COMER INDUSTRIES

Initiation of Coverage

EQUITA

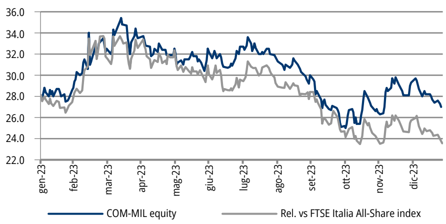
COMER INDUSTRIES

Initiation of Coverage

BUY ord. *(Prev.: n.a)*
Target: *€ 35.00 (Prev.: n.a)*
Risk: High

STOCKDATA			ORD
Price (as of 26 Jan 2024)			26.9
Bloomberg Code			COM IM
Market Cap (€ mn)			771
Free Float			12%
Shares Out (mn)			28.7
52 week Range			€ 25.0 - 35.4
Daily Volume			11,050
Performance (%)	**1M**	**3M**	**1Y**
Absolute	-4.3	5.5	-2.2
Rel to FTSE Italia All-Share	-4.5	-5.3	-14.6
MAIN METRICS	**2022**	**2023E**	**2024E**
SALES	1,237	1,225	1,102
EBITDA Adj	180	201	180
EBIT Adj	143	161	138
NET INCOME Adj	100	108	94.7
EPS Adj - €c	350	378	330
DPS Ord - €c	75.0	85.0	85.0
MULTIPLES	**2022**	**2023E**	**2024E**
P/E ord Adj	8.2x	7.1x	8.1x
EV/EBITDA Adj	5.4x	4.3x	4.3x
EV/EBIT Adj	6.8x	5.4x	5.6x
REMUNERATION	**2022**	**2023E**	**2024E**
Div. Yield ord (A)	2.8%	3.2%	3.2%
FCF Yield	7.6%	16.2%	15.0%
INDEBTEDNESS	**2022**	**2023E**	**2024E**
NFP	-149	-99.6	-8.6
D/Ebitda Adj	0.8x	0.5x	0.0x

PRICE ORD LAST 365 DAYS



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MORE SYNERGIES MITIGATING MARKET VOLUMES SLOWDOWN

Following the leadership change in 2017, with the second generation of the Storchi family headed by Matteo taking the helm, COMER radically changed: listed in 2019, in 2021 the transformational WPG acquisition and in 2023 two more deals entering the electric market. Since then, it multiplied sales by 3.6x, EBITDA by 6x and adj. net income by 8x. In spite of 2024 AG market volumes decline, WPG synergies will allow to preserve the EBITDA margin and triple-digit FCF. Cheap multiples, track record, solid financial structure and firepower >€0.4bn justify our BUY despite knowing the stock liquidity/PE placement issue (23.9% stake) penalize valuation/multiples

Leading position in power transmissions

COMER Industries (COMIND) is a **global leader** in the design and production of advanced engineering systems and mechatronic solutions for **power transmission** with a full product range, international footprint with a **local-for-local approach,** 18 plants globally and ~4k employees. Main clients are the **largest OEMs in the agriculture** (AG, >60% of sales) and **construction** (CE, 20%) equipment plus **several other industrial segments**.

Often the sole provider of customized products, implying high entry barriers

Since products are mainly co-developed and very often tailor-made, **we estimate COMIND is the exclusive provider for ~70% of its sales (typical in AG).** This feature coupled with technological skills, long-term relationships with clients, local-for-local approach, represents **high entry barriers** and explains a **rather concentrated sector** (also due to the consolidation undertook in the past few years).

Asset light business model with visible recurring FCF also in a downturn scenario

Being mainly an assembler, COMIND has an **asset light business model** (fixed costs ~30% of total, capex to sales ratio ~3.5% and NWC on sales stable at 20-22%), resulting in **high cash conversion rate:** between 60% and 80% ex-NWC change. We believe **COMIND is able to generate €70/80mn recurring FCF even in a negative market environment.**

Addressable market size around €8.5bn

Management estimates its **addressable market size is €~8.5bn**. In the AG/CE axles and transmissions are strategic components but are often outsourced: we estimate >50% without ruling out **this % may increase going ahead.** COMER **flexibility** in co-developing and addressing new capacity **is key to gain market share** as it happened in the recent past.

WPG transformational deal: doubling size+major synergies not yet fully exploited

In 2021, COMIND acquired from the PE One Equity Partners **the German Walterscheid (WPG) for €203mn** (2020 EV/EBITDA ~15x). This was a **transformational deal** because COMIND doubled its sales, strengthened its presence in key regions, enriched its product portfolio, entered the after-market business, and got **sizable cost synergies** (we estimate **at least €30-40mn and more to come going forward,** possibly also involving the US plants).

Two more acquisitions to enter the rapidly expanding electric drivetrain market

In 2023, through **2 small acquisitions** for €54mn (2022 EV/EBITDA 10.8x), COMER created the green division specialized in electric motors and components. It is currently **small** (2% of sales), although with **high EBITDA margin** (26% being mainly made of many small tailor-made orders), but with many **potential applications in a rapidly expanding market.**

Debt free in 18 months with €0.4bn firepower for M&A

Through the strong FCF we estimate **COMIND will be debt free in FY25 (ex-IFRS 16 already in FY24)**, with a firepower for new M&A >€0.4bn (D/EBITDA 2.5x), prioritizing **products** portfolio enrichment, **markets** coverage expansion and **technology**.

Limited free float/low stock liquidity: a well-known issue penalizing valuation

In spite of last July translisting to Euronext Milan, **stock liquidity remains low** (€~0.1mn daily). The **limited real free float** (11.3%) and the **expected private equity flowback** (23.9%) represent a major hurdle to attract investors, **penalizing stock valuation**.

We initiate with a BUY. Weak market volumes but recurring double digit FCF yield

Despite factoring in weak 2024E AG market volumes/declining results, **we initiate with a BUY** because of cheap multiples, strong track record, above-the-avg. margins, solid financial structure, visible triple-digit FCF to be used for new M&A. **Our DFCF-based target is €35PS,** at 20-30% discount vs peers EV multiples, justified by **the stock liquidity issue** (pending its resolution).

MAIN FIGURES – EURmn *	2020	2021	2022	2023E	2024E	2025E
SALES	396	598	1,237	1,225	1,102	1,157
Growth	-2.1%	51.0%	106.8%	-1.0%	-10.0%	5.0%
EBITDA Adj.	50.1	75.6	180	201	180	186
Growth	11.3%	50.9%	138.1%	11.9%	-10.8%	3.7%
EBIT	30.4	56.8	128	141	118	126
Growth	11.3%	87.1%	124.4%	10.9%	-16.3%	6.1%
EBIT Adj	32.4	56.8	143	161	138	146
Growth	17.1%	75.5%	151.4%	13.1%	-14.2%	5.3%
PBT Adj	28.9	54.2	123	131	112	123
Growth	15.0%	87.3%	127.2%	6.7%	-14.5%	9.1%
Net Income Adj	22.4	40.1	100	108	94.7	102
Growth	23.4%	78.8%	149.9%	8.0%	-12.5%	7.8%
MARGIN - %	2020	2021	2022	2023E	2024E	2025E
EBITDA Adj Margin	12.6%	12.6%	14.6%	16.5%	16.3%	16.1%
EBIT Margin	7.7%	9.5%	10.3%	11.6%	10.7%	10.9%
EBIT Adj margin	8.2%	9.5%	11.5%	13.2%	12.6%	12.6%
Pbt Adj margin	7.3%	9.1%	10.0%	10.7%	10.2%	10.6%
Net Income Adj margin	5.7%	6.7%	8.1%	8.8%	8.6%	8.8%
SHARE DATA	2020	2021	2022	2023E	2024E	2025E
EPS Adj - €c	110	190	350	378	330	356
Growth	14.3%	73.1%	83.7%	8.0%	-12.5%	7.8%
DPS ord(A) - €c	50.0	50.0	75.0	85.0	85.0	85.0
BVPS	7.0	12.1	15.5	18.0	20.0	22.2
VARIOUS	2020	2021	2022	2023E	2024E	2025E
Capital Employed	147	466	535	558	523	509
FCF	38.1	46.6	60.0	70.8	115	102
CAPEX	13.1	20.9	33.9	35.0	35.0	35.0
Working capital	84.7	203	254	248	240	251
INDEBTNESS	2020	2021	2022	2023E	2024E	2025E
NFP	-26.7	-177	-149	-99.6	-8.6	68.8
D/E	0.19	0.51	0.34	0.19	0.02	n.m.
Debt / EBITDA Adj	0.5x	2.3x	0.8x	0.5x	0.0x	n.m.
Nfp ex-IFRS 16	-3.2	-121	-91.1	-41.8	49.2	127
MARKET RATIOS	2020	2021	2022	2023E	2024E	2025E
P/E Ord Adj	10.7x	16.1x	8.2x	7.1x	8.1x	7.6x
PBV	1.5x	1.9x	1.7x	1.5x	1.3x	1.2x
EV FIGURES	2020	2021	2022	2023E	2024E	2025E
EV/Sales	0.7x	1.8x	0.8x	0.7x	0.7x	0.6x
EV/EBITDA Adj	5.3x	13.9x	5.4x	4.3x	4.3x	3.8x
EV/EBIT Adj	8.3x	18.6x	6.8x	5.4x	5.6x	4.8x
EV/CE	1.8x	2.3x	1.8x	1.6x	1.5x	1.4x
REMUNERATION	2020	2021	2022	2023E	2024E	2025E
Div. Yield ord	4.7%	2.2%	2.8%	3.2%	3.2%	3.2%
FCF Yield	12.3%	-12.1%	7.6%	16.2%	15.0%	13.2%
Roce	16.1%	13.3%	18.5%	18.5%	15.7%	17.4%

** Adj. EBIT and adj. net profit excluding PPA amortization*
Source: Company data and Equita SIM estimates

TABLE OF CONTENTS

1. INVESTMENT CASE

World leading player in transmission systems

COMER Industries (COMIND - Compagnia Meccanica Riduttori) **is a leading player in the engineered transmission systems** for the largest vehicle manufacturers in the agriculture, industrial and energy sectors with 18 plants globally and around 4k employees, producing more than 2mn pieces annually. **It has an international footprint** with over 56% of sales recorded in EMEA, 21% in Nord America, 17% in Asia Pacific and 6% in Latin America **with a local-for-local approach**, allowing greater flexibility, reducing time to market and increasing customer loyalty.

A wide range of products ...

Transmission systems transform the mechanical power/movement within machines that differ in features and functionality. **They are mechanical parts of a more complex system** and, although representing a small part of the final machine, they are essential components for the proper functioning and performance of the machine.
COMIND has a **widely diversified product portfolio** (six brands divided into 9 product lines) due to the need to ensure maximum adaptability to different machines and applications. They are **typically customized** according to the client needs; thanks to its know-how COMIND becomes a strategic partner by offering several differentiated engineering solutions.

COMER INDUSTRIES: PRODUCT PORTFOLIO

Source: Company presentation

... mainly for the agricultural market but also construction and many other end-markets

COMIND supplies almost 800 customers in two main sectors:

- **Agricultural** (AG - in FY22 67% of revenues and 61% of EBITDA) producing gearboxes, drive shafts, PTOs (Power Take-Off), axles and DUJs (Double Universal Joint), TAS (Tractor Attachment System) and ICVD (Integrated Continuously Variable Drive), mainly used in heavy tractors (typically >140hp), combines, machines for soil tillage, crop treatment, forage and hay, corn and grain headers and forage mixing. **Main customers are the most important AG OEMs** including John Deere, CNHI and Agco
- **Industrial** (in FY22 33% of revenues and 39% of EBITDA) producing components such as drive shafts, planetary drives, axles, DUJs, and fan clutches mainly for the **construction equipment and many other sectors** (including mining, road construction, forestry, from the shipbuilding to the airport building, wind power and renewable energy). Main customers include Caterpillar, Liebherr, JCB among and many others.

Quite diversified customers portfolio

Customers portfolio is rather diversified since in the agricultural division the largest one accounts for 11% (top 10 around 35%) and in the industrial one the largest one accounts for 14% (top 10 about 23%). Commercial relationships with customers are based on **framework agreements**, which set out general and special purchasing conditions, with long-term and automatic renewal clauses. In this sense, the strong customization of products and the presence of co-development and co-design phases foster **long-lasting relationships with customers** with the most important ones exceeding 10 years.

COMIND MAIN CLIENTS BY INDUSTRY

Source: company presentation

The high product and service quality is testified by **several customers' awards**.

COMIND: MAIN CUSTOMERS AWARDS

Customer	Award	Customer	Award
CATERPILLAR	QUALITY & DELIVERY AWARDS SQEP (Supplier Quality Excellence Process) Certification GOLD CERTIFICATION ITALY AND US 2019 SILVER CERTIFICATION CHINA 2020 (Global Excellence Program)		
BERTI	SUPPLIER OF EXCELLENCE	TEREX	PREFERRED SUPPLIER
KRONE	SUPPLIER OF THE YEAR	AJAX	SUPPLIER OF THE YEAR
LIEBHERR	CLASS "A" SUPPLIER	CLAAS	INNOVATION AWARD
WACKER NEUSON	"GREEN" SUPPLIER	AGCO	NOMINATION FOR INNOVATION AWARD AWARD FOR COLLABORATION PARTNER SUPPLIER 2018
CNH INDUSTRIAL	WCM BRONZE LEVEL WCM BEST SUPPLIER AWARD BEST SUSTAINABILITY SUPPLIERS (EMEA) SUPPLIER QUALITY AWARD 2018		

Source: company presentation

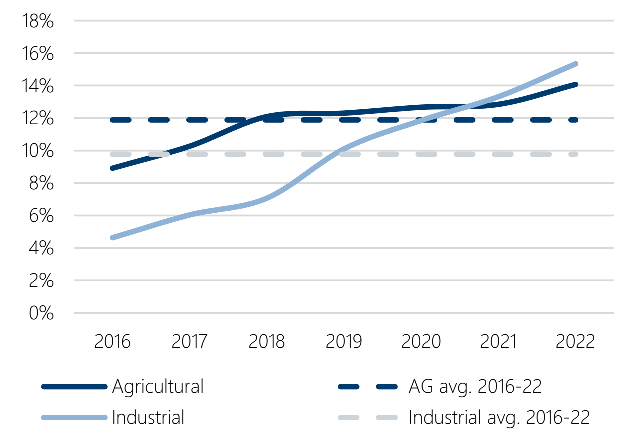
Industrial business is more profitable than the agricultural one

In the 2-year period 2021-22 the **Industrial division showed slightly better operating margins than the agricultural one**, while before COVID crisis AG used to be at least a couple of percentage points more profitable. We attribute this change to the

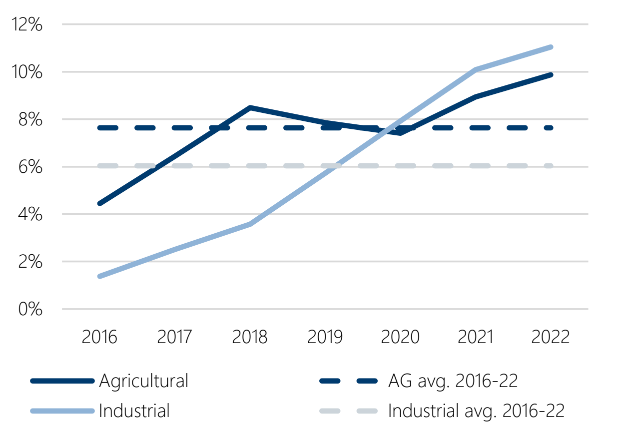
- increased volumes in the industrial sector
- lower bargaining power towards large OEMs in AG vs typically smaller industrial clients
- consolidation of WPG which is less profitable in the AG segment.

COMIND: DIVISIONAL OPERATING MARGIN TREND (%)

EBITDA MARGIN



EBIT MARGIN



Source: Equita SIM on company data

COMIND is very often exclusive provider

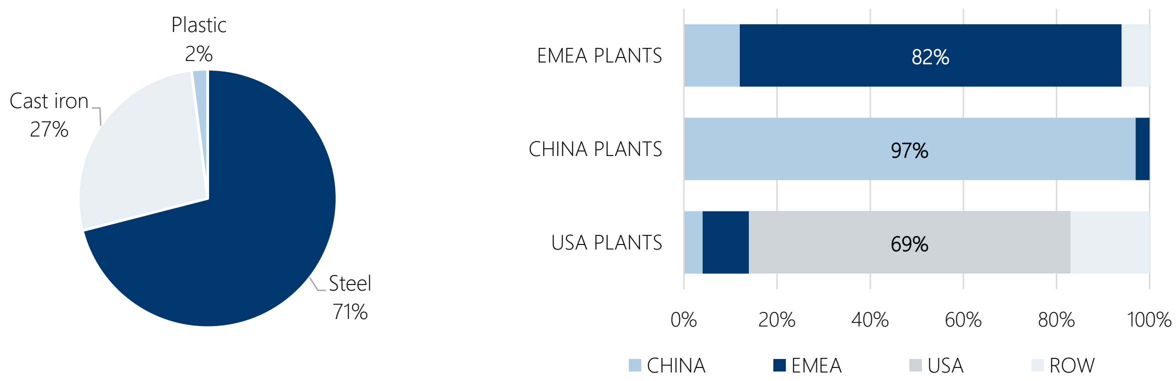
Since products are mainly co-developed and very often tailor made for specific applications, **COMIND is the exclusive provider for many products:** in the agricultural business is common to have a single provider because production volumes are low, while in the industrial business double source is more recurring. **We estimate COMIND is the sole provider for ~70% of its sales**.

Raw material prices are automatically adjusted

The raw materials and components are supplied by ~**1.2k suppliers** and generate a total purchase value of >€600mn p.a. **mainly composed by steel** (about 57% of FY22 total purchases), **cast iron** (21%), **electronic and commercial components** (20%)**.** Relationships with suppliers are **mainly based on medium-long term framework agreements** (2-4 years), not foreseeing any obligation to purchase minimum quantities. **COMIND does not carry out any RM hedging transactions, since agreements with all main customers provide for an automatic indexation mechanism (covering ~70% of total sales),** typically on a quarterly/semi-annual basis which may cause a temporary mismatch. **For strategic businesses/customers and for critical components, the supply chain** is duplicated.

COMIND: MAIN RAW MATERIALS (2022)

Breakdown of Raw Materials | Origin of purchase volumes



Source: Company non-financial disclosure

Asset-light business model with visible FCF

Being mainly an assembler, COMIND has an **asset light business model with fixed costs representing about 30% of total**. De facto in the last 6 years

- **capex to sales ratio** was ~3.6% and **it is not expected to exceed 4% going forward**
- **NWC on sales used to be 20-22%** (without any factoring) and it is expected to remain in this range.

As a result, **cash conversion rate is high:** in the 4-year period 2019-22 between 60% and 80% excluding NWC (or 30-45% including NWC change). We estimate COMIND is able to generate a **triple digit FCF both in 2024 and 2025, implying a double digit FCF yield, and a recurring FCF of €70/80mn, even in a particularly negative market environment.**

COMIND: MAIN FINANCIAL STRUCTURE FIGURES (€ mn)

	2019	2020	2021	2022	2023E	2024E	2025E
EBITDA	45.2	48.1	77.6	180.0	201.5	179.7	186.3
Net financial position	-29.1	-26.7	-177.0	-148.9	-99.6	-8.6	68.8
Debt to EBITDA *	0.6 x	0.6 x	2.3 x	0.8 x	0.5 x	0.0 x	n.m.
FCF	33.9	38.1	46.6	60.0	124.8	115.3	101.8
FCF yield	13.7%	15.8%	5.3%	7.0%	16.1%	14.9%	13.1%

** keeping in mind that COMIND does not use factoring and does not capitalize R&D costs*
Source: Equita SIM estimates and company data

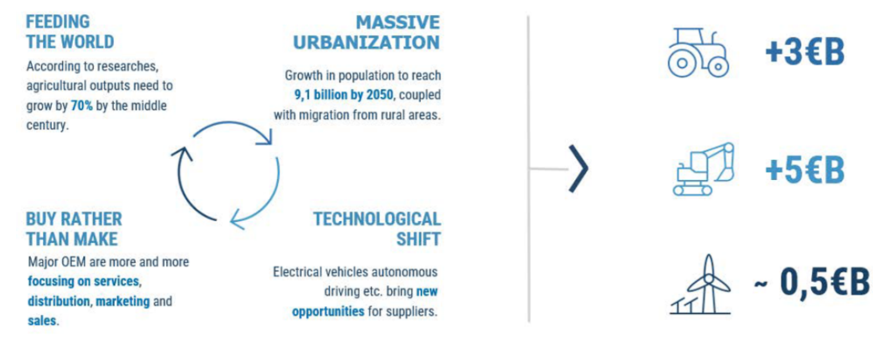
Flexibility is among the key competitive advantages

COMIND's **key competitive advantages** include co-development capabilities, execution reliability, wide product range, global footprint with a local-for-local approach and flexibility in following customer needs. An empirical example of its **flexibility and ability to respond to customer needs** is represented by an important customer which in 2018 decided to outsource the production of some components for its Chinese site. COMIND, despite being much smaller in size compared to some competitors and without any plant in China, won the tender. It successfully co-developed the products and **in less than one year built up a brand-new plant in China and began the production involving 30+ strategic suppliers.**

The reference market worth €8.5bn …

Management estimates the **addressable market size is €~8.5bn**. **In the agricultural market** (but also in the construction one), **axles and transmissions** are considered strategic components and **are often internally produced by OEMs. We believe more than 50% is currently outsourced and it is not unlikely that some big OEM may decide to increase the outsourcing**, focusing its efforts on more strategic investments (e.g. electric machines, precision farming, …). However, there is **no evidence that this will happen shortly.**

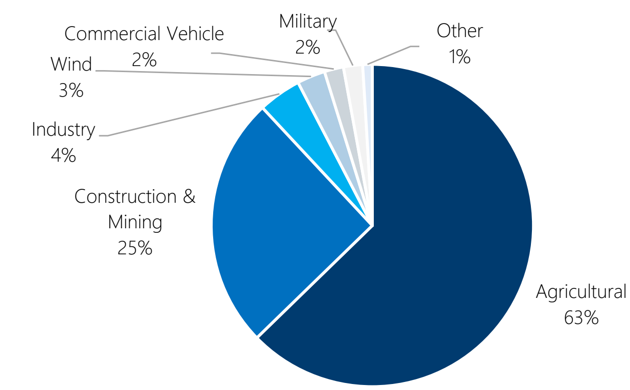
COMIND: ADDRESSABLE MARKET SIZE



Source: company presentation (Nov-23)

For COMIND we estimate the following end-market revenues breakdown.

COMIND: DIVISIONAL REVENUES BREAKDOWN BY END-MARKET (2022 - estimated)



Source: Equita Sim estimates

… with high entry barriers and thus rather concentrated

The reference markets have high entry barriers (particularly for AG) in light of the:

- **specific technological skills** required, implying significant co-development capabilities
- **product development process taking 2-3 years**, strictly collaborating with customers
- **long-term relationships with main clients,** being **often exclusive provider**
- **low volume** (chiefly the AG sector), **discouraging new potential entrants**.

In addition, **COMIND** offers:

- **local for local approach**, more difficult to be replicated by smaller players;
- **high flexibility** in providing co-development support and build-up new dedicated production capacity, while it typically takes longer for the largest competitors;
- **after-market service** allowing to establish a stronger connection with customers.

These features explain why the sector **is rather concentrated,** also as a consequence of the consolidation process which **undertook in the past few years.**

In 2017 the second generation of the Storchi family took the helm ...

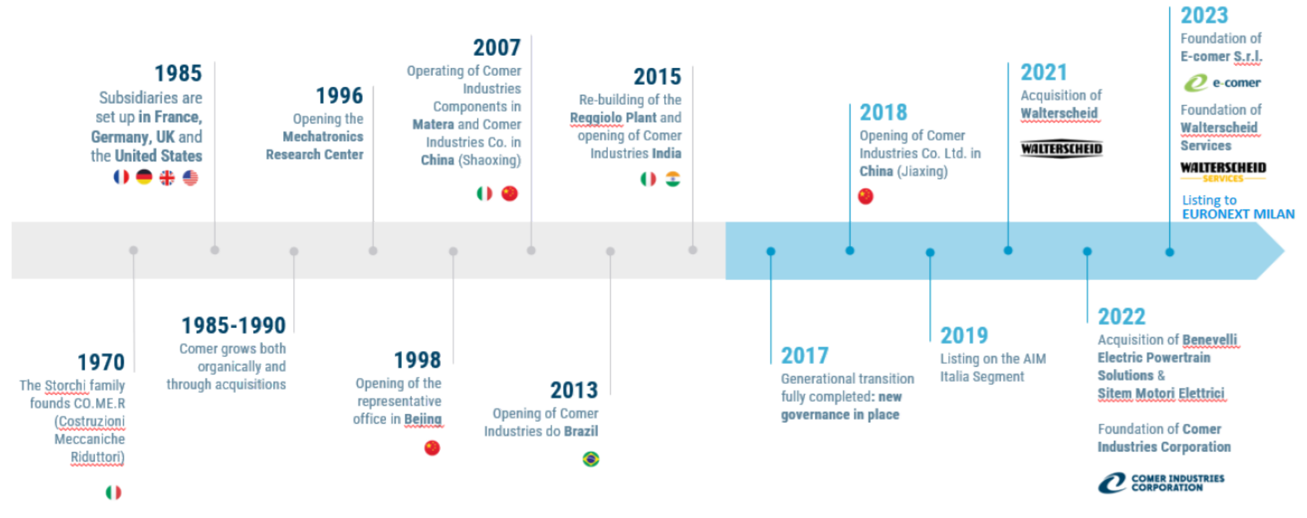
COMIND was founded in 1970 by the **Storchi family** originally specialized in the production of transmissions for agricultural machines. **In 2017, through a demerger, the control was transferred to Eagles OAK,** holding company of the second generation of the family headed by Matteo, **CEO since 2014 and Chairman since 2018,** with 15-year experience in the company. Eagles OAK **currently owns 51% of capital and 65% of voting rights** through the double voting right mechanism for long-term shareholders.

... speeding up the growth strategy ...

This change marked the beginning of a **new life for the company, pursuing a new more aggressive strategy, aiming to strengthen and speed up the growth path:**

- **In 2019 COMIND went public** through the business combination with the SPAC Gear 1
- **In 2021 it finalized a transformational deal acquiring the German competitor WPG**, doubling its revenues size and becoming a world leading powertrain components provider for the off-highway industry
- **In 2023 it finalized two acquisitions** (Benevelli Electric Powertrain Solutions and Sitem Motori Elettrici) **entering the market for engines and transmissions for electric vehicles**
- **In 2023** COMIND finalized the **translisting,** moving from Euronext Growth Milan to the **Euronext Milan** segment.

