

## EQUITY RESEARCH

COFLE  
PREVIEW

BUY

TP 8.4€

Up/Downside: 70%

## Mixed business trends

We believe that the H1'24 publication will be strongly contrasted, with the OEM division declining by -9% Y/Y, while the AM division should grow by +14% Y/Y. We are below the Group's guidance for Cofle's profitability.

We believe that the H1'24 publication will be highly contrasted. Although we expect H1'24 sales to be broadly stable (+0.1% Y/Y), the dynamics of activity between the OEM and AM divisions are opposed. The OEM division is still heavily affected by the downturn in agricultural machinery production, and we are targeting a drop of -9% Y/Y, although this implies a significant outperformance relative to its main customers (John Deere is targeting a -15-20% drop in production in Europe in 2024). The Group's business should be boosted by the launch of products for John Deere, the continued ramp-up of the INEOS contract, and the roll-out of mechatronics ranges. The AM division should partially compensate for this drop, and we are targeting +14% Y/Y growth, driven in particular by the return of white-label customers in Eastern Europe, the roll-out of new product lines (notably EPBs) and, above all, the excellent commercial success of Cofle France.

For H2'24, we expect OEM business to normalize sequentially (-5% Y/Y), as customers are expected to have completed their destocking by the end of the summer season. We have cautiously forecast growth of +4.5% for the AM division (i.e. the lower end of the long-term trend), as the latter faces more demanding bases for comparison. Taken together, our estimates point to a slight drop in sales of -2.3% Y/Y, or €62.6m for fiscal 2024.

In terms of profitability, we are below management's expectations for a stable margin. We expect the EBITDA margin to contract by -40bps Y/Y to 17% in H1'24, due to the decline in the OEM division and the resulting deterioration in the mix. We emphasize that the Group is still affected by inflation in its production costs (particularly wage costs), which Cofle will not pass on in its selling prices. Profitability therefore remains dependent on the evolution of the EUR-TRY exchange rate. For fiscal 2024, we are targeting a margin of 17.9%, -10bps Y/Y.

Admittedly, the Group is facing a clear tightening of market conditions in agribusiness, but we believe that this is largely reflected in the Group's very low valuation. We see considerable upside potential in the event of a positive surprise or cycle turnaround. We are BUY with an OC of €8.4.

## Key data

Price (€)	4.9
Industry	Automotive
Ticker	CFL-IT
Shares Out (m)	6.156
Market Cap (m €)	30.4
Average trading volumes (k shares / day)	1.600
Next event	7/25/2024

Source: FactSet

## Ownership (%)

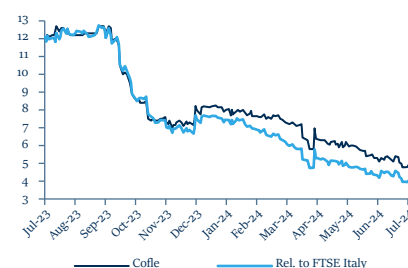
Valfin Srl	78.4
Smart Agri Srl	3.7
Lupus Alpha	1.9
Free float	21.6

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	-0.14	-0.10	0.42
Change vs previous estimates (%)	na	na	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-1.2	-6.8	-39.8
Rel FTSE Italy	-0.6	-11.4	-47.1



Source: FactSet

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	0.6	0.6	0.6
Current Op Inc (m €)	8.3	7.8	8.0	8.5	EV/EBITDA	3.5	3.5	3.4
Current op. Margin (%)	13.0	12.4	12.4	12.7	EV/EBIT	5.1	5.2	5.0
EPS (€)	0.13	-0.14	-0.10	0.42	PE	na	na	11.7
DPS (€)	0.45	0.45	0.45	0.45				
Yield (%)	9.1	9.1	9.1	9.1				
FCF (m €)	-3.5	-1.5	0.9	1.7				

Source: TPICAP Midcap

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
<b>EBITDA</b>	<b>13.4</b>	<b>13.0</b>	<b>11.5</b>	<b>11.2</b>	<b>11.7</b>	<b>12.4</b>
% of Sales	24.3	22.5	18.0	17.9	18.0	18.4
<b>Current operating profit</b>	<b>11.0</b>	<b>9.4</b>	<b>8.3</b>	<b>7.8</b>	<b>8.0</b>	<b>8.5</b>
% 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
<b>Net profit, group share</b>	<b>8.2</b>	<b>2.3</b>	<b>0.4</b>	<b>-0.4</b>	<b>-0.3</b>	<b>1.3</b>
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
<b>Assets</b>	<b>24.2</b>	<b>31.7</b>	<b>36.2</b>	<b>45.4</b>	<b>53.7</b>	<b>64.2</b>
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
<b>Liabilities</b>	<b>24.2</b>	<b>31.7</b>	<b>36.2</b>	<b>45.4</b>	<b>53.7</b>	<b>64.2</b>
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
$\Delta$ 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

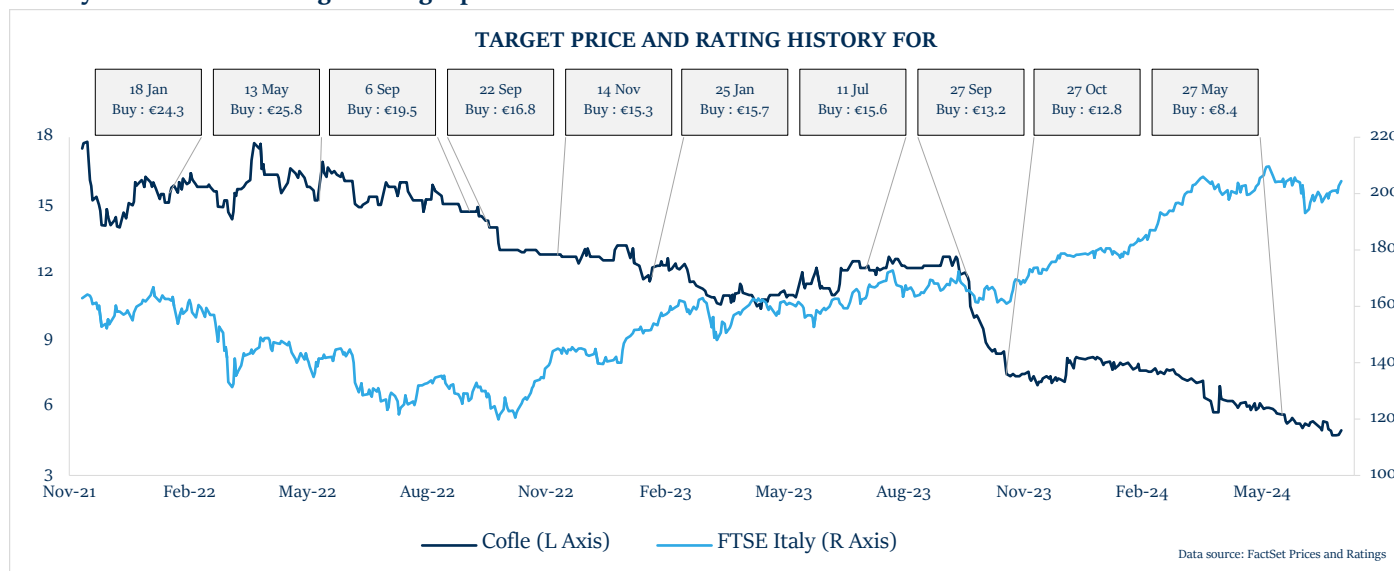
This Report may mention evaluation methods defined as follows:

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%	65%
Hold	15%	63%
Sell	1%	0%
Under review	2%	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.

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