

## A pocket-sized fully integrated multinational manufacturer

December 13<sup>th</sup>, 2021, at 17:30

### A global Original Farm Equipment and Automotive Aftermarket manufacturer

Cofle is an international Original Equipment Manufacturer of control cables and remote-control systems for farming machines, earthmoving machines and, to a less extent, for luxury cars and commercial vehicles. Cofle is a fully integrated company: its value chain starts with co-engineering with the customer, follows with pricing and prototyping and ends with orders intake and delivery. In the OEM division there is no product catalogue as Cofle branded equipment is built in-house according to single customer's needs. In the AM division, products range from brake cables to EPB brake systems, counting more than 7,000 SKUs and launching over 200 new products a year, both Cofle and customers branded. Cofle has a global presence with plants in Italy, Turkey, India and Brazil and can count on more than 500 employees. Along with its highly structured and fully integrated value chain, established local presence especially in Turkey and India and consolidated skills in farm equipment are additional key competitive advantages.

### A significant rebound in 2021: 1H21 results at FY20 level

Nonetheless Covid-19 impact, in 2020 the Company reported solid results with revenues at €38m, in line with 2019. In the 1H21 revenue rose 76.4% to €28.7m with an adjusted EBITDA at €7.8m and 27.2% margin, almost at FY20 level (€8m and 21.1% margin respectively). The increase was driven by customers acquisition and process automation that has been leading to better product-cost mix.

### Strategic development and our 2021E-2025E estimates

The tractors industry is expected to grow at a 5.3% CAGR16-27, mainly driven by i) population increase; ii) technological upgrade of farm tractors especially in developed countries; iii) growing demand for quality and safer food with a strong focus on km0; iv) commitment to reduce tractors CO2 emissions; v) the process towards food independence by developing countries. The Aftermarket is expected to increase at 3.8% CAGR 21-28 for an expected surge in sales of used cars. For the next years, Cofle's Group is set to expand its business further, with a growth strategy based on four key pillars: i) upgrading logistics to reduce the time to market; ii) leveraging on its production plants to serve the promising high growth in foreign markets; iii) M&A deals to expand the offering range.

Our 2021E-2025E estimates include IPO capitalized costs for €1.2m and IPO proceed with a capital increase of €15m. Revenues are expected to grow at a 15% 2020-2025E CAGR to €76m; adjusted EBITDA is seen to reach €23.4m (€8m in 2020), with margin improving to 30.8% (21.1% in 2020). At the end of 2025, we expect an adjusted Net Cash of €14.5m from a projected Net Debt of €0.6m at the end of 2021. We expect cumulated 2021E-2025E FCFs at €37.9m or a yearly average of €7.6m, including €10.8m of cumulated capex, €14m of NOWC needs and €1.2m of IPO costs.

### Valuation: 12-month target price at €19.2; BUY

We run a DCF approach on an annual average FCF of some €7.6m in the 2022E-2025E period and set WACC at 8%. The international competitive arena includes a suitable sample of listed comparable: we run a relative market multiples valuation on a median 2022E EV/EBITDA at 7.2x. We set our 12-month target price at €19.2/share, including IPO costs and proceeds and the current developing phase of the business. Given the potential upside on Cofle's price, we set our recommendation at BUY.



<b>Target price</b>	<b>€19.2</b>
<b>Recommendation</b>	<b>BUY</b>
Price as of December 13 <sup>th</sup>	€14.66
Number of shares (mln)	6.2
Market capitalization (€ mln)	75.7
Market segment	Euro Next Growth
<b>Performance</b>	<b>from IPO</b>
Absolute	+13%
Max / Min	17.8/14
Average daily volumes ('000)	432.6

(€, mln)	2020	2021E	2022E	2023E
<b>VoP</b>	<b>38.1</b>	<b>50.3</b>	<b>58.5</b>	<b>64.3</b>
yoy change (%)	0%	32%	17%	10%
<b>Adjusted EBITDA</b>	<b>8.0</b>	<b>13.0</b>	<b>15.8</b>	<b>18.5</b>
margin (%)	21%	26%	27%	29%
<b>EBIT</b>	<b>4.7</b>	<b>10.7</b>	<b>13.1</b>	<b>15.6</b>
margin (%)	13%	21%	22%	24%
<b>Net income</b>	<b>3.9</b>	<b>8.0</b>	<b>10.0</b>	<b>11.9</b>
margin (%)	10%	16%	17%	18%
<b>Adjusted Net Debt/(cash)</b>	<b>12.7</b>	<b>0.6</b>	<b>(0.9)</b>	<b>(5.9)</b>
Shareholders' Equity	10.2	28.8	34.1	40.6
Capex	2.9	2.0	2.2	2.2
<b>Free Cash Flow</b>	<b>2.3</b>	<b>2.4</b>	<b>4.4</b>	<b>9.2</b>

Source: Banca Profilo estimates and elaborations, Company data.

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*DISCLAIMER*..... 55

## Executive summary

### *Cofle in a nutshell*

*Cofle: OEM addressed to Agriculture; Aftermarket manufacturer addressed to Automotive*

Cofle is a multinational company operating as Original Equipment Manufacturer (OEM) (56% of Group's revenues) mainly for top worldwide producers of agricultural & earthmoving machineries (96% of OEM revenues), but also for luxury automotive and light commercial vehicles (4% of OEM revenues) manufacturers. Cofle is also active in the Aftermarket (44% of Group's revenues), specialized in the production of automotive aftermarket parts on a global scale.

*Vertically fully integrated value chain. Production plants in key geographies*

Cofle production is organized and highly structured with global integrated facilities to meet top multinational customers' needs centered on shifting from overstretched supply chain to locally based suppliers. Key competitive advantage is leveraging on established local presence especially in Turkey and India to lower production costs and boost market shares.

*OEM value chain: from co-engineering to highly tailored made Cofle branded products*

OEM products are meant to be highly customized, and tailor made to meet the challenging requirements of top clients. Standardization is minimal enough to allow cost efficiency. The Group is part of its customers vendor list so that, when top companies in agricultural & earthmoving machinery industry are going to launch a new project, Cofle is involved from the beginning on any aspects related to control systems and cables. The life cycle of tractors/agricultural and/or earthmoving machineries usually ranges from 5 to 7 years; this means that anytime the Group is involved in a new project, Cofle is included in the vendor list of its clients for a long period: a key factor to strengthen the long-term relationships with customers.

*Aftermarket: both Cofle branded and third-party branded products*

The Aftermarket division offers highly standardized products serving both leading Aftermarket Players such as Continental and Bosch under third-party brand, as well as large distributors under Cofle's brand. The brand, with different logos, is registered in more than 15 Countries.

The two different categories of customers sale Cofle products through retail channel to selected compatible automakers, including luxury carmakers such as Porsche, Mercedes, Jaguar.

*From Trezzano sull'Adda to Palazzo Mezzanotte*

In almost 60 years of activity, Cofle has established an excellent relationship with their customers that is fundamental for Group constant growth and innovation. From a small local manufacturing company, thanks to the know-how developed over the years, Cofle become a global entity present in five countries: Italy, Turkey, India, Brazil and China accounting more than 500 employees.

Cofle was listed on the Euronext Growth segment on 11<sup>th</sup> November at €13/share. The share capital is represented by 6,153,276 shares with a floating of 21.6% including the anchor investors (Smart Capital and Palladio) which own 310,608 shares.

Barbieri's Family owns the remaining 78.4% of Cofle Group through its holding Valfin Srl. In details: Walter Barbieri, Chairman and CEO of the Group, holds 70% of Valfin through Finan.co Srl whereas, Alessandra Barbieri, global Head of Communication and Marketing, owns 30% of the holding.

### *Main Financial data and estimates (2021E-2025E)*

*Revenues increased by 9.7% from 2015 to 2020*

From 2015 to 2020, Cofle's total revenue grew from €34.1mln to €37mln, registering an average increase of 9.7%. The Group reached its peak in 2017 and kept revenue stable in 2018. In 2019, Cofle showed a decrease mainly due to the slowdown in Automotive, which continued due to the pandemic outbreak in 2020.

*Farm tractors industry is expected to growth at 5.3% CAGR 16-27*

In the following years the tractors industry is expected to grow at a 5.3% CAGR16-27, mainly driven by i) population increase; ii) technological upgrade of farm tractors especially in developed countries; iii) growing demand for quality and safer food products with attention to km0; iv) commitment to reduce tractors CO2 emissions; v) emergent markets toward food independence from developed countries. Whereas the Aftermarket is expected to increase at 3.8% CAGR 21-28 due to an expected surge in sales of used cars. For the next years, Cofle's Group is set to expand its business further, with a growth strategy based on four key pillars: i) upgrading logistics in order to reduce the time to market; ii) leveraging on its subsidiaries' production plants to serve the promising high growth foreign markets; iii) external growth through acquisitions in order to accelerate the cross-selling process.

*Aftermarket industry is expected to increase at 3.8% CAGR 21-28*

*Our estimates: revenues CAGR 20-25E at 15%*

Our 2021E-2025E estimates include IPO capitalized costs for €1.2mln and IPO proceed with a capital increase of €15mln. Revenues are expected to grow at a 15% 2020-2025E CAGR to €76mln; adjusted EBITDA is seen to reach €23.4mln (€8mln in 2020), with margin improving to 30.8% (21.1% in 2020). At the end of 2025, we expect an adjusted Net Cash of €14.5mln from a projected Net Debt of €0.6mln at the end of 2021. We expect cumulated 2021E-2025E FCFs at €37.9mln or a yearly average of €7.6mln, including €10.8mln of cumulated capex, €14mln of NOWC needs and €1.2mln of IPO costs.

## Valuation

*DCF approach well appraises a cash generating model*

Given Cofle's cash generating business model, a DCF method well adapts as a valuation approach. Furthermore, we have selected a sample of listed international companies "comparables" to Cofle, in order to suggest an appropriate sample for the relative valuation through market multiples.

*DCF assumptions: €35.5mln of cumulated FCFs in 2022-2025; WACC at 8%*

To run a DCF model, we would use our projections of FCFs for the 2022E-25E explicit period: €35.5mln of cumulated FCFs or €8.9mln as yearly average. We would use a WACC of 8%, derived from: i) a risk free rate at 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days) with an estimated increase in interest rates; ii) market risk premium equal to 5.5%; iii) beta of 1.0, coming from the average of chosen listed peers; iv) target debt to equity structure, with 56% weight of Equity.

*DCF valuation: €20.1/share*

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €7.6mln, given by the average of the FCFs in the period 2021-2025. Finally, we assumed 2% perpetual growth rate (unchanged).

In order to get to the Equity Valuation we would consider the adjusted net debt as of the end of 2021E, equal to €0.6mln, which includes the IFRS 16 adjustment and capital increased.

The DCF method leads us to an Enterprise Value of €124.2mln and to an Equity Value of €123.5mln showing a fair value of €20.1/share.

*Relative market multiples approach: EV/EBITDA 2022E of 7.2x*

In order to assess a relative valuation of Cofle through the market multiples approach, we selected a sample of listed international companies specialized in Original Equipment Manufacturing and Aftermarket Industry. To select our listed peer Group we firstly conducted a comparative analysis based on four main macro-categories: business model, product range, international brand awareness and positioning and company size. Secondly, we concentrated on growth prospects, cash generation and debt leverage. Based on these results, we selected the nine "comparables" to Cofle: Brembo (Italy), Carraro (Italy), CIE Automotive (Spain), Comer Industries (Italy); Haldex (Sweden), Kongsberg Automotive (Norway), Mayville Engineering Company (USA), SKF (Sweden) and Suprajit Engineering (India).

Considering the first sample of closer peers, the median EV/EBITDA 2022E is 7.2x and (as of December, the 9<sup>th</sup>). As the Company used ITA-GAAP accounting standards, we

decide to use the EBITDA that includes IFRS 16 adjustments to give an international view of valuation.

*Market multiples  
valuation: €18.4/share*

Our relative valuation is based on peers' average EV/EBITDA 2022E at 7.6x. In terms of EBITDA we used the adjusted EBITDA expected at 2022E at €15.8mln and the adjusted net debt estimated at the end of FY21 which include IPO's capital increased. This leads to an Equity Value of €113.5mln or €18.4/share.

*TP at €19.2/share; BUY  
recommendation*

We set our 12-month Target Price at €19.2/share as the average of DCF and market multiple valuations. Given the significant potential upside on Cofle's closing price (as of 9<sup>th</sup> December 2021), we set our BUY recommendation.

**SWOT analysis**
**STRENGTHS**

- Multinational Company
- Strong commitment in eco-sustainable practices
- Strongly investing on corporate culture, brand awareness and innovative marketing
- A wide portfolio of patented products
- Geographically diversified production
- Top end customers
- Focus on innovation and R&D
- Distinctive Know-How
- Resilience to global recession
- Long-lasting client relationships
- Production plants close to its customer

**WEAKNESSES**

- Revenue concentration by client
- Slow process digitalization
- High correlation between Automotive and Covid-19 crisis

**OPPORTUNITY**

- Strategically positioned to boost long term expansion
- Only at the beginning of international scalability
- Large potential in Eastern Europe addressable markets for the Aftermarket segment
- OEM Expansion into Luxury Automotive & Light Commercial Vehicles
- Growth through M&A
- Production capacity expansion
- Major technological upgrade involving farm tractors in the next decade

**THREATS**

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

**The reference market**

*Cofle's main businesses: Aftermarket and Original Equipment Manufacturers*

Cofle is a multinational company operating as Original Equipment Manufacturer (OEM) (56% of Group's revenues) mainly for top worldwide producers of agricultural & earthmoving machineries (96% of OEM revenues), but also for luxury automotive and light commercial vehicles (4% of OEM revenues) manufacturers. Cofle is also active in the Aftermarket (44% of Group's revenues), specialized in the production of automotive aftermarket parts on a global scale.

*The Original Equipment Manufactures Industry*

*Global farm tractors industry expected to grow at a 5.3% CAGR16-27*

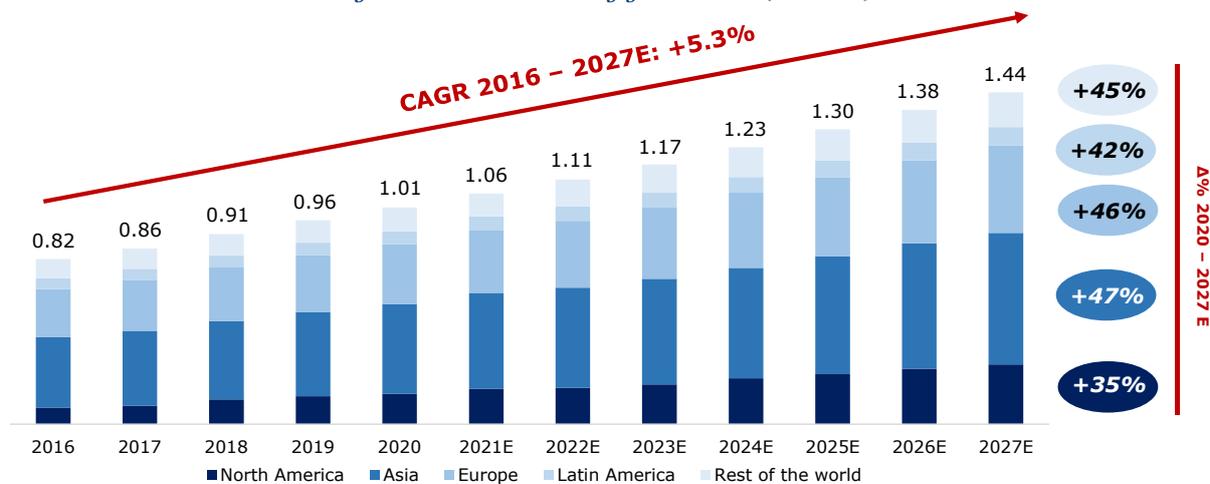
Cofle's main end market in the OEM segment is the agricultural and earthmoving machineries. Since 2016, the global farm tractors market grew constantly, even during the pandemic, where 1.01mln units of farm tractors have been sold (+5.2% yoy), of which 150k installing Cofle's systems. In terms of units, the Industry is expected to growth at a 5.3% CAGR16-27.

In the 2020 the Industry is worth \$66.7bn and it is expected to reach a value of \$85.5bn in the 2027E driven by:

*Tractor market catches the wave of a secular trend in population dynamics and food demand*

- population increase from 7.8bn in 2020 to 10.9bn in 2100, meaning a stimulus in food demand in the next decades;
- crop production increase by 18% in the coming decade, from approximately 133.9 tonnes/hectares in 2021 to 158 in 2030;
- a new post pandemic short supply chain approach in mature market with rising demand for local agricultural products;
- technological upgrade of farm tractors especially in developing countries;
- introduction of mechatronic innovation in farm tractors of developed countries;
- growing demand for quality and safer food products is creating a pressing need for adoption of advanced agriculture machinery;
- shorter tractor replacement cycle, from nearly 12 to 8 years;
- commitment to reduce tractors CO2 emissions;
- emergent markets toward food independence from developed countries.

*Figure 1: Tractor Industry global trend (mln unit)*



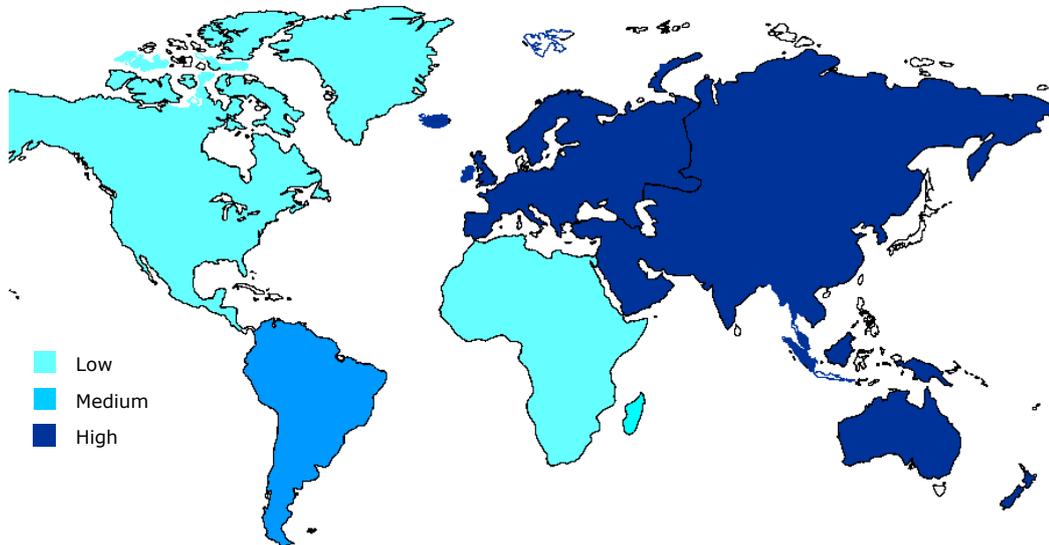
Source: Farm Tractors – Global Market Trajectory & Analytics (2021)

*China and India: the leaders in the global tractor market*

Over the world, Asia is considered the biggest market and it is expected to increase the number of farm tractor from 2021 to 2027 by 47%. Asia is followed by Europe, with an expected 46% growth in the period; Latin America follows with a 43%.

China and India lead in the number of tractors sold across countries. China has around 60% of its farm activities mechanized, whereas in India was recorded at 40%-45%.

*Figure 2: Tractor Industry global trend*

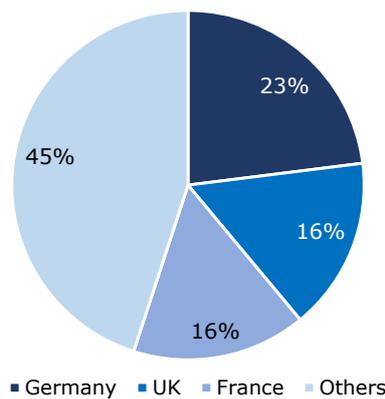


Source: Farm Tractors – Global Market Trajectory & Analytics (2021)

**The European agricultural tractor Industry to increase at 3.9% CAGR20-25**

The European agricultural tractor machinery market is projected to record a 3.9% CAGR during the 2020-2025 period. Germany, United Kingdom, and France are the biggest markets for tractors in the European Union. More in details, Germany is one of the largest markets for agricultural tractors in Europe. The Country generates more than 27% of agricultural machinery and equipment components manufactured in Europe.

