

AVI GLOBAL TRUST PLC

Monthly Update

AVI Global Trust plc (the "Company") presents its Update, reporting performance figures for the month ended **28 February 2025**.

This Monthly Newsletter is available on the Company's website at: [AGT-FEBRUARY-2025.pdf](#)

This investment management report relates to performance figures to 28 February 2025.

| Total Return (£) | Month | Calendar Yr to date | 1Y | 3Y | 5Y | 10Y |
|-------------------------|--------------|--------------------------------|-----------|-----------|-----------|------------|
| AGT NAV | -0.3% | 0.4% | 7.4% | 32.2% | 87.7% | 165.8% |
| MSCI ACWI | 1.9% | 2.2% | 15.6% | 38.5% | 85.2% | 193.4% |
| MSCI ACWI ex US | 0.1% | 4.9% | 10.2% | 22.0% | 46.0% | 96.7% |

Manager's Comment

AVI Global Trust's (AGT) NAV declined -0.3% in February.

Gerresheimer AG ("GXI") - a relatively new position in the portfolio which we discuss below - was the top contributor over the month (+30bps), followed by Tokyo Gas and Entain which added +23bps apiece. Rohto Pharmaceutical was the most significant detractor (-64bps), with the shares declining -18% over the month. The company remains undervalued relative to skincare peers, trading at a forward EV/EBIT of 12x vs the 21x peer average, despite the business' superior underlying quality and growth. We continue to engage with the company, seeking to shift management's focus to the profitable skincare and eye drops businesses, whilst enhancing capital efficiency and IR communications. There was one other detractor of note, Symphony International which detracted -23bps. Symphony is undergoing managed windup. As such, our ultimate returns will depend on the prices at which it realises its investments and the timeframe over which these realisations take place, rather than its share price on the screen at any particular point in time.

Gerresheimer AG ("GXI")

In recent months we have built a position in Gerresheimer AG, a £2.3bn German conglomerate that offers exposure to a leading player in the oligopolistic pharmaceutical primary packaging market with high barriers to entry and attractive growth prospects. These merits are not currently reflected in the group's valuation, with the company trading at a steep discount to our estimated NAV. We see multiple potential paths to improve the depressed valuation and unlock value, with the company currently undertaking a strategic review of its Moulded Glass division, as well as confirmed private equity interest in the business.

The origins of the company date back to 1864, as a small glass factory in Düsseldorf. Today the business is a leading player in both Containment Solutions ("getting drugs to the patient"), such as vials and ampoules, and Delivery Systems ("getting drugs into the patient"), such as syringes and injector pens. Drug containment and delivery is an oligopolistic industry, benefiting from significant barriers to entry. Switching costs are high (how drugs are packaged and administered is mission critical but a low proportion of total cost), whilst the strict regulatory environment and importance of trust-based relationships entrench incumbents, as does the capital required to build local manufacturing presence close to the customer.

The industry also offers attractive growth with the global injectable drug container market expected to grow +9% p.a. from 2022 to 2026, underpinned by the rise of biologics, GLP-1s (obesity drugs), and trends toward increased drug complexity and high value solutions (e.g. Ready-To-Fill vials). As such, companies operating within it are

typically rewarded with attractive valuation multiples (peers WestPharma, Stevanato and Schott Pharma trade at 30x/26x/18x 2025 EV/EBIT respectively).

The recent history of the company is defined by Dietmar Siemssen, who was appointed CEO in 2018. Under his leadership, the business has been on a strategic transformation, moving up the value chain, to focus on High Value Solutions, and transitioning away from GXI's historic focus as a low-cost-high volume supplier. This transition has involved a considerable capex build, totalling c.14-18% of sales in recent years, resulting in negative free cash flow.

Evidence would suggest that the strategy is bearing fruit. Organic growth - which had been an anaemic +1.9% p.a. from 2013-18 - has accelerated, reaching 6.8% p.a. from 2018 to 2024 and management are now guiding for long-term growth of +7-10% (inclusive of the dilutive Bormioli acquisition). The business mix is shifting to higher margin solutions and capex payback periods have been greatly reduced. Importantly, and of great strategic value, GXI have now established deeper relationships with key pharma companies' and their development pipelines - as is exemplified by their crucial role in GLP-1s.

