

EQUITY RESEARCH

COFLE RESULTS REVIEW

BUY
TP 16.8€
Up/Downside: 31%

A publication in line

The dynamics of the two divisions remain very contrasted, with the OEM business continuing to record double-digit growth while the AM business is still strongly affected by the conflict in Ukraine

Cofle reported revenues for 9M22 broadly in line with our expectations (€39.7m vs. €40.5m respectively). The group recorded a sequential rebound in growth during Q3'22 to -5.4% Y/Y (vs. -8.3% Y/Y in Q2'22), as the group should have benefited from the relative normalisation of supply-chain noted recently by off-road manufacturers and the start of the price effects applied since July-August (increases of around 5% on a case-by-case basis).

As in Q2'22, the situation is strongly contrasted between the divisions. The OEM business is still very dynamic and returned to double-digit growth during the quarter (+10.7% Y/Y) driven by programme launches and a strong order book. The AM division is still strongly affected by the conflict in Ukraine (-27.8% Y/Y), mainly due to the withdrawal of its distributors (Conti, Bosch, ZF...) from Russia. The +5% price increases applied by the AM division since August suggest a sequential worsening of the sales decline during the quarter.

The group maintains its outlook for the OEM business, which should continue to display by this dynamism in view of its order book and an acceleration in demand for agricultural machinery in Europe, motivated in particular by the need for food independence as well as by the application of the new Stage V regulations (new safety requirements) which make the use of mechatronic components mandatory. The group still expects to partially restore its margins through price increases against inflation. The recovery of the AM division remains subject to the duration of the conflict in Ukraine and the group's ability to resume operations in Russia.

All in all, a publication in line, we remain Buy (TP at 16.8€).

Key data

Price (€)	12.8
Industry	Automotive
Ticker	CFL-IT
Shares Out (m)	5.404
Market Cap (m €)	69.2
Next event	9/29/2022

Ownership (%)

Valfin Srl	78.4
Smart Agri Srl	3.7
Palladio Holding SpA	1.3
Free float	16.6

EPS (€)	12/22e	12/23e	12/24e
Estimates	1.48	2.17	2.42
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.0	-1.5	-21.2
Rel FTSE Italy	-0.4	-14.1	-9.4



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e	Consensus FactSet - Analysts:2	12/22e	12/23e	12/24e
Sales (m €)	55.4	57.3	63.0	67.9	EV/Sales	1.0	0.8	0.6	Sales	60.0	65.8	0.0
Current Op Inc (m €)	11.0	10.2	15.0	16.7	EV/EBITDA	4.4	2.7	2.0	EBIT	12.0	14.8	0.0
Current op. Margin (%)	19.8	17.8	23.8	24.6	EV/EBIT	5.5	3.2	2.3	Net income	8.7	10.7	12.3
EPS (€)	1.72	1.48	2.17	2.42	PE	8.7	5.9	5.3				
DPS (€)	0.00	0.33	0.33	0.33								
Yield (%)	0.0	2.6	2.6	2.6								
FCF (m €)	2.8	10.0	10.6	10.4								

