

Company:	Rating:	Target Price:	Sector:
Cofle	BUY	€8 (from €11.9)	Auto Parts & Equipment

Cost reductions to counteract sector downturn

1H24 Adj. EBITDA margin 13.8%

1H24 revenues were up by 4.7% yoy to €31.1mln. OE declined by 5.4% to €19.3mln due to the downturn in agricultural machinery market, while IAM was up 26.9% to €11.8mln thanks to new customers acquired through the French division and interest in the new range of EPB. Adj. EBITDA was €4.4mln (-18.5% yoy, -32.3% vs 2H23) with EBITDA margin losing 5.7pp vs 2H23 to 13.8%, due to the slowdown in the cycle and, once again, higher operating costs in Turkey. Net loss was €2.1mln (vs Net profit €0.8mln yoy), still affected by hyperinflation in Turkey. Reported Net debt increased to €10.3mln (€5mln at YE23) driven by i) NWC absorption due to changes in suppliers and payment terms, ii) dividends, iii) investments for the logistic plant and production of electronic boards.

FY24 Guidance below our estimates, necessary cost saving plan + reshoring

Cofle issued FY24 guidance: i) Revenues of €55-60mln (vs our €62.9mln, from April 2024), ii) Adj. EBITDA of €7-8mln (vs our €11.5mln), iii) Net income influenced by hyperinflation and fx. This was well below our estimates and implies -6 to -22% 2H yoy Revenue, which we believe is aligned with the sector deterioration witnessed after June. Cofle also announced a cost saving plan and reshoring, mainly involving the Parent Company, expected to yield effects between YE24 and 2025. Key initiatives include i) cost rationalization (€1mln by 1H25) of production plants, ii) reshoring plan (€1.5mln), with production gradually moved to Italy and India, increasing capacity of the Indian plant and retaining operations in Turkey for direct sales with higher margins.

Agri-tech deteriorated in 2024, Turkey remains hyper-inflationary

In early 2024 several agricultural machineries producers flagged a challenging outlook for FY24, with declining guidance updates throughout the year reflecting market deterioration. Current outlooks, depending on product/region foresee a unit decline in FY24 between -5% and -30%. Business climate surveys for the European agricultural machinery slightly improved in September but remain negative (-57), with low order intake and low expected investment needs. Managers foresee a 10% decline in annual turnover for 2024 and a flat trend in 2025. The IMF report from April 2024 still classifies Turkey as a hyper-inflationary economy, requiring IAS29. Despite disinflation since the peak in CPI growth in May, the year-end inflation forecast from market participants remains at 43.1%, above both CBRT's and the government's projections.

FY24-27 Estimates cut

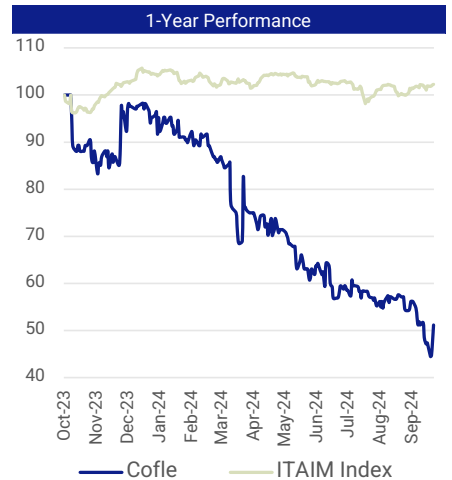
We cut our FY24E revenues estimates by 9% (-6.6% yoy) due to the agricultural machinery market downturn, which has been worsening. For the coming years, apart from OE, we kept our growth assumptions unchanged, ending with a cut in revenue estimates by 12% in FY25-26E. We forecast FY24E Adj. EBITDA at €7.6mln or 12.7% margin, a touch above the midpoint guidance (vs previous €11.5mln or 17.6%). From FY25E onwards we also cut margin assumptions, while taking into consideration the costs reduction plan and operating leverage as Cofle recovers its top line. This leads to Adj. EBITDA margin of 15.1% in FY25E (from 17.7%), 15.9% in FY26E (from 17.8%) and 16.3% in FY27E. New margins are a far cry from the peaks above 20% in FY20-22 and also considerably below ~18% in FY19 and FY23. Given 1H24 results, we now forecast a Net loss of €3.4mln in FY24E and break-even in FY25E.

Valuation: BUY confirmed; 12-month target price €8 (from €11.9)

We cut our TP to €8 (from €11.9, [Company Update on April 8, 2024]), calculated as the weighted average between DCF (75%) and market multiples (25%). DCF is €8.2/sh (from €12/sh), due to lower top line and margins, with TV of €3.8mln (from €4.7mln). For the multiples valuation, we took the EV/EBITDA 25E of 6.1x (vs previous 6.4x) which led to €7.5 (from €11.8/sh). Cofle trades at a discount on EV/EBITDA25E (3.8x) vs comparable (6.1x) justified by lower marginality & short term growth. Given the significant potential upside vs current Cofle price, we confirm our BUY recommendation.

October 10, 2024 at 18:00

Company Profile					
Bloomberg	CFL IM				
FactSet	CFL-IT				
Stock Exchange	Italian Stock Exchange				
Reference Index	FTSE Italia Growth				
Market Data					
Last Closing Price	4.30				
Number of shares (mln)	6.2				
Market cap. (mln)	26.5				
1Y Performance					
Absolute	-52%				
Max / Min	9 / 3.7				
Key Metrics (€mln)					
	2022	2023	2024E	2025E	2026E
Total revenue (VoP)	58.0	64.1	59.8	63.3	68.4
yoy (%)	5%	11%	-7%	6%	8%
Adj. EBITDA	13.0	11.5	7.6	9.6	10.9
margin (%)	22%	18%	13%	15%	16%
EBIT	8.4	6.7	1.9	3.7	5.3
margin (%)	15%	10%	3%	6%	8%
Group Net Profit	2.3	0.4	(3.2)	0.0	2.7
margin (%)	4%	1%	-5%	0%	4%
Net Debt	(0.2)	5.1	12.2	12.0	11.5
Net Debt Reported	(0.8)	5.0			
Sh. Equity	29.6	29.2	24.5	24.8	26.5
Capex	(3.0)	(8.5)	(4.0)	(4.5)	(3.0)
FCFs	3.8	0.0	(1.1)	2.8	3.7


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The reference market

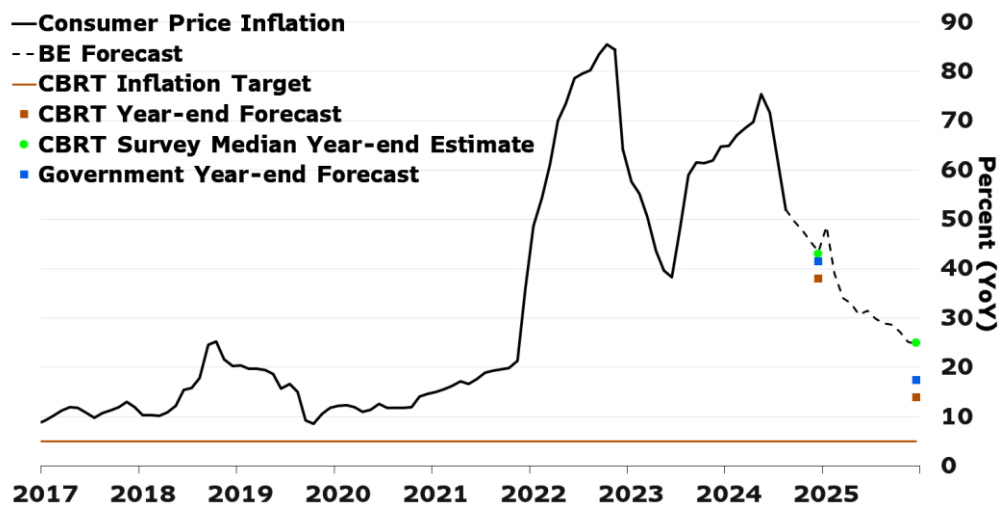
Turkey disinflation, market long term expectations above target

According to the IMF report released in April 2024, Turkey remains among hyper-inflationary economies, so IAS29 has to be applied. IAS29 does not establish a precise threshold for hyperinflation but lists qualitative characteristics of a country experiencing hyperinflation, along with the “cumulative inflation rate over three years approaches, or exceeds, 100%”.

After Turkey CPI growth peak in May (+75% yoy), subsequent months witnessed a gradual disinflation. Nevertheless, CBRT September survey median year-end inflation remains at 43.1% unchanged since July, above CBRT forecast for 38% (August), while the government, is expecting a year end rate of 41.5% (September).

For end-2025, the survey points to inflation at 25% (roughly unchanged since May) and 11pp above CBRT projection and of 7.5pp above the government forecast. Finally, median CPI survey expectations at the end of the next 5 years are at 11.4% (vs 5% CBRT target), which hovered at 11.7% during the previous months.