This progress, however, is not reflected in the shares. When we initiated our position in late 2024, the shares were some -40% below their 52-week high and not all that much above the level when Dietmar was appointed CEO, back in 2018. The shares currently trade a 43% discount to our estimated NAV. With the entire business trading at 7.5x 2025 EV/EBITDA, we estimate that the Containment & Delivery business is trading at an implied single digit multiple, once one adjusts for a reasonable valuation for the under strategic-review Moulded Glass business. Whilst some discount is warranted, this seems inordinately wide.

As we see it, there are several reasons for GXI's undervaluation. **1)** a significant conglomerate discount, where the lower-growth-higher-capital intensity Moulded Glass business acts as a drag on valuation; **2)** a lack of credibility in communication with the market, as exemplified by the September 2024 profit warning and compounded by the current reporting structure; **3)** weak free cash flow given the multi-year capex spending cycle and scepticism about the long-term cash generation of the business; **4)** investor concerns about the development of the GLP-1 market generally and Novo Nordisk's CagriSema specifically and **5)** increased leverage (3.8x) following the acquisition of Bormioli.

In our assessment these problems are, by and large, internal and fixable. Moreover, with the shares (then) trading at a >50% discount to our estimated NAV, significant bad news was embedded in the price, and the market appeared to be overlooking the potential for management to take sensible steps to unlock value. In our view, the key here is the strategic review of the Moulded Glass business, where an exit has the potential to improve the group financial profile, ameliorate (part of) the conglomerate group discount and reduce leverage.

Interestingly, we are not the only ones to notice the discounted valuation. Two activists have declared stakes in excess of 5%, and in early February it was confirmed GXI had received interest from private equity, and latterly there have been press reports of industrial buyers also looking at the business. Whilst our investment case was never predicated on a buyout, this could accelerate the re-rating process. Alternatively, if a bid fails to materialise, we see multiple other paths to a re-rating - most notably from the aforementioned strategic review. We have been adding to the position over the month such that GXI is a 4.4% weight, and we own a 2.2% stake in the company across our funds. With attractive quality assets, a discounted valuation and catalysts on the horizon, GXI has the ingredients for a successful investment.

Reckitt

During the month we exited our position in Reckitt. It was a relatively short and successful investment, generating an ROI/IRR of +17% and +26%, which compares to an ROI of +14% and +7% for the MSCI AC World Index and FTSE 100 over that period.

As detailed in our [June 2024](#) writeup, the investment case was predicated on the low valuation at which the company traded, extreme levels of investor pessimism and aversion, and the growing pressure we felt management were under to unlock value. Indeed, shortly after we initiated our position, management launched a sweeping overhaul, with plans to exit the Essential Home business & Mead Johnson and to boost margins. Combined with positive news flow on the NEC litigation, this helped the shares re-rate from a c.40% discount to one in the low 20s.

From the current discount level, we view the risks as more balanced, particularly with regard to operational complexity and divergence of asset sales, and a growing concern over the valuation at which Essential Home can

complexity and dysnergies of asset sales, and a growing concern over the valuation at which Essential Home can be monetised. As such we took the opportunity to exit the position. We believe the investment demonstrates AVI's contrarian approach to investing in companies undergoing structural and strategic change to unlock discounted valuations.

Contributors / Detractors (in GBP)

| Largest Contributors | 1- month contribution bps | % Weight |
|---------------------------------|--|-----------------|
| Gerresheimer | 30 | 4.4 |
| Tokyo Gas | 23 | 3.0 |
| Cordiant Digital Infrastructure | 23 | 4.3 |
| Entain | 23 | 4.0 |
| IAC | 23 | 3.2 |

| Largest Detractors | 1- month contribution bps | % Weight |
|---------------------------------|--|-----------------|
| Rohto Pharmaceutical | -64 | 3.3 |
| Symphony International Holdings | -23 | 1.9 |
| D'Ieteren | -19 | 6.7 |
| Dai Nippon Printing | -12 | 3.0 |
| Christian Dior | -12 | 2.9 |

MUFG Corporate Governance Limited Corporate Secretary

10 March 2025

LEI: 213800QUODCLWWRVI968

The content of the Company's web-pages and the content of any website or pages which may be accessed through hyperlinks on the Company's web-pages, other than the content of the Newsletter referred to above, is neither incorporated into nor forms part of the above announcement.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

PFUBRGDXSGBDGUG