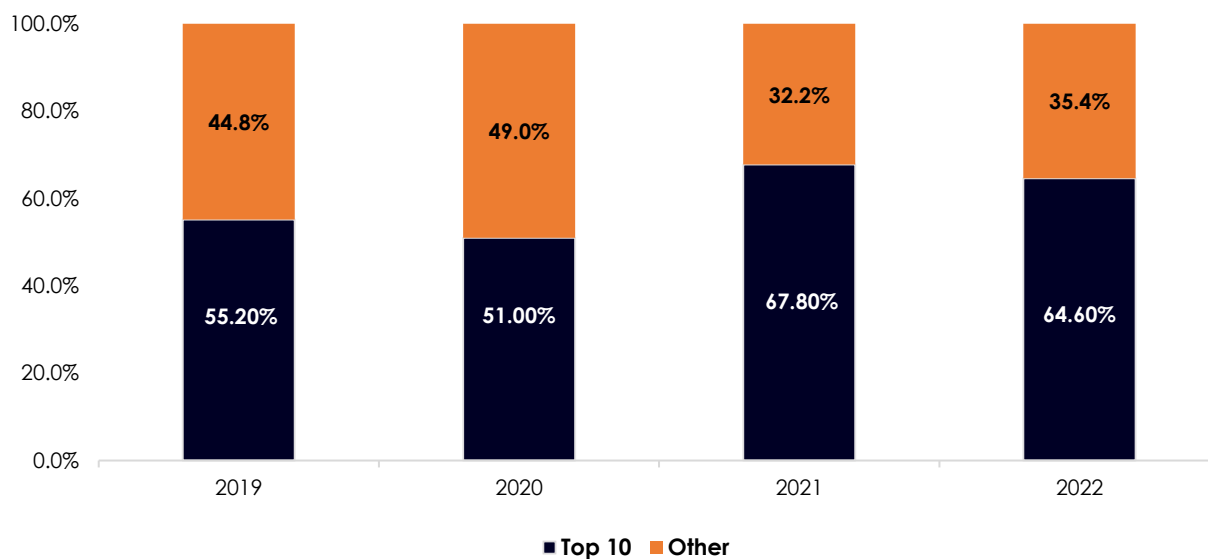
**Suppliers**

The incidence of the top 10 suppliers has increased from 51% in 2020 to 64.6% in 2022, as a result of a better selection of suppliers and a reduction in the purchase of chemical products (in line with the strategy of reducing the environmental impact undertaken by the Group), also expressed by the number of suppliers, which has decreased from 396 to 185 in 2021.

Consequently, suppliers were selected according to cost-effectiveness and efficiency criteria in order to ensure the continuity of the Group's production processes, particularly for chemical suppliers. The Group's suppliers are either satellite companies of international slaughtering groups or tanneries that sell raw/semi-finished hides and skins and subcontractors for processing that is not carried out internally, as well as chemical suppliers for finishing and dyeing operations carried out internally by Genesi.

The above chart shows the growing importance of the top 10 suppliers with whom the G.M. Leather Group has developed long-standing relationships that guarantee the timely supply of any quantity of leather required and the execution of the processing required to complete the production process.

### Top Ten Supplier Weight



Source: Company Data and PMI Capital Research Elaboration

### Extraordinary Operation with **Conceria Palladio SpA**

On 23 February 2023, the Group finalised, with Conceria Palladio S.p.A., an extraordinary transaction that allowed it to internalise production processes with a high added value and strategic in a GREEN perspective.

Conceria Palladio represented for G.M. Leather S.p.A. a historical supplier that carried out, for the fresh leathers purchased by the Group, the preliminary activities of greening, liming, fleshing, decalcination and pickling aimed at the tanning and subsequent splitting of the leather in full thickness to obtain the grain.

It is estimated that these activities, included in the Group's production process, will bring in incremental revenues estimated at about Euro 5 m and a consequent EBITDA of about Euro 1.2 m.

The operation is also highly strategic and is part of the path focused on Sustainability started by the Group in recent years, which has led to the realisation of important investments in R&D aimed at reducing the environmental impact of the activities of the production process, and in the green tracking of the supply chain, placing itself as a reference interlocutor for the major brands that have signed the Fashion Pact, which have set themselves the goal of obtaining 25% of their raw materials with a low environmental impact by 2025.

## STRATEGY AND ACTION PLAN

Thanks to a Euro 3.9 m capital increase, G.M. Leather will be able to pursue the Group strategy of development and growth by internal and external lines, based on the following strategic drivers:

- **Consolidate or strengthen the long-term industrial partnership with historical customers:** leveraging on product quality, precise and timely service, the aptitude to anticipate and respond to market demands and the ability of the GM's engineers in the development of new products to offer increasingly innovative and technological solutions, also thanks to continuous direct funds to the R&D function.
- **Exploit the potential growth in the furniture sector:** this development can be achieved through the introduction of efficient commercial policies by hiring a sales manager with the aim of monitoring and expansion of customer relations, also with the support of dedicated agents.
- **Development of the leather goods market:** particularly luxury production, through the recruitment of specialized technical staff. The Group will be able to leverage competitive prices while guaranteeing product quality, despite an industrial type of production.
- **M&A transactions:** through the acquisition of possible targets, entering new markets, expanding into new geographical areas (as well as thanks to greater development of the network of sales agents), and achieving significant synergies in terms of cost and process efficiency. The first operation, after the IPO, allows the Group to internalize a production process upstream, to generate marginality and preside over the higher value-added stages from a green perspective. Especially, subsidiary Genesi S.r.l. signed with Conceria Palladio S.p.A. a business lease agreement and a sublease agreement for properties instrumental to the operation of the business located in Zermeghedo (VI), with a duration of 20 years with the possibility of renewal. At the same time, G.M. Leather purchased machinery, equipment, and movable properties from Conceria Palladio.
- **Enhancing relationships with employees, the community, and the local area:** by means of the implementation of a corporate culture based on initiatives and investments in economic, environmental, and social sustainability, seeking to obtain certification in the environmental sphere, attesting to the commitment to reduce energy consumption, waste production, use of chemicals and Co2 emissions.
- **Preserve the expertise of the managerial functions, highly specialized technical personnel and, in general, the know-how of the sector:** through the implementation of MBO (Management by Objectives) remuneration plans.

