

1H22 results: OEM demand still robust

October 13th, 2022, at 18:00

Revenues below estimates; EBITDA margin as expected

1H22 consolidated revenues were pre-released in July and came in flat yoy at €27.6m (–8% below our estimates). The OEM (Original Equipment Manufacturer) turnover increased by 8% yoy to €18.6m (68% of revenues vs 62% in 1H21), whereas the AM sales fell by 13.6% yoy to €8.9m. The decline in AM is related to the ongoing conflict in Ukraine, as the division is indirectly exposed through some of its distributors to the Russian and Ukrainian markets. Adjusted EBITDA was €6.8m, declining by 12% yoy; as expected, adj. EBITDA margin fell by some 3pp yoy to 23.6% due to higher input prices, including energy costs. Our previous FY22 adj. EBITDA margin estimate [Please refer to our Company Update on May, 12th 2022] stands at 21%, some ~3pp below its FY21 level; thus 1H22 EBITDA margin is on track to our FY22 forecast. EBIT came in at €4.8m declining by 32.4% yoy, while net profit was €3.3m falling by 39% yoy. This partially relates to the comparison with 1H21, when the Turkish subsidiary benefitted from ~€1m of extraordinary (forex) income. Adjusted net debt increased to €3.6m from zero at the end of December 2021 reflecting NWC cash absorption and €2.4m of capex.

2022-2024 estimates downward revision

Following flat yoy 1H22 revenues, we decreased by 6% our FY22 estimates to €53.1m, which includes higher selling prices in the 2H22E and robust orders intake since Summer. We applied a 1-year delay to our previous revenues estimates, therefore our new FY23-24E revenues are roughly equal to our old FY22-23E, as we believe the OEM division is exposed to solid underlying growth trends in the Agriculture sector. Moreover, in 2023 the Company should benefit from the production ramp-up of the INEOS Grenadier and the development of its new French subsidiary. We slightly improved FY22E EBITDA margin and we aligned it to the 1H22 of 21%. From 2023, we expect input costs increase to peak, which should lead to EBITDA margin normalization towards its 2021 levels.

On the Balance Sheet side, we increased NWC by 13% to reflect i) planned stock piling; ii) higher accounts receivables due to the change in client mix, as large OEM clients in Agriculture have longer payment terms. Finally, we decreased accounts payable as Cofle accelerated its payments in 1H22. On the capex side, we updated our FY22E forecast (€2.5m) to include €0.5m of investments in Cofle France and €2.5m for the acquisition of a new warehouse, which we assume occurring by the end of 2022. We maintained structural yearly capex at €2.5m beyond 2022 with an additional €0.5m for FY23 and FY24 to include planned investments in Cofle France set up and development. Finally, we estimate 2022-2026 cumulated FCFs at €28.7m or €5.7m on average (€19.3m in 2022E-2025E vs previous €28.7m).

Valuation: BUY confirmed; TP cut to €16.5

We confirm our BUY recommendation with a 12-month Target Price of €16.5/share computed as the weighted average between DCF and the relative market multiples valuation. Our DCF valuation decreased to €17.7/share vs previous €20.5, following lower FCF and the effect of higher risk-free rate. Similarly, relative valuation fell to €12.8/share vs previous €15.4 due to lower FY23E EBITDA and larger debt. Cofle trades at a premium thanks to higher marginality, with EV/EBITDA 23E of 6.3x vs peers' average of 5.9x.

Target Price (€)

€16.5 (from €19.2)

Recommendation

BUY (confirmed)

Company Profile

Ticker	CFL IM (BBG), CFL-IT (FactSet)
Reference Industry	Auto Parts & Equipment
Stock exchange	Italian Stock Exchange
Reference Index	FTSE Italia Small Cap

Market Data

Last Closing Price	€13
Number of shares (mln)	6.2
Market cap. (mln)	€80

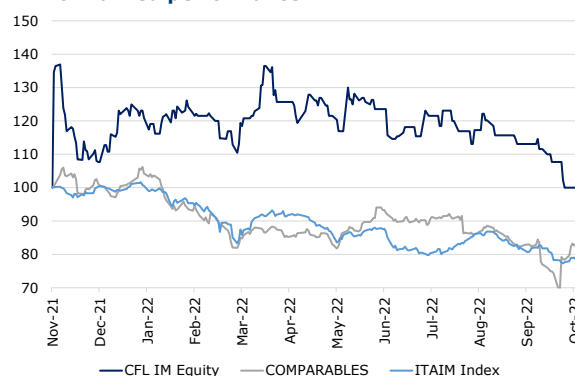
1Y performance

Absolute	0.00%
Max / Min	17.8/13
Average daily volumes	5,330

(€m)	2020	2021	2022E	2023E	2024E
Total revenue	37.4	53.9	54.2	57.9	63.3
yoy (%)	-2%	44%	1%	7%	9%
Adj. EBITDA	8.0	13.5	12.3	14.0	15.6
margin (%)	21%	24%	22%	24%	24%
EBIT	4.7	10.4	9.5	10.8	12.0
margin (%)	11%	92%	-4%	-4%	-4%
Net Income	3.4	8.2	6.2	7.1	7.9
margin (%)	9%	15%	12%	12%	12%
Adj. Net Debt	12.7	0.0	4.6	3.4	1.1
Sh. Equity	10.2	26.1	29.5	33.1	37.9
Capex	(0.2)	(3.3)	(5.5)	(3.0)	(3.0)
FCFs	3.7	4.1	(0.4)	5.6	6.3

Source: Banca Profilo estimates and elaborations, Company data.

1Y normalized performance



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Contents

SWOT analysis.....	3
1H22 results	4
Income statement	4
Balance Sheet.....	5
Strategy and estimates.....	6
Corporate strategies	6
Our 2022E-2024E estimates revision.....	7
Key risks.....	10
Valuation.....	11
DCF.....	11
Cofle's competitive arena.....	13
Relative market multiples valuation.....	16
The reference market	18
The Original Equipment Manufacturer Industry	18
The Aftermarket Industry.....	21
The Automotive Electronics market.....	22
APPENDIX	22
Shareholders' structure after IPO	22
Company's evolution.....	24
Group structure	24
Top Management	25
Cofle: a multinational company leading OEM and AM market segments	27
Original Equipment Manufacturer business model	27
Aftermarket business model	28
Research and Development at Cofle	29
ESG analysis: great attention to sustainability	29
Cofle's certifications	30
DISCLAIMER	34

SWOT analysis

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

1H22 results

Income statement

1H22 revenues flat yoy

1H22 consolidated revenues were pre-released in July and came in flat yoy at €27.6mln (-8% below our estimates). The OEM (Original Equipment Manufacturer) turnover increased by 8% yoy to €18.6mln, whereas the AM (Aftermarket) sales declined by 13.6% yoy to €8.9mln. OEM increased its weight on total revenue from 62% to 68%. The decline in AM is related to the ongoing conflict in Ukraine, as Cofle is indirectly exposed to the Russian and Ukrainian market through some of its German distributors. The OEM division was not particularly affected by the Conflict-related volatility, while uncertainty in AM may persist throughout the year.

1H22 adj EBITDA at €6.8mln; marginality down by 3.5pp

Adjusted EBITDA was €6.8mln, declining by 12% yoy; adj. EBITDA margin fell by 3.5pp yoy to 23.6% due to higher input prices, including energy costs. Our previous FY22 adj. EBITDA margin estimate [Please refer to our Company Update on May, 12th 2022] stands at 21%, some ~3pp below the FY21 level. While Cofle has updated its pricing to account for higher operating costs, we expect being effective 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 (forex) income.

