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MIDCAP

EQUITY RESEARCH

RESEARCH FOCUS

Sector note auto parts

We are cautious about the outlook for the automotive cycle in 2025 and remain selective. We favour players with a simple history and potential for self-help.

Stock Summary (as of 2025-03-25)	TP	Price
AKWEL		
HOLD	8.0€	7.0€
Cofle		
BUY	7.3€	3.6€
Forvia		
HOLD	10.0€	8.8€
OPmobility SE		
BUY	13.0€	10.3€
Plastivaloire		
HOLD	1.4€	1.4€
Valeo SE		
SELL	9.0€	10.3€

The automotive industry is at the bottom of the cycle

After declining by 1.1% in 2024, automotive production is expected to stall at 89.5 million vehicles in 2025, assuming a recovery to H2'25. Here again, there should be wide regional variations, with Europe once again expected to record the sharpest decline (-4.9%) due to a crisis in demand, particularly for electric vehicles, and the tightening of CAFE regulations, which could force OEMs to make trade-offs between volumes, promotions and cash outflows. The European Commission has taken note of the crisis in the automotive industry and has unveiled an Action Plan aimed at supporting the transformation of the industry in the medium term, and easing the application of these regulations in the short term. The North American market, which is expected to perform only slightly better (-2.1%), is in the midst of a period of great uncertainty with regard to the additional customs duties envisaged by the Trump administration, and their immediate and longer-term consequences.

China, an opportunity as much as a threat

China is gradually becoming a major power in the global automotive industry, and it is vital for the part suppliers in our coverage to develop a presence in China for a number of reasons: this market will account for half of the growth in global production between now and 2030; the local Chinese OEMs that survive the consolidation will be the customers that outperform global production; exposure to the demands of the Chinese market is essential to maintain technological differentiation and be cost-competitive. At the same time, a whole ecosystem of highly competitive Chinese pat suppliers is developing at breakneck speed, and could pose a threat outside China, particularly in components that are suitable for export, such as electronics and lighting.

Selectivity is key when it comes to taking exposure to the sector

All of the companies of our coverage have been trading at a discount to their historical value for at least 2 years, so we need to base our selectivity on fundamentals: 1/ in the absence of volumes and compensation from OEMs, we favour part suppliers with self-help potential; 2/ we favour players with a clear product portfolio potential, relatively protected from competition and any US tariffs.

We initiate FORVIA to HOLD and Valeo to SELL

We continue to favour OPmobility (BUY), which has a robust business portfolio, a clear strategy and rigorous execution. Cofle (BUY) is, in our view, an ideal vehicle for playing the recovery in the agricultural cycle. AKWEL (HOLD) seems to us to be going through a difficult transition in its product portfolio. PVL (HOLD) is still a risky bet because of its debt. We initiate coverage of FORVIA to HOLD, which, despite an attractive portfolio and considerable potential for optimisation, is still paying the price for its ill-timed acquisition of HELLA. We initiate Valeo to SELL because, despite an attractive portfolio, we are concerned about the group's long-term prospects and short-term financial performance.

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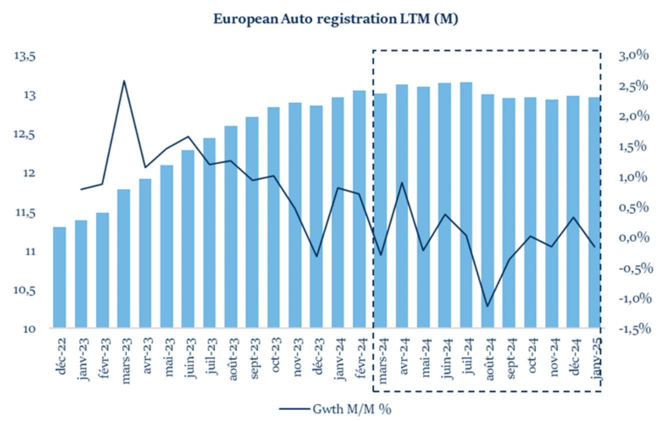
Summary

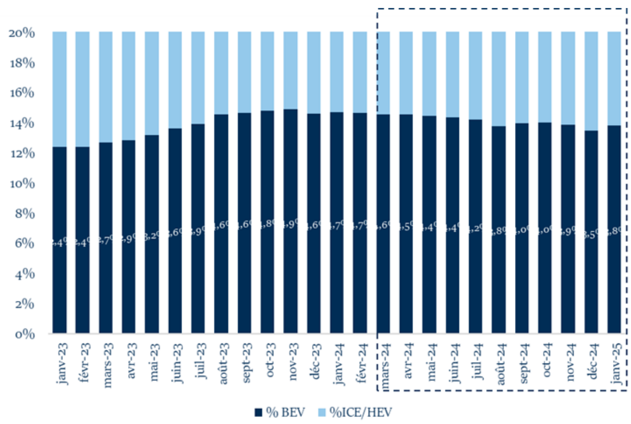
Worldwide Production Should Clearly Slowdown In 2024 & 2025

2024	LV (M)	Y/Y %	% WW production
Europe ex-Russia	**15,7**	**-6,2%**	**18%**
North America	**15,4**	**-1,5%**	**17%**
China	**29,8**	**3,7%**	**33%**
South America	3	1,7%	3%
Rest of Asia	21,8	-4,5%	24%
WW Production	**89,5**	**-1,1%**	**100%**

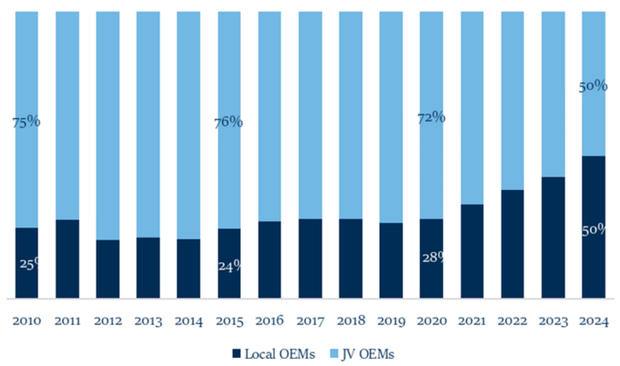
2025	LV (M)	Y/Y %	% WW production
Europe ex-Russia	**14,9**	**-4,9%**	**17%**
North America	**15,1**	**-2,1%**	**17%**
China	**30,4**	**1,9%**	**34%**
South America	3,2	6,6%	4%
Rest of Asia	22,1	1,1%	25%
WW Production	**89,5**	**0,0%**	**100%**

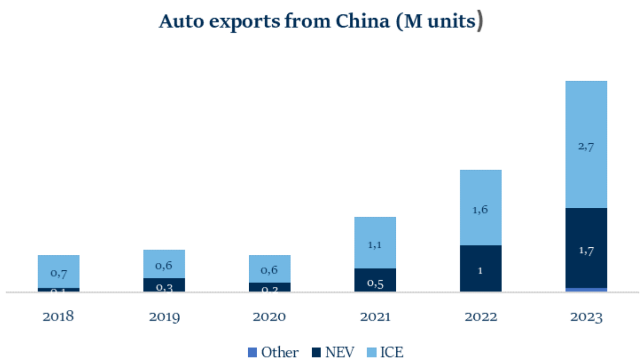
European Registrations And Electrification Are Slowing Down





Local OEM Are Taking The Lead In China





A car market clearly at the bottom of the cycle

Since 2024, **the global automotive market has been slowing sharply, with production numbers declining by -1.1% Y/Y** after recovering by +9.6% Y/Y in 2023. This decline became even more pronounced towards the end of the financial year, due to a sudden halt to the electrification of the European market, postponements of SOPs and major forced destocking in North America. Against this complex backdrop, the performance of the main part suppliers in our coverage was consistent. With the exception of OPmobility, buoyed among other factors by the launch of its Austin site, they generally underperformed the global market because their exposure to China was too low and to Stellantis too high. However, all the players succeeded in at least stabilising their margins by working on their costs and increasing their free cash flow, mainly by reducing their inventories (in particular by reducing the surplus electronics stocks accumulated in 2022).

Tables 1 & 2 : Worldwide Production Should Clearly Slowdown In 2024 & 2025

2024	LV (M)	Y/Y %	% WW production
Europe ex-Russia	**15,7**	**-6,2%**	**18%**
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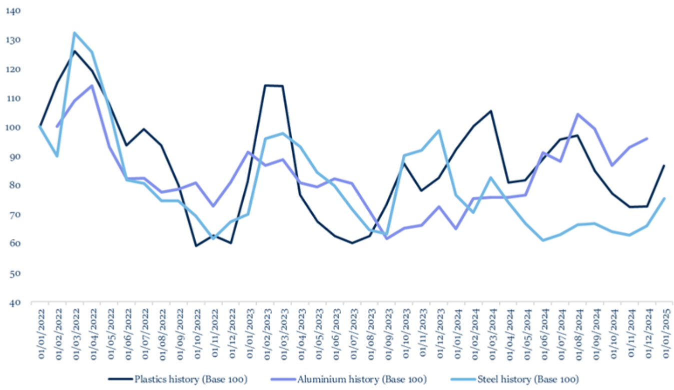
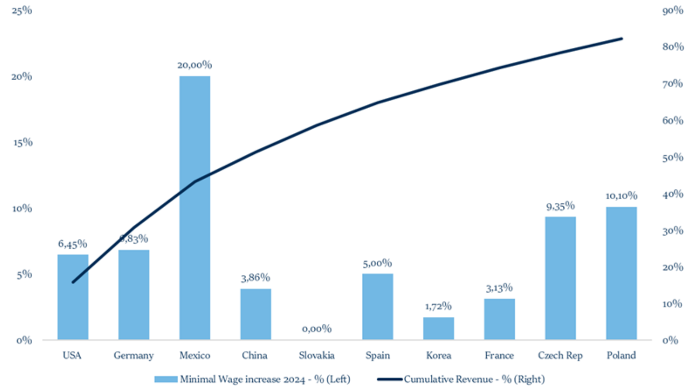
Sources : S&P Global Mobility as of Feb 2025

For 2025, the automotive cycle is unlikely to rebound, with **S&P's latest estimates pointing to stable production at best** and a sharp divergence in fortunes between Europe (-4.9%), North America (-2.1%) and China (+1.9%). In addition, the firm expects a **H2'25 weighted volume growth** (Q1'25 production to date being very low) on the back of more favourable comparatives, a higher density of SOPs and more favourable production schedules.