Figure 1: Turkey disinflation



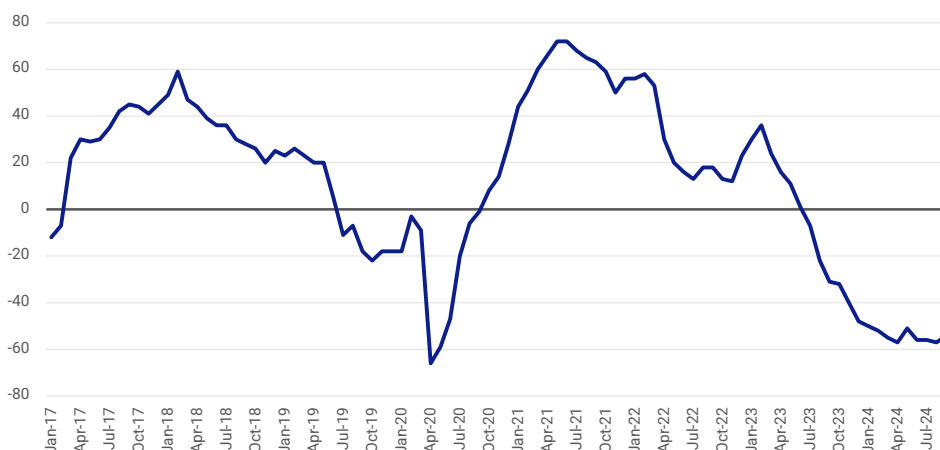
Source: CBRT, TurkStat, Turkish Presidency of Strategy and Budget, Bloomberg Economics (BE)

Farm tractor companies

2024 Business climate close to 2020 lows

The business climate index by CEMA for the European agricultural machinery industry remains in negative territory, with a slight improvement to -54 from -57 due to less negative expectations for the coming six months, while current business continues to be at a record low level. A similar picture can be seen regarding the order intake, for which future expectations have improved slightly in recent months, while current incoming orders from both Europe and outside Europe remained negative. Survey participants foresee low investment needs across all European end customer markets. They also expect an average decline of 10% in their company’s total annual turnover for 2024 and predict a flat trend for the following year, suggesting that the bottom will be reached by 2025 at the latest.

Figure 2: CEMA Business Barometer



Source: Bloomberg

Soft demand

Deere, AGCO and CNH operate in the agriculture and earth moving machineries sector, during the year the three companies reduced their guidance for FY24.

Deere outlook worsened throughout FY24

During its 1Q24 results presentation, Deere commented that it had expected fleet replenishment to moderate as agricultural fundamentals normalize from record levels in 2022 and 2023. Throughout 2024, the expectation for own operations as well as the overall market outlook has been gradually worsened.

In the latest update in August, Deere forecasted FY24 net sales of Production & Precision Agriculture and Small Agriculture & Turf down by 20-25% yoy, Construction & Forestry are expected to decrease by 10-15% yoy.

Table 1: Deere outlook for 2024

Deere	February 2024 (FY23)	May 2024 (1Q24)	August 2024 (2Q24)
Industry Outlook (FY24 units)			
Agriculture & Turf			
Large Ag (US & Canada)	Down 10-15%	↓ Down c15%	Down c15%
Small AG & Turf (US & Canada)	Down 5-10%	↓ Down c10%	Down c10%
Europe	Down 10-15%	↓ Down c15%	Down c15%
South America (Tractors & Combines)	Down c10%	↓ Down 15-20%	Down 15-20%
Asia	Down moderately	Down moderately	Down moderately
Construction & Forestry			
Construction Equipment (US & Canada)	Flat to down 5%	Flat to down 5%	↓ Down 5-10%
Compact Construction Equipment (US & Canada)	Flat	Flat	↓ Flat to down 5%
Global Forestry	Down c10%	Down c10%	Down c10%
Global Roadbuilding	Flat	↓ Flat to down 5%	Flat to down 5%
Deere Segment (FY24 Net Sales)			
Production & Precision Ag	Down c20%	↓ Down 20-25%	Down 20-25%
Small Ag & Turf	Down 10-15%	↓ Down 20-25%	Down 20-25%
Construction & Forestry	Down 5-10%	Down 5-10%	↓ Down 10-15%

Source: Deere & Company

AGCO

In its market outlook In February, AGCO expected softening industry demand and challenging global market conditions during 2024 due to reduced commodity prices and modestly lower farm income expectations. Guidance has been decreased on each quarter update, with the latest update implying a 13.3% decline in yoy revenues.

Table 2: AGCO outlook for 2024

AGCO	February 2024 (FY23)	May 2024 (1Q24)	August 2024 (2Q24)
Industry Unit Retail Tractor Sales (FY24)			
North America	Down c10%	Down c10%	↓Down c10-15%
Western Europe	Down c5-10%	Down c5-10%	↓Down c5-10%
South America	Down c10%	↓Down c20%	↓Down c25-30%
AGCO (FY24 Revenues)			
Revenues FY24	€13.6bn (-5.6% yoy)	↓€13.5bn (-6.3% yoy)	↓€12.5bn (-13.3% yoy)

Source: AGCO

CNH

In its market outlook In February, CNH expected 2024 global industry retail sales to be lower yoy in both the agriculture (down 10-15%) and construction equipment markets (down ~10%). EPS guidance has been decreased after each quarterly report.

Table 3: CNH guidance for 2024

CNH	February 2024 (FY23)	May 2024 (1Q24)	August 2024 (2Q24)
CNH EPS			
Adjusted EPS FY24	\$1.5-1.6	↓\$1.45-1.55	↓\$1.3-1.4

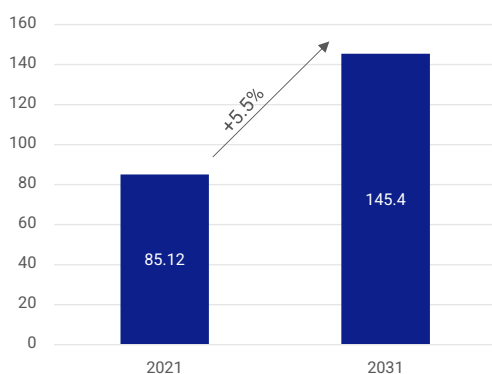
Source: CNH

Farm tractor Original Equipment Manufacturer Industry

Global farm tractors industry expected to grow at a 5.5% CAGR 2021-2031E

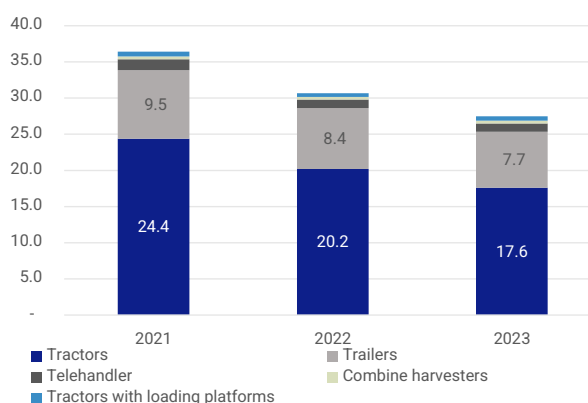
Since 2016, the global farm tractors market grew constantly, even during the pandemic, where more than 1mln units of farm tractors have been sold (+5.2% yoy). In terms of units, the Industry is expected to grow at a 5.5% CAGR 2021-2031E, reaching an estimated value of \$145bn.

3: Global Farm Tractors Market (\$bn)



Source: Banca Profilo elaborations of Company Data (based on HNY Research)

Figure 4: Agricultural machinery market in Italy Figure



Source: Banca Profilo elaborations on FederUnacoma

Population dynamics and technological

The main factors driving sector growth are:

trend will drive the market

- population expected increase from 7.9bn in 2021 to 9.7bn in 2050, which will stimulate food demand in next decades;
- rising mechanization, 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;
- introduction of alternative fuels are likely to increase market growth;
- precision farming and increase in adoption of farm technology;
- labour migration.

New trends will also drive the OEM market

In addition, new trends will boost the demand in OEM:

- the European Stage V Regulation, aimed at reducing pollutant emissions from tractors. During this phase, 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.

Agricultural machineries registration**-12.9% farm tractors registration in 2023**

In 2023, registrations of agricultural machinery in Italy (FederUnacoma based on data from Ministry of Infrastructure and Transport) were down by 12.9% yoy to 17.6k (vs 20.2k in 2022). The decline mainly affected medium power models, from 57 to 130 kW (-23%), while low power models from 20 to 56 kW (-5%) and ranges above 130 kW (-14%) recorded lower contractions. On the other hand, the 0-19kW class was up by 63% thanks to a recent amendment to the Highway Code that allowed non-professional operators to register agricultural machinery.

