

Fervi revenues hit the brakes in gloomy economic context

ADD | Fair Value: €22.3 (€24.8) | Current Price: €15.5 | Upside: +43.9%

Research Update

October 28, 2024 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Sales Revenues	26.2	37.9	57.3	56.4	55.6	57.2	59.5	61.9
EBITDA	4.1	5.8	7.9	8.2	7.9	8.5	8.9	9.6
margin	15.7%	15.2%	13.9%	14.5%	14.2%	14.8%	15.0%	15.5%
Net Profit	2.3	3.2	3.6	3.9	3.5	3.9	5.0	5.4
margin	8.7%	8.4%	6.3%	7.0%	6.4%	6.8%	8.4%	8.7%
EPS (€)	0.90	1.25	1.42	1.54	1.40	1.54	1.98	2.11
NFP	(3.0)	10.4	11.2	7.6	7.6	3.7	0.1	(3.9)

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

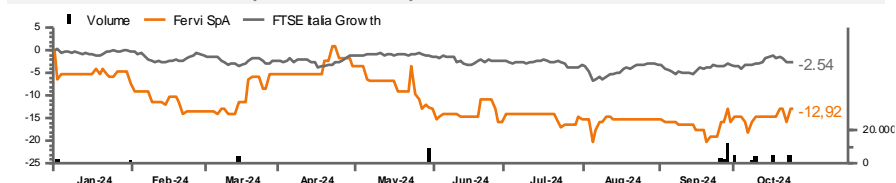
1H24 Financial Results. On September 27, 2024, Fervi Group disclosed its 1H24 financial results, announcing €29.1mn in sales revenues, (-1.3% YoY) missing our estimate of €30.3mn (-3.9%), suffering from the worsening conditions of the economy and of the industrial sector. Total revenues reached €30.4mn, thanks to €1.2mn of increase in inventories of finished products, stocked up to offset the longer shipment time from the Far East and hedge against geopolitical risks arising from the Middle East. 1H24 EBITDA contracted to €4.2mn (-3.1% YoY), below our estimate of €5.0mn due to higher freight costs for shipments from the Far East (affected by the unstable geopolitical in the Suez Canal region). Thus, the EBITDA margin dropped by 0.6pp to 13.9% in 1H24 (below our estimate of 16.3%). The Net income came in at €1.9mn (-15.3% YoY), lower than our estimate of €2.7mn, with a net margin of 6.3% (-1.2pp YoY). The bottom-line result has been affected by the end of the Patent Box tax benefit granted in 2020 to the subsidiaries Fervi and Riflex. The net income adjusted by the effect of Rivit's technical know-how amortization (€0.6mn in 1H24) and other non-recurring costs was €2.3mn (vs. 2.9mn in 1H23). Finally, the Net Financial Position in 1H24 amounted to €6.3mn, up from €5.8mn in 1Q24 following investments into real estate assets made in June 2024 (amounting to €0.6mn), improving from €7.6mn at the end of FY23.

9M24 Revenues and NFP figures. On October 24, 2024, Fervi Group showed 9M24 revenues of €40.7mn (-2.4% YoY), and a NFP of €7.8mn, adding €1.5mn of debt from 1H24 closing, of which €1.3mn are relating to tangible asset investments.

Change in Estimates. Following the disclosure of Fervi Group's 1H24 financial results, which underperformed our forecasts, we revised our prior estimates for the FY24E–27E period. We revised Fervi Group's revenue growth projections accounting for the feeble Italian economic outlook in the coming few years. We now anticipate FY24E Sales revenues declining by -1.5% YoY to €55.6mn, down from our previous estimate of €59.2mn. We then project Sales revenues to grow at a CAGR23A–27E of +2.3%, to reach €61.9mn in FY27E (vs. €68.6mn with a 5.0% CAGR23E–27E previously estimated). At the EBITDA level, we now anticipate a FY24E EBITDA of €7.9mn (€9.1mn in our previous forecast), and project a +4.1% CAGR23A–27E reaching €9.6mn in FY27E (vs. €11.3mn previously estimated). On the marginality side, we expect the FY24E EBITDA margin to be 14.2% (vs. 15.4% in our previous estimate) improving to 15.5% at the end of FY27E. For the bottom-line, we now project FY24E net income at €3.5mn with a 6.4% net margin (vs. €4.6mn on a 7.7% net margin previously estimated); we project the net income to grow at a CAGR23A–27E of 8.1%, reaching €5.4mn in 2027E. Finally, we expect a net debt of €7.6mn in FY24E, up from €6.6mn previously forecasted, due to real estate investments in Vogel and Fervi SpA, and to a higher NWC cash intake, particularly due to higher inventories, raised to offset any possible issue on shipments from the Far East. We then project the NFP to progressively improve until reaching a cash position of -€3.9mn in FY27E, accounting for an average dividend pay-out ratio of 34% during 2024E–2027E.

