

The MRO solution for every need

ADD | Fair Value: €24.2 | Current Price: €15.2 | Upside: +59.1%

€ 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 (2019-2021), KT&Partners' Elaboration (2022-2025)

Overview. Fervi Group is leader in the Maintenance, Repairs, and Operations (MRO) industry. Fervi Group's mission is to project, product, 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.

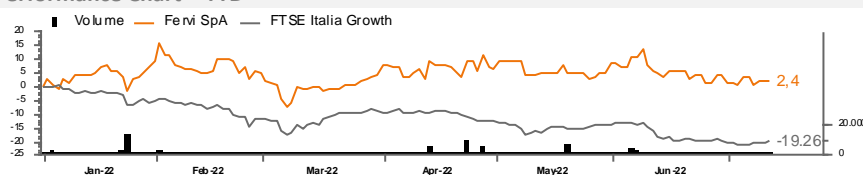
Market overview. Although the MRO is considered a mature market compared to other sectors (i.e., technology), the Industry is characterized by a steady and sustainable growth and it is one of the most reliable Market in terms of cash generation. According to Precedence Research, the global MRO distribution market size reached \$635.5bn in 2021 and is expected to growth over \$798.6bn by 2030, showing a CAGR 2021-2030 of 2.6%, mainly driven by the manufacturing enterprises' goal to optimize production processes and minimize inefficiencies.

Group historical figures. Nonetheless revenues growth path slowdown in 2020 due to COVID-19 outbreaks (-9% YoY), in 2021 Fervi Group set its record with €38mn of sales (+44.9% YoY), reporting a CAGR19-21 of +15%. In 2021, the growth was also driven by the newly acquired Rivit Srl (from September 2021). However, considering only Fervi Group's organic growth, the Group showed revenues increase of +22.4% YoY and a +11.6% over the 2019, mainly driven by Italian and European wholesale distribution market recovery post Covid-19. Together with the revenues growth registered in 2021, the Group showed EBITDA increase of 40% YoY, amounting to €5.8mn, with a margin at 14.8%. In FY21, Fervi Group registered a NFP of €10.4mn, increasing by +€13.4mn (-€3mn in 2020) following Rivit's acquisition and €0.66mn dividend payment.

Future Estimates. Our financial projections over the 2022-25 period are based on Fervi Group's business model and strategy. Starting from the top line, we anticipate sales revenues growing at a CAGR21A-25E of 15.2%, reaching €66.7mn in FY25E. We projected sales considering: i) Fervi Group's product portfolio expansion; ii) the strengthen of Fervi Group's presence abroad and in Italy; and iii) end-user base expansion also thanks the last acquisition, Mr. Worker (ecommerce platform). We expect EBITDA to experience a CAGR21A-25E of +17.3%, reaching €10.9mn in FY25E, with an EBITDA margin at 16.3% in FY25E (from 14.8% in FY21A). Looking at the bottom line, we project net income attributable to the Group at €6mn in 2025, growing at a CAGR21A-25E of +17.4%, and a net margin of 9%. Looking at Fervi Group's financial soundness, we expect NFP to progressively improve from a net debt of €10.4mn in FY21A to a net cash of €7.8mn in FY25E. It should be noted that given the Group's attention to dividends' distribution during the last years, in our estimate we also supposed an average dividend payout ratio at about 28% over the 2022E-2025E period.

Valuation. Our valuation – based on both market multiples and DCF method – returns an average equity value of €61.4mn or a fair value of €24.2ps, showing a potential upside of 59% on current market price.

Performance Chart – YTD



Initiation of Coverage

July 14th, 2022 – 7.00h

Equity Research Team
connect@ktepartners.com

Maria Teresa DI GRADO
mdigrado@ktepartners.com
+39 331 631 0793

Gabriele TRAPANI
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)	38.6
EV (€ mn)	49.0
Shares out.	2.5
Free Float	15.6%

Market multiples	2021	2022	2023
EV/EBITDA			
Fervi SpA	8.5x	6.1x	5.5x
Comps Median	10.4x	9.4x	8.9x
Fervi SpA vs Median	-18%	-35%	-38%
P/E			
Fervi SpA	12.1x	9.9x	8.3x
Comps Median	14.6x	13.7x	12.5x
Fervi SpA vs Median	-17%	-28%	-33%

Stock Data

52 Wk High (€)	18.20
52 Wk Low (€)	10.80
Avg. Daily Trading 90d	791
Price Change 1w (%)	2.36
Price Change 1m (%)	-1.94
Price Change YTD (%)	4.11

Key Figures – Fervi Group SpA

Current price (€)	Fair Value (€)		Sector				Free Float (%)
15.20	24.2		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	38.0	38.0	38.0	38.6	38.6	38.6	38.6
Minorities	-	-	-	-	-	-	-
Net financial position/(Cash)	(0.9)	(3.0)	10.4	8.6	3.5	(1.8)	(7.8)
Enterprise value	37.1	35.0	48.4	47.2	42.1	36.8	30.8
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	1.68x	1.85x	1.26x	0.86x	0.82x	0.77x	0.73x
EV/EBITDA	10.91x	11.92x	8.49x	6.07x	5.51x	4.97x	4.48x
P/E	14.94x	16.90x	12.13x	14.94x	14.94x	14.94x	14.94x
Free cash flow yield	-1.8%	6.0%	-26.0%	5.9%	12.9%	13.7%	15.4%
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%

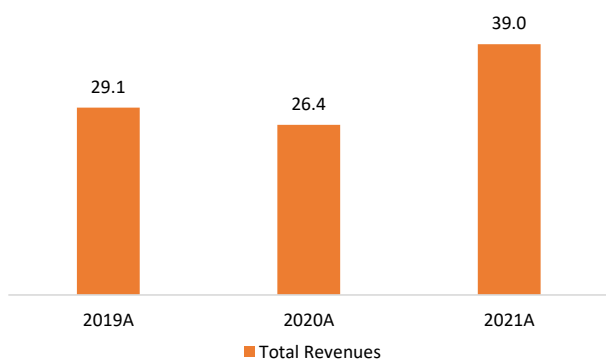
Source: Company Data (2019-2021), KT&Partners' forecasts (2022-2025)

Contents

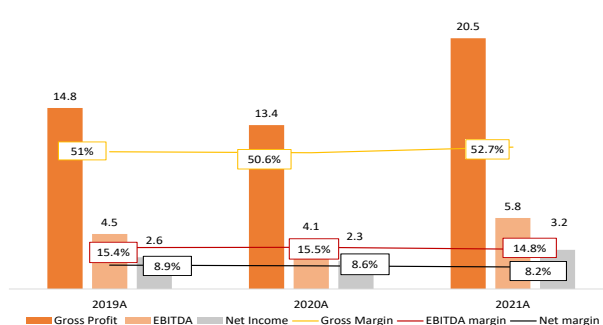
Key Charts	4
Investment Case	5
Company Overview	7
Fervi Group	7
A broad and well diversified product assortment	8
Durable cash flows drive a sustainable dividend policy growth	11
Strong M&A Track Record in a large, fragmented and highly attractive market	12
A Sustainable and Inclusive ESG Company	13
The Group's History	14
Ownership and Group Structure	16
Key people and Group Organization	17
Business Model	18
Scouting and R&D	18
Purchasing and Product Marketing	18
Logistic and Production	19
Sales and Marketing	19
After-sale support	21
Market Overview	22
The MRO Industry	23
Do-it-Yourself (DIY) market	26
Market Positioning	28
Historical Financials	30
Revenues Breakdown	30
Profitability Analysis	31
Capital Structure Analysis	32
Group's Strategy	33
Deconstructing Forecasts	34
Valuation	36
Peer Comparison	36
Market Multiples Valuation	39
DCF Valuation	40
DISCLAIMER	41

Key Charts

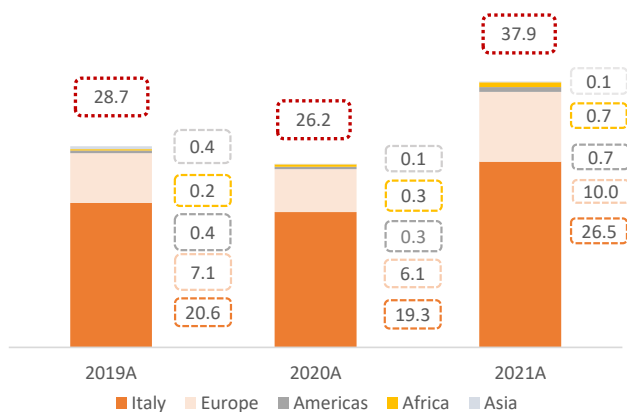
Total Revenues (€mn)



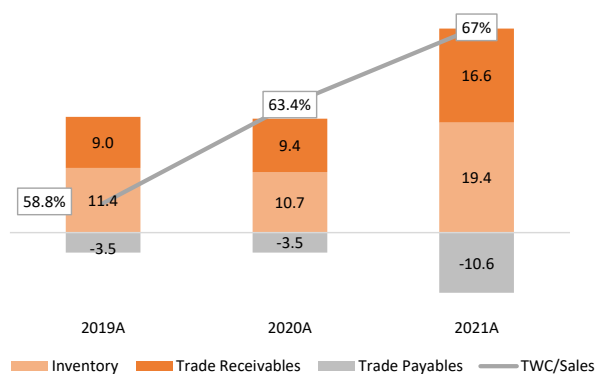
Gross Profit, EBITDA and Net Income (€mn, %)¹



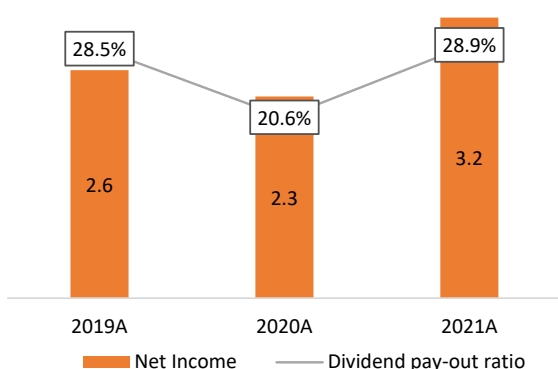
Sales Revenues breakdown (€mn)



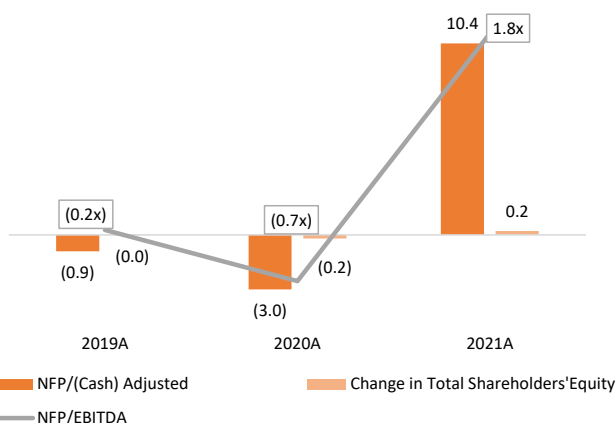
Trade Working Capital (€mn, %)



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



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



¹ Margins are calculated on Total Revenues

Investment Case

The solution for every need. Fervi Group's main goal is to propose the solution for its clients' need, thanks to its wide product portfolio. Given Fervi Group's strategy to constantly expand its assortment, the Group catalogues reference increase from 3,800 references in 2012 to over 60,000 in 2022. The Group's offer includes 9 different product's 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.

Strong M&A track record. In order to expand its product portfolio and to increase its international presence, Fervi Group accelerates its market share consolidation through M&A activities. Indeed, in the last years the Group completed five acquisitions both in Italy and abroad. Fervi started its M&A activity in 2015, acquiring the 100% of Reflex, with the aim to expand its product portfolio, introducing high-quality abrasive products. In 2018, in line with its strategy to straight its international presence, Fervi Group acquired the 40% of the Spanish Sitges Maquinas y Accesorios. Whereas, in 2019, Fervi acquired the 100% of Vogel Germany GmbH, expanding its offer with over 5,000 references of high-end measuring instruments, extending also its wholesaler network thanks to 100 worldwide Vogel distributors. Finally, in 2021, Fervi Group acquired the 100% of Rivit, specialized in the supply of fastening systems and the 5.4% of Esales, innovative SME and digital distributor of professional MRO equipment via its proprietary portal, Mister Worker, whose trademark is registered in over 40 countries.

