

Rivit's Consolidation Contributes to Fervi Acceleration

ADD | Fair Value: €23.6 (€23.2) | Current Price: €16.0 | Upside: +47.3%

€ 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	9.1
margin	8.6%	8.2%	6.2%	7.5%	8.1%	8.8%	12.8%
EPS (€)	0.90	1.25	1.42	1.76	2.03	2.34	3.60
NFP	(3.0)	10.4	11.2	7.3	2.3	(3.1)	(11.9)

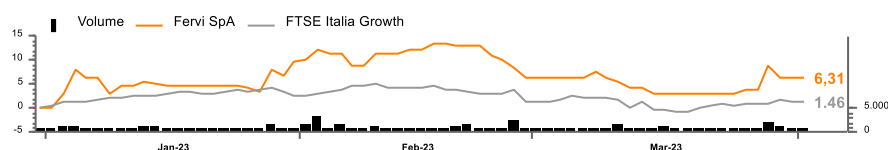
Source: Company data (2020A–22A), KT&Partners' elaboration (2023E–26E).

FY22A Financial Results. In a global macroeconomic environment characterized by a high level of uncertainty, in 2022, for the second year in a row Fervi Group broke its sales record, reaching €57.3m (+50.8% YoY), in line with our latest estimate of €56.6mn. This growth comes mainly from the newly acquired Rivit Srl, as in 2021 Rivit Srl was consolidated only for three months (from the purchasing date in September 2021). The FY22A EBITDA improved from €5.8mn in FY21A to €7.9mn in FY22A (+37.6% YoY), in line with our estimate of €8.1mn, with a margin slightly below the previous year (from 14.8% to 13.7%) given raw materials price increases (especially iron and steel) and the higher freight costs, partially mitigated with an increase of Fervi Group's list price. In FY22A, net income was €3.6mn (+13.5% YoY), lower than our prior estimate of €3.8mn. However, adjusting for the effect of Rivit's technical know-how amortization, FY22A adjusted net income stood at €4.5mn. Net debt worsened from €10.4mn to €11.2mn (vs our estimate of €8.6mn) mainly due to a higher TWC uptake. Finally, the BoD announced the purpose to distribute in May 2023 a dividend per share of €0.40, higher than the €0.35 distributed in 2022, for a total cash-out of €1mn.

Changes in Estimates. On the back of Fervi Group's FY22A financial results, mostly aligned with our latest estimates, we left unchanged our FY23E-25E projections and included FY26E estimates. Total revenues are expected to reach €59.7mn in 2023, growing at a CAGR22A–26E of +5.1% up to €71.1mn in FY26E. EBITDA is expected to reach €8.9mn in FY23E, growing at a CAGR22A–26E of +10.4% up to €11.8mn in FY26E. Looking at marginality, we expect FY23E EBITDA margin at 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% in FY26E. We anticipate FY23E net income at €4.5mn with a net margin of 7.5%, while for the next years we foresee a growth equal to a CAGR22A–26E of 26.1%, reaching €9.1mn by the end of 2026E. Finally, we expect a FY23E net debt of €7.3mn, considering the dividend cash-out of €1mn, with a progressively improvement up to a cash position of -€11.9mn in FY26E, also including an average dividend pay-out ratio of 28% in the 2023E-2026E period.

Valuation. We updated our valuation based on both DCF and EV/EBITDA and P/E multiple models. Therefore, we obtained an equity value of €59.9mn or €23.6ps, +47.3% on current market price.

Performance Chart – YTD



Research Update

April 5, 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)	38.2
EV (€ mn)	48.6
Shares out.	2.5
Free Float	15.6%

Market multiples	2023	2024	2025
EV/EBITDA			
Fervi SpA	5.8x	5.3x	4.7x
Comps Average	10.4x	10.1x	9.8x
Fervi SpA vs Average	-44%	-48%	-52%
P/E			
Fervi SpA	9.1x	7.9x	6.8x
Comps Average	14.8x	15.6x	13.5x
Fervi SpA vs Average	-38%	-49%	-49%

