

# 1H22 results: first take

September 30<sup>th</sup>, 2022, at 17:00

## 1H22 EBITDA margin loses ~3pp; yet in line with our estimates

Cofle reported its 1H22 results: consolidated revenues were pre-released in July and came in flat yoy at €27.5mln (-8% vs our estimates). The OEM turnover increased by 8% yoy to €18.6mln, whereas the Aftermarket sales declined by 13.6% yoy to €8.9mln. OEM increased its weight on total revenue from 62% to 68%. The decline in Aftermarket was caused by the ongoing conflict in Ukraine, as Cofle is indirectly exposed to the Russian and Ukrainian market through some of its distributors. We believe that the OEM division should not be particularly affected by the Conflict-related volatility, while uncertainty in AM may persist throughout the year.

Adjusted EBITDA was €6.8mln, declining by 12% yoy; EBITDA margin lost more than 3pp to 24% due to higher input prices and energy costs. Our FY22 EBITDA margin estimate [Please refer to our Company Update on May, 12<sup>th</sup> 2022]. stands at 21%, some ~3pp below the FY21 level; thus 1H22 EBITDA margin is on track to our FY22 forecast. While Cofle has updated its pricing to account for higher operating costs, the effect should materialize from the second semester.

EBIT came in at €4.8mln declining by 32.4% yoy, while net profit was €3.3mln falling by 39% yoy. This partially relates to the comparison with 1H21, when the Turkish subsidiary benefitted from ~€1mln of extraordinary income.

At the end of June 2022, adjusted net debt increased to €3.6mln from €0.6mln at the end of 2021, due to €2.4mln capex and NWC cash absorption. For the FY22 we forecast a net cash position of €1.9mln, including €2.5mln capex.

## Estimates revision

Overall, 1H22 yoy revenue growth was below our FY22E, amid lower OEM sales increase and persisting conflict in Ukraine. Regarding the EBITDA, our FY22E margin estimate already includes ~3pp margin decrease (vs FY21) as witnessed in the 1H22.

As such we will revise our FY22 estimates to reflect the relative flattish yoy performance and will keep our EBITDA margin contraction, assuming selling price increases will not offset higher input costs.

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

Cofle currently trades at 5.5x EV/EBITDA 2023, which represents a slight discount compared to peers despite its higher margins. Market multiples slightly declined to 5.9x compared to 6.0x in our last Company Update [Please refer to our Company Update on May, 12<sup>th</sup> 2022].

We confirm our BUY recommendation but put our 12-month target price under review to finalize estimates revision and include our view on the interest rates path in DCF model. [Please refer to our Company Update on May, 12<sup>th</sup> 2022].