Competitive positioning in a fragmented market. The MRO is a very fragmented industry, with the top five companies controlling only the 8-10% of the total market share. However, thanks to its distinctive business model, based on a go-to-market approach supported by a wide product portfolio, Fervi Group boasts an extremely broad consolidated market presence and reputation in the equipment for maintenance and repair professionals, especially in Italy and in Europe.

Revenues growth, profitability, and cash-flow generation drive a sustainable dividend policy growth. In the last years, Fervi Group showed a growth path both in terms of revenues and profitability, and achieving constant cash-flow generation as well. During the 2015-2021 period, Fervi enjoyed a total revenues CAGR of 10.4%, with an average double-digit EBITDA margin of 17%. The Group's profitability growth, together with a low capital-intensive business model, allowed Fervi to generate an average Operating Cash flow over the 2016-2021 of €2.1mn, with an average Operating Cash Flow/EBITDA ratio of 47%, also including the M&A's consolidation. Thanks to its durable cash-flow generation, since 2018 to 2021 Fervi paid in total €2.1mn of dividends, with an average pay-out ratio of 24.35%.

A successful Management Team. Fervi Group can rely on a top management with proven experiences in M&A transactions, including cross-borders, management and control. Fervi Group's key figures have years of experience on different markets that consolidated the medium-long term vision guaranteeing effective and valuable strategic approaches. Group top management team contribute to Fervi Group's growth through their leadership, expertise, know-how, and abilities to create meaningful relationships with stakeholders. Moreover, Fervi Group's top management, plays a key role in determining the Company's success, defining the Group's strategies and its direction.

Growing commitment to sustainability. Fervi Group has always showed strong attention to environmental and social issues by both implementing a sustainable environmental strategy and taking part in social inclusion projects. Indeed, in 2022, Fervi Group obtained the prestigious ESG Certification, to renew every three years, with rating A, issued by Certification S.r.l. which evaluates corporate sustainability with regard to the environment, workers and governance.

Seeking to expand its portfolio product and to strengthen its competitive position. To further consolidate its market presence and reputation, Fervi Group's plans: i) to keep

expanding its portfolio product, ii) widening its presence nationally and internationally, and iii) developing meaningful relationships with “Digital Partners”.

Fervi Group’s business growth strategy is based on the following three pillars:

- **external growth** through a precise acquisition strategy that has the dual objective of expanding its national and international market shares and introducing new products in its catalogue.
- **Organic Growth**, introducing new products and broaden the range both in depth and in proximity, through activity of scouting and product marketing.
- **Extending Relationship Development with Digital and GDS**, in order to reach an increase number of its end-customers Fervi Group is aimed to build solid relationships with the so-called “Digital Partners” integrating their marketplaces and e-commerce platforms with Fervi Group’s offer.

Statement of risks. Most of Fervi Group’s production activities are carried out by external suppliers. However, the Group mitigates the supplier risk thanks to consolidated relationships with its suppliers, targeting a manufacturers’ global network in different regions that comprises both European and non-European countries. Moreover, given the main role of Group’s warehouse in Fervi Group’s activity and the procurement risk related, the Company owns an algorithm that manages orders based on past and expected consumption and the supplier’s average delivery times. Finally, to mitigate risk of an increase costs of raw materials and end-products, the Group is oriented towards flexible price policies thought to update of price list in its catalogs.

Company Overview

Fervi Group

Fervi S.p.A. is an Italian company established in 1978 in Vignola (MO), leader in the Maintenance, Repairs, and Operations (RMO) industry.

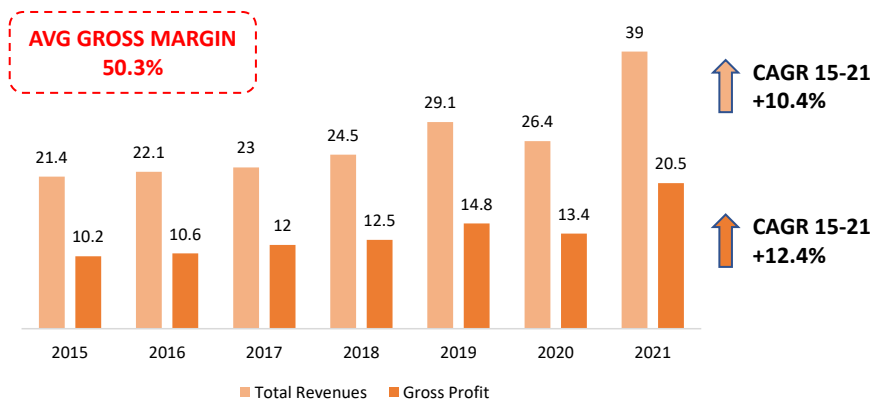
Fervi Group’s mission is to project, product, select, and distribute machinery, mechanical tools, and equipment at the best quality-price ratio, guaranteeing safety and service standards well above its direct competitors. In order to achieve this objective, Fervi Group offers the most suitable, functional, and safest products to workers and the artisans to solidly improve the productivity and quality of their daily work.

The Group’s offer ranges from nine product groups to fifty product family, 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 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.

Fervi Group mainly carries out the purchase of finished products in other countries, mostly located in the Far East (China, India, Taiwan). These products are subjected to an accurate control, carried out both internally and using a third-party certification body, in order to verify their quality and compliance with the relevant European regulation. The products are subsequently resold under the Fervi Group’s brand. However, since Reflex’s acquisition, the Group has started to produce abrasives, automatic machines for the production, packaging, tests of flap discs, and incidentally, marketing the relevant production components (abrasive cloth, backing, and glue). Moreover, since Vogel and Rivit takeover, the Group become specialist in measurement instruments and in fixing products always guaranteeing the best quality, focusing on customers’ needs.

Notwithstanding the economic slowdown due to the Covid-19 pandemic, thanks to its management strategy focused on: i) expanding Group’s product portfolio; ii) broadening its international presence, and iii) innovating constantly its services, since the 2015, the Group has showed a constant and considerable sales growth and profitability. Fervi Group’s sales grew at a CAGR15-21 of 10.4%, peaking at €39mn in 2021, while the gross profit grew at a CAGR15-21 of 12.4% recording an average gross profit margin of 50.3%.

Group’s total revenues, Gross Profit 2015-2021



Source: KT&Partners’ elaboration on Company Data

A broad and well diversified product assortment

Fervi Group's main goal is to propose the solution for its clients' needs, thanks to its wide product portfolio. Given the strategy to constantly expand its assortment, the Group catalogue reference increase from 3,800 references in 2012 to over 60,000 in 2022 (including more than 3,000 spare parts).

The Group's products are mainly distributed and produced under the Fervi Group's brands. However, Riflex also produces for other private labels, and Fervi represents its second main client.

As of today, Fervi Group's product portfolio can be divided into nine main categories:

- **Fixing:** Rivit, with over than 45,000 items and thanks to its efficient logistic stock management system, represents one of the main leaders in the production and distribution of systems, and solutions for sheet metal fastening, offering worldwide products for the industry, roofing, and dealers. This category includes: fasteners, tool for fasteners, bolts and screws, plastic, latch, anchors, soldering and sealants, tools, silicones, adhesive tapes, bending machines, rollforming machines, shearing machines, etc.

Fixing's sample products



Source: KT&Partners' elaborations on Company's presentation

- **Machinery:** machines that use a source of energy other than human movement. This category includes: metal working machinery, metal working machines, wood working machines, car and motorcycle workshop, machines for treatments and finishes, press and hydraulic pumps, lifting and handling;

Machinery's sample products



Source: KT&Partners' elaborations on Company's presentation

- **Machinery Accessories:** items that can be used in combination with the Machineries. This category includes: machine vices, chucks and live centers, machinery accessories, table dividers, tool posts and tool holders, tool for turning and milling.

Machinery Accessories' sample products



Source: KT&Partners' elaborations on Company's presentation

- Cutting tools: articles that can be used to cut and drill different materials such as walls, laid tiles, wood. This category includes: tools for turning and milling, inserts, lathe tools and tool bits, twist drills and cutters for metal, building and wood drills and cutters, taps and dies, thread repair, bandsaw blades and saw blades.

Cutting Tools' sample products



Source: KT&Partners' elaborations on Company's presentation

- Measure: set of articles utilised for analogic and digital measurement. Vogel represents a specialist in the production and distribution of this instruments, offering over than 5,500 articles organized in eight product categories: length measurement, callipers, micrometers, dial gauges and stands, scribing devices, test equipment, measuring instruments, and miscellaneous.

Measure's sample products



Source: KT&Partners' elaborations on Company's presentation

- Hardware: items that can be used to screw, staple, fasten, fix, blend, and cut. This category includes: wrenches, socket wrenches and screw extractors, pliers, hammers, files and chiles, sets and fastening, screwdrivers and hand riveters, utility knives, deburring, cutting tools, and workshop furniture.

Hardware's sample products



Source: KT&Partners' elaborations on Company's presentation

- General Tools: accessories that can be used in conjunction with other specific tools and equipment. This category includes: pneumatics, soldering irons, paint strippers

and heat glue guns, equipment for liquids and fluids, heaters, lighting and lenses, safety and accident prevention.

General Tools' sample products



Source: KT&Partners' elaborations on Company's presentation

- Abrasives: complete assortment of products for refinement of different surfaces. This category includes: flap discs, abrasive wheels, abrasive discs and belts, cleaning, finishing and polishing, wire brushes, cutting wheels.

Abrasive's sample products



Source: KT&Partners' elaborations on Company's presentation

- Automatic Systems: this category includes: machines used for the production of abrasive discs, electric ovens to cook the discs, labeling machines and packaging machines, machines for speed and scope test, machine spare parts, installation and training.

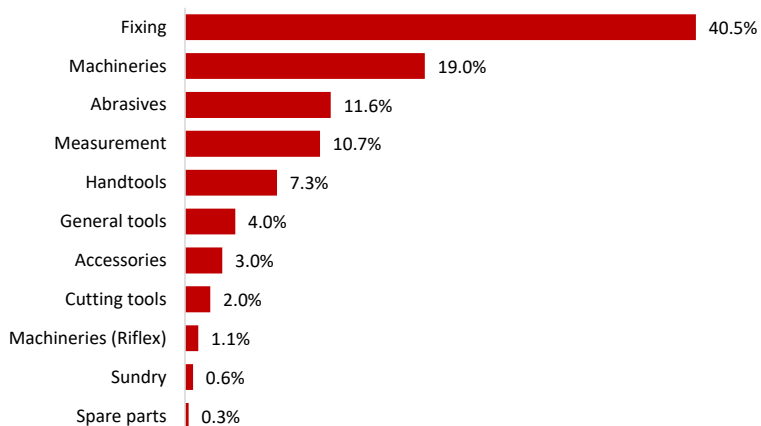
Automatic Systems' sample products



Source: KT&Partners' elaborations on Company's presentation

In 2021, Fervi Group's main product category was represented by Fixing products with the 41% of total Group's sales, followed by Machineries with the 19%, and by Abrasives produced by Reflex that are the 12% of revenues. Together, the first three categories represent the 71% of revenues.

Fervi's revenues breakdown per product's category

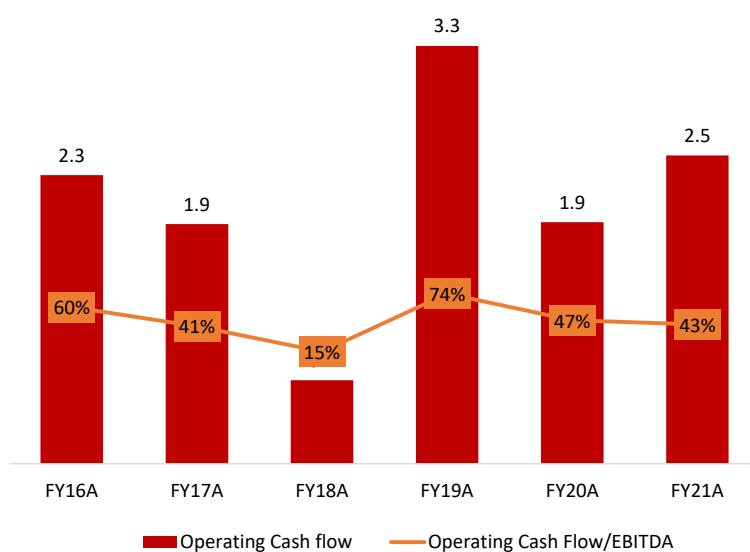


Source: KT&Partners' elaborations on Company's data

Durable cash flows drive a sustainable dividend policy growth

During the last years, Fervi Group reported constant cash-flow generation. Nonetheless the several M&A activities, the Group's profitability growth, together with a low capital-intensive business model, allowed Fervi Group to generate an average Operating Cash flow over the 2016-2021 of €2.1mn, with an operating average FCF/EBITDA ratio of 47%, also including the M&A's consolidation.

