



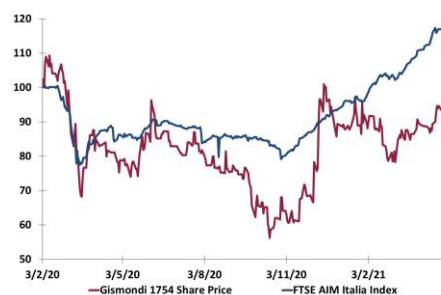
GISMONDI

OUTPERFORM

Current Share Price (€): 2.86

Target Price (€): 3.97

Gismondi 1754 – 15M Performance



Source: S&P Capital IQ - Note: 03/02/2020=100

Company data

ISIN number	IT0005391138
Bloomberg code	GIS IM
Reuters code	GIS.MI
Industry	Jewelry
Stock market	AIM Italia
Share Price (€)	2.86
Date of Price	26/04/2021
Shares Outstanding (m)	4.1
Market Cap (€m)	11.6
Market Float (%)	33.4%
Daily Volume	2,400
Avg Daily Volume YTD	8,552
Target Price (€)	3.97
Upside (%)	39%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
Gismondi 1754 - Absolute (%)	8%	8%	37%
FTSE AIM Italia (%)	0%	2%	24%
1Y Range H/L (€)	3.35	1.72	
YTD Change (€) / %	0.12	4%	

Source: S&P Capital IQ

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Staying away from the storm, at work for next targets

Sales up, facts replace some concerns of a troubled year

The FY20 figures are disproving the brand visibility concerns. The virus impact on tourist traffic has been overcome by shifting to alternative sales channels. Sales ended at 12% over FY19, while EBITDA recorded 10% on sales vs 14% of last year. After boutique and retailers' lockdowns broadly impacting luxury personal goods sales, which in most cases and in most market have been lower than FY19, we acknowledge the overall Gismondi performance as definitely better than expectations. Not a surprise, there is downside in working capital investment to sustain sales effort.

FY21 current trading

Q1 21 confirm the positive performance of the previous year. Turnover has been €1.4m, up +91%, compared to €0.7m in Q1 20, mainly driven by wholesale and special sales channels, again those less impacted by the travel restrictions.

Outlook: market fluctuations do not delay the global coverage program

Store closures and the suspension of international travel due to the global public health crisis affected sales of jewelry and watches businesses. The pandemic is not yet over and other fluctuations may be expected, although market estimates are positive for the future after the short term. We remark that Gismondi continues its geographical expansion program as a high-end luxury global brand. The different sales channels have proved to be effective in diversifying risk and we are confident about paybacks.

Target Price €3.97 per share (from €2.39), OUTPERFORM rating

Our updated valuation indicates a Target Price per share of €3.97 (from €2.39), 39% upside on current share price. We confirm an OUTPERFORM rating on the stock.

Key financials and estimates

€m	2018A	2019A	2020A	2021E	2022E	2023E
Revenues	5.6	5.9	6.8	8.3	9.7	11.3
YoY %	19.2%	4.0%	15.7%	22.0%	17.3%	16.2%
EBITDA	1.0	0.9	0.7	1.3	1.7	2.3
Margin	17.3%	14.5%	10.1%	15.9%	17.3%	20.5%
Net Income	0.6	0.3	0.2	0.7	0.9	1.4
Net (Debt) Cash	(2.1)	3.4	0.4	1.2	1.3	2.1
Equity	1.9	7.4	8.9	9.6	10.5	11.9

Source: Company data 2018-20A, EnVent Research 2021-23E

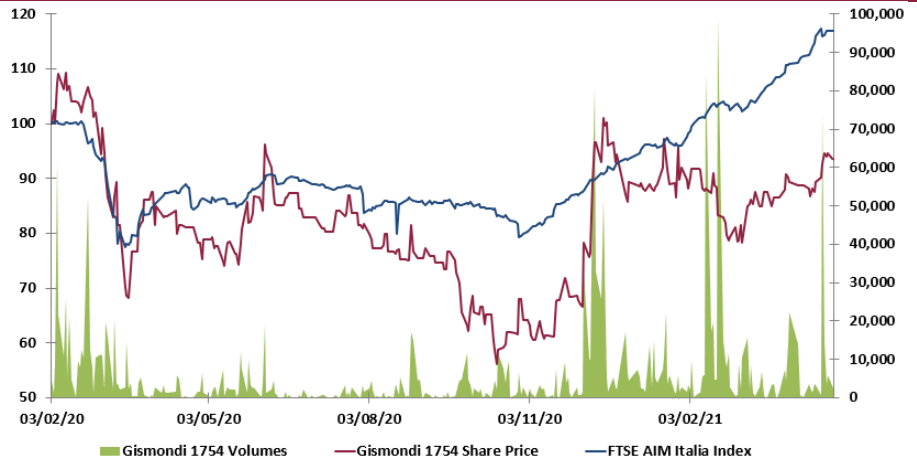
Market update

Share price performance last 15M: Underperformance (-7%)