**ORGANIZATIONAL STRUCTURE AND GOVERNANCE**

**Key Managers**

**Carmen Marcigaglia – G.M. Leather President of Board of Directors**

After the high school diploma in administration and accounting, Carmen Marcigaglia began working in the family business, an already established business in the Vicenza tanning district. She thus gained 30 years of experience as a businesswoman in the tanning/leather industry, developing numerous skills, especially in production, staff management and training.

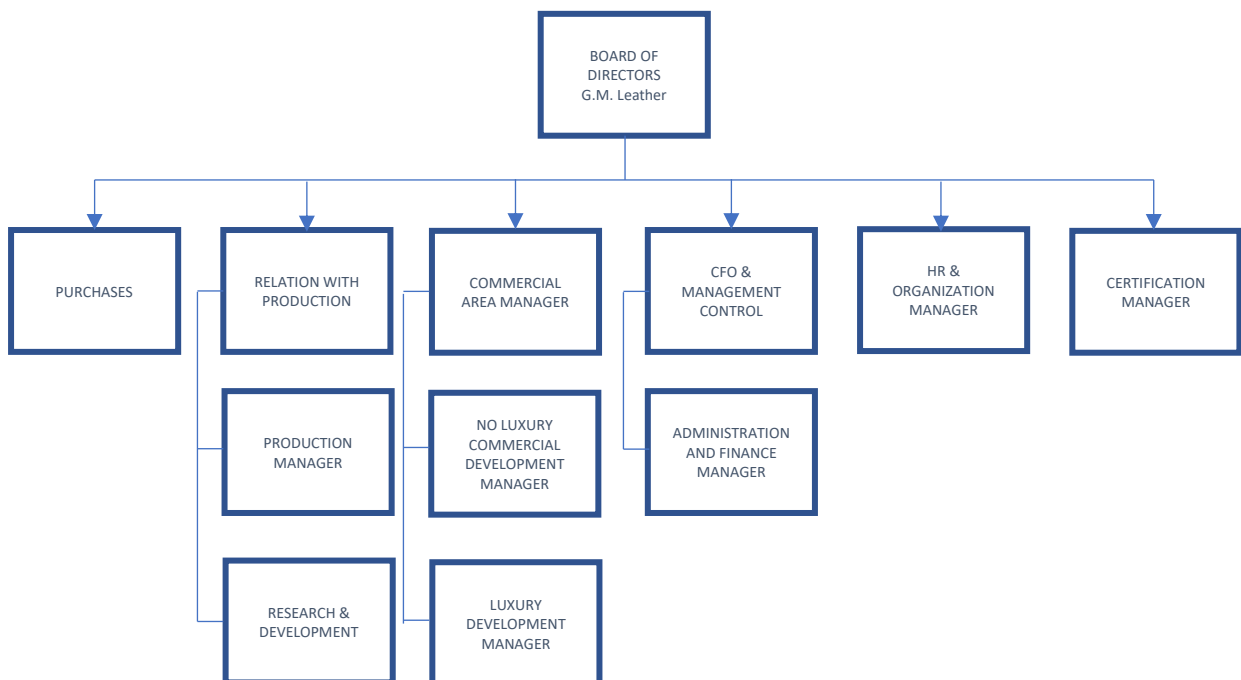
**Simone Voltolin – CEO with focus on operations, purchasing, commercial development, production relations and strategical process**

He is a manager with 30 years of experience in the tannery and leather marketing sector. He has developed a solid track record in management in the production functions, commercial, purchasing and product development, with a focus on research and development and sustainability, contributing significantly to the growth and success of the Group. In the role of CEO, he is mainly responsible for operations, purchasing, commercial development and production relations. He also holds the role of business developer for the G.M. Leather Group.

**Marco Malagutti – CEO with focus on administration, finance, management control and investor relations**

Following a graduation in law at University of Parma, Marco Malagutti gained many years of experience as a manager in banking and financial companies such as Banca Agricola Mantovana, Banca MPS, Banca Antonveneta, and Veneto Banca, where he held top management positions. He also had experience in management and business organization for companies active in the tannery industry and, since May 2017, he has been working as business and management consultant for G.M. Leather.

**Organizational Chart**



Source: Company presentation & PMI Capital Research Elaboration

**SWOT ANALYSIS**

<p><b>STRENGTHS</b></p> <p>Historical and reference player in the market          Know-how management and qualified personnel          Solid relationships with subcontractors active in the district.          Partnerships with customers of high standing.          Ability to guarantee quality finished product with highly competitive timing.          Research &amp; Development structured to meet customer needs and target markets.          Ability to catch market trends in advance.          Strong propensity for export and internationalization.          Developed sales network in major international markets.</p>	<p><b>WEAKNESSES</b></p> <p>Implementation Computerized control of production processes, stages and timing</p> <p style="text-align: center; font-size: 48px; opacity: 0.5;">W</p>
<p><b>OPPORTUNITIES</b></p> <p>Development in the high-margin luxury segment.</p> <p>Expansion of customer base in the furniture sector, which is expected to grow in 2022 and 2023, partly due to tax breaks with focus high return business and exports.</p>	<p><b>THREATS</b></p> <p>Possible aggregations of competitors.</p> <p>Shortage phenomena for purchasing raw hides, semi-finished products and chemicals.</p> <p>Difficulty of subcontractors in guaranteeing performance of outsourced work quickly or at reasonable cost.</p> <p>Generational turnover of qualified personnel.</p> <p style="text-align: center; font-size: 48px; opacity: 0.5;">T</p>

## **FINANCIALS AND ESTIMATES**

---

### **Historical results overview**

G.M. Leather group has recently closed his first financial statements as a listed company with excellent economic, financial and equity results made possible by the substantial investments and strategic choices made over the past three years.

