

Rivit's M&A is Paying Off: A Revenues Record-Year

ADD | Fair Value: €23.2 (€23.2) | Current Price: €16.5 | Upside: +40.6%

€ Million	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Revenues	29.1	26.4	39.0	56.9	59.7	63.3	67.1
EBITDA	4.5	4.1	5.8	8.1	8.9	9.9	10.9
margin	15.4%	15.5%	14.8%	14.2%	14.9%	15.6%	16.3%
Net Profit	2.6	2.3	3.2	3.8	4.6	5.3	6.0
margin	8.9%	8.6%	8.2%	6.8%	7.6%	8.4%	9.0%
EPS (€)	1.03	0.91	1.27	1.52	1.79	2.08	2.38
NFP	(0.9)	(3.0)	10.4	8.6	3.5	(1.8)	(7.8)

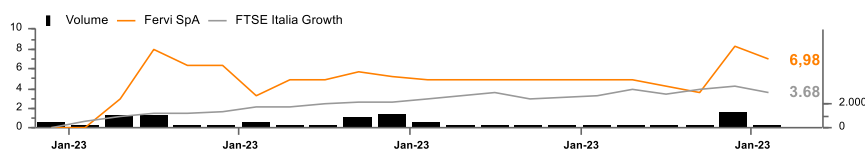
Source: Company data (2019–21), KT&Partners' elaboration (2022–25).

2022: A Record-year Growth for the Fervi Group's Revenues. On January 30th Fervi Group released FY22 preliminary operating revenues, which reported an outstanding growth of 50.9% YoY peaking at €57.3mn, achieving both the highest YoY growth and the record Group's operating revenues ever since. This result is mainly attributable to Rivit's consolidation, an Italian company specialised in the production of fastener tools acquired in September 2021. However, this growth has been possible not only for the company's consolidation, but also thanks to the notable performance of the fasteners tools market that has particularly fostered Rivit's business in FY22. In addition, Fervi Group communicated the FY22 Net Financial Position, which remained relatively stable, increasing only by €0.8mn from €10.4mn in 1H22 to €11.2mn in FY22 (vs. our latest estimates of €8.6mn). This slight NFP's increase is caused by a higher Group's NWC given the greater volume of receivables occurred after the positive 4Q 2022, some nonrecurring expenditures related to real estate investments in the German headquarter, and tax outflows related to the Rivit's technical know-how, which will show the corresponding positive effects in the next four fiscal years through its amortization.

Fervi Group Set its Code of Ethics and Launch New Welfare Initiatives. In December 2022, Fervi Group's BoD communicated to have approved the "Code of Ethics", a corporate document that establishes all the ethical guidelines that drives the Group's activity. Indeed within this document Fervi identified as Group's cornerstones 4 main pillars: i) legality, establishing that the Group operates in full compliance with the law, providing its employee all the necessary means to stay updated to the legislative developments; ii) probity, determining that moral integrity and a fair conduct are founding elements of the Group's activity; iii) equality, avoiding and rejecting any form of discrimination; and iv) privacy, guaranteeing the protection and confidentiality of personal data of all Fervi Group's stakeholders and employees. Moreover, the Group committed itself to encourage an active participation of its workforce, gathering opinions, suggestions, and guaranteeing the conditions to furthering professional growth. To follow up on this commitment, the Group decided to allocate more than 3% of the profit to its employees to support them in a troublesome macroeconomic period.

Estimates and valuation confirmed. Given FY22 Fervi Group's preliminary result almost aligned with our expectations and waiting for FY22 audited results, we confirmed our latest estimates of October 11th, 2022. We will update our estimates and valuation following the release of FY22 audited financial results. On the back of our current projections, we still see a potential upside of +40.6% on the current price.

Performance Chart – YTD



Research Update

February 1, 2023 – 7.00 h

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Market Data

Main Shareholders	
1979 Investimenti Srl	75.6%
Roberto Megna	7.5%
Guido Greco	2.0%
Mkt Cap (€ mn)	41.9
EV (€ mn)	52.3
Shares out.	2.5
Free Float	14.8%

Market multiples	2021	2022	2023
EV/EBITDA			
Fervi SpA	9.1x	6.5x	5.9x
Comps Average	11.2x	11.1x	10.6x
Fervi SpA vs Average	-19%	-42%	-45%
P/E			
Fervi SpA	13.2x	10.9x	9.2x
Comps Average	17.0x	16.8x	16.4x
Fervi SpA vs Average	-22%	-35%	-44%