Gismondi 1754 shares traded in the range €1.72-3.35, with beginning price at €3.07 and ending at €2.86

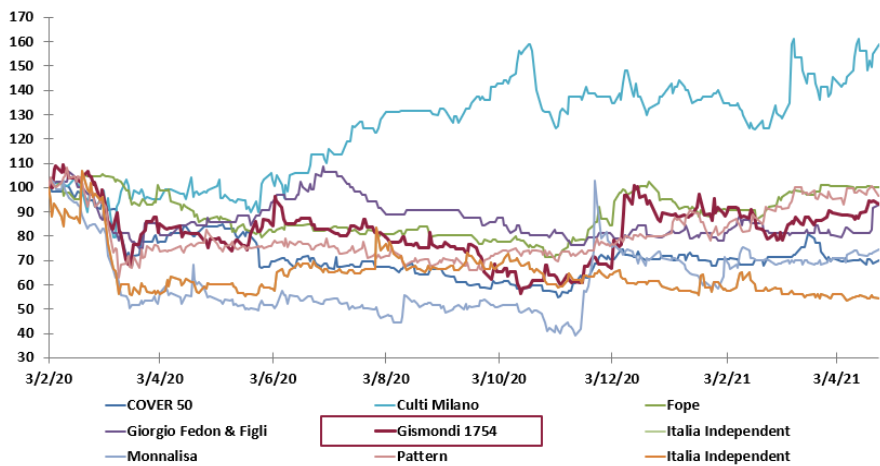
In the same period, the FTSE AIM Italia Index increased by 17%

Gismondi 1754 - Share price performance and trading volumes



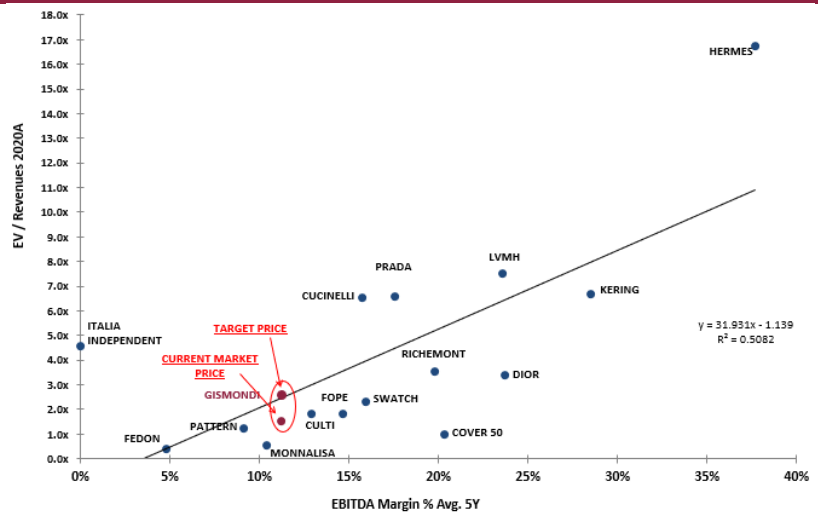
Source: EnVent Research on S&P Capital IQ - Note: 03/02/2020=100

AIM Italia Fashion & Luxury companies – 15M Market performance



Source: EnVent Research on S&P Capital IQ - Note: 03/02/2020=100

Peer group - Regression analysis and Gismondi 1754 target positioning



Source: EnVent Research on S&P Capital IQ, April 2021

Sales up during retail lockdown and international travel fall

In FY20 Gismondi reported consolidated sales of €6.5m, +12% YoY. EBITDA was slightly affected at €0.7m (10% margin on total revenues, vs. 14% in FY19). EBIT was €0.4m and Net Income €0.2m (-29% compared to prior year).

Trade receivables increased by 71% reaching €2.8m, from 80 to 130 DSO, due to the increase in sales but also to the higher average days sales outstanding. Inventory increased too, by 25% reaching €5.3m thanks to the new collections. Trade payables decreased, by 25% to €1.9m (100 DPO) compared with €2.5m in 2019. Trade Working Capital was €6.1m (94% of sales) doubling the FY19 figure of €3.2m.

The operating cash outflow was €3.2m reflecting the increase of Trade Working Capital.

