

Fervi's Revenue Holds Steady with Rising Marginality in FY23

ADD | Fair Value: €24.8 (€24.5) | Current Price: €17.4 | Upside: +42.4%

Research Update

April 22, 2024 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Sales Revenues	26.2	37.9	57.3	56.4	59.2	62.2	65.3	68.6
EBITDA	4.1	5.8	7.9	8.2	9.1	9.8	10.5	11.3
margin	15.7%	15.2%	13.9%	14.5%	15.4%	15.8%	16.1%	16.5%
Net Profit	2.3	3.2	3.6	3.9	4.6	5.0	6.3	6.8
margin	8.7%	8.4%	6.3%	7.0%	7.7%	8.1%	9.7%	9.9%
EPS (€)	0.90	1.25	1.42	1.54	1.80	1.98	2.50	2.67
NFP	(3.0)	10.4	11.2	7.6	6.6	2.1	(2.7)	(7.9)

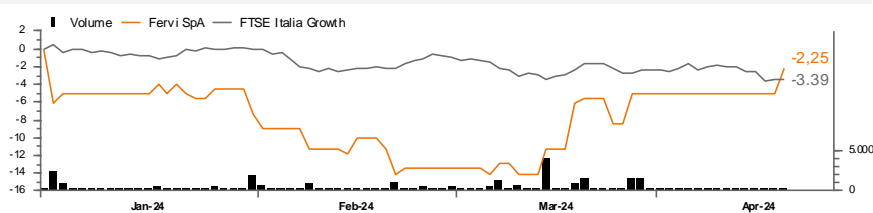
Source: Company data (2020A–23A), KT&Partners' elaboration (2024E–27E).

FY23 Financial Results. On March 22, 2024, Fervi Group released its FY23 financial results announcing €56.4mn in sales revenues (-1.5% YoY), missing our estimate of €59.4mn, as a consequence of order postponements by industrial clients in 4Q23 and of a downturn in the market due an adverse macroeconomic scenario. FY23 EBITDA reached €8.2mn (+3.1% YoY), below our estimate of €8.9mn; nevertheless, the Group marginality rose by 0.6pp (13.9% in FY22 vs 14.5% in FY23), slightly below our estimate of 15%, mainly thanks to lower Cost of services incidence (17.1% in FY23 vs 19.0% in FY22), which more than compensated for the higher personnel costs' incidence (14.0% in FY22 vs 14.9% in FY23). Moreover, considering the non-recurring expenses related to the termination of previous Fervi's and Vogel's General Managers (€306k), FY23 Adjusted EBITDA amounted to €8.7mn, implying an Adj. EBITDA margin of 15.3%. FY23 EBIT stood at €5.4mn vs. €5.1mn in FY22, below our estimate of €6.5mn, with an improved EBIT margin attaining to 9.6% (+0.7pp YoY). Net income came in at €3.9mn (+8.6% YoY), lower than our forecast of €4.5mn, with a net margin of 7% (+0.6pp YoY). The bottom line benefited from a lighter tax burden due to tax credits for losses carried forward used by subsidiary Vogel Germany (in profit this year); considering also Rivit's technical know-how amortization effect (€1.2mn in FY23), together with non-recurring costs, FY23A adjusted net income would have been €5.0mn (vs. 4.6mn in FY22). Finally, FY23 NFP improved to €7.6mn vs. €8.8mn in 3Q23 and €11.2mn in FY22, thanks to the healthy in operating cash flows generation (€5.1mn in FY23), which easily covered investment outflows and the €1.0mn dividend payment in May 2023. For the 2024 period, the Group's BoD announced an ordinary dividend of €1.2mn to be distributed in May 2024, resulting in a dividend per share of €0.47 (vs €0.40 in 2023).

Change in Estimates. Following the release of Fervi Group's FY23A financial results, which mostly underperformed our projections, we revised our prior estimates for the FY24E-26E period and added FY27E estimates. In formulating our projections, we accounted for the uncertain economic and market outlook that the Group might navigate in the upcoming months. We now anticipate FY24E Sales revenues to reach €59.2mn, down from our previous estimate of €63.0mn, to reflect the general macroeconomic slowdown in Italy and across Europe, which has particularly impacted sectors critical to the MRO market, such as the automotive industry. We project Sales revenues to grow at a CAGR23A–27E of +5.0%, to reach €68.6mn in FY27E. At the EBITDA level, we now anticipate a FY24E EBITDA of €9.1mn, down from our previous forecast of €9.9mn, and forecast it to rise at a CAGR23A–27E of +8.4%. On the marginality side, we expect the FY24E EBITDA margin to be 15.4%, slightly lower than our previous estimate of 15.7%. Finally, we expect a net debt of €6.6mn in FY24E, also considering the dividend cash-out of €1.2mn, with a progressive improvement up to a cash position of -€7.9mn in FY27E, taking an average dividend pay-out ratio of 28% into account for the 2024E-2027E period.