As fully explained, 2022 was characterized by the significant R&D activity aimed at consolidating the historical furniture segment and, above all, developing the strategic Luxury market. Confirming the strategic relevance of the Luxury market are the investments made in human resources with the hiring of personnel with proven experience in the sales area and production area and in latest generation 4.0 machinery and equipment.

Revenues amounted to Euro 40.83 m, compared to Euro 49.69 m in 2021 (-17.8%), and this change is mainly attributable to the decline in sales of semi-finished products, related to the contraction of orders from South-east Asia, while there was an increase in "finished product" sales.

It should be mentioned that figures in the consolidated financial statements as of FY2021, reflect the pro-forma of the partial demerger operation scheduled for the first half of 2022 by which real estate assets and non-core activities will be spun off in favour of Assunta Immobiliare S.r.l. (a company outside the consolidation area) with respect to the tanning business considered as the main activity.

EBITDA stood at Euro 4.98 m, a 12.6% improvement over the FY2021 figure of Euro 4.42 m. Margins, calculated on the value of production, rises from 8.9% recorded in FY2021 to 12.2%, mainly affected by higher "finished product" sales and lower costs for raw materials, services and external processing. Net Income is down from Euro 2.45 m in FY2021 to Euro 2.01 m (-18%).

On the balance sheet side, NFP in FY22A increased from Euro 14.06 m to Euro 15.39 m of debt. This negative change is mainly due to taking out new loans in 2021 to support working capital dynamics and investments in the year. The pro-forma figure also takes into account the balance due for the SNAM property, which is the subject of the demerger.

A specification needs to be made with regard to this financial-equity indicator.

During the pandemic period, resources from COVID financing (with state guarantee) were invested in hides, i.e., the main raw material processed. These were acquired at a price equal to historical lows (in terms of cost) in 2020: quantity of goods worth Euro 200k, "brought home" at Euro 140k, lowering the cost by about 25% and allowing us to be extremely competitive for the years to come.

In 2022, 260k skins have already been ordered, that is, all the requirements for the year 2023, which is expected to grow and with the recovery of the Asian and Chinese markets; these purchases have also been completed at very good prices and close to those negotiated in the year 2020. If, as expected and gradually of course, China restarts at its pace, these raw materials would appreciate by 15-20% immediately, with a clear benefit: the net financial position is then real and "clean" as it fully finances the group's core business.

Net working capital remain positive over the period (Euro 21.64 m and Euro 16.89 m in FY22 and FY21 respectively) with a Sales/NWC ratio that sharply downgrade principally because of higher trade receivables, up by Euro 3.95 m, little balanced by flat growth in other liabilities, an item mainly composed of accrued payables to employees, and a decline in net sales, widely explained above.

In 2020, the management reacted immediately to the pandemic scenario, deciding which action to implement in order to be able to come out of it advantageously and acquire more negotiating power. The strategic choice was, precisely, to invest in leathers, keeping the supplier base and orders active, in order to obtain a more competitive price than the competitors and to continue sourcing.

From this point of view, the group has been able to afford and has been able to grant payment extensions to customers, up to 120/150 days; here the strategic choice has been to build customer loyalty as a prerequisite for continued growth over time. G.M. Leather is able to keep goods in stock, using them as needed, to finance inventory and to handle special customer demands.

This aspect, together with what has already been explained, underlines the company's extreme resilience, as an operational mentality as well as speed of strategic implantation and response to change.

In all this, we must further consider that the Arzignano district, of which the company is part, is not particularly large, so in order to emerge stronger from the pandemic period, it was essential to convince ourselves that the trump card was to act to hold the levers of the core business, i.e. skins and the supplier-customer relationship: therefore working with the customer, making them understand that we are partners, first and foremost.

Generally speaking, in a context such as that of a global pandemic, a company, be it large or small, does not make investments of more than Euro 3.5 m, does not grant payment extensions and, above all, it is very difficult for it to be able to present itself on any negotiating table, with a leather that is accepted and appreciated at a competitive price, even for luxury brands (usually the most demanding).

Also significant are the reduction in trade payables by Euro 1.2 m. Regarding the Operating cash flow, it amounted to Euro 4.8 m, and was positively affected by the dynamics of net working capital, which, during the year, resulted in cash generation of Euro 0.6 m, mainly due to the significant decrease in trade receivables of Euro 3 m.