Stock Data

52 Wk High (€)	16.90
52 Wk Low (€)	12.60
Avg. Daily Trading 90d	215
Price Change 1w (%)	4.43
Price Change 1m (%)	9.63
Price Change YTD (%)	9.63

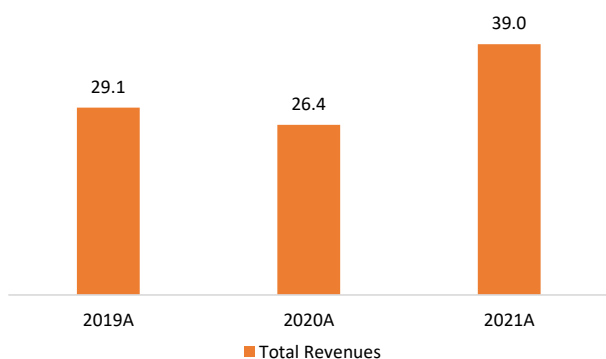
Key Figures – Fervi Group SpA

	Current price (€)	Fair Value (€)			Sector		Free Float (%)
	16.50	23.2			Industrial Machinery		14.83
Per Share Data	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total shares outstanding (mn)	2.50	2.50	2.50	2.54	2.54	2.54	2.54
EPS	1.03	0.91	1.27	1.52	1.79	2.08	2.38
Dividend per share (ord)	0.20	0.21	0.26	0.35	0.40	0.50	0.60
Dividend pay out ratio (%)	28%	21%	29%	28%	26%	28%	29%
Profit and Loss (EUR million)	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total Revenues	29.1	26.4	39.0	56.9	59.7	63.3	67.1
EBITDA	4.5	4.1	5.8	8.1	8.9	9.9	10.9
EBIT	3.4	3.0	4.4	5.4	6.3	7.2	8.2
EBT	3.4	2.9	4.2	5.1	6.1	7.0	8.1
Taxes	(0.8)	(0.6)	(1.0)	(1.3)	(1.5)	(1.8)	(2.0)
Tax rate	23%	22%	24%	25%	25%	25%	25%
Net Income	2.6	2.3	3.2	3.8	4.6	5.3	6.0
Net Income attributable to the Group	2.6	2.3	3.2	3.8	4.6	5.3	6.0
Balance Sheet (EUR million)	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total fixed assets	6.6	5.8	15.4	14.8	13.3	11.9	10.4
Net Working Capital (NWC)	16.1	16.8	25.0	27.4	28.0	28.8	29.7
Provisions	(1.9)	(2.3)	(4.0)	(4.7)	(5.4)	(6.1)	(6.8)
Total Net capital employed	20.8	20.3	36.4	37.5	35.9	34.6	33.2
Net financial position/(Cash)	(0.9)	(3.0)	10.4	8.6	3.5	(1.8)	(7.8)
Group Shareholder's Equity	21.7	23.2	26.0	28.9	32.5	36.5	41.0
Minorities	-	-	-	-	-	-	-
Total Shareholder's Equity	21.7	23.2	26.0	28.9	32.5	36.5	41.0
Cash Flow (EUR million)	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Net operating cash flow	3.7	3.5	4.7	6.7	7.3	8.1	8.9
Change in NWC	(1.5)	(0.7)	(8.2)	(2.5)	(0.6)	(0.8)	(0.8)
Capital expenditure	(3.2)	(0.2)	(9.9)	(2.0)	(1.1)	(1.2)	(1.2)
Other cash items/Uses of funds	0.1	0.3	0.6	0.6	0.6	0.7	0.7
Free cash flow	(0.9)	2.9	(12.7)	2.9	6.3	6.7	7.5
Enterprise Value (EUR million)	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Market Cap	28.0	28.8	36.5	41.9	41.9	41.9	41.9
Minorities	-	-	-	-	-	-	-
Net financial position/(Cash)	(0.9)	(3.0)	10.4	8.6	3.5	(1.8)	(7.8)
Enterprise value	27.1	25.8	46.9	50.5	45.4	40.1	34.1
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E	2025E
EBITDA margin	15.4%	15.5%	14.8%	14.2%	14.9%	15.6%	16.3%
EBIT margin	11.7%	11.5%	11.3%	9.5%	10.5%	11.4%	12.2%
Gearing - Debt/equity	-4.1%	-12.7%	40.0%	29.7%	10.7%	-5.1%	-19.0%
Interest cover on EBIT	1.6%	4.0%	3.8%	4.4%	3.1%	2.1%	1.3%
NFP/EBITDA	-19.9%	-72.0%	180.2%	106.4%	39.0%	-18.7%	-71.1%
ROCE	16.4%	15.0%	12.1%	14.3%	17.5%	20.8%	24.6%
ROE	11.9%	9.8%	12.2%	13.3%	14.0%	14.5%	14.7%
EV/Sales	1.80x	1.98x	1.34x	0.92x	0.88x	0.83x	0.78x
EV/EBITDA	11.65x	12.72x	9.06x	6.48x	5.88x	5.30x	4.79x
P/E	16.22x	18.34x	13.17x	10.89x	9.20x	7.92x	6.93x
Free cash flow yield	-1.6%	5.6%	-24.3%	5.5%	12.0%	12.8%	14.4%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Sales	18.9%	-9.1%	47.3%	46.0%	5.0%	6.0%	6.0%
EBITDA	-0.5%	-8.4%	40.4%	39.9%	10.2%	11.0%	10.7%
EBIT	32.8%	-10.8%	44.1%	22.7%	16.6%	14.9%	13.4%
Net Income	34.6%	-11.6%	39.3%	21.0%	18.3%	16.1%	14.3%