Remarkable performance, trade working capital just a temporary obstacle

We consider FY20 a remarkable performance when compared to the larger luxury industry troubles – sales drops reaching 20% to 30% with respect to previous years for jewellery and watches – noting that Gismondi sales continue to increase and that the Working Capital abnormal growth is an inevitable consequence of the lockdowns on the luxury specialty retailers.

Gismondi pursued the FY20 results during the pandemic by deferring the wholesale retail expansion and concentrating in:

- direct contact with high spending customers who continued to purchase products also through alternative channels (e-commerce, WhatsApp, virtual sales, special door-to-door sales)
- international markets, especially growing US sales and new partners and dealers in Eastern Europe and Middle East.

According to management the decreasing EBITDA is due to higher cost for services related to the following factors:

- cost for listing
- expenses for advertising and fairs (which were not incurred in FY19) and for which the corresponding revenues could only partially occur due to the pandemic
- commissions paid to agents on wholesale sales.

Business update

Geography expansion

New partnerships in United Arab Emirates and Russia, a sales representative for the development of four emerging African countries and two wholesalers in Italy.

New boundaries

Q1 2021 facts

Q1 2021: almost doubled the sales

Gismondi consolidated sales jumped to €1.4m in Q1 2021 vs €0.7m in Q1 2020 (+91%) thanks to the wholesale channel (36% of the total), reaching €0.5m vs €0.2m in the previous year, and the special sales (37% of the total) doubling the Q1 2020 result to €0.5m.

Outlook: after the storm it is time for opportunities

While in the past decades the global luxury industry has been consistently able to react quickly when challenged by crises, thanks to low impact of financial turmoil on the demand for luxury goods, the current Covid-19 pandemic has hit the luxury industry and its outcome is still unclear. During 2020 the industry was expecting revenue drops and we reported about estimated slowdowns between 20% and 35% for the whole year. Now we notice that 2020 sales among the various industry segments have been weak in many cases, due to factories temporary shutdowns, retail closures and collapse of global travels. Looking at the following months, the return to stores could be slow and differentiated. As an example, department stores could experience slower recovery paths because of traffic hard reductions, while specialty stores and boutiques may count on local customers loyalty.

We recall major challenges:

- Markets down – according to the Bain-Altgamma Luxury Study 2020 (18th November 2020), the restrictions adopted by most countries in view of the outbreak of Covid-19 have made certain segments suffer significant losses, as expected, while others have been able to react. The personal goods sector on average declined by around 23% in 2020, with China recording a positive performance and major markets like USA and Japan showed a decline over the period (-27% and -24% respectively), while the regions that showed the greatest decline were Europe and the rest of Asia, down 36% and 35% respectively.
- Retailers keep struggling – especially large fashion & luxury department stores and retailers in Europe and North America, which were already challenged by e-commerce, have to face the disruption caused by the pandemic and risk to be out of business.
- Global travel a major issue, as key driver of luxury spending – consumers making purchases outside their home countries historically generated 20-30% of the luxury goods industry revenues (source: McKinsey, A perspective for the luxury-goods industry during and after coronavirus, April 2020). The stop to tourist spending for the recent travel restrictions has been confirmed to have a major impact across most markets, especially Europe.
- Digital investments in online stores and social media – as stores are closed, e-commerce is a critical channel for keeping sales up and social media are essential for engaging with customers and communities. The online distribution channel for personal luxury goods has seen a greater growth in

the last 12 months than in the last 5 years, accounting for a share of about 23% on the industry. The online distribution channel is therefore becoming increasingly important and has risen by 50% compared to 2019 (source: Bain-Altgamma Luxury Study 2020).

We confirm the jewelry segment general assumptions and Company's plans that make us fairly confident about mid-term outlook, together with the short-term difficulties and challenges:

- The importance of online communication and sales channels, while direct sales look as a successful alternative channel to temporarily replace the retail flagship stores function. Internet shoppers may become good customers in boutiques, then online marketing is a key communication tool to spread brand awareness and image and to prepare the return to travel and walk in boutiques. In times when tourist traffic is impacted by concerns over the virus, internet shopping has proven to be a key avenue with virtual showrooms.
- The "Hard Luxury" goods always enjoyed a privileged customers' attitude to spend, the cult of exclusive and durable beauty, products that have an unlimited life and communicate heritage and craft skills, while headwinds will pass.
- According to Bain-Altgamma Luxury Study 2020 (Source: Bain & Company, Luxury Goods Worldwide Market Study Fall-Winter 2020), while the market decrease was estimated at 20%-22% compared to 2019, the forecast overview, for 2021, shows all categories as expected to grow around an average of 14%. The forecasts for Jewelry and Watches are positive, around 12%. For personal luxury goods, physical retail and wholesale are expected to grow by 15% and 8% respectively, whereas in 2020 they were in sharp decline due to the pandemic. The study also expects both digital retail and wholesale to continue to rise in 2021, by 20% and 18% respectively.
- Gismondi 2020 contingency plan worked and managed to grow by opening additional sales channels. For 2021, the corporate strategy is to continue the international expansion through various channels, looking at new markets such as the United Kingdom, Netherlands and Germany and partnerships with luxury lifestyle brands. Launch of 2 new collections during 2021, advertising and participation at international exhibitions will mark a return to the new normal.