Table 1: Profit & Loss 1H20-1H22 (€, mln)

Profit & Loss (€/mln)		1H21	1H22
Revenues		27.5	27.6
	yoy		0%
	OEM	17.1	18.6
	yoy		9%
	% on revenues	62%	68%
	Aftermarket	10.4	8.9
	yoy		-14%
	% on revenues	38%	32%
Other revenues		1.2	0.5
Total revenues		28.7	28.1
	yoy		-2.2%
Change in inventories		0.0	0.7
Value of Production		28.7	28.8
	yoy		0.3%
COGS		(9.4)	(10.0)
	% on total revenues	33%	35%
Gross margin		19.3	18.1
	% on total revenues	67%	64.5%
Service costs		(4.7)	(5.3)
	% on revenues	17.2%	19%
Cost for the use of third-part assets		(0.6)	(0.6)
	% on revenues	2%	2%
Labour costs		(5.9)	(5.6)
	% on revenues	22%	20.4%
Other costs		(0.3)	(0.5)
	% on revenues	1%	2%
EBITDA		7.8	6.0
	margin on VoP	27.2%	21.0%
	yoy		-22.6%
Adjusted EBITDA		7.8	6.8
	margin on VoP	27.1%	23.6%
D&A		(0.7)	(1.2)
EBIT		7.1	4.8
	margin on VoP	24.8%	16.9%
	yoy		-31.9%
Net financial expenses		0.2	(0.1)
EBT		7.4	4.7
	margin on VoP	25.6%	16.5%
	yoy		-35.6%
Taxes		(1.8)	(1.4)
	tax rate	25%	29%
Operating Net Profit		5.5	3.4
	margin on VoP	19.3%	11.7%
	Minorities	0.7	0.4
	% minorities	12.1%	10.9%
	yoy		-39.1%
Group Net Profit		4.9	3.0
	mgn		10.4%
			-38%

Source: Banca Profilo elaborations on Company data

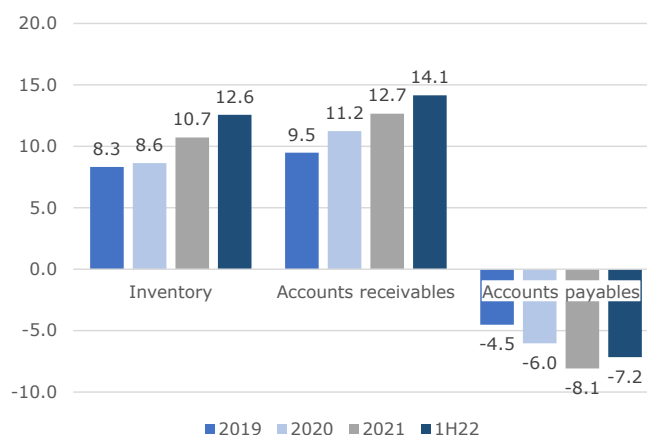
Balance Sheet

30.06.22:

Net Working Capital
rose to 25% of VoP

At the end of June 2022, Net Working Capital increased to €18.1m from €14.2m at the end of 2021, including trade receivables for €14.1m, trade payables for €7.2m and €12.6m of inventories. The incidence of trade receivables and inventory on 12-month VoP increased by ~3pp to 23% and 25% respectively. This partially reflects Cofle decision to increase its inventories, due to longer delivery time of raw materials, while higher receivables are related to a change in the product mix, as the increased weight of OEM turnover led to longer payments terms by multinational clients.

Figure 1: Operating Net Working Capital evolution 2019-1H22 (€, mln)



Source: Banca Profilo elaborations on Company data

Adjusted net debt up to
€3.6m

At the end of June 2022, adjusted net debt increased to €3.6m from zero at the end of December 2021, due to €2.4m capex and NWC cash absorption.

Table 2: Balance sheet 2019 – June 22 (€, mln)

Balance sheet (€/mln)	2019	2020	2021	1H22
Stock	8.3	8.6	10.7	12.6
% on VoP	21.8%	22.6%	19.3%	22.6%
Inventory days	80	83	71	83
Accounts receivables	9.5	11.2	12.7	14.1
% on VoP	24.9%	29.5%	22.8%	25.5%
DSO	91	108	83	93
Accounts payables	(4.5)	(6.0)	(8.1)	(7.2)
% on costs	23.4%	28.5%	24.9%	19.7%
DPO	85	104	91	72
Operating Net Working Capital	13.3	13.8	15.3	19.5
yoy		4.2%	10.6%	10.6%
% on total revenues	34.6%	37.0%	28.4%	36.7%
Other current asset and liabilities	(1.2)	(0.2)	(1.1)	(1.5)
Net Working Capital	12.0	13.6	14.2	18.1
Intangibles	0.9	3.0	3.8	3.9
Tangibles	3.4	3.0	4.5	5.8
Financials	1.1	1.0	0.7	0.3
Fixed Asset	5.4	6.9	9.1	10.0
Funds	(1.8)	(1.6)	(0.8)	(0.8)
Other asset and liabilities	0.0	-		
Net Invested Capital	15.7	18.9	22.5	27.2
Equity	7.1	10.2	26.1	27.4
Share capital	0.5	0.5	0.6	0.6
Reserves	1.1	0.9	(3.9)	(1.3)
Share premium reserve	-	-	14.9	14.9
Accumulated profit/loss	1.6	4.1	4.9	8.7
Net profit	2.6	3.4	8.2	3.0
Minority share	1.3	1.2	1.4	1.5
Altri movimenti	0	(0.1)	1.2	(2.3)
Net debt (cash)	8.6	8.7	(3.6)	(0.2)
IFRS 16 Adjustment	6.0	4.8	4.3	3.8
Valdiporto adjustment	(0.1)	(0.8)	(0.6)	(0.1)
Adjusted Net debt (cash)	14.5	12.7	0.0	3.6
Liabilities	15.7	18.9	22.5	27.2

Source: Banca Profilo elaborations on Company data

Strategy and estimates

Corporate strategies

Cofle France: leveraging international expansion thanks to three highly experienced managers

On September the 6th Cofle announced the beginning of operations by its new international subsidiary, Cofle France. The objective of the new commercial subsidiary is to increase the penetration in France, Spain, Portugal, Benelux and Maghreb, which are currently covered directly from Italy. The Subsidiary will be based in Beauvais and will operate in both OEM and AM, relying on three managers with a long experience in the Industry. The expansion will require €1.5mln of investment over the next three years and is in line with Cofle's IPO plan, which involves expanding globally.

Strengthening India operations through a capital increase

On September the 21st, Cofle announced the acquisition of an additional 2.48% in its Indian subsidiary, Cofle Taylor India, reaching 76.48%. The acquisition took place as a capital increase of INR 20mln, of which Cofle subscribed INR 18.5mln, (~€232k). The deal aims at moving production to a newer plant and acquiring production equipment for new products addressed to the local agricultural market.

M&A targets have been identified both in OEM and in AM

Cofle plans to use the IPO proceeds also for external growth. The Company strategy involves acquiring majority stakes (60-70%), while maintaining the management for a fixed period of time (3-5 years) after which call/put options might be exercised. On the OEM side, Cofle has analysed 13 potential targets focused on either electronic sensors, control units or joysticks, with production know-how and revenues in the €10mln range. A potential target might be synergic in terms of geographical presence. Regarding the AM, the Company has examined 21 manufacturers and resellers of brake and clutch cables, brake hoses, brake pads and brake shoes. Among potential targets there is a large distributor and logistics hub of brake pads with a good presence in China.

Clear goals: exploitation of new demand; penetration of new markets; anticipation of future trends; M&A opportunities

More in general, over the next years, Cofle growth strategy is based on the following key pillars:

- OEM business:
 - penetrating the market for off-road vehicles electronic components to catch unsatisfied demand due to supply chain shortages;
 - exploiting the new impulse to agricultural mechanization that will come from the release of land constraints by the European Union;
 - benefiting from the demand for tractors from the Ukrainian market due to the destruction of the fleet by Russia;
 - catching the wave of population growth and food demand dynamics. In 2027, the Farm Tractors market is expected to be worth \$103bn;
 - strengthening its foreign presence;
 - innovating through R&D (new mechatronic products);
 - external growth through acquisitions in order to accelerate the cross-selling process and penetrate new markets;
 - expanding logistics to serve top customer with higher volumes and faster time-to-market.
- AM business:
 - penetrating the European Automotive Am as it is expected to grow by 23% on average to €257bn in 2025E;
 - leveraging on Italian and Turkish production plants to serve more mature Western European customers;
 - leveraging on Italian and Indian production plants to serve the promising high growth Eastern European market;
 - seizing on the huge opportunities coming from the EPB and Brake Hoses newly developed range of products;
 - external growth through acquisitions in order to accelerate the cross-selling process;
 - upgrading logistics in order to reduce the time-to-market

New projects to boost revenue growth

Recent projects are going to expand Cofle offering.

- INEOS GRENADIER: Cofle's technology will be aboard this new off-road vehicle and is expected to bring €3.8mln over 2022E-2023E;

- **STAGE V:** the European Stage V Regulation is now in force to reduce pollutant emissions from off-road vehicles. In this phase, tractor manufacturers renewed their cabins including Cofle's controls systems, such as PTO, handbrake and shifter levers;
- **NEW PUSH BUTTONS:** the Company is developing innovative electronic buttons with reed technology and internal LED. On average, a tractor contains between 15 and 20 of these buttons which are sold for a unit price of €5-7;
- **ITG Turkey:** the new subsidiary will be focused on the design and engineering of off-road vehicles;
- **BRAKE HOSES:** success above expectations due to high standard quality;
- **ELECTRONIC PARKING BRAKE SYSTEM:** Cofle is second to leading manufacturer of this product, which it expects to grow 5% yoy on average in the next years.

