

Vimi Fasteners

Sector: Industrial fasteners



Pietro Nargi

pietro.nargi@value-track.com

Marco Greco

marco.greco@value-track.com

Valentina Romitelli

valentina.romitelli@value-track.com

Encouraging news flow supports the outlook

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.

1H21 results beat challenging expectations

1H21 interim results highlight encouraging signs of business recovery from pandemic-related bottom: i) stronger demand across different end-markets, with order backlog at €22mn as of Jun'21 (+€3mn vs. €19mn recorded in June'19); ii) benefits from diversification getting more evident, with sales from automotive clients lowering their incidence on sales (at 36% of total), and iii) enhanced profitability driven by higher production efficiency.

On a like-for-like basis: i) sales were up double-digit (+21% y/y) at €22.1mn, with industrial sector and domestic volumes facing solid demand, ii) EBITDA increased more than proportionally, peaking at €3mn (+71% y/y) and exceeding by far the €2mn pre-Covid level, with Margin at 13.7% (+396 bps y/y), iii) Net Debt position was flat at €19.7mn (€13.2mn if adjusted for €2.8mn earnout and €3.8mn RoU).

Positive feelings from the Capital Market Day

During the latest Capital Market Day, VIMI's management announced a new strategic 2021-24 business plan, and a new dividend policy (pay-out ratio at 30% of Operating Cash Flow). The Group is also strengthening its management structure, through the appointment of a new Head of Sales & Marketing, with the aim of strengthening commercial footprint on a global scale, hence, to support business growth in the medium-long term.

FY2021E-23E unchanged estimates

Interim results look very consistent with our full-year estimates, so we are not revising our 2021E-onwards estimates, but for the inclusion of the new dividend policy. We expect Sales to keep growing double-digit and to reach €51mn (11% CAGR₂₀₋₂₃), EBITDA to peak at €7.5mn in 2023E (23% CAGR₂₀₋₂₃), and EBITDA margin to exceed 14.7% by 2023E. We expect Net Debt to progressively reduce resulting from a broadly flat WC on sales dynamics, Capex at 5.3% of sales, and €1.1mn dividend.

Fair value at €2.50 (from €2.20)

Reassuring new flows in coming months across end-markets, higher visibility on Group strategy, and faster than peers' recovery support stock rerating. We update our fair value at €2.50 per share (up from €2.20), which implies 2022E multiples of 1.0x EV/Sales, 7.0x EV/EBITDA.

Fair Value (€)	2.50
Market Price (€)	1.64
Market Cap. (€m)	22.3

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	14.1
EPS (€)	-0.02	0.09	0.14
DPS (€)	0.00	0.00	0.08

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	1.7	1.5
NET DEBT / EQUITY (x)	0.7	0.6	0.5
EV/SALES (x)	1.1	0.9	0.8
EV/EBITDA (x)	10.4	6.4	5.3
P/E (x)	nm	19.0	11.7
DIV YIELD (%)	0.0	0.0	4.8

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

STOCK DATA

FAIR VALUE (€)	2.50
MARKET PRICE (€)	1.64
SHS. OUT. (m)	13.6
MARKET CAP. (€m)	22.3
FREE FLOAT (%)	21.3
AVG. -20D VOL. (#)	15,375
RIC / BBG	VIM.MI / VIM IM
52 WK RANGE	1.22 – 1.80

Source: Stock Market Data

EQUITY RESEARCH PRODUCED ON BEHALF OF BPER BANCA. S.P.A. ACTING AS SPECIALIST ON VIMI FASTENERS SHARES



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	2020A	2021E	2022E	2023E
Revenues from Sales	37.6	45.0	47.7	50.8
Chg. % YoY	-18.7%	19.5%	6.1%	6.5%
EBITDA	4.0	6.1	6.8	7.5
EBITDA Margin	10.5%	13.5%	14.3%	14.7%
EBIT	-0.3	1.8	2.6	3.7
EBIT Margin	<0	4.0%	5.5%	7.3%
Net Profit	-0.3	1.2	1.9	2.6
Chg. % YoY	nm	nm	62.3%	36.3%
Adjusted Net Profit	-0.3	1.2	1.9	2.6
Chg. % YoY	nm	nm	62.3%	36.3%
Net Fin. Debt	19.6	16.8	14.1	12.1
Net Fin. Debt / EBITDA (x)	5.0x	2.8x	2.1x	1.6x
Adj. Net Fin. Debt (*)	10.0	10.2	10.3	8.3
Adj. Net Fin. Debt / EBITDA (x)	2.5x	1.7x	1.5x	1.1x
Capex	2.6	2.4	2.5	2.7
OpFCF b.t.	0.4	3.4	3.5	4.1
OpFCF b.t. as % of EBITDA	11%	56%	51%	56%

