

EQUITY RESEARCH

COFLE
FEEDBACK CONFERENCE

BUY

TP 8.4€ (vs 12.8€)
Up/Downside: 46%

Solid in a Challenging Market

The group intends to significantly outperform an end market at the bottom of the cycle through a number of key launches and the roll-out of several new equipment ranges.

The TP ICAP annual conference gave management the opportunity to reassure the market about the group's 2024 outlook. According to JDeere, the division should succeed in significantly outperforming an agricultural machinery market that is falling by -15-20%. Indeed, Cofle's end demand is experiencing a sudden cyclical slowdown due to rising interest rates, the end of tax benefits in Europe and the downturn in several agricultural markets. The significant destocking effects associated with this cyclical cooling have accentuated the volatility of this market since the beginning of the year. While OEMs do not expect the market to stabilize until Q4'24, the group believes it can significantly outperform this sluggish situation through: 1/ the launch of products for JDeere, 2/ the continued ramp-up of the INEOS contract, and 3/the roll-out of mechatronics ranges (following investments made in Turkey in 2023). Subsequently, the development of a dedicated offering for the construction markets will provide a growth driver.

The AM division continues to enjoy strong growth, driven in particular by the reconquest of the Russian market from Turkey, the return of white-label customers in Eastern Europe, the roll-out of new product lines (notably EPBs) and, above all, the strong commercial success of Cofle France. We believe that the group should be able to deliver stable overall revenue in 2024.

Regarding margins, the company expects a stable performance. We consider this target to be more uncertain in view of: 1/ the deterioration in the business mix in favour of AM (less margined than OEM), 2/ the absence of a price effect this year, and 3/ the high sensitivity of the group's results to the behaviour of the TRY/EUR parity relative to Turkish inflation (where we recall that 50% of the group's production is carried out in Turkey). In the long-term, management believes that its normative margin is close to 18-19%.

We have updated our estimates to take into account a deterioration in the agricultural cycle, a revised normative margin of 18-19% and the impact of dealing with Turkish hyperinflation, which should last at least until 2025. As the share's valuation remains unchanged, we reiterate our BUY rating, with the TP downgraded to €8.4 (vs. €12.8 previously).

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	64.1	62.6	64.9	67.4	EV/Sales	0.7	0.7	0.7
Current Op Inc (m €)	8.3	7.8	8.0	8.5	EV/EBITDA	4.0	4.0	3.8
Current op. Margin (%)	13.0	12.4	12.4	12.7	EV/EBIT	5.7	5.8	5.6
EPS (€)	0.13	-0.14	-0.10	0.42	PE	na	na	13,6
DPS (€)	0.45	0.45	0.45	0.45	Source: TPICAP Midcap			
Yield (%)	7.8	7.8	7.8	7.8				
FCF (m €)	-3.5	-1.5	0.9	1.7				

Key data

Price (€)	5.8
Industry	Automotive
Ticker	CFL-IT
Shares Out (m)	6.156
Market Cap (m €)	35.4
Average trading volumes (k shares / day)	1.600
Next event	7/25/2024
Source:	FactSet

Ownership (%)

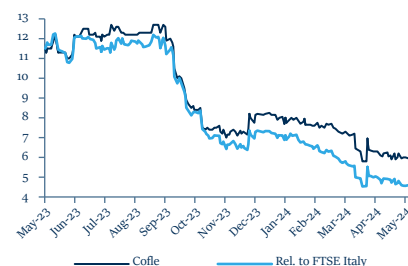
Valfin Srl	78.4
Smart Agri Srl	3.7
Lupus Alpha	1.9
Free float	21.6

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	-0.14	-0.10	0.42
Change vs previous estimates (%)	na	na	-73.81

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-1.7	-4.2	-29.9
Rel FTSE Italy	-1.7	-4.3	-38.7



Source: FactSet

Consensus FactSet - Analysts:2	12/24e	12/25e	12/26e
Sales	52.7	57.5	0.0
EBIT	9.3	11.1	0.0
Net income	6.3	7.6	8.8

