Vimi Fasteners

Sector: Industrial fasteners

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Better outlook & higher orderbook in 2021E

Vimi Fasteners Group designs and manufactures highly engineered fastening solutions for a broad variety of industrial applications ranging from automotive to oil & gas, infrastructures and aerospace.

FY20: financial results hit by pandemic

FY20 results mirror the tough picture of the car industry, but also the weaker market stance faced by other end-markets which are cyclical and correlated to 2020 economic downturn.

On a reported basis, revenues were down -17% y/y. However, diversification, cost efficiency actions, positive contribution of MF Inox and absence of extraordinary costs (€0.6mn in FY19), allowed EBITDA to be down only 5% y/y to €4mn, (10.5% margin vs 9.0% FY19) while bottom line was substantially at breakeven level. Effective Working Capital management led Net Debt position flattish y/y at €19.6mn, vs. €21.8mn as of June '20.

2021E: Signs of recovery and higher orderbook y/y

Despite headwinds related to Covid-19 restrictions and to current semiconductor shortage, the industry outlook is more positive if compared to a few quarters ago. Vimi as well recorded signs of recovery in 2H20, (Revenues -21% in 1H and -13%in 2H), with order backlog gradually growing, +3% y/y as of Dec'20 to €24mn, and this, combined with increased market penetration in high end automotive, EV and aerospace segments do bode well for the next quarters.

FY2021E-22E forecasts revised upwards

We are updating our 2021E-'22E estimates, to factor in a slightly better market picture, and a faster than previously expected rump-up: Sales revised up high-single digit, while already achieved efficiency in Opex should allow EBITDA to come at €6.1mn and €6.8mn in 2021E-22 (+6.3% and +2.4% vs old estimates), with margins at 13.5% and 14.3%respectively. Anyway, we are a bit more conservative than management guidance.

Fair value at €2.20 (from €1.75)

Vimi faced the worst 1-year share performance vs its sector peers, with current stock price (€1.20) still well off €2.15 recorded in the pre-pandemic. In our view, the stock performance is too penalised by poor trading volumes, rather than earnings outlook. We update our fair value at €2.2 per share, (average of Peers Analysis and DCF model), which implies 2021E multiples of 1.0x EV/Sales, 7.6x EV/EBITDA and 1.0x EV/IC.

Fair Value (€)	**2.20**
Market Price (€)	**1.20**
Market Cap. (€m)	**16.0**

KEY FINANCIALS (€m)	2020A	2021E	2022E
SALES	37.6	45.0	47.7
EBITDA	4.0	6.1	6.8
EBIT	-0.3	1.8	2.6
NET PROFIT	-0.3	1.2	1.9
EQUITY	26.0	27.2	29.1
NET FIN. DEBT	19.6	16.8	13.1
EPS (€)	-0.02	0.09	0.14
DPS (€)	0.00	0.00	0.00

Source: Vimi Fasteners (historical figures), Value Track (2021E-22E estimates)

RATIOS & MULTIPLES	2020A	2021E	2022E
EBITDA MARGIN (%)	10.5	13.5	14.3
EBIT MARGIN (%)	<0	4.0	5.5
NET DEBT / EBITDA (x) (*)	3.0	1.5	1.3
NET DEBT / EQUITY (x)	0.75	0.62	0.45
EV/SALES (x)	0.9	0.7	0.6
EV/EBITDA (x)	9.0	5.4	4.2
P/E (x)	nm	13.7	8.4
DIV YIELD (%)	0.0	0.0	0.0

Source: Vimi Fasteners (historical figures), Value Track (2021E-22E estimates) (*) excluding MF Inox earn-out and IFRS16

STOCK DATA	
FAIR VALUE (€)	2.20
MARKET PRICE (€)	1.20
SHS. OUT. (m)	13.3
MARKET CAP. (€m)	16.0
FREE FLOAT (%)	21.3
AVG. -20D VOL. (#)	8,975
RIC / BBG	VIM.MI / VIM IM
52 WK RANGE	0.63 – 1.90

Source: Stock Market Data

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Business Description

Vimi Fasteners is a leading player in the design and manufacturing of highly engineered fastening solutions, such as screws, studs and nuts, for a broad range of industrial applications, ranging from automotive to oil & gas and aerospace.

The Group is specialised in the production of high-performance fastening solutions for high temperature and high resistance applications and following the acquisition of MF Inox (June 2018), it has also developed a specific product know-how and commercial presence in the Oil &Gas sector.

Key Financials

€mn	2019A	2020A	2021E	2022E
Revenues from Sales	**46.3**	**37.6**	**45.0**	**47.7**
Chg. % YoY	-9.4%	-18.7%	19.5%	6.1%
EBITDA	**4.2**	**4.0**	**6.1**	**6.8**
EBITDA Margin	9.0%	10.5%	13.5%	14.3%
EBIT	**-0.2**	**-0.3**	**1.8**	**2.6**
EBIT Margin	<0	<0	4.0%	5.5%
Net Profit	**1.1**	**-0.3**	**1.2**	**1.9**
Chg. % YoY	-31.1%	nm	nm	62.6%
Adjusted Net Profit	**0.4**	**-0.3**	**1.2**	**1.9**
Chg. % YoY	-87.0%	nm	nm	62.6%
Net Fin. Debt	**19.6**	**19.6**	**16.8**	**13.1**
Net Fin. Debt / EBITDA (x)	4.7x	5.0x	2.8x	1.9x
Net Fin. Debt (ex. Earn-out & IFRS16) (*)	**10.0**	**11.8**	**9.0**	**9.1**
Net Fin. Debt / EBITDA (x)	2.1x	3.0x	1.5x	1.3x
Capex	3.3	2.6	2.4	2.5
OpFCF b.t.	**2.8**	**0.4**	**3.4**	**4.5**
OpFCF b.t. as % of EBITDA	68%	11%	56%	66%