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

Investment case

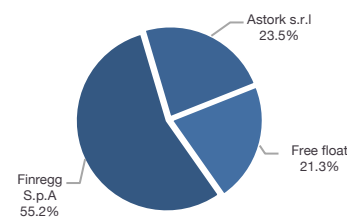
Strengths / Opportunities

- ◆ 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

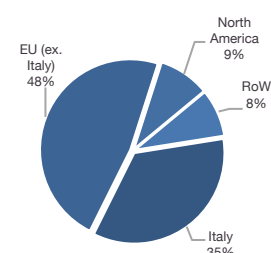
- ◆ Lack of a global manufacturing footprint and limited market coverage;
- ◆ Lower size if compared to main competitors.

Shareholders Structure



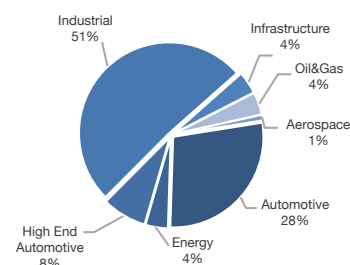
Source: Company SpA

Sales breakdown by geography



Source: Vimi Fasteners

Sales breakdown by industry



Source: Vimi Fasteners

Stock multiples @ €2.50 Fair Value

	2021E	2022E
EV / SALES (x)	1.1	1.0
EV / EBITDA (x)	8.4	7.0
EV / CAP.EMP. (x)	1.2	1.1
OpFCF Yield (%)	9.6	10.7
P / E ADJ (x)	28.9	18.0
P / BV (x)	1.3	1.2
Div. Yield. (%)	0.0	3.1

Source: Value Track

1H21 Update

Vimi Fasteners 1H21 financial figures highlight encouraging signs of business recovery from pandemic-related bottom, with both revenues and profitability growing at double-digit speed. Interim results provide the following qualitative insights:

- ◆ **Stronger demand across end-markets**, supported by higher orders collected from customers, with order backlog at €22mn as of the end of June'21, i.e. €3mn higher than €19mn recorded in the pre-covid era (June'19);
- ◆ **Diversification is now proven** – 1H21 results underline the benefits of diversification. The incidence on sales of the automotive segment is steadily decreasing (currently at 36% on sales);
- ◆ **Industrial sector facing a solid demand** - highlighting a strong recovery across a broad variety of industrial applications, particularly at domestic level;
- ◆ **Enhanced profitability** achieved throughout structural costs optimizations and higher efficiency from the renewal plant in Novellara.

Sales and profitability up at double-digit speed

1H21 financial results look very consistent with our full year expectations, in details:

- ◆ **Sales up double-digit (+21% y/y)**, thanks to higher volumes recorded across end-markets and geographies, clearly benefitting from easier y/y comparison;
- ◆ **Strong recovery at EBITDA level (+71% y/y) at €3mn**, quite above the pre-Covid level, positively benefitting from management actions and 2018-20 efficiency Capex plan;
- ◆ **Net Debt Position at €19.7mn**, almost flattish vs Dec'20.

Vimi Fasteners: 1H19-1H21 Key Financial Items

(€mn)	1H19	1H20	1H21	y/y (%)
Revenues from Sales	23.6	18.2	22.1	+21.3%
EBITDA	2.0	1.8	3.0	+70.9%
EBITDA Margin (%)	8.5%	9.7%	13.7%	+396bps
Net Profit	0.0	-0.4	0.7	nm
Net Fin. Position [Cash (+)]	nm	-19.6*	-19.7	--

