

EQUITY RESEARCH

COFLE
RESULTS REVIEW

BUY

TP 7.3€ (vs 8.4€)
Up/Downside: 59%

2024 is a lost year

The Group pre-announced a profit warning and a restructuring plan. The new Guidance 2024 implies a sharp deterioration in H2'24.

Cofle published its half-year results ahead of schedule, and they came in below our expectations. As a result of hyperinflation in Turkey, the even more significant pay rises implemented there over the past 2 years and the insufficient depreciation of the TRY-EUR exchange rate, the Group reported a contraction in its EBITDA to €4.4m (vs. €5.4m expected), giving a margin of 13.8% (-360bps Y/Y).

As a result, and in recognition of the plunge in Turkey's competitiveness, the Group has initiated a restructuring plan consisting of a) a review of operating expenses, particularly at production sites, which should bring full-year savings of €1m by H1'25 and initial benefits from H2'24, b) speeding up the transfer of production capacity from Turkey to India and Italy, with the remaining activities in Anatolia dedicated solely to direct sales. This overhaul of the industrial footprint should generate savings of around €1.5m in the medium term.

At the same time, the Group incurred a cash burn of €4m over the first half of the year, due to an increase in working capital requirements and capex for development (logistics in Italy and internalisation of mechatronics). This led to a deterioration in the Group's balance sheet, with net debt of €14.5m, representing a leverage of 1.4x ND/LTM EBITDA.

Cofle has unveiled a new 2024 Guidance and is now targeting sales of €55-60m and EBITDA of €7-8m. We have adjusted our guidance accordingly. We believe that this new guidance is very (very) cautious, as it implies a sharp sequential deterioration in H2'24, with a decline in sales of -21% Y/Y and an EBITDA margin of 10.6% (-800bps Y/Y), despite initial contributions from the review of operating expenses. The 2024 financial year is definitely a lost year for Cofle, but we note that the company should be well positioned for 2025 with a competitive and diversified industrial organisation, an AM business that is still doing very well and an agritech cycle that should rebound by H2'25.

We keep our BUY rating and we have adjusted our TP to €7.3 (vs €8.4).

Key data

Price (€)	4.6
Industry	Automotive
Ticker	CFL-IT
Shares Out (m)	6.156
Market Cap (m €)	28.3
Next event	9/26/2024

Source: FactSet

Ownership (%)

Valfin Srl	78.4
Smart Agri Srl	3.7
Lupus Alpha	1.9
Free float	21.6

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	-0.26	0.03	0.26
Change vs previous estimates (%)	na	-89.75	-44.55

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-2.5	-2.1	-43.9
Rel FTSE Italy	-2.3	-2.7	-50.8



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	64.1	58.1	60.3	62.7	EV/Sales	0.6	0.6	0.6
Current Op Inc (m €)	8.3	4.8	6.6	7.3	EV/EBITDA	4.5	3.8	3.7
Current op. Margin (%)	13.0	8.2	10.9	11.6	EV/EBIT	7.8	5.9	5.6
EPS (€)	0.13	-0.26	0.03	0.26	PE	na	na	17.6
DPS (€)	0.45	0.45	0.45	0.45	Source: TPICAP Midcap			
Yield (%)	9.8	9.8	9.8	9.8				
FCF (m €)	-3.5	-1.1	0.9	1.0				