Figures 1 & 2 : Inflation Is Now Driven By Wages // Legal Minimuml Wages Increases In OPmobility Regions

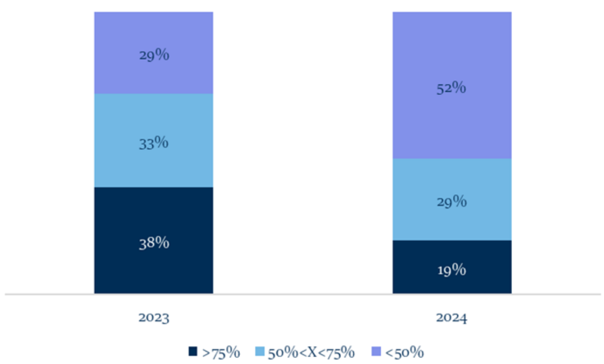


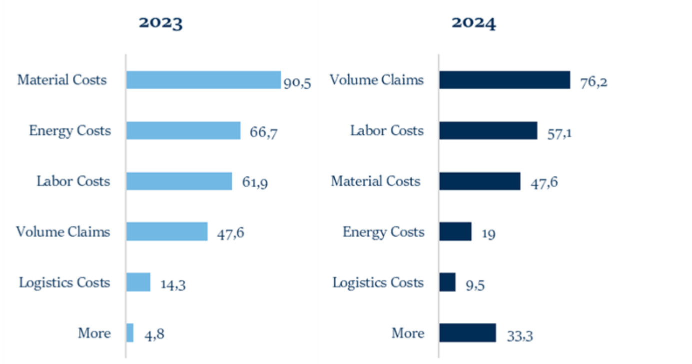


Sources : Factset, Companies Data, Fred, INEGI, NBS, SU SR, INE, SCU, GUS, KOSTAT, Destatis, INSEE

Inflation in production costs and its fair passing on to OEMs, which was a major issue for suppliers in 2022 and 2023, has now been partially resolved. Indeed, we note that **the prices of the main raw materials have generally stabilised since 2023** (this is particularly the case for steel, plastics and energy) and are even declining in the case of electronic components. This, coupled with the hedging structures and purchasing and production cycles of equipment manufacturers, should even generate slight net savings in their favour. Nevertheless, this good news does not prevent the issue of inflation from remaining central, with the latter now essentially driven by wages. Key regions for global automotive production such as Mexico, Germany and Central Europe have or are expected to see **minimum wage increases of between ~6% and 20% between 2024 and 2025**. For a player like OPmobility, this would represent an average minimum wage increase of ~6.5% across an area covering >80% of its global production (figure 2, for the sake of clarity, these are neither our estimates nor the Group's expectations for 2025). However, unlike material cost inflation, wage inflation is not covered by automatic pass-through clauses to customers, so equipment manufacturers have no option but to generate productivity gains to offset wage inflation.

Figures 3 & 4 : Compensations Now Relate To Volumes





Sources : Beryll Strategic Advisors

This new configuration of the global automotive market is well reflected in a survey carried out by Beryll Strategic Advisor among a number of European equipment manufacturers concerning their intention to negotiate compensation with OEMs. **Problems of inflation in input costs (materials, energy, etc.) have been replaced by insufficient volumes of certain models and wage inflation as the main reasons for complaint**. On the other hand, only 19% of respondents believe they will be able to obtain >75% cover for their losses (vs. 38% in 2023), since these are risks that are not covered contractually.

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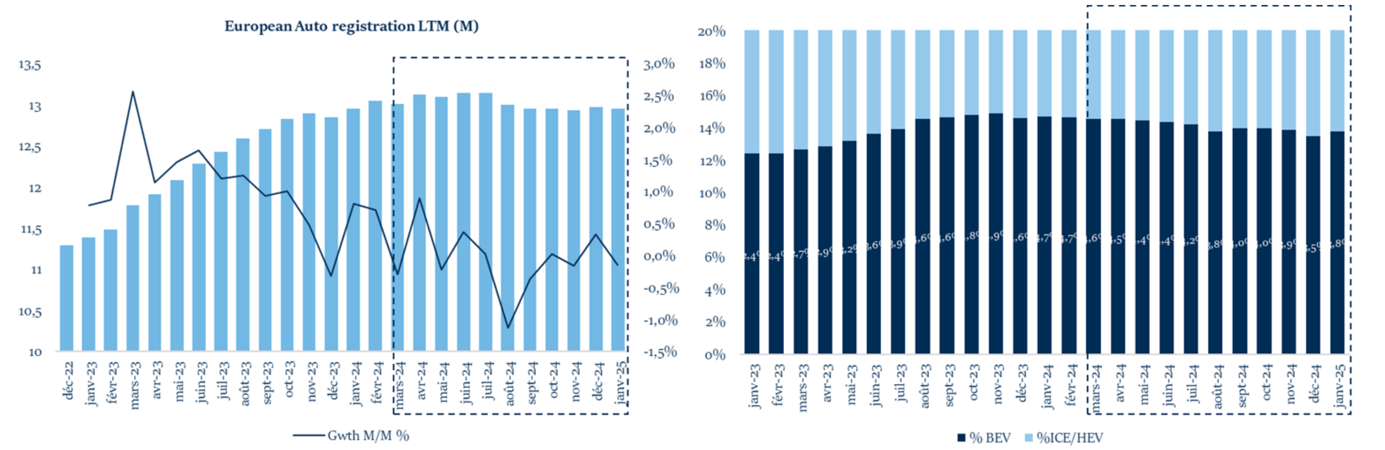
A European market attempting to recover

The European automotive market is currently in a severe rut: after declining by -6.2% Y/Y in 2024, **production is set to fall by a further -4.9% Y/Y in 2025**. As already explained (see Sector Note Automotive - 27/06/2024), the heart of the slump lies in the slowdown of 100% electric vehicles (BEVs), whose penetration peaked at 14.9% in November 2023 before declining to 13.8% of registrations in early 2025. This weakening seems to be explained by **a lack of demand for BEVs due to the lack of a dense recharging network, a lack of BEV models in the A & B segments** (due in particular to the many deferrals of SOPs such as Citroën's e-C3 and the Opel Frontera) and, above all, **a serious problem of accessibility**, exacerbated by the **abolition of public subsidies** for the purchase of BEVs, **rising interest rates** (which, combined with falling residual values, are driving up the cost of leasing) and the **inflationary pricing strategies of OEMs** since the end of Covid. As a result, European production volumes have not exceeded 16 million vehicles, compared with capacities in line with the 20 million units produced pre-pandemic. In view of this overcapacity situation, many OEMs, including Forvia, Valeo, Bosch and Continental, have launched capacity reduction plans.

Figures 5 & 6 : European Registrations And Electrification Are Slowing Down

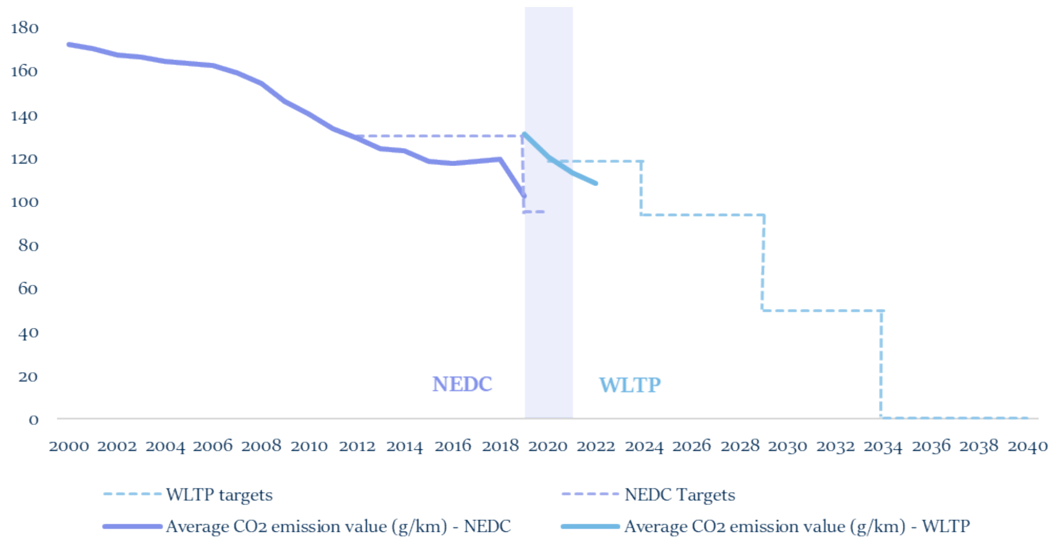


Sources : ACEA

Faced with these structural problems, the immediate concern for OEMs is **the CAFE regulation, which reach a new milestone in 2025**, with the CO2 emission thresholds for fleets sold falling from 118g/km to 93.6g/km (calculated using the WLTP method). This new standard requires OEMs to make a massive transition in their mix towards >25% BEV (vs 13. 8% YTD overall in Europe): 1/this threshold will enable them to take advantage of the ZLEV mechanism and benefit from a threshold increase for each point of the mix >25% BEV; 2/the most virtuous ICE and hybrid (PHEV) models currently emit ~80g/km, which theoretically enables them to comply with the 2025 standard, but will be insufficient for the 2030 threshold to be lowered to 50g/km. As a reminder, each manufacturer can be fined €95/vehicle sold for each g/km over the threshold. This is a punitive fine that could push **the overall bill up to ~€15bn**, according to ACEA, with Renault and Volkswagen being the main manufacturers concerned in absolute and relative terms.

Faced with this deterrent threat, manufacturers can enter into a pooling agreement with their most virtuous competitors to combine their emissions targets by paying them to comply with the new emissions thresholds. Since these virtuous manufacturers are the new BEV manufacturers, i.e. Tesla (with whom Stellantis, Toyota, Ford, Mazda and Subaru have signed an agreement) or Chinese players such as SAIC (partner of VW) or Volvo (partner of Mercedes-Benz), this remedy is not viable in the long term for European manufacturers since it amounts to subsidising their competitors. Faced with these two pitfalls, manufacturers have no choice but to move their BEV mix towards 25% at all costs by **1/ launching more and more BEV models and making more and more concessions on prices** (at the risk of generating a price war and penalising the residual value of their models); **2/ voluntarily restricting their sales volumes of ICE models as a result of sharp price rises**. Overall, such a strategy would be very costly for manufacturers, with Renault forecasting an impact of -1p on operating margin in 2025. **For part suppliers, the cost of this measure would also be high because of the impact on European volumes, which are therefore likely to remain anaemic for another year.**

Figure 7 : CAFE Regulation Is Much Tighter In 2025



Sources : theicct.org

Noting that their sales of BEVs were falling as the CAFE requirements were raised a notch, carmakers lobbied the European Commission intensively with the aim of at least partially amending these regulations. It turns out that the Commission responded to this appeal by unveiling **a draft Action Plan for the European automotive industry** at the beginning of March 2025. The response is intended to be comprehensive, addressing the critical points in the transformation of the industry in Europe:

-the development of a European electric powertrain industry through the creation of 'Battery Booster Packages', minimum local content requirements, securing the supply of raw materials ('Battery Raw Material Access Entity'), and the classification of black mass as hazardous waste;

-harmonisation of approval frameworks for ADAS functionalities (active driving assistance), creation of a European Connected & Autonomous Vehicle Alliance to promote collaboration on components, software and architectures for software-defined vehicles (SDV), creation of dedicated test environments;

-Assurance of European-level support for the social cost of this transformation through the European Social Fund Plus (ESF+) and the European Globalisation Adjustment Fund for Displaced Workers (EGF);

-review of incentive schemes relating to the demand of BEVs, the generalisation of social leasing mechanisms from Q1'25, new guidelines concerning corporate fleets, and the continuation of the deployment of a charging network;

-review of potential anti-competitive practices by the EU's trading partners, consideration of tightening conditions for foreign investments in Europe (imposition of co-investors or local managers, mandatory signing of licensing or offtake agreements);