Source: Vimi Fasteners, Value Track analysis (*) year-end

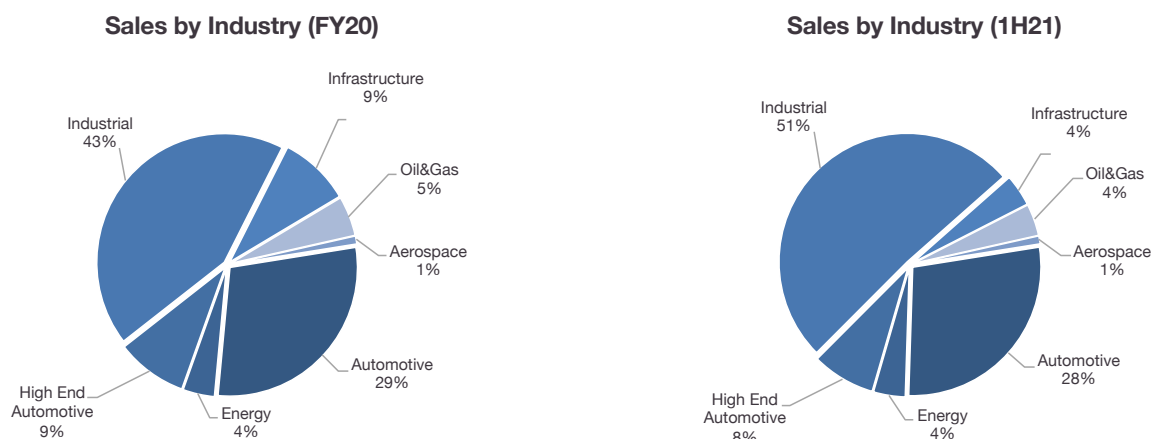
Sales at €22mn (+21% y/y)

Revenues from Sales came in at €22.1mn in the first half of the year, up 21.3% vs. €18.2mn achieved in 1H20, driven by a stronger and reliable market demand and an easier y/y comparison (1H20 was strongly hit by Covid-19 implications with temporary closing of production activities).

Despite the positive momentum faced by the car industry (currently at 36% of sales, also including 8% due to high-end automotive), the best y/y performance was achieved by the industrial sector (currently at 51% of total vs. 43% in FY20), thus highlighting a V-shaped recovery across a broad variety of industrial applications.

Fasteners delivered to oil&gas, infrastructure and energy sectors have shown a less pronounced y/y growth, with incidence on sales decreasing to 16% in 1H21, from 22% recorded in FY20.

Vimi Fasteners: Sales by Industry



Source: Value Track Analysis

By looking at the different markets' contribution, we highlight:

- ◆ Domestic sales at €7.4mn, or 35% of total, increasing + 44% y/y;
- ◆ Foreign sales at 65%, of which i) 48% in EU (excluding Italy) at €10.5mn (+28% y/y), ii) 9% in North America, at €2.0mn, +45% y/y), and lastly iii) RoW sales at €1.9mn (down from €3.3mn recorded in FY20).

Other revenues at €0.2mn 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 at €0.5mn.

Vimi Fasteners: Top-line evolution in 1H19-1H21

(€mn)	1H19	1H20	1H21	y/y (%)
Italy	7.1	5.4	7.7	43.6%
European Union (exc. Italy)	12.8	8.2	10.5	28.4%
US & Canada	2.1	1.4	2.0	45.3%
Others	1.5	3.3	1.9	-43.1%
Revenues from Sales	23.6	18.2	22.1	21.3%
Capitalized development costs	0.2	0.3	0.5	
Other Revenues	0.1	0.5	0.2	
Total Revenues	23.9	19.0	22.8	19.9%

Source: Vimi Fasteners, Value Track Analysis

EBITDA at €3mn, with improving Margin at 13.7%

Higher efficiency at both corporate level and on the productivity side (following the 2018-20 Capex plan), allowed EBITDA to increase more than proportionally to turnover growth, and to peak at €3mn (+70.9% y/y), thus exceeding by far the €2mn pre-Covid figure. As a result, EBITDA Margin came in at 13.7%, better than 9.7% realized as of 1H20 (+396 bps y/y).

The main drivers of margin improvement rely on the lower incidence of raw materials & consumptions at 6.5% (almost flat y/y), and other Operating expenses which decreased by 20.1% y/y, more than offsetting the y/y increase in workforce at €7.2mn (+27.0% y/y), and in service costs (at €5.7mn, +23.9% y/y).

Almost unchanged y/y D&A charges translate in a €1mn EBIT (vs -€0.4mn in 1H20), while at bottom line, Net Profit was at of €0.7mn, after €0.2mn of financial expenses and €0.1mn taxes.

Vimi Fasteners: P&L evolution in 1H19-1H21

(€mn)	1H19	1H20	1H21	y/y (%)
Revenues from Sales	23.6	18.2	22.1	21.3%
Total Revenues	23.9	19.0	22.8	19.9%
Raw Materials & Consumptions	-8.9	-6.6	-6.5	
Services	-5.7	-4.6	-5.7	
Labour	-6.9	-5.6	-7.2	
Other	-3.4	-3.4	-2.7	
EBITDA	2.0	1.8	3.0	70.9%
<i>EBITDA Margin on Sales (%)</i>	8.5%	9.7%	13.7%	396bps
D&A	-2.1	-2.2	-2.1	
EBIT	-0.1	-0.4	1.0	nm
<i>EBIT Margin on Sales (%)</i>	<0	<0	4.3%	
Net financial income/expenditure	-0.2	-0.2	-0.3	
Pre-Tax Profit	-0.3	-0.6	0.7	
Taxes	0.1	0.2	-0.1	
Net Profit	-0.2	-0.4	0.7	nm