Estimates revision

In the current still volatile and uncertain framework, we believe that the pandemic impacts would be better understandable after the summer season and especially looking at the actual restart of business and tourist travelling.

Anyway, we are cautiously optimistic for 2021, which has had a rewarding start

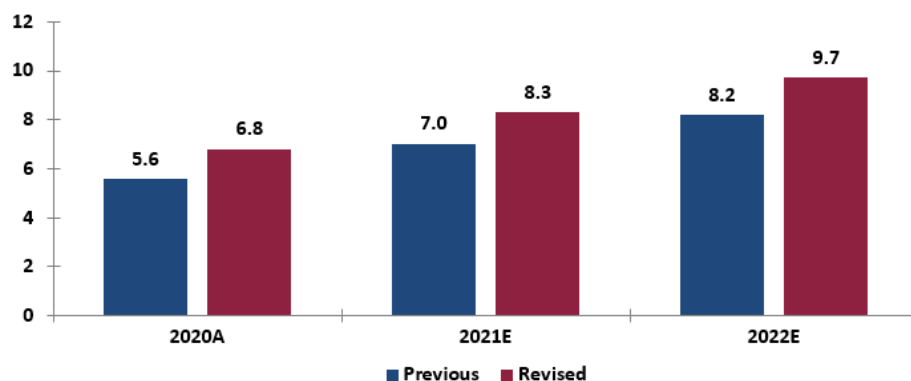
after the success of Gismondi actions to deal with the market downfalls and we remain confident on the medium-term prospects based on the continuing activity of expanding the international partners' network.

We have factored in our model FY20 figures, shifted one year forward our estimates for FY21-22 by applying the previous growth rate to the FY20 base revenues and added FY23 to the projection. For FY21 we assume:

- Revenues: €8.3m (+18%) vs. €7.0m of our previous estimate
- EBITDA: €1.3m (+14%) vs. €1.2m of our previous estimate
- TWC: €6.5m vs. €5.2m of our previous estimate mainly due to the higher average days sales outstanding reached in FY20

Change in estimates

Revenues (€m) - Previous vs. Revised estimates



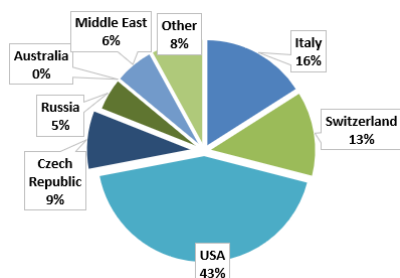
Source: EnVent Research

€m	Revised				Previous			Change %		
	2020A	2021E	2022E	2023E	2020E	2021E	2022E	2020A	2021E	2022E
Revenues	6.8	8.3	9.7	11.3	5.6	7.0	8.2	22%	18%	19%
EBITDA	0.7	1.3	1.7	2.3	0.4	1.2	1.5	59%	14%	14%
<i>Margin</i>	10%	16%	17%	21%	8%	16%	18%			
EBIT	0.4	1.0	1.4	2.0	0.2	0.9	1.2	131%	16%	15%
<i>Margin</i>	6%	12%	14%	17%	3%	13%	14%			
Net Income	0.2	0.7	0.9	1.4	0.1	0.6	0.8	178%	15%	14%
Net (Debt) Cash	0.4	1.2	1.3	2.1	2.8	2.4	2.3			
<i>Net Debt / EBITDA</i>	0.5x	0.9x	0.8x	0.9x	6.5x	2.0x	1.6x			

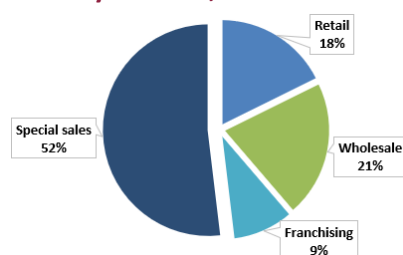
Source: EnVent Research; Company data 2020A

