

Company:	Rating:	Target Price:	Sector:
<b>Cofle</b>	<b>BUY</b>	<b>€11.9 (unchanged)</b>	<b>Auto Parts &amp; Equipment</b>

## Organizational revamp in anticipation of 2025 growth

April 8, 2024 at 09:00

### FY23 sales up by 9.4%, IAM approaching FY21 levels

FY23 sales came in at €60.6m and up by 9.4% yoy, in line with our estimates (€60.5m), including the effects of hyperinflation. OE sales increased by 5.7% to €41.0m (4.1% below our estimates), thanks to new product lines and clients, though a considerable slowdown compared to the double digit growth recorded in FY21-22 due to unfavorable farm vehicle trends. Conversely, IAM sales increased by 18.1% to €19.6m (10.1% above our estimates) approaching FY21 levels (€20m), thanks to new commercial strategies adopted in Eurozone and eastern Europe.

### New warehouse and electronics production line, usual Turkey's headwinds

Adjusted EBITDA was €11.5m (+3.2% vs our estimates), declining by 11.5% yoy with margin losing 4.5pp to 17.9% (+0.2pp vs our estimates) due to higher costs incurred in Turkey, especially personnel (+€2m yoy). We note that 2H23 Adj. EBITDA improved to 19.5% (vs 17.5% in 1H23). Net profit was €0.8m (-66% vs our estimates), down by 70% yoy due to higher financing costs of TRY denominated debt and a €2.7m (non-cash) hyperinflation charge for Turkish subsidiaries. At the end of 2023, Net debt increased to €5m from €-0.8m at the end of 2022, including €1.8m dividends and €8.5m capex (vs our estimate at €5.7m) for the logistics warehouse (€1.8m) and facilities to develop electronics (€2.2m). The BoD proposed a €0.17 DPS.

### Stronger client involvement on OE, strengthening organizational structure

On IAM, Cofle will i) launch new products to match its expected demand shift (- control/pull cables, +EPB and brake hoses), ii) release a new price list for gear shift cables thanks to new supply lines. On OE, Cofle sees a gradual transition from mechanical controls to intelligent electronic systems. To strengthen its market position Cofle will increase engagement with key customers and carry out targeted marketing campaigns. Cofle has also been carrying out an internal re-organization, the addition of a General Manager reduces reliance on family leadership, while appointing a specialized Head of HR becomes more suitable as the company scales up and represents an improvement from an ESG perspective. Finally, a new director of OE has been appointed and the former Manager of Cofle France has been appointed as the new IAM division director.

### Softer growth in 2024, acceleration in 2025

2024 will likely be a transition year due to the implementation of new i) organizational structure, ii) logistics center, iii) electronics production line in Turkey. On average, we cut OE FY24-26E sales by 13.2% due to i) slower growth in farm vehicles in 2023 and ii) John Deere's negative FY24 sales outlook. Conversely, we increased IAM FY24-26E sales by 11.5% thanks to better than expected FY23 results. On average we cut EBITDA margin estimates by 2.5pp due to heightened labor costs in Turkey and potential inefficiencies from the organization overhaul. Finally, we fine tuned our D&A and net financial charges assumptions, leading to an average cut of FY24-26E EPS of 31%.

### Valuation: BUY confirmed; 12-month target price unchanged

Compared to our previous update [*Please refer to our Company Update on October 18, 2023*], we kept our 12M TP at €11.9/sh as the estimates cut were counterbalanced by lower risk free rate and higher market multiples. The TP was calculated as the weighted average between DCF (75%) and market multiples (25%). DCF is €12/sh (from €12.2/sh), due to lower FCFs and TV of €4.7m (from €5.7m) offset by lower risk free rate assumptions. For the multiples valuation, we took the EV/EBITDA 24-25 of 6.4x (vs previous 6.2x) which led to €11.8/sh (from €11.1/sh). Cofle trades at a discount on EV/EBITDA24-25 (3.3x) vs comparable (6.4x) despite higher expected sales growth and marginality. Given the significant potential upside vs current Cofle price, we confirm our BUY recommendation.

#### Company Profile

Bloomberg	CFL IM
FactSet	CFL-IT
Stock Exchange	Italian Stock Exchange
Reference Index	FTSE Italia Growth
<b>Market Data</b>	
Last Closing Price	5.75
Number of shares	6.2
Market cap. (mln)	35.4
<b>1Y Performance</b>	
Absolute	-48%
Max / Min	12.7 / 5.8

(€mln)	2022	2023	2024E	2025E	2026E
<b>Total revenue (VoP)</b>	<b>58.0</b>	<b>64.1</b>	<b>65.6</b>	<b>72.2</b>	<b>77.9</b>
yoy (%)	5%	11%	2%	10%	8%
<b>Adj. EBITDA</b>	<b>13.0</b>	<b>11.5</b>	<b>11.5</b>	<b>12.8</b>	<b>13.9</b>
margin (%)	22%	18%	18%	18%	18%
<b>EBIT</b>	<b>8.4</b>	<b>6.7</b>	<b>7.1</b>	<b>8.4</b>	<b>9.5</b>
margin (%)	15%	10%	11%	12%	12%
<b>Group Net Profit</b>	<b>2.3</b>	<b>0.4</b>	<b>1.4</b>	<b>3.8</b>	<b>4.5</b>
margin (%)	4%	1%	2%	5%	6%
<b>Net Debt</b>	<b>(0.2)</b>	<b>5.1</b>	<b>8.7</b>	<b>9.0</b>	<b>7.7</b>
Net Debt Reported	(0.8)	5.0			
<b>Sh. Equity</b>	<b>29.6</b>	<b>29.2</b>	<b>27.7</b>	<b>30.3</b>	<b>33.1</b>
Capex	(3.0)	(8.5)	(4.0)	(4.5)	(3.0)
FCFs	3.8	0.0	3.2	3.4	5.9

#### 1-Year Performance


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## SWOT analysis

### STRENGTHS

- Multinational Company
- Strong commitment in eco-sustainability
- Strongly investing on corporate culture, brand awareness and innovative marketing
- Wide portfolio of patented products
- Geographically diversified production
- Top end customers
- Focus on innovation and R&D
- Long-lasting client relationships

### WEAKNESSES

- Revenue concentration by client
- Slow process of digitalization
- Exposure to Turkey

### OPPORTUNITY

- Large potential in Eastern Europe for both OE and IAM segments
- Expansion through Cofle France in France, Spain, Portugal, Maghreb and Benelux
- Only at the beginning of international scalability
- OE Expansion into Luxury Automotive & Light Commercial Vehicles
- Growth through M&A
- Production capacity expansion
- Major technological upgrade involving farm tractors in the next decade

### THREATS

- Intensifying competition within large manufacturers
- High growth rates could lead to cost management issues
- Internalization of Cofle process by its main customer
- Cannibalization risk of products under Cofle's brand and Third-Party brand

## FY23 results

### OE sales growth slows down

As already pre-announced, sales came in at €60.6m and up by 9.4% yoy, in line with our estimates (€60.5m). All figures include the effects of hyperinflation. OE sales increased by 5.7% to €41.0m (4.1% below our estimates), thanks to new product lines and clients, though a considerable slowdown compared to the double-digit growth recorded in FY21-22 due to unfavorable farm vehicle trends. Conversely, IAM sales increased by 18.1% to €19.6m (10.1% above our estimates) approaching FY21 levels (€20m), thanks to new commercial strategies adopted in Eurozone and eastern Europe.

### EBITDA margin contraction due to higher labor costs

Adjusted EBITDA was €11.5m (+3.2% vs our estimates), declining by 11.5% yoy with Adj. EBITDA margin losing 4.5pp to 17.9% (+0.2pp vs our estimates) due to higher costs incurred in Turkey, especially personnel (+€2m yoy).

EBITDA was €9.9m (+7.5% vs our estimates), declining by 17.2% yoy with EBITDA margin losing 5.2pp to 15.5% (+0.9pp vs our estimates). We note that 2H23 EBITDA Adj. improved to 19.5% (vs 17.5% in 1H23).

The adjustments to EBITDA relate to: extraordinary IAM market research (€0.2 m), impairment of the Turkish subsidiary's share dilution following the sale of a stake to a manager (€0.5m non-cash item), rents and leasing (€0.9m).

EBIT was €6.7m (+14.6% vs our estimates), declining by 20.5% yoy with EBIT margin losing 4.1pp to 10.5% (+1.2pp vs our estimates).

### Interest rates and hyperinflation affect net profit

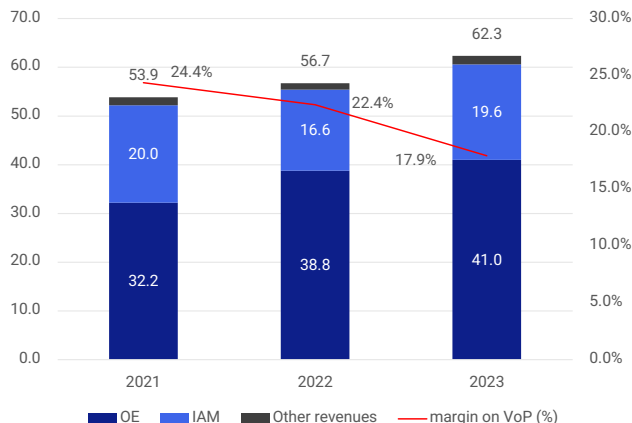
Net profit was €0.8m (-66% vs our estimates), down by 70% yoy due to higher financing costs, driven by a portion of debt in TRY as Turkey's Central Bank began a tightening cycle in 2H23.