Stock Data

52 Wk High (€)	17.40
52 Wk Low (€)	13.75
Avg. Daily Trading 90d	488
Price Change 1w (%)	3.23
Price Change 1m (%)	-0.31
Price Change YTD (%)	6.31

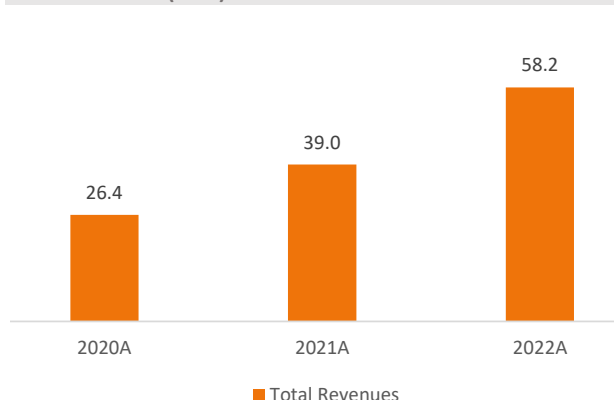
Key Figures – Fervi Group SpA

Current price (€)	Fair Value (€)		Sector					Free Float (%)
16.00	23.6		Industrial Machinery					15.64
Per Share Data	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total shares outstanding (mn)	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54
EPS	1.02	0.90	1.25	1.42	1.76	2.03	2.34	3.60
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%	21%	29%	28%	28%	28%	30%	26%
Profit and Loss (EUR million)	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
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)	-
Tax rate	23%	22%	24%	29%	29%	29%	29%	0%
Net Income	2.6	2.3	3.2	3.6	4.5	5.1	5.9	9.1
Net Income attributable to the Group	2.6	2.3	3.2	3.6	4.5	5.1	5.9	9.1
Balance Sheet (EUR million)	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
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)	(11.9)
Group Shareholder's Equity	21.7	23.2	26.0	28.7	32.2	36.0	40.5	48.1
Minorities	-	-	-	-	-	-	-	-
Total Shareholder's Equity	21.7	23.2	26.0	28.7	32.2	36.0	40.5	48.1
Cash Flow (EUR million)	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
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
Enterprise Value (EUR million)	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
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)	(11.9)
Enterprise value	27.5	26.2	47.5	49.4	47.9	42.9	37.5	28.7
Ratios (%)	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
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%	-24.8%
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%	-101.0%
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%	19.0%
EV/Sales	1.78x	1.96x	1.33x	0.89x	0.87x	0.82x	0.77x	0.73x
EV/EBITDA	11.54x	12.61x	8.98x	6.52x	5.83x	5.25x	4.74x	4.39x
P/E	15.73x	17.79x	12.77x	11.25x	9.11x	7.89x	6.85x	4.45x
Free cash flow yield	-1.7%	5.9%	-25.8%	-0.1%	10.2%	13.0%	14.3%	15.8%
Growth Rates (%)	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
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%	53.9%

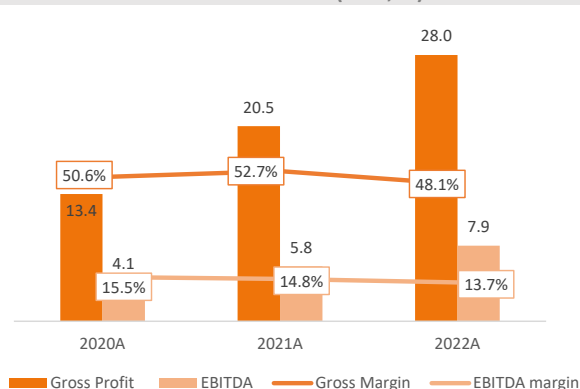
Source: Company Data (2019-2021), KT&Partners' forecasts (2022-2025)