Fervi's Operating Cash Flows and Operating Cash Flow/EBITDA ratio

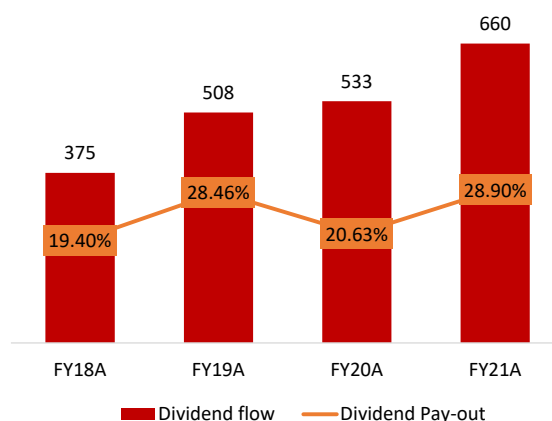


Source: KT&Partners' elaborations on Company's data

Thanks to its durable cash-flow generation, since 2018 to 2021 Fervi Group paid in total €2.1mn of dividends, with an average pay-out ratio of 24.35%, with a total cash out that increase by 76% from €375k in 2018, to €660k in 2021, showing a growth of +9.5 pp in terms of pay-out ratio.

Given Group's attention to dividends' distribution during the last years, in our estimate we also supposed a dividend pay-out.

Fervi Dividend distribution and pay-out ratio

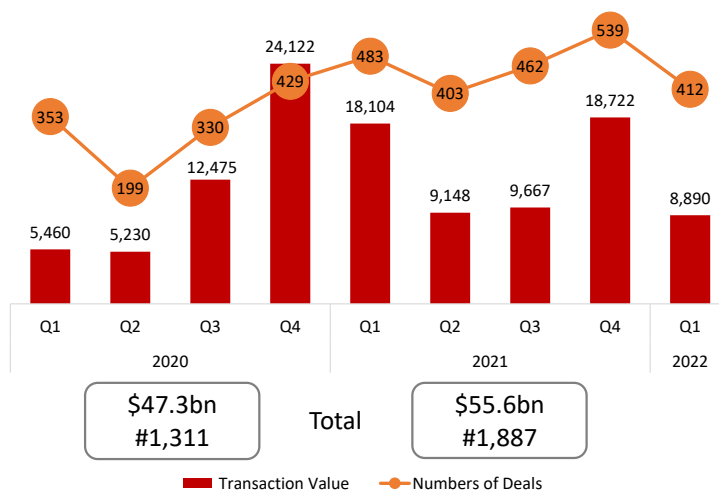


Source: KT&Partners' elaborations on Company's data

Strong M&A Track Record in a large, fragmented and highly attractive market

Fervi Group is active in the MRO segment, a wholesale distribution market subsector, which is known to be a very fragmented and highly-attractive also due to its durable demand. Indeed, according to FactSet, in 2021, the number of total M&A deals was 1,887, showing a growth of +44% YoY (1,311 deals in 2020), with a total transaction value of \$47.3bn (+18% YoY). Regarding the 2022, in the first quarter, 412 M&A deals have been already completed, with a total transaction value of \$8.9bn.

Quarterly Wholesale Distribution market M&A Transaction Volume (1Q20 – 1Q22)



Source: KT&Partners' elaborations on FactSet data

Focusing on the MRO subsector, the Industry is also characterized by an intense M&A activity. Given its high fragmentation (the top five companies are controlling only the 8-10% of the total market share), players are inclined to favour external growth strategies to consolidate their market position and to expand their product portfolio and technologies.

Some of the major recent deals that impacted the market are: i) the acquisition of Rubix, one of the most important European MRO players, from the private equity fund Advent International (deal value of €485.48mn; 9.8x EBITDA). Moreover, Rubix itself has a proven M&A track record, closing typically four to five strategic acquisitions per year; ii) KKR tender offer for Hitachi Koki & Co. (deal value of \$1.3bn; 15.7x EBITDA), a leading power tool and life

science equipment manufacturer; iii) the acquisition by H.I.G. Capital of Berardi Bullonerie, an Italian company active in the distribution of fasteners and integrated logistics services.

In order to expand its product portfolio and to increase its international presence, Fervi accelerates its market share consolidation through M&A activities. Indeed, in the last years the Group completed five acquisitions both in Italy and abroad.

Fervi started its M&A activity in 2015, acquiring the 100% of Riflex, with the aim to expand its portfolio products, introducing high-quality abrasive products.

In 2018, in line with its strategy to straight its international presence, Fervi acquired the 40% of the Spanish Sitges Maquinas y Accesorios.

Whereas, in 2019, Fervi acquired the 100% of Vogel Germany GmbH, expanding its offer with over 5,000 references of high-end measuring instruments, extending also its wholesaler network thanks to 100 worldwide Vogel distributors.

Moreover, in 2021, Fervi acquired the 100% of Rivit, specialized in the supply of fastening systems, tools, and machines for the assembly and deformation of metal sheets.

Finally, to strengthen its position in the ecommerce arena, in the same year, Fervi acquired the 5.4% of Esales, innovative SME and digital distributor of professional MRO equipment via its proprietary portal, Mister Worker, whose trademark is registered in over 40 countries.

A Sustainable and Inclusive ESG Company

Fervi Group has always showed strong attention to environmental and social issues by both implementing a sustainable environmental strategy and taking part in social inclusion projects. Indeed, in 2022, Fervi Group obtained the prestigious ESG Certification, to renew every three years, with rating A, issued by Certification S.r.l. which evaluates corporate sustainability with regard to the environment, workers and governance. Following its strategy aimed at increasing the sustainability in all production areas, Fervi Group has been focused over the years on five Sustainable Development Goals of the United Nations (SDGs): i) clean water and sanitation; ii) decent work and economic growth; iii) industry, innovation, and infrastructure; iv) responsible consumption and production; v) life on land.

Fervi Group's ESG commitment is mainly articulated as follows:

- in the **environment** field, the Group has activated strategies to curb the overall energy and water consumption, improve the recycling system, and monitor and optimize the logistic system. In order to prove its commitment to sustainability, Fervi Group has obtained ISO 14001 Certification related to the environmental management system. Moreover, given its strong attention to quality product, Fervi Group has also obtained the ISO 9001 Certification related to the quality management system;
- in the **social** field, Fervi Group has undertaken over the years the following strategies: i) paying close attention to gender-equality and diversity; ii) employing measures and policies to valorize their talents; iii) cooperating with universities and research institutes; iv) implementing an internal regulation on IT equipment utilization, professional confidentiality, and data privacy. In addition, Fervi Group has obtained the ISO 45001 Certification related to the safety management system since it operates in conformity with the safety workplace regulation;
- in the **corporate governance** field, the Group applies the best international practices, transparency, and a shared decision-process. Fervi Group adopted the Organization, Management, and Control model in accordance with the "Article D.lgs. 231/200", the BoD is composed by five managers (two of them independent) and the CEO's compensation is up to 50% variable and tied to the annual results.

The Group's History

Almost 50 years of experience in MRO Industry

Fervi Group is an established player in the MRO (Materials, Repair and Operations) industry. The Group operates in the professional equipment supply sector, mainly for mechanical and car workshops, carpentry and construction. The "MRO" sector includes the supply of equipment to maintenance and repair professionals and for craft production. Moreover, Fervi Group is also active in the advanced DIY ("Do it yourself") sector.

Tunioli acquired the Group's majority and Veprug became Fervi Pro Smart Equipment S.p.A.

The Company was founded as Veprug S.r.l. in 1978, by Veronesi Giancarlo, Predieri Giampaolo and Ugolini Giancarlo. The Group started its activity and initially operated as a wholesaler for tools and hardware products. Originally, the Company was mainly active in the province of Modena. However, over the years, the Group expanded its business becoming one of the main international players active in the MRO segment.

In 2011, Company's ownership and consequently its management changes, with the acquisition of the majority of the share capital by Roberto Tuniola and by Roberto Megna. Thus, the Group became Fervi Pro Smart Equipment S.p.A.. The new management goals were to: i) consolidate and develop the growth path with an ambitious project, enhanced by the experience of the new management team; ii) renew the corporate image; iii) build a young and dynamic work team to create an innovative model of excellence for the Italian and international market.

Zero impact achieved

In 2013, given its strong attention to environment, Fervi moved into a new energy self-sufficient office. Moreover, in the same year, the Company launched the "Fervi furnishes your space", with the aim to expand the visibility to retailers by creating specialized corners of Fervi's brand products.

Ri-Flex Abrasives acquisition

In 2015, in line with its main strategy and in order to expand its product portfolio, Fervi acquired Reflex, active in the production of high-quality abrasive products.

Listing on Borsa Italiana and Acquisition of Sitges

In 2018, in order to boost its future growth, Fervi Group completed the stock exchange listing process. Following the IPO, the Company strengthened its external growth strategy with the acquisition of the 40% of Sitges Maquinas y Accesorios. Thanks to the new acquisition, Fervi Group boosted its international presence also in Spain.

Vogel Germany acquisition

In 2019, to further expand its product portfolio, Fervi Group acquired the 100% of Vogel Germany GmbH. Following the acquisition, the Group expands its offer with over 5,000 references of high-end measuring instruments. Vogel Germany GmbH is manufacturer and wholesaler with a network of over 100 worldwide distributors.

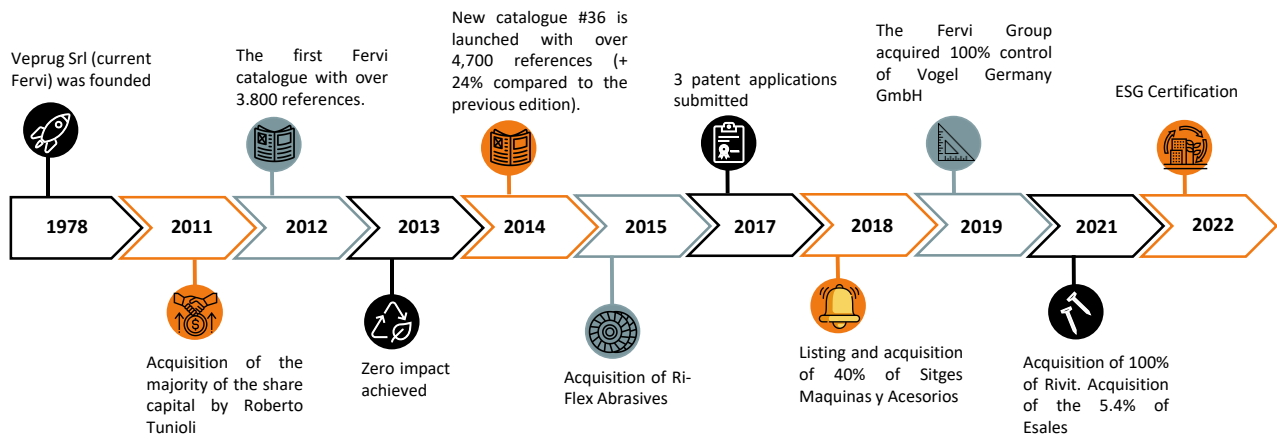
Rivit and Esales acquisition

In 2021, Fervi Group confirms its external growth strategy, acquiring the 100% of Rivit, specialized in the supply of fastening systems, tools and machines for the assembly and deformation of sheet metal. Moreover, to strengthen its position in the ecommerce around the world, in the same year Fervi acquired the 5.4% of Esales, innovative SME and digital distributor of professional equipment for the MRO through its portal Mister Worker, whose trademark is registered to date in over 40 countries.

