

## Preliminary Results Confirmed

ADD | Fair Value: €24.5 (€23.6) | Current Price: €16.0 | Upside: +53.4%

€ Million	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Revenues	26.4	39.0	58.2	59.7	63.3	67.1	71.1
EBITDA	4.1	5.8	7.9	8.9	9.9	10.9	11.8
margin	15.5%	14.8%	13.7%	14.9%	15.6%	16.3%	16.6%
Net Profit	2.3	3.2	3.6	4.5	5.1	5.9	6.5
margin	8.6%	8.2%	6.2%	7.5%	8.1%	8.8%	9.2%
EPS (€)	0.90	1.25	1.42	1.76	2.03	2.34	2.57
NFP	(3.0)	10.4	11.2	7.3	2.3	(3.1)	(9.3)

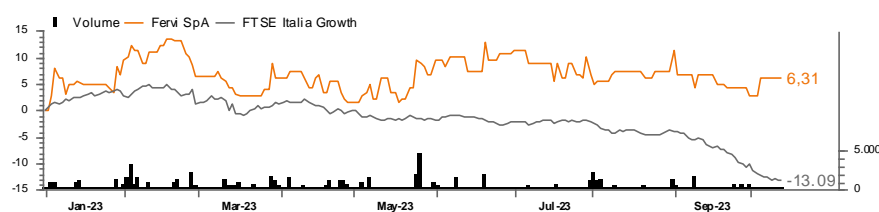
Source: Company data (2020A–22A), KT&amp;Partners' elaboration (2023E–26E).

**1H2023 Financials Results.** On September 28, 2023, Fervi Group released its 1H23 financial results, showing sales revenues at €29.5mn (+0.7% YoY), in line with our estimate of €29.4mn. Looking at the sales breakdown by Geographic area, the Group generated 70% of its 1H23 sales revenues in the domestic market, the 21.9% in Europe, 4.6% in Asia, where revenues more than doubled (€1.4mn vs €0.6mn), 2.2% in the Americas and 0.7% in Africa. The Group achieved a Gross profit of €14.4mn vs. €14.9mn in 1H22, slightly below our estimate of €15.1mn (-4.8%) with the gross margin recording a slight contraction as well, going from 50.3% in 1H22 to 47.8% in 1H23, below our projection of 51.2%. Focusing on the EBITDA, the Group realized €4.4mn in 1H23 vs. €4.6mn in 1H22, almost in line with our estimate of €4.6mn; on the marginality side, the EBITDA margin decreased by 1.0pp YoY from 15.5% in 1H22 to 14.5% in 1H23, impacted by a higher personnel costs incidence (15.4% in 1H23 vs. 13.9% in 1H22) partially compensated by a cost of services' incidence reduction (16.3% in 1H23 vs. 19.4% in 1H22). However, after adjusting the EBITDA for non-recurring costs mainly related to the termination of the contract with former Group's General Manager, the Adjusted EBITDA stood at €4.8mn. Fervi reported 1H23 EBIT at €3.0mn vs. €3.2mn in 1H22, while the EBIT margin attained to 10.1%, in line with 1H22 margin; consequently, the Group Net Income in 1H23 amounted to €2.3mn, basically in line with our estimate of €2.4mn, with a net margin of 7.5%. The bottom line benefited from tax credits for the losses carried forward used by subsidiary Vogel Germany after producing a profit this year, allowing to reduce the tax rate to 24.3% in 1H23 from 26.5% in 1H22. Finally, 1H23 NFP amounted to €9.4mn vs. €11.2mn in FY22: the change is due to €3.5mn in cash inflows from operating activities which more than covered for €0.9mn of investments in fixed assets and €1.0mn dividend payments.

**Estimates confirmed.** Following the announcement of Fervi Group's 1H23 financial results, mostly aligned with our estimates, we left unchanged our projections for the FY23E-26E period. We expect FY23 total revenues to be €59.7m, while projecting to grow at a CAGR22–26E of +5.1% to reach €71.1mn in FY26E. We anticipate EBITDA at €8.9mn in FY23E, growing at a CAGR22A–26E of +10.4% to reach €11.8mn in FY26E. On the marginality side, we estimate a FY23E EBITDA margin of 14.9%, then improving in the following years as we anticipate more favourable transport and raw materials' costs compared to the 2022A–23E period, reaching 16.6% at the end of FY26E. We forecast FY23E Net income standing at €4.5mn with a net margin of 7.5%, while for the following years we project earnings to grow at a CAGR22A–26E equal to 16.0% until reaching €6.5mn by the end of 2026E. Finally, we expect a FY23E net debt of €7.3mn, with a progressive improvement up to a cash position of -€9.3mn in FY26E, also including an average dividend pay-out ratio of 28% in the 2023E-2026E.