COMIND : HISTORY MILESTONES

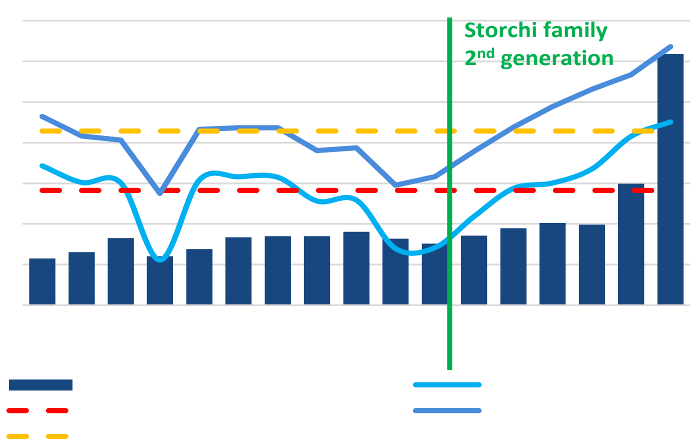


Source: Company presentation (Dec-23)

... with a successful execution witnessed by company's strong performance

Thanks to the strong know-how in manufacturing tailor-made components, the high reliability and the strict relationship with its clients, beyond the abovementioned M&A deals, **in the 6-year period 2016-22** (since the second generation of the Storchi family took the helm) **COMIND increased its sales by 26% CAGR to €1.24bn** (like-for-like +11% CAGR), **EBITDA by 42% CAGR to €180mn** (like-for-like +26% CAGR) and generated a cumulative FCF of €145mn with a constant improvement year after year.

COMIND : 2013-22 SALES (€mn) EBITDA MARGIN AND ROS (%) TREND

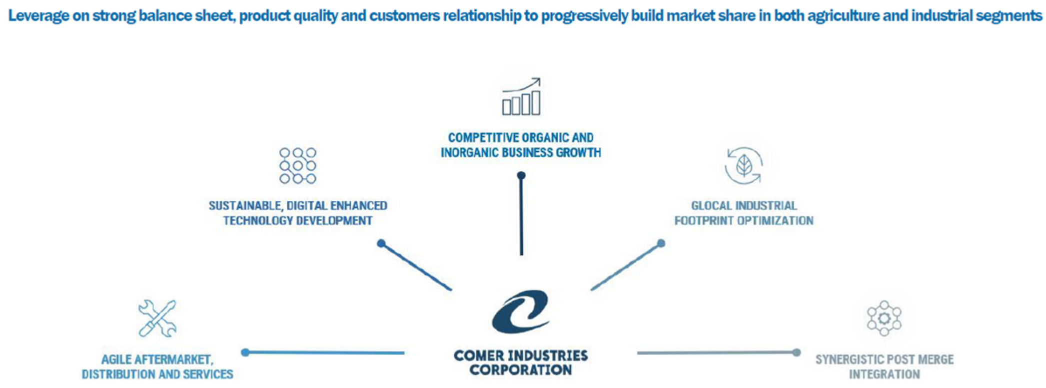


Source: Equita SIM on company data

Clear management strategy

Although management does not officially provide any medium-term targets, **the strategy is clear** and is based on:
- continuous industrial footprint optimization
- full exploitation of WPG merger synergies
- development of digital enhanced technology
- development of e-comer, dedicated to the electric industrial market
- development of the after-market business
- new M&A deals leveraging on the strong financial structure and its recurring FCF

COMIND: STRATEGIC PILLARS



Source: company presentation (Dec-23)

WPG acquisition: a transformational deal …

In 2021, COMIND acquired from the private equity firm One Equity Partners **the German Walterscheid (WPG),** a leading group in the development of highly engineered **drive systems for the agricultural and industrial** sectors with 9 production sites and a global network of 130 distributors (FY21 sales €485mn and EBITDA €50mn). **The equity value of the transaction was €203mn** (of which €163mn paid through a reserved capital increase with One Equity Partners receiving 28% of COMIND). **The entry 2020-21 EV/EBITDA multiple at ~15/10x may appear expensive** (although affected by COVID crisis) but is **more than justified** by the majority premium, the industrial complementarity and synergies upside. WPG is a **transformational deal** because COMIND doubled its revenues, strengthened its presence in key regions improving customers proximity, enriched its product portfolio, entered new end-markets (commercial vehicles, military and after-market) and got the opportunity to exploit sizable cost synergies.

… with major synergies to exploit also going forward …

One of the most important upside related to WPG deal is represented by cost synergies. The company never officially disclosed a goal, but **we estimate they may be at least 2-3% on sales (i.e. €30-40mn mainly structural savings) including:**
- **industrial footprint rationalization:** in 2023 a Chinese plant was shut-down and Indian production capacity was expanded, replacing the deliveries from Germany; in 2024 an Italian plant will be shut down
- **WPG's debt refinancing** (paying 7% interest rate as a result of 2020 debt to EBITDA ~4.7x)
- **optimization of the supply chain,** selecting the best providers
- **SAP implementation** which is ongoing across the group
- **sharing of central costs and R&D know-how.**

Only cross-selling synergies are limited because the first 20 customers are the same.
A big portion of the FY23E EBITDA margin improvement (+190bps) **is attributable to cost synergies, but more will come in the next few years.** We believe the reorganization could also materialize in the US where COMIND currently has 3 production plants.

… and the opportunity to develop the after-market business

Through WPG acquisition COMIND entered the After Market (AM) business (parts replacement, repair and other high value-added services). We estimate it currently represents **~20% of group sales entirely generated in Europe, mainly related to the industrial sector and only involving WPG products**. This is a very attractive business being less cyclical, more profitable, and with lower capital intensity than OEM and with no competition for proprietary products replacement. **Management aims to develop it and to penetrate the North American market in the medium-term.**

Recently entered in the electric market …

In Jan-23 COMIND entered the market for electric vehicle engines and transmissions through the acquisition of Italian Benevelli Electric Powertrain Solutions (axles and electric wheelsets offering high efficiency and power density) and Italian Sitem Motori Elettrici (electric engines with innovative technologies, in rotary or linear configuration), renamed under the **e-comer brand name. 2022 pro-forma revenues amounted to €19mn and EBITDA was €~5mn; the price paid (equity value=EV) amounted to €54mn** (plus an undisclosed earn-out to be paid in 2027 based business targets**,** implying an **entry EV/EBITDA multiple of 10.8x** which we estimate ~7.6x in FY23E.

… opening up several new growth opportunities

This e-comer business is currently **embryonic** (only 2% of group sales), although with high EBITDA margin (26%) being mainly made of many small tailor-made orders (in logistic, cleaning, marine, military and other sectors), but it is **very important from a strategic standpoint** because it marked the entry in the rapidly expanding electric market with **several potential applications** (for instance in construction compact excavators, in material handling automated mobile robots and in Marine with the phase-out of fossil fuel powered ships). However, it **will take some time to become a recurring and visible business with mass production**. This expansionary process may be accelerated **through acquisitions such as electronics and sensors field.**

Solid financial structure …

The **financial structure is solid** (we estimate 2023E debt to EBITDA ratio including IFRS-16 ~0.5x) and will further improve in **FY24E:** despite forecasting a double-digit sales decline, **we expect a positive FCF >€110mn**, to become **debt free in FY25E (actually already in FY24 ex-IFRS 16). The two covenants (net debt to EBITDA <3.0x and EBITDA/financial costs >5.0x)** are largely respected leaving ample financial flexibility for more M&A deals.

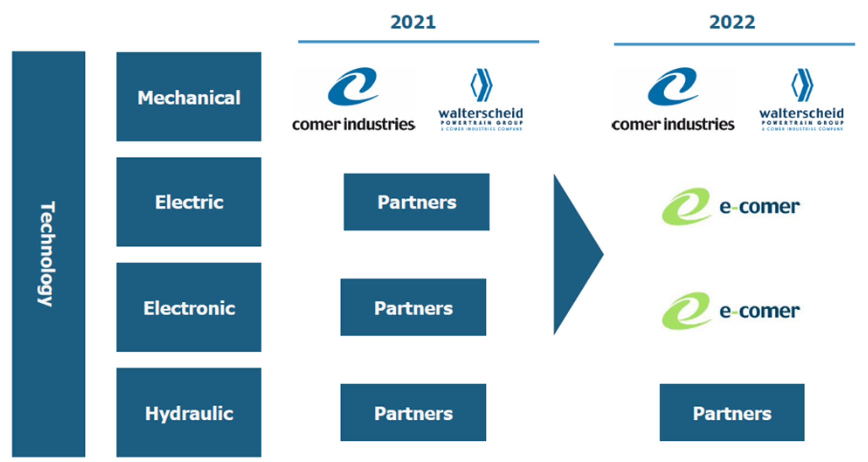
… with €0.4bn firepower for additional M&A

COMIND is looking for **more acquisitions** focusing on the following priorities:

- **Products** to increase the size and enrich the product portfolio;
- **Markets** where it has limited or no presence;
- **Technology** such as sensors, hydraulic transmissions, …

Assuming 2.5x debt to EBITDA as cap **the cash firepower is in excess of €400mn,**; in addition, **the use of shares is not ruled out** with the possibility to dilute Eagle OAK stake below 50% of capital (preserving the control thanks to the double voting right for long-term shareholders).

COMIND: HYDRAULIC IS THE MISSING TECHNOLOGY



Source: Company presentation (Dec-23)

Strong historical performance (2019-22)

During **the 3-year period 2019-22:**

- **revenues grew by 45% CAGR (or +17% CAGR organic** excluding WPG) driven by **increased penetration of existing customers** (mainly in APAC region), **launch of new products**, **price increases** (a common item, particularly in the AG sector, due to both automatic RM adjustments and stronger bargaining power after integrating WPG)
- **EBITDA margin jumped from 11.2% in 2019 to 14.6% in 2022,** with an operating leverage <20%, mainly attributable to **volumes growth**, **cost efficiencies and WPG cost synergies** despite the mathematical dilution due to prices increase to cover RM costs and WPG lower margins
- **adj. net profit was multiplied by 5.5x** with low financial costs and flat tax-rate (on average 27%)
- **cumulated FCF amounted to €145mn** with a significant improvement year after year in spite of NWC absorption (we estimate >€50mn ex-WPG consolidation)

It is worth underlining that **even in 2020 COMIND improved margins in absolute value (EBITDA +€3mn YoY) as well as net profit (€3mn)**, thanks to the limited sales contraction (-2%), full exploitation of new product launches, strict cost discipline (including social safety nets), low fixed costs base and high production flexibility.

Further growth in the first 9 months of 2023

1H23 results continued to improve:

- **revenues +7% YoY to €677mn (+5% YoY like-for-like**, excluding e-comer)
- **EBITDA +26% to €111mn (EBITDA margin +250bps YoY to 16.4%)** thanks to synergies from integration with WPG, rollover of the price hikes implemented in 2H22, e-comer first-time contribution, RMs and energy costs inflation reversal
- **adj. net profit (ex-PPA) +15% YoY to €61.4mn** despite higher financial expenses caused by higher interest rates (having the whole entirely with floating rates)
- **FCF at €83.4mn with a small NWC absorption**.

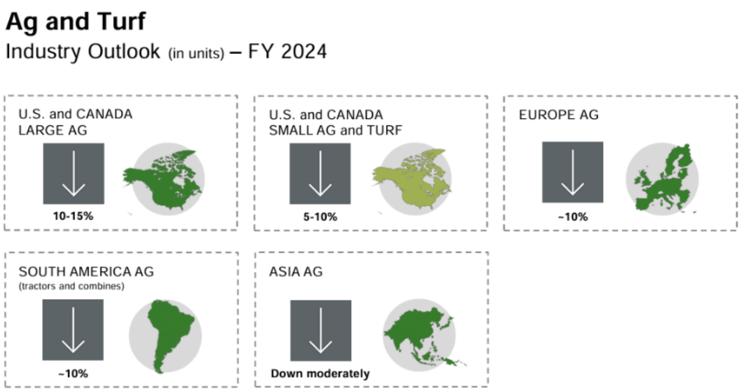
The positive trend continued in 3Q23 in spite of the double-digit top-line decline

- **Revenues -10% YoY** (-12% YoY organically) attributable to the drop in the AG sector (-29% YoY mainly because of Latin America and EMEA) which marks the AG sector trend reversal
- **EBITDA +6% YoY** (margin +420bps YoY at 17.4%, historical peak) always thanks to WPG synergies, ability to preserve prices in non-indexed business despite RMs decline.

It is well-known that 2024 AG market volumes will be down YoY

Last November, the world leader John Deere anticipated **FY24 global AG market volumes** to be down from mid-single to high-teens digits, **although highlighting that it is not the prelude to a long downturn** at least in North America since "… large AG inventory levels remain significantly below long-term averages … fleet age is significantly older … farmer balance sheets are much healthier today, …" than in the previous cycles.

JOHN DEERE – 2024 AGRICULTURAL MARKET VOLUMES OUTLOOK



Source: John Deere 4Q23 results presentation

As far as construction equipment business is concerned, Volvo recently issued its updated forecast for **FY24 global market volumes confirming an overall decline** (from South America up to +10% YoY to Europe down 10%/20% YoY).

In 2024 we project sales/EBTIDA decline, but a solid FCF

Being the AG business the most important end-market (63% of FY22 sales), COMIND FY24 volumes will be inevitably down YoY coupled with small-/mid-single digit prices decline, **driving a double-digit top line contraction**, with 1H weaker than 2H because of the tough YoY comparison. Nevertheless, we expect

- EBITDA margin to remain flattish thanks to additional WPG synergies
- adj. net profit to benefit from lower financial costs (lower gross debt and interest rates)
- FCF to remain robust with NWC limited absorption.

Starting from FY25 we expect a market rebound with COMIND benefiting from the full **contribution of some new contract awards** such as the AGCO's Fendt 600 Vario expected to start production in 3Q24 which is equipped with the COMIND's "AG22" front axle.

COMIND: MAIN FIGURES (€ mn)

	2020	2021	2022	2023E	2024E	2025E
Revenues	396.2	598.1	1,237.0	1,224.6	1,102.2	1,157.3
Growth	-2%	51%	107%	-1%	-10%	5%
Adjusted EBITDA	50.1	75.6	180.0	201.5	179.7	186.3
Growth	11%	51%	138%	12%	-11%	4%
Margin	12.6%	12.6%	14.6%	16.5%	16.3%	16.1%
EBITDA	48.1	77.6	180.0	201.5	179.7	186.3
Growth	6%	61%	132%	12%	-11%	4%
Margin	12.1%	13.0%	14.6%	16.5%	16.3%	16.1%
Adj. EBIT	32.4	56.8	142.8	161.5	138.5	145.7
Growth	17%	76%	151%	13%	-14%	5%
Margin	8.2%	9.5%	11.5%	13.2%	12.6%	12.6%
EBIT	29.9	56.2	125.8	141.5	118.5	125.7
Growth	9%	88%	124%	12%	-16%	6%
Margin	7.6%	9.4%	10.2%	11.6%	10.7%	10.9%
Profit before tax	28.9	54.2	123.2	131.5	112.5	122.7
Growth	15%	87%	127%	7%	-14%	9%
Margin	7.3%	9.1%	10.0%	10.7%	10.2%	10.6%
Net income	21.3	38.8	89.0	94.0	80.4	87.8
Growth	18%	82%	129%	6%	-14%	9%
Margin	5.4%	6.5%	7.2%	7.7%	7.3%	7.6%
Adj. net income	22.4	40.1	100.3	108.3	94.7	102.1
Growth	23%	79%	150%	8%	-13%	8%
Margin	5.7%	6.7%	8.1%	8.8%	8.6%	8.8%

VARIOUS - € mn	2020	2021	2022	2023E	2024E	2025E
Capital employed	147	466	535	558	523	509
FCF	27	-79	58	125	115	102
Capex	13	21	34	35	35	35
Working capital	85	203	254	248	240	251

INDEBTNESS	2020	2021	2022	2023E	2024E	2025E
NFP	-27	-177	-149	-100	-9	69
D/E	0.2 x	0.5 x	0.3 x	0.2 x	0.0 x	n.m.
Debt/EBITDA	0.6 x	2.3 x	0.8 x	0.5 x	0.0 x	n.m.
Interests cov	49.1 x	38.9 x	69.6 x	20.1 x	29.9 x	62.1 x

** Adj. EBIT and adj. net profit excluding PPA amortization*
Source: Equita SIM estimates and company data

It is worth underlying that **COMIND performance is "clean"** since no significant R&D costs are capitalized and factoring is not used.

Few listed competitors, none is a pure comparable

The two largest competitors are the **listed US Dana and unlisted German ZF** which are:
- **conglomerates much larger in size** (Dana ~8x and ZF ~35x based on FY22 sales)
- **more diversified** in terms of products/sectors and also active in the car sector (50% of sales for Dana and >70% for ZF)
- **more capital intensive**: (capex on sales ~100bps higher)
- **more exposed to North America and APAC** (combined sales 58% and 53% respectively vs COMIND at 38%).

Other direct competitors are the listed Japanese **Nabtesco,** the unlisted **Rexroth** (part of the German Bosch group) and Italians Carraro, Bonfiglioli, and Bondioli & Pavesi. Among listed companies there are some players which in the past few years made acquisitions in the reference market, however with a small portion of comparable business: **Interpump (Italy), Jost (Germany), UK Renold (UK)**, **and Regal Rexnord (US).**

The issue of the low stock liquidity

On July 12th 2023 COMIND finalized the **translisting,** moving from Euronext Growth Milan to the **Euronext Milan** segment. Nevertheless, **the stock daily traded value did not materially change. We believe this is mainly due to the limited real free float** (11%) **beyond the well-known private equity stake flowback risk** (23.9%).

The private equity One Equity Partners owns 23.9% … an inevitable flowback

In 2019 **One Equity Partners** (OEP) acquired WPG for a total consideration of GBP 185mn. In Dec-21, through the business combination it received a 28% stake in COMIND (BV €20.2PS) and in Dec-22 **it sold a 4.14% stake at €32PS**, collecting €38mn. Considering the dividends cashed-in in 2022-23 and knowing that the PE's SPVs are typically leveraged, **at current COMIND market price we estimate the MOIV is >3x. OEP will sell its residual 23.9% stake**, but we have no clue neither on the timing, nor on the acceptable price range. **This is a well-known issue that inevitably weigh on the stock valuation/multiples.**

Buy-back just started, however tiny

On November 16, 2023, the shareholders' meeting approved the authorization for the **purchase** and disposal **of own shares up to 10% of the capital** during the following 18-month period. **Buy-back is not aimed at reducing the capital through cancellation**, however it is not ruled out in the future. Since the stock liquidity is low, **COMIND collected just 6k shares (0.02% of capital) at an avg. price of €27.4PS.**

DFCF-based target price at €35PS

Considering the visible recurring FCF we fix our target price at €35PS based on DFCF (WACC 8.5% and g factor 1.5%), implying 2024-25E adj. PE 10.6/9.8x, EV/EBITDA 5.6/5.0x EV/adj. EBIT 7.3/6.4x and FCF yield 11.5/10.1%.

The multiples comparison **leads to higher valuations** which may be explained by COMIND better profitability and stronger financial structure vs the avg. beyond its past few years brilliant track record, but we believe that the **low stock liquidity and the PE flowback risk, justify lower multiples until these issues are removed.**

2. SWOT ANALYSIS

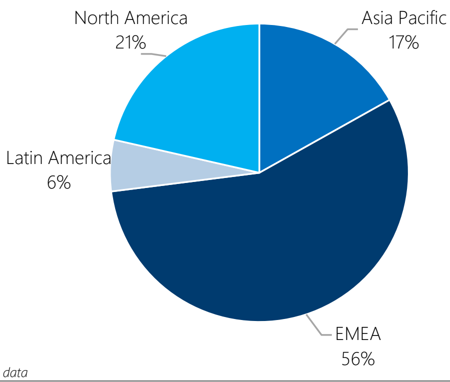
Strenghts	Weaknesses
- Full product offering - Co-development capabilities - Long-term relationship with customers - Often sole provider (100% in agricultural) - Local-for-local business model - Asset light business model (being assembler) - Solid financial structure and visible recurring FCF - Operating margin among sector best-in-class - Positive M&A track record - No presence in the more challenging car business	- Smaller size compared to some competitors in the industrial sector (Dana and ZF) - Low bargaining power vs its largest OEM customers in the agricultural sector - Larger competitors may invest more in R&D in absolute value - Small exposure to electric market (currently just 2%) - Flowback from the private equity One Equity Partners owning 23.9% of capital
Opportunities	**Threaths**
- Full WPG cost synergies exploitation - After-market business expansion - Development of the embryonic electric business - New M&A deals - End of the war in Ukraine (#1 world corn producer)	- Main OEMs insourcing/no more outsourcing - Price pressure imposed by main large customers - Price pressure from larger competitors - Cost inflation (ex-RMs which are indexed) - Commoditization of some components - New entries in the electric market as some big players boast expertise in EV cars

3. COMER AT A GLANCE

Founded in 1970 by the Storchi family and originally specialised in the production of transmissions for agricultural machinery, **today COMER Industries** (COMIND - Compagnia Meccanica Riduttori) **is a key player in the engineered transmission systems for the largest vehicle manufacturers in the agriculture, industrial and energy sectors,** producing more than 2mn pieces every year.

Headquartered near Reggio Emilia, **COMIND has an international footprint with over 56% of sales generated in EMEA, 21% in North America, 17% in Asia Pacific and 6% in Latin America.**

COMIND: REVENUES GEOGRAPHICAL BREAKDOWN (2022)



Source: Equita on company data

The company's distinctive feature is the geographical proximity of its production plants to the customers, i.e. 18 plants globally of which 8 in Italy (3 in Reggiolo, Pegognaga, Matera, Monguelfo, Rubiera, and Castelnovo di Sotto), 3 in the USA (Rockford, Woodridge and Charlotte), 2 in Germany (Lohmar, Sohland and Irxleben), 2 in Brazil (Limeira and Cachoeirinha), 1 in China (Pinghu) and 1 in India (Bangalore), with around 4k employees in Europe, America and Asia, with a **capacity utilization rate around 70-80% as of June 2023**.

COMIND GLOBAL INDUSTRIAL FOOTPRINT

Source: Equita SIM elaboration on company data

COMIND supplies almost 800 customers in two main sectors:

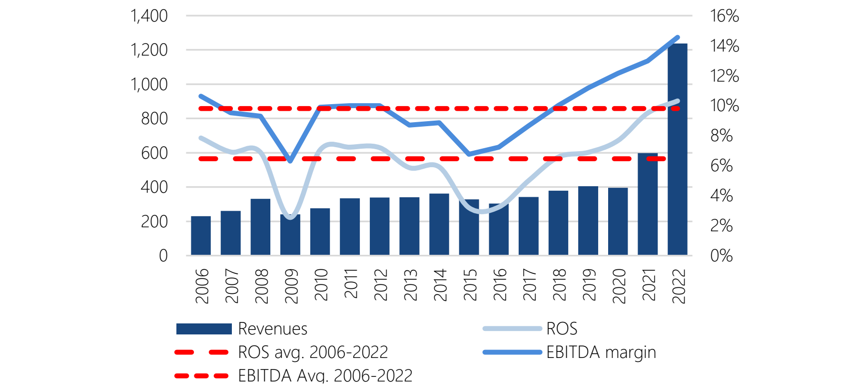
- **Agricultural** (67% of FY22 revenues) through the manufacture of gearboxes, drive shafts, PTOs (Power Take-Off), axles and DUJs (Double Universal Joint), TAS (Tractor Attachment System) and ICVD (integrated continuously variable drive). **In FY22 it recorded revenues of €776mn and about €109mn EBITDA;**
- **Industrial** (33%) through the production of components such as drive shafts, planetary drives, axles and DUJs, and fan clutches mainly for the Construction equipment business but many other sectors. **In FY22 it recorded sales of €461mn and EBITDA €71mn.**

Through a successful M&A strategy COMIND achieved:

- **a transformational deal in 2021:** it acquired the German WPG becoming a world leading powertrain components provider for the off-highway industry, thanks to WPG's complementary product offering. COMIND doubled its revenues, completed its product offering, expanded the geographical coverage in North America, strengthened the penetration of the industrial sector and entered the after-market business with the opportunity to exploit relevant synergies (see paragraph #13.1);
- **two bolt-on acquisitions in 2023:** Benevelli Electric Powertrain Solutions and Sitem Motori Elettrici with the aim of getting the know-how and **entering the market for engines and transmissions for electric vehicles.**

Thanks to the strong know-how in manufacturing tailor-made components, the high reliability and the strict relationship with its clients, beyond the abovementioned M&A deals, **in the 6-year period 2016-22** (since the second generation of the Storchi family headed by Matteo took the helm) **COMIND increased sales by 26% CAGR to €1.24bn** (like-for-like +11% CAGR) **and EBITDA by 42% CAGR to €180mn** (like-for-like +26% CAGR).

COMIND: 2013-2022 SALES (€mn) EBITDA MARGIN AND ROS (%) TREND



Source: Equita SIM on company data

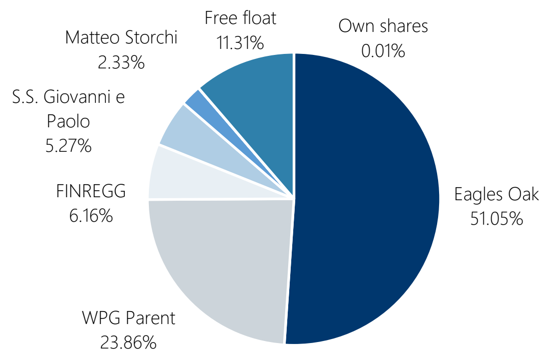
4. THE FOUNDER STORCHI FAMILY IS THE CONTROLLING SHAREHOLDER

Eagles OAK, Storchi family's holding company, is the main shareholder with a 51% stake; it is controlled with equal stakes by Matteo Storchi, his brother Marco, his cousins Cristian and Annalisa. **Matteo is the family leader: CEO since 2014 and Chairman since 2018,** with 15-year experience in the company, he runs the day-by-day operations leveraging on his expertise in the sector and within the company.

In addition, **Matteo personally owns 2.3% of capital** coming from the exercise of the stock grant plan reserved for the CEO issued in 2019 by the parent company Eagles Oak providing for the free attribution of up to a maximum of 900k ord. shares made available by Eagles Oak, subject to the achievement of predefined performance targets.

Other important shareholders are the:
- **private equity One Equity Partners through the SPV WPG Parent owning 23.9%** (resulting from the WPG assets contribution);
- **holding company Finregg (6%),** controlled by Fabio and Fabrizio Storchi, members of the family first generation (Matteo's uncle and father respectively) but without any connection with Eagles OAK and not involved in management responsibilities; it is also the controlling shareholder of Vimi (51.2% of capital), an Italian listed fasteners producer with no business relationship with COMIND;
- **the holding company S.S Giovanni e Paolo** headed by Sergio Giglio (private investor who bought the bulk of the stake in 2022 with an average BV including trading costs around €31PS).

