

COMER INDUSTRIES

Sector: Industrial

Gear up to feed the world

Established leading producer of power transmission systems worldwide, Comer Industries is set to maintain its leadership in agriculture (AG, est. 25% market share) and growing further in the construction equipment market (CE; 9%). We expect sales to grow by 3.4% CAGR 22-25E with a lift in EBITDA margin to 16.9% in 25E from current 14.5% thanks to higher operating leverage, strong competitive positioning and exploitation of synergies from recent acquisitions. The FCF generation should allow the group to reach a net cash position by 2025 and pave the way for new sizeable M&A opportunities to accelerate the growth profile (>300mn M&A firepower). We initiate coverage with BUY and TP of Eu45/share (65% upside).

- Global supplier of engineered power transmission systems.** Comer Industries is a global leader in the design and production of advanced power transmission systems and mechatronic solutions to major OEMs of agriculture and construction equipment. With Eu1.2bn sales in FY22, the group is a leading tier 1 supplier of cutting-edge powertrain solutions for the Agriculture (63% of FY22 sales) and Construction Equipment (37%) sectors. The group markets a comprehensive range of products (gearboxes, planetary drive, driveshafts, axles, etc.) across EMEA (56.1% of FY22 sales), NAM (21.4%), APAC (16.9%) and LATAM (5.6%), also thanks to its global footprint. The co-design and development of products in a partnership-like approach with OEMs give high business visibility and make Comer the partner of choice for mission critical engineered mechanics in the off-highway space.
- Unparalleled offer with capillary presence worldwide.** Comer competes with large and diversified international companies (e.g. Dana) and with Italian specialists of powertrain systems (Carraro, Bondioli & Pavesi, etc.). The group is larger in size/revenues compared to the latter cluster and boasts a global leading position thanks to an extended best-of-breed products' catalogue (we estimate ca. 25% mkt share in AG, 9% in CE). The established track-record coupled with the proximity to major OEMs due to its global footprint, makes Comer to stand out from the crowd. These are strong competitive edges in view of the gradual shift of customers to a buy vs make approach. We believe that the competitive positioning of Comer is well summarized by its ROCE of 13% in FY22, higher than the average of peers of 8%.
- Focus on market share gains and new technologies.** We believe that Comer Industries is well positioned to consolidate its leadership in the AG segment and increase its market share in the CE market. We expect the group to gain further market shares by pivoting on its global footprint, shifting Comer's role from sole supplier to partner of choice. On the M&A side, the group can add new technologies (e.g. hydraulic), to replicate the Benevelli-Sitem deal's rationale, which allowed the group to expand and diversify further the portfolio of products and applications. Indeed, the entrance in the electrified equipment field opened to new opportunities and allows Comer to reap the benefits stemming from the electrification wave.
- EBITDA margin expansion and strong FCF generation is set to continue.** Despite the reference market is normalizing, M/L-term drivers (e.g. increase in harvest yield) are clear tailwinds for the group's growth path. All in all, we expect Comer to post a 3.4% FY22-25E CAGR in net sales. EBITDA should register 8.7% FY22-25E CAGR to Eu231mn/16.9% margin in FY25E, thanks to a confirmation of the proven group's pricing power and by additional costs synergies expected from WPG integration. The solid BS is set to strengthen further with expected average FCF/EBITDA conversion of >55% in FY23-25E, thus reaching net cash position by 25E and triggering additional M&A firepower (>Eu300mn).
- We initiate with BUY and TP of Eu45/share.** Listed in March 2019, Comer Industries' stock price is up +172% from IPO overperforming the FTSE Italian Mid Cap index (+7%). We believe that no direct listed comparable is available. However, we have looked at multiples of components manufacturers with a certain exposure in the AG and CE sectors. We think that while multiples are less reliable due to low comparability, they incorporate current macroeconomic cycles. On the other hand, the DCF is a more appropriate method to highlight the quality and cash-generative profile of the group. As such, we set a TP of Eu45.0/share based on the weighted average of 2024E-25E EV/EBIT of selected peers with 30% weight and DCF with 70% weight.

BUY

New Coverage

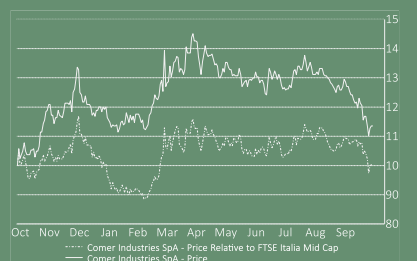
TP 45.0

New Coverage

Target price upside 65%

Ticker (BBG, Reut)	COM IM	COM.MI
Share price Ord. (Eu)		27.2
N. of Ord. shares (mn)		28.7
Total N. of shares (mn)		28.7
Market cap (Eu mn)		780
Total Market Cap (EU mn)		780
Free Float Ord. (%)		11%
Free Float Ord. (Eu mn)		88
Daily AVG liquidity Ord. (Eu k)		122

	1M	3M	12M
Absolute Perf.	-12.3%	-11.7%	11.5%
Rel. to FTSEMIDCap	-6.8%	-2.3%	0.2%
52 weeks range		25.0	35.4



	FY22A	FY23E	FY24E
Sales	1,238	1,253	1,292
EBITDA adj.	180	207	216
Net profit adj.	102	115	114
EPS adj.	3.6	4.0	4.0
DPS - Ord.	0.75	0.96	1.03
EV/EBITDA adj.	5.4x	4.8x	4.1x
P/E adj.	6.8x	6.8x	6.2x
Dividend yield	3.5%	3.8%	4.2%
FCF yield	15.1%	15.2%	15.8%
Net debt/(Net cash)	149	112	21
Net debt/EBITDA	0.5x	0.1x	nm

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ALANTRA

Italian Equity Research

Summary Financials (IFRS)

P&L account (Eu mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net Sales	598	1,238	1,253	1,292	1,366
Total Revenues	649	1,264	1,279	1,318	1,383
EBITDA reported	78	180	207	216	231
D&A	(21)	(52)	(56)	(61)	(60)
EBIT reported	57	128	151	155	171
Net financial charges	(2)	(3)	(10)	(10)	(10)
Associates	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Pre-tax profit	55	125	141	145	162
Taxes	(15)	(34)	(39)	(40)	(44)
Minorities	0	0	0	0	0
Discontinued activities	0	0	0	0	0
Net profit reported	39	91	102	106	117
EBITDA adjusted	78	180	207	216	231
EBIT adjusted	57	143	168	167	183
Net profit adjusted	39	102	115	114	126

Margins (%)	FY21A	FY22A	FY23E	FY24E	FY25E
First margin	nm	nm	nm	nm	nm
EBITDA margin	13.0%	14.5%	16.5%	16.7%	16.9%
EBITDA margin (adj)	13.0%	14.5%	16.5%	16.7%	16.9%
EBIT margin	9.5%	10.3%	12.1%	12.0%	12.5%
EBIT margin (adj)	9.5%	11.5%	13.4%	12.9%	13.4%
Net profit margin	6.6%	7.3%	8.2%	8.2%	8.6%
Net profit margin (adj)	6.6%	8.2%	9.1%	8.8%	9.2%

Growth rates (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales	51.0%	106.9%	1.2%	3.1%	5.8%
EBITDA	59.7%	132.0%	14.9%	4.3%	7.2%
EBITDA adjusted	51.0%	132.0%	14.9%	4.3%	7.2%
EBIT	87.1%	124.4%	18.4%	2.9%	10.3%
EBIT adjusted	71.3%	151.3%	17.5%	-0.4%	9.6%
Pre-tax	86.5%	127.8%	12.7%	3.2%	11.2%
Net profit	81.1%	130.1%	12.7%	3.2%	11.2%
Net profit adjusted	65.4%	158.3%	12.5%	-0.3%	10.3%

Per share data	FY21A	FY22A	FY23E	FY24E	FY25E
Shares	28.68	28.68	28.68	28.68	28.68
N. of shares AVG	24.54	28.68	28.68	28.68	28.68
N. of shares diluted AVG	24.54	28.68	28.68	28.68	28.68
EPS	1.61	3.16	3.56	3.68	4.09
EPS adjusted	1.61	3.55	3.99	3.98	4.39
DPS - Ord.	0.50	0.75	0.96	1.03	1.15
DPS - Sav.	0.50	0.75	0.96	1.03	1.15
BVPS	14.08	15.48	18.09	20.81	23.87

Enterprise value (Eu mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Share price Ord. (Eu)	22.8	26.7	27.2	27.2	27.2
Market cap	653	766	780	780	780
Net debt/(Net cash)	177	149	112	21	(73)
Adjustments	204	219	222	229	240
Enterprise value	1,034	1,134	1,114	1,030	947

Source: Company data, Alantra estimates

Cash flow (Eu mn)	FY21A	FY22A	FY23E	FY24E	FY25E
EBITDA reported	78	180	207	216	231
Net financial charges	(2)	(3)	(10)	(10)	(10)
Cash taxes	(15)	(34)	(39)	(40)	(44)
Ch. in Working Capital	2	(57)	(4)	(12)	(20)
Other Op. items	5	8	3	7	11
Operating cash flow	68	94	157	161	169
Capex	(21)	(34)	(38)	(42)	(46)
FCF	47	60	118	119	124
Disposals/Acquisitions	(192)	0	(54)	0	0
Changes in Equity	8	(5)	(6)	0	0
Others	(32)	(13)	(0)	0	0
Dividends	(10)	(14)	(22)	(28)	(30)
Ch. in NFP	(180)	28	37	91	94

Ratios (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Capex/Sales	3.5%	2.7%	3.1%	3.3%	3.3%
Capex/D&A	1.0x	0.6x	0.7x	0.7x	0.8x
FCF/EBITDA	60.0%	33.5%	57.1%	55.1%	53.4%
FCF/Net profit	118.1%	66.4%	115.6%	112.6%	105.3%
Dividend pay-out	46.9%	36.4%	23.7%	27.0%	28.0%

Balance sheet (Eu mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Working capital	152	206	210	222	242
Fixed assets	576	607	644	626	611
Provisions & others	(205)	(221)	(223)	(230)	(242)
Net capital employed	523	593	631	618	612
Net debt/(Net cash)	177	149	112	21	(73)
Equity	346	444	519	597	684
Minority interests	0	0	0	0	0

Ratios (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Working capital/Sales	25.4%	16.7%	16.8%	17.2%	17.7%
Net debt/Equity	51.2%	33.6%	21.7%	3.5%	nm
Net debt/EBITDA	2.3x	0.8x	0.5x	0.1x	nm

Valuation	FY21A	FY22A	FY23E	FY24E	FY25E
EV/CE	1.4x	1.4x	1.3x	1.2x	1.1x
P/BV	1.9x	1.7x	1.5x	1.3x	1.1x
EV/Sales	1.7x	0.9x	0.9x	0.8x	0.7x
EV/EBITDA	13.3x	6.3x	5.4x	4.8x	4.1x
EV/EBITDA adjusted	13.3x	6.3x	5.4x	4.8x	4.1x
EV/EBIT	18.2x	8.9x	7.4x	6.6x	5.5x
EV/EBIT adjusted	18.2x	7.9x	6.6x	6.2x	5.2x
P/E	16.6x	8.4x	7.6x	7.4x	6.6x
P/E adjusted	16.6x	7.5x	6.8x	6.8x	6.2x
ROCE pre-tax	12.9%	18.5%	20.1%	19.6%	21.5%
ROE	11.4%	22.9%	22.1%	19.1%	18.4%
EV/FCF	22.2x	18.8x	9.4x	8.7x	7.7x
FCF yield	7.1%	7.9%	15.1%	15.2%	15.8%
Dividend yield	2.2%	2.8%	3.5%	3.8%	4.2%

Strengths

Leading positioning in agriculture equipment market
A global footprint and capillary presence that maximises proximity to cusotmers
Established track record with a portfolio of top tier global OEMs (AG and CE)

Opportunities

Growth in food consumption commands efficiencies in agriculture equipment
Strong market share growth potential in Construction Equipment sector
New products and technologies through M&A

Weaknesses

Exposure to some market cyclicality
Limited exposure to AM channel
Followers in CE market

Threats

Cyclical downturn should impact demand for reference markets (AG and CE)
Exposure to OEMs, implying some pressure on margins

Key shareholders

Eagles Oak (2° gen Storchi Family): 51%
WPG Parent BV: 23.9%
FINREGG (1° gen Storchi Family): 6.2%
SS Giovanni e Paolo SpA: 5.3%
Matteo Storchi: 2.3%
Flee-float: 11.3%

Management

Matteo Storchi - President & CEO
Stefano Palmieri - CFO
Alessandro Brizzi - IR

Next events

3Q23 results: 08/11/23

Executive Summary

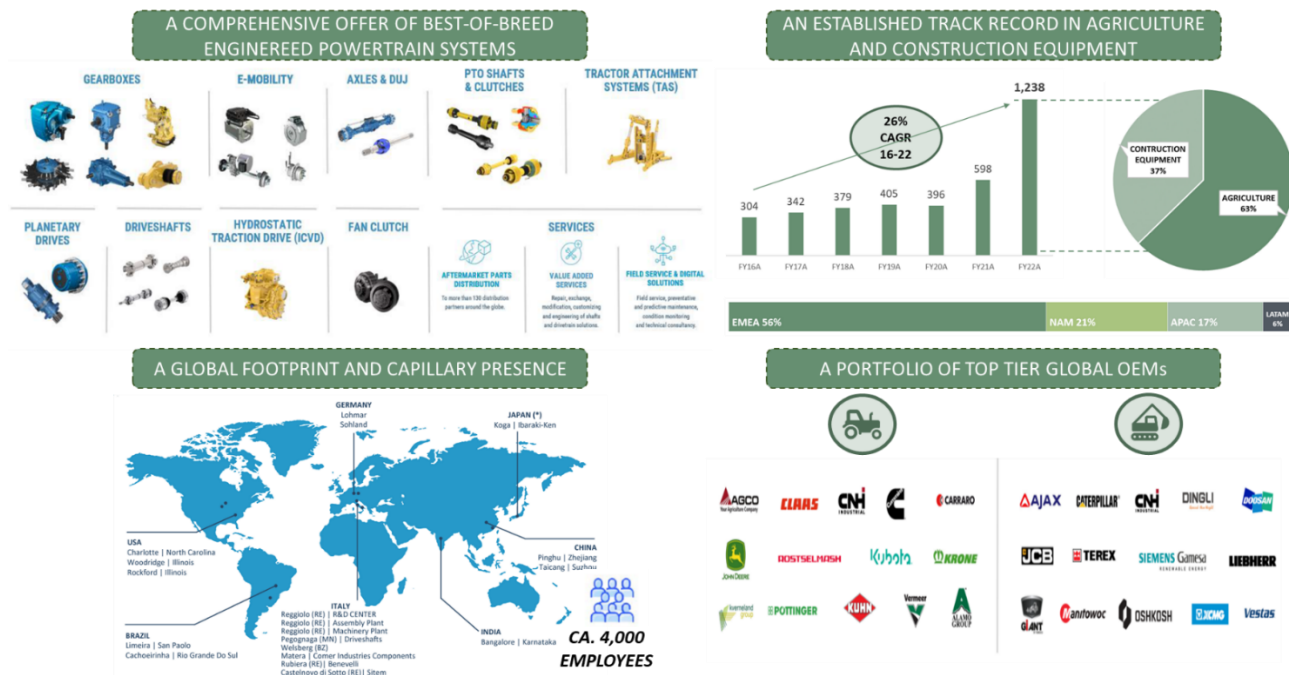
Comer Industries is an established producer of power transmission systems worldwide and is set to maintain its leadership in agriculture (AG, est. 25% market share) and growing further in the construction equipment market (CE; 9%). We expect net sales to grow by 3.4% FY22-25E CAGR. EBITDA should reach Eu231mn/16.9% margin in FY25E, thanks to the group's proven pricing power and additional synergies expected from WPG integration. The quality and cash-generative profile of the group (avg. FCF/EBITDA conversion of >55% in FY23-25E) triggers additional M&A firepower (>Eu300mn). We initiate coverage with BUY and TP of Eu45/share based on the weighted average of 2024E-25E EV/EBIT of selected peers with 30% weight and DCF with 70% weight.

Global supplier of engineered transmission systems

Comer Industries is a global leader in the design and production of advanced power transmission systems and mechatronic solutions to major OEMs of agriculture (AG) and construction equipment (CE). Established in 1970, Comer has become the leading tier 1 supplier in cutting-edge powertrain solutions, reaching Eu1.2bn in revenues in 2022 in the Agriculture (63% of FY22 sales) and Construction Equipment sectors (37%). The group designs, produces and markets a comprehensive range of products (gearboxes, planetary drive, driveshafts, axles, etc.) across EMEA (56.1% of FY22 sales), NAM (21.4%), APAC (16.9%) and LATAM (5.6%), also leveraging on its global footprint with capillary presence thanks to 18 plants across the globe. The co-design and development of products in a partnership-like approach with major OEMs (CNHI, Deere, AGCO, Caterpillar, etc) give high visibility on the business and make Comer the partner of choice for mission critical engineered mechanics in the off-highway space. The attractive growth experienced in the last decade has been driven both organically, thanks to an established track-record, and through the acquisition of Walterscheid Powertrain Group (WPG) in 2021, which has been transformational in size and value, adding complementary products and accelerating further the global presence. Comer is also successfully diversifying its product catalogue and solutions by adding the e-vertical thanks to the acquisition of Benevelli-Sitem for the production of e-mobility solutions (e.g. e-motors). Listed on the EGM (ex-AIM) in 2019, Comer has successfully made its uplisting to MTA in July 2023, which is expected to increase visibility and trading volumes in the long run. The 2nd generation of Storchi family is the major shareholder through the holding Eagles Oak Srl (51% with 65% of voting rights).

Overview of Comer Industries

Comer Industries is a global leader in the design and production of advanced engineering power transmission systems to major off-highway vehicles OEMs.



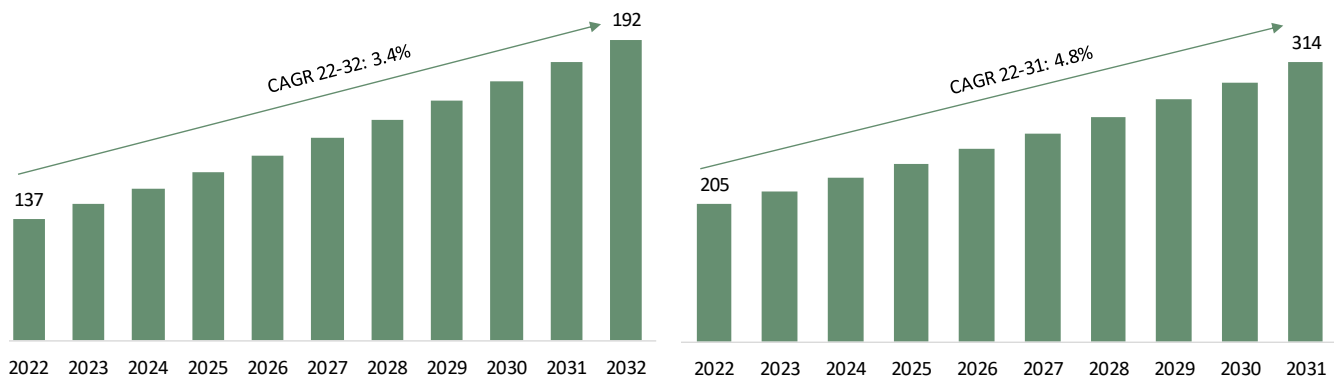
Source: Alantra, Company presentation, *Presence in Japan through a JV

Steady growing reference market with multiple supporting trends

Comer Industries produces and distributes engineered power transmission systems in two main areas: Agriculture and Construction equipment. According to Company data, the current addressable market is valued over Eu8bn (over Eu3bn in agriculture and over Eu5bn in construction applications). While each end-market has industry-specific drivers, they are all impacted by similar megatrends such as CO2 emissions reduction and structural growth of the population (higher demand for food and massive urbanization), which should command a steady growth of the reference market in the long run. The industry of power transmission systems and components is supported by the rising demand of environment-friendly vehicles, changes in regulations, technological innovation and by a gradual shift to a “buy vs make approach” from major OEMs of off-highway vehicles. In agriculture, factors like food prices, availability of cash from farmers and forward crop prices are key indicators, while in construction GDP trend and government spending are the main leading factors. Most of the main global OEMs’ outlook in agriculture and construction segment are pointing to a normalization and stagnation trend, respectively, in the short-term, with volumes going back to normal from the record level reached in the last two years. However, the essential intrinsic characteristics of these markets make them resilient trough cycles with steady long-term growth prospects. According to the market research company FactMR, the global agriculture market is expected to climb by 3.4% CAGR 2022-32, reaching USD192bn in 2032. Similarly, the construction equipment market should post a 4.8% CAGR 2022-31 due to increase in urban infrastructure and development of projects, reaching a global value of USD314bn in 2031 (source: Allied Market Research).

Global Agriculture equipment market (lhs, 2022-32) and Construction equipment market (rhs, 2022-31) (\$bn)

The latest outlook from major listed OEMs equipment in construction (CNHI and Volvo) points to a flattish to negative demand.



Source: Alantra on FactMR (left) and Allied Market Research (right); NOTE: the size of the global AG and CE sectors differ from Comer’s addressable market

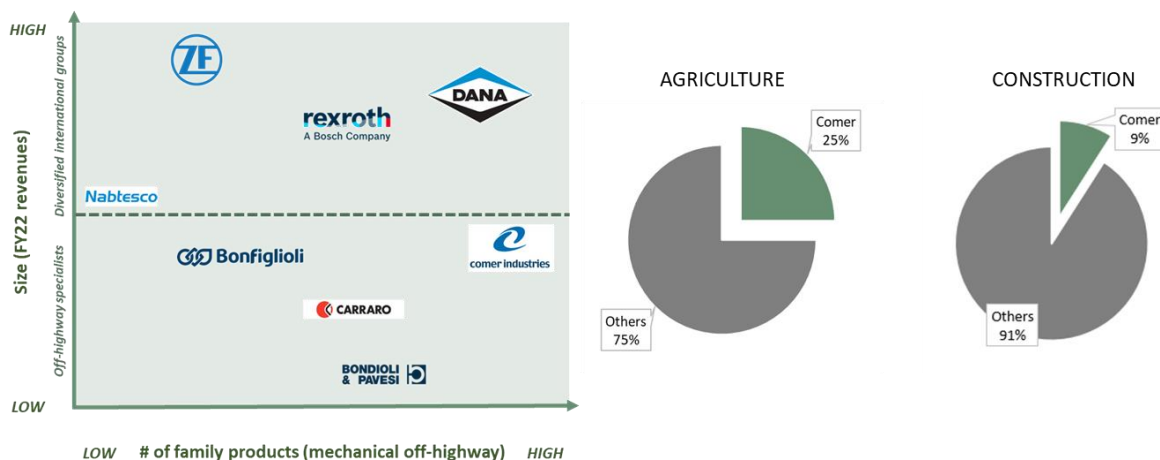
Unparalleled offer with capillary presence worldwide

The competitive arena in the engineered transmission systems market is populated by large and diversified international companies (e.g. ZF Friedrichshafen, Dana, Bosch Rexroth and Nabtesco) active in several end-market (light/heavy commercial vehicles, passenger cars, industrial applications, etc.), few large vehicles OEMs that are vertically integrated (e.g. Iveco) and by Italian specialists of powertrain and transmission systems with a strong focus in the global agriculture and construction equipment market (Bonfiglioli – mainly active in Industrial applications - , Carraro and Bondioli & Pavesi). Comer Industries is within the latter group of powertrain specialists but with higher size/revenues compared to most of them and boasting a leading position (we estimated ca. 25% mkt share in AG and 9% in CE) thanks to an extended and best-of-breed products’ catalogue. The established track-record in the agriculture and construction equipment segments coupled with the strong exposure and proximity to major OEMs due to global footprint, makes Comer the partner of choice for strategic and mission-critical mechanical components. This is a strong competitive edge, also in view of the outsourcing trend of OEMs, which are gradually shifting to a buy vs make approach. As most of components are characterized by *co-makership* agreements with customers and by a high degree of customization, barriers to entry are high, also due to strict requirements from OEMs in terms of R&D commitment, state of art manufacturing and competitive time-to-market capabilities. We believe that the competitive positioning of

Comer Industries is well summarized by its double-digit ROCE of 13% (16% excl. goodwill) in FY22, higher than the average of peers of 8% (9.5%).