**Valuation.** We updated our valuation based on both DCF and EV/EBITDA and P/E multiple models. Therefore, we obtained an equity value of €62.3mn or €24.5ps, +53.4% on current market price.

## Performance Chart – YTD



## Research Update

October 19, 2023 – 7.00 h

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## Market Data

Main Shareholders	
1979 Investimenti Srl	74.78%
Roberto Megna	7.54%
Guido Greco	2.04%
Mkt Cap (€ mn)	40.6
EV (€ mn)	51.0
Shares out.	2.5
Free Float	15.6%

Market multiples	2023	2024	2025
EV/EBITDA			
Fervi SpA	5.8x	5.3x	4.7x
Comps Median	12.5x	10.7x	10.2x
Fervi SpA vs Median	-53%	-51%	-54%
P/E			
Fervi SpA	9.1x	7.9x	6.8x
Comps Median	17.0x	16.3x	15.1x
Fervi SpA vs Median	-46%	-52%	-55%

## Stock Data

52 Wk High (€)	17.40
52 Wk Low (€)	13.75
Avg. Daily Trading 90d	261
Price Change 1w (%)	0.00
Price Change 1m (%)	-0.62
Price Change YTD (%)	6.31

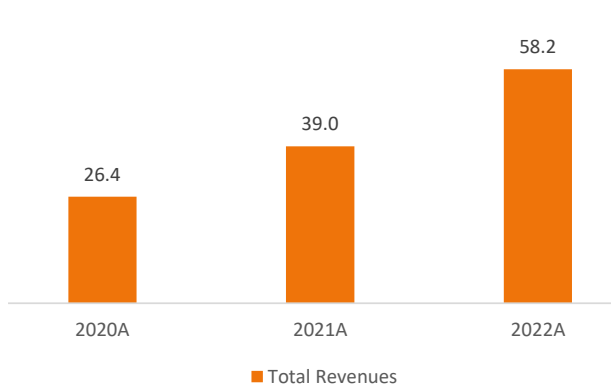
**Key Figures – Fervi Group SpA**

	Current price (€)		Fair Value (€)		Sector					Free Float (%)
	16.0		24.5		Industrial Machinery					15.6
<b>Per Share Data</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>		
Total shares outstanding (mn)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5		
EPS	1.0	0.9	1.3	1.4	1.8	2.0	2.3	2.6		
Dividend per share (ord)	0.20	0.21	0.26	0.35	0.40	0.50	0.60	0.60		
Dividend pay out ratio (%)	28.5%	20.6%	28.9%	27.9%	28.1%	28.5%	29.6%	25.7%		
<b>Profit and Loss (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>		
Total Revenues	29.1	26.4	39.0	58.2	59.7	63.3	67.1	71.1		
EBITDA	4.5	4.1	5.8	7.9	8.9	9.9	10.9	11.8		
EBIT	3.4	3.0	4.4	5.1	6.5	7.4	8.5	9.3		
EBT	3.4	2.9	4.2	5.1	6.2	7.2	8.3	9.1		
Taxes	(0.8)	(0.6)	(1.0)	(1.4)	(1.8)	(2.1)	(2.4)	(2.6)		
Tax rate	23%	22%	24%	29%	29%	29%	29%	29%		
Net Income	2.6	2.3	3.2	3.6	4.5	5.1	5.9	6.5		
Net Income attributable to the Group	2.6	2.3	3.2	3.6	4.5	5.1	5.9	6.5		
<b>Balance Sheet (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>		
Total fixed assets	6.6	5.8	15.4	14.5	14.2	13.0	11.8	10.6		
Net Working Capital (NWC)	16.1	16.8	25.0	29.5	30.1	31.0	32.0	32.9		
Provisions	(1.9)	(2.3)	(4.0)	(4.1)	(4.8)	(5.6)	(6.4)	(7.3)		
Total Net capital employed	20.8	20.3	36.4	39.9	39.5	38.4	37.3	36.2		
Net financial position/(Cash)	(0.9)	(3.0)	10.4	11.2	7.3	2.3	(3.1)	(9.3)		
Group Shareholder's Equity	21.7	23.2	26.0	28.7	32.2	36.0	40.5	45.5		
Minorities	-	-	-	-	-	-	-	-		
Total Shareholder's Equity	21.7	23.2	26.0	28.7	32.2	36.0	40.5	45.5		
<b>Cash Flow (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>		
Net operating cash flow	3.7	3.5	4.7	6.5	7.1	7.8	8.5	9.1		
Change in NWC	(1.5)	(0.7)	(8.2)	(4.5)	(0.6)	(0.9)	(0.9)	(0.9)		
Capital expenditure	(3.2)	(0.2)	(9.9)	(2.0)	(2.0)	(1.1)	(1.2)	(1.2)		
Other cash items/Uses of funds	0.1	0.3	0.6	(0.0)	0.6	0.7	0.7	0.7		
Free cash flow	(0.9)	2.9	(12.7)	(0.0)	5.1	6.4	7.1	7.8		
<b>Enterprise Value (EUR million)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>		
Market Cap	28.4	29.2	37.1	38.2	40.6	40.6	40.6	40.6		
Minorities	-	-	-	-	-	-	-	-		
Net financial position/(Cash)	(0.9)	(3.0)	10.4	11.2	7.3	2.3	(3.1)	(9.3)		
Enterprise value	27.5	26.2	47.5	49.4	47.9	42.9	37.5	31.3		
<b>Ratios (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>		
EBITDA margin	15.4%	15.5%	14.8%	13.7%	14.9%	15.6%	16.3%	16.6%		
EBIT margin	11.7%	11.5%	11.3%	8.8%	10.8%	11.7%	12.6%	13.0%		
Gearing - Debt/equity	-4.1%	-12.7%	40.0%	39.0%	22.7%	6.4%	-7.7%	-20.5%		
Interest cover on EBIT	1.6%	4.0%	3.8%	1.4%	3.4%	2.6%	1.9%	1.5%		
NFP/EBITDA	-19.9%	-72.0%	180.2%	140.9%	82.3%	23.4%	-28.6%	-78.9%		
ROCE	16.4%	15.0%	12.1%	12.9%	16.4%	19.3%	22.7%	25.7%		
ROE	11.9%	9.8%	12.2%	12.6%	13.9%	14.3%	14.7%	14.4%		
EV/Sales	1.8x	2.0x	1.3x	0.9x	0.9x	0.8x	0.8x	0.7x		
EV/EBITDA	11.5x	12.6x	9.0x	6.5x	5.8x	5.3x	4.7x	4.4x		
P/E	15.7x	17.8x	12.8x	11.3x	9.1x	7.9x	6.8x	6.2x		
Free cash flow yield	-1.7%	5.9%	-25.8%	0.0%	10.2%	13.0%	14.3%	15.8%		
<b>Growth Rates (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>		
Sales	18.9%	-9.1%	47.3%	49.3%	2.6%	6.0%	6.0%	6.0%		
EBITDA	-0.5%	-8.4%	40.4%	37.6%	12.0%	11.0%	10.7%	7.9%		
EBIT	32.8%	-10.8%	44.1%	17.1%	25.7%	14.4%	14.5%	9.5%		
Net Income	34.6%	-11.6%	39.3%	13.5%	23.5%	15.4%	15.3%	10.0%		

