

# Vimi Fasteners

Sector: Industrial fasteners



Analyst

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## Revenues flow but profitability drops

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.

### 1H22: Revenues and EBITDA +17% and -20% resp.

Vimi 1H22 financials boast dynamic top line evolution, operating profitability erosion and positive free cash flow stance. Indeed:

- Revenue from Sales stood at €25.7mn, up+16.5%y/y thanks to: i) stronger demand across different end-markets, with order backlog at €24mn as of end of June; ii) stronger presence in Industrial segment (59% of total); iii) Sales from Automotive clients lowering their incidence on total sales (at 30%). Foreign revenues account for ca. 69% of total;
- EBITDA was down -19.9% y/y at €2.4mn, (EBITDA Margin at 9.4%), burdened by: i) energy costs increase; ii) raw materials supply chain still facing shortage and late deliveries; iii) temporary increase of management costs at MF Inox level;
- Net Financial Position end of June stood at €16.2mn thus confirming an improvement over 1H21 values (€19.7mn).

### FY22E-24E. Higher top line but lower profitability

We are fine tuning our 2022E-24E top line estimates upwards on the back of the positive stance of industrial end market, while revising operating profitability downwards due to higher transportation, energy and external services costs. As a matter of fact, we now expect:

- Total Revenues to reach €57.0mn in 2024E (5.9% CAGR21-24E);
- EBITDA to peak at € 6.7mn in 2024E, (EBITDA margin at ca. 11.8%);
- Net Debt to progressively reduce to ca. 1.5x EBITDA in 2024E resulting from a broadly flat WC on Sales dynamics.

### Fair value at €2.26 (from €2.37)

Based on current €1.04 market price and updated estimates, Vimi is trading at €14.1mn market capitalization, (i.e. 0.5x-4.5x-9.1x EV/Sales, EV/EBITDA and P/E 2023E respectively), definitively very low multiples. Lower Peers' multiples and higher Italian Equity Risk Premium drive Vimi fair value per share at €2.26 (down from €2.37), as average of DCF model and Peers' analysis. At fair value, the stock would trade at 0.8x EV/Sale and 7.3x EV/EBITDA 2023E respectively.

<b>Fair Value (€)</b>	<b>2.26</b>
<b>Market Price (€)</b>	<b>1.04</b>
<b>Market Cap. (€m)</b>	<b>14.1</b>

KEY FINANCIALS (€m)	2021A	2022E	2023E
TOTAL REVENUES	48.0	53.0	55.0
EBITDA	6.3	5.2	5.9
EBIT	2.6	1.4	2.1
NET PROFIT ADJ.	1.8	1.0	1.5
EQUITY	28.2	29.2	30.7
NET FIN. DEBT	16.3	-14.5	-12.7
EPS ADJ. (€)	0.13	0.07	0.11
DPS (€)	0.00	0.00	0.00

Source: Vimi Fasteners (historical figures), Value Track (22E-23E est., )

RATIOS & MULTIPLES	2021A	2022E	2023E
EBITDA MARGIN (%)	14.0%	9.8%	10.8%
EBIT MARGIN (%)	5.5%	2.7%	3.9%
NET DEBT / EBITDA (x)(*)	2.4	2.8	2.1
NET DEBT / EQUITY (x)	58%	50%	41%
EV/TOT.REV. (x)	0.7	0.5	0.5
EV/EBITDA (x)	4.5	5.5	4.5
P/E ADJ. (x)	7.9	14.6	9.1
DIV YIELD (%)	0.0	0.0	0.0

Source: Vimi Fasteners (historical figures), Value Track (22E-23E estimates) (\*) excluding MF Inox earn-out and IFRS16 and based on Adj. EBITDA

### STOCK DATA

FAIR VALUE (€)	2.26
MARKET PRICE (€)	1.04
SHS. OUT. (m)	13.6
MARKET CAP. (€m)	14.1
FREE FLOAT (%)	21.3
AVG. -20D VOL. (#)	5,071
RIC / BBG	VIM.MI / VIM IM
52 WK RANGE	1.00 – 1.79

Source: Stock Market Data



## 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, it has also developed a specific product know-how and commercial presence in the Oil & Gas sector.