The competitive arena (lhs) and global estimated Comer's market share (rhs, %)

Comer boasts higher size/revenues among the off-highway specialists and a more comprehensive offer



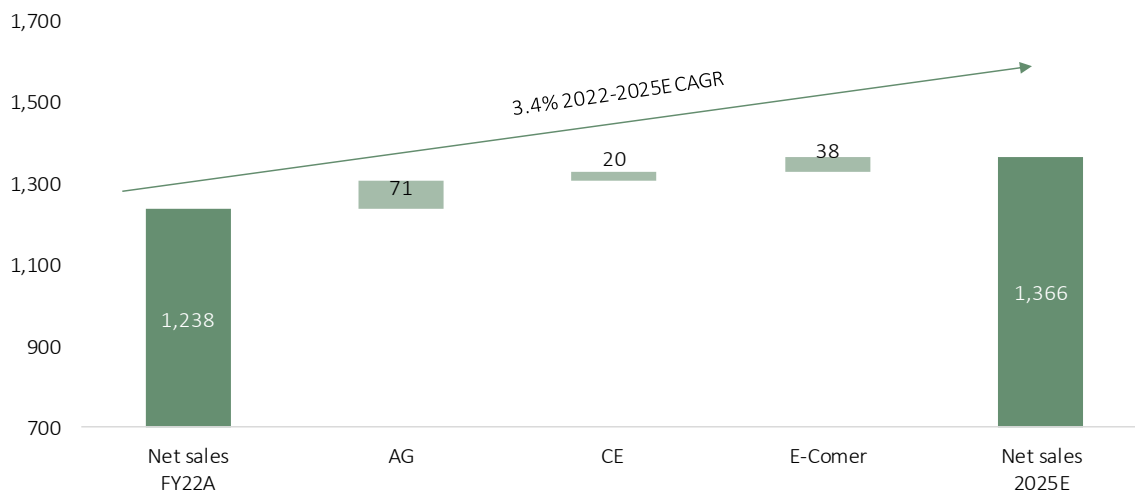
Source: Alantra on Company presentation

Focus on market share gains and new technologies

We believe that Comer Industries should consolidate its leadership positioning in the Agriculture segment and increase its market share in the Construction Equipment market. Both can be pursued organically (increase in share of wallets, new OEM clients and expansion into relatively new regions with limited presence) and by M&A. We expect the group to gain further market shares by pivoting on its global footprint, a strong value proposition in the current context characterized by the outsourcing trend from major OEMs, shifting Comer's role from sole supplier to partner of choice. On the M&A side, the group can add new technologies (e.g. hydraulic), to replicate the Benevelli-Sitem deal's rationale, which allowed the group to expand and diversifying further the portfolio of products and end-market applications. Indeed, the entrance in the electrified equipment field opened to new market opportunities and allows Comer to reap the benefits stemming from mounting interests of electrification in the off-highway vehicles. Also, M&A can be an accelerator to increase presence where is limited (e.g. USA) or enter into new strategic regions with high growth prospects like emerging markets (e.g. APAC), where the "local for local" approach should facilitate a smoother penetration.

FY22-25E sales bridge (Eummn)

We expect 3.4% 2022A-25E top line CAGR. New geographies, technologies and M&A are strong upside potentials



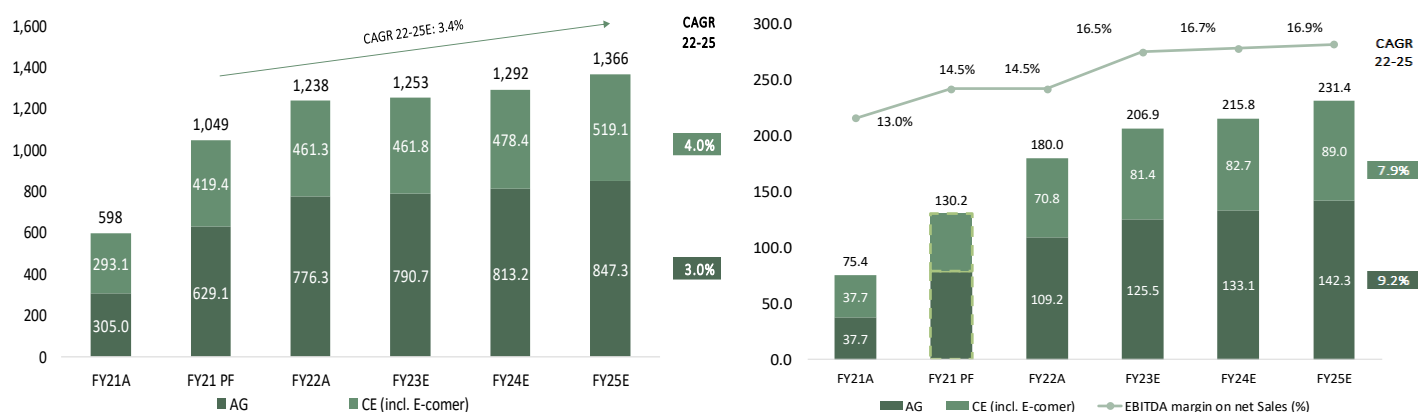
Source: Company data, Alantra estimates

3.4% FY22-25E CAGR of sales and 8.7% of EBITDA

Comer Industries has experienced a remarkable net sales growth (+26% 2016-22 CAGR; +13% organic), expanding further its global leadership in agriculture machines and growing in construction equipment market. The transformational and value accretive acquisition of WPG in 2021 has accelerated the trend (which has almost doubled sales). We believe that despite the challenging context in the short-term, the group is well-positioned to maintain its leadership in AG (+3.0% sales FY22-25E CAGR), thanks to new products, increase in share of wallets from major OEMs and further international expansion. As the group's positioning in CE lags compared to AG, we expect Comer's market share gains in construction equipment to be relevant in the coming years (+4.0% FY23-25E CAGR, including E-comer business), also thanks to a strong, but limited yet, increase in share of wallets. All in all, we expect Comer to post a +3.4% FY22-25E CAGR in net sales. EBITDA should climb by +8.7% FY22-25E CAGR to Eu231.4mn, with EBITDA margin jumping from 14.5% on net sales in FY22A to 16.9% in FY25E. The gain in profitability is stemming from confirmation of the proven group's pricing power, operating leverage and by additional costs synergies from WPG integration (not fully exploited yet). Adj. EBIT and adj. net profit (net of PPA adj.) should land in the region of Eu183mn/13.4% margin and Eu126mn/9.2%.

Net Sales by division (lhs) and EBITDA (rhs) evolution (FY21-25E, Eu mn)

We expect Comer to post a +3.4% FY22-25E CAGR in net sales. EBITDA should climb by +8.7% FY22-25E CAGR to Eu231.4mn



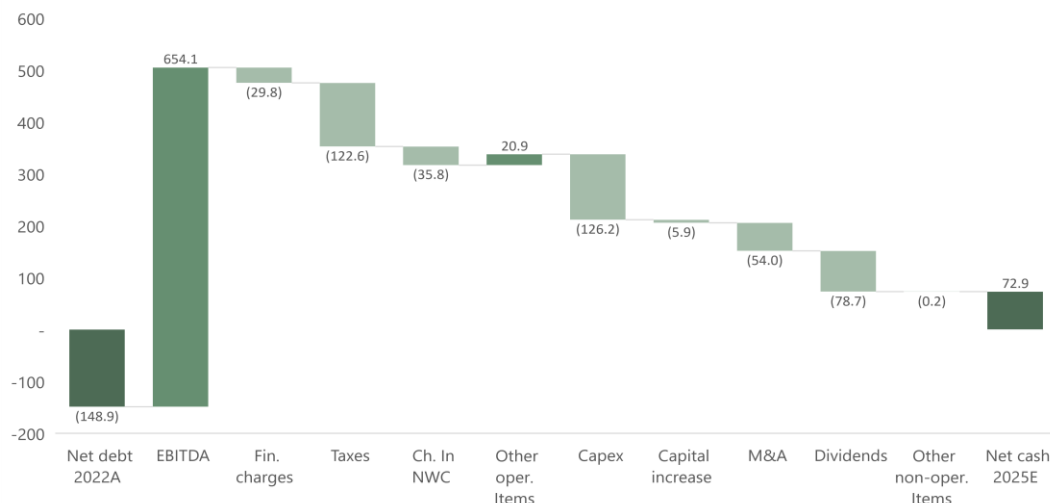
Source: Company data, Alantra estimates

Solid BS, FCF generation and M&A firepower

While the business is fixed asset intensive (Comer's fixed assets/revenues at 48% in 2022), the group boasts a diligent NWC management with NWC/sales weighing only 19% on average 2019-22A, also thanks to group's effort in managing inventories (average DOI > 90 days FY19-22). Capex, which includes R&D and maintenance, stood at around 3% of sales on historical average. The combination of tight NWC dynamics and above industry profitability, makes Comer a high cash generative profile (2019-22 average FCF/EBITDA of 50%). We expect NWC/sales to remain in line with past figures (average FY23-25E NWC/sales of c. 17%) as well as Capex/sales ratios (average FY23-25E at 3.2%). All in all, FCF/EBITDA conversion should exceed a yearly 55% in the forecasted period, mainly driven by operational profitability expansion. This should lead to a fast deleveraging with net cash position by 25E of Eu73mn (FY22 net debt/EBITDA of 0.8x down to 0.1x in FY24E), despite considering an average dividend pay-out of 26% for the forecasted period (vs. 34% in 2022). The combination of sustainable level of fixed assets and double-digit EBIT margin should deliver an uplift in ROCE from current 13% to c. 16% in FY25E. We believe that M&A, while not included in our estimates, should be instrumental in enhancing the groups' growth path. Assuming a conservative target leverage of 1.5x Net Debt / EBITDA and acquisitions at 5x EV/EBITDA, we estimate an M&A firepower of Eu324mn.

2022-25E Net cash bridge

We expect a fast deleveraging with net cash position by 25E of Eu73mn (FY22 net debt/EBITDA of 0.8x down to 0.1x in FY24E), despite considering an average dividend pay-out of 26% for the forecasted period (vs. 36% in 2022).



Source: Company data, Alantra estimates

Valuation: TP of Eu45.0/share

Listed in March 2019, Comer Industries' stock price is up 172% from IPO, overperforming the FTSE Italian Mid Cap index (+7%). We believe that no direct listed comparable is available. However, to have a valuation benchmark, we have looked at multiples of components manufacturers with a certain exposure in the AG and CE sectors. We prefer to look at EV/EBIT multiples instead of P/E, as the latter is biased by financial leverage. Comer Industries trades at c. 30% discount versus peers on 2024-25E EV/EBIT of 6.6x-5.5x, despite showing similar margins projections and growth rates. We also showed multiples of major OEMs in AG and CE, but not including them in our valuation due to differences in business model. The delisting of the peer Carraro (2021 at FY1 EV/EBITDA of ca. 8x) can also be considered as a valuation reference. We believe that the DCF methodology is a better approach to capture the quality profile of the group (e.g. attractive ROIC, profitability, FCF, etc.). In our DCF valuation we assume 5 years of estimates, with 10.9% WACC and 2.0% terminal growth rate. We think that investors should consider that while multiples are less reliable due to low comparability, they incorporate current macroeconomic cycles. On the other hand, the DCF is a more appropriate method to highlight the cash-generative potential of the group. As such, we set a TP of Eu45.0/share based on the weighted average of 2024E-25E EV/EBIT of selected peers with 30% weight and DCF with 70% weight.

Valuation summary - TP of Eu45.0/share

Method	Equity Value		
	(Eu mn)	(Eu per share)	Weight (%)
DCF	1,279	44.6	70%
24-25E EV/EBIT multiples	1,320	46.0	30%
Weighted AVG	1,291	45.0	
N. of shares (mn)			28.678

Source: Alantra

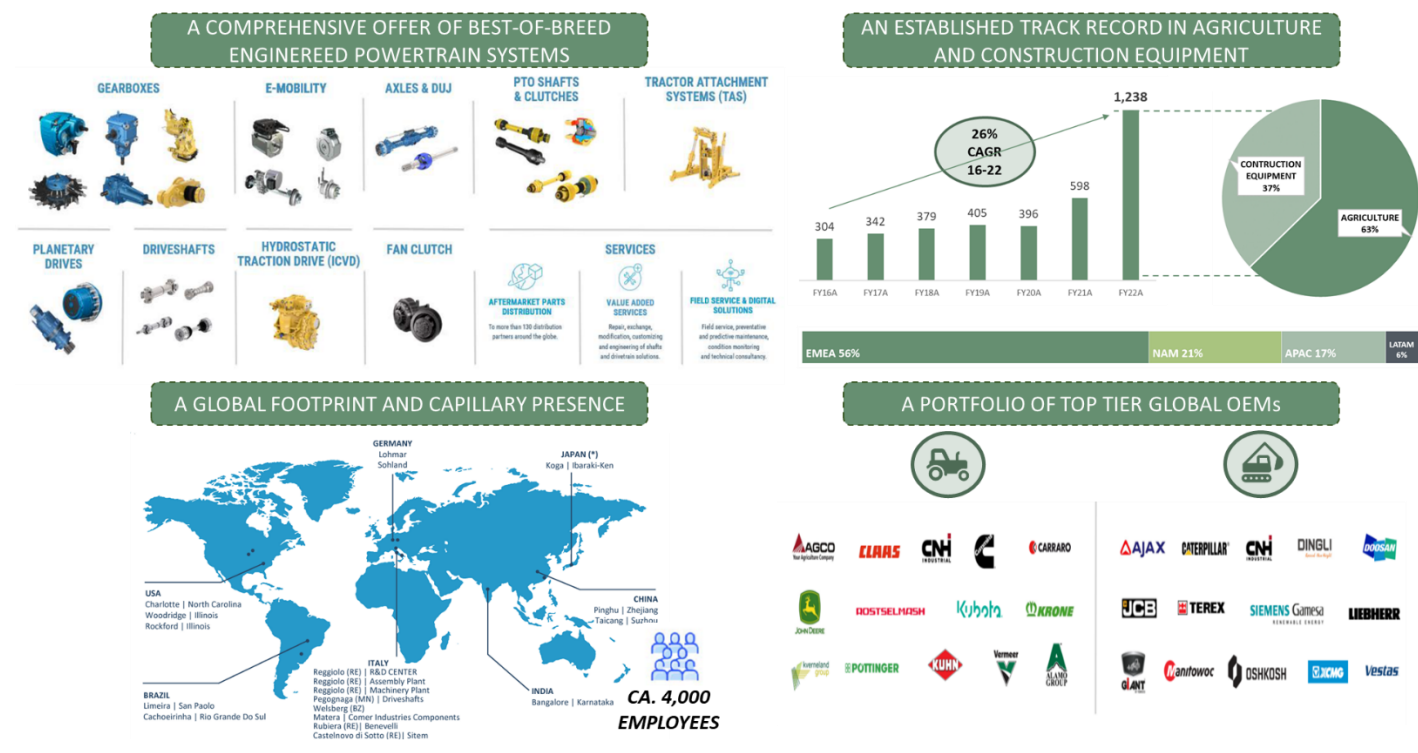
Main risks. We believe that the main risks related to Comer Industries' business are: 1) Raw material costs volatility, 2) FX exposure, 3) Price pressure from OEMs, 4) Business cyclicality, 5) International trade tariffs, 6) Dependency on few key people, 7) Customers may integrate vertically.

Global supplier of engineered transmission systems

Comer Industries is a global leader in the design and production of advanced power transmission systems and mechatronic solutions to major OEMs of agriculture (AG) and construction equipment (CE). Established in 1970, Comer has become the leading tier 1 supplier in cutting-edge powertrain solutions, reaching Eu1.2bn in revenues in 2022 in the Agriculture (63% of FY22 sales) and Construction Equipment sectors (37%). The group designs, produces and markets a comprehensive range of products (gearboxes, planetary drive, driveshafts, axles, etc.) across EMEA (56.1% of FY22 sales), NAM (21.4%), APAC (16.9%) and LATAM (5.6%), also leveraging on its global footprint with capillary presence thanks to 18 plants across the globe. The co-design and development of products in a partnership-like approach with major OEMs (CNHI, Deere, AGCO, Caterpillar, etc) give high visibility on the business and make Comer the partner of choice for mission critical engineered mechanics in the off-highway space. The attractive growth experienced in the last decade has been driven both organically, thanks to an established track-record, and through the acquisition of Walterscheid Powertrain Group (WPG) in 2021, which has been transformational in size and value, adding complementary products and accelerating further the global presence. Comer is also successfully diversifying its product catalogue and solutions by adding the e-vertical thanks to the acquisition of Benevelli-Sitem for the production of e-mobility solutions (e.g. e-motors). Listed on the EGM (ex-AIM) in 2019, Comer has successfully made its uplisting to MTA in July 2023, which is expected to increase visibility and trading volumes in the long run. The 2nd generation of Storchi family is the major shareholder through the holding Eagles Oak Srl (51% with 65% of voting rights).

Overview of Comer Industries

Comer Industries is a global leader in the design and production of advanced engineering power transmission systems to major off-highway vehicles OEMs.



Source: Alantra, Company presentation, *Presence in Japan through a JV

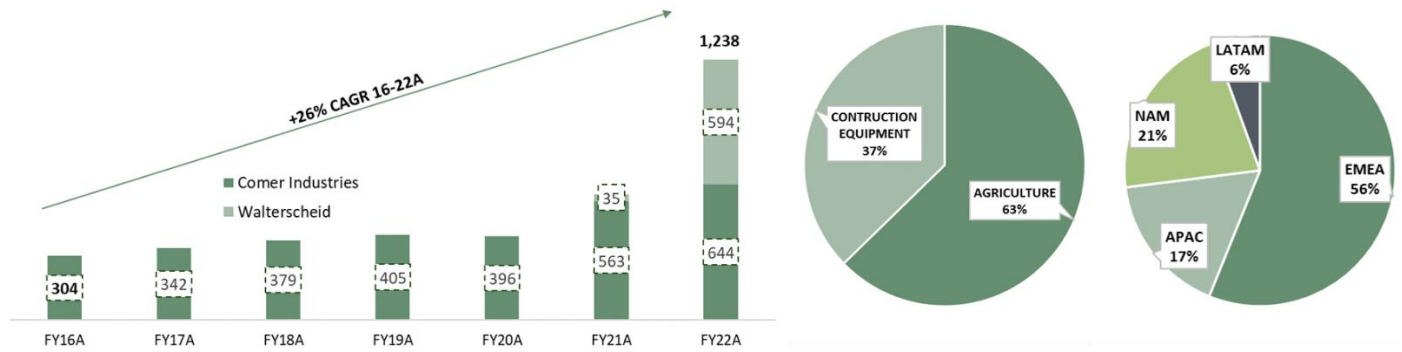
A global player of advanced engineering power transmission systems

With Eu1.2bn revenue in FY22, Comer Industries develops, designs, produces, and sells advanced engineering power transmission systems to major off-highway vehicles OEMs active in the Agriculture (63% of FY22 sales), Construction Equipment (37%) worldwide with a balance between EMEA and RoW (56.1% of FY22 sales in EMEA, 21.4% NAM, 16.9% APAC and 5.6% LATAM). Comer's products and solutions are aimed to transfer the power from the engine to parts and equipment of agricultural vehicles (e.g. tractors and machines for the land

preparation, soil tillage, crop treatment, forage storage, combines, harvesters, etc.) and construction machines (road and construction machines, forestry treatment, mining and other machines). A minority part of the latter division entails components for wind power towers. Within the years, the group registered a remarkable organic and inorganic growth, also thanks to its established track record of leading tier 1 supplier of mission-critical components for the off-highway industry (+26% sales CAGR 16-22).

Evolution of net sales (lhs, FY16-22A, Eu mn) and FY22 net sales breakdown by industry and region (rhs, %)

With Eu1.2bn revenue in FY22, Comer Industries is active in the Agriculture (63% of FY22 sales) and Construction Equipment (37%) in EMEA and RoW.



Source: Alantra, Company data

A diversified and comprehensive product offering with top tier customers

The portfolio of products fully covers the needs of customers, with a complete and diversified catalogue of mission-critical mechatronics and powertrain solutions that enable the transfer of power stemming from the vehicle's motor to its motion instruments and equipment. The products offered by Comer have built a successful track-record and are positioned as the high-end choices for the reference industry thanks to the group's long-term partnership with a diversified portfolio of major global OEMs (e.g. CNHI, Deere, AGCO, Caterpillar, etc). Main types of products entail gearboxes, driveshafts, clutches, axles, planetary drives, etc. The two acquisitions made in the last years have further diversified the portfolio of components adding among others PTO driveshafts and tractor attachment systems (WPG acquisition) and electric motors for e-mobility (Benevelli-Sitem acquisition).

A complete offer of mechatronics and power train solutions to major AG and CE manufacturers

The portfolio of products fully covers the needs of customers, with a complete and diversified catalogue of mission-critical mechatronics and powertrain solutions.







Source: Alantra on Company presentation

A deep dive into Comer's powertrain solutions and their applications

Power transmission systems are designed to control, move, and transfer power from the engine system to industrial applications or off-highway vehicles parts (Agriculture and Construction) which require different types of movements. Usually, these components play a crucial role in determining the performance and efficiency of vehicles, making these products mission critical. As such quality, reliability/robustness but at the same time compactness and lightness with low energy consumption are key features. These solutions are not linked to the type of engine, making Comer's products not correlated with potential changes in engine adoption (e.g. electrification). The group covers most of the parts of a power transmission systems with different main products line: gearboxes, planetary drives, driveshafts and axles. On top of that, the group completes the product offering with tractor attachment systems, and e-mobility solutions thanks to the recent acquisitions of Benevelli-Sitem, as well as additional products like fan clutches. While the cost of powertrain systems is relatively low compared to the vehicles total cost, it has a mission critical role for the correct function of the machine.

Overview of Comer products and applications

The portfolio of products fully covers the needs of customers, with a complete and diversified catalogue of mission-critical mechatronics and powertrain solutions

Products type	Description	Segment	Application	Technology
 <p>Gearboxes</p>	Allows to transfer the power from the engine to other parts of the vehicles enabling input changes in speed and directions	AG	tractors, combine harvesters & self-propelled machines, agricultural machinery & garden equipment, etc.	Mechanical
 <p>PTO driveshafts / other driveshafts</p>	Products that aim to transfer the power to auxiliary equipment	AG/CE	Combine harvester, self-propelled machines, forage, etc. but are also present within the construction equipment	Mechanical
 <p>Planetary Drives</p>	Types of gears that allow the change of speed ratios and determinate the available power, torque, and speed potential of the equipment	AG/CE	Harvesters, mining machinery, wind power, generators,	Mechanical
 <p>Axles</p>	Facilitates the rotating of the wheels in a machine by receiving and transmitting the motion.	AG/CE	Construction, forestry and mining machines	Mechanical
 <p>Tractor attachment system</p>	Systems that are attached to tractors for the handling of key functions in the farmer's workflow	AG	Tractors	Mechanical
 <p>E-mobility</p>	Battery powered axles, modular wheel drives, gearless wheel drive and electric motors	CE/OTHERS	E-farming/construction, Marine & Military, Leisure, Industrial	Electric

Source: Alantra, Comer Industries

Gearboxes. A mix of different engineered gears (speed change gears, parallel and right-angle shaft, speed increasers and reducers, etc.) that allows to transfer the power from the engine system to other parts of the vehicles enabling input changes in speed and directions that is then transmitted to the final parts of the vehicles instruments/equipment. This product line is used by the agriculture segment and is highly customized depending on the machines and applications (tractors, combine harvesters & self-propelled machines, agricultural machinery & garden equipment, etc.). Another type of gearbox is the hydrostatic traction drives used also in the commercial equipment segment, which provides high tractive forces, capable of covering long distances at the highest possible speed. We believe that gearboxes are among the core products, weighing the majority on AG revenues.

Gearboxes and their applications

A mix of different engineered gears that allows to transfer the power from the engine to other parts of the vehicles

GEARBOXES



APPLICATIONS



Tractors, combine harvesters & self-propelled machines, agricultural machinery & garden equipment, etc.