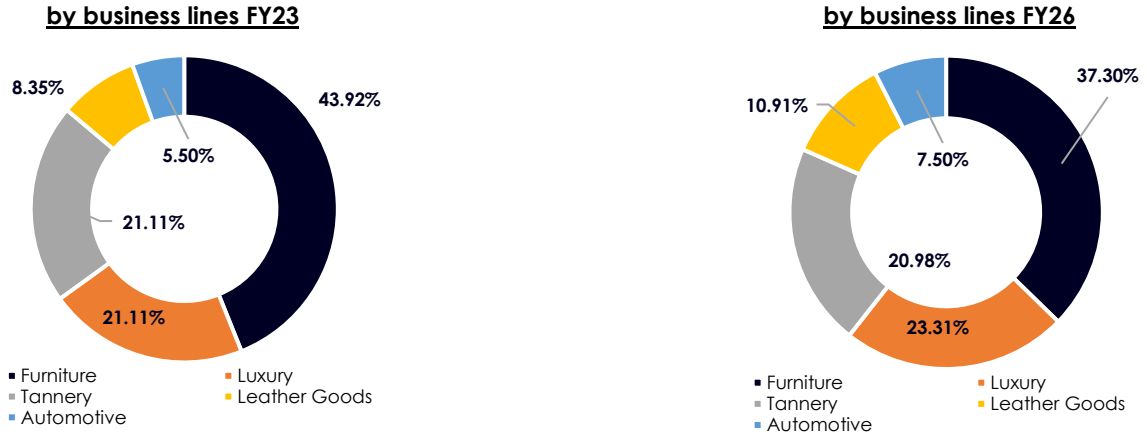
### Key Financials – Euro /000

Income Statement	2021A	2022A
Sales	49,69	40,83
Change in PF and semi-finished goods inventories	186	-1,52
Increases in Fixed assets for internal developments	-98	336
Other revenues	318	1,54
<b>Revenues</b>	<b>50,10</b>	<b>41,19</b>
Operating costs	(45,68)	(36,21)
<b>EBITDA</b>	<b>4,42</b>	<b>4,98</b>
D&A	(836)	(1,677)
<b>EBIT</b>	<b>3,58</b>	<b>3,30</b>
Other items	-	-
Financial Income (Charges)	(307)	(1,68)
<b>EBT</b>	<b>3,28</b>	<b>2,33</b>
Taxes	(827)	(312)
<b>Net profit (loss)</b>	<b>2,45</b>	<b>2,01</b>
Balance Sheet	2021A	2022A
Fixed Net Assets	5,68	5,84
Net Working Capital	16,90	21,64
Funds	(306)	(371)
<b>Net Invested Capital</b>	<b>22,27</b>	<b>27,10</b>
Net Debt/(Cash)	14,19	15,39
Equity	8,08	11,72
<b>Sources</b>	<b>22,27</b>	<b>27,10</b>

Source: Company presentation & PMI Capital Research Elaboration

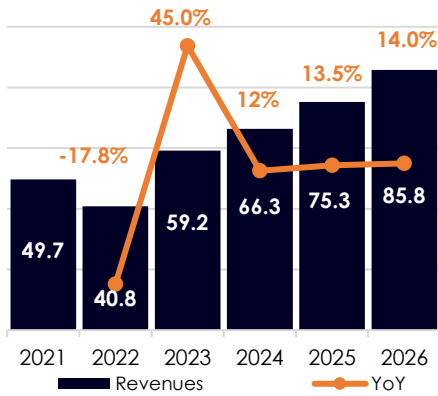
Group shareholders' equity reaches the amount of Euro 11.7 m, an increase from the previous year (Euro 8.1 m), mainly due to the net income for the period.

**Revenue breakdown**

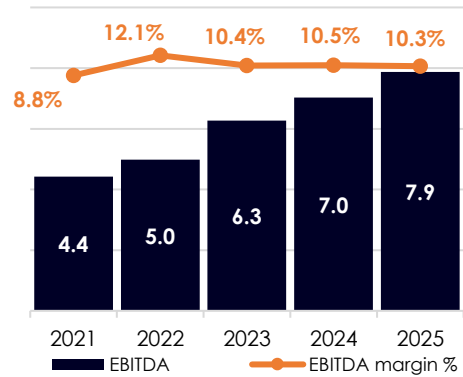


Source: PMI Capital Research elaboration

**Revenue Evolution FY21-26**

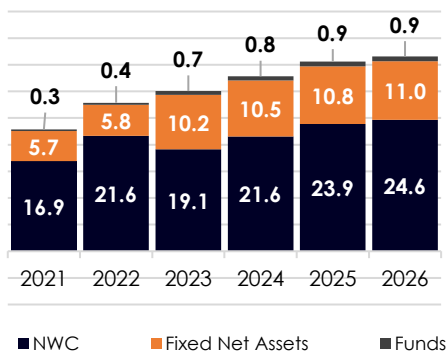


**EBITDA Evolution FY21-26**

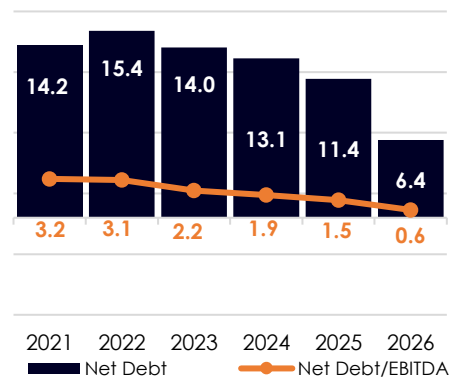


Source: Consolidated Group data for FY21 and FY22, PMI Capital Research estimates for FY23-26

**Assets Evolution FY21-26**



**Net Cash Evolution FY21-26**



Source: Consolidated Group data for FY21 and FY22, PMI Capital Research estimates for FY23-26



## 2023- 2026 Estimates

### Revenue Evolution FY23-26

Our financial projections over the 2023-26 period consider G.M. Leather's business model and strategy, as well as growth expectations in the markets in which the Group operates. No impact from potential future M&As has been taken into account and, in particular, the foreseeable evolution of Group's revenues and operating costs have been considered and studied, together with the trend of the reference sector, the increase in sales volumes from established customers, as well as from the development of luxury and leather goods, which will ensure higher-margin products.

In addition, the Group will continue to consider extraordinary operations aimed at cost and processing efficiencies, thus enabling steady growth in operating margin (as well as the one already done with Conceria Palladio).

The Group should hence continue to perform above expected market growth rates as it is well positioned to compete in the market thanks to its high level of professional expertise and constant investments in R&D, key growth drivers in this market.

Starting from the top line, we forecast revenues growing at a CAGR 22A-26E of 20%, Euro 85.8 m in FY26. We assume growth across all business lines, in particular luxury, the main area of interest in terms of development and positioning, is expected to constantly growth in the period under analysis, reaching about 20% of net revenues in 2026.