Valuation. Our valuation, based on both DCF and market multiple methods (EV/EBITDA and P/E multiples), returns an equity value of €56.6mn or €22.3ps, implying a +43.9% potential upside on the current market price.

Performance Chart YTD (Source: Factset)



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Market Data

Main Shareholders			
1979 Investimenti Srl			76.69%
Roberto Megna			7.54%
Guido Greco			2.04%
Mkt Cap (€ mn)			39.4
EV (€ mn)			49.8
Shares out.			2.5
Free Float			13.7%

Market multiples	2023A	2024E	2025E
EV/EBITDA			
Fervi SpA	5.7x	5.9x	5.5x
Comps Median	13.5x	13.1x	12.1x
Fervi SpA vs Median	-58%	-55%	-54%
P/E			
Fervi SpA	10.0x	11.1x	10.1x
Comps Median	17.0x	17.4x	18.3x
Fervi SpA vs Median	-41%	-36%	-45%

Stock Data

52 Wk High (€)	18.50
52 Wk Low (€)	14.20
Avg. Daily Trading 90d	744
Price Change 1w (%)	1.97
Price Change 1m (%)	7.64
Price Change YTD (%)	-12.92

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

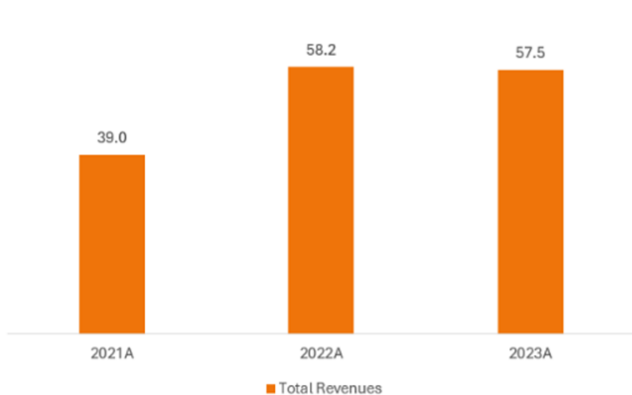
Key Figures – Fervi Group SpA

	Current price (€)		Fair Value (€)				Sector		Free Float (%)
	15.5		22.3				Industrial Machinery		13.7
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	1.4	1.5	2.0	2.1	
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%	37.0%	37.0%	31.6%	
Profit and Loss (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Sales Revenues	26.2	37.9	57.3	56.4	55.6	57.2	59.5	61.9	
EBITDA	4.1	5.8	7.9	8.2	7.9	8.5	8.9	9.6	
EBIT	3.0	4.4	5.1	5.4	5.1	5.6	7.1	7.6	
EBT	2.9	4.2	5.1	5.2	4.9	5.4	7.0	7.4	
Taxes	(0.6)	(1.0)	(1.4)	(1.3)	(1.4)	(1.5)	(2.0)	(2.1)	
Tax rate	22%	24%	29%	25%	28%	28%	28%	28%	
Net Income	2.3	3.2	3.6	3.9	3.5	3.9	5.0	5.4	
Net Income attributable to the Group	2.3	3.2	3.6	3.9	3.5	3.9	5.0	5.4	
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	33.9	35.1	36.4	
Provisions	(2.3)	(4.0)	(4.1)	(4.0)	(4.7)	(5.4)	(6.2)	(6.9)	
Total Net capital employed	20.3	36.4	39.9	39.4	41.7	40.5	40.4	40.2	
Net financial position/(Cash)	(3.0)	10.4	11.2	7.6	7.6	3.7	0.1	(3.9)	
Group Shareholder's Equity	23.2	26.0	28.7	31.8	34.2	36.8	40.3	44.1	
Total Shareholder's Equity	23.2	26.0	28.7	31.8	34.2	36.8	40.3	44.1	
Cash Flow (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Net operating cash flow	3.5	4.7	6.5	6.8	6.5	6.9	6.9	7.5	
Change in NWC	(0.7)	(8.2)	(4.5)	(1.6)	(1.7)	(1.0)	(1.2)	(1.3)	
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	0.6	0.6	0.6	0.7	
Free cash flow	2.9	(12.7)	0.1	4.6	1.4	5.3	5.2	5.7	
Enterprise Value (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Market Cap	29.2	37.1	38.2	45.2	39.4	39.4	39.4	39.4	
Minorities	-	-	-	-	-	-	-	-	
Net financial position/(Cash)	(3.0)	10.4	11.2	7.6	7.6	3.7	0.1	(3.9)	
Enterprise value	26.2	47.5	49.4	52.8	46.9	43.1	39.4	35.5	
Ratios (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
EBITDA margin	15.7%	15.2%	13.9%	14.5%	14.2%	14.8%	15.0%	15.5%	
EBIT margin	11.6%	11.6%	9.0%	9.6%	9.2%	9.8%	12.0%	12.2%	
Gearing - Debt/equity	-12.7%	40.0%	39.0%	23.9%	22.2%	10.1%	0.2%	-8.9%	
Interest cover on EBIT	4.0%	3.8%	1.4%	3.8%	3.7%	3.0%	2.1%	1.8%	
NFP/EBITDA	-72.0%	180.2%	140.9%	92.8%	96.0%	43.8%	1.0%	-40.6%	
ROCE	15.0%	12.1%	12.9%	13.8%	12.2%	13.8%	17.6%	18.9%	
ROE	9.8%	12.2%	12.6%	12.3%	10.4%	10.6%	12.5%	12.2%	
EV/Sales	1.8x	1.2x	0.8x	0.8x	0.8x	0.8x	0.8x	0.8x	
EV/EBITDA	11.4x	8.1x	5.9x	5.7x	5.9x	5.5x	5.3x	4.9x	
P/E	17.2x	12.4x	10.9x	10.0x	11.1x	10.1x	7.8x	7.3x	
Free cash flow yield	7.9%	-28.5%	0.3%	8.7%	2.9%	11.3%	11.0%	12.1%	
Growth Rates (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Sales	-8.7%	44.9%	50.9%	-1.5%	-1.5%	3.0%	4.0%	4.0%	
EBITDA	-8.4%	40.4%	37.6%	3.1%	-3.5%	7.3%	5.4%	7.5%	
EBIT	-10.8%	44.1%	17.1%	5.8%	-6.0%	9.4%	27.6%	6.3%	
Net Income	-11.6%	39.3%	13.5%	8.6%	-9.6%	10.2%	28.7%	6.6%	

