

## Ready to face 2H22 challenges

ADD | Fair Value: €23.2 (€24.2) | Current Price: €14.6 | Upside: +58.8%

€ 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&amp;Partners' Elaboration (2022–25).

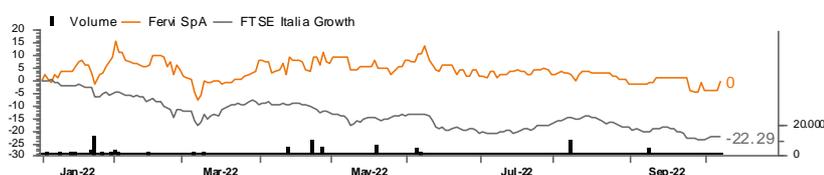
**1H22 Financial Results.** Despite the challenging macroeconomic scenario and the increase in the price of raw materials, in 1H22 Fervi Group confirms the preliminary results of July 2022, achieving a strong and sustained growth, mainly driven by the effects of Rivit's consolidation. Total revenues increased from €16.9mn in 1H21 to €29.7mn in 1H22, registering a growth of +75% YoY, above our expectation of €27.7mn. EBITDA stood at €4.6mn vs €2.7mn in 1H21 (+69% YoY), slightly above our estimates of €4.4mn. The EBITDA margin decreased only by 0.5%, moving from 16.0% in 1H21 to 15.5% in 1H22, thanks to the Group's actions aimed at offsetting freight costs' increases (especially from Far East) and the raw materials price acceleration. Indeed, over 1H22 Fervi Group adjusted its price lists due to inflation. Also 1H22's net income reported an improvement, increasing from €1.7mn in 1H21 to €2.3mn. Finally, despite the new investments of €1.2mn to support the strong business growth and a dividend payment of €0.9mn, the NFP remained unchanged compared to FY21's amount of €10.4mn.

**A Strategic Action Plan to Guarantee the Further Growth Path in 2H22.** Despite the strong increase reported in 1H22, Fervi Group constantly pay attention to the high level of uncertainty that still characterizes the macroeconomic environment. Indeed, the Group will continue to stay closely focused on monitoring inflation and raw materials' shortage, even though it had a modest impact on Fervi Group due to its solid suppliers' relationships that guaranteed a steady inventory products flow. The Group is also committed to enact a pricing policy and a careful cost control aimed at preserving marginality and the Group's financial soundness. By taking these actions to mitigate the raise of inflation, currency depreciations and further raw materials costs, the Group is confident about continuing its expansion path in the future, enriching its product's offering and penetrating regions not yet reached.

**Change in Estimates.** On the back of 1H22 financial results in line with our projections of July 14<sup>th</sup>, 2022, we have left our estimates unchanged. We anticipate FY22E total revenues at €56.9mn, growing at a CAGR21A–25E of +14.6% reaching €67.1mn at the end of FY25E. We estimate FY22E EBITDA at €8.1mn, with an EBITDA margin at 14.2% expecting a profitability improvement to 16.3% in FY25E, mainly thanks to more favourable transport and raw materials' costs in the following years. We also maintained unvaried bottom-line estimates, expecting FY22E net income at €3.8mn, growing at a CAGR21A–25E of 17.4%. Finally, we foresee NFP to improve from €8.6mn in FY22E to -€7.8mn (cash positive) in FY25E.

**Valuation.** We updated our valuation – based on both DCF and EV/EBITDA multiple models – following: i) the higher risk-free rate at 3.55% (vs 2.4% in our latest report of 2<sup>nd</sup> August, Italian 10y BTP), and ii) comparable multiples – EV/EBITDA and P/E – significantly lower due to the negative stock markets performances. Therefore, considering both these changes, we obtained an equity value of €58.9mn or €23.2ps, +58.8% on current market price.