Source: Vimi Fasteners (historical figures), Value Track (estimates). (*) MF Inox earn-out (€3.8mn) to be paid as of 2022E

Investment case

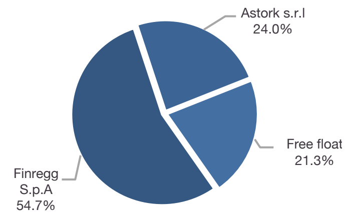
Strengths / Opportunities

- Highly engineered products with strong attention to quality;
- Presence in fast-growing end-markets (high end automotive, industrial sectors);
- Approach to clients based on co-engineering and strong partnerships;

Weaknesses / Risks

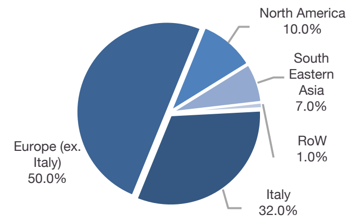
- Limited M&A opportunities given the current financial leverage;
- Lack of a global manufacturing footprint and limited market coverage;
- Lower size if compared to main competitors.

Shareholders Structure



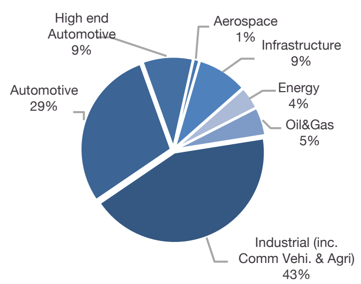
Source: Company SpA

Sales breakdown by geography



Source: Vimi Fasteners

Sales breakdown by industry



Source: Vimi Fasteners

Stock multiples @ €2.20 Fair Value

	2021E	2022E
EV / SALES (x)	1.0	0.9
EV / EBITDA (x)	7.6	6.2
EV / CAP.EMP. (x)	1.0	1.0
OpFCF Yield (%)	7.3	10.7
P / E ADJ (x)	25.1	15.5
P / BV (x)	1.1	1.0
Div. Yield. (%)	0.0	0.5

Source: Value Track

FY20 Financials met expectations

Vimi Fasteners FY20 consolidated financial figures were almost in line with our estimates at P&L, while a good management of Net Working Capital led to a better-than-expected Net Debt position.

As expected, Covid-19 negative implications caused a severe business slowdown but starting as of 3Q signs of recovery were recorded, with 2H20 results slightly improving if compared to the first half of the year.

Vimi Fasteners: 2020A vs VT 2020E

(€mn)	1H20A	2H20A	FY20A	VT FY20 E	A vs. E – Δ (%)
Revenues from Sales	**18.2**	**19.4**	**37.6**	**37.3**	**+1.0%**
EBITDA	**1.8**	**2.2**	**4.0**	**3.9**	**+0.7%**
EBITDA margin (%)	*9.7%*	*11.3%*	*10.5%*	*10.5%*	*-3bps*
EBIT	**-0.4**	**0.1**	**-0.3**	**-0.7**	**nm**
Net Profit	-0.4	0.2	-0.3	-0.5	nm
Net Working Capital	11.3	9.4	9.4	11.1	-1.7
Net Debt	**21.8**	**19.6**	**19.6**	**20.0**	**-0.4**

Source: Value Track Analysis

Full-year results provide qualitative messages which are basically in line with interim figures. Indeed:

- **Unavoidable weaker market demand** faced so far, with lower orders collected in the auto division, but also in other end-markets which are somehow cyclical and highly correlated to 2020 economic downturn (industrial, infrastructure, agriculture);
- **Sales and margins taking benefit from diversification**, with positive contribution of MF Inox to consolidated figures;
- **Minimum profitability being preserved** by management actions and greater operating efficiency achieved through capex-plan 2018-19;
- **Signs of recovery in 2H**, with order backlog gradually growing at €24mn as of Dec'20 (slightly higher than €23.3mn of Dec'19, still below €25.6mn recorded at the end of 2018), hence leading to some normalization in market demand;
- **New important agreements signed,** for light fasteners applied on full electric supercars and in the aerospace field or used for big size diesel turbocharges. The Group also started a new collaboration with a US distributor of industrial fastening solutions.

Total Revenues down -17% y/y in FY20, slightly better in 2H -13% y/y

Total revenues stood at €39.1mn in FY19, sharply decreasing y/y (-16.9%) if compared to €47.1mn recorded as of FY19, hence strongly hit by the adverse market stance linked to Covid-19, and the temporary closing of production activities during the first lockdown.

However, following the significant drop in volumes faced at the end of 1Q and across 2Q, a gradual recovery was recorded starting with June, driven by a stronger than (previously) expected trend in car production.

As a matter of facts, Group revenues decreased by 13.0% y/y in 2H, if compared to the more pronounced drop faced in 1H (-20.7% y/y).

As expected, market demand was weak across all end-markets, but business dynamics were heavily hit by weaker demand experienced by the light-vehicle industry, historically the most important end-market for Vimi, accounting ca. 29% of total sales in FY20.

According to LMC data, worldwide vehicle sales fell 15.5% y/y in 2020, down from 90.3mn of units sold in 2019, and Europe – the main geography area for Vimi (80% of total) – performed even worse in percentage terms (-20.1% y/y), with 16.3mn units sold, well below 20.4mn units in 2019.

Worldwide Light Vehicle Sales (y/y % chg.)

