

EQUITY RESEARCH

COFLE
FEEDBACK CONFERENCE

BUY

TP 15.7€

Up/Downside: 43%

All-Round Growth

The group reviewed its numerous growth levers to which its business is exposed and its strategy based on product development, geographical expansion and M&A.

At our conference, management presented to investors the robustness of its markets and its strategy's drivers:

- Cofle is actively seeking to expand its OEM product ranges to provide an integrated vehicle control offering, as the group has seen a trend towards the re-internalisation of cabin production by OEMs, opening up an opportunity to be promoted to a Tier 1 supplier via this integrated offering. To this end, the group has strengthened its vertical integration, notably in Turkey, and its industrial capabilities in mechatronics.
- In parallel with the expansion of its product ranges, the group is seeking to diversify its geographical exposure by strengthening its positions in India. The group, historically present in AM, is investing to develop an OEM offer aimed at supplying a very promising local market with a cruel technological gap.
- The group's development is based on M&A and internal investments, as illustrated by the recently approved €2.4m plan to strengthen its distribution capacity in Italy. Regarding the first point, the group is currently finalising transactions suggesting an announcement in H2'23, to be financed in cash.

Management was able to reiterate that its product portfolio is largely insensitive to electrification. In AM, the group mainly supplies brake cables (mechanical and mechatronic), a piece of equipment that should benefit from the increased weight of electric vehicles and the resulting acceleration of its degradation. Regarding OEM, electrification will be much slower, as the technological equation combining electrification and high traction power has not yet been resolved.

For now, the group is confident of restoring its margin in 2023. In addition to the annualisation of the Ukrainian conflict, the group will finally be able to cash in on the price increases negotiated in 2022 as the inflationary pressures felt are now stabilising

We are reiterating our BUY rating and TP of €15.7.

Key data

Price (€)	11.0
Industry	Automotive
Ticker	CFL-IT
Shares Out (m)	5.404
Market Cap (m €)	59.4
Average trading volumes (k shares / day)	5.616
Next event	3/29/2023

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	1.35	1.72	2.08
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.9	0.0	-16.7
Rel FTSE Italy	1.4	0.4	-27.0



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	53.7	59.8	64.8	EV/Sales	0.9	0.7	0.5	Sales	60.0	65.8	0.0
Current Op Inc (m €)	11.0	9.3	11.9	14.4	EV/EBITDA	3.9	2.7	1.9	EBIT	12.0	14.8	0.0
Current op. Margin (%)	19.8	17.4	19.9	22.2	EV/EBIT	4.9	3.3	2.3	Net income	8.7	10.7	12.3
EPS (€)	1.72	1.35	1.72	2.08	PE	8.1	6.4	5.3				
DPS (€)	0.00	0.33	0.33	0.33								
Yield (%)	0.0	3.0	3.0	3.0								
FCF (m €)	2.8	10.4	8.2	8.7								

Analyst

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FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	38.1	38.1	55.4	53.7	59.8	64.8
Changes (%)	31.2	0.0	45.5	-3.1	11.4	8.4
Gross profit	25.9	24.5	32.4	35.2	40.0	44.1
% of Sales	67.9	64.3	58.5	65.5	66.8	68.0
EBITDA	5.1	6.0	13.4	11.9	14.6	17.2
% of Sales	13.3	15.7	24.3	22.2	24.4	26.5
Current operating profit	4.0	4.7	11.0	9.3	11.9	14.4
% of Sales	10.4	12.3	19.8	17.4	19.9	22.2
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.0	4.7	11.0	9.3	11.9	14.4
Net financial result	-0.2	0.3	1.2	0.1	0.1	0.1
Income Tax	-0.9	-1.1	-2.3	-2.1	-2.6	-3.2
Tax rate (%)	23.7	22.4	19.7	22.0	22.0	22.0
Net profit, group share	2.6	3.3	8.2	6.5	8.3	10.0
EPS	0.54	0.71	1.72	1.35	1.72	2.08
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	9.1	10.1	11.3
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	14.7	16.6	18.0
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	17.6	22.0	24.2	24.7	27.6	30.2
Shareholders equity group	3.1	3.9	18.9	17.2	18.9	20.7
Minorities	3.9	6.2	7.2	8.0	9.1	10.3
LT & ST provisions and others	1.8	1.6	0.7	5.8	7.2	8.7
Net debt	8.3	8.4	-4.6	-13.3	-19.7	-26.6
Other liabilities	0.3	1.5	1.7	6.7	11.7	16.7
Liabilities	17.7	22.0	24.2	24.7	27.6	30.2
Net debt excl. IFRS 16	8.3	8.4	-4.6	-13.3	-19.7	-26.6
Gearing net	1.2	0.8	-0.2	-0.5	-0.7	-0.9
Leverage	1.6	1.4	-0.3	-1.1	-1.4	-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	12.6	12.7	13.1
Δ WCR	-5.6	-3.1	-4.7	-0.0	-2.1	-1.8
Operating cash flow	-1.2	1.5	6.6	12.6	10.6	11.3
Net capex	0.0	-0.9	-3.9	-2.1	-2.4	-2.6
FCF	-1.2	0.6	2.8	10.4	8.2	8.7
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	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
Equity Transaction	0.0	0.0	10.3	0.0	0.0	0.0
Others	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	8.7	6.4	6.9
ROA (%)	12.3%	11.4%	18.4%	11.5%	12.5%	13.2%
ROE (%)	24.8%	22.6%	24.7%	22.5%	25.2%	27.4%
ROCE (%)	27.1%	21.3%	27.4%	19.8%	21.1%	21.8%