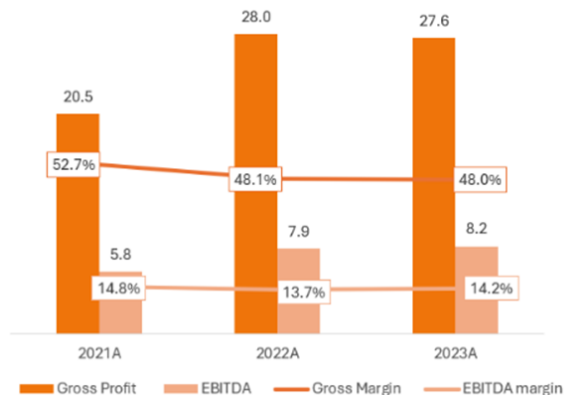
Source: Company Data (2020A-2023A), KT&Partners' forecasts (2024E-2027E)

Key charts

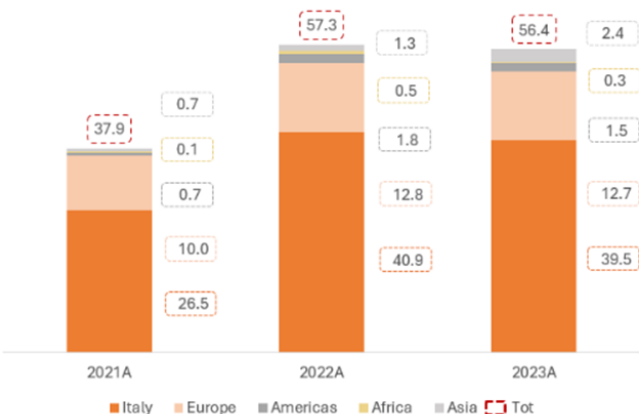
Total Revenues (€mn)



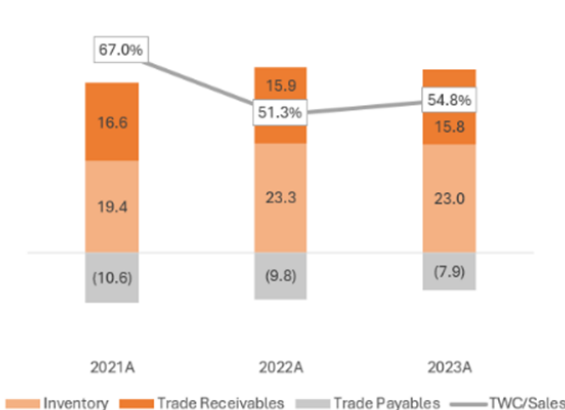
Gross Profit and EBITDA (€mn, %)¹



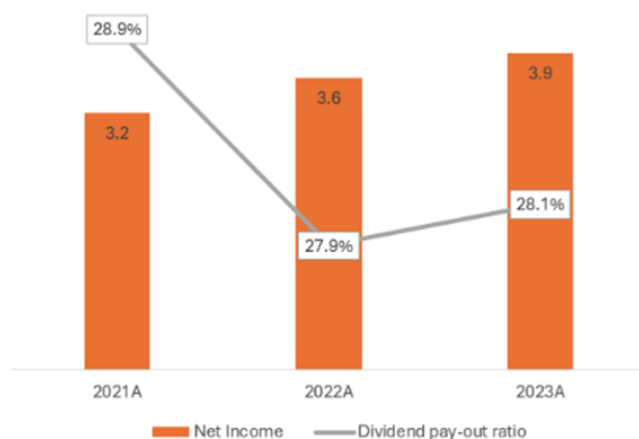
Sales Revenues breakdown (€mn)