Key charts

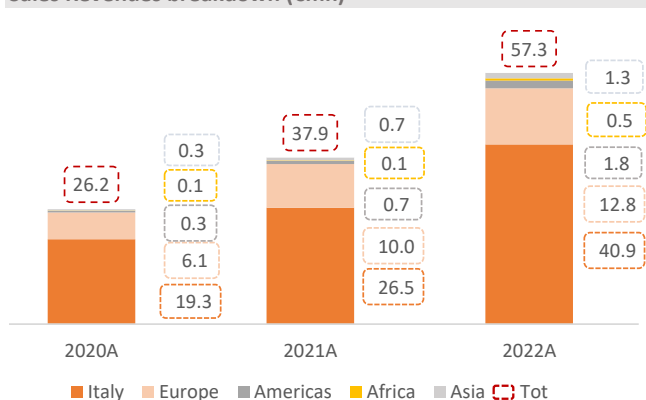
Total Revenues (€mn)



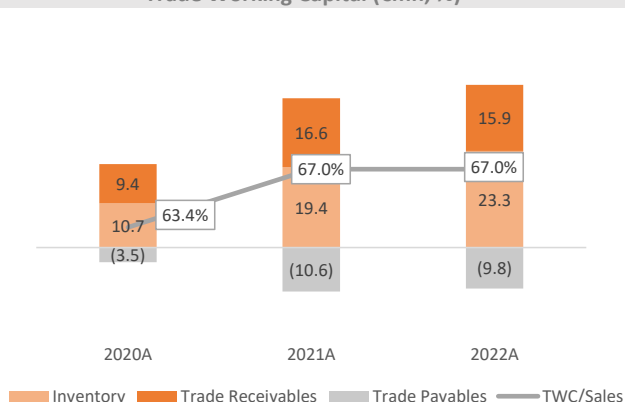
Gross Profit and EBITDA (€mn, %)¹



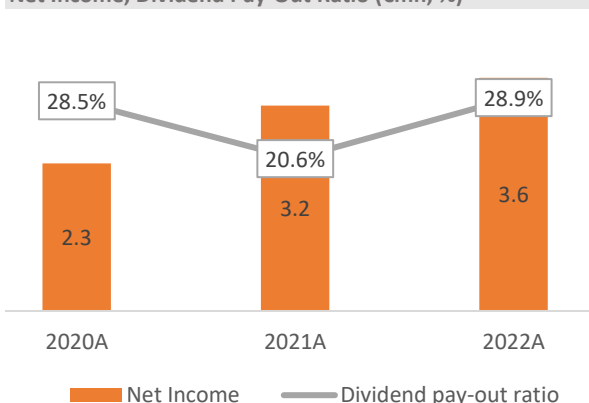
Sales Revenues breakdown (€mn)



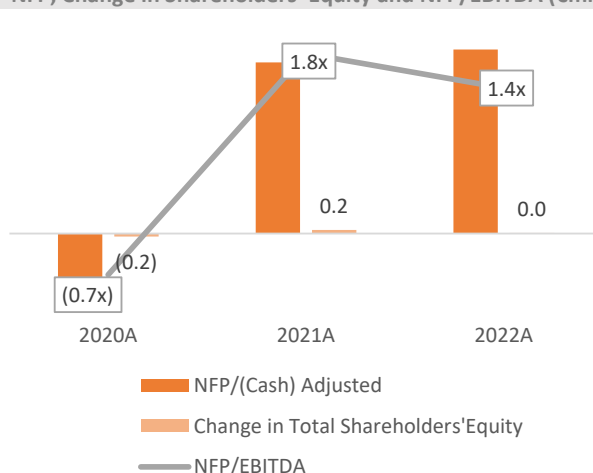
Trade Working Capital (€mn, %)



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, 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 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, also expanding 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 a 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-border, 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 business strategy growth based on: i) external growth, through an acquisition strategy that has the dual objective of expanding its market share and introducing new products into its catalogue; ii) organic growth, introducing new products through activity of scouting and product marketing; and iii) extending relationship development with Digital and GDS.

FY22 Financial Results

In a global macroeconomic environment characterized by a high level of uncertainty, in 2022, for the second year in a row Fervi Group broke its sales record, reaching €57.3mn (+50.8% YoY), in line with our latest estimate of €56.6mn.

This growth comes mainly from the newly acquired Rivit Srl, as in 2021 Rivit Srl was consolidated only for three months (from the purchasing date in September 2021).