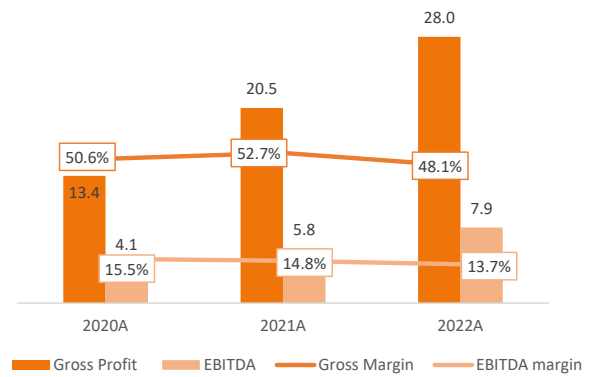
Source: Company Data (2019-2022), KT&Partners' forecasts (2023-2026)

## Key charts

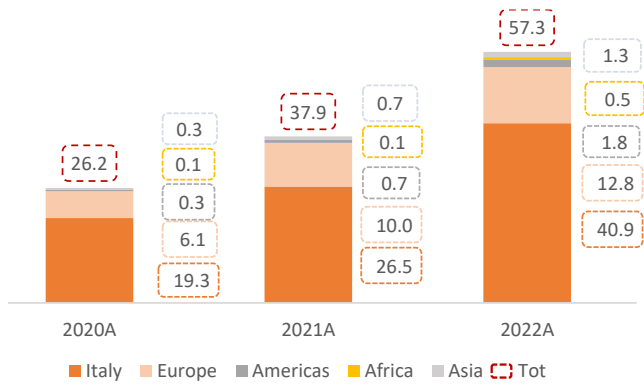
Total Revenues (€mn)