Valuation. Our valuation, based on both DCF and market multiple methods (EV/EBITDA and P/E multiples), returns an equity value of €62.9mn or €24.8ps, implying a +42.4% potential upside on the current market price.

Performance Chart YTD



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Market Data

Main Shareholders	
1979 Investimenti Srl	75.59%
Roberto Megna	7.54%
Guido Greco	2.04%
Mkt Cap (€ mn)	44.2
EV (€ mn)	54.6
Shares out.	2.5
Free Float	14.8%

Market multiples	2023	2024	2025
EV/EBITDA			
Fervi SpA	6.4x	5.8x	5.4x
Comps Median	12.5x	12.0x	10.6x
Fervi SpA vs Median	-49%	-52%	-49%
P/E			
Fervi SpA	11.5x	9.9x	9.0x
Comps Median	18.7x	19.5x	16.2x
Fervi SpA vs Median	-38%	-49%	-45%

Stock Data

52 Wk High (€)	17.80
52 Wk Low (€)	14.80
Avg. Daily Trading 90d	322
Price Change 1w (%)	2.96
Price Change 1m (%)	10.13
Price Change YTD (%)	-2.25

KT&PARTNERS PREPARED THIS DOCUMENT PURSUANT TO AN ENGAGEMENT LETTER ENTERED INTO WITH MIT SIM S.P.A. ACTING AS SPECIALIST IN ACCORDANCE WITH ART. 35 OF EURONEXT GROWTH MILAN MARKET RULES FOR COMPANIES