Our 2022E-2024E estimates revision

Focus on 2022E: 1% yoy sales increase thanks to new pricing

Following 1H22 revenues which were flat yoy, we decreased by 6% our FY22 estimates to €53.1mln. We included a minor increase vs FY21 to reflect Cofle's increased selling prices as well as a robust orders intake since Summer.

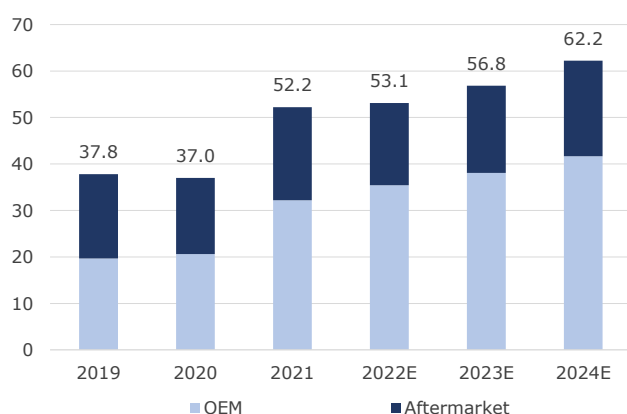
OEM to lead revenue thanks to the robust demand in Agriculture

We updated the weight of OEM and AM division to better reflect the performance recorded in 1H22.

We believe OEM will continue to dominate Cofle's sales because the division is more focused on customer in the agricultural space compared to AM.

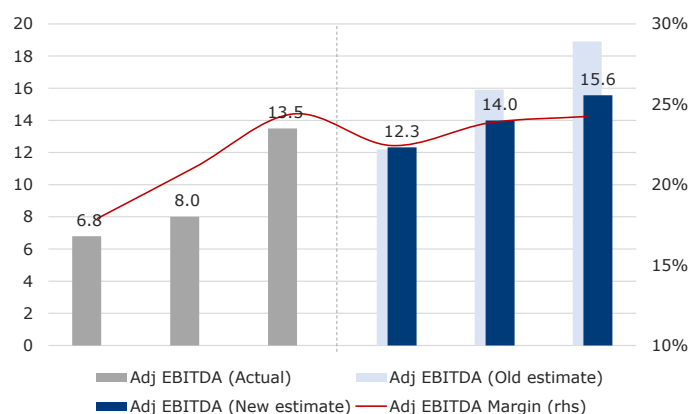
In fact, OEM should be able to leverage current and robust macro trends such as i) the acceleration in demand in Agriculture in a scenario of procurement shortage; ii) the approval from the EU for the cultivation of unused agricultural land and the European Stage V Regulation, that will both boost agricultural mechanization; iii) the consequences of the conflict in Ukraine, where the tractors fleet will have to be rebuilt. Conversely, AM has been indirectly affected by sanctions against Russia, as such it will take time to find new clients to recoup lost businesses.

Figure 2: Revenue breakdown 2019-2024E (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

Figure 3: Adjusted EBITDA (€/mln) and adjusted EBITDA margin (%) trend 2019-2024E



Source: Banca Profilo elaborations and estimates on Company data

A 1-year lag on our previous estimates

We consider 2022 as a temporary slowdown in Cofle's growth path; as such, we applied a 1-year delay to our previous revenues estimates. Therefore, our new FY23E revenues are roughly equal to our old FY22E, FY24E to our old FY23E and so on. This should be sustainable, as in 2023 we expect an acceleration in sales also thanks to the production ramp-up of the INEOS Grenadier and the strengthening of the international positioning with Cofle France.

FY22E EBITDA margin 21%, input costs normalization in FY23E

Compared to our previous forecast, service and labor costs have been decreased; therefore, FY22E EBITDA margin on VoP increased by 1pp to 21%, which reflects the levels recorded during 1H22. In 2023, we expect a decline in input costs, that should lead to EBITDA margin normalization towards its 2021 levels.

Net income to benefit from forex gains

Finally, Group net income is now expected at €6.2mIn from our previous estimate at €7.2mIn. We assume further Turkish lira devaluation this year, following the Government measure to face unsustainable inflation (70%).

Table 3: Income Statement 2019-2024E (€, mln)

				2022E		2023E		2024E	
Profit & Loss (€/mln)	2019	2020	2021	old	new	old	new	old	new
Revenues	37.8	37.0	52.2	56.7	53.1	62.2	56.8	67.7	62.2
yoy			41%	9%	2%	10%	7%	9%	10%
OEM	19.7	20.6	32.2	38.3	35.4	41.7	38.1	46.0	41.7
yoy		4.8%	56%	19%	10%	9%	7%	10%	10%
% on revenues	52%	56%	62%	68%	67%	67%	67%	68%	67%
Aftermarket	18.1	16.4	20.0	18.3	17.7	20.5	18.8	21.7	20.6
yoy		-9.6%	22%	-8%	-12%	12%	6%	5%	10%
% on revenues	48%	44%	38%	32%	33%	33%	33%	32%	33%
Other revenues	0.5	0.4	1.6	0.8	1.0	0.9	1.0	1.0	1.0
Total revenues	38.3	37.4	53.9	57.5	54.2	63.1	57.9	68.7	63.3
yoy		-2%	44%	7%	1%	10%	7%	9%	9%
Change in inventories	(0.3)	0.7	1.6	0.6	0.8	0.7	0.8	0.7	0.9
Value of Production	38.1	38.1	55.4	58.1	54.9	63.8	58.7	69.4	64.2
yoy		0%	46%	5%	-1%	10%	7%	9%	9%
Raw materials	(12.4)	(12.7)	(19.8)	(21.8)	(20.4)	(23.1)	(21.1)	(23.9)	(22.7)
Raw materials	(12.2)	(13.6)	(23.0)	(25.8)	(24.2)	(26.8)	(24.5)	(27.1)	(25.7)
Changes in inventories (raw materials)	(0.2)	1.0	3.2	4.1	3.8	3.7	3.4	3.2	3.0
% on revenues	32%	37%	44%	46%	46%	43%	43%	40%	41%
COGS	(12.4)	(12.0)	(18.3)	(21.2)	(19.6)	(22.5)	(20.3)	(23.2)	(21.8)
% on total revenues	32%	32%	34%	37%	36%	36%	35%	34%	34%
Gross margin	25.7	25.4	35.6	36.3	34.5	40.7	37.6	45.4	41.5
% on total revenues	67%	68%	66%	63%	64%	64%	65%	66%	66%
Service costs	(7.1)	(7.5)	(9.5)	(11.2)	(10.3)	(11.0)	(10.7)	(12.0)	(11.7)
% on revenues	19%	20%	18%	20%	19%	18%	19%	18%	19%
Cost for the use of third-part assets	(1.2)	(1.1)	(1.1)	(1.2)	(1.1)	(1.3)	(1.2)	(1.4)	(1.3)
% on revenues	3%	3%	2%	2%	2%	2%	2%	2%	2%
Labour costs	(10.9)	(9.8)	(11.3)	(11.6)	(10.9)	(12.2)	(11.6)	(12.8)	(12.7)
% on revenues	29%	27%	22%	20%	20%	20%	20%	19%	20%
Other costs	(1.3)	(0.9)	(0.8)	(0.8)	(0.8)	(0.9)	(0.8)	(1.0)	(0.9)
% on revenues	3%	2%	1%	1%	1%	1%	1%	1%	1%
EBITDA	5.1	6.0	12.9	11.6	11.5	15.2	13.2	18.3	14.8
margin on VoP	13%	16%	23%	20%	21%	24%	23%	26%	23%
yoy		18%	113%	-10%	-11%	32%	15%	20%	12%
IFRS 16 Adjustment	1.1	1.1	0.6	0.6	0.8	0.6	0.8	0.6	0.8
Adjusted EBITDA	6.8	8.0	13.5	12.2	12.3	15.9	14.0	18.9	15.6
margin on VoP	17.9%	21.1%	24%	21%	22%	25%	24%	27%	24%
D&A	(1.2)	(1.3)	(2.5)	(2.0)	(1.9)	(2.5)	(2.3)	(2.7)	(2.7)
yoy		11.3%	92%	-17%	-4%	20%	-4%	11%	-4%
EBIT	4.0	4.7	10.4	9.5	9.5	12.7	10.8	15.5	12.0
margin on VoP	10.4%	12.4%	19%	16%	17%	20%	18%	22%	19%
EBT	3.8	5.0	11.6	10.1	9.4	13.4	10.6	16.2	11.8
margin on VoP	10.0%	13.1%	21%	17%	17%	21%	18%	23%	18%
Taxes	(0.9)	(1.1)	(2.3)	(2.0)	(2.3)	(2.6)	(2.6)	(3.2)	(3.0)
Operating Net Profit	2.9	3.9	9.3	8.1	7.0	10.7	7.9	13.0	8.9
margin on VoP	7.6%	10.2%	17%	14%	13%	17%	14%	19%	14%
Minorities	0.3	0.5	1.0	0.9	0.8	1.2	0.9	1.4	1.0
% minorities	11.7%	12.0%	11%	11%	11%	11%	11%	11%	11%
yoy		34.3%	138%	-12%	-24%	32%	13%	21%	12%
Group Net Profit	2.6	3.4	8.2	7.2	6.2	9.5	7.1	11.5	7.9

Source: Banca Profilo elaborations on Company data

Increase in NWC in following higher inventory levels and

For FY22E we increased NWC from €15.7mIn to €17.7mIn to reflect the planned stock piling to ensure smoother operations. Similarly, we increased accounts receivables due to the change in client mix, with an increasing weight of OEM/larger multi-national

delays in receivable collection

Agriculture companies showing longer payment time. Finally, we decreased accounts payable as Cofle accelerated its payments in 1H22. Beyond FY22, we expect inventories to account for 22% of the VoP (vs 23% in 2022E), receivables to represent 25% of the VoP (vs 25.5% in 2022E) and payables to decline to 21% (vs 22% in 2022E) of costs in 2024E.