Moreover, it was affected by a €2.7 million (non-cash) hyperinflation charge for Turkish subsidiaries. These costs are volatile, as they represent an adjustment based on Turkish CPI and end of period exchange rates.

Figure 1: EUR/TRY



Figure 2: Revenue breakdown and adj EBITDA margin (%)



Source: Banca Profilo elaborations and estimates on Company data

### Lower ONWC thanks to shorter DSO

At the end of FY23 operating NWC declined to €18.7m (vs our estimates of €20m) from €19.3m in FY22, thanks to considerably faster DSO, as receivables declined to €11.6m (vs our estimates of €14.5m) from €13.3m in FY22.

### Major investments for logistics and electronics development

At the end of FY23 Net debt was €5.1m (vs our estimates of €3m) from €-0.8m in FY22, due to €1.8m investments for the logistics warehouse in Italy, €2.2m for investments in facilities for the development of electronics, €1.8m dividends. Overall, the Company carried out capex for €8.5m (vs our estimate of €5.7m), driven by €7.2m in tangibles.

Cofle will be proposing a €0.17DPS.

**Table 1: Revenue breakdown FY21-FY23 (€, mln)**

Revenues	2021	2022	2023E	2023
			old	actual
OE	32.2	38.8	42.7	41.0
<i>yoy (%)</i>		20%	10%	6%
<i>% on revenues</i>	62%	70%	71%	68%
IAM	20.0	16.6	17.8	19.6
<i>yoy (%)</i>		-17%	7%	18%
<i>% on revenues</i>	38%	30%	29%	32%
<b>Sales</b>	<b>52.2</b>	<b>55.4</b>	<b>60.5</b>	<b>60.6</b>
Other revenues	1.6	1.3	1.3	1.7
Change in inventories	1.6	1.3	1.2	1.8
<b>Total revenues (VoP)</b>	<b>55.4</b>	<b>58.0</b>	<b>63.0</b>	<b>64.1</b>
<i>yoy (%)</i>		5%	9%	10%

Source: Banca Profilo elaborations and estimates on Company data

**Table 2: Income statement FY21-FY23 (€, mln)**

Profit & Loss (€/mln)	2021	2022	2023E	2023
			old	actual
<b>Total revenues (VoP)</b>	<b>55.4</b>	<b>58.0</b>	<b>63.0</b>	<b>64.1</b>
Raw materials	(23.0)	(25.0)	(27.2)	(28.0)
Change in inventories (raw materials)	3.2	3.2	2.7	3.6
Service costs	(9.5)	(10.6)	(12.1)	(12.5)
Cost for the use of third-part assets	(1.1)	(1.2)	(1.2)	(1.5)
Labor costs	(11.3)	(11.5)	(14.5)	(14.1)
Other costs	(0.8)	(0.9)	(1.5)	(1.6)
<b>EBITDA</b>	<b>12.9</b>	<b>12.0</b>	<b>9.2</b>	<b>9.9</b>
<i>yoy (%)</i>		-7%	-23%	-17%
<i>margin on VoP (%)</i>	23%	21%	15%	15%
<b>Adjusted EBITDA</b>	<b>13.5</b>	<b>13.0</b>	<b>11.1</b>	<b>11.5</b>
<i>margin on VoP (%)</i>	24%	22%	18%	18%
D&A	(2.5)	(3.4)	(3.3)	(3.2)
Provision for risks	(0.0)	(0.1)	(0.1)	-
<b>EBIT</b>	<b>10.4</b>	<b>8.4</b>	<b>5.9</b>	<b>6.7</b>
<i>margin on VoP (%)</i>	19%	15%	9%	10%
<i>yoy (%)</i>		-19%	-31%	-21%
Net financial expenses	1.2	(3.9)	(2.0)	(5.3)
<i>o/w Hyperinflation charges</i>	-	(4.1)	(3.3)	(2.7)
Taxes	(2.3)	(1.9)	(1.5)	(0.6)
<b>Operating Net Profit</b>	<b>9.3</b>	<b>2.6</b>	<b>2.3</b>	<b>0.8</b>
<i>margin on VoP (%)</i>	17%	5%	4%	1%
Minorities	1.0	0.4	0.6	0.4
<b>Group Net Profit</b>	<b>8.2</b>	<b>2.3</b>	<b>1.8</b>	<b>0.4</b>

Source: Banca Profilo elaborations and estimates on Company data

Table 3: Balance Sheet FY21-FY23 (€, mln)

Balance sheet (€/mln)	2021	2022	2023E	2023
			old	actual
Inventory	10.7	14.1	14.7	16.3
Accounts receivables	12.7	13.3	14.5	11.6
Accounts payables	(8.1)	(8.1)	(9.1)	(9.2)
<b>Operating Net Working Capital</b>	<b>15.3</b>	<b>19.3</b>	<b>20.0</b>	<b>18.7</b>
Other Current Assets and Liabilities	(1.1)	0.4	0.4	0.2
<b>Net Working Capital</b>	<b>14.2</b>	<b>19.8</b>	<b>20.5</b>	<b>18.9</b>
Intangibles	3.8	4.2	4.3	4.8
Tangibles	4.5	7.0	9.3	11.6
Financials	0.7	0.3	0.3	0.4
<b>Fixed Asset</b>	<b>9.1</b>	<b>11.5</b>	<b>13.9</b>	<b>16.8</b>
Other Non Current Assets	(0.8)	(1.8)	(1.9)	(1.5)
<b>Net Invested Capital</b>	<b>22.5</b>	<b>29.4</b>	<b>32.4</b>	<b>34.3</b>
Share capital	0.6	0.6	0.6	0.6
Reserves	(3.9)	(3.9)	(3.9)	(8.3)
Share premium reserve	14.9	14.9	14.9	14.9
Accumulated profit/loss	4.9	13.9	15.5	19.1
Net profit	8.2	2.3	1.8	0.4
Minority share	1.4	1.8	0.6	2.5
<b>Equity</b>	<b>26.1</b>	<b>29.6</b>	<b>29.4</b>	<b>29.2</b>
Net debt (cash)	(3.6)	(0.2)	3.0	5.1
Net debt (cash) reported	(3.6)	(0.8)	-	5.0
<b>Liabilities</b>	<b>22.5</b>	<b>29.4</b>	<b>32.4</b>	<b>34.3</b>

Source: Banca Profilo elaborations and estimates on Company data

## Strategy and estimates

### Corporate strategies

**Appointment of GM reduces reliance on family**

In the last months Cofle appointed four new key managers. In February 2024, the Company added the role of General Manager held by Andrea Benetello. He had already collaborated with Cofle as an external consultant, leading the reorganization and modernization of the new logistics plant. He brings expertise in the Automotive sector and special projects; previously, he held managerial positions at Eldor Corporation and at Mikron Service Solution.

**New Head of HR, OE director and IAM director**

In December 2023, Rosario Giuliana was appointed as Head of Human Resources and Corporate Organization, a position previously held by Diego Galbussera (CFO), who will focus on the latter function given the Company's growth in size.

In January 2024, Dario Frigerio was appointed the new director of OE, original control systems and cables division. He joined Cofle in 2018 as Technical Sales Manager. Finally, the former Manager of Cofle France has been appointed as the new director of IAM.

Figure 3: Navigating market trends

### NAVIGATING MARKET TRENDS

#### Overview of Key Sector Trends

- **Aftermarket (AM) Trends:** Observing decline in control/pull cables and an increase in demand for gear shift cables and electronic parking brakes (EPB), as well as brake hoses
- **Original Equipment (OE) Trends:** Observing a gradual decrease in mechanical controls in favor of intelligent electronic systems, reflecting broader industry shifts towards automation and connectivity (especially EU and USA)



Source: Company data

**New EPB range by September 2024**

On IAM, Cofle expects a decrease in demand for control/pull cables and an increase in demand for gear shift cables, electronic parking brakes (EPB), and brake hoses. Cofle will launch new products for the September fair in Frankfurt and is working on releasing a new competitive price list for gear shift cables thanks to new supply lines and internal production.

