

Company:	Rating:	Target Price:	Sector:
Cofle	BUY	Under Review	Auto Parts & Equipment

## 1H23 results: first take

### Revenue growth driven by OEM

Cofle reported its 1H23 results: consolidated revenues were up by 8% yoy to €29.7m, OEM turnover increased by 10% yoy to €20.4m, while Aftermarket sales were up by 5% yoy to €9.3m thanks to new commercial strategies in the Eurozone and Eastern Europe. OEM increased its weight on total revenue from 68% in 1H22 to 69% in 1H23. Final revenue figures (€29.7m) were 8% lower compared to unaudited pre-release figure from July (€32.2m).

1H23 Total revenues (VoP) were €30.8m and 49% on our FY23 estimate (€63m) [Please refer to our Company Update on 28 April 2023], thus still on track to reach our estimates if compared to 1H22/FY22 (50%).

### Margin contraction due to higher labor cost

Adjusted EBITDA was €5.4m, declining by 21% yoy with EBITDA margin losing 6pp to 18% driven by higher labour cost (+20% yoy) in Turkey due to collective bargaining coming from inflation adjustments. Our FY23E EBITDA adjusted margin estimate stands at 21%, and ~2pp below 2022 level; so the margin decline is larger than our forecast.

EBIT came in at €2.7m declining by 44% yoy, while group net profit was €0.6m falling by 79% yoy. The bottom line was negatively affected by ~€1.8m of charges related to hyperinflation in Turkey, which were not applied in 1H22 but only in 2H22.

### New investments operational by 2024

At the end of June 2023, net debt increased to €3.3m from €-0.2m (cash positive) at the end of 2022, driven by higher investments levels at €4.8m. The latter included €1.2m for the new logistics plant in Italy as well as €1.5m for new production department in Turkey to increase production capacity and internalize production of electrical components. Investments are expected to become operational by 2024.

### Valuation: BUY confirmed; 12-month target price Under Review

Cofle currently trades at 5.2x EV/EBITDA 23-24, which represents a discount compared to peers despite its higher margins. Market multiples increased to 6.4x compared to 6.3x in our last Company Update [Please refer to our Company Update on 28 April 2023].

While revenue figures are still on track to reach our FY23E, marginality contracted more than our forecast following higher labor cost while hyperinflation charges squeezed profitability. Given the current market price (€10.5) we maintain our BUY recommendation but put our TP Under Review for estimates revision reflecting lower marginality and to update our DCF and multiple-based valuation [Please refer to our Company Update on 28 April 2023].

September 29, 2023 at 18:00

Company Profile				
Bloomberg				CFL IM
FactSet				CFL-IT
Stock Exchange				Italian Stock Exchange
Reference Index				FTSE Italia Growth
Market Data				
Last Closing Price				10.5
Number of shares (mln)				6.2
Market cap. (mln)				64.6
1Y Performance				
Absolute				-21%
Max / Min				13.3 / 10.4
(€mln)				
	1H22	2022	1H23	2023E
Total revenue (VoP)	28.8	58.0	30.8	63.0
yoy (%)	0%	5%	7%	9%
Adj. EBITDA	6.8	13.0	5.4	13.0
margin (%)	24%	22%	18%	21%
EBIT	4.8	8.4	2.7	8.3
margin (%)	17%	15%	9%	13%
Group Net Profit	3.0	2.3	0.6	4.6
margin (%)	10%	4%	2%	7%
Net Debt reported	(0.2)	(0.2)	3.3	0.5
Sh. Equity	27.4	29.6	27.4	31.2
Capex	(2.1)	(2.4)	(4.8)	(5.5)


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## SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Multinational Company</li> <li>• Strong commitment in eco-sustainability</li> <li>• Strongly investing on corporate culture, brand awareness and innovative marketing</li> <li>• A wide portfolio of patented products</li> <li>• Geographically diversified production</li> <li>• Top end customers</li> <li>• Focus on innovation and R&amp;D</li> <li>• Distinctive Know-How</li> <li>• Resilience to global recession</li> <li>• Long-lasting client relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue concentration by client</li> <li>• Slow process of digitalization</li> <li>• High correlation between Automotive and Covid-19 crisis</li> </ul>
OPPORTUNITY	THREATS
<ul style="list-style-type: none"> <li>• New demand from the EU release of constraints on agricultural land</li> <li>• Large potential in Eastern Europe for both OEM and Aftermarket segments</li> <li>• Strategically positioned to boost long term expansion</li> <li>• Only at the beginning of international scalability</li> <li>• OEM Expansion into Luxury Automotive &amp; Light Commercial Vehicles</li> <li>• Growth through M&amp;A</li> <li>• Production capacity expansion</li> <li>• Major technological upgrade involving farm tractors in the next decade</li> </ul>	<ul style="list-style-type: none"> <li>• Intensifying competition within large manufacturers</li> <li>• High growth rates could lead to cost management issues</li> <li>• Internalization of Cofle process by its main customer</li> <li>• Cannibalization risk of products under Cofle's brand and Third-Party brand</li> </ul>

# The reference market

## The Original Equipment Manufacturer Industry

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

Cofle’s main end market in the OEM segment is the agricultural and earthmoving machinery. 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), of which 150k installing Cofle’s systems. In terms of units, the Industry is expected to grow at a 5.5% CAGR 2021-2031E, reaching an estimated value of \$145bn.