*Figure 3: European agricultural tractor machinery market (revenues share)*



Source: Mordor Intelligence

**Farm tractors: a very concentrated industry**

The agricultural tractors market is highly concentrated, with very few players holding most of the market share. New product launches, partnerships, and acquisitions are main strategies for growing globally. Along with innovations and expansions, investments in R&D and developing novel product portfolios are likely to be crucial for the coming years. Main end-market players are key Cofle’s costumers.

Figure 4: Tractor Industry global trend

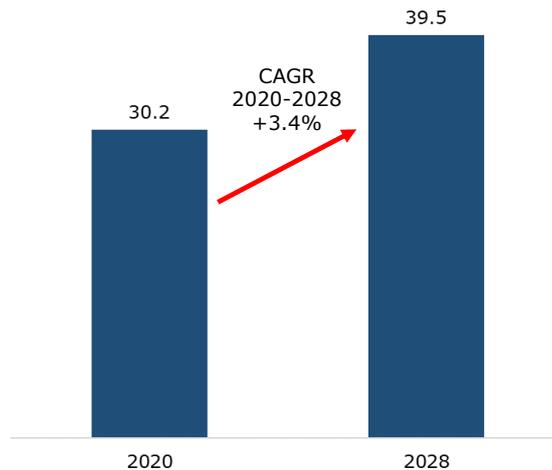


Source: Mordor Intelligence

OEMs, Automotive-related market is expected to increase at 3.4% CAGR21-28

A small part of OEM Cofle’s business relates to the Automotive market. This Industry is estimated to grow at \$39.5bn by 2028 at a 3.4% CAGR. Automotive OEMs are those manufacturers active in the production of vehicles high quality and finest components and devices. These parts are used during the assembly and manufacturing of the vehicle.

Figure 5: automotive OEMs market growth (\$bn)



Source: Mordor Intelligence

Europe leads the OEMs market

- OEMs growth will be driven by
- i) rapid technological products upgrade;
  - ii) need of light-weighted fuel-efficient advanced OEM parts amid presence of stringent regulations for fuel efficiency and vehicle emissions;
  - iii) Government incentives, high disposable incomes in developing countries and easy availability of raw materials;
  - iv) the increase in automotive production across emerging economies, associated with the high demand for luxury and hybrid vehicles;
  - v) the rapid technological advancements and high demand for batteries due to increased focus on innovation in automotive parts as well as high demand for filters from diesel engine vehicles.

However, the market of automotive original equipment manufacturer (OEMs) though has certain limitations which are expected to obstruct the potential growth of the market such as the high cost of OEM parts and components and the presence of counterfeit OEM products.

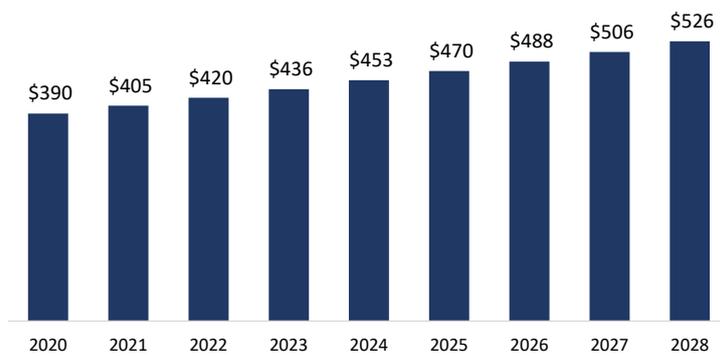
Europe leads the automotive OEMs market because of the rapid rise in the sales of automobiles and high demand for passenger cars and commercial vehicles outfitted with advanced brake technologies.

*The Aftermarket Industry*

*Aftermarket Industry to grow at 3.8% CAGR21-28*

The Aftermarket industry is related to companies that supply goods after remanufacturing, retailing, and distribution. Typically, it is a secondary market where goods, accessories, spare parts, and second-hand equipment are supplied. Automotive is one of the growing industries within the Aftermarket: global Automotive aftermarket size was worth \$390bn in 2020 and it is expected to expand at a 3.8% CAGR to 2028. The market is driven by the pursuit of automobile drivers to enhance their vehicle performance in terms of exhaust sound, speed, and appearance parameters along with many other aspects. The Aftermarket industry is typically anticyclical gaining strong momentum during downtrends on a global scale.

*Figure 6: The automotive aftermarket (bn)*



Source: Grand view research

*Asia will lead the Aftermarket growth*

At the end of 2030, the Aftermarket is expected to increase by a different CAGR by Region. Growth is seen driven by China and the rest of Asia at an 8.1% and 6.5% CAGR 2017-2030 respectively.

*Figure 7: Aftermarket growth by region*

Region	CAGR 17-30
Europe	1.5%
North America	1.6%
Cina	8.1%
Rest of Asia	6.5%
Rest of World	1.6%

Source: Grand view research

*The Aftermarket is expected to grow post-pandemic*

Covid-19 had a significant impact on the Aftermarket, which is currently experiencing big increases in digital channels and e-commerce volumes as customers seek remote rather than onsite services. In the Automotive industry, for instance, vehicle miles travelled are dramatically down, resulting in fewer collisions and consequently less demand for crash parts.

However, the analysts are confident that in the pandemic aftermath, consumers are expected to prefer private conveyance. Despite this, the financial disparities will be expected to hamper the purchase of new vehicles; due to budget constraints, commuters are expected to opt for used cars. Increasing sales of used cars are expected to surge the demand for aftermarket auto parts for vehicle maintenance. To gain more insight about what the recovery might look like, and how the aftermarket might respond, analysts examined China, where the shutdown began earlier and businesses are now re-opening. During the quarantine, many Chinese cities experienced an 80% drop in light-vehicle miles usage and an 85% drop in public-transit ridership. With restrictions easing, consumers have returned to their previous levels of car usage, even though many are still hesitant to use public transit. As of March 24, 2020, approximately 75% of the workforce had returned to their jobs. Service garages are reporting that many customers who delayed maintenance in the last few months are now returning, creating higher than usual demand.

## **Cofle: history, structure and people**

### *Company's evolution*

*since the 1964: from a local Italian firm to a global presence*

In 1964 Bruno Barbieri founded Cofle, introducing an innovative way in manufacturing Control Cables for the Automotive Industry. The first production line was OEM for the most important Italian brands.

In the 70's the Company increases rapidly, moving into a new manufacturing plant. The Automotive control cables range, as well as the systems for Agricultural and Earth Moving Machines, are greatly extended. Moreover, during these years, Cofle starts to distribute its solutions on a global basis.

In the 80's Cofle launched the first plant for internal production of cables, inner tubes, covered wire ropes, cover conduits for pull and push-pull cables is created; the starting of this process for verticalization of production would allow Cofle to become an "all-in-house" company.

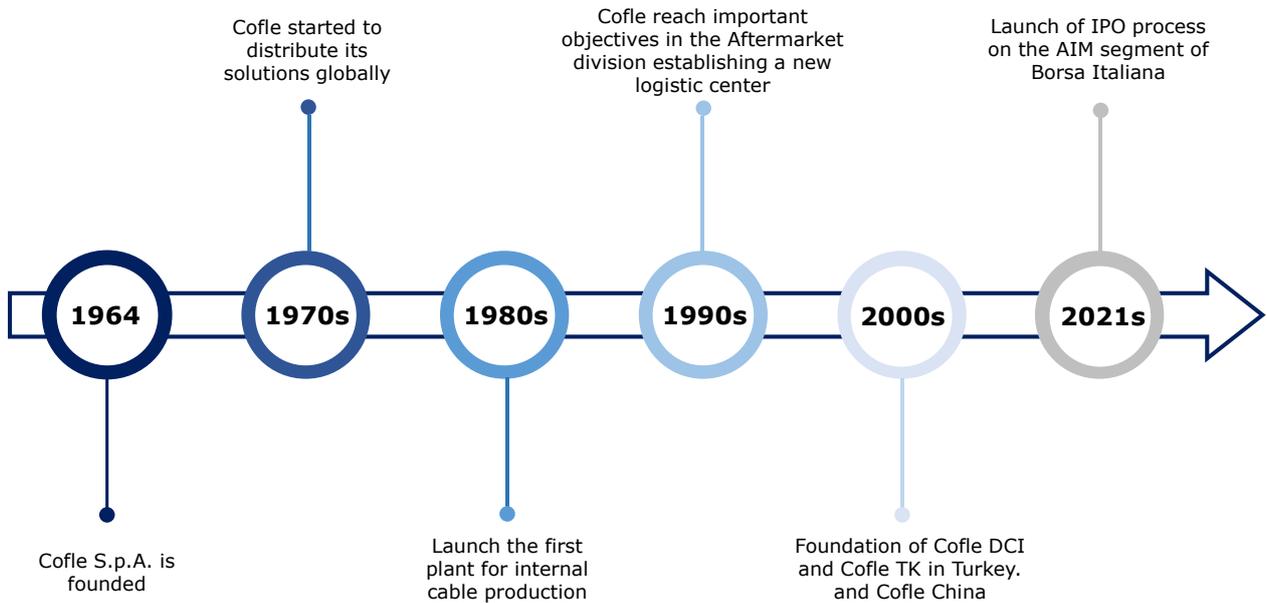
In the 90's Cofle reached important objectives in the Aftermarket division: its increasingly recognition within the markets induced Cofle to establish a new logistic center, with a 4,000 square meters warehouse. During these years, Cofle started his expansion abroad founding Tabo in Turkey, carried out into producing Aftermarket articles originally to be meant for Middle Eastern and North African markets.

In the new millennium, the Company has been pushing on international expansion. In quick succession Cofle DCI and Cofle TK, both in Turkey, and Cofle China were set up, meanwhile laying the groundworks for Cofle do Brasil, which started its first production in 2016 and Cofle Taylor India in 2018.

In June 2021 leveraging on its know-how, worldwide renowned brand and attractive financials, Cofle started the IPO process on the AIM segment of Borsa Italiana to accelerate growth. The Group aims at expanding further its products range, breaking into underpenetrated markets and seize on M&A opportunities.

Today Cofle is a worldwide Group: it is present in 4 Countries with 6 production sites, 4 modern and efficient Logistic Centres, 2 design and co-engineering project departments, and can count on over 500 employees. The Aftermarket Catalogue counts more than 7,000 solutions, adding around 200 new codes per year all created and developed based on OEM knowhow and in conformity with OEM technical specifications.

Figure 8: Cofle's timeline



Source: Banca Profilo elaborations on Company data

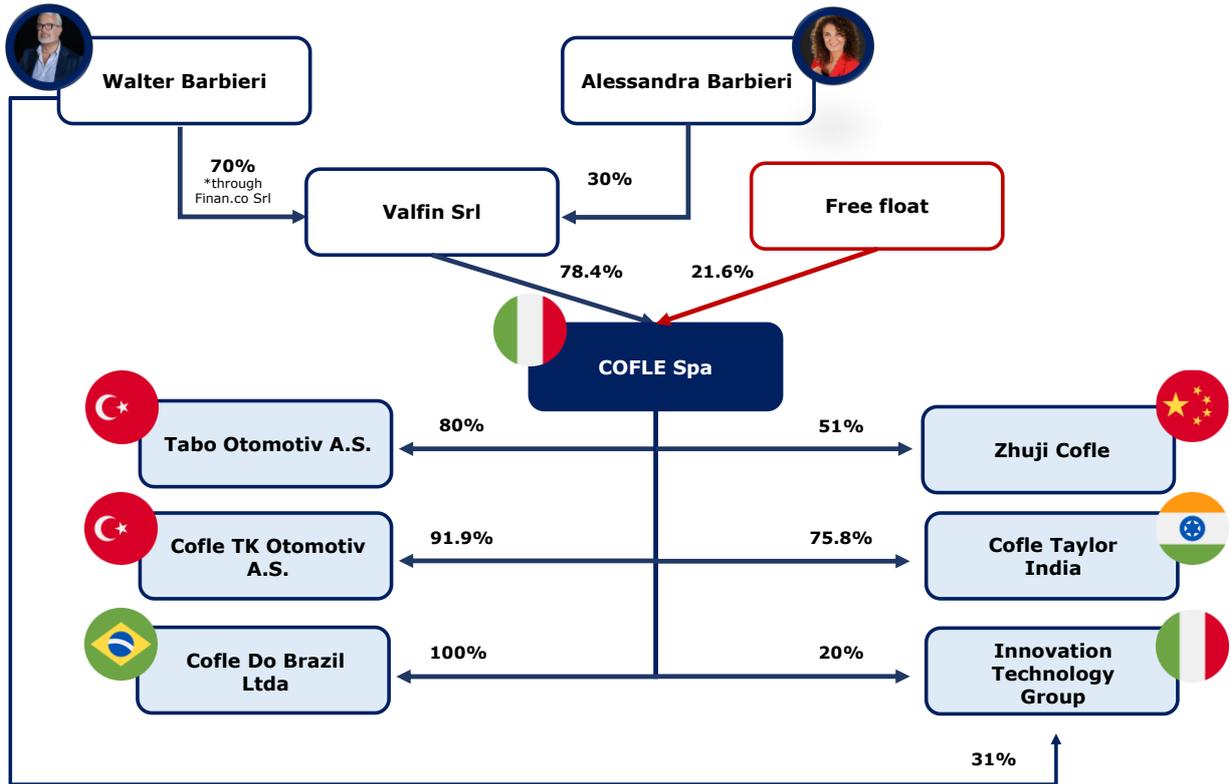
**Group structure**

**Cofle: 78.4% Barbieri's family**

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Barbieri's Family owns the remaining 78.4% of Cofle Group through its holding Valfin Srl. In details: Walter Barbieri, Chairman and CEO of the Group, holds 70% of Valfin through Finan.co Srl whereas, Alessandra Barbieri, global Head of Communication and Marketing, owns 30% of the holding.

Figure 9: Group structure post IPO



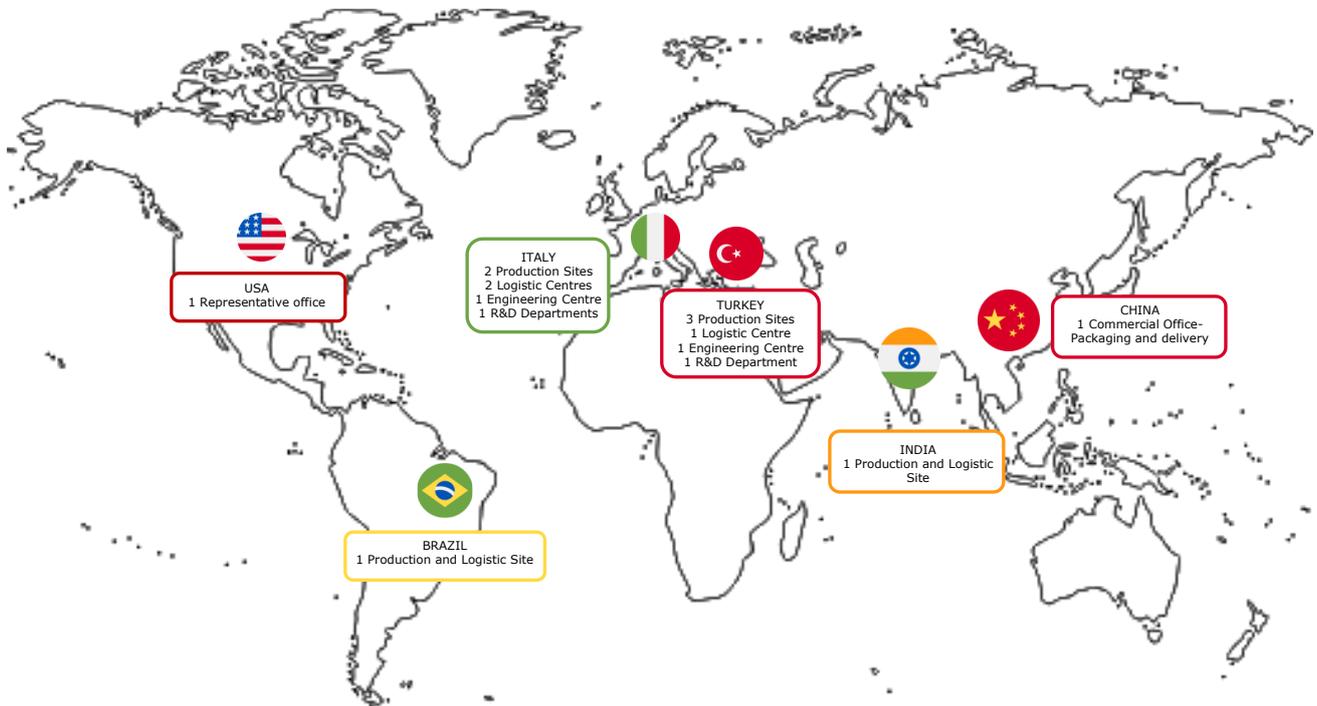
Source: Banca Profilo elaborations on Company data

*Cofle worldwide presence*

Cofle started its international expansion since the beginning to reach a worldwide presence. The Group has production sites in Brazil, India, Italy and Turkey. The Group has more than 11mln units production capacity over 22,000 sqm worldwide.

As of September 2021, Cofle owns 6 production plants, 4 warehouse, 2 engineering centres, 2 R&D centres and 2 representative offices around the world. The biggest production plant is based in Italy with 3mln units of production capacity, followed by two plants in Turkey, having 2.5mln of production capacity each.

Figure 10: Cofle’s production and logistic plants



Source: Banca Profilo elaborations on Company data

**Integrated facilities and platforms in key geographies**

Cofle production is organized and highly structured with global integrated facilities to meet top multinational customers’ needs centered on shifting from overstretched supply chain to locally based suppliers. Key competitive advantage is leveraging on established local presence especially in Turkey and India to lower production costs and boost market shares.

Figure 11: Cofle’s production organization by subsidiary

Company	Processes	Products
 <b>Cofle Italy</b>	<ul style="list-style-type: none"> <li>✓ Cables assembly</li> <li>✓ Systems assembly</li> <li>✓ Electronic parts assembly</li> <li>✓ Tube extrusion</li> </ul>	<ul style="list-style-type: none"> <li>✓ Extrusion (cover conduits)</li> <li>✓ Robotic Welding</li> <li>✓ Metal Sheets</li> <li>✓ Mechanical machining</li> </ul>
 <b>Tabo Otomotiv</b>	<ul style="list-style-type: none"> <li>✓ Cables assembly</li> <li>✓ Tube extrusion</li> <li>✓ Metal sheaths</li> <li>✓ Extrusion</li> </ul>	<ul style="list-style-type: none"> <li>✓ Knobs (with electronic controls)</li> <li>✓ Pull cables</li> <li>✓ Push-Pull cables</li> <li>✓ Shifter cables</li> <li>✓ Brake levers</li> <li>✓ PTO levers</li> </ul>
 <b>Cofle TK</b>	<ul style="list-style-type: none"> <li>✓ Cables assembly</li> <li>✓ Systems assembly</li> <li>✓ Electronic parts assembly</li> <li>✓ Tube extrusion</li> <li>✓ Laser cutting</li> </ul>	<ul style="list-style-type: none"> <li>✓ Extrusion (cover conduits)</li> <li>✓ Plastic injection molding</li> <li>✓ Zamak/Aluminium die casting</li> <li>✓ Welding</li> <li>✓ Metal sheet bending</li> </ul>
 <b>Cofle Taylor India</b>	<ul style="list-style-type: none"> <li>✓ Cables assembly</li> <li>✓ Systems assembly</li> <li>✓ Electronic parts assembly</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pull cables</li> <li>✓ Push-Pull cables</li> <li>✓ Shifter cables</li> <li>✓ Brake levers</li> <li>✓ PTO levers</li> <li>✓ Mechanical Joysticks</li> </ul>
 <b>Cofle Do Brasil</b>	<ul style="list-style-type: none"> <li>✓ Cables assembly</li> <li>✓ Systems assembly</li> <li>✓ Electronic parts assembly</li> <li>✓ Plastic injection</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pull cables</li> <li>✓ Push-Pull cables</li> <li>✓ Shifter cables</li> <li>✓ Brake levers</li> <li>✓ PTO levers</li> </ul>
 <b>Cofle Zhuji</b>	<ul style="list-style-type: none"> <li>✓ Packaging</li> <li>✓ Delivery</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pull cables</li> <li>✓ Push-Pull cables</li> <li>✓ Shifter cables</li> <li>✓ PTO cables and valves</li> <li>✓ Brake levers</li> </ul>

Source: Banca Profilo elaborations on Company data

**Tabo (Turkey): the best quality at competitive price**

Over the past 25 years, Tabo Otomotiv has extended its production range. Nowadays, Tabo Otomotive produces 3.0mln command cables per year, including 9,000 different cables. The production starts with the covering of inner cables, extrusion of inner tube and the production of metallic sheath, it finishes with the assembly of the cable and final testing, besides every production cycle is strictly controlled.