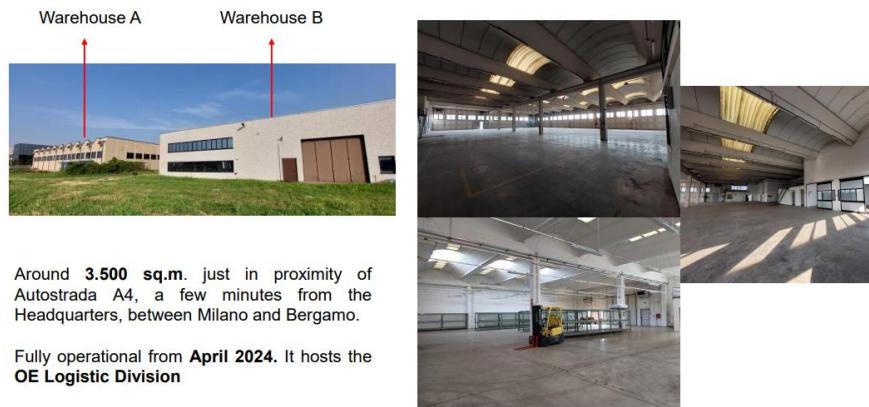
**Deeper involvement in new OE projects**

On the OE side, the Company sees a gradual transition from mechanical controls to intelligent electronic systems, especially in EMEA and USA. To strengthen its market position, Cofle intends to enhance engagement with key customers through a verticalization strategy. This approach involves deeper involvement in new projects and more frequent client interactions to foster lead generation. Additionally, Cofle aims to bolster its reputation as a leading manufacturer of both mechanical and electronic control systems through targeted marketing campaigns and specialized workshops.

**New logistics plant**

From April 2024, the new OE division logistics center will become fully operational. It is located near Trezzo sull'Adda and will lead to logistics optimization and digitalization, aiming at significantly reducing time to market.

Figure 4: New logistic center in Italy



Around **3.500 sq.m.** just in proximity of Autostrada A4, a few minutes from the Headquarters, between Milano and Bergamo.

Fully operational from **April 2024**. It hosts the **OE Logistic Division**

Source: Company data

€2.2mln for electronics department in Turkey

Cofle's Turkey subsidiary invested in new machinery and plants to increase production capacity, and in a new electronics production department to internalize the production of electronic components.

Higher value per machine

Cofle plans to continue its growth in electronics and mechatronics through new products, targeting the OE sector. The Company's goal is to expand its product portfolio, aiming at being able to fully equip a tractor's cabin, potentially achieving higher sales per machine.

New Ineos vehicles could provide further opportunities

Components installed on the Ineos Grenadier are a key revenue driver, Cofle produces the locking differential and the reduced gear unlock for the off-road vehicle. This generated €1.8mln in 2023 and is expected to generate €3.6mln of total revenues for Cofle in 2024. These products could represent a long-term opportunity for Cofle if implemented by Ineos in new vehicles.

Diversification in the construction sector

In December 2023, Cofle announced a new strategic partnership with an international company operating in the production of machinery for the construction sector. As part of the agreement, Cofle will develop seat supports, with the first prototypes expected in January 2024 and first deliveries in May and June 2024. Products are being designed to meet the needs of the industry such as high quality and functionality.

Cofle France: two key agreements

In 2022 Cofle set up its French division to be directly present in the Region, tackling market opportunities thanks to 3 managers with extensive knowledge of the sector. The new unit could also unlock previously untapped opportunities across Spain, Portugal, Maghreb and Benelux. The expansion will require €1.5mln of investment over the next three years. This is in line with Cofle's IPO plan to expand geographically.

In 2023, the French subsidiary has entered into two significant commercial agreements with i) the second-largest European spare parts distribution group and with ii) a spare parts distributor that is part of a large industrial group in the automotive sector.



## Our FY24E-26E estimates

### Organizational overhaul is a step to a stronger corporate structure

Cofle commented that 2023 was a transition year. We believe the transition will continue this year following the organizational structure overhaul, which was needed to prepare for growth acceleration in 2025. While in the short-term internal re-organizations might lead to new challenges, we believe that the overhaul is a clear step forward to a stronger corporate structure. In fact, the addition of a General Manager reduces reliance on family leadership, while appointing a specialized Head of HR becomes more suitable as the company scales up and represents an improvement from an ESG perspective.

Furthermore, the Company will deal with the implementation of the new logistics center which is expected for April 2024 and the commissioning of the new electronics production department in the Turkish plant.

### Revenue cut due to slower OE growth, IAM to reach FY21 highs

We cut OE top line growth on the back of i) slower growth in farm vehicles recorded in 2023 and ii) John Deere's negative sales outlook (between -5% to -20% depending on the segment). We decreased OE revenues in 24E by 14.2%, FY25E by 12.6% and FY26E by 12.6%. We expect a trend reversal from FY25E with an expected double-digit growth.

Conversely, as FY23 IAM revenues surpassed our estimates, we increased IAM FY24-26E sales assumptions: FY24E by 10.1% (above €20mln high recorded in FY21), FY25E by 12.2% and FY26E by 12.2%. Consequently, IAM weight on Total revenues is now seen growing from 32% in FY23 to 35% in FY24E.

**Table 4: Revenue breakdown FY21-FY26E (€, mln)**

Revenues			2023E	2023	2024E	2024E	2025E	2025E	2026E	2026E
	2021	2022	old	actual	old	new	old	new	old	new
OE	32.2	38.8	42.7	41.0	47.8	41.0	51.6	45.1	55.8	48.7
yoy (%)		20%	10%	6%	12%	0%	8%	10%	8%	8%
% on revenues	62%	70%	71%	68%	71%	65%	71%	65%	71%	65%
IAM	20.0	16.6	17.8	19.6	19.9	21.9	21.5	24.1	23.2	26.0
yoy (%)		-17%	7%	18%	12%	12%	8%	10%	8%	8%
% on revenues	38%	30%	29%	32%	29%	35%	29%	35%	29%	35%
<b>Sales</b>	<b>52.2</b>	<b>55.4</b>	<b>60.5</b>	<b>60.6</b>	<b>67.7</b>	<b>62.9</b>	<b>73.1</b>	<b>69.2</b>	<b>79.0</b>	<b>74.7</b>
Other revenues	1.6	1.3	1.3	1.7	1.3	1.3	1.3	1.4	1.3	1.5
Change in inventories	1.6	1.3	1.2	1.8	1.5	1.4	1.7	1.6	1.8	1.7
<b>Total revenues (VoP)</b>	<b>55.4</b>	<b>58.0</b>	<b>63.0</b>	<b>64.1</b>	<b>70.6</b>	<b>65.6</b>	<b>76.1</b>	<b>72.2</b>	<b>82.1</b>	<b>77.9</b>
yoy (%)		5%	9%	10%	12%	3%	8%	10%	8%	8%

Source: Banca Profilo elaborations and estimates on Company data

### EBITDA margin reduced

We revised our EBITDA margin estimates downward due to increased costs in Turkey resulting primarily in higher labor expenses, slower sales growth and temporary inefficiencies arising from the implementation of the new organizational structure. Overall, we decreased margin in FY24E by 1.6pp to 16%, FY25E by 2.8pp to 16.3% and FY26E by 3pp to 16.5%.

### Maintaining hyperinflation charges assumptions

To take into account the impact of hyperinflation, Cofle applied IAS 29 and IAS 21. Values in the foreign currency are then adjusted by using end of period CPIs and translated using end of period exchange rates, rather than the average, that greatly increases the volatility of incurred costs. Given consensus forecasts on Turkish CPI (+56.2% yoy increase in 2024) and recent CPI data (67.1% in February 2024), it is safe to assume that Turkey will likely remain among hyperinflationary countries. Our assumption of a €3mln charge in FY24 remains unchanged. Due to the complexities in the accounting treatment as well as the inherent heightened macroeconomic uncertainty, we note that the visibility on these costs is very limited. Finally, we have adjusted FY24E financing costs to account for the elevated interest rates.



Table 5: Income statement FY21-FY26E (€, mln)