### Key Financials – Euro k

Income Statement	2022A	2023E	2024E	2025E	2026E
Sales	40,89	59,20	66,31	75,26	85,79
Change in PF and semi-finished goods	-1,52	250	248	282	321
Increases in Fixed assets	336	0	0	0	0
Other revenues	1,54	799	500	500	500
<b>Revenues</b>	<b>41,19</b>	<b>60,28</b>	<b>67,05</b>	<b>76,04</b>	<b>86,61</b>
yoy	-18%	46%	11%	13%	14%
Operating costs	(36,21)	(54,01)	(60,02)	(68,17)	(76,68)
<b>EBITDA</b>	<b>4,98</b>	<b>6,27</b>	<b>7,03</b>	<b>7,87</b>	<b>9,93</b>
margin %	12.1%	10.4%	10.5%	10.3%	11.5%
D&A	(1,68)	(2,20)	(2,01)	(2,00)	(1,96)
<b>EBIT</b>	<b>3,30</b>	<b>4,07</b>	<b>5,02</b>	<b>5,87</b>	<b>7,98</b>
margin %	8.0%	6.8%	7.5%	7.7%	9.2%
Other items	-	-	-	-	-
Financial Income (Charges)	(325)	(512)	(597)	(695)	(601)
<b>EBT</b>	<b>2,33</b>	<b>3,56</b>	<b>4,42</b>	<b>5,17</b>	<b>7,38</b>
Taxes	(312)	(707)	(861)	(909)	(1,40)
<b>Net profit (loss)</b>	<b>2,01</b>	<b>2,85</b>	<b>3,56</b>	<b>4,26</b>	<b>5,98</b>
<b>Total Net profit (loss)</b>	<b>2,01</b>	<b>2,85</b>	<b>3,56</b>	<b>4,26</b>	<b>5,98</b>
margin %	5%	5%	5%	6%	7%

Source: Consolidated Management accounts still for FY22 and PMI Capital Research estimates for FY23E-26E.

Balance Sheet	2022A	2023E	2024E	2025E	2026E
Fixed Net Assets	5,84	10,22	10,51	10,83	11,04
Net Working Capital	21,64	19,14	21,55	23,89	24,64
Funds	(371)	(743)	(817)	(891)	(928)
<b>Net Invested Capital</b>	<b>27,10</b>	<b>28,61</b>	<b>31,25</b>	<b>33,83</b>	<b>34,75</b>
Net Debt/(Cash)	15,39	14,04	13,12	11,44	6,39
Equity	11,72	14,57	18,13	22,39	28,36
<b>Sources</b>	<b>27,10</b>	<b>28,61</b>	<b>31,25</b>	<b>33,83</b>	<b>34,75</b>

Source: Consolidated Management accounts still for FY22 and PMI Capital Research for FY23E-26E.

Other financial assumptions to our estimates are:

- Based on FY22 results, we expect a huge increase on Net Sales in FY23, to reach Euro 59.2 m forecasted for FY23. This was determined taking into account the impact of the extraordinary transaction carried out with Conceria Palladio, which will bring in incremental sales of approximately Euro 5 m, the more than likely restart of the Asian market and the greater contribution from the luxury sector, of primary importance for the Group;
- EBITDA should grow at a 2022-2026 CAGR of 19% and an increase in EBITDA margin by 1250 bps, mainly thanks to a better sales mix with higher weight of the luxury segment. In particular, revenues related to luxury customers will reach about Euro 20 m in 2026, with a 2023-2026 CAGR of 17%;
- D&A are expected to remain broadly stable in the next three years on the back of the investment recently made with the aim of internalize preliminary work and tannery phase, now carried out by "Conceria Palladio";
- Over the 2023-2026 period, we forecast cumulated capex of Euro 4/4.5 m, related to R&D activities, which are essential to offer more and more products in line with market trends and based on specific customer customizations. We also estimate, for subsequent years, Euro 0.5 m of annual investments (more or less), in order to achieve the best level of efficiency of the production department and to support the market's continuous demand for technological improvements;
- The Group can improve its Net Debt/(Cash) in the years, thanks to positive cash flows generated by the gradual increase in business volume and margins (as said). Specifically, we estimate that NFP can reach a value in FY26E of Euro 6.4 m.

We also believe that in the plan years, growth will be driven mainly by the following drivers:

- Strengthening industrial partnerships with historical customers by leveraging product quality, precision and timely service, as well as the ability to anticipate and respond to market demands;
- Continuation of intensive R&D activities in order to offer innovative and technological solutions thanks mainly to the continuous and effective involvement of the Group's engineers in the design of finished products;
- Development of the luxury markets, firstly, and leather goods market through the entry of specialized personnel from the high fashion industry. The Group, in addition to having already started experimentations of some collections to be proposed on the market through a dedicated team of agents, will be able to count on a more industrialized production, different from the artisanal one typical of the specific target sector. We also anticipate that the Group will leverage competitive pricing while still guaranteeing product quality;
- Evaluation of both vertical and horizontal acquisition opportunities in order to enter new target markets, develop new geographic areas and obtain important synergies at the level of cost and processing optimization.

## VALUATION

Our valuation was obtained by weighting equally a DCF and the multiple comparison analysis. At our TP, our valuation offers implicit FY 22-23 EV/EBITDA multiples of 16.3x and 12.7x respectively and FY 22-23 P/E multiples of 40.3x and 27.9x respectively.

### Valuation Summary

Method	Weight	Price (Eu p.s.)	Equity Value (Eu m)
Multiple analysis EV/EBITDA, P/E, EV/SALES 23/25 Luxury and EGM Peers	50%	5.90	66.31
DCF (WACC 8,66% and g 1.0%)	50%	5.80	65.21
<b>Target Price</b>	<b>100%</b>	<b>5.85</b>	<b>65.76</b>

Source: PMI Capital Research estimates.

### DCF model

Our DCF model yields a fair value of Euro and was run using our FCF estimates of for the 2023E-26E explicit period and a WACC of 8.66%, based on the following assumptions:

WACC assumptions	
Perpetual growth rate	1.00%
<b>WACC</b>	<b>8.66%</b>
Risk free rate (BTP 10Y 24 months average)	2.68%
β levered	1.205
Equity risk premium	6.42%
Additional Small Cap Risk Premium	2.5%
<b>Ke</b>	<b>9.6%</b>
Target Leverage	24.0%

Source: PMI Capital Research estimates.