ESG Certification

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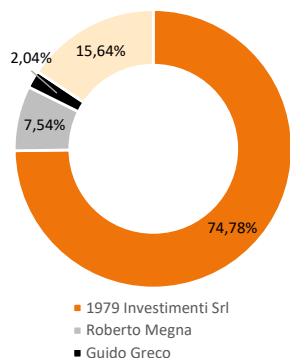
Key Milestones



Source: KT&Partners' elaboration on Company Data

Ownership and Group Structure

Fervi's shareholders



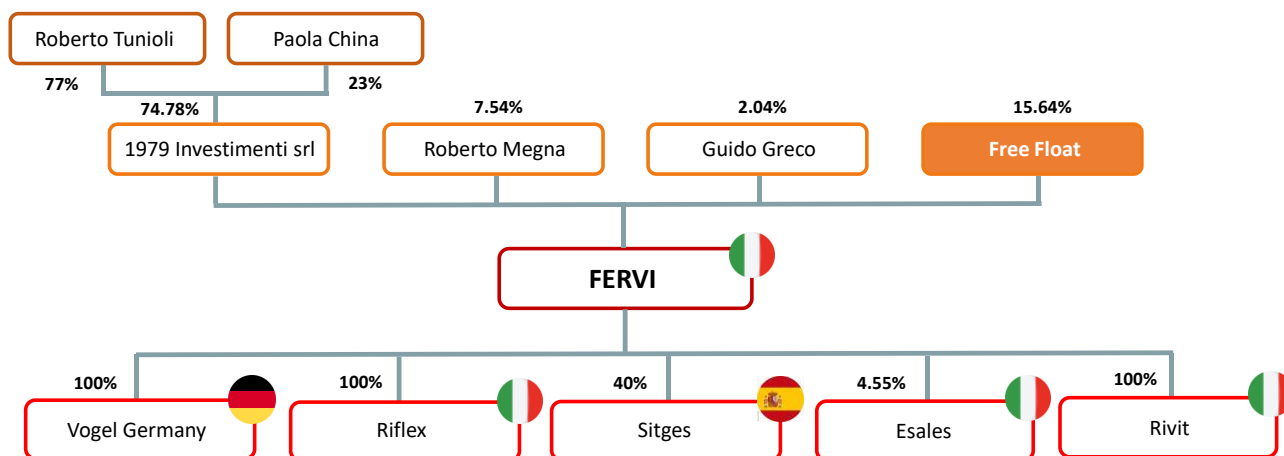
Source: KT&Partners' elaboration on Company data

Before the IPO, the 86,17% of Fervi was held by 1979 Investimenti S.r.l. (which is actually own by Roberto Tuniola for the 77%), the 9.58% by Roberto Megna and the 2.5% by Guido Greco. With the listing, the old investors diluted their stakes with the 15.64% held by the market. The Company's share capital is composed by 2.5mn of ordinary shares, 500k of which were newly issued at the IPO on AIM Italia with a total capital increase of €7.8mn.

The Company is headquartered in Vignola where the administrative offices and the main warehouses are located. However, in the last years, Fervi expanded its geographical presence through M&A activities. As today, the Group is composed by:

- **Vogel Germany:** (100% owned by Fervi) founded in 1949, manufactures and sells high end measuring instruments through local agents and a network of over 100 worldwide distributors;
- **Riflex Abrasive:** (100% owned by Fervi) founded in 1982 is a manufacturer of high-quality flap abrasive discs using automatic machines engineered and manufactured internally. Riflex is also active in the construction of automatic plants for the production of flap discs. Together, the two product lines are sold all over the world;
- **Sitges Maquinas y Accesorios:** (40% owned by Fervi) founded in 1952 and based in Barcelona, is Fervi Group's historic Spanish distributor. The distribution takes place directly and through its own sales network;
- **Rivit:** (100% owned by Fervi) founded in 1973, is structured in three macro-divisions: industry, construction, and resale. The company is active mainly in the automotive, industrial manufacturing, electronics, carpentry, and metal roofing sectors. Rivit is present in more than 60 countries around the world, also thanks to its two subsidiaries: Rivit Maroc and Rivit India and, through distributors in over 60 countries;
- **Esales:** (4.55% owned by Fervi): innovative SME and digital distributor of professional equipment for the MRO through its portal Mister Worker, whose trademark is registered in over 40 countries.

Ownership and Group structure



Source: KT&Partners' elaboration on Company Data

Key people and Group Organization

Roberto Tunioli – Chairman and CEO



Roberto Tunioli is the Chairman and CEO of Fervi since 2011. Previously, he covered the role of Managing Director & Vice President at Datalogic S.p.A. for almost twenty years. During his activity in Datalogic, the Group has grown from €40mn of revenues in 1993 to over €400mn in 2008. The growth was mainly driven by seven acquisitions and Group's internationalization strategy.

Roberto Megna – Vice-Chairman



Roberto Megna is the Vice-Chairman of Fervi. He joined Fervi in 2011, after he held the role of Partner at PwC. During his career, he gained experience in Italy and abroad in corporate accounting, acquisitions, companies' valuations, and listing processes both in Italian and foreign stock exchanges.

Guido Greco – Non-Executive Board Member & Managing Director and CEO of Rivit



Guido Greco is a Non-Executive Board Member of Fervi Group and, since December 2021, he is the Managing Director and CEO of Rivit. He started his activity at Fervi in 2012 as Administration, Finance & Control Director contributing to the transition of Fervi's organization to a management model. From 2015 to 2021, he held the role of Managing Director at Fervi Group. Previously worked at PwC gaining a wide experience in the M&A department.

Guglielmo Piazzi – Riflex General Manager



Guglielmo Piazzi is the General Manager of Riflex. In 2015, he joined the Group with the role of general manager and managing director of Riflex. Previously, Mr. Piazzi covered numerous operating and managing roles at Datalogic, coordinating different team dedicated to developing of automatic identification technology. He is graduated in electrical engineering and he held masters at ISTUD and Stanford University.

Marcello Petrucci – Managing Director



Marcello Petrucci is the Managing Director of Fervi. He held the roles of Commercial Director and Marketing Worldwide from 2008 to 2021 in Datalogic, Gewiss, and Caprari. Marcello Petrucci is graduated in Engineering with a Master in Business Administration.

Daniele Paolini – CFO



Daniele Paolini is the CFO of Fervi Group since October 2019. He joined the Company in the 2014 as purchasing manager and warehouse controller. Previously, he worked as Senior at PwC Bologna office where he gained an excellent experience in auditing national and multinational companies.

Business Model

Fervi Group, thanks to its distinctive business model, is one of the main European players active in the Maintenance, Repair, and Operation market. The Group mainly operates as wholesale distributor. However, thanks to its subsidiary Riflex, the Company is also active in the production of professional's tools that are mainly distributed under Fervi Group's brand or other white-label. Whereas with Vogel, the Group acquired expertise in measurement instruments and through its subsidiary Rivit the Group is active in the production of fixing items.

Fervi Group's business model is mainly divided in five steps:

- Scouting and R&D;
- Purchasing and Product Marketing;
- Logistic and Production;
- Product Sales & Marketing;
- After-sale support.



Source: KT&Partners' elaboration on Company's Presentation

Scouting and R&D

Fervi Group value chain starts with Scouting and R&D activities. In this phase the Group is focused on searching and selecting new products and the related suppliers in order to expand its offer but also on developing its internal manufactured products (design, production and assembly).

Thanks to its research and development activity, the Group constantly implements new products in its catalogs, with the aim to offer the best quality-price ratio to its customers.

The consolidated relationships with its suppliers (mainly located in Asia and Europe), as well as the identification of new suppliers, support the Group in the expansion of its product portfolio and to guarantee a wide product assortment.

All products, before being placed on the market, are subjected to meticulous checks to verify their compliance with the regulations in force.

Focusing on Rivit and Riflex, the two Companies internalizes R&D activities, having as main goal the satisfaction of their customers. Therefore, all the R&D members are occupied every day in the developing of the products and services, never forgetting that high quality keeps customer satisfied. Moreover, Riflex has developed over the years 3 new patents.

Purchasing and Product Marketing

Given Fervi Group's business model, mainly based on the distribution of finished products, the production activities are therefore mainly carried out by external suppliers. Usually, the Group does not stipulate multi-year contracts with its suppliers, but the Group orders the products during the year based on warehouse's needs.

Fervi Group mainly orders finished products from abroad, mostly in the Far East (China, India, and Taiwan). Subsequently, such products are subjected to a thorough control, carried out

both internally and through third-party certifying authorities, in order to verify the quality and the compliance with the European sector regulations.

Fervi Group assures its customers high quality standards of its products and services, a commitment that has enabled it to obtain the certification of the Quality Management System in compliance with UNI EN ISO 9001:2015.

Rivit aiming to certify that all his riveting complies with the European Directives, in particular Directive 2006/42/EC. In accordance with the process of quality control of incoming products, Rivit runs the tests in his laboratory mechanical tests inside, where specialized staff will ensure that the required standards are met.

Fervi Group usually places the orders on a weekly basis, based on an algorithm that takes into account past and expected consumption, also considering the suppliers average delivery times (for instance for Far East the delivery time is about 4 months). The material is delivered by international freight forwarders who provide for local loading, customs clearance, and delivery to each Fervi Group's companies' warehouse.

It should be noted that Fervi Group receives the products already packed under Fervi Group's brand name, ready to go to market. These products are added in the catalog (published every two years), together with all the indication about technical characteristics and price list. However, before catalog update, the launch of any new products takes place through company's website and other promotional tools.

Logistic and Production

Following all quality controls, the products are stored in Fervi Group warehouses. The Group owns in total 20,500 squares meters of storehouse: 10,000 refers to Fervi, 3,000 to Riflex, 1,500 to Vogel and 6,000 to Rivit.

Moreover, Rivit owns an automatic warehouse with two trasloelevators, located in an 18-meter-high and 90-meter-long tower with 24,000 trays, divided along two corridors, that can contain up to 100,000 references. Thanks to this technological warehouse, Rivit is able to manage over 40,000 items, optimizing the picking activities. Rivit is well-focused on quick and precise logistic stock items management, aiming to the most precise and speediest management of orders that at the moment can be executed within 48 hours.

Looking at the production of abrasive discs by Riflex, the items are produced on the basis of a weekly production plan, thanks to machines internally produced. Riflex also internally produces and sells to its competitors abrasive assembly machines. It should be noted that Fervi represents the second main customer of Riflex.

Whereas Rivit and Vogel mainly internally assembly semi-finished products or partially produce MRO items for other private labels, Fervi's brand included.

Regarding the orders, over the 95% of them are processed on a daily basis, while the remaining part within the following 30 days.

Sales and Marketing

Fervi Group distributes its professional tools to specialized resellers and through other channels such as wholesalers and online platforms. Fervi Group's branded products are currently present both in Europe and even outside the European continent.

Fervi Group's product presence

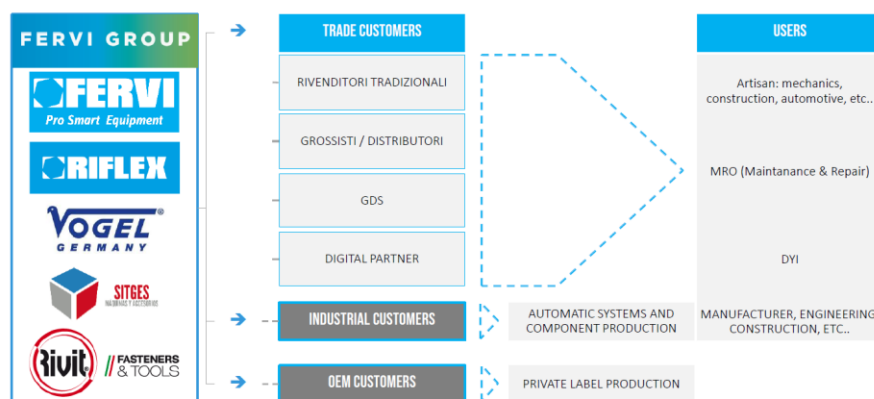
Source: KT&Partners' elaboration on Company's data

Fervi Group's branded products are distributed to end-users through three main channels:

- Trade customer that represents the 62% of Fervi Group's sales force. This distribution channel includes:
 - Traditional resellers (49% of sales force): that owns physical and also online platforms;
 - Wholesalers (7% of sales force);
 - GDS (Specialized large scale retail trade) (4% of sales force);
 - Digital partners (3% of sales force) that include e-commerce portals such as Amazon or other specialized market places. Moreover, thanks to its participation in Esales, Fervi Group sells professional equipment through the ecommerce platform Mister Worker.
- OEM Customers (7% of sales force): this represents the main distribution channel for private label products;
- Industrial customers (23% of sales force): this represents the main distribution channel for automatic systems and component production.
- Costruction (8% of sales force).