COMIND SHAREHOLDERS



Source: Equita SIM on company presentation

COMIND SHAREHOLDERS

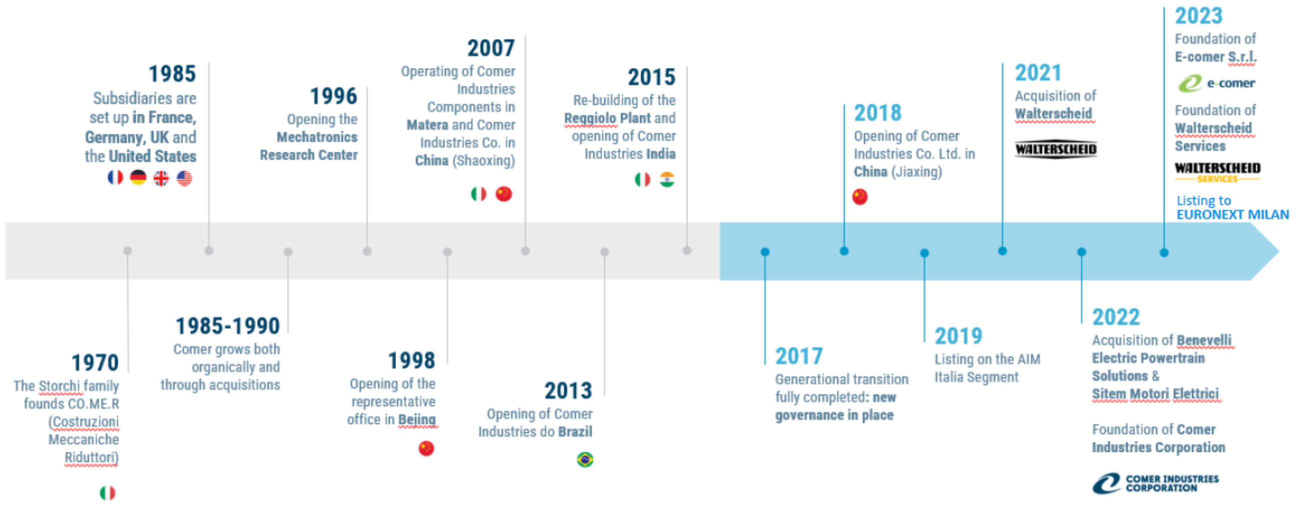
	N. of shares	Share capital %	Voting rights	On total
Eagles Oak	14,640,089	51.05%	29,280,178	65.04%
WPG Parent	6,843,365	23.86%	6,843,365	15.20%
FINREGG	1,767,800	6.16%	3,467,800	7.70%
S.S. Giovanni e Paolo	1,511,925	5.27%	1,511,925	3.36%
Matteo Storchi	667,186	2.33%	667,186	1.48%
Treasury shares*	5,975	0.02%	-	-
Free float	3,241,750	11.30%	3,243,676	7.2%
Total	28,678,090	100%	45,018,179	100.0%

** as of January 9th 2024*
Source: Equita SIM on company presentation

4.1. The Storchi Second Generation Took The Helm In 2017

Until 2017 COMIND was wholly owned by Finregg (holding company of Storchi family including the first and the second generation). **In 2017, through a demerger,** the **generational transition materialized: the control of COMIND was transferred from Finregg to Eagles Oak,** the holding company of the second generation of the family headed by Matteo. This change marked the beginning of a **new life for the company, pursuing a new more aggressive strategy, aiming to strengthen and accelerate the growth path**.

COMIND : HISTORY MILESTONES



Source: Company presentation (Dec-23)

On March 13th 2019, COMIND went public through the business combination with the SPAC Gear 1, promoted by Matteo Nobili (lawyer specialized in corporate law, and M&A), Arnaldo Camuffo (university professor in Business Organization) and Maurizio Cozzolini, which raised €30mn in February 2019. Through the business combination, the **promoters got 1.7% of COMIND capital** and the starting free float was 16%. (with an implied valuation of €0.2bn for 100% of the company). Nobili is currently board member and Camuffo independent board member.

4.2. Double Voting Right For Long-Term Shareholders

In Jul-22, simultaneously with the translisting, **COMIND introduced the double voting right for long-term shareholders** if both of the following conditions are met:

- the share has belonged to the same person for a continuous period of at least 36 months;
- the ownership is registered in the special list established by COMIND.

This rule also worked retroactively for shareholders owning shares from a date not more than 36 months prior to the Listing Date and for this reason **Eagles Oak has double voting right already effective**, reaching 65% of total; summing up the shares directly owned by Matteo (1.5% of voting rights), **the second generation of the Storchi family almost controls 2/3 of the voting rights.**

4.3. Low Stock Liquidity

On July 12th 2023 COMIND finalized the **translisting,** moving from the Euronext Growth Milan to the **Euronext Milan** segment. Nevertheless, **the stock daily traded value did not materially change:**

- from Mar-19 (business combination) until Jul-23 (translisting) it was on average €102k;
- since Jul-23 it was even slightly lower, on average €97k.

We believe this is

- **mainly due to the limited real free float** (unchanged at 11%) in a context of lower liquidity for small/mid-caps (in the same period down by more than 30% for both FTSE Italia small cap and FTSE Italia mid cap indexes);
- **beyond the well-known private equity stake flowback risk** (23.9%) which for sure does not help.

4.4. Buy-Back Recently Started

On November 16, 2023, the shareholders' meeting approved the authorization for the **purchase** and disposal **of own shares up to 10% of the capital** during the following 18-month period. The stated purpose is "to regularize trading and price trends and to support the stock's liquidity in the market, to keep them on hand for subsequent use, including for consideration in extraordinary transactions, ... or allocation to the service of bonds convertible, future compensation and incentive plans ...".
Buy-back is not aimed at reducing the capital through cancellation, without prejudice to the company having the right to execute a reduction in the share capital also through cancellation of own shares held in the portfolio if approved by future shareholders' meetings.

Since the stock liquidity is low, **COMIND collected just 6k shares (0.02% of capital) at an average price of €27.4PS.**

5. WIDE PRODUCTS OFFERING

COMIND designs, produces and markets **transmission systems** transforming the mechanical power/movement within machines that differ in features and functionality. **These are mechanical parts of a more complex system** and, although representing a small part of the final machine, they are essential components for the proper functioning and performance of the machine.

They are **mainly destined to:**

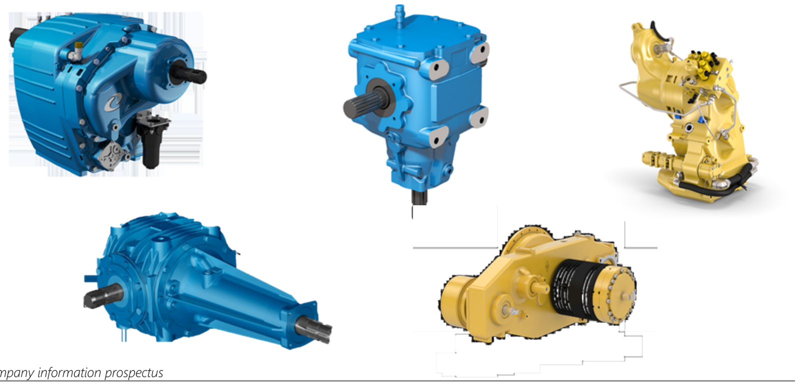
- **the agricultural sector:** speed increasers, speed reducers, bevel gearboxes, PTO drive shafts, wheel drives and axles for combines, tractors, preparation, soil tillage, crop treatment, forage and hay machines, corn and grain headers, forage mixing ...;
- **and a broad range of industrial sector applications:** modular planetary drives, travel and hoist drives, slew drives and rigid and steering axles for construction (excavators, wheel loaders, backhoes, ...), mining, road construction, forestry, from the shipbuilding to the airport building, wind power and renewable energy.

COMIND's commercial offering consists of **widely diversified product portfolio** due to the need to ensure maximum adaptability to different machines and applications; they are **typically customized** according to the customer needs, developing specific applications for individual machines. Thanks to its know-how COMIND becomes a strategic partner for its customers by offering several differentiated engineering solutions.

The product portfolio includes six brands (COMER Industries, Walterscheid, Mechanics DriveShares, Rockford Clutch, e-comer and Walterscheid Services) and is **divided into 9 product lines:**

1. **Gearboxes and speed reducers** whose main applications are agricultural machines like tractors, combined harvesters and other machinery and garden equipment. Historically COMIND developed 400+ products that are involved in 28 different functions;

COMER - GEARBOXES AND SPEED REDUCERS



Source: company information prospectus

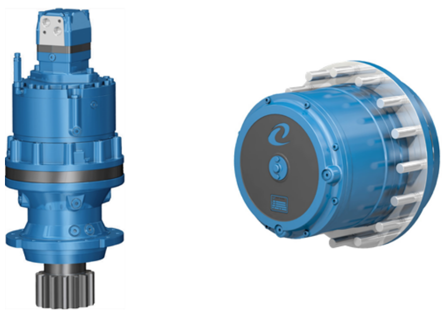
2. **Shafts and universal joints (drive shafts)** are mechanical components that transmit torque dynamics and rotation at various working angles and inclinations. COMER offers a wide range of products (such as cardan shafts with flanges, double universal joints, and constant velocity joints). Main applications are in the agricultural sector (tractors and self-propelled vehicles), in the industrial sector (forklifts, wheel loaders, backhoes, trucks) and in the marine and defense sector;

COMIND - SHAFTS AND UNIVERSAL JOINTS (DRIVE SHAFTS)

Source: company information prospectus

3. **Planetary gearboxes** mostly including components for manufacturers of mining machinery, cranes, equipment for construction, as well as for the construction of wind tower generators;

COMIND - PLANETARY GEARBOXES



Source: company information prospectus

COMIND - PLANETARY GEARBOXES

Source: company information prospectus

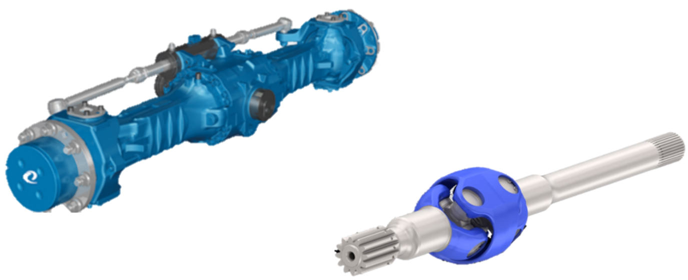
4. **PTO** (Power Take-Off) **drive shafts and clutches**, a cardan shaft that allows the transmission of torque from the PTO of agricultural machinery such as tractors and combine harvesters to their accompanying equipment for tillage, haymaking and a variety of other uses. Thanks to clutches (combined with the PTO drive shaft) it is also possible to protect the farm machine from any overloads of torque or rotational speed and thus reduce the risks of spot failure and consequent repair time and costs;

COMIND - PTO DRIVE SHAFTS AND CLUTCHES

Source: company information prospectus

5. **Axles and DUJ** (Double Universal Joint), divided into rigid axles and steering axles with or without planetary reduction. These components are mainly used to move construction and earthmoving machinery, road construction equipment, forklifts and material handling, airport and municipal equipment, cranes and lifting equipment, and agricultural equipment;

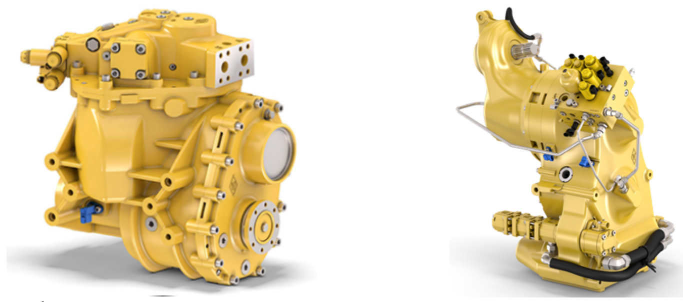
COMIND - AXLES AND DOUBLE UNIVERSAL JOINT



Source: company information prospectus

6. **Hydrostatic traction drive ICVD** (integrated continuously variable drive), hydrostatic transmission gearboxes generally intended for use on agricultural machinery. ICVD consists in a tilt-axis hydrostatic displacement device, its control unit and a gear assembly, offering a wide conversion range at continuous variation from standstill to maximum transport speed, automatic adaptation of power requirement and simple reversal of travel direction and torque;

COMIND - HYDROSTATIC TRACTION DRIVE ICVD



Source: company information prospectus

7. **Tractor Attachment System (TAS)** which manages the key functions in the farmer's workflow: coupling, adjusting, stabilization and hitching. The Group's range includes all elements of the three-point linkage: complete lower arms, lifting links, upper arms and stabilization, as well as modern hitching systems;

COMIND - TRACTOR ATTACHMENT SYSTEM (TAS)

Source: company information prospectus

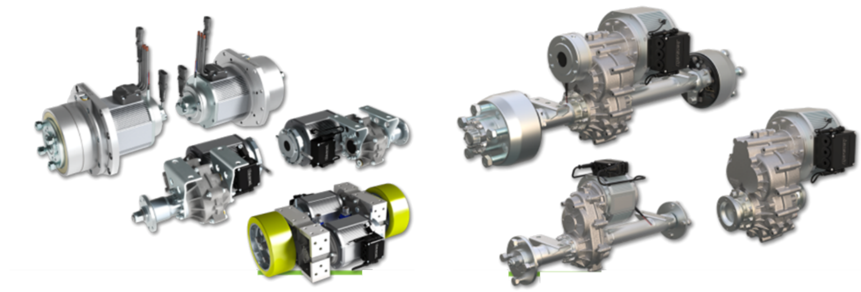
8. **ROCKFORD Fan Clutches** are fan clutches designed for Off-Highway vehicles, articulated dump trucks, construction equipment and defense equipment market. In addition, fan clutches are designed for stationary generators for industrial use. The application of fan clutches results in high reduction in fuel consumption and a reduction in fan noise by varying the fan speed according to cooling requirements;

COMIND – ROCKFORD FAN CLUTCHES

Source: company information prospectus

9. **e-mobility**: modular-system axle and motor-wheel decks for electric vehicles designed with an all-in-one approach, including differential, rigid axle, braking system and motor electric, offering a complete power transmission solution. This modular system allows greater flexibility in electric vehicle design, allowing transmissions to be adapted to different driving and vehicle requirements.

COMIND E-MOBILITY - WHEEL DRIVES AND ELECTRIC TRANSAXLES



Source: company website

5.1. After-Sales Business, A Growth Opportunity

In addition to the products, COMIND also provides **after-sales services** to its customers including the sale of replacement products through more than 130 distributors operating worldwide, and other high-value services such as repair, supply of spare parts and development of solutions and customized products and digital solutions to optimize and streamline operational systems.
This is a business with did not exist in COMIND and will be exploited going forward (see paragraph #13.2)

5.2. Several Customer Awards

The high product and service quality is testified by **several awards** received by the most important customers. For instance the world market leader **Caterpillar, one of the most important customers, released:**

- **in 2014 the Silver level SQEP** (Supplier Quality Excellence Process), following the Bronze level obtained the year before, recognizing the rigorous quality, logistics and on-time delivery standards parameters;
- **in 2020 the Gold certification**, obtained globally, achieving excellent results during the year, including 97% of on-time delivery and 50 parts per million of waste;
- **in 2023 the Supplier Excellence Recognition** for its high-quality service provider.

In the following chart COMIND we resume some of the most important awards:

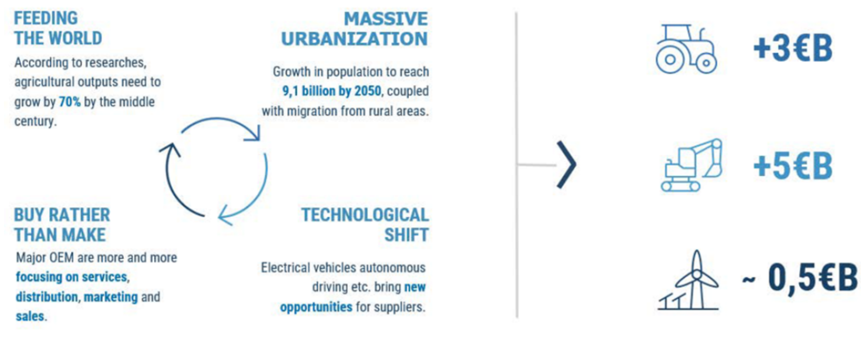
COMIND: MAIN CUSTOMERS AWARDS

Source: company presentation

6. THE REFERENCE MARKET WORTH €8.5BN

Management estimates its **addressable market size is around €8.5bn of which agricultural €3bn**, construction €5bn and wind €0.5bn.

COMIND: ADDRESSABLE MARKET SIZE



Source: company presentation (Nov-23)

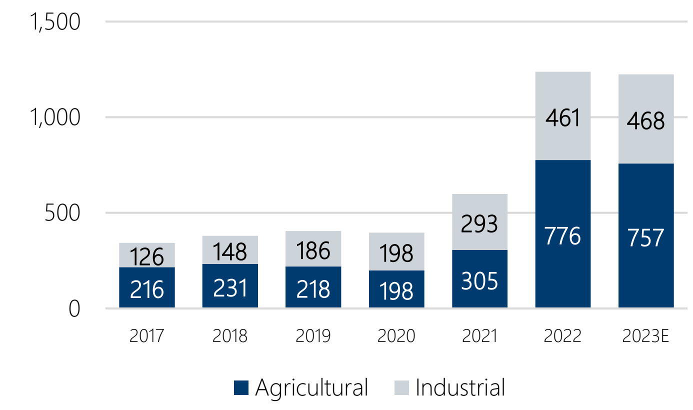
In the agricultural market (but also in the construction one), **axles and transmissions** are considered strategic components and **are often internally produced by OEMs. We believe more than 50% is outsourced** (depending on the product).

It is not unlikely that some big OEM may decide to increase the outsourcing, focusing its efforts on more strategic investments (e.g. electric machines, precision farming, …); however, given that there is no public evidence of any big change in OEMs' strategies, **the attitude should not radically change at least in the short-/medium-term.**

7. AGRICULTURE IS THE MOST IMPORTANT REFERENCE MARKET

The **agricultural business is by far the most important end-market**, in the past few years ranging **from 50% to more than 60% of group sales,** both before and after WPG acquisition. COMIND's products are mainly used in heavy tractors (typically in excess of 140hp), combines, machines for soil tillage, crop treatment, forage and hay, corn and grain headers and forage mixing.

COMIND: AGRICULTURAL AND INDUSTRIAL SALES TREND (2017-23E)*



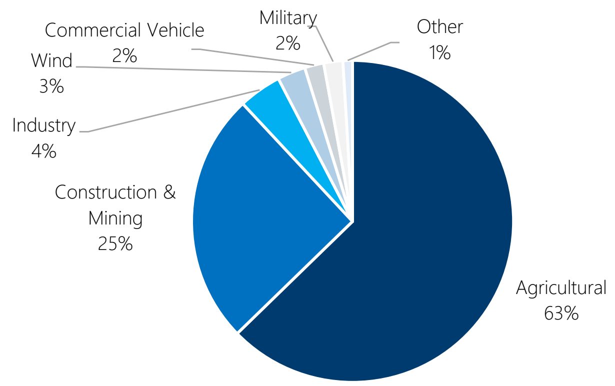
** WPG consolidated since December 2021*
Source: Equita SIM estimates and company data

The remaining sales are generated in the **industrial business serving a broad range of different applications**.

- Until COMIND was a standalone entity it also provided the additional split between construction and mining sector (representing 30-40% of sales) and the wind one (below 15%, constantly declining as a consequence of the slowdown in wind farm investments);
- Since WPG was acquired, COMIND does not provide any additional detail on the industrial division split.

Based on the WPG revenues split before being acquired, **we estimate the following more detailed end-market revenues breakdown.**

COMIND: DIVISIONAL REVENUES BREAKDOWN BY END-MARKET (2022 - estimated)



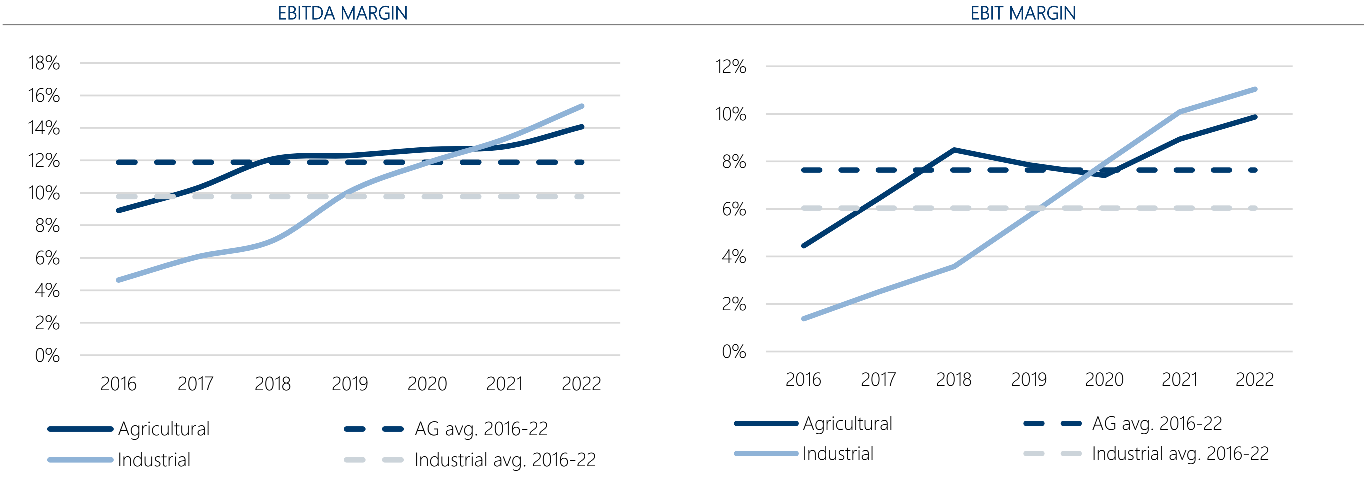
Source: Equita SIM estimates

7.1. Industrial Business Is A Bit More Profitable Than Agricultural

In the two-year period 2021-22 the **Industrial division showed slightly better operating margins than the agricultural one**, while before COVID crisis AG used to be at least a couple of percentage points more profitable. We attribute this change to the

- increased volumes in the industrial sector;
- lower bargaining power towards large AG OEMs, while in the industrial segment customers are typically smaller;
- consolidation of WPG (less profitable in the AG segment).

COMIND: DIVISIONAL OPERATING MARGIN TREND (%)



Source: Equita SIM on company data

Starting from 2023E the **consolidation of e-comer will contribute lo slightly widen this gap**, because it is much more profitable (in FY22 EBITDA around 26% vs group average at 16.5%), however it is very small (just 2% of group sales).

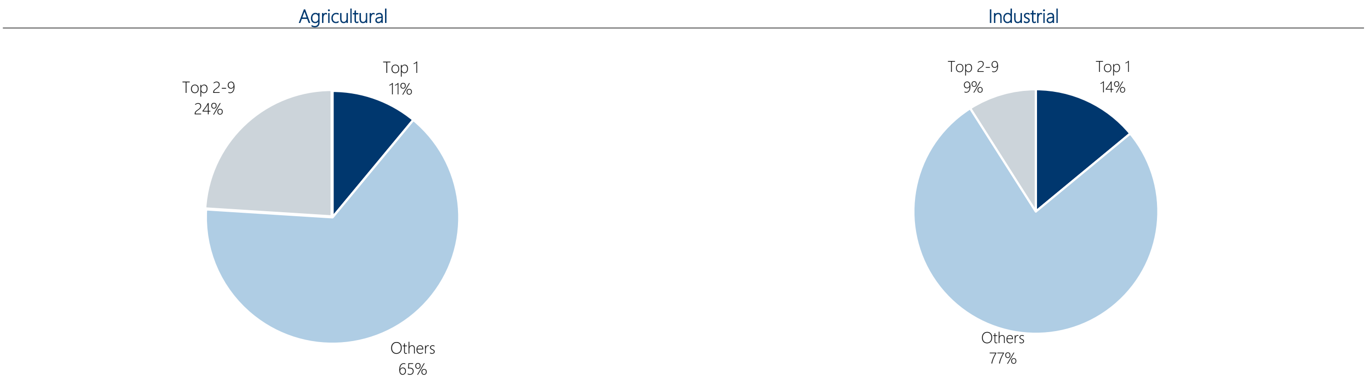
8. MAIN CLIENTS ARE THE MOST IMPORTANT OEM IN AG & CE MARKETS

COMIND's solutions are designed for **major manufacturers of agricultural and industrial machinery**, such as Caterpillar, John Deere, CNH Industrial, AGCO, and Krone. Customers are **supplied through a local-for-local approach**, allowing greater flexibility, reducing time to market and increasing customer loyalty.

The customer base is well diversified, comprising almost 800 clients; in FY22

- in the agricultural division the largest one accounted for 11%, and the top 10 around 35%
- in the industrial division the largest one accounted for 14%, and the top 10 about 23%.

COMIND – WEIGHT OF TOP CLIENTS



Source: Company prospectus

Commercial relationships with customers are based on **framework agreements**, which set out general and special purchasing conditions, with long-term and automatic renewal clauses. In this sense, the strong customization of products and the presence of co-development and co-design phases foster **long-lasting relationships with customers** with the most important ones exceeding 10 years.

COMIND MAIN CLIENTS BY INDUSTRY

Source: company presentation

COMIND also operates in the aftermarket business, providing after-sales services such as predictive and preventive maintenance, as well as offering technical assistance to its customers and selling replacement products through a **network of 130 distributors** (see also paragraph #13.2).

8.1. Very Often COMIND Is The Sole Provider

Since products are mainly co-developed and very often tailor made for specific applications, **COMIND is the exclusive provider for many products:**

- in the agricultural business is usual to have a single provider since production volumes are not huge;
- in the industrial business a double source is more likely.

As a rough estimate we believe COMIND is the sole provider for about 70% of its sales, and orders typically provide visibility for about 6 months.

9. HIGH ENTRY BARRIERS LED TO A RATHER CONCENTRATED MARKET

The reference markets have high entry barriers, in light of the:

- **specific technological skills** required, implying significant co-development capabilities;
- **new product development process taking 2-3 years**, strictly collaborating with customers;
- **long-term relationships with main clients,** being **often exclusive provider** for a single model;
- **low volume reference market** (chiefly the AG one) with high entry barriers and often an exclusive supplier, **discouraging new potential entrants**.

Three more **entry barriers differentiate COMIND** from its main competitors:

- **the local for local approach**, more difficult to be replicated by smaller players;
- **the high flexibility** in providing co-development support and build-up new dedicated production capacity, while it typically takes longer for the largest competitors;
- **the presence in the after-market** business allowing to extend product life and establish a stronger connection with customers.