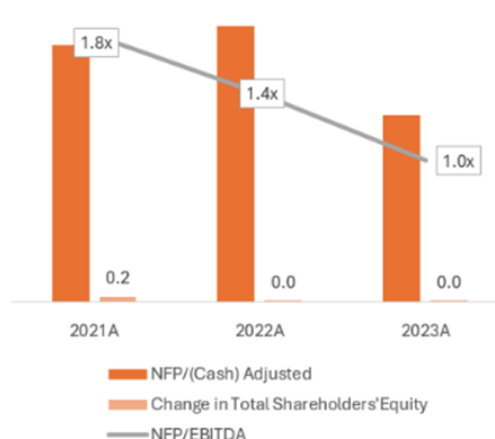
Trade Working Capital (€mn, %)



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.

Recent developments

- **Fervi opens a new subsidiary in China**. On October 14, 2024, Fervi Group announced the constitution of Qingdao Fervi International Trading Co., a new subsidiary headquartered in the harbor city of Qingdao, China. The new subsidiary will serve as a commercial and

logistical center for all the other Group's subsidiaries, streamlining the supply chain management by helping the other subsidiaries in the management of logistics, quality control, compliance and certification duties, and improving relations with industrial partners in the Far East. The Group's CEO Guido Greco has been nominated sole administrator of the newly founded subsidiary.

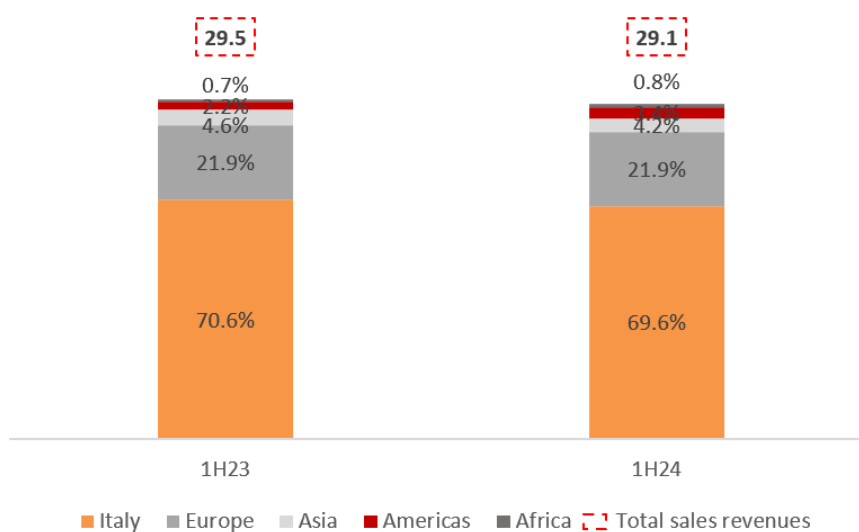
1H24 Financial Results

On September 27, 2024, Fervi Group disclosed its 1H24 financial results, announcing €29.1mn in sales revenues, a -1.3% contraction compared to sales in 1H23 and missing our estimate of €30.3mn by -3.9%; the worsening conditions of the economy and of the industrial sector, have affected the Group's growth expectations, hitting the subsidiary Rivit the most.

Total revenues reached €30.4mn, including €105k from other revenues and a €1.2mn increase in inventories of finished products: bearing in mind the current geopolitical issues concerning the Middle East and the nearby Suez Canal, the Group decided to stock up the inventory to offset the longer shipment time from the far East and to edge hedge against any possible risk with regard to shipments.

Observing the revenues' breakdown by geographical regions, domestic revenues have affected the most overall sales, with revenues from Italy in 1H24 coming €0.6mn lower than in 1H23 (-2.7% YoY), now making 69.6% of its global sales (compared to 70.6% in 1H23). Sales in the rest of Europe kept their share of global sales, accounting still for 21.9% of sales revenues; sales in Asia on the other hand have seen the largest percentage drop from 1H23 among geographical regions, falling by -10.6% YoY and accounting for 4.2% of sales in the semester (4.6% in 1H23). Sales in the Americas and Africa have significantly increased instead, with Americas' revenues going up by 54.1% YoY representing 3.4%, while revenues from Africa increasing by 23.3% YoY, making 0.8% of 1H24 sales.