Analyst

Julien Thomas
julien.thomas@tpicap.com
+33173030973



FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	55.4	58.0	64.1	58.1	60.3	62.7
Changes (%)	45.5	4.6	10.6	-9.4	3.7	4.0
Gross profit	32.4	33.0	36.1	36.2	37.8	39.4
% of Sales	58.5	57.0	56.3	62.2	62.7	62.9
EBITDA	13.4	13.0	11.5	8.2	10.2	11.1
% of Sales	24.3	22.5	18.0	14.1	16.9	17.6
Current operating profit	11.0	9.4	8.3	4.8	6.6	7.3
% of Sales	19.8	16.2	13.0	8.2	10.9	11.6
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	11.0	9.4	8.3	4.8	6.6	7.3
Net financial result	1.2	-3.9	-5.3	-5.3	-5.3	-4.1
Income Tax	-2.3	-1.9	-0.6	0.0	-0.0	-0.5
Tax rate (%)	19.7	41.9	42.0	0.0	22.0	22.0
Net profit, group share	8.2	2.3	0.4	-0.8	0.1	0.8
EPS	1.72	0.43	0.13	na	0.03	0.26
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	0.2	0.1	0.0	0.2	0.2	0.2
Tangible and intangible assets	8.2	11.0	16.4	19.3	21.1	23.0
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.7	0.3	0.4	4.5	10.0	17.5
Working capital	15.1	20.2	19.4	19.5	20.2	21.0
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	24.2	31.7	36.2	43.5	51.5	61.7
Shareholders equity group	18.9	27.8	26.6	25.9	26.0	26.7
Minorities	7.2	1.8	2.5	1.7	1.8	2.6
LT & ST provisions and others	0.7	1.8	1.5	1.5	2.5	2.2
Net debt	-4.6	-0.5	4.9	8.8	10.6	12.4
Other liabilities	1.7	0.3	0.0	5.0	10.0	17.0
Liabilities	24.2	31.7	36.2	43.5	51.5	61.7
Net debt excl. IFRS 16	-4.6	-0.5	4.9	8.8	10.6	12.4
Gearing net	-0.2	-0.0	0.2	0.3	0.4	0.4
Leverage	-0.3	-0.0	0.4	1.1	1.0	1.1
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	11.3	6.1	3.8	4.9	5.7	5.9
ΔWCR	-4.7	-4.8	1.2	-1.3	-1.1	-1.2
Operating cash flow	6.6	1.3	5.0	3.6	4.5	4.7
Net capex	-3.9	-2.4	-8.5	-4.6	-3.6	-3.8
FCF	2.8	-1.1	-3.5	-1.1	0.9	1.0
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	-1.0	8.3	3.1	0.0	0.0	0.0
Dividends paid	0.0	-2.8	-1.8	-2.8	-2.8	-2.8
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	10.3	0.0	0.1	0.0	0.0	0.0
Others	-0.3	0.2	0.0	0.0	0.0	0.0
Change in net cash over the year	12.1	4.4	-2.1	-3.8	-1.8	-1.8
ROA (%)	18.4%	4.2%	1.2%	na	0.2%	1.9%
ROE (%)	24.7%	6.6%	1.8%	na	0.4%	3.3%
ROCE (%)	27.4%	17.8%	16.9%	8.6%	11.1%	10.7%

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

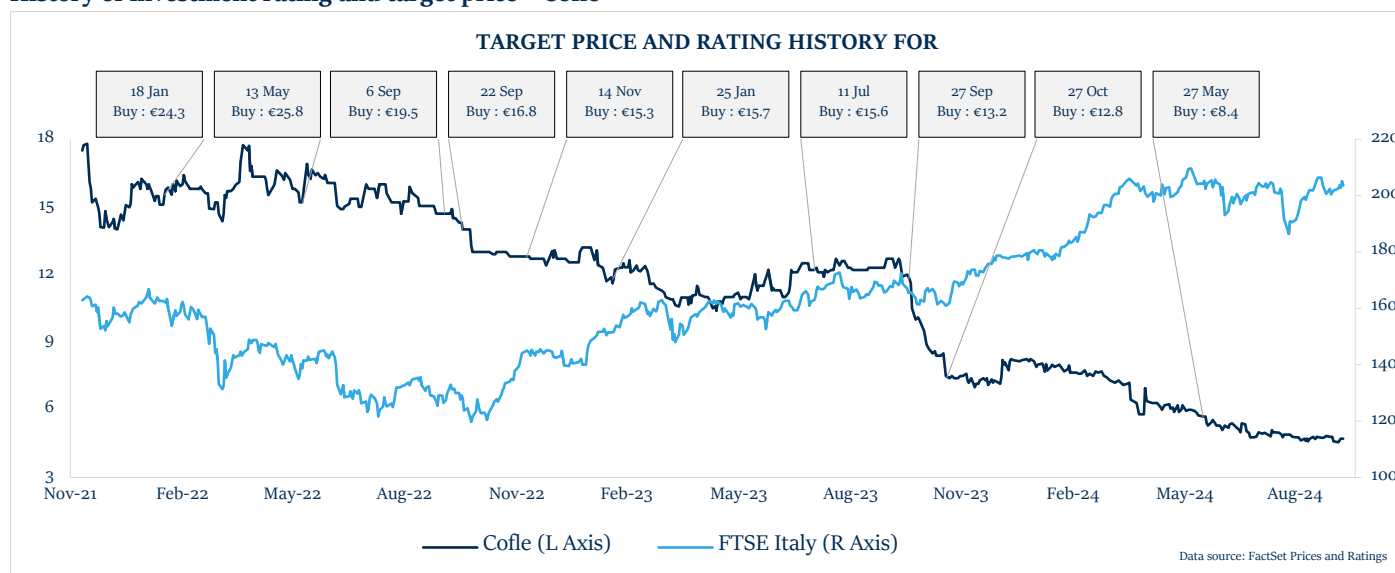
This Report may mention evaluation methods defined as follows:

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	80%	65%
Hold	17%	67%
Sell	2%	0%
Under review	1%	100%

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 of good practices for sponsored research. 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.