**Population dynamics and technological trend will drive the market**

The main factors driving sector growth are:

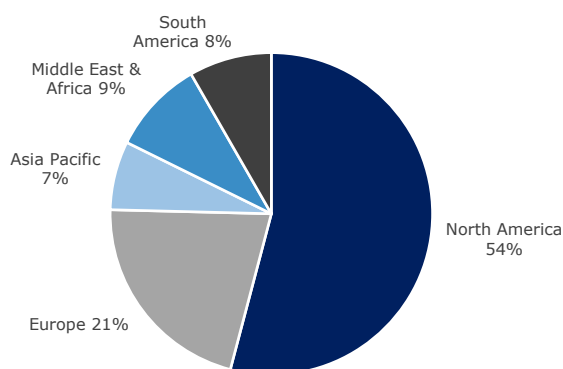
- population increase from 7.9bn in 2021 to about 10bn in 2050, which will stimulate food demand in next decades;
- rising mechanization and increasing productivity and efficiency requirements;
- commitment to reduce tractors pollution;
- crop production increase by 18% in the coming decade, from approximately 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;
- the introduction of alternative fuels that 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:

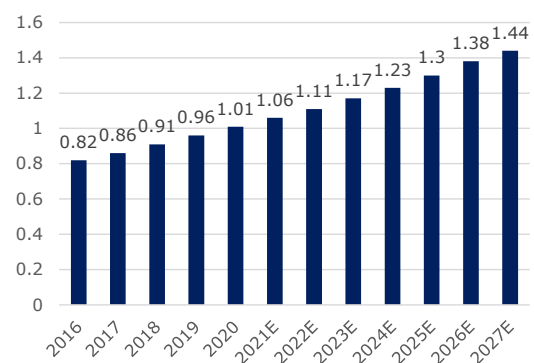
- the European Stage V Regulation, aimed at reducing pollutant emissions from tractors. During this phase, tractor manufacturers have taken advantage from this regulation to renew their cabins;
- the consequences of the conflict in Ukraine, where Russian soldiers have been destroying or requisitioning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

**Figure 1: 2021 global tractor market shares**



Source: Banca Profilo elaborations on Farm Tractor Market: Global Industry Analysis and Forecast (2022-2029)

**Figure 2: Global Farm Tractors Market Forecast (mln units)**



Source: Banca Profilo elaborations on "Farm Tractors - Global Market Trajectory & Analytics" data

**Central European Agricultural Machinery expected**

The Western and Central Europe Agricultural Machinery is projected to grow significantly driven by the extensive government support for farm mechanization, moreover, given the rapid

to grow 4.3% CAGR  
21-30E

urbanization, which reduces arable land, governments are taking initiatives to help farmers extract more output from their land.

Market research points to a 3.4% CAGR in 21-30E in Western Europe and to a 4.3% CAGR in 21-30E in Central Europe. Germany is one of the largest markets: the country generates more than 27% of agricultural machinery and equipment components manufactured in Europe. Other big markets are UK where, in terms of value, the sales of tractors, coupled with the accessories, account for almost half of the expenditure of the farmer, and France, which has been a pioneer in mechanizing the Agriculture sector.

Agriculture in the European Union has traditionally been a labour-intensive sector, characterized by a higher number of seasonal immigrant workers moving to farm fields in the member states. However, an acute shortage of farm labour has currently surfaced on the farm fields in the Region: with the availability of advanced technology, coupled with the declining availability of farm labour, farmers are shifting toward the use of tractors in Agriculture, as they aid in saving time and resources, decrease costs, and enhance productivity.

China's tractor  
industry should show  
the largest growth

China's tractor industry is forecasted to grow at a 5.8% CAGR 2022-2027E.

Figure 3: 2021 global tractor market shares



Source: Banca Profilo elaborations on Mordor Intelligence data

Farm tractors: a very  
concentrated industry

The agricultural tractors market is highly concentrated, with very few players holding most of the market share. New product launches, partnerships, and acquisitions are main strategies for growing globally. Along with innovations and expansions, investments in R&D and developing novel product portfolios are likely to be crucial for the coming years. Main end-market players are key Cofle's costumers.

Global wheat  
production seen at  
782mln tons in 2022,  
impacted by the  
conflict

In 2022, global wheat production is seen at 782mln tons, below previous estimates of 784mln tons, mostly because of persistent drought in the US. Outlook for Ukraine is unchanged at "below-average-level" and the conflict is likely to reduce the harvested area by at least 20%. Due to the consequences of the conflict, Europe decided to release the constraints on unused agricultural land for the production of cereals and protein crops: this will potentially unlock 4mln hectares in Europe, of which 200k in Italy, and is likely to stimulate demand for agricultural mechanization.