Profit & Loss (€/mln)			2023E	2023	2024E	2024E	2025E	2025E	2026E	2026E
	2021	2022	old	actual	old	new	old	new	old	new
<b>Total revenues (VoP)</b>	<b>55.4</b>	<b>58.0</b>	<b>63.0</b>	<b>64.1</b>	<b>70.6</b>	<b>65.6</b>	<b>76.1</b>	<b>72.2</b>	<b>82.1</b>	<b>77.9</b>
Raw materials	(23.0)	(25.0)	(27.2)	(28.0)	(29.8)	(29.1)	(31.4)	(31.8)	(33.6)	(34.1)
Change in inventories (raw materials)	3.2	3.2	2.7	3.6	3.0	3.6	3.1	4.0	3.4	4.3
Service costs	(9.5)	(10.6)	(12.1)	(12.5)	(13.5)	(12.5)	(14.5)	(13.8)	(15.6)	(14.9)
Cost for the use of third-part assets	(1.1)	(1.2)	(1.2)	(1.5)	(1.5)	(1.6)	(1.6)	(1.7)	(1.8)	(1.9)
Labor costs	(11.3)	(11.5)	(14.5)	(14.1)	(15.2)	(14.6)	(16.0)	(15.9)	(17.4)	(17.3)
Other costs	(0.8)	(0.9)	(1.5)	(1.6)	(1.1)	(1.0)	(1.2)	(1.1)	(1.3)	(1.2)
<b>EBITDA</b>	<b>12.9</b>	<b>12.0</b>	<b>9.2</b>	<b>9.9</b>	<b>12.4</b>	<b>10.5</b>	<b>14.5</b>	<b>11.8</b>	<b>15.9</b>	<b>12.8</b>
<i>margin on VoP (%)</i>	<i>23.3%</i>	<i>20.6%</i>	<i>14.6%</i>	<i>15.5%</i>	<i>17.6%</i>	<i>16.0%</i>	<i>19.0%</i>	<i>16.3%</i>	<i>19.4%</i>	<i>16.5%</i>
<i>yoy (%)</i>		<i>-7.2%</i>	<i>-23.0%</i>	<i>-17.2%</i>	<i>35.1%</i>	<i>6.0%</i>	<i>16.5%</i>	<i>11.9%</i>	<i>10.0%</i>	<i>9.1%</i>
<b>Adjusted EBITDA</b>	<b>13.5</b>	<b>13.0</b>	<b>11.1</b>	<b>11.5</b>	<b>13.5</b>	<b>11.5</b>	<b>15.5</b>	<b>12.8</b>	<b>17.0</b>	<b>13.9</b>
<i>margin on VoP (%)</i>	<i>24.4%</i>	<i>22.4%</i>	<i>17.7%</i>	<i>17.9%</i>	<i>19.1%</i>	<i>17.6%</i>	<i>20.4%</i>	<i>17.7%</i>	<i>20.7%</i>	<i>17.8%</i>
D&A	(2.5)	(3.4)	(3.3)	(3.2)	(2.7)	(3.4)	(2.8)	(3.4)	(2.8)	(3.3)
Provision for risks	(0.0)	(0.1)	(0.1)	-	(0.1)	-	(0.1)	-	(0.1)	-
<b>EBIT</b>	<b>10.4</b>	<b>8.4</b>	<b>5.9</b>	<b>6.7</b>	<b>9.7</b>	<b>7.1</b>	<b>11.6</b>	<b>8.4</b>	<b>13.1</b>	<b>9.5</b>
<i>margin on VoP (%)</i>	<i>18.7%</i>	<i>14.6%</i>	<i>9.3%</i>	<i>10.5%</i>	<i>13.7%</i>	<i>10.8%</i>	<i>15.3%</i>	<i>11.6%</i>	<i>15.9%</i>	<i>12.2%</i>
<i>yoy (%)</i>		<i>-18.7%</i>	<i>-30.6%</i>	<i>-20.5%</i>	<i>65.2%</i>	<i>5.3%</i>	<i>20.2%</i>	<i>18.6%</i>	<i>12.5%</i>	<i>13.4%</i>
Net financial expenses	1.2	(3.9)	(2.0)	(5.3)	(2.9)	(4.3)	(1.3)	(1.1)	(1.2)	(0.9)
<i>o/w Hyperinflation charges</i>	-	(4.1)	(3.3)	(2.7)	(3.0)	(3.0)	-	-	-	-
Taxes	(2.3)	(1.9)	(1.5)	(0.6)	(2.7)	(1.1)	(4.1)	(2.9)	(4.8)	(3.5)
<b>Operating Net Profit</b>	<b>9.3</b>	<b>2.6</b>	<b>2.3</b>	<b>0.8</b>	<b>4.0</b>	<b>1.6</b>	<b>6.2</b>	<b>4.4</b>	<b>7.1</b>	<b>5.2</b>
<i>margin on VoP (%)</i>	<i>16.7%</i>	<i>4.6%</i>	<i>3.7%</i>	<i>1.2%</i>	<i>5.7%</i>	<i>2.5%</i>	<i>8.1%</i>	<i>6.0%</i>	<i>8.7%</i>	<i>6.6%</i>
Minorities	1.0	0.4	0.6	0.4	1.0	0.2	1.5	0.6	1.7	0.7
<b>Group Net Profit</b>	<b>8.2</b>	<b>2.3</b>	<b>1.8</b>	<b>0.4</b>	<b>3.1</b>	<b>1.4</b>	<b>4.7</b>	<b>3.8</b>	<b>5.4</b>	<b>4.5</b>

Source: Banca Profilo elaborations and estimates on Company data

Table 6: Balance Sheet FY21-FY26E (€, mln)

Balance sheet (€/mln)			2023E	2023	2024E	2024E	2025E	2025E	2026E	2026E
	2021	2022	old	actual	old	new	old	new	old	new
Inventory	10.7	14.1	14.7	16.3	15.9	17.2	16.8	18.7	17.9	19.9
Accounts receivables	12.7	13.3	14.5	11.6	16.2	12.6	17.5	13.8	18.9	14.9
Accounts payables	(8.1)	(8.1)	(9.1)	(9.2)	(9.9)	(9.4)	(10.4)	(10.3)	(11.1)	(11.0)
<b>Operating Net Working Capital</b>	<b>15.3</b>	<b>19.3</b>	<b>20.0</b>	<b>18.7</b>	<b>22.3</b>	<b>20.3</b>	<b>23.9</b>	<b>22.2</b>	<b>25.7</b>	<b>23.8</b>
Other Current Assets (Liabilities)	(1.1)	0.4	0.4	0.2	0.4	0.2	0.4	0.2	0.4	0.2
<b>Net Working Capital</b>	<b>14.2</b>	<b>19.8</b>	<b>20.5</b>	<b>18.9</b>	<b>22.7</b>	<b>20.5</b>	<b>24.3</b>	<b>22.4</b>	<b>26.1</b>	<b>24.0</b>
Intangibles	3.8	4.2	4.3	4.8	4.8	5.2	5.2	5.7	5.2	5.7
Tangibles	4.5	7.0	9.3	11.6	10.1	11.7	11.4	12.4	11.4	12.4
Financials	0.7	0.3	0.3	0.4	0.3	0.4	0.3	0.4	0.3	0.4
<b>Fixed Asset</b>	<b>9.1</b>	<b>11.5</b>	<b>13.9</b>	<b>16.8</b>	<b>15.2</b>	<b>17.4</b>	<b>16.9</b>	<b>18.5</b>	<b>16.9</b>	<b>18.5</b>
Other Non-Current Assets (Liabilities)	(0.8)	(1.8)	(1.9)	(1.5)	(2.0)	(1.5)	(2.0)	(1.5)	(2.1)	(1.6)
<b>Net Invested Capital</b>	<b>22.5</b>	<b>29.4</b>	<b>32.4</b>	<b>34.3</b>	<b>35.9</b>	<b>36.4</b>	<b>39.2</b>	<b>39.3</b>	<b>40.9</b>	<b>40.9</b>
Share capital	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Reserves	(3.9)	(3.9)	(3.9)	(8.3)	(3.9)	(8.3)	(3.9)	(8.3)	(3.9)	(8.3)
Share premium reserve	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9
Accumulated profit/loss	4.9	13.9	15.5	19.1	16.1	18.9	17.2	18.8	19.8	20.8
Net profit	8.2	2.3	1.8	0.4	3.1	1.4	4.7	3.8	5.4	4.5
Minority share	1.4	1.8	0.6	2.5	1.0	0.2	1.5	0.6	1.7	0.7
<b>Equity</b>	<b>26.1</b>	<b>29.6</b>	<b>29.4</b>	<b>29.2</b>	<b>31.7</b>	<b>27.7</b>	<b>35.0</b>	<b>30.3</b>	<b>38.5</b>	<b>33.1</b>
Net debt (cash)	(3.6)	(0.2)	3.0	5.1	4.3	8.7	4.2	9.0	2.4	7.7
Net debt (cash) reported	(3.6)	(0.8)	-	5.0	-	-	-	-	-	-
<b>Liabilities</b>	<b>22.5</b>	<b>29.4</b>	<b>32.4</b>	<b>34.3</b>	<b>35.9</b>	<b>36.4</b>	<b>39.2</b>	<b>39.3</b>	<b>40.9</b>	<b>40.9</b>

Source: Banca Profilo elaborations and estimates on Company data

## Valuation

### DCF and market multiples

We carry out the valuation of Cofle using both a DCF method and a relative market multiples approach based on a sample of listed international companies "comparable" to Cofle.

TP €11.9/sh  
(unchanged), BUY

We took the weighted average between DCF (75%) and relative market multiples valuation (25%) and ended up with a TP of €11.9/sh (unchanged). Given the significant potential upside on Cofle closing price (as of April 4, 2024), we maintain a BUY recommendation.

### DCF

Cumulated FCFs of €18.9mln, €4.7mln TV

According to our estimates, cumulated FY24E-26E FCFs are €12.4mln (-27% vs our previous FY24E-26E at €17.0mln) due to lower revenues and marginality. For the DCF model, we used FY24E-27E FCFs of €18.9mln and we calculated a TV of €4.7mln as the average of FCFs in FY24-27E (vs previous €5.7mln from FY24-26E).