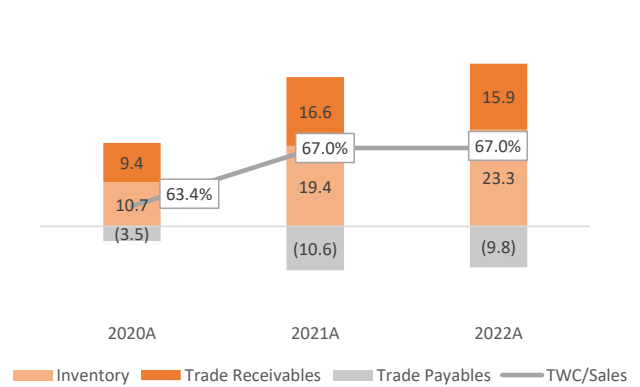
Gross Profit and EBITDA (€mn, %)<sup>1</sup>



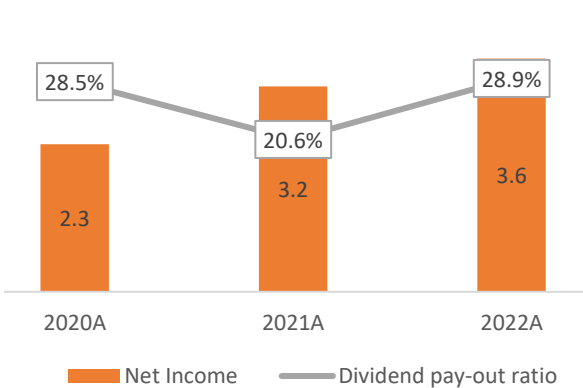
Sales Revenues breakdown (€mn)



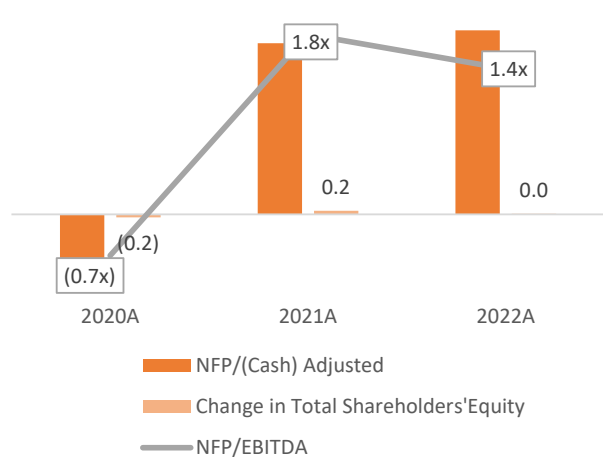
Trade Working Capital (€mn, %)



Net Income, Dividend Pay-Out Ratio (€mn, %)



NFP, Change in Shareholders' Equity and NFP/EBITDA (€mn)



<sup>1</sup> Margins are calculated on Total Revenues

## Overview

### *Company description*

Fervi S.p.A. is an Italian company established in 1978 in Vignola (MO), leader in the maintenance, repairs, and operations (MRO) industry.

Fervi Group's mission is to project, produce, select, and distribute machinery, mechanical tools, and equipment at the best quality-price ratio, guaranteeing safety and service standards well above its direct competitors. In order to achieve this objective, Fervi Group offers the most suitable, functional, and safest products to workers and artisans to solidly improve the productivity and quality of their daily work.

The Group's offer includes nine product categories, including machine tools, hand tools, abrasives, and more than 60,000 references available to maintenance and repair professionals in the industrial, artisan, and automotive sectors. Given Fervi Group's strategy to constantly expand its assortment, the Group catalogue reference increase from 3,800 references in 2012 to over 60,000 in 2022. This wide product assortment, together with a careful attention to innovation and a cutting-edge customer support, has enabled Fervi Group to become the first Italian group in the MRO sector.

### *Investment case*

- **The Group provides solutions for every need**, with a very broad portfolio of 9 different products' categories and 60,000+ references.
- **The Group over the years has scored a proven M&A track record**, since 2015 it has increased its international presence, completing five acquisitions both in Italy and abroad.
- **The Group boasts a competitive positioning in a very fragmented market**, thanks to its distinctive business model based on a go-to-market approach.
- **Constant revenues growth, profitability and cash-flow generation led the Group to a sustainable dividend policy**. The Group achieved a total revenues CAGR<sub>2015-21A</sub> of 10.4% and an average double-digit EBITDA margin of 17%. In addition, thanks to its strong cash generation, with an avg. operating cash flow (OCF) over 2016-2021 of €2.1mn and an average OCF/EBITDA ratio of 47%, the Group between 2018 and 2021 had an average pay-out ratio of 24.35%.
- **Fervi Group can rely on a successful management team**, with proven experiences in M&A transactions, including cross-border deals, and years of experience in different markets that consolidated the medium-long term vision of the Group.
- **The Group has always been committed to sustainability**, showing strong attention to environmental and social issues by both implementing a sustainable environmental strategy and taking part in social inclusion projects.
- **Fervi Group's plans are aimed at further consolidating its market presence, reputation, and widening its product portfolio**, with the business strategy based on: i) external growth, through an acquisition plan that has the dual goal of expanding its market share and introducing new products into its catalogue; ii) organic growth, introducing new products through scouting and product marketing; and iii) extending relationship development with Digital and GDS.