Source: Vimi Fasteners, Value Track Analysis

Slightly higher NWC but stable Net Debt position

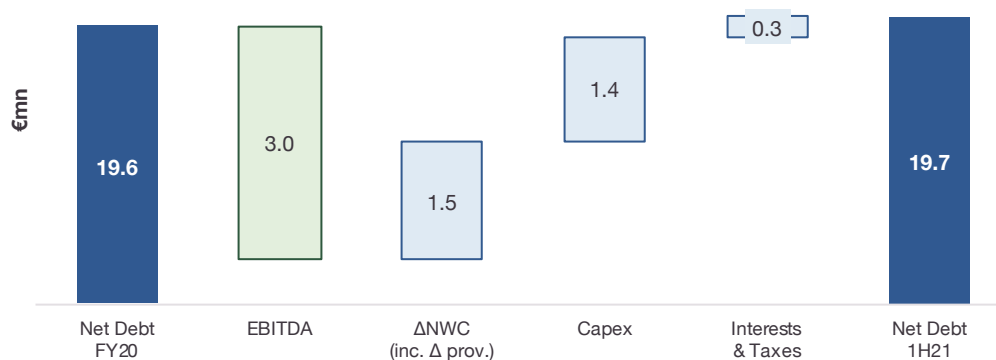
At Balance Sheet / Cash Flow statement level, we note the following items:

- ◆ **Slightly heavier Net Working Capital at €10.7mn from €9.4mn**, while improving as a % of sales, as it moved from 30.4% of June '20 (24.9% as of Dec'20) to 23.8% (annualized) at the end of June '21, mainly due +€2.6mn higher inventories (restocking) and +€1.6mn receivables, partially offset by higher payables;
- ◆ €1.4mn Capex, of which €0.9mn tangible and remaining €0.5 intangible;
- ◆ **Stable Net Financial Debt**, at €19.7mn, which includes RoU for €3.8mn and the residual earn-out of €2.8mn, to be paid in steps over the next year;
- ◆ **Plain vanilla Net debt/EBITDA ratio (annualized) at 3.2x**, or 2.2x if adjusted for IFRS16 and earnout.

Vimi Fasteners: 1H20, FY20 and 1H21 Balance Sheet

(€ mn)	1H20	FY20	1H21
Net Fixed assets	38.7	38.4	37.8
Net Working Capital	11.3	9.4	10.7
(Severance pay and funds)	(2.3)	(2.2)	(2.0)
Total Capital Employed	47.8	45.6	46.5
Group Net Equity	26.0	26.0	26.8
Net Fin. Position [Net debt (-) / Cash (+)]	-21.8	-19.6	-19.7

Source: Vimi Fasteners, Value Track Analysis

Vimi Fasteners: Net Debt walk in 1H21


Source: Value Track Analysis

Vimi Fasteners: 1H20, FY20 and 1H21 Net Financial Position Analysis

(€ mn)	1H20	FY20	1H21
Cash and deposits	10.4	5.0	1.8
Current financial liabilities	-9.0	-4.5	-5.6
Debt to third parties (Earn-out)	-1.0	-1.0	-2.8
Current Net Financial Position	0.3	-0.5	-6.7
Debt to banks over 12-months	-19.2	-16.3	-13.1
Debt to third parties (Earn-out)	-2.8	0.0	0.0
Non-Current Net Financial Position	-22.0	-19.1	-13.1
Net Fin. Position [Net debt (-) / Cash (+)]	-21.8	-19.6	-19.7

Source: Vimi Fasteners, Value Track Analysis

2021E-23E New updates

Positive news flow from the Capital Market Day

During the Capital Market Day (held by the Group on October 7th) management announced new strategic guidelines for 2021-24 years. Key messages are summarized as follows:

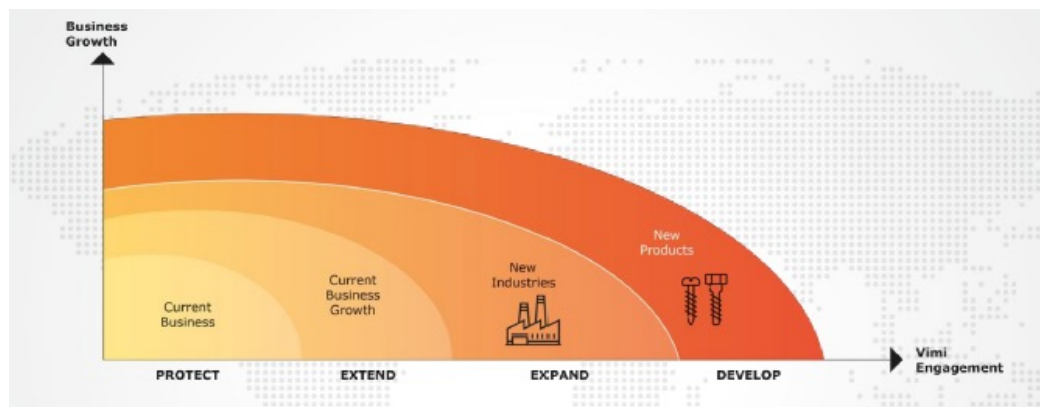
- ◆ A new Head of Sales & Marketing was added to management team, with the aim of strengthening commercial activities on a global scale, hence, to support business growth in the medium-long term;
- ◆ A new business plan 2021E-24E was developed, based on four strategic guidelines;
- ◆ A new dividend policy for 2021-24 was set, 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.

Four pillars of the new business strategy: Protect, Extend, Expand and Develop

The new business strategy has been detailed on four key pillars, as follows:

1. **Protect** – retain current 300+ customers and strategic partnerships with both OEM and TIER1, then support them on new business projects (co-design / co-development to meet ultimate 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 team focused on business development;
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.

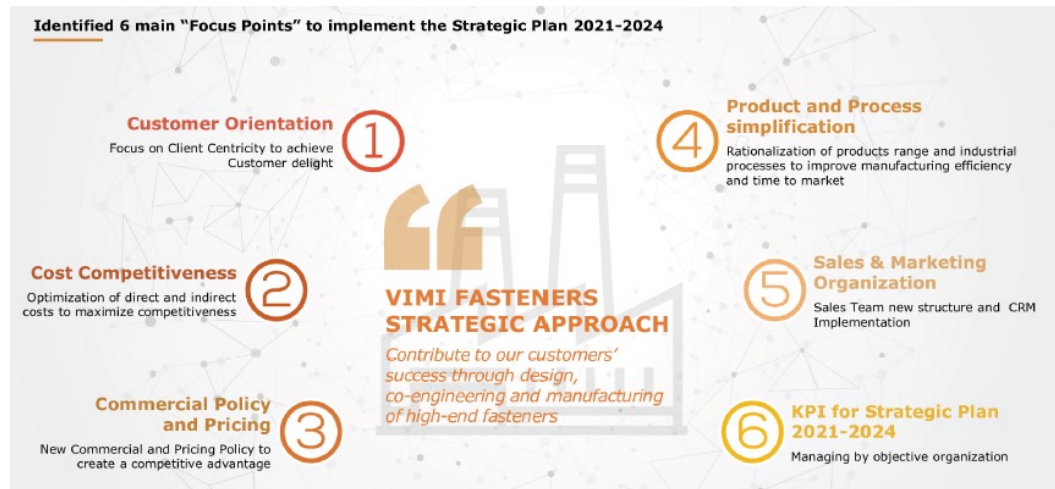
Vimi Fasteners: Strategic Guidelines 2021-24



Source: Vimi Fasteners, Corporate Presentation

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

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



Source: Vimi Fasteners, Corporate Presentation

Industrial fasteners: updated outlook

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

Indeed, fasteners have a wide range of applications, and it’s not surprising that all the end markets are positively GDP correlated. Hereby follows a brief overview on the most important end markets in terms of key drivers and trends, as released by management during the Capital Market Day.

Features and drivers of fasteners’ end markets in brief

End-market	Outlook ahead	Drivers / Trends
Automotive	↙ 6% growth p.a.	✓ Global GDP ✓ Green transformation (towards electric & hybrid drive)
Oil & Gas	↑↑ 2-digit growth p.a.	✓ Global GDP ✓ Oil price / Oil production Capex
Aerospace	↓↓ Still struggling	✓ Global GDP ✓ Middle-class expansion
Off Road & Agriculture	↙ na	✓ Global GDP ✓ Agricultural commodities prices
Energy	↙ na	✓ Global GDP ✓ Green DEAL initiatives
Infrastructure	↙ na	✓ Italian PNRR ✓ New bridges and railroads constructions
Industrial	↙ na	✓ Global GDP