The reduction for other types of machines was less severe, with trailers down by 8.1% at 7,718 units and telehandler -3.4% at the rate of 1,141 units (40 less than in 2023). Conversely, combining harvesters and tractors with loading platforms were up by 10.2% and 15.9% respectively, but they only account for ~1k units.

Used market shows demand is still strong

Used machine registrations were up by 8.1% to 57.8k, showing an overall strong underlying demand and in line with 2022 levels, which is well above pre-pandemic levels.

Automotive components

We highlight the evolution of guidance across selected European companies operating in the automotive components sector, both aftermarket and OEM.

- Kongsberg Automotive kept unchanged its FY24 revenue guidance during the year;
- Forvia in September reduced by ~4% the FY24 guidance due to i) uncertainty in EU market, ii) high level of car inventories in the US, iii) increasing risk of labor disruption at OEMs. In July decreased by ~6% the midpoint of its FY25 guidance, primarily driven by currency rates and hyperinflation (~€1.5bn) and the remainder due to market conditions;
- Valeo decreased FY24 and FY25 midpoint revenue guidance in July by ~4%.

Table 4: Automotive components companies guidance

Company					
Valeo	October 2023	April 2024	July 2024	September 2024	
	Revenues FY25	€27.5bn	€24.5-25.5bn	↓€23.5-24.5bn	€23.5-24.5bn
	Revenues FY24	n.a.	€22.5-23.5bn	↓€22bn	€22bn
Forvia	February 2024	April 2024	July 2024	September 2024	
	Revenues FY25	€30bn	n.a.	↓€28-28.5bn	n.a.
	Revenues FY24	€27.5-28.5bn	€27.5-28.5bn	€27.5-28.5bn	↓€26.8-27.2bn
Kongsberg Automotive	December 2023	May 2024	August 2024		
	Revenues FY24	€830-880mln	€830-880mln	€830-880mln	
	Operating Income	€34-44mln	€34-44mln	€34-44mln	

Source: Valeo, Forvia, Kongsberg Automotive

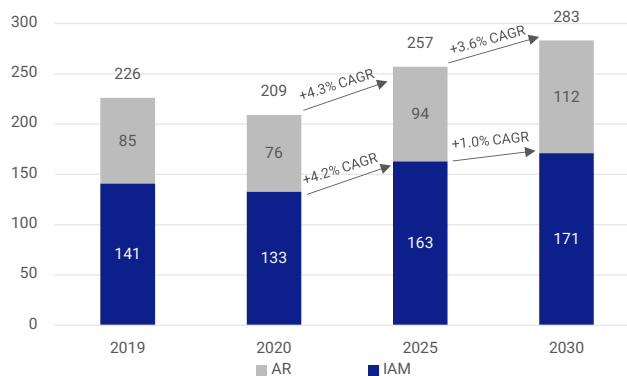
Aftermarket Industry

Aftermarket Industry

The Aftermarket industry is related to companies that operate in the production, distribution and selling of spare part and components for motor vehicles.

The aftermarket sector is made of i) independent aftermarket (IAM), repairers without contractual ties to one vehicle manufacturer and ii) authorized repairers (AR), which includes automakers, OEMs, and affiliated repair shops. Cofle is active in both sectors. According to a study from BCG, wolk and Clepa, after a contraction in 2020 due to the Covid outbreak, IAM is seen growing at 4.2% CAGR in 2020-25, slowing down to 1.0% CAGR in 2025-30. Similarly, AR IAM is seen growing at 4.3% CAGR in 2020-25, with a softer decline to 3.6% CAGR in 2025-30.

Figure 5: European Market Size Aftermarket (\$bn)



Source: Banca Profilo elaborations of Company Data (BCG, CLEPA, wolk)

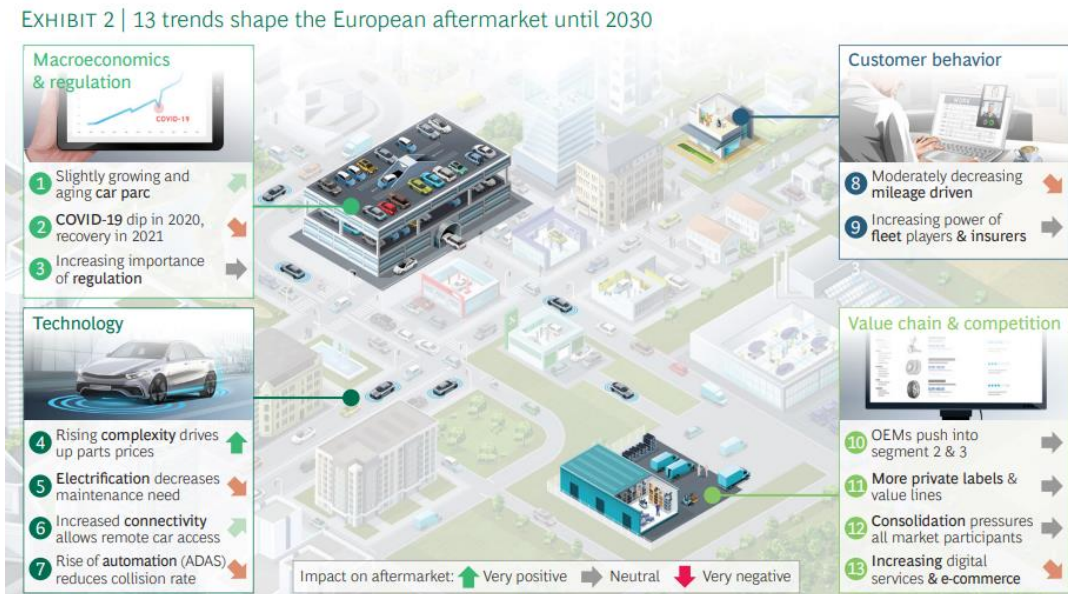
Growing and aging European car parc supports the aftermarket segment

During the current decade several key trends will shape the aftermarket sector.

Main positive trends include:

- Growing and aging car parc in Europe;
- Higher price for parts due to the rising complexity of vehicles;
- Increased connectivity enables remote diagnostics and preventive maintenance services, though it will benefit AR at the expense of IAM.

Figure 6: European Aftermarkets trends



Source: *At the Crossroads: The European Aftermarket in 2030* (BCG, CLEPA, wolk)

4 challenges for the aftermarket sector

Finally, the sector faces four significant challenges and negative trends:

- EV transition should reduce demand for replacements part as EV require less maintenance;
- Technological improvements reduce crashes and collisions, though they won't affect wear and tear items;
- Europe's mileage driven has been steadily declining since 2000;
- Increasing digital services & e-commerce.

1H24 Results

Results affected by agricultural machinery market downturn and rise in cost in Turkey

1H24 revenues -4.7% due to agricultural machinery market slowdown

Consolidated revenues came in at €31.1m and up by 4.7% yoy (pre-released in July), OE sales declined by 5.4% to €19.3m due to unfavorable market conditions (highlighted by several outlook cuts across farm tractor companies, ranging from -5% to -30% units depending on region/segment). Thanks to technological innovation and product quality, the Company believes that from 2H25 the sector will show signs of stabilization. Conversely IAM sales increased by 26.9% to €11.8m thanks to new customers acquired with the commercial strategies of the French division and interest in the new patented range of EPB (Electronic Parking Brakes).

EBITDA margin loses 5.7pp vs 2H23

Adjusted EBITDA was €4.4m (-18.5% yoy, -32.3% vs 2H23) with EBITDA margin losing 5.7pp vs 2H23 to 13.8%, due to the slowdown in the cycle in the agricultural machinery market and, once again, higher operating costs in Turkey. EBITDA was €3.6m (-14.8% yoy) with margin at 11.3%.

Net loss driven by hyperinflation and interest expenses

EBIT came in at €1.3m declining by 54% yoy, while net loss was €2.1m (vs net profit of €0.8m), still affected by charges related to hyperinflation in Turkey. D&A were €2.3m, up by 34.2% vs 2H23. Net financial expenses were at €3.2m (vs €1.1m in 1H23, vs €4.2m in 2H23) due to hyperinflation and because the Company has a portion of debt denominated in Turkish Lira with high rates.

1H24 Net debt at €10.3m

At the end of June 2024, reported net debt increased to €10.3m from €5m at the end of 2023, driven by i) NWC cash absorption related to changes in suppliers and payment terms, ii) dividends, iii) investments related to the logistic plant and projects to enable internal production of electronic boards. Net debt adjusted (including leasing) was €14.5m from €9.7m at the end of 2023.