Financial projections

Sales by geography, 2020



Sales by channel, 2020



Source: Company data

Pro-forma consolidated Profit and Loss

€m	2018A	2019A	2020A	2021E	2022E	2023E
Sales	5.6	5.8	6.5	8.0	9.4	11.0
Other revenues	0.1	0.1	0.3	0.3	0.3	0.3
Revenues	5.6	5.9	6.8	8.3	9.7	11.3
YoY %	19.2%	4.0%	15.7%	22.0%	17.3%	16.2%
Materials	(2.4)	(2.5)	(2.7)	(3.4)	(4.0)	(4.7)
Services	(1.3)	(1.5)	(2.4)	(2.4)	(2.8)	(3.0)
Personnel	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)
Other	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Operating costs	(4.7)	(5.0)	(6.1)	(7.0)	(8.0)	(9.0)
EBITDA	1.0	0.9	0.7	1.3	1.7	2.3
Margin	17.3%	14.5%	10.1%	15.9%	17.3%	20.5%
D&A	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)
EBIT	0.9	0.6	0.4	1.0	1.4	2.0
Margin	16.1%	10.5%	6.0%	12.3%	13.9%	17.3%
Interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EBT	0.8	0.5	0.3	1.0	1.3	1.9
Margin	14.8%	7.9%	5.0%	11.6%	13.4%	17.0%
Income taxes	(0.2)	(0.2)	(0.1)	(0.3)	(0.4)	(0.5)
Net Income	0.6	0.3	0.2	0.7	0.9	1.4
Margin	10.4%	5.3%	3.3%	8.4%	9.7%	12.3%

Source: Company data 2018-20A, EnVent Research 2021-23E

Pro-forma consolidated Balance Sheet

€m	2018A	2019A	2020A	2021E	2022E	2023E
Inventory	4.3	4.2	5.3	6.5	7.7	8.4
Trade receivables	1.1	1.6	2.8	2.9	3.1	3.7
Trade payables	(1.6)	(2.5)	(1.9)	(2.9)	(3.4)	(3.9)
Advances from customers	(0.1)	(0.1)	(0.1)	0.0	0.0	0.0
Trade Working Capital	3.8	3.2	6.1	6.5	7.4	8.2
Other assets (liabilities)	0.1	0.1	0.6	0.1	0.1	0.2
Net Working Capital	3.8	3.3	6.7	6.7	7.6	8.4
Intangible assets	0.2	0.8	1.8	1.6	1.4	1.2
Fixed assets	0.0	0.0	0.1	0.2	0.3	0.3
Non-current assets	0.3	0.9	2.0	1.8	1.7	1.6
Provisions	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Invested Capital	4.0	4.1	8.5	8.4	9.2	9.8
Net Debt (Cash)	2.1	(3.4)	(0.4)	(1.2)	(1.3)	(2.1)
Equity	1.9	7.4	8.9	9.6	10.5	11.9
Sources	4.0	4.1	8.5	8.4	9.2	9.8

Source: Company data 2018-20A, EnVent Research 2021-23E

Pro-forma consolidated Cash Flow

€m	2019A	2020A	2021E	2022E	2023E
EBIT	0.6	0.4	1.0	1.4	2.0
Current taxes	(0.2)	(0.1)	(0.3)	(0.4)	(0.5)
D&A	0.2	0.3	0.3	0.3	0.4
Cash flow from P&L operations	0.7	0.6	1.0	1.3	1.8
Trade Working Capital	0.6	(2.9)	(0.5)	(0.9)	(0.8)
Other assets and liabilities	0.0	(0.5)	0.5	(0.0)	(0.0)
Capex	0.0	(0.4)	(0.2)	(0.2)	(0.2)
Operating cash flow after working capital and capex	1.3	(3.2)	0.9	0.2	0.7
Interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capex - IPO cost	(0.9)	0.0	0.0	0.0	0.0
IPO proceeds	5.0	0.0	0.0	0.0	0.0
Changes in Equity	0.2	0.2	0.0	0.0	0.0
Net cash flow	5.5	(3.0)	0.8	0.2	0.7
Net (Debt) Cash - Beginning	(2.1)	3.4	0.4	1.2	1.3
Net (Debt) Cash - End	3.4	0.4	1.2	1.3	2.1
Change in Net (Debt) Cash	5.5	(3.0)	0.8	0.2	0.7