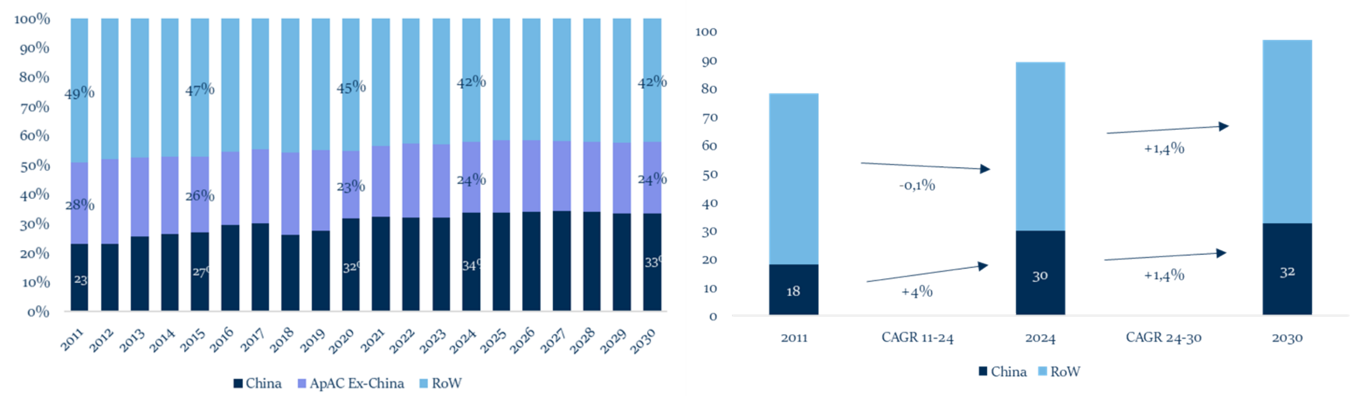
We emphasise that this is an important step by the EU, which aims to show goodwill towards its automotive industry. However, we note that this draft does not reveal any subsidy budget (for example, to bridge the competitiveness gap caused by Europe's energy bill), nor any news regarding tariff barriers being studied, particularly against China, or any new demand support mechanism. The essential point is nevertheless preserved since **the CAFE should finally be amended so that manufacturers' emissions are calculated based on the average achieved between 2025-27**, giving OEMs new leeway in 2025.

We remind that Europe still represents the main activity area of our coverage, with companies generating > 40% of their revenue there at a minimum.

China, opportunity or threat

The Chinese automotive market is expected to once again outperform other markets in 2025 with an anticipated production of 30 million units, an increase of +1.9% Y/Y. Between 2011 and 2024, China entirely drove the growth of global automotive production, increasing by +4% per year while production in the rest of the world remained stable during the same period. In addition to now representing 33% of the global market, the Chinese automotive market is also the most electrified, with NEVs (New Energy Vehicles) accounting for 46% of registrations in 2024, and **China representing approximately 60% of EVs sold globally in 2023**. This phenomenon is the result of a forced electrification policy undertaken by the Chinese government for about fifteen years. Having acknowledged that the technological gap in combustion engines was too great, China devoted its investments to electric propulsion through a coherent policy focused on: **1) massive subsidies** for NEV purchases, charging infrastructure, and manufacturers; **2) the development of a powerful electric powertrain industry** from raw material supply, refining, and battery production; **3) leveraging an industrial heritage of smartphone production**, where key expertise (battery chemistry, embedded electronics, software for infotainment, and OS) is directly transferable to NEV production. This natural industrial conversion perfectly reflects the stories of BYD, Huawei, and Xiaomi.

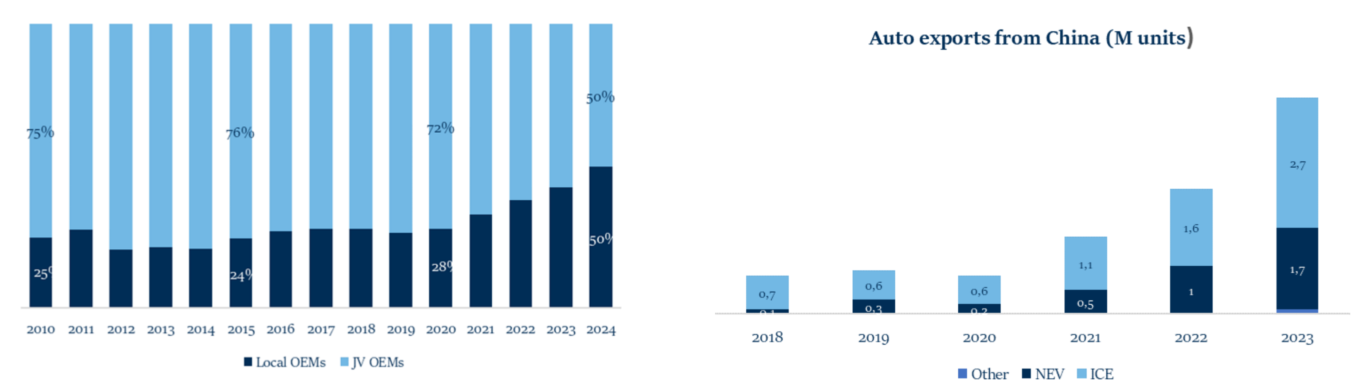
Figures 8 & 9 : China Is The Growth Engine Of WW Auto Production



Sources : S&P Global Mobility

The **Chinese automotive market is also characterised by intensified competition** with the emergence of **new local BEV manufacturers who are rapidly gaining market share at the expense of historically dominant Western manufacturers** through JVs concluded with regional manufacturers. These new local manufacturers are dominant in the rapidly growing NEV segment and have gradually captured the preference of Chinese consumers thanks to an unmatched speed of innovation (they are able to develop a model in ~20 months), improved model quality (particularly in terms of software and autonomy), and **strong deflation in the NEV segment**, which manifests itself both through a price war and "technological devaluation," i.e., options that would be considered premium segments in Europe are standard equipment in China.

Figures 10 & 11 : Local OEM Are Taking The Lead

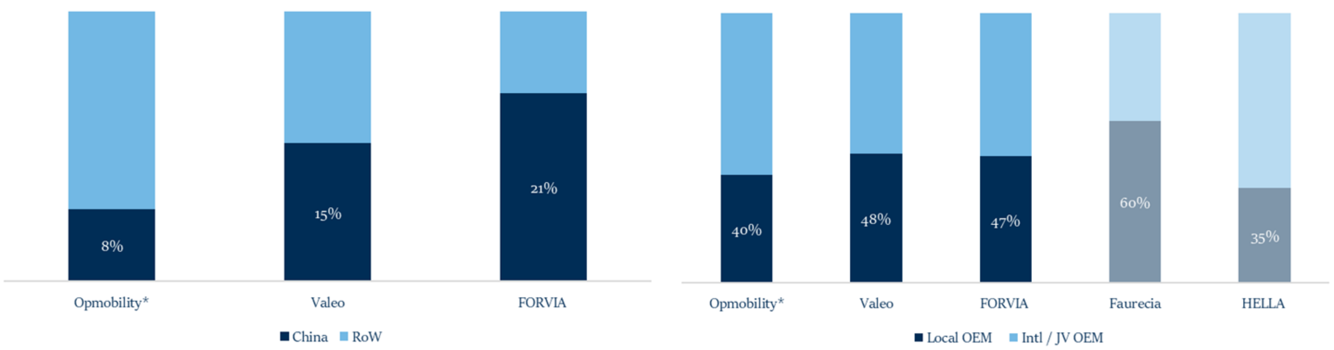


Sources : CPCA

In parallel with this fragmentation, **Chinese manufacturers are beginning to expand overseas**, with BYD opening sites in Thailand, Turkey, and Hungary, for example. As seen in other subsidised industrial sectors in the past, this frenzied development has led to capacity openings across the board, to the point that currently, with 23 million registrations in 2024, **Chinese automotive factories are operating at <50% of their capacity** according to S&P and have engaged in an intense price war. To compensate for the lack of profitability in the Chinese market, OEMs are turning to exports, preferentially to ASEAN markets, Latin America, and now Europe, with North America having protected itself with a 100% tariff barrier. To paraphrase Mr Xiaopeng, founder of Xpeng, "the period 2025-27 will mark the phase of elimination in the automotive industry, competition will be stronger than ever in 2025."

Regarding our coverage, **a presence in China is essential for several reasons**: this market will represent half of the growth in global production by 2030, and the local Chinese OEMs that survive consolidation will be clients outperforming global production. Exposure to demanding Chinese OEMs is indispensable for maintaining technological differentiation and cost-competitiveness. Only the Tier 1 suppliers in our coverage are significantly exposed to China. **OPmobility (9% of economic revenue) has deliberately limited its exposure to China**. The majority of OPmobility's Chinese activity is through its JV YFPO, which is the largest producer of exterior parts in China; however, this is a non-consolidated activity. The group's strategy in China aims to re-expose itself to new OEMs with notable progress at YFPO, which supplies rear tailgates to BYD and bumpers to Huawei. In contrast, OPmobility's consolidated activities face more difficulties: the Modules activity is still mainly exposed to JVs, particularly Mercedes, and C-Power suffers from market electrification, consequently reducing its local footprint while developing solutions adapted to range-extending hybrid systems, which represent a significant opportunity for the activity. **Forvia (21% of revenue) is very well established in China**, where it is the 5th largest local supplier (excluding batteries and tyres), particularly under the former scope of Faurecia & Clarion, whose Interior and Seating parts equip local manufacturers, notably Li Auto, BYD, and CHERY, with whom the group has recently signed JVs and who accompany them internationally. Given these commercial successes, the normalisation of the situation with BYD, and the commercial synergies benefiting HELLA and the consolidation of former JV HBBL, FORVIA, whose sales to Chinese manufacturers represented almost 50% of China's turnover in 2024, should be able to outperform the Chinese market in 2025. **Valeo (15% of revenue)** has a significant presence in China with 31 sites. However, the group underperforms local production due to its HV POWER activity whose BEV offering faces internalisation of the electric powertrain by some key local OEMs like BYD. Furthermore, Valeo's BRAIN activity faces fierce competition from local suppliers, particularly among local OEMs but reports some nice gains (BRAIN works wtith Smart and Geely). On the contrary, the LIGHT business is very successful in selling its products to local and American BEV players.

Figures 12 & 13 : China Exposure Is Uneven Among Our Coverage



Sources : Companies data, TP ICAP estimates *OPmobility : Economic revenue, including Pro Forma YFPO Revenues

Alongside the uninterrupted progress of these local Chinese OEMs, **an entire sector of Chinese suppliers is rapidly developing**. These suppliers are particularly active in the battery, ADAS, and embedded software sectors, as well as in more traditional equipment areas that were once the preserve of Western suppliers: tyres, interiors, seats, thermal management, etc. The rise of this ecosystem is impressive: while in 2016 only 2 Chinese suppliers were among the world's top 100 suppliers, this number increased to 6 in 2019 and then to 9 in 2024, including CATL, which is currently the 7th largest global supplier. **These suppliers are also very competitive** due to recognised industrial expertise developed with these new OEMs, which require very short development times, favourable legislation, particularly regarding ADAS features (for example, Chinese OEMs have been using LIDAR for several years, unlike the rest of the world), and the absence of unprofitable historical industrial sites to finance (especially in Europe). Nevertheless, **European suppliers are generally able to defend their positions and margins in China**, with Forvia notably showing an EBIT margin of >10% in Asia.