1H23A-24A Sales revenues' breakdown by Geographic area (% , €mn)



Source: KT&Partners' Elaboration on Company Data

The Group achieved a gross profit in 1H24 of €14.6mn, +1.6% higher than in 1H23 but below our estimate of €15.1mn. The Group's gross margin stood at 48.1%, slightly higher than in 1H23 with 47.8%, although still below our projected margin of 49.2%, as the incidence of products and raw materials costs on total revenues slipped from 52.2% in 1H23 to 51.9% in 1H24, higher than 50.8% as we forecasted.

1H24 EBITDA contracted to €4.2mn, from €4.4mn in 1H23 (-3.1% YoY), missing our estimate of €5.0mn. Costs of services have adversely affected the operative result, as they climbed from €4.8mn in 1H23 to €5.2mn in 1H24, with their incidence on total revenues rising by 1.1pp YoY from 16.0% to 17.1% in 1H24; this comes as a consequence of hikes in freight costs for the transport of products and materials from the Far East, which are affected by the unstable geopolitical in the Suez Canal region. As a result, the EBITDA margin dropped by 0.6pp to 13.9% in 1H24 (below our estimate of 16.3%).

EBIT in 1H24 stood at €2.8mn, down from €3.0mn in 1H24 and below our estimate of €3.7mn, with the EBIT margin declining to 9.3% vs. 10.1% in 1H23. The Group's net income came in at

€1.9mn, decreasing by -15.3% YoY compared to 1H23 net income of €2.3mn, and standing lower than our estimate of €2.7mn; the net margin stood at 6.3% vs. 7.6% in 1H23. The bottom-line result discounts the end of the Patent Box tax benefit granted in 2020 to the subsidiaries Fervi and Riflex. If the effect of Rivit's technical know-how amortization (amounting to €0.6mn for the semester) and non-recurring costs are considered, the adjusted net income in 1H24 would have been €2.3mn vs. 2.9mn in 1H23.

Finally, the Net Financial Position in 1H24 amounted to €6.3mn, up from €5.8mn in 1Q24 following €0.6mn investments into real estate assets made in June 2024, but improving from €7.6mn at the end of FY23. The investments are related to the expansion of the Group's headquarters and the set-up of a of a new warehouse in Germany for the subsidiary Vogel.

In May 2024, the Group also paid for a €1.2mn dividend for the 2024 period, which equals a €0.47 dividend per share (vs €0.40 in 2023, +17.5%).

1H21A–24A Income Statement vs 1H24 Estimates

€ Millions	1H21A	1H22A	1H23A	1H24A	YoY%	1H24E	A vs E %
Sales Revenues	16.8	29.3	29.5	29.1	-1.3%	30.3	-3.9%
Other Revenues	0.1	0.4	0.6	1.3		0.5	
Total Revenues	16.9	29.7	30.1	30.4	1.0%	30.8	-1.1%
<i>Growth %</i>	<i>38.2%</i>	<i>75.0%</i>	<i>1.5%</i>	<i>1.0%</i>		<i>2.1%</i>	
Products and Raw materials	(8.1)	(14.8)	(15.7)	(15.8)		(15.6)	
Gross Profit	8.8	14.9	14.4	14.6	1.6%	15.1	-3.3%
<i>Gross Margin</i>	<i>52.0%</i>	<i>50.3%</i>	<i>47.8%</i>	<i>48.1%</i>	<i>0.3%</i>	<i>49.2%</i>	<i>0.1%</i>
Cost of Services	(3.5)	(5.7)	(4.8)	(5.2)		(4.9)	
Rental Costs	(0.3)	(0.5)	(0.5)	(0.6)		(0.5)	
Personnel Expenses	(2.3)	(4.1)	(4.5)	(4.5)		(4.6)	
Other Operating Expenses	(0.0)	(0.1)	(0.1)	(0.1)		(0.1)	
EBITDA	2.7	4.6	4.4	4.2	-3.1%	5.0	-15.5%
<i>EBITDA margin</i>	<i>16.0%</i>	<i>15.5%</i>	<i>14.5%</i>	<i>13.9%</i>	<i>-0.6%</i>	<i>16.3%</i>	
D&A and Provisions	(0.4)	(1.4)	(1.3)	(1.4)		(1.4)	
EBIT	2.3	3.2	3.0	2.8	-6.8%	3.7	-22.4%
<i>EBIT margin</i>	<i>13.5%</i>	<i>10.9%</i>	<i>10.1%</i>	<i>9.3%</i>	<i>-0.8%</i>	<i>11.9%</i>	
Financial Income and Expenses	(0.1)	(0.1)	(0.1)	(0.0)		(0.1)	
Extraordinary items	(0.0)	0.0	0.0	(0.0)		-	
EBT	2.1	3.2	3.0	2.8	-7.8%	3.6	-22.5%
Taxes	(0.5)	(0.8)	(0.7)	(0.8)		(0.9)	
<i>Tax Rate</i>	<i>22.4%</i>	<i>26.5%</i>	<i>24.3%</i>	<i>30.4%</i>		<i>25.7%</i>	
Net Income	1.7	2.3	2.3	1.9	-15.3%	2.7	-27.4%
<i>Net margin</i>	<i>9.8%</i>	<i>7.9%</i>	<i>7.6%</i>	<i>6.3%</i>	<i>-1.2%</i>	<i>8.6%</i>	