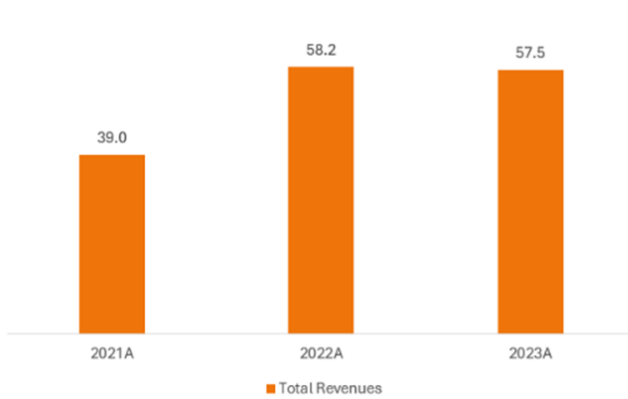
Key Figures – Fervi Group SpA

	Current price (€)	Fair Value (€)			Sector			Free Float (%)
	17.4	24.8			Industrial Machinery			14.8
Per Share Data	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total shares outstanding (mn)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
EPS	0.9	1.3	1.4	1.5	1.8	2.0	2.5	2.7
Dividend per share (ord)	0.26	0.35	0.40	0.47	0.52	0.57	0.63	0.69
Dividend pay out ratio (%)	20.6%	28.9%	27.9%	28.1%	30.4%	28.7%	28.7%	25.0%
Profit and Loss (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Sales Revenues	26.2	37.9	57.3	56.4	59.2	62.2	65.3	68.6
EBITDA	4.1	5.8	7.9	8.2	9.1	9.8	10.5	11.3
EBIT	3.0	4.4	5.1	5.4	6.3	6.9	8.7	9.3
EBT	2.9	4.2	5.1	5.2	6.2	6.8	8.6	9.2
Taxes	(0.6)	(1.0)	(1.4)	(1.3)	(1.6)	(1.8)	(2.2)	(2.4)
Tax rate	22%	24%	29%	25%	26%	26%	26%	26%
Net Income	2.3	3.2	3.6	3.9	4.6	5.0	6.3	6.8
Net Income attributable to the Group	2.3	3.2	3.6	3.9	4.6	5.0	6.3	6.8
Balance Sheet (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total fixed assets	5.8	15.4	14.5	12.4	13.6	12.0	11.5	10.7
Net Working Capital (NWC)	16.8	25.0	29.5	31.1	32.9	34.5	36.0	37.5
Provisions	(2.3)	(4.0)	(4.1)	(4.0)	(4.8)	(5.5)	(6.3)	(7.1)
Total Net capital employed	20.3	36.4	39.9	39.4	41.8	41.0	41.1	41.1
Net financial position/(Cash)	(3.0)	10.4	11.2	7.6	6.6	2.1	(2.7)	(7.9)
Group Shareholder's Equity	23.2	26.0	28.7	31.8	35.2	38.9	43.8	49.0
Total Shareholder's Equity	23.2	26.0	28.7	31.8	35.2	38.9	43.8	49.0
Cash Flow (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Net operating cash flow	3.5	4.7	6.5	6.8	7.5	8.0	8.2	8.9
Change in NWC	(0.7)	(8.2)	(4.5)	(1.6)	(1.8)	(1.6)	(1.5)	(1.5)
Capital expenditure	(0.2)	(9.9)	(1.8)	(1.0)	(4.0)	(1.2)	(1.2)	(1.2)
Other cash items/Uses of funds	0.3	0.6	(0.0)	0.3	0.7	0.7	0.7	0.7
Free cash flow	2.9	(12.7)	0.1	4.6	2.3	5.9	6.3	6.9
Enterprise Value (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Market Cap	29.2	37.1	38.2	45.2	44.2	44.2	44.2	44.2
Minorities	-	-	-	-	-	-	-	-
Net financial position/(Cash)	(3.0)	10.4	11.2	7.6	6.6	2.1	(2.7)	(7.9)
Enterprise value	26.2	47.5	49.4	52.8	50.8	46.3	41.5	36.3
Ratios (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
EBITDA margin	15.7%	15.2%	13.9%	14.5%	15.4%	15.8%	16.1%	16.5%
EBIT margin	11.6%	11.6%	9.0%	9.6%	10.7%	11.1%	13.3%	13.5%
Gearing - Debt/equity	-12.7%	40.0%	39.0%	23.9%	18.8%	5.4%	-6.1%	-16.1%
Interest cover on EBIT	4.0%	3.8%	1.4%	3.8%	2.3%	1.9%	1.4%	1.2%
NFP/EBITDA	-72.0%	180.2%	140.9%	92.8%	72.5%	21.3%	-25.3%	-69.6%
ROCE	15.0%	12.1%	12.9%	13.8%	15.1%	16.9%	21.1%	22.6%
ROE	9.8%	12.2%	12.6%	12.3%	13.0%	12.9%	14.5%	13.8%
EV/Sales	2.0x	1.4x	0.9x	0.9x	0.9x	0.8x	0.8x	0.8x
EV/EBITDA	12.8x	9.1x	6.6x	6.4x	5.8x	5.4x	5.0x	4.7x
P/E	19.8x	14.2x	12.5x	11.5x	9.9x	9.0x	7.1x	6.7x
Free cash flow yield	6.4%	-27.8%	0.3%	10.0%	5.0%	12.9%	13.7%	15.0%
Growth Rates (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Sales	-8.7%	44.9%	50.9%	-1.5%	5.0%	5.0%	5.0%	5.0%
EBITDA	-8.4%	40.4%	37.6%	3.1%	11.3%	7.7%	7.0%	7.6%
EBIT	-10.8%	44.1%	17.1%	5.8%	16.3%	9.6%	25.6%	6.7%
Net Income	-11.6%	39.3%	13.5%	8.6%	16.5%	10.0%	26.2%	6.9%

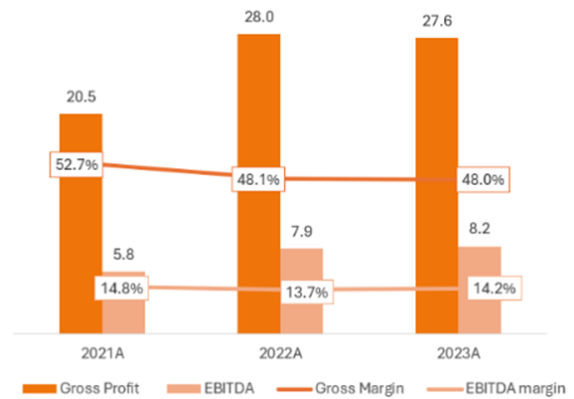
Source: Company Data (2020A-2023A), KT&Partners' forecasts (2024E-2027E)

Key charts

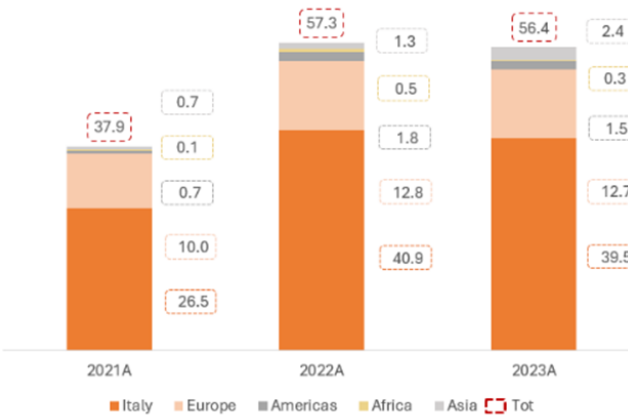
Total Revenues (€mn)