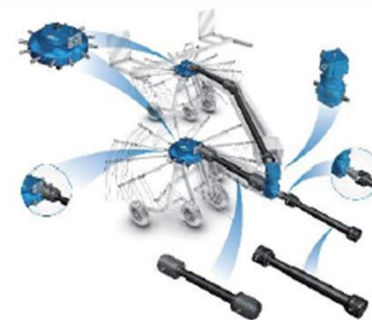
Source: Alantra, Comer Industries

PTO shafts & other driveshafts. Products that aim to transfer the power to auxiliary equipment. They are designed mainly for agricultural machines such as combine harvester, self-propelled machines, forage, etc. but are also present within the construction equipment market. The integration with WPG has expanded this product categories, lifting the group further to be a leading provider of such components. We believe that together with gearboxes, driveshafts represent a considerable stake of generated sales among product categories.

PTO shafts & other driveshafts and their applications

PTO shafts and other driveshafts aim to transfer the power to auxiliary equipment.

PTO SHAFTS & OTHERS DRIVESHAFTS



APPLICATIONS

Harvesters, self-propelled machines, forage, etc.

Source: Alantra, Comer Industries

Planetary drives. Types of gears that allow the change of speed ratios and determinate the available power, torque, and speed potential of the equipment. Planetary drives are known for its compact design, and ruggedness, it is ideal for unique applications mainly in construction equipment vehicles and industrial applications and in some AG vehicles (e.g. harvesters, mining machinery, wind power, generators, etc.). This category includes wheel drive, a planetary drive made for construction and agriculture equipment, which allows to transfer the power to the wheels.

Planetary Drives and their applications

Planetary drives are type of gears that allow the change of speed ratios and determinate the available power, torque, and speed potential of the equipment.

PLANETARY DRIVES

APPLICATIONS



Source: Alantra, Comer Industries

Axles. These products facilitate the rotating of the wheels in a machine by receiving and transmitting the motion. They are divided into rigid and steering axles with or without planetary reduction. The main applications are for industrial segments such as construction, forestry, and mining machines.

Axles and their applications

Axles facilitate the rotating of the wheels in a machine by receiving and transmitting the motion.

AXLES

APPLICATIONS



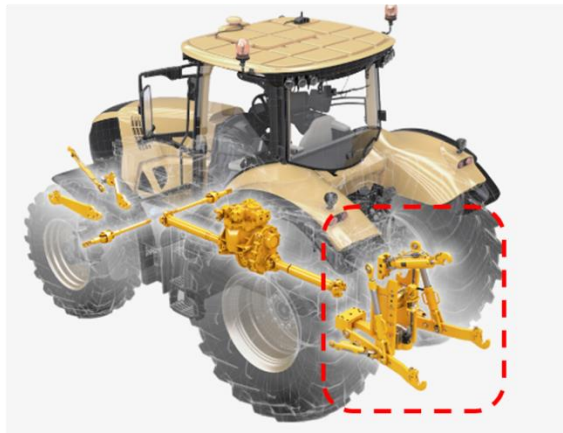
Source: Alantra, Comer Industries

Tractor attachment system. Thanks to the WPG acquisition, Comer has expanded its products' portfolio with the addition of new products such as systems that are attached to tractors for the handling of key functions in the farmer's workflow: coupling, adjusting, stabilising, and hitching.

Tractor attachment system and its application

Thanks to the Walterscheid acquisition, Comer has expanded its product lines with the addition of new products such as tractors attachment systems

TRACTOR ATTACHMENT SYSTEM



APPLICATION



Tractors for the handling of key functions in the farmer's workflow

Source: Alantra, Comer Industries

E-mobility. With the acquisition of Benevelli-Sitem (now E-Comer) the group entered in the electric motors market with different solutions for the e-mobility. The products range entails battery powered axles (from 0.5 to 30KW), modular wheel drives (with load capacity of up to 8,000kg), gearless wheel drive and electric motors (from 0.3 to 200KW). These products are used primarily in the construction equipment segment (material handling machines, construction, mining, and forestry machines), but also in agriculture and other alternative end-market (Marine & Military, Leisure, Industrial, etc.).

E-mobility solutions and their applications

With the acquisition of Benevelli-Sitem (now E-Comer) the group entered in the electric motors market with different solutions for the e-mobility.

E-MOBILITY



APPLICATIONS



- E-Farming & Constructions
 - 
 - 
- E-Mobility
 - 
 - 
- Marine & Military
 - 
 - 
- Leisure & Luxury
 - 
 - 

Source: Alantra, Comer Industries

Aftermarket parts distribution and value-added services. Spare parts sales are made through over 130 distribution partners around the world. On top of that, also thanks to WPG integration, the group has strengthened its value-added services (repair, exchange, engineering of shafts, etc) and field service & digital solutions (Field service, preventive and predictive maintenance, and technical consultancy). We estimate Comer's activity in the AM channel is around 15% of FY22 net sales and growing with increasing potential margin expansions ahead.

High level of value-added services

Spare parts sales are made through >130 partners around the world. Comer has strong capabilities in value-added services.



Source: Company presentation

Tier 1 supplier and global partner all-in-one

We believe that Comer is the leading tier 1 supplier of mission critical mechanical components to off-highway vehicles. Moreover, we think that the group is upgrading from being a sole tier 1 supplier to a true long-term partner of major OEMs due to: 1) long and successful track record of *co-makership* agreements with customers and 2) a capillary presence with a global footprint of production plants that increases proximity to customers while reducing time to market (TTM) and accelerating the ongoing nearshoring process.

1) *Co-makership approach with major OEMs*

The products offered are highly customized based on the needs of customers. Indeed, Comer designs and develops its products with a *co-makership* approach directly with OEMs. Starting from the R&D phase, the group co-develops and co-designs a full range of powertrain solutions and components through long-term interaction with customers (product value chain usually lasts 2-5 years), which allows the group to boast a high visibility on the business and a strong lock-in with customers. The group counts over 75 patents with an extended team of engineers in their internal R&D research centre (>130 employees) with a strong expertise and capabilities that allows the group to cover the full development program, from the conceptual and simulation phase to the production of a complete system. The production process cycle can be divided into different phases prior to the production ramp up:

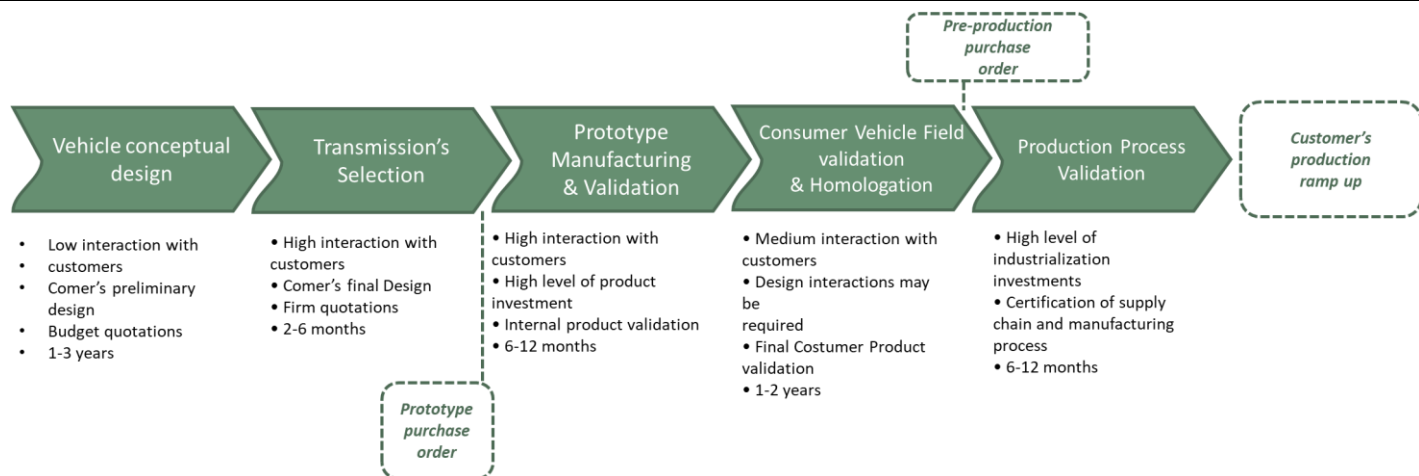
- 1) Vehicle conceptual design (1-3 years; preliminary design of components by Comer);
- 2) Transmission's selection (2-6 month; Comer final design with high interaction with customer);
- 3) Prototype manufacturing & validation (6-12 months; high level of customer interaction as well as product investment);
- 4) Customers vehicle field validation & homologation (1-2 years);
- 5) Production validation process (6-12 months; high level of industrialization investments)

The group is able to internally tests and validates products under development, allowing to drastically reduce the time to market.

Most of contracts with major OEMs are based on framework agreements for the production and supply of components for a period of around 5-7 years or usually linked to life cycle of the equipment (c. 8-10 years).

Products value chain

Comer designs and develops its products with a co-makership approach directly with OEMs from R&D to production validation.



Source: Alantra on Company information

A diversified client base...

Despite Comer's main business is exposed to the OEM channel (we estimate AM channel sales to weigh ca. 15% of FY22 net sales), client concentration is negligible, with a well-diversified client base in both agriculture and construction end-market (Top 10 clients in AG/CE weighed c. 35%/23% on total sales respectively in FY22).

FY22 Sales breakdown by clients in AG (lhs, %) and CE (rhs, %)

Top 10 clients weighed c. 35%/23% on total sales of AG and CE respectively in FY22



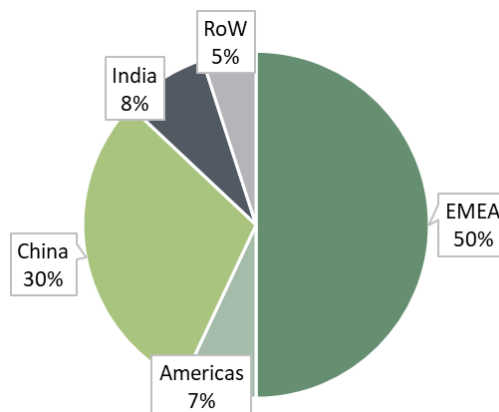
Source: Alantra on Company information

...and suppliers around the world

The group strategically diversified its supplier base globally to shield from potential supply chain constraints. Indeed in 1H23, EMEA weighed ca. 50% of total supply, Americas 7%, China 30%, India 8%, RoW 5%. The group takes strict controls over its supply chain to pursue best-in-class manufacturing grade. This has led Comer to being recognized as preferred supplier among high-end suppliers of mission critical components from major OEMs around the globe. Indeed, the source of raw materials is made through a network of qualified suppliers in order to meet performance, quality specifications and delivery schedules. Purchase of raw materials (mainly cast iron and steel) and parts (gears, shafts, other die castings and subassemblies) and outsources some semi-finished components. Relationships with suppliers are under medium-term framework contracts (average 2-4 years), without a minimum purchase quantity. Since the cost of materials is susceptible to changes in steel and other commodities prices, procurement costs are indexed to related market price fluctuations.

Main awards as preferred supplier (lhs) and number of suppliers by region (rhs, FY22, %)

The group runs strict control of the supply chain to pursue best-in-class manufacturing grade. On top of that suppliers are well-diversified across the globe



Source: Company presentation, Alantra

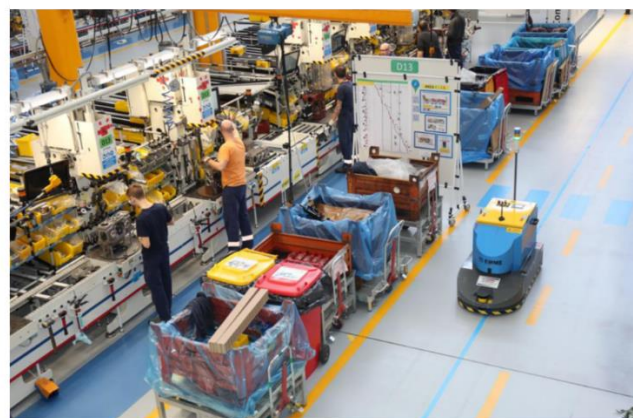
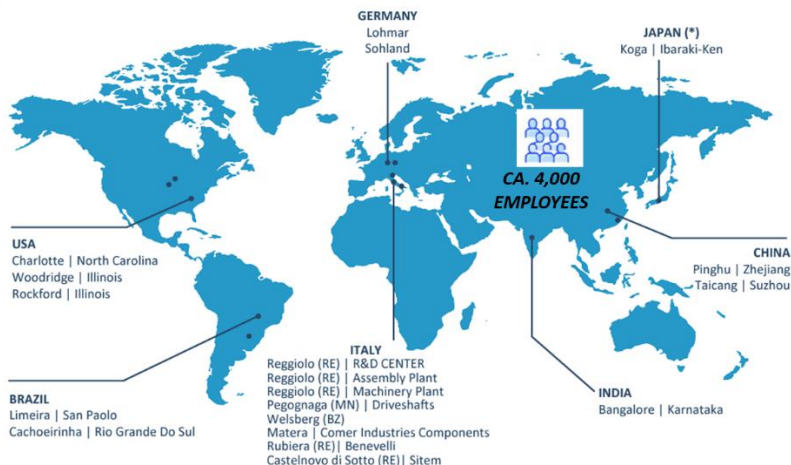
2) A global footprint that maximises proximity to customers

Comer is headquartered in Reggiolo (Reggio Emilia, Italy) and can count on ca. 4,000 employees across three continents, also thanks to Walterscheid integration in 2021 which added ca. 2,000 employees and 18 production plants (excluding 2 plants dedicated to e-mobility solutions located in Italy) across the globe (10 in Italy, 2 in Germany, 3 in USA, 2 in Brazil, 2 in China and 1 in India). The main plants in Italy are located in Reggiolo (3 plants for a total of >30k sqm), which include the R&D center. The group can calibrate production output across the globe, benchmarking changes in demand for each regions. Current level of production capacity stands in the region of 70%.

The capillary presence of production plants across strategic regions is key as OEMs are gradually moving to a *buy vs make* approach of engineered mission critical components and solutions so they can focus on the core business and improve economies of scale, inventory management and sharing the R&D effort with the supplier, resulting in a more optimal capital utilization. On top of that, the proximity to customers, by leveraging on a capillary production plant network across the globe, makes Comer the partner of choice in mission critical engineered components supply in a widespread nearshoring preference and a structural shorter time-to-market.

State of art manufacturing plants across the globe

The capillary presence across strategic regions is key as OEMs are gradually moving to a *buy vs make* approach of engineered mission critical components



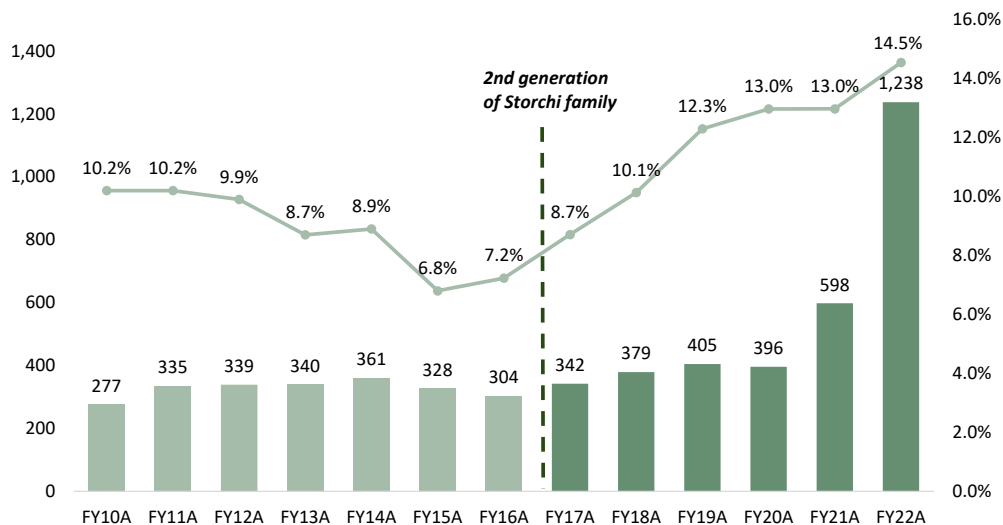
Source: Alantra, Comer Industries, *Presence in Japan through a JV

A history made of growth, internationalization and transformational M&A capabilities

- **Established in 1970** by the Storchi family in Reggiolo (Emilia Romagna, Italy), Comer Industries started its activity as producer of mechanical transmissions components for the agriculture machines.
- **1980s-1990s**, Comer Industries grew both organically and inorganically, adding new products thanks to **several acquisitions** (e.g. Eurogiunti (1985, driveshafts), Geolink (1988, hydraulic engines), Frama (1988, axles), Axial Pump (1995, pump and powertrain solutions) and Indumec (1999, drives axles), etc.). The group has also expanded geographically, with the set-up of commercial branches in France, Germany, UK and the US.
- **2000s**, the geographical expansion continued with the **opening of the Chinese market** with a subsidiary in Beijing, a new US subsidiary in 2003 and the set-up of up two new production plants in 2007, in Italy (in Matera and has been expanded in 2011) and in China.
- **2013**, the group opens a **new branch in Brazil** before opening a new branch later in 2015 in **India** to serve the local market.
- **2017, 2nd generation of the Storchi family** successfully took command of the group. This has been a **game-changing moment for Comer Industries**, which has accelerated the business with an expansion in revenues and profitability. In the same year Comer Industries, is recognised as a relevant supplier from CNHI, AGCO and Caterpillar.

2nd generation transition: a clear turning point in sales (lhs, Eumn) and EBITDA margin expansion (rhs, %)

2nd generation of Storchi family successfully took command of the group. This has been a game-changing phase.

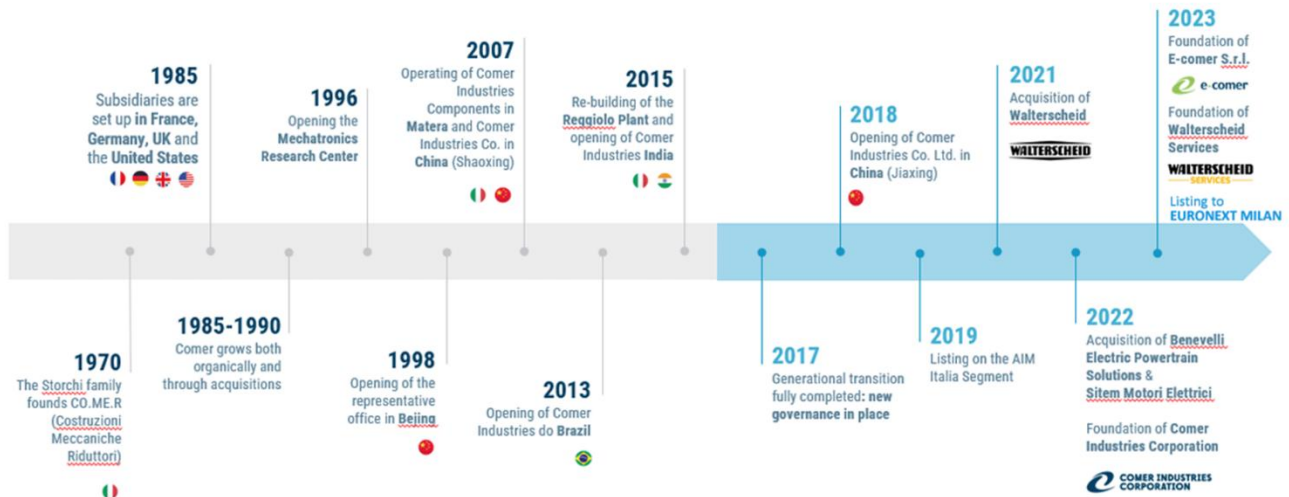


Source: Alantra, Company financial statements

- **2019**, Comer was **listed on the AIM Italia** stock exchange (now EGM), through the SPAC Gear 1.
- **2021-22**, The group **acquired the German company Walterscheid Powertrain Group**, a leading global producer of mechanic components and drive systems for the off-highway sector, doubling the size of the company.
- **2022-23**, Comer industries entered in the e-mobility sector with the **acquisition** of two business units Benevelli Electric Powertrain Solutions and Sitem Motori Elettrici (**Benevelli-Sitem**), two top manufacturers that allow the group to further expand the range of products offered. In July 2023, Comer successfully made its **uplisting to Euronext Milan**.

Main milestones of Comer Industries' growth path

Established in 1970, the group has experienced a remarkable growth both organic and inorganic, with an acceleration in business after the 2gen family founders.



Source: Company presentation

Zooming-in on latest transformational M&A deals

In the last years, Comer industries has proved to be highly committed to grow not only organically but also inorganically. The latest M&A deals are the acquisition of Walterscheid Powertrain Group and Benevelli-Sitem.

1) Walterscheid Powertrain Group: Acquired in 2021, the group, based in Germany, has been a leader in the transmission systems for the off-highway segment (>60% AG) with FY20 revenues of Eu396mn (68% Europe, 21% North America, 6% APAC and 5% RoW) with ca. 30/70% exposure to AM/OEM channel. The group has been valued at Eu203mn (equity value) with an implied multiple of ca 9x EV/EBITDA 2021. The deal has been transformational in size as it has:

- Doubled Comer's revenues (to Eu792mn FYPF 2020), becoming one of the largest European players in the field;
- Expanded the production footprint across the globe with 9 facilities (reaching a total of 16 plants at the time), aided by a high level of complementary among products;
- Added production presence in new strategic countries like USA;
- Increased the presence in AM channel with higher associated profitability and strengthening the after sales service;
- Combined synergies due to mutual industrial know-how;
- Enlarged the portfolio of global brands.

WPG acquisition: a transformational deal

The deal has been transformational in size as it has, doubled Comer's revenues and production facilities, becoming one of the largest European players in the field



Source: Comer Industries

2) **Benevelli-Sitem:** In 2022 Comer acquired two business units, namely Benevelli Electric Powertrain Solutions and Sitem Motori Elettrici for a valuation of Eu54mn (enterprise value). The two businesses boast over 65 years of track record in the field of motors and transmissions for electric vehicles by producing axles and electric drive wheels. In 9M22, the target entities reached revenues for Eu16mn with EBITDA of Eu5mn. Despite the relative size of the deal, this acquisition has a strong strategic rationale as allows to:

- Elarge Comer’s products offering;
- Widen end-market applications (E-farming, E-mobility, Leisure, Marine & Military, etc.);
- Respond to the booming interests of EV technology in off-highway market (e.g. electrification of mini-excavators, etc.).

Benevelli-Sitem: Diversification in the EVs segment

The acquisition of Benevelli-Sitem has a strong strategic rationale, enlarging the Comer products offering and end-market applications

Electrification of Mini-Excavators

Main OEM Brands: Mini Excavators				
Production		Prototype		



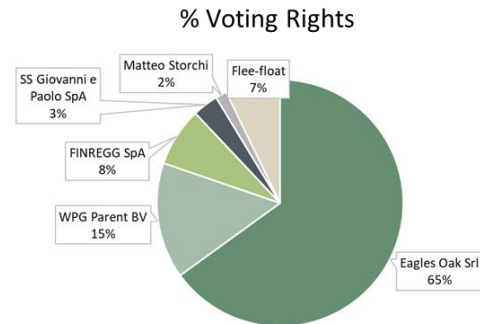
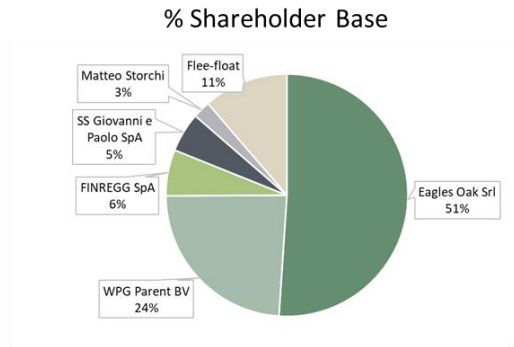
Source: Comer Industries

Founders / main shareholders within the top management team and BoD members

The top management team is formed by Matteo Storchi (President and CEO) together with other 8 key figures with long experience in the field. Among them, only Mr. Storchi serves as executive board member. The BoD counts 9 members of which three are part of the 2nd generation of Storchi family/main shareholders through the holding Eagles Oak Srl with 51%/65% voting rights (Mr. Matteo Storchi, Mr. Cristian Storchi, Mr. Marco Storchi and Ms. Annalisa Storchi, each owning 25% of the share capital of Eagles Oak). WPG Parent BV (the former sole shareholder of the acquired Walterscheid group and ultimately controlled by the private equity fund One Equity Partners) has 24%/15% vr, followed by Finregg, a company related to the first generation of Storchi family, with 6%/8% vr. Mr. Matteo Storchi owns additional 3%/2% vr, while SS Giovanni e Paolo SpA (private investor) owns 5%/3% vr. The free float stands at ca. 11%.