Source: KT&Partners' Elaboration on Company Data

9M24 Revenues and NFP Figures

On October 24, 2024, Fervi Group disclosed its 9M24 non-audited revenues and NFP results, announcing revenues in the first nine months of the year of €40.7mn, implying a -2.4% decline compared to revenues in 9M23. The Group disclosed also its net financial position on September 30, 2024, with a net debt rising by €1.5mn in the third quarter of 2024 to €7.8mn from €6.3mn in 1H24. The increased net debt comes as a consequence of the real estate investments made for the Group's headquarters expansion and the construction of Vogel's warehouse in Germany, which required €1.3mn in investments in the third quarter of 2024; considering also the €0.6mn already spent in 1H24, these real estate investments totaled €1.9mn in 9M24.

Change in Estimates

Following the disclosure of Fervi Group's 1H24 financial results, which came under our forecasts, we revised our prior estimates for the FY24E-27E period. The Group turnover experienced a slowdown in its turnover, which was affected by the slowdown of industrial activity in Italy and Europe; In particular, the Bank of Italy has estimated a +0.6% nominal GDP growth for Italy, slowing from +0.8% in 2023. For the following two years, the latest estimates² indicated an annual growth rate of +1.0% and +1.2%, suggesting that a breakout for the national economy will be unlikely. Given such blurry outlook for the Italian broad economy, from which Fervi Group prospects much depend, we decided to revise our revenue growth estimates for the Group: we now anticipate FY24E Sales revenues to reach €55.6mn, a -1.5% decrease on FY23A revenues, down from our previous estimate of €59.2mn. We then project Sales revenues to grow at a CAGR23A-27E of +2.3%, to reach €61.9mn in FY27E (vs. €68.6mn previously estimated).

At the EBITDA level, we now anticipate a FY24E EBITDA of €7.9mn, down from our previous forecast of €9.1mn, and forecast it to rise at a CAGR23A-27E of +4.1% to reach €9.6mn in FY27E (vs. €11.3mn in our previous estimate). On the marginality side, we expect the FY24E EBITDA margin to be 14.2%, lower than our previous estimate of 15.4%, then improving in the following years reaching a 15.5% EBITDA margin at the end of FY27E.

We now anticipate FY24E net income at €3.5mn with a 6.4% net margin, revising our previous estimate of €4.6mn with a net margin of 7.7%; for the next years, we then project the net income to grow at a CAGR23A-27E equal to 8.1%, reaching €5.4mn by the end of 2027E.

Finally, we now expect a net debt of €7.6mn in FY24E instead of €6.6mn previously forecasted, due to the real estate investment made, in Vogel and Fervi SpA, and to a higher NWC cash intake, as the Company has raised its inventory levels to offset the issues on shipments from the Far East. In the following years, we expect the NFP to progressively improve until reaching a cash position of -€3.9mn in FY27E, taking an average dividend pay-out ratio of 34% into account for the 2024E-2027E period.

Change in Estimates

€ Millions	2021A Actual	2022A Actual	2023A Actual	2024E Old	2024E New	Change	2025E Old	2025E New	Change	2026E Old	2026E New	Change	2027E Old	2027E New	Change	CAGR OLD 2023A-27E	CAGR NEW 2023A-27E
Sales Revenues	37.9	57.3	56.4	59.2	55.6	-6.2%	62.2	57.2	-8.0%	65.3	59.5	-8.9%	68.6	61.9	-9.7%	5.0%	2.3%
YoY Change (%)	44.9%	50.9%	-1.5%	5.0%	-1.5%		5.0%	3.0%		5.0%	4.0%		5.0%	4.0%			
EBITDA	5.8	7.9	8.2	9.1	7.9	-13.3%	9.8	8.5	-13.6%	10.5	8.9	-14.9%	11.3	9.6	-15.0%	8.4%	4.1%
YoY Change (%)	40.4%	37.6%	3.1%	11.3%	-3.5%		7.7%	7.3%		7.0%	5.4%		7.6%	7.5%			
EBITDA Margin	15.2%	13.9%	14.5%	15.4%	14.2%		15.8%	14.8%		16.1%	15.0%		16.5%	15.5%			
EBIT	4.4	5.1	5.4	6.3	5.1	-19.1%	6.9	5.6	-19.3%	8.7	7.1	-18.0%	9.3	7.6	-18.3%	14.3%	8.7%
YoY Change (%)	44.1%	17.1%	5.8%	16.3%	-6.0%		9.6%	9.4%		25.6%	27.6%		6.7%	6.3%			
EBIT Margin	11.6%	9.0%	9.6%	10.7%	9.2%		11.1%	9.8%		13.3%	12.0%		13.5%	12.2%			
Net Income	3.2	3.6	3.9	4.6	3.5	-22.4%	5.0	3.9	-22.3%	6.3	5.0	-20.7%	6.8	5.4	-20.9%	14.7%	8.1%
YoY Change (%)	39.3%	13.5%	8.6%	16.5%	-9.6%		10.0%	10.2%		26.2%	28.7%		6.9%	6.6%			
Net Margin	8.4%	6.3%	7.0%	7.7%	6.4%		8.1%	6.8%		9.7%	8.4%		9.9%	8.7%			
NFP	10.4	11.2	7.6	6.6	7.6	1.0	2.1	3.7	1.6	(2.7)	0.1	2.7	(7.9)	(3.9)	(4.0)	(5.2)	(4.0)
YoY Change (%)	451.5%	7.6%	-32.1%	-13.1%	-0.1%		-68.3%	-51.1%		n.m.	-97.6%		n.m.	n.m.			