Region	1Q20	2Q20	3Q20	4Q20	FY20
North America	-14.4%	-34.3%	-9.1%	-2.9%	-15.5%
Europe	-18.6%	-51.7%	-2.5%	-4.0%	-20.1%
Japan / Korea	-9.1%	-17.9%	-8.9%	10.6%	-6.8%
China	-42.0%	6.5%	10.5%	9.4%	-3.6%
Brazil/Argentina	-12.7%	-62.6%	-22.8%	-7.3%	-26.4%
Others	-5.0%	-57.6%	-26.1%	4.5%	-20.9%
World	**-14.4%**	**-34.3%**	**-9.1%**	**-2.9%**	**-15.5%**

Source: Value Track analysis based on LMC Automotive data

On the other side, fasteners delivered to oil&gas, aerospace, infrastructure and generally applied in a broad variety of industrial applications have shown a more resilient demand.

In particular, we highlight the relatively stronger performance achieved by MF Inox, with revenues at ca. €7.1mn (in line with our forecast), recording 8.5% y/y decrease entirely linked to the temporary shutdown imposed during the spring.

In terms of geography, domestic revenues decreased by 15.9% y/y, (€11.4mn, 30% of total), while remaining 70% is attributable to foreign sales, of which i) ca. 50% in EU (excluding Italy) at €18.8mn (-20% y/y), ii) 8% in US and Canada (Sales at €2.9mn, -30.1% y/y), and lastly iii) RoW with sales decreasing high-single digit y/y.

Other revenues (mainly due to public grants for R&D projects) stood at €0.6mn, while capitalized costs were ca. €0.8mn. Hence despite the weaker market stance, the company kept investing in new products and technologies, with a well-defined focus on super-light and high resistance fastening solutions to be applied in the high end automotive, EV and aerospace field, but also for new end markets applications.

Vimi Fasteners: Revenues breakdown 2019FY – 2020FY

(€mn)	FY19A	FY20A	Δ y/y (%)
Revenues from Sales	**46.3**	**37.6**	***-18.7%***
Capitalized development costs	0.3	0.8	*>100.0%*
Other Revenues	0.4	0.6	*+35.7%*
Total Revenues	**47.1**	**39.1**	***-16.9%***

Source: Vimi Fasteners, Value Track Analysis

Several actions taken to safeguard profitability

In such challenging environment, the company put in place several actions to mitigate the severe and sustained slowdown of reference end-markets, achieving significant cost savings. As a consequence, **EBITDA decreased less than proportionally (-4.9% y/y) to turnover decrease**.

Total Opex stood at €35.1mn (-18.1% y/y), lowering their incidence on revenues by 130bps, in details:

- **Better management of purchasing costs**, with raw materials and consumables slashed by 20.4% y/y, thus leading to a higher industrial margin;
- **Greater efficiency in labour cost**, down by 13.7% y/y, also thanks to social safety measures and lower adoption of "temporary" workers;
- **Lower amount of cost of services**, down by 17.5% y/y, positively benefitting from smart-working activities, as well from lower traveling expenses.

Reported EBITDA came in at €4.0mn, with margin at 10.5%, +152bps y/y, benefitting not only from cost efficiencies, but also from absence of extraordinary costs (€0.6mn) faced in FY19 and related to the reorganization of production facilities. On an adjusted basis, EBITDA margin was basically flat (+23 bps y/y).

EBIT was negative at -€0.3mn vs -€0.2mn as in FY19, while at the bottom line, €0.5mn financial expenses and €0.6mn fiscal benefits linked to the hyper amortization and the tax relief on MF-Inox related-goodwill, translated into a Net Loss of €0.3mn.

Vimi Fasteners: P&L 2019FY – 2020FY

(€mn)	FY19	FY20	Δ y/y (%)
Total Revenues	**47.1**	**39.1**	***-17%***
COGS	-17.7	-14.4	
Cost of Services	-11.3	-9.3	
Labour Cost	-13.0	-11.2	
Other Operating Expenses	-0.9	-0.5	
Total Opex	**-42.9**	**-35.1**	
EBITDA Reported	**4.2**	**4.0**	***-5%***
EBITDA Margin (%)	*9.0%*	*10.5%*	*+152bps*
D&A	-4.3	-4.3	
EBIT Reported	**-0.2**	**-0.3**	***nm***
EBIT Margin (%)	*<0*	*<0*	
Net financial income/expenditure	-0.4	-0.5	
Pre-Tax Profit	**-0.5**	**-0.8**	
Income Taxes	1.7	0.6	
Net Profit	**1.1**	**-0.3**	***nm***

Source: Vimi Fasteners, Value Track Analysis

Lightening Net Debt position at €19.6mn (-€2.2mn vs. Jun'20)

At Balance Sheet / Cash Flow statement level, we note the following:

- **Capex at €2.6mn,** slightly higher than our forecast (€2.0mn), at 7% of sales (almost flat y/y);
- **Net Working Capital at €9.4mn,** lower than €11.3mn recorded in 1H20, moving from ca. 30% to 25% as percentage of total revenues (annualised), mainly driven by:

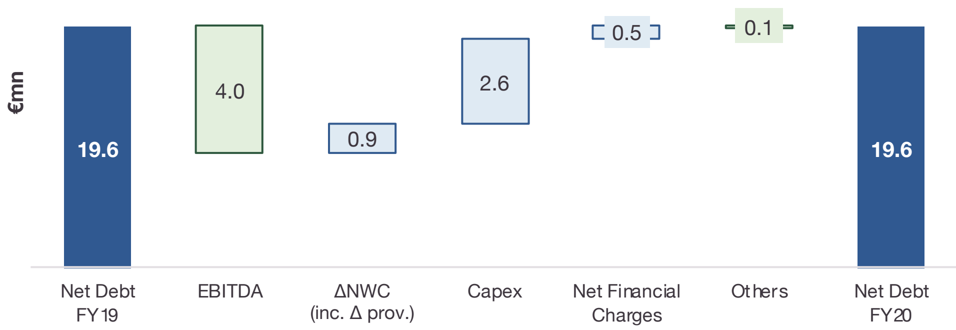
  - €1.4mn decrease in inventories, likely due to the partial recovery in market demand starting as of 3Q, offsetting delays in deliveries required by customers in 1H;
  - €1.1mn increase in trade receivables, on the same level of Dec'19, highlighting some encouraging attempts to come back to a "normal" scenario;
  - €1.5mn increase in trade payables and other operating liabilities (€0.1mn).
- **Improving Net Debt position, at €19.6mn** (-€2.2mn vs Jun'20), stable y/y. Net Debt includes RoU (€4.0mn) and the net present value of MF Inox residual earn-out (€3.8mn) to be paid by 2022 (€1.0mn has been already paid in FY20).;
- Plain vanilla Net debt/EBITDA ratio stands at 5.0x, while ignoring lease and earn out, **Adjusted Net Debt/EBITDA ratio stood at ca. 3.0x**.
- **The company obtained a new credit line (€5.6mn),** featured by a longer maturity, together with a further decrease of the short-term exposure.

Vimi Fasteners: FY19, 1H20 and FY20 Balance Sheet

(€ mn)	FY19	1H20	FY20
Net Fixed assets	39.7	38.7	38.4
Net Working Capital	8.4	11.3	9.4
as % of Sales (annualised)	*18.1%*	*30.1%*	*24.9%*
Severance pay and funds	2.1	2.3	2.2
Total Capital Employed	**46.0**	**47.8**	**45.6**
Group Net Equity	**26.4**	**26.0**	**26.0**
Net Fin. Position [Net debt (-) / Cash (+)]	**-19.6**	**-21.8**	**-19.6**
o/w Current NFP	*-3.2*	*0.2*	*-0.5*
Non-Current NFP	*-16.4*	*-22.0*	*-19.1*

Source: Vimi Fasteners, Value Track Analysis

Vimi Fasteners: Net Debt evolution in FY20



Source: Value Track Analysis

New updates

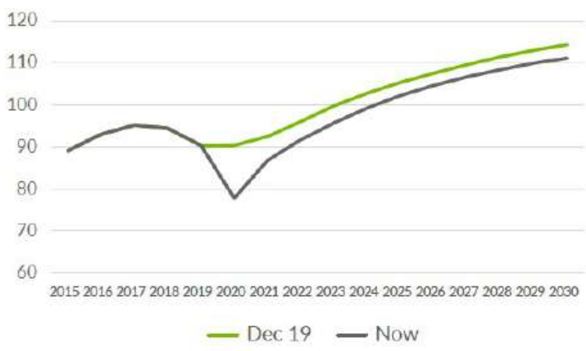
Auto industry: vehicle demand rebounds, but still uncertainty ahead

The automotive industry is still facing headwinds due to Covid-19 outbreak and to semiconductors shortage, but the outlook seems to be more optimistic compared to a few quarters ago.

According to the latest released market studies, **worldwide sales are likely to rebound in 2021 at ca. 86mn units sold (+11% y/y)**, while it might take **at least 2/3 years to gain back 2019 volumes level.** The 100mn unit sold threshold is now expected to come as of 2025 (with a 3-years delay vs January'20 estimates).

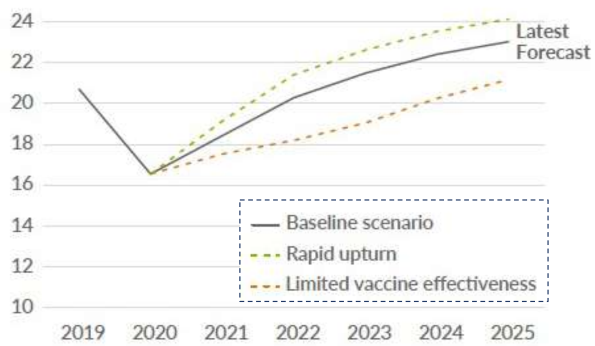
Global and European light vehicle sales (LMC automotive)

Global LV sales – Units mn



Source: Value Track Analysis, Feb'21

European LV sales – Units mn



Source: LMC Automotive, Oxford Economics & LMC's joint Global Automotive scenario Service, Mar'21

Material differences remain across geographies:

- **Europe.** Despite a 2020 year-end increase, the selling rate struggled again in 1Q21, as result of Covid-19 restrictions and tough economic scenario.

  As an effect, market forecasts recently released by *LMC Automotive* expect: 1) light vehicle sales at 18.7mn units in 2021, up vs 16.3mn in 2020, but well below the 20.4m achieved in 2019; 2) a full market recovery only in 2023.

  Upside forecasts incorporate a rapid upturn in economic resumption, linked to a faster and more effective vaccine rollout, while, conversely, a slower rollout, or limited effectiveness against new variants would act as further brake on demand.

  In addition, the escalation of the auto chip shortage could still get somewhat tougher (LV output in Europe could be lower by 600K units);
- **US**. Similarly, to European market, 2021E car sales are expected to post a high single-digit increase, up to 15.7mn units (*Source*: S&P Global). Main challenges the auto industry might face are related to Covid-19 restrictions, as well as to the component supply shortage;
- **China.** Most dynamic market, with vehicle demand expected to regain 2019 level already as of 2021, fuelled by government supports aimed at boosting private consumption. Here as well, the ongoing semiconductor shortage could worsen the scenario.

Moving to production, following the 2020 y/y decrease of roughly 14mn units, an overall improvement in performance is expected by 2021, and according to *IHS Markit Automotive*, light vehicle production is expected to grow by 13% globally.