Tabo Otomotive main policy is to offer to their customers the best solution for every specific application. The engineering department works in cooperation both with Cofle Italy and the clients. The cooperation starts with the technical design and it ends with cable simulation. Tabo Otomotive's new Control System has the purpose to reach the best quality at competitive prices. This allows them to meet promptly the customer's requirements according to the Standard.

**Innovation Technology Group**

ITG, subsidiary of Cofle Group, is an Engineering Lab that focuses on researching and developing ideas for the global industry.

The Company is based on five pillars:

- i) Performance by mixing mechanics and electronics to obtain high efficiency mechatronic systems able to balance the energy/work ratio at any time;
- ii) Comfort with the aim to reach a high level of comfort to the operator, especially when a tool is used for several consecutive hours or a device requires repetitive activities;
- iii) Cost savings through exploiting new production process and new malleable and high-performance materials;
- iv) Environmental impact, committing to the goal of producing the cleanest energy increasing relying on renewable sources;

- v) New Features by gradually blending new technologies into the existing products.

Cofle owns the 20% of ITG in order to keep its “innovative startup” status. However, Cofle indirectly has the control of ITG because the 31% of the Company is owned by Mr. Walter Barbieri.

### *Top Management*

The Barbieri Family owns 100% of the holding Valfin: the CEO Walter Barbieri holds 70%, whereas, the Head of Global Communication and Marketing, Alessandra Barbieri owns the 30% of the Company.

The Group can count on a strongly experienced management team:

***Walter Barbieri:***  
***Chairman and CEO***

Post diploma education, Walter Barbieri graduated in i) Financial Management; ii) Enterprise Internationalization; iii) Supply chain Management at Sda Bocconi.

Walter Barbieri started its professional career in Cofle as Technical Designer, to became later Responsible of Production, before taking on the role of General Manger since 1996. He promotes the internationalization of the Group by actively managing foreign plants in the early stages and years of their development. He is now focusing on the role of CEO of the Group, while maintaining the role of General Manager in Cofle. He is also the Chairman of the Board of Directors in Cofle and in the main foreign subsidiaries.

***Alessandra Barbieri:***  
***Global Head of  
Communication and  
Marketing***

Before working in Cofle, Alessandra Barbieri gained the opportunity to develop linguistic, communicative, and marketing skills in various fields, including Education, Real Estate and Healthcare.

Alessandra Barbieri is responsible for the internal and external communication of the Group. Her main task in Cofle is to ensure an excellent image of the Group at a global level, to communicate, in a clear and effective way, the Group vision, Mission and the Values that have always distinguished Cofle. Alessandra Barbieri manages relationships with Italian and foreign authorities, press and media to promote the Brand Awareness of the Group. She collaborates closely with Aftermarket and Original Equipment Manufacturing directors for the creation and management of Marketing policies and sponsored campaigns. Alessandra Barbieri also handles the group’s CSR activities, which she personally manages and promotes.

***Diego Galbussera:***  
***CFO***

Diego Galbussera has been Group CFO and HR Director since 1998. He joined the Group as Administrative and IT officer in 1985. He oversees the Accounting, Administration and Finance Management of Cofle Italy. Since 2007 he has been managing the Group’s financial coordination (subsidiaries in Turkey, Brazil, China, India).

***Gianni Crespi:***  
***Global OEM Sales and  
Marketing Director***

Gianni Crespi has worked in Cofle for over 30 years, managing the OEM Division. Since 1987 he is Global OEM Sales and Marketing Director of Control Cables & Systems. He leads the OEM Sales Division for the entire Group, covering all the 5 sites.

***Valentina Rossa:***  
***Global Aftermarket and  
Logistic Director***

Valentina Rossa is the Global Aftermarket Division and Logistic Director since 2015. Before to join Cofle Group, she held the position of Export Manager in Gaviota. In Cofle, she is responsible for the strategic approach, price setting, market development and customer care of the Global Aftermarket Division, which include Turkey and Brazil to some extent.

**Matteo Merla:**

*Global Supply Chain  
Manager and Plants  
Manager*

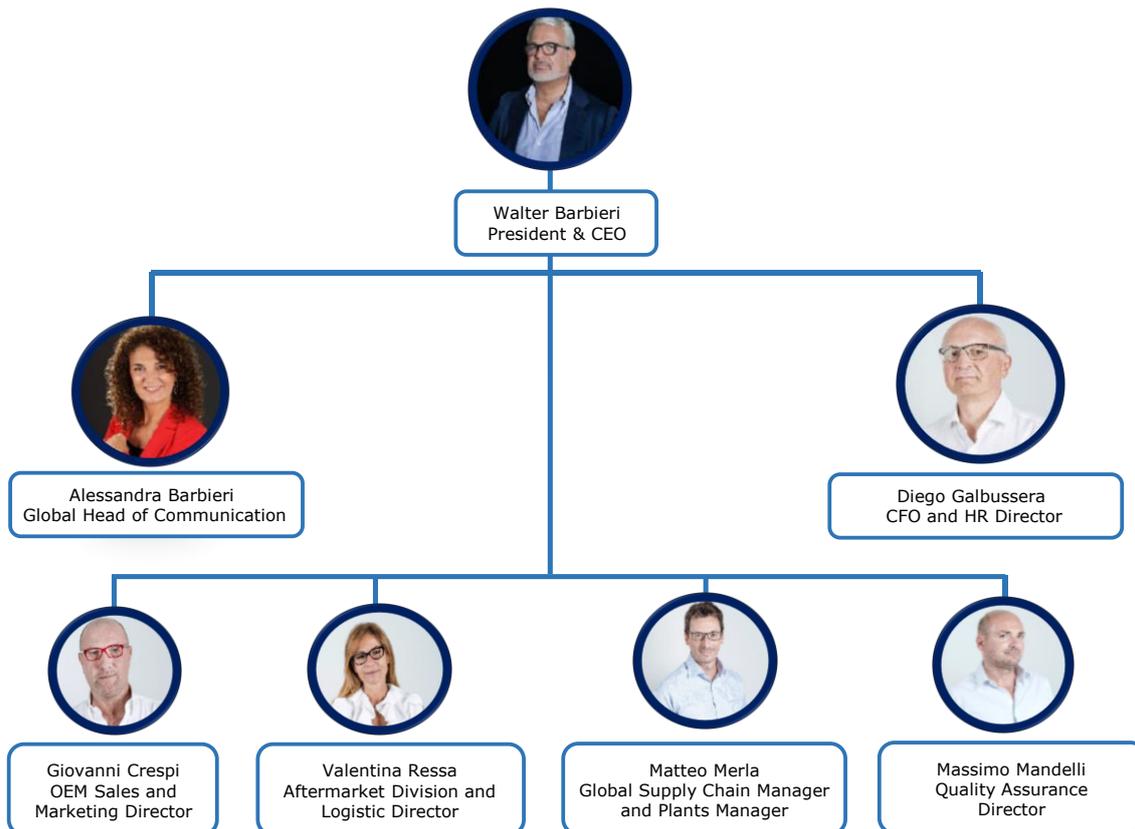
Matteo Merla, before joining Cofle in 2007, he held the position of Planning Manager and Demand Management Responsible at Acerbis Italia. He is Global Supply Chain Management & Plant Manager, responsible for the coordination of the group’s production chain. He is Project leader in the start-up and integration of the Group’s new plants, also through the operational implementation of ERP management software (on the AS 400 platform) for the management of the various group plants Supply chain synchronization and operational management. He is the head of the Production Plant organizing and managing Company’s production facilities, ensuring their optimal and efficient operation. He is also responsible of development and operational applications new Group strategies.

**Massimo Mandelli:**

*Global Quality  
Assurance Director*

Massimo Mandelli joined Cofle in 1994 as Quality Control Manger and in 2004 he was appointed Global Quality Assurance Director. He is responsible for all quality processes necessary to reach the standards levels of the Group. Massimo Mandelli manages and supervises everything that has to do with compliance of Quality standards that make Cofle a high-level company. He manages the Quality Staff of all plants, with the aim of simplifying production and obtaining customer satisfaction thanks to an accurate analysis of the choice of materials and suppliers involved. He is responsible for testing and prototypes since co engineering and analysis of the new product with the customer (choice of materials, design, optimization of components) Countries involved Turkey, Brazil, Italy, China, India.

Figure 12: Cofle’s top management



Source: Banca Profilo elaborations on Company data

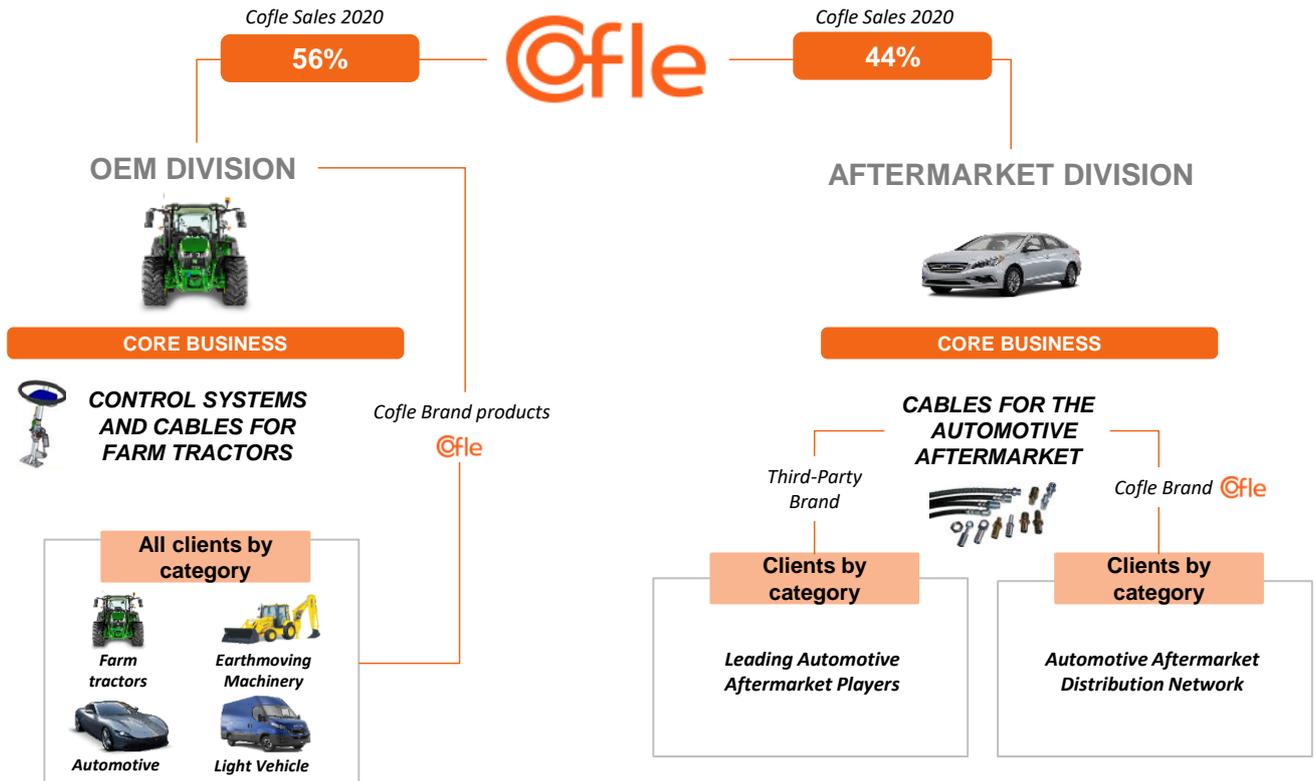
**Cofle: a distinctive business model**

*Cofle: a multinational company leading OEM and Aftermarket Industry*

*Cofle's business model is almost equally divided in the OEM and AM division*

Cofle is a multinational company operating both in the Original Equipment Manufacturers (OEM) for top worldwide manufacturers of agricultural & earthmoving machineries, luxury automotive and light commercial vehicles and in the Aftermarket (AM), specialized in the production of automotive aftermarket parts on a global scale.

*Figure 13: Cofle's business model overview*



Source: Banca Profilo elaborations on Company data

**Original Electric Equipment (OEM) business model**

*OEM includes three product categories: Control Systems, Cables and others*

Cofle's Original Equipment Manufacturers division offers three wide product categories:

- Control Systems: a wide range of customized control systems covering every industrial application (from agricultural to earthmoving machineries), including:
  - Joysticks
  - Power shuttles
  - Speed reverse controls
  - PTOs
  - Spool valves
  - Brake levers
  - Pedals
  - Gearshift systems
- Cables: wires and sheaths in-house by using state-of-art technologies and 3D control systems. Cables may be split up according to the following categories:
  - Pull Cables: brake cables, clutch cables, accelerator cables, others;
  - Push Cables: Transmission shift cables, valves cables, PTO cables, others.

- Others: further products according to customers’ requests, including
  - Steering columns and motion driving systems
  - Die castings
  - Sheetmetals
  - Plastics

*Original Electric Equipment value chain*

*OEM value chain from co-engineering to highly tailored made products*

OEM products are meant to be highly customized, and tailor made to meet the challenging requirements of top clients. Standardization is minimal enough to allow cost efficiency. The Group is part of its customers vendor list so that, when top companies in agricultural & earthmoving machinery industry are going to launch a new project, Cofle is involved from the beginning on any aspects related to control systems and cables. The life cycle of tractors/agricultural and/or earthmoving machineries usually ranges from 5 to 7 years; this means that anytime the Group is involved in a new project, Cofle is included in the vendor list of its clients for a long period: a key factor to strengthen the long-term relationships with customers.

*Figure 14: Cofle’s OEM value chain*



*Source: Banca Profilo elaborations on Company data*

*1 to 3 years to develop high distinctive customized products*

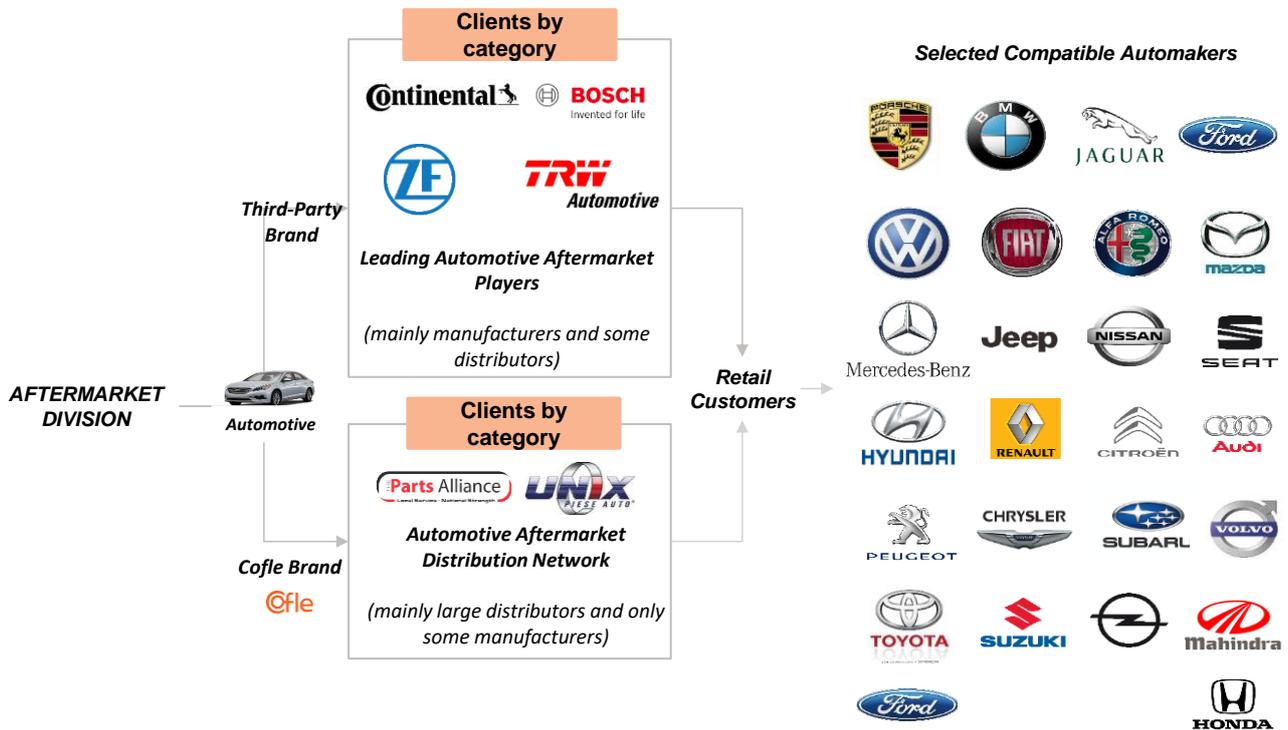
In a new project, Cofle’s OEM R&D division partners up directly with client’s R&D department in a co-engineering procedure that ends up with the sharing of 3D prototypes.  
 In a re-sourcing tender instead, Cofle is subject to a market test. Once clients agree on the products to be delivered, pricing negotiations take place ending up with the orders intake.  
 Production and delivery to clients take place at a global scale: once Cofle is involved in a project as Original Equipment Manufacturer (OEM), the Group becomes supplier for machineries produced by the clients all over the world.  
 An OEM project usually takes from 1 to 3 years, due to the highly distinctive know-how involved.

*Aftermarket business model*

*Aftermarket: from Cofle’s brand to third-party brand*

The Aftermarket division offers highly standardized products serving both leading Aftermarket Players such as Continental and Bosch under third-party brand, as well as large distributors under Cofle’s brand. The brand, with different logos, is registered in more than 15 Countries.  
 The two different categories of customers sale Cofle products through retail channel to selected compatible automakers, including luxury carmakers such as Porsche, Mercedes, Jaguar.