Analyst

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	55.4	58.0	64.1	62.6	64.9	67.4
Changes (%)	45.5	4.6	10.6	-2.3	3.6	3.9
Gross profit	32.4	33.0	36.1	39.5	40.7	42.4
% of Sales	58.5	57.0	56.3	63.1	62.7	62.9
EBITDA	13.4	13.0	11.5	11.2	11.7	12.4
% of Sales	24.3	22.5	18.0	17.9	18.0	18.4
Current operating profit	11.0	9.4	8.3	7.8	8.0	8.5
% of Sales	19.8	16.2	13.0	12.4	12.4	12.7
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	11.0	9.4	8.3	7.8	8.0	8.5
Net financial result	1.2	-3.9	-5.3	-7.6	-7.6	-4.1
Income Tax	-2.3	-1.9	-0.6	0.0	0.0	-0.7
Tax rate (%)	19.7	41.9	42.0	0.0	0.0	22.0
Net profit, group share	8.2	2.3	0.4	-0.4	-0.3	1.3
EPS	1.72	0.43	0.13	na	na	0.42
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	0.2	0.1	0.0	0.2	0.2	0.2
Tangible and intangible assets	8.2	11.0	16.4	19.7	21.7	23.9
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.7	0.3	0.4	4.5	10.0	17.5
Working capital	15.1	20.2	19.4	21.0	21.8	22.6
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	24.2	31.7	36.2	45.4	53.7	64.2
Shareholders equity group	18.9	27.8	26.6	26.2	25.9	27.2
Minorities	7.2	1.8	2.5	2.1	1.8	3.1
LT & ST provisions and others	0.7	1.8	1.5	2.3	4.3	4.1
Net debt	-4.6	-0.5	4.9	9.2	11.0	12.1
Other liabilities	1.7	0.3	0.0	5.0	10.0	17.0
Liabilities	24.2	31.7	36.2	45.4	53.7	64.2
Net debt excl. IFRS 16	-4.6	-0.5	4.9	9.2	11.0	12.1
Gearing net	-0.2	-0.0	0.2	0.3	0.4	0.4
Leverage	-0.3	-0.0	0.4	0.8	0.9	1.0
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	11.3	6.1	3.8	6.4	6.0	7.0
Δ WCR	-4.7	-4.8	1.2	-2.9	-1.2	-1.3
Operating cash flow	6.6	1.3	5.0	3.5	4.8	5.7
Net capex	-3.9	-2.4	-8.5	-5.0	-3.9	-4.0
FCF	2.8	-1.1	-3.5	-1.5	0.9	1.7
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	-1.0	8.3	3.1	0.0	0.0	0.0
Dividends paid	0.0	-2.8	-1.8	-2.8	-2.8	-2.8
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	10.3	0.0	0.1	0.0	0.0	0.0
Others	-0.3	0.2	0.0	0.0	0.0	0.0
Change in net cash over the year	12.1	4.4	-2.1	-4.2	-1.8	-1.1
ROA (%)	18.4%	4.2%	1.2%	na	na	2.9%
ROE (%)	24.7%	6.6%	1.8%	na	na	5.4%
ROCE (%)	27.4%	17.8%	16.9%	15.0%	13.6%	12.3%

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Methodology

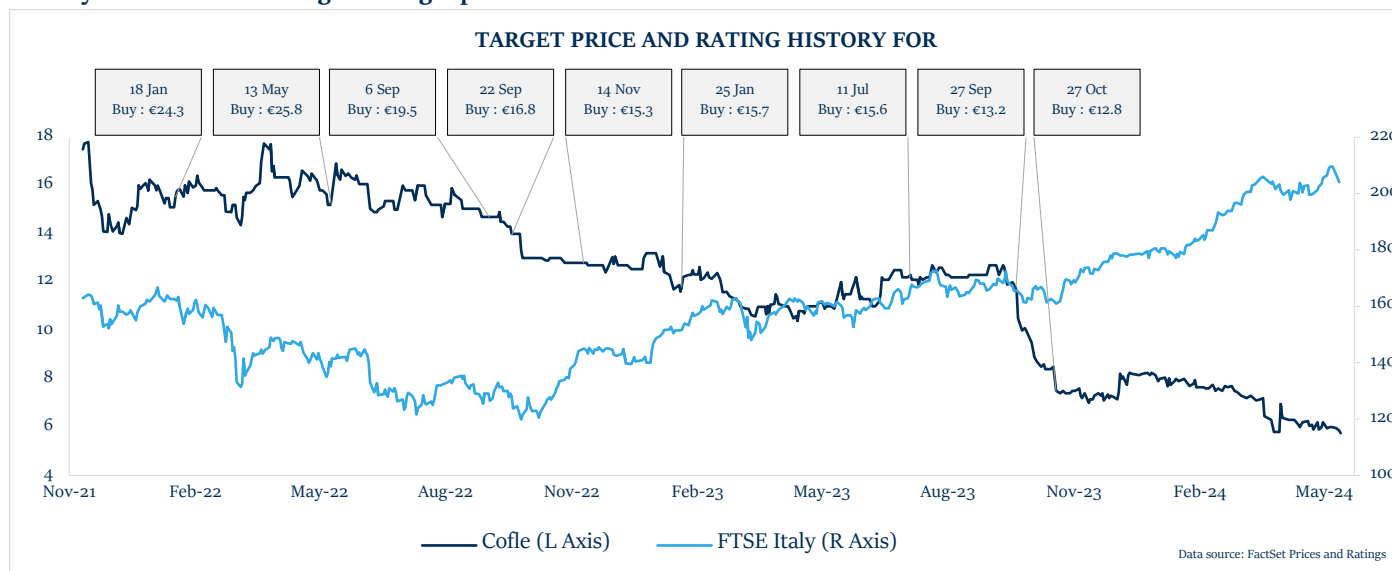
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Cofle

History of investment rating and target price – Cofle



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	64%
Hold	15%	54%
Sell	2%	33%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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