The FY22A EBITDA improved from €5.8mn in FY21A to €7.9mn in FY22A (+37.6% YoY), in line with our estimate of €8.1mn. Looking at marginality, FY22A EBITDA margin decreased by 0.9pp, from 14.8% to 13.7%, given the numerous raw materials price increases (especially iron and steel) and the relevant freight costs, partially mitigated with an increase of Fervi Group's list price.

In FY22A, Fervi reported a net income of €3.6mn (+13.5% YoY), lower than our prior estimate of €3.8mn. However, if adjusting for the effect of Rivit's technical know-how amortization, FY22A adjusted net income stood at €4.5mn. Net debt worsened from €10.4mn to €11.2mn (vs our estimate of €8.6mn) mainly due to a higher TWC uptake.

Finally, the BoD announced the purpose to distribute in May 2023 a dividend per share of €0.40 (vs €0.35 in 2022), for a total cash-out of €1mn.

FY20A–22A Income Statement vs FY22 Estimates

€ million	FY20A	FY21A	FY22A	YoY %	FY22E	A vs E %
Sales Revenues	26.2	37.9	57.3	51%	56.6	1%
Other Revenues	0.3	1.0	0.9		0.3	
Total Revenues	26.4	39.0	58.2	49%	56.9	2%
Growth %	-9.1%	47.3%	49.3%		-2.3%	
Products and Raw materials	(13.1)	(18.4)	(30.2)		(27.8)	
Gross Profit	13.4	20.5	28.0	37%	29.0	-4%
Gross Margin	50.6%	52.7%	48.1%	-5%	51.0%	
Cost of Services	(4.8)	(8.6)	(10.9)		(11.6)	
Rental Costs	(0.5)	(0.7)	(1.0)		(0.8)	
Personnel Expenses	(3.9)	(5.4)	(8.0)		(8.4)	
Other Operating Expenses	(0.1)	(0.1)	(0.2)		(0.2)	
EBITDA	4.1	5.8	7.9	38%	8.1	-2%
EBITDA margin	15.5%	14.8%	13.7%	-1%	14.2%	
D&A and Provisions	(1.1)	(1.4)	(2.8)		(2.7)	
EBIT	3.0	4.4	5.1	17%	5.4	-5%
EBIT margin	11.5%	11.3%	8.8%	-2%	9.5%	
Financial Income and Expenses	(0.1)	(0.2)	(0.1)		(0.2)	
Extraordinary items	(0.0)	(0.0)	(0.0)		(0.0)	
EBT	2.9	4.2	5.1	20%	5.1	-2%
Taxes	(0.6)	(1.0)	(1.4)		(1.3)	
Tax Rate	21.7%	24.4%	28.5%		25.0%	
Net Income	2.3	3.2	3.6	14%	3.8	-6%
Net margin	8.6%	8.2%	6.2%	-2%	6.8%	

Source: KT&Partners' Elaboration on Company Data

Change in Estimates

On the back of Fervi Group's FY22A financial results, mostly aligned with our latest estimates, we left unchanged our FY23E-25E projections and included FY26E estimates.

Total revenues are expected to reach €59.7mn in 2023E, growing at a CAGR22–26E of +5.1%, up to €71.1mn in FY26E.

EBITDA is expected to reach €8.9mn in FY23E, growing at a CAGR22A–26E of +10.4%, up to €11.8mn in FY26E. We expect FY23E EBITDA margin at 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 anticipate FY23E net income at €4.5mn with a net margin of 7.5%, while for the next years we foresee a growth equal to a CAGR22A–26E of 26.1%, reaching €9.1mn 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 -€11.9mn in FY26E, also including an average dividend pay-out ratio of 28% in the 2023E-2026E period.