Source: Company data 2018-20A, EnVent Research 2021-23E

Ratio analysis

KPIs	2018A	2019A	2020A	2021E	2022E	2023E
ROE	31%	4%	3%	7%	9%	12%
ROS (EBIT/Sales)	16%	11%	6%	13%	14%	18%
ROIC (NOPAT/Invested Capital)	16%	11%	3%	9%	11%	14%
DOI	283	266	297	300	300	280
DSO	60	83	128	110	100	100
DPO	116	173	103	140	140	140
TWC / Sales	68%	55%	94%	82%	79%	75%
Cash flow from P&L operations / EBITDA	0%	81%	86%	79%	78%	77%
FCF / EBITDA	neg.	152%	neg.	67%	12%	32%

Source: Company data 2018-20A, EnVent Research 2021-23E

Valuation

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.5% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, March 2021)
- Market return: 12.7% (3Y average. Source: Bloomberg, March 2021)
- Market risk premium: 11.2%
- Beta: 1.0 (EnVent analysis on 14 selected peers, rounded figures)
- Cost of equity: 16.8%
- Cost of debt: 2.5%
- Tax rate: 24% IRES
- 30% debt/(debt + equity) as target capital structure
- WACC calculated at 9.4%, according to above data
- Perpetual growth rate after explicit projections: 3% based on industry long-term trend
- Terminal Value assumes a long-run 20% EBITDA margin close to industry standard

DCF Valuation

€m	2018A	2019A	2020A	2021E	2022E	2023E	Perpetuity
Revenues	5.6	5.9	6.8	8.3	9.7	11.3	11.6
EBITDA	1.0	0.9	0.7	1.3	1.7	2.3	2.3
<i>Margin</i>	17.3%	14.5%	10.1%	15.9%	17.3%	20.5%	20.0%
EBIT	0.9	0.6	0.4	1.0	1.4	2.0	2.1
<i>Margin</i>	16.1%	10.5%	6.0%	12.3%	13.9%	17.3%	18.1%
Taxes	(0.3)	(0.2)	(0.1)	(0.3)	(0.4)	(0.5)	(0.6)
NOPAT	0.7	0.4	0.3	0.7	1.0	1.4	1.5
D&A		0.2	0.3	0.3	0.3	0.4	0.2
Cash flow from P&L operations		0.7	0.6	1.0	1.3	1.8	1.7
Trade Working Capital		0.6	(2.9)	(0.5)	(0.9)	(0.8)	(0.3)
Other assets and liabilities		0.0	(0.5)	0.5	(0.0)	(0.0)	0.0
Capex		(0.8)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)
Unlevered free cash flow		0.4	(3.2)	0.9	0.2	0.7	1.2
WACC	9.4%						
Long-term growth (G)	3.0%						
Discounted Cash Flows			(3.2)	0.8	0.2	0.6	
Sum of Discounted Cash Flows	1.5						
Terminal Value							18.7
Discounted TV	14.3						
Enterprise Value	15.8						
Net cash as of 31/12/2021	0.4						
Equity Value	16.2						
DCF - Implied multiples	2018A	2019A	2020A	2021E	2022E	2023E	
EV/Revenues	2.8x	2.7x	2.3x	1.9x	1.6x	1.4x	
EV/EBITDA	16.2x	18.6x	22.9x	12.0x	9.4x	6.8x	
EV/EBIT	17.4x	25.6x	38.6x	15.4x	11.7x	8.1x	
P/E	27.4x	51.5x	72.4x	23.3x	17.2x	11.6x	

Source: EnVent Research

Target Price

We confirm and we improve our view on the long-term potential. The DCF valuation on revised estimates jumps to a Target Price of €3.97 per share (from €2.39 of our previous note) and implies a 39% upside on the current share price. We confirm OUTPERFORM recommendation on the stock.

Gismondi 1754 Price per Share	€
Target Price	3.97
Current Share Price (26/04/2021)	2.86
Premium (Discount)	39%

Source: EnVent Research

Please refer to important disclosures at the end of this report.