A sharp increase is forecasted across all regions, with Mainland China expected to consolidate its leading position (31% of production) – given its capability to contain the virus spread relatively quickly than other countries – hence, followed by Europe and North America. By the way, excluding China, regional production is still expected below 2019 levels (i.e. 2021 vs 2019 still negative at -5%).

Global Car production evolution – IHS Markit as of February'21

(€mn)	2021 vs 2020	2021 vs 2019	2022 vs 2021	2023 vs 2022	2024 vs 2023	2024 vs 2019
Europe	16.4%	-10.9%	6.2%	2.2%	0.9%	-2.4%
North America	24.4%	-0.7%	3.4%	-0.6%	-0.7%	1.3%
South America	33.2%	-7.7%	8.3%	5.8%	*2.3%*	8.3%
Asia	8.0%	0.4%	4.9%	4.5%	4.4%	14.9%
o/w China	*6.0%*	*1.4%*	*4.0%*	*4.1%*	*4.5%*	*14.6%*
Total	**13.4%**	**-4.9%**	**4.8%**	**2.7%**	**2.4%**	**4.8%**

Source: Sogefi, processing IHS Markit data (Feb'21)

Vimi Fasteners 2021E-22E estimates update

In its FY20 results Press Release **Vimi Fasteners has stated that it expects**:

- **2021E revenues to rebound y/y** and come closer to 2019A;
- **2021E industrial profitability to significantly increase**.

We are updating our 2021E-'22E estimates, to factor in a better market picture, a higher order book (€24mn as of Dec'20, +3% vs. pre-Covid level, i.e. Dec'19), and further order acceleration in 1Q20. Conversely, there still uncertainty ahead, that's' why, we are somewhat more conservative than management guidance, and our expectations are basically driven by the following items:

- **Automotive seen upwards:** as previously discussed, despite some headwinds linked to vaccine rollout (gradually softening) and lastly the semiconductor shortage, the outlook seems be more benign than a few quarters ago. Hence, we expect the ramp up to be faster, anyway possible concerns connected to the weaker market stance and its potential implications still remain;
- **Fine-tuning estimates for the other end-markets,** in details:
    - Volumes related to **Infrastructure / Oil&Gas and Energy** – and related to MF Inox business division – **revised marginally down,** reflecting a slower than expected recovery pace, with low and high-profitable orders collected so far, i.e. based on a quick deliver and on time approach. We foresee volumes to come back to pre-covid levels not earlier than 2022E;
    - Fastening solutions applied for a broad variety of **industrial applications,** to experience a positive market outlook and **higher growth rates**, as GDP and unemployment rate – by far the key drivers for such business divisions – are likely to bounce, particularly in US;
    - **Higher volumes expected in the agriculture segment**, driven by a stronger market momentum, mostly in the US market, given the agriculture provisions designed by the 2021 American Rescue Plan Act;
    - **Higher growth rates** should be recorded in the **aerospace and motorsport** segments, given the increasing number of contracts signed so far;

- **Slightly lower margins than previously expected**, as direct outcome of some organic increase in cost of services linked to a back to normal scenario;
- **Almost unchanged estimates on capex and cash generation**, given Group strategy to keep investing in new products, new technologies and new end-markets.

Overall, our new 2021E-'22E forecasts can be summarized as follows:

- **Revenues from Sales revised up high-single digit** in 2021E-22E, expected to reach ca. €47.7mn in 2022E, 3.1% above 2019A (€46.3mn), thus implying a 12.6% 2-yr $CAGR_{20-22}$. We expect Vimi stand-alone to grow at mid-teens digit, while MF Inox to post a lower annual growth (ca. 4% on average in the projection period);
- **EBITDA** – expected to come at €6.1mn and €6.8mn in 2021E-22 (up 8.2% and 3.7% vs previous estimates), implying a 31% 2-yr $CAGR_{20-22}$, with margins at 13.5% and 14.3%respectively;
- **Net Income** – back to profit by 2021E at €1.2m, thus, to progressively increase up to €1.9mn in 2022E;
- **Net Debt** – to progressively decrease, resulting from a broadly flat y/y working capital dynamics, and capital expenditures close to 5.3% of sales.

Vimi Fasteners: New vs. Old estimates 2021E-22E

(€mn)	2021E			2022E		
	Old	New	Δ (%)	Old	New	Δ (%)
Revenues from Sales	**41.1**	**45.0**	***9.4%***	**44.9**	**47.7**	***6.3%***
EBITDA	**5.6**	**6.1**	***8.2%***	**6.6**	**6.8**	***3.7%***
EBITDA Margin (%)	*13.7%*	*13.5%*	*-15bps*	*14.4%*	*14.3%*	*-37bps*
EBIT	**1.3**	**1.8**	***34.1%***	**2.4**	**2.6**	***9.3%***
EBIT Margin (%)	*3.3%*	*4.0%*	*74bps*	*5.4%*	*5.5%*	*10bps*
Net Profit	**1.0**	**1.2**	***17.2%***	**1.8**	**1.9**	***5.3%***
Capex	2.5	2.4		2.7	2.5	
Net Debt	**17.0**	**16.8**		**13.1**	**13.1**	

Source: Value Track Analysis

Vimi Fasteners: 2020A-22E Total Revenues by business line

(€mn)	2020A*	2021E	2022E	$CAGR_{20A-22E}$
Vimi stand-alone	**30.5**	**38.0**	**40.1**	**14.6%**
y/y Growth (%)	-20.8%	24.5%	5.5%	
as (% of Total Sales)	*81%*	*84%*	*84%*	
MF Inox	**7.1**	**7.0**	**7.7**	**3.7%**
y/y Growth (%)	-8.5%	-2.0%	9.6%	
as (% of Total Sales)	*19%*	*16%*	*16%*	
Revenues from Sales	**37.6**	**45.0**	**47.7**	**12.6%**
y/y Growth (%)	*-18.7%*	*19.5%*	*6.1%*	
Other Revenues	1.4	1.6	1.7	
Total Revenues	**39.1**	**46.5**	**49.4**	**12.5%**