New basket bond

We added the new €5mln bond bearing a 5.1% interest rate.

Capex acceleration in 2H

On the capex side, we updated our FY22E forecast (€2.5mln) to include €0.5mln of investments in Cofle France and €2.5mln for the acquisition of a new warehouse, which we assume occurring by the end of 2022.

We maintained structural yearly capex at €2.5mln beyond 2022 with an additional €0.5mln for FY23 and FY24 to include investments in Cofle France.

Table 4: Balance Sheet 2019-2024E (€, mln)

					2022E		2023E		2024E	
Balance sheet (€/mln)	2019	2020	2021		old	new	old	new	old	new
Stock	8.3	8.6	10.7		12.0	12.4	13.6	13.0	14.9	14.2
Accounts receivables	9.5	11.2	12.7		13.7	14.0	15.6	14.6	17.2	15.8
Accounts payables	(4.5)	(6.0)	(8.1)		(9.0)	(7.7)	(9.0)	(7.5)	(9.2)	(8.0)
Operating Net Working Capital	13.3	13.8	15.3		16.8	18.8	20.2	20.2	22.9	22.1
yoy	0.0%	4.2%	10.6%		9.7%	22.8%	20.3%	7.4%	13.6%	9.4%
% on total revenues	34.6%	37.0%	28.4%		29.2%	34.7%	32.0%	34.8%	33.4%	34.9%
Other current asset and liabilities	(1.2)	0.2	(1.1)		(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Net Working Capital	12.0	14.0	14.2		15.7	17.7	19.1	19.1	21.8	21.0
Intangibles	0.9	3.0	3.8		3.1	3.3	3.2	3.8	3.3	4.2
Tangibles	3.4	3.0	4.5		6.4	8.8	7.2	9.4	7.8	9.7
Financials	1.1	1.0	0.7		0.7	0.7	0.7	0.7	0.7	0.7
Fixed Asset	5.4	6.9	9.1		10.2	12.8	11.1	13.9	11.8	14.6
Funds	(1.8)	(1.6)	(0.8)		(0.8)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)
Other asset and liabilities	0.0	0.0	0.0		-	0.0	-	0.0	-	0.0
Net Invested Capital	15.7	19.3	22.5		25.1	29.8	29.4	32.2	32.7	34.7
Equity	7.1	10.2	26.1		30.8	29.5	37.9	33.1	46.5	37.9
Net debt (cash)	8.6	9.1	(3.6)		(5.7)	0.3	(8.6)	(0.9)	(13.7)	(3.2)
IFRS 16 Adjustment	6.0	4.8	4.3		4.3	4.3	4.3	4.3	4.3	4.3
Valdiporto adjustments	(0.1)	(1.3)	(0.6)		-	-	-	-	-	-
Adjusted net debt (cash)	14.5	12.7	0.0		(1.5)	4.6	(4.3)	3.4	(9.5)	1.1
Liabilities	15.7	19.3	22.5		25.1	29.8	29.4	32.2	32.7	34.7

Source: Banca Profilo elaborations on Company data

Key risks

New risks coming from complex and uncertain scenario

Downside risks to our estimates can be related to:

- the length of the war in Ukraine, which may have indirect repercussions due to the possible impact on Cofle's key customers;
- the trend in the prices of commodities, which create a gap between the payment of raw materials and the collection of sales;
- the tensions on supply chain, which may have an impact on some product lines, such as those related to semiconductors, of Cofle's key customers;
- the absorption of high inflation in Turkey on labour and rental costs;
- the failure to intercept the new demand coming from European Stage V Regulation and the Ukrainian market;
- the intensifying competition with large manufacturers;
- cost management issues due to the expansion of business and the penetration of new markets.

Figure 4 Cofle's risks matrix

IMPACT	Very high				Surge in the commodity prices	
	High			Impact of war on Cofle's key customers		
	Medium	Cost management issues following expansion of business	Intensifying competition with large manufacturers		Tensions on supply chain	
	Medium-low			Absorption of high inflation in Turkey on costs		
	Low					
Potential impact on the business vs likelihood of occurrence		Low	Medium-low	Medium	High	Very high
		LIKELIHOOD				

Source: Banca Profilo elaborations and estimates on Company data

Valuation

DCF approach well appraises a cash generating model

Given Cofle's cash generating business model, a DCF method well adapts as a valuation approach. Furthermore, we have selected a sample of listed international companies "comparable" to Cofle, to suggest an appropriate sample for the relative valuation through market multiples.

Fair value at €17.7/sh, down from €20.5/sh for higher risk-free rate and lower FCFs

Since our previous Company Update (May 12th, 2022):

- we decreased by 33% on average FCF in the period between 2022E-2025E but we added the 2026E FCF of €9.3mln therefore cumulated FCFs are now in line with our previous 2022-2026E estimates;
- we decreased the TV by 2% to €7.8mln;
- we increased the WACC to 8% from previous 7.9% mainly due to higher risk-free rate;
- we updated the Net Financial Position, which reached €3.6mln at the end of June 2022 (from €0 at the end of December 2021);
- Beta declined to 1.1 from previous 1.5.

Our DCF model leads to an Equity Value of €109 or €17.7/share, down from previous €20.5 reflecting mainly higher risk-free rate which was only partially offset by a lower beta.

Market multiples valuation: €12.8/share

We used the adjusted 2023E EBITDA, as we consider it as a normalized figure, whereas 2022E projections have been impacted by current uncertain and complex global growth and inflation scenario. This leads to an Equity Value of €79.0mln or €12.8/share from previous €15.4/share.

BUY confirmed; 12-month TP reduced to €16.5/share

Since Company Update (May 12th, 2022), market multiples have been impacted by the current context of high inflation, spike in raw materials prices, supply chain bottlenecks and Covid-related backlash in some regions. Current level of market multiples can thus be misleading and shall normalize in a more definite global growth and inflation scenario. Therefore, we choose to increase the weight of DCF valuation in our average-related (DCF, multiples) valuation method, as we expect a rerating of multiples. Our weighted average of DCF and relative market multiples valuation brings our 12-month Target Price to €16.5/share, down by 14% vs our previous report. Given the significant upside on Cofle's closing price (as of October 12th, 2022), we confirm our BUY recommendation.

DCF

DCF assumptions: €28.7mln of cumulated FCFs in 2022E-2026E 8% WACC

To run a DCF Model, we use our projections of FCFs for the 2022E-2026E explicit period: €28.7mln of cumulated FCFs (€19.4mln in the shorter 2022E-2025E explicit period vs previous €28.7mln) or €5.7mln as yearly average.

We use an 8% WACC (from previous 7.9%) derived from:

- 4.6% Risk Free rate from 3% in the last research, as the 30Y Italian BTP 100-day yield moving average and our assumed interest rates path (+0.75bps vs previous +0.5bps);
- 5.5% market risk premium (unchanged);
 - beta (vs previous 1.5) , coming from the average of chosen listed peers;
- 40% target Debt-to-Equity structure (unchanged).

Table 5: WACC calculation

WACC Calculation	
Perpetual growth rate	2.0%
WACC	8.0%
Risk free rate (30Y)	4.6%
Equity risk premium	5.5%
Levered Beta	1.1
KE	10.8%
Cost of debt	5.4%
Tax rate	30%
KD	3.8%

Source: Banca Profilo estimates and elaborations

€7.8mln as Terminal
Value cash flow

€3.6mln net debt at
the end of June

DCF valuation:
€17.7/share

To assess the Terminal Value, we used what we consider a perpetually sustainable Free Cash Flow of €7.8mln (vs previous €8mln), given by the average of the FCFs in the period 2024E-2026E. Finally, we assumed a 2% perpetual growth rate (unchanged). In order to get to the Equity Valuation, we would consider the adjusted net debt as of the end of 1H22, equal to €3.6mln (vs previous €0 at the end of December 2021). The DCF method leads us to an Enterprise Value of €112.6mln and to an Equity Value of €109mln, showing a fair value of €17.7/share.