Table 7: FCF forecasts FY23-FY27E

	2023E	2023	2024E	2024E	2025E	2025E	2026E	2026E	2027E
Free Cash Flow (€/mln)	old	actual	old	new	old	new	old	new	new
EBIT	5.9	6.7	9.7	7.1	11.6	8.4	13.1	9.5	10.7
taxes	(1.5)	(1.7)	(2.4)	(1.8)	(2.9)	(2.1)	(3.3)	(2.4)	(2.7)
<b>NOPAT</b>	<b>4.4</b>	<b>5.0</b>	<b>7.3</b>	<b>5.3</b>	<b>8.7</b>	<b>6.3</b>	<b>9.8</b>	<b>7.1</b>	<b>8.0</b>
D&A	3.3	3.2	2.7	3.4	2.8	3.4	2.8	3.3	3.3
Change in Net operating working capital	(0.7)	0.6	(2.2)	(1.6)	(1.6)	(1.9)	(1.8)	(1.6)	(1.8)
Other funds	0.2	(0.3)	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Capex	(5.7)	(8.5)	(4.0)	(4.0)	(4.5)	(4.5)	(3.0)	(3.0)	(3.0)
<b>Free Cash Flow</b>	<b>1.4</b>	<b>0.0</b>	<b>3.7</b>	<b>3.2</b>	<b>5.4</b>	<b>3.4</b>	<b>7.8</b>	<b>5.9</b>	<b>6.5</b>

Source: Banca Profilo elaborations and estimates on Company data

### 7.6% WACC

We would use a 7.6% WACC (from previous 8%), derived from:

- risk free rate at 4.4% (from previous 5.2%), as implicitly expected by consensus on the 30Y Italian BTP yield curve in a scenario of next-to come easing monetary policy;
- market risk premium equal to 5.5%;
- beta of 1 (unchanged) coming from the average of chosen listed peers;
- target Debt to Equity structure of 67%.

Table 8: DCF Valuation

DCF Valuation	2024E	2025E	2026E	2027E	TV	Valuation	WACC Calculation		
Free Cash Flows (€,mln)	3.2	3.4	5.9	6.5	4.7	Enterprise Value (€,mln)	79	Perpetual growth rate	2.0%
Years	1	2	3	4		Net debt (cash) (€,mln)	5.1	<b>WACC</b>	<b>7.6%</b>
Discount factor	0.93	0.86	0.80	0.75		Equity Value (€,mln)	73.6	Risk free rate (30Y)	4.4%
Terminal Value					84.7	Number of shares	6.2	Equity risk premium	5.5%
NPV	2.9	2.9	4.7	4.9	63.2	Price per share €	12.0	Levered Beta	1.0
<b>Sum of NPVs (€,mln)</b>	<b>2.9</b>	<b>5.8</b>	<b>10.6</b>	<b>15.4</b>	<b>78.7</b>			KE	10.1%
								Cost of debt	5.4%
								Tax rate	30%
								KD	3.8%
								Target D/E	67%

Source: Banca Profilo elaborations and estimates

## Market multiples

We provide the updated multiples table, compared to our latest research *[Please refer to our Company Update on 18 October 2023]*.

EV/EBITDA 24-25 at  
6.4x

For the market multiples valuation, we considered the EV/EBITDA 24-25 of 6.4x (from previous 6.2x for EV/EBITDA 23-24). This led us to an Equity Value of €11.8/sh (from €11.1/sh) due to higher multiple and lower net debt. Cofle trades at a discount on EV/EBITDA24-25 (3.3x) vs comparable (6.4x) despite higher expected sales growth and marginality.

**Table 9: Sample EV/EBITDA**

05/04/2024	EV/EBITDA			
	2023	2024E	2025E	12M
Brembo	6.8	6.4	5.9	6.9
Comer	5.1	5.8	5.4	5.1
SKF	7.2	6.8	6.3	7.4
CIE Automotive	6.1	5.8	5.5	6.6
Kongsberg Automotive	17.0	3.9	3.2	17.4
Suprajit Engineering	18.7	14.4	12.1	19.3
Mayville Engineering	7.6	6.2	5.4	7.6
SAF	5.2	5.4	5.1	5.4
<b>Mean</b>	<b>9.2</b>	<b>6.8</b>	<b>6.1</b>	<b>9.5</b>
Cofle	3.5	3.5	3.2	2.9

Source: Banca Profilo estimates and elaborations on Bloomberg (as of April 5<sup>th</sup>, 2024)

**Table 10: Sample EBITDA margin and Revenue Growth**

	Revenue Growth				EBITDA Margin			
	2022	2023	2024E	2025E	2022	2023	2024E	2025E
Brembo	30.7%	6.1%	4.9%	5.9%	16.8%	17.3%	17.4%	17.9%
Comer	106.9%	-1.1%	-8.2%	4.8%	14.5%	16.7%	16.1%	16.6%
SKF	18.6%	7.2%	-3.8%	4.0%	12.8%	14.8%	16.4%	17.1%
CIE Automotive	24.1%	3.1%	4.3%	3.3%	16.4%	18.0%	18.3%	18.6%
Kongsberg Automotive	8.9%	-2.3%	-3.9%	6.0%	10.8%	1.5%	6.8%	7.8%
Suprajit Engineering	50.2%	5.3%	12.8%	12.8%	11.4%	11.1%	12.8%	13.5%
Mayville Engineering	18.6%	9.1%	7.1%	6.8%	11.3%	10.3%	11.8%	12.8%
SAF	25.6%	34.6%	-4.2%	5.5%	9.3%	11.8%	11.9%	12.0%
<b>Mean</b>	<b>35.4%</b>	<b>7.7%</b>	<b>1.1%</b>	<b>6.1%</b>	<b>12.9%</b>	<b>12.7%</b>	<b>13.9%</b>	<b>14.5%</b>
Cofle	5.3%	9.9%	3.0%	10.0%	22.9%	18.5%	18.0%	18.1%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of April 5<sup>th</sup>, 2024)

## Overview and business model

### A multinational company specialized in components for the agricultural sector

Cofle's business model is becoming more focused on the OEM division

Cofle is a multinational company operating in engineering and production of components for the agricultural and automotive sector. The BUs are i) OE division, acting as Original Equipment Manufacturer for top global manufacturers of agricultural & earthmoving machineries, luxury automotive and light commercial vehicles; ii) IAM division, specialized in the production of aftermarket parts for the automotive sector.

### OE division

Control Systems, Cables and others

Cofle's OE division offers three main product categories: i) Control Systems for industrial application (from agricultural to earthmoving machineries), such as joysticks, power shuttles and pedals; ii) Cables for brakes, clutch and accelerator; iii) Others, developed based on customers' requests, such as steering columns, die castings, plastics.

1 to 3 years to develop products, high customization

OE products are meant to be highly customized to meet the requirements of top clients, with a minimal standardization to ensure cost efficiency. An OE project usually takes from 1 to 3 years, due to the highly distinctive know-how involved. Production and delivery to clients take place at a global scale with Cofle acting as the client's global supplier.

Figure 5: OE division



Source: Company data

### IAM division

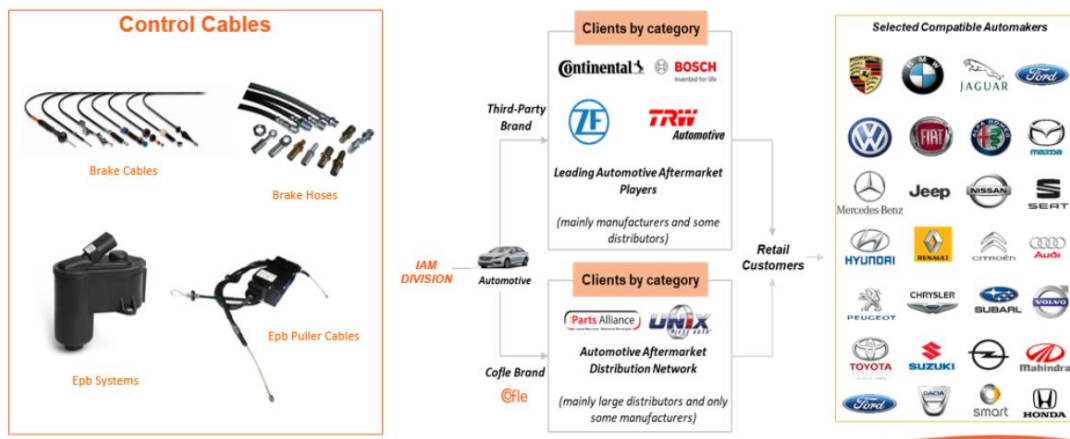
IAM: highly standardized products

Conversely, IAM products (Aftermarket) are highly standardized and serve both leading Aftermarket players under third-party brands, as well as large distributors under Cofle's brand. The AM catalogue offers more than 7,000 solutions, with the four main products categories being: i) Clutch cables, ii) Brake cables, iii) Brake hoses, iv) Gear shift cables.

Reverse-engineering activities

Cofle's IAM division operates with a push strategy, aiming for a 3-4 week turnaround. The Aftermarket R&D team focuses on reverse-engineering the latest car models, often enhancing the original product. Subsequently, production costs are estimated and pricing surveys are conducted, considering the price of original products. Finally, Cofle launches production and updates its catalog.