**Target Price (€)**  
**Recommendation**  
**Company Profile**

Ticker  
Reference Industry  
Stock exchange  
Reference Index

### Market Data

Last Closing Price 13.3  
Number of shares (mln) 5.4  
Market cap. (mln) 80.0 €

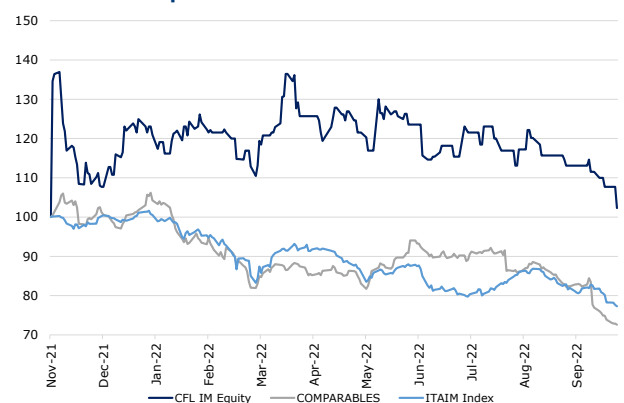
### 1Y performance

Absolute 2.31%  
Max / Min 17.8/13.3  
Average daily volumes 5,336

(€mln)	1H20	2020	1H21	2021	1H22
<b>Total revenue</b>	<b>16.4</b>	<b>37.0</b>	<b>27.5</b>	<b>52.2</b>	<b>27.5</b>
yoy (%)			68%	141%	0%
<b>EBITDA</b>	<b>3.5</b>	<b>8.0</b>	<b>7.8</b>	<b>13.5</b>	<b>6.8</b>
margin (%)	18%	16%	27%	23%	24%
<b>EBIT</b>	<b>2.4</b>	<b>4.7</b>	<b>7.1</b>	<b>10.4</b>	<b>4.8</b>
margin (%)	15%	12%	25%	19%	17%
<b>Net Income</b>	<b>1.5</b>	<b>3.4</b>	<b>5.5</b>	<b>8.2</b>	<b>3.3</b>
margin (%)	9%	9%	19%	15%	11%
<b>Net Debt</b>	<b>11.4</b>	<b>12.7</b>	<b>14.6</b>	<b>0.6</b>	<b>3.6</b>
Sh. Equity	6.3	10.2	11.3	26.1	27.4

Source: Banca Profilo estimates and elaborations, Company data.

## 1Y normalized performance



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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

### Cofle's competitive arena

#### A sample of 8 listed companies

There are no listed companies that can be considered as good as “comparables” 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 8 “comparables” to Cofle: Brembo (Italy), Comer Industries (Italy), Haldex (Sweden), SKF (Sweden), CIE Automotive (Spain), Kongsberg Automotive (Norway), Suprajit Engineering (India), Mayville Engineering Company (USA). We removed Meritor Inc. (USA) since it has been acquired by Cummins, a company specialized in manufacturing of diesel and natural gas engines.

Table 1: Cofle's competitive arena

Similarity with Cofle	Company	Country	Currency	Sales 2021 (€/mln)	EBITDA 2021 (€/mln)	OEM	Aftermarket	End market	Products
80%	Suprajit Engineering	India	INR	16,409	2363	x	x	Automotive; Agriculture	Cable; Lighting transmission systems
65%	Kongsberg Automotive	Norway	NOK	831	65	x	x	Automotive	Transmission systems; Control systems; Frames for heavy and light vehicles
58%	Brembo	Italy	EUR	2,777	486	x	x	Automotive	Brakes
58%	Comer Industries	Italy	EUR	604	79	x	x	Agriculture; Industrial	Transmission systems
50%	CIE Automotive	Spain	EUR	3,269	575	x	x	Automotive	Brakes; Frames; Transmission systems; Interiors
43%	Haldex	Sweden	SEK	4,612	586	x	x	Industrial	Brakes
40%	SKF	Sweden	SEK	81,732	13,731	x	x	Automotive	Transmission systems
30%	Mayville Engineering Company	US	USD	455	42	x	x	Agriculture; Sport; Construction machine; Light and Heavy vehicles	Engine components; Cooling system components; Handrails and full electro-mechanical assemblies

Source: Banca Profilo elaborations on companies' data

#### Brembo (ITA) FY21: revenue €2.8bn; EBITDA margin 17.5%

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)

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

*FY21: revenue  
€604mIn; EBITDA  
margin 13%*

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)  
FY21: revenue  
KR81.7bn; EBITDA  
margin 16.8%*

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)  
FY21: revenue  
NOK831mIn; EBITDA  
margin 7.8%*

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)  
FY21: revenue  
INR16.4bn; EBITDA  
margin 14.4%*

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)  
FY21: revenue  
\$455mIn; EBITDA  
margin 9.3%*

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.

#### *Haldex (SWE)*

*FY21: revenue at KR4.6bn; EBITDA margin 12.7%*

Haldex is a leading manufacturer of reliable and innovative brake systems and air suspension solutions that enhance the safety, dynamics, and durability of heavy vehicles. Haldex's customers are mainly large manufacturers of trucks, buses and trailers in North America, Europe, and Asia. On the aftermarket, Haldex offers spare parts and servicing to distributors, workshops, and large logistics companies.

Main similarities between Cofle and Haldex:

- Haldex is active both in the OEM and in the Aftermarket Industry mostly with brakes.

Main differences:

- Haldex main end market is the Industrial industry.

#### *CIE Automotive (SPA)*

*FY21: revenue €3.3bn; EBITDA margin 17.6%*

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.

#### *Cofle's competitive advantages*

Cofle, to strengthen its OEM market positioning, leverages on distinctive know-how, high flexibility to meet customer needs, optimal price/quality ratio and engineering support to stand out from the crowd.