Figure 7: Revenue breakdown and adj EBITDA margin (%)

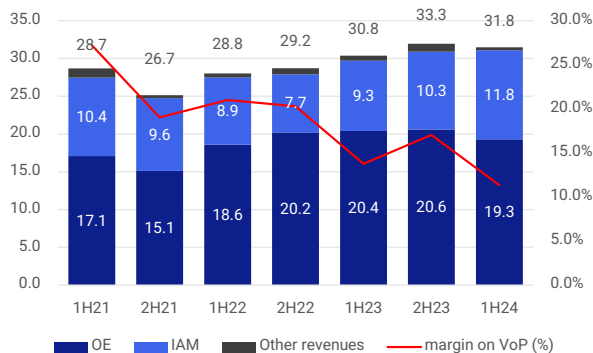
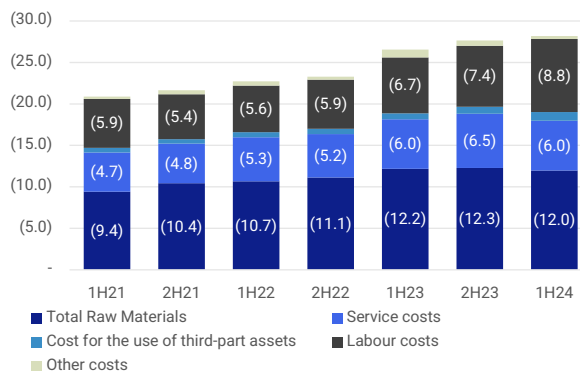


Figure 8: Semester costs breakdown



Source: Banca Profilo elaborations and estimates on Company data

Guidance below our estimate, costs savings launched

Guidance implies 2H24 slow down

The Company released FY24 guidance, with revenues of €55-60m (vs our FY24E of €62.9m, from April 2024) and EBITDA Adjusted of €7-8m (vs our FY24E of €11.5m). Cofle commented that FY24 Net income will be affected by hyperinflation and fx fluctuations. The guidance (well below our expectations) implies -6 to -22% 2H yoy revenue, which we believe is aligned with the overall sector worsening witnessed after June.

Table 5: Revenue breakdown FY21-FY23 (€, mln)

Revenue breakdown (€/mln)	1H22	2022	1H23	2023	1H24
OE	18.6	38.8	20.4	41.0	19.3
<i>yoy (%)</i>	8.9%	20.5%	9.7%	5.7%	-5.4%
<i>on Sales (%)</i>	67.5%	70.1%	68.6%	67.7%	62.0%
IAM	8.9	16.6	9.3	19.6	11.8
<i>yoy (%)</i>	-14.2%	-17.0%	4.6%	18.1%	26.9%
<i>on Sales (%)</i>	32.3%	29.9%	31.4%	32.3%	38.0%
Sales	27.6	55.4	29.7	60.6	31.1
<i>yoy (%)</i>	0.3%	6.1%	7.9%	9.4%	4.7%
Other revenues	0.5	1.3	0.7	1.7	0.4
<i>on revenues (%)</i>	0.0%	2.4%	2.2%	2.9%	1.2%
Revenues	28.1	56.7	30.4	62.3	31.5
<i>yoy (%)</i>	-2.2%	5.3%	8.3%	9.9%	3.7%
Change in inventories	0.7	1.3	0.4	1.8	0.3
<i>on revenues (%)</i>	2.5%	2.3%	1.3%	2.9%	0.8%
Total revenues (VoP)	28.8	58.0	30.8	64.1	31.8
<i>yoy (%)</i>	0%	5%	7%	11%	3%

Source: Banca Profilo elaborations on Company data

Table 6: Income statement 1H21-1H24 (€, mln)

Profit & Loss (€/mln)	1H22	2022	1H23	2023	1H24
Total revenues (VoP)	28.8	58.0	30.8	64.1	31.8
Total Raw Materials	(10.7)	(21.8)	(12.2)	(24.5)	(12.0)
Service costs	(5.3)	(10.6)	(6.0)	(12.5)	(6.0)
Cost for the use of third-part assets	(0.6)	(1.2)	(0.7)	(1.5)	(1.0)
Labour costs	(5.6)	(11.5)	(6.7)	(14.1)	(8.8)
Other costs	(0.5)	(0.9)	(0.9)	(1.6)	(0.4)
EBITDA	6.0	12.0	4.2	9.9	3.6
<i>margin on VoP (%)</i>	21%	21%	14%	15%	11%
<i>yoy (%)</i>	-23%	-7%	-30%	-17%	-15%
Adjusted EBITDA	6.8	13.0	5.4	11.5	4.4
<i>margin on VoP (%)</i>	24%	22%	18%	18%	14%
Amortization	(0.4)	(1.1)	(0.5)	(1.0)	(0.6)
Depreciation	(0.8)	(2.4)	(1.0)	(2.2)	(1.7)
EBIT	4.8	8.4	2.7	6.7	1.3
<i>margin on VoP (%)</i>	17%	15%	9%	10%	4%
<i>yoy (%)</i>	-32%	-19%	-44%	-21%	-52%
Net financial expenses	(0.1)	(3.9)	(1.1)	(5.3)	(3.2)
Taxes	(1.4)	(1.9)	(0.8)	(0.6)	(0.2)
Net Profit	3.4	2.6	0.8	0.8	(2.1)
Minorities	0.4	0.4	0.2	0.4	(0.1)
Group Net Profit	3.0	2.3	0.6	0.4	(2.0)

Source: Banca Profilo elaborations on Company data

Table 7: Balance Sheet 1H22-1H24 (€, mln)

Balance sheet (€/mln)	1H22	2022	1H23	2023	1H24
Inventory	12.6	14.1	13.3	16.3	16.7
Accounts receivables	14.1	13.3	14.4	11.6	13.4
Accounts payables	(7.2)	(8.1)	(8.4)	(9.2)	(7.6)
Operating Net Working Capital	19.5	19.3	19.2	18.7	22.4
Other Current Assets	2.5	3.4	3.8	3.9	4.5
Other Current Liabilities	(3.9)	(3.0)	(4.4)	(3.8)	(4.8)
Net Working Capital	18.1	19.8	18.7	18.9	22.1
Intangibles	3.9	4.2	3.6	4.8	5.5
Tangibles	5.8	7.0	10.1	11.6	12.6
Financials	0.3	0.3	0.4	0.4	0.2
Fixed Asset	10.0	11.5	14.1	16.8	18.3
Provision for risks	(0.2)	(1.1)	(1.1)	(0.8)	(0.7)
Pensions	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)
Net Invested Capital	27.2	29.4	31.0	34.3	39.2
Equity	27.4	29.6	27.4	29.2	28.8
Net debt (cash)	(0.2)	(0.2)	3.6	5.1	10.4
Net debt (cash) reported	(0.2)	(0.8)	3.3	5.0	10.3
Adjusted Net debt (cash)	3.6	3.6	8.5	5.1	14.5

Source: Banca Profilo elaborations on Company data

Strategy and estimates

Corporate strategies

Cost savings plan and reshoring to save €2.5mln

Cofle announced a cost saving plan to recover marginality and improve long term-stability, while reshoring should reduce dependence on volatile economies. It will mainly involve the Parent Company and should yield effects by the end of 2024 and in 2025. Key initiatives include i) rationalization of costs related to production plants, reducing operating cost by €1mln by the first half of 2025, ii) reshoring plan, with production to be gradually moved to Italy and India, increasing production capacity of the Indian plant and keeping production in Turkey for direct sales with higher margins. This is expected to reduce operating costs by an estimated €1.5mln.

Focus on EPB

On IAM, the Company continues to focus Cofle on its EPB (Electronic Parking Brakes) range which was recently presented the Frankfurt Motor Show, as it expects a decrease in demand for control/pull cables and an increase in demand for gear shift cables, electronic parking brakes (EPB) and brake hoses.

Ineos production suspended until 2025

According to a press article published on 20 September and confirmed by the Company, Ineos has suspended production of the Grenadier in its Hambach plant until 2025 due to lack of deliveries of a key component from a supplier. Press articles suggest that it could be related to Recaro’s bankruptcy filing in July.

We remind that Ineos Grenadier was among the few OEM automotive customers, for which Cofle produces the locking differential and the reduced gear unlock. According to Cofle’s statement from December 2023, the contract generated revenues of €1.6mln in 2023 and was expected to generate €3.6mln in 2024.

Internal re-organization in early 2024

At the end of 2023 and in early 2024, Cofle appointed four new key managers: i) Andrea Benetello as General Manager (adding an additional management layer), ii) Rosario Giuliana as Head of Human Resources and Corporate Organization (previously held by the CFO), iii) Dario Frigerio as director of OE, iv) the former Manager of Cofle France as director of IAM.