Table 6: FCF forecasts FY22E-FY26E

DCF Valuation	2022E	2023E	2024E	2025E	2026E	TV
Free Cash Flows (€ mln)	(0.4)	5.6	6.3	7.9	9.3	7.8
years	1	2	3	4	5	
discount factor	0.93	0.86	0.79	0.74	0.68	
NPV Cash flows (€ mln)	-0.4	4.8	5.0	5.8	6.3	
Sum of NPVs (€ mln)	-0.4	4.4	9.4	15.2	21.6	
Terminal Value (€ mln)						133.6
NPV Terminal Value (€ mln)						91.0
Enterprise Value (€ mln)						112.6
Adjusted Net debt (€ mln)						3.6
Equity Value (€ mln)						109.0
Number of shares						6.2
Price per share (€)						17.7

Source: Banca Profilo elaborations on companies' data

Cofle's competitive arena

A sample of 9 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), Haldex (Sweden), SKF (Sweden), CIE Automotive (Spain), Kongsberg Automotive (Norway), Suprajit Engineering (India), Mayville Engineering Company (USA), and Meritor Inc. (USA).

Table 7: 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
50%	Meritor	US	USD	3,833	318	x	x	Agriculture; Industrial	Axles; Brake and suspension solutions
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) FY21: revenue €604mln; EBITDA margin 13%

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)

*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
NOK831mln; 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
\$455mln; 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.

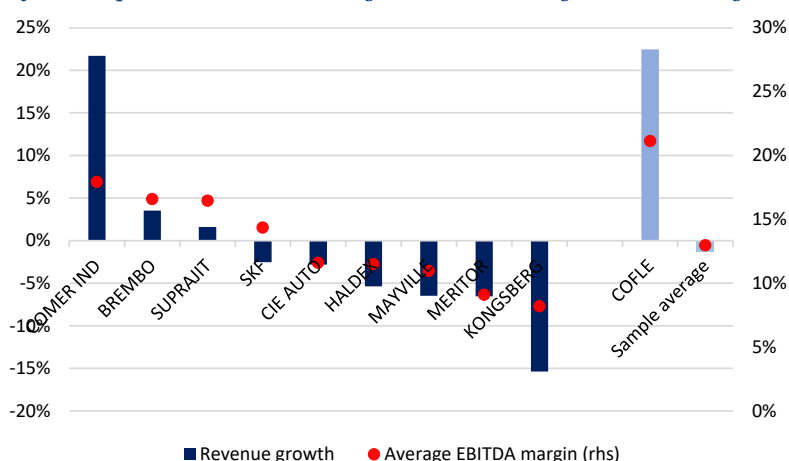
Main differences:

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

Cofle's competitive advantages

Cofle has been strengthening its OEM market positioning, leveraging on its distinctive know-how, high flexibility to meet customer needs, optimal price/quality ratio and engineering support. In AM, Cofle's competitive advantages relates to its extremely wide (almost customized) products catalogue, optimal price/quality ratio and low time to delivery.

Figure 5: Cofle's competitive arena revenue growth and average EBITDA margin (2019-2021)



Source: Banca Profilo elaborations on Factset data

Cofle among the best in class

Our benchmarking analysis shows Cofle ranking among the best in class for what concerns revenue growth and EBITDA margin, above the average for both parameters in 2019-2021, confirming its potential and the quality of its strategies.

Peers' average revenue CAGR 2021-2023E at 11.9%

In terms of perspective revenues, the chosen peers' sample show an average 11.7% revenue CAGR in 2021-2023E.

Table 8: Sample sales growth

Company	Sales Growth				
	2020	2021	2022E	2023E	2024E
Brembo SpA	-14.8%	25.8%	25.6%	4.2%	3.7%
Comer Industries SpA	-2.1%	51.0%	98.8%	4.7%	2.9%
Haldex AB	-22.2%	15.1%	14.7%	8.0%	6.0%
SKF AB	-13.0%	9.2%	14.2%	0.3%	3.4%
CIE Automotive SA	-16.7%	13.4%	17.1%	7.9%	4.9%
Kongsberg Automotive ASA	-35.5%	14.7%	4.6%	4.0%	5.0%
Suprajit Engineering Ltd	4.7%	11.9%	53.2%	14.0%	10.4%
Mayville Engineering Co Inc	-31.2%	27.2%	15.1%	4.7%	-2.4%
Mean	-16.4%	21.0%	30.4%	6.0%	4.2%
Cofle	-2.2%	41.3%	2.7%	6.0%	9.5%

Source: Banca Profilo elaborations on Bloomberg data (as of October 12th, 2022)

COFLE: the highest margin within its competitive arena

In terms of EBITDA, we forecast for Cofle a much stronger performance during next years, with a margin seen at 24.2% in 2024 compared to the peers' average at 15.2%.

Table 9: Sample EBITDA margin

Company	EBITDA margin				
	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%	15.1%	15.4%	16.4%
CIE Automotive SA	15.0%	17.3%	16.5%	17.0%	17.7%
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%	12.1%	13.3%	14.6%
Mean	11.8%	13.2%	13.3%	13.9%	15.0%
Cofle	21.1%	24.4%	22.4%	23.8%	24.2%

Source: Banca Profilo estimates and elaborations on Bloomberg data (as of October 12th, 2022)

Relative market multiples valuation

EV/EBITDA 2023E:5.9x

In order to assess our relative market multiples valuation, we chose the mean EV/EBITDA 2023E, which is at 5.9x (as of October, 12th), only slightly lower than in our previous Company update (6x).

As the Company uses ITA-GAAP accounting standards, we decide to apply the EBITDA that includes IFRS 16 adjustments (adjusted EBITDA) to give an international and consistent view to valuation.

Table 10: Sample EV/EBITDA

Company	EV / EBITDA				
	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	5.5x	5.0x
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	3.2x
Mean	12.1x	8.7x	6.7x	5.9x	5.6x
Median	10.0x	7.3x	5.7x	5.5x	5.1x

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 12th, 2022)

Market multiples valuation: €12.8/share

We used the adjusted EBITDA 2023E, as we assume it as a normalized figure. This leads to an Equity Value of €79mIn or €12.8/share, our previous company update, following our EBITDA estimate downward revision as well as higher net debt.

Table 11: Market multiples valuation

Relative Valuation on market multiples 2023	
EV/EBITDA	EBITDA adjusted
2023E	2023E
	5.9x 14.0
ENTERPRISE VALUE	ADJ. NET DEBT 1H22
	82.6 3.6
EQUITY VALUE	
	79.0
Price per share	12.8

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 12th, 2022)

Market multiples still depressed compared to 1 year ago

Since our initial coverage (December 2021), market multiples have been impacted by the current context of high inflation, spike in raw materials prices, supply chain bottlenecks and Covid-related backlash in some regions. Current level of market multiples can thus be misleading and shall normalize in a more definite global growth and inflation scenario.

Therefore, we choose to increase the weight of DCF valuation in our average-related (DCF, multiples) valuation method, as we expect a rerating of multiples.

Figure 6: Sample average EV/EBITDA trend



Source: Banca Profilo estimates and elaborations on Factset

The reference market

Cofle's main businesses: Original Equipment Manufacturers and Aftermarket

Cofle is a multinational company operating as Original Equipment Manufacturer (OEM) (68% of Group's revenues) mainly for top worldwide producers of agricultural & earthmoving machineries, but also for luxury automotive and light commercial vehicles manufacturers. Cofle is also active in the Aftermarket (38% of Group's revenues), specialized in the production of automotive aftermarket parts on a global scale.