Change in Estimates																
€ Millions	2020A	2021A	2022A	CAGR	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	2026E	CAGR	
	Actual	Actual	Actual	2020-22	Old	New		Old	New		Old	New		New	2022A-26E	
Revenues	26.4	39.0	58.2	48.3%	59.7	59.7	0.0%	63.3	63.3	0.0%	67.1	67.1	0.0%	71.1	5.1%	
YoY Change (%)	-9.1%	47.3%	49.3%		2.6%	2.6%		6.0%	6.0%		6.0%	6.0%		6.0%		
EBITDA	4.1	5.8	7.9	39.0%	8.9	8.9	0.0%	9.9	9.9	0.0%	10.9	10.9	0.0%	11.8	10.4%	
YoY Change (%)	-8.4%	40.4%	37.6%		12.0%	12.0%		11.0%	11.0%		10.7%	10.7%		7.9%		
EBITDA Margin	15.5%	14.8%	13.7%		14.9%	14.9%		15.6%	15.6%		16.3%	16.3%		16.6%		
EBIT	3.0	4.4	5.1	29.9%	6.3	6.5	2.9%	7.2	7.4	2.5%	8.2	8.5	3.5%	9.3	15.9%	
YoY Change (%)	-10.8%	44.1%	17.1%		22.2%	25.7%		11.6%	14.4%		13.4%	14.5%		9.5%		
EBIT Margin	11.5%	11.3%	8.8%		10.5%	10.8%		11.4%	11.7%		12.2%	12.6%		13.0%		
Net Income	2.3	3.2	3.6	25.7%	4.6	4.5	-2.0%	5.3	5.1	-2.6%	6.0	5.9	-1.8%	9.1	26.1%	
YoY Change (%)	-11.6%	39.3%	13.5%		26.1%	23.5%		18.5%	15.4%		14.3%	15.3%		53.9%		
Net Margin	8.6%	8.2%	6.2%		7.6%	7.5%		8.4%	8.1%		9.0%	8.8%		12.8%		
NFP	(3.0)	10.4	11.2		3.5	7.3	3.8	(1.8)	2.3	4.2	(7.8)	(3.1)	4.6	(11.9)		
YoY Change (%)	230.7%	-451.5%	7.6%		-69.0%	-34.6%		-125.2%	-68.4%		321.7%	-235.1%		53.2%		

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 €63.5mn or a fair value of €25ps;
2. DCF analysis, based on WACC of 12.1% and 1.0% perpetual growth, which returns an equity value of €56.3mn or a fair value of €22.2ps.

The average of the two methods yields an equity value of €59.9mn or a fair value of €23.6ps.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	63.6	25.1
P/E	63.3	24.9
Average - multiples	63.5	25.0
DCF	56.3	22.2
Average	59.9	23.6