## Key Financials

€mn	2021A	2022E	2023E	2024E
<b>Total Revenues</b>	<b>48.0</b>	<b>53.0</b>	<b>55.0</b>	<b>57.0</b>
Chg. % YoY	22.7%	10.5%	3.8%	3.6%
<b>EBITDA</b>	<b>6.7</b>	<b>5.2</b>	<b>5.9</b>	<b>6.7</b>
EBITDA Margin	14.0%	9.8%	10.8%	11.8%
<b>EBITDA ADJ.</b>	<b>6.2</b>	<b>5.2</b>	<b>5.9</b>	<b>6.7</b>
EBITDA Adj. Margin	13.1%	9.8%	10.8%	11.8%
<b>Net Profit</b>	<b>2.1</b>	<b>1.0</b>	<b>1.5</b>	<b>1.9</b>
Chg. % YoY	nm	-54.0%	59.8%	24.2%
<b>Adjusted Net Profit</b>	<b>1.8</b>	<b>1.0</b>	<b>1.5</b>	<b>1.9</b>
Chg. % YoY	nm	-45.2%	59.8%	24.2%
<b>Net Fin. Debt</b>	<b>16.3</b>	<b>14.5</b>	<b>12.7</b>	<b>10.5</b>
Net Fin. Debt / EBITDA ADJ. (x)	2.6	2.8	2.1	1.6
<b>Adj. Net Fin. Debt (*)</b>	<b>10.6</b>	<b>9.2</b>	<b>7.4</b>	<b>5.2</b>
Adj. Net Fin. Debt / EBITDA ADJ. (x)	1.7	1.8	1.3	0.8
<b>OpFCF b.t.</b>	<b>4.4</b>	<b>2.3</b>	<b>2.4</b>	<b>3.0</b>
OpFCF b.t. as % of EBITDA ADJ.	70.8%	43.2%	40.2%	44.2%

Source: Vimi Fasteners (historical figures), Value Track (estimates). (\*) excl. IFRS16 and MF Inox earn-out

## Investment case

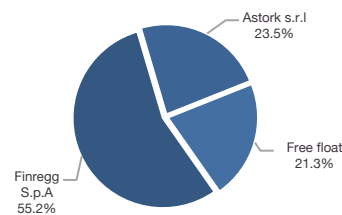
### Strengths / Opportunities

- ◆ 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

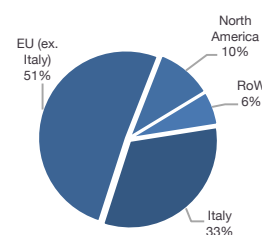
- ◆ Lack of a global manufacturing footprint and limited market coverage;
- ◆ Lower size if compared to main competitors.

## Shareholders Structure



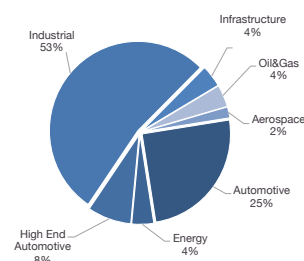
Source: Vimi Fasteners

## FY21 Revenues by Geography



Source: Vimi Fasteners

## FY21 Revenues by Industry



Source: Vimi Fasteners

## Stock multiples @ €2.26 Fair Value

	2022E	2023E
EV / SALES (x)	0.9	0.8
EV / EBITDA (x)	8.7	7.3
EV / CAP.EMP. (x)	1.0	1.0
OpFCF Yield (%)	9.1	10.2
P / E ADJ (x)	32.0	20.0
P / BV (x)	1.1	1.0
Div. Yield. (%)	0.0	0.0

Source: Value Track

## Vimi Fasteners business profile at a glance

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

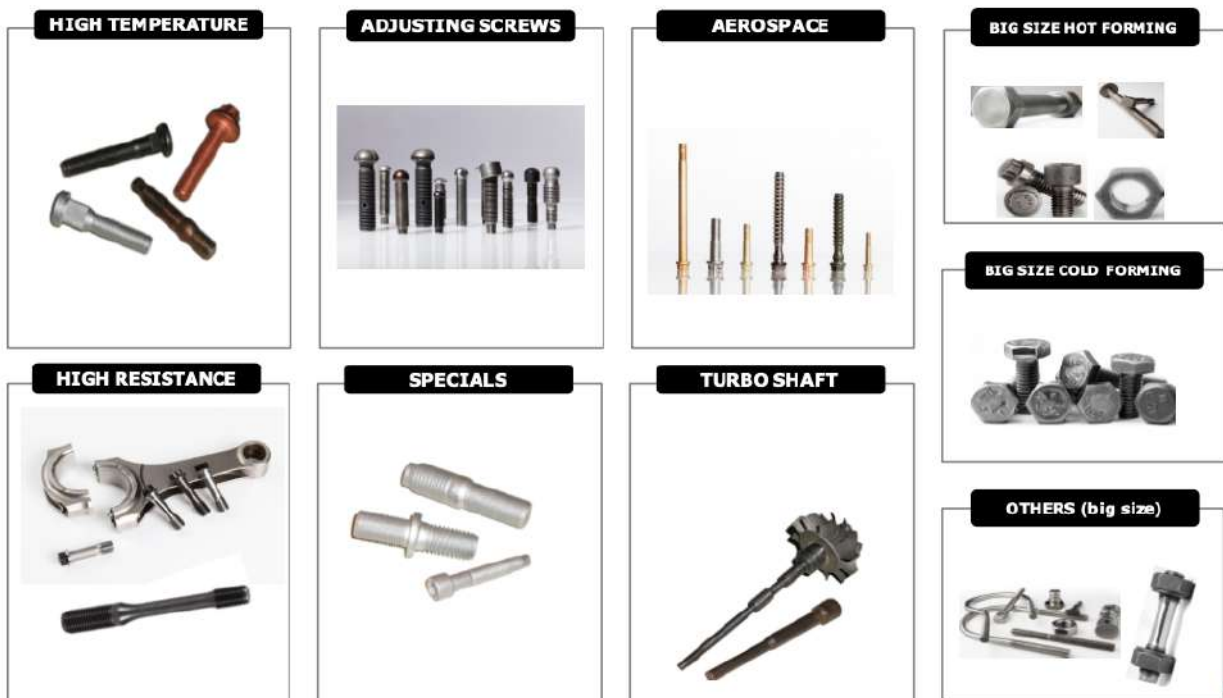
The company is specialised in the production of high-performance fastening solutions for high temperature and high resistance applications. In addition, following the acquisition of MF Inox, which took place in June 2018, it has acquired a specific product know-how and commercial presence in the Oil & Gas industry.