Moreover, in Italy, the Group is presented with about 20 agencies coordinated by the Sales Department, while the sales activities abroad are coordinated by an export manager.

Fervi's distribution network



Source: KT&Partners' elaboration on Company's presentation

Focusing on Rivit, the Company sell its products through a proprietary showroom inside the Headquarter located in Bologna. The Large sales area of over 1000 m² was created to give full satisfaction and absolute priority to the needs of customers. Indeed, the showroom boast a real fixation center where professionals can touch products, test their operation and evaluate performance and technical characteristics. The showroom represents a reference point for professionals in the metal-industrial sector and in the building sector of the territory, offering a wide range of products and a technical assistance and consultancy service.

Fervi Group's adopts a multi-channel marketing approach alongside with different marketing tools and strategies in order to boost its sales and expand its client base. Indeed, the Company is active through six channels:

- **Personal Inside Sales:** a total of 4 inside sales multi-area, 2 inside sales for foreign market, and a dedicated sales operation for GDS and digital partners;
- **E-mail Marketing:** annual plan with more than 100 newsletters, Promotional newsletter, and Product newsletters active;
- **Social Media:** 48 dynamic posts FB per year, 36 LinkedIn post per year, Fan reach campaign, LinkedIn Adv campaign, Youtube Channel;
- **Website:** more than 4,000,000 page views, +360,000 users, and +560,000 sessions;
- **Search Engine Marketing:** SEO e SEM activities planned each year;
- **Database Marketing:** Day-by-day building of End users DB, Nurturing activities for B2B and EU Data Base.

Moreover, Fervi Group has enacted both ATL (TV spots, Radio spots, Magazines, and Media PR) and BTL (Promotion-selection, In-Store, Sponsorship, and Trade Show) marketing strategies with the aim to maximize their audience and broaden their client base.

After-sale support

Fervi Group guarantees an accurate after-sales service for all its products distributed. In particular, the Assistance Department receives warnings about the products sold, both from retailers and directly from end-users. Most of the warnings are resolved by telephone interventions or by sending spare parts. Moreover, Fervi Group also guarantees the replacement of the product under warranty. If the warranty period has already expired, Fervi proceeds to issue a quote for repair and any spare parts before repairing the product.

Whereas, regarding Fervi Group branded products specific for professional use, the Group guarantees a 12-month warranty that started from the end-user purchasing date. While, for

products specific utilized privately, the warranty is guaranteed for 24 months from the end-user purchasing date.

Rivit strongly believes in pre- and post-sales support services dedicated to the Customers. The Company structure is organized in order to offer technical support to its Customers in every phase of their work, thanks to a very qualified staff. Furthermore, Rivit also installed ad hoc workstations to steer by remote the fixing of its products for customers that are located outside Italy.

Market Overview

Fervi Group is active in the wholesale industrial distribution. The Group is primarily focused on product scouting, production and worldwide distribution of machinery and equipment, fasteners and tools mainly used for industrial application and mechanical workshops, car workshops, carpentry and construction. Within the wholesale industrial distribution, Fervi Group operates mainly in two underlying markets: i) the Maintenance, Repairs and Operations (MRO) and ii) the advanced Do-it-Yourself (DIY).

The MRO sector regards the supply of equipment to maintenance and repair professionals and craft production (prototyping, sampling, limited series). Whereas, the DIY is related to designing and modifying handcraft activities.

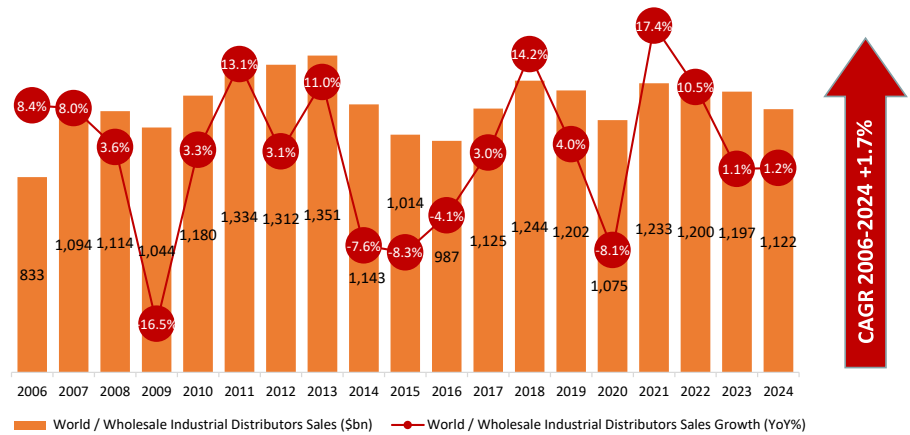
According to FactSet, at the end of 2021, the wholesale industrial distribution industry reached \$1.23 trillion of sales volume, showing an increase of 17.4% YoY, mainly due to the economic surge afterward Covid-19 pandemic. Indeed, during the 2020, the wholesale industrial distribution industry registered a contraction of 8.1% YoY. However, taking into consideration a longer timeframe, the industry is forecasted to reach a positive CAGR 2006-2024 of 1.7%.

Following the impressive increase registered in 2021 and given its cyclicity, the wholesale industrial distribution is expected to amount \$1,199bn and \$1,197bn in 2022 and 2023 respectively, standing at \$1,122bn at the end of 2024, implying a CAGR 2020-2024 of +1.1%.

Therefore, the industry is expected to partially decrease its growth path in 2024 mainly due to i) the difficulties to recover from the supply chain bottlenecks caused by the pandemic and ii) the Ukrainian-Russian conflict, that could negatively influence raw material supply.

Although the wholesale industrial distribution segment is considered a mature market compared to other sectors (i.e., technology), the Industry, characterized by a steady and sustainable growth, is one of the most reliable Market in terms of cash generation.

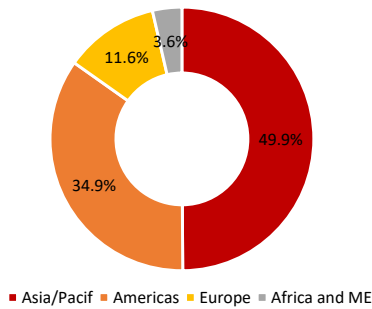
Wholesale Industrial Distribution Sales Outlook (2006-2024)



Source: KT&Partners' elaborations on FactSet data

Looking at the revenues' breakdown by geographies, in 2021, Asia/Pacific region represents the main market with the 49.9% of total revenues, followed by the Americas (mainly US) with the 34.9% and Europe with the 11.6%

Wholesale Industrial Distribution Revenue Exposure by Region 2021

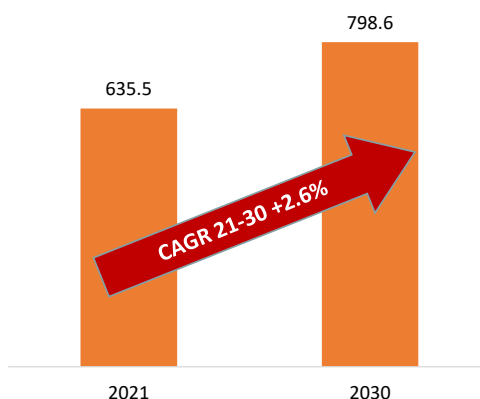


Source: KT&Partners' elaborations on FactSet data

The MRO Industry

Maintenance, repair, operations (MRO) items are products and materials purchased by companies that are not directly employed in their manufacturing process. These products are mostly used to keep business operations running. The MRO industry includes spare parts, equipment, and consumables, used by a company to manufacture end-products. According to Precedence Research, the global MRO distribution market size reached \$635.5bn in 2021 and is expected to growth over \$798.6bn by 2030, showing a CAGR 2021-2030 of 2.6%.

MRO Industrial revenue trend 2021-2030 (\$bn)



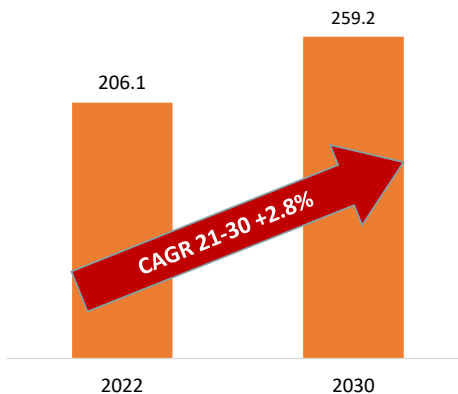
Source: KT&Partners' elaborations on Precedence Research data

The European MRO Market

According to Grand View Research, in 2021, the European MRO distribution market reached \$202.9bn and is expected to grow at a CAGR 2021-2030 of 2.8%. The Market growth will be mainly driven by the increasing demand for repair, maintenance, and service operations in manufacturing and industrial activities mainly in North Europe. Moreover, the positive GDP growth forecast related to the post-pandemic recover in some European developed countries, is expected to increase the industrial output and consequently the MRO operations.

Looking at Italian MRO market, according to Statista estimates, the Industry reached €18.1bn in 2021 and is projected to reach €18.6bn in 2025.

MRO European Industrial revenue trend 2022-2030 (\$bn)



Source: KT&Partners' elaborations on Grand View Research

Asia-Pacific is expected to experience rapid growth

As reported by Mordor Intelligence, Asia Pacific (APAC) is estimated to be the fastest-growing market during the 2022-2027 period, as this Region is still considered a manufacturing hub for spare parts that are supplied to different countries. The significantly growing manufacturing industry, the rapid industrialization, digitalization, and automation are the main factors that are expected to drive the MRO distribution market growth in the Region. India is one of the fastest-growing MRO markets in the APAC region, due to the increase in manufacturing industry. China is also experiencing a significant growth in the MRO market, thanks to the significant Government investments in Industry 4.0.

Maintenance, Repairs, and Operations market – growth rate by region (2018-2024)

Source: Mordor Intelligence

The market growth drivers

The MRO equipment industry growth is expected to be mainly driven by the manufacturing enterprises' goal to optimize production processes and minimize inefficiencies. Indeed, to reduce the downtime length in the manufacturing processes, enterprises are constantly investing in MRO services. Furthermore, the rising demand for electronic products is indirectly resulting in the increasing demand for MRO services related to the global electronic industry. Moreover, in developed regions like North America and Western Europe, most of the companies are focusing on reducing the efforts related to their internal MRO operations externalizing the activities to service providers with skilled workforce. Finally, it should be noted that the raising interest towards new distribution channels diversification such as e-commerce platform, together with the expansion of MRO traditional direct channels (wholesale, distributors, stores, etc.), are also facilitating the MRO product procurement, increasing the demand.

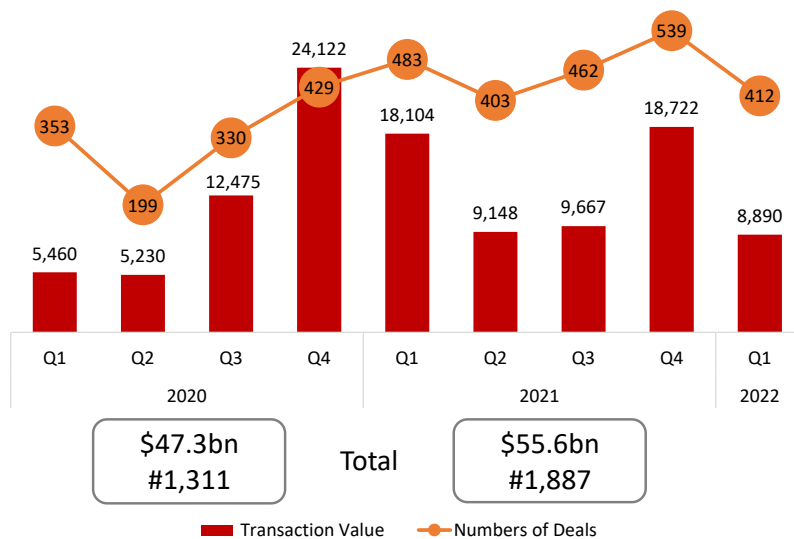
Therefore, the main key MRO market drivers are:

- Process optimization to reduce inefficiencies;
- Higher global demand of electronical products;
- Higher MRO process externalization;
- Higher distribution channels diversification (i. e. e-commerce platforms).