## Performance Chart – YTD



## Research Update

October 11, 2022 – 7.00 h

Equity Research Team  
[connect@ktepartners.com](mailto:connect@ktepartners.com)Maria Teresa DI GRADO  
[mdigrado@ktepartners.com](mailto:mdigrado@ktepartners.com)  
+39 331 631 0793Gabriele TRAPANI  
[gtrapani@ktepartners.com](mailto:gtrapani@ktepartners.com)  
+39 366 770 3290

## Market Data

Main Shareholders	
1979 Investimenti Srl	74.78%
Roberto Megna	7.54%
Guido Greco	2.04%
Mkt Cap (€ mn)	37.1
EV (€ mn)	47.5
Shares out.	2.5
Free Float	15.6%

Market multiples	2021	2022	2023
EV/EBITDA			
Fervi SpA	8.2x	5.9x	5.3x
Comps Average	10.1x	9.6x	9.9x
Fervi SpA vs Average	-18%	-39%	-46%
P/E			
Fervi SpA	11.7x	9.6x	8.1x
Comps Average	14.3x	14.1x	12.9x
Fervi SpA vs Average	-19%	-32%	-37%

## Stock Data

52 Wk High (€)	18.20
52 Wk Low (€)	12.60
Avg. Daily Trading 90d	491
Price Change 1w (%)	0.69
Price Change 1m (%)	1.39
Price Change YTD (%)	0.00

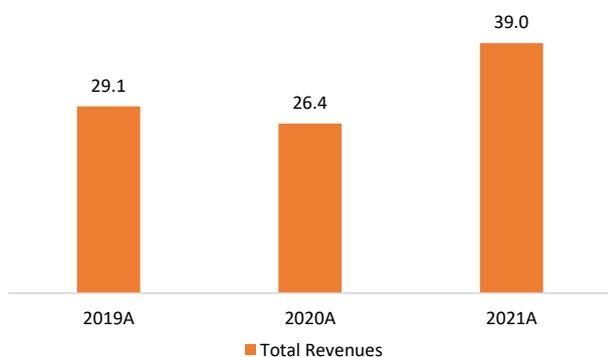
## Key Figures – Fervi Group SpA

	Current price (€)	Fair Value (€)			Sector		Free Float (%)	
	14.60	23.2			Industrial Machinery		15.64	
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 payout 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	37.1	37.1	37.1	37.1
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	45.7	40.5	35.2	29.3
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		1.63x	1.80x	1.22x	0.83x	0.80x	0.75x	0.71x
EV/EBITDA		10.57x	11.55x	8.22x	5.88x	5.34x	4.81x	4.34x
P/E		14.35x	16.23x	11.65x	9.64x	8.14x	7.01x	6.13x
Free cash flow yield		-1.8%	6.1%	-26.8%	6.1%	13.3%	14.1%	15.9%
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%

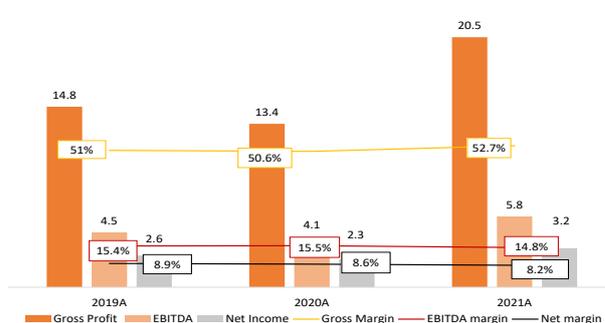
Source: Company Data (2019–2021), KT&Partners' Forecasts (2022–2025)

## Key charts

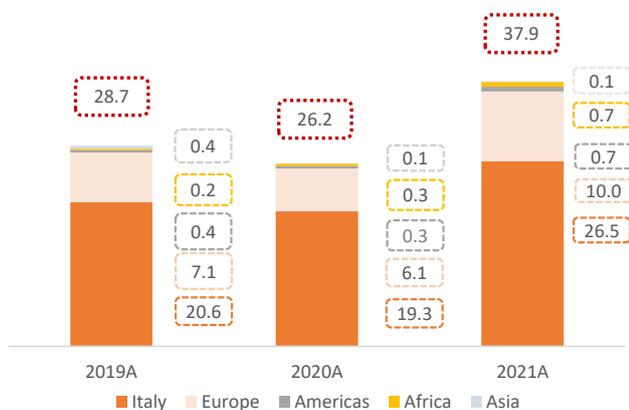
Total Revenues (€mn)