OEM's Automotive-  
related market is  
expected to increase  
at 4.7% CAGR22-30E

A small part of Cofle's OEM business relates to the Automotive market. This Industry is estimated to grow to \$48.6bn by 2030 at a 4.7% CAGR. Automotive OEMs are those manufacturers active in the production of high quality and finest components and devices for vehicles. These parts are used during the assembly and manufacturing of the vehicle.

## The Aftermarket Industry

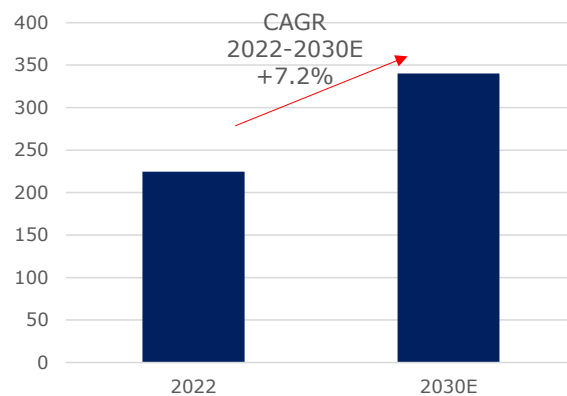
**Aftermarket Industry to grow at 7.2% CAGR 22-27E**

The Aftermarket industry is related to companies that supply goods after remanufacturing, retailing, and distribution. Typically, it is a secondary market where goods, accessories, spare parts, and second-hand equipment are supplied. Automotive is one of the growing industries within the Aftermarket: global Automotive aftermarket size was worth \$224.5bn in 2021 and it is expected to expand at a 7.2% CAGR 2022E-2027E.

The market is driven by:

- focus on environmental sustainability, with demand for catalytic converters and electronic chips to improve fuel economy;
- the pursuit of automobile drivers to enhance their vehicle performance in terms of exhaust sound, speed, and appearance parameters along with many other aspects;
- the increasing miles record driven by growing vehicle population;
- the massive amount of vehicle maintenance that goes unperformed each year that is valued at almost \$60 billion.

**Figure 4: Automotive Aftermarket market growth (\$bn)**



Source: Banca Profilo elaborations on Global Automotive Aftermarket Market Research Report – Demand Analysis & Opportunity Outlook 2027

**New factors involved in the market**

Some new factors will also impact this market in upcoming years, such as:

- the increase in commodity prices, such as steel, plastic, silicon and aluminium;
- the impact of the conflict in Ukraine, which may cause supply shortage and push market sentiment towards caution;
- the increase in the average age of the automotive fleet (-1.5% of new passenger cars in European market in 2021), supporting the demand for spare parts.

## Cofle's competitive arena

**A sample of 8 listed companies**

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 firstly conducted a comparative analysis based on four main macro-categories: business model, product range, international brand awareness and positioning and company size. Secondly, we concentrated on growth prospects, cash generation and debt leverage. Based on these results, 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).

**Brembo (ITA)**

FY22: revenue  
€3.6bn; EBITDA  
margin 16.8%

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. Brembo is also a leader in the racing sector and has won more than 500 championships. Today the company operates in 15 countries on 3 continents, with 26 production and business sites, and a pool of over 11,000 employees, about 10% of whom are engineers and product specialists active in the R&D.

Main similarities between Cofle and Brembo:

- Brembo is Italian and it is active in the Automotive market, with a particular focus on brakes.

Main differences:

- Brembo does not address to the Agriculture sector; its main product are brakes whereas Cofle has a wider range of offering.

**Comer Industries (ITA)**

FY22: revenue  
€1.2bn; EBITDA  
margin 14.5%

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).

Main similarities between Cofle and Comer:

- Comer is Italian and it is active in the Agricultural market.

Main differences:

- Comer is not active in the Automotive, its products mainly relate to transmission systems.

**SKF (SWE)**

FY22: revenue  
SEK96.9bn; EBITDA  
margin 12.8%

SKF is a leading global supplier of products, solutions and services within bearings, seals, lubrication systems and services. Working to reduce friction, make things run faster, longer, cleaner, and more safely. Doing this in the most effective, productive, and sustainable way contributes to our vision of a world of reliable rotation.

SKF engages in the manufacture of machine and rotating equipment. It operates through the Industrial Market and Automotive Market business segments. The Automotive Market 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.

Main similarities between Cofle and SKF:

- SKF is active in both OEM and Aftermarket Industry.

Main differences:

- SCK focuses on rotating equipment

**Kongsberg Automotive (NOR)**

FY22: revenue  
€906mln; EBITDA  
margin 10.8%

Kongsberg Automotive engages in the development, manufacture, and trade of components, accessories, and spare parts. It operates through the following segments: Interior, Powertrain & Chassis Products, and Specialty Products. The Interior segment involves in the development and delivering of seat comfort and climate solutions. The Powertrain & Chassis Products segment develops and manufactures powertrain systems and chassis related products for heavy and light duty vehicles including, gearshift systems for automatic and manual transmissions, clutch actuation, and advanced vehicle dynamics. The Specialty Products segment provides driver control and fluid handling systems for commercial vehicles and passenger cars, as well as innovation products and software.