Table 3 : List Of Selected Chinese Auto Suppliers

Nom	Revenue (bn Euro)		EBIT Margin %		
	2023	2022	2023	2022	Products
CATL	37,2	33,4	n.a.	n.a.	Battery packs
Huayu Automotive Systems	22,0	22,4	5,2%	5,8%	Interior parts, seatings, rear bumpers, tailgates
Weichai Power	10,6	7,6	9,9%	4,1%	ICE engines, transmission, hydrolic components, logistics equipment
BHAP	8,5	9,1	n.a.	n.a.	Seats, interior and exterior accessories, power systems, chassis systems, automotive body systems, automotive electronics
Ningbo Joyson	7,3	7,0	3,2%	0,6%	Sensor, thermal management components, driver control, auto safety products, fuel tank doors
CITIC Dicastal	5,3	6,0	n.a.	2,5%	Aluminium wheels
ZC Rubber	4,5	4,5	n.a.	n.a.	Tires & Tire products
Fuyao Glass	4,3	4,0	19,2%	19,9%	Flat glasses for automotive
Sailun	3,4	3,1	13,5%	7,3%	Flat glasses for automotive
Ningbo Jifeng	2,8	2,5	3,1%	1,5%	Molds, inspection tools, mechanical equipment, car seat headrests, armrests, and headrest rods
Shanghai New Power Auto	1,1	1,4	-25,0%	-11,0%	ICE engines (automotive, stationary, off highway)
Changzhou Tenglong	0,4	0,4	9,5%	8,2%	Fluid management pipes, new energy automotive thermal management components, sensors, brake system parts
Guilin Fuda	0,2	0,2	8,0%	4,1%	Engine crankshafts, car clutches, automobile gears, engine crankshaft blanks, and automotive front beams
Changzhou Nrb	0,2	0,2	1,9%	-0,1%	Automotive transmission components (needle roller, roller, clutch release, and hub bearings)
Heibei Keli	0,1	0,1	31,7%	29,7%	Windshield and lateral glasses components

Sources : Companies data, Factset

Outside of China, **the competition from these players is still limited in our view**. For large parts delivered Just-in-Time (Interiors, Seats, Modules, Exteriors, etc.), they would anyway be forced to locate their new sites close to their clients who seek to expand outside of China, thereby losing their competitive cost advantage. In our view, **the parts at risk of competitive pressure from China are exportable parts**: i.e., high unit value, easily storable and transportable. Specifically, components rich in electronics for ADAS, Power Management, electric propulsion, and lighting are at risk as Western OEMs seek to source directly from China, as openly expressed by manufacturers like Renault and Stellantis. Within our coverage, **VALEO is by far the most exposed to import-export flow dynamics and thus potentially subject to Chinese competition**, with the group occasionally using its Chinese base to export ADAS parts.

Table 4 : Auto Parts Are More Or Less Suitable For Exports

Parts	Company	Value per Vehicle (EUR)	Logistics	Inventories	Export
Electronics - ADAS	VALEO, FORVIA	3800		YES	**YES**
Electronics - Cockpit	VALEO, FORVIA	285		YES	**YES**
Electronics - Power Management	FORVIA	170		YES	**YES**
Powertrain - EV	VALEO	2200		YES	**YES**
Complete Seats	FORVIA	1000	JIT		
Structure Seats	FORVIA	260			
Interiors	FORVIA	640	JIT		
Lighting	VALEO, FORVIA, OPmobility	420		YES	**YES**
Fuel Tanks	OPmobility	120	JIT		
Bumpers	OPmobility	170	JIT		
Modules	OPmobility	440	JIT		
Thermal Management - ICE	VALEO	250			
Thermal Management - EV	VALEO	600		YES	**YES**
Depollution	FORVIA	170			
Transmission - ICE	VALEO	460		YES	**YES**
Fluid Managment	AKWEL	160			

Sources : Companies data, TP ICAP Midcap Estimates

A North American market awaiting tariffs

North American automotive production declined by -1.5% Y/Y in 2024 due to strong destocking effects during H2'24 at Stellantis and Ford and uncertainties regarding product strategy (particularly EVs), which resulted in delays of SOPs and outright cancellations of EV programs (at Ford and GM). **In 2025, the market is expected to remain stable with production declining by -2.1%,** with H1'25 still recording stock clearance ahead of several key launches in H2'25. Like in Europe, **the North American market is subject to ecological regulations** applied state by state, such as CARB ACC II led by California and more or less followed by 17 other states. Quite similar to the European CAFE, the ACC standard imposes increasingly stringent CO2 emission thresholds for new car fleets between 2026-2035, so that by 2035, 100% of new vehicles sold will be BEVs. As with CAFE regulations, ACC defines EV mixes (35% in 2035, 45% in 2026) that allow for threshold enhancement points. Compared to European and Chinese markets, the American market experiences slower electrification due to more lenient regulations and different consumer preferences (less urban population, longer journeys, larger engines, etc.).

As a reminder, before the Trump administration, the USA already applied a set of tariff barriers impacting the automotive industry, such as Section 232, which imposed import quotas on aluminium and steel, and 100% tariffs on imports of Chinese electric vehicles. Now, the Trump administration's proposal seeks to replace existing measures with a blanket rate of 25% on imports, particularly of automobiles and components from Europe, Canada, and Mexico. Within our coverage, **we estimate that the direct impact would be quite limited**. Indeed, **OPmobility, Forvia, and PVL** mainly operate Just-in-Time activities located near their clients' sites and primarily source locally. As a result, OPmobility and Forvia's Mexican activities mainly sell their production to Mexican OEM sites. **For Valeo, the impact seems stronger to us since the electronic components produced by the group are more naturally suited to import-export dynamics between Mexico and the USA**. In this regard, we note that the group's production is twice as large in Mexico as in the USA, with Valeo operating a site in Ciudad Juarez and a site in Rio Grande near the Mexican border. **AKWEL could be directly impacted by additional tariffs on several Mexico-USA flows.**

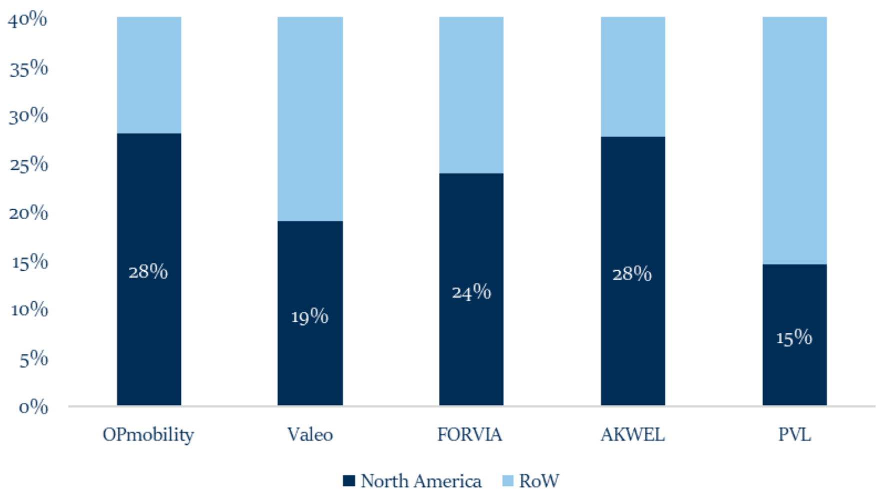
Table 5 : Our Suppliers' Industrial Footprints Stretch Across The US-Mexico Border

Sites	OPmobility	Valeo	FORVIA	AKWEL	PVL
Mexico	13	13	23	3	2
USA	12	10	29	2	2
Canada	1	0	1	0	0

Sources : Companies data

In our view, the indirect impact of applying such barriers would be much more significant due to **the major logistical disruptions they would cause**, given the deep integration of supply chains on both sides of the USA-Mexico border (vehicle assemblies by OEMs cross the border multiple times, for example, several Mexican engine production sites supply final assembly sites in the USA). Consequently, our suppliers operating Just-in-Time logistics activities would be heavily affected by these disruptions, especially since these are low-margin activities. Furthermore, actors (suppliers and OEMs) would naturally be inclined to pass on the impact of tariffs to end consumers, which would lead to **inflation in the American automotive market that could, in the medium term, cause sales to drop due to lack of demand, as seen in Europe**. **OPmobility is the most geographically exposed actor here** (28% of its economic revenue is generated in North America, including 17% in the USA) **and by the nature of its activities**. Nevertheless, North America remains the group's preferred market, where the three activities are in full development following excellent commercial activity since 2022 (launch of the Modules site in Austin, consolidation of the C-Power market, outsourcing in Exteriors). **AKWEL is the other company in our coverage with significant exposure to North America** (28% of its production), particularly to Ford and Stellantis. Although the group does not operate Just-in-Time logistics activities there, the impact at the group level could be significant, with North America representing 30% of the group's EBIT.

Figure 14 : North America Is A Significant Market For Our Coverage



Sources : Companies data

Faced with these worrying prospects, **the suppliers in our coverage have adopted a wait-and-see approach, having integrated nothing to date into their 2025 Guidance**. The actors have developed scenarios in case of application to limit disruptions to their activities as much as possible. **Valeo and Forvia** have optimistically assumed the possibility of **passing on almost 100% of the tariffs** that could affect them, arguing that suppliers currently generate margins too low to immediately absorb the entire charge and then finance a relocation of their industrial footprint and because this component flows are ordered by OEMs themself.

Contrasting outlooks by product family

Beyond geographical positioning, it is also necessary to differentiate the growth potential of the suppliers in our coverage through the various families of components they produce.

Table 6 : Outlooks By Parts

Parts	Company Exposure					TAM	Gwth	EBIT %	Electrification	Connectivity - Softwares	Cockpit	Design-Customisation-Branding	New Recurring Business Models
	PVL	AKW	POM	FRVIA	FR	FY24	25-30	FY24					
Powertrain	**0%**	**63%**	**24%**	**18%**	**41%**	**236**	**2,4%**	**4,6%**					
Exhaust Systems	0%	0%	3%	16%	0%	13	-5,1%		--	=	=	=	=
Transmissions	0%	0%	0%	0%	22%	22	-2,9%		-	=	=	=	=
Fuel Systems	0%	23%	19%	0%	0%	12	-3,6%		--	=	=	=	=
ICE (Air, Cooling)	0%	35%	0%	0%	11%	125	-3,1%		--	=	=	=	=
Electric Powertrains	0%	5%	1%	2%	8%	34	10,2%		++	=	=	=	=
BEV/Fuel Cells	0%	0%	1%	0%	0%	20	22,6%		++	=	=	=	=
Brakes	0%	0%	0%	0%	0%	10	-1,7%		=	-	=	=	=
Exteriors	**60%**	**18%**	**76%**	**15%**	**29%**	**309**	**1,9%**	**5,3%**					
Body Parts	25%	0%	38%	0%	0%	150	1,9%		+	+	=	++	=
Lightings	0%	0%	11%	15%	21%	34	0,5%		=	=	+	+	=
Mecanics	10%	18%	0%	0%	0%	103	2,2%		=	=	=	+	=
Modules	25%	0%	27%	0%	0%	17	2,2%		+	=	=	+	=
Wipers	0%	0%	0%	0%	8%	6	2,4%		=	=	=	+	=
Interiors	**40%**	**0%**	**0%**	**50%**	**15%**	**183**	**2,8%**	**4,1%**					
Seatings	0%	0%	0%	31%	0%	64	1,2%		=	=	++	=	=
Interiors	25%	0%	0%	19%	3%	50	3,7%		=	+	++	+	=
Climate control	0%	0%	0%	0%	9%	54	3,9%		=	+	++	=	=
Steering	15%	0%	0%	0%	3%	16	2,1%		=	+	+	=	=
Electronics	**0%**	**0%**	**0%**	**17%**	**15%**	**156**	**8,1%**	**6,1%**					
ADAS / sensors	0%	0%	0%	9%	15%	25	23,8%		=	++	+	=	++
Infotainement	0%	0%	0%	4%	0%	22	2,2%		=	+	++	+	++
Electronics	0%	0%	0%	4%	0%	109	4,1%		=	++	+	+	+
Chassis	**0%**	**0%**	**0%**	**0%**	**0%**	**113**	**1,3%**	**5,3%**					
Axles	0%	0%	0%	0%	0%	9	0,3%		=	=	=	=	=
Frame	0%	0%	0%	0%	0%	88	1,4%		=	=	=	=	=
Suspension	0%	0%	0%	0%	0%	16	0,5%		=	=	=	=	=