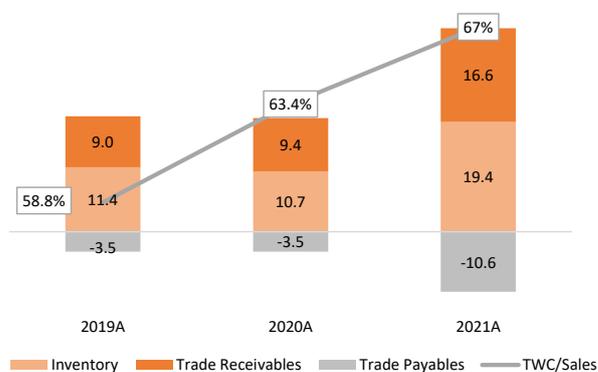
Gross Profit, EBITDA and Net Income (€mn, %)<sup>1</sup>



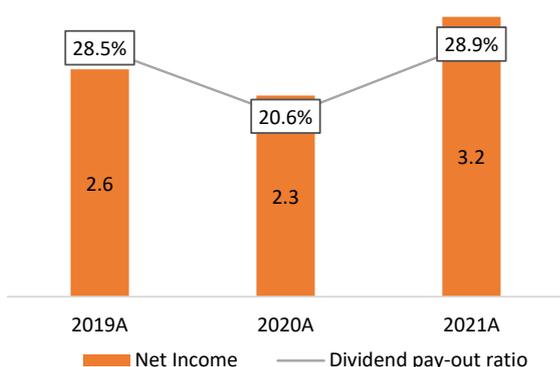
Sales Revenues Breakdown (€mn)



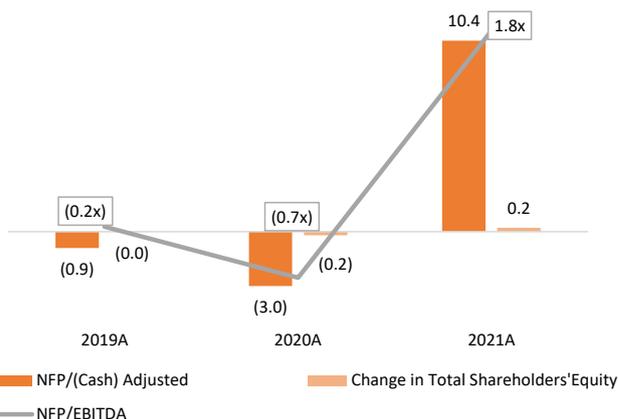
Trade Working Capital (€mn, %)



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



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



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

## Overview

### Company Description

Fervi Group is the leader in the Maintenance, Repairs, and Operations (MRO) industry. Fervi Group's mission is to plan, produce, select, and distribute machinery, mechanical tools, fasteners, industrial applications 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, thanks to its 60,000 products' references.

The Group's offer ranges from nine product groups to fifty product families; it includes 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 range, the Group catalogue reference increased from 3,800 references in 2012 to over 60,000 in 2022. This wide product range, 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.

Fervi Group is active in the MRO and in the advanced DIY (do-it yourself) industry. According to Precedence Research, the global MRO distribution market was worth \$635.5bn in 2021 and is expected to grow to over \$798.6bn by 2030, mainly driven by the manufacturing enterprises' goal to optimize production processes and minimize inefficiencies. The DIY market, according to Global Market Insights, was worth \$762.9bn in 2020 and is estimated to reach \$1,010bn at the end of 2027.

Fervi Group's future strategy includes several actions aimed at consolidating its international presence, further expanding its ample product portfolio, and building new relationships with digital and GDS Partners. In order to achieve these results, the Group is going to realize both external and organic growth plans, targeting acquisitions to penetrate new territories, broaden the product portfolio, and introduce new products through scouting activity and product marketing.

### Investment Case

- **A wide product portfolio for every need.** The Group's offer includes 9 different product categories, including machine tools, hand tools, abrasives and fixing items, with more than 60,000 references available to maintenance and repair professionals in the industrial, handcraft and automotive sectors.
- **Revenues growth, profitability, and cash-flow generation drive a sustainable dividend policy growth.** In recent years, Fervi Group grew in terms of revenues, profitability, and cash-flow generation. During the 2015–2021 period, Fervi's total revenues grew at a CAGR of 10.4%, with an average double-digit EBITDA margin of 17%, and with an Operating Cash Flow/EBITDA ratio of 47% (also including the M&A's consolidation).
- **Strong M&A track record.** Since 2015 the Group has built a consolidated M&A track recorded realizing four acquisitions both in Italy and abroad. After having completed its offering with the acquisitions of i) Reflex, which specializes in high-quality abrasives, ii) the Spanish distributor Sitges Maquinas y Accesorios, iii) and the high-end measuring instruments manufacturer Vogel Germany; in 2021, Fervi Group acquired Rivit, a company specializing in the supply of fastening systems.
- **A successful management team.** Fervi Group can rely on a top management team with proven experience in M&A transactions, including cross-borders, management, and control. Fervi Group's key figures have years of experience on

different markets that have consolidated the medium-long-term vision guaranteeing effective and valuable strategic approaches.