Figure 9: Navigating market trends

NAVIGATING MARKET TRENDS

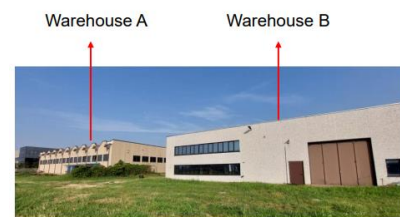
Overview of Key Sector Trends

- **Aftermarket (AM) Trends:** Observing decline in control/pull cables and an increase in demand for gear shift cables and electronic parking brakes (EPB), as well as brake hoses
- **Original Equipment (OE) Trends:** Observing a gradual decrease in mechanical controls in favor of intelligent electronic systems, reflecting broader industry shifts towards automation and connectivity (especially EU and USA)



Source: Company data

Figure 10: New logistic center in Italy



Around **3.500 sq.m.** just in proximity of Autostrada A4, a few minutes from the Headquarters, between Milano and Bergamo.

Fully operational from **April 2024**. It hosts the **OE Logistic Division**

New logistics plant

From April 2024, the new OE division logistics center will become fully operational. It is located near Trezzo sull’Adda and will lead to logistics optimization and digitalization, aiming at significantly reducing time to market.

In 2022 Cofle set up its French division to be directly present in the Region, tackling market opportunities thanks to 3 managers with extensive knowledge of the sector. The new unit could

also unlock previously untapped opportunities across Spain, Portugal, Maghreb and Benelux. In 2023, the French subsidiary has entered into two significant commercial agreements with i) the second-largest European spare parts distribution group and with ii) a spare parts distributor that is part of a large industrial group in the automotive sector.

The commercial strategies of the subsidiary have supported IAM growth by acquiring new customers.

**€2.2mIn for
electronics
department in Turkey**

Cofle's Turkey subsidiary invested in new machinery and plants to increase production capacity, and in a new electronics production department to internalize the production of electronic components.

**Diversification in the
construction sector**

In December 2023, Cofle announced a new strategic partnership with an international company operating in the production of machinery for the construction sector. As part of the agreement, Cofle will develop seat supports, with the first prototypes expected in January 2024 and first deliveries in May and June 2024. Products are being designed to meet the needs of the industry such as high quality and functionality.

Our FY24E-27E estimates

FY24E Revenue cut 9% We cut our FY24E revenues estimates by 9%, implying a 6% yoy decline on the back of the general agricultural machinery market downturn, which worsened throughout the year. Managers expectations in Europe carried out by CEMA foresee -10% decline in turnover (vs our -15% in OE sales) and flat results in 2025 (vs our +3%). On IAM, we increase our estimates by 3% to reflect the growth witnessed in 1H24. Apart from OE assumptions for FY25E, we kept our underlying growth assumptions, which considering the lower starting point imply a cut in revenue estimates by 12% in FY25E and FY26E. Finally, we added FY27E while keeping our FY26E assumptions.

FY24E EBITDA margin cut by 6pp to 10% We set our cost assumptions to align a touch above the midpoint of FY24 EBITDA Adj. guidance of €7-8mln. This leads to €7.6mln EBITDA Adj./12.7% margin (vs previous €11.5mln/17.6%). FY24 EBITDA is now seen at €6.4mln/10.7% margin (vs previous €10.5mln/16.3% margin). As the Company has adopted a cost reduction and reshoring plan worth €2.5mln savings/year, we assume a portion will already be reflected in 2H24 (€0.8mln). From FY25E onwards we also cut EBITDA margin assumptions, while taking under consideration the remainder €1.7mln costs reduction and operating leverage as Cofle recovers its top line. This leads to a FY25E Adj. EBITDA margin of 15.1%, well below our previous estimates (17.8%). We assume ~1pp increase in EBITDA margin in FY26E and 0.3pp in FY27E, reaching 16.3%, a far cry from the peaks above 20% in FY20-22 and also considerably below ~18% in FY19 and FY23.

Break even in FY25E Given the 1H24 results, we now forecast a net loss of €3.4mln in FY24E, driven by higher D&A (€4.6mln, vs previous €3.4mln), higher net financial expenses (€5mln vs previous €4.3mln) on top of lower EBITDA. We remind that hyperinflation charges related to currency translations are non-cash charges.

In FY25E we forecast €0 net income (vs previous €4.4mln), changes primarily reflect higher interest expense assumptions and hyperinflation charges which we previously did not include in 2025.

Table 8: Revenue breakdown FY22-FY27E (€, mln)

Revenues	2022		2024E		2025E		2026E		2027E	
	2022	2023	old	new	old	new	old	new	old	new
OE	38.8	41.0	41.0	34.9	45.1	35.9	48.7	38.8		41.9
yoy (%)	20%	6%	0%	-15%	10%	3%	8%	8%		8%
% on revenues	70%	68%	65%	61%	65%	59%	65%	59%		59%
IAM	16.6	19.6	21.9	22.5	24.1	24.8	26.0	26.8		28.9
yoy (%)	-17%	18%	12%	15%	10%	10%	8%	8%		8%
% on revenues	30%	32%	35%	39%	35%	41%	35%	41%		41%
Sales	55.4	60.6	62.9	57.4	69.2	60.7	74.7	65.6		70.8
Other revenues	1.3	1.7	1.3	1.1	1.4	1.2	1.5	1.3		1.4
Change in inventories	1.3	1.8	1.4	1.3	1.6	1.4	1.7	1.5		1.6
Total revenues (VoP)	58.0	64.1	65.6	59.8	72.2	63.3	77.9	68.4		73.8
yoy (%)	5%	10%	3%	-6%	10%	6%	8%	8%		8%

Source: Banca Profilo elaborations and estimates on Company data

Table 9: Income statement FY22-FY27E (€, mln)

Profit & Loss (€/mln)	2022	2023	2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E
			old	new	old	new	old	new	old	new
Total revenues (VoP)	58.0	64.1	65.6	59.8	72.2	63.3	77.9	68.4		73.8
Raw materials	(25.0)	(28.0)	(29.1)	(25.8)	(31.8)	(27.3)	(34.1)	(29.2)		(31.5)
Change in inventories (raw materials)	3.2	3.6	3.6	3.2	4.0	3.4	4.3	3.6		3.9
Service costs	(10.6)	(12.5)	(12.5)	(12.1)	(13.8)	(11.5)	(14.9)	(12.5)		(13.4)
Cost for the use of third-part assets	(1.2)	(1.5)	(1.6)	(2.0)	(1.7)	(1.5)	(1.9)	(1.6)		(1.7)
Labour costs	(11.5)	(14.1)	(14.6)	(15.9)	(15.9)	(17.5)	(17.3)	(18.5)		(19.6)
Other costs	(0.9)	(1.6)	(1.0)	(0.9)	(1.1)	(1.0)	(1.2)	(1.0)		(1.1)
EBITDA	12.0	9.9	10.5	6.4	11.8	8.0	12.8	9.3		10.4
<i>margin on VoP (%)</i>	<i>21%</i>	<i>15%</i>	<i>16%</i>	<i>11%</i>	<i>16%</i>	<i>13%</i>	<i>16%</i>	<i>14%</i>		<i>14.1%</i>
<i>yoy (%)</i>	<i>-7%</i>	<i>-17%</i>	<i>6%</i>	<i>-35%</i>	<i>12%</i>	<i>24%</i>	<i>9%</i>	<i>17%</i>		<i>12%</i>
Adjusted EBITDA	13.0	11.5	11.5	7.6	12.8	9.6	13.9	10.9		12.0
<i>margin on VoP (%)</i>	<i>22%</i>	<i>18%</i>	<i>18%</i>	<i>13%</i>	<i>18%</i>	<i>15%</i>	<i>18%</i>	<i>16%</i>		<i>16%</i>
D&A	(3.4)	(3.2)	(3.4)	(4.6)	(3.4)	(4.3)	(3.3)	(4.1)		(3.9)
Provision for risks	(0.1)	-	-	-	-	-	-	-		-
EBIT	8.4	6.7	7.1	1.9	8.4	3.7	9.5	5.3		6.5
<i>margin on VoP (%)</i>	<i>15%</i>	<i>10%</i>	<i>11%</i>	<i>3%</i>	<i>12%</i>	<i>6%</i>	<i>12%</i>	<i>8%</i>		<i>9%</i>
<i>yoy (%)</i>	<i>-19%</i>	<i>-21%</i>	<i>5%</i>	<i>-72%</i>	<i>19%</i>	<i>99%</i>	<i>13%</i>	<i>42%</i>		<i>24%</i>
Net financial expenses	(3.9)	(5.3)	(4.3)	(5.0)	(1.1)	(3.7)	(0.9)	(1.5)		(1.3)
Taxes	(1.9)	(0.6)	(1.1)	(0.2)	(2.9)	-	(3.5)	(0.9)		(1.3)
Net Profit	2.6	0.8	1.6	-3.4	4.4	0.0	5.2	2.8		4.0
<i>margin on VoP (%)</i>	<i>5%</i>	<i>1%</i>	<i>2%</i>	<i>-6%</i>	<i>6%</i>	<i>0%</i>	<i>7%</i>	<i>4%</i>		<i>5%</i>
Minorities	0.4	0.4	0.2	(0.2)	0.6	0.0	0.7	0.2		0.2
Group Net Profit	2.3	0.4	1.4	-3.2	3.8	0.0	4.5	2.7		3.7

Source: Banca Profilo elaborations and estimates on Company data

Given lower cash flow generation due to lower EBITDA in relative and absolute terms, we now see €12.2mln net debt at YE24E (vs previous €8.7mln), with minor yearly improvements declining to €10.8mln in FY27E.