Source: KT&Partners' Elaboration on Company Data

² Macroeconomic projections for the Italian Economy, Bank of Italy, 11th October 2024

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 €63.8mn or a fair value of €25.1ps;
2. DCF analysis, based on WACC of 10.8% and 1.0% perpetual growth, which returns an equity value of €49.5mn or a fair value of €19.5ps.

The average of the two methods yields an equity value of €56.6mn or a fair value of €22.3ps.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	69.7	27.5
P/E	57.8	22.8
Average - multiples	63.8	25.1
DCF	49.5	19.5
Average	56.6	22.3

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 2023A–26E data.

Peer Comparison – Market Multiples 2023A–26E

Company Name	Exchange	Market Cap	EV/SALES				EV/EBITDA				EV/EBIT				P/E			
			2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Cembre S.p.A.	Milan	633	2.8x	2.8x	2.6x	2.5x	9.5x	9.6x	9.0x	8.5x	11.7x	12.0x	11.2x	10.5x	15.6x	16.2x	15.2x	14.3x
W.W. Grainger, Inc.	NYSE	48,937	3.3x	3.2x	3.0x	2.8x	19.7x	19.1x	17.9x	16.5x	21.3x	20.7x	19.3x	17.8x	29.6x	28.0x	25.7x	23.4x
Einhell Germany AG Pref	XETRA	743	0.8x	0.7x	0.7x	0.7x	8.1x	7.2x	6.8x	6.3x	9.8x	8.6x	8.0x	7.3x	14.8x	12.2x	11.4x	10.4x
Distribution Solutions Group, Inc.	NASDAQ	1,692	1.6x	1.4x	1.3x	1.3x	14.7x	14.1x	12.3x	12.6x	28.3x	23.0x	16.5x	20.6x	n.m.	n.m.	32.5x	38.2x
Fastenal Company	NASDAQ	40,122	6.0x	5.7x	5.3x	5.0x	25.7x	25.5x	23.6x	21.9x	28.6x	28.4x	26.1x	24.1x	37.7x	37.2x	34.4x	31.8x
Stanley Black & Decker, Inc.	NYSE	14,671	1.4x	1.4x	1.4x	1.3x	19.0x	13.6x	10.9x	9.9x	24.1x	16.0x	13.0x	11.6x	n.m.	24.3x	17.9x	15.0x
Global Industrial Company	NYSE	1,187	1.0x	1.0x	0.9x	0.9x	13.2x	12.7x	12.0x	10.8x	13.8x	13.7x	11.8x	11.3x	18.4x	17.4x	15.2x	14.5x
MSC Industrial Direct Co., Inc. Class A	NYSE	4,043	1.2x	1.3x	1.3x	1.2x	8.3x	10.1x	12.2x	11.0x	9.5x	12.1x	15.6x	14.0x	12.4x	16.6x	21.9x	19.1x
DXP Enterprises, Inc.	NASDAQ	716	0.8x	0.8x	0.7x	0.7x	7.6x	7.2x	6.9x	6.6x	9.5x	9.4x	8.6x	8.1x	12.0x	13.6x	12.6x	11.3x
Bossard Holding AG	SIX Swiss	1,813	1.8x	1.9x	1.7x	1.6x	13.8x	14.6x	12.5x	11.4x	16.9x	18.2x	15.5x	14.0x	22.0x	22.4x	18.7x	16.6x
Average peer group		11,456	2.1x	2.0x	1.9x	1.8x	14.0x	13.4x	12.4x	11.5x	17.4x	16.2x	14.6x	13.9x	20.3x	20.9x	20.5x	19.5x
Median peer group		1,753	1.5x	1.4x	1.3x	1.3x	13.5x	13.1x	12.1x	10.9x	15.3x	14.8x	14.3x	12.8x	17.0x	17.4x	18.3x	15.8x
Fervi SpA	Milan	39	0.8x	0.8x	0.8x	0.8x	5.7x	5.9x	5.5x	5.3x	8.6x	9.2x	8.4x	6.6x	10.0x	11.1x	10.1x	7.8x