Sources : Deloitte, Roland Berger, Lazard, TP ICAP Midcap Estimates

Regarding electronics, whether for power management or dedicated to ADAS, this product family promises the highest growth potential in the industry (CAGR >20% per year) thanks to the electrification of the automotive fleet (BEVs require far more electronic components than ICE vehicles) and the automation of driving. This component family is also exposed to the development of the "Software-Defined Vehicle" (SDV), i.e., a vehicle model designed on a centralised software architecture where a central operating system (OS) controls vertical applications that in turn control vehicle parts, all connected to a cloud system. The development of the SDV has significant consequences for ADAS component producers (lidars, cameras, radars, etc.) by shifting the software layer, previously integrated in a decentralised manner in each component, to ECU controlling a region of the vehicle and then gradually to a central computer, so that **decentralised components increasingly become standardised commodities**. The value of embedded electronics is shifting more and more towards complex centralised computers and disembodied software hosted in the cloud, with **new technology players now participating in vehicle design**, such as Google (partnering with Renault, BMW, and Mercedes) or Qualcomm. Furthermore, since the operating system is one of the critical parts of BEVs, some OEMs have attempted to internalise its design as much as possible, following Tesla's model, like Volkswagen and Stellantis, with mixed success to date. Nevertheless, this transformation driven by the SDV also represents a development opportunity for suppliers in this sector: 1) a vehicle designed on this type of architecture can be periodically "updated" and personalised, representing **monetizable subscription services** for manufacturers and potentially for their suppliers; 2) being able to update and improve the performance of an already running vehicle implies equipping it **with a range of high-end equipment as standard to activate them remotely later** (such as equipping current models with Level 3 lidar even though this type of driving is not yet legal), which can have a positive effect in terms of value per vehicle; 3) finally, the suppliers in our coverage do not really lose market share to these new entrants, firstly because their software offerings are competitive and credible, and secondly because **it is more of a restructuring of technological partnerships**, each focusing on their historical product expertise, as evidenced by the contract signed between Valeo and BMW. Within our coverage, **Forvia (16% of revenue)** and **Valeo (22% of revenue)** are the most exposed to this dynamic.

The EV powertrain, excluding battery packs, is the other component family offering the highest growth potential (+15% per year) for suppliers. **For BEV technology**, we estimate that the main uncertainty beyond the non-linear progression of electrification lies in

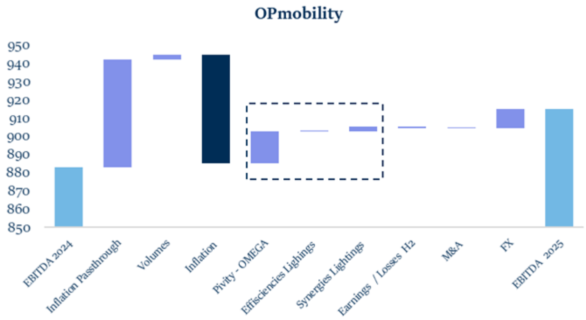
the effective outsourcing of this parts by OEMs. Indeed, both historical OEMs (which have historically focused on engine block development) and new EV OEMs still largely internalise the EV powertrains (electric motor, inverter, transmission, onboard charger) as these are critical components for defining BEV performance (range, charging time) and price, especially since the battery pack is increasingly outsourced to suppliers, generally in the form of JVs (although some OEMs continue to invest internally in proprietary capacities like Volkswagen). In this regard, **Valeo (which generates ~22% of its 2024 revenue from EV, hybrid and ICE transmissions) estimates an outsourcing rate of around 40% for motors, 50% for inverters, and 90% for onboard chargers**. Furthermore, an intermediate solution can be found by suppliers providing OEMs with electric motor components, as is the case between Valeo and Renault. **For hydrogen technology**, which should remain much more marginal than batteries, focusing on intensive uses and heavy vehicles (~1 million vehicles by 2030), **market participants estimate that its penetration has been delayed by 2 years** due to stricter financing conditions leading to bankruptcies (such as Hyvvia) and a drying up of fundraising, as well as insufficient political support regarding infrastructure and investment subsidies. **For OPmobility and Forvia**, the two actors in our coverage aiming for global leadership in high-pressure vessels (the highest value-added component of the hydrogen powertrain system), **growth prospects and competitive pressure remain attractive**, with actors noting solid pipelines to date and no order cancellations.

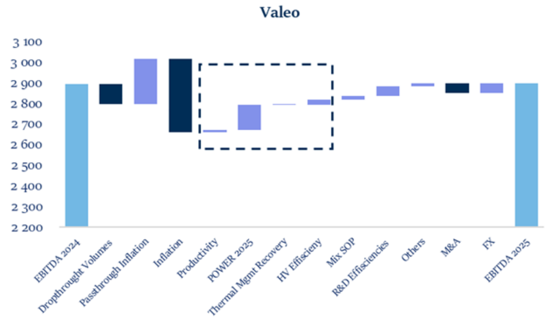
Components dedicated to ICE and hybrid powertrains (fuel tanks, emission control systems, transmission, fluid management) still significantly contribute to the cash generation of the suppliers in our coverage. While it is understood that the long-term prospects of these activities are overshadowed by the electrification of automotive fleets, the actors generally pursue the same strategy of passive market consolidation through market share gains and capacity adjustments from rapidly electrifying areas (Europe, China) to slower transition areas (MEA, APAC, Latin America). **In the medium term, the decline of these activities should be slow enough**, in our view (heavy vehicles, aftermarket rents, non-linear electrification), to be relatively manageable. Meanwhile, **these activities should be strong cash generators**, as suppliers no longer need to invest in developing new models or opening new capacities, and the tightening of ecological regulations in their various markets increases the value of their parts. Furthermore, the development of new hybrid solutions such as range extenders in China and potentially in North America offers new growth opportunities. Finally, given their leadership positions in consolidated markets and their gradual divestment strategy, this type of activity could attract the attention of private equity funds, as evidenced by the ongoing acquisition of TI Fluid Systems, a competitor of OPmobility's C-Power activity, by Apollo for 200p/share after the 5th attempt, representing a valuation of 6.5x EV/EBIT. Such a radical solution could be considered to accelerate the deleveraging of the most indebted companies in our coverage (Forvia, Valeo). Within our coverage, **Akwel (~80% of its revenue) and Valeo (~35% of its revenue)** still rely on this type of component for their activities.

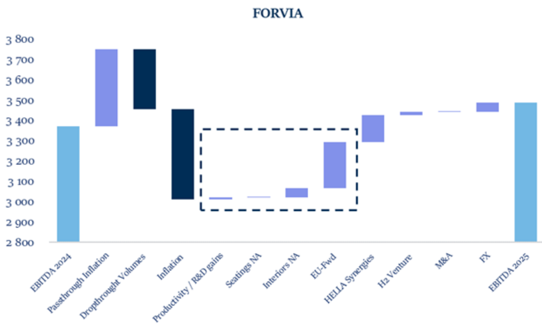
Summary of our estimates, valuations and conclusions

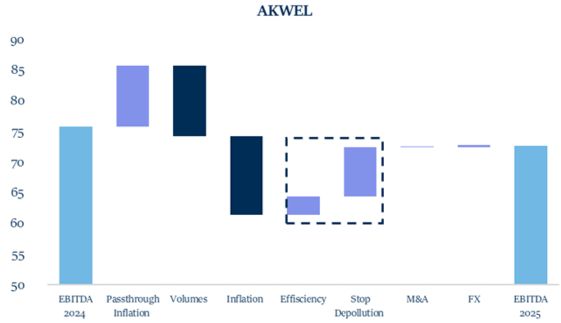
We have revised our estimates for 2025-27 after lowering our volume expectations for the period, anticipating almost stable activity in 2025 (a decline in H1'25 followed by a rebound in H2'25) **without aiming for a significant rebound thereafter**. This cautious approach aims to incorporate the sector's prudent outlook in Europe (without factoring in a significant impact from the Action Plan unveiled by the European Commission), a potential slowdown of the American market following the implementation of tariffs, and a still suboptimal client positioning in China.

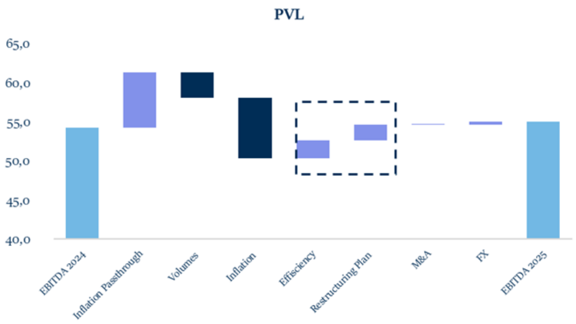
Figures 15 -21 : We favour Suppliers With Large Self-Help Potentials (2024-25 EBITDA Bridges)

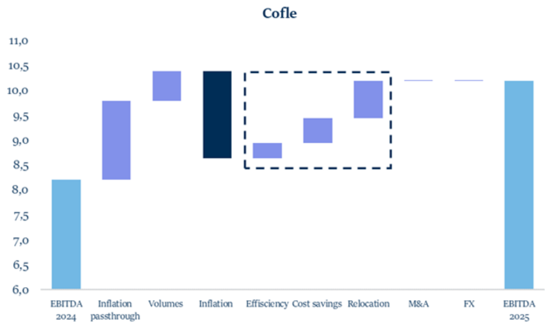












Sources : TP ICAP Midcap Estimates

In a context of anaemic volumes, a easing of compensations obtained from OEMs, and still high inflation driven by wages, **we favour suppliers with significant self-help potential**, optimisation areas that should represent the only lever for profitability improvement in 2025 for our coverage. In order:

-OPmobility: OPmobility is the only actor in our coverage for which we anticipate a volume increase thanks to their American order book. The group's margin should be able to progress thanks to continued recovery in the Lighting activity (which should launch its first SOPs in H2'25) and Modules.

-Cofle: After experiencing a difficult year in 2024, the group should be able to significantly improve its profitability, even without betting on a collapse of the TRY-EUR parity, thanks to the restructuring and relocation plans of production outside Turkey initiated in 2024, which should bring an annualised cumulative benefit of +€2.5M.