These reasons also explain why the **sector is rather concentrated** and in the past few years **undertook further consolidation** (see also paragraph #15)

- **Dana** acquired in 2016 Italian Brevini (power-transmission and fluid power products) and Brazilian Sifco (drivelines), in 2017 the US Manufacturing Corporation (axle housing and driveline shaft manufacturing operations), in 2018 Swiss Oerlikon (drive systems);
- **Bonfiglioli** between 2015 (55% stake) and 2018 (45% stake) acquired German O&K Antriebstechnik (planetary gearboxes) and in 2021 Italian Sampingranaggi (gear and adapter manufacturer);
- **Interpump** in 2019 acquired Italian Reggiana Riduttori (planetary gears, gearmotors and wheel gears, mainly for industrial customers), and Transtecno (reduction gears and gear motors for light to mid-power applications) and in 2020 Dz Trasmissioni (right-angle gear drives);
- **COMIND** in 2021 acquired German WPG (see paragraph #13);
- **Regal Rexnord** in 2022 acquired the US Altra Industrial Motion (global industrial automation and power transmission business).

9.1. Flexibility And Quick Response Are Key Features To Gain Market Share

An empirical example of COMIND **flexibility and ability to respond to customer needs** is represented by an important customer which in 2018 decided to outsource the production of some components for its Chinese production site.

The value of the contract was quite sizable, and COMIND, despite being much smaller in size compared to some much larger competitors and the lack of an existing plant in China, won the tender with a dedicated teamwork. It co-developed the products and **in less than one year built up a brand-new plant in China and successfully began the production involving 30+ strategic suppliers.** When fully on stream this plant produced more than 100k units p.a.

10. R&D IS KEY TO MEET CUSTOMERS CO-DEVELOPMENT NEEDS

COMIND manufactures its products mainly on the basis of orders received from customers according to the industrial applications of their machines and the required performance, needing a **high level of customization** to be defined during the development phase.

The development cycle of a product, from design to production, tends to last 2 to 3 years typically including the following steps

- At the preliminary stage of the production cycle, COMIND interacts with the customer in order to identify possible solutions for the machine drive systems being designed;
- Following the customer's definition of the machine design, COMIND proposes its own transmission design for the machine, after an additional interaction phase in order to define the needs and identify the best possible solution. At this stage, COMIND competes with its competitors to obtain supply from the potential customer;
- Upon project approval, the prototype development and production phase begins;
- Once the prototype is developed, a validation phase of the prototype is carried out, which consists of testing in the laboratory of its operation and durability;
- Thereafter the customer tests it in the field and COMIND makes every effort to meet any requests, from the customer, for corrections, modifying their specifications and features. Once the testing phase by the customer is completed, the customer provides for the approval of the machine;
- Upon completion of the product definition phase, there are the pre-production and production process validation phases, requiring the initiation of the industrial “mass” production.

COMIND has 7 research centers (2 in Italy, 3 in Germany and 2 in the United States) with around **130 employees** collaborating with university institutions (Milan, Padua, Bologna, Modena and Reggio Emilia), mainly involved in product design and validation process both for a single customer/application specification and for solutions applicable to a wider range of machines. COMIND boasts more than 75 active patents (of which 14 expired in FY23, however not critical for its activity) and 300+ registrations in different countries around the world.

Product innovation is aimed at improving performance efficiency, obtained through
- **research on the materials** used and the design processes of the drive systems;
- **integration of more advanced technologies** (for instance sensors and electronic systems);

COMIND: SOME OF THE MOST RELEVANT INNOVATIONS

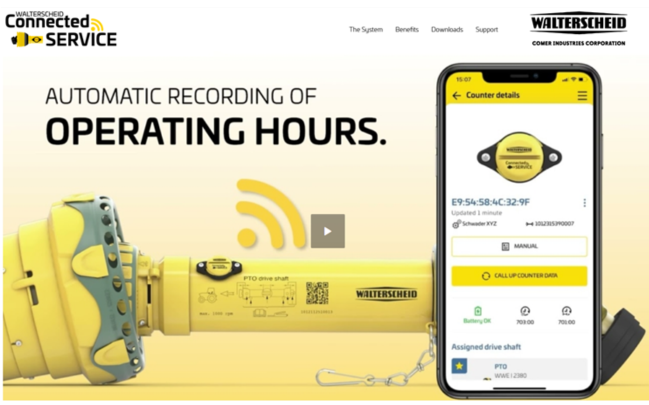
	Agriculture	Industrial
2019	- completed the design and prototyping of the complete power transmission line for a new-generation combine harvester	- a new, totally innovative system for positioning the central blade of motor graders - two series of axles for applications on aerial platforms and compact mechanical shovels, as well as the complete renewal of the planetary gearbox range for the wind energy market - gearboxes and axles specifically designed for vehicle electrification, receiving orders (both at prototype and pre-series level) from several customers.
2020	- completed the validation of a high-density hay baler gearbox for a strategic customer in the sector - launched the project for the development of the first agricultural tractor axle (prototypes will be validated in 2021)	- completed the range of 'compact' gearboxes for the wind market, which allow a weight reduction of more than 20% while offering the same performance
2021	- Introduced the gearbox for driving auxiliary services ("pump drive") for sugar cane harvesting machinery - Completed the validation of the first axle for agricultural tractors	- completed the validation of a new-concept gearbox for earthmoving machines ("motorgrader") - construction of prototypes of motor-wheels for 20-ton excavators with integrated hydraulic motor with the partner NABTESCO - launch of a new size of axle for aerial platforms from 18 to 23 meters (17 tons)
2022	- a new axle for hay balers with a capacity of up to 5 tons - a new generation of gimbals (resulted from the collaboration between Walterscheid and Comer Industries) with a static load capacity increased by 15% and a maximum utilization length increased by 20% - the design for a new front axle for tractors up to 120 kW power	- Completed a new transmission for electrically driven axles with power up to 45 kW - market launch of the new size 17C industrial gimbals for torques up to 120,000 Nm

Source: Equita SIM on company data

COMIND developed advanced product simulation and testing systems, in order to reduce the risk of product problems starting from testing phase. **Following WPG acquisition, it further increased its validation capacity**, through WPG testing structures located in Italy, Germany and the US (Monguelfo, Lohmar and Rockford) allowing the **reduction in time-to-market of new machines.**

A further confirmation of COMIND capabilities is represented by the **2022 innovation award in the Digitalization – Application Control category received by Walterscheid for its APP Walterscheid Connected Service Assistant,** helping with the simple maintenance and organization of cardan shafts and machines in agriculture. This is important in order to **strenghten the after-market business** (paragraph #13.2).

WALTERSCEID CONNECTED SERVICE



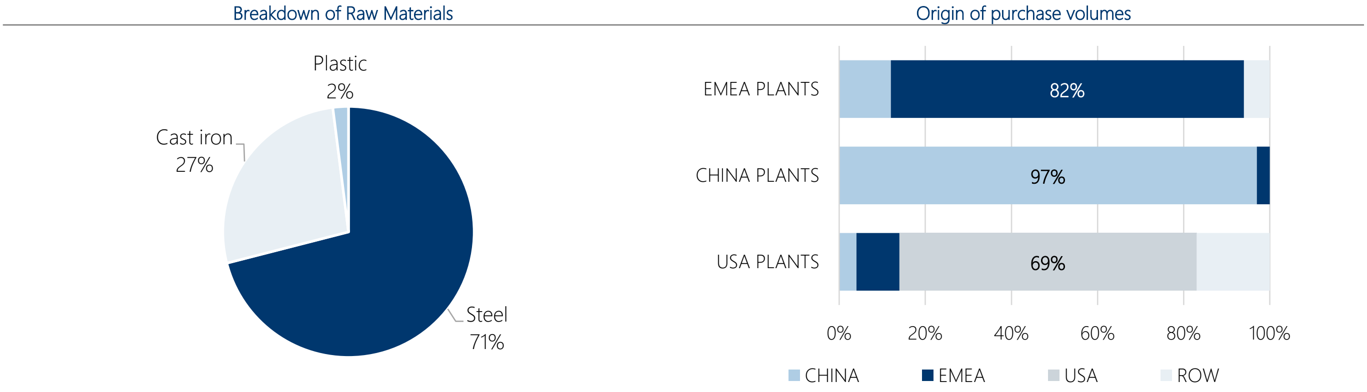
Source: Walterscheid website

11. STEEL AND CAST IRON ARE THE MOST IMPORTANT RAW MATERIALS

The raw materials and components used to produce the finished products are supplied by **approximately 1.2k suppliers** and generate a total purchase value in excess of €600mn p.a. of which

- **raw materials represent 80% mainly composed by steel** (about 71% of FY22 total purchases, i.e. 29% on sales), **cast iron** (27% of purchases; i.e. 11% on sales), used for the production of components, gears and mechanical products. Given the expansion of the product range, plastic material became more important, however today is still low (just 2% on purchases);
- **electronic and commercial components for the remaining 20%;**

COMIND: MAIN RAW MATERIALS (2022)



Source: Company non-financial disclosure

COMIND carries out the design of components and selection of their specifications (also in collaboration with suppliers) and then sends the drawings of the models to suppliers, which will produce the pieces in series. Timings regarding the delivery of products may vary during the process also to take into account any customer needs.
In order to mitigate the risk attributable to both the individual supplier and geographical area, **COMIND has relationships with different suppliers for the same product located in different geographical areas**:

- EMEA region more than 600 suppliers representing 50% of supplies;
- North and South America more than 160 suppliers and 7% of supplies;
- China more than 130 suppliers and 30% of supplies;
- India around 100 suppliers and 8% of supplies;
- rest of the world (around 14 suppliers and 5% of supplies).

COMIND: # OF SUPPLIERS AND % ON TOTAL SUPPLIES

Source: Company prospectus

For strategic businesses and customers and for components and suppliers deemed critical, a procedure for duplicating the supply chain is implemented in different geographical areas. In order to prevent any issue, COMIND also monitors during the scouting phase and during the entire relationship with the supplier the risk of economic-financial sustainability, social and ethical sustainability and negative performance (in terms of cost, product or service quality).

COMIND does not carry out any RM hedging transactions**, since agreements with all main customers provide for an automatic indexation mechanism (covering about 70% of total sales),** providing the price adjustment when pre-established parameters change, typically on a quarterly or semi-annual basis which may cause a temporary mismatch.

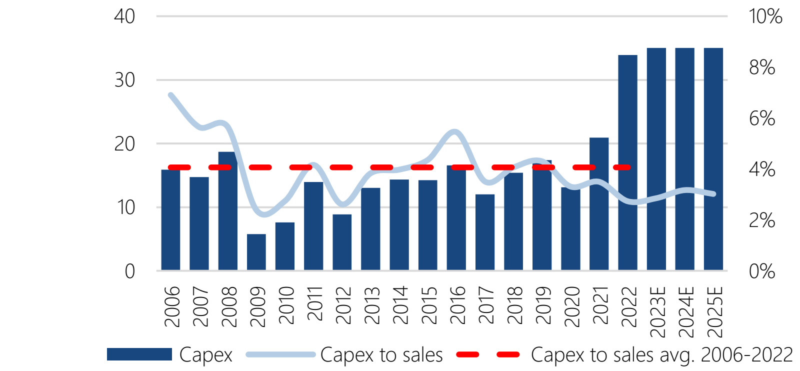
Relationships with suppliers are mainly based on medium-long term framework agreements (between 2 and 4 years), not foreseeing any obligation to purchase minimum quantities.

12. ASSET-LIGHT, HIGHLY VISIBILE FCF, ALMOST DEBT FREE IN 2024

Being mainly an assembler, COMIND has an **asset light business model with fixed costs representing about 30% of total**. De facto in the last 15 years

- **capex to sales ratio was on average around 4.1%** (ranging from 6.9% in 2006 to 2.4% during the 2009 crisis), but in the last 6 years it was rather stable around 3.6% and **it is not expected to exceed 4% going forward**;

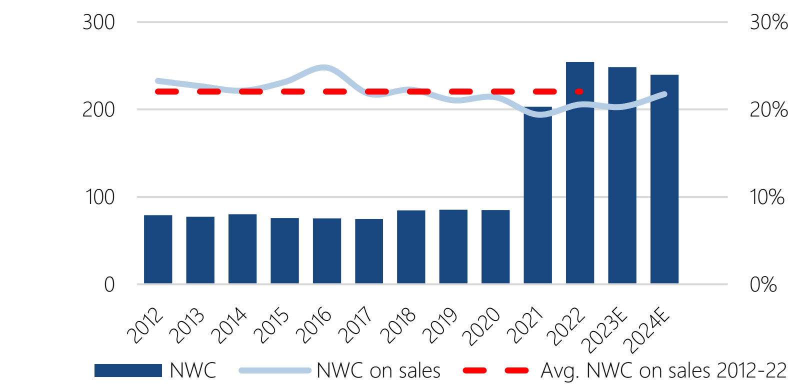
COMIND: CAPEX (€ mn) & CAPEX TO SALES ratio (%)



** consolidating WPG since Dec-21*
Source: Equita SIM estimates and company data

- **working capital on sales was on average around 20-22%** with normal payment terms and without factoring and it is expected to remain in this range;

COMIND: NWC (€ mn) & NWC TO SALES ratio (%) *



** 2021 pro-forma assuming WPG 12-month consolidation*
Source: Equita SIM estimates and company data

- **high cash conversion rate** which used to be between 60% and 80% excluding NWC (or 30-45% including NWC change).

Based on these assumptions we estimate **COMIND is able to generate a recurring FCF of €70/80mn even in a negative market environment.**

COMIND: MAIN FINANCIAL STRUCTURE FIGURES (€ mn) *

	2019	2020	2021	2022	2023E	2024E	2025E
Declared EBITDA	45.2	48.1	77.6	180.0	201.5	179.7	186.3
Net financial position	-29.1	-26.7	-177.0	-148.9	-99.6	-8.6	68.8
Debt to EBITDA	0.6 x	0.6 x	2.3 x	0.8 x	0.5 x	0.0 x	n.m.
NFP excl. IFRS 16	-2.9	-3.2	-120.7	-91.1	-41.8	49.2	126.6
Debt to EBITDA ex-IFRS 16	0.1 x	0.1 x	1.6 x	0.5 x	0.2 x	n.m	n.m
FCF	33.9	38.1	46.6	60.0	124.8	115.3	101.8

** keeping in mind that it does not use factoring and does not capitalize R&D costs*
Source: Equita SIM estimates and company data

As a consequence, the **solid financial structure** (we estimate 2023E debt to EBITDA ratio including IFRS-16 ~0.5x) will further improve in **FY24E** (despite forecasting a double-digit sales decline, **we expect a positive FCF around €115mn)**, and in FY25E will be **debt free. Actually,** excluding the IFRS-16 impact, it is **already debt-free in FY24**.

The covenants of the two main loans (€184mn issued in 2021 by CACIB and €50mn issued in 2022 by Credit Agricole) **are**

- **net debt to EBITDA** (including IFRS 16) **<3.0x**
- **EBITDA / financial costs >5.0x**

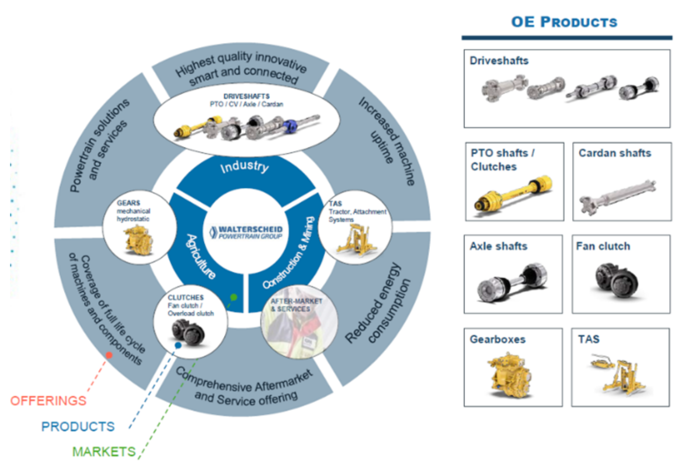
which are largely respected (we estimate FY23E at 0.5x and 20x respectively) leaving high financial flexibility for additional M&A deals.

13. WPG ACQUISITION: A TRANSFORMATIONAL DEAL

In July 2021, COMIND announced the acquisition of German Walterscheid (WPG), from WPG Parent (the SPV controlled by the US private equity One Equity Partners). WPG is a group leader in the development of highly engineered **drive systems for the agricultural and industrial** businesses operating through several brands such as Walterscheid, Mechanics Drive shafts, Rockford Fan Clutch and Uni-Cardan and Powertrain Services. The closing was signed in **December 2021**.

WPG has an **international presence**, with 9 production sites located in Germany, Italy, USA, China, Brazil and Japan, almost 2k employees and a global network of 130 distributors. WPG encompasses the complete lifecycle of OEM equipment, and it is also involved in the After Market through 20 service centers distributing >20k spare parts to major OEMs. In FY20 heavily penalized by COVID it recorded €396mn of revenues (-9% YoY), €34mn of adj. EBITDA (margin 8.6%) and debt to EBITDA was 4.7x. In FY21 sales rebounded growing by 22% YoY to €485mn and EBITDA by 47% YoY to €50mn (margin 10.4%).

WPG: PRODUCT OFFERING



Source: company presentation (2021)

The entry equity value for 100% of the company was €203mn, of which:

- €40mn paid in cash to get 19.7% in WPG;
- and the balance through a reserved capital increase amounting to €163mn issued at €20.29PS (with the seller PE One Equity Partners receiving 28.0% of COMIND).

The total EV amounted to ca. €511mn including both net debt (€159mn, of which €34mn related to IFRS16) and the pension liabilities (€149mn).

The resulting entry 2020-21 EV/EBITDA multiple at around ~15/10x (or ~11/7x excluding pension liabilities) **may appear expensive** (although knowing that the operating performance was heavily affected by COVID crisis) but is **more than justified** by the majority premium, the industrial complementarity and the cost synergies to be exploited. This is **well evidenced by the much lower 2022-23E EV/EBITDA multiples recorded in:** 8.5/7.7x (or ~6/5.5x excluding pension liabilities we assume roughly stable).

COMIND: WPG DEAL MULTIPLES

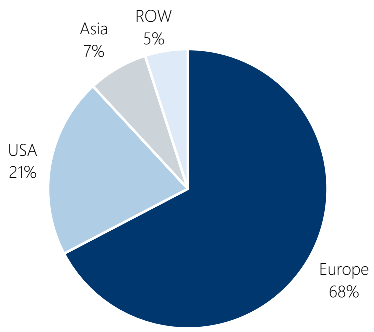
	2020	2021	2022
Price	€203mn	€203mn	€203mn
EV	€511mn	€511mn	€511mn
EV/Sales	1.3 x	1.1 x	0.9 x
EV/EBITDA	15.0 x	9.7 x	8.5 x
EV/EBITDA ex pens. Liab.	10.6 x	7.2 x	6.0 x
Sales	€396mn	€485mn	€594mn
EBITDA	€34mn	€50mn	€60mn
NFP	€-308mn		

Source: Company data and financial statements, Equita SIM estimates

WPG acquisition is a **really transformational deal creating a world leader** for off-highway industry because COMIND:

- **doubled its revenues size;**
- **created a global leader** in mechanical engineering strengthen its presence in key regions to improve customers proximity;

WPG: REVENUES GEOGRAPHICAL BREAKDOWN (2020)



Source: Equita SIM on company data

- **enriched its product portfolio,** strengthening a complete offering of transmission solutions, a unique feature compared to its main competitors;

COMIND – BROADENING PRODUCTS OFFER

	Player	Country	Agricultural					Industrial			Wind sector
			Gearboxes	Driveshafts	Planetary Drives	Power Trains	Wheel Drives	Planetary Drives	Power Trains	Wheel Drives	Planetary Drives
	+ /		✓	✓	✓	✓	✓	✓	✓	✓	✓
Core peers	Peer #1						✓	✓		✓	✓
	Peer #2					✓			✓		
	Peer #3		✓	✓							
	Peer #4		✓		✓			✓		✓	
Diversified players	Peer #5					✓			✓		
	Peer #6				✓	✓	✓	✓	✓		
	Peer #7		✓	✓							
	Peer #8						✓			✓	
	Peer #9					✓				✓	
	Peer #10						✓	✓		✓	✓

Source: company presentation

- **strengthened its presence in the agricultural sector**, but also **entered new end-markets** (commercial vehicles and military in addition to after-market);
- **got the opportunity to exploit relevant cost synergies.**

COMIND: WPG INTEGRATION BENEFITS

Source: Company presentation (Dic-23)

13.1. Significant Synergies To Be Exploited

One of the most important upside related to WPG acquisition is represented by cost synergies. The company never officially disclosed a goal, but **we estimate they it may be at least 2-3% on sales (i.e. €30-40mn).**

Among the most important synergies it is worth to be mentioned the:
- **rationalization of the industrial footprint:**
  - **in 2023 the WPG's plant in China was shut down,** concentrating the local production activity in the COMIND's one located in Pinghu;
  - **during 2023 production capacity in India was increased** (quantitative details not disclosed)**,** becoming local-for-local, replacing the deliveries since then sent from Germany and reducing the related transportation costs;
  - **in June 2024 the Italian plant located in Pegognana will be shut down,** transferring the production in Germany whose capacity was freed up though the abovementioned Indian capacity increase;
- **refinancing of WPG's gross debt,** reducing the very high 7% interest rate (as a result of high 2020 debt to EBITDA ratio at the time of the acquisition around 4.7x) while COMIND pays variable rate 6-month Euribor + spread around 100bps;
- **optimization of the supply chain,** selecting the best providers among those working with the two companies;
- **SAP implementation** which is ongoing across the group;
- **sharing of central costs and R&D know-how.**

Only cross-selling synergies are limited because the first 20 customers are the same in the two companies.
It is worth underlying that many of these initiatives generate structural savings.

We believe a **big portion of the operating margin improvement recorded in FY23E** (+190bps EBITDA margin) **is attributable to cost synergies, and we expect more will come in the next few years**
- considering that some of the abovementioned actions were carried out during 2023 and others will materialize during 2024;
- believing that, looking at what happened in China and in Europe, a reorganization could also materialize in the US where COMIND currently has three production plants (one of COMIND and two inherited by WPG).

13.2. After-Market: A Business Opportunity To Be Developed

Through WPG acquisition COMIND entered the After Market (AM) business including parts replacement, and other high-value services, such as repair, supply of spare parts and development of customized solutions and products (such as digital solutions to optimize and make operating systems more efficient).

We estimate it currently represents **about 20% of group sales:**

- **entirely generated in Europe**, covering the whole region through 12 service centers
- **mainly related to the industrial sector** rather than agricultural one;
- **only involving WPG products** since COMIND ones are inside the machine and usually are not replaced;
- **mainly generated through proprietary products**, while third-parties components represent just a minority.

We agree with management intention to develop it and to penetrate the North American market in the medium-/long-term, as it is an **attractive business** being:

- **less cyclical** than OEM (spare parts on average lasts 5/7 years while the life of a machine is 10/12 years);
- **more profitable** compared to OEM (we believe 4-5% higher operating margin);
- **with lower capital intensity** (apart from needing higher NWC);
- **basically with no competition for the replacement of proprietary products.**

13.3. One Equity Partners Still Owns 23.9% Of COMIND

In December 2021, through the business combination **One Equity Partners'** received a 28% stake in COMIND (at € 20.2PS BV). On December 20th 2022, **it sold a 4.14% stake at €32PS**, collecting €38mn, reducing its stake to 23.9%.

Considering the €9mn dividends received by COMIND in 2022-23 and knowing that the private equity firms typically use the leverage to finance their investments (WPG was acquired in 2019 for a total consideration of Gpb185mn), **at current COMIND market price we estimate the MOIV is >3x.**

COMIND and WPG Partner signed a **shareholders' agreement expiring in July 2026** (or until the date on which WPG Parent ceases to hold at least 10% stake) also foreseeing that:

- **Eagles Oak and COMIND must cooperate with WPG Parent for the purposes of transferring its shares;**

- WPG Parent has in turn undertaken to manage any transfer of its shares in an orderly manner in compliance with the limits set out in the agreement relating to the subjects to whom the shares can be transferred.

It is logical to forecast it **will exit selling its residual 23.9% stake**, but we did not find any useful clue to predict neither the timing, nor the acceptable price range. **This is a well-known issue that inevitably weigh on the stock valuation/multiples beyond causing the limited stock free float and thus stock liquidity.**

14. e-comer DEAL: ENTRY IN THE ELECTRIC MARKET

In January 2023 COMIND entered the market for electric vehicle engines and transmissions completing the acquisition of two Italian business units bought from their respective founders:

- **Benevelli Electric Powertrain Solutions S.r.l.** specialized in the design and production of axles and electric wheelsets offering high efficiency and power density;
- **Sitem Motori Elettrici S.r.l.** specialized in the development of electric engines with innovative technologies, in rotary or linear configuration.

These activities were renamed under the **e-comer brand name** currently active in logistic, cleaning, marine, military and other sectors through customized products.

The equity value on a cash and debt free basis amounted to €54mn of which:

- €50mn paid in cash at closing (Jan-23);
- while the remaining €4mn will be repaid in annual instalments of €1mn, starting from Jan-24.

There is also an **undisclosed earn-out to be paid in 2027** based on the achievement of publicly unspecified business targets.

In 2022, e-comer pro-forma revenues amounted to €19mn and EBITDA was about €5mn (26% EBITDA margin), implying an **entry 2022 EV/EBITDA multiple of 10.8x** which we estimate may have dropped around 7.6x in FY23E.

COMIND – E-COMER DEAL MULTIPLES

Jan-23	2022	2023E
Price	€54mn	€54mn
EV	€54mn	€54mn
EV/Sales	2.8 x	2.0 x
EV/EBITDA	10.8 x	6.5 x
Sales	€19mn	€27.5mn
EBITDA	€5mn	€7mn

Source: Company data

The deal is relatively small compared to the size of the group, but it is of **paramount relevance from a strategic standpoint** because it marked the entry in the rapidly expanding electric market, enriching the product range (to be integrated in COMIND's portfolio solutions) thanks to investments in cutting-edge and sustainable technologies.

This business is currently **still embryonic** (representing only 2% of group sales)

- made of several different small/very small tailor-made orders (not relying on recurring multi-year orders);
- applying a technology which is already available on the market (not a breakthrough innovation).

The potential upside is huge since there are **several potential applications in the industrial sector.** However, it **will take some time to become a recurring and visible business with mass production,** needing to develop new products/applications and new relationships with clients.