Main similarities between Cofle and Kongsberg:

- Kongsberg Automotive is active both in the OEM and Aftermarket Industry.

Main differences:

- Kongsberg's end market is mainly Automotive

**Suprajit Engineering (IN)**

**FY22: revenue INR18.3bn; EBITDA margin 16.5%**

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. As a part of its strategic expansion into Non-Automotive-Cables and Controls market, Suprajit acquired Wescon Controls Inc USA in 2015 and has also diversified into Automotive Lighting business through acquisition of Phoenix Lamps Limited in 2014.

Main similarities between Cofle and Suprajit:

- Suprajit is mainly active in cable production.

Main differences:

- Suprajit main reference market is India.

**Mayville Engineering Company (US)**

**FY22: revenue \$539mln; EBITDA margin 11.3%**

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.

Main similarities between Cofle and Mayville:

- MEC is active both in the OEM and in the Aftermarket Industry with a diversified portfolio.

Main differences:

- Mayville revenues are only from US market.

**SAF Holland (GER)**

**FY22: revenue €1.6bn; EBITDA margin 9.3%**

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.

Main similarities between Cofle and SAF:

- SAF is active both in the OEM and in the Aftermarket Industry with a diversified portfolio.

Main differences:

- SAF is mainly active in the Truck Industry with little presence in the Agricultural segment.

**CIE Automotive (SPA)**

**FY22: revenue €3.8bn; EBITDA margin 16.4%**

CIE Automotive is a supplier of components, assemblies, and sub-assemblies for the global Automotive market, using complementary technologies and various associated processes.

Main similarities between Cofle and CIE:

- CIE Automotive has a diversified portfolio.

Main differences:

- CIE is mainly active in the Automotive Industry with little presence in the Agricultural segment.

## Market multiples

A sample of 8 peers for business similarity

We provide the updated multiples table, compared to our latest research [*Please refer to our Company Update on 28 April 2023*], the sample average EV/EBITDA 23-24 increased to 6.4x. Cofle trades at a discount compared to its peers.

**Table 11: Sample EV/EBITDA**

Company	EV / EBITDA		
	2022	2023E	2024E
Brembo SpA	7.4x	6.5x	6.1x
Comer Industries SpA	5.6x	4.9x	4.6x
SKF AB	7.7x	5.7x	5.7x
CIE Automotive SA	6.8x	6.1x	5.7x
Kongsberg Automotive ASA	3.1x	5.3x	4.5x
Suprajit Engineering Ltd	17.6x	14.5x	11.7x
Mayville Engineering Co Inc	5.7x	5.3x	4.5x
SAF-Holland SE	7.4x	5.4x	5.4x
<b>Mean</b>	<b>7.7x</b>	<b>6.7x</b>	<b>6.0x</b>
<b>Median</b>	<b>7.1x</b>	<b>5.6x</b>	<b>5.6x</b>
Cofle SpA	5.6x	5.6x	4.8x

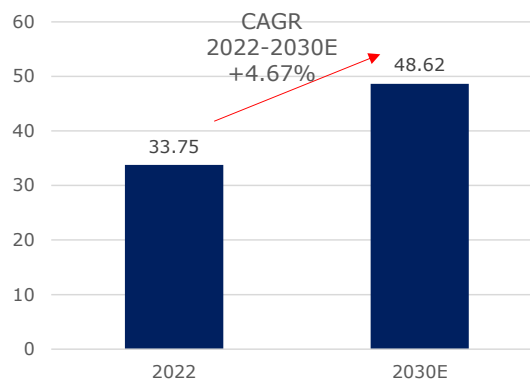
Source: Banca Profilo estimates and elaborations on Bloomberg (as of September 29<sup>th</sup>, 2023)

**Table 11: Sample EBITDA margin and Revenue Growth**

Company	EBITDA margin			Sales Growth		
	2022	2023E	2024E	2022	2023E	2024E
Brembo SpA	16.8%	17.4%	17.8%	30.7%	10.1%	4.5%
Comer Industries SpA	14.5%	16.4%	16.6%	106.9%	2.5%	4.3%
SKF AB	12.8%	15.7%	15.8%	18.6%	9.4%	-0.4%
CIE Automotive SA	16.4%	17.6%	18.1%	24.1%	4.7%	4.5%
Kongsberg Automotive ASA	10.8%	5.6%	6.1%	8.3%	10.5%	7.9%
Suprajit Engineering Ltd	17.1%	13.8%	15.6%	11.9%	50.2%	10.7%
Mayville Engineering Co Inc	11.3%	10.9%	11.7%	18.6%	10.5%	8.9%
SAF-Holland SE	9.3%	9.8%	10.4%	25.6%	30.7%	-6.6%
<b>Mean</b>	<b>13.6%</b>	<b>13.4%</b>	<b>14.0%</b>	<b>30.6%</b>	<b>16.1%</b>	<b>4.2%</b>
Cofle SpA	22.4%	21.0%	21.0%	6.1%	9.3%	11.8%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of September 29<sup>th</sup>, 2023)