Source: Value Track Analysis, 2020A based on Value Track revenue model

Vimi Fasteners: Profit & Loss 2020A-22E

(€mn)	2020A	2021E	2022E
Revenues from Sales	**37.6**	**45.0**	**47.7**
Total Revenues	**39.1**	**46.5**	**49.4**
COGS + Other Opex	-23.9	-28.7	-30.4
Labour costs	-11.2	-11.8	-12.2
EBITDA	**4.0**	**6.1**	**6.8**
EBITDA margin (%)	*10.5%*	*13.5%*	*14.3%*
D&A	-4.3	-4.3	-4.2
EBIT	**-0.3**	**1.8**	**2.6**
EBIT margin (%)	*<0*	*4.0%*	*5.5%*
Net Financial Charges	-0.5	-0.5	-0.4
Pre-tax profit	**-0.8**	**1.3**	**2.3**
Taxes	0.6	-0.1	-0.4
Net Profit	**-0.3**	**1.2**	**1.9**

Source: Vimi Fasteners (historical figures), Value Track (2021E-22E estimates)

Vimi Fasteners: Balance sheet 2020A-22E

(€mn)	2020A	2021E	2022E
Net Fixed assets	38.4	36.5	34.8
Net Working Capital	9.4	9.8	9.7
Severance pay and other funds	2.2	2.3	2.4
Total Capital Employed	**45.6**	**44.0**	**42.1**
Group Net Equity	26.0	27.2	29.1
Net Fin. Position [Net debt (-) / Cash (+)]	**-19.6**	**-16.8**	**-13.1**

Source: Vimi Fasteners (historical figures), Value Track (2021E-22E estimates)

Vimi Fasteners: Profit & Loss 2020A-22E

(€mn)	2020A	2021E	2022E
EBITDA	**4.0**	**6.1**	**6.8**
Op. NWC requirements	-1.0	-0.4	0.1
Capex (excl. Fin. Inv.)	-2.6	-2.4	-2.5
Change in provisions	0.1	0.1	0.1
Cash Taxes	0.0	-0.1	-0.4
OpFCF a.t.	**0.4**	**3.3**	**4.2**
As % of EBITDA	*11%*	*54%*	*61%*
Others (incl. Fin. Inv.)	0.1	0.0	0.0
Net Financial Charges	-0.5	-0.5	-0.4
Change in Net Fin Position	**0.0**	**2.8**	**3.8**

Source: Vimi Fasteners (historical figures), Value Track (2021E-22E estimates)

Valuation Update

Taking into account 2021E-22E revised forecasts on the one side and updated sector multiples / DCF results on the other, **we increase our fair value to €2.20 p.s.** from previous €1.75. Such fair value implies 2021E multiples of 1.0x EV/Sales, 7.6x EV/EBITDA and 1.0x EV/IC and has been calculated as average of Peers Analysis (€2.0 p.s.) and DCF model (€2.4 p.s.).

Vimi Fasteners: Sensitivity of implicit stock trading multiples in the €1.80 - €2.60 range

Share price (€)	EV / Sales (x)		EV / EBITDA (x)		P / E (x)		EV / IC (x)	
	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
€ 1.80	0.9	0.8	6.7	5.4	20.6	12.6	0.9	0.9
€ 2.00	1.0	0.8	7.2	5.8	22.9	14.1	1.0	0.9
€ 2.20	**1.0**	**0.9**	**7.6**	**6.2**	**25.1**	**15.5**	**1.0**	**1.0**
€ 2.40	1.1	0.9	8.0	6.6	27.4	16.9	1.1	1.1
€ 2.60	1.1	1.0	8.5	7.0	29.7	18.3	1.2	1.1

Source: Value Track Analysis

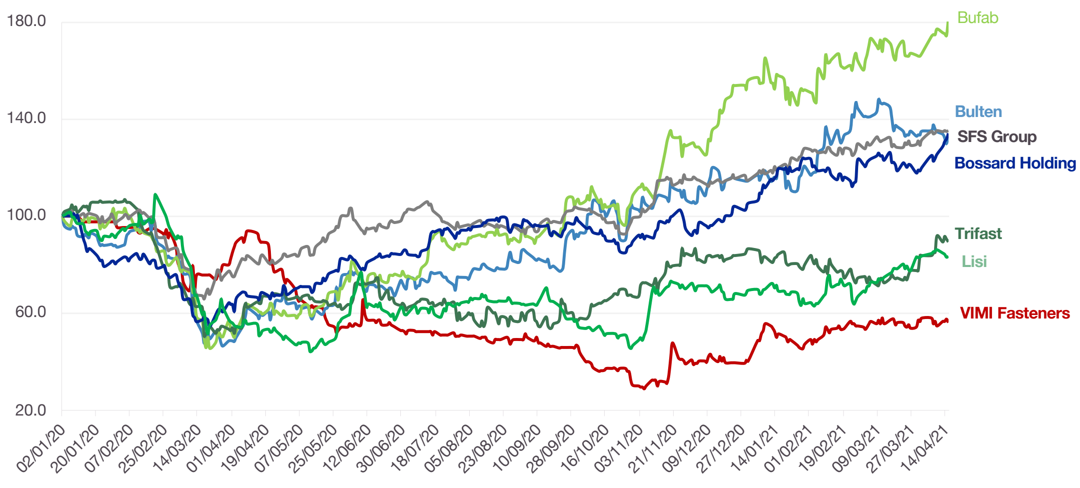
Peers' analysis

Vimi Fasteners and selected peers are for sure among those companies most heavily impacted by the global crisis linked to pandemic, relying either on automotive industry as its main end market, or on other sectors that are somehow cyclical too (oil&gas, energy, infrastructure, industrial application).