Figure 6: IAM division



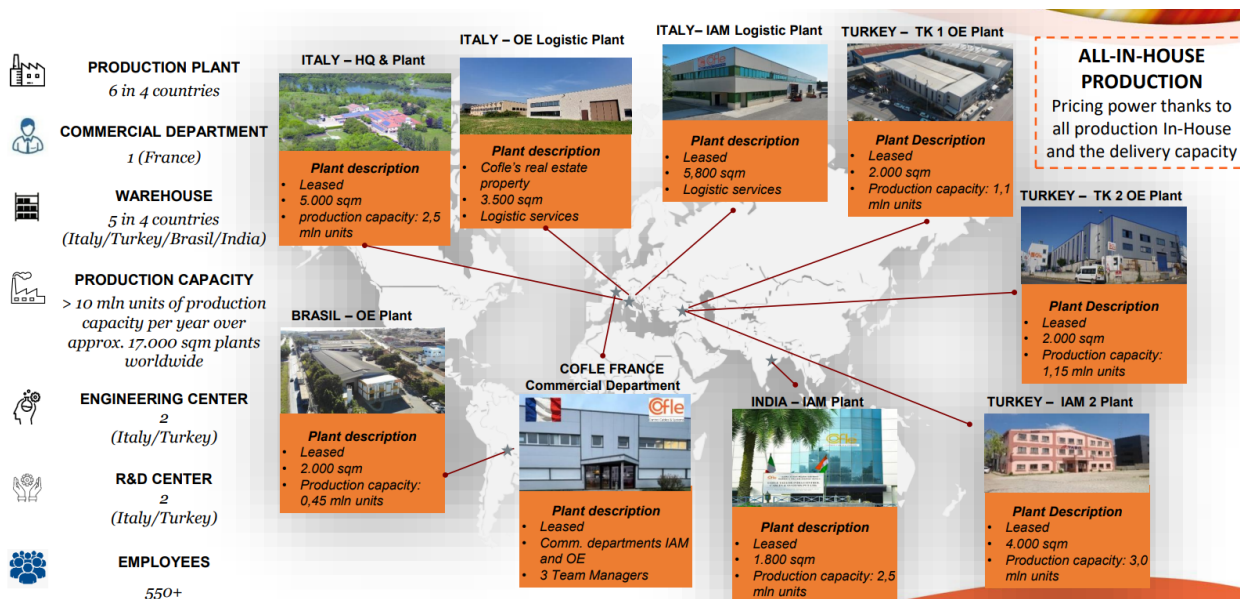
Source: Company data

Industrial footprint

6 Production plants

The Group has production sites in Brazil, India, Italy and Turkey with ~17k sqm worldwide with >10mln units of production capacity per year. Cofle owns 6 production plants, 5 warehouses, 2 engineering centres, 2 R&D centres and 2 representative offices around the world. The Italian and Indian plants have a production capacity of 2.5mln units each, the three plants in Turkey have more than 5mln of combined production capacity while the Brasil OEM plant has 0.45mln capacity.

Figure 7: Cofle's global presence



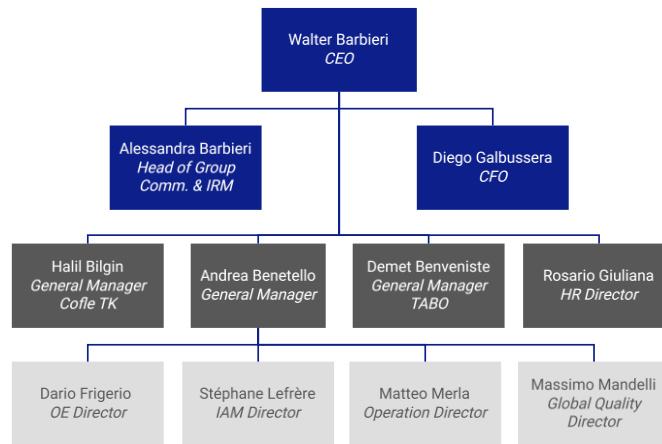
Source: Company data

Group structure and governance

Cofle: 78.4%  
Barbieri's family

Cofle was listed on Euronext Growth on 11 November 2021, at €13/share. The share capital is represented by 6,153,276 shares with 21.6% free float. Barbieri Family owns the remaining 78.4% through its holding Valfin. The 24 months lock up period expired in November 2023.

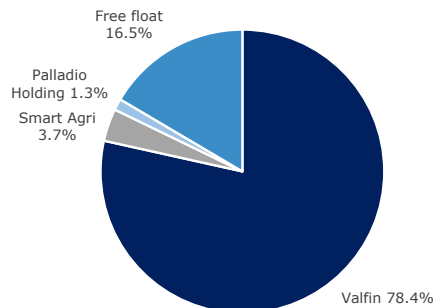
Figure 8: Organizational structure



Source: Banca Profilo elaborations on Company data

<b>Top management</b>	Walter Barbieri is the CEO and Chairman (70% of Valfin), Alessandra Barbieri is Head of Group Communication and IRM (30% of Valfin). Diego Galbusera is the CFO and Andrea Benetello is the GM.
<b>Buyback approved in November</b>	During the Cofle shareholder’s meeting held on November 16 a buyback has been approved. The program will last 18 months for a maximum consideration of €1mln.
<b>Warrant distribution</b>	The Company issued 1 free warrant each 4 stocks for investors upon the IPO. After the amendment of the Warrant rules, there is one Warrant exercise periods left, the Third Exercise Period (4 November 2024 to 29 November 2024) at €16.90 (IPO price +30%).

Figure 9: Cofle’s shareholders’ structure post-IPO



Source: Banca Profilo elaborations on Company data

**Company’s history**

**Founded in 1964 and listed in 2021**

Cofle was founded by Bruno Barbieri in 1964 revolutionizing control cable manufacturing for the automotive industry. Initially serving major Italian brands, Cofle expanded rapidly during the '70s. Their product range extended to include control cables for agricultural and earth-moving machinery, distributed globally.

In the '80s, Cofle established its first internal production plant, enabling vertical integration. The '90s marked significant milestones in the IAM division, leading to a new logistics center with a 4,000 sqm warehouse. Cofle’s international expansion began with Tabo in Turkey, followed by Cofle DCI, Cofle TK, Cofle China, Cofle do Brasil and Cofle Taylor India.

In June 2021, leveraging expertise and financial strength, Cofle initiated an IPO on the EGM segment of Borsa Italiana. The strategic focus includes expanding product offerings, entering untapped markets, and pursuing M&A opportunities.



## The reference market

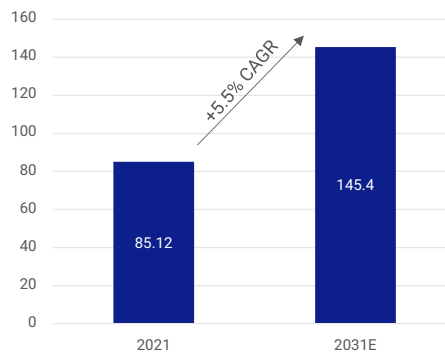
### Farm tractor Original Equipment Manufacturer Industry

Global farm tractors industry expected to grow at a 5.5% CAGR 2021-2031E

Cofle's OE division is focused on the agricultural and earthmoving machineries market.

Since 2016, the global farm tractors market grew constantly, even during the pandemic, where more than 1mln units of farm tractors have been sold (+5.2% yoy). In terms of units, the Industry is expected to grow at a 5.5% CAGR 2021-2031E, reaching an estimated value of \$145bn.

Figure 10: Global Farm Tractors Market (\$bn)



Source: Banca Profilo elaborations of Company Data (based on HNY Research)

Population dynamics and technological trend will drive the market

The main factors driving sector growth are:

- population expected increase from 7.9bn in 2021 to 9.7bn in 2050, which will stimulate food demand in next decades;
- rising mechanization, increasing productivity and efficiency requirements;
- commitment to reduce tractors pollution;
- crop production increase by 18% in the coming decade, from approximately 133.9 tonnes/hectares in 2021 to 158 in 2030;
- concerns about food poverty and malnutrition in developing countries;
- shorter tractor replacement cycle, from nearly 12 to 8 years;
- introduction of alternative fuels are likely to increase market growth;
- precision farming and increase in adoption of farm technology;
- labour migration.

New trends will also drive the OEM market

In addition, new trends will boost the demand in OEM:

- the European Stage V Regulation, aimed at reducing pollutant emissions from tractors. During this phase, tractor manufacturers have taken advantage from this regulation to renew their cabins;
- the consequences of the conflict in Ukraine, where Russian soldiers have been destroying or requisitioning the Country's tractors fleet, creating the conditions for a strong demand at the end of hostilities.

### Agricultural machineries registration

-12.9% farm tractors registration in 2023

In 2023, registrations of agricultural machinery in Italy (FederUnacoma based on data from Ministry of Infrastructure and Transport) were down by 12.9% yoy to 17.6k (vs 20.2k in 2022). The decline mainly affected medium power models, from 57 to 130 kW (-23%), while low power models from 20 to 56 kW (-5%) and ranges above 130 kW (-14%) recorded lower contractions.