Table 10: Balance Sheet FY22-FY27E (€, mln)

Balance sheet (€/mln)	2022	2023	2024E	2024E	2025E	2025E	2026E	2026E	2027E	2027E
			old	new	old	new	old	new	old	new
Inventory	14.1	16.3	17.2	16.3	18.7	16.7	19.9	17.5		18.9
Accounts receivables	13.3	11.6	12.6	13.1	13.8	13.9	14.9	15.0		16.2
Accounts payables	(8.1)	(9.2)	(9.4)	(7.6)	(10.3)	(8.8)	(11.0)	(9.4)		(10.3)
Operating Net Working Capital	19.3	18.7	20.3	21.8	22.2	21.7	23.8	23.0		24.7
Other Current Assets (Liabilities)	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2		0.2
Net Working Capital	19.8	18.9	20.5	22.0	22.4	21.9	24.0	23.2		24.9
Intangibles	4.2	4.8	5.2	5.2	5.7	5.6	5.7	5.6		5.6
Tangibles	7.0	11.6	11.7	10.6	12.4	10.4	12.4	10.4		10.4
Financials	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4		0.4
Fixed Asset	11.5	16.8	17.4	16.2	18.5	16.4	18.5	16.4		16.4
Other Non Current Assets (Liabilities)	(1.8)	(1.5)	(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.7)		(1.7)
Net Invested Capital	29.4	34.3	36.4	36.7	39.3	36.7	40.9	38.0		39.6
Share capital	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6		0.6
Reserves	(3.9)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)		(8.3)
Share premium reserve	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9		14.9
Accumulated profit/loss	13.9	19.1	18.9	20.7	18.8	17.5	20.8	16.5		17.7
Net profit	2.6	0.8	1.4	(3.4)	3.8	0.0	4.5	2.8		4.0
Minority share	1.8	2.5	0.2	(0.2)	0.6	0.0	0.7	0.2		0.2
Equity	29.6	29.2	27.7	24.5	30.3	24.8	33.1	26.5		28.8
Net debt (cash)	(0.2)	5.1	8.7	12.2	9.0	12.0	7.7	11.5		10.8
Net debt (cash) reported	(0.8)	5.0	-	-	-	-	-	-		-

Source: Banca Profilo elaborations and estimates on Company data

Valuation

DCF and market multiples

We carry out the valuation of Cofle using both a DCF method and a relative market multiples approach based on a sample of listed international companies "comparable" to Cofle.

TP €8/sh (from €11.9), BUY

We took the weighted average between DCF (75%) and relative market multiples valuation (25%) and ended up with a TP of €8/sh (from €11.9). Given the significant potential upside on Cofle closing price (as of October 10), we maintain a BUY recommendation.

DCF

Cumulated FCFs of €15.1mln, €3.8mln TV

To run the DCF model, we used our projections of FCFs for the 2025-28E explicit period: €15.1mln of cumulated FCFs (vs previous 2024-27E of €18.9mln). We consider the FY25E-28E average FCF of €3.8mln as the Terminal Value cash flow (vs previous €4.7mln).

Table 11: FCF forecasts FY24-FY28E

Free Cash Flow (€/mln)	2024E		2025E		2026E		2027E		2028E	
	old	new	old	new	old	new	old	new	old	new
EBIT	7.1	1.9	8.4	3.7	9.5	5.3	10.7	6.5		7.5
taxes	(1.8)	(0.5)	(2.1)	(0.9)	(2.4)	(1.3)	(2.7)	(1.6)		(1.9)
NOPAT	5.3	1.4	6.3	2.8	7.1	3.9	8.0	4.9		5.7
D&A	3.4	4.6	3.4	4.3	3.3	4.1	3.3	3.9		3.7
Change in Net operating working capital	(1.6)	(3.1)	(1.9)	0.1	(1.6)	(1.3)	(1.8)	(1.7)		(2.0)
Other funds	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1		0.1
Capex	(4.0)	(4.0)	(4.5)	(4.5)	(3.0)	(3.0)	(3.0)	(3.0)		(3.0)
Free Cash Flow	3.2	(1.1)	3.4	2.8	5.9	3.7	6.5	4.1		4.5

Source: Banca Profilo elaborations and estimates on Company data

7.6% WACC

We would use a 7.6% WACC (unchanged), derived from:

- risk free rate at 4.3% (from previous 4.4%), as implicitly expected by consensus on the 30Y Italian BTP yield curve in a scenario of next-to come easing monetary policy;
- equity risk premium equal to 5.5%;
- beta of 1 (unchanged) coming from the average of chosen listed peers;
- target Debt to Equity structure of 67%.

Table 12: DCF Valuation

DCF Valuation	2024E	2025E	2026E	2027E	2028E	TV	Valuation	WACC Calculation		
Free Cash Flows (€,mln)	2.8	3.7	4.1	4.5	3.8	3.8	Enterprise Value (€,mln)	63	Perpetual growth rate	2.0%
Years	1	2	3	4			Net debt (cash) (€,mln)	12.2	WACC	7.6%
Discount factor	0.93	0.86	0.80	0.75			Equity Value (€,mln)	50.7	Risk free rate (30Y)	4.3%
Terminal Value						67.5	Number of shares	6.2	Equity risk premium	5.5%
NPV	2.6	3.2	3.3	3.3	50.4		Price per share €	8.2	Levered Beta	1.0
Sum of NPVs (€,mln)	2.6	5.8	9.1	12.4	62.8				KE	10.1%
									Cost of debt	5.4%
									Tax rate	30%
									KD	3.8%
									Target D/E	67%

Source: Banca Profilo elaborations and estimates

Market multiples

We provide the updated multiples table, compared to our latest research [Please refer to our Company Update on 8 April 2024].

EV/EBITDA 25E at 6.1x

For the market multiples valuation, we considered the EV/EBITDA 25E of 6.1x (from previous 6.4x for EV/EBITDA 24-25). This led us to an Equity Value of €7.5/sh (from €11.8/sh) due to lower multiples and EBITDA cut. Cofle trades at a discount on EV/EBITDA 25E (3.8x) vs comparable (6.1x).

Table 13: Sample EV/EBITDA

	EV/EBITDA			
08/10/2024	2023	2024E	2025E	12M
Brembo	5.7	5.7	5.3	5.8
Comer	5.2	6.2	5.8	5.6
SKF	6.4	6.5	5.9	7.2
CIE Automotive	6.0	5.6	5.3	6.3
Kongsberg Automotive	16.8	3.9	3.5	6.0
Suprajit Engineering	16.6	13.2	11.4	21.5
Mayville Engineering	9.8	7.6	6.8	8.5
SAF	4.7	4.6	4.4	4.5
Mean	8.9	6.7	6.1	8.2
Cofle	3.1	4.7	3.8	3.3

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 10 2024)

Table 14: Sample EBITDA margin and Revenue Growth

	Revenue Growth				EBITDA Margin			
	2022	2023	2024E	2025E	2022	2023	2024E	2025E
Brembo	30.7%	6.1%	2.1%	5.6%	16.8%	16.9%	17.3%	17.7%
Comer	106.9%	-1.1%	-17.7%	4.0%	14.7%	16.7%	16.6%	17.0%
SKF	18.6%	7.2%	-4.9%	3.9%	12.8%	14.8%	16.1%	17.0%
CIE Automotive	24.1%	3.1%	3.6%	3.6%	16.4%	18.0%	18.4%	18.9%
Kongsberg Automotive	8.9%	-2.3%	-8.1%	4.9%	10.8%	1.5%	6.8%	7.1%
Suprajit Engineering	50.2%	22.1%	16.7%	15.9%	11.4%	12.4%	13.4%	13.4%
Mayville Engineering	18.6%	9.1%	7.3%	5.0%	11.3%	10.3%	11.8%	12.6%
SAF	25.6%	34.6%	-5.4%	5.2%	9.3%	11.8%	12.7%	12.4%
Mean	35.4%	9.8%	-0.8%	6.0%	12.9%	12.8%	14.1%	14.5%
Cofle	5.3%	9.9%	-6.1%	5.8%	22.9%	18.5%	12.9%	15.5%

Source: Banca Profilo estimates and elaborations on Bloomberg (as of October 10 2024)

Listed comparable

A sample of 8 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 selected 9 “comparable” to Cofle: Brembo (Italy), Comer Industries (Italy), SAF Holland (Germany), SKF (Sweden), CIE Automotive (Spain), Kongsberg Automotive (Norway), Suprajit Engineering (India), Mayville Engineering Company (USA), and Meritor Inc. (USA).