### Product range: Highly engineered & customized solutions

Fasteners produced by Vimi are not commodity types manufactured in low-cost /high volumes batches. Rather, company's products are a complete range of highly engineered fasteners characterised by the following features:

- ◆ **Customized/special design**, through long lasting partnerships with customers, in order to satisfy the most stringent and rigorous application requirements;
- ◆ **Special metals and raw materials**, suited for cold, warm, hot forming and high resistance;
- ◆ **Specialty manufacturing process** approved by customers through a preliminary production sample.

### Vimi Fasteners: different products for different applications



Source: Vimi Fasteners

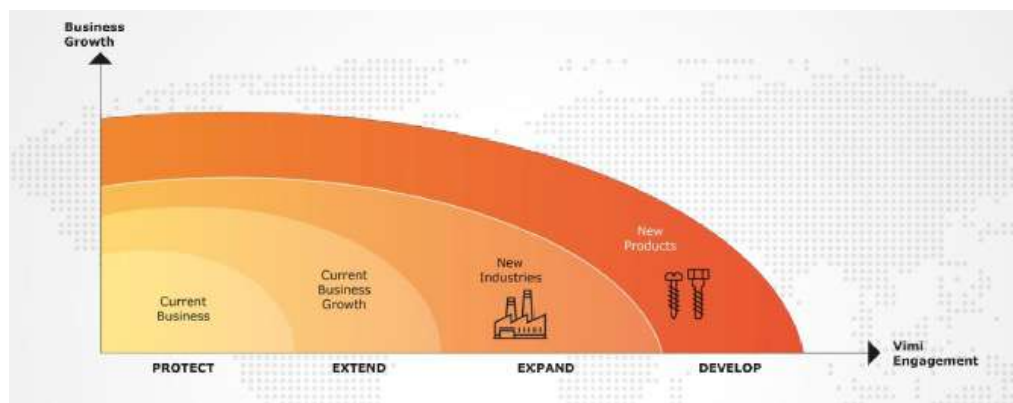
### Strategies 2022E-24E

During the Capital Market Day held by the Group on October 2021, management announced new industrial plan 2022E-24E years, based on four strategic guidelines:

1. **Protect** – retain current 300+ customers and strategic partnerships with OEM and TIER1, then support them on new business projects (co-design / co-development to meet R&D requirements);
2. **Extend** the current supplies with a broaden product offering;
3. **Expand** current market share by:
  - a. Exploiting new market opportunities particularly in the industrial sector (commercial vehicles, industrial powertrain, agriculture);
  - b. Acquiring new clients also through a newly established business development team;
4. **Develop** new products to enlarge current product range by providing highly engineering systems to the most challenging applications to seize business opportunities in high value market niches.

From an operating point of view, the business / commercial strategy relies on the valorisation of customers and on a solid presence on the market to meet most demanding needs and challenges. Vimi also targets further improvements in manufacturing efficiency and time to market, together with additional costs optimization and the reorganization of Sales and Marketing activity.

#### Vimi Fasteners: Strategic Guidelines 2022E-24E



Source: Vimi Fasteners, Corporate Presentation

#### Vimi Fasteners: Six main “Focus Points” underlying the strategic guidelines



Source: Vimi Fasteners, Corporate Presentation

## 1H22 Update

Vimi Fasteners 1H22 financial figures are on track with our full-year estimates as far as the top line is concerned growing at double-digit speed, thus highlighting a steady business development, though lower on profitability due to higher-than-expected Operating Expenses. Interim results provide the following qualitative insights:

- ◆ **Stronger demand across end-markets**, supported by higher orders collected from customers, with order backlog at €24mn as of the end of June'22, i.e. approx. €5mn higher than €19mn recorded in the pre-covid era (June'19);
- ◆ **Diversification is now proven** – The incidence on sales of the automotive industry is steadily decreasing (currently at 22% on sales, to which we have to add some 8% incidence of supercar segment), leading to enhance Industrial and Energy industries rise, in line with Group's diversification strategy;
- ◆ **Lower profitability** throughout energy costs growing, inflation on raw materials, and their availability complexity, and the overlap process due to management change at MF Inox level.