Source: Value Track Analysis

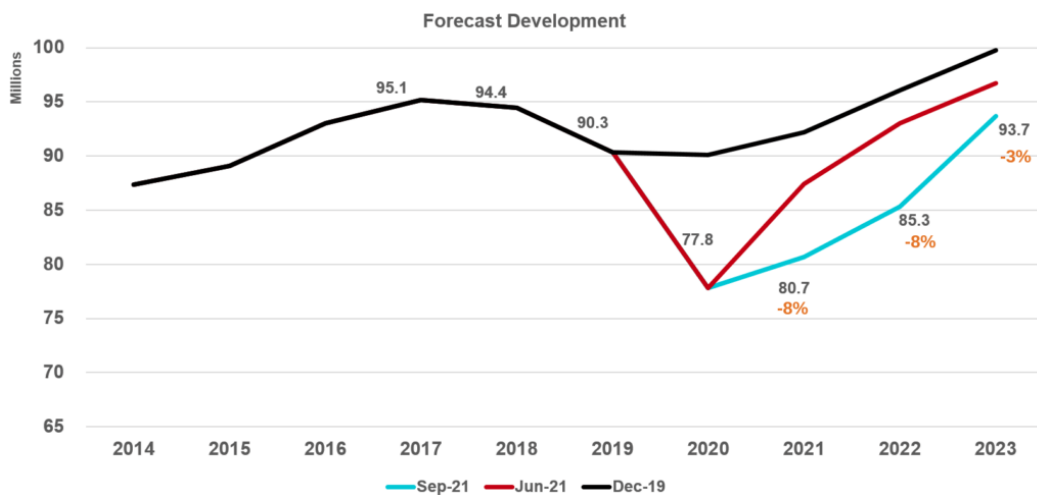
Auto industry: vehicle demand hardly hit by supply chain disruption

Successful vaccine roll-out, and new monetary policies are likely to foster market growth in the mid-term, anyway the industry is still facing headwinds due i) to semiconductors shortage - likely to lead to some delay in returning to pre-pandemic conditions – and ii) the increase in raw material prices.

According to the latest released market studies (*Source: LMC Automotive*), the impact of chip shortage has yet to peak, contrary to previous expectations (June'21). Indeed, global light vehicle production is still expected to increase by 2021, anyway the y/y growth rate has been cut by more than 6mn units to 81mn, that is just 50% of growth rate expected back in June'21.

Demand expectations have also been cut beyond 2021: new expectations predict sales of 85 million units in 2022, thus to gain back 2019 volumes level by 2023.

Global Light Vehicle: New vs old estimates (LMC Automotive)



Source: LMC Automotive

Vimi Fasteners 2021E-23E financial estimates

Since interim financial results look very consistent with our full year expectations, we leave our 2021E-22E estimates pretty unchanged. Indeed, according to our model, we are just:

- ◆ Fine-tuning the revenue mix across industries to factor in 1H sales dynamics;
- ◆ Slightly increasing NWC requirements in 2022-23E, consistent with the new business strategy aimed at enlarging current product portfolio;
- ◆ Including the new dividend policy (we previously assumed a zero-dividend pay-out) and;
- ◆ Extending explicit projections to 2023E.

Having said that, our estimates can be briefly summarized as follows:

- ◆ **Sales** to keep growing double-digit, expected to reach ca. €51mn in 2023E, thus implying **11% CAGR₂₀₋₂₃**. We expect the industrial sector to post the highest y/y annual growth, and automotive to slow its recovery (9% CAGR₂₀₋₂₃). On the other side, fasteners delivered to Oil&Gas, Energy and Infrastructure are expected to face a lower annual growth and to increase mid-single digit per year;
- ◆ **EBITDA** unchanged – expected to come at €6.1mn, €6.8mn and €7.5mn in 2021E-23), implying a **23% CAGR₂₀₋₂₃**, with margins up to 14.7% by 2023E;
- ◆ **Net Debt to progressively decrease**, with OpFCF/EBITDA ratio steadily above the 50% threshold, despite a slight increase in WC, capital expenditures at 5.3% of sales (on average).