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

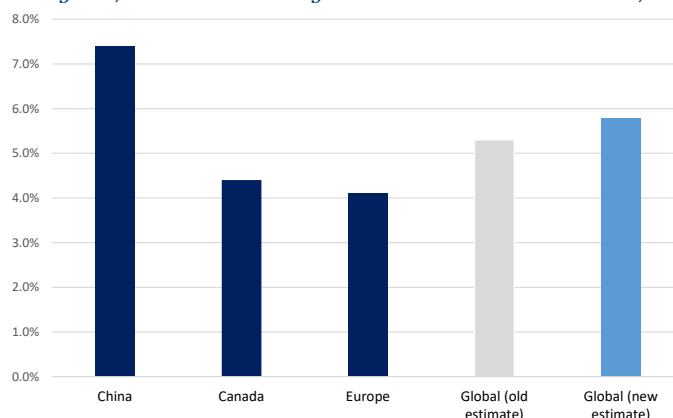
- population increase from 7.9bn in 2021 to about 10bn in 2050, which will stimulate food demand in next decades;
- rising mechanization and increasing productivity and efficiency requirements;
- commitment to reduce tractors pollution;
- crop production increase by 18% in the coming decade, from approximately 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 7: Tractor Industry market size CAGR 2020-2027E



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

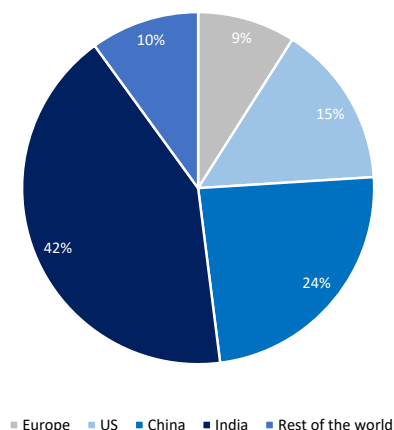
China's tractor industry should show the biggest growth,

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

depending on the pandemic/lockdown evolution

with a 4.1% CAGR. However, China is experimenting a Covid-related backlash, which has been affecting growth, logistics and supply.

Figure 8: 2020 global tractor market shares



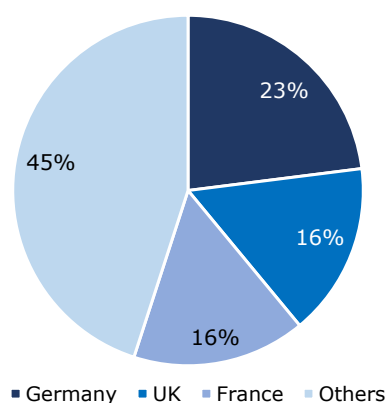
Source: Banca Profilo elaborations on Farm tractors – Global Market Trajectory & Analytics data

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 9: 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 10: Tractor Industry major players



Source: Banca Profilo elaborations on Mordor Intelligence data

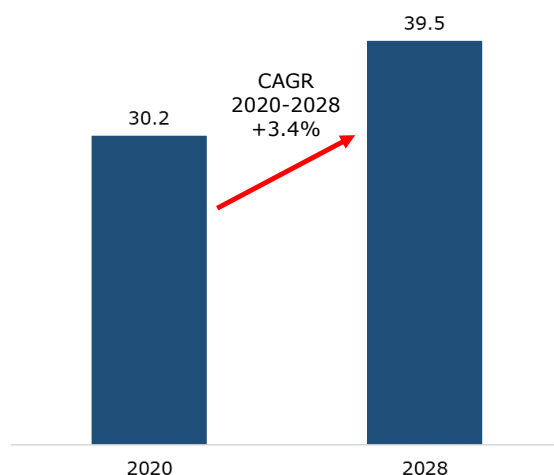
Global wheat production seen at 782mln tons in 2022, impacted by the conflict

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 3.4% CAGR21-28E

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

Figure 11: 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

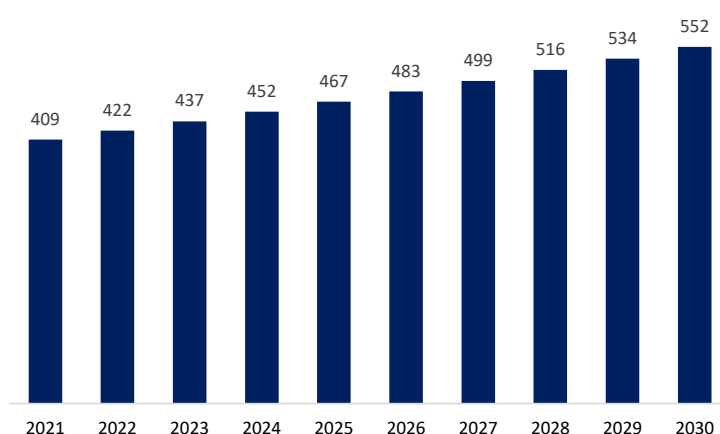
Aftermarket Industry to grow at 3.4% CAGR 22E-30E

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 12: 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 13: 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

Shareholders' structure after IPO

Cofle: 78.4% Barbieri's family

Cofle was listed on the Euronext Growth on November the 11th, 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.

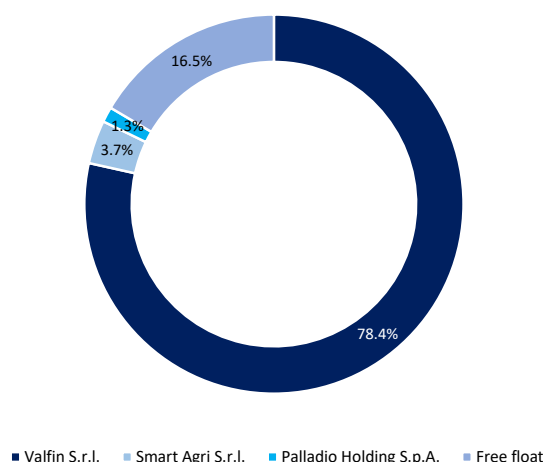
24months lock up period

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

Warrant distribution

At the IPO, the Company issued 1 free warrant each 4 stocks for investors upon the IPO. The conversion will be 1 warrant for 1 new issued share with a strike price at +15% to IPO price in the first exercise period (12 months from the IPO) and +30% to IPO price in the second exercise period (24 months from the IPO).

Figure 14: Cofle's shareholders' structure post-IPO



Source: Banca Profilo elaborations on Company data

Use of proceeds

The IPO proceeds will be used to expand production and logistic capacity on a global scale, for R&D and M&A.

More in details:

- 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;
- 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;
- R&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;
- Digital transformation (5%-10% of IPO proceeds): IT systems upgrade, business intelligence and data analysis;
- Commercial network (5%-10% of IPO proceeds) expansion mainly in AM.

Moreover, the Company has planned to grow through M&A:

- 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;
- in the AM, to increase market share and expand the products range. The scouting phase is on-going.

Company's evolution

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.

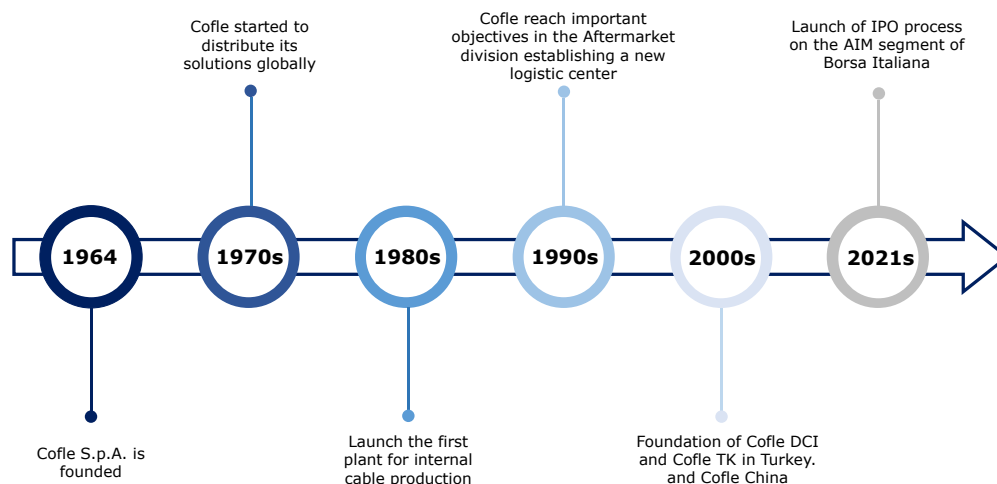
In the 90's Cofle reached important milestones in the Aftermarket division: its increasingly recognition within the markets induced Cofle to establish a new logistic centre, including a 4,000 sqm warehouse. During these years, Cofle started his expansion abroad founding Tabo in Turkey, set up for producing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

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 15: Cofle's timeline



Source: Banca Profilo elaborations on Company data

Group structure

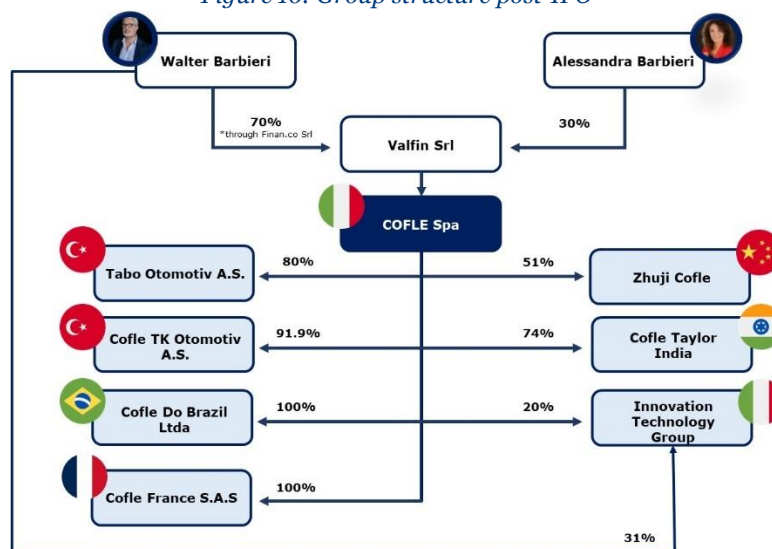
Cofle: 78.4% Barbieri's family

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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 16: Group structure post-IPO