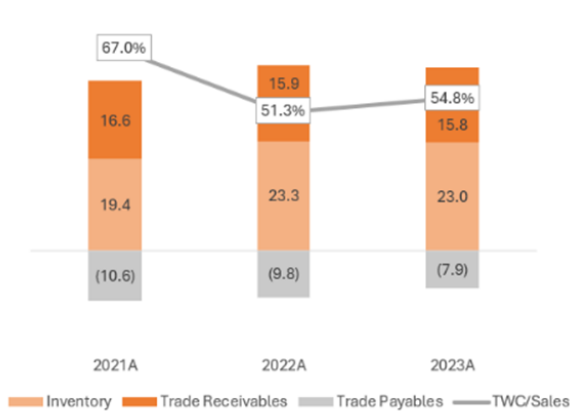
Gross Profit and EBITDA (€mn, %)¹



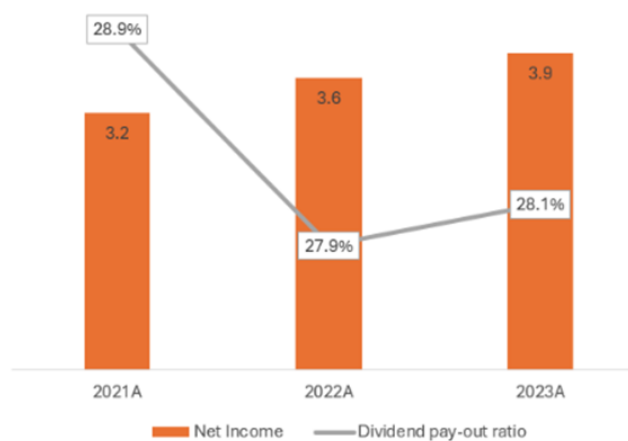
Sales Revenues breakdown (€mn)



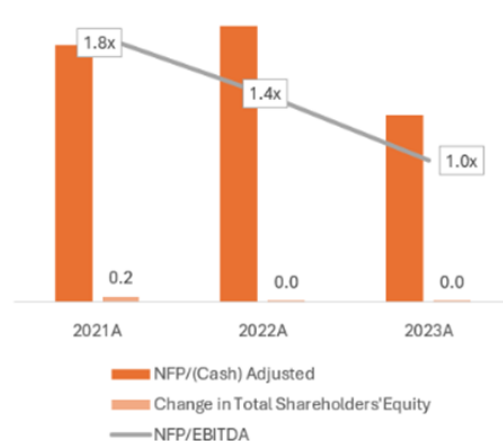
Trade Working Capital (€mn, %)



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



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



¹ 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 increased from 3,800 references in 2012 to over 60,000 in 2024. 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 CAGR2019-23A of 18.4% (taking in consideration also the revenue contribution of the acquired companies during the period) and an average double-digit EBITDA margin of 14.9%. In addition, thanks to its strong cash generation, with an avg. operating cash flow (OCF) over 2019-2023 of €2.2mn and an average OCF/EBITDA ratio of 37%, the Group between 2019 and 2023 had an average pay-out ratio of 26.8%.
- **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.

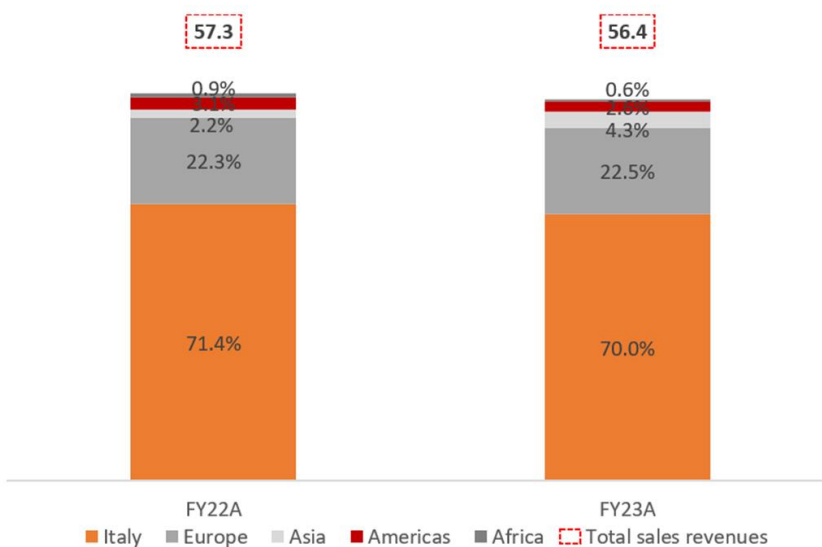
FY23 Financial Results

On March 22, 2024, Fervi Group released its FY23 financial results: the Group announced €56.4mn in sales revenues, which represents a -1.5% contraction compared to FY22 sales, standing 3.6% under our estimate of €59.4mn. The contraction is mainly attributable to order postponements by industrial clients in the fourth quarter of the year, and to a downturn in the market due to the adverse macroeconomic scenario. The revenues figure benefited from the full consolidation in 2023 of Rivit India (99.6% owned by Rivit Srl) into the Group perimeter, which brought €1.3mn in additional revenues.