Vimi Fasteners: Profit & Loss 2020A-23E

(€mn)	2020A	2021E	2022E	2023E
Revenues from Sales	37.6	45.0	47.7	50.8
Total Revenues	39.1	46.5	49.4	52.8
COGS + Other Opex	-23.9	-28.7	-30.4	-32.4
Labour costs	-11.2	-11.8	-12.2	-13.0
EBITDA	4.0	6.1	6.8	7.5
<i>EBITDA margin on Sales (%)</i>	<i>10.5%</i>	<i>13.5%</i>	<i>14.3%</i>	<i>14.7%</i>
D&A	-4.3	-4.3	-4.2	-3.8
EBIT	-0.3	1.8	2.6	3.7
<i>EBIT margin on Sales (%)</i>	<i><0</i>	<i>4.0%</i>	<i>5.5%</i>	<i>7.3%</i>
Net Financial Charges	-0.5	-0.5	-0.4	-0.3
Pre-tax profit	-0.8	1.3	2.3	3.4
Taxes	0.6	-0.1	-0.4	-0.9
Net Profit	-0.3	1.2	1.9	2.6

Source: Vimi Fasteners (historical figures), Value Track (2021E-23E estimates)

Vimi Fasteners: Balance Sheet 2020A-23E

(€mn)	2020A	2021E	2022E	2023E
Net Fixed assets	38.4	36.5	34.8	33.7
Net Working Capital	9.4	9.8	10.7	11.5
(Severance pay and other funds)	(2.2)	(2.3)	(2.4)	(2.5)
Total Capital Employed	45.6	44.0	43.1	42.7
Group Net Equity	26.0	27.2	29.1	30.6
Net Fin. Position [Net debt (-) / Cash (+)]	-19.6	-16.8	-14.1	-12.1

Source: Vimi Fasteners (historical figures), Value Track (2021E-23E estimates)

Vimi Fasteners: Cash Flow Statement 2020A-23E

(€mn)	2020A	2021E	2022E	2023E
EBITDA	4.0	6.1	6.8	7.5
Op. NWC requirements	-1.0	-0.4	-0.9	-0.8
Capex (excl. Fin. Inv.)	-2.6	-2.4	-2.5	-2.7
Change in provisions	0.1	0.1	0.1	0.2
OpFCF b.t.	0.4	3.4	3.5	4.1
<i>OpFCF b.t. / EBITDA (%)</i>	<i>11%</i>	<i>56%</i>	<i>51%</i>	<i>56%</i>
Cash Taxes	0.0	-0.1	-0.4	-0.9
Net Financial Charges	-0.5	-0.5	-0.4	-0.3
Dividends	0.0	0.0	0.0	-1.1
Others (incl. Fin. Inv.)	0.1	0.0	0.0	0.0
Change in Net Fin Position	0.0	2.8	2.8	2.0

Source: Vimi Fasteners (historical figures), Value Track (2021E-23E estimates)

Valuation Update

We increase our fair value to €2.50 p/s from previous €2.20, factoring updated trading multiples, supported by a DCF model (€2.80 p/s), that we use as a safety crosscheck. Such fair value implies 2022E multiples of 1.0x EV/Sales, 7.0x EV/EBITDA, still embedding a >30% discount vs. main comparable stocks.

Vimi Fasteners: Sensitivity of implicit stock trading multiples in the €2.10 - €2.90 range

Share price (€)	EV / Sales (x)		EV / EBITDA (x)		P / E (x)		EV / IC (x)	
	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
€ 2.10	1.0	0.9	7.5	6.2	24.5	15.1	1.0	1.0
€ 2.30	1.1	1.0	7.9	6.6	26.8	16.5	1.1	1.1
€ 2.50	1.1	1.0	8.4	7.0	29.2	18.0	1.2	1.1
€ 2.70	1.2	1.1	8.8	7.4	31.5	19.4	1.2	1.2
€ 2.90	1.3	1.1	9.3	7.8	33.8	20.9	1.3	1.3

Source: Value Track Analysis

Peers' analysis

As already seen in our previous equity update (released back in April 2021), Vimi Fasteners is expected to post faster than peers' recovery, with EBITDA margin coming back close to peers' average value. Indeed, if compared to selected peers, despite a similar y/y growth rate at top-line, we expect a larger recovery at EBITDA level, seen increasing high double-digit (+23% vs. +16% peers' average).

Moving to market multiples, the fasteners' segment trades at 2021-22E of 1.5x-1.4x EV/Sales and 10.2x-9.2x EV/EBITDA on average, while Vimi Fasteners at current market price shows undemanding multiple of 0.9x-0.8x EV/Sales and 6.4x-5.3x EV/EBITDA.