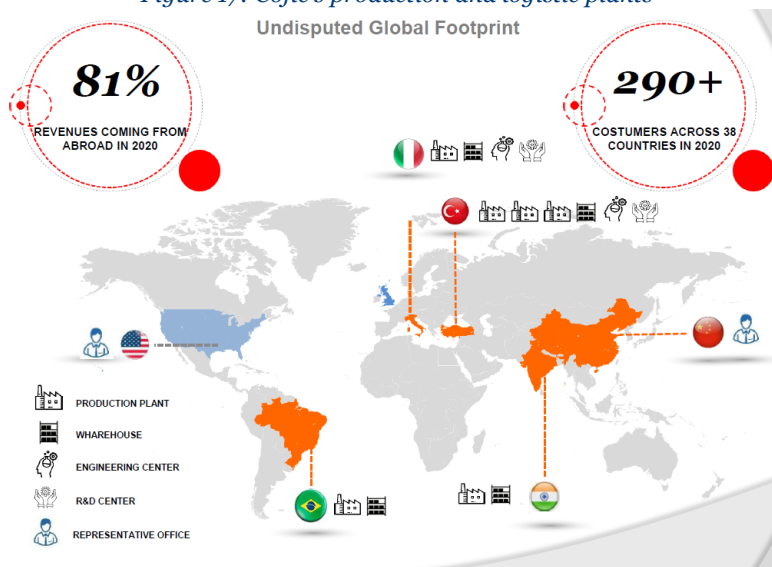
Source: Banca Profilo elaborations on Company data

Cofle's worldwide presence

The Group has production sites in Brazil, India, Italy and Turkey, over 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.

Figure 17: Cofle's production and logistic plants



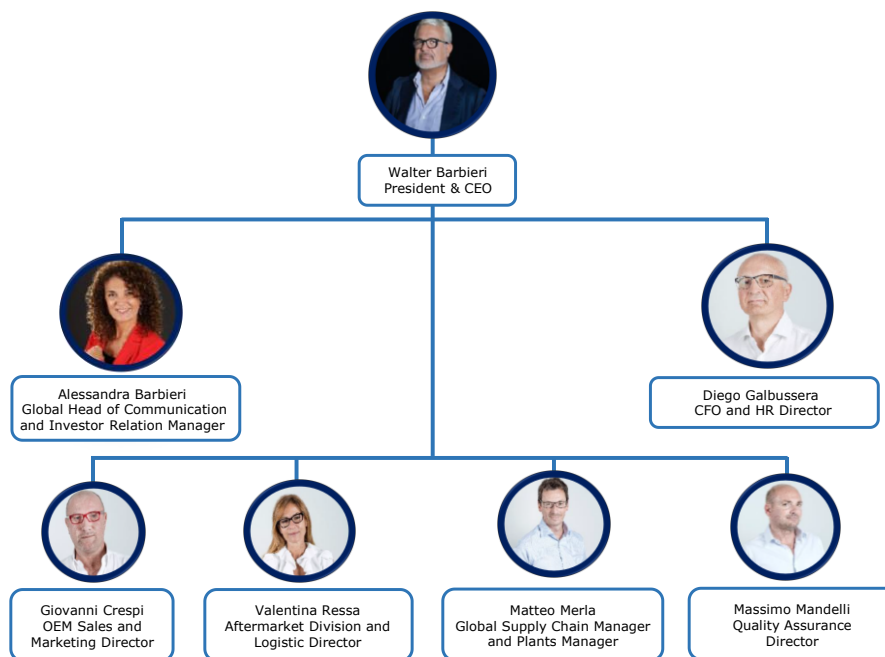
Source: Banca Profilo elaborations on Company data

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 18: Cofle's top management



Source: Banca Profilo elaborations on Company data

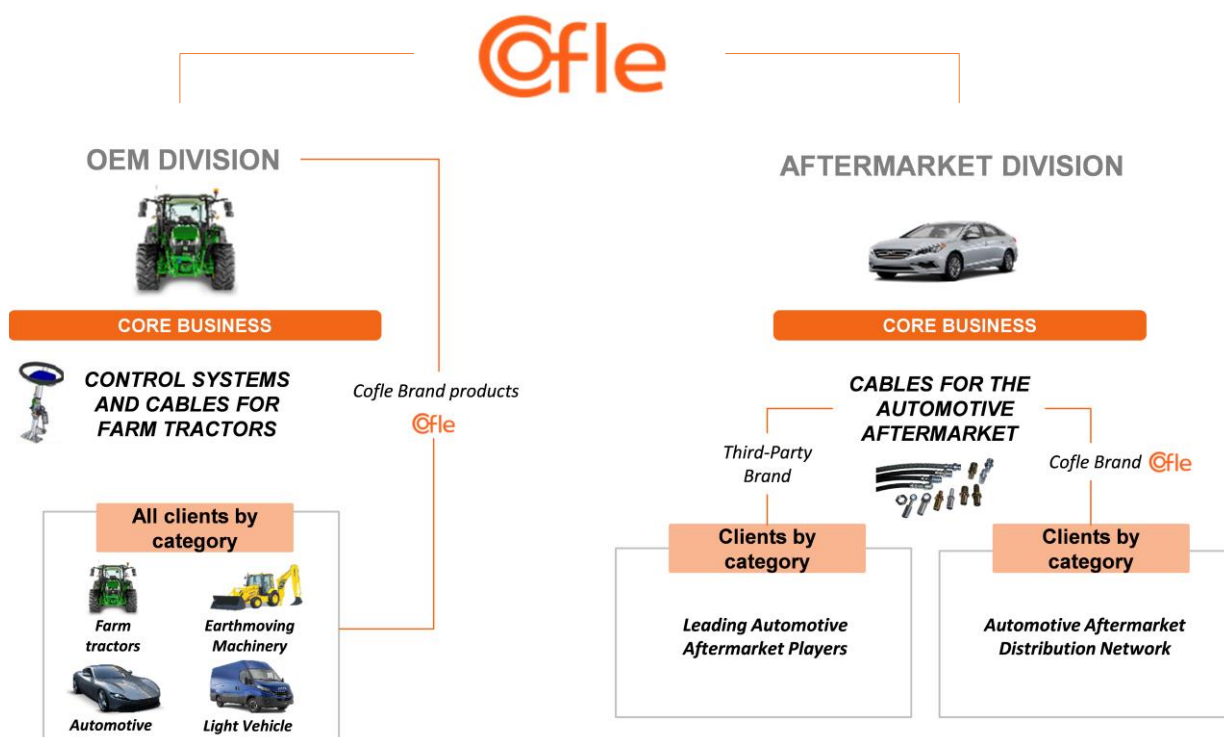
Cofle: a distinctive business model

Cofle: 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 19: 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 20: 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 21: 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 22: 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.

ESG analysis: great attention to sustainability

No published sustainability report

Cofle does not publish a yearly Sustainability Report. The Company does not publish its Materiality Assessment, which would highlight the most relevant issues for the company and its stakeholders.

Cofle's headquarter surrounded by a natural reserve

Cofle has always paid great attention to sustainability and corporate social responsibility.

Cofle's headquarters is in Trezzo sull'Adda, a town situated between Milan and Bergamo, in a renewed area for its historical heritage and natural beauty. Over time, the land surrounding the plant has become a natural reserve, and Cofle paid attention to allow its plant and its surrounding park to coexist. For this reason, in addition to applying a strict and constant control over all production waste, in 2012 the Group

set up solar panels that allow to cut down energy costs and reduce the environmental impact.

Moreover, complying with Cofle's philosophy to protect the environment, the new plant in Pozzo d'Adda was the first to adhere to their Plastic Free project. The old water coolers were replaced with still and sparkling water dispensers that are connected directly to the water supply. Cofle's employees can quench their thirst using re-usable cups. Finally, they replaced the plastic cups and stirrers of hot drinks dispensers with recyclable paper cups and wooden stirrers.

Cofle is active in charity

In 2020 Cofle decided to continue supporting Movimento MLFM's efforts against poverty and to sponsor the Mother of Divine Providence Primary School in Muhura, Rwanda.