Whereas to strengthen its AM market positioning, Cofle leverages on extremely wide products catalogue, optimal price/quality ratio, low time to delivery and customized catalogue extension to achieve the ideal market positioning.

### 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 May, 12<sup>th</sup> 2022*]; the sample average EV/EBITDA 2023 slightly declined to 5.9x. Cofle trades at a slight discount compared to its peers, despite the higher marginality.

*Table 11: Sample EV/EBITDA*

Company	EV / EBITDA				
30/09/2022	2020	2021	2022E	2023E	2024E
Brembo SpA	9.0x	7.0x	5.7x	5.4x	5.1x
Comer Industries SpA	18.3x	11.4x	5.5x	5.5x	5.1x
Haldex AB	13.3x	7.5x	7.1x	6.9x	6.2x
SKF AB	7.5x	5.6x	5.6x	5.4x	4.9x
CIE Automotive SA	9.3x	7.1x	6.3x	5.7x	5.2x
Kongsberg Automotive ASA	10.3x	3.7x	4.7x	4.4x	n.a.
Suprajit Engineering Ltd	19.1x	17.4x	14.5x	10.4x	9.1x
Mayville Engineering Co Inc	9.7x	10.2x	3.9x	3.4x	3.1x
<b>Mean</b>	<b>12.1x</b>	<b>8.7x</b>	<b>6.7x</b>	<b>5.9x</b>	<b>5.5x</b>
<b>Median</b>	<b>10.0x</b>	<b>7.3x</b>	<b>5.7x</b>	<b>5.5x</b>	<b>5.1x</b>
<b>Cofle</b>	13.8x	6.5x	7.2x	5.5x	4.6x

Source: Banca Profilo estimates and elaborations on Bloomberg (as of September 30<sup>th</sup>, 2022)

*Table 11: Sample EBITDA margin*

Company	EBITDA margin				
30/09/2022	2020	2021	2022E	2023E	2024E
Brembo SpA	17.1%	17.5%	17.0%	17.4%	17.7%
Comer Industries SpA	12.1%	13.0%	13.4%	12.9%	13.5%
Haldex AB	8.1%	12.4%	11.5%	10.8%	11.4%
SKF AB	14.1%	17.2%	15.3%	15.7%	16.5%
CIE Automotive SA	15.0%	17.3%	16.6%	17.2%	17.8%
Kongsberg Automotive ASA	6.2%	8.6%	10.0%	10.4%	n.a
Suprajit Engineering Ltd	14.5%	14.2%	11.1%	13.5%	14.0%
Mayville Engineering Co Inc	7.2%	5.4%	12.3%	13.5%	14.9%
<b>Mean</b>	<b>11.8%</b>	<b>13.2%</b>	<b>13.4%</b>	<b>13.9%</b>	<b>15.1%</b>
<b>Cofle</b>	21.1%	24.4%	20.9%	24.9%	27.2%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of September 30<sup>th</sup>, 2022)

### The Original Equipment Manufacturer Industry

*Global farm tractors industry expected to grow at a 5.8% CAGR 2020-2027E*

Cofle's main end market in the OEM segment is the agricultural and earthmoving machineries. 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 5.8% CAGR 2020-2027E, reaching an estimated value of \$103bn (vs \$85.5bn of 2021 estimates), driven by:

*Population dynamics and technological trend will drive the market*

- 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;

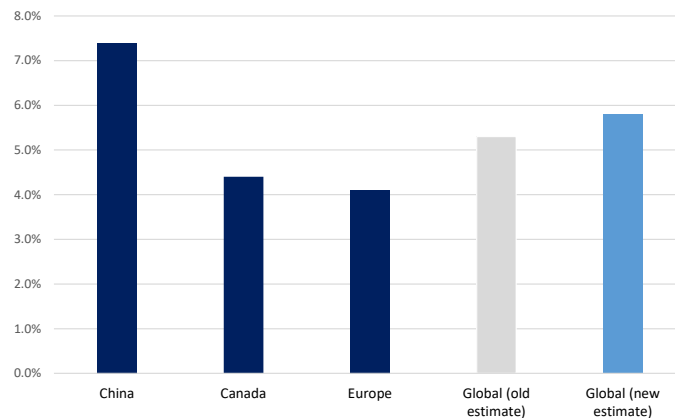
- improved agricultural credit flow;
- labour migration