- **Growing commitment to sustainability.** Fervi Group implements a sustainable environmental strategy and takes part in many social inclusion projects. Indeed, in 2022, Fervi Group was awarded the prestigious ESG Certification issued by Certification S.r.l., an organization that evaluates corporate sustainability regarding the environment, workers, and governance.

## 1H22 Financial Results

Fervi Group concludes 1H22 successfully and in line with the preliminary results of July 2022, reporting a strong and sustained growth mainly driven by the consolidation of its latest acquisition, Rivit.

Even in a challenging macroeconomic scenario characterized by raw material price increases, the Group is confident about continuing its growth path in the second half of the year, consolidating its efforts on expanding its already ample product portfolio and maximizing profitability, implementing a careful costs control policy.

In 1H22, Fervi Group generated total revenues for €29.7mn vs €16.9mn in 1H21, achieving a growth of +75% YoY mainly attributable to the Rivit consolidation, which contributed to Group's sales revenues of ca. €13mn. Considering only the organic growth, Fervi Group's 1H22 revenues are aligned with 1H21 figures, despite a far more complicated economic environment characterized by currency depreciations and rising inflation in energy and raw materials costs.

Looking at profitability, EBITDA stood at €4.6mn vs €2.7mn in 1H21, registering thus a growth of +69% YoY, while the EBITDA margin, according to IV CEE reclassification, decreased only by 0.5% (from 16% in 1H21 to 15.5% in 1H22) even despite freight and raw material prices increases (especially steel and iron costs). In order to preserve marginality, Fervi Group adjusted its price list to offset higher procurement costs. At EBIT level, Fervi Group reported €3.2mn in 1H22 vs €2.3mn in 1H21 (+41.2% YoY), also considering a higher D&A of €1mn compared to 1H21, mainly owing to €0.6mn of technical know-how amortization consequent the Rivit's consolidation.

Regarding bottom-line figures, although 1H22 experienced a higher tax burden (26.5% vs 22.5%) since Rivit does not benefit from the Patent Box regime, the Group reported a net income of €2.3mn (+41.1% YoY), improving from €1.7mn in 1H21. Moreover, in 1H22, Fervi Group maintained a strong operative cash-flow generation of €2.1mn despite the €1.2mn investment in fixed assets and higher net working capital. Finally, also considering the dividend payment of €0.9mn, the NFP has remained stable at 10.4mn from the one reported at the end of FY21.

1H21-1H22 Consolidated Income Statement			
€ Millions	1H21A	1H22A	YoY%
MRO	16.8	29.3	74.0%
<b>Sales Revenues</b>	<b>16.8</b>	<b>29.3</b>	<b>74%</b>
<i>Growth %</i>			
Other Revenues	0.1	0.4	
<b>Total Revenues</b>	<b>16.9</b>	<b>29.7</b>	<b>75%</b>
Products and Raw materials	(8.1)	(14.8)	
<b>Gross Profit</b>	<b>8.8</b>	<b>14.9</b>	<b>69%</b>
<i>Gross Margin</i>	<i>52.0%</i>	<i>50.3%</i>	
Cost of Services	(3.5)	(5.7)	
Rental Costs	(0.3)	(0.5)	
Personnel Expenses	(2.3)	(4.1)	
Other Operating Expenses	(0.0)	(0.1)	
<b>EBITDA</b>	<b>2.7</b>	<b>4.6</b>	<b>69.0%</b>
<i>EBITDA margin</i>	<i>16.0%</i>	<i>15.5%</i>	
D&A and Provisions	(0.4)	(1.4)	
<b>EBIT</b>	<b>2.3</b>	<b>3.2</b>	<b>41%</b>
<i>EBIT margin</i>	<i>13.5%</i>	<i>10.9%</i>	
Financial Income and Expenses	(0.1)	(0.1)	
Extraordinary items	(0.0)	0.0	
<b>EBT</b>	<b>2.1</b>	<b>3.2</b>	<b>49%</b>
Taxes	(0.5)	(0.8)	
<i>Tax Rate</i>	<i>22.4%</i>	<i>26.5%</i>	
<b>Net Income</b>	<b>1.7</b>	<b>2.346</b>	<b>41%</b>
<i>Net margin</i>	<i>9.8%</i>	<i>7.9%</i>	
Minorities		-	
<b>Net Income attributable to the Group</b>	<b>1.7</b>	<b>2.346</b>	<b>41%</b>
<i>Net margin</i>	<i>9.8%</i>	<i>7.9%</i>	