Analyst
Julien Thomas
julien.thomas@tpicap.com



FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	38.1	38.1	55.4	57.3	63.0	67.9
Changes (%)	31.2	0.0	45.5	3.4	9.9	7.8
Gross profit	25.9	24.5	32.4	37.5	43.4	46.9
% of Sales	67.9	64.3	58.5	65.5	69.0	69.0
EBITDA	5.1	6.0	13.4	12.8	17.7	19.5
% of Sales	13.3	15.7	24.3	22.3	28.1	28.8
Current operating profit	4.0	4.7	11.0	10.2	15.0	16.7
% of Sales	10.4	12.3	19.8	17.8	23.8	24.6
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.0	4.7	11.0	10.2	15.0	16.7
Net financial result	-0.2	0.3	1.2	0.1	0.1	0.1
Income Tax	-0.9	-1.1	-2.3	-2.3	-3.3	-3.7
Tax rate (%)	23.7	22.4	19.7	22.0	22.0	22.0
Net profit, group share	2.6	3.3	8.2	7.1	10.4	11.6
EPS	0.54	0.71	1.72	1.48	2.17	2.42
Financial Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Goodwill	0.3	0.2	0.2	0.2	0.2	0.2
Tangible and intangible assets	4.0	5.7	8.2	9.2	10.4	11.7
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.1	1.0	0.7	0.7	0.7	0.7
Working capital	12.2	15.1	15.1	15.7	17.5	18.9
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	17.6	22.0	24.2	25.9	28.8	31.4
Shareholders equity group	3.1	3.9	18.9	17.8	21.1	22.3
Minorities	3.9	6.2	7.2	8.1	9.4	10.9
LT & ST provisions and others	1.8	1.6	0.7	5.8	7.9	11.7
Net debt	8.3	8.4	-4.6	-12.8	-21.6	-30.3
Other liabilities	0.3	1.5	1.7	6.7	11.7	16.7
Liabilities	17.7	22.0	24.2	25.9	28.8	31.6
Net debt excl. IFRS 16	8.3	8.4	-4.6	-12.8	-21.6	-30.3
Gearing net	1.2	0.8	-0.2	-0.5	-0.7	-0.9
Leverage	1.6	1.4	-0.3	-1.0	-1.2	-1.5
Cash flow statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
CF after elimination of net borrowing costs and taxes	4.4	4.6	11.3	13.3	15.1	14.9
Δ WCR	-5.6	-3.1	-4.7	-1.0	-2.0	-1.8
Operating cash flow	-1.2	1.5	6.6	12.3	13.1	13.1
Net capex	0.0	-0.9	-3.9	-2.3	-2.5	-2.7
FCF	-1.2	0.6	2.8	10.0	10.6	10.4
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	0.0	1.9	-1.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	-1.8	-1.8	-1.8
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	10.3	0.0	0.0	0.0
Changes in exchange rates	0.0	0.0	-0.3	0.0	0.0	0.0
Change in net cash over the year	-1.2	2.5	12.1	8.2	8.8	8.6
ROA (%)	12.3%	11.4%	18.4%	12.3%	15.0%	14.4%
ROE (%)	24.8%	22.6%	24.7%	21.0%	25.3%	25.8%
ROCE (%)	27.1%	21.3%	27.4%	21.4%	25.2%	23.6%

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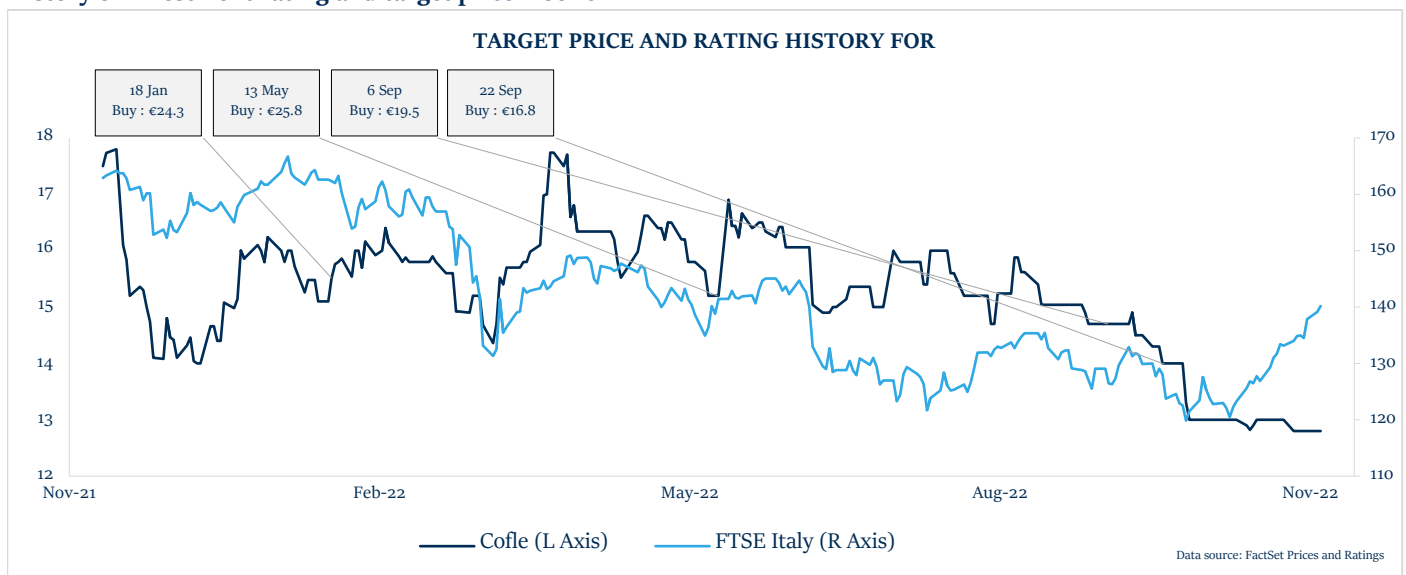
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
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History of investment rating and target price – Cofle



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
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Hold	13%	39%
Sell	1%	0%
Under review	1%	100%

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

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