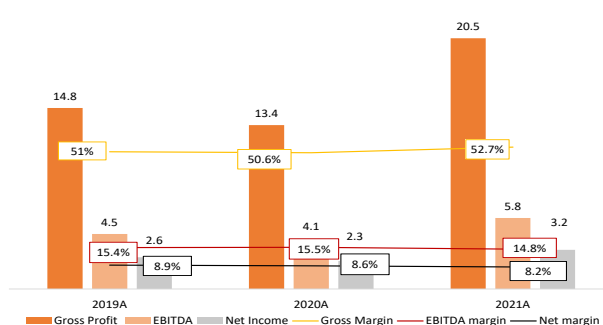
Source: Company Data (2019-2021), KT&Partners' forecasts (2022-2025)

Key charts

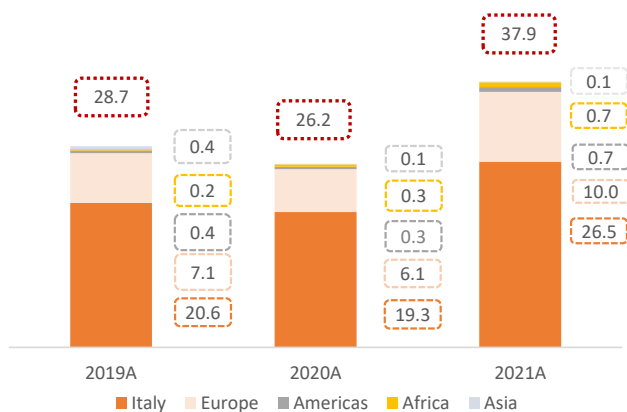
Total Revenues (€mn)



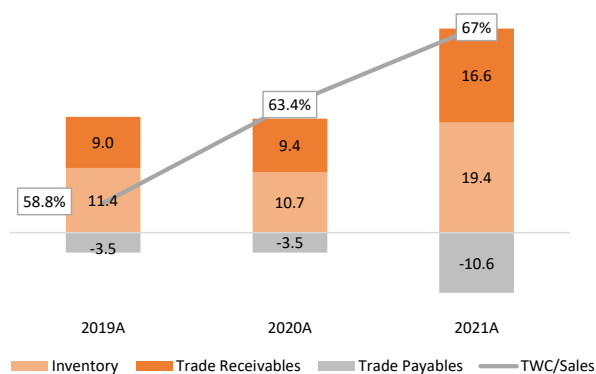
Gross Profit, EBITDA and Net Income (€mn, %)¹



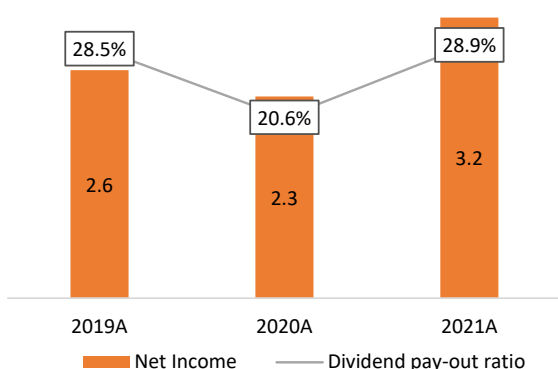
Sales Revenues breakdown (€mn)