*New trends will also drive the OEM market*

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

- EU approval for the cultivation of unused agricultural land to produce cereals and protein crops, potentially unlocking 4mln hectares in Europe, of which 200k in Italy;
- the European Stage V Regulation, aimed at reducing pollutant emissions from tractors. During this phase, all 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: Tractor Industry market size CAGR 2020-2027E*

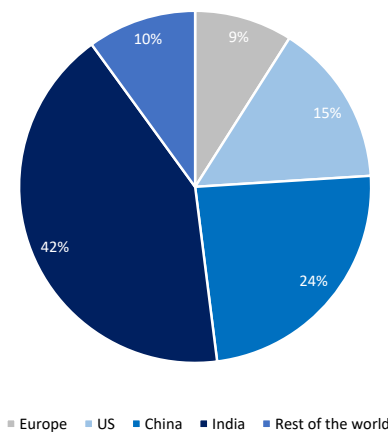


Source: Banca Profilo elaborations on "Farm Tractors - Global Market Trajectory & Analytics" data

*China’s tractor industry should show the biggest growth, depending on the pandemic evolution*

China’s tractor industry is forecasted to reach a market size of \$33.2bn in 2027, with a 7.4% CAGR 2020-2027E, followed by Canada with a 4.4% CAGR and Europe with a 4.1% CAGR. However, China is experimenting a Covid-related backlash, which has been affecting growth, logistics and supply.

*Figure 2: 2020 global tractor market shares*



Source: Banca Profilo elaborations on Farm tractors – Global Market Trajectory & Analytics data

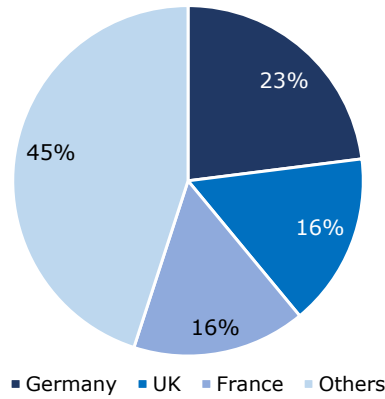
*European tractor market expected to grow 4.1% CAGR 22E-27E: Germany is the leading market*

The European agricultural tractors market is projected to register a 4.1% CAGR in 2022E-2027E. 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.

Figure 3: European agricultural tractor machinery market (revenue share)



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.

Figure 4: Tractor Industry major players



Source: Banca Profilo elaborations on Mordor Intelligence data

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

In 2022, global wheat production is seen at 782mIn tons, below previous estimates of 784mIn 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 4mIn hectares in Europe, of which 200k in Italy, and is likely to stimulate demand for agricultural mechanization.

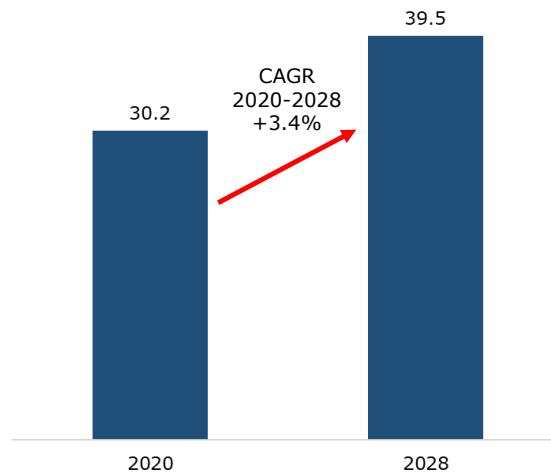
**OEM’s Automotive-related market is**

A small part of Cofle’s OEM business relates to the Automotive market. This Industry is estimated to grow at \$39.5bn by 2028 at a 3.4% CAGR. Automotive OEMs are those manufacturers active in the production of high quality and finest

expected to increase at 3.4% CAGR21-28E

components and devices for vehicles. These parts are used during the assembly and manufacturing of the vehicle.