DCF Valuation	
Euro m	
Sum of PV 2023-26 FCFs	19.2%
Discounted terminal value	80.8%
<b>Enterprise Value</b>	<b>80.60</b>
Net Debt / (Net Cash)	15.39
Dividend	-
<b>Equity Value</b>	<b>65.21</b>

Source: PMI Capital Research estimates.

### Multiples Comparison

In order to capture the Group's target sector, which will potentially have the greatest growth in absolute and relative terms on total sales, we selected peers directly referring to the EGM market that are segmented into luxury and included the GM Leather group by positioning it in the luxury field, so that we could compare prospective results to this panel.

We have summarized the main characteristics of the peers in the table below. As can be seen the sizes of the selected companies vary (with market caps ranging from c. Euro 23 m to c. Euro 275 m).

Companies	Market Cap	Price	Sales	Sales	EBITDA %	NI %	2022A-2025E CAGR	
			2023E	23/22			2023E	2023E
<b>EGM Peers</b>								
FOPE	176.03	32.6	70.78	14%	24%	15%	13%	844%
Gismondi 1754	22.76	5.6	17.80	21%	16%	8%	25%	254%
Gentili Mosconi	72.39	3.8	56.45	6%	16%	10%	8%	7%
Franchi Umberto Marmi	275.16	8.4	79.15	4%	40%	25%	5%	5%
Pattern	107.72	7.5	133.05	22%	10%	3%	8%	14%
<b>Average</b>	<b>130.81</b>		<b>71</b>	<b>13%</b>	<b>21%</b>	<b>12%</b>	<b>12%</b>	<b>225%</b>
<b>GM LEATHER</b>			<b>59,202</b>	<b>45%</b>	<b>10%</b>	<b>5%</b>	<b>20%</b>	<b>19%</b>

Source: Factset Data as of June 09<sup>th</sup>, 2023, and PMI Capital Research estimates

Companies	EV/SALES				EV/EBITDA				P/E			
	22A	23E	24E	25E	22A	23E	24E	25E	22A	23E	24E	25E
<b>EGM Peers</b>												
FOPE	2.92	2.60	2.32	n.a.	11.79	10.96	9.25	n.a.	17.53	16.35	13.89	11.77
Gismondi 1754	2.27	1.46	1.11	0.91	11.10	8.95	6.49	5.09	14.00	15.14	10.37	n.a.
Gentili Mosconi	1.37	1.29	1.18	1.08	n.a.	7.96	6.80	6.22	8.96	11.91	10.58	9.51
Franchi Umberto Marmi	4.23	3.60	3.43	3.26	10.50	9.01	8.54	8.04	16.12	14.53	13.81	12.76
Pattern	1.04	0.93	0.98	0.89	10.18	9.09	8.28	7.49	41.67	27.27	25.42	21.43
<b>Average</b>	<b>2.37</b>	<b>1.98</b>	<b>1.80</b>	<b>1.54</b>	<b>10.89</b>	<b>9.19</b>	<b>7.87</b>	<b>6.71</b>	<b>19.65</b>	<b>17.04</b>	<b>14.82</b>	<b>13.87</b>
<b>GM LEATHER</b>	<b>0.78</b>	<b>0.54</b>	<b>0.48</b>	<b>0.43</b>	<b>6.43</b>	<b>5.11</b>	<b>4.55</b>	<b>4.07</b>	<b>8.26</b>	<b>5.83</b>	<b>4.67</b>	<b>3.90</b>
Premium/Discount to Peers	-67%	-73%	-73%	-72%	-41%	-44%	-42%	-39%	-58%	-66%	-68%	-72%

Source: Factset Data as of June 09<sup>th</sup>, 2023, and PMI Capital Research estimates

### INDUSTRY COMPARISON

**GM Leather Spa (GML-IT):** PMI Capital Research estimates and Factset Data

**EGM Sector:** average data for listed on EGM included in the Luxury sub sector: FOPE, Gismondi 1754, Gentili Mosconi, Franchi Umberto Marmi, Pattern.

**Industry Peers:** average data for a selected group of industrial peers (see tables above)

**Euronext Growth Milan:** average financial and market data for all the companies listed on EGM, reported price performance data are related to the FTSE Italia Growth Index.

	GML-IT GM Leather	Luxury EGM Sector	XS0072 FTSE Italia Growth
<b>Key Financials</b>			
Revenues	40.8	63.2	39.1
EBITDA	5.0	13.8	6.0
EBITDA %	12.2%	21.9%	15.4%
EBIT	3.3	11.0	2.7
EBIT %	8.1%	17.4%	6.9%
Earnings	2.0	7.6	1.7
Earnings %	4.9%	12.1%	4.5%
Net Debt	15.4	5.6	3.6
ND/EBITDA	3.1	0.4	0.6
Revenues Growth FY22 YoY	-18%	40%	52%
FY22-24 Revenues CAGR	27%	9%	16%
<b>Market Data</b>			
Market Cap	16.6	130.1	52.2
EV	32.0	134.1	54.9
Free Float	14%	18.1%	36.8%
ADTT YTD (Eu k)	16	60	54
<b>Market Multiples</b>			
EV/Sales 2022	0.78	2.37	1.41
EV/Sales 2023	0.54	1.98	1.14
EV/Sales 2024	0.48	1.80	1.14
EV/EBITDA 2022	6.43	10.89	16.18
EV/EBITDA 2023	5.11	9.19	10.89
EV/EBITDA 2024	4.55	7.87	6.70
EV/EBIT 2022	9.70	12.47	25.87
EV/EBIT 2023	7.87	10.69	12.06
EV/EBIT 2024	6.38	9.20	25.14
P/E 2022	8.26	19.65	33.11
P/E 2023	5.83	17.04	19.70
P/E 2024	4.67	14.82	28.56
Earnings Yield	12.1%	4.8%	3.0%
<b>Stock Performance</b>			
1D	0.0%	-0.6%	0.4%
1W	-4.5%	1.3%	0.8%
1M	-7.5%	-0.4%	-0.1%
3M	-17.3%	-6.9%	-3.4%
6M	-10.8%	1.1%	-2.3%
YTD	-16.6%	-2.4%	-0.8%
1Y	n.a.	33.0%	-8.1%

Source: FactSet and PMI Capital data as of June 9<sup>th</sup>, 2023, Group data and PMI Capital Research estimates for GM LEATHER

**PEERS DESCRIPTION**

---

**Fope SpA** 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, pendants. The company was founded by Umberto Cazzola in 1929 and is headquartered in Vicenza, Italy.