Top management team, shareholding structure and Board of Directors

The top management team is formed by Matteo Storchi (President & CEO) other 8 key figures. Among them, only Mr. Storchi serves as executive board member.



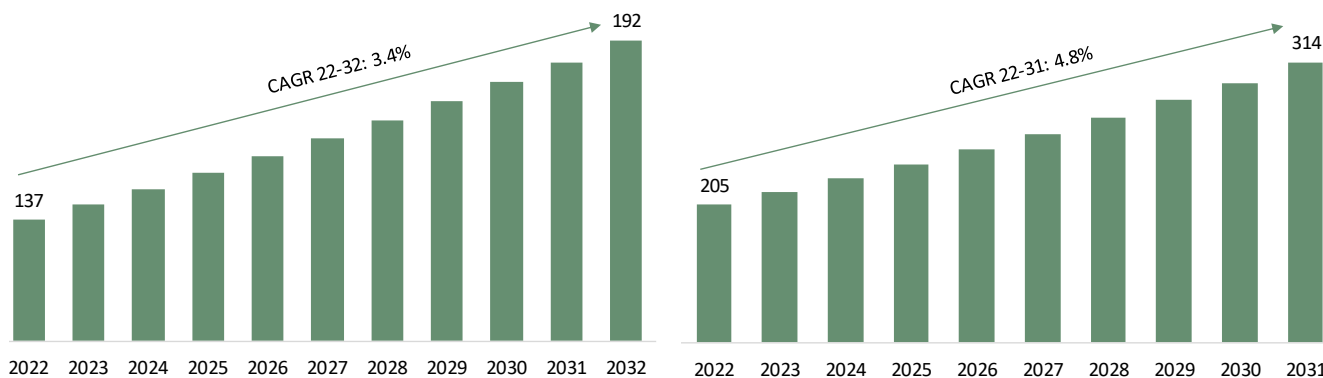
Source: Alantra, Company presentation

Steady growing reference market with multiple supporting trends

Comer Industries produces and distributes engineered power transmission systems in two main areas: Agriculture and Construction equipment. According to Company data, the current addressable market is valued over Eu8bn (over Eu3bn in agriculture and over Eu5bn in construction applications). While each end-market has industry-specific drivers, they are all impacted by similar megatrends such as CO2 emissions reduction and structural growth of the population (higher demand for food and massive urbanization), which should command a steady growth of the reference market in the long run. The industry of power transmission systems and components is supported by the rising demand of environment-friendly vehicles, changes in regulations, technological innovation and by a gradual shift to a “buy vs make approach” from major OEMs of off-highway vehicles. In agriculture, factors like food prices, availability of cash from farmers and forward crop prices are key indicators, while in construction GDP trend and government spending are the main leading factors. Most of the main global OEMs’ outlook in agriculture and construction segment are pointing to a normalization and stagnation trend, respectively, in the short-term, with volumes going back to normal from the record level reached in the last two years. However, the essential intrinsic characteristics of these markets make them resilient trough cycles with steady long-term growth prospects. According to the market research company FactMR, the global agriculture market is expected to climb by 3.4% CAGR 2022-32, reaching USD192bn in 2032. Similarly, the construction equipment market should post a 4.8% CAGR 2022-31 due to increase in urban infrastructure and development of projects, reaching a global value of USD314bn in 2031 (source: Allied Market Research).

Global Agriculture equipment market (lhs, 2022-32) and Construction equipment market (rhs, 2022-31) (\$bn)

The latest outlook from major listed OEMs equipment in construction (CNHI and Volvo) points to a flattish to negative demand.



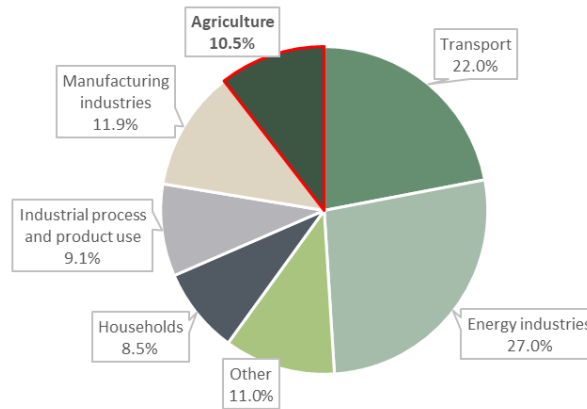
Source: Alantra on FactMR (left) and Allied Market Research (right); NOTE: the size of the global AG and CE sectors differ from Comer’s addressable market

Several megatrends support growth of reference markets...

Comer Industries is a tier 1 supplier of power transmission systems and components for the Agriculture, and Construction industry. According to Company data, the addressable market is valued over Eu8bn with construction, weighing the majority (+Eu5bn), followed by agriculture (+Eu3bn). Both of them are impacted by similar megatrends like **reduction of gas & CO2 emissions and growth of demography and urbanization**. For instance, according to a study from the European Agricultural Machinery Association (CEMA) in 2022, CO2 emission stemming from agriculture output in Europe accounts to 10.5% of the total.

CO2 emissions in Europe by industries output (%)

CO2 emission stemming from agriculture output in Europe accounts to 10.5% of the total.

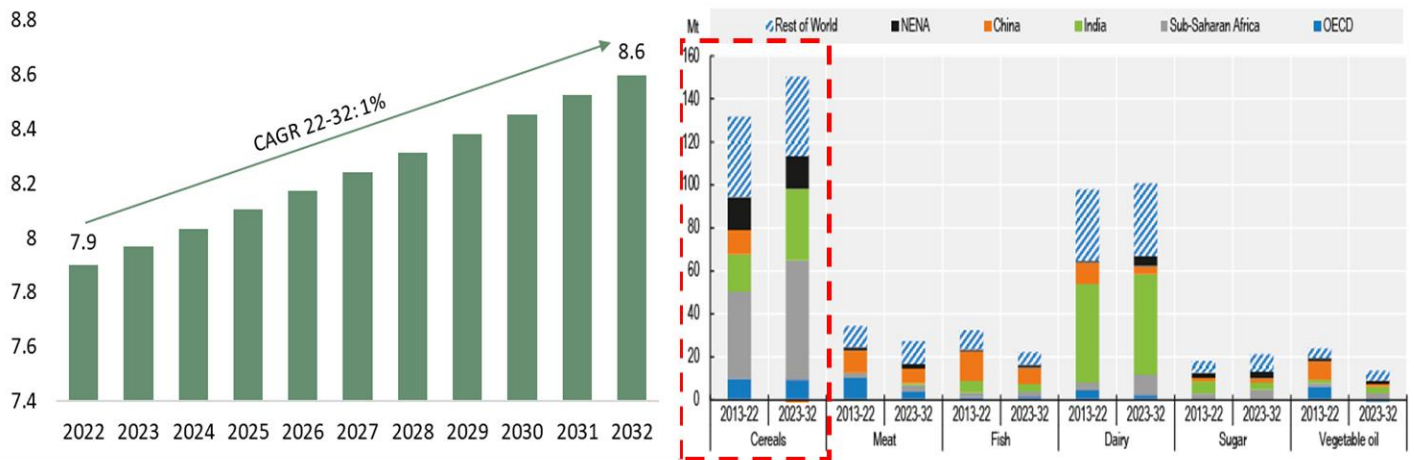


Source: European Agricultural Machinery Association (CEMA)

Growth in population together with the related rising demand in food consumption and increasing needs in urbanization are additional challenges for the agriculture and the construction industry. According to a study from FAO, world population stood at 7.9bn 2022 and is expected to climb to 8.6bn by 2032. Population growth will continue to be the main factor shaping food demand at the global level.

Growth of population (lhs, bn units) and evolution of cereals consumption worldwide (rhs, Mt)

According to OECD-FAO, the growth of population should climb to 8.6bn individuals and should accompanied by a jump in food consumptions (e.g. cereals, etc.)



Source: Alantra on OECD-FAO Agricultural Outlook 2023-32

...with additional drivers that should command a restless growth of the off-highway powertrain market

Going more in detail, the industry of power transmission systems and components is also impacted by several drivers like:

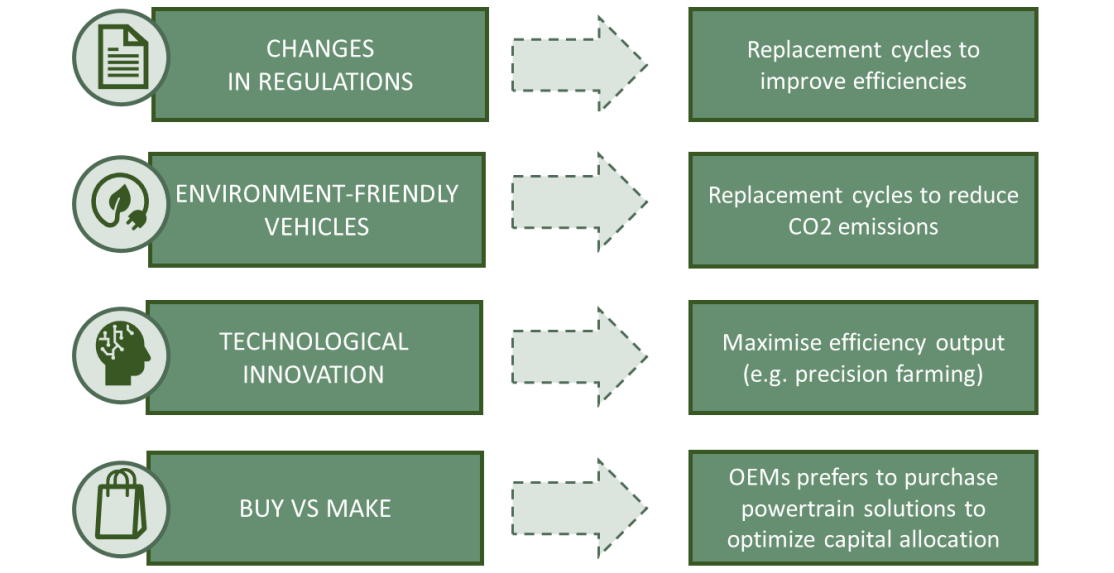
- 1) **Changes in regulations;**
- 2) **Push towards environment-friendly vehicles;**
- 3) **Technological innovation;**
- 4) **OEMs choice of the “buy vs make” approach.**

All of them represent strong tailwinds for producers of powertrain systems, aided by replacement cycles to keep up with vehicles OEMs evolving needs. For instance, with regards to technological innovation, precision farming requires cutting-edge tools and vehicles to maximise efficiency output (e.g. harvest, etc.) and increase farmers’ yield. On top of that, OEMs are gradually taking a “buy vs make” approach, thus externalizing the

production of power transmission components. As such, by relying on third parties' production, they can better focus on the core business and improve economies of scale, inventory management and sharing the R&D effort with the supplier, resulting in a more optimal capital utilization.

Main drivers of off-highway powertrain market

The industry of power transmission systems and components is impacted by: 1) changes in regulations, 2) technological innovation, 3) environment-friendly vehicles and 4) OEMs preference of buy vs make approach



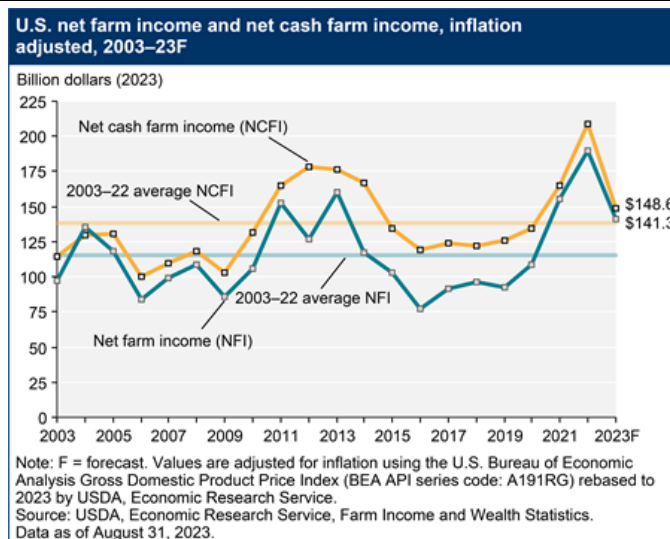
Source: Alantra

Current state of the Agriculture market is pointing to normalize...

Within the agriculture end-market, the level of net cash of farmers is among leading indicators that should driver additional investments into equipment. According to USDA, net cash farm income is expected to drop to \$148.6bn from the record level reached in 2022 of \$202bn. This signals a return to normalization from the booming trend registered in 2021-22, with values remaining slightly higher than 2003-22 average.

US net farm income and net cash farm income, inflation adjusted, 2003-23F (\$bn)

According to USDA, net cash farm income is expected to reach \$148.6mn, slightly higher than historical average.



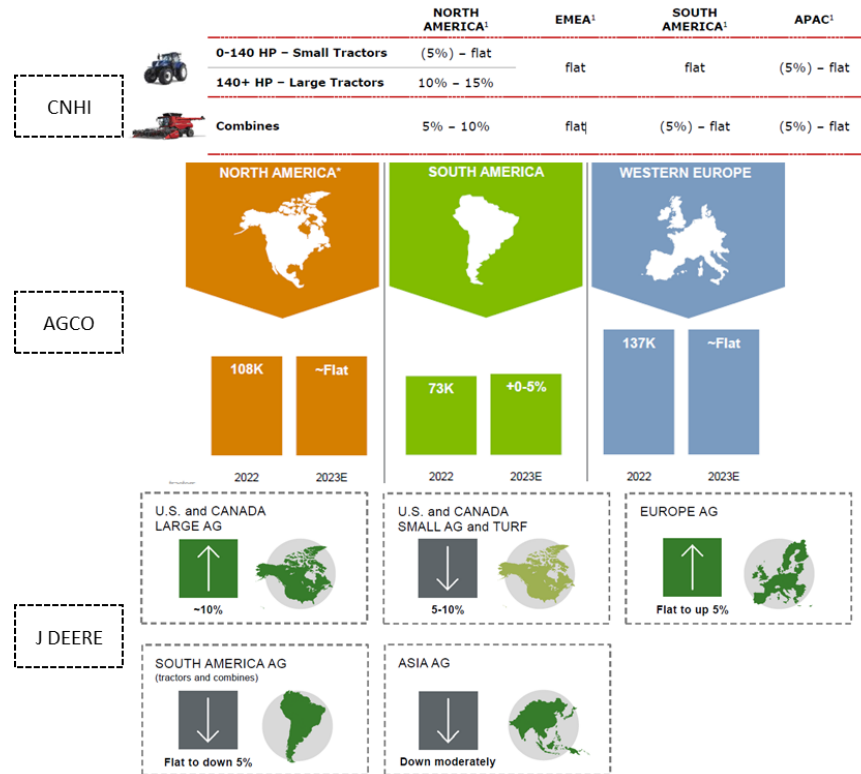
Source: USDA website

...in line with major OEMs outlook

Latest major OEMs AG vehicles outlook confirms the path towards a normalization trend across the world with North America leading the demand, especially in large tractors (main Comer's applications).

Latest AG outlook from CNHI, AGCO and J. Deere

The latest outlook from major listed OEMs equipment in agriculture (CNHI, AGCO and J Deere) points to a flattish demand with a still solid market in North America



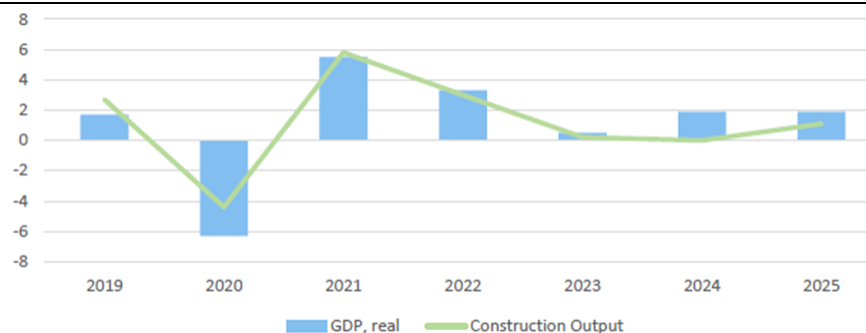
Source: Alantra; CNHI, AGCO and J. Deere presentation

Construction market is bottoming...

The construction market is experiencing a stagnation phase, impacted by increases in interest rates and economy slowdown across the globe. For instance, according to a study from Euroconstruct, construction output in Europe is expected to register just 0.2% growth in 2023 and 0% in 2024. The market will return into positive territory by 2025.

GDP vs construction output yoy change, 2019-25 (%)

The construction market is experiencing a stagnation phase



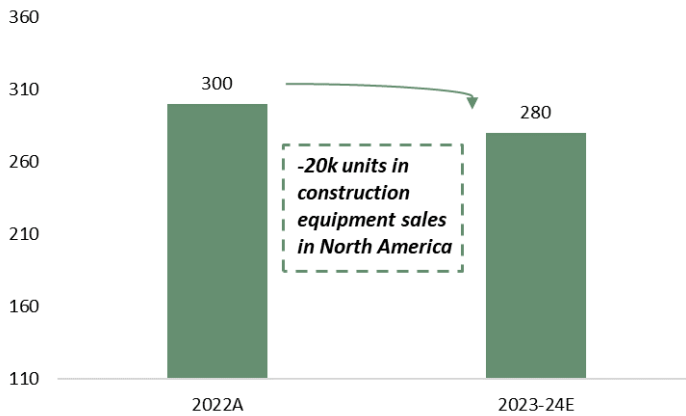
Source: Euroconstruct, Economic annual report 2023

...with construction equipment sales to follow the downtrend...

According to a study from CECE, supply chain constraints are continuing to hold back sales in construction equipment, and a soft landing is forecast for 2023-2025 in Europe. The North American market continued on a growth path in 2022. A modest decline is expected in 2023-2024, when the level of sales will probably fall to around 280k units per year from 300k in 2022.

North America construction equipment sales 2022-24\$ (K units)

According to a study from CECE, Construction equipment sales in NA should experience a modest decline is expected in 2023-2024, with units of equipment down to 280k from 300k in 2022.

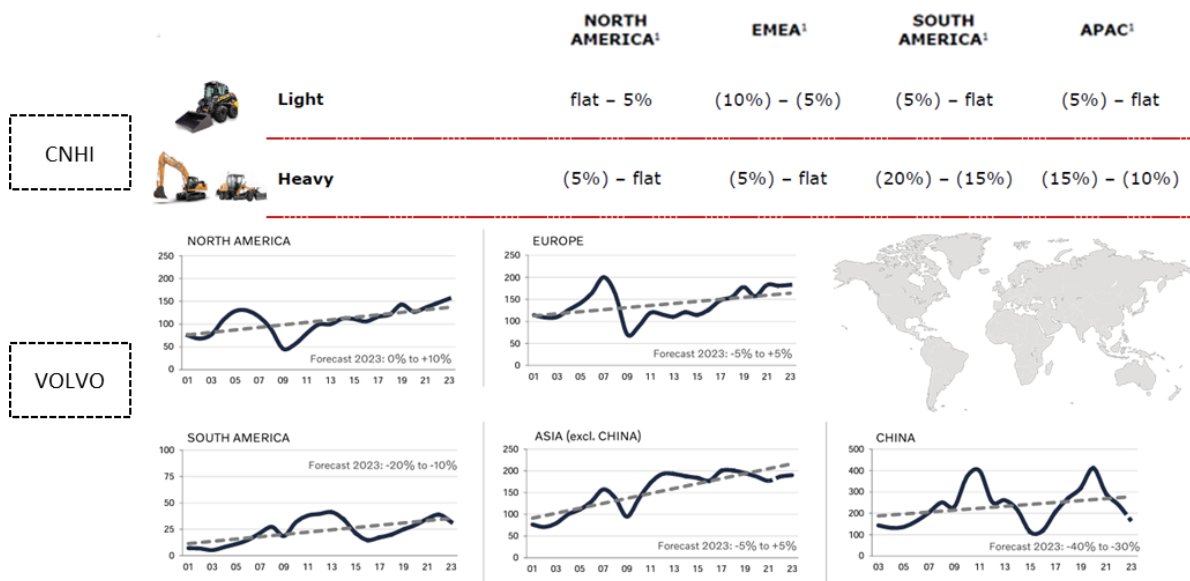


Source: CECE

On top of that, major OEMs in construction equipment market are forecasting a flat to negative FY23 outlook. According to Volvo's latest outlook, the Chinese economy is expected to drop by 30-40% this year, impacted by economic slowdown and crisis in the real estate sector.

Latest CE outlook from CNHI and Volvo

The latest outlook from major listed OEMs equipment in construction (CNHI and Volvo) points to a flattish to negative demand.



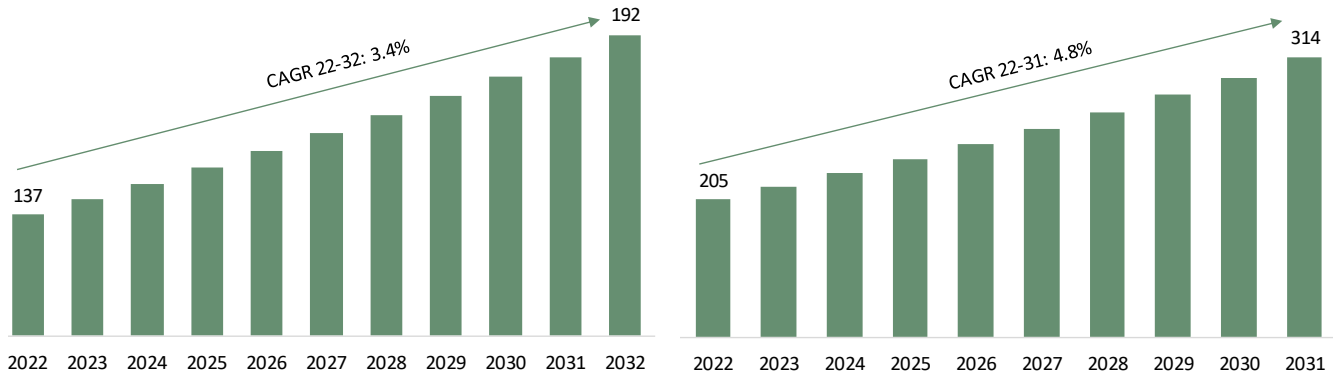
Source: Alantra; CNHI and Volvo presentations

...but the “essential” characteristics make these markets resilient with secular growth prospects

Construction and Agriculture market are essential industry to support growth and development of the population. The essential characteristics embedded in these industries make them resilient through cycles with secular growth expectations. According to the market research company FactMR, the global agriculture market is expected to climb by 3.4% CAGR 2022-32, reaching USD192bn in 2032. Similarly, the construction equipment market should post a 4.8% CAGR 2022-31 due to increase in urban infrastructure and development of projects, reaching a global value of USD314bn in 2031 (source: Allied Market Research).

Global Agriculture equipment market (lhs, 2022-32, \$bn) and Construction equipment market (rhs, 2022-31, \$bn)

The latest outlook from major listed OEMs equipment in construction (CNHI and Volvo) points to a flattish to negative demand.



