

## EQUITY RESEARCH

COFLE  
PREVIEW

BUY

TP 15.6€ (vs 15.7€)  
Up/Downside: 28%

## A Solid Half-Year Ahead

We are calling for a dynamic quarter, albeit at a slower pace vs. Q1, which was exceptional. We have slightly reduced our expectations for the current FY to take account of the cyclical risk to OEM demand.

Cofle will release its Q2'23 revenue figures on 24 July. We expect solid figures (+14.3% Y/Y), albeit at a slightly slower pace than in Q1'23, which was an exceptional period (+19.6% Y/Y).

In detail, we expect the OEM division to remain very dynamic, with growth of +16% Y/Y driven by a price effect (+4-5%), an accretive mix effect (roll-out of the new mechatronics ranges) and a relatively resilient underlying market (the major US OEMs expect demand for agricultural machinery to be broadly stable in Europe in 2023), partly offset by supply constraints affecting production of INEOS Grenadiers. For the AM division, we expect the rebound announced since the start of the year to continue (+10.5% Y/Y). The division should benefit fully from the annualisation of the impact of the Ukrainian conflict, the price increases implemented since 2022 and various development initiatives (opening in France and launch of new ranges).

We have slightly downgraded our 2023 outlook, now estimating growth of +9.6% Y/Y to take account of a slight deterioration in OEM demand at the end of the year. Regarding margins, we expect a return to 2021 levels, i.e. an EBITDA margin of 24.3%. Profitability should benefit from the price increases negotiated in 2022 and taken up this year, while the group is not subject to strong pressure on raw materials, and is not energy-intensive. Nevertheless, Cofle has been heavily impacted by Turkish inflation (>50%), which has increased its local wage costs (>50% of its production bases are in Turkey) and has not been offset by the Turkish currency. Although Cofle is actively modifying its contracts to protect itself, profit growth remains dependent on the Turkish lira behaving more rationally.

Following the change in our estimates, our price target has fallen to €15.6 (from €15.7), and we are reiterating our BUY rating.

## Key data

Price (€)	12.2
Industry	Automotive
Ticker	CFL-IT
Shares Out (m)	5.404
Market Cap (m €)	65.9
Average trading volumes (k shares / day)	5.616
Next event	7/24/2023

## Ownership (%)

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

EPS (€)	12/23e	12/24e	12/25e
Estimates	1.52	1.74	2.00
Change vs previous estimates (%)	-11.98	-16.53	-17.42

Performance (%)	1D	1M	YTD
Price Perf	0.0	8.0	-7.6
Rel FTSE Italy	-0.3	5.2	-20.6



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e	Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales (m €)	58.0	63.6	68.9	74.7	EV/Sales	0.9	0.8	0.6	Sales	52.7	57.5	0.0
Current Op Inc (m €)	9.4	11.6	13.1	15.0	EV/EBITDA	3.7	3.0	2.4	EBIT	9.3	11.1	0.0
Current op. Margin (%)	16.2	18.3	19.1	20.0	EV/EBIT	4.9	4.0	3.1	Net income	6.3	7.6	8.8
EPS (€)	0.49	1.52	1.74	2.00	PE	8.0	7.0	6.1				
DPS (€)	0.45	0.45	0.45	0.45								
Yield (%)	3.7	3.7	3.7	3.7								
FCF (m €)	-1.1	10.6	7.7	8.0								

Analyst  
Julien Thomas  
julien.thomas@tpicap.com

## FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	38.1	55.4	58.0	63.6	68.9	74.7
Changes (%)	0.0	45.5	4.6	9.6	8.4	8.4
Gross profit	24.5	32.4	33.0	42.3	46.0	50.2
% of Sales	64.3	58.5	57.0	66.6	66.8	67.2
<b>EBITDA</b>	<b>6.0</b>	<b>13.4</b>	<b>13.0</b>	<b>15.4</b>	<b>17.2</b>	<b>19.2</b>
% of Sales	15.7	24.3	22.5	24.3	24.9	25.7
<b>Current operating profit</b>	<b>4.7</b>	<b>11.0</b>	<b>9.4</b>	<b>11.6</b>	<b>13.1</b>	<b>15.0</b>
% of Sales	12.3	19.8	16.2	18.3	19.1	20.0
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	4.7	11.0	9.4	11.6	13.1	15.0
Net financial result	0.3	1.2	-3.9	-1.1	-1.1	-1.1
Income Tax	-1.1	-2.3	-1.9	-2.3	-2.6	-3.1
Tax rate (%)	22.4	19.7	41.9	22.0	22.0	22.0
<b>Net profit, group share</b>	<b>3.3</b>	<b>8.2</b>	<b>2.3</b>	<b>7.1</b>	<b>8.1</b>	<b>9.3</b>
EPS	0.71	1.72	0.49	1.52	1.74	2.00
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	0.2	0.2	0.1	0.2	0.2	0.2
Tangible and intangible assets	5.7	8.2	11.0	12.9	15.1	17.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.0	0.7	0.3	0.3	0.3	0.3
Working capital	15.1	15.1	20.2	21.5	23.3	25.3
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Assets</b>	<b>22.0</b>	<b>24.2</b>	<b>31.7</b>	<b>34.9</b>	<b>38.9</b>	<b>43.2</b>
Shareholders equity group	3.9	18.9	27.8	32.6	33.7	34.9
Minorities	6.2	7.2	1.8	3.0	4.2	5.7
LT & ST provisions and others	1.6	0.7	1.8	2.3	4.1	6.3
Net debt	8.4	-4.6	-0.5	-8.6	-13.8	-19.4
Other liabilities	1.5	1.7	0.3	5.3	10.3	15.3
<b>Liabilities</b>	<b>22.0</b>	<b>24.2</b>	<b>31.7</b>	<b>34.9</b>	<b>38.9</b>	<b>43.2</b>
Net debt excl. IFRS 16	8.4	-4.6	-0.5	-8.6	-13.8	-19.4
Gearing net	0.8	-0.2	-0.0	-0.2	-0.4	-0.5
Leverage	1.4	-0.3	-0.0	-0.6	-0.8	-1.0
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	4.6	11.3	6.1	16.5	14.0	14.9
$\Delta$ WCR	-3.1	-4.7	-4.8	-2.1	-2.2	-2.4
Operating cash flow	1.5	6.6	1.3	14.4	11.8	12.5
Net capex	-0.9	-3.9	-2.4	-3.8	-4.1	-4.5
FCF	0.6	2.8	-1.1	10.6	7.7	8.0
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	1.9	-1.0	8.3	0.0	0.0	0.0
Dividends paid	0.0	0.0	-2.4	-2.4	-2.4	-2.4
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	10.3	0.0	0.0	0.0	0.0
Others	0.0	-0.3	0.2	0.0	0.0	0.0
Change in net cash over the year	2.5	12.1	4.8	8.2	5.2	5.6
ROA (%)	11.4%	18.4%	4.2%	10.7%	10.8%	11.1%
ROE (%)	22.6%	24.7%	6.6%	18.1%	18.9%	20.4%
ROCE (%)	21.3%	27.4%	17.8%	19.8%	19.3%	19.2%