### *Recent developments*

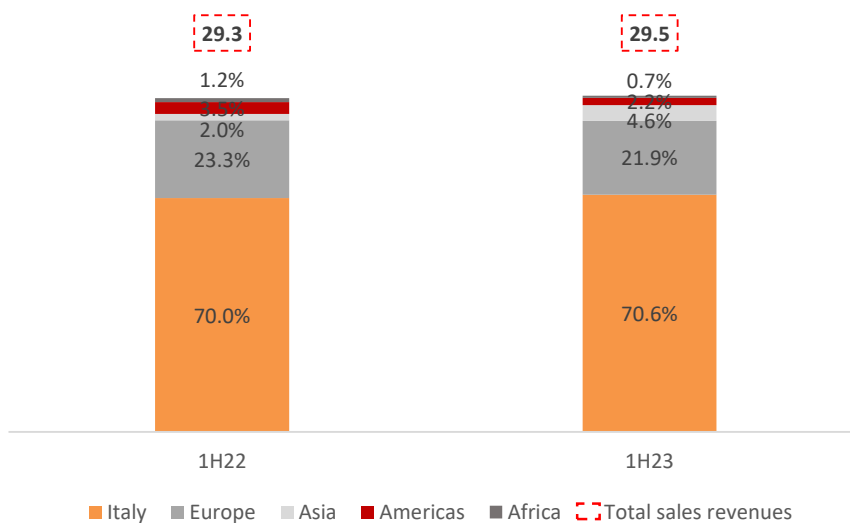
- **Consensual termination of employment contract with General Manager**. On June 30, 2023, Fervi SpA announced the consensual termination of the relationship with Eng. Marcello Petrucci, who therefore ceases to hold the role of General Manager. CEO Guido Greco will serve as General Manager ad interim.

## 1H23 Financial Results

On September 28, 2023, Fervi Group released its 1H23 financial results, showing sales revenues at €29.5mn, in line with our estimate of €29.4mn, growing by 0.7% YoY. Sales figures benefited from the consolidation of Rivit India PVT (99.96% owned by Rivit Srl), which contributed to Group’s revenues with €0.5mn.

Looking at the sales breakdown by Geographic area, the Group generated 70% of its 1H23 revenues in the domestic market, the 21.9% in the remainder of Europe, while the residual revenue was produced in the rest of the world, with 4.6% generated in Asia, where revenues more than doubled (€1.4mn vs €0.6mn), 2.2% in the Americas and 0.7% in Africa.

1H23 Sales revenues’ breakdown by Geographic area (% , €mn)



Source: KT&Partners’ Elaborations on Company Data

The Group’s achieved a Gross profit of €14.4mn in 1H23 vs. €14.9mn reached in 1H22 and slightly below our estimate of €15.1mn (-4.8%), with the gross margin that recorded a slight contraction as well going from 50.3% in 1H22 to 47.8% in 1H23, below our projection of 51.2%; indeed, when looking at the cost items incidence, it can be noted that products and raw materials incidence rose by 5.3pp YoY to reach 53.3% in 1H23 with €15.7mn of related costs, up from 50.3% in 1H22, where the related costs amounted to €14.8mn.

Focusing on the EBITDA, the Group realized €4.4mn in 1H23, almost in line with our estimate of €4.6mn (-4.4%) and with the €4.6mn achieved in 1H22; on the marginality side, the EBITDA margin decreased by 1.0pp YoY from 15.5% in 1H22 to 14.5% in 1H23, in detail, beside the products and raw materials costs increase, the EBITDA margin has been impacted also by a higher personnel costs incidence, increased to 15.4% in 1H23 from 13.9% in 1H22, partially compensated by a reduction of cost of services incidence which declined to 16.3% in 1H23 from 19.4% in 1H22. However, after adjusting the EBITDA for non-recurring costs mainly related to the termination of the contract with former Group’s General Manager, the Group showed an Adjusted EBITDA of €4.8mn, with an Adj. EBITDA margin of 16.2%.

1H23 EBIT stood at €3.0mn vs. €3.2mn in 1H22, while the EBIT margin attained to 10.1%, in line with 1H22 margin; consequently, the Group Net Income in 1H23 amounted to €2.3mn, basically in line with our expectation of €2.4mn, with a net margin of 7.5%. The bottom line benefited from tax credits for losses carried forward used by subsidiary Vogel Germany after producing a profit this year, allowing to reduce the tax rate to 24.3% in 1H23 from 26.5% in 1H22; on the other hand, it is worth mentioning that Fervi and Riflex have exhausted the

*Patent Box* tax benefit granted in 2020, continuing to benefit to a lesser extent from the deduction related to the benefit accrued in 2023.