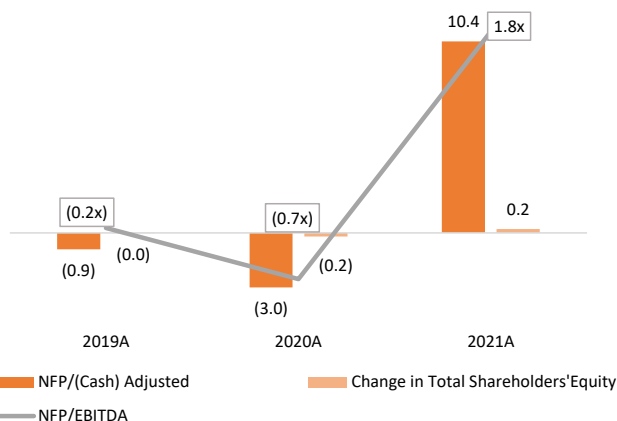
Trade Working Capital (€mn, %)



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, product, 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 the artisans to solidly improve the productivity and quality of their daily work.

The Group's offer nine groups' product, 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 assortments, together with a careful attention to innovation and a cutting-edge customers 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, expanding also its portfolio product.
- **The Group boasts a competitive positioning in a very fragmented market**, thanks to its distinctive business model, based on a go-to-market approach supported by a wide product portfolio.
- **Constant revenues growth, profitability and cash-flow generation led the Group to a sustainable dividend policy**. Indeed, The Group achieved a total revenues CAGR 2015-21 of 10.4% and an average double-digit EBITDA margin of 17%. In addition, thanks to its strong cash generation, with an average Operating Cash flow over the 2016-2021 of €2.1mn and an average Operating Cash Flow/EBITDA ratio of 47%, the Group since 2018 to 2021 paid in total €2.1mn of dividends, with 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-borders, and years of experience on 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 consolidate its market presence, reputation, and widening its product portfolio**, with a business strategy growth based on: i) external growth, through an acquisition strategy that has the dual objective of expanding its market shares and introducing new products in its catalogue; ii) organic growth, introducing new products through activity of scouting and product marketing; iii) extending relationship development with Digital and GDS.

Fervi Group Renew Its ESG Commitment in the “Code of Ethics”

In December 2022, Fervi Group’s BoD has approved its Code of Ethics that establishes the moral and ethical guidelines that inspire the Group’s activity both internally (in determining relations with employees) and externally (in regulating relations with institutions, suppliers, customers, business partners, trade unions as well as the media).

As guiding principles of the Group’s Code of Ethics, Fervi individuated:

- **Legality.** Establishing that the Group operates in full compliance with applicable law and this Code. Determining that all the recipients of the Code of Conducts are required to keep updated on legislative developments on an ongoing basis, also taking advantage of the information opportunities provided by the Group.
- **Probity.** Determining that moral integrity and a fair conduct are cornerstones of Fervi Group’s activity. Specifying that all the recipients are required to not establish any privileged relationships that could led to a potential conflict of interest that may interfere with the decision-making abilities of individuals and altering business functionality.
- **Equality.** In the relationships with all the Fervi Group’s stakeholders and in the employee recruiting and workforce management processes, the Group avoids and abhors any form of discrimination concerning the age, sex, race, sexual orientation, health status, political and trade union opinions, religion, culture and nationality of its interlocutors.
- **Privacy.** Fervi Group is committed to guarantee the protection and confidentiality of personal data of all Fervi Group’s stakeholders and Code of Conduct’s recipients, in compliance with any applicable data protection regulations. In particular, all recipients are required to not utilise any confidential information learned by reason of their work duties for purposes unrelated to the exercise of that activity.

Within the Code of Ethics have been also mentioned other key guidelines that set the plan of action and the rules to follow in specified circumstances. Moreover, it establishes the safeguards posed to protect the environment, the rights and dignity of workers as well as the lawfulness of financial and tax transactions.

As regards the workforce management, the Code of Ethics establishes that Fervi Group protects and valorises its human resources, committing itself to keep unchanged the necessary conditions for fostering the professional growth, capabilities, and skills of each employee. The Group encourages an active participation of all its employee, providing participatory tools that can gather workers' opinions and suggestions, ensuring their widest participation. The Group has indeed approved employee welfare initiatives at the last BoD, such as the decision to allocate over than the 3% of the Group’s profit to its employee.

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IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

- ADD - FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD - FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE - FOR A FAIR VALUE < -15% ON CURRENT PRICE

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