Figure 15: Cofle's OEM value chain



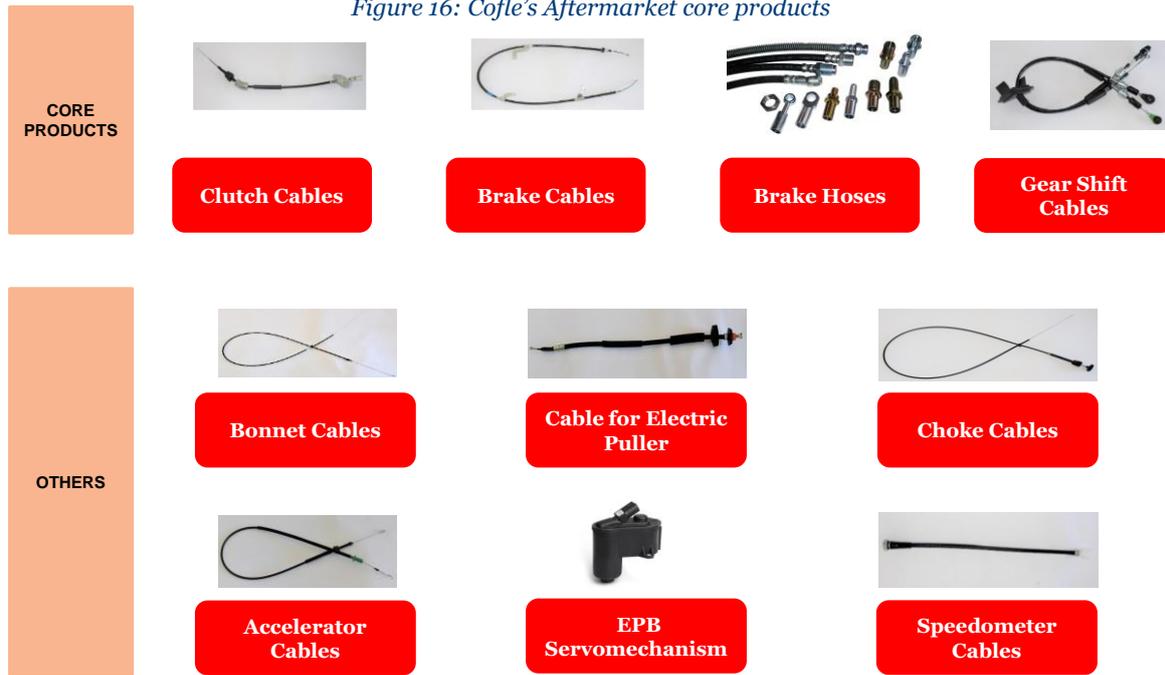
Source: Banca Profilo elaborations on Company data

**Aftermarket business line: a high standardize products**

Opposite to OEM, Aftermarket products are meant to be highly standardized in order to expand as much as possible the range of reliable and price attractive catalogue solutions. The Aftermarket catalogue that offers more than 7,000 solutions, to meet customer needs. The four main Cofle's products are:

- Clutch cables;
- Brake cables;
- Brake hoses;
- Gear shift cables.

Figure 16: Cofle's Aftermarket core products



Source: Banca Profilo elaborations on Company data

*Aftermarket value chain*

*From reverse-engineering to products catalogue expansion*

The Aftermarket division works as a push strategy business with a short-term time-to-delivery approximately equal to 3-4 weeks from picking and packaging to delivery.

Cofle's Aftermarket R&D department is responsible for the reverse-engineering activities focused on the latest models of automobiles.

In the reverse-engineering process Cofle's Aftermarket R&D department perform a detailed analysis on the original product, to understand the technical characteristics, the raw material utilized and the quality of the product. Given its vast experience, Cofle's R&D department is often able to provide upgrades and improvements even on the original product.

In the next phases, Cofle estimates the final cost of production and carries out a benchmark pricing survey to make the final decision on pricing (the latter being highly impacted by the price of original products).

In the last two phases, Cofle launch the production and catalogue update to expand the range of available products serving both top aftermarket players (third-party brand on the final product usually subject to a validation process by the client) as well as large aftermarket distributors (Cofle brand on the final product usually without any validation process by the client).

Figure 17: Cofle's Aftermarket value chain



Source: Banca Profilo elaborations on Company data

## Research and Development at Cofle

### *Cofle's products needs to be accurately tasted*

Cofle cables are strictly created on the basis of OEM spec Engineering. Pilot batches are created for each new article and accurately tested to guarantee an OEM matching Quality in terms of efficiency, durability and performance. Every key-component is developed through the application of the most updated CAD systems and FMEA techniques, along with the skill to plan and build any necessary tooling to such purpose.

### *One R&D department per business unit*

OEM & AM divisions are structured according to two different R&D departments:

- OEM R&D is based on Co-Engineering principles: Cofle focuses its efforts on disrupting the state-of-the-art technologies to propose its OEM customers the most innovative solutions;
- AM R&D is based on Reverse-Engineering principles: Cofle focuses its efforts on staying always update with the latest innovation introduced by automakers.

### *The main R&D departments are in Italy and in Turkey*

Research and development activities are carried out internally and externally, through 6 people in Italy and 22 people in Turkey. In particular, Cofle Tk has a dedicated "Designed Center" which employs 22 people actively engaged in the development of new product for the OEM market.

Moreover, ITG (Innovation Technology Group), Cofle subsidiary, develops new ideas and technological solution to create innovative, cutting-edge products both for business areas as well as the manufacturing process.

## Cofle: great attention to sustainability

### *Cofle's headquarter surrounding by a natural reserve*

Cofle has always paid great attention to sustainability and corporate social responsibility.

Cofle's headquarters, is in Trezzo sull'Adda, a town situated between Milan and Bergamo, in an area renowned for its historical heritage and natural beauty. Over time, the land surrounding the plant has become a natural reserve, and Cofle paid attention to allow the plant and its surrounding park to coexist. For this reason, in addition to applying a strict and constant control over all production waste, in 2012 the Group set up solar panels that allow to cut down energy costs and reduce our environmental impact.

Moreover, complying with Cofle's philosophy to protect the environment, the new plant in Pozzo d'Adda was the first to adhere to their Plastic Free project. The old water coolers were replaced with still and sparkling water dispensers that are connected directly to the water supply. Cofle's employees can quench their thirst using re-usable cups. Finally, they also replaced the plastic cups and stirrers of hot drinks dispensers with recyclable paper cups and wooden stirrers.

### *Cofle is active in charity activities*

In 2020 Cofle decided to continue supporting Movimento MLFM's efforts against poverty and to sponsor the Mother of Divine Providence Primary School in Muhura, Rwanda.

FAI (Italian Environment Fund) and Cofle joined together for Italy's future. The Group joined FAI membership program "Corporate Golden Donor", as part of their corporate social responsibility policy for 2021.

*Cofle's certifications*

*Cofle certificate its products and its sustainability*

Cofle owned various certifications in terms in order to validate Company's products' quality and Group attention to the main corporate, social, environmental responsibilities.

*Cofle plans to update its certification*

Cofle plans to confirm the international certification in its plants located in different Countries, adding new ones until 2023.

Figure 18: Cofle's ISO/IA TF certification maps

COFLE PLANTS	2019	2020	2021	2022	2023
COFLE IT			+		
COFLE TK			+		
COFLE do BRASIL					
COFLE TAYLOR INDIA			+		+
TABO		+			



SustainabilityAudit done by CNHInd.



\* DEPENDING ON FUTURE OPPORTUNITIES

Source: Companies' data

*ISO certification: for Quality Management Systems and standard for Environmental Management Systems*

The ISO 9001:2015 standard for Quality Management Systems and the ISO 14001:2015 standard for Environmental Management Systems are two internationally recognized standards by the International Organization for Standardization (ISO). After the audit that took place on February 17-18 and thanks to the concerted effort of all our employees, our ISO 9001:2015 and 14001:2015 certifications were confirmed by ICIM, the body accredited for the certification of Quality Management Systems, for both our Pozzo and Trezzo sull'Adda production sites.

In addition to that, our plant in Turkey was able to renew its IAF 16949 certification through a surveillance audit, a certificate that had been initially obtained in March 2019. IATF 16949:2016 is a standard by the International Automotive Task Force (IATF) that establishes the requirements for a Quality Management System (QMS), specifically for the automotive sector, and which replaced ISO/TS 16949. These certifications are proof that our clients can always count on our commitment and our attention to details – and that is what makes every Cofle product exclusive.

*For occupational health and safety*

ISO 45001:2018 specifies requirements for an occupational health and safety (OH&S) management system, and gives guidance for its use, to enable organizations to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance. ISO 45001:2018 is applicable to any organization that wishes to establish, implement and maintain an OH&S management system to improve occupational health and safety, eliminate hazards and minimize OH&S risks (including system deficiencies), take advantage of OH&S opportunities, and address OH&S management system nonconformities associated with its activities. Cofle is working to obtain this certification in 2023.

*IATF (International Automotive Task Force)*

IATF 16949 emphasizes the development of a process-oriented quality management system that provides for continuous improvement, prevention and

reduction of waste and changes in the supply chain. The goal is to meet customer requirements efficiently and effectively. The IATF presents as a requirement some practices that had become habitual in the automotive supply chain and makes mandatory compliance with the C.S.R. (Customer Specific Requirements) of the automotive customer.

*WCM (World Class Manufacturing)*

Its purpose is to optimize all production and logistics processes and enable the continuous improvement of quality, productivity, safety and delivery. The WCM model detects waste and losses and it introduces new tools and new methods to increase efficiency. The WCM model follows the Zero Concepts-Target: i) Zero accidents ii) Zero machine breakdowns iii) Zero defects iv) Zero customer claims v) Zero waste.

*CNH Industries Sustainability References*

CNH Industrial's ongoing commitment to sustainability landed the company in some of the world's most prestigious indices. In 2020, CNH Industrial was reconfirmed as Industry Leader in the Dow Jones Sustainability Indices, World and Europe, for the ninth consecutive year. It received a score of 88/100. CNH Industrial publishes a sustainability report annually to track its progress and a "Sustainable Year" document to highlight some of its key initiatives.

## **Cofle: its competitive arena**

### *Business analysis*

*A sample of nine listed companies*

There are no listed companies that can be considered as good as "comparables" 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 firstly conducted a comparative analysis based on four main macro-categories: business model, product range, international brand awareness and positioning and company size. Secondly, we concentrated on growth prospects, cash generation and debt leverage. Based on these results, we selected the nine "comparables" to Cofle: Brembo (Italy), Carraro (Italy), CIE Automotive (Spain), Comer Industries (Italy), Haldex (Sweden), Kongsberg Automotive (Norway), Mayville Engineering Company (USA), SKF (Sweden) and Suprajit Engineering (India).

**Table 1: Cofle's competitive arena**

Similarity with Cofle	Company	Country	Currency	Sales 2020	Ebitda 2020	OEM	Aftermarket	End market	Products
58%	Brembo	Italy	Euro	2,209	389	x	x	Automotive	Brake
58%	Comer Industries	Italy	Euro	396	48	x	x	Agriculture; Industrial	Trasmission systems
40%	SKF	Sweden	Swedish Krona	4,007	135	x	x	Automotive	Trasmission systems
65%	Kongsberg Automotive	Norway	Norwegian Krone	74,852	10,470	x	x	Automotive	Trasmission systems; Control systems; Frames for heavy and light vehicles
80%	Suprajit Engineering	India	Indian Rupee	2,882	431	x	x	Automotive; Agriculture	Cable; Lighting trasmission systems
30%	Mayville Engineering Company	United States	U.S. Dollar	10,129	585	x	x	Agriculture; Sport; Construction machine; Light and heavy vehicles	Engine components, Cooling system components, Handrails and Full electro-mechanical assemblies
43%	Haldex	Sweden	Swedish Krona	16,249	2,327	x	x	Industrial	Brake
50%	CIE Automotive	Spain	Euro	358	55	x	x	Automotive	Brake, Frames, Trsmission systems, interiors
50%	Meritor	United States	U.S. Dollar	3,263	309	x	x	Agriculture; Industrial	Axle, brake and suspension solutions

Source: Banca Profilo elaborations on companies' data

### **Brembo (ITA)**

**FY20: sales €2.2bn;  
EBITDA margin 17.6%**

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. Brembo is also a leader in the racing sector and has won more than 500 championships. Today the company operates in 15 countries on 3 continents, with 26 production and business sites, and a pool of over 11,000 employees, about 10% of whom are engineers and product specialists active in the R&D.

Main similarities between Cofle and Brembo:

- Brembo is Italian and it is active in the Automotive market, with a particular focus on brakes.

Main differences:

- Brembo does not address to the Agriculture sector; its main product is brakes whereas, Cofle has a wider range of offering.

### **Comer Industries (ITA)**

**FY20: sales €396mln;  
EBITDA margin 12.1%**

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).

Main similarities between Cofle and Comer:

- Comer is Italian and it is active in the Agricultural market.

Main differences:

- Comer is not active in the Automotive, its products mainly relate to transmission systems.

### **SKF (SWE)**

**FY20: sales KR74.8bn;  
EBITDA margin 14.0%**

SKF is a leading global supplier of products, solutions and services within bearings, seals, lubrication systems and services. Working to reduce friction, make things run faster, longer, cleaner and more safely. Doing this in the most effective, productive and sustainable way contributes to our vision of a world of reliable rotation.

SKF engages in the manufacture of machine and rotating equipment. It operates through the Industrial Market and Automotive Market business segments. The Automotive Market 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.

Main similarities between Cofle and SKF:

- SKF is active in both OEM and Aftermarket Industry.

Main differences:

- SCK focuses on rotating equipment

**Kongsberg Automotive (NOV)**

*FY20: sales*

*NOK10.2bn; EBITDA*

*margin 5.4%*

Kongsberg Automotive engages in the development, manufacture, and trade of components, accessories, and spare parts. It operates through the following segments: Interior, Powertrain & Chassis Products, and Specialty Products. The Interior segment involves in the development and delivering of seat comfort and climate solutions. The Powertrain & Chassis Products segment develops and manufactures powertrain systems and chassis related products for heavy and light duty vehicles including, gearshift systems for automatic and manual transmissions, clutch actuation, and advanced vehicle dynamics. The Specialty Products segment provides driver control and fluid handling systems for commercial vehicles and passenger cars, as well as innovation products and software.

Main similarities between Cofle and Kongsberg:

- Kongsberg Automotive is active both in the OEM and Aftermarket Industry.

Main differences:

- Kongsberg's end market is mainly Automotive

**Suprajit Engineering (IN)**

*FY20: sales RS16.2bn;*

*EBITDA margin 14.3%*

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. As a part of its Strategic expansion into Non-Automotive-Cables and Controls market Suprajit acquired Wescon Controls Inc USA in 2015 and had also diversified into Automotive Lighting business through acquisition of Phoenix Lamps Limited in 2014.

Main similarities between Cofle and Suprjit:

- Suprajit is mainly active in cable production.

Main differences:

- Suprajit main reference market is India

**Mayville Engineering Company (US)**

*FY20: sales at*

*\$357.6mln; EBITDA*

*margin at 15.3%*

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.

Main similarities between Cofle and Mayville:

- MEC is active both in the OEM and in the Aftermarket Industry with a diversified portfolio.

Main differences:

- Mayville revenues are only from US market.

**Haldex (SWE)**

*FY20: sales at KR4bn;*

*EBITDA margin at*

*9.5%*

Haldex is a leading manufacturer of reliable and innovative brake systems and air suspension solutions that enhance the safety, dynamics, and durability of heavy vehicles. Haldex's customers are mainly large manufacturers of trucks, buses and trailers in North America, Europe, and Asia. On the aftermarket Haldex offers spare parts and servicing to distributors, workshops, and large logistics companies.

Main similarities between Cofle and Haldex:

- Haldex is active both in the OEM and in the Aftermarket Industry mostly with brakes.

Main differences:

- Haldex main end market is the Industrial industry.

**CIE Automotive (SPA)**

*FY2: sales €2.9bn;*

*EBITDA margin 15.0%*

CIE Automotive is a supplier of components, assemblies, and sub-assemblies for the global Automotive market, using complementary technologies and various associated processes.

Main similarities between Cofle and CIE:

- CIE Automotive has a diversified portfolio.

Main differences:

- CIE is mainly active in the Automotive Industry with little presence in the Agricultural segment.

*Meritor (US)*  
*FY20: sales \$3.3bn;*  
*EBITDA margin 11.1%*

Meritor engages in the design, production and trade of integrated systems, modules, and components to equipment manufacturers. It operates through the following segments: Commercial Truck and Trailer and Aftermarket and Industrial. The Commercial Truck and Trailer segment supplies drivetrain systems and components, including axles, drivelines and braking and suspension systems, for medium- and heavy-duty trucks and other applications. The Aftermarket and Industrial segment provide axles, brakes, drivelines, suspension parts and other replacement parts to commercial vehicle and industrial aftermarket customers in North America and Europe.

Main similarities between Cofle and Meritor:

- Meritor is active in the Agricultural Industry and in brake production.

Main differences;

- Meritor is also active in the Industrial Industry with the US as main reference market.

*Cofle's competitive advantages*

Cofle, to straight its OEM market positioning, leverages on distinctive know how, high flexibility to meet customer needs, optimal price/ quality ratio and engineering support to stand out from the crowd.

Whereas to strengthen its AM market positioning, Cofle leverages on extremely wide products catalogue, optimal price/ quality ratio, low time to delivery and customized catalogue extension to achieve the ideal market positioning.

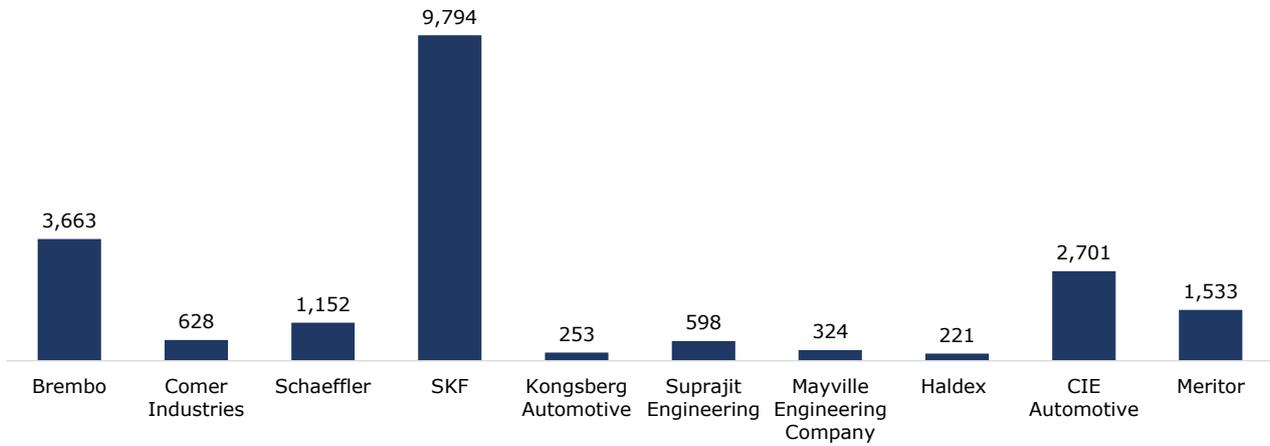
### *Key financials*

*Cofle's competitive arena: stocks at +26.5% since the beginning of the year*

We conduct an analysis on the main financial indicators of Cofle's selected competitors.

Since the beginning of the year, the selected listed companies showed an average stock performance over +26.5%.