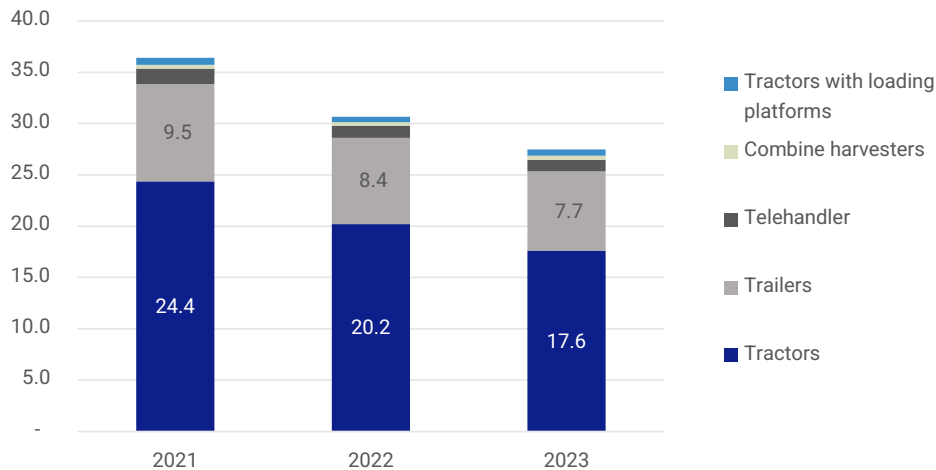
On the other hand, the 0-19kW class was up by 63% thanks to a recent amendment to the Highway Code that allowed non-professional operators to register agricultural machinery.

The reduction for other types of machines was less severe, with trailers down by 8.1% at 7,718 units and telehandler (-3.4%) at the rate of 1,141 units (40 less than in 2023). Conversely, combine harvesters and tractors with loading platforms were up by 10.2% and 15.9% respectively, but they only account for ~1k units.

**Used market shows demand is still strong**

Used machine registrations were up by 8.1% to 57.8k, showing an overall strong underlying demand and in line with 2022 levels, which is well above pre-pandemic levels.

**Figure 11: Agricultural machinery market in Italy**



Source: Banca Profilo elaborations on FederUnacoma

**Deere expects decline in net sales**

During its 1Q24 results presentation, John Deere commented that it expected fleet replenishment to moderate as agricultural fundamentals normalize from record levels in 2022 and 2023. For its FY24, net sales of Production & Precision Agriculture are seen down by 20% yoy, Small Agriculture & Turf are seen declining by 10-15% yoy and Construction & Forestry are expected to decrease by 5-10% yoy.

**Table 11: John Deere outlook for 2024**

Deere Segment	Net Sales
Production & Precision Ag	Down c20%
Small Ag & Turf	Down 10 to 15%
Construction & Forestry	Down 5 to 10%

Source: Deere & Company

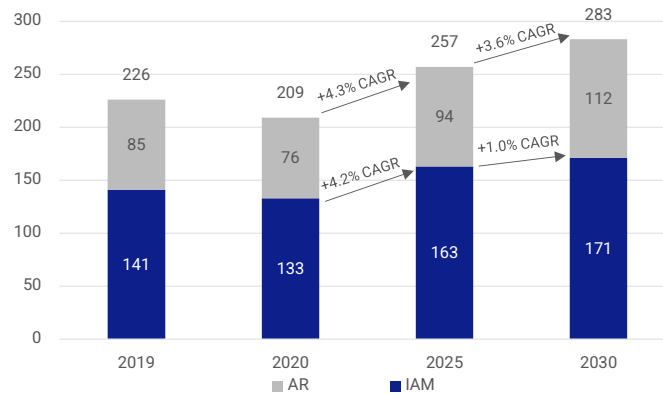
**Aftermarket Industry**

**Aftermarket Industry**

The Aftermarket industry is related to companies that operate in the production, distribution and selling of spare part and components for motor vehicles.

The aftermarket sector is made of i) independent aftermarket (IAM), repairers without contractual ties to one vehicle manufacturer and ii) authorized repairers (AR), which includes automakers, OEMs, and affiliated repair shops. Cofle is active in both sectors. According to a study from BCG, wolk and Clepa, after a contraction in 2020 due to the Covid outbreak, IAM is seen growing at 4.2% CAGR in 2020-25, slowing down to 1.0% CAGR in 2025-30. Similarly, AR IAM is seen growing at 4.3% CAGR in 2020-25, with a softer decline to 3.6% CAGR in 2025-30.

Figure 12: European Market Size Aftermarket (\$bn)



Source: Banca Profilo elaborations of Company Data (BCG, CLEPA, wolk)

**Growing and aging European car parc supports the aftermarket segment**

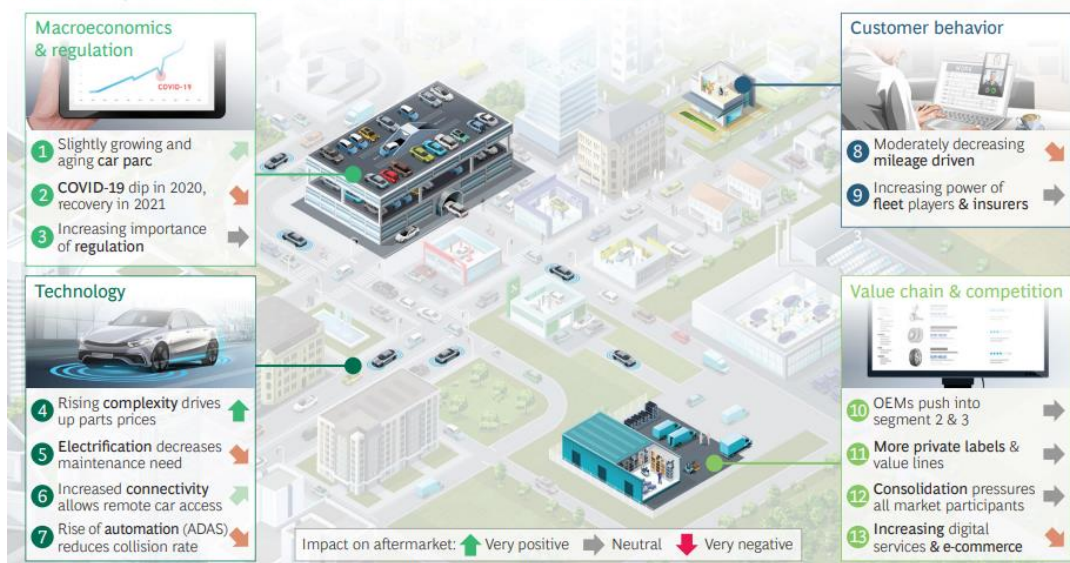
During the current decade several key trends will shape the aftermarket sector.

Main positive trends include:

- Growing and aging car parc in Europe;
- Higher price for parts due to the rising complexity of vehicles;
- Increased connectivity enables remote diagnostics and preventive maintenance services, though it will benefit AR at the expense of IAM.

Figure 13: European Aftermarkets trends

EXHIBIT 2 | 13 trends shape the European aftermarket until 2030



Source: At the Crossroads: The European Aftermarket in 2030 (BCG, CLEPA, wolk)

**4 challenges for the aftermarket sector**

Finally, the sector faces four significant challenges and negative trends:

- EV transition should reduce demand for replacements part as EV require less maintenance;
- Technological improvements reduce crashes and collisions, though they won't affect wear and tear items;
- Europe's mileage driven has been steadily declining since 2000;
- Increasing digital services & e-commerce.