This expansionary process may be accelerated **through acquisitions such as in electronics and sensors field.**

COMIND: e-comer INTEGRATION BENEFITS

Investment in e-comer opens the doors to a strategic sector, characterized by historical long-term growth

e-comer

- Indisputable leader in Electric motor vehicles applications
- Know-how, investment to preserve the value of Italian excellence in the mechanical engineering sector
- Diversification, in a booming electric vehicle market that are constantly evolving
- Enlarge products portfolio, entering the market for electric vehicle motors and transmissions means offering a full range of products and technologies
- Unparalleled industrial know-how paving the way to significant upselling synergies
- Sustainability, cutting-edge sustainable technologies committed for a long-term sustainable growth

Source: company presentation (Dec-23)

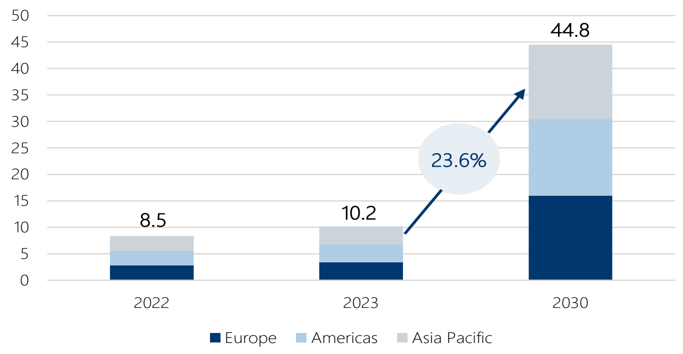
14.1. The Electric Transmission Market Is Expected To Expand Quickly

The **transmissions for the electric market is still relatively small, but it is destined to expand quickly in the next few years also pushed by stricter legislation on pollution**. This is particularly true for specific applications such as small construction equipment.
On the contrary, **in the agricultural market it is (and probably will remain) confined to gardening machines up to 50hp and smaller tractors for orchard and vineyard up to 100 hp**, while it is not suitable for larger machines requiring high traction power for long distances and ensuring prolonged autonomy duration.

The electric machines represents an opportunity for COMIND to enter/develop new markets such as:

- **Construction**: according to MarketsandMarkets™ in 2023 **the global construction electric market** amounts to ca $10bn, and will **grow 20% CAGR to 2030,** reaching ca $45bn in 2030. **Among the growth drivers there are:**
  - **noise pollution reduction:** according to the WHO (World Health Organization) it afflicts 44% of the European population. This has driven more stringent regulation, as in the case of the cities of Oslo and London, which are moving in the direction of making the use of electric equipment (such as **compact excavators**) on public construction sites to curb noise and emissions mandatory by 2025. This trend is expected to reach also China, Japan, South Korea and India;
  - **emissions reduction:** for instance **in the mining industry, Asia Pacific, Americas, and Europe are experiencing difficulties related to rising ventilation costs.** Diesel-powered mining equipment is a major contributor to emissions and is responsible for 30% of the total energy for ventilation systems. Against this backdrop, **electrification in mining can reduce pollution and heat generation, reducing ventilation requirements and improving the working environment in undergound mines**. Leaders manufacturers such as Komatsu, Caterpillar, and Toyota are already investing in the production of electric mining machinery and **the mining industry**, according to MarketsandMarkets™, **is expected to produce 1mn electric vehicles by 2030;**

ELECTRIC CONSTRUCTION EQUIPMENT GLOBAL FORECAST



Source: MarketsandMarkets (Dec-23)

ATTRACTIVE OPPORTUNITIES IN THE ELECTRIC CONSTRUCTION EQUIPMENT MARKET

Source: MarketsandMarkets (Dec-23)

- **Material handling**: this is a **huge market** ($216bn in 2022 source: Fortune Business Insight), expected to grow by 6% CAGR by 2030 (to $342bn) thanks to:
  - Automation and technology developments related to Industry 4.0 that promotes the use of automated mobile robots in production facilities (i.e. last-mile delivery robots);
  - Growing demand for logistics related to the growing demand for e-commerce, growing investment in the private sector in the US.

- **Marine**: the electric boat **market is small** ($3.3bn in 2023, according to MarketsandMarkets™) **but it is expected to grow by 13% CAGR by 2030** (market expected to reach $7.7bn in 2030), thanks to:
  - More stringent environmental regulations, e.g.:
    - the Netherlands announced a ban on fossil fuel powered boats in the cities of Amsterdam and Rotterdam by 2025;
    - Finland launched a programme in 2022 to accelerate the adoption of low-carbon technologies;
    - in 2019 the Swedish Shipowners' Association announced the phase out of all fossil fuel powered ships in Sweden by 2045;
  - New technologies related to the development of battery storage systems;
  - Increased comfort by reducing noise and vibrations;
  - Easier maintenance with electric motors requiring less periodic maintenance.

COMIND: e-comer APPLICATIONS

Source: company presentation (December 2023)

15. M&A ACTIVITY IS NOT OVER

COMIND is looking for **more acquisitions** focusing on the following priorities:
- **Products** to increase the size and enrich the product portfolio;
- **Markets** where it has limited or no presence;
- **Technology** such as sensors, hydraulic transmissions, …

The cash firepower is substantial; in excess of €400mn, taking 2.5x debt to EBITDA as the cap threshold (knowing that debt covenant is at 3.0x).
In addition, **the use of paper is not ruled out** with the possibility to dilute Eagle OAK stake below 50% of capital, preserving the control thanks to the double voting right already in place for long-term shareholders (after 36 months of uninterrupted holding).

In the following table we resume some of the last deals in COMIND's reference market for which Merger Market provides data (for several deals there is no disclosure).

M&A DEALS IN THE REFERENCE MARKET

Acquirer	Target	Date	EV (mn)	EV/EBITDA	EV/EBIT	EBITDA margin	Description
Regal Rexnord Corp	Altra Industrial Motion	2022	5,009 €	14.0x	20.0x	18%	Altra Industrial Motion is a global industrial automation and power transmission business, which designs and manufactures a wide range of highly engineered motion control, automation, and power transmission solutions
Interpump	Reggiana Riduttori	2019	125 €	7.1x		20.0%	Reggiana Riduttori produces planetary gears, gearmotors and wheel gears, mainly for industrial customers, tailored to customer needs thanks to co-design activities
Interpump	Transtecno	2019	60 €	6.5x		19.0%	Production and distribution of medium- and low-power gearboxes and geared motors, used in many target markets and in particular in poultry farming, car washes and renewable energy machinery
Dana	Oerlikon Drive Systems	2018	518 €	7.7x		11%	Oerlikon Drive Systems produces high-performance gears, shifting solutions, power transfer units (PTUs), differentials and planetary drives, and other solutions for hybrids and e-drives
Dana	Brevini*	2016	350 €	11.5x			Brevini engineers and manufactures power-transmission and fluid power products such as planetary gearboxes, hydraulic pumps, motors, and valves
GKN	Getrag All wheel Drive AB & Getrag	2011	306 €	5.4x	10.7x	13.0%	Getrag is a US-based company specializing in the manufacturing of angle drives, axle differentials, transfer cases, and drivetrain components for the automotive industry. In parallel, Getrag All-Wheel Drive AB (Getrag AWD), based in Sweden, focuses on producing all-wheel-drive systems and various chassis components for light vehicles
AVERAGE				8.1x	15.4x	16.3%	

** Data official data*
Source: Equita SIM on Merger Market data and companies' data

16. COMPETITIVE ENVIRONMENT

The transmissions global sector is rather concentrated with few players, some very large and diversified conglomerates and others smaller less diversified from a geographical standpoint. These are **main COMIND competitors**:

Dana

Dana (€~2bn market cap) is a leading US conglomerate active in the design and production of axles, drive shafts, transmissions, sealing and thermal products to electrifications products including engines, inverters, controllers, e-sealing, e-thermal and digital solutions. Dana operates globally and generates 48% of sales in North America, 30% in Europe, 14% in Asia Pacific and 8% in South America. As of 2022 the company recorded $10bn in revenues and $700mn in EBITDA.

Nabtesco

Nabtesco (€~2.2bn market cap) is a Japanese company active in the production of components and machinery for several different industries including construction machinery, aviation, heavy-duty truck, and packaging machinery manufacturing.
It has four divisions:
- Component Solutions (46% of turnover) for the production of reduction gear and hydraulic equipment for industrial vehicles

- Transport Solutions (23%) for the production of equipment for railroad vehicles, aircraft and commercial vehicles
- Accessibility Solutions (23%)
- Manufacturing Solutions (6%) for the production of packaging machinery.

Nabtesco mainly produces for the Asian market (>75% of revenues) followed by Europe (15%) and North America (7%). In FY22 it generated JPY 309bn in revenue (€2.2bn) and JPY 32.6bn in EBITDA (€237mn).

ZF

ZF is a German conglomerate active in the manufacturing of components for the automotive (passenger cars, trucks, commercial vehicles), construction machinery, agricultural, marine, and rail vehicles sectors. The product portfolio includes axles, drivelines, PTOs, etc. The group is highly diversified from a geographic standpoint, with ca. 43% of revenues in Europe, 29% in North America and 24% in Asia. In FY22 ZF recorded a turnover of €44bn and an EBITDA of €4.4bn.

Bonfiglioli

Bonfiglioli is an Italian company that operates in different end-markets, through 3 divisions:

- Discrete manufacturing & process industries offering solutions for material handling and logistics, food & beverage, such as Screw Feeder, Anaerobic MSW Digester, etc.;
- Motion & Robotics offering products such as Smart conveyors and carding for the packaging and textile industries;
- Mobility & Wind offering a wide range of gearboxes for the construction and agricultural industries. In FY22 it recorded €1.2mn in revenues (of which 49% in EMEA, 27% in APAC and 24% in the Americas) and €127mn in EBITDA.

Bondioli & Pavesi

Bondioli & Pavesi is an Italian player in the power transmission sector also active in the production of hydraulic and electrical control solutions (modular directional control valves, electronic control units) and Heat Exchange for the agricultural, construction and industrial sectors. In FY22 it recorded €207mn revenues (with a strong international presence, selling in more than 50 countries with 86% coming from outside Italy and 37% from outside the EU) and €33mn EBITDA.

Carraro

Carraro is an international group headquartered in Campodarsego (Padua), involved in the manufacturing of power transmission systems for off-highway vehicles and specialized tractors such as axles, transmissions and also tractors. It has 8 production plants in Italy (4, since 1932), India (1998), Argentina (2000), and China (2004), 6 R&D centres and almost 3.8k employees. It is active in agriculture (49% of FY22 revenues), construction (36%), spare parts (8%), automotive (3%) and others. Carraro has an international exposure with over 80% of its revenues outside Italy, including 18% in India, 12% in North America and 9% in China.
Carraro closed FY22 with €762mn revenues and €59mn EBITDA. It was a listed on the Italian stock market until 2019.

For more detailed information see appendix #3

16.1. Some Competitors Are Much Larger And More Diversified

The two largest competitors are the listed US Dana and unlisted German ZF which are **conglomerates**:

- **much larger in size** (Dana ~8x and ZF ~35x based on FY22 sales);
- **more diversified** in terms of products/sectors as they mainly operate in the more challenging car sector in terms of sales representing 50% for Dana and >70% for ZF;
- **a bit more capital intensive**: on avg. in the last 4 years capex on sales ratio was around 100bps higher than COMIND;
- **more exposed to North America and APAC** (combined sales represent 58% and 53% respectively vs 38% of COMIND).

Other two competitors are **conglomerates much larger than COMIND**: the listed Japanese **Nabtesco** whose business is mainly carried out in Asia and the Japanese **Rexroth** part of the Bosch group.

Other Italian players are similar in size and geographical coverage, but are not listed: Carraro, Bonfiglioli, and Bondioli & Pavesi

16.2. Other Listed Companies In The Competitive Arena

Apart from Dana, among the listed companies which may be considered as comparables although not directly competing, if not for a small portion of COMIND business, there are the:

- **German Jost** mainly involved in the production of truck axles;
- **UK Renold** producing gear & gearboxes, having a small portion of the business in COMIND's reference market;
- **Italian Interpump**, following the acquisitions of Reggiana Riduttori, Transtecno and DZ Transmission, however operating only in the industrial market;
- **US Regal Rexnord,** producing power transmissions for the industrial business.

JOST

Jost (>€600mn market cap) is a German manufacturer of systems and components, such as such as axle suspensions, truck and trailer axles, steering systems, for trailers (42% of sales), truck (33%) and tractors (25%). In addition to OEM (72% of sales), Jost is engaged also in the Aftermarket segment (28%). The company has an international footprint with ca. 49% of revenues recorded in Europe, 28% in North America and 23% in APA. In FY22 recorded €1,265mn of sales and €155mn of EBITDA.

RENOLD

Renold (€~100mn market cap) produces engineered products and solutions such as gears, gearbox, clutches and couplings for the manufactured products (23%), material handling (20% of sales), construction machinery (11%) and food and drink. Renold is present worldwide, with Europe (42% of sales) followed by Americas (39%), Asia Pacific (10%) and high growth economies (9%), while customers are mainly distributors (46%), OEM (38%) and end users (14%). In FY22 recorded £195mn of sales and £25mn of EBITDA.

INTERPUMP GROUP

Interpump Group (€~5bn market cap) is the world's largest manufacturer of power take offs and one of the top manufacturers of hydraulic pumps, cylinders and other hydraulic components. In 2022 84% of sales were generated outside of Italy and c50% were manufactured by Group's subsidiaries outside of Italy. Interpump operates in two major sectors: Water Jetting (26% of group sales and 31% of group EBITDA in 2022) and Hydraulic (74% of group sales and 69% of group EBITDA in 2022). In FY22 the company recorded €2.1bn of revenues and €490mn of EBITDA.

Regal Rexnord

Regal Rexnord Corporation (€~8mn market cap) is a global leader in the production of industrial powertrain solutions, power transmission components, electric motors and electronic controls, air moving products and specialty electrical components and systems. The group has a strong presence in North America (74% of sales), followed by Europe (12%) and Asia Pacific (10%). In FY22 it recorded $5bn in sales and $1.1bn in EBITDA.

COMIND: 2024-25E COMPARABLES MULTIPLES

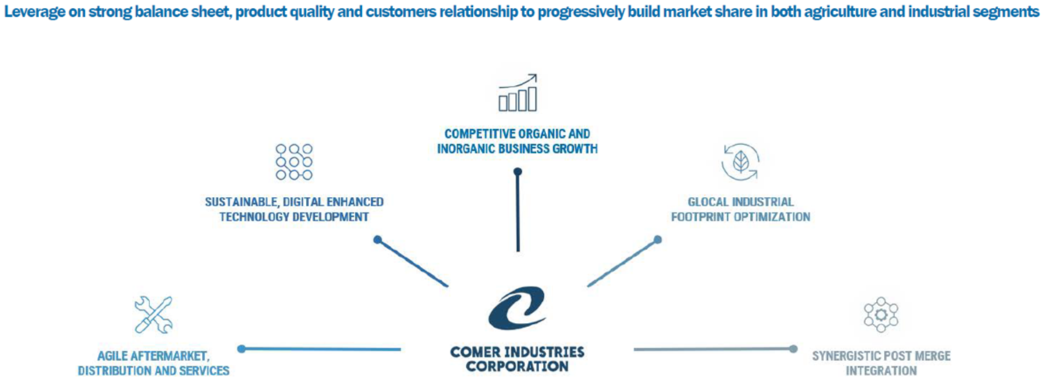
Stocks	Mkt Cap €mn	ABSOLUTE PERFORMANCE 3M	YTD	12M	EV/ SALES 2024	2025	EV/ EBITDA 2024	2025	EV/ EBIT 2024	2025	PE 2024	2025	FCF Yield 2024	2025	D/ EBITDA 2024	2025	YIELD 2024	2025
Dana Inc	1,956	7.9%	-6.9%	-20.8%	0.43 x	0.40 x	5.2 x	4.6 x	9.7 x	8.1 x	10.8 x	7.5 x	5.9%	6.5%	2.3 x	2.0 x	2.9%	2.9%
Nabtesco Corp	2,169	6.5%	-0.2%	-22.4%	0.87 x	0.80 x	8.0 x	6.5 x	14.7 x	11.3 x	21.4 x	17.4 x	1.2%	2.8%	cash	cash	2.9%	2.9%
Average		7.2%	-3.5%	-21.6%	0.65 x	0.60 x	6.6 x	5.6 x	12.2 x	9.7 x	16.1 x	12.5 x	3.6%	4.7%	2.3 x	2.0 x	2.9%	2.9%
Interpump Group	5,153	18.7%	1.0%	-0.7%	2.42 x	2.21 x	10.1 x	9.1 x	12.9 x	11.6 x	17.3 x	15.9 x	6.0%	6.1%	0.5 x	cash	0.7%	0.8%
Jost Werke Se	656	0.3%	-0.3%	-21.3%	0.67 x	0.59 x	5.2 x	4.6 x	6.5 x	5.6 x	7.5 x	6.9 x	15.0%	16.4%	0.9 x	0.5 x	3.8%	4.3%
Renold	110	48.5%	18.4%	66.0%	0.87 x	0.86 x	5.8 x	5.7 x	8.8 x	8.6 x	7.3 x	6.6 x	12.0%	12.5%	0.9 x	0.9 x	0.0%	0.0%
Avg inc. Dana, Nabtesco		16.4%	2.4%	0.2%	1.05 x	0.97 x	6.9 x	6.1 x	10.5 x	9.0 x	12.9 x	10.8 x	8.0%	8.9%	1.2 x	1.1 x	2.1%	2.2%

Source: Equita SIM on Facset consensus estimates

17. CLEAR STRATEGIC PILLARS

Although management does not officially provide any medium-term targets, the strategy is clear and is based on:
- continuous industrial footprint optimization;
- full exploitation of WPG merger synergies (see paragraph #13.1);
- development of digital enhanced technology;
- development of e-comer, dedicated to the electric industrial market;
- development of the after-market business;
- new M&A deals leveraging on the strong financial structure and its recurring FCF.

COMIND: STRATEGIC PILLARS



Source: company presentation (Dec-23)

COMIND's **key competitive advantages** include:
- co-development capabilities and execution reliability;
- wide product range;
- global footprint with a local-for-local approach;
- flexibility in following customer needs;

The strong operating performance recorded in the past few years is the empirical evidence of the successful strategy.

18. BRILLIANT HISTORICAL OPERATING PERFORMANCE

During the 3-year period **2019-22 revenues increased strongly, i.e. +45% CAGR, or +17% CAGR organic** (excluding the WPG acquisition and FX contribution), driven by:
- **Increased penetration of existing customers** (with APAC region representing the most important driver with sales multiplied by 3x);
- **Launch of new products** contributing around €50mn in 2019 (i.e. 12% of sales) including a series of axles for aerial platforms, compact gearboxes for the wind power market, a gearbox for driving auxiliary services ("pump drive") for sugar cane harvesting machinery, etc.;
- **Price increases** (a common item, particularly in the AG sector), due to both automatic adjustments to RMs prices increase and a stronger bargaining power after integrating WPG.

Forex had a small impact (in the 3-year period on avg. lower than +2% p.a.) essentially concentrated in FY22 which recorded +6.5% contribution (mainly attributable to USD).

COMIND delivered a **significant margin improvement: EBITDA margin raised from 11.2% in 2019 to 14.6% in 2022** with an operating leverage <20%, in spite of the
- mathematical dilution due to prices increase just to cover RMs costs;
- integration of WPG, generating lower margins (in 2022 we estimate WPG EBITDA margin of approx. 10% vs COMIND ex-WPG around 18.6%).

This is mainly attributable to:
- **Volumes growth** (with output capacity saturation increased up to 80%);
- **Cost efficiencies**: with purchasing costs down to 57% in 2022 vs 62% in 2019;
- **Synergies from the integration of WPG** (see section #13.1) and WPG standalone increased EBITDA margin from 8.6% in 2020 to 10.1% in 2022;
- **Price increases** broadly accepted by all customers (in addition to RMs automatic clauses adjustments).

COMIND never discloses neither sales nor operating margin bridge (specifying volume, price, mix, forex and scope contribution). **We believe the bulk of 2022-23 operating margin performance came from higher volumes, better mix and WPG synergies**.

COMIND: 2021-23E SALES AND EBITDA LIKE-FOR-LIKE GROWTH (€ mn)

SALES	2020	2021	2022	2023E
Comer Industries	396	598	1,237	1,225
Change	-2%	51%	107%	-1%
WPG		35	559	
e-comer				28
Like-for-like	396	563	679	1,197
Like-for-like growth		42%	20%	-3%
EBITDA	**2020**	**2021**	**2022**	**2023E**
Comer Industries	48	78	180	201
Change	6%	61%	132%	12%
WPG		2	58	
e-comer				7
Like-for-like	48	76	122	194
Like-for-like growth		58%	60%	8%

Source: Equita SIM estimates on company data

It is worth underlining that COMIND has been able to improve margins in absolute value even in 2020, thanks to the:
- Limited sales contraction (-2%), helped by the full exploitation of new products launched in the previous years;
- Strict cost discipline (also exploiting social safety nets) combined with low fixed costs base;
- High production flexibility.

19. STRONG 1H23 RESULTS. 3Q MARGIN EXPANSION DESPITE SALES -10%

COMIND closed **1H23** with:

- **revenues +7% YoY to €677mn (+5% YoY like-for-like**, excluding the newly acquired e-comer), with Agricultural division +11% YoY, offsetting the Industrial weakness (-1% YoY) penalized by the Chinese economic slowdown, in spite of e-comer consolidation contribution;
- **EBITDA +26% to €111mn (EBITDA margin improving by +250bps YoY to 16.4%)** thanks to synergies from integration with WPG, rollover of the price hikes implemented in 2H22, e-comer first-time contribution, RMs and energy costs inflation reversal;
- **adj. net profit (ex-PPA) +15% YoY to €61.4mn** impacted by higher financial expenses (€6mn costs vs €1mn revenues recorded in 1H22) caused by higher interest rates (knowing that gross debt is entirely with floating rates);
- **NFP was flat** compared to year-end (€-152mn vs €-148mn in FY22) because it factors in the cash-outs for e-comer acquisition (€54mn) and the dividend distribution (€21.5mn). **The FCF was around €83.4mn with a small NWC absorption**.

The positive operating margin trend continued in 3Q23 in spite of the double-digit top-line decline with the WPG synergies and prices resilience indicated as the main drivers:

- **Revenues -10% YoY** (-12% YoY organically) mainly attributable to the decline in the agricultural sector (-29% YoY) marking the market cycle reversal. The contraction was mainly located in Latin America (-30%) and EMEA (-15%);
- **EBITDA +6% YoY** always thanks to WPG synergies, ability to preserve prices for the portion of the non-indexed business benefiting from RMs price decline (with **margin achieving the historical peak at 17.4%**, **+420bps YoY**).

We remind that in 1Q and 3Q COMIND only reports sales, EBITDA and net financial position.

COMIND: 2023 QUARTERLY RESULTS (€ mn)

Group/€ mn	1Q23		2Q23		1H23		3Q23		9M23	
Revenues	345.9	100.0	331.0	100.0	676.9	100.0	275.3	100.0	952.2	100.0
Change	11%		3%		7%		-10%		2%	
EBITDA	53.6	15.5	57.5	17.4	111.1	16.4	47.8	17.4	158.9	16.7
Change	27%		26%		26%		6%		19%	
Adj. EBIT					81.8	12.1				
Change					32%					
EBIT					81.8	12.1				
Change					32%					
Pre-tax profit					75.8	11.2				
Change					20%					
Net Income					55.0	8.1				
Change					14%					
NF Position	-183.4		-152.4		-152.4		-119.3		-119.3	

Source: Equita SIM estimates and company data

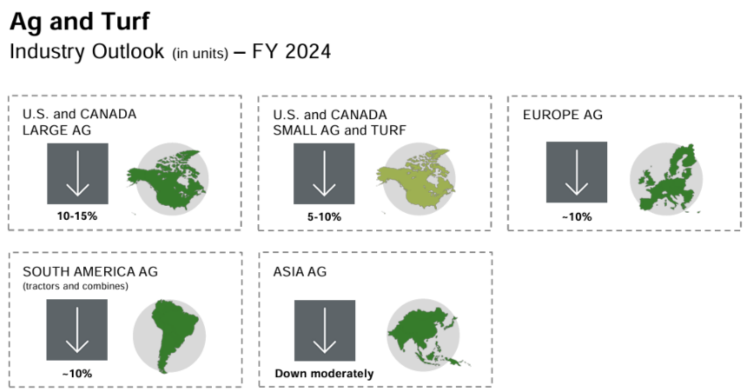
20. IN 2024 MARKET VOLUMES WILL BE DOWN

As already highlighted in the paragraph #7, **the agricultural machines (AG) division is by far the most important end-market (63% of FY22 sales),** thus main OEM players performance represents the leading indicator for COMIND volumes projections.

The supply chain and logistics issues which penalized FY20-22 performance of several customers across all sectors were progressively eased, or definitively solved during 2023. Nevertheless, the world leader John Deere, during the 4Q23 results conference call held on Nov-22nd 2023, anticipated **FY24 global market volumes decline** ranging

- from "moderately down" in Asia (with India, the world's largest tractor market by units, down around 5%);
- to -10/-15% YoY in the US and Canada for large equipment "**reflecting softening sales on the heels of three years of strong demand**, coupled with moderating farm fundamentals and high interest rates weighing on discretionary equipment purchases".