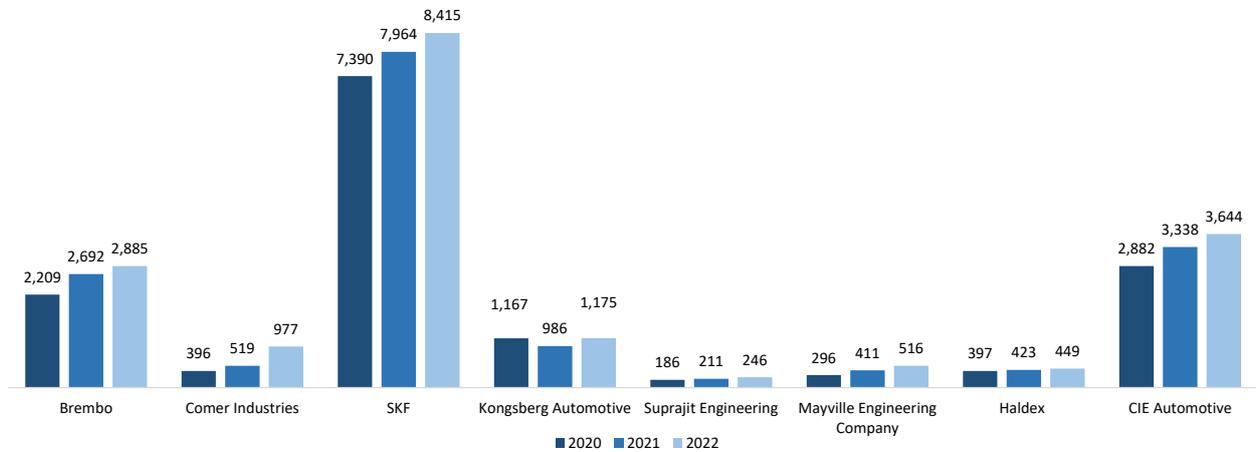
Figure 19: Cofle’s competitive arena market cap (€mln)



Source: Banca Profilo elaborations on Factset data

**14% sales CAGR 2020-2022** In terms of revenues, consensus sees a 14% average sales CAGR 2020-2022.

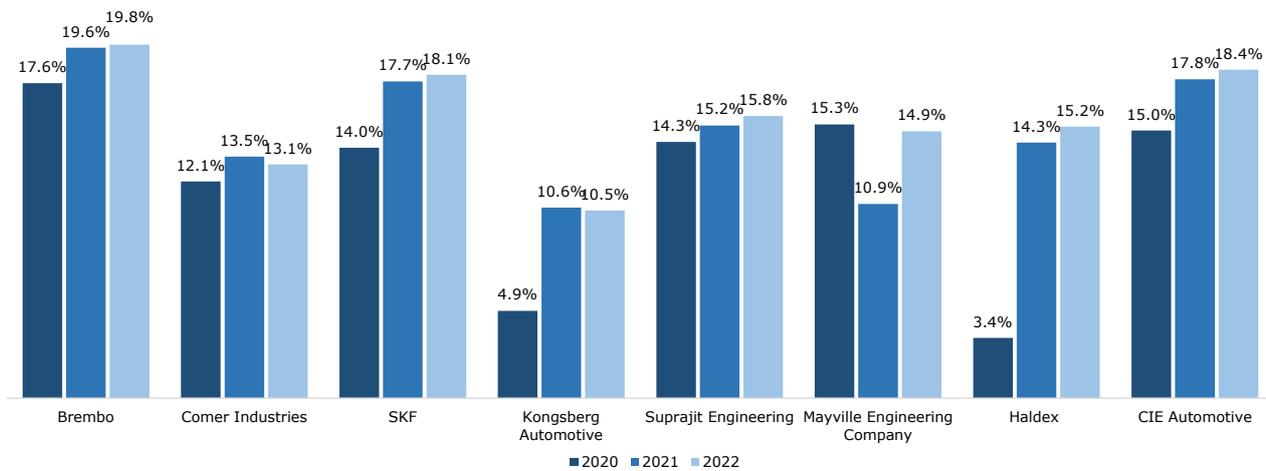
Figure 20: Cofle’s competitive arena sales consensus (€’000)



Source: Banca Profilo elaborations on Factset data

**EBITDA improvement by 2022** In terms of EBITDA margin, consensus estimates an average improvement of 290bps in 2020-2022.

Figure 21: Cofle’s competitive arena EBITDA margin consensus



Source: Banca Profilo elaborations on Factset data

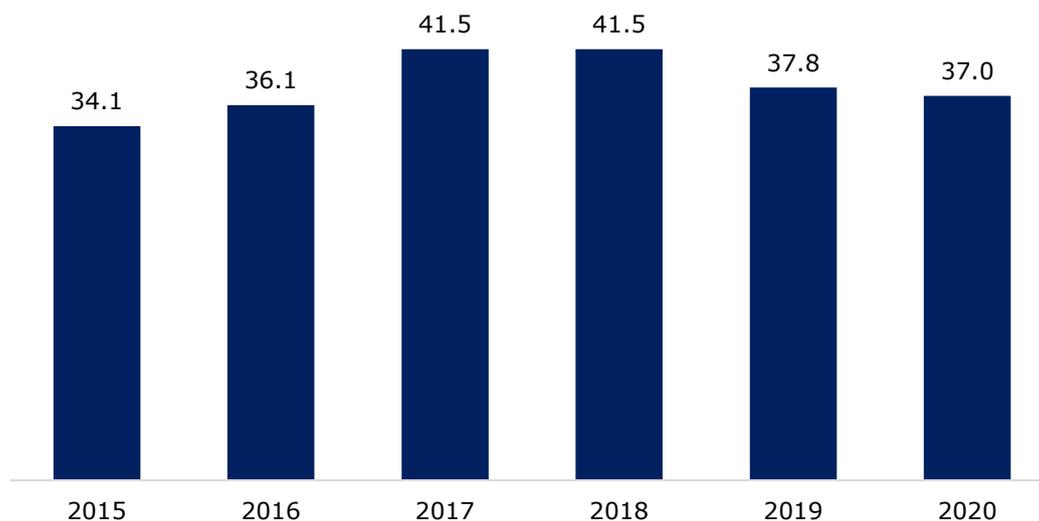
## Historical operating and financial performance

### Main operating and financial data FY20

*Revenues increased by 9.7% from 2015 to 2020*

From 2015 to 2020, Cofle's total revenue grew from €34.1mln to €37mln, registering an average increase of 9.7%. The Group reached its peak in 2017 and kept revenue stable in 2018. In 2019, Cofle showed a decrease mainly due to the slowdown in Automotive, which continued due to the pandemic outbreak in 2020.

Figure 22: Revenue evolution 2015 –2020 (€, mln)

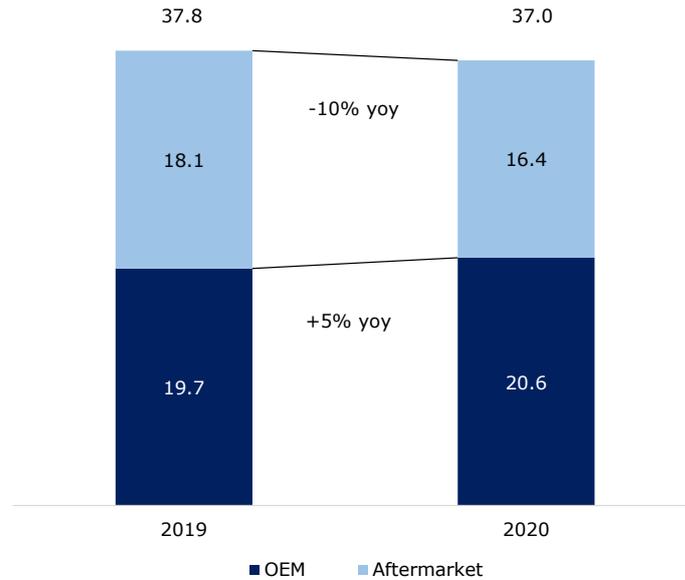


Source: Banca Profilo elaborations on Company

*OEM: the largest part of sales in Cofle*

Cofle revenues are almost equally divided between its two business units: in 2020, 56% of sales derived from OEM, whereas the remaining part related to Aftermarket (48% in 2019).

Figure 23: Revenue breakdown by business unit 2019–2020 (€, mln)

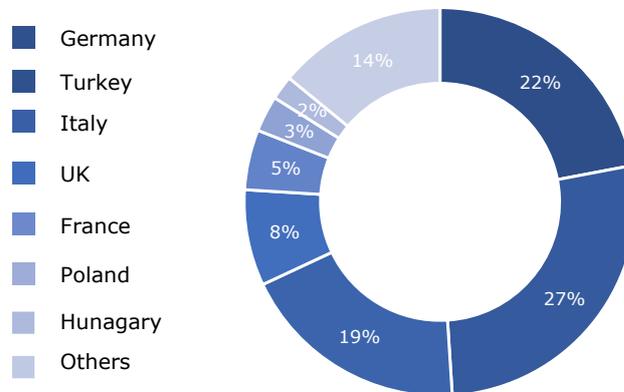


Source: Banca Profilo elaborations on Company data

*Cofle as an export-oriented company: more than 80% of sales clients are from abroad*

Cofle is an export-oriented company, with 200+ customers in more than 40 countries. In 2020, revenues coming from abroad accounted for more than 80% of total sales. Germany was the leading geographical market reporting a 22% of total sales in 2020. Out of 247 OEM customers worldwide, only 19% came from Italy in 2020.

Figure 24: Cofle's 2020 revenue breakdown by Country



Source: Banca Profilo elaborations on Company data

*OEM is a concentrated business unit*

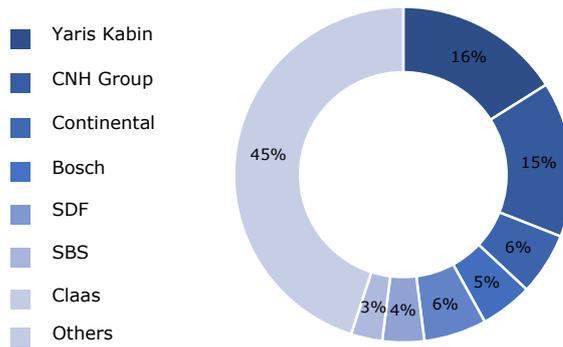
In 2020, Cofle's OEM Division served more than 100 Customers including all top companies in the agricultural and earthmoving machinery business, ranging from CNH to AGCO. In 2020, Yaris Cabin, a Turkish producer of tractor loader cabins became the first client of the Group, beating the one of 2019, CNH Group. In 2020, the top 10 customers accounted for around 85% of OEM sales; residual 15% was highly fragmented across more than 90 clients. Main customers of the residual Luxury Automotive & Light Commercial Vehicles are: Maserati, Ferrari, Lotus, Ineos Automotive and Iveco.

*Aftermarket division sales are more fragmented*

As regards Cofle's AM division, it served more than 110 customers including top companies in the automotive aftermarket business. In 2020, Continental and Bosch were the top 2 customers. The Aftermarket customer base is highly fragmented, differently from OEM customer base, which is more concentrated.

In 2020, the top 10 customers accounted for around 56% of Aftermarket sales; the remaining 44% was highly fragmented across more than 100 clients which represented the 20% of Cofle global revenues.

Figure 25: 2020 Cofle revenue breakdown by product 2020

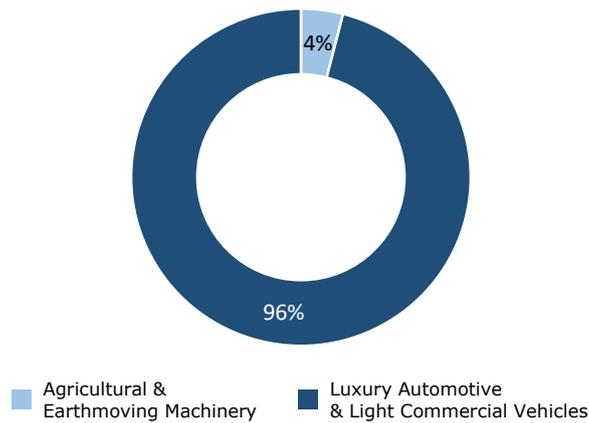


Source: Banca Profilo elaborations on Company data

**OEM 2020 sales: +5% yoy**

Cofle’s OEM division is the most important business area in terms of sales. In 2020, it accounted for 56% of total sales vs 52% in 2019. Despite Covid-19 outbreak slowed down some OEM projects, OEM turnover increased by 5% yoy to €20.6mln. Key reference market for OEM is largely represented by the Agricultural & Earthmoving machinery industry (96% of sales in 2020). Luxury automotive & Light Commercial Vehicles accounted for the residual 4% in 2020.

Figure 26: 2020 OEM’s revenue breakdown by industry

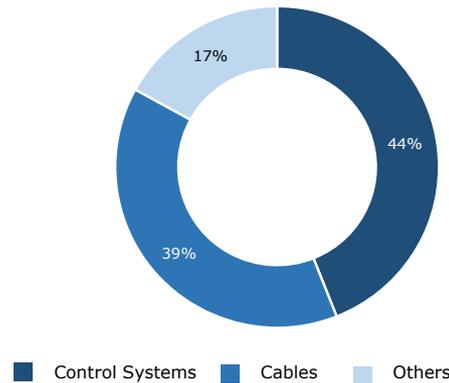


Source: Banca Profilo elaborations on Company data

**OEM main products: Control Systems and Cables**

Control Systems and Cables represent key reference products in OEM: more than 80% of OEM sales in 2020 and 81% in 2019. Cables alone accounted for 39% of OEM sales in 2020 (23% coming from Push Cables, 15% from Pull Cables).

Figure 27: 2020 OEM's revenue breakdown by product



Source: Banca Profilo elaborations on Company data

*Cofle's AM business showed resilience to Covid-19*

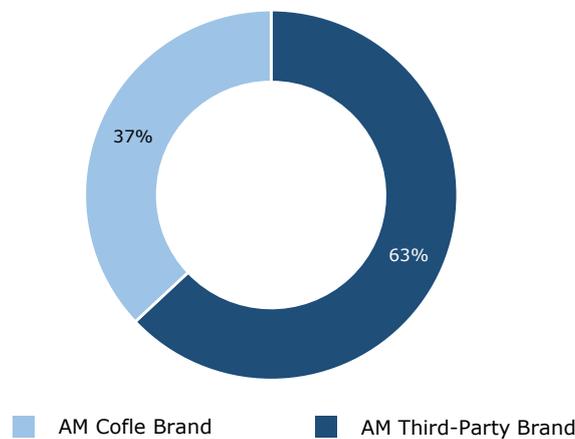
In 2020, the Aftermarket industry registered a 10% yoy decrease, showing Covid-19 resilience compared to the sector which showed a slowdown of 14.4% yoy. In 2020, Covid-19 had a major impact especially in the Aftermarket business for three main reasons:

- i) postponed mandatory automobiles engine overhauls;
- ii) lockdown impact on car usage;
- iii) lockdown impact on tourism and car travel.

*Cofle's AM sales mainly derived from Third-Party brand*

In 2020 63% (vs 60% in 2019) of Aftermarket sales came from Cofle as private label provider serving the top multinational companies active in the Automotive aftermarket business. Private labelled products, mainly addressed to large aftermarket distributors, represented approximately 37% of Aftermarket sales in 2020.

Figure 28: Aftermarket's 2020 revenue breakdown by market channel

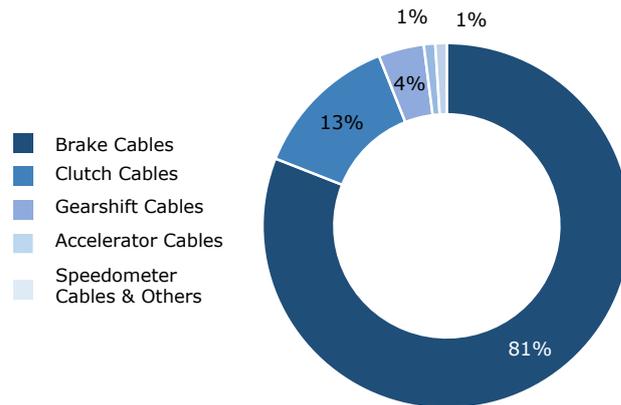


Source: Banca Profilo elaborations on Company data

*More than the 80% of AM's turnover relates to brake cables*

Brake Cables represented more than 80% of AM sales in 2020. The remaining 19% can be split between Clutch cables (13%), Gearshift Cables (4%), Accelerator Cables (1%), Speedometer Cables & Others (1%).

Figure 29: 2020 Aftermarket's revenue breakdown by product

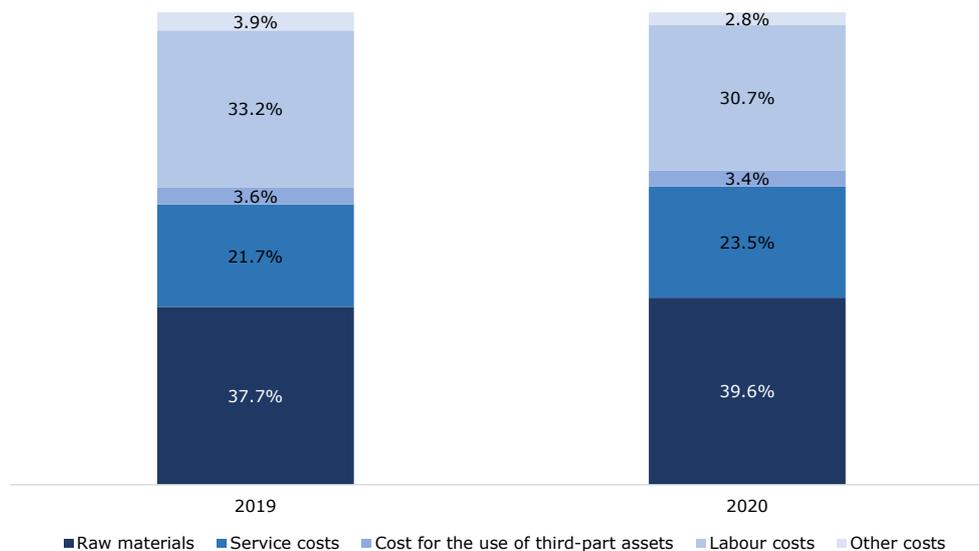


Source: Banca Profilo elaborations on Company data

*Cost structure: 63% variables, of which 60% related to raw materials*

Analysing Cofle’s cost structure, in 2020 variable costs accounted for the 63% of total cost base, increasing from 59% in 2019. Among variable expenses, raw materials stood at 63% and services at 37%. Whereas, among fixed costs, main expense related to labour costs, accounting for 83%.

Figure 30: Costs structure 2019–2020



Source: Banca Profilo elaborations on Company data

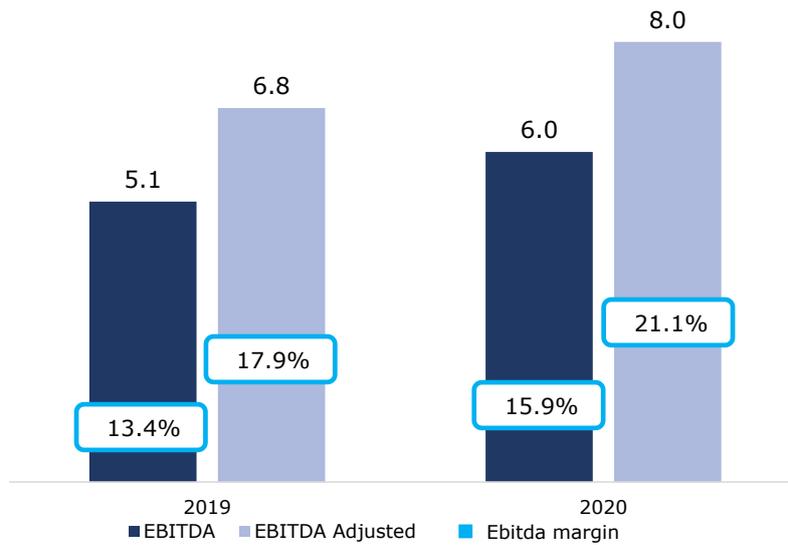
*Nonetheless Covid-19 EBITDA increased by 18% yoy*

In 2020, despite Covid-19 outbreak, consolidated EBITDA improved 18% yoy to €6mIn from €5.1mIn in 2019 driven by:

- i) supply chain optimization and set up of value added and innovative production in Turkey;
- ii) impact of Turkish lira on personnel costs;
- iii) use of Government payroll subsidiaries to reduce personnel costs.

Adjusted EBITDA gives a better representation of Cofle’s EBITDA including IFRS16 (€1.1mIn both in 2019 and 2020) and from R&D expenses (€0.6mIn in 2019 and €0.7mIn in 2020).

Figure 31: Consolidated EBITDA 2019–2020



Source: Banca Profilo elaborations on Company data

**EBIT 2020: +19.3% yoy to €4.7m**

EBIT increased from approximately €4.0 in 2019 to €4.7m in 2020 (+19.3% yoy) with EBIT margin improving from 10.3% in 2019 to 12.6% in 2020. EBIT increase in 2020 mainly derived from a higher EBITDA margin, despite a slight increase in D&A which passed from €1.2 in 2019 to €1.3m in 2020.