**Figure 5: Automotive OEMs market growth (\$bn)**

*Source: Banca Profilo elaborations on Global Automotive Original Equipment Manufacturer (OEMs) Market – Industry Trends and Forecast to 2030*

### Europe leads the Automotive OEM's market

Automotive OEM's growth will be driven by

- rapid technological products upgrade;
- need of light-weighted fuel-efficient advanced OEM parts amid presence of stringent regulations for fuel efficiency and vehicle emissions;
- Government incentives, high disposable incomes in developing countries and easy availability of raw materials;
- the increase in automotive production across emerging economies, associated with the high demand for luxury and hybrid vehicles;
- the rapid technological advancements and high demand for batteries due to increased focus on innovation in automotive parts as well as high demand for filters from diesel engine vehicles.

### New trends adding to historical mega trends in Europe OEM

In addition, other new factors are expected to drive this market in the years to come:

- the rapid tech evolution and increasing demand for batteries coming from intensifying focus on automotive parts automation;
- high demand for filters addressed to diesel engine vehicles;
- rapid rise in the European demand for passenger cars and commercial vehicles outfitted with advanced brake technologies;
- increase in in Asia-Pacific vehicles demand.

However, the market of Automotive OEM has certain limitations which are expected to obstruct its potential growth, including high cost of OEM parts and components and the presence of counterfeit OEM products.

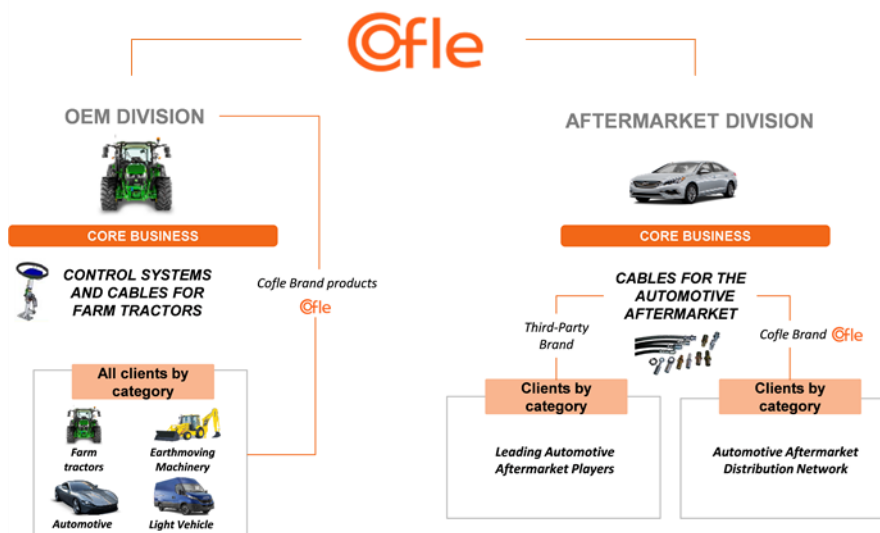
## Appendix: Overview and business model

### A multinational company leading OEM and AM market segments

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

Cofle is a multinational company operating both in the Original Equipment Manufacturers (OEM) for top worldwide manufacturers of agricultural & earthmoving machineries, luxury automotive and light commercial vehicles, and in the Aftermarket (AM), specialized in the production of automotive aftermarket parts on a global scale.

Figure 6: Cofle's business model overview



Source: Banca Profilo elaborations on Company data

### Original Equipment Manufacturer business model

OEM includes three product categories: Control Systems, Cables and others

Cofle's Original Equipment Manufacturers division offers three wide product categories:

- Control Systems: a wide range of customized control systems covering every industrial application (from agricultural to earthmoving machineries), including:
  - Joysticks
  - Power shuttles
  - Speed reverse controls
  - PTOs
  - Spool valves
  - Brake levers
  - Pedals
  - Gearshift systems
- Cables: wires and sheaths in-house by using state-of-art technologies and 3D control systems. Cables may be split up according to the following categories:
  - Pull Cables: brake cables, clutch cables, accelerator cables, others;
  - Push Cables: Transmission shift cables, valves cables, PTO cables, others.
- Others: further products according to customers' requests, including
  - Steering columns and motion driving systems
  - Die castings
  - Sheetmetals

- Plastics

OEM fully integrated value chain for highly tailored made products

OEM products are meant to be highly customized to meet the challenging requirements of top clients. Standardization is minimal enough to allow cost efficiency

Figure 7: Cofle's OEM value chain



Source: Banca Profilo elaborations on Company data

1 to 3 years to develop high distinctive customized products

Production and delivery to clients take place at a global scale: once Cofle is involved in a project as the Original Equipment Manufacturer (OEM), the Group becomes the client's global supplier. An OEM project usually takes from 1 to 3 years, due to the highly distinctive know-how involved.