JOHN DEERE – 2024 AGRICULTURAL MARKET VOLUMES OUTLOOK



Source: John Deere 4Q23 results presentation

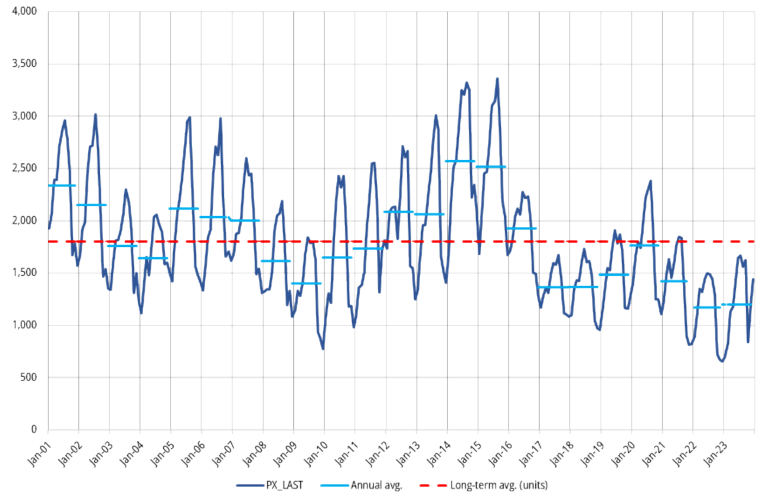
More specifically during the conference call Deere highlighted that in:

- **Europe (where COMIND generates more than 50% of sales): "… the industry is forecasted to be down around 10%.** Farm fundamentals in the region continue to be mixed with opposing dynamics between Eastern and Western Europe. Eastern Europe continues to be impacted by grain inflows from Ukraine driving down commodity prices, while Western Europe remains profitable with favorable grain prices and declining input costs, stabilizing equipment demand in 2024 … **Europe remains more stable relative to the other markets.** While large tractor demand finished strong, we did see moderation across mid tractors and combines … with order books approximately 45% full, this gives us visibility through most of the first half of the year …"
- **the U.S. and Canada for Small Ag and Turf: "… industry demand is estimated to be down 5% to 10%.** The dairy and livestock segment continues to remain steady thanks to elevated protein and hay prices. This is offset by subdued demand in the turf and compact utility tractor markets, which are closely tied to single family home sales and home improvement spending, both of which remain under pressure from higher interest rates …"
- **South America: "… we expect industry sales of tractors and combines to be down about 10%,** moderated by strong headwinds during 2023. Brazil, in particular, was challenged with political uncertainty early on and a delayed government ag financing plan announcement. Coupled with already high interest rates and lower commodity prices that reduced farm profitability, the cumulative impact of these headwinds ultimately led to slower retail sales in the 2H23. This has been exacerbated most recently by severe dryness in Northern Brazil and flooding in the South to start the 2024 planting season. Across the rest of South America, elevated interest rates and heightened economic uncertainty, primarily in Argentina are further dampening expectations …"

John Deere also stressed that FY24 is not the prelude to a long downturn at least in North America since there are really different variables that make this replacement cycle distinct from prior periods:

- **"… large AG inventory levels remain significantly below long-term averages**: both combines and 220-plus horsepower tractors are 30% below 2013 levels, and while four-wheel drive tractors are 60% below that same year …"

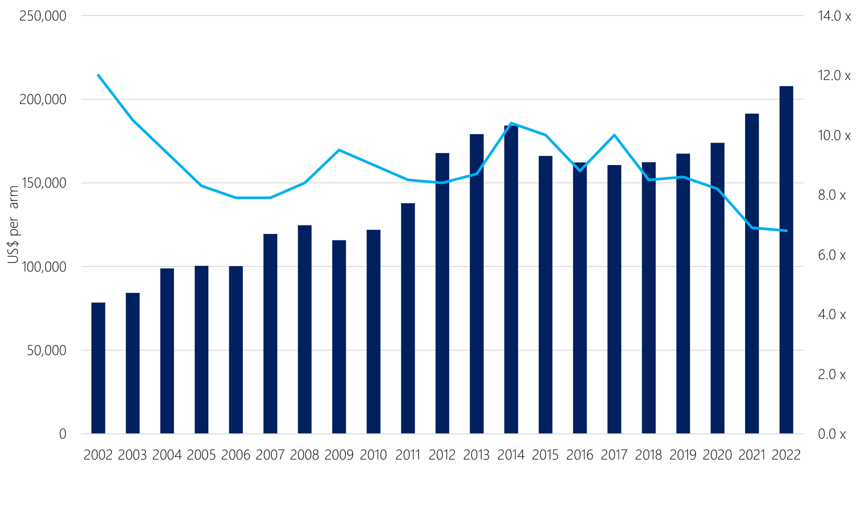
NORTH AMERICAN MARKET COMBINES INVENTORY (units)



Source: Equita SIM on Bloomberg data

- **"… farmer balance sheets are much healthier today,** driven primarily by higher farmland values and years of profitable seasons …"

US FARMERS GROSS CASH INCOME ($ per farm) AND DEBT TO ASSET RATIO (x)



Source: USDA

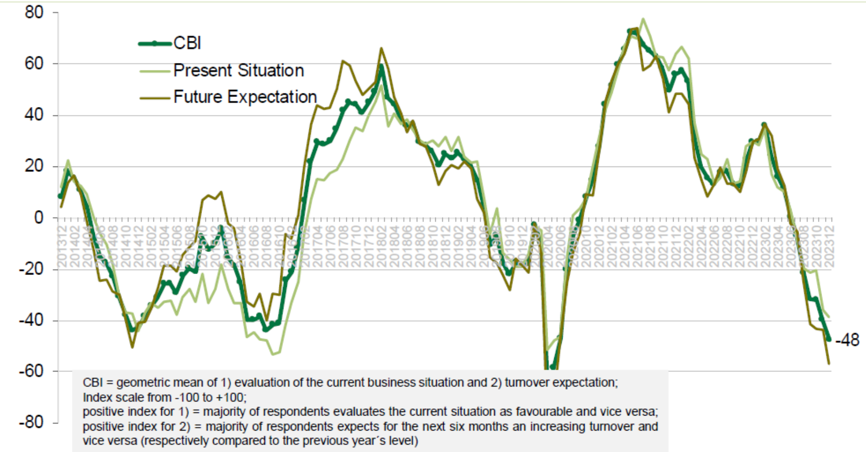
- **"… fleet age is significantly older today than in 2013, when the fleet was the youngest in recorded history**. Combines are roughly in line with long-term averages, while large tractors remain two -- nearly two years above the mean and have yet to inflect downward meaningfully. Importantly, a higher fleet age helps dampen the amplitude of the cycle …"

20.1. Recent Ag Market Surveys Confirm The Market Weakness

Looking at the most recent surveys on the AG market:

- **In Europe the business climate index elaborated by CEMA** (measuring the business sentiment of the agricultural machinery industry in Europe) reported a negative market sentiment and, with the index dropping to -48 points in December, indicates a **recessionary environment**. Indeed, survey participants expect a low-to-mid single digit contraction in revenues (-5% in the median and -2% in the arithmetic mean);

CEMA – BUSINESS CLIMATE INDEX

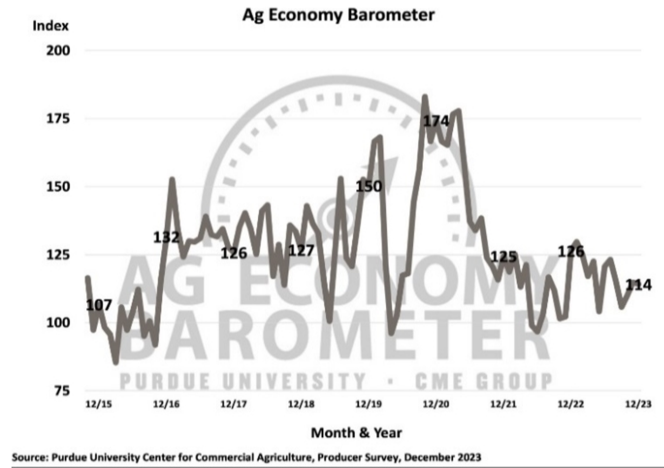


Source: CEMA Business Barometer

- **In the US** the latest report from the *Purdue University/CME Group Ag Economy Barometer* showed a **less negative picture** with overall producers sentiment just slightly changed: the December barometer (survey conducted from Dec. 4-8) recorded a reading of 114, just one point lower than in November.

  Main highlights concern:
  - farmers inflation expectations for 2024 have subsided, being notably lower than those at the beginning of 2023 (with 70% expecting inflation in 2024 to be less than 4% vs 50% projecting 6% or higher a year ago);
  - improvement in the farms' financial performance expectations during the month of December coupled with USDA's more optimistic 2023 farm income outlook released in late November which was $10bn higher than their previous forecast;
  - respondents endorsed the notion that now is a favorable time for substantial investments in their farm operation citing "higher dealer inventories" and "strong cash flows" as key factors supporting this perspective;
  - farmers are concerned about the risk of lower prices for crops and rising interest rates (one-third of respondents said they anticipate rates declining in 2024 while 22% expect no change in interest rates in the upcoming year).

PURDUE UNIVERSITY/CME GROUP AG ECONOMY BAROMETER

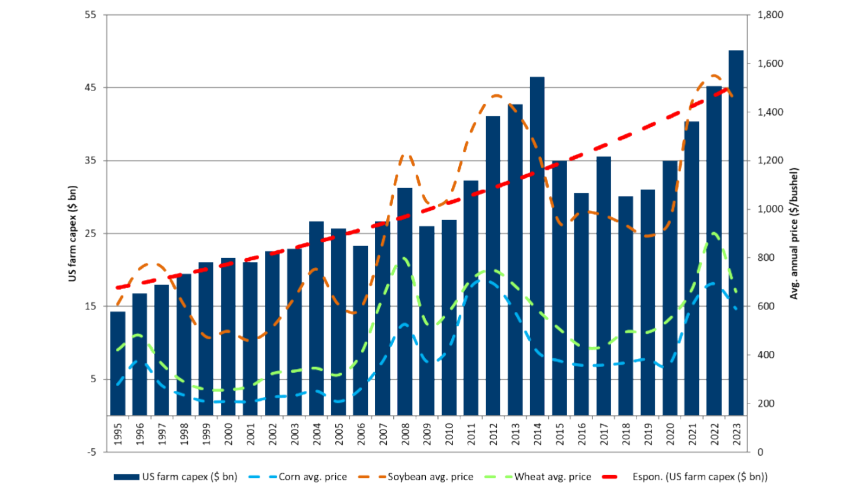


Source: Purdue University Center for Commercial Agriculture, Producer Survey. December 2023

20.2. AG Commodity Prices Are Trending Down

In the AG business, commodity prices are key drivers for farmers profits and thus future capex to replace the aging tractor fleets.

US FARMERS CAPEX and MAIN AG COMMODITY PRICES

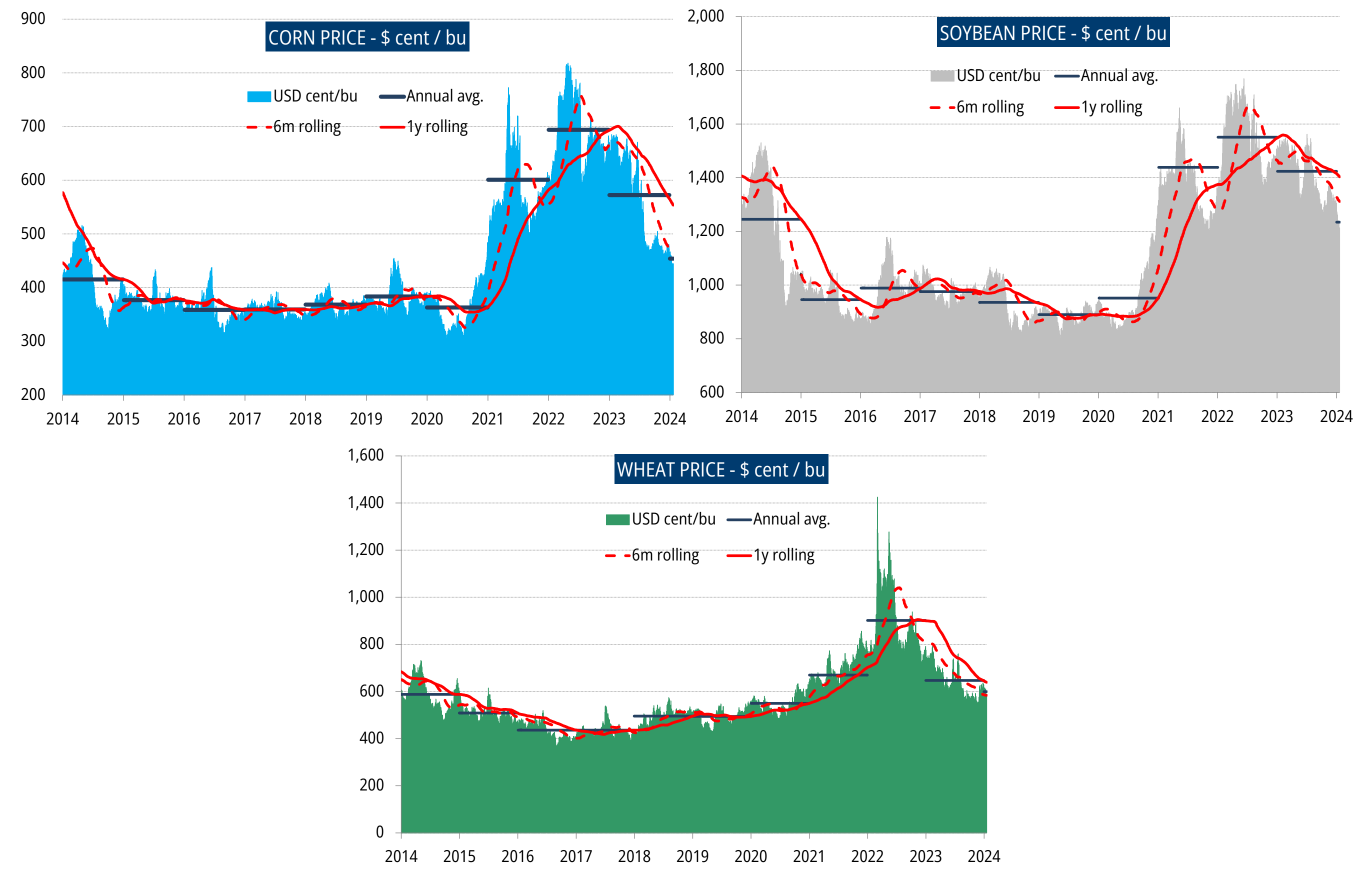


Source: Equita SIM on Bloomberg and John Deere data

After several years of depressed prices (from 2014 to 2020) amid excess crop inventories and trade tensions, **since late 2021 the crop prices rebounded because of drought, and skyrocketed after Russia's attack on Ukraine** which at that time produced more than a quarter of the world's supply of wheat, a fifth of corn and the bulk of sunflower oil.

More recently the price of the most important **AG commodities**, **retraced from the last 24-month peak** (corn -42% from Apr-22, soybean -27% from May-22 and wheat -60% from Mar-22), **and are currently trading slightly above last 8-year average** (by 4% corn, 15% soybean while wheat is 1% lower).

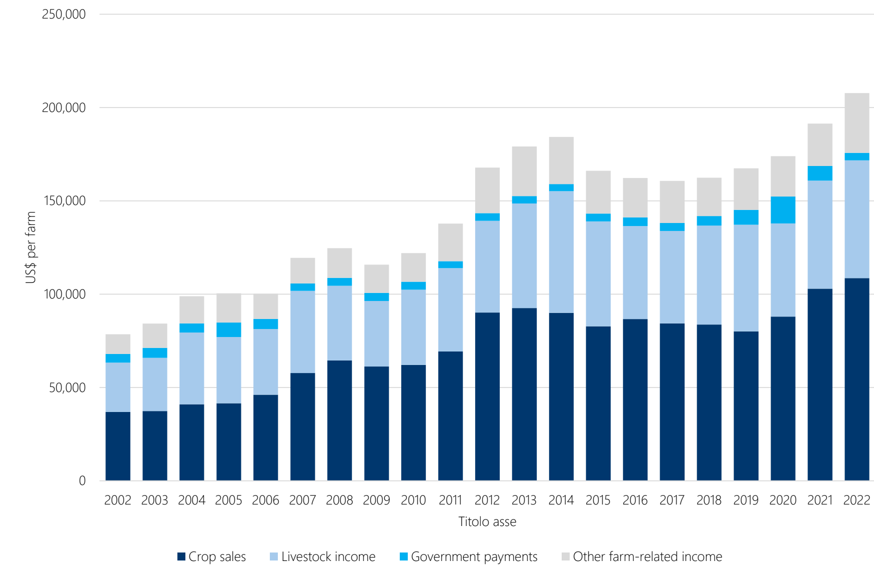
AG COMMODITY PRICES ($/bu)



Source: Equita SIM estimates on Bloomberg data

This broadly explains the expected volumes decline, nevertheless **the health of the sector is reaffirmed by John Deere** which in the last call stated: "…while commodity prices trend lower, we still expect crop cash receipts to be the third highest in 2024. Similarly, corn and soy cash margins will be down from highs, but remain above levels experienced in the back half of the last decade … lower input costs are offsetting some of the impact from lower prices for soft commodities …".

US FARMERS GROSS CASH INCOME ($ per farm)



Source: USDA

20.3. Also Construction Equipment Is Expected Down In Fy24

As far as construction equipment business is concerned, on January 26th 2023 Volvo issued its updated forecast for **FY24 global market volumes confirming an overall decline** except South America, rebounding from a very weak FY23 (-24%) and slightly worsening Europe which is the weakest region.

CONSTRUCTION EQUIPMENT GLOBAL MARKET VOLUMES

Total market development Change in % measured in units	Year-to-date November **2023**	Forecast 2024	Previous forecast 2024
Europe	**-1**	-20% to -10%	-15% to -5%
North America	**7**	-10% to 0%	-10% to 0%
South America	**-24**	0% to +10%	0% to +10%
Asia excl. China	**4**	-15% to -5%	-15% to -5%
China	**-40**	-10% to 0%	-10% to 0%

Source: Volvo press release (Jan-24)

21. ESTIMATES: LOWER VOLUMES IN FY24 AND REBOUND IN FY25

These are our main underlying assumptions:

- **Revenues:** we expect a:
    - **double-digit decline in FY24** mainly **driven by weak volumes, above all in AG** (as showed by some of its main customers consensus expectations) and to a lesser extend prices also because of RM automatic adjustment clauses;

COMIND: SOME OF THE MOST IMORTANT CUSTOMERS PERFORMANCE EXPECTATIONS

Stocks	Sales % change		EBITDA % change		EBIT % change		Net income % change	
Agro	2024	2025	2024	2025	2024	2025	2024	2025
Deere & Co	-10.3%	0.1%	-20.6%	6.2%	-21.0%	0.5%	-21.2%	-1.9%
Cnh Industrial Nv	-7.9%	0.1%	-8.6%	-1.0%	-9.2%	2.6%	-13.5%	4.5%
Agco Corp	-7.5%	-1.5%	-14.8%	-3.8%	-17.6%	-3.7%	-17.6%	-4.0%
Average agricultural	-8.6%	-0.4%	-14.7%	0.5%	-15.9%	-0.2%	-17.4%	-0.5%
Industrial								
Caterpillar Inc	0.3%	3.6%	-1.1%	3.6%	-0.8%	3.4%	-0.2%	2.9%
Cummins Inc	-1.3%	3.3%	-2.0%	6.5%	-1.6%	8.4%	-2.3%	9.0%
Average industrial	-0.5%	3.5%	-1.5%	5.0%	-1.2%	5.9%	-1.3%	5.9%
Total average	-5.4%	1.1%	-9.4%	2.3%	-10.0%	2.3%	-11.0%	2.1%

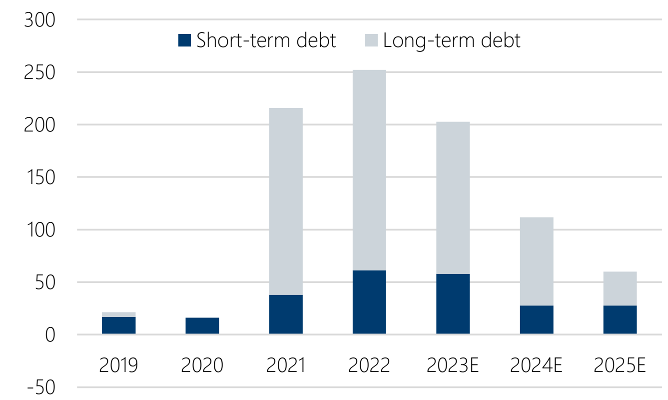
Source: Equita SIM on Factset data

-
    - **recovery in FY25** with market volumes more stable and the contribution of the new contracts conquered;

- **Cost inflation**: we assume 3-4% excluding RMs. Our assumption includes the higher cost of labour we believe is inevitable particularly in North America;
- **Red sea issue**: some in RMs/semifinished components deliveries (15% coming from China) suffered some delay, but it is a one-off effect to be reflected in 1Q24 results with some additional transportation costs not easy to be passed through customers at least in the short-term;
- **R&D costs:** usually **representing about 2-3% on sales, are typically fully expensed** and rarely capitalized (in any case a very small amount, less than €1mn p.a.); we assume this policy to be confirmed going ahead;
- **Restructuring costs:** they are not separately evidenced: some are expected for the final stage of WPG integration, but they are totally expensed, and operating margins are not adjusted accordingly;
- **Forex**: having a local-for-local business model the risk is essentially translation;
- **PPA amortization**: in addition to the €15.3mn related to WPG acquisition, starting from 2023 it will increase to €20 including e-comer, and flat thereafter; **our adj. net profit essentially removes the PPA amortization** being a pure accountancy item**;**
- **Financial costs:** after peaking around €10mn in FY23E since the whole gross debt is with floating interest rates (Euribor 6 months plus around 100 bps, meaning a bit less than 5% at current rates), we estimate a significant contraction following the debt reimbursement through the generated FCF beyond the expected decline in interest rates;
- **Gross debt (ex-IFRS 16) was around €252mn as of Dec-22** (of which 76% long-term almost entirely expiring in 2027) and we expect it will decline going forward thanks to FCF generation;
- **Taxes**: normalized tax-rate expected to remain in the 28-29% range;
- **Minorities**: not present;
- **Capex**: expected to remain around 3% on sales, i.e. around €35mn p.a. of which 15-20% for maintenance;

- **FCF:** being mainly an assembler, business model capital intensity is relatively low and cash conversion (intended as EBITDA less capex) used to be in excess of €60mn p.a.. In spite of the market volumes decline **we expect COMIND will preserve a high level of cash generation;**

COMIND: GROSS DEBT SPLIT BETWEEN SHORT AND LONG-TERM (€ mn)



Source: Equita SIM estimates

- **NWC**: in the past few years it used to be in the 20-22% range on sales and we assume no major changes in the payment terms going forward thus cash absorption/generation will move broadly in line with top-line trend;
- **Factoring**: we remind COMIND does not use factoring;
- **Dividend pay-out**: no guidance officially disclosed; **we assume 25-30%**;
- **Incentive plan**: no stock grant and stock option plans.

Taking into account some statements from the most important customers (as commented in the section #20), **FY24 volumes will be clearly down YoY coupled with small-/mid-single digit prices decline, driving a double-digit top line contraction**, with the 1H performance weaker than 2H also because of the tough YoY comparison. In spite of lower volumes, we expect EBITDA margin to remain flattish thanks to the WPG synergies (see paragraph #13.1). Below the operating line financial costs are expected to significantly decline because of the loan reimbursement.

Starting from FY25 we expect a market rebound with COMIND benefiting from the full **contribution of some new contract awards** (for instance the AGCO' Fendt 600 Vario expected to start production in 3Q24 which is equipped with the COMIND's "AG22" front axle) maintaining a prudent approach on margins expected to be slightly lower (-20bps).

COMIND: 2020-25E MAIN FIGURES (€ mn)												
P&L account (€ mn)	2020	%	2021	%	2022	%	2023E	%	2024E	%	2025E	%
Revenues	396.2	100.0	598.1	100.0	1,237.0	100.0	1,224.6	100.0	1,102.2	100.0	1,157.3	100.0
Change%	-2%		51%		107%		-1%		-10%		5%	
Labour Cost	-67.1	-16.9	-86.8	-14.5	-243.6	-19.7	-250.9	-20.5	-258.4	-23.4	-266.2	-23.0
Purchases	-248.3	-62.7	-379.1	-63.4	-704.7	-57.0	-685.8	-56.0	-606.2	-55.0	-630.7	-54.5
Other operating revenues (costs)	-32.2	-8.1	-53.9	-9.0	-106.9	-8.6	-86.5	-7.1	-57.9	-5.3	-74.1	-6.4
EBITDA	48.1	12.1	77.6	13.0	180.0	14.6	201.5	16.5	179.7	16.3	186.3	16.1
Change%	6%		61%		132%		12%		-11%		4%	
Depreciation & Amortisation	-17.7	-4.5	-20.8	-3.5	-52.5	-4.2	-60.0	-4.9	-61.2	-5.6	-60.6	-5.2
Provisions	-0.5	-0.1	-0.6	-0.1	-1.8	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	30.4	7.7	56.8	9.5	127.5	10.3	141.5	11.6	118.5	10.7	125.7	10.9
Change%	9%		87%		124%		11%		-16%		6%	
Financial revenues (charges)	-1.0	-0.2	-2.0	-0.3	-2.6	-0.2	-10.0	-0.8	-6.0	-0.5	-3.0	-0.3
Profits (losses) from equity investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre Tax Profit	29.4	7.4	54.8	9.2	124.9	10.1	131.5	10.7	112.5	10.2	122.7	10.6
Change%	15%		87%		128%		5%		-14%		9%	
Taxes	-7.6	-1.9	-15.4	-2.6	-34.2	-2.8	-37.5	-3.1	-32.0	-2.9	-35.0	-3.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	21.8	5.5	39.4	6.6	90.7	7.3	94.0	7.7	80.4	7.3	87.8	7.6
Change%	18%	0.0	81%	0.0	130%	0.0	4%	95-100	-14%	85.0	9%	0.0
Adjusted Net Profit	19.6	4.9	39.2	6.6	100.3	8.1	108.3	8.8	94.7	8.6	102.1	8.8
Change%	27%		100%		156%		8%		-13%		8%	
Cash-flow	39.5	10.0	60.2	10.1	143.2	11.6	154.0	12.6	141.6	12.8	148.3	12.8
Change%	10%		52%		138%		8%		-8%		5%	
Adjusted Cash-Flow	37.3	9.4	59.9	10.0	152.7	12.3	168.3	13.7	155.9	14.1	162.6	14.1
Change%	14%		61%		155%		10%		-7%		4%	
Dividends (total amount)	10.2		14.3		21.5		24.4		24.4		24.4	
Pay-out ratio	47%		36%		24%		26%		30%		28%	
Capital expenditure	13.1	3.3%	20.9	3.5%	33.9	2.7%	35.0	2.9%	35.0	3.2%	35.0	3.0%
Other net investments	-1.5		190.5		0.2		54.0		0.0		0.0	
NFP incl. IFRS 16	-26.7		-177.0		-148.9		-99.6		-8.6		68.8	
IFRS 16 impact	-23.5		-56.3		-57.8		-57.8		-57.8		-57.8	
NFP excl. IFRS 16	-3.2		-120.7		-91.1		-41.8		49.2		126.6	
Debt to EBITDA	0.1x		1.6x		0.5x		0.2x		n.m.		n.m.	
EBITDA/Financial costs	49.1x		38.9x		69.6x		20.1x		29.9x		62.1x	
Actual tax rate	26%		28%		27%		29%		29%		29%	

** Adj. EBIT and adj. net profit excluding PPA amortization company data*

Source: Equita SIM estimates and

Our estimates are more cautious than consensus ones.

