



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 09th, 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

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