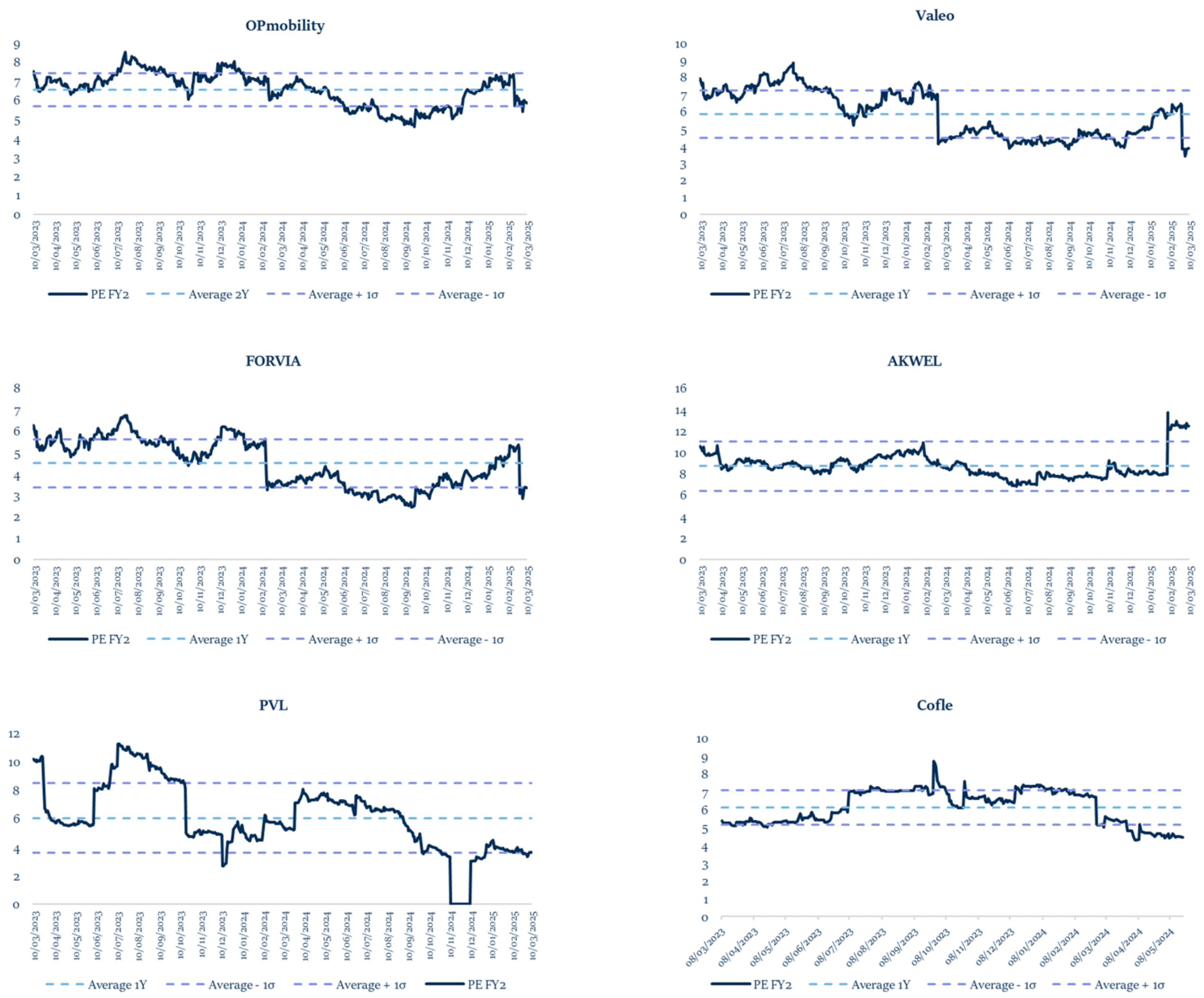
-Forvia: Despite stable activity, the group should be able to improve its EBIT thanks to the recovery of the NA Interiors activity, the EU-Forward plan, and additional synergies related to HELLA.

-PVL: PVL should stabilise its activity in 2025 thanks to a favourable phase of SOPs (completed by launch delays that should have occurred in 2024). At the same time, the group should benefit from the contribution of a restructuring plan currently being negotiated since September 2024, representing ~€2.5M in annualised savings.

-AKWEL: While the group should significantly underperform automotive production in 2025 due to an insufficiently filled order book between 2020-2022, the group should stabilise its margins thanks to the discontinuation of the OE Pollution Control activity, which we believe was dilutive to the group (warranty costs, operational issues).

-Valeo: Acknowledging less intense activity than expected (the group reported €7.5bn in order cancellations), the group has increased its POWER restructuring effort from €200M to €300M by 2026.

Figures 22 - 28 : Our Coverage Is Obviously Cheap



Sources : Factset, TP ICAP Midcap Estimates

While the sector had started to rebound on the stock market since November 2024, the combined effect of earnings and news flow regarding US tariffs abruptly caused the sector to plummet in 2025, so that, with few exceptions, **our entire coverage is trading at a discount compared to its historical average over the past two years**. Rightly or wrongly, the entire supplier sector is cheap, which means that relative valuation cannot be a relevant criterion for favouring one stock over another based on fundamental differences. Our selection:

-OPmobility (BUY): OPmobility remains our preferred play in the sector. In a difficult context, the group should be able to outperform its peers thanks to its American business. Furthermore, the group should succeed in improving its financial aggregates (Operating Margin, FCF, Net Income) thanks to optimisation areas such as the Lighting activity. Structurally, we believe the group is relatively protected from potential Chinese competition on these components as well as the direct impacts of new US tariffs. Compared to its Tier 1 peers, OPmobility trades at a slight premium, which we believe is fully justified by better financial performance (debt and cash conversion) and a much better track record in achieving financial targets.

-Cofle (BUY): After experiencing a difficult year in 2024 due to the agricultural cycle (which the group managed to outperform) and a drop in profitability of its Turkish operations, Cofle should rebound in 2025 thanks to its IAM activity, which should continue to perform very well, driven notably by the launch of a range of EPB (Electronic Parking Brakes). Cofle's margin should also rebound, even without betting on a collapse of the TRY-EUR parity, thanks to the restructuring and relocation plans of production outside Turkey initiated in 2024, which should bring an annualised cumulative benefit of +€2.5M.

-Forvia (Initiation at HOLD): Forvia boasts an attractive portfolio of businesses, with an electronics business that should outperform the automotive market and components that are relatively immune to international Chinese competition and US tariffs. Additionally, the group has substantial activity in China, where Forvia is a recognised supplier to local OEMs capturing market growth. Forvia should be able to improve its EBIT thanks to several self-help areas. However, the acquisition of HELLA was, in our opinion, poorly executed (valuation, minorities), resulting in a heavy balance sheet requiring disposals at the bottom of the cycle. We would highlight the poor quality of the Group's results, with cash generation based almost entirely on changes in working capital, but with more structural levers available for the years ahead. The change of CEO, with the arrival of Mr Fischer, could be a catalyst for the share price, with an acceleration in the operational recovery and debt reduction, with major disposals in 2026. We initiate at HOLD.

-AKWEL (HOLD): AKWEL is expected to significantly underperform its peers and the global automotive market in 2025 due to insufficient order gains between 2020-22. Evidently, AKWEL is struggling to sell its new components dedicated to EV models. Nevertheless, the group should be able to stabilise its EBIT margin thanks to the discontinuation of the OE Pollution Control business, which we believe was dilutive to the group's margin (warranty costs, operational issues). Additionally, easing relations with Stellantis, its main customer, should allow the activity to partially rebound. The group has the strongest balance sheet in our coverage, with 72% of its market capitalisation in cash, but this is unlikely to be used to accelerate cash returns to shareholders.

-PVL (HOLD): PVL should stabilise its activity around €700M in revenue in 2025 thanks to a significant number of SOPs (some of which were postponed from 2024) and outperform the global automotive market. At the same time, the group should stabilise its EBITDA margin by benefiting from a restructuring plan currently being negotiated since September 2024, representing ~€2.5M in annualised savings. We note that the group's product portfolio allows it to be relatively protected from Chinese competition and US tariffs. Finally, the group's cash generation should improve thanks to the SOPs, which should allow the group to deleverage.

-Valeo (Initiation at SELL): Valeo has an attractive portfolio of activities that are among the global leaders in the most attractive segments of the automotive industry: ADAS electronics, EV propulsion, lighting. However, in our opinion, these types of electronic components are the most at risk of facing international competition from Chinese suppliers, who are already very competitive in these same segments. Furthermore, the group's repositioning in China is far from evident in our view, given the level of internalisation of certain key OEMs on some Valeo components. The group is, in our opinion, the most at risk of direct impact from the application of new US tariffs. While the group should be able to stabilise its EBIT through internal optimisation (POWER Plan), we note that the group's financial performance is inferior to some peers (cash conversion, debt) as well as its track record in achieving financial targets. We initiate at SELL.

Company Section

TP ICAP MIDCAP

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EQUITY RESEARCH

AKWEL
SECTOR NOTE

HOLD
TP 8.0€
Up/Downside: 14%

A complicated transition to electric vehicles

As the group undergoes a laborious transition of its product portfolio, AKWEL is expected to record another challenging year in 2025. HOLD.

A product portfolio with difficult renewal

Despite the cessation of the OE Emission Control business initiated since September 2024, AKWEL's product portfolio is still largely dedicated to ICE propulsion (~80% of revenue). The group is seeking to reposition its product offering towards EVs by requalifying its fluid management components for electrified functions (battery cooling, etc.), developing new product families (electronic housings, cooled battery modules, etc.), and maintaining its product potential at >€300/vehicle. However, the transition led by AKWEL is more challenging than expected (order delays, SOP postponements, model failures), as evidenced by the underutilisation of AKWEL's new Bulgarian site dedicated to EVs. Furthermore, the group could be directly impacted by potential US tariffs on certain USA-Mexico flows, and a slowdown resulting from the pass-through of these tariffs would significantly affect the group, which generates ~30% of its production in North America.

2025 is expected to be another challenging year

AKWEL has already warned that it should experience a contraction in activity in 2025 similar to that of 2024. The root of this notable underperformance is the low level of orders recorded between 2020-22, which raises questions about the group's ability to sell components to EV models. Despite this drop in activity, AKWEL should be able to stabilise its profits thanks to the cessation of the emission control activity, which we assume is dilutive for the group (mainly due to warranty provisions), and further capacity rationalisation in Europe. Outside of Europe (Mexico, Turkey), the group should be able to partially pass on wage inflation to its clients. Finally, the group should be able to benefit from improved relations with Stellantis, its main client (~40% of its revenue in 2023).

Has the stock hit bottom?

With the stock having halved over the past year, it is tempting to wonder if the valuation more than reflects these operational and strategic challenges, especially since the group's net cash represents >70% of its market capitalisation. However, we prefer to stay on the sidelines, in the absence of catalysts on results or capital allocation (the group already aborted a share buyback plan back in 2023), the stock seems to us to be a textbook case of a value trap. HOLD, TP of €8.