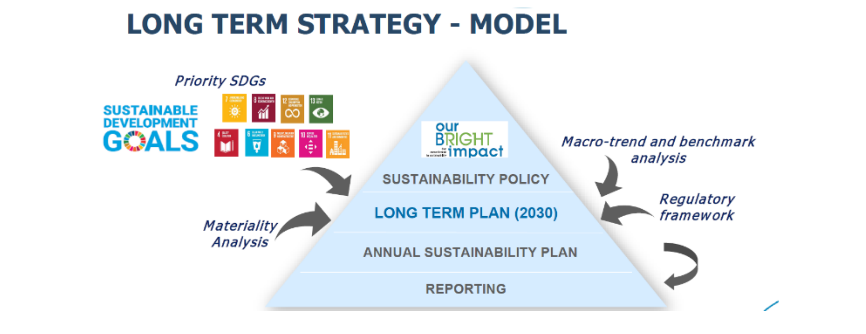
COMIND: 2023-25 ESTIMATES vs CONSENSUS (€ mn)									
	2023			2024			2025		
MAIN FIGURES € mn	Equita	Factset	Difference	Equita	Factset	Difference	Equita	Factset	Difference
Revenues	1,224.6	1,226.0	0%	1,102.2	1,188.0	-7%	1,157.3	1,242.0	-7%
Adjusted EBITDA	201.5	203.0	-1%	179.7	195.0	-8%	186.3	211.0	-12%
Margin	16.5%	16.6%		16.3%	16.4%		16.1%	17.0%	
Adj. EBIT	161.5	163.0	-1%	138.5	151.0	-8%	145.7	167.0	-13%
Margin	13.2%	13.3%		12.6%	12.7%		12.6%	13.4%	
Profit before tax	131.5	135.0	-3%	112.5	129.0	-13%	122.7	145.0	-15%
Margin	10.7%	11.0%		10.2%	10.9%		10.6%	11.7%	
Net income	94.0	97.0	-3%	80.4	91.0	-12%	87.8	103.0	-15%
Margin	7.7%	7.9%		7.3%	7.7%		7.6%	8.3%	
Adj. net income	108.3	111.0	-2%	94.7	105.0	-10%	102.1	117.0	-13%
Margin	8.8%	9.1%		8.6%	8.8%		8.8%	9.4%	
Net Debt	-99.6	-105.0	-5%	-8.6	-14.0	-36%	68.8	71.0	-3%

Source: Equita SIM and company data

22. ESG OVERVIEW

In 2019, COMIND introduced the Our Bright Impact program, with the intention of taking a structured approach to promoting a sustainable development of its business. Through this program, the company is committed to pursuing the established aims for sustainable development, which are embedded in the United Nations' 2030 Agenda.

ESG, COMIND LONG TERM STRATEGY



Source: Company presentation

Specifically, **COMIND has made significant efforts to reduce its environmental impact, adopting a series of measures:**

- **Supply of electricity from renewable sources:** the company has increased its use of electricity from renewable sources by 6% in the last year, bringing it to 34% of the total consumption;
- **Mapping of external activities and definition of targets:** by 2023, COMIND aimed to complete the mapping of activities outside the organization considered relevant in CO2 emissions. Subsequently, it commits to define medium to long term targets and draw up an implementation plan to reduce the environmental impact;
- **Waste reduction:** in 2022 COMIND has recorded a meaningful 35% YoY reduction in hazardous waste. In addition, water treatment plants are used to manage production waste, thus contributing to the overall reduction of hazardous waste;
- **Minimizing the Consumption of Natural Resources:** the company aims to minimize the consumption of natural resources by mapping the main recycled raw materials and assessing the level of recyclability of products. This initiative aims to define specific actions to improve sustainability and reduce the overall environmental impact of the production cycle.

At social level, COMIND Academy was set up, an innovative internal training school dedicated to promoting and managing training courses for the entire workforce. In addition, the company has published a Diversity and Inclusion Policy which includes principles, programs, objectives and tools with which it is concretely committed to promoting inclusion and combating all forms of discrimination in its activities and corporate life.

As far as **governance** is concerned, COMIND has room for improvement: currently, the number of independent directors is 2 out of 9, while the number of women is 1 out of 10.

COMIND: SUSTAINABILITY ROAD MAP

Source: company presentation (Dec-23)

COMIND: LONG-TERM STRATEGY PLAN

TOPIC	MATERIAL TOPIC (2022)	SDGs
GOVERNANCE ESG	COMPLIANCE/ BUSINESS ETHICS AND INTEGRITY/ BUSINESS CONTINUITY/ RISK MANAGEMENT/ HUMAN RIGHTS AND FAIR LABOR PRACTICES/ DIGITIZATION	8, 9, 10
CLIMATE CHANGE	EFFECTIVE AND EFFICIENT ENERGY MANAGEMENT/EMISSIONS AND CLIMATE CHANGE	13, 7
SUSTAINABLE PROCUREMENT	SUSTAINABILITY AND ACCOUNTABILITY IN THE SUPPLY CHAIN/HUMAN RIGHTS AND FAIR LABOR PRACTICES	7, 8, 12
HUMAN CAPITAL	HUMAN CAPITAL AND EMPLOYEE WELL-BEING/TRAINING AND STAFF DEVELOPMENT/DIVERSITY AND EQUAL OPPORTUNITY/OCCUPATIONAL HEALTH AND SAFETY	4, 8, 10, 11
CIRCULARITY	RESPONSIBLE WASTE MANAGEMENT / ENVIRONMENTAL IMPACT	6, 9, 11, 12

Source: Company presentation (Dec-23)

23. DFCF-BASED TARGET PRICE AT € 35PS

We fix our DFCF-based target price at €35PS (with 8.5% WACC and 1.5% g factor), **implying 2024-25E adj. PE 10.6/9.8x**, EV/EBITDA 5.6/5.0x, EV/adj. EBIT 7.3/6.4x and FCF yield 11.5/10.1%.

COMIND: DFCF ANALYSIS (€ mn)

Assumptions			2024E	2025E	2026E	2027E	2028E	Beyond
g	1.5%	Sales	1,102	1,157	1,192	1,228	1,265	1,284
WACC	8.5%	*Change %*	*-10.0%*	*5.0%*	*3.0%*	*3.0%*	*3.0%*	*1.5%*
		EBITDA	180	186	191	196	202	124
		Change %	*-10.8%*	*3.7%*	*2.4%*	*3.0%*	*3.0%*	*-38.7%*
		Margin	16.3	16.1	16.0	16.0	16.0	9.7
		D&A	-61	-61	-59	-58	-57	-9
		EBIT	118	126	131	138	145	116
Valuation		*Change %*	*-16.3%*	*6.1%*	*4.5%*	*5.3%*	*5.1%*	*-20.5%*
NPV of Free Cash Flows	486	*Margin*	10.7	10.9	11.0	11.3	11.5	9.0
NPV of Terminal Value	792	Taxes	-34	-36	-37	-39	-41	-33
Estimated Enterprise Value	1,278	EBIT after Tax	85	90	94	99	104	83
2023E NFP	-100	*Change %*	*-16.3%*	*6.1%*	*4.5%*	*5.3%*	*5.1%*	*-20.5%*
Adjustment to NFP	-166							
Equity	1,012	Capex	-35	-35	-36	-37	-38	-14
Peripherals & other	0	(increase) decrease in WC	9	-12	-7	-8	-8	-3
Total Equity	1,012	Free Cash Flow before minorities	120	104	110	112	115	75
		FCF Minorities	0	0	0	0	0	0
# of shares	29	Free Cash Flow after minorities	120	104	110	112	115	75
Target Price (€ PS)	35.3	Discount Factor	1.00	1.08	1.16	1.25	1.35	1.35
Upside (Downside)	31%	PV of FCF	120	96	95	90	85	55

Source: Equita SIM estimates

COMIND: SENSITIVITY (€ PS)

		WACC		
		9.0%	8.5%	8.0%
	1.0%	31.8	33.4	35.3
g	1.5%	33.4	35.3	37.4
	2.0%	35.3	37.4	39.9

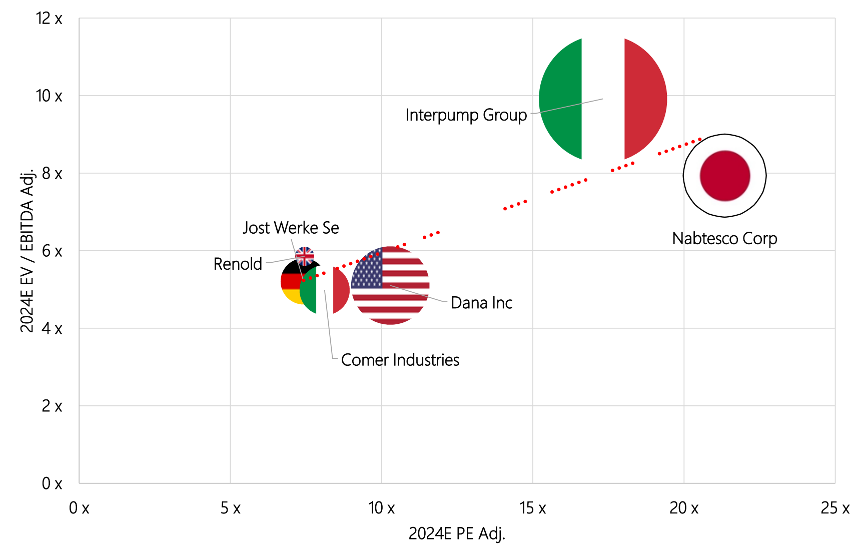
Source: Equita SIM estimates

We acknowledge that **the low stock liquidity negatively weights on valuation/multiples.**

24. MULTIPLES COMPARISON LEADS TO HIGHER VALUATION

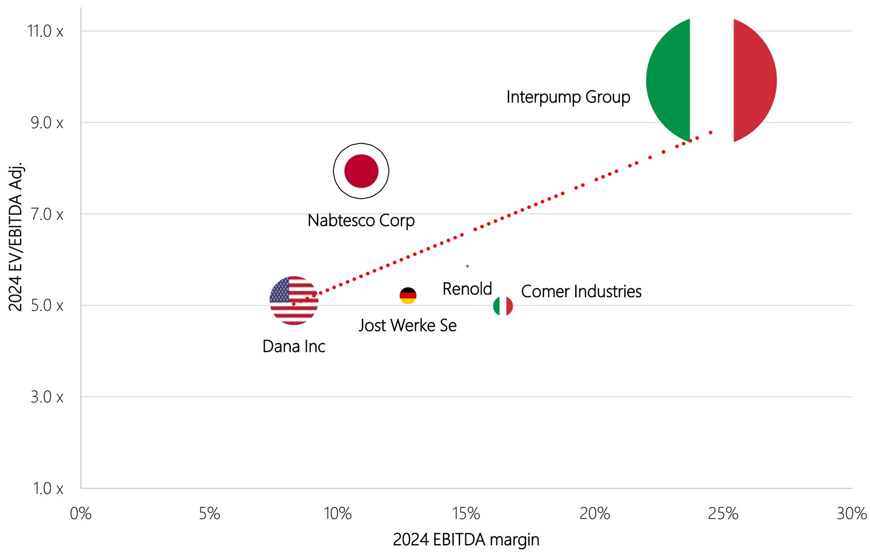
As explained in section #16 there are **few listed competitors which however are not pure peers** (Dana is a much larger and diversified conglomerate, and Nabtesco has less than 50% of comparable sales and generates the bulk of its business in Asia). For this reason, in performing our multiples comparison, **in our wider panel we include other players** (those which made acquisitions in the COMIND's reference markets over the past few years) **although only a small portion of their business is in direct competition with COMIND.**

COMPARABLES COMPANIES: 2024E EV/EBITDA and PE *



** Dana under US Gaap*
Bubble size represents market cap
Source: Equita SIM and FacSet consensus estimates (as of January 25th 2024)

COMPARABLES COMPANIES: 2024E EV/EBITDA and EBITDA MARGIN *



** Dana under US Gaap*
Bubble size represents market cap
Source: Equita SIM and FacSet consensus estimates (as of January 25th 2024)

By applying the 2024E average multiples of the two group of peers (with the two real competitors and our wider panel) **we get much higher valuations** (ranging from €37PS to >€50PS) **compared to our DFCF analysis.** This may be justified by COMIND higher profitability (with the only exception of Interpump) and stronger financial structure (with just Nabtesco starting with net cash) and past few years brilliant track record. Nevertheless, we consider this valuation method just a double check, believing that the **low stock liquidity and the private equity flowback risk, justifies lower multiples until this issue is removed.**

COMIND: 2024E MULTIPLES COMPARISON *			
	Competitors (1)	Wider panel (2)	
EV/EBITDA	6.6x	6.9x	
EV/EBIT	12.2x	10.5x	
P/E	16.1x	12.9x	
EQUITY VALUE (€ mn)			Average
EV/EBITDA	1,056	1,106	1,081
EV/EBIT	1,559	1,325	1,442
P/E	1,528	1,218	1,373
Average	1,381	1,216	1,299
VALUE PER SHARE (€)			Average
EV/EBITDA	36.8	38.6	37.7
EV/EBIT	54.4	46.2	50.3
P/E	53.3	42.5	47.9
Average	48.1	42.4	45.3

** EV multiples including pension liabilities (1) only including Dana and Nabtesco (2) also including Interpump, Jost and Renold*
Source: Equita SIM estimates

It is worth mentioning that our **wider panel include the**

- **best-in-class Interpump** trading at premium multiples justified by its higher profitability and a long-term brilliant track record (see for instance our short note on Interpump #425 dated November 13th 2023); excluding it from the panel the resulting valuation would not be far from our DFCF
- **micro-cap Renold** (just €0.1bn market cap) trading at much lower multiples than the average; excluding it from the panel the resulting valuation would not be well in excess of €40PS no matter which multiple is considered.

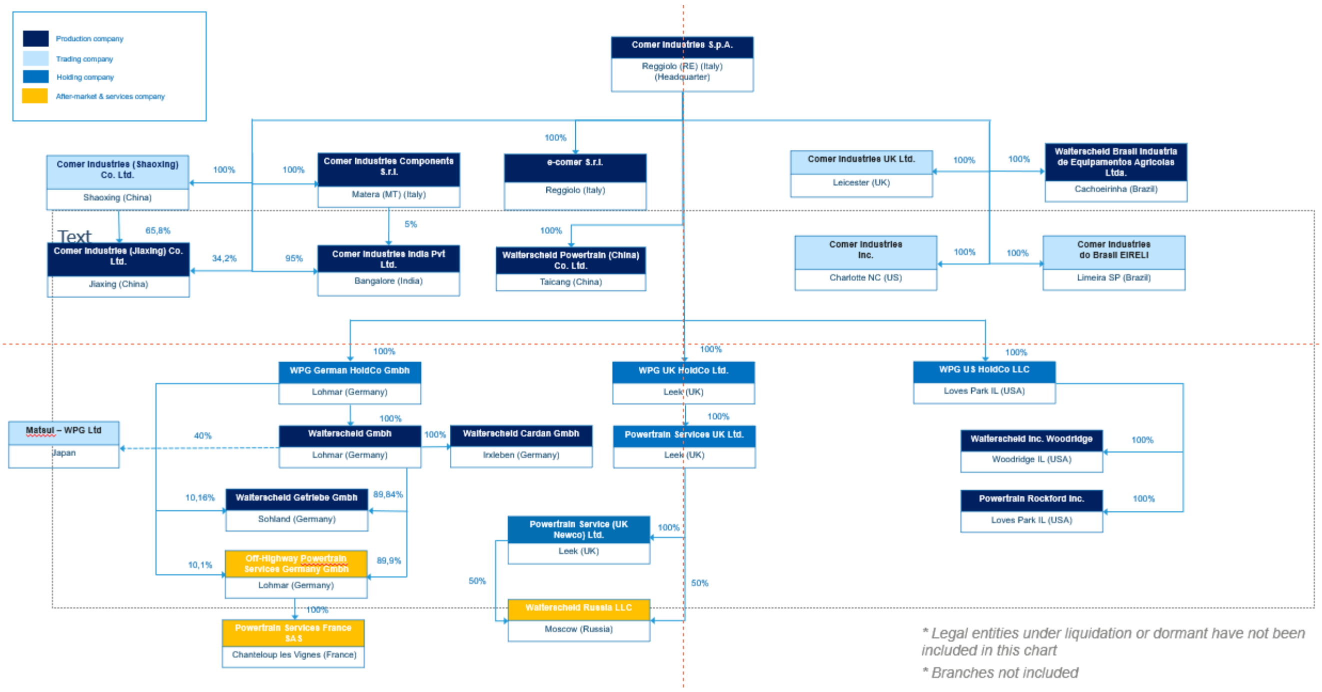
25. STATEMENT OF RISKS

The primary elements that **could have a negative impact include**:

- Significant worsening in the reference macroeconomic scenario
- Significant reference markets volumes slowdown
- AG commodity prices decline
- Price pressure coming from main OEMs customers and/or competitors
- NWC absorption due to inventory increase and/or higher RM prices
- Value destroying M&A deals, significantly increasing the net debt

26. APPENDIX 1: GROUP CORPORATE STRUCTURE

COMIND: GROUP CORPORTATE STRUCTURE



Source: company's pospectus (2023)

27. APPENDIX 2: TOP MANAGEMENT

COMIND: TOP MANAGEMENT

Source: company presentation

28. APPENDIX 3: LISTED COMPARABLES MAIN FEATURES

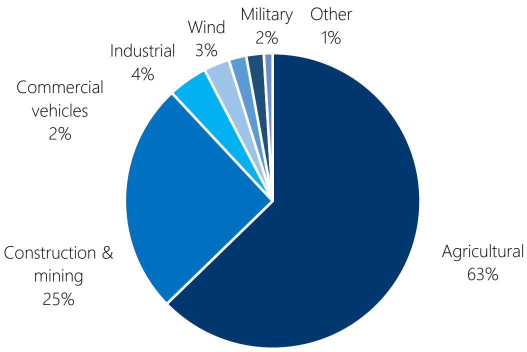
COMIND: EUROPEAN PEERS OVERVIEW (2022)

COMPANY	Comer Ind.	Dana	ZF	Bosch Rexroth	Nabtesco	Bonfiglioli	Bondioli & Pavesi	Carraro
Country	Italy	US	Germany	Germany	Japan	Italy	Italy	Italy
Bloomberg ticker	COM IM		unlisted	unlisted		unlisted	unlisted	unlisted
Currency	€	USD	€	€	JPY	€	€	€
Market price	26.9	13.6	-	-	2,872.5	-	-	-
Market cap (€ mn)	771	1,956	-	-	2,169	-	-	-
Free float	12%	89%	-	-	88%	-	-	-
Production sites	TOTAL 18 Europe (10), North America (3), Asia (3), South America (2)	TOTAL 88	TOTAL 168 In 32 Countries	TOTAL	TOTAL 6	TOTAL 15	TOTAL 15	TOTAL 8 Italy (4), Argentina (1), China (1) and India (1)
Agricultural	63%	30%*	9%*					49%
Construction & mining	25%							
Industrial	4%				6%			2%
Wind	3%							
Commercial vehicles	2%	20%	17%					36%
Military	2%							
Light Vehicle		50%	74%					3%
Components solutions					46%			
Transport & accessibility solutions					48%			
Other	1%							10%
OEM activity	80%	Largely dependent on OEM	93%	n.a.	n.a.	Largely dependent on OEM	n.a.	92%
After market	20%		7%	n.a.	n.a.		n.a.	8%
% of sales competing with COMIND (est.)	**-**	**>25%**	**>8%**	**n.a.**	**<40%**	**n.a.**	**n.a.**	**>80%**
Revenues (€ mn)	**1,237**	**9,642**	**43,801**	**7,345**	**2,240**	**1,234**	**207**	**762**
Revenues 3-year CAGR	45%	6%	6%	n.a.	2%	8%	15%	12%
EBITDA (€ mn)	**180**	**665**	**4,372**	**n.a.**	**237**	**127**	**33**	**59**
EBITDA margin	**14.6%**	**6.9%**	**10.0%**	**n.a.**	**10.6%**	**10.3%**	**16.0%**	**7.7%**
EBITDA 3-year CAGR	58.5%	-11.8%	7.3%	n.a.	-5.3%	5.9%	37.0%	11.4%
4-year EBITDA margin average	12.7%	9.0%	10.1%	n.a.	13.4%	11.5%	13.1%	7.7%
EBIT (€ mn)	**128**	**82**	**2,038**	**n.a.**	**131**	**74**	**23**	**32**
ROS	**10.3%**	**0.8%**	**4.7%**	**n.a.**	**5.9%**	**6.0%**	**11.1%**	**4.2%**
EBIT 3-year CAGR	66%	-33%	11%	n.a.	-11%	6%	47%	12%
4-year ROS average	8.6%	2.6%	4.2%	n.a.	8.7%	7.0%	8.1%	4.1%
Net Profit (€ mn)	**91**	**-230**	**227**	**n.a.**	**69**	**55**	**19**	**6**
4-year net profit average	43	28	103	n.a.	221	52	11	5
NFP IFRS 16 (net debt)/cash	**-149**	**-1,883**	**-10,378**	**n.a.**	**342**	**-202**	**14**	**-205**
Debt to EBITDA	0.8 x	2.8 x	2.4 x	n.a.	n.m.	1.6 x	n.m.	3.5 x
NWC (€ mn)	**254**	**1,087**	**4,554**	**n.a.**	**510**	**364**	**26**	**500**
NWC on sales	21%	11%	10%	n.a.	23%	30%	13%	66%
4-year NWC on sales avg	24%	6%	11%	n.a.	23%	28%	14%	4%
Inventory (€ mn)	245	1,528	5,597	n.a.	357	394	51	163
Inventory on sales	20%	16%	13%	n.a.	16%	32%	25%	21%
4-year inventory on sales avg	24.9%	15.8%	12.4%	n.a.	14.3%	29.6%	26.0%	22.7%
Factoring	no	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total # employees (2022)	**3,668**	**41,800**	**164,869**	**32,059**	**7,928**	**4,148**	**628**	**3,781**
Revenues per employee (€ '000)	337	231	266	229	283	297	329	202
EBITDA per employee (€ '000)	49	16	27	n.a.	30	30	53	16
EBIT per employee (€ '000)	35	2	12	n.a.	17	18	37	8
R&D on sales (4-year avg.)	**0.2%**	**4.7%**	**7.7%**	**n.a.**	**3.3%**	**1.5%**	**n.a.**	**4.6%**
R&D capitalised on sales (3-year avg.)	0.1%	0.0%	0.1%	n.a.	0.0%	0.1%	n.a.	0.3%
Capex on sales (4-year avg.)	**3.5%**	**4.5%**	**4.2%**	**n.a.**	**5.1%**	**5.3%**	**9.4%**	**4.5%**
ROCE incl. IFRS 16 (4-year avg.)	**12.3%**	**2.9%**	**8.1%**	**n.a.**	**9.7%**	**9.5%**	**10.2%**	**7.2%**
2021	7.8%	6.8%	8.3%	n.a.	9.2%	11.1%	9.6%	9.7%
2022	15.6%	-5.5%	7.4%	n.a.	5.8%	9.1%	15.2%	5.7%
Labour cost on sales	19.7%		11.6%	n.a.	n.a.	17.1%	15.8%	14.3%

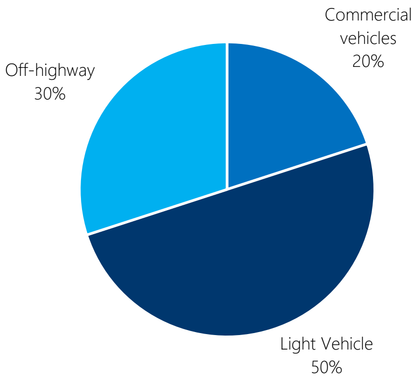
** off-highway*
Source: Equita SIM on companies' data

EUROPEAN PEERS: SALES SPLIT BY END-MARKETS (2022) *

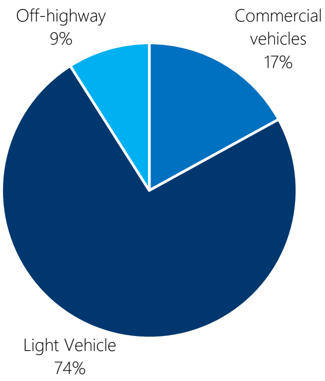
Comer Industries



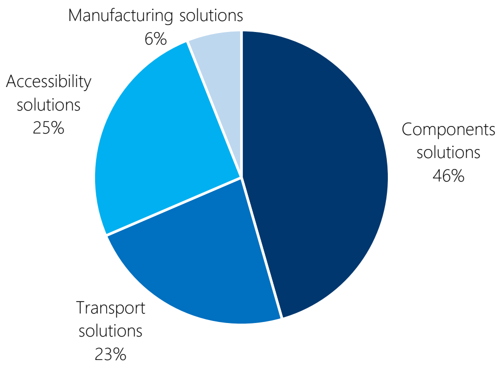
Dana



ZF



Nabtesco

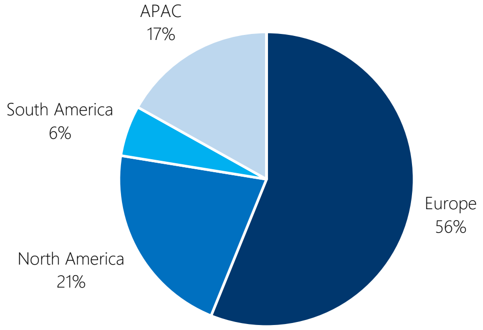


** where available*

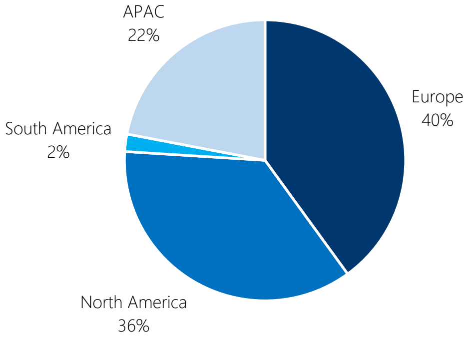
Source: Equita SIM on companies data

EUROPEAN PEERS: GEOGRAPHICAL SALES SPLIT BY (2022) *

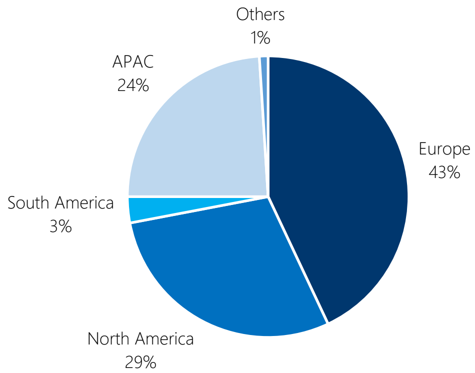
Comer Industries



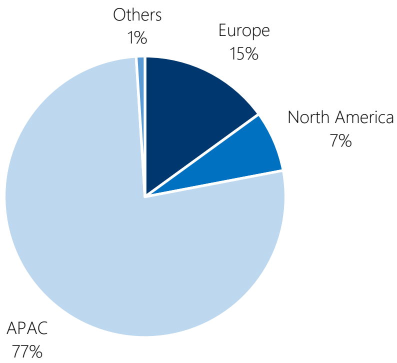
Dana



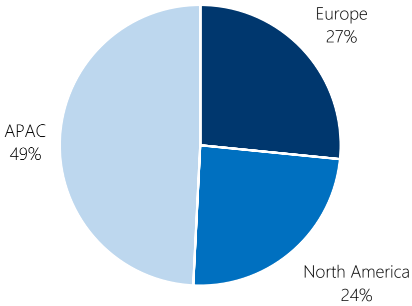
ZF



Nabtesco



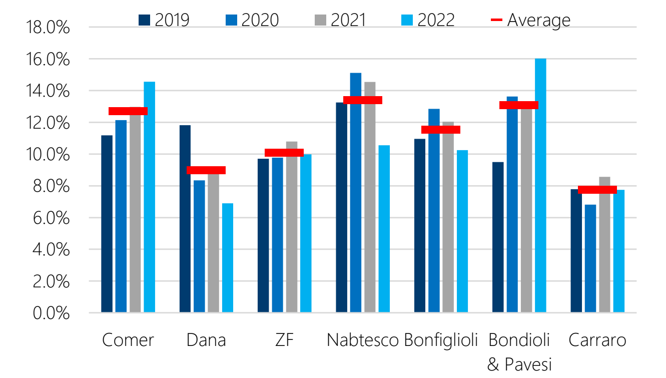
Bonfiglioli



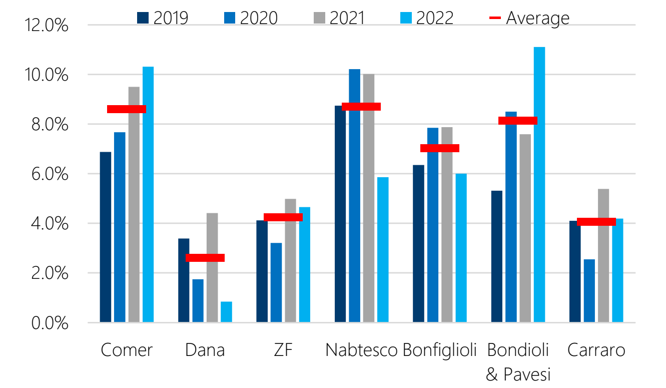
** where available*
Source: Equita SIM on companies data