Source: Company Data

## Change in Estimates

On the back of 1H22 results, in line with our latest estimates, we have left unchanged our top line projections. Total revenues are expected to grow at a CAGR21A–25E of +14.6%, from €56.9mn in FY22E to €67.1mn in FY25E.

EBITDA is expected to reach €8.1mn in FY22E, growing at a CAGR21A–25E of +17.3% up to €10.9mn in FY25E. We expect FY22E EBITDA margin at 14.2%, then improving in the following years as we anticipate more favorable transport and raw materials' costs with respect to FY22E.

We project EBIT at €4.4mn in FY22E, growing at a CAGR21A–25E of +16.9% to reach €8.2mn at the end of FY25E.

Looking at the bottom line, we project Net Income attributable to the Group at €6mn in 2025E, growing at a CAGR21A–25E of +17.4%, and with a net margin of 9% (improving by 2.2pp from FY22E). Note that in our projections we assume a tax rate of 25%.

It should be noted that Net Income projections over the 2022E-2025E are negative influenced by the amortization of Rivit's technical know-how (€4.9mn over the 2021-2025 period), having an impact on the bottom line of ca. €0.9mn per year.

The key points of our forecast are as follows:

- FY22E total revenues at €56.9mn, reaching €67.1mn in FY25E (+14.6% CAGR21A–25E)
- FY22E EBITDA at €8.1mn, reaching €10.9mn in FY25E (+17.3% CAGR21A–25E)
- FY22 net income at €3.8mn, reaching €6.0mn in FY25E (+17.4% CAGR21A–25E)
- FY22E NFP at €8.6mn, reaching -€7.8mn (cash positive) in FY25E

### Change in Estimates

€ Millions	2020A	2021E	Change	2022E	2022E	Change	2023E	2023E	Change	CAGR 2020-23	2024E	2024E	Change	2025E	2025E	Change	CAGR21-25	CAGR21-25
	Actual	Actual		Old	New		Old	New			Old	New		Old	New			
Revenues	26.4	39.0	0.0%	56.9	56.9	0.0%	59.7	59.7	0.0%	31.2%	63.3	63.3	0.0%	67.1	67.1	0.0%	14.6%	14.6%
YoY Change (%)	-9.1%	47.3%		46.0%	46.0%		5.0%	5.0%			6.0%	6.0%		6.0%	6.0%			
EBITDA	4.1	5.8	0.0%	8.1	8.1	0.0%	8.9	8.9	0.0%	29.3%	9.9	9.9	0.0%	10.9	10.9	0.0%	17.3%	17.3%
YoY Change (%)	-8.4%	40.4%		39.9%	39.9%		10.2%	10.2%			11.0%	11.0%		10.7%	10.7%			
EBITDA Margin	15.5%	14.8%		14.2%	14.2%		14.9%	14.9%			15.6%	15.6%		16.3%	16.3%			
EBIT	3.0	4.4	0.0%	5.4	5.4	0.0%	6.3	6.3	0.0%	27.3%	7.2	7.2	0.0%	8.2	8.2	0.0%	16.9%	16.9%
YoY Change (%)	-10.8%	44.1%		22.7%	22.7%		16.6%	16.6%			14.9%	14.9%		13.4%	13.4%			
EBIT Margin	11.5%	11.3%		9.5%	9.5%		10.5%	10.5%			11.4%	11.4%		12.2%	12.2%			
Net Income	2.3	3.2	0.0%	3.8	3.8	0.0%	4.6	4.6	0.0%	25.9%	5.3	5.3	0.0%	6.0	6.0	0.0%	17.4%	17.4%
YoY Change (%)	-11.6%	39.3%		21.0%	21.0%		18.3%	18.3%			16.1%	16.1%		14.3%	14.3%			
Net Margin	8.6%	8.2%		6.8%	6.8%		7.6%	7.6%			8.4%	8.4%		9.0%	9.0%			
NFP	(3.0)	10.4	10.4	8.6	8.6	8.6	3.5	3.5	3.5		(1.8)	(1.8)	(1.8)	(7.8)	(7.8)	(7.8)	(7.8)	(7.8)