Finally, the Net Financial Position at the end of 1H23 amounted to €9.4mn, down from €11.2mn in FY22: the change is due to €3.5mn of cash inflows from operating activities, which were enough to cover for €0.9mn of investments in fixed assets and €1.0mn of dividend payments in May 2023. The NFP benefited from the previously mentioned consolidation of Rivit India PVT, for a positive amount of €0.3mn.

## Estimates Confirmed

Following the announcement of Fervi Group's 1H23 financial results, mostly aligned with our estimates, we left unchanged our projections for the FY23E-26E period.

We expect FY23 total revenues to be €59.7m, while projecting for the top line to grow at a CAGR22-26E of +5.1% to reach €71.1mn in FY26E. We anticipate EBITDA to reach €8.9mn in FY23E, growing at a CAGR22A-26E of +10.4% to reach €11.8mn in FY26E.

On the marginality side, we estimate a FY23E EBITDA margin of 14.9%, then improving in the following years as we anticipate more favorable transport and raw materials' costs compared to the 2022A-23E period, reaching 16.6% at the end of FY26E. We forecast FY23E Net income standing at €4.5mn with a net margin of 7.5%, while for the following years we project earnings to grow at a CAGR22A-26E equal to 16.0% until reaching €6.5mn by the end of 2026E.

Finally, we expect a FY23E net debt of €7.3mn, considering the dividend cash-out of €1mn, with a progressive improvement up to a cash position of -€9.3mn in FY26E, also including an average dividend pay-out ratio of 28% in the 2023E-2026E period.

## Valuation

Following the projections of Fervi Group's future financials, we carried out the valuation of the company by applying the DCF and market multiples methods.

1. EV/EBITDA and P/E multiple, which returns an equity value of €69.6mn or a fair value of €27.4ps;
2. DCF analysis, based on WACC of 12.7% and 0.5% perpetual growth, which returns an equity value of €55.0mn or a fair value of €21.7ps.

The average of the two methods yields an equity value of €62.3mn or a fair value of €24.5ps.

### Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	70.9	27.9
P/E	68.3	26.9
<b>Average - multiples</b>	<b>69.6</b>	<b>27.4</b>
DCF	55.0	21.7
<b>Average</b>	<b>62.3</b>	<b>24.5</b>

Source: FactSet, KT&Partners' elaboration

## Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2022A–25E data.

### Peer Comparison – Market Multiples 2022A–25E

Company Name	Exchange	Market Cap	EV/SALES				EV/EBITDA				EV/EBIT				P/E			
			2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
W. W. Grainger, Inc.	NYSE	34,897	2.6x	2.4x	2.2x	2.1x	16.2x	14.2x	13.4x	12.4x	17.7x	15.3x	14.4x	13.5x	24.2x	20.5x	19.2x	17.7x
Einhell Germany AG Pref	XETRA	495	0.7x	0.7x	0.6x	0.6x	7.0x	6.7x	6.2x	5.6x	8.3x	7.8x	7.2x	6.5x	8.2x	8.5x	7.8x	6.9x
Distribution Solutions Group, Inc.	NASDAQ	1,377	1.8x	1.3x	1.1x	1.1x	18.2x	12.8x	10.6x	10.4x	30.5x	23.0x	16.7x	16.5x	n.m.	43.3x	27.4x	27.6x
Fastenal Company	NASDAQ	32,444	4.9x	4.7x	4.4x	4.1x	21.1x	20.4x	19.3x	17.8x	23.6x	22.7x	21.3x	19.6x	31.6x	30.0x	28.2x	25.9x
Stanley Black & Decker, Inc.	NYSE	12,142	1.2x	1.3x	1.2x	1.2x	13.4x	15.2x	10.2x	8.7x	21.9x	24.3x	13.6x	11.1x	n.m.	n.m.	17.9x	13.1x
Global Industrial Company	NYSE	1,236	1.2x	1.1x	1.1x	1.1x	12.8x	14.5x	14.0x	14.6x	13.2x	15.2x	14.6x	13.9x	16.6x	18.4x	16.1x	17.4x
MSC Industrial Direct Co., Inc. Class A	NYSE	5,682	1.8x	1.6x	1.6x	1.5x	12.0x	11.2x	10.9x	10.2x	14.2x	12.8x	12.5x	11.7x	18.0x	16.7x	16.4x	15.1x
Cembre S.p.A.	Milan	551	2.8x	2.5x	2.3x	2.1x	10.2x	8.3x	7.7x	7.1x	13.1x	10.3x	9.7x	9.1x	16.9x	13.6x	12.9x	12.2x
DXP Enterprises, Inc.	NASDAQ	545	0.7x	0.6x	0.6x	n.a.	7.9x	5.8x	5.6x	n.a.	10.3x	7.0x	6.7x	n.a.	13.9x	8.9x	8.3x	n.a.
Bossard Holding AG	SIX Swiss	1,483	1.5x	1.6x	1.5x	1.5x	10.7x	12.1x	11.2x	10.1x	12.5x	14.8x	13.7x	12.2x	13.8x	17.0x	15.3x	13.3x
Average peer group		9,085	1.9x	1.8x	1.7x	1.7x	12.9x	12.1x	10.9x	10.8x	16.5x	15.3x	13.1x	12.7x	17.9x	19.7x	16.9x	16.6x
Median peer group		1,430	1.6x	1.4x	1.4x	1.5x	12.4x	12.5x	10.7x	10.2x	13.7x	15.0x	13.7x	12.2x	16.7x	17.0x	16.3x	15.1x
Fervi SpA	Milan	41	0.9x	0.8x	0.8x	0.8x	6.5x	5.8x	5.3x	4.7x	10.1x	8.0x	7.0x	6.1x	11.3x	9.1x	7.9x	6.8x