Finally, FAI (Fondo Ambiente Italiano) and Cofle joined for Italy's future. The Group joined FAI membership program "Corporate Golden Donor", as part of their corporate social responsibility policy in 2021.










Cofle's certifications



Cofle certificate its products and sustainability

Cofle owned various certifications to validate its products' quality and attention to main corporate, social, environmental responsibilities.

Cofle plans to confirm the international certification of its plants located in different Countries, adding new ones by 2023.

Figure 23: Cofle's ISO/IA TF certification maps

COFLE PLANTS	2019	2020	2021	2022	2023
COFLE IT			+		
COFLE TK			+		
COFLE do BRASIL					
COFLE TAYLOR INDIA			+		+
TABO		+			

 SustainabilityAudit done by CNHInd.  * DEPENDING ON FUTURE OPPORTUNITIES

Source: Companies' data

ISO certification: for Quality Management Systems and standard for Environmental Management Systems

The ISO 9001:2015 standard for Quality Management Systems and the ISO 14001:2015 standard for Environmental Management Systems are two internationally recognized standards by the International Organization for Standardization (ISO).

In addition, the plant in Turkey was able to renew its IATF 16949 certification through a surveillance audit, a standard by the International Automotive Task Force (IATF) that establishes the requirements for a Quality Management System (QMS), specifically for the automotive sector.

ISO 45001:2018 specifies requirements for an occupational health and safety (OH&S) management system, and gives guidance for its use, to enable organizations to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance. Cofle is working to obtain this certification in 2023.

Occupational health and safety

IATF (International Automotive Task Force)

IATF 16949 emphasizes the development of a process-oriented quality management system that provides for continuous improvement, prevention and reduction of waste and changes in the supply chain. The goal is to meet customer requirements efficiently and effectively. Its purpose is to optimize production and logistics

processes. The WCM model detects waste and losses and it introduces new tools and new methods to increase efficiency. The WCM model follows the Zero Concepts-Target: i) Zero accidents ii) Zero machine breakdowns iii) Zero defects iv) Zero customer claims v) Zero waste.



Cofle "ID Card"

Recommendation
BUY

Target Price
16.5 €

Upside
27%

Company Overview

Cofle is an international Original Equipment Manufacturer of control cables and remote-control systems for farming machines, earthmoving machines and, to a less extent, for luxury cars and commercial vehicles. It is a fully integrated company: its value chain includes the co-engineering with customers, pricing and prototyping, orders intaking, production and delivery. In the OEM division there is no product catalogue as Cofle branded equipment is built in-house according to customer's needs. The AM unit, which products range from brake cables to EPB systems, launches over 200 new products a year. Cofle has a global presence with plants in Italy, Turkey, India, Brazil and China and can count on more than 500 employees. Along with its fully integrated value chain, established local presence in Turkey and India and consolidated skills in farm equipment are additional key competitive advantages. In 2021 the Company recovered from Covid-19 impact, recording its highest revenues ever at €52.2mln, driven mainly by OEM (+56.3% yoy) and, to a less extent, by AM (+21.9% yoy). Adjusted EBITDA came in at €13.5mln, exceeding the PAS mechanism threshold, with margin improving 330bps to 24.4%. Group net income rose to €8.2mln from €3.4mln in 2020. The tractors industry is expected to grow at a 5.8% CAGR20-27, mainly driven by i) population increase; ii) mechanization; iii) commitment to reduce tractors pollution; iv) concerns about malnutrition in developing countries; v) shorter tractor replacement cycle. The AM segment is expected to grow at a 3.4% CAGR22-30, driven by the search for best vehicle performance and the increasing miles record driven by growing vehicle population. For the next years, Cofle's growth strategy is based on i) new demand coming from Stage V Regulation; ii) the EU release of constraints on 4mln hectares land; iii) the restoration of the Ukrainian tractors fleet; iv) penetrating the electronic components market for off-road vehicles, through M&A; v) anticipating new trends in tractors engineering thanks to the setup of ITG Turkey; vi) upgrading logistics to reduce the time-to-market.

SWOT Analysis

Strengths

- Multinational Company
- Strong commitment in eco-sustainable practices
- Strongly investing on corporate culture, brand awareness and innovative marketing
- A wide portfolio of patented products
- Geographically diversified production
- Top end customers
- Production plants close to its customer

Weaknesses

- Revenue concentration by client
- Slow process digitalization
- High correlation between Automotive and Covid-19 crisis

Opportunities

- New demand from the release of constraints on agricultural land by the European Union
- Large potential in Eastern Europe addressable markets for both OEM and AM segments
- Strategically positioned to boost long term expansion
- Only at the beginning of international scalability
- OEM Expansion into Luxury Automotive & Light Commercial Vehicles
- Growth through M&A
- Production capacity expansion
- Major technological upgrade involving farm tractors in the next decade

Threats

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

Main catalysts

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

Main risks

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



Cofle "ID Card"

Oct 13, 2022 at 18:00

Recommendation

BUY

Target Price

16.5 €

Upside

27%

(€/000)	2020	2021	2022E	2023E	2024E
Total revenue	37.4	53.9	54.2	57.9	63.3
yoy change	-2.5%	44.1%	0.6%	6.8%	9.3%
EBITDA	6.0	12.9	11.5	13.2	14.8
EBITDA margin (%)	15.9%	23.3%	20.9%	22.6%	23.1%
ADJUSTED EBITDA	8.0	13.5	12.3	14.0	15.6
Adj EBITDA margin (%)	21.1%	24.4%	22.4%	23.8%	24.2%
EBIT	4.7	10.4	9.5	10.8	12.0
EBIT margin (%)	12.4%	18.7%	17.3%	18.5%	18.7%
Group Net income	3.4	8.2	6.2	7.1	7.9
Margin (%)	9.0%	14.9%	11.3%	12.0%	12.3%
Adjusted net debt/(cash)	12.7	4.6	3.4	1.1	(2.4)
Shareholders Equity	10.2	26.1	29.5	33.1	37.9
Net Operating Working Capital	13.8	15.3	18.8	20.2	22.1
Capex and acquisitions	(0.2)	(3.3)	(5.5)	(3.0)	(3.0)
Free Cash Flow	3.8	4.1	(0.4)	5.6	6.3

Revenue breakdown by business unit	2020	2021	2022E	2023E	2024E
Original Equipment Manufacturer	20.6	32.2	35.4	38.1	41.7
Aftermarket	16.4	20.0	17.7	18.8	20.6

Solvency Ratios	2020	2021	2022E	2023E	2024E
Net debt (cash) / EBITDA	1.4x	(0.3)x	0.0x	(0.1)x	(0.2)x
Net debt (cash) / Equity	0.9x	(0.1)x	0.0x	(0.0)x	(0.1)x

Financial and Operative ratios	2020	2021	2022E	2023E	2024E
Tax rate	22%	20%	25%	25%	25%
ROIC	20%	37%	24%	25%	26%
ROE	38%	35%	24%	24%	23%
Days Sales Outstanding	108	83	93	91	90
Days Sales Of Inventory	83	71	83	81	81
Days Payables Outstanding	104	91	81	78	78
Fixed asset turnover ratio (FAT)	5.3	5.8	4.1	4.1	4.3
Capex/Sales	0%	-6%	-10%	-5%	-5%
Current ratio	6.8	18.0	20.4	21.3	23.1

Source: Factset, Banca Profilo estimates and elaborations

Company Description

Company Sector	Automotive
Price (€)	13.0
Number of shares (mln)	6.2
Market Cap (€ mln)	80.0
Reference Index	FTSE ITALIA GROWTH
Main Shareholders	Valfin S.r.l.
Main Shareholder stake	78.4%
Free Float	16.5%
Daily Average Volumes	9,255
Sample of comparables	Brembo, Comer Industries, Haldex, SKF, CIE Automotive, Kongsberg Automotive, Suprajit, Mayville, Meritor

Data of peers	2020	2021	2022E	2023E
Sales Growth (yoy)	-16.4%	21.0%	30.4%	6.0%
EBITDA Margin	11.8%	13.2%	13.3%	13.9%

Average data

Multiples of peers	2022E	2023E
EV / EBITDA	6.7x	5.9x

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ADDITIONAL INFORMATION

THE BANK PROVIDES ALL OTHER ADDITIONAL INFORMATION, ACCORDING TO ARTICLE 114, PARAGRAPH 8 OF LEGISLATIVE DECREE 58/98 ("FINANCIAL DECREE") AND COMMISSION DELEGATED REGULATION (EU) 2016/958 AS OF 9 MARCH 2016 (THE "COMMISSION REGULATION") ON THE RELEVANT SECTION OF ITS WEBSITE (WWW.BANCAPROFILO.IT, IN THE SECTION "CLIENTI AZIENDALI E ISTITUZIONALI/ANALISI E RICERCA").