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Analyst certifications

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Methodology

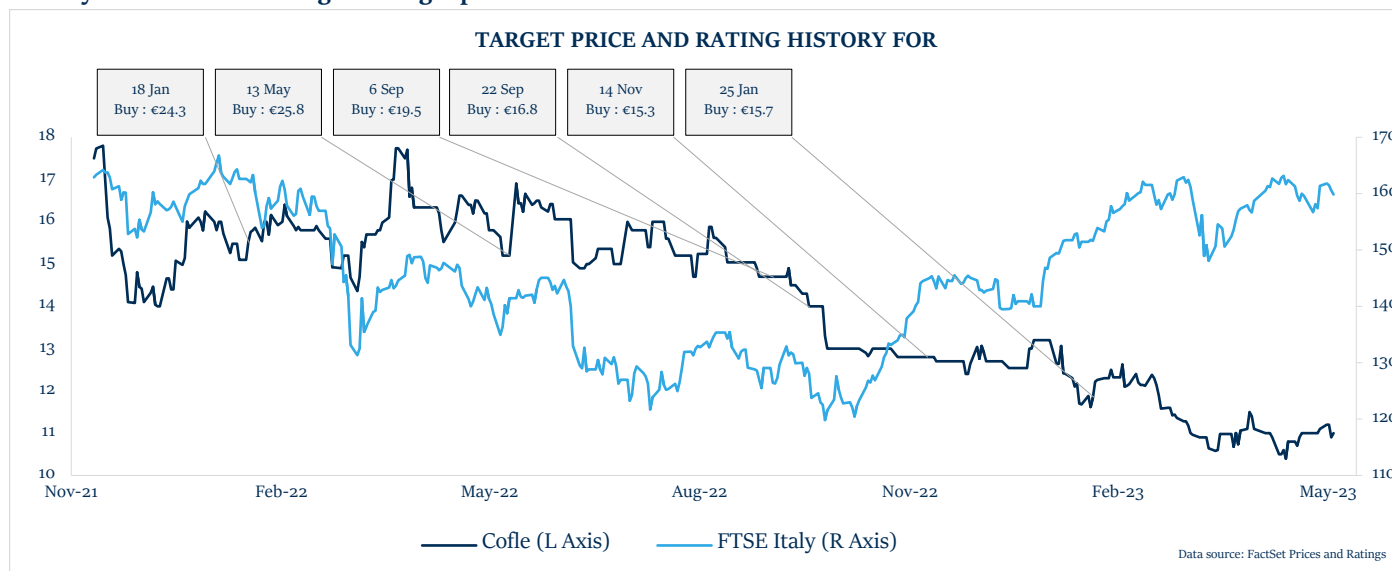
This Report may mention evaluation methods defined as follows:

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

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

History of investment rating and target price – Cofle



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	65%
Hold	16%	42%
Sell	1%	0%
Under review	1%	0%

Midcap employs a rating system based on the following:

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

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

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

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

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