## DISCLAIMER

### Analyst certifications

This research report (the "Report") has been approved by Midcap, a business division of TP ICAP (Europe) SA ("Midcap"), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR"). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst's and associate's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

### Methodology

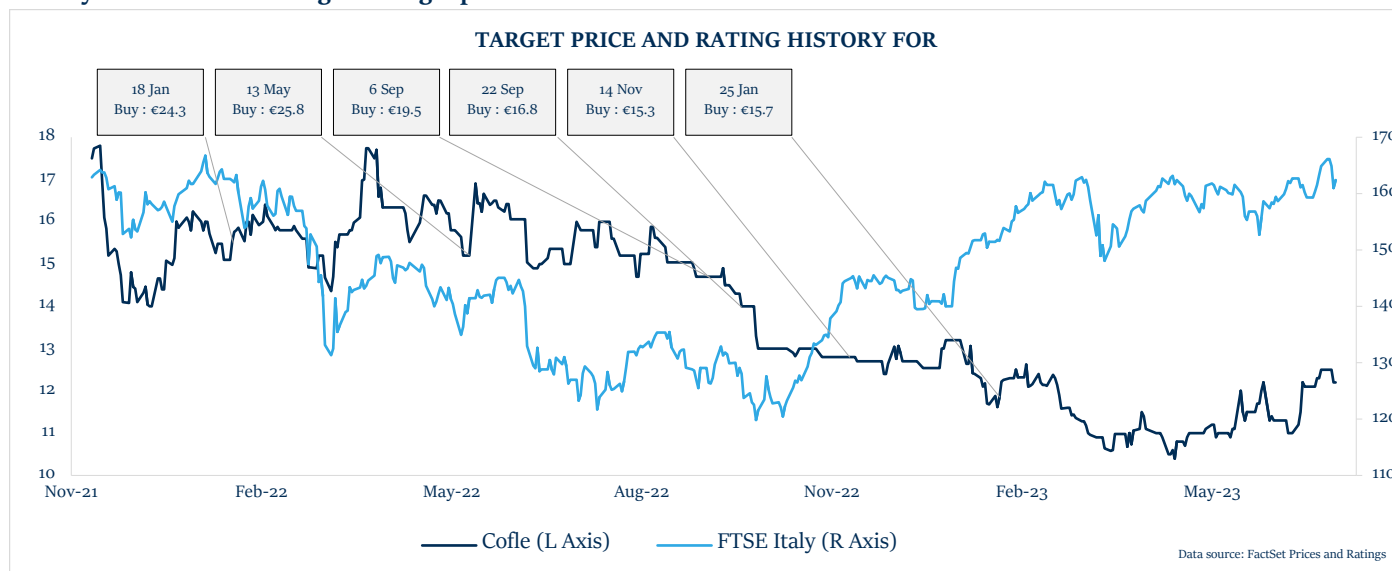
This Report may mention evaluation methods defined as follows:

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

### Conflict of Interests between TP ICAP Midcap and the Issuer

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

### History of investment rating and target price – Cofle



## Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	83%	63%
Hold	14%	52%
Sell	3%	20%
Under review	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>.

## General Disclaimer

This Report is confidential and is for the benefit and internal use of the selected recipients only. No part of it may be reproduced, distributed, or transmitted without the prior written consent of Midcap

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable and public, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. This Report is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of MIFID II regulation. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. The Report is subject to restricted circulation. The research was conducted in accordance with the provisions of the Charter. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.