Total revenues amounted to €57.5mn, after accounting for other revenues, which amount to €1.1mn, higher than our estimate of €0.3mn due to higher-than-expected change in inventories of finished product, which came in at €0.8mn.

Looking at the geographical revenues' breakdown, in 2023 Fervi generated 70.0% of its sales in Italy, marking a decrease of 1.4 percentage points from FY22. The distribution of sales across other geographical regions remained relatively stable compared to FY22, with Europe accounting for 22.5% of sales revenues, slightly up from 22.3%. The Americas represented 2.6% of total sales, down from 3.2% in FY22, while Africa's share decreased from 0.9% to 0.6%. In contrast, Asia saw a significant expansion, with its share of sales revenues nearly doubling from 2.2% in FY22 to 4.3% in FY23, highlighting its growing importance in Fervi's global market presence.

FY22A-23A Sales revenues' breakdown by Geographic area (% , €mn)



Source: KT&Partners' Elaboration on Company Data

The Group achieved a gross profit of €27.6mn, nearly matching the FY22 figure of €28mn, but fell below our forecast of €30.6mn. The costs of products and raw materials remained stable at €29.9mn, compared to €30.2mn in FY22, with their impact on sales holding steady at 53.0% (up slightly from 52.7% in FY22). Consequently, the company was able to largely maintain its gross margin at 48.9%, unchanged from the previous year. However, this was below our projected margin of 51.5%, primarily due to higher-than-expected costs of raw materials (53% on sales vs our estimate of 49%). This shortfall stems from persistent inflationary pressures throughout the supply chain, particularly affecting iron and steel items.

FY23 EBITDA reached €8.2mn improving from €7.9mn in FY22 (+3.1% YoY), although missing our estimate of €8.9mn. Nevertheless, the Group enhanced its marginality by 0.6pp, going from an EBITDA margin of 13.9% in FY22A to 14.5% in FY23, slightly below our estimate of 15%. Indeed, marginality has been helped by a 1.9pp cut in Cost of services incidence from 19.0% in FY22 to 17.1%, which more than compensated for the increase in personnel costs

incidence rose from 14.0% to 14.9% in FY23. Moreover, considering the non-recurring expenses related to the termination of previous Fervi's and Vogel's General Managers, which totaled €306k, the FY23 Adjusted EBITDA amounted to €8.7mn, implying an Adj. EBITDA margin of 15.3%.

EBIT in FY23 stood at €5.4mn vs. €5.1mn in FY22, below our estimate of €6.5mn, with an improved EBIT margin attaining to 9.6% vs. 9% in FY22. The Group's net income came in at €3.9mn (+8.6% YoY), lower than our forecast of €4.5mn, achieving a net margin of 7%, which improved by 0.6pp from the FY22 net margin of €6.2mn. The bottom line benefited from a lighter tax burden due to tax credits for losses carried forward used by subsidiary Vogel Germany, which ended up with a net loss in FY22 but produced a profit this year; on the other hand, Fervi and Riflex have exhausted the Patent Box tax benefit granted in 2020. Furthermore, when considering the effect of Rivit's technical know-how amortization, which amounts to €1.2mn, together with non-recurring costs, FY23A adjusted net income would have been €5.0mn vs. 4.6mn in FY22.

Finally, FY23 Net Financial Position amounted to €7.6mn, improving from €8.8mn in 3Q23 and €11.2mn at the end of the 2022 period. The Group closed the FY23 period with €5.1mn in operating cash flows, easily covering the outflows for capital investments the €1.0mn dividend payments in May 2023. The NFP benefited also from the previously mentioned consolidation of Rivit India PVT, for a positive amount of €0.3mn.

For the 2024 period, the Group's BoD announced an ordinary dividend of €1.2mn to be distributed in May 2024, resulting in a dividend per share of €0.47 (vs €0.40 in 2023).