M&A Wholesale distribution and MRO Industry summary

The wholesale distribution market is very fragmented and highly-attractive. Indeed, according to FactSet, in 2021, the number of total M&A deals was 1,887, showing a growth of +44% YoY (1,311 deals in 2020), with a total transaction value of \$47.3bn (+18% YoY). Regarding the 2022, in the first quarter, 412 M&A deals have been already completed, with a total transaction value of \$8.9bn.

Quarterly Wholesale Distribution market M&A Transaction Volume (1Q20 - 1Q22)



Source: KT&Partners' elaborations on FactSet data

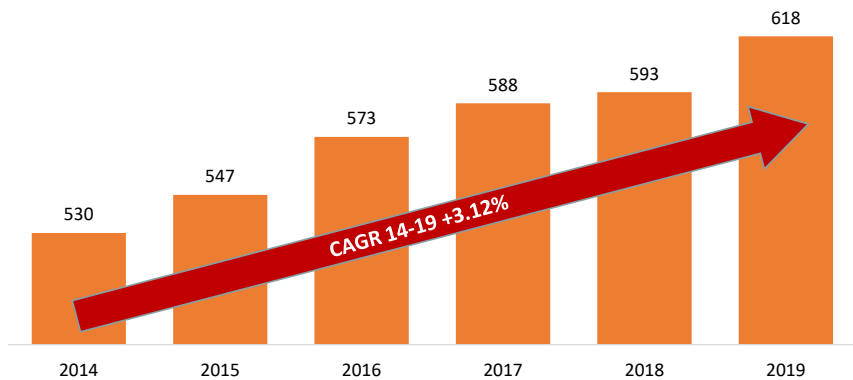
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Some of the major recent deals that impacted the market are: i) the acquisition of Rubix, one of the most important European MRO players, from the private equity fund Advent International (deal value of €485.48mn; 9.8x EBITDA). Moreover, Rubix itself has a proven M&A track record, closing typically four to five strategic acquisitions per year; ii) KKR tender offer for Hitachi Koki & Co. (deal value of \$1.3bn; 15.7x EBITDA), a leading power tool and life science equipment manufacturer; iii) the acquisition of Berardi Bullonerie by H.I.G. Capital, an Italian company active in the distribution of fasteners and integrated logistics services.

Do-it-Yourself (DIY) market

Do-it-yourself (DIY) is the activity to develop customized handcraft products without any professional help. DIY products are mainly used in building maintenance, plumbing, and home improvement. Historically, the DIY global sales volume increased from \$530bn in 2014 to \$618bn in 2019, with a CAGR 2014-2019 of 3.12%.

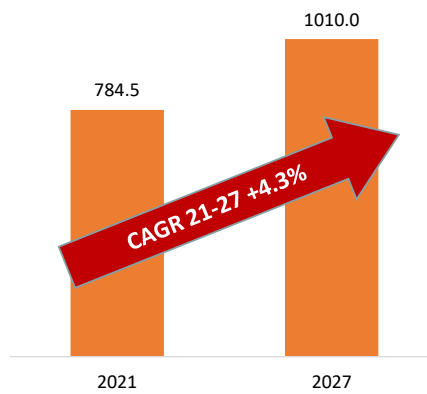
Historical global DIY sales volume (2014-2019)



Source: KT&Partners' elaborations on Fervi Company presentation data

According to Global Market Insights, in 2020 the DIY market size surpassed \$762.9bn and is estimated to grow at a CAGR 2021-2027 of over 4.3% reaching \$1,010bn at the end of 2027. Do-it-yourself (DIY) has observed a notable growth during the COVID-19 pandemic, mainly driven by the improvement in home space and gardening during the lockdown.

DIY Market Revenue Trend 2021-2027 (\$bn)



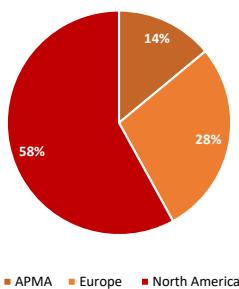
Source: Global Market Insights

North America and Europe Account for the Largest Market Shares

According to Mondor Intellingence, North America and Europe are the two biggest DIY industries, with a market share of 58% and 28% respectively, representing a total value of €535bn. Regarding the DIY European market, according to Global Market Insight, in 2027 is expected to reach more than \$315.5bn, with a market share of more than 32%.

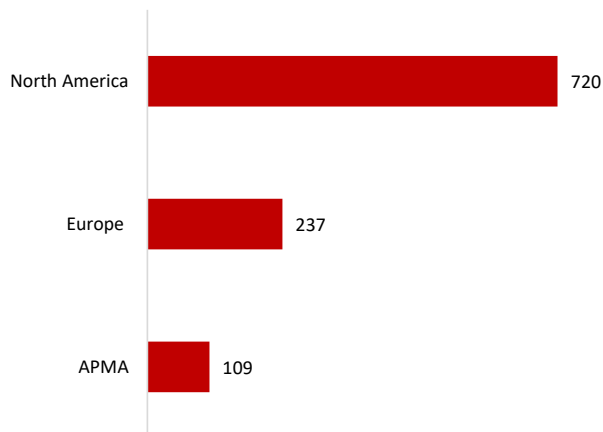
Looking at per capita expenditure in 2019, the highest expenditure occurred in North America with €720 per year, followed by Europe with €237 per year and Africa with €79. Lower levels of per capita expenditure were recorded in Latin America and Asia (€30 per year).

DIY revenues distribution per Region



Source: KT&Partners' elaboration on Mondor Intelligence Data

DIY market size by sales volume and per capita expenditure



Source: KT&Partners' elaborations on Fervi Company presentation

Market Positioning

Fervi Group, thanks to its disruptive business model, has become one of the top players in Italy and Europe, consolidating its position in the wholesale distribution industry, one of the most fragmented market.

In order to define Fervi Group's competitive arena, we analyzed the top global and domestic players active in the wholesale distribution market, that are focused in the distribution of specific products with a targeted customer base or that are more generalist players.

Therefore, we divided the top international wholesale distributors and the players with a presence prevalent in Italy in four main categories based on their strategy to be more specialist or generalist: i) Generalists' players with an international presence; ii) Specialists' players with an international presence; iii) Generalists' players with a prevalent Italian presence; iv) Specialists' players with a prevalent Italian presence.

Among the top Generalists' players with an international presence, we found the "big" of this sector such as: W.W. Grainger, Wurth Group, Hoffmann Group, and Einhell Germany AG, Rubix, and Berner.

Whereas, over the main international companies that are focused on niche products (specialist), which includes Rivit and Vogel, we have been selected: Guhring, Facom, Sandvik Coromat, Hazet-Werk, Mitutoyo, Gedore, Tyrolit, Stahlwille, Norton Sain-Gobain, Bralo, Pop-Avdel, Gesipa, Beta, Sait, Scell-it, and Gerardi.

Looking at the wholesale distribution players mainly focused on the Italian market, among the generalist, which includes Fervi, we found: LTF, ABC Tools, and Sicutool.

Finally, the analyzing the distributors specialist with a prevalent presence in Italy, which includes Reflex, we found: Gerardi, Ineco, Airtec, Krino, Ecef, Metrica, Usag, Fixi, FAR, Sacto and TAF abrasivi.

Fervi Group's competitive arena



Source: KT&Partners' elaborations on Fervi Company presentation data

Fervi Group's Italian competitive arena

Company	Head Quarter	Revenues 2021	EBITDA Margin 2021	Machinery	Machinery Accessories	Cutting Tools	Measure	Hardware	General Tools	Abrasives	Fixing
FERVI GROUP	Italy	€39.0 mn	14.8%	✓	✓	✓	✓	✓	✓	✓	✓
ABC	Italy	€21.2 mn	9.8%		✓	✓	✓	✓	✓	✓	
LTF	Italy	€21.9 mn	10.6%	✓	✓		✓	✓	✓	✓	
USAG	Italy	€135 mn*	3.5%*			✓	✓	✓	✓	✓	
SICUTOOL	Italy	€12.8 mn*	2.7%*			✓	✓	✓	✓	✓	
KRINO	Italy	€19.2 mn*	5.1%*			✓					
TAP	Italy	€13.9 mn*	11.8%*								✓
SAIT	Italy	€64.9 mn*	9.4%*								✓
Beta	Italy	€161.5 mn*	14.0%*			✓	✓	✓	✓	✓	
ECEF	Italy	€0.63 mn*	-0.3%*					✓			
FIXI	Italy	€8.8 mn*	6.3%*								✓
FAR	Italy	€15 mn*	9.3%*								✓
METRICA	Italy	€10.3 mn*	9.7%*				✓				

* Data available at FY20

Source: KT&Partners' elaborations

Analyzing Fervi Group's Italian competitive arena, the Group showed the widest product assortment among its competitors, indeed, the well-diversified and broad product portfolio allows the Group to provide a complete offer to its clients. Moreover, it emerged that the Group is also well-positioned in term of profitability, reporting the second-highest EBITDA margin of the panel and well above sample's average (9.1% vs 14.8%), confirming Fervi Group ability to generate a significant sales volume and convert it into operating profit.

Historical Financials

Fervi Group’s key financials for FY21 are:

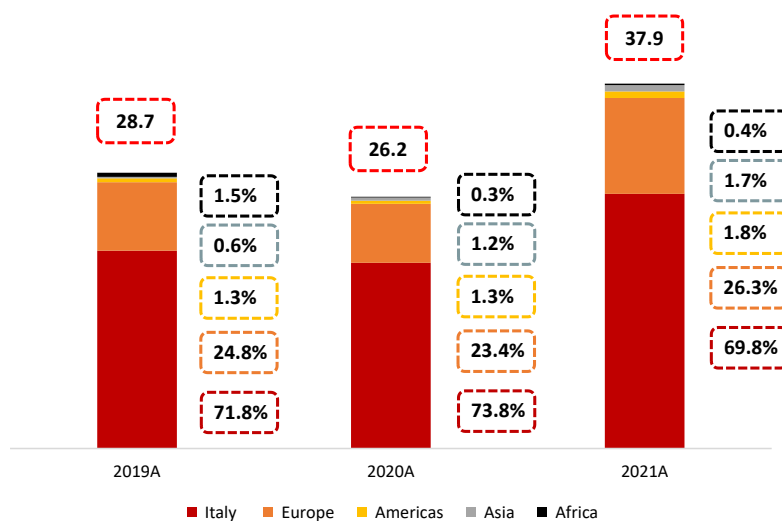
- Total revenues at €39mn vs €26mn in FY20 (+47% YoY);
- EBITDA at €5.8mn (+40% YoY), with FY21 EBITDA margin at 14.8%;
- EBIT at €4.4mn (+44% YoY);
- Net income at €3.2mn (+39% YoY);
- NFP at €10.4mn, +€13.4mn compared to the -€3mn of FY20.

Revenues Breakdown

Nonetheless revenues growth path slowdown in 2020 due to COVID-19 outbreaks (-9% YoY), in 2021 Fervi Group set its record with €38mn of sales (+44.9% YoY), reporting a CAGR19-21 of +15%. In 2021, the growth was mainly driven by the newly acquired Rivit Srl (from September 2021). However, considering only Fervi Group’s organic growth, the Group showed revenues increase of +22.4% YoY and a +11.6% over the 2019, mainly driven by Italian and European wholesale distribution market recovery post Covid-19.

During the last years, the Group has undertaken different strategies to expand its presence abroad. Indeed, foreign revenues increase from 26.2% to 30.2% (€11.5mn). However, Italy still represents the main market with the 69.8% of revenues in 2021, followed by Europe with the 26.3% of the total sales.