EUROPEAN PEERS: MAIN ITEMS COMPARISON *

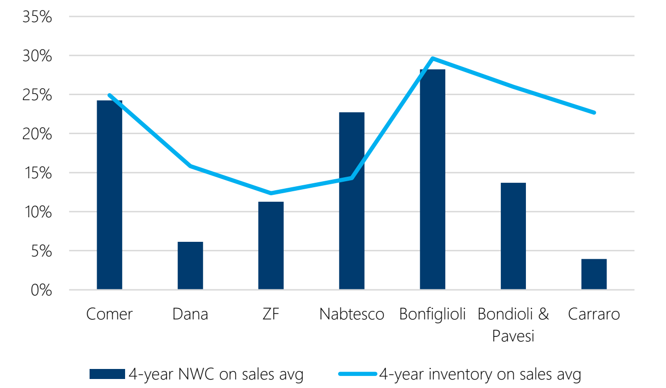
EBITDA MARGIN (2019-22)



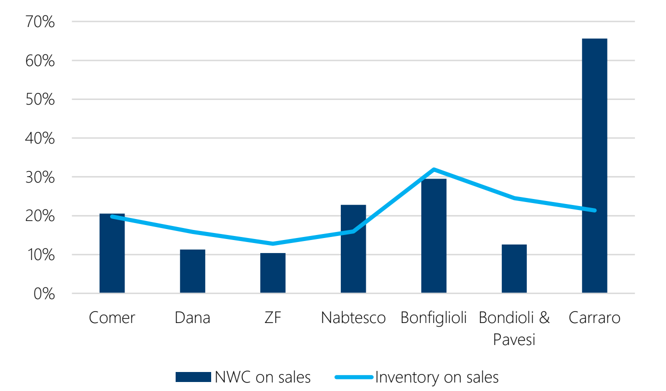
EBIT MARGIN (2019-22)



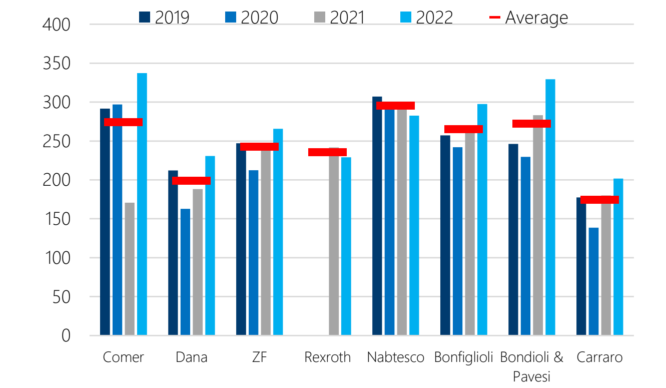
2019-22 AVG NWC



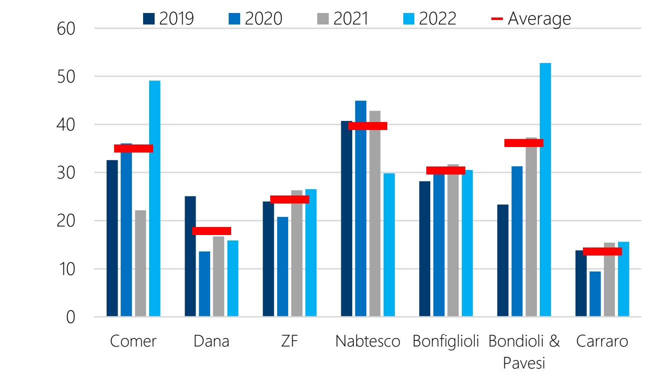
2022 NWC ON SALES



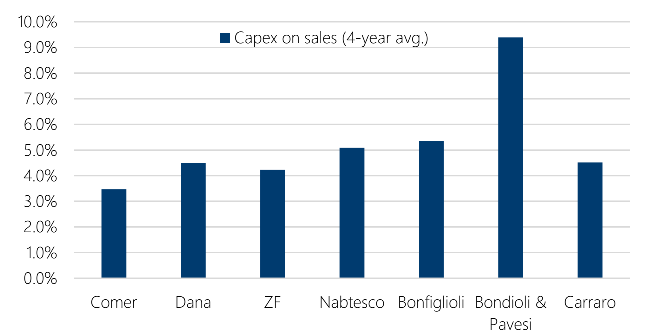
REVENUES PER EMPLOYEE (2019-22)



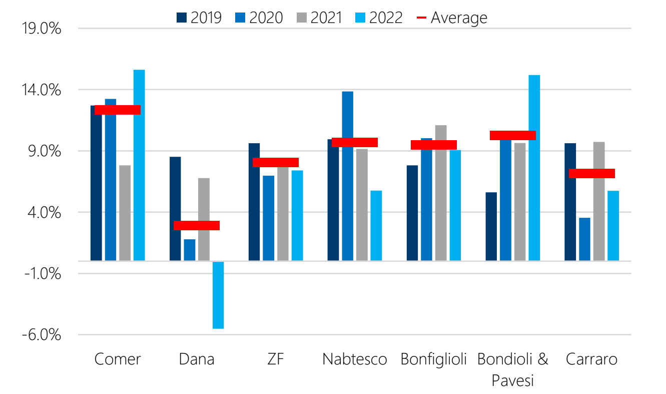
EBITDA PER EMPLOYEE (2019-22)



2020-22 CAPEX ON SALES



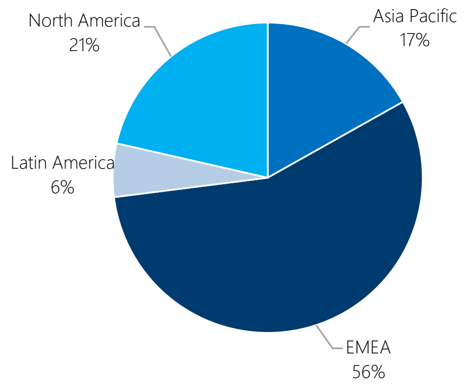
ROCE INCL. IFRS (2019-22)



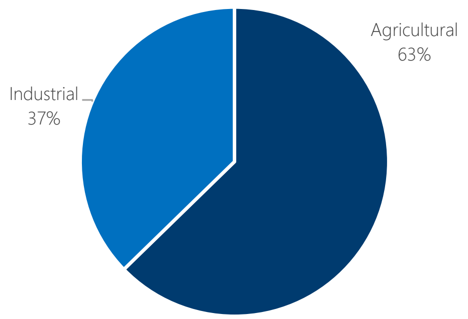
** where available*
Source: Equita SIM on companies data

29. APPENDIX 4: COMPANY OVERVIEW

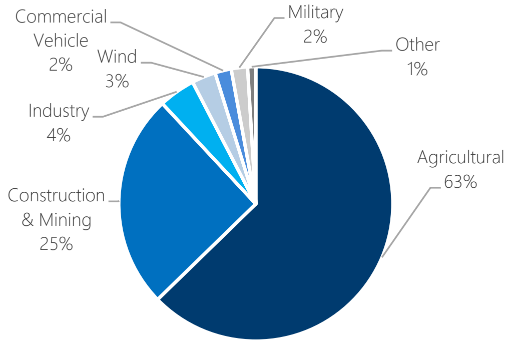
GEOGRAPHICAL REVENUES BREAKDOWN (2022)



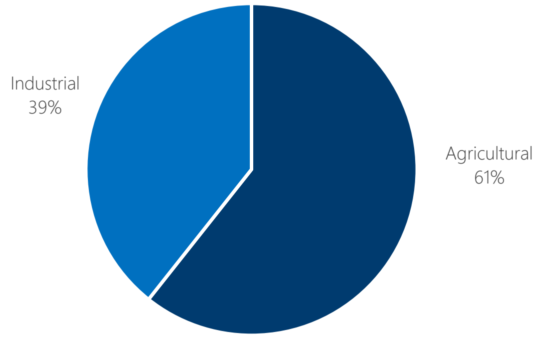
DIVISIONAL REVENUES BREAKDOWN (2022)



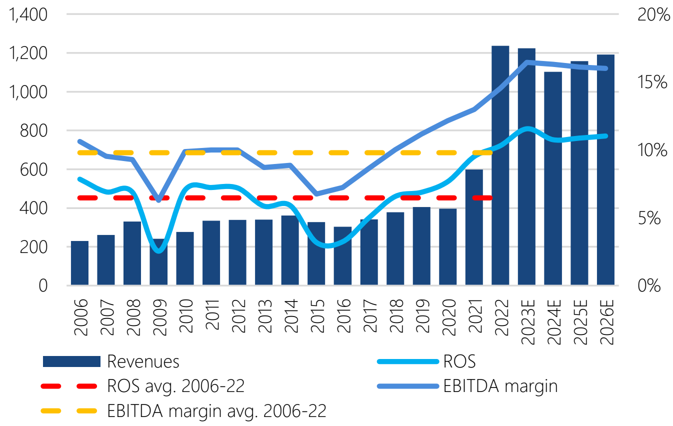
DIVISIONAL REVENUES BREAKDOWN BY END-MARKET (2022 - estimated)



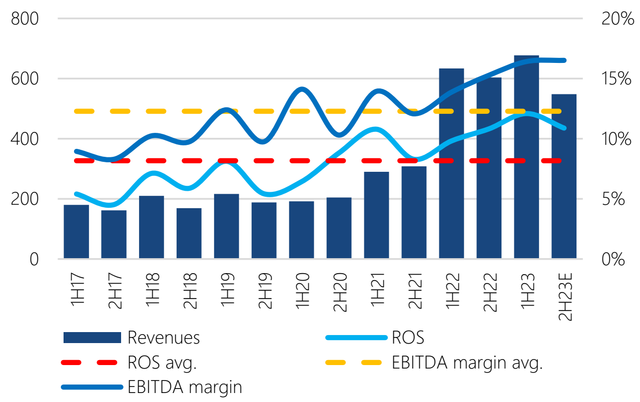
DIVISIONAL EBIT BREAKDOWN (2022)



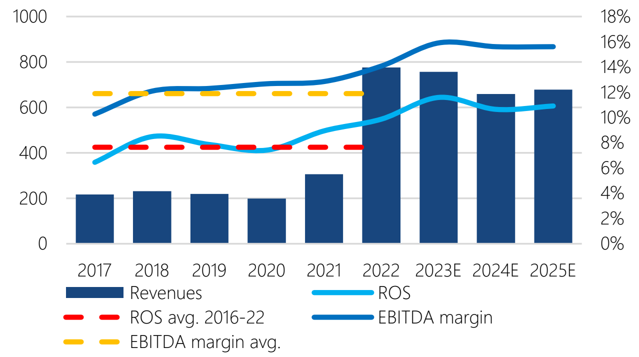
GROUP ANNUAL SALES (€ mn), EBITDA and EBIT MARGIN (%)



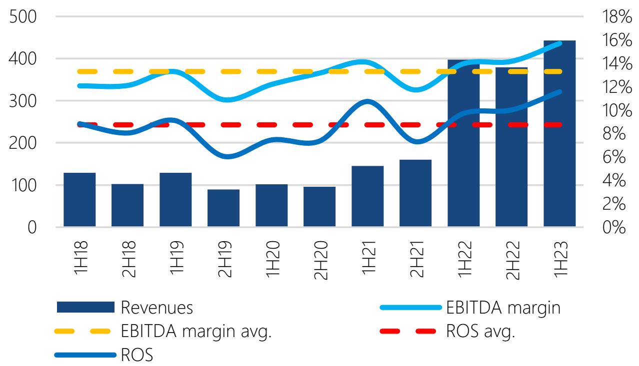
GROUP SEMI-ANNUAL SALES (€ mn), EBITDA and EBIT MARGIN (%)



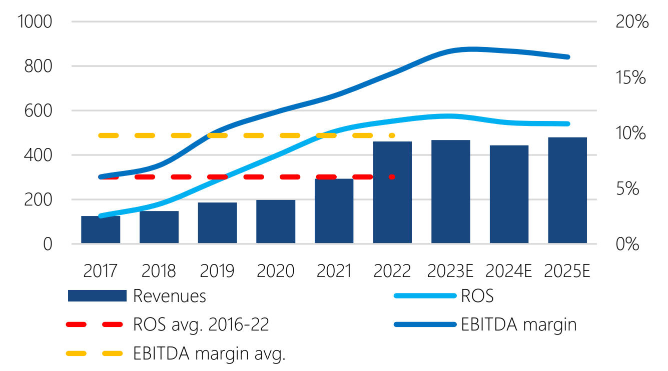
AGRICULTURAL ANNUAL SALES (€ mn), EBITDA and EBIT MARGIN (%)



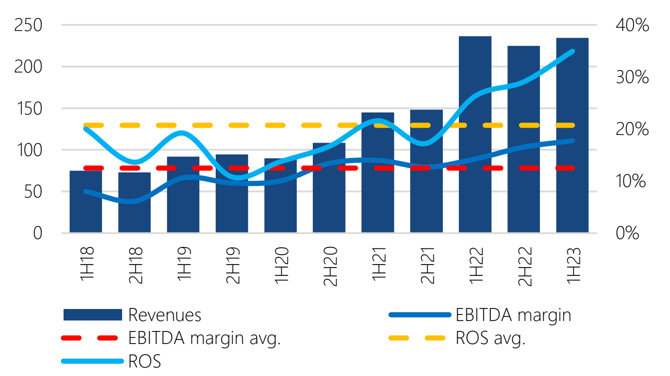
AGRICULTURAL SEMI-ANNUAL SALES (€ mn), EBITDA and EBIT MARGIN (%)



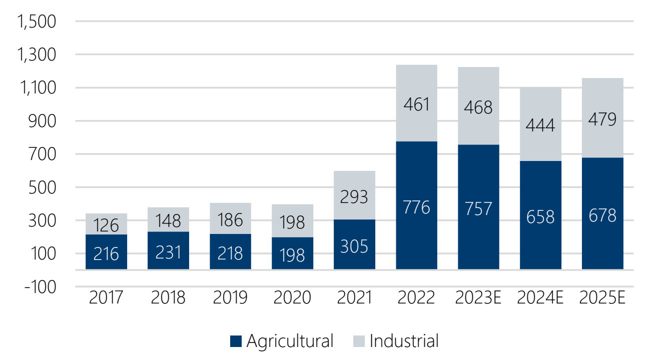
INDUSTRIAL ANNUAL SALES (€ mn), EBITDA and EBIT MARGIN (%)



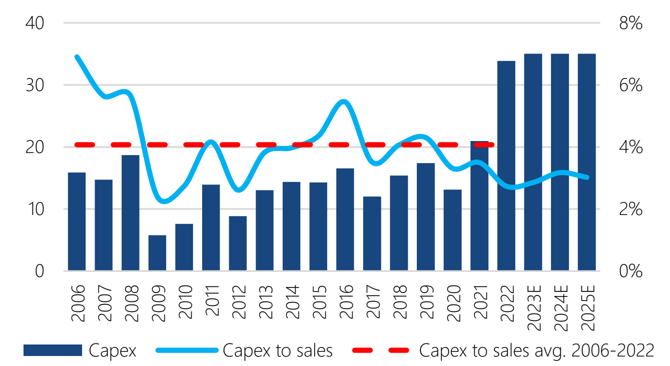
INDUSTRIAL SEMI-ANNUAL SALES (€ mn), EBITDA and EBIT MARGIN (%)



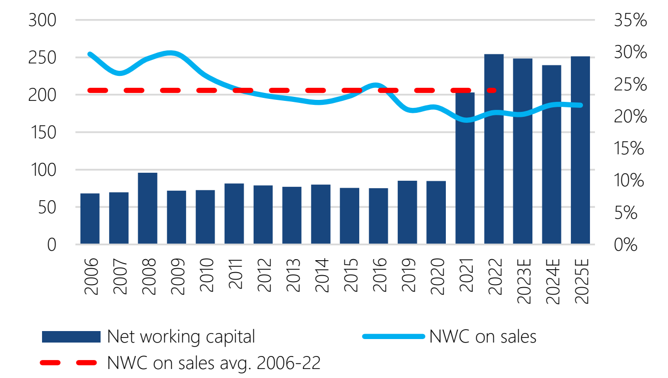
DIVISIONAL ANNUAL SALES TREND (€ mn)



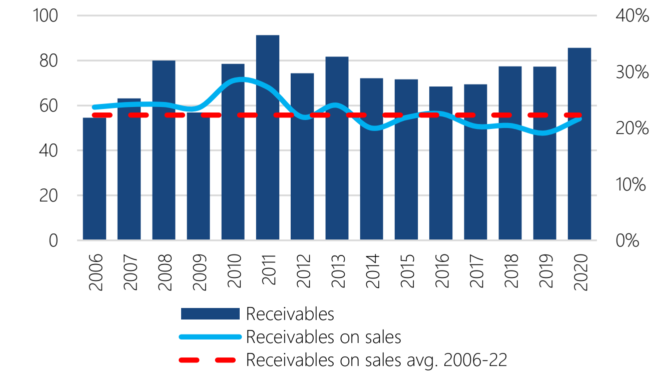
CAPEX (€ mn) & CAPEX TO SALES ratio (%)



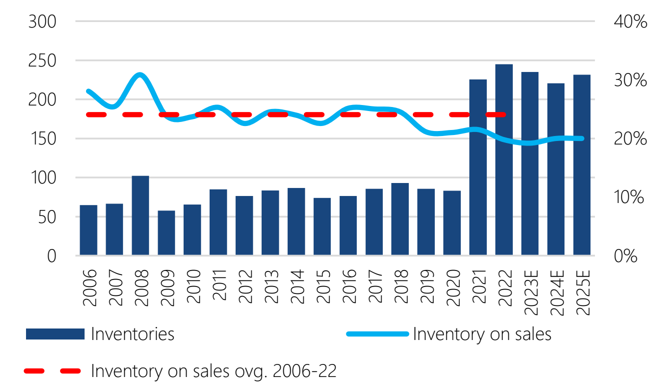
NWC (€ mn) and NWC on SALES (%)



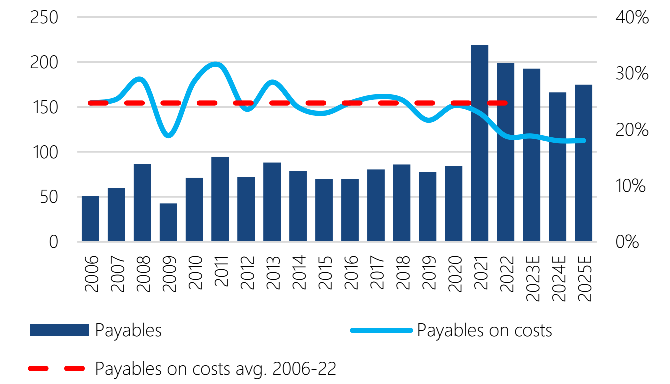
RECEIVABLES (€ mn) and RECEIVABLES on SALES (%)



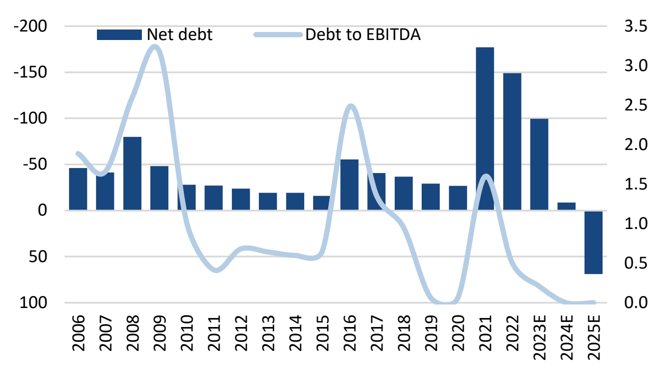
INVENTORIES (€ mn) and INVENTORIES on SALES (%)



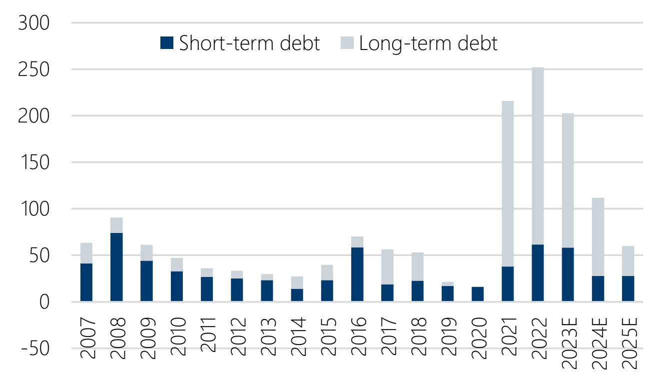
PAYABLES (€ mn) and PAYABLES on COSTS (%)



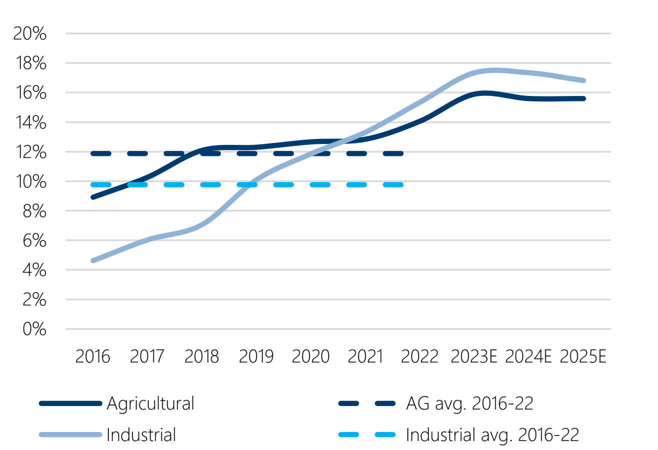
NET DEBT (€ mn) and DEBT to adj. EBITDA* RATIO (x)



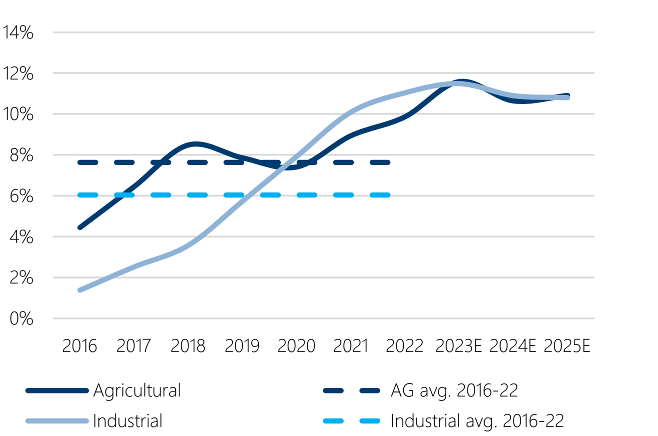
GROSS DEBT SPLIT BETWEEN SHORT-TERM AND LONG-TERM



EBITDA MARGIN (%) BY DIVISION



EBIT MARGIN (%) BY DIVISION



P&L - €mn	2020	2021	2022	2023E	2024E	2025E
SALES Rep	396	598	1,237	1,225	1,102	1,157
Growth	-2.1%	51.0%	106.8%	-1.0%	-10.0%	5.0%
EBITDA Rep	48.1	77.6	180	201	180	186
Growth	6.5%	61.2%	132.0%	11.9%	-10.8%	3.7%
Margin	12.1%	13.0%	14.6%	16.5%	16.3%	16.1%
D&A	18.2	21.4	54.2	60.0	61.2	60.6
EBIT Rep	29.9	56.2	126	141	118	126
Growth	9.4%	87.9%	123.8%	12.5%	-16.3%	6.1%
Margin	7.6%	9.4%	10.2%	11.6%	10.7%	10.9%
Financial Expenses	-1.0	-2.0	-2.6	-10.0	-6.0	-3.0
PBT Rep	28.9	54.2	123	131	112	123
Growth	15.0%	87.3%	127.2%	6.7%	-14.5%	9.1%
Income Taxes	-7.6	-15.4	-34.2	-37.5	-32.0	-35.0
Tax rate	26.4%	28.4%	27.8%	28.5%	28.5%	28.5%
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Net Income Rep	21.3	38.8	89.0	94.0	80.4	87.8
Growth	18.2%	82.1%	129.3%	5.6%	-14.5%	9.1%
Margin	5.4%	6.5%	7.2%	7.7%	7.3%	7.6%
Net Income Adj	22.4	40.1	100	108	94.7	102
Growth	23.4%	78.8%	149.9%	8.0%	-12.5%	7.8%
Margin	5.7%	6.7%	8.1%	8.8%	8.6%	8.8%

CF Statement	2020	2021	2022	2023E	2024E	2025E
FFO	40.0	60.8	145	154	142	148
Chg. in Working Capital	0.4	-118	-51.1	5.8	8.7	-11.6
NCF from Operations	40.3	-57.6	93.9	160	150	137
CAPEX	-13.1	-20.9	-33.9	-35.0	-35.0	-35.0
Financial Investments	1.5	-191	-0.2	-54.0	0.0	0.0
NCF from Investments	-11.6	-211	-34.1	-89.0	-35.0	-35.0
Dividends paid	-7.1	-10.2	-14.3	-21.5	-24.4	-24.4
Capital Increases	0.0	165	0.0	0.0	0.0	0.0
Other changes in financing	-19.2	-36.4	-17.3	0.0	0.0	0.0
NCF from Financing	-26.3	119	-31.6	-21.5	-24.4	-24.4
CHG IN NFP	2.4	-150	28.1	49.3	91.0	77.4

** Adj. net profit excluding PPA amortization*

Source: Company data and Equita SIM estimates

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