**Net income up to €3.9m from €2.9m in 2019**

In 2020, net income rose by 34.3% yoy to €3.9m (from €2.9m in 2019) with net income margin increasing 300 bps to 10.6%. Net Income increase in 2020 is mainly related to improved EBITDA margin. Tax rate declined from 24% in 2019 to 22% in 2020.

**Table 2: Cofle's Profit & Loss 2019–2020**

Profit & Loss (€/mln)		2019	2020
Revenues		37.8	37.0
	OEM	19.7	20.6
	yoy		4.8%
	% on total revenues	52%	56%
	Aftermarket	18.1	16.4
	yoy		-9.6%
	% on total revenues	48%	44%
Other revenues		0.5	0.4
<b>Total revenues</b>		<b>38.3</b>	<b>37.4</b>
	yoy		-2.5%
Change in inventories		-0.3	0.7
<b>Value of Production</b>		<b>38.1</b>	<b>38.1</b>
			0.0%
Raw materials		(12.4)	(12.7)
	% on revenues	32%	34%
<b>COGS</b>		<b>(12.7)</b>	<b>(12.0)</b>
	% on revenues	33%	32%
<b>Gross margin</b>		<b>25.7</b>	<b>25.4</b>
	% on revenues	67%	68%
Service costs		(7.1)	(7.5)
	% on revenues	19%	20%
Cost for the use of third-part assets		(1.2)	(1.1)
	% on revenues	3%	3%
Labour costs		(10.9)	(9.8)
	% on revenues	29%	27%
Other costs		(1.3)	(0.9)
	% on revenues	-3%	-2%
<b>EBITDA</b>		<b>5.1</b>	<b>6.0</b>
	margin	13.4%	15.9%
	yoy		18.3%
Non Recurring items		(0.1)	0.2
R&D Capitalization		0.6	0.7
IFRS 16 Adjustment		1.1	1.1
<b>Adjusted EBITDA</b>		<b>6.8</b>	<b>8.0</b>
	margin	17.9%	21.1%
D&A		(1.2)	(1.3)
	yoy		11.3%
Provision for risks		-	(0.0)
<b>EBIT</b>		<b>4.0</b>	<b>4.7</b>
	margin	10.4%	12.4%
<b>EBT</b>		<b>3.8</b>	<b>5.0</b>
	margin	10.0%	13.1%
Taxes		(0.9)	(1.1)
<b>Net profit</b>		<b>2.9</b>	<b>3.9</b>
	margin	7.6%	10.2%

Source: Banca Profilo elaborations on Company data

### Balance Sheet:

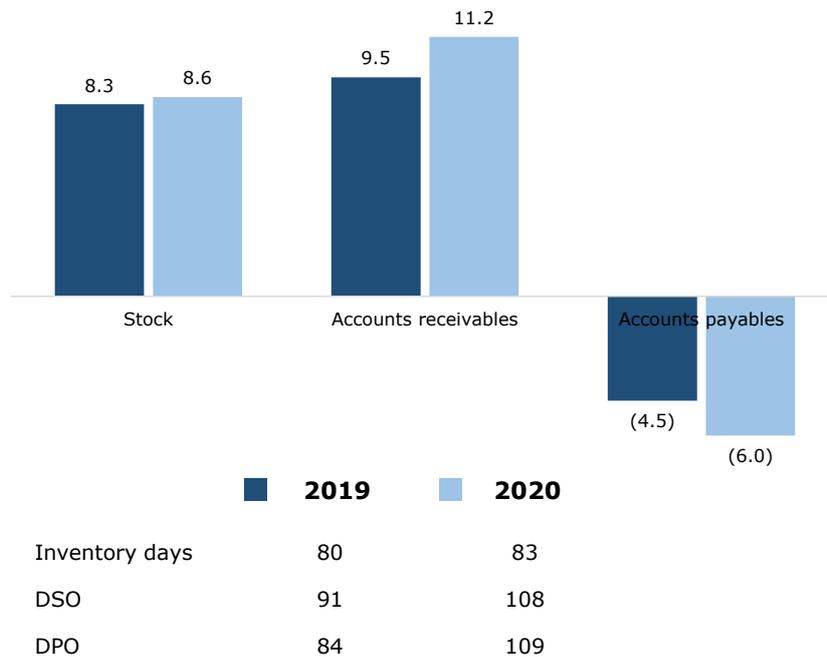
*Upgrading Cofle's brand and expanding production capacity*

*Operating NWC at 37% of revenue*

On the Balance Sheet side, at the end of 2020, the Group showed €6.1mln of Fixed assets, up from €5.4mln at the end of 2019 for €2.8mln of Capex largely related to brand revaluations (€2mln), R&D expenses (€0.4mln) and to production capacity expansion (€0.5mln).

Operating Net Working Capital slightly increased to €13.8mln (+4% yoy), weighing 37% of revenues, following the increase in account receivables and stock, only partially offset by the rise in account payables.

Figure 32: Net Working Capital 2019–2020

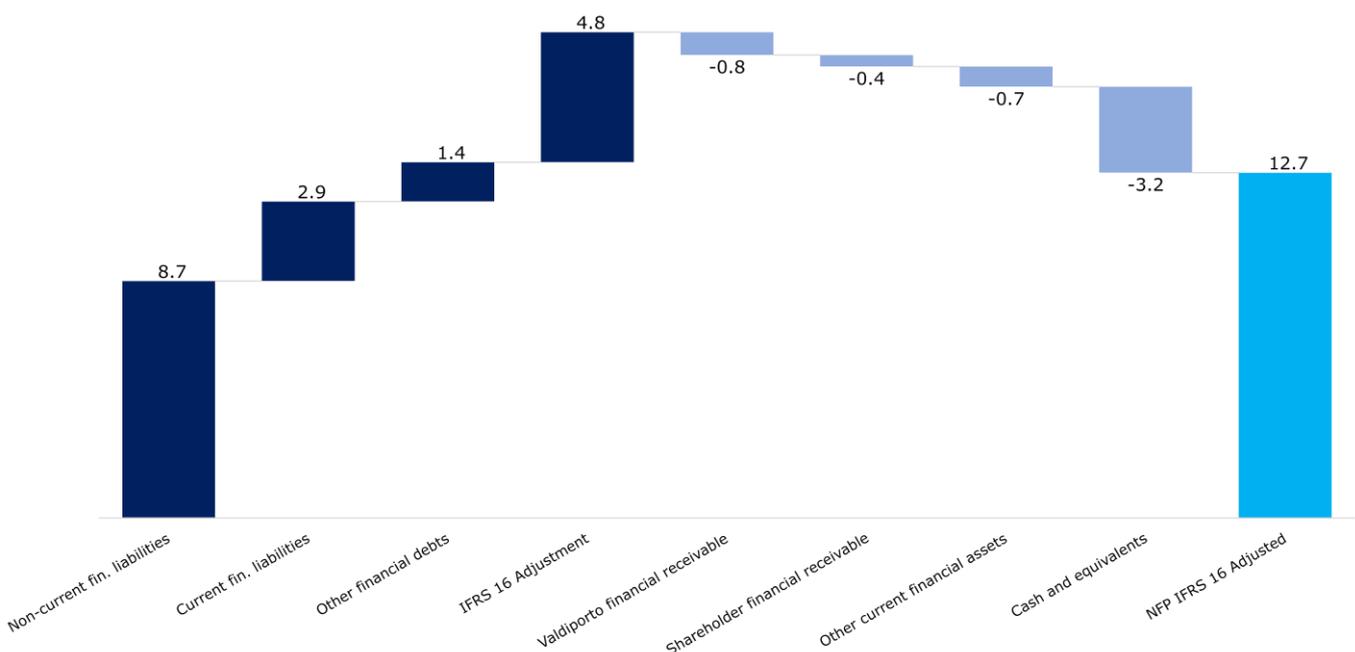


Source: Banca Profilo elaborations on Company data

**Net debt down to €12.7m at the end of 2020**

At the end of December 2020, the adjusted net debt declined to €12.7m from €14.6m a year earlier, following Cofle’s brand upgrade.

Figure 33: 2020 Cofle adjusted net financial position (€/mln)



Source: Banca Profilo elaborations and estimates on Company data

Net debt has been adjusted by the following:

- i) Valdiporto financial receivables, which refers to a loan extended to the Barbieri’s real estate family company reclassified as current financial assets due to expire in 2021;

- ii) Other Current Financial Assets, which refer to short term liquid investments by Turkish subsidiaries due to expire in 2021;
- iii) Shareholder Financial Receivable equal to €418k, which has already expired in 2021;
- iv) Receivables for the purchase from Financo (a financial holding owned by Walter Barbieri) of a stake in the Turkish subsidiaries about €1.2mln.

*Table 3: Cofle's Balance Sheet (€/mln)*

Balance sheet (€/mln)	2019	2020
Stock	8.3	8.6
Accounts receivables	9.5	11.2
Accounts payables	(4.5)	(6.0)
<b>Operating Net Working Capital</b>	<b>13.3</b>	<b>13.8</b>
Other current asset and liabilities	(1.2)	0.2
<b>Net Working Capital</b>	<b>12.0</b>	<b>14.0</b>
Intangibles	0.9	3.0
Tangibles	3.4	3.0
Financials	1.1	0.1
<b>Fixed Asset</b>	<b>5.4</b>	<b>6.1</b>
Funds	(1.8)	(1.6)
Other asset and liabilities	0.0	-
<b>Net Invested Capital</b>	<b>15.7</b>	<b>18.5</b>
<b>Equity</b>	<b>7.1</b>	<b>10.2</b>
<b>Net debt (cash)</b>	<b>8.6</b>	<b>7.9</b>
IFRS 16 Adjustment	6.0	4.8
<b>Adjusted Net debt (cash)</b>	<b>14.6</b>	<b>12.7</b>
<b>Liabilities</b>	<b>15.7</b>	<b>18.0</b>

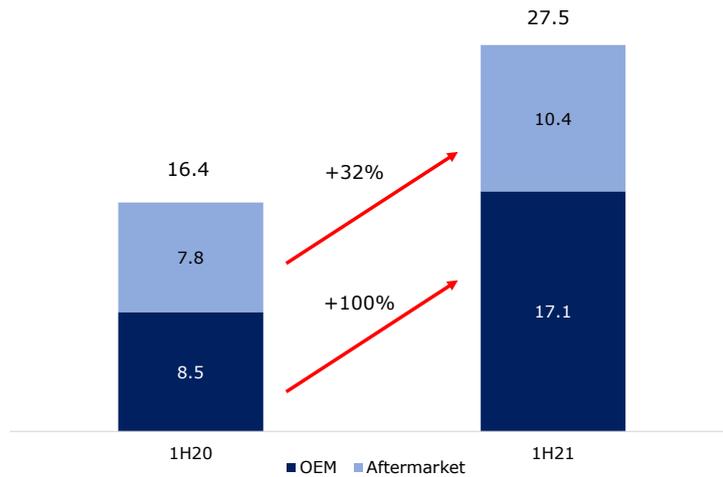
Source: Banca Profilo elaborations and estimates on Company data

**Free Cash Flow 2020 at €2.1mln** Given the net cash capital absorption of €2.1mln and capex at €0.2mln the free cash flow stood at €2.1mln in 2020.

### *Main operating and financial data 1H21*

**1H21: more than 65% yoy revenue growth** The Company reported strong revenue yoy growth in 1H21. Total revenue rose by 67.6% yoy to €27.5mln driven by OEM, which increased its weight to 62% from 52% a year earlier.

Figure 34: 1H20 vs 1H21 revenues per business

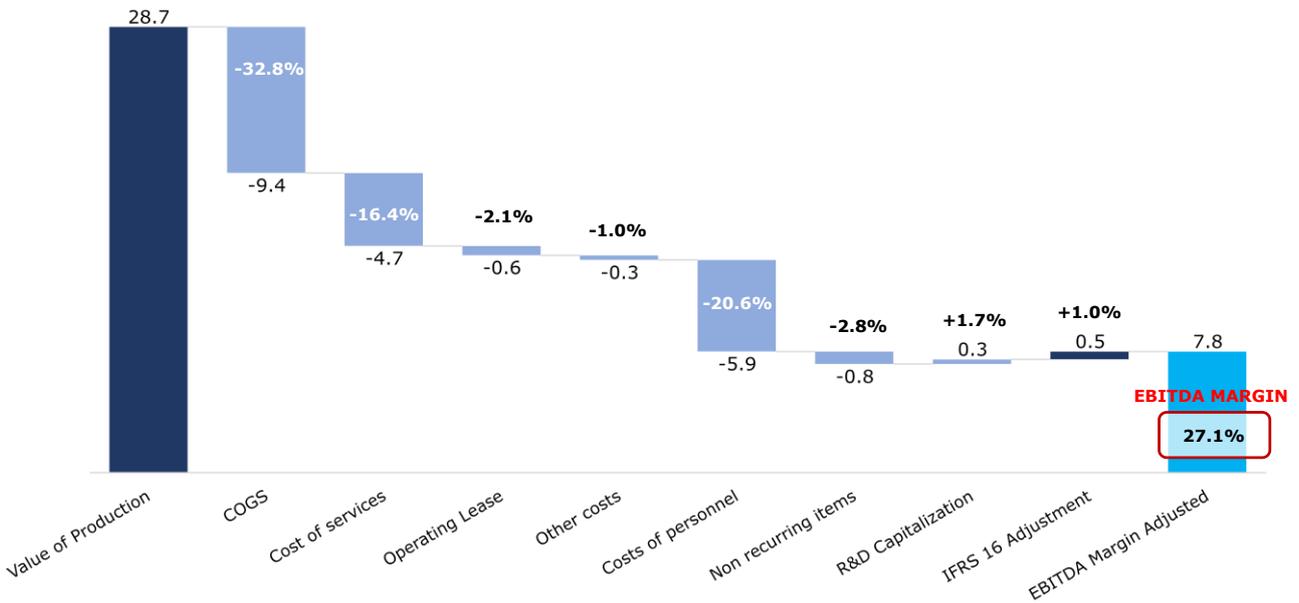


Source: Banca Profilo elaborations and estimates on Company data

1H21 adjusted EBITDA higher than FY20 marginality

In 1H21 adjusted EBITDA at €7.8m almost reached FY20 EBITDA (€8m). The increase was driven by a robust operating leverage with cost of services decreasing its weight on revenue to 16.4% from previous 19.7% and labour cost to 20.6% from previous 25.8%, despite the strengthening of organizational structure. Moreover, in 1H21, Cofle expanded its robotization processes, leading to lower labour costs and improving marginality.

Figure 35: 1H21 adjusted EBITDA composition



Source: Banca Profilo elaborations and estimates on Company data

1H21 net income at €5.5m (€3.9m in FY20)

In 1H21, EBIT reached €7.1m, with 24.8% margin well above 14.5% a year earlier. Net income moved up to €5.5m from €1.7m a year earlier and also higher than FY20 at €3.9m.

*Table 4: 1H21 vs 1H20 Profit & Loss*

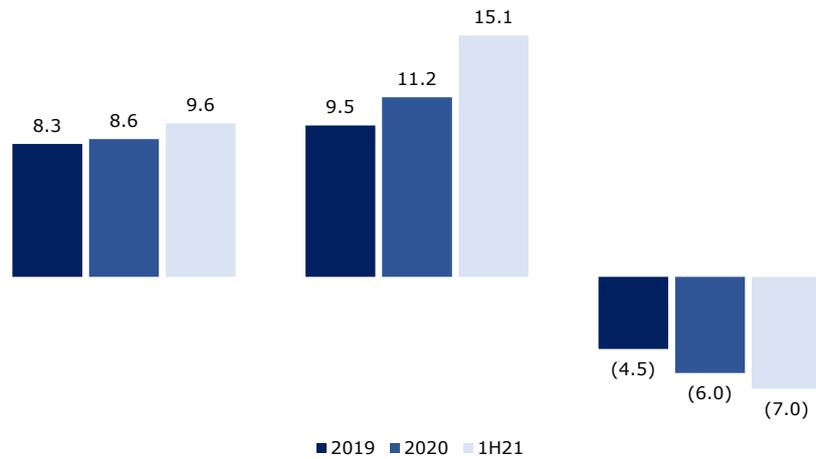
Profit & Loss (€/mln)	1H20	1H21
Revenues	16.4	27.5
OEM	8.5	17.1
yoy		100%
% on total revenues	52%	62%
Aftermarket	7.8	10.4
yoy		32%
% on total revenues	48%	38%
Other revenues	0.7	1.2
<b>Total revenues</b>	<b>17.0</b>	<b>28.7</b>
yoy		68.3%
Change in inventories	-0.8	0.0
<b>Value of Production</b>	<b>16.3</b>	<b>28.7</b>
		76.4%
Raw materials	(4.4)	(9.4)
% on revenues	26%	33%
<b>COGS</b>	<b>(5.2)</b>	<b>(9.4)</b>
% on revenues	30%	33%
<b>Gross margin</b>	<b>11.9</b>	<b>19.3</b>
% on revenues	70%	67%
Service costs	(3.2)	(4.7)
% on revenues	19%	16%
Cost for the use of third-part assets	(0.6)	(0.6)
% on revenues	2%	2%
Labour costs	(4.8)	(5.9)
% on revenues	29%	22%
Other costs	(0.3)	(0.3)
% on revenues	-2%	-1%
<b>EBITDA</b>	<b>2.9</b>	<b>7.8</b>
margin	18.1%	27.2%
yoy		165.1%
Non Recurring items		(0.8)
R&D Capitalization		0.3
IFRS 16 Adjustment	0.6	0.5
<b>Adjusted EBITDA</b>	<b>3.5</b>	<b>7.8</b>
margin	21.5%	27.1%
D&A	(0.5)	(0.7)
yoy		25.1%
Provision for risks	(0.0)	
<b>EBIT</b>	<b>2.4</b>	<b>7.1</b>
margin	14.5%	24.8%
<b>EBT</b>	<b>2.4</b>	<b>7.4</b>
margin	14.5%	25.6%
Taxes	(0.7)	(1.8)
<b>Net profit</b>	<b>1.7</b>	<b>5.5</b>
margin	10.4%	19.3%

Source: Banca Profilo elaborations and estimates on Company data

*Operating net working followed revenue growth*

Regarding the Balance Sheet, operating net working capital increased to €17.7mln at the end of June 2021 from €13.8mln at the end of December 2020, yet reducing its weight on revenue to 36% from 37% respectively. Stockpiling is a key strategy for Cofle especially in a scenario of high uncertainty and rising raw materials costs.

Figure 36: Operating net working capital composition



Source: Banca Profilo elaborations and estimates on Company data

**Adjusted net debt up to €14.9mln to finance Operating NWC needs and new investments**

At the end of June, adjusted net debt moved to €14.9mln from €12.7mln at the end of December for operating net working capital needs and €1.8mln of investments. The IFRS 16 adjustments stood at €4.5mln.

*Table 5: 1H21 vs 1H20 Balance Sheet*

Balance sheet (€/mln)	1H20	1H21
Stock	8.7	9.6
Accounts receivables	6.4	15.1
Accounts payables	(3.8)	(7.0)
<b>Operating Net Working Capital</b>	<b>11.3</b>	<b>17.7</b>
Other current asset and liabilities	(0.6)	(2.0)
<b>Net Working Capital</b>	<b>10.7</b>	<b>15.7</b>
Intangibles	0.8	2.9
Tangibles	3.3	4.2
Financials	0.0	0.2
<b>Fixed Asset</b>	<b>4.1</b>	<b>7.2</b>
Funds	(0.7)	(0.8)
Other asset and liabilities	0.1	
<b>Net Invested Capital</b>	<b>14.1</b>	<b>22.2</b>
<b>Equity</b>	<b>7.5</b>	<b>11.8</b>
<b>Net debt (cash)</b>	<b>6.6</b>	<b>10.4</b>
IFRS 16 Adjustment	4.5	4.5
<b>Adjusted Net debt (cash)</b>	<b>11.2</b>	<b>14.9</b>
<b>Liabilities</b>	<b>14.1</b>	<b>22.2</b>

Source: Banca Profilo elaborations and estimates on Company data

**2021-2025 Strategy and financial estimates**
*Corporate strategies and main risks*

*Expand its presence internationally mostly in developing countries; extend and upgrade its product range; M&A opportunities*

For the next years, Cofle's Group is set to expand its business further, through new products, and to consolidate its global presence.