2019-2021 Sales Revenues geographical breakdown (€mn, %)



Source: KT&Partners’ elaborations on Company data

In 1Q22, nevertheless the high-level of volatility on the markets, Fervi Group’s revenues reached its revenues record with €14.7mn, showing an increase of 70.9% YoY. This extraordinary result was mainly driven by Rivit’s consolidation.

Profitability Analysis

Together with the revenues growth registered in 2021, the Group showed a gross profit increase of 53% YoY, amounting to €20.5mn from the previous €13.4mn in 2020. Notwithstanding the raw materials' cost increase of approximately €5.3mn, the gross profit margin surge, moving from 50.6% in 2020 to 52.7% in 2021, showing an improvement of 2.1%, mainly thanks to other revenues contribution related to tax credit of Riflex's R&D investments.

FY21 EBITDA stood at €5.8mn, registering an increase of +40% YoY (including non-recurring M&A costs for €0.3mn). The EBITDA margin stood at 14.8%, showing a decrease of 0.7pp compared to FY20, mainly factoring in a higher incidence of: i) service's costs, increased to 22.6% on revenues (vs 18.2% in 2020) mainly attributable to the higher freight costs especially from the Far East; and ii) personal expenses increase of €1.5mn owing to Rivit's consolidation, that has employed over 56 employee during the 2021.

FY21 EBIT reached €4.4mn (+44% YoY), showing an EBIT margin equal to 11.3% (-0.2pp compared to 2020), given higher D&A that increased from €1.1mn in 2020, to €1.4mn in 2021.

Finally, FY21 net income amounted to €3.2mn, experiencing an increase of 39% YoY, with a net margin at 8.2% (-0.4pp compared to FY20).

2019A-2021A Consolidated Income Statement

€ Millions	FY19A	FY20A	FY21A
Sales Revenues	28.7	26.2	37.9
Other Revenues	0.4	0.3	1.0
Total Revenues	29.1	26.4	39.0
Products and Raw materials	(14.3)	(13.1)	(18.4)
Gross Profit	14.8	13.4	20.5
<i>Gross Margin</i>	51.0%	50.6%	52.7%
Cost of Services	(5.6)	(4.8)	(8.6)
Rental Costs	(0.5)	(0.5)	(0.7)
Personnel Expenses	(4.1)	(3.9)	(5.4)
Other Operating Expenses	(0.1)	(0.1)	(0.1)
EBITDA	4.5	4.1	5.8
<i>EBITDA margin</i>	15.4%	15.5%	14.8%
D&A and Provisions	(1.1)	(1.1)	(1.4)
EBIT	3.4	3.0	4.4
<i>EBIT margin</i>	11.7%	11.5%	11.3%
Financial Income and Expenses	(0.1)	(0.1)	(0.2)
Extraordinary items	(0.0)	(0.0)	(0.0)
EBT	3.4	2.9	4.2
Taxes	(0.8)	(0.6)	(1.0)
<i>Tax Rate</i>	22.9%	21.7%	24.4%
Net Income	2.6	2.3	3.2
<i>Net margin</i>	8.9%	8.6%	8.2%
Minorities	-	-	-
Net Income attributable to the Group	2.6	2.3	3.2
<i>Net margin</i>	8.9%	8.6%	8.2%

Source: KT's elaborations on Company data

Capital Structure Analysis

As for the balance sheet, Fervi Group's FY21 fixed assets amounted to €15.4mn, increasing by €9.6mn from 2020 (and by €8.8mn from FY19). The growth in Assets was mainly driven by the intangible assets' increase (€7.2mn vs €0.5mn in FY20), given Rivit's consolidation.

Over the period 2020-2021, net working capital increased from €16.8mn to €25mn, mainly following business growth. The incidence of the net working capital on sales increased to 66% from 64% registered in 2020, mainly due to the consolidation of Rivit's assets.

Given Fervi Group's profitability and its low capital-intensive business model, the Group enjoyed strong cash generation, reaching an average FCF/EBITDA of 55% over the period 2018-2020. In 2021, the FCF/EBITDA stood at -31% owing to Rivit acquisition. Finally, Fervi Group registered a NFP of €10.4mn, increasing by +€13.4mn (-€3mn in 2020) from the following Rivit's acquisition and €0.66mn dividend payment.

During the 1Q22, Fervi Group reported a net financial position of approximately €10.5mn, almost stable if compared with the FY21 (€10.4mn). The slight increase was mainly due to the investment in working capital necessary to cope with the increase in sales volumes.

2019-2021 Consolidated Balance Sheet

€ Millions	FY19A	FY20A	FY21A
Goodwill	2.7	2.2	3.0
Intangible	0.7	0.5	7.2
Tangible	3.1	3.0	4.1
Other LT Assets	0.1	0.1	1.2
Fixed Assets	6.6	5.8	15.4
Trade receivables	9.0	9.4	16.6
Inventory	11.4	10.7	19.4
Trade Payables	(3.5)	(3.5)	(10.6)
Trade Working Capital	16.9	16.6	25.4
Other assets and liabilities	(0.8)	0.1	(0.4)
Net Working Capital	16.1	16.8	25.0
Other Provisions	(1.9)	(2.3)	(4.0)
Net Capital Employed	20.8	20.3	36.4
Total shareholders' equity	21.7	23.2	26.0
Short-term debt / Cash (-)	(3.6)	(11.9)	(9.1)
Long-term liabilities	2.7	8.9	19.5
Net Financial Position	(0.9)	(3.0)	10.4
Sources	20.8	20.3	36.4

Source: KT's elaborations on Company data

Group's Strategy

In the next years, Fervi Group's main objectives are: i) to keep expanding its product portfolio, ii) widening its presence nationally and internationally, and iii) developing meaningful relationships with "Digital Partners".

Fervi Group's business growth strategy is based on the following pillars:

- **External Growth.** Fervi Group is aimed to continue its long-established process of expansion through a precise acquisition strategy that has the dual objective of expanding its national and international market shares and introducing new products in its catalogue. Indeed, the Group has identified two main clusters of potential targets for possible future M&A deals: i) **Commercial Add-On:** commercial companies in target countries (Italy, Iberian Peninsula, Eastern Europe, Benelux and UK); ii) **Product Add-On:** companies manufacturing products that can be integrated with the Fervi Group's offer (as happened in 2015 with the acquisition of Riflex and in 2019 with Vogel), having the ultimate scope of introducing new product Groups and/or product Categories.
- **Organic Growth.** To support revenues growth and to increase its market share, Fervi Group intends to expand its catalogue references, introducing new products and broaden the range both in depth and in proximity, through activity of scouting and product marketing. In order to pursue its objective, Fervi Group has the plan to: i) **strengthening its internal and external sales force**, with the introduction of new area managers – both for Italy and abroad – to support the sale management, the integration of the inside sales department, and the expansion of the external sales network; ii) **constantly updating its commercial policy**, with a cluster-oriented approach to ensure adequate segmentation of customer needs and requirements; and iii) favoring the **continuous evolution of the sales model**, with medium-term projects for multi-channels coverage of the reference market.
- **Relationship Development with Digital and GDS.** In order to reach an increased number of its end-customers, Fervi Group is aimed to build solid relationships with the so-called "Digital Partners", integrating their marketplaces and e-commerce platforms with Fervi Group's offer. The Group has classified these potential partners mainly in: i) **large marketplaces** (i.e. Amazon), ii) **specialized marketplaces** (in Italy and abroad), iii) **digital retailers** that have developed their own e-commerce platforms and/or they have their own virtual stores on Amazon, E-bay, and other marketplaces. Moreover, Fervi Group has the aim to increase its customer base, selling its products through the **GDS (Large-scale Specialized Distribution)** with the aim to take advantage of: i) distribution capacities, ii) customer attraction, and iii) spreading the notoriety of the Fervi Group's brand.

Deconstructing Forecasts

Our financial projections over the 2022–25 period are based on Fervi Group’s business model and strategy. No impact from future M&As has been taken into account.²

Starting from the top line, we anticipate sales revenues growing at a CAGR21A–25E of 15.2%, reaching €66.7mn in FY25E. We projected sales considering: i) Fervi Group’s product portfolio expansion; ii) the strengthen of the Group presence abroad and in Italy; and iii) end-user base expansion also thanks the last acquisition, Mr. Worker (ecommerce platform).

We anticipate gross profit to be €29mn in FY22E, reaching €34.6mn by FY25E and experiencing a +14.0% CAGR21A–25E, following the revenues growth trend. We forecast gross margin to slightly decrease in the 2022E mainly due to higher incidence in product and raw materials as we expect higher costs related to bottlenecks caused by the Russia-Ukraine conflict and the Covid-19 pandemic. Nonetheless in the following years we project a better incidence in terms of raw material costs, we estimate a gross margin below FY21 as the 2021 was characterized by higher “other revenues” contribution related to tax credit consequent Reflex’s R&D investments. Therefore, we forecast a gross margin of 51.6% at the end of 2025E (vs 52.7% in FY21).

At EBITDA level, we expect: i) cost of services’ incidence on revenues to slightly decrease over the period FY22E-25E compared to FY21, as we estimate a partial decrease in freight expenses during the following years (avg. 19.9% over the 2022-2025 period vs 22.6% in 2021); and ii) an increase in the personnel expenses incidence on revenues (avg. 14.5% over the 2022-2025 period vs 14.1% in 2021) driven by the introduction of new professionals to support Fervi Group’s growth.

We therefore expect EBITDA to experience a CAGR21A-25E of +17.3%, reaching €10.9mn in FY25E, with an EBITDA margin at 16.3% in FY25E (from 14.8% in FY21A).

Looking at the bottom line, we project net income attributable to the Group at €6mn in 2025, growing at a CAGR21A-25E of +17.4%, and a net margin of 9%. We note that in our projections we assume a tax rate in line with previous years at 25%.

² Financial projections have been prepared by KT&Partners independently of Fervi S.p.A. Projections and forecasts involve risks and uncertainties and are subject to change. Therefore, actual results may differ materially from those contained in the projections and forecasts.

2020A-2025E Consolidated Income Statement

€ Millions	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	CAGR 21A-25E
Sales Revenues	26.2	37.9	56.6	59.4	63.0	66.7	15.2%
Other Revenues	0.3	1.0	0.3	0.3	0.3	0.3	
Total Revenues	26.4	39.0	56.9	59.7	63.3	67.1	14.6%
Products and Raw materials	(13.1)	(18.4)	(27.8)	(29.1)	(30.7)	(32.4)	
Gross Profit	13.4	20.5	29.0	30.6	32.6	34.6	14%
<i>Gross Margin</i>	50.6%	52.7%	51.0%	51.2%	51.4%	51.6%	
Cost of Services	(4.8)	(8.6)	(11.6)	(11.9)	(12.4)	(12.9)	
Rental Costs	(0.5)	(0.7)	(0.8)	(0.9)	(1.0)	(1.1)	
Personnel Expenses	(3.9)	(5.4)	(8.4)	(8.7)	(9.1)	(9.5)	
Other Operating Expenses	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	
EBITDA	4.1	5.8	8.1	8.9	9.9	10.9	17.3%
<i>EBITDA margin</i>	15.5%	14.8%	14.2%	14.9%	15.6%	16.3%	
D&A and Provisions	(1.1)	(1.4)	(2.7)	(2.6)	(2.7)	(2.7)	
EBIT	3.0	4.4	5.4	6.3	7.2	8.2	17%
<i>EBIT margin</i>	11.5%	11.3%	9.5%	10.5%	11.4%	12.2%	
Financial Income and Expenses	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	
Extraordinary items	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
EBT	2.9	4.2	5.1	6.1	7.0	8.1	18%
Taxes	(0.6)	(1.0)	(1.3)	(1.5)	(1.8)	(2.0)	
<i>Tax Rate</i>	21.7%	24.4%	25%	25%	25%	25%	
Net Income	2.3	3.2	3.8	4.6	5.3	6.0	17%
<i>Net margin</i>	8.6%	8.2%	6.8%	7.6%	8.4%	9.0%	
Minorities	-	-	-	-	-	-	
Net Income attributable to the Group	2.3	3.2	3.8	4.6	5.3	6.0	17.4%
<i>Net margin</i>	8.6%	8.2%	6.8%	7.6%	8.4%	9.0%	

Source: Company data (2020-2021), KT&Partners' estimates (2022-2025)

As for the Group's balance sheet, we expect Trade Working Capital to grow from €25.4mn in FY21A to €30.1mn in FY25E, mainly following Fervi's business growth. However, the average of TWC/Sales is expected to decrease at 47.2% in the 2022-25 period vs the previous avg. 63.1% in 2019-2021. This decrease will be mainly driven by a lower incidence in terms of inventory on sales, given the intense stockpiling activity realized in the last two years (2020-2021) to mitigate the risk of raw materials shortage and prices increases caused by the uncertain geopolitical background.