## Listed comparable

<b>A sample of 8 listed companies</b>	There are no listed companies that can be considered as good as “comparable” to Cofle, for significant differences in terms of business model and company size. Starting from a wide list of Original Equipment Manufacturing and Aftermarket listed companies, we selected 9 “comparable” to Cofle: Brembo (Italy), Comer Industries (Italy), SAF Holland (Germany), SKF (Sweden), CIE Automotive (Spain), Kongsberg Automotive (Norway), Suprajit Engineering (India), Mayville Engineering Company (USA), and Meritor Inc. (USA).
<b>Brembo (Italy)</b>	Brembo is the world leader and acknowledged innovator of brake technology for automotive vehicles. Brembo supplies high performance brake systems for the most important manufacturers of cars, commercial vehicles, and motorbikes worldwide, as well as clutches and other components for racing.
<b>Comer Industries (Italy)</b>	Comer is the leading global player in the design and manufacture of advanced engineering systems and mechatronics solutions for power transmission. The Company operates in the agricultural and industrial machinery sectors. In the field of Agriculture, it deals with applications for machines for the preparation and application of the soil, while in the industrial sector for construction machines, mines and others. The main products are related to transmissions (gearboxes, reducers, multipliers and both angular and parallel axis transmissions).
<b>SKF (Sweden)</b>	SKF is a leading global supplier of products, solutions and services within bearings, seals, lubrication systems and services. It operates through the divisions Industrial and Automotive. The Automotive segment provides a range of products, solutions, and services to manufacturers of cars, light trucks, heavy trucks, trailers, buses, two-wheelers, and the vehicle aftermarket.
<b>Kongsberg Automotive (Norway)</b>	Kongsberg Automotive engages in the development, manufacture, and trade of components, accessories, and spare parts. The Company has two divisions, Powertrain & Chassis and Specialty Products. The first provides cable controls, shift systems, clutch actuation systems, vehicle dynamics, shift cables, and shift towers for transmissions. The second is focused on fluid handling systems for both the automotive and commercial vehicle markets, coupling systems for compressed-air circuits in heavy-duty vehicles, agriculture, outdoor power equipment and power electronics products.
<b>Suprajit Engineering (India)</b>	The Suprajit Group is a global leader in the automotive cable and halogen bulb industry. With a competitive manufacturing base in India, UK, US and Mexico, the Group provides the optimal product development and manufacturing solutions to its domestic and international customers. Suprajit today has carved a niche for itself as a pioneer in the design and manufacture of Mechanical Control Cables and is recognized as India’s largest cable maker and worlds largest in the two-wheeler cable market.
<b>Mayville Engineering Company (United States)</b>	Mayville Engineering Company (MEC) engages in the manufacturing of metal components. The firm offers a broad range of prototyping and tooling, production fabrication, coating, assembly, and aftermarket components. Its customers operate in a diverse end market, including heavy- and medium-duty commercial vehicle, construction, powersports, Agriculture, military, and other end markets.
<b>SAF Holland (Germany)</b>	Following the acquisitions of Haldex by SAF Holland, we include the latter in our sample. SAF Holland is a manufacturer of chassis-related systems and components such as axle and suspension systems, primarily for trailers and semi-trailers, but also for trucks and buses.
<b>CIE Automotive (Spain)</b>	CIE Automotive is a supplier of components, assemblies, and sub-assemblies for the global Automotive market, using complementary technologies and various associated processes.

**Table 12: Main similarities and differences with listed peers**

Company	Similarities	Differences
Brembo	Active in the Automotive market, with a particular focus on brakes	Agriculture sector not addressed, portfolio focused on brakes
Comer Industries	Italian and active in the Agricultural market	Not active in the Automotive, products mainly relate to transmission systems
SKF	Both OEM and Aftermarket Industry	Focus on rotating equipment
Kongsberg Automotive	Both OEM and Aftermarket Industry	Mainly Automotive
Suprajit Engineering	Mainly active in cable production	Main reference market is India
Mayville Engineering	Both OEM and Aftermarket Industry	Revenues are only from US market
SAF Holland	Both OEM and Aftermarket Industry	Mainly active in the Truck Industry, smaller presence in the Agricultural segment
CIE Automotive	Diversified portfolio	Mainly Automotive, little presence in the Agricultural segment

*Source: Banca Profilo research*

**Cofle**  
**"ID Card"**

 Recommendation  
**BUY**

 Target Price  
**11.9 €**

 Upside  
**107%**
**Company Overview**

Cofle is an international Original Equipment Manufacturer of control cables and remote-control systems for farming machines, earthmoving machines and, to a less extent, for luxury cars and commercial vehicles. It is a fully integrated company: its value chain includes the co-engineering with customers, pricing and prototyping, orders intaking, production and delivery. In the OE division there is no product catalogue as Cofle branded equipment is built in-house according to customer's needs. The IAM unit, which products range from brake cables to EPB systems, launches over 200 new products a year. With a global footprint spanning Italy, Turkey, India, Brazil and China, Cofle boasts a workforce of more than 500 employees. Key competitive advantages include fully integrated value chain, established local presence in Turkey and India, and expertise in farm equipment.

**SWOT Analysis**
**Strengths**

- Multinational Company
- Strong commitment in eco-sustainable practices
- Strongly investing on corporate culture, brand awareness and innovative marketing
- Wide portfolio of patented products
- Geographically diversified production
- Top end customers
- Production plants close to its customer
- Focus on innovation and R&D
- Long-lasting client relationships

**Opportunities**

- Large potential in Eastern Europe addressable markets for both OEM and AM segments
- Expansion through Cofle France in France, Spain, Portugal, Maghreb and Benelux
- Only at the beginning of international scalability
- OEM Expansion into Luxury Automotive & Light Commercial Vehicles
- Growth through M&A
- Production capacity expansion
- Major technological upgrade involving farm tractors in the next decade

**Weaknesses**

- Revenue concentration by client
- Slow process of digitalization
- Exposure to Turkey

**Threats**

- Intensifying competition within large manufacturers
- High growth rates could lead to cost management issues
- Internalization of Cofle process by its main customer
- Cannibalization risk of products under Cofle's brand and Thirty-Party brand

**Main catalysts**

- 👍 Entry in the market of electronic components for off-road vehicles
- New demand from European Regulation and Ukrainian market
- Creation of ITG Turkey to export Italian design and know-how and to be aware of new trends in tractors engineering
- Upgrading logistics to reduce the time to market
- Leveraging on its production plants to serve the promising high growth in foreign markets
- M&A deals to expand the offering range

**Main risks**

- 🚩 Impact of the war in Ukraine on Cofle's key customers
- Increase in the price of raw materials
- Tensions on supply chain
- Absorption of high inflation in Turkey on costs
- Failure to intercept new demand coming from European Stage V Regulation and Ukrainian market
- Intensifying competition within large manufacturers
- Cost management issues due to the expansion of business and penetration of new markets

## Cofle "ID Card"

Recommendation

**BUY**

Target Price

**11.9 €**

Upside

**107%**

### Main Financials

(€/mln)	2022	2023	2024E	2025E	2026E
<b>Total revenue (VoP)</b>	<b>58.0</b>	<b>64.1</b>	<b>65.6</b>	<b>72.2</b>	<b>77.9</b>
yoy (%)	4.6%	10.6%	2.4%	10.0%	8.0%
<b>EBITDA</b>	<b>12.0</b>	<b>9.9</b>	<b>10.5</b>	<b>11.8</b>	<b>12.8</b>
margin (%)	20.6%	15.5%	16.0%	16.3%	16.5%
<b>Adj. EBITDA</b>	<b>13.0</b>	<b>11.5</b>	<b>11.5</b>	<b>12.8</b>	<b>13.9</b>
margin (%)	22.4%	17.9%	17.6%	17.7%	17.8%
<b>EBIT</b>	<b>8.4</b>	<b>6.7</b>	<b>7.1</b>	<b>8.4</b>	<b>9.5</b>
margin (%)	14.6%	10.5%	10.8%	11.6%	12.2%
<b>Group net profit</b>	<b>2.3</b>	<b>0.4</b>	<b>1.4</b>	<b>3.8</b>	<b>4.5</b>
margin (%)	3.9%	0.6%	2.1%	5.2%	5.7%
<b>Net debt (cash)</b>	<b>(0.2)</b>	<b>5.1</b>	<b>8.7</b>	<b>9.0</b>	<b>7.7</b>
Net debt (cash) reported	(0.8)	5.0			
Shareholders Equity	29.6	29.2	27.7	30.3	33.1
Net Working Capital	19.8	18.9	20.5	22.4	24.0
Capex and acquisitions	(3.0)	(8.5)	(4.0)	(4.5)	(3.0)
Free Cash Flow	3.8	0.0	3.2	3.4	5.9

### Revenue breakdown by business unit

	2022	2023	2024E	2025E	2026E
OE	38.8	41.0	41.0	45.1	48.7
IAM	16.6	19.6	21.9	24.1	26.0

### Financial and Operative ratios

	2022	2023	2024E	2025E	2026E
Tax rate	42%	43%	40%	40%	40%
ROIC	17%	11%	12%	13%	14%
ROE	9%	3%	6%	14%	16%
Days Sales Outstanding	84	66	70	70	70
Days Payables Outstanding	144	147	143	143	143
Capex/Sales	5%	13%	6%	6%	6%
Current ratio	6.4	2.2	2.5	3.1	3.7

Source: Bloomberg, Banca Profilo estimates and elaborations

### Company Description

Company Sector	Auto Parts & Equipment
Price (€)	5.75
Number of shares (mln)	6.2
Market Cap (€ mln)	35.4
Reference Index	FTSE ITALIA GROWTH
Main Shareholders	Valfin S.r.l.
Main Shareholder stake	78.4%
Free Float	16.5%
Daily Average Volumes (30D)	6,321
Sample of comparables	Brembo, Comer Industries, SKF, Kongsberg Automotive, Suprajit Engineering, Mayville Engineering, SAF Holland, CIE Automotive

### Data of peers

	2022	2023	2024E	2025E
Sales Growth (yoy)	35%	8%	1%	6%
EBITDA Margin	13%	13%	14%	15%

Average data

### Multiples of peers

	2023	2024	2025	12M
EV / EBITDA	9.2x	6.8x	6.1x	9.5x

### Solvency Ratios

	2022	2023	2024E	2025E	2026E
Net debt (cash) / EBITDA	(0.0)x	0.2x	0.3x	0.3x	0.2x
Net debt (cash) / Equity	(0.0)x	0.5x	0.8x	0.8x	0.6x



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