### Sales up at double-digit speed, whilst profitability down

1H22 financial results look consistent with our full year expectations, as far as the top line and cash generation are concerned, while a bit short on operating profitability. In details:

- ◆ **Sales were up double-digit (+16.5% y/y)**, thanks to higher volumes recorded across end-markets and almost geographies, clearly benefitting from not demanding y/y comparison;
- ◆ **EBITDA was down -19.9% y/y at €2.4mn**, negatively impacted by a significant increase in production costs, offsetting the positive effects of the recovery;
- ◆ **Net Debt Position at €16.2mn**, almost flattish vs Dec'21, and lower by ca. €3.4mn vs end of June 2021.

#### Vimi Fasteners: 1H20-1H21-1H22 Key Financial Items

(€mn)	1H20	1H21	1H22	y/y (%)
Revenues from Sales	18.2	22.1	25.7	16.5%
EBITDA	1.8	3.0	2.4	-19.9%
EBITDA Margin (%)	9.7%	13.7%	9.4%	-427bps
Net Profit	-0.4	0.7	0.5	-17.7%
Net Fin. Position [Cash (+)]	-19.6*	-19.7	-16.2	--

Source: Vimi Fasteners, Value Track analysis

### Sales at €25.7mn (+16.5% y/y)

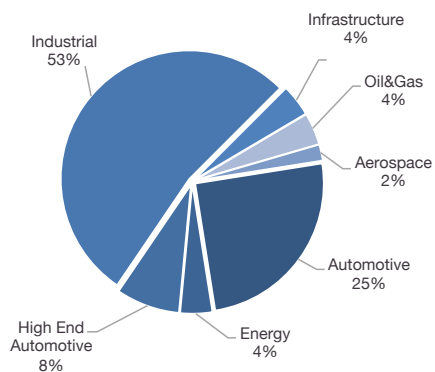
Revenues from Sales came in at €25.7mn in the first half of the year, up 16.5% vs. €22.1mn achieved in 1H21, driven by a stronger and reliable market demand and price rebates to clients due to inflation.

In terms of sectors, the best y/y performance was achieved by the Industrial one (currently at 59% of total vs. 53% in FY21), followed by Energy and Infrastructure sectors, significantly driving the acceleration of orders to fastener manufacturers.

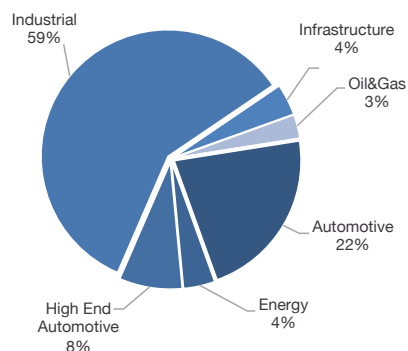
Car industry was, on the contrary, mixed. Indeed, fasteners delivered to Automotive sectors has shown a less pronounced y/y growth, with incidence on Sales decreasing to 22% in 1H22, from 25% recorded in FY21, to the advantage of Industrial one, in line with the Group's diversification strategy.

**Vimi Fasteners: Sales by Industry FY21 – 1H22**

**Sales by Industry (FY21)**



**Sales by Industry (1H22)**



Source: Value Track Analysis

Looking at the different markets' evolution, we highlight:

- ◆ Domestic sales stood at €7.9mn, or 31% of total, slightly increasing + 2% y/y;
- ◆ Foreign sales stood at 69%, of which: i) 54% EU (excluding Italy) at €14.0mn (+33% y/y), ii) 9% North America, at €2.3mn, +13% y/y), and lastly iii) RoW sales at €1.6mn (down from €1.9mn recorded in 1H21).

Other revenues at €0.3mn mostly relate to public grants due to R&D projects, for the development of highly performing fastening systems to be applied in the aerospace, motorsport, high-end automotive and supercar, as well for new mild and full electric powertrains.

Lastly, capitalized development costs stood at €0.3mn, down from €0.5mn as of 1H21.