Over the 2022-2025 period, we estimate €5.5mn of CAPEX, of which more than €4mn are related to tangible investments attributable to new buildings and machineries to support business growth. However, given Fervi Group's non-capital-intensive structure, we suppose fixed assets decrease from €15.4mn in 2021 to €10.4mn in 2025.

Looking at Fervi Group's financial soundness, we expect NFP to progressively improve from a net debt of €10.4mn in FY21A to a net cash of €7.8mn in FY25E. It should be noted that given the Group's attention to dividends' distribution during the last years, in our estimate we also supposed an average dividend pay-out ratio at about 28% over the 2022E-2025E period.

2020A–25E Consolidated Balance Sheet

€ Millions	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Goodwill	2.2	3.0	2.6	2.2	1.8	1.4
Intangible	0.5	7.2	6.2	5.1	4.1	3.4
Tangible	3.0	4.1	4.8	4.9	4.8	4.5
Other LT Assets	0.1	1.2	1.2	1.2	1.2	1.2
Fixed Assets	5.8	15.4	14.8	13.3	11.9	10.4
Trade receivables	9.4	16.6	17.9	18.8	19.9	21.1
Inventory	10.7	19.4	19.3	19.4	19.6	19.8
Trade Payables	(3.5)	(10.6)	(9.4)	(9.8)	(10.3)	(10.8)
Trade Working Capital	16.6	25.4	27.9	28.4	29.3	30.1
Other assets and liabilities	0.1	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Net Working Capital	16.8	25.0	27.4	28.0	28.8	29.7
Net Capital Employed	20.3	36.4	37.5	35.9	34.6	33.2
Total shareholders' equity	23.2	26.0	28.9	32.5	36.5	41.0
Short-term debt / Cash (-)	(11.9)	(9.1)	(7.5)	(9.6)	(12.2)	(15.6)
Long-term liabilities	8.9	19.5	16.1	13.1	10.3	7.8
Net Financial Position	(3.0)	10.4	8.6	3.5	(1.8)	(7.8)
Sources	20.3	36.4	37.5	35.9	34.6	33.2

Source: Company Data (2020-2021), KT&Partners' estimates (2022-2025)

Valuation

Following Fervi Group's future financials projections, we have carried out our valuation using the multiples and DCF methods. Our fair value is the result of:

1. EV/EBITDA which returns an equity value of €56.1mn
2. P/E multiples which returns an equity value of €46.1mn
3. DCF analysis based on WACC of 9.8% and 1.0% perpetual growth, which returns an equity value of €71.7mn

Valuation Range Recap

	Equity Value €mn	Value per share €
EV/EBITDA	56.1	22.1
P/E	46.1	18.2
Average - multiples	51.1	20.1
DCF	71.7	28.2
Average	61.4	24.2

Source: FactSet, KT&Partners' elaborations

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 assortment. 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.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared to Fervi Group's historical and expected financials. By looking at 2020-21, top multinational companies' revenues recovered from Covid-19 impact showing an increase of +8.7% YoY. However, Fervi Group registered a significant higher growth, with sales at +44.9% YoY. Looking at FY21 EBITDA, Fervi Group registered a +40.4% YoY, vs an average growth for peers' sample of only +10.2% YoY. However, over the 2021-24 period, Fervi Group's sales are expected to grow at 16.1% CAGR vs + 11.4% of the top multinationals' peers. According to our financial projections, Fervi Group's EBITDA shows an expected +19.6% CAGR21A-24E, compared with an expected growth for top multinational' peers of +26.5%.

Peers comparison – Sales and EBITDA growth 2020-24

Company Name	Sales			Sales			CAGR 2021-'24
	2020	2021	YoY 20-21	2022	2023	2024	
W.W. Grainger, Inc.	10,348	11,017	6.5%	14,021	14,021	15,009	10.9%
Einhell Germany AG Pref	725	927	28.0%	1,072	1,072	1,149	7.4%
Distribution Solutions Group, Inc.	308	353	14.6%	423	423	435	7.2%
Fastenal Company	4,954	5,085	2.7%	6,605	6,605	7,135	11.9%
Stanley Black & Decker, Inc.	11,454	13,213	15.4%	18,037	18,037	18,783	12.4%
Global Industrial Company	903	899	-0.4%	1,130	1,130	1,200	10.1%
MSC Industrial Direct Co., Inc. Class A	2,868	2,714	-5.4%	3,479	3,479	3,644	10.3%
Cembre S.p.A.	137	167	21.7%	187	187	194	5.2%
DXP Enterprises, Inc.	882	942	6.9%	1,295	1,295	1,455	15.6%
Bossard Holding AG	760	921	21.2%	1,068	1,068	1,121	6.8%
Peers Average	3,334	3,624	8.7%	4,732	4,732	5,013	11.4%
Fervi SpA	26	38	44.9%	57	57	59	16.1%

Company Name	EBITDA			EBITDA			CAGR 2021-'24
	2020	2021	YoY 20-21	2022	2023	2024	
W.W. Grainger, Inc.	1,128	1,466	30.0%	2,231	2,231	2,403	17.9%
Einhell Germany AG Pref	64	89	38.9%	119	119	127	12.9%
Distribution Solutions Group, Inc.	27	17	-36.4%	92	92	n.a.	n.a.
Fastenal Company	1,143	1,174	2.8%	1,657	1,657	1,764	14.5%
Stanley Black & Decker, Inc.	2,217	2,352	6.1%	2,797	2,797	2,993	8.4%
Global Industrial Company	77	78	0.3%	129	129	142	22.2%
MSC Industrial Direct Co., Inc. Class A	413	358	-13.1%	536	536	570	16.8%
Cembre S.p.A.	37	46	23.6%	54	54	n.a.	n.a.
DXP Enterprises, Inc.	32	57	78.3%	118	118	n.a.	n.a.
Bossard Holding AG	99	135	36.5%	170	170	187	11.5%
Peers Average	524	577	10.2%	790	790	1,169	26.5%
Fervi SpA	4	6	40.4%	9	9	10	19.6%

Source: FactSet, KT&P's Elaboration

Market Multiples Valuation

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

Peer Comparison – Market Multiples 2021-2024

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	24,210	2.4x	1.8x	1.7x	1.6x	18.1x	12.4x	11.6x	10.8x	20.3x	13.5x	12.7x	11.9x	28.4x	18.3x	16.8x	15.3x
Einhell Germany AG Pref	XETRA	522	0.9x	0.8x	0.8x	0.7x	9.6x	7.9x	7.6x	7.1x	11.1x	9.0x	8.7x	8.1x	8.6x	7.6x	7.5x	6.9x
Distribution Solutions Group, Inc.	NASDAQ	958	2.8x	2.2x	2.2x	n.a.	n.m	12.0x	10.2x	n.a.	n.m	32.2x	28.7x	n.a.	n.m	20.2x	17.9x	n.a.
Fastenal Company	NASDAQ	28,827	5.7x	4.2x	4.0x	3.7x	24.8x	18.1x	17.1x	16.2x	28.3x	20.3x	19.0x	17.9x	37.7x	27.3x	25.7x	24.4x
Stanley Black & Decker, Inc.	NYSE	16,284	2.0x	1.4x	1.3x	1.3x	11.1x	10.0x	8.9x	8.4x	14.0x	11.5x	10.7x	9.9x	12.8x	11.3x	9.8x	8.8x
Global Industrial Company	NYSE	1,264	1.5x	1.1x	1.1x	1.1x	17.3x	10.8x	12.1x	11.3x	18.0x	11.3x	12.5x	11.8x	14.6x	14.4x	14.6x	15.0x
MSC Industrial Direct Co., Inc. Class A	NYSE	4,088	1.8x	1.3x	1.3x	1.3x	13.6x	9.1x	8.8x	8.6x	17.0x	10.4x	10.0x	9.9x	23.0x	12.2x	11.9x	11.6x
Cembre S.p.A.	Milan	474	2.7x	2.4x	2.3x	n.a.	10.0x	8.6x	8.3x	n.a.	13.3x	11.3x	10.8x	n.a.	18.2x	15.9x	n.a.	n.a.
DXP Enterprises, Inc.	NASDAQ	565	0.9x	0.6x	0.6x	n.a.	15.3x	8.0x	7.1x	n.a.	25.6x	10.4x	9.0x	n.a.	43.8x	12.5x	10.2x	n.a.
Bossard Holding AG	SIX Swiss	1,535	1.8x	1.5x	1.5x	1.4x	12.5x	10.8x	9.9x	8.9x	14.8x	13.0x	11.9x	10.7x	16.7x	14.8x	13.7x	12.5x
Average peer group		7,873	2.3x	1.8x	1.7x	1.6x	14.7x	10.8x	10.2x	10.2x	18.1x	14.3x	13.4x	11.5x	22.6x	15.5x	14.2x	13.5x
Median peer group		1,400	1.9x	1.5x	1.4x	1.3x	13.6x	10.4x	9.4x	8.9x	17.0x	11.4x	11.3x	10.7x	18.2x	14.6x	13.7x	12.5x
Fervi SpA	Milan	39	1.3x	0.9x	0.8x	0.8x	8.5x	6.1x	5.5x	5.0x	11.2x	9.1x	7.8x	6.8x	11.7x	9.9x	8.3x	7.2x

Source: FactSet, KT&P's Elaboration

We based our evaluation upon our 2022-2024 estimates for Fervi's EBITDA and Net Income, and also take into account a 25% liquidity/size discount. We end up with our Fervi's equity value of €74.8mn for EV/EBITDA and of €46.1mn through the P/E method.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	10.4x	9.4x	8.9x
Fervi SpA EBITDA	8.1	8.9	9.9
Enterprise value	83.8	83.7	88.2
Fervi SpA FY21 Net Debt	10.4	10.4	10.4
Equity Value	73.4	73.3	77.8
Average Equity Value		74.8	
Liquidity/Size Discount		25%	
Equity Value Post-Discount		56.1	
Number of shares (mn)		2.5	
Value per Share €		22.1	

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	14.6x	13.7x	12.5x
Fervi SpA Net Income	3.8	4.6	5.3
Equity Value	56.1	62.4	66.0
Average Equity Value		61.5	
Liquidity/Size Discount		25%	
Equity Value Post-Discount		46.1	
Number of shares (mn)		2.5	
Value per Share €		18.2	

Source: FactSet, KT&P's Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 10.5% cost of equity, 3% 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 2.40% (Italian 10y BTP), 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 9.8% 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
EBIT	5.4	6.3	7.2	8.2
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
Net Operating Cash Flow	4.9	7.5	8.0	8.8
Capex	(2.0)	(1.1)	(1.2)	(1.2)
FCFO	2.9	6.4	6.8	7.6
g	1.0%			
Wacc	9.8%			
FCFO (discounted)	2.8	5.5	5.4	5.5
Discounted Cumulated FCFO	19.2			
TV	87.1			
TV (discounted)	62.9			
Enterprise Value	82.1			
NFP FY2021A	10.4			
Equity Value	71.7			
Current number of shares (mn)	2.5			
Value per share (€)	28.2			

Source: FactSet, KT&P's Elaboration

Sensitivity Analysis

€ Millions	Terminal growth Rate	WACC				
		10.3%	10.1%	9.8%	9.6%	9.3%
	0.5%	64.0	65.9	68.0	70.3	72.6
	0.8%	65.5	67.6	69.8	72.1	74.6
	1.0%	67.2	69.4	71.7	74.2	76.8
	1.3%	69.0	71.3	73.7	76.3	79.0
	1.5%	70.8	73.3	75.8	78.6	81.4

Source: KT&P's Elaboration

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- 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

KT&PARTNERS

Via della Posta, 10 - Piazza Affari, 20123 Milano - Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com