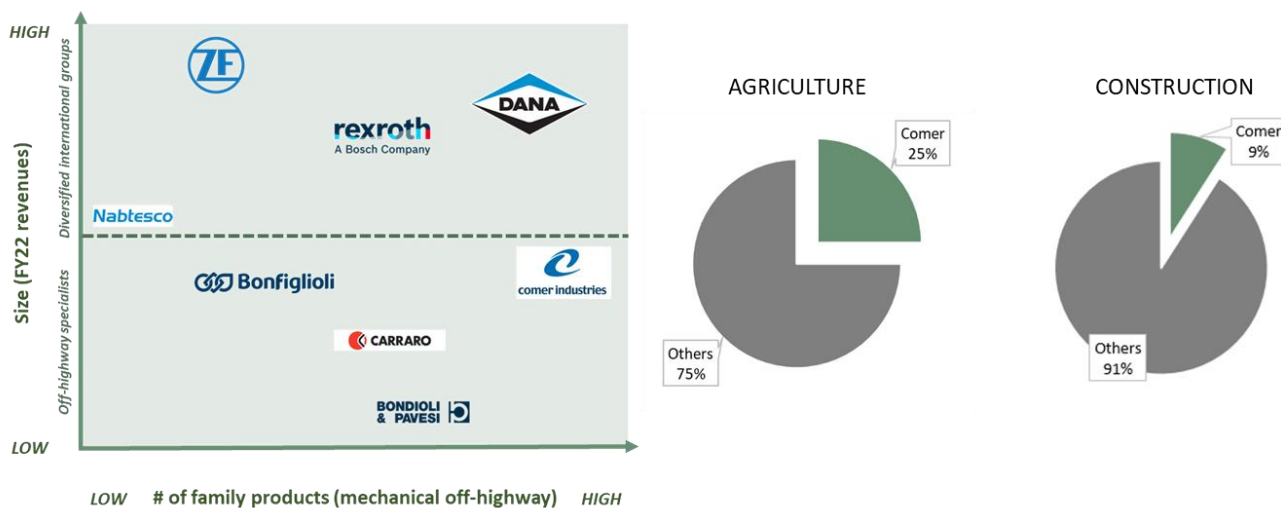
Source: Alantra on FactMR (left) and Allied Market Research (right); NOTE: the size of the global AG and CE sectors differ from Comer’s addressable market

Unparalleled offer with capillary presence worldwide

The competitive arena in the engineered transmission systems market is populated by large and diversified international companies (e.g. ZF Friedrichshafen, Dana, Bosch Rexroth and Nabtesco) active in several end-market (light/heavy commercial vehicles, passenger cars, industrial applications, etc.), few large vehicles OEMs that are vertically integrated (e.g. Iveco) and by Italian specialists of powertrain and transmission systems with a strong focus in the global agriculture and construction equipment market (Bonfiglioli – mainly active in Industrial applications - , Carraro and Bondioli & Pavesi). Comer Industries is within the latter group of powertrain specialists but with higher size/revenues compared to most of them and boasting a leading position (we estimated ca. 25% mkt share in AG and 9% in CE) thanks to an extended and best-of-breed products' catalogue. The established track-record in the agriculture and construction equipment segments coupled with the strong exposure and proximity to major OEMs due to global footprint, makes Comer the partner of choice for strategic and mission-critical mechanical components. This is a strong competitive edge, also in view of the outsourcing trend of OEMs, which are gradually shifting to a buy vs make approach. As most of components are characterized by *co-makership* agreements with customers and by a high degree of customization, barriers to entry are high, also due to strict requirements from OEMs in terms of R&D commitment, state of art manufacturing and competitive time-to-market capabilities. We believe that the competitive positioning of Comer Industries is well summarized by its double-digit ROCE of 13% (16% excl. goodwill) in FY22, higher than the average of peers of 8% (9.5%).

The competitive arena (lhs) and global estimated Comer's market share (rhs, %)

Comer boasts higher size/revenues among the off-highway specialists and a more comprehensive offer



Source: Alantra on Company presentation

A unique positioning in the competitive arena

Comer industries is a tier 1 supplier of powertrain solutions and engineered transmission systems for the off-highway segment (Agriculture and Construction equipment). With over 50 years of activity, Comer has strengthened its positioning in the mission critical and strategic components to top OEMs worldwide. We identified a cluster of large and diversified players and another of power transmission specialists like Comer. Within the latter group, we struggled to find players with a similar size and position in terms of breath of products catalogue and geographical presence. We have identified:

- **Power transmission specialists** with a focus on the Agriculture and Construction Equipment market but with a lower breath of products offering, size/revenues and global presence. All the players are located in Italy, underlying the nationwide excellence of the industry. We identified **1) Bonfiglioli**, which is close to Comer in terms of size/revenues (FY22 revenues of 1.2bn) and number of production plants (15 vs 18 for Comer) but differs in terms of end-market exposure (limited presence in AG) as being more focused on

Motion & Robotics or Manufacturing Process. We also selected other specialists (Carraro and Bondioli & Pavesi) that are smaller in size (<Eu800mn FY22 revenues) with a lower number of production plants and covering only few similar products: **2) Carraro:** Specialist in axles and e-mobility solutions, the company was listed in the Italian MTA index till 2021 when has been delisted by the family/main shareholders (at c. 8x FY21 EV/EBITDA). Carraro also produces tractors for third-part brands. The group made ca. 40% of sales in agriculture and construction equipment, respectively, while 20% is made through other segments like automotive, etc. The group generated Eu762mn sales in FY22 and counts 7 production plants. **3) Bondioli & Pavesi:** Italian player active in gearboxes and driveshafts with strong exposure to Agriculture segment. The group generates around Eu300mn and counts 14 production plants.

- **Large and diversified players** that offer a wide range of products (from mechanical to hydraulic and electronic components), covering several sectors and end-market such as automotive, aerospace, industrial machinery, oil & gas, etc. Within the cluster, **Dana** (Eu9.5bn revenues in FY22; 30% in off-highway segment) is the most similar in terms of products offering (Driveshafts, Planetary drives, axles and e-mobility), also thanks to acquisitions made in the last years (e.g. Oerlikon Drive systems). We also identified the German **ZF Friedrichshafen** (FY22 revenues of Eu43.8bn), which produces and markets a broad type of products and solutions, covering several technologies for the mobility end-market (motion control, automated driving, etc.). The main end-market is automotive, with only 9% of FY22 sales referring to the off-highway segment, where ZF offers primarily axles and e-mobility solutions. Other players include **Bosch Rexroth** (FY22 revenues of Eu7bn), mainly active in gearboxes, planetary drives and e-mobility solutions and the Japanese **Nabtesco** (FY22 revenues of Eu2.2bn) active in planetary drives for AG, CE and wind turbine applications.
- **Vertically integrated OEMs.** We have not considered in our analysis a potential 3rd cluster of large OEMs that are vertically integrated (e.g. FPT Industrial - Iveco and CNHI- which makes mainly engines but also some transmission systems and axles) for the production of powertrain systems and components as these players are gradually shifting to a buy vs make approach. By externalizing the production of components to third parties, they can better focus on the core business and improve economies of scale, inventory management and sharing the R&D effort with the supplier, resulting in a more optimal capital utilization.

An overview of main competitors and their product offering

Comer Industries is within the Off-highway specialists and has a leading position in terms of size/revenues and breath of power transmission products offer

Players	FY22 Revenues	Country	AGRICULTURE					CONSTRUCTION			
			Gearboxes	Driveshafts	Planetary drives	Axles	E-mobility	Driveshafts	Planetary drives	Axles	E-mobility
Comer Industries	1,238	Italy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Off-highway specialists											
Bonfiglioli*	1,234	Italy			✓				✓		
Carraro	762	Italy				✓	✓			✓	✓
Bondioli & Pavesi	ca. 300	Italy	✓	✓				✓			
Diversified players											
ZF Friedrichshafen	43,801	Germany				✓	✓				✓
Dana	9,486	USA		✓	✓	✓	✓	✓	✓	✓	✓
Bosch Rexroth	7,000	Germany	✓		✓		✓		✓		✓
Nabtesco	2,233	Japan			✓				✓		

Source: Alantra, * Bonfiglioli activity is mainly exposed to CE and Industrial application with limited presence in AG.

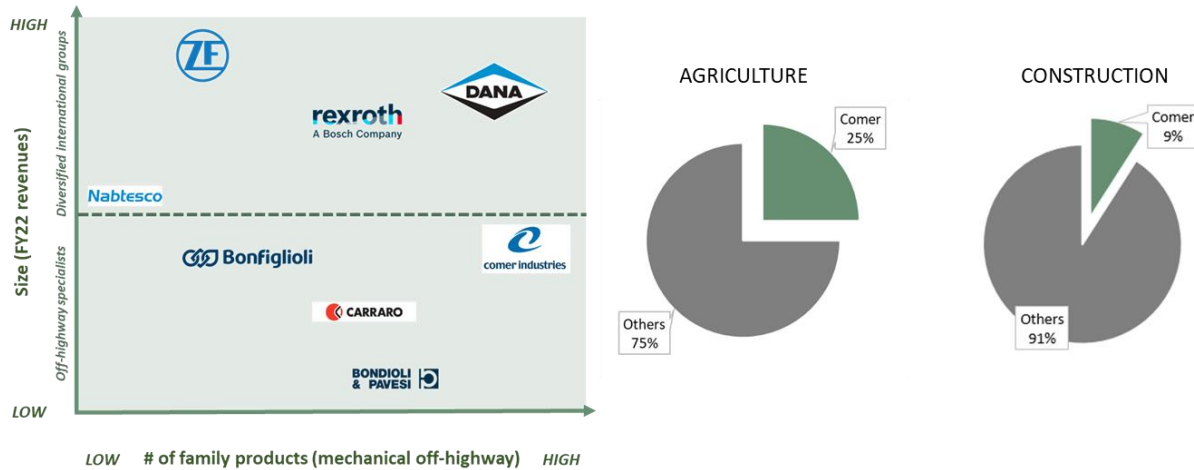
Global leadership in Agriculture, considerable presence in Construction Equipment

All in all, Comer boasts higher size/revenues among the off-highway specialists (similar only to Bonfiglioli) with a more comprehensive offer when comes to powertrain and transmission mechanics, covering several needs

of agriculture and construction equipment market. We believe that Comer has reached a leadership positioning in AG and relevant presence in CE market worldwide. Indeed, if we consider the global addressable market in AG and CE stated in recent Company presentations (around Eu3bn and Eu5bn respectively for AG and CE) we can derive a global market share of Comer in the region of 25% in agriculture and around 9% in construction equipment market.

The competitive arena (lhs) and global estimated Comer's market share (rhs, %)

Comer boasts higher size/revenues among the off-highway specialists and a more comprehensive offer



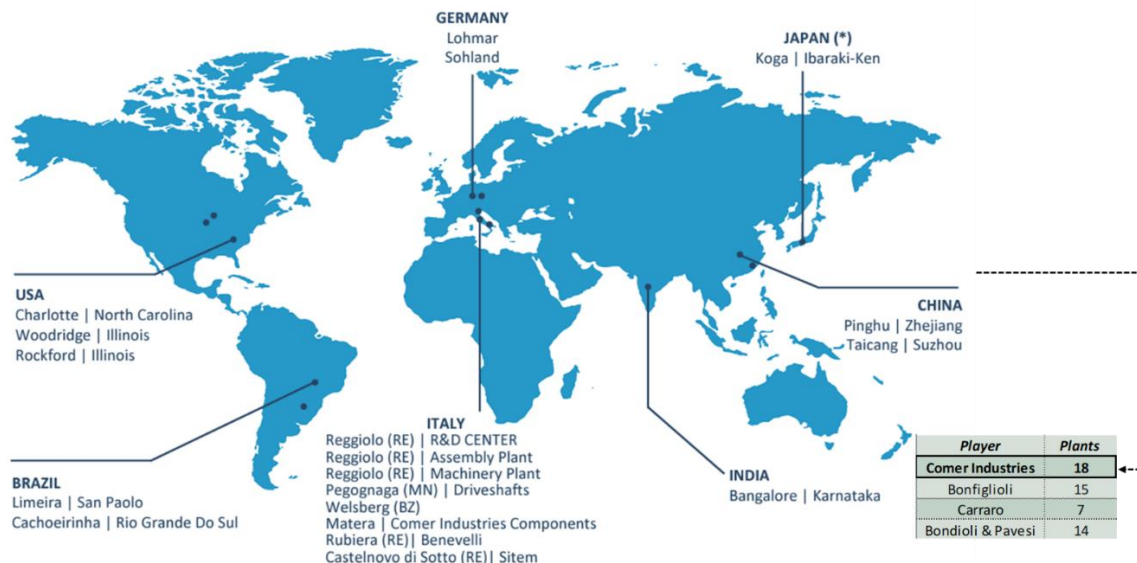
Source: Alantra on Company presentation

A capillary presence with a global production footprint is key

Today Comer Industries has reached a global presence with 18 production plants across the globe. We believe that with the ongoing near-shoring, buy vs make choices from OEMs and supply chain constraints, the capillary presence of state-of-art production plants is a strong competitive edge. Within the off-highway specialists, Comer can count a higher number of plants, followed by Bonfiglioli (with ca 15 plants), Bondioli & Pavesi (14) and Carraro (7).

A global footprint as strong competitive edge

Withing the off-highway specialists, Comer counts on a higher number of plants, followed by Bonfiglioli (with ca 15 plants), Bondioli & Pavesi (14) and Carraro (7).



Source: Alantra, Company presentation; *Presence in Japan through a JV

Significant barriers to entry protect from potential newcomers

We believe that the group’s competitive advantages are shield from strong entry barriers that protect from potential newcomers, primarily due to the presence of:

Established track record in the field with brand recognition: Since 1970, Comer acts as tier 1 supplier of mission critical transmission systems to leading off-highways OEMs with an unmatched track-record. This has led Comer to be recognized as top-tier supplier with best-of-breed solutions, creating a legacy with major customers worldwide.

Long-lasting relationship due to *co-makership* agreements with major OEMs. Most of the products are co-engineered together with customers and then homologated following the lifetime of the vehicle (usually 5-7 years), thus creating a long and established relationship with customers and implying high switching costs.

A capillary presence of state-of-art production plants. Comer has a capillary production footprint, boasting a global outreach. This allows the group to increase proximity to customers, reducing their time-to-market and promptly react to customers production peaks. We believe that a global production footprint is hard to replicate.

High degree of engineering and specialization. Despite part of R&D and sometimes engineering process is shared with customers, the reference products are key components for the machine operations, thus it requires a high level of specialization, know-how and skills. Moreover, Comer Industries provide the testing and validation of its components, guaranteeing a high-quality supply with low risk of components damage.

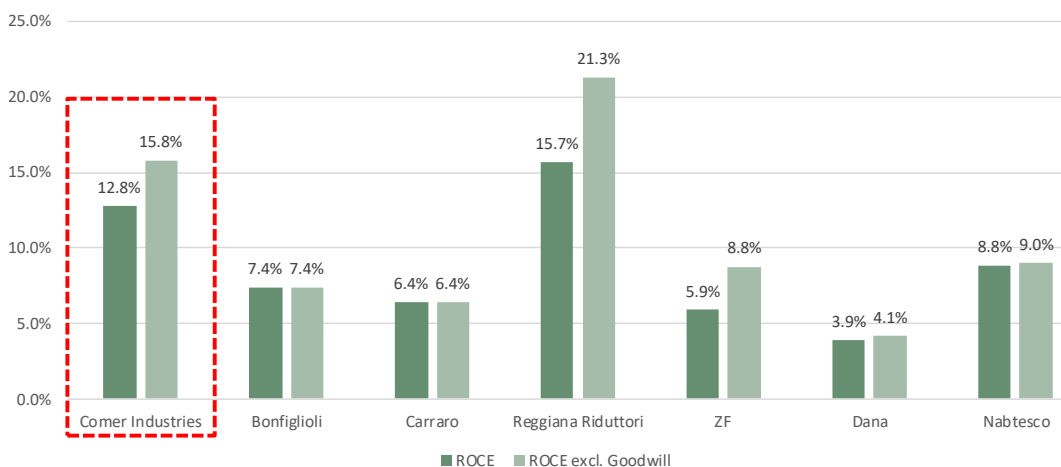
Strict requirements from OEMs. The groups respond to strict requirements from major OEMs in terms of quality and efficiency over the supply chain. Quick response capabilities, extensive internal logistic operations and a network of distribution facilities are necessary to rapidly meet specific customers’ requirements, as well as to deliver the customer’s unique product efficiently and promptly at its desired location. This is also thanks to group’s ability to maintain long-lasting and strategic partnerships with suppliers.

A leading position reflected into a double-digit ROCE

We believe that the competitive positioning of Comer Industries is well-summarized by its double-digit ROCE of 12.8%, above the average of its main competitors (8%). This is driven mainly by higher profitability (also thanks to pricing power), which we believe is tied also to the strong pricing power of the group.

Comer’s competitive positioning is summarized by a remarkable ROCE (FY22)

The competitive positioning of Comer Industries is well summarized by its double-digit ROCE of 12.8% (15.8% excl. goodwill) in FY22, higher than the average of peers of 8% (9.5%).



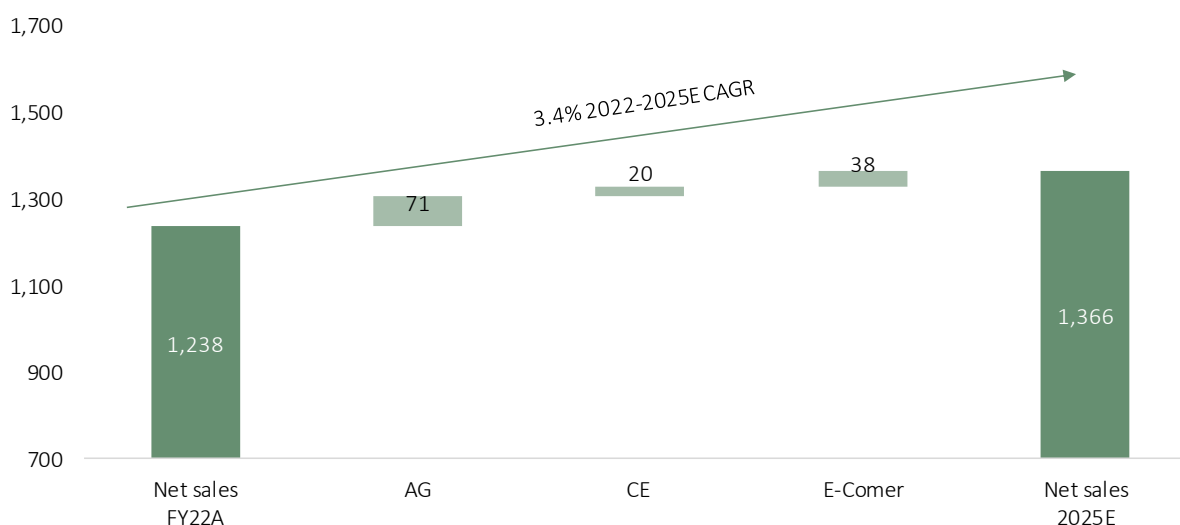
Source: Alantra; Companies financial statements, NOTE: ROCE is defined as: $\text{Adj. EBIT} \times (1 - \text{Norm. Tax Rate}) / (\text{Fixed Assets} + \text{NWC})$.

Focus on market share gains and new technologies

We believe that Comer Industries should consolidate its leadership positioning in the Agriculture segment and increase its market share in the Construction Equipment market. Both can be pursued organically (increase in share of wallets, new OEM clients and expansion into relatively new regions with limited presence) and by M&A. We expect the group to gain further market shares by pivoting on its global footprint, a strong value proposition in the current context characterized by the outsourcing trend from major OEMs, shifting Comer's role from sole supplier to partner of choice. On the M&A side, the group can add new technologies (e.g. hydraulic), to replicate the Benevelli-Sitem deal's rationale, which allowed the group to expand and diversifying further the portfolio of products and end-market applications. Indeed, the entrance in the electrified equipment field opened to new market opportunities and allows Comer to reap the benefits stemming from mounting interests of electrification in the off-highway vehicles. Also, M&A can be an accelerator to increase presence where is limited (e.g. USA) or enter into new strategic regions with high growth prospects like emerging markets (e.g. APAC), where the "local for local" approach should facilitate a smoother penetration.

FY22-25E sales bridge (Eumn)

We expect 3.4% 2022A-25E top line CAGR. New geographies, technologies and M&A are strong upside potentials



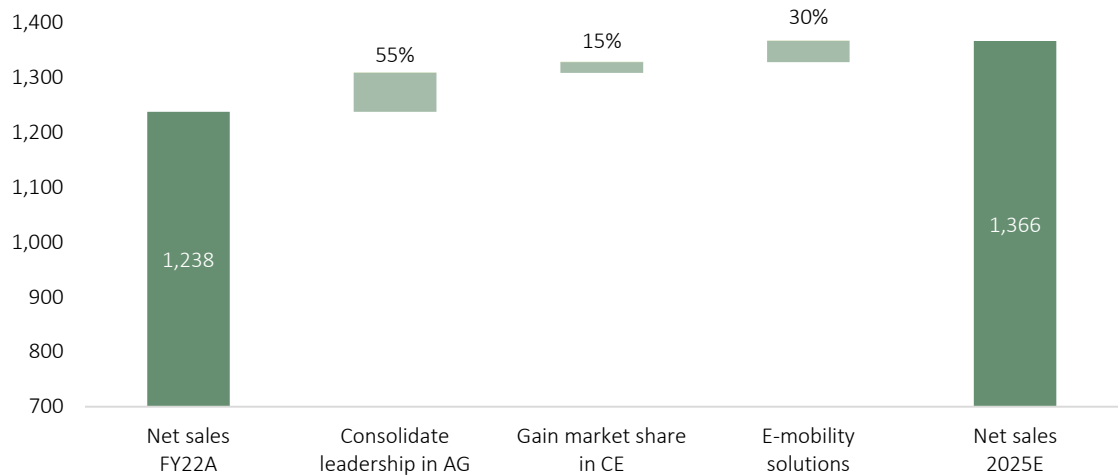
Source: Company data, Alantra estimates

Consolidate leadership in AG, gain market share in CE and e-products

We believe that Comer Industries should continue to strength its leading positioning in the agriculture segment while expanding its market share in the construction equipment market. In both cases, the group should target increase in share of wallets of existing clients and add new OEMs. We believe that Comer should also benefit from: 1) the global footprint offering, a strong value proposition for OEMs that are outsourcing procurement of such components and 2) the similarities of products in portfolio across end-market applications (e.g. many products are used in both agriculture and construction equipment). On top of that, the group should reap the benefits stemming from the electrification booming market, especially in CE, pivoting on the recent established E-comer active in e-mobility solutions. On a geographical standpoint, the group should further increase its presence into key regions like USA, APAC, etc.. The WPG acquisition, which entailed production footprint in USA, should be a strong lever.

FY22-25E sales bridge (Eumn)

We estimate that ca 55% of our sales growth FY22-25E is stemming from AG leadership consolidation; 15% from market share gain in CE and 30% from e-mobility solutions sales



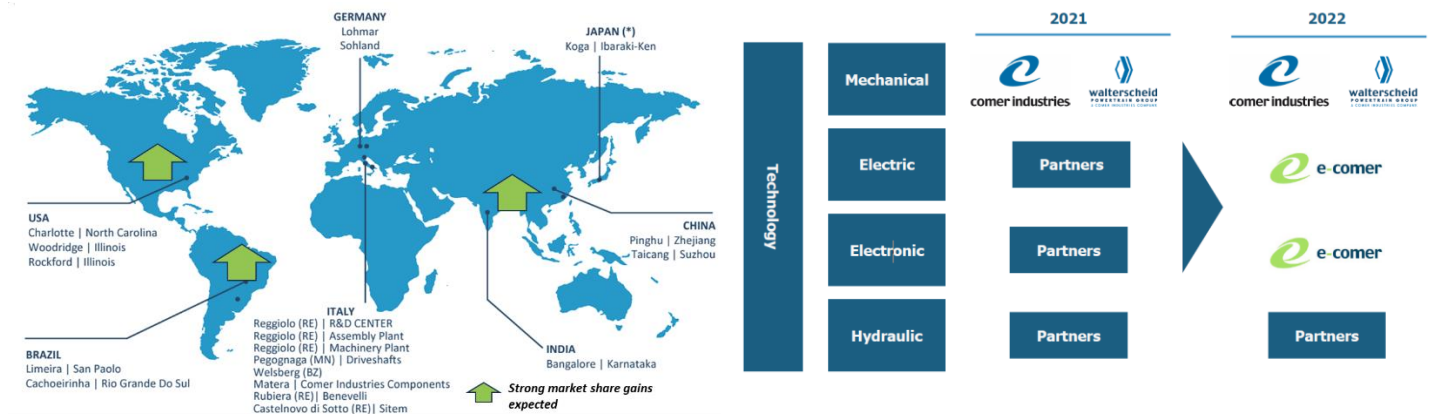
Source: Company data, Alantra estimates

M&A to enter into new strategic regions and enlarge the technology offer

Geographical expansion can also be reached through M&A in order to penetrate emerging markets with high growth prospects (e.g. APAC). The entrance in such regions would lower entry barriers as they are characterized by a “local for local” approach. We believe that the group should also expand its product offering through M&A, adding new technologies (e.g. Hydraulic) on top of the current products based on mechanical and electric features, increasing complementarity across components. Both reasons could represent an upside potential to our investment thesis.