**Vimi Fasteners: Top-line evolution in 1H20-1H21-1H22**

(€mn)	1H20	1H21	1H22	y/y (%)
Italy	5.4	7.7	7.9	2.5%
European Union (exc. Italy)	8.2	10.5	14.0	33.2%
US & Canada	1.4	2.0	2.3	12.9%
Others	3.3	1.9	1.6	-15.0%
<b>Revenues from Sales</b>	<b>18.2</b>	<b>22.1</b>	<b>25.7</b>	<b>16.5%</b>
Capitalized development costs	0.3	0.5	0.3	
Other Revenues	0.5	0.2	0.3	
<b>Total Revenues</b>	<b>19.0</b>	<b>22.8</b>	<b>26.3</b>	<b>15.7%</b>

Source: Vimi Fasteners, Value Track Analysis

### EBITDA at €2.4mn (-19.9% y/y), EBITDA Margin at 9.4% (-427bps y/y)

In spite of the top-line double-digit growth, EBITDA was down -19.9% y/y, at €2.4mn with an EBITDA Margin of 9.4%, ca. -427bps vs. 1H21. The main drivers of margin drop rely on:

- ◆ The significant price increase of raw materials and generally all commodities, and their procurement complexity;
- ◆ Energy Cost increase not entirely rebated to clients;
- ◆ Some non recurring costs at MF Inox level due to management changes.

Indeed, Vimi faced a higher incidence of raw materials & consumptions at 36.7% (vs. 29.4% in 1H21), exacerbated by the y/y increase in service costs (at €6.9mn, +21.6% y/y), while workforce costs stood at €7.4mn (+3.4% y/y).

Almost unchanged y/y D&A charges (€0.2mn less) translate into a €0.5mn EBIT (vs €1.0mn in 1H21), while at the bottom line, Net Profit stood at €0.5mn, after positive trivial financial expenses and taxes.

#### Vimi Fasteners: P&L evolution in 1H20-1H21-1H22

(€mn)	1H20	1H21	1H22	y/y (%)
<b>Revenues from Sales</b>	<b>18.2</b>	<b>22.1</b>	<b>25.7</b>	<b>16.5%</b>
<b>Total Revenues</b>	<b>19.0</b>	<b>22.8</b>	<b>26.3</b>	<b>15.7%</b>
Raw Materials & Consumptions	-6.6	-6.5	-9.4	
Services	-4.6	-5.7	-6.9	
Labour	-5.6	-7.2	-7.4	
Other	-3.4	-2.7	-2.7	
<b>EBITDA</b>	<b>1.8</b>	<b>3.0</b>	<b>2.4</b>	<b>-19.9%</b>
<i>EBITDA Margin on Sales (%)</i>	9.7%	13.7%	9.4%	-427bps
D&A	-2.2	-2.1	-1.9	
<b>EBIT</b>	<b>-0.4</b>	<b>1.0</b>	<b>0.5</b>	<b>-49.4%</b>
<i>EBIT Margin on Sales (%)</i>	<0	4.3%	1.9%	-244bps
Net financial income/expenditure	-0.2	-0.3	0.0	
<b>Pre-Tax Profit</b>	<b>-0.6</b>	<b>0.7</b>	<b>0.5</b>	
Taxes	0.2	-0.1	0.0	
<b>Net Profit</b>	<b>-0.4</b>	<b>0.7</b>	<b>0.5</b>	<b>-17.7%</b>

Source: Vimi Fasteners, Value Track Analysis

### Slightly higher NWC but stable Net Debt position

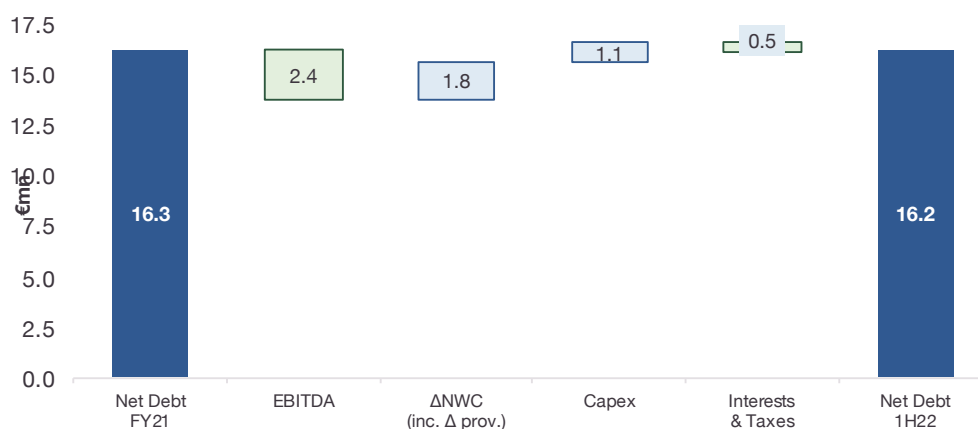
At Balance Sheet / Cash Flow statement level, we note the following:

- ◆ **Slightly heavier Net Working Capital at €11.3mn** (from €10.7mn as of end of June 2021), while improving as a % of sales, as it moved from 23.4% of June '21 (21.3% as of Dec'21) to 21.0% at the end of June '22, mainly due +€1.0mn higher inventories (restocking and higher prices effect) and offset by higher payables, with receivables substantially unchanged;
- ◆ €1.1mn Capex, of which €0.7mn tangible and remaining €0.4 intangible;
- ◆ **Lower Net Financial Debt vs. 1H21, at €16.2mn**, because of the lower Total Capital Employed grade and Group Net Equity rise;
- ◆ **Net debt/EBITDA ratio (annualized) at 3.3x.**

**Vimi Fasteners: 1H21, FY21 and 1H22 Balance Sheet**

(€ mn)	1H21	FY21	1H22
Net Fixed assets	37.8	37.0	36.0
Net Working Capital	10.7	9.8	11.3
(Severance pay and funds)	(2.0)	(2.2)	(2.2)
<b>Total Capital Employed</b>	<b>46.5</b>	<b>44.5</b>	<b>45.1</b>
<b>Group Net Equity</b>	<b>26.8</b>	<b>28.2</b>	<b>28.9</b>
<b>Net Fin. Position [Net debt (-) / Cash (+)]</b>	<b>-19.7</b>	<b>-16.3</b>	<b>-16.2</b>

Source: Vimi Fasteners, Value Track Analysis

**Vimi Fasteners: Net Debt bridge FY21-1H22**


Source: Value Track Analysis

**Vimi Fasteners: 1H21, FY21 and 1H22 Net Financial Position Analysis**

(€ mn)	1H21	FY21	1H22
Cash and deposits	1.8	1.9	0.8
Current financial liabilities	-5.6	-5.9	-9.8
Debt to third parties (Earn-out)	-2.8	-2.3	0
<b>Current Net Financial Position</b>	<b>-6.7</b>	<b>-6.3</b>	<b>-9.0</b>
Debt to banks over 12-months	-13.1	-10.0	-7.2
Debt to third parties (Earn-out)	0.0	0.0	0.0
<b>Non-Current Net Financial Position</b>	<b>-13.1</b>	<b>-10.0</b>	<b>-7.2</b>
<b>Net Fin. Position [Net debt (-) / Cash (+)]</b>	<b>-19.7</b>	<b>-16.3</b>	<b>-16.2</b>

Source: Vimi Fasteners, Value Track Analysis



## 2022E-24E outlook and estimates updates

### Fasteners: recap on the 2022E-23E outlook of the main end markets

As already seen before, management is successfully pushing on diversification, thus leaving Vimi business dynamics less exposed to downside risks linked to the passenger car industry.

Indeed, fasteners have a wide range of applications, with the most important end markets boasting a differentiated stance in terms of key drivers and trends.

#### Features and drivers of fasteners' end markets in brief

End-market	Outlook ahead	Drivers / Trends
<b>Automotive</b>	←	✓ Global GDP
	Still struggling	✓ Green transformation (towards electric & hybrid drive)
<b>Oil, Gas, Energy</b>	↖	✓ Global GDP
	Growing	✓ Oil price / Oil production Capex, Green DEAL initiatives
<b>Aerospace</b>	←	✓ Global GDP
	Flattish	✓ Middle-class expansion
<b>Off Road &amp; Agriculture</b>	↖	✓ Global GDP
	Growing	✓ Agricultural commodities prices
<b>Infrastructure</b>	↖	✓ Italian PNRR
	Growing	✓ New bridges and railroads constructions
<b>Industrial</b>	↑	✓ Global GDP
	Growing healthy	✓ More and more applications taking off

Source: Value Track Analysis

### Vimi Fasteners 2022E-24E new estimates

We are revising our 2022E-24E estimates upwards in terms of top line and downwards in terms of operating profitability. Changes at the Net Financial Position are substantially not materials.

Drivers of our changes in estimates are the following:

- ◆ **Production costs are increasing**, and this applies not only to raw materials but also to transportation, energy and external services costs;
- ◆ **Renegotiation of sales prices to customers** in order to compensate, albeit partially, for the staggering increase in direct procurement costs;
- ◆ **The Group is increasing its presence in the industrial and Energy market**, characterized by positive growth signs;
- ◆ **Sales&Marketing structure has been strengthened** and commercial effort to seize new market opportunities has been renewed.