FY20A–23A Income Statement vs FY23 Estimates

€ million	FY20	FY21	FY22	FY23	YoY %	FY23E	A vs E %
Sales Revenues	26.2	37.9	57.3	56.4	-1.5%	59.4	-3.6%
Other Revenues	0.3	1.0	0.9	1.1		0.3	
Total Revenues	26.4	39.0	58.2	57.5	-1.2%	59.7	-2.6%
<i>Growth %</i>	<i>-9.1%</i>	<i>47.3%</i>	<i>49.3%</i>	<i>-1.2%</i>		<i>2.6%</i>	
Products and Raw materials	(13.1)	(18.4)	(30.2)	(29.9)		(29.1)	
Gross Profit	13.4	20.5	28.0	27.6	-1.4%	30.6	-8.5%
<i>Gross Margin</i>	<i>51.1%</i>	<i>54.0%</i>	<i>48.9%</i>	<i>48.9%</i>	<i>0%</i>	<i>51.5%</i>	
Cost of Services	(4.8)	(8.6)	(10.9)	(9.7)		(11.9)	
Rental Costs	(0.5)	(0.7)	(1.0)	(1.1)		(0.9)	
Personnel Expenses	(3.9)	(5.4)	(8.0)	(8.4)		(8.7)	
Other Operating Expenses	(0.1)	(0.1)	(0.2)	(0.2)		(0.2)	
EBITDA	4.1	5.8	7.9	8.2	3.1%	8.9	-10.7%
<i>EBITDA margin</i>	<i>15.7%</i>	<i>15.2%</i>	<i>13.9%</i>	<i>14.5%</i>	<i>0.6%</i>	<i>15.0%</i>	
D&A and Provisions	(1.1)	(1.4)	(2.8)	(2.8)		(2.4)	
EBIT	3.0	4.4	5.1	5.4	5.8%	6.5	-20.5%
<i>EBIT margin</i>	<i>11.6%</i>	<i>11.6%</i>	<i>9.0%</i>	<i>9.6%</i>	<i>0.7%</i>	<i>10.9%</i>	
<i>Growth %</i>	<i>-10.8%</i>	<i>44.1%</i>	<i>17.1%</i>	<i>5.8%</i>		<i>25.7%</i>	
Financial Income and Expense	(0.1)	(0.2)	(0.1)	(0.2)		(0.2)	
Extraordinary items	(0.0)	(0.0)	(0.0)	(0.0)		-	
EBT	2.9	4.2	5.1	5.2	3.5%	6.2	-19.0%
Taxes	(0.6)	(1.0)	(1.4)	(1.3)		(1.8)	
<i>Tax Rate</i>	<i>21.7%</i>	<i>24.4%</i>	<i>28.5%</i>	<i>25.0%</i>		<i>28.5%</i>	
Net Income	2.3	3.2	3.6	3.9	8.6%	4.5	-19.0%

Source: KT&Partners' Elaboration on Company Data

Change in Estimates

Following the release of Fervi Group's FY23A financial results, which mostly underperformed our projections, we revised our prior estimates for the FY24E-26E period and added FY27E estimates. In formulating our projections, we accounted for the uncertain economic and market outlook that the Group might navigate in the upcoming months. In particular, the following point have been considered:

- macroeconomic outlook: in January 2024, the IMF released its updated World Economic Outlook, in which global economic growth estimates for 2024 were upward revised from the October update, thanks to the overperformance of the US economy and some Emerging markets. However, past years' macroeconomic and geopolitical turmoil do not allow to draw a clear path for a sustainable economic growth. Moreover, the higher optimism on the global economy contrasts with the view on the European outlook, for which growth estimates have been downward revised: Euro area GDP is forecasted to grow by 0.9% in 2024 vs. +1.2% previously estimated. Germany, in particular, is seen to struggle the most, and its yearly GDP growth rate estimate has been cut to +0.5% from +0.9%. For Italy, the IMF forecasts +0.7% GDP growth rate in 2024 and +1.1% in 2025.
- supply chain issues: the conflict in the Middle East has made the shipping routes through the Red Sea and to the Suez Canal unsafe for carriers, forcing them to take the long path around Africa, leading to higher shipping costs at the start of the year.
- inflation persistence given the uncertain macroeconomic context, and the persistent effects of inflation on raw materials prices (particularly on iron and steel items), the Group raised its list prices to preserve its marginality.

We now anticipate FY24E Sales revenues to reach €59.2mn, down from our previous estimate of €63.0mn, to reflect the general macroeconomic slowdown in Italy and across Europe, which has particularly impacted sectors critical to the MRO market, such as the automotive industry. We project Sales revenues to grow at a CAGR23A-27E of +5.0%, to reach €68.6mn in FY27E.

Taking into account the other revenues, we estimated Total revenues to reach €60.2mn, down from our previous estimate of €63.3mn, and subsequently grow at a CAGR23A-27E of +4.9%, to reach €69.7mn in FY27E.

At the EBITDA level, we now anticipate a FY24E EBITDA of €9.1mn, down from our previous forecast of €9.9mn, and forecast it to rise at a CAGR23A-27E of +8.4% to reach €11.3mn in FY27E. On the marginality side, we expect the FY24E EBITDA margin to be 15.4%, slightly lower than our previous estimate of 15.7%, then improving in the following years as we anticipate last years' inflationary pressures on transport and raw materials cost to ease over time, reaching a 16.5% EBITDA margin at the end of FY27E.

We anticipate FY24E net income at €4.6mn with a net margin of 7.7%, revising our previous estimate of €5.1mn on a net margin of 8.2%; for the next years, we then project the net income to grow at a CAGR23A-27E equal to 14.7%, reaching €6.8mn by the end of 2027E.

Finally, we expect a net debt of €6.6mn in FY24E, also considering the dividend cash-out of €1.2mn, with a progressive improvement up to a cash position of -€7.9mn in FY27E, taking an average dividend pay-out ratio of 28% into account for the 2024E-2027E period.