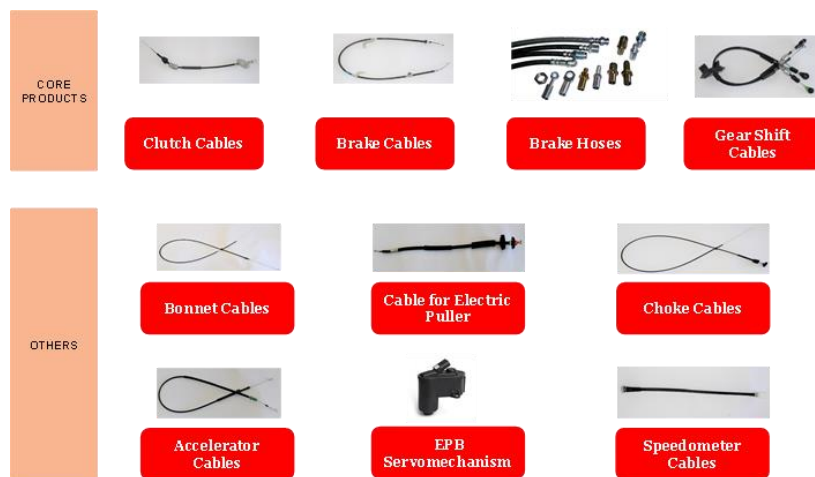
**Aftermarket business model**

Aftermarket: highly standardized products

Opposite to OEM, Aftermarket products are meant to be highly standardized and serve both leading AM players under third-party brands, as well as large distributors under Cofle's. The AM catalogue offers more than 7,000 solutions, to meet customer needs. The four main Cofle's products are:

- Clutch cables;
- Brake cables;
- Brake hoses;
- Gear shift cables.

Figure 8: Cofle's Aftermarket core products



Source: Banca Profilo elaborations on Company data

From reverse-engineering to products catalogue expansion

The Aftermarket division works as a push strategy business with a short-term time-to-delivery approximately equal to 3-4 weeks from picking and packaging to delivery.

Cofle's Aftermarket R&D department is responsible for the reverse-engineering activities focused on the latest models of automobiles.

In the reverse-engineering process Cofle’s Aftermarket R&D department perform a detailed analysis on the original product, to understand the technical characteristics, the raw material utilized and the quality of the product. Given its vast experience, Cofle’s R&D department is often able to provide upgrades and improvements even on the original product.

In the next phases, Cofle estimates the final cost of production and carries out a benchmark pricing survey to make the final decision on pricing (the latter being highly impacted by the price of original products).

In the last two phases, Cofle launch the production and catalogue update to expand the range of available products serving both top aftermarket players (third-party brand on the final product usually subject to a validation process by the client) as well as large aftermarket distributors (Cofle brand on the final product usually without any validation process by the client).

**Figure 9: Cofle’s Aftermarket value chain**



Source: Banca Profilo elaborations on Company data

**Shareholders’ structure after IPO**

Cofle: 78.4%  
Barbieri’s family

Cofle was listed on the Euronext Growth on November the 11<sup>th</sup>, 2021 at €13/share. The share capital is represented by 6,153,276 shares with 21.6% free float, including the anchor investors (Smart Capital and Palladio) which own 310,608 shares.

Barbieri’s Family owns the remaining 78.4% through its holding Valfin Srl. In details, Walter Barbieri, Chairman and CEO, holds 70% of Valfin through Finan.co Srl whereas Alessandra Barbieri, global Head of Communication and Marketing and Investor Relator Manager, owns 30% of the holding.

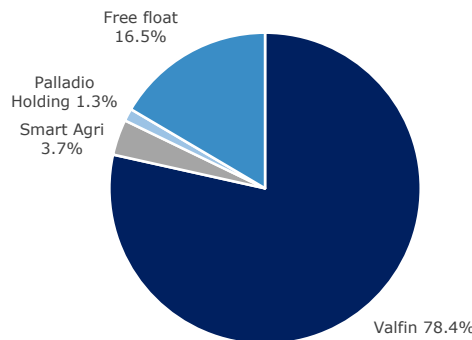
24 months lock up period

Shareholders have a 24 month lock up period since the start of negotiations (November 11<sup>th</sup>, 2021).

Warrant distribution

The Company issued 1 free warrant each 4 stocks for investors upon the IPO. Following the amendment of the Warrant rules, there are 2 remaining Warrant exercise periods. The Second Exercise Period (2 November 2023 to 30 November 2023) at €14.95 (IPO price +15%) and the Third Exercise Period (4 November 2024 to 29 November 2024) with at €16.90 (IPO price +30%).