Increase presence in strategic regions and add new technologies

Geographical expansion can also be reached through M&A as well as new technologies (Hydraulic)



Source: Company data, Alantra; * Presence in Japan through a JV

Exploiting untapped growth potential in the electric field

The group has already proven to add new products technology via M&A with the acquisition of Benevelli-Sitem. This allowed Comer Industries to enter into a new strategic sector, purchasing know-how and add diversification to its portfolio of products and applications. We believe that the integration set the group to reap the benefits from the electrification wave that is embracing off-highway vehicles, especially in construction equipment market, with pipeline of EVs from major OEMs taking-off. According to IDTechEX, an independent

market research firm, the penetration of this equipment should reach around 20% in the next five years, with estimated e-suppliers addressable market of \$2.5bn in 5 years.

Electrification is gaining momentum in many applications

We believe that the integration set the group to reap the benefits from the electrification wave that is embracing off-highway vehicles and many other applications

Electrification of Mini-Excavators

Main OEM Brands: Mini Excavators				
Production		Prototype		

- Construction machines are responsible for around 1% of global CO₂ emission
- Most manufacturers (especially in the US and EU), started focusing on compact construction equipment as lower size/weight ask for less energy need
- The pipeline of electric version launches is gradually taking-off with penetration of this equipment that is set to reach c.20% in the next five years⁽¹⁾
- Estimated Off-highway solutions addressable market for e-suppliers to reach USD 2.5bn in five years times⁽¹⁾

E-Farming & Constructions



E-Mobility



Marine & Military



Leisure & Luxury



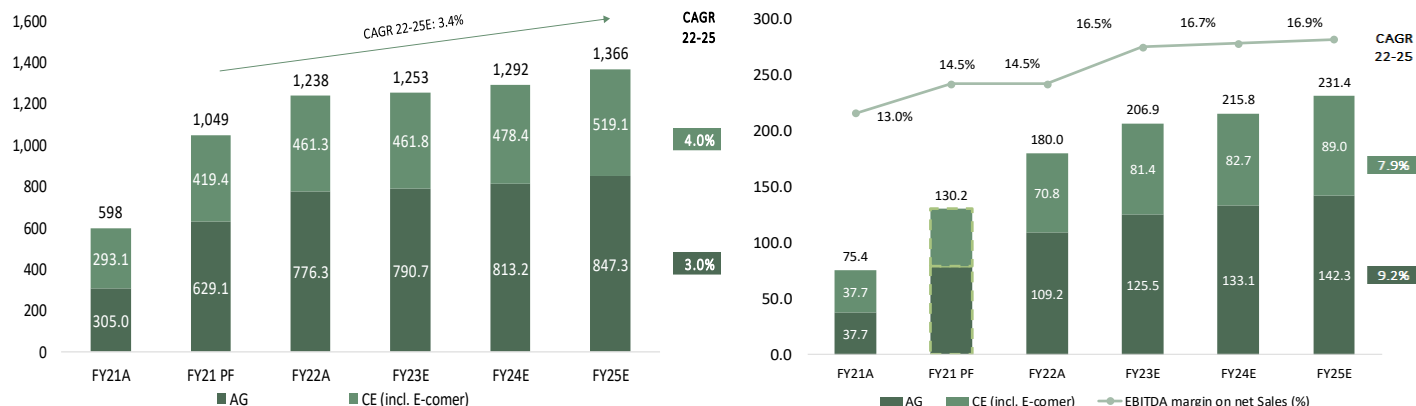
Source: Company presentation

3.4% FY22-25E CAGR of sales and 8.7% of EBITDA

Comer Industries has experienced a remarkable net sales growth (+26% 2016-22 CAGR; +13% organic), expanding further its global leadership in agriculture machines and growing in construction equipment market. The transformational and value accretive acquisition of WPG in 2021 has accelerated the trend (which has almost doubled sales). We believe that despite the challenging context in the short-term, the group is well-positioned to maintain its leadership in AG (+3.0% sales FY22-25E CAGR), thanks to new products, increase in share of wallets from major OEMs and further international expansion. As the group's positioning in CE lags compared to AG, we expect Comer's market share gains in construction equipment to be relevant in the coming years (+4.0% FY23-25E CAGR, including E-comer business), also thanks to a strong, but limited yet, increase in share of wallets. All in all, we expect Comer to post a +3.4% FY22-25E CAGR in net sales. EBITDA should climb by +8.7% FY22-25E CAGR to Eu231.4mn, with EBITDA margin jumping from 14.5% on net sales in FY22A to 16.9% in FY25E. The gain in profitability is stemming from confirmation of the proven group's pricing power, operating leverage and by additional costs synergies from WPG integration (not fully exploited yet). Adj. EBIT and adj. net profit (net of PPA adj.) should land in the region of Eu183mn/13.4% margin and Eu126mn/9.2%.

Net Sales by division (lhs) and EBITDA (rhs) evolution (FY21-25E, Eu mn)

We expect Comer to post a +3.4% FY22-25E CAGR in net sales. EBITDA should climb by +8.7% FY22-25E CAGR to Eu231.4mn



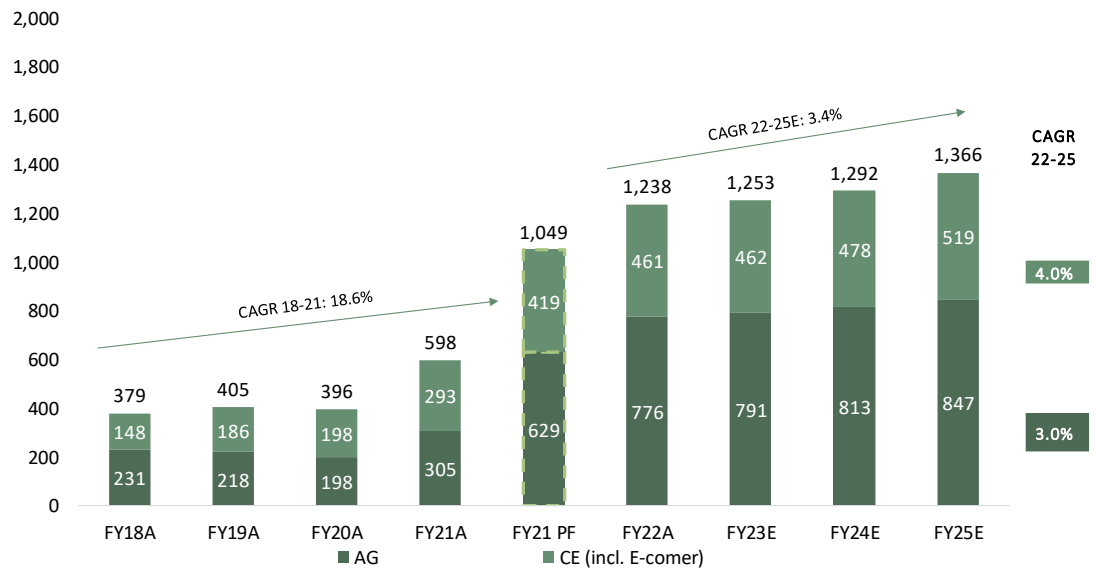
Source: Company data, Alantra estimates

3.4% FY22-25E CAGR of sales mainly driven by AG market share gains

The group has posted a strong double-digit growth in the past with 2016-22 CAGR of organic sales of 13%. The jump in revenues in 2021 and 2022 is linked to the WPG acquisition, which has almost doubled revenues. We believe that despite the challenging context in the short-term (we expect some headwinds in the next quarter due to a prolonged destocking effect), the group should maintain its leadership positioning in AG (+3.0% sales FY22-25E CAGR), thanks to new products, increase in share of wallets from major OEMs and further international expansion. As market share in CE lags compared to AG, we expect Comer's market share gains in this sector to be relevant in the coming years (+4.0% FY23-25E CAGR, including E-Comer), also thanks to a strong, but limited yet, increase in share of wallet. All in all, we expect Comer to post a +3.4% FY22-25E CAGR in net sales.

Sales evolution (Eu mn) by division (2018-25E)

All in all, we expect Comer to post a +3.4% FY22-25E CAGR in net sales.



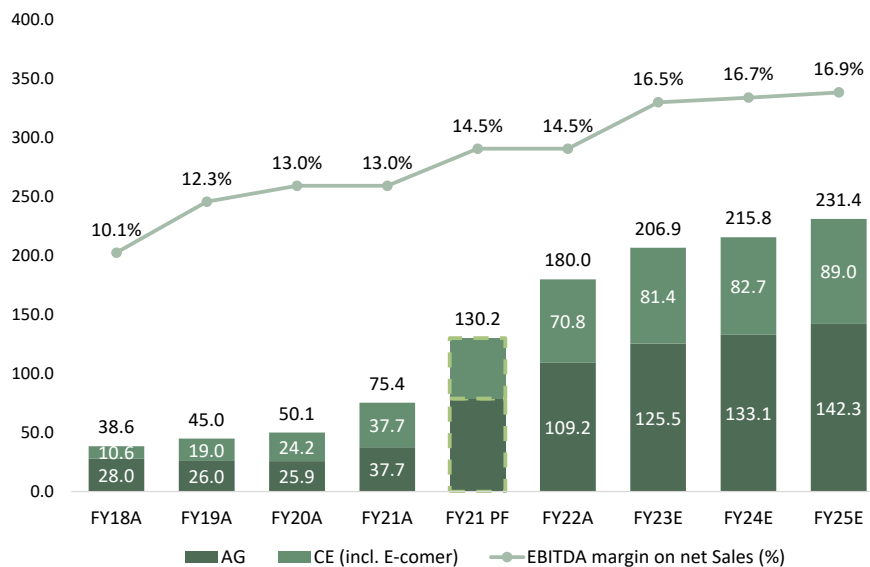
Source: Company data, Alantra estimates

EBITDA margin should improve to 16.9% in 2025E

Historically, Comer has been able to deliver sequential EBITDA margin improvements, except in 2021, when EBITDA margin remained stable at 13%, despite COVID-19 outbreak and supply chain constraints, showing resiliency. We believe that the healthy expansion in margins is stemming from the groups' unique positioning in the competitive landscape with a good pricing power despite serving OEMs. As such, we expect EBITDA to climb by +8.7% FY22-25E CAGR to Eu231.4mn, with EBITDA margin jumping from 14.5% on net sales in FY22A to 16.9% in FY25E. The gain in profitability is stemming also from additional costs synergies from WPG integration (not fully exploited yet), with benefits from production efficiencies and higher operating leverage.

EBITDA evolution (Eu mn) by division (2018-25E)

We expect EBITDA to climb by +8.7% FY22-25E CAGR to Eu231.4mn with EBITDA margin reaching 16.9% in FY25E.



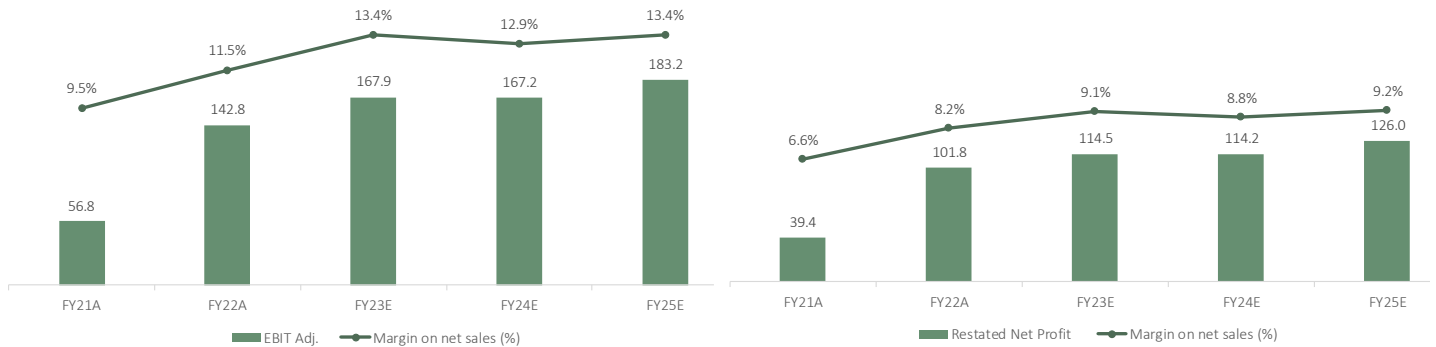
Source: Company data, Alantra estimates

Adj. EBIT and net Profit margin of respectively 8.7% and 10.3% in 25E

Adj. EBIT and adj. net profit (net of the PPA amortization impact from WPG acquisition) should land in the region of Eu183mn/13.4% margin (+8.7% FY22-25E CAGR) and Eu126mn/9.2% margin (+7.4% FY22-25E CAGR), respectively.

Adj. EBIT (lhs), restated net profit (rhs) FY20-25E (Eu mn)

Adj. EBIT and adj. net profit should land in the region of Eu183mn/13.4% margin and Eu126mn/9.2% margin, respectively



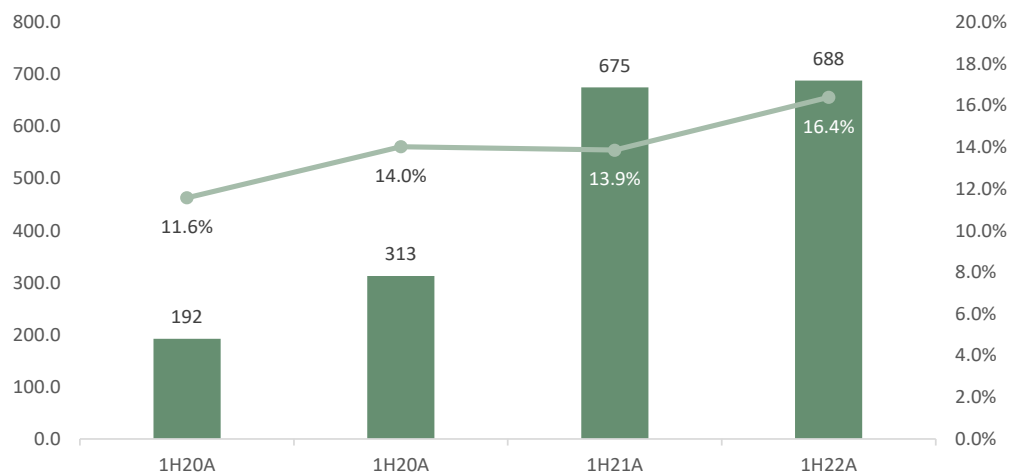
Source: Company data, Alantra estimates xx

1H23 results witnessed profitability expansion

Comer industries reported a solid set of 1H23 results in a normalizing environment with a strong EBITDA margin expansion (+210bps vs. 1H22), mainly thanks to 2Q23 record EBITDA margin level (17.4% on sales).

Interim total revenues (Eumn) and EBITDA margin (%)

The group reported a strong EBITDA margin expansion (+210bps yoy), thanks to 2Q23 record EBITDA margin level of 17.4%



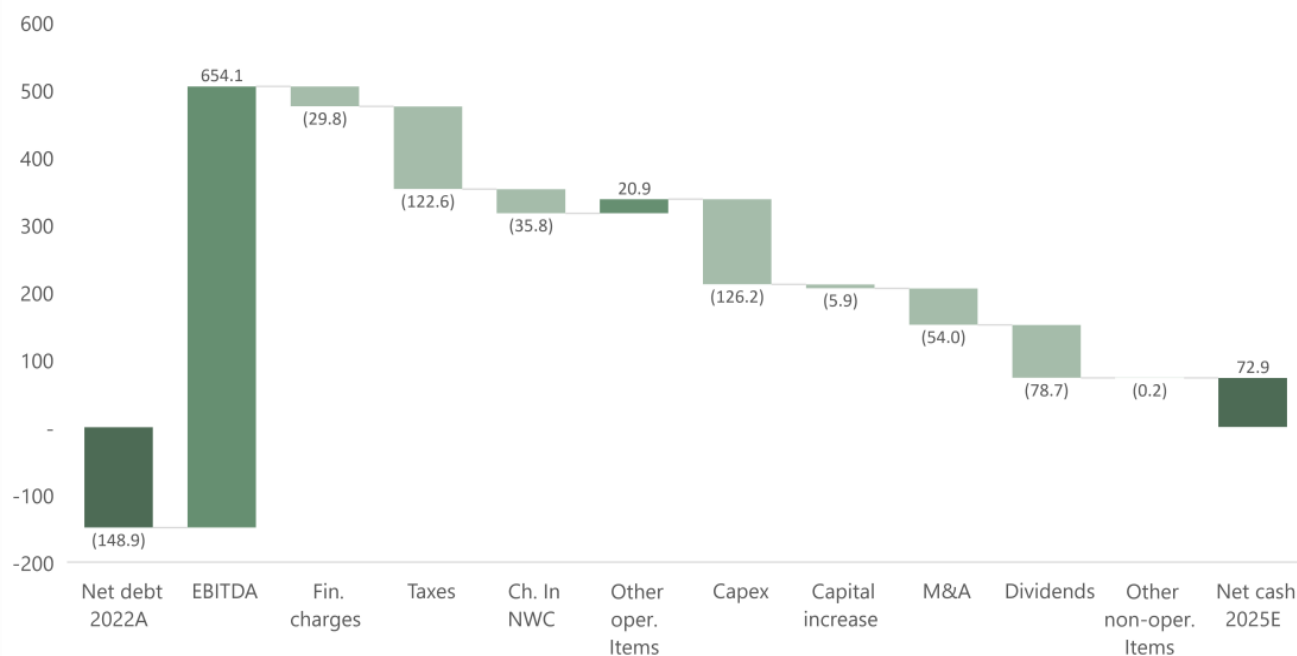
Source: Company data

Solid BS, FCF generation and M&A firepower

While the business is fixed asset intensive (Comer's fixed assets/revenues at 48% in 2022), the group boasts a diligent NWC management with NWC/sales weighing only 19% on average 2019-22A, also thanks to group's effort in managing inventories (average DOI > 90 days FY19-22). Capex, which includes R&D and maintenance, stood at around 3% of sales on historical average. The combination of tight NWC dynamics and above industry profitability, makes Comer a high cash generative profile (2019-22 average FCF/EBITDA of 50%). We expect NWC/sales to remain in line with past figures (average FY23-25E NWC/sales of c. 17%) as well as Capex/sales ratios (average FY23-25E at 3.2%). All in all, FCF/EBITDA conversion should exceed a yearly 55% in the forecasted period, mainly driven by operational profitability expansion. This should lead to a fast deleveraging with net cash position by 25E of Eu73mn (FY22 net debt/EBITDA of 0.8x down to 0.1x in FY24E), despite considering an average dividend pay-out of 26% for the forecasted period (vs. 34% in 2022). The combination of sustainable level of fixed assets and double-digit EBIT margin should deliver an uplift in ROCE from current 13% to c. 16% in FY25E. We believe that M&A, while not included in our estimates, should be instrumental in enhancing the groups' growth path. Assuming a conservative target leverage of 1.5x Net Debt / EBITDA and acquisitions at 5x EV/EBITDA, we estimate an M&A firepower of Eu324mn.

2022-25E Net cash bridge

We expect a fast deleveraging with net cash position by 25E of Eu73mn (FY22 net debt/EBITDA of 0.8x down to 0.1x in FY24E), despite considering an average dividend pay-out of 26% for the forecasted period (vs. 36% in 2022).



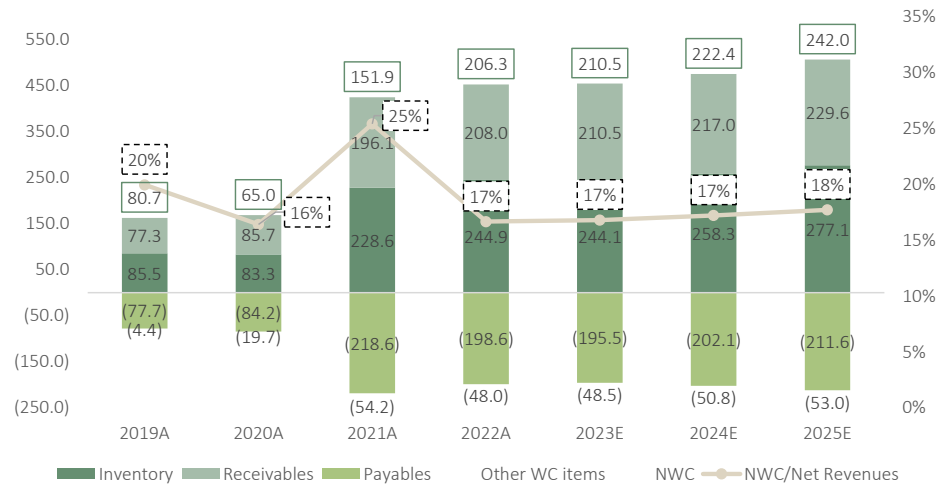
Source: Company data, Alantra estimates

NWC well under control (17% of sales) with capex at 3.2% of sales

While the business is fixed asset intensive (Comer's fixed assets/revenues at 48% in 2022), the group boasts a diligent NWC management with NWC/sales weighing only 19% on average 2019-22A, also thanks to group's effort in managing inventories (average DOI > 90 days FY19-22). We expect NWC/sales to remain in line with past figures (average FY23-25E NWC/sales of c. 17%).

Healthy NWC level (Eumn, FY19-25E) and NWC/sales ratio (%)

We expect NWC/sales to remain in line with past figures (average FY23-25E NWC/sales of c. 17%)

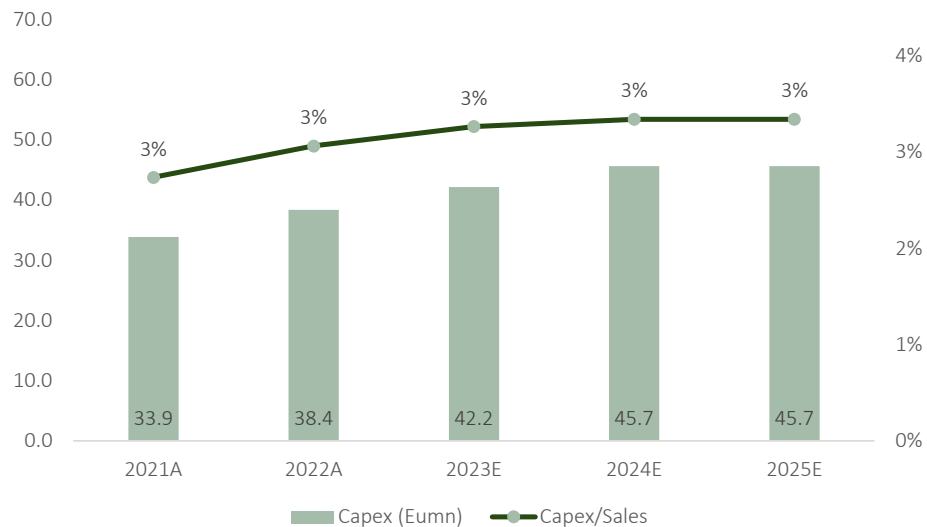


Source: Company data, Alantra estimates

We foresee capex, which includes R&D and maintenance, to reach Eu45.7mn in FY25 from Eu33.9mn, with capex/sales stable at around 3%.