Change in Estimates

€ Millions	2021A	2022A	2023E	2023A	CAGR	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	Change	2027E	Change	CAGR
	Actual	Actual	Estimate	Actual	2021-23	Old	New		Old	New		Old	New		New		2023A-27E
Sales Revenues	37.9	57.3	59.4	56.4	21.9%	63.0	59.2	-5.9%	66.7	62.2	-6.8%	70.8	65.3	-7.7%	68.6	5.0%	5.0%
YoY Change (%)	44.9%	50.9%	3.7%	-1.5%		6.0%	5.0%		6.0%	5.0%		6.0%	5.0%		5.0%		
EBITDA	5.8	7.9	8.9	8.2	19.1%	9.9	9.1	-7.6%	10.9	9.8	-10.2%	11.8	10.5	-10.9%	11.3	7.6%	8.4%
YoY Change (%)	40.4%	37.6%	12.0%	3.1%		11.0%	11.3%		10.7%	7.7%		7.9%	7.0%		7.6%		
EBITDA Margin	15.2%	13.9%	15.0%	14.5%		15.7%	15.4%		16.4%	15.8%		16.7%	16.1%		16.5%		
EBIT	4.4	5.1	6.5	5.4	11.3%	7.4	6.3	-14.5%	8.5	6.9	-18.2%	9.3	8.7	-6.2%	9.3	6.7%	14.3%
YoY Change (%)	44.1%	17.1%	25.7%	5.8%		14.4%	16.3%		14.5%	9.6%		9.5%	25.6%		6.7%		
EBIT Margin	11.6%	9.0%	10.9%	9.6%		11.7%	10.7%		12.7%	11.1%		13.1%	13.3%		13.5%		
Net Income	3.2	3.6	4.5	3.9	11.0%	5.1	4.6	-11.2%	5.9	5.0	-15.3%	6.5	6.3	-2.8%	6.8	6.9%	14.7%
YoY Change (%)	39.3%	13.5%	23.5%	8.6%		15.4%	16.5%		15.3%	10.0%		10.0%	26.2%		6.9%		
Net Margin	8.4%	6.3%	7.5%	7.0%		8.2%	7.7%		8.9%	8.1%		9.2%	9.7%		9.9%		
NFP	10.4	11.2	7.3	7.6		2.3	6.6	4.3	(3.1)	2.1	5.2	(9.3)	(2.7)	6.6	(7.9)	(5.2)	(5.2)
YoY Change (%)	451.5%	7.6%	-34.6%	-32.1%		-68.4%	-13.1%		n.m.	-68.3%		n.m.	n.m.		n.m.		

Source: KT&Partners' Elaboration on Company Data

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 €70.4mn or a fair value of €27.7ps;
2. DCF analysis, based on WACC of 11.7% and 0.5% perpetual growth, which returns an equity value of €55.4mn or a fair value of €21.8ps.

The average of the two methods yields an equity value of €62.9mn or a fair value of €24.8ps.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	72.4	28.5
P/E	68.4	27.0
Average - multiples	70.4	27.7
DCF	55.4	21.8
Average	62.9	24.8

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
Cembre S.p.A.	Milan	716	3.5x	3.1x	2.9x	2.7x	12.9x	10.4x	9.7x	9.4x	16.5x	12.8x	11.9x	11.5x	22.0x	17.3x	16.7x	16.0x
W.W. Grainger, Inc.	NYSE	43,266	3.1x	3.0x	2.8x	2.6x	19.8x	17.5x	16.5x	15.3x	21.6x	19.0x	17.7x	16.4x	30.5x	25.9x	23.7x	21.6x
Einhell Germany AG Pref	XETRA	588	0.7x	0.7x	0.6x	0.6x	7.0x	6.8x	6.4x	5.9x	8.2x	8.0x	7.5x	6.8x	9.8x	10.3x	9.4x	8.6x
Distribution Solutions Group, Inc.	NASDAQ	1,423	1.8x	1.3x	1.2x	1.1x	18.1x	12.3x	12.0x	10.8x	30.5x	28.7x	17.8x	15.1x	n.m	n.m	33.3x	24.4x
Fastenal Company	NASDAQ	36,269	5.5x	5.4x	5.0x	4.6x	23.5x	23.2x	22.1x	20.3x	26.4x	25.9x	24.3x	22.2x	35.2x	34.0x	31.9x	29.4x
Stanley Black & Decker, Inc.	NYSE	12,893	1.2x	1.3x	1.3x	1.3x	13.7x	17.1x	12.1x	10.4x	22.4x	23.2x	15.3x	12.8x	n.m	n.m	21.5x	15.6x
Global Industrial Company	NYSE	1,438	1.3x	1.3x	1.2x	1.1x	14.4x	16.0x	15.2x	13.0x	14.9x	16.7x	15.4x	13.0x	19.3x	22.3x	19.9x	17.0x
MSC Industrial Direct Co., Inc. Class A	NYSE	4,831	1.6x	1.4x	1.5x	1.4x	10.5x	9.9x	10.5x	9.5x	12.4x	11.3x	12.3x	11.1x	15.5x	14.4x	16.1x	14.4x
DXP Enterprises, Inc.	NASDAQ	762	0.8x	0.7x	0.7x	0.6x	9.4x	7.1x	6.4x	6.1x	12.1x	8.9x	8.1x	7.6x	20.0x	12.6x	14.1x	12.6x
Bossard Holding AG	SIX Swiss	1,638	1.6x	1.6x	1.7x	1.6x	11.2x	12.7x	12.9x	11.6x	13.1x	15.5x	15.8x	14.0x	15.4x	20.0x	19.1x	16.5x
Average peer group		10,382	2.1x	2.0x	1.9x	1.8x	14.1x	13.3x	12.4x	11.2x	17.8x	17.0x	14.6x	13.1x	21.0x	19.6x	20.6x	17.6x
Median peer group		1,538	1.6x	1.4x	1.4x	1.3x	13.3x	12.5x	12.0x	10.6x	15.7x	16.1x	15.3x	12.9x	19.7x	18.7x	19.5x	16.2x
Fervi SpA	Milan	44	0.9x	0.9x	0.9x	0.8x	6.5x	6.3x	5.7x	5.3x	10.1x	9.5x	8.2x	7.5x	12.2x	11.3x	9.7x	8.8x