However, if we look back at stock performance of Vimi peers since pre-Covid (Jan'20), we find that #4 stocks experienced an impressive recovery, while Trifast and Lisi stock prices are still recovering (currently ~15% lower).

Conversely, Vimi faced the worst 1-year share performance, underperforming by far the overall sector, with current stock price (€1.20) still well off €2.15 recorded in the pre-pandemic.

Vimi Fasteners: Selected peers' share price evolution (Normalized, base=100 as of Jan. 2020)



Source: Value Track Analysis

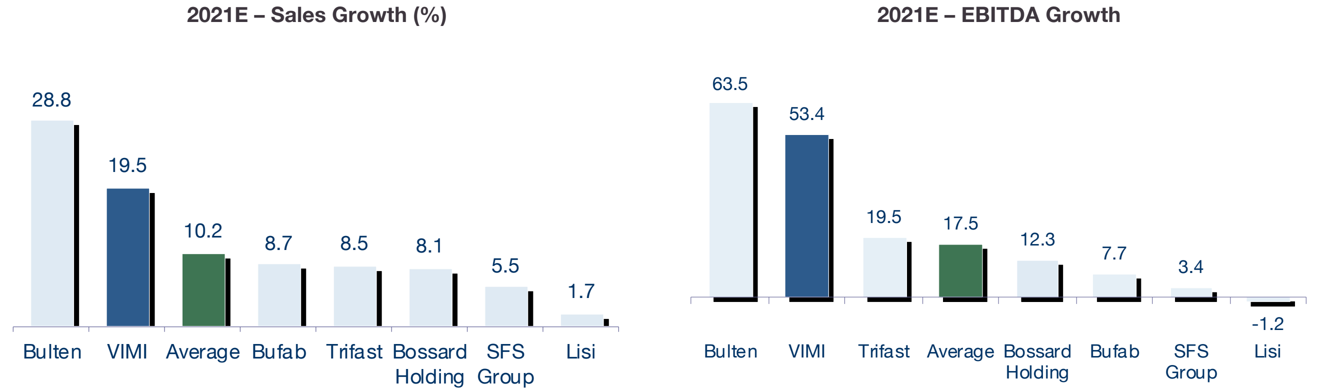
VIMI trading at 50% discount vs. peers

Comparing Vimi's main financial indicators with respect to selected peers we highlight:

- **A generalized recovery is expected in 2021E**, with both top line and EBITDA level seen increasing double-digit, (on average +10.2% and +17.5% respectively);
- **Bulten**, by far the most comparable company to Vimi Fasteners, is expected to post the highest growth rate in 2021, also due to the integration of already finalized acquisitions;
- **Industrial profitability and financial leverage** expected to gradually improve y/y in 2021E;
- **Vimi Fasteners it expected to post a faster than peers recovery in 2021E**, with EBITDA margin coming back close to peers' average value. On the other side, Vimi is still burdened by a higher leveraged capital structure, with Net Debt on EBITDA at 2.8x, still limiting potential **M&A opportunities.**

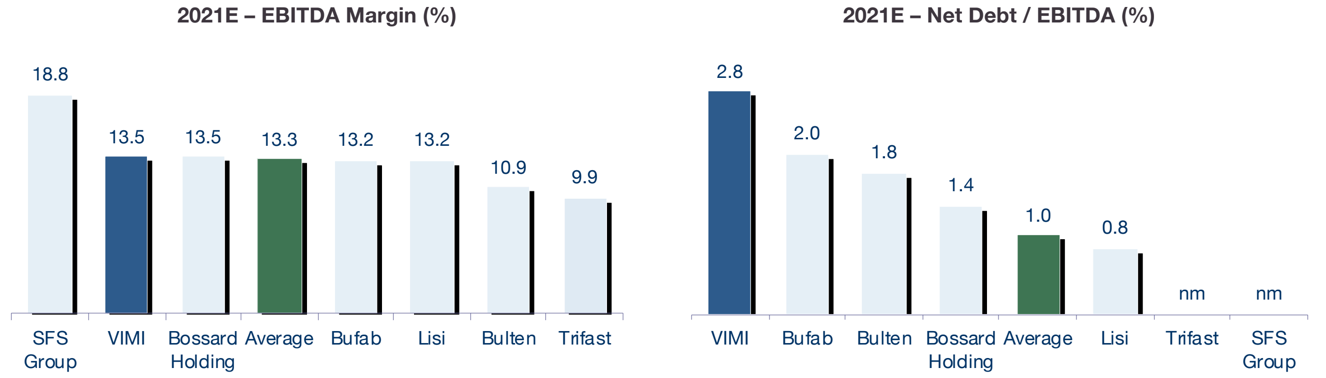
  Anyway, excluding €4.0mn debt due to IFRS16 and €3.8mn for MF Inox earn-out (to be paid in 2022E), Net Debt / EBITDA ratio would improve up to 1.5x, almost in line with peers currently showing a Net Debt position.

Vimi Fasteners vs. Peers: Sales and EBITDA expected growth in 2021E



Source: Value Track Analysis on market consensus data

Vimi Fasteners vs. Peers: EBITDA margin and financial leverage 2021E



Source: Value Track Analysis on market consensus data

Moving to market multiples, as a direct implication of the above seen sector-rerating, the fasteners' segment trades at 2021-22E multiples well above those recorded in September (when we last published on Vimi), that is 1.5x-1.4x EV/Sales and 11.1x-9.8x EV/EBITDA on average.