Brembo (Italy)

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.

Comer Industries (Italy)

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).

SKF (Sweden)	SKF is a leading global supplier of products, solutions and services within bearings, seals, lubrication systems and services. It operates through the divisions Industrial and Automotive. The Automotive 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.
Kongsberg Automotive (Norway)	Kongsberg Automotive engages in the development, manufacture, and trade of components, accessories, and spare parts. The Company has two divisions, Powertrain & Chassis and Specialty Products. The first provides cable controls, shift systems, clutch actuation systems, vehicle dynamics, shift cables, and shift towers for transmissions. The second is focused on fluid handling systems for both the automotive and commercial vehicle markets, coupling systems for compressed-air circuits in heavy-duty vehicles, agriculture, outdoor power equipment and power electronics products.
Suprajit Engineering (India)	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.
Mayville Engineering Company (United States)	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.
SAF Holland (Germany)	Following the acquisitions of Haldex by SAF Holland, we include the latter in our sample. SAF Holland is a manufacturer of chassis-related systems and components such as axle and suspension systems, primarily for trailers and semi-trailers, but also for trucks and buses.
CIE Automotive (Spain)	CIE Automotive is a supplier of components, assemblies, and sub-assemblies for the global Automotive market, using complementary technologies and various associated processes.

Table 15: Main similarities and differences with listed peers

Company	Similarities	Differences
Brembo	Active in the Automotive market, with a particular focus on brakes	Agriculture sector not addressed, portfolio focused on brakes
Comer Industries	Italian and active in the Agricultural market	Not active in the Automotive, products mainly relate to transmission systems
SKF	Both OEM and Aftermarket Industry	Focus on rotating equipment
Kongsberg Automotive	Both OEM and Aftermarket Industry	Mainly Automotive
Suprajit Engineering	Mainly active in cable production	Main reference market is India
Mayville Engineering	Both OEM and Aftermarket Industry	Revenues are only from US market
SAF Holland	Both OEM and Aftermarket Industry	Mainly active in the Truck Industry, smaller presence in the Agricultural segment
CIE Automotive	Diversified portfolio	Mainly Automotive, little presence in the Agricultural segment

Source: Banca Profilo research

Overview and business model

A multinational company specialized in components for the agricultural sector

Cofle's business model is becoming more focused on the OEM division

Cofle is a multinational company operating in engineering and production of components for the agricultural and automotive sector. The BUs are i) OE division, acting as Original Equipment Manufacturer for top global manufacturers of agricultural & earthmoving machineries, luxury automotive and light commercial vehicles; ii) IAM division, specialized in the production of aftermarket parts for the automotive sector.

OE division

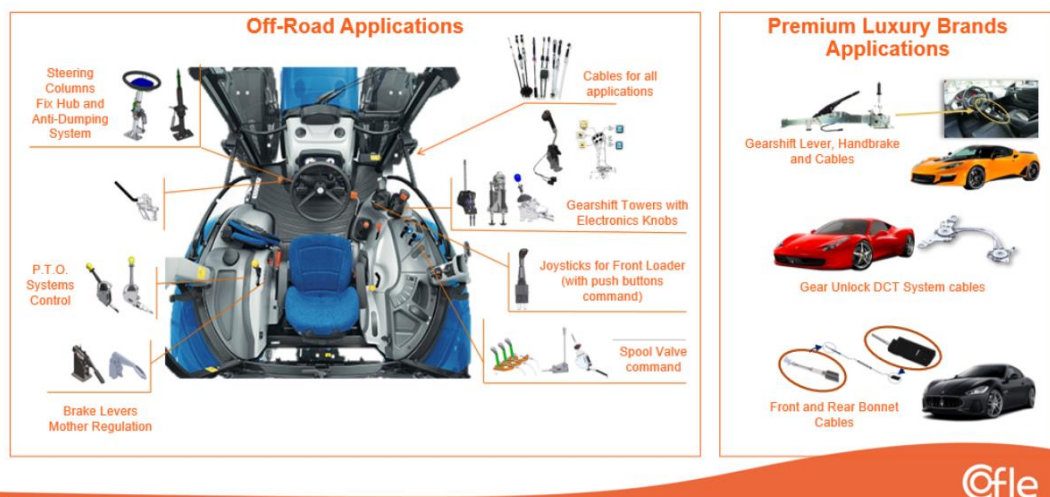
Control Systems, Cables and others

Cofle's OE division offers three main product categories: i) Control Systems for industrial application (from agricultural to earthmoving machineries), such as joysticks, power shuttles and pedals; ii) Cables for brakes, clutch and accelerator; iii) Others, developed based on customers' requests, such as steering columns, die castings, plastics.

1 to 3 years to develop products, high customization

OE products are meant to be highly customized to meet the requirements of top clients, with a minimal standardization to ensure cost efficiency. An OE project usually takes from 1 to 3 years, due to the highly distinctive know-how involved. Production and delivery to clients take place at a global scale with Cofle acting as the client's global supplier.

Figure 11: OE division



Source: Company data

IAM division

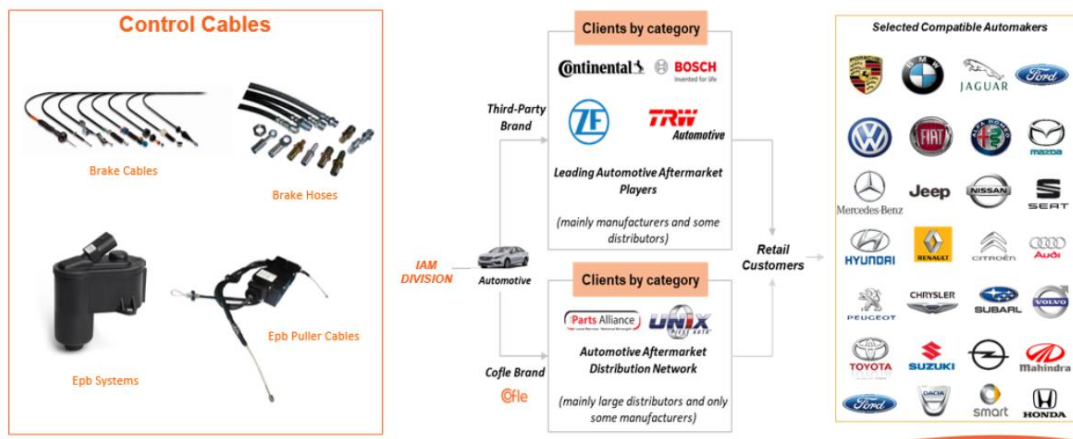
IAM: highly standardized products

Conversely, IAM products (Aftermarket) are highly standardized and serve both leading Aftermarket players under third-party brands, as well as large distributors under Cofle's brand. The AM catalogue offers more than 7,000 solutions, with the four main products categories being: i) Clutch cables, ii) Brake cables, iii) Brake hoses, iv) Gear shift cables.

Reverse-engineering activities

Cofle's IAM division operates with a push strategy, aiming for a 3-4 week turnaround. The Aftermarket R&D team focuses on reverse-engineering the latest car models, often enhancing the original product. Subsequently, production costs are estimated and pricing surveys are conducted, considering the price of original products. Finally, Cofle launches production and updates its catalog.