Annex: Peer Group - Market Multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
Gismondi 1754	1.5x	1.2x	1.0x	19.3x	7.3x	5.6x	47.4x	9.5x	7.0x	nm	19.6x	14.7x
Hard Luxury												
Richemont	3.5x	3.9x	3.3x	22.0x	18.7x	14.3x	32.0x	38.7x	24.0x	39.3x	60.4x	31.7x
Swatch	2.3x	1.8x	1.7x	24.5x	10.1x	8.8x	nm	16.1x	12.9x	nm	25.2x	20.0x
Mean	2.9x	2.8x	2.5x	23.3x	14.4x	11.5x	32.0x	27.4x	18.5x	39.3x	42.8x	25.9x
Median	2.9x	2.8x	2.5x	23.3x	14.4x	11.5x	32.0x	27.4x	18.5x	39.3x	42.8x	25.9x
Diversified Groups/Holdings												
LVMH	7.5x	5.7x	5.2x	33.0x	19.1x	16.9x	40.4x	25.3x	22.1x	74.3x	36.7x	32.1x
Kering	6.7x	5.5x	5.0x	23.5x	15.3x	13.6x	27.9x	20.1x	17.5x	41.1x	27.9x	23.8x
Mean	7.1x	5.6x	5.1x	28.3x	17.2x	15.3x	34.1x	22.7x	19.8x	57.7x	32.3x	28.0x
Median	7.1x	5.6x	5.1x	28.3x	17.2x	15.3x	34.1x	22.7x	19.8x	57.7x	32.3x	28.0x
Soft Luxury												
Hermès	16.7x	13.2x	11.8x	46.3x	32.5x	28.5x	52.5x	38.5x	33.5x	nm	58.4x	50.4x
Prada	6.6x	5.2x	4.6x	49.1x	15.5x	13.1x	nm	47.3x	31.1x	neg	nm	42.2x
Christian Dior	3.4x	na	na	14.8x	na	na	18.1x	na	na	na	na	na
Brunello Cucinelli	6.5x	5.5x	5.0x	nm	21.8x	18.5x	nm	55.5x	40.2x	neg	nm	61.7x
Mean	8.3x	7.9x	7.1x	36.7x	23.2x	20.0x	35.3x	47.1x	34.9x	na	58.4x	51.4x
Median	6.5x	5.5x	5.0x	46.3x	21.8x	18.5x	35.3x	47.3x	33.5x	na	58.4x	50.4x
AIM Italia Fashion & Luxury												
FOPE	1.8x	1.6x	1.3x	13.6x	9.2x	6.7x	20.7x	13.3x	8.7x	nm	18.9x	11.9x
Monnalisa	0.5x	0.5x	0.6x	5.1x	3.5x	10.2x	17.2x	6.9x	neg	23.5x	7.8x	neg
Culti Milano	1.8x	1.1x	1.0x	12.2x	4.7x	4.7x	22.9x	na	na	36.2x	na	na
Italia Independent	na	na	na	na	na	na	na	na	na	na	na	na
Giorgio Fedon	na	na	na	na	na	na	na	na	na	na	na	na
Pattern	1.2x	1.1x	1.0x	12.5x	10.9x	8.3x	18.2x	16.5x	11.0x	42.7x	30.6x	19.8x
Mean	1.3x	1.1x	1.0x	10.8x	7.1x	7.5x	19.8x	12.2x	9.8x	34.2x	19.1x	15.8x
Median	1.5x	1.1x	1.0x	12.3x	7.0x	7.5x	19.5x	13.3x	9.8x	36.2x	18.9x	15.8x

Source: S&P Capital IQ, update April 2021

Investment Case

Company

Gismondi 1754 is a heritage fine jewelry company whose roots date back to the 18th century and to an atelier located in a small town in Italy. Positioned in the high-end luxury segment, Gismondi distributes its products through own boutiques and department stores in selected international locations.

Drivers

Industry drivers

Made in Italy. Handcrafted Italian jewelry, together with that of French and Swiss companies, has the reputation of highest design and quality production worldwide. The *Made in Italy* tag means priceless masterpieces. Whether tied to tradition or projected towards the future, Italian jewelry is one of the excellences of the *Made in Italy*. It links past and future through techniques and mastery of the best professionals, handed down to new generations with professional experience in the best laboratories in Italy.

Rising number and wealth of high net worth consumers. Global HNWI wealth is forecasted to top \$100tn by 2025, from \$70tn in 2017, growing at a 2017-25 CAGR of 5% (Source: Capgemini, *World Wealth Report*, 2018).

Attractive industry fundamentals, with rewarding multiples. Most listed companies of the luxury industry have been, and are, consistently enjoying high growth rates, sound financials, rewarding profitability and market multiples that reflect the continuing outperformance of the industry.

Digital communication suitable for the jewelry industry, while Internet retailing set to continue developing. With the rapid rise of online users, Internet is currently mainly used as a promotional tool and source of information and inspiration, in order to present brands with an opportunity to improve consumer knowledge about their products. Given the high-value nature of these products and the experience connected with their purchase, consumers are expected to continue to visit a store-based retail outlet for face-to-face interactions with qualified sales staff rather than ordering luxury jewelry online. In order to attract online shoppers, luxury jewelry players are using digital advertisements and different social media platforms to engage and build relationship with consumers.

Company drivers

One-of-a-kind jewelry. Gismondi designs dedicated collections and one-of-a-kind pieces. High-quality gemstone jewels with an emotional and intimate touch stand out of the crowd for creativity, building a strong product identity and continuing relationships between Gismondi and its customers, who enjoy personal relationships and tailor-made pieces.