Vimi Fasteners: Peers' stock trading multiples

Company	EV/Sales (x)		EV / EBITDA (x)		P/E (x)	
	2021E	2022E	2021E	2022E	2021E	2022E
Bulten	0.6	0.6	5.7	4.9	10.0	8.3
Trifast (*)	0.9	0.8	9.7	8.2	23.1	17.2
Bossard Holding	2.5	2.4	16.8	16.0	24.2	23.0
SFS Group	2.3	2.1	10.7	10.6	18.8	19.5
Lisi	1.3	1.1	8.8	6.6	28.0	17.4
BUFAB	2.4	2.2	16.4	15.2	27.2	24.7
Average	1.7	1.5	11.4	10.2	21.9	18.3
Median	1.8	1.6	10.2	9.4	23.6	18.5
Vimi @ market price	0.9	0.8	6.4	5.3	19.0	11.7
Discount % vs. avg.	-48%	-51%	-44%	-49%	-13%	-36%
Discount % vs. med.	-51%	-53%	-37%	-44%	-20%	-37%

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

Vimi is thus trading at 45% discount vs. peers, in our view underserved 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 36% of 1H21).

That's why, assuming a fair multiple at 1x EV/Sales and 7x EV/EBITDA (the same we used in April'21) which still imply a +30% discount vs. peers, **we get a €2.50 p/s fair value**, supported by:

- ◆ Reassuring new flows in coming months across Vimi Fasteners end-markets;
- ◆ Higher visibility on Group strategy in terms of profitability, growth and diversification, coming from the updated 2021-24 business plan.

Discounted Cash Flow Model

As a safety crosscheck, we update our DCF model based on target capital structure (30% D/(D+E) ratio), 1% perpetuity growth rate, 9.9% WACC, which delivers €2.80 p/s fair value.

Vimi Fasteners: DCF model

€mn	
PV of future cash flows 2022E-2030E	26.7
PV of Terminal value	28.1
Fair Enterprise value	54.9
Net Fin. Position 2021E year-end	-16.8
Fair Equity value	38.0
Fair Equity value per share (€)	2.80

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%	3.04	3.18	3.34	3.53	3.74
	9.4%	2.79	2.91	3.05	3.21	3.39
	9.9%	2.57	2.67	2.80	2.93	3.08
	10.4%	2.37	2.46	2.56	2.68	2.81
	10.9%	2.18	2.27	2.36	2.46	2.57

Source: Value Track Analysis

DISCLAIMER

THIS DOCUMENT IS PREPARED BY VALUE TRACK S.R.L. NEITHER THIS DOCUMENT NOR ANY COPY THEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO CANADA OR JAPAN OR AUSTRALIA TO ANY RESIDENT THEREOF OR INTO THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER, INVITATION OR INDUCEMENT TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES OR MAKE RELATED INVESTMENTS, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS AN INVITATION OR INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS DOCUMENT HAS BEEN PRODUCED ON BEHALF OF BPER BANCA S.P.A. THAT IS ACTING AS SPECIALIST ON VIMI FASTENERS SHARES

THIS DOCUMENT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF VIMI FASTENERS S.P.A. (THE “COMPANY”) AND ITS SHAREHOLDERS AND SUBSIDIARIES AND AFFILIATES, AND ANY FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF THE AUTHORS HEREOF AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON.

VALUE TRACK S.R.L. HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF ANY SYNDICATE MEMBER, THE COMPANY, ITS SHAREHOLDERS, ANY OF ITS ADVISERS, ANY OF ITS SUBSIDIARIES, ITS AFFILIATES, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, VALUE TRACK S.R.L. HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF VALUE TRACK S.R.L.,

THE COMPANY, ITS SUBSIDIARIES AND AFFILIATES ITS SHAREHOLDERS, ANY ADVISORS TO THE COMPANY OR ITS SHAREHOLDERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. TO THE EXTENT PERMITTED BY LAW AND BY REGULATIONS, VALUE TRACK S.R.L. (OR ITS OFFICERS, DIRECTORS OR EMPLOYEES) MAY HAVE A POSITION IN THE SECURITIES OF (OR OPTIONS, WARRANTS OR RIGHTS WITH RESPECT TO, OR INTEREST IN THE SHARES OR OTHER SECURITIES OF) THE COMPANY AND MAY MAKE A MARKET OR ACT AS A PRINCIPAL IN ANY TRANSACTIONS IN SUCH SECURITIES.

THIS REPORT CONTAINS PROJECTIONS THAT PRESENT A POSSIBLE OUTCOME ON THE BASIS OF THE ASSUMPTIONS SET OUT HEREIN. THESE REPRESENT ONLY ONE POSSIBLE OUTCOME AND ARE THE INDEPENDENT VIEWS OF THE AUTHOR OF THIS REPORT ONLY. THESE PROJECTIONS ARE SUBJECT TO RISKS, UNCERTAINTIES AND ASSUMPTIONS AND FUTURE ACTUAL RESULTS COULD DIFFER MATERIALLY.