**Vimi Fasteners: 2022E-23E estimates revision**

(€mn)	Old estimates		New estimates	
	2022E	2023E	2022E	2023E
<b>Total Revenues</b>	<b>51.8</b>	<b>53.8</b>	<b>53.0</b>	<b>55.0</b>
<b>EBITDA</b>	<b>6.4</b>	<b>7.1</b>	<b>5.2</b>	<b>5.9</b>
<i>EBITDA margin (%)</i>	12.8%	13.4%	10.0%	11.0%
EBIT	2.6	3.4	1.4	2.1
<b>Net Profit</b>	<b>2.2</b>	<b>2.4</b>	<b>1.0</b>	<b>1.5</b>
OpFCF a.t.	2.0	2.0	2.1	1.9
<b>Net Fin. Position [Net debt (-) / Cash (+)]</b>	<b>-14.5</b>	<b>-12.7</b>	<b>-14.5</b>	<b>-12.7</b>

Source: Value Track Analysis

As a matter of fact, we now expect:

- ◆ Total Revenues to keep growing one-digit and to reach € 57.0mn (5.9% CAGR21-24E);
- ◆ EBITDA to peak at € 6.7mn in 2024E (EBITDA Margin at 12.0%), by means of: i) prices adjustments / rebates to clients, ii) lean manager hiring and installation of a new sorting machine, both moves aimed at optimizing processes, iii) industrial and commercial synergies thanks to MF Inox growth;
- ◆ Net Debt to progressively reduce to 2.1x EBITDA in 2023E resulting from a broadly flat WC on sales dynamics and Capex at 5.5% of sales.

We remind that back in October 2021 the company announced a new dividend policy, with dividend pay-out at 30% of Operating Cash Flow subject to the following requirements: i) Net Debt / EBITDA <2.5x, ii) Operating Cash Flow / EBITDA >50% and iii) positive Net Profit.

We expect this dividend policy to allow dividends from 2024 fiscal year onwards.

**Vimi Fasteners: Profit & Loss 2021A-24E**

(€mn)	2021A	2022E	2023E	2024E
<b>Total Revenues</b>	<b>48.0</b>	<b>53.0</b>	<b>55.0</b>	<b>57.0</b>
COGS + Other Opex	-29.5	-33.4	-34.2	-34.9
Labour costs	-11.8	-14.4	-14.9	-15.4
<b>EBITDA</b>	<b>6.7</b>	<b>5.2</b>	<b>5.9</b>	<b>6.7</b>
<i>EBITDA margin (%)</i>	14.0%	10.0%	11.0%	12.0%
D&A	-4.1	-3.8	-3.8	-4.1
<b>EBIT</b>	<b>2.6</b>	<b>1.4</b>	<b>2.1</b>	<b>2.7</b>
<i>EBIT margin (%)</i>	5.5%	2.7%	4.0%	4.7%
Net Financial Charges	-0.3	-0.3	-0.2	-0.2
<b>Pre-tax profit</b>	<b>2.3</b>	<b>1.2</b>	<b>2.0</b>	<b>2.5</b>
Taxes	-0.2	-0.2	-0.5	-0.6
<b>Net Profit</b>	<b>2.1</b>	<b>1.0</b>	<b>1.5</b>	<b>1.9</b>

Source: Vimi Fasteners (historical figures), Value Track (2022E-24E estimates)

**Vimi Fasteners: Balance Sheet 2021A-24E**

(€mn)	2021A	2022E	2023E	2024E
Net Fixed assets	37.0	36.0	35.2	34.4
Net Working Capital	9.8	10.1	10.7	11.3
(Severance pay and other funds)	(2.3)	2.4	2.5	2.6
<b>Total Capital Employed</b>	<b>44.5</b>	<b>43.6</b>	<b>43.4</b>	<b>43.1</b>
<b>Group Net Equity</b>	<b>28.2</b>	29.2	30.7	32.6
<b>Net Fin. Position [Net debt (-) / Cash (+)]</b>	<b>-16.3</b>	<b>-14.5</b>	<b>-12.7</b>	<b>-10.5</b>

Source: Vimi Fasteners (historical figures), Value Track (2022E-24E estimates)

**Vimi Fasteners: Cash Flow Statement 2021A-24E**

(€mn)	2021A	2022E	2023E	2024E
<b>EBITDA</b>	<b>6.7</b>	<b>5.2</b>	<b>5.9</b>	<b>6.7</b>
Op. NWC requirements	-0.4	-0.3	-0.6	-0.6
Capex (excl. Fin. Inv.)	-2.0	-2.8	-3.0	-3.3
Change in provisions	0.1	0.1	0.1	0.1
<b>OpFCF b.t.</b>	<b>4.4</b>	<b>2.3</b>	<b>2.4</b>	<b>3.0</b>
Cash Taxes	-0.2	-0.2	-0.5	-0.6
Net Financial Charges	-0.3	-0.3	-0.2	-0.2
Dividends	0.0	0.0	0.0	0.0
Others (incl. Fin. Inv.)	-0.6	0.0	0.0	0.0
<b>Change in Net Fin Position</b>	<b>3.3</b>	<b>1.8</b>	<b>1.8</b>	<b>2.2</b>

Source: Vimi Fasteners (historical figures), Value Track (2022E-24E estimates)

## Valuation Update

Based on updated estimates, we update our **fair value per share at €2.26** (down from €2.37), as simple average of: i) Peers' analysis (€2.15), negatively affected by lower Peers' multiples; ii) DCF model (€2.37), burdened by higher Italian Equity Risk Premium.