**Figure 10: Cofle’s shareholders’ structure post-IPO**



Source: Banca Profilo elaborations on Company data

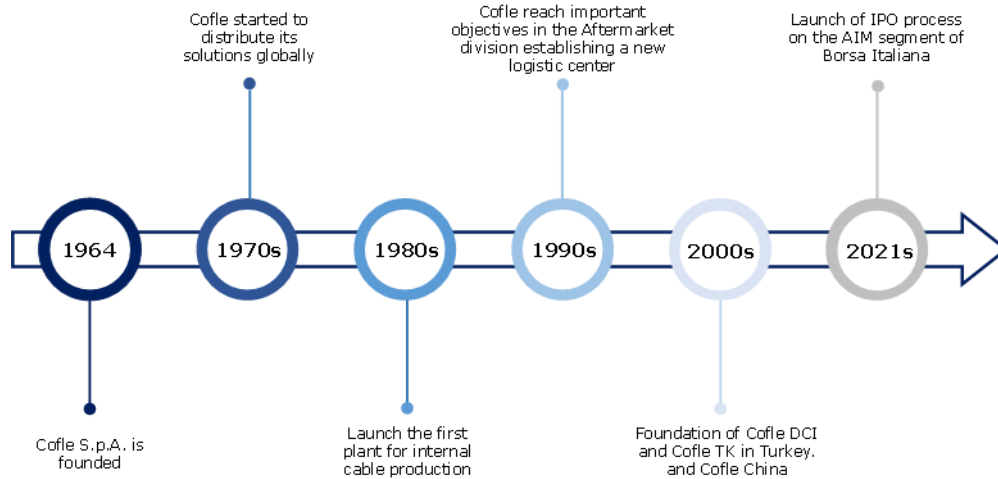
<b>Use of proceeds</b>	<p>The IPO proceeds will be used to expand production and logistic capacity on a global scale, for R&amp;D and M&amp;A.</p> <p>More in details:</p> <ul style="list-style-type: none"> <li>• Production capacity expansion (10%-20% of IPO proceeds) in India by investing in new production lines and machineries to achieve market positioning as local supplier and acquire share in a highly promising market;</li> <li>• Strategic logistics (10%-20% of IPO proceeds): an OEM logistic centre in Italy to serve top costumers, demanding high volumes and fast time to delivery; reduction of time to market in AM below 4 weeks;</li> <li>• R&amp;D (10%-20% of IPO proceeds): investing in innovation to launch new mechatronic systems (high value-added products) further improving the excellence standard in OEM;</li> <li>• Digital transformation (5%-10% of IPO proceeds): IT systems upgrade, business intelligence and data analysis;</li> <li>• Commercial network (5%-10% of IPO proceeds) expansion mainly in AM.</li> </ul> <p>Moreover, the Company has planned to grow through M&amp;A:</p> <ul style="list-style-type: none"> <li>• in the OEM with the aim to quickly penetrate the field of electronic components for off-road vehicles. Cofle has already identified one target Company, with some €10mln revenues, and will try to close the deal within 2022;</li> <li>• in the AM, to increase market share and expand the products range. The scouting phase is on-going.</li> </ul>
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## Company's history

<b>1964 – Cofle's origin</b>	In 1964 Bruno Barbieri founded Cofle, introducing an innovative way in manufacturing Control Cables for the Automotive Industry. The first production line was OEM for the most important Italian brands.
<b>1970s – beginning of global sales</b>	During the 70's the Company grew rapidly, moving into a new manufacturing plant. The Automotive control cables range, as well as the systems for Agricultural and Earth Moving Machines, are greatly extended. Moreover, Cofle started distributing its solutions on a global basis.
<b>1980s – internal production of cables</b>	In the 80's Cofle launched its first plant for internal production of cables, inner tubes, covered wire ropes, cover conduits for pull and push-pull cables is created; the starting of this process for verticalization of production would allow Cofle to become an "all-in-house" company.
<b>1990s – set up of operations in Turkey</b>	In the 90's Cofle reached important milestones in the Aftermarket division: its increasingly recognition within the markets induced Cofle to establish a new logistic centre, including a 4,000 sqm warehouse. During these years, Cofle started his expansion abroad founding Tabo in Turkey, set up for producing Aftermarket articles originally addressed to Middle East and North Africa.
<b>2000s – Cofle China</b>	In the new millennium, the Company has been pushing on international expansion. Cofle DCI and Cofle TK, both in Turkey, and Cofle China were set up, meanwhile laying the groundworks for Cofle do Brasil, which started its first production in 2016 and Cofle Taylor India in 2018.
<b>2021 – Listing on the Euronext Growth</b>	<p>In June 2021 leveraging on its know-how, brand awareness and attractive financials, Cofle started the IPO process on the EG segment of Borsa Italiana to accelerate growth. The Group aims at expanding further its products range, breaking into underpenetrated markets and seize on M&amp;A opportunities.</p> <p>Today Cofle is a worldwide Group: it is present in 4 Countries with 6 production sites, 4 modern and efficient logistic centres, 2 design and co-engineering departments, and can count on over</p>

500 employees. The Aftermarket catalogue counts more than 7,000 items, adding around 200 new codes per year.