**Gismondi 1754 SpA** engages in the design, production, and marketing of jewelry in the luxury sector. It operates through various sales network channels of its jewelry products including retail, wholesale, franchising, and special sales for fashion and special occasions under the Gismondi brand. The company was founded by Giovan Battista Gismondi in 1763 and is headquartered in Genoa, Italy.

**Gentili Mosconi SpA** engages in providing textile products. It offers printed and dyed fabrics, in jacquard and yarn-dyed processes, fabrics with original prints or garment prints, and other special processes for national and international fashion brands. The company was founded by Francesco Gentili and Patrizia Mosconi on July 13, 1988 and is headquartered in Casnate con Bernate, Italy.

**Franchi Umberto Marmi SpA** produces and supplies marbles and stone products. It also offers blocks and slabs. The company was founded by Umberto Franchi in 1971 and is headquartered in Carrara, Italy.

**Pattern SpA** engages in the engineering, designing, development, prototyping and production of clothing for men and women. It operates through the Pattern and Roscini production units. The Pattern production unit operates in the province of Turin and deals with the creation of garments of clothing for men which include outerwear and trousers. The Roscini production unit operates in the province of Perugia and focuses on the clothing line for women which includes dresses and skirts. The company was founded by Fulvio Botto and Francesco Martorella in October 2000 and is headquartered in Collegno, Italy.

**GM LEATHER ON EURONEXT GROWTH MILAN**

**IPO**

Trading Market: Euronext Growth Milan  
 Date: July 13<sup>th</sup>, 2022  
 Price: Euro 1,75  
 Capital raised: Euro 4,0 m  
 Capitalisation: Euro 19,35 m

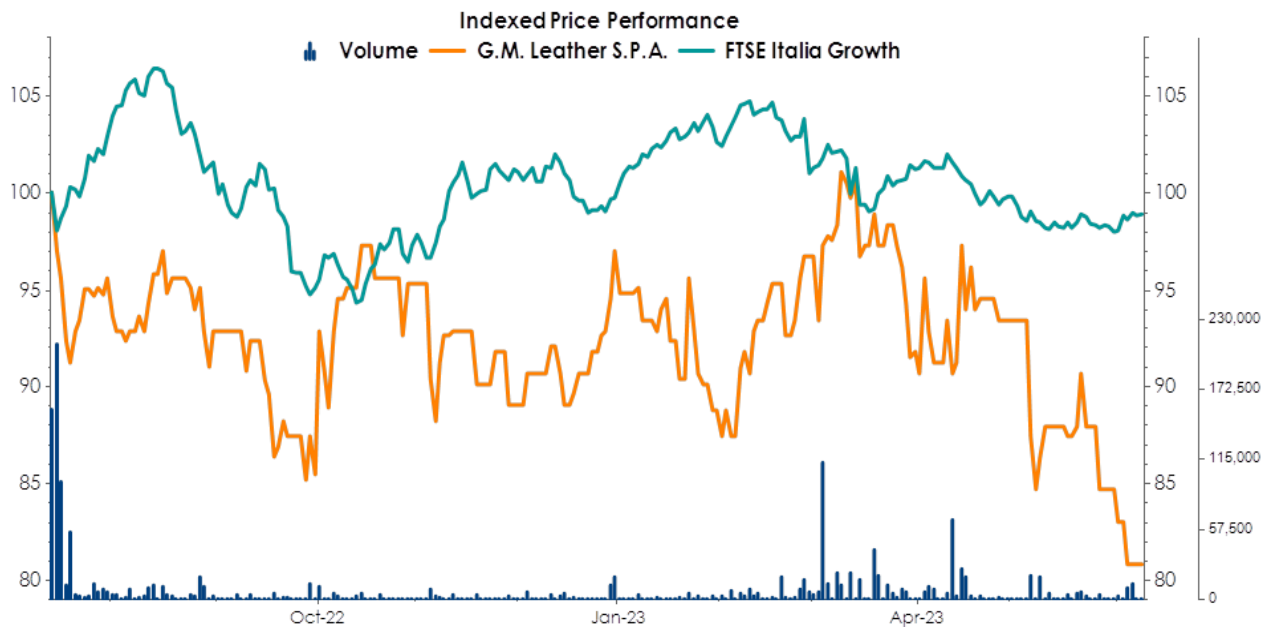
**SHARES** (as of June 9<sup>th</sup>, 2023)

Code: GML  
 Bloomberg: GML:IM  
 Reuters: GML.MI  
 ISIN: IT0005498610  
 Shares: 11.235.000  
 Price: Euro 1.48  
 Performance from IPO: -15%  
 Capitalisation: Euro 16.63 m  
 Free Float: 13.79%  
 EGA: Integrae Sim  
 Auditing firm: Nexia Audirevi

Shareholder	%
Assunta S.r.l.	80.11%
Smart Capital SpA	6.10%
Free Float	13.79%
<b>Total</b>	<b>100.00%</b>

Source: Group website

**STOCK PERFORMANCE**



#### DISCLAIMER

**UPDATES:** This Research is the first coverage made by IR Top Consulting S.r.l. (IR Top) on GM Leather Spa (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results.