Source: Company Data, KT&Partners' Elaboration.

## 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 a value of €20.7ps;
2. DCF analysis, based on WACC of 10.8% and 1.0% perpetual growth, which returns a value of €25.7ps.

The average of the two methods yields a fair value of €23.2ps or an equity value of €58.9mn.

### Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	58.3	23.0
P/E	46.9	18.5
<b>Average - multiples</b>	<b>52.6</b>	<b>20.7</b>
DCF	65.1	25.7
<b>Average</b>	<b>58.9</b>	<b>23.2</b>

Source: FactSet, KT&Partners' elaboration

## Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2021–24 data.

### Peer Comparison – Market Multiples 2021–24

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024
W.W. Grainger, Inc.	NYSE	26,041	2.6x	1.9x	1.8x	1.7x	19.5x	12.3x	11.8x	10.9x	21.9x	13.4x	12.7x	11.6x	30.4x	17.9x	16.9x	15.3x
Einhell Germany AG Pref	XETRA	483	0.9x	0.8x	0.7x	0.7x	9.1x	7.5x	7.4x	7.0x	10.5x	8.4x	8.4x	8.0x	8.5x	7.8x	7.8x	7.4x
Distribution Solutions Group, Inc.	NASDAQ	561	2.8x	0.9x	0.7x	n.a.	n.m	8.4x	6.9x	n.a.	n.m	16.8x	14.1x	n.a.	33.8x	17.5x	18.4x	n.a.
Fastenal Company	NASDAQ	26,927	5.4x	3.9x	3.7x	3.5x	23.3x	16.7x	16.1x	15.1x	26.6x	18.6x	18.2x	16.9x	35.1x	24.9x	24.4x	22.8x
Stanley Black & Decker, Inc.	NYSE	11,710	1.7x	1.3x	1.3x	1.3x	9.7x	12.1x	10.4x	8.9x	12.2x	16.3x	13.5x	11.1x	9.2x	14.0x	11.5x	9.0x
Global Industrial Company	NYSE	1,057	1.3x	0.9x	0.9x	0.9x	15.0x	9.8x	10.9x	10.1x	15.7x	10.2x	11.3x	10.5x	12.4x	12.2x	14.3x	13.2x
MSC Industrial Direct Co., Inc. Class A	NYSE	4,196	1.8x	1.3x	1.3x	1.3x	13.9x	9.0x	8.8x	8.8x	17.4x	10.3x	10.0x	9.9x	23.5x	12.1x	12.0x	11.8x
Cembre S.p.A.	Milan	417	2.5x	2.1x	2.1x	n.a.	9.1x	7.8x	7.8x	n.a.	12.2x	10.2x	10.2x	n.a.	15.8x	13.5x	n.a.	n.a.
DXP Enterprises, Inc.	NASDAQ	481	0.9x	0.6x	0.6x	n.a.	14.9x	7.4x	6.8x	n.a.	25.0x	9.9x	9.1x	n.a.	36.7x	10.6x	9.5x	n.a.
Bossard Holding AG	SIX Swiss	1,377	1.8x	1.4x	1.4x	1.3x	12.0x	9.9x	9.3x	8.5x	14.2x	11.9x	11.1x	10.1x	14.9x	12.7x	12.2x	10.8x
Average peer group		7,325	2.2x	1.5x	1.5x	1.5x	14.1x	10.1x	9.6x	9.9x	17.3x	12.6x	11.9x	11.1x	22.0x	14.3x	14.1x	12.9x
Median peer group		1,217	1.8x	1.3x	1.3x	1.3x	13.9x	9.4x	9.0x	8.9x	15.7x	11.1x	11.2x	10.5x	19.6x	13.1x	12.2x	11.8x
Fervi SpA	Milan	37	1.3x	0.8x	0.8x	0.8x	8.2x	5.9x	5.3x	4.8x	10.8x	8.8x	7.6x	6.6x	11.5x	9.6x	8.1x	7.0x

