



COMER INDUSTRIES

PRICE EUR32.8
VALUATION (UPSIDE) EUR46 (+40%) ■ EUR55 (+68%)

EPS 24e | EPS 25e
-1% | -2%

A steady margin progression in Q2

4 AUGUST 2023 at 09:30*

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Margin expanded further in Q2, while top-line growth eased

COMER released a set of results that was in line, with lower top-line growth and better profitability. Q2 23 sales closed at EUR 331m (vs BNPPe of EUR 343m), up c3% YoY. We estimate organic was up LSD in the quarter with M&A offsetting the negative FX impact. There was an MSD increase in the AG business and almost stable performance in the Industrial division. By region, the strength of EMEA more than offset weak demand from APAC and LATAM. EBITDA closed at EUR 57m (vs BNPPe of EUR 56m) and grew by c26% in the quarter. Profitability expansion was stronger, with margin exceeding >17%, growing by c320bps YoY in the quarter. Q2 23 net debt (including IFRS 16) closed at EUR152m in H1 (vs BNPPe of EUR 170m) vs EUR 183m in Q1 23.

Demand remains healthy, while margin expansion continues in H2

The release mentions management expects stable demand for the remaining part of the year. Below the top line, the company guides for profitability in line with the level seen in H1 23 (EBITDA margin was 16.4% in H1). This hints at further YoY margin expansion in the second part of the year. In this backdrop, the strategic priorities are: i) the integration of WPG; ii) the development of the electrification offering (i.e., e-comer); and iii) the launch of innovative solutions for increasing market share.

Estimates fine-tuned. FV range confirmed at EUR 46-55/sh

We fine-tune our numbers, factoring in softer growth and better margin expansion. Our estimates are broadly unchanged. Based on new numbers, the FV range is unchanged at EUR 46-55/sh. The stock still trades at >20% discount (2024e EBIT) vs our panel of suppliers, despite solid earnings progression. Delivery on growth should support a rerating.

Price (3 August 2023)	EUR32.8	Performance ⁽¹⁾	1w	1m	3m	12m			
Market cap (EURm)	941	Absolute(%)	3	4	0	57			
Free float (EURm)	180	Rel. Capital Goods(%)	NC	NC	NC	NC			
EV (EURm)	1,235	Rel. MSCI Small Cap(%)	4	2	(1)	58			
3m avg volume (EURm)	0.2								
Refinitiv / Bloomberg	COME.MI / COM IM								
Country / Sub Sector	Italy / Industrial Machinery								
Financials	12/22	12/23e	12/24e	12/25e	Valuation metrics ⁽²⁾	12/22	12/23e	12/24e	12/25e
EPS, Adjusted (EUR)	3.43	3.89	4.16	4.52	P/E (x)	7.8	8.4	7.9	7.3
EPS, Company (EUR)	3.16	3.51	3.78	4.14	Net yield (%)	2.8	2.5	2.7	3.0
EPS - Refinitiv (EUR)	3.55	3.90	4.22	4.62	FCF yield (%)	7.0	10.1	10.0	10.9
Net dividend (EUR)	0.75	0.83	0.90	0.98	EV/Sales (x)	0.9	1.0	0.9	0.8
Sales (EURm)	1,238	1,266	1,335	1,424	EV/EBITDA (x)	6.0	5.9	5.3	4.6
EBITA, Adj. (EURm)	142.8	165.0	175.7	190.2	EV/EBITA (x)	7.6	7.5	6.6	5.7
Net profit, Adj. (EURm)	98.3	111.5	119.3	129.6	EV/CE (x)	1.3	1.4	1.3	1.2
ROCE (%)	12.6	13.6	14.2	15.1					
Net Debt/EBITDA, Adj. (x)	0.8	0.6	0.3	-					

Source: BNP Paribas Exane (estimates), Refinitiv (consensus) (1) In listing currency, with dividend reinvested (2) Yearly average price for FY ended 12/22

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Investment case, valuation and risks

Comer Industries

Investment case

Synergies and further market share seal a visible earnings trajectory with M&A boost potentially coming on top. With market ignoring sound MT prospects and structurally higher profitability, the current share price offers an attractive entry point.

Valuation methodology

We base our valuation range on a DCF (WACC @ 8.6% and LT growth at 2.5% together with a liquidity discount of 15%) and on peers' 2023-2024 EV/EBIT multiple.

Risks

To the upside:

Stronger AG and CE equipment market, higher than expected margin expansion thanks to operating leverage, value accretive M&A deal(s)

To the downside:

Cyclical slowdown of its reference markets, price pressure from OEMs

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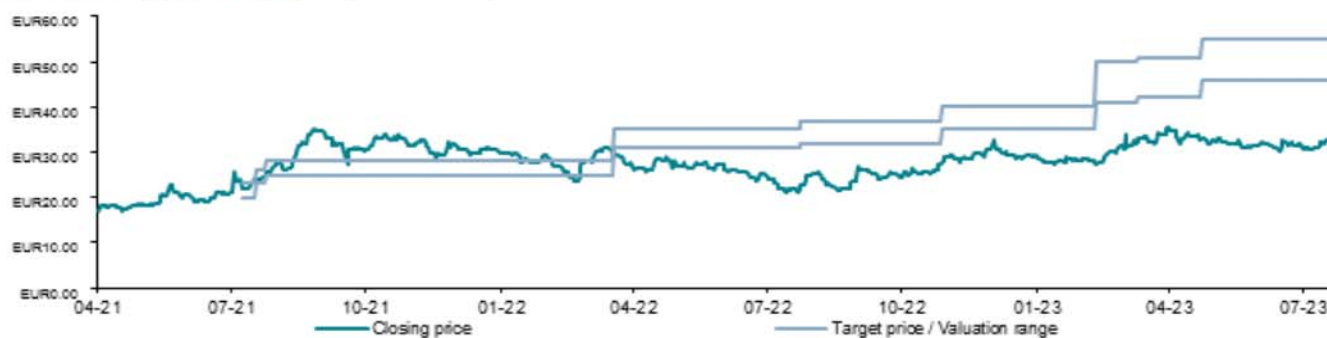
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Price and Ratings Chart

Comer Industries

Historical closing price & target price (as of 03/08/2023)



Source: BNP Paribas Exane

Historical rating & valuation range changes

Date & Time of dissemination (UTC)	Rating	Valuation Range	Closing Price	Key changes	Report and analyst covering the stock
5 May 2023 22:00		EUR 46.00 55.00	EUR32.90	TP up	
22 Mar 2023 23:00		EUR 42.00 51.00	EUR32.30	TP up	
22 Feb 2023 23:00		EUR 41.00 50.00	EUR27.40	TP up	
9 Nov 2022 23:00		EUR 35.00 40.00	EUR27.90	TP up	
5 Aug 2022 22:00		EUR 32.00 37.00	EUR22.90	TP up	
...
9 Apr 2021 04:54			EUR16.70	Initiation of coverage	

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