Figure 12: IAM division



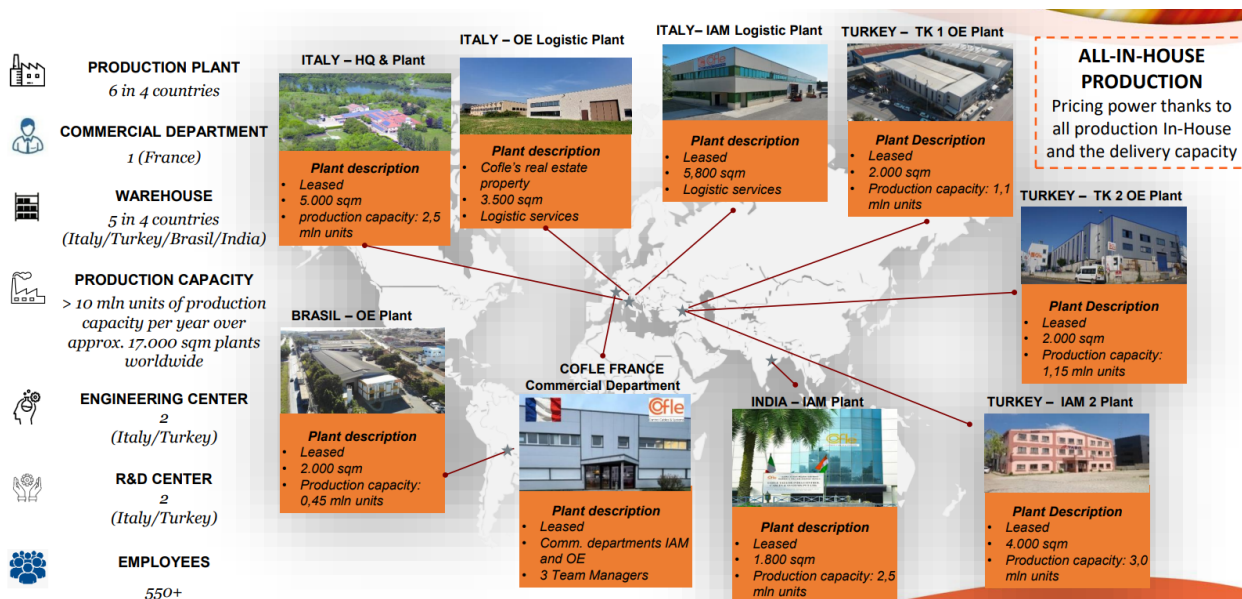
Source: Company data

Industrial footprint

6 Production plants

The Group has production sites in Brazil, India, Italy and Turkey with ~17k sqm worldwide with >10mln units of production capacity per year. Cofle owns 6 production plants, 5 warehouses, 2 engineering centres, 2 R&D centres and 2 representative offices around the world. 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 13: Cofle's global presence



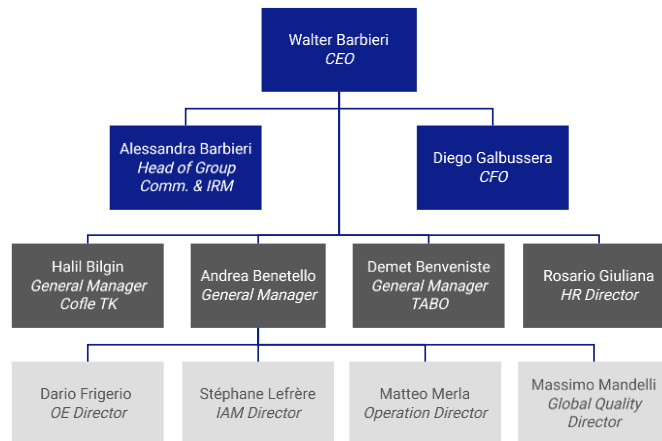
Source: Company data

Group structure and governance

Cofle: 78.4%
Barbieri's family

Cofle was listed on Euronext Growth on 11 November 2021, at €13/share. The share capital is represented by 6,153,276 shares. Barbieri Family owns the remaining 78.4% through its holding Valfin. The 24 months lock up period expired in November 2023.

Figure 14: Organizational structure



Source: Banca Profilo elaborations on Company data

Top management	Walter Barbieri is the CEO and Chairman (70% of Valfin), Alessandra Barbieri is Head of Group Communication and IRM (30% of Valfin). Diego Galbussera is the CFO and Andrea Benetello is the GM.
Buyback approved in November	During the Cofle shareholder's meeting held on November 16 a buyback has been approved. The program will last 18 months for a maximum consideration of €1mln.
Warrant distribution	The Company issued 1 free warrant each 4 stocks for investors upon the IPO. After the amendment of the Warrant rules, there is one Warrant exercise periods left, the Third Exercise Period (4 November 2024 to 29 November 2024) at €16.90 (IPO price +30%).

Company's history

Founded in 1964 and listed in 2021

Cofle was founded by Bruno Barbieri in 1964 revolutionizing control cable manufacturing for the automotive industry. Initially serving major Italian brands, Cofle expanded rapidly during the '70s. Their product range extended to include control cables for agricultural and earth-moving machinery, distributed globally.

In the '80s, Cofle established its first internal production plant, enabling vertical integration. The '90s marked significant milestones in the IAM division, leading to a new logistics center with a 4,000 sqm warehouse. Cofle's international expansion began with Tabo in Turkey, followed by Cofle DCI, Cofle TK, Cofle China, Cofle do Brasil and Cofle Taylor India.

In June 2021, leveraging expertise and financial strength, Cofle initiated an IPO on the EGM segment of Borsa Italiana. The strategic focus includes expanding product offerings, entering untapped markets, and pursuing M&A opportunities.

Cofle

Recommendation
BUY

Target Price
8.0 €

Upside
87%

Company Overview

Cofle is an international OEM of control cables and remote-control systems for farming machines, earthmoving machines, 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 OE division there is no product catalogue as Cofle branded equipment is built in-house according to customer's needs. The IAM unit products range from brake cables to EPB systems. The Company has more than 500 employees with a footprint across Italy, Turkey, India, Brazil and China.

Main Financials

(€,mln)	2022	2023	2024E	2025E	2026E
Total revenue (VoP)	58.0	64.1	59.8	63.3	68.4
yoy (%)	4.6%	10.6%	-6.6%	5.8%	8.0%
EBITDA	12.0	9.9	6.4	8.0	9.3
margin (%)	20.6%	15.5%	10.7%	12.6%	13.6%
Adj. EBITDA	13.0	11.5	7.6	9.6	10.9
margin (%)	22.4%	17.9%	12.7%	15.1%	16.0%
EBIT	8.4	6.7	1.9	3.7	5.3
margin (%)	14.6%	10.5%	3.1%	5.8%	7.7%
Group net profit	2.3	0.4	-3.2	0.0	2.7
margin (%)	3.9%	0.6%	-5.3%	0.0%	3.9%
Net debt (cash)	(0.2)	5.1	12.2	12.0	11.5
Net debt (cash) reportec	(0.8)	5.0			
Shareholders Equity	29.6	29.2	24.5	24.8	26.5
Net Working Capital	19.8	18.9	22.0	21.9	23.2
Capex and acquisitions	(3.0)	(8.5)	(4.0)	(4.5)	(3.0)
Free Cash Flow	3.8	0.0	(1.1)	2.8	3.7

Revenues Breakdown

	2022	2023	2024E	2025E	2026E
OE	38.8	41.0	34.9	35.9	38.8
on Sales (%)	70%	68%	61%	59%	59%
IAM	16.6	19.6	22.5	24.8	26.8
on Sales (%)	30%	32%	39%	41%	41%

Key Ratios

	2022	2023	2024E	2025E	2026E
ROE	9%	3%	-14%	0%	11%
ROA	9%	2%	-9%	0%	7%
DSO	84	66	80	80	80
DPO	144	147	130	143	143
Capex/Sales	5%	13%	7%	7%	7%
Current ratio	6.4	2.2	2.5	2.9	3.4
Net debt (cash) / EBITDA	(0.0)x	0.5x	1.9x	1.5x	1.2x

Source: Bloomberg, Banca Profilo estimates and elaborations

Strengths

- Multinational Company
- Strong commitment in eco-sustainability
- Strongly investing on corporate culture, brand awareness and innovative marketing
- Wide portfolio of patented products
- Geographically diversified production
- Top end customers
- Focus on innovation and R&D
- Long-lasting client relationships

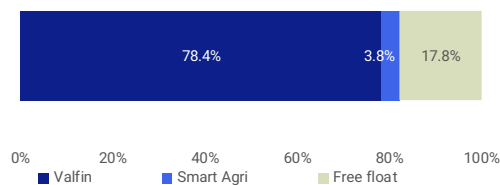
Opportunities

- Large potential in Eastern Europe for both OE and IAM segments
- Cofle France expansion in France, Spain, Portugal, Maghreb and Benelux
- Only at the beginning of international scalability
- OE Expansion into building machinery
- Growth through M&A
- Production capacity expansion
- Major technological upgrade involving farm tractors in the next decade

Company Description

Company Sector	Auto Parts & Equipment
Price (€)	4.3
Number of shares (mln)	6.2
Market Cap (€ mln)	26.5
Reference Index	FTSE Italia Growth
Main Shareholders	Valfin S.r.l.
Free Float	17.8%
Daily Average Volumes (30D)	4,741
Sample of comparables	Brembo, Comer Industries, SKF, Kongsberg Automotive, Suprajit Engineering, Mayville Engineering, SAF Holland, CIE Automotive

Main shareholders



Multiples

	2023	2024	2025	12M
Cofle EV / EBITDA	3.1x	4.7x	3.8x	3.3x
Peers EV / EBITDA	8.9x	6.7x	6.1x	8.2x

Weaknesses

- Farm tractor down-cycle
- Exposure to Turkey
- Revenue concentration by client
- Slow process of digitalization

Threats

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

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