Stable capex/sales projections (FY21-25E; %)

We expect capex/sales to remain at ca. 3% of sales



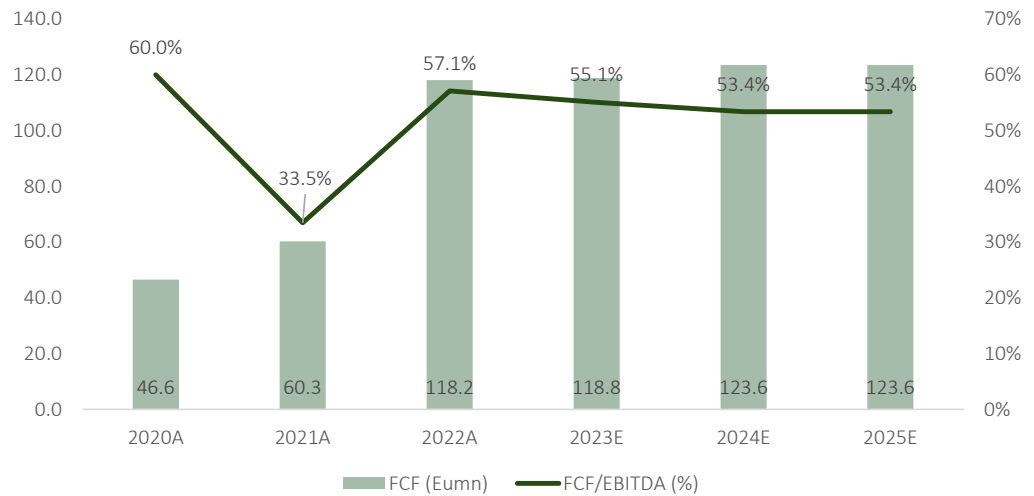
Source: Company data, Alantra estimates

Strong FCF generation is set to continue...

The combination of light NWC dynamics and above industry profitability, makes Comer a high cash generative profile (2019-22 average FCF/EBITDA of 50%). All in all, we expect Comer to generate Eu361mn of cash in the forecasted period, with FCF/EBITDA conversion expected to exceed 55% on average in the forecasted period, mainly thanks to operational profitability expansion.

Strong FCF (Eu mn, FY20-25E) and EBITDA conversion (%)

We expect Comer to generate Eu361mn of cash in the forecasted period, with FCF/EBITDA conversion expected to exceed 55%



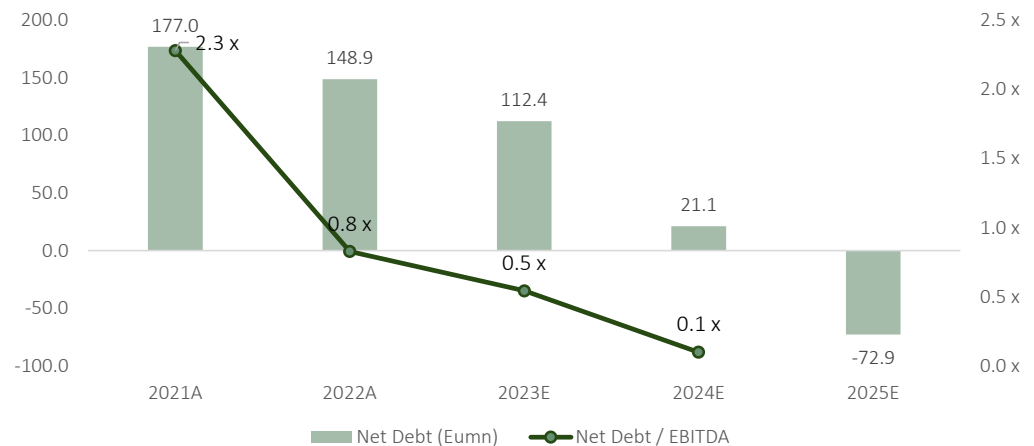
Source: Company data, Alantra estimates

...as well as fast deleveraging with net cash position by 25E...

We expect the group should experience a fast deleveraging with net cash position by 25E of Eu73mn (FY22 net debt/EBITDA of 0.8x down to 0.1x in FY24E), despite considering an average dividend pay-out of 26% for the forecasted period (vs. 34% in 2022).

Net Debt (Eu mn) and Net Debt/EBITDA (x) in FY21-25E

Fast delevering expected with net cash position in FY25E of Eu73mn



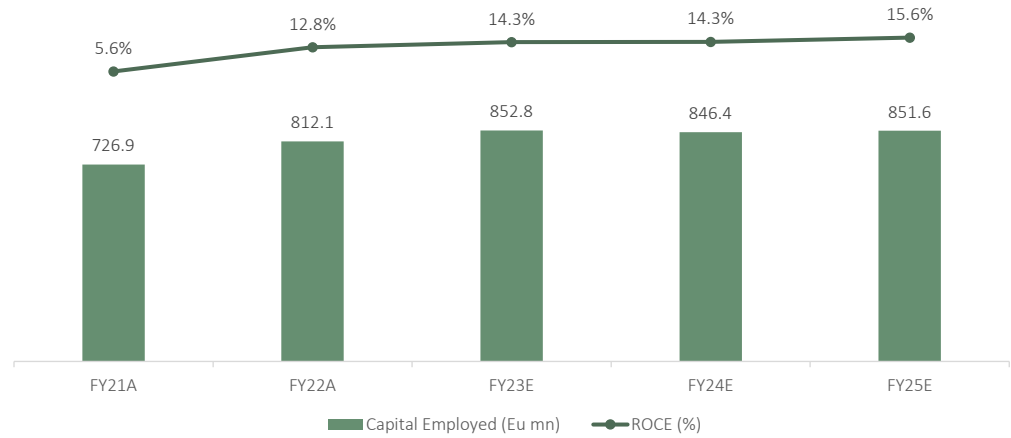
Source: Company data, Alantra estimates

...Triggering further ROCE expansion to ca. 16% by 2025

We believe that the group has already a very attractive ROCE of 13% that well summarizes its competitive positioning with profitability above industry standards. However, additional synergies stemming from WPG should kicks in in the coming years, uplifting ROCE to c. 16% in FY25E.

Capital Employed (Eumn) and ROCE (%)

Attractive ROCE should further expand to c. 16%



Source: Company data, Alantra estimates

>Eu300mn of M&A firepower

We think that M&A should be instrumental in enhancing the groups' growth path. Assuming a conservative target leverage of 1.5x Net Debt / EBITDA and acquisitions at 5x EV/EBITDA, we estimate an M&A firepower of Eu324mn based on our FY24E figures.

M&A firepower

Assuming a target leverage of 1.5x Net Debt / EBITDA and acquisitions at 5x EV/EBITDA, we estimate Eu324mn of M&A firepower

	Acquisition multiple (EV/EBITDA)				
	3.0x	4.0x	5.0x	6.0x	7.0x
EBITDA of the target 2024 - Eu mn	107.9	80.9	64.8	54.0	46.3
Additional Debt (Deals 100% financed with debt) 2024 - Eu mn			323.8		
Target Net Debt/EBITDA for acquisition	1.5x				

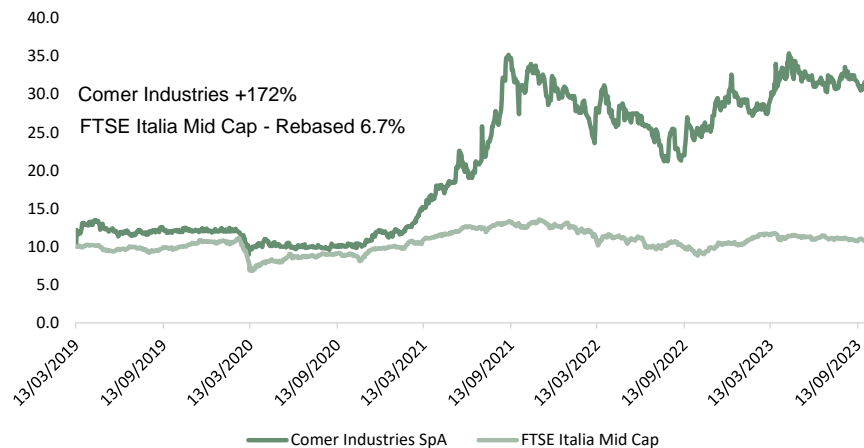
Source: Alantra estimates

Valuation: TP of Eu45.0/share

Listed in March 2019, Comer Industries' stock price is up 172% from IPO, overperforming the FTSE Italian Mid Cap index (+7%). We believe that no direct listed comparable is available. However, to have a valuation benchmark, we have looked at multiples of components manufacturers with a certain exposure in the AG and CE sectors. We prefer to look at EV/EBIT multiples instead of P/E, as the latter is biased by financial leverage. Comer Industries trades at c. 30% discount versus peers on 2024-25E EV/EBIT of 6.6x-5.5x, despite showing similar margins projections and growth rates. We also showed multiples of major OEMs in AG and CE, but not including them in our valuation due to differences in business model. The delisting of the peer Carraro (2021 at FY1 EV/EBITDA of ca. 8x) can also be considered as a valuation reference. We believe that the DCF methodology is a better approach to capture the quality profile of the group (e.g. attractive ROIC, profitability, FCF, etc.). In our DCF valuation we assume 5 years of estimates, with 10.9% WACC and 2.0% terminal growth rate. We think that investors should consider that while multiples are less reliable due to low comparability, they incorporate current macroeconomic cycles. On the other hand, the DCF is a more appropriate method to highlight the cash-generative potential of the group. As such, we set a TP of Eu45.0/share based on the weighted average of 2024E-25E EV/EBIT of selected peers with 30% weight and DCF with 70% weight.

Market performance since IPO

Comer Industries is up 172% from IPO, outperforming the FTSE Italia Mid Cap (+7%).



Source: Factset, Alantra

Valuation approach based on multiples of peers

We believe that Comer Industries do not have direct listed comparable. However, we have selected a panel of peers that produces components and parts with some exposure in the agriculture and construction equipment end markets (Off-highway Components Manufacturers). The group entails Interpump, Dana Incorporated, Bucher Industries and Regal Rexnord. We highlight that peers' core business differs from that of Comer Industries, with similarities in terms of products and applications being the minority of the activity. On top of that we show as a reference, multiples of major OEMs in the agriculture and construction equipment market (CNHI, AGCO, Jhon Deere and Caterpillar). Last, we believe that the delisting of Carraro in 2021, made at ca. 8x EV/EBITDA FY21, can also be considered as a good valuation-wise proxy.

1. Off-highway Components Manufacturers. We have selected manufacturers of components and parts that are exposed to the off-highway sector. While core products of these players differ compared to Comer Industries, the panel offer exposure to similar reference market cycles and boasts homogeneous business model. Interpump's core product for instance, entail hydraulic parts with several applications across multiple end markets. The same is for the US-based Regal Rexnord. Dana Incorporated can be considered the closer

player among the cluster in terms of product and market exposure, with about 30% of FY22 revenues (i.e. ca. Eu9.5mn) is related to off-highway segment. However, the group is a large conglomerate with exposure mainly to light and commercial vehicles. Last, Bucher Industries has c. 40% of the business in AG tools and machineries, the remaining part is highly heterogeneous (e.g. Hydraulics, Municipal vehicles, automated machines, etc.). All these players are larger and more geographically diversified.

2. **Off-highway OEMs.** We show as a reference, a cluster of major OEMs (and Comer's customers) in agriculture and construction equipment markets (CNHI, AGCO, Jhon Deere and Caterpillar). While not including them in our valuation methodology due to differences in business model, they offer an indication of the current reference market cycle stage.

Peers – Company description

We selected a panel of components manufacturers. We also show a panel of main OEMs in AG and CE as a reference.

Company	Country	Mkt Cap (Eu mn)	Company Description
Off-Highway Components Manufacturers			
Interpump Group S.p.A.	ITALY	4,738	Interpump Group SpA is engaged in manufacturing of piston pumps and hydraulic products. It operates through the Water Jetting and Hydraulic segments. The company was founded by Fulvio Montipò in 1977 and is headquartered in Sant'Illario d'Enza, Italy.
Dana Incorporated	UNITED STATES	1,841	Dana, Inc. engages in the manufacture, distribution, and sale of technology drive and motion products, sealing solutions, thermal-management technologies, and fluid-power products. It operates through the following segments: Light Vehicle, Commercial Vehicle, Off-Highway, and Power Technologies. The company was founded by Clarence W. Spicer on April 1, 1904 and is headquartered in Maumee, OH.
Bucher Industries AG	SWITZERLAND	3,692	Bucher Industries AG engages in the manufacture and distribution of agricultural machinery and vehicles. It operates through the following business segments: Kuhn Group, Bucher Municipal, Bucher Hydraulics, Bucher Emhart Glass, and Bucher Specials. The Kuhn Group segment consists of agricultural machinery for tillage, seeding, etc.. The Municipal segment supplies municipal vehicles. The Hydraulics segment offers pumps, motors, valves and control systems. The Bucher Emhart Glass segment includes automated inspection machinery for the glass container industry. The Specials segment comprises machinery and equipment for winemaking. The company was founded in 1807 and is headquartered in Niederweningen, Switzerland.
Regal Rexnord Corporation	UNITED STATES	8,471	Regal Rexnord Corp. engages in the manufacture of electric motors, motion controls, power generation, and power transmission products. It operates through the following segments: Commercial Systems, Industrial Systems, Climate Solutions, and Power Transmission Solutions. The Commercial Systems segment produces fractional to 5 horsepower AC and DC motors, electric variable speed controls, fans, and blowers for commercial applications. The Industrial Systems segment produces integral motors, generators, alternators, etc. The Climate Solutions segment offers small motors and air moving solutions. The Power Transmission Solutions segment manufactures and sells belt and chain drives, worm gearing, etc.. Founded in 1955 and headquartered in Beloit, WI.
Off-highway OEMs			
CNH Industrial NV	UNITED STATES	15,031	CNH Industrial NV is an equipment and services company, which develops, manufactures and sells specialized machines and services for the farming and construction industries, and supplies replacement parts and accessories. It operates through two main segments: Agriculture and Construction. The Agriculture segment designs, manufactures, and distributes a full line of farm machinery. The Construction segment comprises of a full line of construction equipment including excavators, crawler dozers, graders, wheel loaders, etc. The company was founded in 1866 and is headquartered in London, UK.
Deere & Company	UNITED STATES	104,303	Deere & Co. engages in the manufacture and distribution of equipment used in agriculture, construction, forestry, and turf care. It operates through the following segments: Agriculture and Turf and Construction and Forestry. The Agriculture and Turf segment focuses on the distribution and manufacture of a full line of agriculture and turf equipment and related service parts. The Construction and Forestry segment offers machines and service parts used in construction, earthmoving, road building, material handling and timber harvesting. The company was founded by John Deere in 1837 and is headquartered in Moline, IL.
AGCO Corporation	UNITED STATES	8,571	AGCO Corp. engages in the manufacture and distribution of agricultural equipment and related replacement parts. It operates through the following geographic segments: North America, South America, Europe and Middle East, and Asia, Pacific, and Africa. The firm's products include tractors, combines, self-propelled sprayers, hay tools, forage equipment, seeding and tillage equipment, implements, and grain storage and protein production systems. The company was founded by Robert J. Ratliff in 1990 and is headquartered in Duluth, GA.
Caterpillar Inc.	UNITED STATES	130,301	Caterpillar, Inc. engages in the manufacture of construction and mining equipment, diesel and natural gas engines, industrial gas turbines, and diesel-electric locomotives. The company was founded on April 15, 1925, and is headquartered in Irving, TX.

Source: Factset, Alantra

Despite Comer Industries has a much lower size in terms of market capitalization and revenues, it shows similar profitability projections and growth rates vs the Off-highway Components Manufacturers cluster. This signals again a strong competitive positioning of the group with ability to maintain profitability on the upper bound of industry average. We highlight that the negative CAGR of Bucher Industries across the board is mainly attributable to a weak outlook related the non-comparable divisions (e.g. Municipal vehicles, automated machines, etc.).

Financials – Comer Industries versus selected peers

Despite lower in size, Comer Industries shows similar profitability projections and growth rates with the Off-highway Components Manufacturers cluster

Company	Country	Mkt Cap (Eu mn)	FY23E - FY25E average margins					CAGR FY22A - FY25E				
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	Net profit	
COMER INDUSTRIES S.p.A.	ITALY	766	16.7%	12.2%	8.3%	3.2%	26.2%	3.4%	8.7%	10.3%	9.0%	
PEERS			Average	17.4%	12.6%	8.9%	3.8%	24.6%	5.5%	8.9%	12.5%	21.4%
			Median	18.5%	13.2%	10.2%	4.1%	21.4%	5.7%	10.5%	11.4%	9.7%
Interpump Group S.p.A.	ITALY	4,738	24.3%	19.6%	13.4%	5.1%	11.4%	5.9%	6.7%	7.8%	8.3%	
Dana Incorporated	UNITED STATES	1,841	8.4%	4.6%	1.8%	4.5%	30.7%	5.5%	14.4%	30.5%	70.2%	
Bucher Industries AG	SWITZERLAND	3,692	13.9%	11.3%	8.6%	3.6%	44.3%	-0.7%	-2.3%	-3.4%	-4.1%	
Regal Rexnord Corporation	UNITED STATES	8,471	23.2%	15.1%	11.8%	1.9%	12.1%	11.4%	16.9%	15.0%	11.2%	
Off-Highway Components Manufacturers			Average	17.4%	12.6%	8.9%	3.8%	na	5.5%	8.9%	12.5%	21.4%
			Median	18.5%	13.2%	10.2%	4.1%	na	5.7%	10.5%	11.4%	9.7%
CNH Industrial NV	UNITED STATES	15,031	13.4%	11.8%	9.5%	2.6%	22.5%	0.8%	6.6%	6.5%	5.2%	
Deere & Company	UNITED STATES	104,303	24.3%	22.5%	17.3%	2.7%	15.4%	4.9%	11.5%	9.1%	12.9%	
AGCO Corporation	UNITED STATES	8,571	13.1%	11.4%	7.6%	2.6%	39.6%	5.4%	6.4%	9.1%	6.1%	
Caterpillar Inc.	UNITED STATES	130,301	22.2%	19.2%	14.8%	2.3%	24.8%	6.2%	16.0%	20.4%	16.7%	
Off-highway OEMs			Average	18.2%	16.2%	12.3%	2.5%	25.6%	4.3%	10.2%	11.3%	10.2%
			Median	17.8%	15.5%	12.1%	2.6%	23.7%	5.1%	9.1%	9.1%	9.5%

Source: Factset, Alantra

Comer Industries trades at c. 30% discount versus peers on 2024-25E EV/EBIT of 6.6x-5.5x and >35% discount on PE (7.4x-6.6x) vs Off-highway Components Manufacturers peers, despite showing similar margins projections and growth rates.

Trading multiples

Company	Country	Mkt Cap (Eu mn)	EV/EBITDA			EV/EBIT			PE			EV/Sales			
			FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
COMER INDUSTRIES S.p.A.	ITALY	766	5.4 x	4.8 x	4.1 x	7.4 x	6.6 x	5.5 x	7.6 x	7.4 x	6.6 x	0.9 x	0.8 x	0.7 x	
Premium (discount) to C. Manufacturers' Median			-29%	-35%	-35%	-29%	-27%	-34%	-46%	-38%	-37%	-42%	-42%	-45%	
PEERS			Average	7.2 x	6.8 x	6.5 x	9.1 x	8.5 x	8.1 x	11.7 x	10.8 x	10.1 x	1.4 x	1.3 x	1.3 x
			Median	7.0 x	7.3 x	7.0 x	9.0 x	8.4 x	8.3 x	12.3 x	11.4 x	10.3 x	1.4 x	1.4 x	1.3 x
Interpump Group S.p.A.	ITALY	4,738	9.4 x	8.6 x	7.9 x	11.5 x	10.7 x	9.8 x	15.4 x	14.9 x	13.6 x	2.3 x	2.1 x	1.9 x	
Dana Incorporated	UNITED STATES	1,841	4.5 x	4.1 x	3.5 x	9.2 x	7.2 x	6.0 x	15.0 x	8.7 x	7.4 x	0.4 x	0.3 x	0.3 x	
Bucher Industries AG	SWITZERLAND	3,692	5.7 x	6.0 x	5.6 x	6.8 x	7.5 x	7.0 x	10.3 x	12.6 x	12.1 x	0.8 x	0.8 x	0.8 x	
Regal Rexnord Corporation	UNITED STATES	8,471	10.7 x	9.2 x	7.1 x	15.3 x	12.7 x	10.6 x	13.3 x	11.1 x	9.1 x	2.3 x	1.9 x	1.7 x	
Off-Highway Components Manufacturers			Average	7.6 x	7.0 x	6.0 x	10.7 x	9.5 x	8.3 x	13.5 x	11.8 x	10.5 x	1.4 x	1.3 x	1.2 x
			Median	7.5 x	7.3 x	6.3 x	10.4 x	9.1 x	8.4 x	14.1 x	11.8 x	10.6 x	1.5 x	1.4 x	1.2 x
CNH Industrial NV	UNITED STATES	15,031	4.5 x	4.2 x	6.9 x	5.1 x	4.7 x	7.9 x	6.7 x	6.4 x	7.0 x	0.6 x	0.6 x	1.0 x	
Deere & Company	UNITED STATES	104,303	8.3 x	8.5 x	8.1 x	8.8 x	9.3 x	8.8 x	11.3 x	11.7 x	11.4 x	2.0 x	2.0 x	2.0 x	
AGCO Corporation	UNITED STATES	8,571	4.7 x	4.5 x	4.7 x	5.4 x	5.3 x	5.2 x	7.9 x	8.1 x	8.1 x	0.6 x	0.6 x	0.6 x	
Caterpillar Inc.	UNITED STATES	130,301	9.5 x	8.9 x	8.2 x	10.8 x	10.3 x	9.6 x	13.5 x	12.9 x	12.3 x	2.1 x	2.0 x	1.9 x	
Off-highway OEMs			Average	6.7 x	6.5 x	7.0 x	7.5 x	7.4 x	7.9 x	9.8 x	9.8 x	9.7 x	1.3 x	1.3 x	1.3 x
			Median	6.5 x	6.5 x	7.5 x	7.1 x	7.3 x	8.3 x	9.6 x	9.9 x	9.8 x	1.3 x	1.3 x	1.4 x

Source: Factset, Alantra

We prefer to look at EV/EBIT multiples instead of P/E, as the latter is biased by financial leverage. As such, we derive a valuation of Eu46.0/share. We highlight that valuation through peers multiples has consistency across financials (i.e. valuation stands at c. Eu46 per share on EV/EBITDA/EBIT and Eu47 on PE).

Valuation (Eu mn), using peers' multiples

Using EV/EBIT of the Off-Highway Components Manufacturers, we derive a valuation of Eu46.0/share.

Eu mn	Off-Highway Components Manufacturers		
	FY23E	FY24E	FY25E
EBITDA	206.9	215.8	231.4
EV/EBITDA Peer Group	7.5x	7.3x	6.3x
<i>Premium (Discount)</i>	0%	0%	0%
EV/EBITDA Peer Group after premium (discount)	7.5x	7.3x	6.3x
EV based on multiples	1,559.5	1,583.5	1,466.4
Net Financial Position	(112.4)	(21.1)	72.9
Adjustments	(221.9)	(228.8)	(240.2)
Pre-money Equity Value on EV/EBITDA	1,225	1,334	1,299
Eu Per Share	42.7	46.5	45.3

Eu mn	FY23E	FY24E	FY25E
EBIT	167.9	167.2	183.2
EV/EBIT Peer Group	10.4x	9.1x	8.4x
<i>Premium (Discount)</i>	0%	0%	0%
EV/EBIT Peer Group after premium (discount)	10.4x	9.1x	8.4x
EV based on multiples	1,739.7	1,522.7	1,534.9
Net Financial Position	(112.4)	(21.1)	72.9
Adjustments	(221.9)	(228.8)	(240.2)
Pre-money Equity Value on EV/EBIT	1,405	1,273	1,368
Eu Per Share	49.0	44.4	47.7

Eu mn	FY23E	FY24E	FY25E
Net income	114.5	114.2	126.0
PE Peer Group	14.1x	11.8x	10.6x
<i>Premium (Discount)</i>	0%	0%	0%
P/E Peer Group after premium (discount)	14.1x	11.8x	10.6x
Pre-money Equity Value on P/E	1,618	1,351	1,336
Eu Per Share	56.4	47.1	46.6

Source: Alantra estimates

Valuation based on DCF approach

We believe that the DCF methodology is a better approach to capture the quality profile of the group (e.g. attractive ROIC, profitability, FCF, etc.). In our DCF valuation we assume 5 years of estimates, with 10.9% WACC and 2.0% terminal growth rate. Our DCF suggests a valuation of Eu44.6/share.