Source: FactSet, KT&Partners' Elaboration

Following our comps analysis, we evaluate the company by using the 2023–25E EV/EBITDA and P/E market multiples of the peer sample. Our valuation also includes a 25% liquidity/size discount and takes into account our estimates of Fervi Group's EBITDA and Net Income for 2023, 2024, and 2025. We also considered FY22A NFP at €11.2mn

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
EV/EBITDA Comps	12.5x	10.7x	10.2x
Fervi SpA EBITDA	8.9	9.9	10.9
<b>Enterprise value</b>	<b>111.0</b>	<b>105.8</b>	<b>111.8</b>
Average Enterprise Value		109.5	
Liquidity/Size Discount		25%	
<b>Enterprise Value Post-Discount</b>		<b>82.1</b>	
Fervi SpA FY22 Net Debt		11.2	
<b>Equity Value Post-Discount</b>		<b>70.9</b>	
Number of shares (mn)		2.5	
<b>Value per Share €</b>		<b>27.9</b>	

Source: FactSet, KT&Partners' Elaboration

### P/E Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
P/E Comps	19.7x	16.9x	16.6x
Fervi SpA Net Income	4.5	5.1	5.9
<b>Equity Value</b>	<b>87.7</b>	<b>87.2</b>	<b>98.4</b>
Average Equity Value		91.1	
Liquidity/Size Discount		25%	
<b>Equity Value Post-Discount</b>		<b>68.3</b>	
Number of shares (mn)		2.5	
<b>Value per Share €</b>		<b>26.9</b>	

## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.6% cost of equity, 5.0% cost of debt and a D/E ratio of 15% (source: Damodaran – based on the industrial machinery sector). The cost of equity is a function of the risk-free rate of 4.28% (vs 4.2% in our latest report of 5 August, Italian 10y BTP, last 3 months average), 4.67% equity risk premium, vs prior 5.14% (Damodaran for a mature market), and a premium for size and liquidity of 3.1% (source: Duff&Phelps). We, therefore, obtained a WACC of 12.7%.

We discounted 2023E–26E annual cash flow and considered a terminal growth rate of 0.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ Millions	2023E	2024E	2025E	2026E
EBIT	6.5	7.4	8.5	9.3
Taxes	(1.8)	(2.1)	(2.4)	(2.6)
D&A	2.4	2.5	2.5	2.5
Change in Net Working Capital	(0.6)	(0.9)	(0.9)	(0.9)
Change in Funds	0.8	0.8	0.8	0.8
<b>Net Operating Cash Flow</b>	<b>7.2</b>	<b>7.6</b>	<b>8.4</b>	<b>9.1</b>
Capex	(2.0)	(1.1)	(1.2)	(1.2)
<b>FCFO</b>	<b>5.2</b>	<b>6.5</b>	<b>7.2</b>	<b>7.9</b>
<b>g</b>	<b>0.5%</b>			
<b>Wacc</b>	<b>12.7%</b>			
FCFO (discounted)	5.0	5.6	5.5	5.4
Discounted Cumulated FCFO	21.6			
TV	65.3			
TV (discounted)	44.6			
<b>Enterprise Value</b>	<b>66.2</b>			
NFP FY2022A	11.2			
<b>Equity Value</b>	<b>55.0</b>			
Current number of shares (mn)	2.5			
<b>Value per share (€)</b>	<b>21.7</b>			

Source: Company Data, KT&Partners' Elaboration

### Sensitivity analysis

€ Millions	Terminal growth Rate	WACC				
		13.2%	12.9%	12.7%	12.4%	12.2%
	-0.5%	49.0	50.1	51.2	52.4	53.6
	0.0%	50.7	51.8	53.0	54.3	55.6
	0.5%	52.5	53.7	55.0	56.4	57.8
	1.0%	54.4	55.8	57.1	58.6	60.1
	1.5%	56.6	58.0	59.5	61.0	62.7

Source: Company Data, KT&Partners' Elaboration



## Appendix

### Peer Comparison

In order to define Fervi Group's peer sample, we carried out an in-depth analysis of internationally listed companies active in the wholesale industrial distribution and MRO market. In selecting potential peers, we considered Fervi Group's offering and revenue mix, business model, growth, and profitability profile.