The Company's growth strategy is based on the following key pillars:

- OEM business:
  - catching the wave of secular population and food demand dynamics. In 2026, the Farm Tractors market is expected to be worth €85.5bn from €66.7bn in 2020E;
  - introducing a new technological upgrade in farm tractors, especially in developing countries;
  - strengthening its foreign presence;
  - innovating through R&D (new mechatronic products);
  - expanding its production capacity;
  - external growth through acquisitions in order to accelerate the cross-selling process;
  - further strengthening of long-term relationships with current customers;
  - expanding the OEM logistic centre in Italy to serve top customer with higher volumes and faster time-to-market.
- Aftermarket business:
  - planning to penetrate the European Automotive Aftermarket as it is expected to growth by 23% in 5 years, from €209bn in 2020 to €257bn in 2025E;
  - leveraging on Italian and Turkish production plants to serve the more mature Western European customers;
  - leveraging on Italian and Indian production plants to serve the promising high growth Eastern European market;
  - seizing on the huge opportunities coming from the EPB and Brake Hoses newly developed range of products;
  - external growth through acquisitions in order to accelerate the cross-selling process;
  - upgrading logistics in order to reduce the time to market below 4 weeks.

Key risks:

- Intensifying competition within large manufacturers
- High growth rates could lead to cost management issues
- Internalization of Cofle processes by its main customer
- Cannibalization of Cofle's brand and third-party brand
- Substitute products competition;
- High correlation between Automotive Industry and Covid-19 crisis.

*Our 2021E-2025E estimates*

*Cofle is expected to beat market growth thanks to new products and markets*

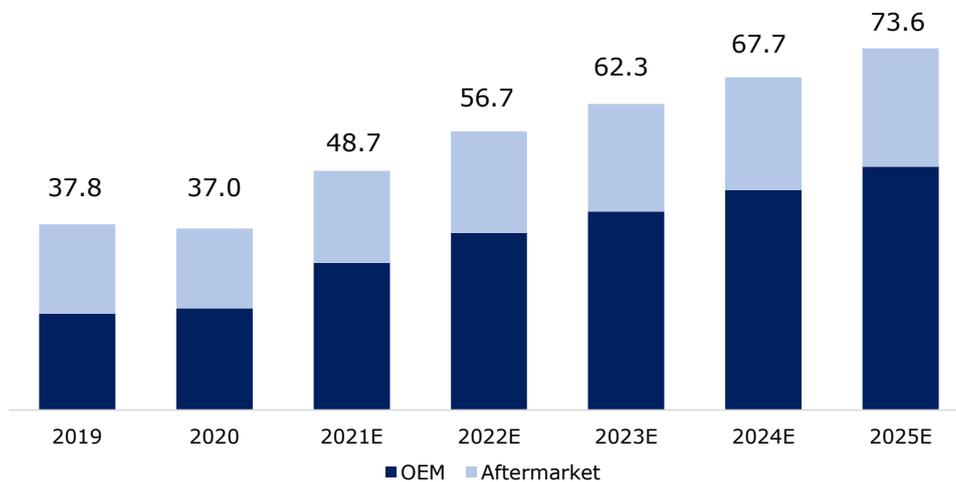
Our estimates are on Cofle as is, stand alone. Our assumptions are based on single business unit and product categories per subsidiary, in order to better estimates Cofle’s growth as an international Group.

Among key assumptions, we estimate:

- as regards to the EOM business:
  - excluding 2021, which is seen as an exceptional year, a post Covid-19 rebound, in which we estimate revenues at +62% (same trend as 1H21), we project an 11.2% revenues CAGR 22E-25E mainly driven by new products, customers consolidation and acquisition and new market penetration;
- as regards to the Aftermarket business.
  - excluding the 2021E, for the same reasons above, in which we estimate a 15% yoy growth (-10% yoy in 2020); we project a 5.2% revenues CAGR 22E-25E mainly driven by the expansion of portfolio products, presence consolidation in Germany and in East Europe and exploring new markets as United States. Moreover, the Company will be focused on the development of EPB, which accounted 300mln of units sold in 2020, and break hose.

Both revenue from OEM and Aftermarket are expected to grow at an 11% 2021-2025E CAGR, reaching €74.5mln at the end of 2025E from €49.3mln estimated in the 2021E. Moreover, given the OEM higher growth path we believe that at the end of 2025E revenues will mainly derive from this business unit which will reach 67% of total sales up from 52% in 2020.

*Figure 37: Cofle revenue trend 2019-2025E (€ mln)*



Source: Banca Profilo elaborations and estimates on Company data

*Cost assumptions: 2021E-2025E labour costs will decrease its incidence on revenues from 22% to 18%*

In terms of costs assumptions:

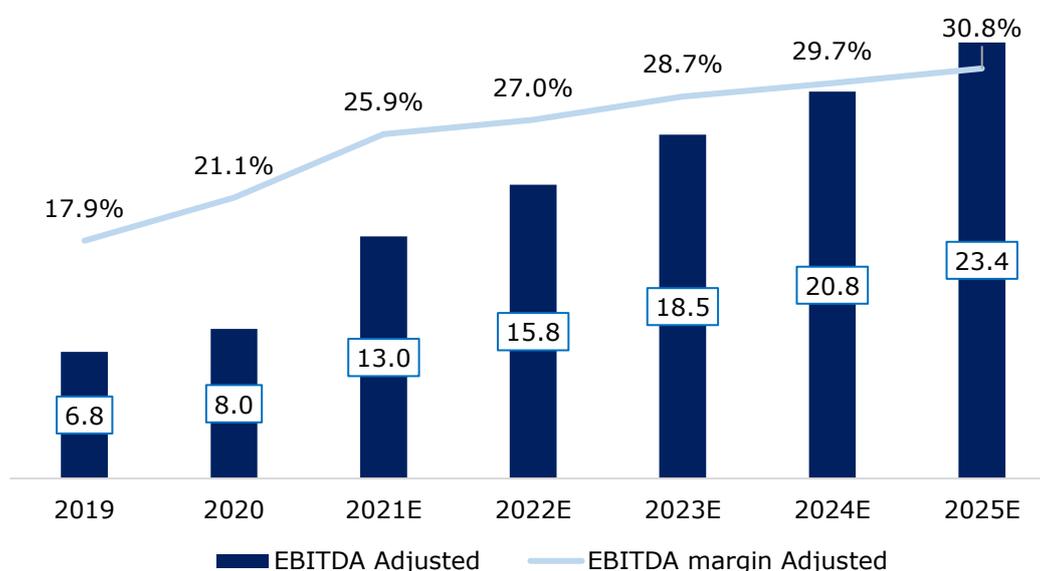
- cost of raw materials: it is projected at an average of 33% on revenues. In order to take into consideration the risk of any appreciation of raw materials and the critical importance of raw materials in Cofle, cautiously, we do not project any better product mix;
- cost of purchased services: we expect it at an average of 17% in the period 2021E-2025E, considering a slightly optimization from 2020E to 2021E from 20% in 2020 to 17% in 2021E, due to a supply chain optimization and set up of innovative production in Turkey;

- labour costs: according to our estimates, the incidence on revenues will decrease from 22% 2021E to 18% in 2025E. Despite we expect an organizational strengthening, we believe this will happen in low-cost countries such as India and Turkey, while the Italian manufacturing will stay focused on high-performing products. Moreover, Cofle started a robotization process that will contribute to expand productivity and lower the incidence of labour cost on revenue;
- Other operating costs: we assume an incidence on revenue in line with the 2019-2020 average, at some 2% of revenues.

*Adjusted EBITDA is expected to reach €23.4mln in 2025 with margin at 31%. We expect the marginality to be driven by revenues increase and a better cost mix*

In 2021, EBITDA margin is expected to increase to €13mln from €8mln in FY20, with a margin at 30.8% from previous 21.1% in FY20. The increase is consistent with 1H21 (Adjusted EBITDA margin around 27%; Adjusted EBITDA at €7.8mln almost at FY20 value of €8mln). According to our projections, Adjusted EBITDA margin will reach €23.4mln in 2025E with a margin at 30.8%, driven by revenue growth and operating leverage. As regards to the adjusted EBITDA, we project constant IFRS16 adjustments at €1.1mln as registered in the 2019 and 2020.

Figure 38: Adjusted EBITDA (€, mln) and Adjusted EBITDA margin (%) trend 2019-2025E



Source: Banca Profilo elaborations and estimates on Company data

*D&A increase in the 21E-25E period following a €10.8mln investment's plan*

D&A is expected to slightly increase in 2021E due to new investments at €2mln from €2.9mln reported in 2020. Moreover, we now include the amortization of IPO costs equal to €1.2mln and amortized in 5 years. From 2021 onwards, D&A are seen increasing by 20.5% per year due to an investment plan which includes €10.8mln aggregated capex in the five-year period 2021-2025.

*Tax rate at 23% in the period 21E-25E*

Tax rate is estimated in line with 2019-2020 at 23% until 2025.

*Net income record in 2021E at €8.2mln. 19% net margin is to be considered sustainable*

In 2021E, we expect net income to reach its record at €8.2mln and then to grow at a 17% 2021E-2025E CAGR to €15.5mln in 2025. On average, net income margin is estimated at 19%. As for the dividend, we have assumed a 35% payout ratio on consolidated net profit.

**Table 6: Cofle Profit & Loss 2019-2025E (€ mln)**

<b>Profit &amp; Loss (€/mln)</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenues	37.0	48.7	56.7	62.3	67.7	73.6
		32%	16%	10%	9%	9%
OEM	20.6	30.0	36.0	40.4	44.7	49.5
yoy	4.8%	45%	20%	12%	11%	11%
% on total revenues	56%	62%	64%	65%	66%	67%
Aftermarket	16.4	18.7	20.7	21.9	23.0	24.1
yoy	-9.6%	14%	11%	6%	5%	5%
% on total revenues	44%	38%	36%	35%	34%	33%
Other revenues	0.4	0.6	0.7	0.8	0.8	0.9
<b>Total revenues</b>	<b>37.4</b>	<b>49.3</b>	<b>57.4</b>	<b>63.1</b>	<b>68.5</b>	<b>74.5</b>
yoy	-2.5%	31.9%	16.5%	9.9%	8.7%	8.7%
Change in inventories	0.7	1.0	1.1	1.2	1.4	1.5
<b>Value of Production</b>	<b>38.1</b>	<b>50.3</b>	<b>58.5</b>	<b>64.3</b>	<b>69.9</b>	<b>76.0</b>
	0.0%	32.0%	16.5%	9.9%	8.7%	8.7%
Raw materials	(12.7)	(16.7)	(19.3)	(20.6)	(22.3)	(24.3)
% on revenues	34%	34%	34%	33%	33%	33%
<b>COGS</b>	<b>(12.0)</b>	<b>(15.7)</b>	<b>(18.1)</b>	<b>(19.3)</b>	<b>(21.0)</b>	<b>(22.8)</b>
% on revenues	32%	32%	32%	31%	31%	31%
<b>Gross margin</b>	<b>25.4</b>	<b>33.5</b>	<b>39.3</b>	<b>43.8</b>	<b>47.6</b>	<b>51.7</b>
% on revenues	68%	68%	68%	69%	69%	69%
Service costs	(7.5)	(8.5)	(9.6)	(10.6)	(11.5)	(12.5)
% on revenues	20%	17%	17%	17%	17%	17%
Cost for the use of third-part assets	(1.1)	(1.4)	(1.7)	(1.8)	(2.0)	(2.2)
% on revenues	3%	3%	3%	3%	3%	3%
Labour costs	(9.8)	(10.6)	(12.0)	(12.5)	(12.8)	(13.0)
% on revenues	27%	22%	21%	20%	19%	18%
Other costs	(0.9)	(1.2)	(1.4)	(1.5)	(1.6)	(1.8)
% on revenues	-2%	-2%	-2%	-2%	-2%	-2%
<b>EBITDA</b>	<b>6.0</b>	<b>11.9</b>	<b>14.6</b>	<b>17.3</b>	<b>19.6</b>	<b>22.2</b>
margin	15.9%	23.6%	24.9%	26.9%	28.0%	29.3%
yoy	18.3%	96.0%	22.9%	18.7%	13.3%	13.6%
Non Recurring items	0.2	0.1	0.1	0.1	0.1	0.1
R&D Capitalization	0.7	-	-	-	-	-
IFRS 16 Adjustment	1.1	1.1	1.1	1.1	1.1	1.1
<b>Adjusted EBITDA</b>	<b>8.0</b>	<b>13.0</b>	<b>15.8</b>	<b>18.5</b>	<b>20.8</b>	<b>23.4</b>
margin	21.1%	25.9%	27.0%	28.7%	29.7%	30.8%
D&A	(1.3)	(1.2)	(1.4)	(1.7)	(1.9)	(2.0)
yoy	11.3%	-9.5%	21.8%	17.9%	15.2%	5.7%
Provision for risks	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>EBIT</b>	<b>4.7</b>	<b>10.7</b>	<b>13.1</b>	<b>15.6</b>	<b>17.6</b>	<b>20.2</b>
margin	12.4%	21.2%	22.4%	24.2%	25.2%	26.5%
<b>EBT</b>	<b>5.0</b>	<b>10.4</b>	<b>12.9</b>	<b>15.4</b>	<b>17.4</b>	<b>20.0</b>
margin	13.1%	20.8%	22.1%	23.9%	25.0%	26.3%
Taxes	(1.1)	(2.4)	(3.0)	(3.5)	(4.0)	(4.6)
<b>Net profit</b>	<b>3.9</b>	<b>8.0</b>	<b>10.0</b>	<b>11.9</b>	<b>13.4</b>	<b>15.4</b>
margin	10.2%	16.0%	17.0%	18.4%	19.2%	20.3%

Source: Banca Profilo elaborations and estimates on Company data

Balance Sheet  
projections 2021-2025

Capex €10.8mln

€14mln of NOWC  
absorption

NFP Adjusted to decline  
progressively; net cash  
at €19mln in 2025E

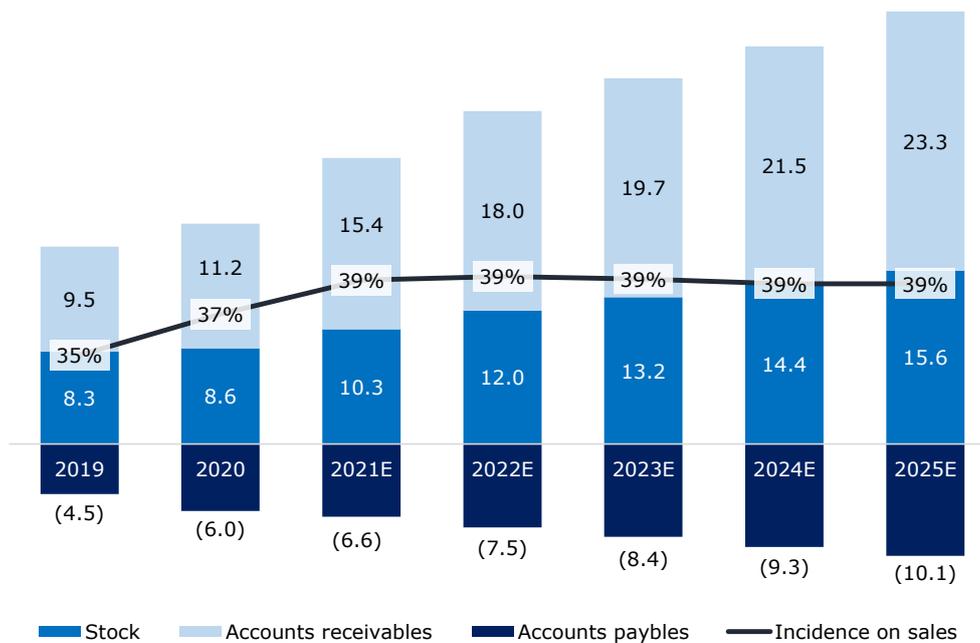
Regarding our Balance Sheet projections (2021E-2025E):

- as regards to Capex, we project €10.8mln, equally divided between tangible asset aimed at maintenance and renovation of the production plant and intangible asset to support R&D activities. We do not expect new investments to expand production capacity as Cofle's plants are not completely saturated (Turkish plants at 80% of their production capacity; Italian at 50%; Indian at 20-30%);
- NOWC is expected to weight 39% on average on revenues, including the stockpiling to mitigate the risk of an increase in raw materials costs and the risk of a non-fully and rapid recovery in the supply chain after Covid-19 outbreak;
- Net Financial Position Adjusted is expected to decline progressively to a net cash position of €14.5mln in 2025E, from net debt adjusted at €0.6mln in 2021E.

Our projections in 2021E include the IPO capital increase of €15mln.

In a scenario in which the financial receivables as Valdiporto and Shareholder financial receivables due to expired in 2021, will be postponed or renegotiated the Net Financial Position is expected at €3.2mln.

Figure 39: Net Operating Working Capital projections 2019-2025E



Source: Banca Profilo elaborations and estimates on Company data

*Table 7: Cofle Balance sheet 2019-2025E (€, mln)*

Balance sheet (€/mln)	2020	2021E	2022E	2023E	2024E	2025E
Stock	8.6	10.3	12.0	13.2	14.4	15.6
Accounts receivables	11.2	15.4	18.0	19.7	21.5	23.3
Accounts payables	(6.0)	(6.6)	(7.5)	(8.4)	(9.3)	(10.1)
<b>Operating Net Working Capital</b>	<b>13.8</b>	<b>19.2</b>	<b>22.5</b>	<b>24.6</b>	<b>26.5</b>	<b>28.9</b>
Other current asset and liabilities	0.2	(0.9)	-	(0.9)	(0.9)	(0.9)
<b>Net Working Capital</b>	<b>14.0</b>	<b>18.3</b>	<b>22.5</b>	<b>23.7</b>	<b>25.7</b>	<b>28.0</b>
Intangibles	3.0	4.7	3.9	4.2	4.4	4.4
Tangibles	3.0	3.6	4.2	4.7	5.0	5.4
Financials	0.1	0.1	0.1	0.1	0.1	0.1
<b>Fixed Asset</b>	<b>6.1</b>	<b>8.4</b>	<b>8.2</b>	<b>9.0</b>	<b>9.5</b>	<b>9.9</b>
Funds	(1.6)	(1.8)	(2.0)	(2.1)	(2.1)	(2.1)
Other asset and liabilities	-	-	-	-	-	-
<b>Net Invested Capital</b>	<b>18.5</b>	<b>24.9</b>	<b>28.7</b>	<b>30.6</b>	<b>33.1</b>	<b>35.7</b>
<b>Equity</b>	<b>10.2</b>	<b>28.8</b>	<b>34.1</b>	<b>40.6</b>	<b>47.6</b>	<b>54.8</b>
<b>Net debt (cash)</b>	<b>7.9</b>	<b>(3.9)</b>	<b>(5.4)</b>	<b>(9.9)</b>	<b>(14.5)</b>	<b>(19.0)</b>
IFRS 16 Adjustment	4.8	4.5	4.5	4.5	4.5	4.5
<b>Adjusted Net debt (cash)</b>	<b>12.7</b>	<b>0.6</b>	<b>(0.9)</b>	<b>(5.4)</b>	<b>(10.0)</b>	<b>(14.5)</b>
<b>Liabilities</b>	<b>18.0</b>	<b>24.9</b>	<b>28.7</b>	<b>30.6</b>	<b>33.1</b>	<b>35.7</b>

Source: Banca Profilo elaborations and estimates on Company data

**€37.9mln cumulated  
Free Cash Flows in  
2021-2025**

According to our Profit & Loss and Balance Sheet estimates, in 2021E-2023E, we estimate €37.9mln of cumulated Free Cash Flows, including €10.8mln of cumulated capex, €14mln of NOWC needs and the capitalization of €1.2mln of IPO costs.