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 2022	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	EV/EBIT 2025	P/E 2022	P/E 2023	P/E 2024	P/E 2025
W.W. Grainger, Inc.	NYSE	31,496	2.3x	2.2x	2.1x	1.9x	14.8x	14.0x	13.1x	12.1x	16.1x	15.3x	14.2x	13.3x	21.3x	20.0x	18.3x	16.9x
Einhell Germany AG Pref	XETRA	614	0.8x	0.8x	0.7x	n.a.	7.5x	8.1x	7.3x	n.a.	8.7x	9.5x	8.5x	n.a.	10.3x	10.7x	9.6x	n.a.
Distribution Solutions Group, Inc.	NASDAQ	788	1.1x	0.9x	0.9x	n.a.	11.3x	8.9x	8.2x	n.a.	19.0x	14.6x	12.9x	n.a.	n.m	22.4x	18.7x	n.a.
Fastenal Company	NASDAQ	28,221	4.3x	4.3x	4.0x	3.7x	18.5x	18.6x	17.5x	16.3x	20.8x	20.7x	19.4x	17.9x	27.2x	26.9x	25.2x	23.4x
Stanley Black & Decker, Inc.	NYSE	11,164	1.1x	1.2x	1.2x	1.1x	12.6x	16.9x	10.2x	8.4x	20.6x	24.6x	13.1x	10.6x	n.m	n.m	15.1x	10.7x
Global Industrial Company	NYSE	928	0.9x	0.9x	0.9x	n.a.	9.6x	10.9x	10.1x	n.a.	10.0x	11.3x	10.5x	n.a.	12.2x	12.9x	11.5x	n.a.
MSC Industrial Direct Co., Inc. Class A	NYSE	4,338	1.5x	1.5x	1.4x	1.4x	10.0x	9.9x	9.8x	9.1x	11.9x	11.4x	11.4x	10.5x	14.2x	14.1x	14.0x	12.8x
Cembre S.p.A.	Milan	519	2.6x	2.4x	2.2x	2.0x	9.4x	8.5x	7.8x	7.1x	12.0x	11.0x	10.2x	9.7x	15.9x	14.8x	26.3x	13.1x
DXP Enterprises, Inc.	NASDAQ	471	n.a.	0.6x	n.a.	n.a.	n.a.	8.4x	n.a.	n.a.	n.a.	11.5x	n.a.	n.a.	12.5x	n.a.	n.a.	n.a.
Bossard Holding AG	SIX Swiss	1,843	1.8x	1.8x	1.7x	1.6x	12.8x	12.7x	11.6x	10.5x	14.9x	15.2x	13.9x	12.5x	17.3x	17.2x	15.6x	13.9x
Average peer group		8,038	1.8x	1.7x	1.7x	2.0x	11.8x	11.7x	10.6x	10.6x	14.9x	14.5x	12.7x	12.4x	16.9x	16.8x	17.1x	15.1x
Median peer group		1,386	1.5x	1.3x	1.4x	1.8x	11.3x	10.4x	10.1x	9.8x	14.9x	13.0x	12.9x	11.6x	15.9x	14.8x	15.6x	13.5x
Fervi SpA	Milan	41	0.9x	0.9x	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	10.4x	10.1x	9.8x
Fervi SpA EBITDA	8.9	9.9	10.9
Enterprise value	92.3	99.8	107.1
Average Enterprise Value		99.8	
Liquidity/Size Discount		25%	
Enterprise Value Post-Discount		74.8	
Fervi SpA FY22 Net Debt		11.2	
Equity Value Post-Discount		63.6	
Number of shares (mn)		2.5	
Value per Share €		25.1	

P/E Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
P/E Comps	16.8x	17.1x	15.1x
Fervi SpA Net Income	4.5	5.1	5.9
Equity Value	75.1	88.2	89.8
Average Equity Value		84.4	
Liquidity/Size Discount		25%	
Equity Value Post-Discount		63.3	
Number of shares (mn)		2.5	
Value per Share €		24.9	

Source: FactSet, KT&Partners' Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.6% 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 4.2% (vs 3.6% in our latest report of 1 February, Italian 10y BTP, last 3 months average), 5.14% equity risk premium (Damodaran for a mature market), and a premium for size and liquidity of 3.1% (source: Duff&Phelps). We, therefore, obtained a WACC of 12.1%.

We discounted 2023E–26E 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	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
Net Operating Cash Flow	7.2	7.6	8.4	9.1
Capex	(2.0)	(1.1)	(1.2)	(1.2)
FCFO	5.2	6.5	7.2	7.9
g	1.0%			
Wacc	12.1%			
FCFO (discounted)	4.7	5.3	5.3	5.2
Discounted Cumulated FCFO	20.5			
TV	72.0			
TV (discounted)	47.0			
Enterprise Value	67.5			
NFP FY2022A	11.2			
Equity Value	56.3			
Current number of shares (mn)	2.5			
Value per share (€)	22.2			

Source: Company Data, KT&Partners' Elaboration

Sensitivity analysis						
€ Millions	Terminal growth Rate	WACC				
		12.6%	12.4%	12.1%	11.9%	11.6%
	0.5%	51.3	52.6	54.0	55.5	57.0
	0.8%	52.3	53.7	55.1	56.6	58.2
	1.0%	53.3	54.7	56.3	57.9	59.5
	1.3%	54.4	55.9	57.5	59.1	60.9
	1.5%	55.5	57.1	58.7	60.4	62.3

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 €23.7bn, 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 €643mn, 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 €29bn, 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 €17bn, 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 €1bn, 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 €4bn, 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 €462mn, 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 €555mn, 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 €2bn, 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 €847mn, 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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