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 2024 and 2025. We also considered FY23A NFP at €7.6mn

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E
EV/EBITDA Comps	13.1x	12.1x
Fervi SpA EBITDA	7.9	8.5
Enterprise value	103.8	102.4
Average Enterprise Value	103.1	
Liquidity/Size Discount	25%	
Enterprise Value Post-Discount	77.3	
Fervi SpA FY23 Net Debt	7.6	
Equity Value Post-Discount	69.7	
Number of shares (mn)	2.5	
Value per Share €	27.5	

Source: FactSet, KT&Partners' Elaboration

P/E Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E
P/E Comps	20.9x	20.5x
Fervi SpA Net Income	3.5	3.9
Equity Value	74.0	80.2
Average Equity Value	77.1	
Liquidity/Size Discount	25%	
Equity Value Post-Discount	57.8	
Number of shares (mn)	2.5	
Value per Share €	22.8	

DCF Valuation

We have also conducted our valuation using a four-year DCF model, assuming a 12.1% 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 3.65% (Italian 10y BTP yield, last 3 months average), 5.20% equity risk premium (Damodaran: Italian Equity Risk Premium based on CDS spreads), and a premium for size and liquidity of 3.3% (source: Duff&Phelps). We, therefore, obtained a WACC of 10.8%.

We discounted 2024E–27E annual cash flow and considered a terminal growth rate of 1.0%; 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	5.1	5.6	7.1	7.6
Taxes	(1.4)	(1.6)	(2.0)	(2.1)
D&A	2.8	2.9	1.8	2.0
Change in Net Working Capital	(1.7)	(1.0)	(1.2)	(1.3)
Net Operating Cash Flow	5.4	6.6	6.5	7.0
Capex	(4.0)	(1.2)	(1.2)	(1.2)
FCFO	1.4	5.4	5.3	5.8
g	1.0%			
Wacc	10.8%			
FCFO (discounted)	1.4	4.8	4.2	4.1
Discounted Cumulated FCFO	14.5			
TV	59.1			
TV (discounted)	42.6			
Enterprise Value	57.1			
NFP FY2023A	7.6			
Equity Value	49.5			
Current number of shares (mn)	2.5			
Value per share (€)	19.5			

Source: Company Data, KT&Partners' Elaboration

Sensitivity analysis

€ Millions	Terminal growth Rate	WACC				
		11.3%	11.1%	10.8%	10.6%	10.3%
	0.0%	42.9	44.0	45.2	46.4	47.8
	0.5%	44.7	45.9	47.2	48.6	50.0
	1.0%	46.7	48.1	49.5	51.0	52.6
	1.5%	49.0	50.5	52.0	53.6	55.4
	2.0%	51.5	53.1	54.8	56.6	58.5

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 €633mn, 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 FY23A, the Company reached €223mn of sales revenues.
- **W. W. Grainger:** listed on NYSE Stock Exchange, with a market capitalization of €48.9bn, 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 FY23A, the Company reached €15.2bn in sales revenues.
- **Einhell Germany:** listed on Xetra Stock Exchange (Germany) with a capitalization of €743mn, Einhell engages in the manufacture and sale of electronic tools, electrical tools accessories, metal, and plastic products for garden and leisure activities. In FY23A, the Company achieved €972mn of sales revenues.
- **Fastenal Company:** listed on NASDAQ Stock Exchange with a capitalization of €40.1bn, 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 FY23A, the Company reached €6.8bn of sales revenues.
- **Stanley Black & Decker:** listed on NYSE Stock Exchange with a capitalization of €14.6bn, 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 FY23A, the Company reached €14.6bn 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 FY23A, the Company reached €1.2mn of sales revenues.
- **MSC Industrial Direct Co.:** listed on NYSE Stock Exchange with a capitalization of €4.0bn, 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 FY23A, the Company reached €3.8bn of sales revenues.

- **DXP Enterprises:** listed on NASDAQ Stock Exchange with a capitalization of €716mn, 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 FY23A, the Company reached €1.6bn 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 FY23A, the Company reached €1.1bn of sales revenues.
- **Distribution Solutions Group, Inc.:** listed on NASDAQ Stock Exchange with a capitalization of €1.8bn, Distribution Solutions Group engages in the distribution of maintenance and repair products to industrial, commercial, institutional and government markets. In FY23A, the Company reached €1.5bn of sales revenues.

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

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