Key data	
Price (€)	7.0
Industry	Automotive
Ticker	AKW-FR
Shares Out (m)	26.922
Market Cap (m €)	188.7
Average trading volumes (k shares / day)	1.287
Next event	3/4/2025

Source: FactSet

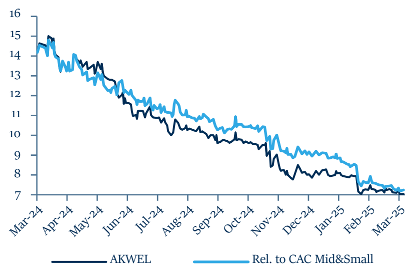
Ownership (%)	
Famille Coutier	69.7
Free float	30.0

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	0.63	0.42	0.51
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.4	-1.8	-13.0
Rel CAC Mid&Small	-1.2	-4.8	-20.1



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e
Sales (m €)	1,066.4	989.0	926.0	944.3
Current Op Inc (m €)	61.1	22.9	16.2	20.0
Current op. Margin (%)	5.7	2.3	1.7	2.1
EPS (€)	1.34	0.63	0.42	0.51
DPS (€)	0.45	0.45	0.45	0.45
Yield (%)	6.4	6.4	6.4	6.4
FCF (m €)	1.0	-23.3	-2.9	1.8

Valuation Ratio	12/24e	12/25e	12/26e
EV/Sales	0.2	0.2	0.2
EV/EBITDA	2.3	2.6	2.5
EV/EBIT	7.7	11.8	10.1
PE	11.2	16.7	13.8

Source: TPICAP Midcap

Consensus FactSet - Analysts:4	12/24e	12/25e	12/26e
Sales	1,055.0	1,065.9	1,088.7
EBIT	59.0	58.1	62.2
Net income	37.4	41.0	43.9

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	922.5	989.5	1,066.4	989.0	926.0	944.3
Changes (%)	-1.6	7.3	7.8	-7.3	-6.4	2.0
Gross profit	375.8	357.3	404.9	358.0	339.9	354.1
% of Sales	40.7	36.1	38.0	36.2	36.7	37.5
EBITDA	**117.0**	**80.8**	**102.0**	**75.7**	**72.6**	**79.9**
% of Sales	12.7	8.2	9.6	7.7	7.8	8.5
Current operating profit	**75.2**	**37.2**	**61.1**	**22.9**	**16.2**	**20.0**
% of Sales	8.2	3.8	5.7	2.3	1.7	2.1
Non-recurring items	-4.9	-0.9	-11.8	2.0	2.0	2.0
EBIT	70.4	36.3	49.3	24.9	18.2	22.0
Net financial result	-2.2	2.6	0.2	-2.2	-2.4	-2.5
Income Tax	-16.3	-13.0	-13.0	-5.2	-3.8	-5.2
Tax rate (%)	-24.1	-33.9	-26.7	-23.9	-25.7	-27.6
Net profit, group share	**51.6**	**25.2**	**35.8**	**16.7**	**11.2**	**13.6**
EPS	1.90	0.96	1.34	0.63	0.42	0.51

Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	34.6	36.3	35.5	35.5	35.5	35.5
Tangible and intangible assets	265.9	266.3	284.4	296.8	296.9	292.8
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.7	4.8	2.2	1.3	0.5	-0.4
Working capital	231.9	229.2	249.2	275.9	290.8	310.7
Other Assets	7.1	6.2	10.1	78.6	90.4	100.2
Assets	541.2	542.8	581.4	688.2	714.1	738.7
Shareholders equity group	569.8	592.5	610.1	626.6	637.8	651.3
Minorities	1.4	0.8	0.5	0.4	0.3	0.2
LT & ST provisions and others	58.8	57.1	67.2	67.2	67.2	67.2
Net debt	-98.2	-113.4	-102.7	-12.4	2.5	13.7
Other liabilities	2.5	0.0	0.0	0.0	0.0	0.0
Liabilities	541.2	542.8	581.4	688.2	714.1	738.7
Net debt excl. IFRS 16	-108.6	-121.8	-111.9	-19.6	-2.7	10.5
Gearing net	-0.2	-0.2	-0.2	-0.0	0.0	0.0
Leverage	-0.8	-1.4	-1.0	-0.2	0.0	0.2

Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	91.9	49.5	84.7	72.4	72.2	80.1
ΔWCR	-6.8	2.0	-20.7	-26.7	-14.8	-19.9
Operating cash flow	85.1	51.5	64.0	45.7	57.3	60.2
Net capex	-30.0	-33.2	-59.3	-65.3	-56.5	-55.7
FCF	44.8	31.8	1.0	-23.3	-2.9	1.8
Acquisitions/Disposals of subsidiaries	-10.2	13.5	-3.7	-3.7	-3.7	-3.7
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	-40.6	-17.6	-8.0	-2.0	-2.0	-2.0
Dividends paid	-12.0	-12.5	-8.0	-12.0	-12.0	-12.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	-7.6	-0.9	-15.0	-37.3	-16.9	-13.2

ROA (%)	9.8%	6.0%	3.0%	4.1%	1.8%	1.2%
ROE (%)	15.9%	9.0%	4.3%	5.9%	2.7%	1.8%
ROCE (%)	17.0%	10.9%	5.5%	7.3%	3.4%	2.4%

EQUITY RESEARCH

COFLE
SECTOR NOTE

BUY
TP 7.3€
Up/Downside: 103%

Navigating through the agricultural cycle

Cofle, with its complementary activity portfolio, modern and competitive industrial footprint, and rigorous execution, appears to us to be an ideal vehicle to position for the recovery of the agricultural cycle. We maintain our BUY recommendation.

A complementary product portfolio

Cofle operates two complementary activities: 1) OE (60% of revenue) produces control components (joysticks, buttons, cables) lining the cockpits of agricultural machines from the main sector players (JDeere, CNHi, AGCO...); 2) IAM (40% of revenue) produces braking system components (EPB, cables) and clutch cables for the automotive aftermarket and sells them under its own brand or white label to garage networks. While OE is a B2B activity structured by multi-year contracts with volumes following agricultural cycles, IAM, much more resilient and with significant pricing power, is an activity based on logistics and branding. Through its two divisions, Cofle has several growth levers such as launching new product ranges (e.g., EPB), expanding its geographical coverage (opening an office in France), and signing new clients (in off-road like INEOS or construction machinery).

We expect a rebound in results in 2025

Cofle experienced a difficult year in 2024 during which the OE activity suffered from the rapid deterioration of the agricultural cycle (while outperforming its market) and recorded a margin contraction due to the drop in production volumes and very high Turkish wage inflation not offset by price increases or the depreciation of the TRY-EUR parity. Nevertheless, without even anticipating a rebound in agricultural demand, we expect a rebound in the group's performance in 2025 thanks to the IAM division, which should continue to be very dynamic, while the end of destocking should stabilise the order level in OE. Similarly, the group's margin should rebound thanks to the combined contribution of a restructuring plan and a partial relocation of Turkish production capacities to India and Italy, which should represent ~€2.5M in annualised cumulative savings.

A valuation disconnected from the company's strong fundamentals

Following the stock's performance over the past year, we believe its valuation is completely disconnected from the company's solid fundamentals, which should be able to achieve an EBIT margin >8% at the bottom of the cycle, a level that far exceeds the profitability of its peers within our coverage. We reiterate our BUY recommendation, target price of €7.3.

Key data	
Price (€)	3.6
Industry	Automotive
Ticker	CFL-IT
Shares Out (m)	6.156
Market Cap (m €)	22.2
Average trading volumes (k shares / day)	0.288
Next event	3/28/2025

Source: FactSet

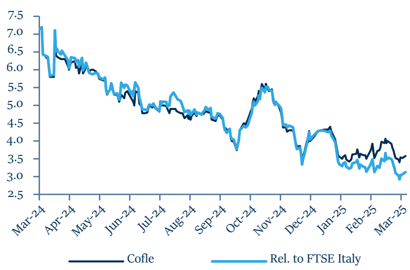
Ownership (%)	
Valfin Srl	78.4
Smart Agri Srl	3.7
Lupus Alpha	1.9
Free float	21.6

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	-0.26	0.03	0.26
Change vs previous estimates (%)	na	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.6	-2.7	-16.3
Rel FTSE Italy	-0.5	-4.6	-27.6



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e
Sales (m €)	64.1	58.1	60.3	62.7
Current Op Inc (m €)	8.3	4.8	6.6	7.3
Current op. Margin (%)	13.0	8.2	10.9	11.6
EPS (€)	0.13	-0.26	0.03	0.26
DPS (€)	0.45	0.45	0.45	0.45
Yield (%)	12.5	12.5	12.5	12.5
FCF (m €)	-3.5	-1.1	0.9	1.0

Valuation Ratio	12/24e	12/25e	12/26e
EV/Sales	0.5	0.5	0.6
EV/EBITDA	3.8	3.2	3.1
EV/EBIT	6.5	5.0	4.8
PE	na	na	13.7

Source: TPICAP Midcap

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	55.4	58.0	64.1	58.1	60.3	62.7
Changes (%)	45.5	4.6	10.6	-9.4	3.7	4.0
Gross profit	32.4	33.0	36.1	36.2	37.8	39.4
% of Sales	58.5	57.0	56.3	62.2	62.7	62.9
EBITDA	**13.4**	**13.0**	**11.5**	**8.2**	**10.2**	**11.1**
% of Sales	24.3	22.5	18.0	14.1	16.9	17.6
Current operating profit	**11.0**	**9.4**	**8.3**	**4.8**	**6.6**	**7.3**
% of Sales	19.8	16.2	13.0	8.2	10.9	11.6
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	11.0	9.4	8.3	4.8	6.6	7.3
Net financial result	1.2	-3.9	-5.3	-5.3	-5.3	-4.1
Income Tax	-2.3	-1.9	-0.6	0.0	-0.0	-0.5
Tax rate (%)	19.7	41.9	42.0	0.0	22.0	22.0
Net profit, group share	**8.2**	**2.3**	**0.4**	**-0.8**	**0.1**	**0.8**
EPS	1.72	0.43	0.13	na	0.03	0.26

Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	0.2	0.1	0.0	0.2	0.2	0.2
Tangible and intangible assets	8.2	11.0	16.4	19.3	21.1	23.0
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.7	0.3	0.4	4.5	10.0	17.5
Working capital	15.1	20.2	19.4	19.5	20.2	21.0
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	24.2	31.7	36.2	43.5	51.5	61.7
Shareholders equity group	18.9	27.8	26.6	25.9	26.0	26.7
Minorities	7.2	1.8	2.5	1.7	1.8	2.6
LT & ST provisions and others	0.7	1.8	1.5	1.5	2.5	2.2
Net debt	-4.6	-0.5	4.9	8.8	10.6	12.4
Other liabilities	1.7	0.3	0.0	5.0	10.0	17.0
Liabilities	24.2	31.7	36.2	43.5	51.5	61.7
Net debt excl. IFRS 16	-4.6	-0.5	4.9	8.8	10.6	12.4
Gearing net	-0.2	-0.0	0.2	0.3	0.4	0.4
Leverage	-0.3	-0.0	0.4	1.1	1.0	1.1

Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	11.3	6.1	3.8	4.9	5.7	5.9
ΔWCR	-4.7	-4.8	1.2	-1.3	-1.1	-1.2
Operating cash flow	6.6	1.3	5.0	3.6	4.5	4.7
Net capex	-3.9	-2.4	-8.5	-4.6	-3.6	-3.8
FCF	2.8	-1.1	-3.5	-1.1	0.9	1.0
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	-1.0	8.3	3.1	0.0	0.0	0.0
Dividends paid	0.0	-2.8	-1.8	-2.8	-2.8	-2.8
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	10.3	0.0	0.1	0.0	0.0	0.0
Others	-0.3	0.2	0.0	0.0	0.0	0.0
Change in net cash over the year	12.1	4.4	-2.1	-3.8	-1.8	-1.8

ROA (%)	18.4%	4.2%	1.2%	na	0.2%	1.9%
ROE (%)	24.7%	6.6%	1.8%	na	0.4%	3.3%
ROCE (%)	27.4%	17.8%	16.9%	8.6%	11.1%	10.7%

TP ICAP MIDCAP

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EQUITY RESEARCH

FORVIA

INITIATION OF COVERAGE

HOLD

TP 10.0€

Up/Downside: 13%

A structuring transaction at the top of the cycle

Although we have an attractive portfolio and considerable potential for operational optimisation, we believe that FORVIA is still paying the price for its acquisition of HELLA at the top of the cycle, We initiate at HOLD.