At fair value, the stock would trade at 2023E multiples of 0.8x EV/Sales and 7.3x EV/EBITDA, at discount vs. peers on EV/Sales and at premium on EV/EBITDA.

This compares with the following multiples based on current stock market price: 0.5x-4.5x-9.1x EV/Sales, EV/EBITDA and P/E 2023E.

### Peers' analysis

The widespread stock prices retracement of the latest months has driven a derating of the 2023E EV/Sales and EV/EBITDA multiples of the Peers that we usually consider to value Vimi share. Peers' 2023E multiples are now calculated to stand at ca. 0.9x and 6.4x, respectively and lead to a Peers' based **fair equity valuation of Vimi shares at €2.15 p/s**.

#### Vimi Fasteners: Peers' stock trading multiples

Company	EV/Sales (x)		EV / EBITDA (x)		P/E (x)	
	2022E	2023E	2022E	2023E	2022E	2023E
Bulten	0.5	0.4	5.8	3.8	17.7	6.5
Trifast (*)	0.6	0.5	6.0	5.2	10.9	9.0
Bossard Holding	1.4	1.3	9.7	8.8	12.9	12.2
SFS Group	1.3	1.2	7.8	7.1	12.2	11.5
Lisi	0.9	0.8	6.5	5.0	16.5	11.1
BUFAB	1.3	1.1	9.8	8.4	12.2	10.7
<b>Average</b>	<b>1.0</b>	<b>0.9</b>	<b>7.6</b>	<b>6.4</b>	<b>13.7</b>	<b>10.2</b>
<b>Median</b>	<b>1.1</b>	<b>1.0</b>	<b>7.2</b>	<b>6.2</b>	<b>12.6</b>	<b>10.9</b>
<b>Vimi @ market price</b>	<b>0.5</b>	<b>0.5</b>	<b>5.5</b>	<b>4.5</b>	<b>14.6</b>	<b>9.1</b>
<i>Discount % vs. avg.</i>	-45%	-45%	-28%	-29%	6%	-11%
<i>Discount % vs. med.</i>	-50%	-49%	-24%	-27%	16%	-16%

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

We view Vimi discount vs. peers as too wide given:

1. Long-lasting experience in the fastening industry, featured by high-loyalty relationships with prestigious clients: Tier1 (such as Garrett) and OEM (like Ferrari, Maserati);
2. Ability to co-engineer high-end fastening solutions for motorsport, aerospace and recently electric vehicle applications, through consolidated and extensive R&D projects;
3. Higher diversification outside the car industry, with sales from automotive clients steadily lowering their incidence on sales (from 52% in 2017 to 30% of 1H22).

**That's why, assuming a fair multiple at 0.9x EV/Sales and 6x EV/EBITDA, lower than April' 22 not implying a further discount vs. peers already depressed, as done for the latest report, we get a €2.15 p/s fair value.**

## Discounted Cash Flow Model

As a safety crosscheck, we also update our DCF Model, which incorporates medium and long-term growth potential.

Our model is based on a “target” capital structure with, Net Debt at 30% of the Capital Invested.

Thus, using an expanded CAPM approach, we get an overall WACC of 10.4%. The detailed calculation is based on the following assumptions:

- ◆ 2.0% Risk-free rate, 0.9x unlevered beta (weighted average of auto parts, oil services / equipment and diversified industries sectors), 7.82% Italian ERP (recently revised up from 6.42%), and additional 2.5% small-cap market risk premium;
- ◆ Explicit financial statements projections from 2023E up to 2031E and Terminal Value at 2031E, obtained applying a 2% Perpetuity Growth Rate (PGR).

The result is **€2.37 DCF driven fair equity value per share** (down from €2.40).

### Vimi Fasteners: DCF model

€mn	
PV of future cash flows 2023E-2031E	21.3
PV of Terminal value	25.4
<b>Fair Enterprise value</b>	<b>46.7</b>
Net Fin. Position 2021E year-end	-14.5
<b>Fair Equity value</b>	<b>32.3</b>
<b>Fair Equity value per share (€)</b>	<b>2.37</b>

Source: Value Track Analysis

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

		Perpetuity Growth Rate				
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	9.4%	2.55	2.69	2.85	3.02	3.23
	9.9%	2.34	2.46	2.59	2.74	2.92
	10.4%	2.16	2.26	<b>2.37</b>	2.50	2.65
	10.9%	1.99	2.08	2.18	2.29	2.41
	11.4%	1.84	1.91	2.00	2.10	2.20

Source: Value Track Analysis

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