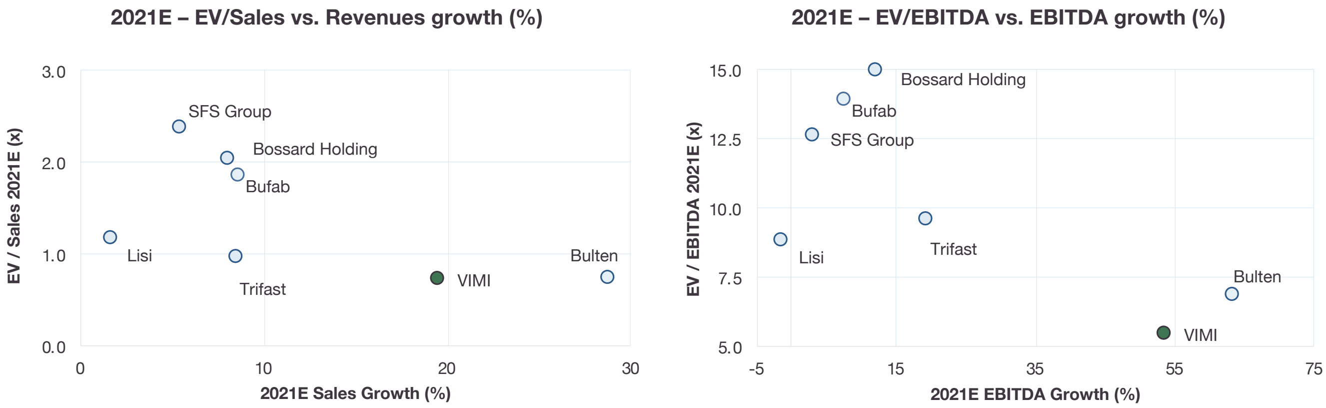
Conversely, at current €1.20 market price, Vimi Fasteners shows a €16mn Market Cap, thus implying really undemanding multiple of 0.7x EV/Sales and 5.4x EV/EBITDA based on 2021E forecasts.

Even taking into account a small size discount and a low shares liquidity one (~9,000 shares traded over the latest 20days, i.e. ~€11k daily turnover), this undemanding valuation does not assess:

i. Vimi's technological know-how and 50 years' experience in the fastening industry;
ii. its qualified manufacturing processes;
iii. its long-lasting relationships with prestigious clients: Tier1 (such as Honeywell) and OEM (like Ferrari, Maserati);
iv. its ability to co-engineer high-end fastening solutions for motorsport, aerospace and recently electric vehicle applications, through consolidated and extensive R&D projects, also in cooperation with major universities.

Hence, **assuming fair multiple at 1x EV/Sales and 7x EV/EBITDA** (the same we used in Sep'20), which still imply a 30% discount vs. peers, we get to an indication of €2.00 p.s. fair value.

Vimi Fasteners vs. Peers: Current Valuation vs. Expected Growth



Source: Value Track Analysis

Vimi Fasteners: Peers' stock trading multiples

Company	Currency	Market Cap (€mn)	EV/Sales (x)		EV / EBITDA (x)		P/E (x)	
			2021E	2022E	2021E	2022E	2021E	2022E
Bulten	SEK	220	0.7	0.67	6.8	5.8	11.4	9.6
Trifast (*)	GBP	227	1.0	0.9	9.6	8.8	27.8	21.2
Bossard Holding	CHF	1,454	2.0	1.9	14.9	13.6	21.3	19.6
SFS Group	CHF	4,026	2.4	2.2	12.6	11.9	23.6	20.6
Lisi	EUR	1,312	1.2	1.00	8.8	5.9	nm	23.1
BUFAB	SEK	789	1.8	1.7	13.9	12.6	23.4	20.9
Average			**1.5**	**1.4**	**11.1**	**9.8**	**21.5**	**19.2**
Median			**1.5**	**1.4**	**11.1**	**10.3**	**23.4**	**20.7**
Vimi @ €1.20 market price			**0.7x**	**0.6x**	**5.4x**	**4.2x**	**13.7x**	**8.4x**
Discount % vs. avg.			*-52%*	*-57%*	*-51%*	*-57%*	*-36%*	*-56%*
Discount % vs. med.			*-51%*	*-55%*	*-51%*	*-59%*	*-41%*	*-59%*

Source: Market Consensus, Value Track Analysis. (*) Fiscal year ends 31/03

Discounted Cash Flow Model

We update our DCF model assuming a target capital structure, with a 30% D/(D+E) ratio, a 1% perpetuity growth rate, a cost of Equity of 12.8% and a 9.9% WACC.

As a result, we obtain a fair equity value per share of €2.40.

Vimi Fasteners: DCF model

€mn	
PV of future cash flows 2021E-2029E	24.2
PV of Terminal value @ 2030E	27.3
Fair Enterprise value	**51.5**
Net Fin. Position 2020E year-end	-19.6
Fair Equity value	**31.9**
Fair Equity value per share (€)	**2.40**

Source: Value Track Analysis

Vimi Fasteners: Fair Equity Value per share - Sensitivity Analysis to WACC and PGR

		Perpetuity Growth Rate				
		0.00%	**0.50%**	**1.00%**	**1.50%**	**2.00%**
WACC	**8.9%**	2.66	2.80	2.96	3.15	3.36
	9.4%	2.40	2.52	2.66	2.82	3.00
	9.9%	2.17	2.28	**2.40**	2.53	2.68
	10.4%	1.97	2.06	2.16	2.28	2.40
	10.9%	1.78	1.86	1.95	2.05	2.16

Source: Value Track Analysis

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