*Table 8: Cofle FCF 2020-2025E (€, mln)*

	2020	2021E	2022E	2023E	2024E	2025E
EBIT	4.7	10.7	13.1	15.6	17.6	20.2
taxes	(1.4)	(3.2)	(3.9)	(4.7)	(5.3)	(6.0)
<b>NOPAT</b>	<b>3.3</b>	<b>7.5</b>	<b>9.2</b>	<b>10.9</b>	<b>12.3</b>	<b>14.1</b>
D&A	1.3	1.2	1.4	1.7	1.9	2.0
<b>Operating cash flow</b>	<b>4.6</b>	<b>8.6</b>	<b>10.6</b>	<b>12.6</b>	<b>14.3</b>	<b>16.1</b>
Operating Net Working Capital change	(2.0)	(4.3)	(4.2)	(1.2)	(2.0)	(2.3)
Other funds	(0.1)	0.1	0.2	0.1	0.0	0.0
Capex	(0.2)	(2.0)	(2.2)	(2.2)	(2.2)	(2.2)
<b>FCF</b>	<b>2.3</b>	<b>2.4</b>	<b>4.4</b>	<b>9.2</b>	<b>10.1</b>	<b>11.6</b>

Source: Banca Profilo elaborations and estimates on Company data

## Valuation

### *DCF method and market multiples*

Given Cofle's cash generating business model, a DCF method well adapts as a valuation approach. Furthermore, we have selected a sample of listed international companies "comparables" to Cofle, in order to suggest an appropriate sample for the relative valuation through market multiples.

### *DCF valuation*

#### *DCF assumptions: €35.5mln of cumulated FCFs*

To run a DCF model, we would use our projections of FCFs for the 2022E-25E explicit period: €35.5mln of cumulated FCFs or €8.9mln as yearly average.

We would use a WACC of 8%, derived from:

#### *8% WACC*

- risk free rate at 3.0%, as implicitly expected by consensus on the 30Y Italian BTP yield curve (moving average of the last 100 days) with an estimated increase in interest rates;
- market risk premium equal to 5.5%;
- beta of 1.0, coming from the average of chosen listed peers;
- target debt to equity structure, with 56% weight of Equity

#### *€7.6mln as Terminal Value cash flow*

To assess the Terminal Value, we used what we consider a perpetually sustainable free cash flow at €7.6mln, given by the average of the FCFs in the period 2021-2025. Finally, we assumed 2% perpetual growth rate (unchanged).

In order to get to the Equity Valuation we would consider the adjusted net debt as of the end of 2021E, equal to €0.6mln, which includes the IFRS 16 adjustment and capital increased.

*Table 9: WACC calculation*

WACC Calculation	
perpetual growth rate	2%
<b>WACC</b>	<b>8.0%</b>
risk free rate (30Y) (Bloomberg projections)	3.0%
equity risk premium	5.5%
beta	1.4
<b>KE</b>	<b>10.9%</b>
cost of debt	6.4%
tax rate	35%
<b>KD</b>	<b>4.1%</b>

Source: Banca Profilo estimates and elaborations

**DCF valuation:**  
€20.1/share

The DCF method leads us to an Enterprise Value of €124.2mln and to an Equity Value of €123.5mln showing a fair value of €20.1/share.

### Relative market multiples valuation

**EV/EBITDA the multiple to be used**

In order to assess a relative valuation of Cofle through the market multiples approach, we selected a sample of listed international companies specialized in Original Equipment Manufacturing and Aftermarket Industry. To select our listed peer Group we firstly conducted a comparative analysis based on four main macro-categories: business model, product range, international brand awareness and positioning and company size. Secondly, we concentrated on growth prospects, cash generation and debt leverage. Based on these results, we selected the nine “comparables” to Cofle: Brembo (Italy), Carraro (Italy), CIE Automotive (Spain), Comer Industries (Italy); Haldex (Sweden), Kongsberg Automotive (Norway), Mayville Engineering Company (USA), SKF (Sweden) and Suprajit Engineering (India).

*Table 10: Sample benchmarking on revenue growth and EBITDA margin*

Company	Sales growth				EBITDA margin			
	2020	2021E	2022E	2023E	2020	2021E	2022E	2023E
Brembo S.p.A.	-14.8%	22.9%	9.3%	6.7%	17.6%	18.5%	19.0%	19.2%
Comer Industries SpA	-2.2%	30.9%	88.2%	6.1%	12.1%	13.6%	13.1%	13.6%
Haldex AB	-22.2%	11.9%	6.4%	5.6%	3.4%	13.9%	14.4%	15.0%
SKF AB Class B	-13.0%	7.7%	5.6%	4.0%	14.0%	17.1%	17.8%	18.2%
CIE Automotive, S.A.	-19.2%	11.3%	12.6%	10.9%	15.0%	17.5%	17.9%	18.5%
Kongsberg Automotive ASA	-13.2%	6.6%	7.0%	6.5%	6.2%	8.6%	10.0%	10.4%
Suprajit Engineering Limited	3.7%	12.8%	19.7%	17.3%	14.3%	15.1%	16.1%	16.5%
Mayville Engineering Company, Inc.	-31.2%	28.5%	24.0%	13.0%	15.3%	10.1%	13.6%	14.8%
Meritor, Inc.	-19.8%	21.7%	10.5%	1.7%	9.5%	11.0%	12.0%	12.5%
<b>Mean</b>	<b>-14.6%</b>	<b>17.1%</b>	<b>20.4%</b>	<b>8.0%</b>	<b>11.9%</b>	<b>13.9%</b>	<b>14.9%</b>	<b>15.4%</b>

Source: Banca Profilo estimates and elaborations on Factset (as of December 9<sup>th</sup>, 2021)

**EV/EBITDA 2022E of 7.2x**

Considering the first sample of closer peers, the median EV/EBITDA 2022E is 7.2x and (as of December, the 9<sup>th</sup>). As the Company used ITA-GAAP accounting standards, we decide to use the EBITDA that includes IFRS 16 adjustments to give an international view of valuation.

**Table 11: Sample market multiples**

Company	EV / Sales				EV / EBITDA			
	2020	2021E	2022E	2023E	2020	2021E	2022E	2023E
Brembo S.p.A.	2.0x	1.7x	1.5x	1.4x	11.5x	8.9x	7.9x	7.4x
Comer Industries SpA	2.3x	1.8x	0.9x	0.9x	19.2x	13.1x	7.2x	6.6x
Haldex AB	1.0x	0.9x	0.9x	0.8x	30.2x	6.6x	5.9x	5.4x
SKF AB Class B	1.6x	1.5x	1.4x	1.3x	11.2x	8.5x	7.8x	7.3x
CIE Automotive, S.A.	1.8x	1.6x	1.4x	1.3x	11.9x	9.1x	8.0x	6.9x
Kongsberg Automotive ASA	0.6x	0.6x	0.5x	0.5x	10.0x	6.8x	5.5x	4.9x
Suprajit Engineering Limited	3.5x	3.1x	2.6x	2.2x	24.6x	20.6x	16.2x	13.5x
Mayville Engineering Company, Inc.	1.1x	0.8x	0.7x	0.6x	6.9x	8.1x	4.8x	3.9x
Meritor, Inc.	0.8x	0.7x	0.6x	0.6x	8.7x	6.2x	5.1x	4.8x
<b>Mean</b>	<b>1.6x</b>	<b>1.4x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>14.9x</b>	<b>9.8x</b>	<b>7.6x</b>	<b>6.8x</b>
<b>Median</b>	<b>1.6x</b>	<b>1.5x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>11.5x</b>	<b>8.5x</b>	<b>7.2x</b>	<b>6.6x</b>

Source: Factset. All numbers calendarised

Source: Banca Profilo estimates and elaborations on Factset (as of December 9<sup>th</sup>, 2021)

### Market multiples valuation: €18.4/share

Our relative valuation is based on peers' average EV/EBITDA 2022E at 7.6x. In terms of EBITDA we used the adjusted EBITDA expected at 2022E at €15.8mln and the adjusted net debt estimated at the end of FY21 which include IPO's capital increased. This leads to an Equity Value of €113.5mln or €18.4/share.

**Table 12: Market multiples valuation**

Relative Valuation on market multiples 2022	
EV/EBITDA	EBITDA adjusted
2022E	2022E
7.2x	15.8
ENTERPRISE VALUE	ADJ. NET DEBT FY21
114.1	0.6
EQUITY VALUE	
113.5	
Price per share	18.4

Source: Banca Profilo estimates and elaborations on Factset (as of December 9<sup>th</sup>, 2021)

### TP at €19.2/share; BUY recommendation

We set our 12-month Target Price at €19.2/share as the average of DCF and market multiple valuations. Given the significant potential upside on Cofle's closing price (as of 9<sup>th</sup> December 2021), we set our BUY recommendation.

## Offering structure and IPO Proceeds

### Cofle: 78.4% Barbieri's family

Cofle was listed on the Euronext Growth segment on 11<sup>th</sup> November at €13/share. The share capital is represented by 6,153,276 shares with a floating of 21.6% including the anchor investors (Smart Capital and Palladio) which own 310,608 shares. Barbieri's Family owns the remaining 78.4% of Cofle Group through its holding Valfin Srl. In details: Walter Barbieri, Chairman and CEO of the Group, holds 70% of Valfin through Finan.co Srl whereas, Alessandra Barbieri, global Head of Communication and Marketing, owns 30% of the holding.

**24months lock up period** Shareholders have a 24 month lock up period.

### Warrant distribution

At the IPO, the Company will issue 1 free warrant any 4 stocks for investors upon the IPO. The conversion will be 1 warrant for 1 new issued stock with a strike price at +15% to IPO price in the first exercise period (12 months from the IPO) and +30% to IPO price in the second exercise period (24 months from the IPO).

*Price Adjustment  
Shares: 2021 adjusted  
EBITDA set at €13mln*

Moreover, a Price Adjustment Shares (PAS) has been set as a Protective Mechanism for Investors: the Company has committed to achieve an adjusted EBITDA of €13mln in 2021 (€7.8mln in 1H21). If the adjusted EBITDA target were lower, the pre IPO shareholders will cancel up to 15 of their shares (FY21 Adjusted EBITDA floor is set at €11 mln).

*Use of proceeds*

The IPO proceeds will be used to expand production and logistic capacity on a global scale, R&D and M&A.

More in details:

- Production capacity (10%-20% of IPO total proceeds): expansion of production capacity in India by investing in new production lines and machineries to achieve market positioning as local supplier in the area and acquire market share in a highly promising market;
- Strategic logistics (10%-20% of IPO total proceeds): OEM logistic center in Italy to serve top customer as John Deere with higher volumes and faster time to delivery simultaneous reduction of time to market for the AM products below 4 weeks as a result of logistic efficiency achieved;
- R&D (10%-20% of IPO total proceeds): investing in innovation to launch mechatronic systems (high value added products) further improving the excellence standard in OEM division strengthening top customer relationship;
- M&A (40%-60% of IPO total proceeds): focus on potential target in the OEM market (focus on Know How) and Aftermarket industry (focus on products catalogue range);
- Digital transformation (5%-10% of IPO total proceeds): IT Systems upgrade, business intelligence and data analysis;
- Commercial network (5%-10% of IPO total proceeds): Expansion of commercial network in the AM division.

*Table 13: Cofle's shareholder structure post IPO*

Cofle shareholding structure	N° Ordinary shares	Shareholding structure	Price Adjustment Shares	N° Ordinary shares	Shareholding structure with PAS
Valfin	4,077,056	75.4%	750,000	4,827,056	78.4%
Smart Capital	230,688	4.3%		230,688	3.7%
PFH Palladio Holding	79,920	1.5%		79,920	1.3%
Free float (excluding anchor investors)	1,016,064	18.8%		1,016,064	16.5%
<b>Total</b>	<b>5,403,728</b>	<b>100.0%</b>	<b>750,000</b>	<b>6,153,728</b>	<b>100.0%</b>

*Source: Banca Profilo estimates on Company data*


**Cofle  
"ID Card"**
**Recommendation  
BUY**
**Target Price  
19.20 €**
**Upside  
31%**
**Company Overview**

Cofle is an international Original Equipment Manufacturer of control cables and remote control systems for farming machines, earthmoving machines and, to a less extent, for luxury cars and commercial vehicles. Cofle is a fully integrated company: its value chain starts with co-engineering with the customer, follows with pricing and prototyping and ends with orders intake and delivery. In the OEM division there is no product catalogue as Cofle branded equipment is built in-house according to single customer's needs. In the AM division, products range from brake cables to EPB brake systems, counting over 7000 SKUs and launching over 200 new products a year, both Cofle and customers' branded. Cofle has a global presence with plants in Italy, Turkey, India, Brazil and China and can count on more than 500 employees. Along with its highly structured and fully integrated production, established local presence especially in Turkey and India is another key competitive advantage. Nonetheless Covid-19 impact, in 2020 the Company reported solid results with revenues at €38mln, in line with 2019. In the 1H21 revenue rose 76.4% to €28.7mln with an EBITDA Adjusted at €7.8mln and 27.2% margin, almost at FY20 results (€8mln and 21.1% margin respectively). The increase was driven by customers acquisition and process automation that has been leading to better product-cost mix. The tractors industry is expected to grow at a 5.3% CAGR16-27, mainly driven by i) population increase; ii) technological upgrade of farm tractors especially in developed countries; iii) growing demand for quality and safer food with a strong focus on km0; iv) commitment to reduce tractors CO2 emissions; v) the process towards food independence by developing countries. The Aftermarket is expected to increase at 3.8% CAGR 21-28 for an expected surge in sales of used cars. For the next years, Cofle's Group is set to expand its business further, with a growth strategy based on four key pillars: i) upgrading logistics to reduce the time to market; ii) leveraging on its production plants to serve the promising high growth in foreign markets; iii) M&A deals to expand the offering range. Our 2021E-2025E estimates include IPO capitalized costs for €1.2mln and IPO proceed with a capital increase of €15mln. Revenues are expected to grow at a 15% 2020-2025E CAGR to €76mln; adjusted EBITDA is seen to reach €23.4mln (€8mln in 2020), with margin improving to 30.8% (21.1% in 2020). At the end of 2025, we expect an adjusted Net Cash of €14.5mln from a projected Net Debt of €0.6mln at the end of 2021. We expect cumulated 2021E-2025E FCFs at €37.9mln or a yearly average of €7.6mln, including €10.8mln of cumulated capex, €14mln of NOWC needs and €1.2mln of IPO costs. We run a DCF approach on an annual average FCF of some €7.6mln in the 2022E-2025E period and set WACC at 8%. The international competitive arena includes a suitable sample of listed comparable: we run a relative market

**SWOT Analysis**
**Strengths**

- Multinational Company
- Strong commitment in eco-sustainable practices
- Strongly investing on corporate culture, brand awareness and innovative marketing
- A wide portfolio of patented products
- Geographically diversified production
- Top end customers
- Production plants close to its customer

**Opportunities**

- Strategically positioned to boost long term expansion
- Only at the beginning of international scalability
- Large potential in Eastern Europe addressable markets for the Aftermarket segment
- OEM Expansion into Luxury Automotive & Light Commercial Vehicles
- Growth through M&A
- Production capacity expansion
- Major technological upgrade involving farm tractors in the next decade

**Weaknesses**

- Revenue concentration by client
- Slow process digitalization
- High correlation between Automotive and Covid-19 crisis

**Threats**

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

**Main catalysts**

- 👍 Upgrading logistics to reduce the time to market  
Leveraging on its production plants to serve the promising high growth in foreign markets  
M&A deals to expand the offering range

**Main risks**

- 👎 Intensifying competition within large manufacturers  
High growth rates could lead to cost management issues  
Internalization of Cofle processes by its main customer  
Cannibalization of products under Cofle's brand and third-party brand  
Substitute products competition  
High correlation between Automotive Industry and Covid-19 crisis



## Cofle "ID Card"

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Recommendation  
**BUY**

Target Price  
**19.20 €**

Upside  
**31%**

### Main Financials

(€ mln)	2020	2021E	2022E	2023E	2024E
<b>Value of production</b>	<b>38.1</b>	<b>50.3</b>	<b>58.5</b>	<b>64.3</b>	<b>69.9</b>
yoy change		32%	16%	10%	9%
<b>Adjusted EBITDA</b>	<b>8.0</b>	<b>13.0</b>	<b>15.8</b>	<b>18.5</b>	<b>20.8</b>
yoy change		62%	21%	17%	12%
EBITDA margin (%)	21%	26%	27%	29%	30%
<b>EBIT</b>	<b>4.7</b>	<b>10.7</b>	<b>13.1</b>	<b>15.6</b>	<b>17.6</b>
EBIT margin (%)	12%	21%	22%	24%	25%
<b>EBT</b>	<b>5.0</b>	<b>10.4</b>	<b>12.9</b>	<b>15.4</b>	<b>17.4</b>
EBT Margin (%)	13%	21%	22%	24%	25%
<b>Net income</b>	<b>3.9</b>	<b>8.0</b>	<b>10.0</b>	<b>11.9</b>	<b>13.4</b>
Net Income margin (%)	10%	16%	17%	18%	19%
<b>Adjusted Net debt (cash)</b>	<b>12.7</b>	<b>0.6</b>	<b>(0.9)</b>	<b>(5.4)</b>	<b>(10.0)</b>
Shareholders Equity	10.2	28.8	34.1	40.6	47.6
Changes in NOWC	13.8	19.2	22.5	24.6	26.5
Capex	(2.9)	(2.0)	(2.2)	(2.2)	(2.2)
Free Cash Flow	2.3	2.4	4.4	9.2	10.1

### Breakdown by business unit

(€ mln)	2020	2021E	2022E	2023E	2024E
OEM	20.6	30.0	36.0	40.4	44.7
Aftermarket	16.4	18.7	20.7	21.9	23.0
<b>Revenues from finished product</b>	<b>37.0</b>	<b>48.7</b>	<b>56.7</b>	<b>62.3</b>	<b>67.7</b>

### Solvability Ratios

	2020	2021E	2022E	2023E	2024E
Net Debt (cash)/Equity	1.2x	0.0x	0.0x	-0.1x	-0.2x
Net Debt (cash)/EBITDA	2.1x	0.1x	-0.1x	-0.3x	-0.5x

### Financial and Operative ratios

	2020	2021E	2022E	2023E	2024E
Tax rate	-22%	-23%	-23%	-23%	-23%
ROE	38%	28%	29%	29%	28%
ROIC	53%	145%	181%	230%	266%
Capex/VoP	8%	4%	4%	3%	3%
D&A/Capex	44%	58%	64%	76%	87%

Source: FactSet, Banca Profilo estimates and elaborations

### Company Description

Company Sector	Automotive
Price (€)	14.66
Number of shares (mln)	6.2
Market Cap (€ mln)	75.7
Reference Index	FTSE AIM ITALIA
Main Shareholders	Valfin S.r.l.
Main Shareholder stake	78%
Free Float	17%
Daily Average Volumes ('000)	432.6
Sample of comparables	Brembo, Carraro , CIE Automotive, Comer Industries , Haldex , Kongsberg Automotive , Mayville Engineering Company , SKF and Suprajit Engineering

### Data of peers

	2021E	2022E	2023E
Revenue Growth (yoy)	17%	20%	8%
EBITDA Margin	14%	15%	15%

Average data

### Multiples of peers

	2022E	2023E
Average EV/EBITDA	9.8x	7.6x
Median EV/EBITDA	8.5x	7.2x

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