Source: FactSet, KT&Partners' Elaboration

Following our comps analysis, we evaluate the company by using the 2022–24 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 2022, 2023 and 2024. We also considered FY21 NFP at €10.4mn

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	10.1x	9.6x	9.9x
Fervi SpA EBITDA	8.1	8.9	9.9
<b>Enterprise value</b>	<b>81.3</b>	<b>85.5</b>	<b>97.6</b>
Fervi SpA FY21 Net Debt	10.4	10.4	10.4
<b>Equity Value</b>	<b>70.9</b>	<b>75.1</b>	<b>87.2</b>
Average Equity Value		77.8	
Liquidity/Size Discount		25%	
<b>Equity Value Post-Discout</b>		<b>58.3</b>	
Number of shares (mn)		2.5	
<b>Value per Share €</b>		<b>23.0</b>	

### P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	14.3x	14.1x	12.9x
Fervi SpA Net Income	3.8	4.6	5.3
<b>Equity Value</b>	<b>55.1</b>	<b>64.2</b>	<b>68.2</b>
Average Equity Value		62.5	
Liquidity/Size Discount		25%	
<b>Equity Value Post-Discout</b>		<b>46.9</b>	
Number of shares (mn)		2.5	
<b>Value per Share €</b>		<b>18.5</b>	

Source: FactSet, KT&Partners' Elaboration

## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 11.6% cost of equity, 3.0% cost of debt and a D/E ratio of 9.2% (based on the industrial machinery peers' average). The cost of equity is a function of the risk-free rate of 3.55% (vs 2.4% in our latest report of 2nd August, 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 10.8% WACC.

We discounted 2022E–25E 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	2022E	2023E	2024E	2025E
<b>EBIT</b>	<b>5.4</b>	<b>6.3</b>	<b>7.2</b>	<b>8.2</b>
Taxes	(1.3)	(1.6)	(1.8)	(2.0)
D&A	2.7	2.6	2.7	2.7
Change in Net Working Capital	(2.5)	(0.6)	(0.8)	(0.8)
Change in Funds	0.7	0.7	0.7	0.8
<b>Net Operating Cash Flow</b>	<b>4.9</b>	<b>7.5</b>	<b>8.0</b>	<b>8.8</b>
Capex	(2.0)	(1.1)	(1.2)	(1.2)
<b>FCFO</b>	<b>2.9</b>	<b>6.4</b>	<b>6.8</b>	<b>7.6</b>
<b>g</b>	<b>1.0%</b>			
<b>Wacc</b>	<b>10.8%</b>			
FCFO (discounted)	2.9	5.6	5.4	5.5
Discounted Cumulated FCFO	19.3			
TV	78.3			
TV (discounted)	56.2			
<b>Enterprise Value</b>	<b>75.5</b>			
NFP FY2021A	10.4			
<b>Equity Value</b>	<b>65.1</b>			
Current number of shares (mn)	2.5			
<b>Value per share (€)</b>	<b>25.7</b>			

Source: Company Data, KT&Partners' Elaboration

Sensitivity analysis						
€ Millions	Terminal growth Rate	WACC				
		11.3%	11.0%	10.8%	10.5%	10.3%
	0.5%	58.8	60.4	62.1	64.0	65.9
	0.8%	60.1	61.8	63.6	65.5	67.5
	1.0%	61.5	63.3	65.1	67.1	69.2
	1.3%	62.9	64.8	66.8	68.8	71.0
	1.5%	64.4	66.4	68.5	70.6	72.9

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 FY21A, the Company reached €11bn 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 FY21A, the Company reached €927mn 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 FY21A, the Company reached €5bn 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 FY21A, the Company reached €13bn 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 FY21A, the Company reached €899mn 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 FY21A, the Company reached €3bn 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 FY21A, the Company reached €167mn 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 €921mn 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 FY21A, the Company reached €353mn of sales revenues.

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KT&PARTNERS

Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy  
Tel: +39.02.83424007 Fax: +39.02.83424011  
[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)