

## RATING COMMUNICATION

Cerved Rating Agency S.p.A. assigns the public rating

**A3.1**

to **GLOBAL DISPLAY SOLUTIONS S.p.A.**

Cornedo Vicentino (VI) – Via Tezze, n° 20

On 30/12/2020 Cerved Rating Agency assigned the rating A3.1 to Global Display Solutions Spa

*Global Display Solutions (“GDS”, or “the Group”) is the lead company of a Group established in 2001 following the merge of two firms operating in the electronic field: the British company Emco Electronics and the Italian company, based in Veneto, CA & G Elettronica. GDS S.p.A. is 100% controlled by GDS Holding and is headed by the Chairman of the Board of Directors Mr. Giovanni Cariolato. The Group, which operates globally thanks to production hubs (Romania, China and Tunisia) and commercial branches based in different countries, designs and produces displays for industrial, medical, public information and digital signage applications, in addition to transactional printers and LED lighting systems.*

### **RATING FACTORS**

The rating A3.1 assigned to GDS reflects the overall positive results achieved in 2020. The Group showed a good reactivity to the difficulties caused by Covid-19 thanks to: (i) diversified business lines and constantly expanding geographical presence; (ii) stable economic and financial results compared to prior years, which will support Business Plan expectations for FY 2021-FY 2022; (iii) continuous knowledge update; (iv) existing backlog as at 30/09/2020, which guarantees the reliability of estimated FY 2021 revenues.

**Positive economic results in line with Management expectations** – FY 2019 results show a Value of Production (VoP) of euro 137.1 million (+29% YoY compared to FY18) and an *adjusted* EBITDA, based on Cerved Rating Agency analysis, of euro 13.6 million (euro 11.4 million in FY18). The spread of Covid-19 did not significantly affect the company business, as can be seen from the results recorded as at 30/09/2020, which show an increase in revenues which have been accounted for euro 85.4 million (excluding a zero margin order) compared to euro 83.4 million as at 30/09/2019. These positive results are mainly related to the performances of the OEM segment (VoP +40.5% YoY as at 30/09/2020), which has shown a significant increase. The demand of control displays for machinery used in intensive care units has in fact shown a peak, following the spread of Covid-19. According to 2020 forecast data analysis, Profit Margin should remain stable.

**Balanced Financial Structure** – 2019 financial results confirmed a stable positive level of business sustainability indicators. This allowed the Group to face Covid-19 related issues, which occurred in the first half of 2020. The cash flows generated by the operating activities permitted GDS to self-finance CapEx investments, amounting to euro 7.9 million at year end, and reduced the needing of external financial resources. Adjusted Net Debt as at 31/12/2019 accounted for euro 22.1 million (+2.08% compared to 31/12/2018) and the ratio Net Debt/EBITDA – Net Debt/Net equity (adjusted values) amount to 1.48x (1.72x in 2018) and 0.58x (0.65x in 2018) respectively, confirming the positive financial results achieved by the Group. In 2019 the Company issued a second minibond, amounting to euro 10 million, with the aim of replacing the previous one which expiry date was set for 31/12/2020 (last instalment amounts to 4.5 million euro). During FY 2020 the

Group did not request moratoriums on existing loans, but took out two new medium-long term loans (with pre-amortisation and guaranteed by MCC) totalling euro 5 million, with the aim of financing future development plans. Net Debt as at 30/09/2020 amounts to euro 27.2 million, showing financial leverage indexes in increase but still sustainable.

**FY2020 financial results and FY2021 expected trend** – As at 13/12/2020 the Group recorded a VoP of euro 119 million, with a hard pipeline of approximately euro 10.5 million to be issued by the end of the year. For such reason, Cerved Rating Agency considers Management's Business Plan expectations, which estimate for FY 2020 a total production amount of about euro 125 million, to be reliable. In the two-year period FY 2021-FY 2022, GDS will work on new important projects that will compensate the reduction of display production demand (which recorded a peak in 2020) following the spread of covid-19. The existing backlog as at 30/09/2020, which amounts to euro 124 million, combined with the recovery of some orders postponed during FY2020 (due to government restrictions), guarantees the reliability of estimated FY 2021 revenues.

### **RATING SENSITIVITY**

- Due to the current economic situation, the confirmation of the assigned rating class is to be considered the positive scenario.
- GDS rating could be downgraded in case of: i) 2021 economic results lower than Business Plan expected amounts ii) Financial leverage index Net Debt/Net Equity ratio >1x.

The methodology used can be consulted on the Cerved Rating Agency website – [www.ratingagency.cerved.com](http://www.ratingagency.cerved.com)

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