**VALUATION METHODOLOGY (HORIZON: 12M):** IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "EGM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio Euronext Growth Milan", managed by IR Top and focused on research about performance of Companies listed on EGM. Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

#### RESEARCH TEAM:

Edoardo Fumagalli (Analyst, AIAF Associated)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them who was involved in producing the Research.

**INTERESTS INVOLVED AND CONFLICTS:** This document has been prepared by IR Top, *Partner Equity Markets* of Italian Stock Exchange, part of e, on behalf of the Company according to a contract, under which IR Top undertook to prepare this report expressing only independent, fair and balanced views on the Company. The fees agreed for this Research do not depend on the results of the Research.

This Research has been disclosed to the issuer to which the Research, directly or indirectly, relates before its release. It is incumbent on the Company to provide timely and constructive feedback on draft Research prior to publication. It is IR Top's sole discretion as to whether comment and feedback from the Company is incorporated into the Research prior to publication and where it is, a further iteration to the draft will be sent to the Company for comment.

IR Top is also engaged in investor relations services in the interest of the Company and might occasionally be involved in other consulting activities intended to increase the value of the Company. In any case, Chinese Walls and other information barriers are in place to avoid the exchange of confidential information between the Equity Research Department and other services areas; employees and advisors involved in such services have restrictions preventing them from the access to confidential information that cannot be published.

IR Top restricts research analysts from performing roles, which could prejudice the independence of their research. In particular:

- they are permitted to attend and speak at widely attended conferences or other widely attended events at which IR Top colleagues and clients, among others, may also be present, provided that their independence may not be affected. These widely-attended conferences/events may include some investor presentations by clients of investor relations services.

- Analysts are also permitted to attend and speak at conference calls or meetings between analysts and bankers, investors or customers in which are discussed Research reports already published or general view on specific sectors. In such cases, at the start of that meeting, bankers, investors or customers need to be clarified that the discussion cannot involve the communication of privileged information to the analyst as the analyst would be prohibited from producing new research report on the companies whose privileged information has been disclosed.

Members of the Research Team do not receive salaries, commissions, bonuses or any other form of compensation based upon specific investment banking transactions or securities' performances.

Apart from Anna Lambiase (CEO and founder of IR Top) being on the Board of the Company, IR Top and the members of the Research Team do not have any further interest or conflict of interest directly or indirectly related with the Research, the Company or the securities, that may reasonably be expected to impair the objectivity of the Research.

There are no other interests or conflicts of interest of any person belonging to the same group of IR Top that are: (a) known, or reasonably expected to be known, to the persons involved in the production of the recommendation; or (b) known to persons who, although not involved in the production of the recommendation, have or could reasonably be expected to have, access to the recommendation prior to its completion.

In any case, as a general Policy, nobody of the Research Team nor IR Top is allowed to have a financial interest in the securities of the client company or serve as an officer, director or advisory board member of the client company.

Analysts must not undertake personal transactions on financial instruments that are object of the investment research or that relate to the same industry. Exceptions may be made with the prior approval of IR Top's CEO in special circumstances such as for disposal of (a) positions already held before the employment or before the implementation of the company policy, or when initiating coverage and (b) positions obtained as a result of the issuer extraordinary activities. By the way, when analysts hold instruments to which Equity Research relates, they are required to disclose their interests in Research reports. Any trades that analysts make must be in line with their recommendation(s), contained in the last published Research. An analyst is prohibited from producing a Research on an issuer if the analyst carries out activities for which he receives compensation from the issuer. If an analyst's household member / relative / relative in-law (within the second degree) serves in such a high capacity for the issuer (i.e. manager or director), the analyst has to inform IR Top's CEO and the analyst will cease covering the issuer.

**POLICY:** IR Top has in place a "Joint conflict management policy" in order to effectively manage any conflicts of interest, and an "Equity Research Policy", in order to rule research services in compliance with Parliament Regulation (EU) no.596/2014 and Commission Delegated Regulation (EU) no. 958/2016 on Market Abuse.

IR Top has adopted the "Joint conflict management policy" in accordance with best practice regarding "information barriers" to restrict the flow of information to prevent the misuse of information and/or prevent any conflicts of interest arising from other activities of IR Top. A copy of these policies is available to the recipient of this Research upon making a request to IR Top by e-mail.

**DISCLAIMER:** This report has been prepared solely for information purpose and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. IR Top does not accept any liability for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of IR Top. Opinions and estimates in this Research are as at the date of release and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this Research may not be suitable for all investors. In any case, you should consult your investment advisor. This document is intended for distribution only to E.U. "qualified investors" and to "qualified counterparties" resident in Italy, within the meaning of article 2(1)(e) of the prospectus directive (directive 2003/71/EC) and Consob Reg. 16190, as subsequently amended and supplemented; its distribution in USA, Canada, Australia, Japan is not allowed.

In Italy, this document is being distributed only to, and is directed at qualified investors within the meaning of article 100 of legislative decree no. 58 of 24 February 1998, as amended, and article 34-ter, paragraph 1, letter b), of Consob regulation on issuers no. 11971 of May 14, 1999, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders, such as persons authorized and regulated to operate in financial markets, both Italian and foreign.

**DISTRIBUTION:** In the United Kingdom, this document is not for distribution to persons that would be defined as private customers under rules of the FSA; it is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the financial promotion order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FINANCIAL SERVICES AND MARKETS ACT 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons").

This document is not addressed to any member of the general public and under no circumstances should this document circulate among, or be distributed to (i) a member of the general public, (ii) individuals or entities falling outside the definition of "qualified investors" as specified above or (iii) distribution channels through which information is or is likely to become available to a large number of persons.

**IR TOP CONSULTING SPECIFIC DISCLOSURES:** We disclose that IR Top acts as Investor Relations and Financial Communication advisor for the Company.