Source: FactSet, KT&Partners' Elaboration

Following our comps analysis, we evaluate the company by using the 2024–25E 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			P/E Multiple Valuation		
Multiple Valuation (€mn)	2024E	2025E	Multiple Valuation (€mn)	2024E	2025E
EV/EBITDA Comps	12.0x	10.6x	P/E Comps	20.6x	17.6x
Fervi SpA EBITDA	9.1	9.8	Fervi SpA Net Income	4.6	5.0
Enterprise value	109.6	103.7	Equity Value	94.0	88.5
Average Enterprise Value		106.6	Average Equity Value		91.2
Liquidity/Size Discount		25%	Liquidity/Size Discount		25%
Enterprise Value Post-Discount		80.0	Equity Value Post-Discount		68.4
Fervi SpA FY23 Net Debt		7.6	Number of shares (mn)		2.5
Equity Value Post-Discount		72.4	Value per Share €		27.0
Number of shares (mn)		2.5			
Value per Share €		28.5			

Source: FactSet, KT&Partners' Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, assuming a 12.9% cost of equity, 3.0% 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 3.78% (vs 4.28% in our latest report of October 19, 2023, drawn by the Italian 10y BTP yield, last 3 months average), 4.50% equity risk premium, vs prior 4.67% (Damodaran for a mature market), and a premium for size and liquidity of 3.1% (source: Duff&Phelps). We, therefore, obtained a WACC of 11.7%.

We discounted 2024E–27E 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	2024E	2025E	2026E	2027E
EBIT	6.3	6.9	8.7	9.3
Taxes	(1.6)	(1.8)	(2.3)	(2.4)
D&A	2.8	2.9	1.8	2.0
Change in Net Working Capital	(1.8)	(1.6)	(1.5)	(1.5)
Net Operating Cash Flow	6.4	7.2	7.6	8.2
Capex	(4.0)	(1.2)	(1.2)	(1.2)
FCFO	2.4	6.0	6.4	7.0
g	0.5%			
Wacc	11.7%			
FCFO (discounted)	2.2	5.0	4.7	4.6
Discounted Cumulated FCFO	16.5			
TV	62.7			
TV (discounted)	46.5			
Enterprise Value	63.0			
NFP FY2023A	7.6			
Equity Value	55.4			
Current number of shares (mn)	2.5			
Value per share (€)	21.8			

Source: Company Data, KT&Partners' Elaboration

Sensitivity analysis

€ Millions		WACC				
		12.2%	11.9%	11.7%	11.4%	11.2%
Terminal growth Rate	-0.5%	48.9	50.0	51.2	52.4	53.7
	0.0%	50.7	51.9	53.2	54.6	55.9
	0.5%	52.7	54.1	55.4	56.9	58.4
	1.0%	54.9	56.4	57.9	59.4	61.1
	1.5%	57.3	58.9	60.5	62.2	64.0

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:

- **Cembre:** listed on Borsa Italiana Stock Exchange with a capitalization of €716mn, 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.
- **W. W. Grainger:** listed on NYSE Stock Exchange, with a market capitalization of €43.3bn, 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 €588mn, 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 €36.3bn, 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 €12.9bn, 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 €1.4bn, 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 €4.8bn, 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.

- **DXP Enterprises:** listed on NASDAQ Stock Exchange with a capitalization of €762mn, 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 €1.6bn, 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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