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



Source: Banca Profilo elaborations on Mordor Intelligence data

**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.

**The Aftermarket Industry**

**Aftermarket Industry to grow at 3.4% CAGR 22E-30E**

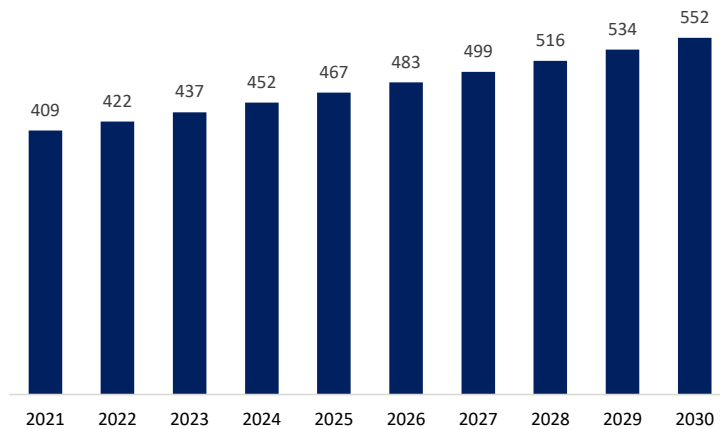
The Aftermarket industry is related to companies that supply goods after remanufacturing, retailing, and distribution. Typically, it is a secondary market where goods, accessories, spare parts, and second-hand equipment are supplied. Automotive is one of the growing industries within the Aftermarket: global Automotive aftermarket size was worth \$408.5bn in 2021 and it is expected to expand at a 3.4% CAGR 2022E-2030E.

The market is driven by:

- 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 6: Automotive Aftermarket size (\$/bn)*



Source: Banca Profilo elaborations on Grand view research data

*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.

*Asia should lead the Aftermarket growth, but prudence is necessary*

In terms of market size, Asia Pacific dominated the market with a share of 28.2% in 2021. At the end of 2030, growth is seen driven by China and the rest of Asia at an 8.1% and 6.5% CAGR 2017-2030E respectively. However, also in this case, Covid-related backlash is causing concerns on supply chain disruption from China, therefore prudence in expectations is necessary.

*Figure 7: Aftermarket growth by region*

Region	CAGR 17-30
Europe	1.5%
North America	1.6%
Cina	8.1%
Rest of Asia	6.5%
Rest of World	1.6%

Source: Grand view research

*The Automotive Electronics market*

*Penetration of a new market for Cofle*

Cofle decided to enter the Automotive electronics market, focusing on components for off-road vehicles, because the main supplier Elobau currently is having difficulties in managing significant growing demand and supply shortages, with consequent longer time-to-market, which leave demand for these products unsatisfied.

In order to quickly penetrate this market, Cofle is focusing on external growth, with a deal expected to be closed within 2022.

*Global Automotive electronics market to grow 7.1% CAGR 22E-27E*

The global Automotive Electronics market reached a value of \$272.3bn in 2021 and is expected to grow at 7.1% CAGR 2022E-2027E to \$415.6bn.

Automotive Electronics are employed in both on-road and off-road vehicles such as trucks, tractors, forklifts, excavators, motorcycles, and hybrid and electric cars. They are primarily used in the functioning of electronic fuel injection, driver assistance and infotainment system to improve the efficiency of the vehicle. Besides this, automotive electronics also include satellite-controlled devices for traffic surveillance and diagnostic tools to ensure optimum fuel utilization and maintain engine health.