Old-world craftsmanship, stunning modern design and style. From designer of unique silversmith pieces through today, Gismondi combines old-world craftsmanship and specialty techniques with a contemporary touch into modern jewels. Style and design are distinctive factors compared to competition.

Brand heritage, handmade in Italy by Italians. With its roots in the 18th century, Gismondi 1754 brand represents the worldwide renowned Italian design and craftsmanship of precious metals, diamonds and gemstones. The strong tradition and heritage, together with the *Made in Italy* tag, attract a price premium and have strong appeal globally.

Positioned in the heart of the Italian goldsmiths district. The making is based in Valenza, Italy, which represents the most important Italian district for high jewelry production in terms of settings, design and superior production with specialty stones. As such, Gismondi cooperates with selected craftsmen in the Valenza goldsmiths district.

Footprints in key markets. In Italy luxury jewelry purchases mostly happen in Milan, Rome and in a few other prestigious travel locations such as Capri, Portofino or Taormina. Gismondi operates direct stores in Milan, Genoa, Portofino and St. Moritz, offering a unique consumer experience in stores with a dedicated boutique concept design. USA, Russia and Middle-East are major international venues for luxury lovers and shoppers.

Dedicated individual care to customers and prompt execution. Gismondi personal contact with its customers implies one-to-one interaction and prompt assistance for any needs. As an example, *try-at-home* service so that the customer is not required to visit a boutique and can easily choose among jewels or try a new ring size at home, without hassle and waiting time.

Lean value chain, sales promoted by passionate professionals. Gismondi is a lean company with direct management of the value chain, main focus on design and style conceived internally like a *maison*, and control over the product supply chain through diamond and other materials sourcing. Gismondi's contact with customers, in addition to the directly owned stores, is based on a worldwide network of selected independent multi-brand stores acting as *ambassadors of the brand* and on doors in high-end department stores in the USA.

Pricing power. Gismondi can command a premium mark-up for its products. In addition, the enduring value of its products is not impaired by promotions based on price discounting and preserves the exclusivity perception.

Prominent customer base. *Ambassadors*, who promote Gismondi's products and organize special events, have contacts and relationships with a community of brand lovers, the ones who may generate recurring revenues.

Challenges

International presence. A greater visibility into the traditionally most important luxury goods markets, namely USA, Middle East and all the leading luxury cities around the globe, may require time and significant investment.

Brand awareness and image. Gismondi has built up a reputation for being a high-end jewelry company, but intends to strengthen the awareness on its brand and image. Gismondi's brand is less known among the public than other luxury brands.

Economic downturns. An economic slowdown could cause a set back of the luxury market, since luxury goods are by definition, not driven by needs, as such, even consumers who can afford luxury products may delay their spending during an economic crisis. As an example, the economic downturn of 2008-09 caused a 9% drop in the value of the luxury goods market, but demand for luxury picked up quickly when the economy returned to strength. The resilience of luxury brands also depends on which demographic group they are targeting: accessible luxury brands may suffer more because they are relying on the middle class, generally impacted by economic recessions, while brands targeting high-end consumers and HNWI may be better protected during economic cycles.

Retail costs. Differently from large global brands, smaller and emerging luxury brands could not run an extensive directly operated stores network. Directly operated stores are costly and require a significant investment and management to preserve brand image. A large stores network would hinder capital turnover and would not profitably sustain sales and margins when yield and volumes are below a critical threshold.

Also, purchasing drivers vary among luxury goods, as to desirability, frequency of purchase and average consumer annual expense, while the cost of a pervasive retail network is comparable to that of a global luxury house. Jewelry is a high desirability good, but a low frequency and unpredictable purchase, which means high risk in running direct stores.

High inventory requirement. A substantial inventory is required for emerging brands on consignment or rotation among retailers and department stores, while the major jewelry brands might be able to ask for minimum purchase levels.

Limited critical mass. Company's current and target size, compared with the financial strength and established organization of some competitors, may imply a higher weight of promotion and general expenses on profitability.

Reliance and identification on the Company's founder. Massimo Gismondi, founder, CEO and Creative Director, is critical to Gismondi's operations, since he has established Gismondi, set the Company's vision and strategic direction, in addition to the creative guidance.

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Date	Recommendation	Target Price (€)	Share Price (€)
13/01/2020	OUTPERFORM	4.45	3.30
13/05/2020	NEUTRAL	2.71	2.36
16/10/2020	OUTPERFORM	2.39	1.80
26/04/2021	OUTPERFORM	3.97	2.86

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