DCF Valuation

(Eu mn)	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E	TV
EBITDA		77.6	180.0	206.9	215.8	231.4	237.3	242.0	246.8
taxes on EBIT		(16.0)	(34.9)	(41.3)	(42.5)	(46.9)	(49.5)	(50.5)	(58.1)
Non recurring Cash-out		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NWC Change		2.1	(57.4)	(4.2)	(11.9)	(19.6)	(5.2)	(5.0)	0.0
Capex		(20.9)	(33.9)	(38.4)	(42.2)	(45.7)	(46.6)	(47.5)	(34.6)
Capex/Revenues		-3.5%	-2.7%	-3.1%	-3.3%	-3.3%	-3.3%	-3.3%	-2.5%
Free cash flow		42.8	53.8	122.9	119.2	119.2	136.0	139.0	1,737
Disc. Free Cash Flow		42.8	53.8	121.3	106.1	95.7	98.5	90.8	1,135
Year				0.1	1.1	2.1	3.1	4.1	4.1
Total Disc. FCF									512
Terminal value									1,135
Total EV (Eu mn)									1,647
NFP FY22A									(149)
Adjustments									(219)
TOTAL Equity Value									1,279
# of shares (mn)									28.7
Fair Value per share (Eu)									44.6

Implied multiples	FY22A	FY23E	FY24E	FY25E
EV/ Adj. EBITDA	7.8 x	7.1 x	6.3 x	6.3 x
EV/Adj. EBIT	9.6 x	9.1 x	7.9 x	7.9 x
P/Adj. E	11.2 x	11.2 x	10.2 x	10.2 x

Source: Alantra

Valuation with sensitivity based on DCF

		Wacc				
		10.4%	10.6%	10.9%	11.1%	11.4%
Term. Growth	1.50%	45.3	43.8	42.3	40.9	39.6
	1.75%	46.6	45.0	43.4	42.0	40.6
	2.00%	47.9	46.2	44.6	43.1	41.6
	2.25%	49.3	47.5	45.8	44.3	42.7
	2.50%	50.9	49.0	47.2	45.5	43.9

Source: Alantra

We set a TP of Eu45.0/share based on the weighted average of 2024E-25E EV/EBIT of selected peers with 30% weight and DCF with 70% weight.

Valuation summary - TP of Eu45.0/share

Method	Equity Value		
	(Eu mn)	(Eu per share)	Weight (%)
DCF	1,279	44.6	70%
24-25E EV/EBIT multiples	1,320	46.0	30%
Weighted AVG	1,291	45.0	
N. of shares (mn)			28.678

Source: Alantra

Main risks

We believe that the main risks related to Comer Industries' business can be summarised in the following factors:

Raw material costs volatility. Main raw material costs are related to cast iron and steel. Although contracts with suppliers entail pass cost inflation through clients, this could take some time and have a temporary negative impact on group's profitability.

FX exposure. The group is mainly exposed to USD dollar currency (NAM weighed 21.4% on sales, +6.4% yoy sales growth stemmed from forex effect in FY22). This could affect fluctuations on sales trend if not properly hedged.

Price pressure from OEMs. Most of the sales are generated through the OEM channel. As OEMs are large and global companies, Comer might face price pressure and subsequent reduction in margins. However, the strong group's positioning has proved to have a solid pricing power, with EBITDA margin expanding steadily from 7.1% in 2016 to 14.2% in FY22.

Business cyclicity. The Group's is mainly serving the agriculture (63% of net sales in FY22) and construction machinery industry (37%), sectors strongly subjected to market cycles and economic slowdowns. However, the group is successfully diversifying with the new E-comer division that boasts several end-market applications (e.g. Military, Leisure, etc.).

International trade tariffs. Trade tariffs might represent a risk to Comer business. However, on the back of WPG integration, the group can boast several production plants across the globe serving local markets (e.g. USA).

Dependency on few key people. We believe that the group is highly dependent from few key persons. Mr Matteo Storchi, CEO, plays a very crucial role in our view.

Customers may integrate vertically. Large OEMs might vertically integrate (e.g. FPT Industrial - Iveco and CNHI- which makes mainly engines but also some transmission systems and axles) for the production of powertrain systems and components. However, major OEMs are choosing to externalise production of such components and parts so they can better focus on the core business and improve economies of scale, inventory management and sharing the R&D effort with the supplier, resulting in a more optimal capital utilization.

Appendix

Comer Industries – Revenue breakdown

Eu mn	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenues by Sector										
AGRICULTURE	184.4	215.9	231.4	218.5	198.1	305.0	776.3	790.7	813.2	847.3
YoY Growth		17.1%	7.2%	-5.6%	-9.3%	54.0%	154.5%	1.9%	2.9%	4.2%
% net revenues	60.7%	63.1%	61.0%	54.0%	50.0%	51.0%	62.7%	63.1%	63.0%	62.0%
CONSTRUCTION EQUIPMENT	119.4	126.2	147.7	186.1	198.1	293.1	461.3	461.8	478.4	519.1
YoY Growth		5.7%	17.1%	26.0%	6.4%	47.9%	57.4%	0.1%	3.6%	8.5%
% net revenues	39.3%	36.9%	39.0%	46.0%	50.0%	49.0%	37.3%	36.9%	37.0%	38.0%
Revenues by Geography										
EMEA	182.8	209.1	228.1	218.5	182.3	245.2	694.6	703.1	703.2	703.4
YoY Growth		14.4%	9.1%	-4.2%	-16.6%	34.6%	183.2%	1.2%	0.0%	0.0%
% net revenues	60.2%	61.1%	60.2%	54.0%	46.0%	41.0%	56.1%	56.1%	56.1%	56.2%
APAC	17.6	27.3	44.3	68.8	110.9	191.4	208.8	205.1	198.8	192.5
YoY Growth		55.1%	62.3%	55.3%	61.3%	72.5%	9.1%	-1.8%	-3.1%	-3.2%
% net revenues	5.8%	8.0%	11.7%	17.0%	28.0%	32.0%	16.9%	16.4%	15.9%	15.4%
NAM	91.7	91.8	91.6	93.1	87.2	131.6	265.3	281.0	293.6	312.3
YoY Growth		0.1%	-0.2%	1.6%	-6.3%	51.0%	101.6%	5.9%	4.5%	6.4%
% net revenues	30.2%	26.8%	24.2%	23.0%	22.0%	22.0%	21.4%	22.4%	23.4%	24.9%
LATAM	11.6	13.9	15.0	24.3	15.8	29.9	68.9	63.3	56.9	44.3
YoY Growth		19.0%	8.5%	61.5%	-34.7%	88.7%	130.4%	-8.1%	-10.1%	-22.2%
% net revenues	3.8%	4.1%	4.0%	6.0%	4.0%	5.0%	5.6%	5.1%	4.5%	3.5%

Source: Company data, Alantra estimates

		FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net revenues		303.7	342.1	379.0	404.6	396.2	598.1	1,237.6	1,252.5	1,291.6	1,366.4
	YoY Growth	-7.4%	12.6%	10.8%	6.7%	-2.1%	51.0%	106.9%	1.2%	3.1%	5.8%
	Organic		12.6%	10.8%	6.7%	-2.1%	42.2%	5.6%	-0.8%	0.0%	0.0%
	M&A						8.8%	94.9%	2.0%	0.0%	0.0%
	Inflation										
	Forex							6.4%			
Revenues		308.6	354.0	388.3	400.1	396.7	649.0	1,263.8	1,278.8	1,318.1	1,383.3
	YoY Growth	14.7%	9.7%	3.0%	-0.9%	63.6%	94.7%	1.2%	3.1%	4.9%	
	Organic		14.7%	9.7%	3.0%	-0.9%	63.6%	94.7%	1.2%	3.1%	4.9%
	M&A										
Material Costs		(184.8)	(216.2)	(243.0)	(248.0)	(246.0)	(424.2)	(724.0)	(712.3)	(731.5)	(764.3)
	YoY Growth	17.0%	12.4%	2.1%	-0.8%	72.4%	70.7%	2.0%	2.7%	4.5%	
	% total revenues	-59.9%	-61.1%	-62.6%	-62.0%	-62.0%	-65.4%	-57.3%	-55.7%	-55.5%	
Personnel Costs		(65.6)	(72.8)	(71.2)	(72.7)	(67.1)	(86.8)	(243.6)	(242.7)	(247.5)	(258.4)
	YoY Growth	11.0%	-2.2%	2.2%	-7.7%	29.4%	180.7%	-2.4%	2.0%	4.4%	
	% total revenues	-21.2%	-20.6%	-18.3%	-18.2%	-16.9%	-13.4%	-19.3%	-19.0%	-18.8%	
Other Operating Costs		(36.3)	(35.2)	(35.8)	(33.7)	(35.0)	(59.7)	(114.4)	(115.7)	(121.9)	(128.0)
	YoY Growth	-3.0%	1.6%	-5.7%	3.6%	70.8%	91.5%	1.2%	5.3%	4.9%	
	% total revenues	-11.8%	-10.0%	-9.2%	-8.4%	-8.8%	-9.2%	-9.0%	-9.2%	-9.2%	
Provisions/Writedown						(0.6)	(1.8)	(1.2)	(1.3)	(1.3)	
	YoY Growth					-0.1%	179.7%	-29.8%	3.1%	4.9%	
	% total revenues						-0.1%	-0.1%	-0.1%	-0.1%	
Operating Costs		(286.6)	(324.3)	(349.9)	(354.4)	(348.1)	(571.4)	(1,083.8)	(1,072.0)	(1,102.3)	(1,152.0)
	YoY Growth	13.1%	7.9%	1.3%	-1.8%	64.1%	89.7%	-1.1%	2.8%	4.5%	
	% total revenues	-92.9%	-91.6%	-90.1%	-88.6%	-87.8%	-88.0%	-85.8%	-83.8%	-83.6%	
EBITDA Adj.		22.0	29.8	38.4	49.7	51.4	77.6	180.0	206.9	215.8	231.4
	YoY Growth	28.9%	28.9%	29.5%	3.3%	51.0%	132.0%	14.9%	4.3%	7.2%	
	on net revenues %	7.2%	8.7%	10.1%	12.3%	13.0%	13.0%	14.5%	16.5%	16.7%	
	% total revenues	7.1%	8.4%	9.9%	12.4%	13.0%	12.0%	14.2%	16.2%	16.4%	
EBITDA Adjustments		0.0	0.0	0.0	4.1	2.8	0.0	0.0	0.0	0.0	
EBITDA		22.0	29.8	38.4	45.7	48.6	77.6	180.0	206.9	215.8	231.4
	YoY Growth	35.6%	28.9%	18.9%	6.4%	59.7%	132.0%	14.9%	4.3%	7.2%	
	on net revenues %	7.2%	8.7%	10.1%	11.3%	12.3%	13.0%	14.5%	16.5%	16.7%	
	% total revenues	7.1%	8.4%	9.9%	11.4%	12.2%	12.0%	14.2%	16.2%	16.4%	
D&A		(11.9)	(12.5)	(13.1)	(17.4)	(17.7)	(20.8)	(52.5)	(55.9)	(60.5)	(60.1)
	YoY Growth	4.9%	-18.4%	-20.5%	-26.8%	-18.7%	-23.3%	-9.1%	-9.2%	-9.4%	
	on total revenues %	(11.0)	(11.3)	(11.6)	(12.1)	(12.5)	(13.8)	(25.5)	(27.2)	(29.2)	
Tangible											
Intangible		(0.9)	(1.2)	(1.5)	(1.6)	(1.5)	(2.4)	(17.9)	(19.1)	(20.7)	
	of which Goodwill										
IFRS 16 (Lease)					(3.7)	(3.7)	(4.5)	(9.0)	(9.6)	(10.4)	
Provisions/Writedown		(0.2)	(0.2)	(0.4)	(0.5)	(0.5)					
	YoY Growth	-6.2%	-0.1%	90.7%	10.5%	-2.7%					
	% total revenues	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%					
EBIT Adj.		9.8	17.1	24.9	31.9	33.2	56.8	142.8	167.9	167.2	183.2
	YoY Growth	73.8%	45.7%	28.0%	4.1%	71.3%	151.3%	17.5%	-0.4%	9.6%	
	on net revenues %	3.2%	5.0%	6.6%	7.9%	8.4%	9.5%	11.5%	13.4%	12.9%	
	% total revenues	3.2%	4.8%	6.4%	8.0%	8.4%	8.8%	11.3%	13.1%	13.2%	
EBIT Adjustments		0.0	0.0	0.0	4.1	2.8	0.0	15.3	16.9	11.9	11.9
EBIT		9.8	17.1	24.9	27.8	30.4	56.8	127.5	151.0	155.3	171.3
	YoY Growth	73.8%	45.7%	11.7%	9.2%	87.1%	124.4%	18.4%	2.9%	10.3%	
	% total revenues	3.2%	4.8%	6.4%	7.0%	7.7%	8.8%	10.1%	11.8%	11.8%	
Net financial income (costs)		0.6	(0.4)	(2.1)	(2.2)	(1.0)	(2.0)	(2.6)	(10.2)	(9.9)	(9.7)
	of which Forex Income and Expenses	0.8	0.3	(0.7)	0.1	(0.2)	(0.7)				
	of which IFRS 16			0.0	(0.3)	(0.4)					
	YoY Growth	-173.0%	389.6%	5.6%	-55.3%	103.7%	29.7%	293.5%	-2.4%	-2.4%	
	% total revenues	0.2%	-0.1%	-0.5%	-0.5%	-0.2%	-0.3%	-0.2%	-0.8%	-0.8%	
Pre-tax profits		10.4	16.7	22.8	25.6	29.4	54.8	124.9	140.8	145.4	161.6
	YoY Growth	60.0%	36.9%	12.3%	14.7%	86.5%	127.8%	12.7%	3.2%	11.2%	
	% total revenues	3.4%	4.7%	5.9%	6.4%	7.4%	8.4%	9.9%	11.0%	11.0%	
Taxes		(3.8)	(5.3)	(7.1)	(7.1)	(7.6)	(15.4)	(34.2)	(38.6)	(39.8)	(44.3)
	tax rate %	-36.1%	-31.8%	-31.1%	-27.8%	-26.0%	-28.1%	-27.4%	-27.4%	-27.4%	
Minorities				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
	Pre-tax profits %										
Net Profit		6.7	11.4	15.7	18.5	21.8	39.4	90.7	102.2	105.5	117.3
	YoY Growth	70.7%	38.3%	17.7%	17.7%	81.1%	130.1%	12.7%	3.2%	11.2%	
	% total revenues	2.2%	3.2%	4.0%	4.6%	5.5%	6.1%	7.2%	8.0%	8.0%	
Restated Net Profit		6.7	11.4	15.7	21.4	23.8	39.4	101.8	114.5	114.2	126.0
	YoY Growth	70.7%	38.3%	36.4%	11.3%	65.4%	158.3%	12.5%	-0.3%	10.3%	
	on net revenues %	3.3%	4.1%	5.3%	6.0%	6.6%	8.2%	8.2%	8.8%	9.2%	
	% total revenues	2.2%	3.2%	4.0%	5.4%	6.0%	6.1%	8.1%	9.0%	8.7%	

Source: Company data, Alantra estimates

ALANTRA

Italian Equity Research
Comer Industries – Balance Sheet

(Eu mn)	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory	76.4	85.6	93.0	85.5	83.3	228.6	244.9	244.1	258.3	277.1
% total revenues	24.8%	24.2%	24.0%	21.4%	21.0%	35.2%	19.4%	19.1%	19.6%	20.0%
DIO	91	90	88	78	76	128	70	70	72	73
Receivables	68.5	69.5	77.4	77.3	85.7	196.1	208.0	210.5	217.0	229.6
% total revenues	22.2%	19.6%	19.9%	19.3%	21.6%	30.2%	16.5%	16.5%	16.5%	16.6%
DSO	81	73	74	69	78	118	60	60	60	60
Payables	(69.6)	(80.6)	(86.1)	(77.7)	(84.2)	(218.6)	(198.6)	(195.5)	(202.1)	(211.6)
% external costs	29.5%	30.8%	29.4%	25.9%	28.7%	42.9%	22.5%	22.4%	22.4%	22.4%
DPO	106	111	106	93	103	154	81	81	81	81
Other current assets	13.6	12.1	10.0	14.9	9.3	26.4	37.6	38.0	38.4	40.6
% total revenues	4.4%	3.4%	2.6%	3.7%	2.4%	4.1%	3.0%	3.0%	3.0%	3.0%
Other current liabilities	(18.1)	(22.1)	(19.1)	(19.2)	(29.0)	(80.6)	(85.6)	(86.6)	(89.2)	(93.6)
% total revenues	-5.9%	-6.2%	-4.9%	-4.8%	-7.3%	-12.4%	-6.8%	-6.8%	-6.8%	-6.8%
Net Working capital	70.7	64.5	75.2	80.7	65.0	151.9	206.3	210.5	222.4	242.0
% total revenues	22.9%	18.2%	19.4%	20.2%	16.4%	23.4%	16.3%	16.5%	16.9%	17.5%
Property, plant and equipment	52.3	50.7	52.7	56.0	53.9	150.8	156.7	154.7	153.2	155.0
Right of Use Assets	0.0	0.0	0.0	25.5	22.6	54.0	54.8	54.8	54.8	54.8
Intangible assets	4.7	4.8	4.7	4.0	3.6	328.1	357.3	395.7	379.0	362.7
o/w goodwill					0.0	264.0	155.7	155.7	155.7	155.7
Financial assets	0.0	0.0					0.0	0.2	0.2	0.2
Investments in other companies					0.0	1.3	1.5	1.5	1.5	1.5
Others	10.8	8.2	7.5	9.2	9.1	42.1	37.1	37.1	37.1	37.1
Total fixed assets	67.9	63.7	64.9	94.6	89.2	576.2	607.4	644.1	625.7	611.3
% total revenues	22.0%	18.0%	16.7%	23.7%	22.5%	88.8%	48.1%	50.4%	47.5%	44.2%
Employee pension benefits	(10.1)	(9.5)	(9.1)	(9.3)	(9.2)	(165.2)	(124.2)	(125.7)	(129.5)	(136.0)
Other liabilities (funds)	(1.9)	(1.7)	(5.4)	(7.9)	(4.8)	(40.3)	(96.6)	(97.8)	(100.8)	(105.8)
Net Invested Capital	126.6	117.0	125.6	158.2	140.2	522.7	592.8	631.1	617.8	611.6
Current Lease Liabilities	0.0	0.0	0.0	3.3	3.7	8.7	9.7	9.7	9.7	9.7
Non-Current Lease Liabilities	0.0	0.0	0.0	22.9	19.8	47.6	48.0	48.0	48.0	48.0
Short Term debts	58.8	19.0	23.1	14.2	12.7	29.3	51.8	51.8	51.8	51.8
Long Term debts	9.5	38.1	30.9	4.8	0.0	177.7	190.7	190.7	190.7	190.7
Short term credits	(2.2)	(2.2)	(0.1)	0.0	(1.2)	(0.6)	0.0	0.0	0.0	0.0
Cash	(10.7)	(14.2)	(17.2)	(16.1)	(38.2)	(85.7)	(151.3)	(187.9)	(279.1)	(373.1)
Net Debt (Cash)	55.3	40.7	36.724	29.1	(3.2)	177.0	148.9	112.4	21.1	(72.9)
Share capital	10.0	10.0	10.0	13.1	13.1	18.5	18.5	18.5	18.5	18.5
Reserves	54.6	54.9	63.2	97.5	108.5	287.7	334.7	398.0	472.6	548.6
Net result	6.7	11.4	15.7	18.5	21.8	39.4	90.7	102.2	105.5	117.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders Equity	71.3	76.3	88.9	129.1	143.4	345.6	443.9	518.7	596.7	684.5
Source of Funds	126.6	117.0	125.6	158.2	140.2	522.7	592.8	631.1	617.8	611.6

Source: Company data, Alantra estimates

Comer Industries – Cash-flow statement

(Eu mn)	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net Profit before minorities	6.7	11.4	15.7	18.5	21.8	39.4	90.7	102.2	105.5	117.3
Interests	(0.6)	0.4	2.1	2.2	1.0	2.0	2.6	10.2	9.9	9.7
Taxes	3.8	5.3	7.1	7.1	7.6	15.4	34.2	38.6	39.8	44.3
Losses (gains) on disposal of fixed assets										
Provisions/Writedowns	0.2	0.2	0.2	0.3	0.3	8.6	14.0	0.0	0.0	0.0
D&A	11.9	12.5	13.1	13.6	14.0	16.2	52.5	55.9	60.5	60.1
Change in net working capital	6.1	8.9	(8.5)	(5.9)	7.5	2.1	(57.4)	(4.2)	(11.9)	(19.6)
Interests paid	0.6	(0.4)	(2.1)	(2.2)	(1.0)	(2.0)	(2.6)	(10.2)	(9.9)	(9.7)
Taxes paid	(3.8)	(5.3)	(7.1)	(7.1)	(7.6)	(15.4)	(34.2)	(38.6)	(39.8)	(44.3)
Use of funds	3.0	3.0	1.2	2.9	4.6	(0.1)	(1.7)	2.6	6.9	11.4
Other operating items	0.5	1.0	0.2	3.1	1.5	1.2	(4.0)			
Cash flow from operating activities	28.4	36.9	21.9	32.6	49.7	67.5	94.1	156.5	161.0	169.2
Intangibles (CAPEX)	(1.7)	(1.7)	(1.5)	(1.0)	(1.2)	(1.8)	(3.1)	(3.6)	(3.9)	(4.2)
% total revenues	-0.5%	-0.5%	-0.4%	-0.2%	-0.3%	-0.3%	-0.2%	-0.3%	-0.3%	-0.3%
Tangibles (CAPEX)	(14.9)	(10.5)	(13.9)	(16.4)	(11.9)	(19.2)	(30.7)	(34.8)	(38.3)	(41.4)
% total revenues	-4.8%	-3.0%	-3.6%	-4.1%	-3.0%	-3.0%	-2.4%	-2.7%	-2.9%	-3.0%
Of wich IFRS 16 - Lease (CAPEX)			(1.3)	(0.9)	(6.2)	(10.6)	(9.6)	(10.4)	(10.3)	(10.3)
% total revenues	0.0%	0.0%	0.0%	-0.3%	-0.2%	-1.0%	-0.8%	-0.7%	-0.8%	-0.7%
Intangibles + Tangible	(16.6)	(12.2)	(15.4)	(17.4)	(13.1)	(20.9)	(33.9)	(38.4)	(42.2)	(45.7)
% total revenues	-5.4%	-3.4%	-4.0%	-4.4%	-3.3%	-3.2%	-2.7%	-3.0%	-3.2%	-3.3%
Financials			2.2			0.0	(0.2)	(0.2)		
% total revenues	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%				
(Acquisitions) / Disposals	2.8	3.2	0.5	1.4	1.3	(190.5)		(54.0)		
% total revenues	0.9%	0.9%	0.1%	0.3%	0.3%	-29.4%				
Changes in Investments w/Equity Method			(0.1)	0.0	0.3	(1.9)				
% total revenues	0.0%	0.0%	0.0%	0.0%	0.1%	-0.3%				
Cash flow from investment activities	(13.8)	(9.0)	(12.8)	(16.0)	(11.5)	(213.4)	(34.1)	(92.6)	(42.2)	(45.7)
Change in shareholders equity	0.0	(4.9)	0.0	0.5	0.0	7.9	(4.6)	(5.9)	(27.6)	(29.6)
Dividends	(5.0)	(45.5)	(3.5)	(12.2)	(7.1)	(10.2)	(14.3)	(21.5)	(27.6)	(29.6)
Other items	(9.6)	37.0	(1.6)	2.7	1.3	(32.1)	(13.0)	0.0	0.0	0.0
Change in NFP	14.6	4.0	7.6	32.3	(180.3)	28.1	36.6	91.2	94.0	
NFP at year beginning		(55.3)	(40.7)	(36.7)	(29.1)	3.2	(177.0)	(148.9)	(112.4)	(21.1)
NFP at YE (debt)/cash	(55.3)	(40.7)	(36.7)	(29.1)	3.2	(177.0)	(148.9)	(112.4)	(21.1)	72.9

Source: Company data, Alantra estimates

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