APPENDIX

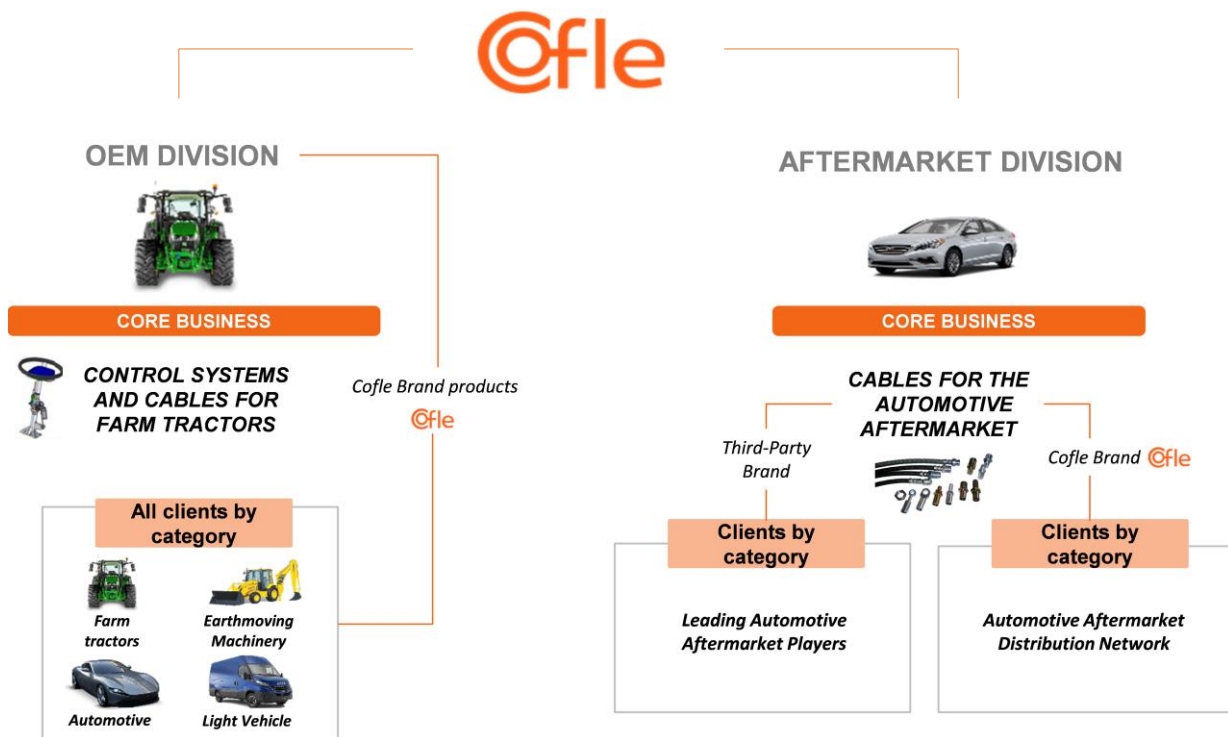
Cofle overview and business model

Business model and activities

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 31: 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 32: 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 33: 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 34: Cofle’s Aftermarket value chain



Source: Banca Profilo elaborations on Company data

**Research and Development at Cofle**

**One R&D department per business unit**

OEM and AM divisions are structured according to two different R&D departments:

- OEM R&D is based on Co-Engineering principles: Cofle focuses its efforts on disrupting the state-of-the-art technologies to propose its OEM customers the most innovative solutions;
- AM R&D is based on Reverse-Engineering principles: Cofle focuses its efforts on staying always update with the latest innovation introduced by automakers.

**Main R&D departments are in Italy and Turkey**

Research and development activities are carried out internally and externally, through 6 people in Italy and 22 people in Turkey. In particular, Cofle Tk has a dedicated “Designed Center” which employs 22 people actively engaged in the development of new product for the OEM market.

Moreover, ITG (Innovation Technology Group), Cofle’s subsidiary, develops new ideas and technological solution to create innovative, cutting-edge products both for business areas as well as the manufacturing process.

**Company history**

**Since 1964: from a local Italian firm to a global presence**

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.

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.

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.

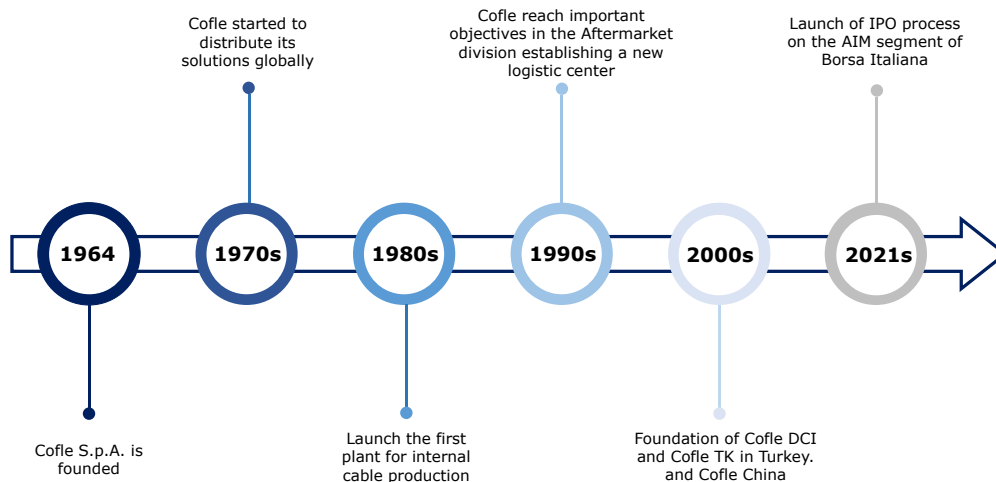
In the 90’s Cofle reached important milestones in the Aftermarket division: its increasingly recognition within the markets induced Cofle to establish a new logistic center, including a 4,000 sqm warehouse. During these years, Cofle started his expansion abroad founding Tabo in Turkey, set up for producing Aftermarket articles originally addressed to Middle East and North Africa.