For peer analysis, we built a sample of ten companies, which includes:

- **W. W. Grainger:** listed on NYSE Stock Exchange, with a market capitalization of €34.9bn, Grainger is the largest maintenance, repairs, and operations (MRO) distributor in North America. Grainger offers more than 2mn MRO products in its High-Touch Solutions range. In FY22A, the Company reached €14.5bn of sales revenues.
- **Einhell Germany:** listed on Xetra Stock Exchange (Germany) with a capitalization of €495mn, Einhell engages in the manufacture and sale of electronic tools, electrical tools accessories, metal, and plastic products for garden and leisure activities. In FY22A, the Company reached €1bn of sales revenues.
- **Fastenal Company:** listed on NASDAQ Stock Exchange with a capitalization of €32.4bn, Fastenal engages in the provision of fasteners, tools, and supplies which can help manufacture products, build structures, protect personnel, and maintain facilities and equipment. Its products include cutting tools and metalworking, fasteners, material handling, storage and packaging power, transmission and motors, tools and equipment, electricals, abrasives, hydraulics and pneumatics, plumbing, lifting, and rigging, raw materials, fleet and automotive, welding, office products and furniture, and janitorial supplies. In FY22A, the Company reached €6.6bn of sales revenues.
- **Stanley Black & Decker:** listed on NYSE Stock Exchange with a capitalization of €12.1bn, Stanley Black & Decker engages in the provision of power tools, hand tools, storage, digital tool solutions, lifestyle products, outdoor products, engineered fasteners and other industrial equipment to support the world's makers, creators, tradespeople, and builders. It operates through the Tools and Storage segment, and Industrial segment. In FY22A, the Company reached €16.1bn of sales revenues.
- **Global Industrial Company:** listed on NYSE Stock Exchange with a capitalization of €1.2bn, Global Industrial Co. is an industrial distributor active as seller of maintenance, repair, and operational products. In FY22A, the Company reached €1.1mn of sales revenues.
- **MSC Industrial Direct Co.:** listed on NYSE Stock Exchange with a capitalization of €5.7bn, MSC Industrial Direct Co. engages in the distribution of metalworking, maintenance, repair, and operations products and services to manufacturing companies. Its products include cutting tools, measuring instruments, tooling components, metalworking, fasteners, flat stock, raw materials, abrasives, machinery hand and power tools, safety and janitorial supplies, plumbing supplies, materials handling products, power transmission components, and electrical supplies. In FY22A, the Company reached €3.4bn of sales revenues.
- **Cembre:** listed on Borsa Italiana Stock Exchange with a capitalization of €551mn, Cembre engages in designing, manufacturing, and distribution of electrical connectors and related tools. Its products include electrical connectors for switchgear and control panels, installation tools for crimping electrical connectors,

identification and labelling systems, cable glands and accessories. In FY22A, the Company reached €199mn of sales revenues.

- **DXP Enterprises:** listed on NASDAQ Stock Exchange with a capitalization of €545mn, DXP Enterprises engages in the provision of distribution solutions. It operates in the Service Centers, Supply Chain Services, and Innovative Pumping Solutions segments. The Service Centers segment focuses on maintenance, repair, and operations (MRO) products in the rotating equipment, bearing, power transmission, hose, fluid power, metal working, industrial supply, safety products, and safety services categories. In FY21A, the Company reached €942mn of sales revenues.
- **Bossard Holding AG:** listed on SIX Swiss Stock Exchange with a capitalization of €1.5bn, Bossard Holding engages in the supply of product solutions and services in industrial fastener and assembly technology. Its products include gearbox, base plate, eccentric axis, index bolt, shoulder screw, pan-head screw, gripper, and pin board holder. In FY21A, the Company reached €1.1bn of sales revenues.
- **Distribution Solutions Group, Inc.:** listed on NASDAQ Stock Exchange with a capitalization of €1.4bn, Distribution Solutions Group engages in the distribution of maintenance and repair products to industrial, commercial, institutional and government markets. In FY22A, the Company reached €1.1bn of sales revenues.

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