Figure 11: Cofle's timeline



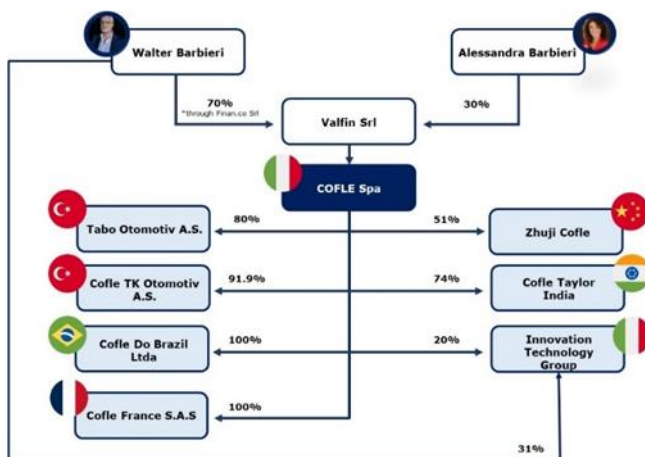
Source: Banca Profilo elaborations on Company data

Group structure

Cofle: 78.4%  
Barbieri's family

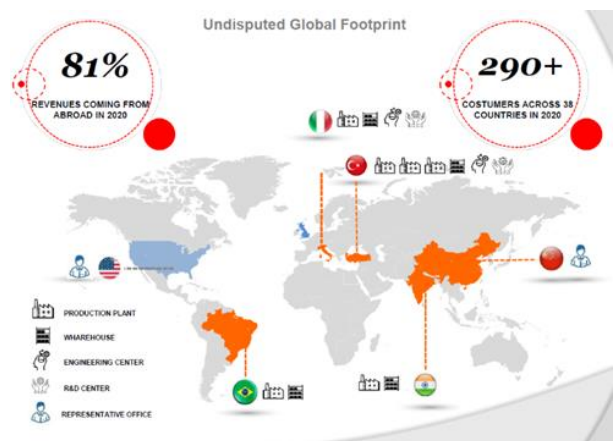
Cofle was listed on the Euronext Growth segment on November 11th, 2021 at €13/share. The share capital was represented by 6,153,276 shares with a floating of 21.6% including the anchor investors (Smart Capital and Palladio) with 310,608 shares. Barbieri's Family owns the remaining 78.4% of Cofle Group through its holding Valfin Srl. In details: Walter Barbieri, Chairman and CEO of the Group, holds 70% of Valfin through Finan.co Srl whereas Alessandra Barbieri, global Head of Communication and Marketing and Investor Relation Manager, owns 30% of the holding.

Figure 12: Group structure post-IPO



Source: Banca Profilo elaborations on Company data

Figure 13: Cofle's production and logistic plants



Cofle's global footprint

The Group has production sites in Brazil, India, Italy and Turkey, over 17,000 sqm worldwide. As of October 2022, Cofle owns 6 production plants, 4 warehouse, 2 engineering centres, 2 R&D centres and 3 representative offices around the world (including the new France

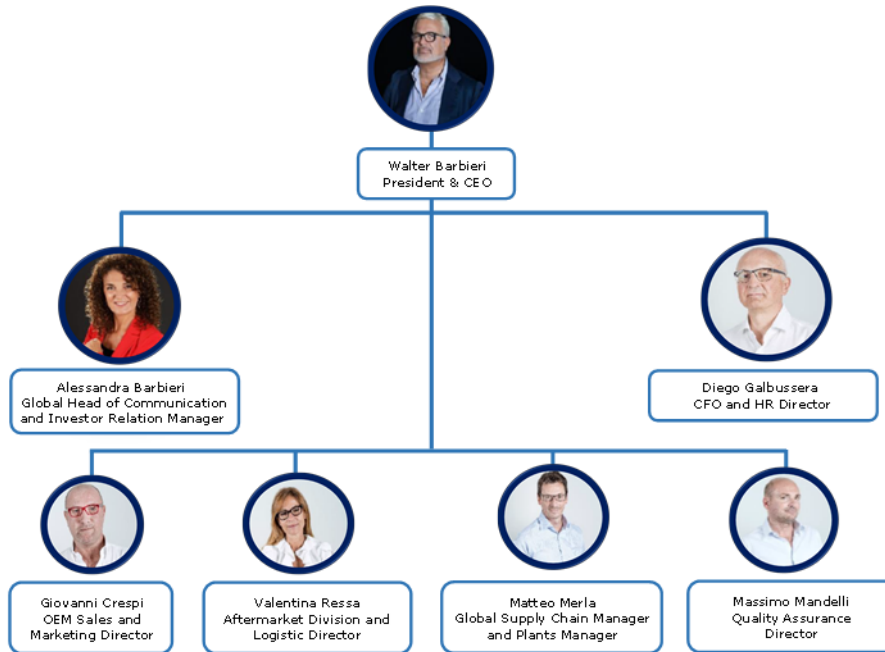
subsidiary). The Italian and Indian plants have a production capacity of 2.5mln units each, the three plants in Turkey have more than 5mln of combined production capacity while the Brasil OEM plant has 0.45mln capacity.

**Top Management**

An experienced management team

The Barbieri Family owns 100% of the holding Valfin: the CEO Walter Barbieri holds 70%, whereas the Head of Global Communication and Marketing and Investor Relation manager Alessandra Barbieri, owns the 30% of the Company. The Group can count on a strongly experienced management team.

**Figure 14: Cofle's top management**



*Source: Banca Profilo elaborations on Company data*

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