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.

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&A opportunities.

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

*Figure 27: Cofle’s timeline*



Source: Banca Profilo elaborations on Company data

**Group structure**

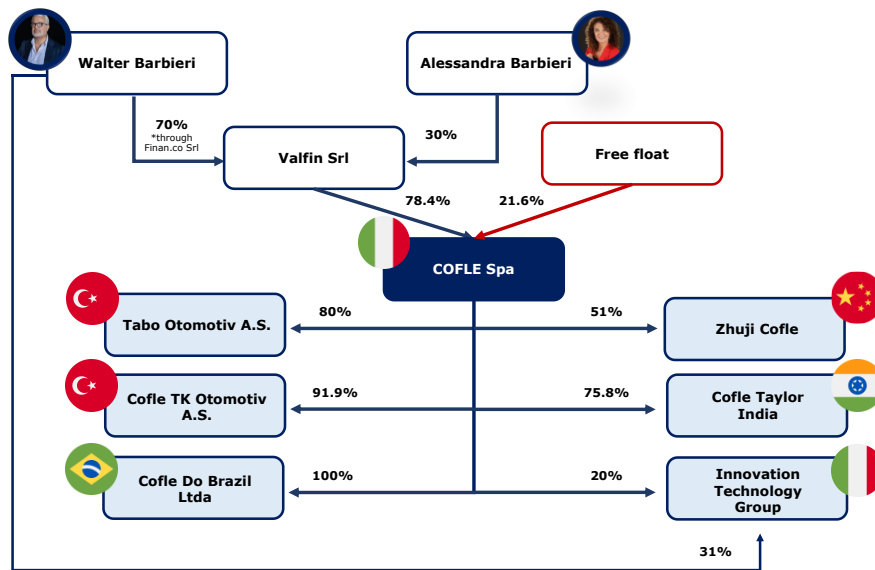
**Cofle: 78.4% Barbieri’s family**

Cofle was listed on the Euronext Growth segment on November 11<sup>th</sup>, 2021 at €13/share. The share capital is represented by 6,153,276 shares with a floating of 21.6% including the anchor investors (Smart Capital and Palladio) which own 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 28: Group structure post-IPO



