June 2025

Gerresheimer AG
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To Chairman Axel Herberg
Gerresheimer AG Supervisory Board

<u>AVI Sends Open Letter to Gerresheimer AG Supervisory Board following recent profit warning – *a shot of new medicine is required*</u>

To the Supervisory Board of Gerresheimer AG:

Asset Value Investors ("**AVI**" or "**we**") manages a 3.5% stake in Gerresheimer AG[1] (the "**Company**" or "**Gerresheimer**") on behalf of institutional clients, having first invested in the Company in 2024.

Gerresheimer holds a valuable position in Containment Solutions & Delivery Systems, with high barriers to entry and attractive long-term growth prospects. These attractions have only been reaffirmed in 2025 by reports of private equity interest in Gerresheimer.

However, this value is not currently reflected in the Company's shares, which trade at a substantial discount to their sum-of-the-parts. The shares now sit some -56% below their 52-week high and we believe shareholder value is at risk.

In order to secure and unlock value:

- **We believe new financial leadership is required to repair the relationship with the market and restore credibility.**
- **We believe Gerresheimer should establish a capital allocation committee to oversee and review the company's capital allocation and capital structure.**
- **We believe Gerresheimer should look to exit Moulded Glass with haste.**

We believe time is of the essence and that a new and improved plan ahead for Gerresheimer, should be presented at a capital markets day later this year.

<u>The state of play</u>

Since his appointment as CEO in 2018, Dietmar Siemssen has led Gerresheimer on a strategic transformation, moving up the value chain, to focus on High Value Solutions and transitioning away from the historic focus as a low-cost-high-volume supplier.

This has cemented Gerresheimer with a valuable position in the oligopolistic Containment Solutions and Delivery Systems markets, with high barriers to entry and attractive secular growth prospects.

We commend this evolution and Dietmar's vision, which has positively impacted the underlying organic growth and margins of the business and *<u>should</u>* translate to high levels of value creation for shareholders.

We say *should,* because this appears to all be at risk.

Gerresheimer shares have suffered a lost decade and now sit some -56% from their 52-week high.

The shares currently trade at ~11.5x FY2025e PE and ~7.3x FY2025e EV/EBITDA.

We believe the market is assigning a punitively large discount to the sum of Gerresheimer's parts.

[1] As at 04/06/2025

Indeed, the current valuation is much more akin to that of Moulded Glass peers[2] (average 7.2x CY2025e EBITDA), than Containment Solutions & Delivery Systems peers[3] (average 16.6x CY2025e EBITDA).

We believe a shot of new medicine is required to secure and unlock value for shareholders.

Time is of the essence, not least of all, because this comes at a juncture when the company is in reported negotiations with financial buyers.

Restoring credibility in financial communication

The September 2024 profit warning and the February 2025 lowered guidance, severely impaired the credibility the company has in its financial communication.

The most recent debacle – the June profit warning – only drums home this issue.

Firstly, there is the timing – investors are rightly asking what has happened in the last seven weeks since guidance was re-affirmed alongside Q1 results? The incremental headwind appears to be a slowdown in bottles and closures, due to a soft cough/cold season, and we ask, why there was not more visibility on this in mid-April?

Secondly, there is the magnitude. With an implied revenue cut of ~€60m (c.2%) and EBITDA cut of ~€49m (c.9%), management's guidance for EPS has negatively swung ~20% in seven weeks.

We understand[4] that following the September 2024 profit warning changes have been made to the design and personnel of various internal functions. However, the June profit warning, highlights issues remain in terms of management's (in) ability to forecast the business and monitor data on performance.

We believe new financial leadership is required to repair the relationship with the market and restore credibility.

Capital allocation and capital structure

Over the last three years, Gerresheimer has spent a cumulative ~€900m on capital expenditures and ~€800m acquiring Bormioli. The sum of these two costs is approximately equal to the current equity value (€1.7bn) – albeit the enterprise value is saddled with €1.9bn of net financial debt (in large part reflecting the Bormioli acquisition).

Although hard to be certain from the outside, reading between the lines of the June profit warning, it would appear that a meaningful portion of the problems lay at the feet of the newly acquired Bormioli business.

This raises questions about the due diligence performed on the asset prior to purchase. This is before one considers the valuation paid – which was initially pegged at ~10x 2024e EBITDA, but in actuality, will likely have been higher, due to a deterioration in earnings prior to closing.

The Bormioli acquisition and significant investment cycle has left Gerresheimer with an over-leveraged balance sheet.

On the June 2025 profit warning call management indicated that as at Q2-25 the company will likely have net financial debt of 4.1x EBITDA.

On the same call management stressed that they believe Gerresheimer will stay within its covenants – however, as per our above discussion, issues with credibility in financial communication mean many investors will take this with a pinch of salt.

We believe Gerresheimer should establish a capital allocation committee to oversee and review the company's capital allocation and capital structure.

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[2] Peers include, Verallia, Vidrala & Zignago Vetro

[3] Peers include, Becton Dickinson, SCHOTT Pharma, Stevanato Group & West Pharma

[4] Group meeting with CEO held at UBS offices in March 2025.

Strategic review of Moulded Glass:

In our view, the strategic review of Moulded Glass, is key to unlocking value for Gerresheimer.

The disposal of the business has the potential to reduce net debt meaningfully.

Moreover, structural simplification will likely shine light on the Containment Solutions & Delivery Systems businesses, helping to ameliorate the conglomerate discount at which Gerresheimer currently trades and simplifying the equity story.

We believe Gerresheimer should look to exit Moulded Glass with haste.

The path ahead:

Gerresheimer holds a valuable position in Containment Solutions & Delivery Systems, with high barriers to entry and attractive long-term growth prospects. These attractions have only been reaffirmed in 2025 by reports of private equity interest in Gerresheimer.

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We believe time is of the essence and that a new and improved plan ahead for Gerresheimer should be presented at a capital markets day later this year.

We look forward to continuing this conversation with the Board, management and other shareholders in the pursuit of realising Gerresheimer's considerable value.

Yours sincerely,

Joe Bauernfreund
CEO & CIO

Wilfrid Craigie, CFA
Senior Investment Analyst

William Hawkes, CFA
Investment Analyst

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