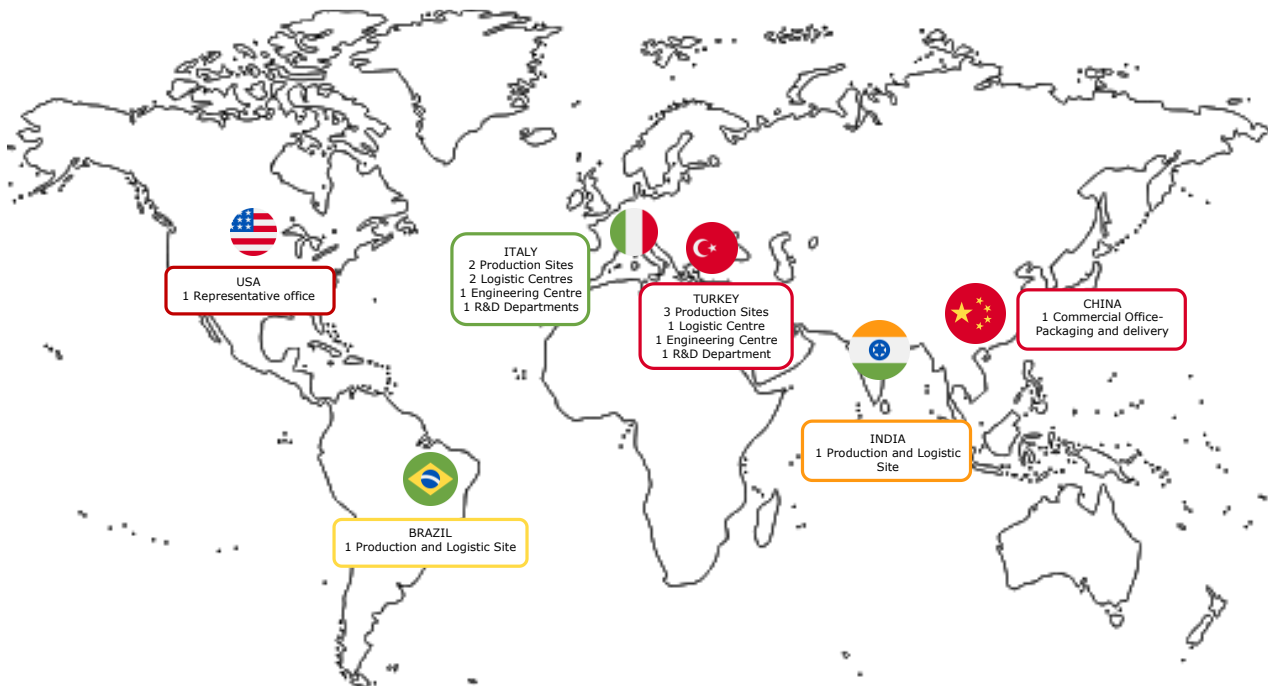
Source: Banca Profilo elaborations on Company data

*Cofle's worldwide presence*

The Group has production sites in Brazil, India, Italy and Turkey, over 22,000 sqm worldwide.

As of September 2021, Cofle owns 6 production plants, 4 warehouse, 2 engineering centres, 2 R&D centres and 2 representative offices around the world. The biggest production plant is in Italy with a production capacity of 3mln units, followed by two plants in Turkey, having 2.5mln of production capacity each.

Figure 29: Cofle's production and logistic plants



Source: Banca Profilo elaborations on Company data

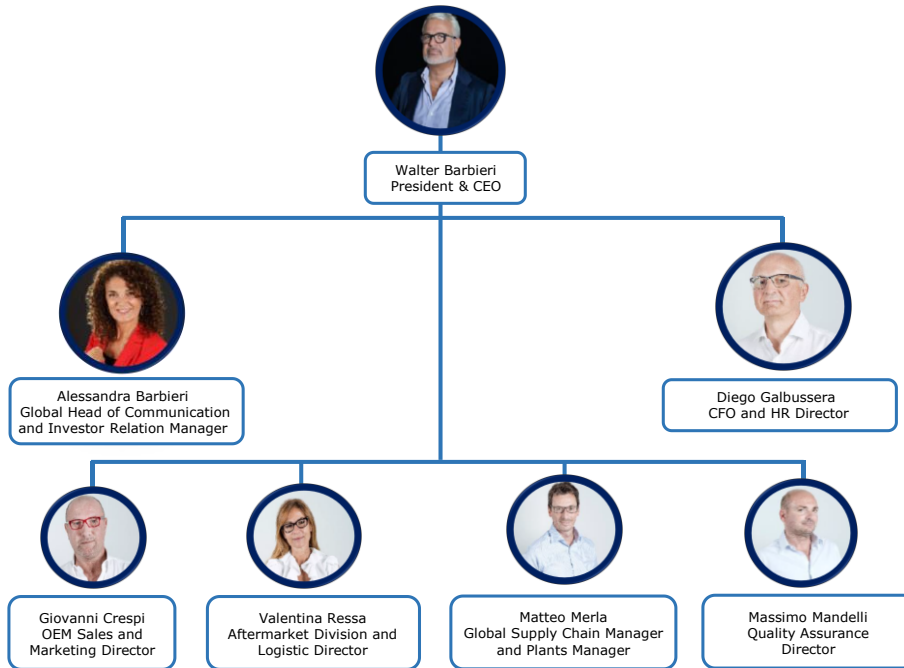
*Top Management*

*A strongly 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 30: Cofle's top management*



*Source: Banca Profilo elaborations on Company data*

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