An attractive portfolio of businesses

Forvia has an attractive portfolio in several respects. The group can draw on a leading position in several high-growth electronics niches (ADAS, cockpit, EV) built up through acquisitions since 2018 (Clarion, HELLA). The Group has the most powertrain-agnostic portfolio in our coverage, and most of its revenues are generated by Just-In-Time activities (Complete Seats, Interiors), which are therefore relatively protected from Chinese competition and the direct impact of additional customs duties in the USA. Finally, the Group has a strong presence in China, where it is the 5th largest local OEM and enjoys a solid reputation with local EV OEMs.

Many optimisation levers to stabilise its margin in 2025 and beyond

Forvia should post stable sales, driven on the one hand by an outperformance in China on the back of notable commercial successes with local EV OEMs (BYD, CHERY, Li Auto), and on the other hand by North American sales, which are likely to suffer from tough comparatives (2024 having benefited from a number of SOPs, particularly in Interiors). Within our coverage, FORVIA is the player with the greatest potential for operational optimisation: EU-Forward programme, extraction of additional synergies with HELLA, continued recovery of the Interior business in North America. In the medium term, the recovery in Lighting margins offers an opportunity to boost the Group's profitability.

The company continues to pay the burden of its debt

These favourable factors are overshadowed by the acquisition of a majority stake in HELLA, which the Group is still paying for on its balance sheet. The acquisition of HELLA was made at the top of the cycle, leaving minority shareholders (whose stake is valued at €1bn by the market), which means that the integration of HELLA into FORVIA (cash pooling, financial reporting) cannot be maximised, despite the realisation of significant synergies (€330m by the end of 2024). This, coupled with a sudden rise in the cost of financing, is forcing FORVIA to carry out a major disposal campaign at the bottom of the cycle in order to reduce its debt. In addition, the Group's financial results are of poor quality, with FCF based mainly on changes in working capital, while operating cash is absorbed by restructuring, financial expenses and the share of HELLA dividends allocated to minority shareholders. Our recommendation is to Hold Forvia, TP of €10.

Key data	
Price (€)	8.8
Industry	Automotive
Ticker	FRVIA-FR
Shares Out (m)	197.590
Market Cap (m €)	1,747.5
Average trading volumes (k shares / day)	1,012.943
Next event	4/17/2025

Source: FactSet

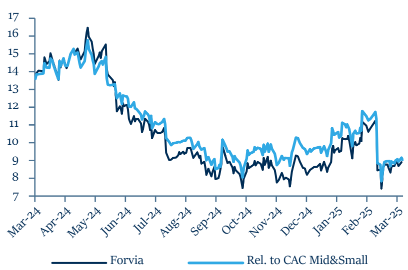
Ownership (%)	
Family Pool Hueck/Roepke	9.0
Exor N.V.	5.0
Peugeot 1810	3.0
Free float	83.0

Source: TPICAP Midcap estimates

EPS (€)	12/25e	12/26e	12/27e
Estimates	0.61	1.09	1.63
Change vs previous estimates (%)	na	na	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.7	-19.9	1.9
Rel CAC Mid&Small	-1.4	-22.3	-6.4



Source: FactSet

TP ICAP Midcap Estimates	12/24	12/25e	12/26e	12/27e
Sales (m €)	26,973.7	27,326.9	28,346.9	29,493.1
Current Op Inc (m €)	1,400.0	1,440.8	1,582.8	1,876.2
Current op. Margin (%)	5.2	5.3	5.6	6.4
EPS (€)	-0.94	0.61	1.09	1.63
DPS (€)	0.00	0.00	0.00	0.05
Yield (%)	0.0	0.0	0.0	0.6
FCF (m €)	529.9	620.8	609.6	792.9

Valuation Ratio	12/25e	12/26e	12/27e
EV/Sales	0.3	0.3	0.2
EV/EBITDA	2.3	2.1	1.7
EV/EBIT	5.6	4.8	3.8
PE	14.4	8.1	5.4

Source: TPICAP Midcap

Consensus FactSet - Analysts:18	12/25e	12/26e	12/27e
Sales	27,410.9	28,420.3	29,432.3
EBIT	1,443.5	1,633.7	1,944.0
Net income	321.1	503.7	718.6

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FINANCIAL DATA

Income Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Sales	24,573.7	27,247.8	26,973.7	27,326.9	28,346.9	29,493.1
Changes (%)	57.3	10.9	-1.0	1.3	3.7	4.0
Gross profit	7,873.8	8,545.8	9,026.1	9,339.7	9,681.2	10,210.3
% of Sales	32.0	31.4	33.5	34.2	34.2	34.6
EBITDA	**2,907.3**	**3,328.4**	**3,354.6**	**3,445.8**	**3,723.3**	**4,192.0**
% of Sales	11.8	12.2	12.4	12.6	13.1	14.2
Current operating profit	**1,060.5**	**1,439.1**	**1,400.0**	**1,440.8**	**1,582.8**	**1,876.2**
% of Sales	4.3	5.3	5.2	5.3	5.6	6.4
Non-recurring items	-632.4	-374.6	-626.2	-540.5	-440.5	-440.5
EBIT	428.1	1,064.5	773.8	900.3	1,142.3	1,435.7
Net financial result	-495.2	-458.9	-545.0	-606.6	-607.8	-625.5
Income Tax	-177.0	-232.4	-235.3	-107.0	-194.8	-295.2
Tax rate (%)	263.8	-38.4	-102.8	-36.4	-36.4	-36.4
Net profit, group share	**-381.8**	**222.2**	**-185.2**	**120.7**	**214.1**	**321.0**
EPS	na	1.12	na	0.61	1.09	1.63

Financial Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Goodwill	5,260.3	5,129.6	5,158.7	5,158.7	5,158.7	5,158.7
Tangible and intangible assets	9,645.9	9,309.7	9,558.9	9,610.4	9,657.8	9,635.5
Right of Use	1,183.5	946.1	933.4	933.4	933.4	933.4
Financial assets	620.5	580.7	483.1	510.7	539.7	570.1
Working capital	-2,125.4	-2,796.8	-2,823.4	-2,988.8	-3,036.6	-3,052.4
Other Assets	1,610.6	1,816.8	1,133.4	1,133.4	1,133.4	1,133.4
Assets	16,195.4	14,986.1	14,444.1	14,357.7	14,386.3	14,378.7
Shareholders equity group	4,548.0	4,509.4	4,291.8	4,435.9	4,656.8	4,984.6
Minorities	1,691.1	1,662.0	1,778.6	1,813.2	1,874.6	1,966.6
LT & ST provisions and others	1,370.7	1,232.9	1,237.5	1,237.5	1,237.5	1,237.5
Net debt	7,979.8	7,013.2	6,631.8	6,261.6	5,902.9	5,360.7
Other liabilities	438.6	399.8	335.8	440.7	545.7	660.6
Liabilities	16,195.4	14,986.1	14,444.3	14,357.7	14,386.3	14,378.7
Net debt excl. IFRS 16	6,678.8	5,957.6	5,577.5	5,207.3	4,848.6	4,306.4
Gearing net	1.3	1.1	1.1	1.0	0.9	0.8
Leverage	2.7	2.1	2.0	1.8	1.6	1.3

Cash flow statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
CF after elimination of net borrowing costs and taxes	1,821.3	1,712.3	1,922.7	2,451.6	2,689.4	3,010.4
ΔWCR	588.3	769.9	618.8	165.4	47.8	15.7
Operating cash flow	2,409.6	2,482.2	2,541.5	2,617.0	2,737.2	3,026.2
Net capex	-2,091.2	-2,183.3	-2,011.6	-1,996.2	-2,127.6	-2,233.2
FCF	286.4	447.8	529.9	620.8	609.6	792.9
Free Cash Flow excl IFRS 16	47.4	201.8	280.5	370.0	358.8	542.1
Acquisitions/Disposals of subsidiaries	-4,885.5	303.6	196.0	0.0	0.0	0.0
Other investments	705.0	308.9	-26.5	0.0	0.0	0.0
Change in borrowings	2,199.9	-573.9	-191.6	-722.2	-355.3	0.0
Dividends paid	0.0	0.0	-98.2	0.0	0.0	0.0
Repayment of leasing debt	-239.0	-246.0	-249.4	-250.8	-250.8	-250.8
Equity Transaction	1,215.7	2.8	-7.8	0.0	0.0	0.0
Others	-69.8	-38.4	31.7	0.0	0.0	0.0
Change in net cash over the year	-734.3	102.5	226.3	-352.2	3.5	542.1

ROA (%)	na	1.2%	na	0.7%	1.1%	1.7%
ROE (%)	na	na	0.1%	na	na	na
ROCE (%)	6.1%	8.6%	8.1%	9.0%	11.1%	11.3%

TP ICAP MIDCAP

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EQUITY RESEARCH

OPMOBILITY SE

SECTOR NOTE

BUY

TP 13.0€

Up/Downside: 26%

The highest quality player in the sector

In our view, OPmobility has the more resilient business portfolio in our coverage, coupled with a prudent strategy and rigorous execution, resulting in higher quality financial performance compared to peers, making it a relative outperformer in the sector. BUY.

A robust activity portfolio

With the majority of its portfolio composed of Just-In-Time activities (Exterior, C-Power, Modules), OPmobility is the most protected actor in our coverage from potential Chinese competition and the direct impact of additional US tariffs. Compared to its peers, the group has decided to prioritise development in North America over China, where market fragmentation is too significant. This strategy is bearing fruit given the substantial order book the group has in the USA, allowing OPmobility to potentially double its size there in the long term. The group remains ambitious in China, where it is repositioning its activity towards the most dynamic OEMs, and its JV YFPO has achieved notable commercial successes with BYD and Huawei. Finally, the new activities dedicated to Hydrogen propulsion dedicated to heavy and public mobilities and lighting represent, in our view, “free” options at the current price, the former as an essential supplier for hydrogen mobility and the latter in the development of integrated offerings combining Exterior, Modules, and Lighting.

OPmobility should perform well in 2025

In a challenging context, the group should be able to outperform its peers thanks to its American activity, whose order book offers some visibility, particularly for the Modules activity (which should benefit from the renewal of the best-selling model of its main customer in Austin) and Exterior. Furthermore, the group should succeed in improving its financial aggregates (Operating Margin, FCF, Net Income) thanks to optimisation areas such as the Lighting activity, which should launch its first SOPs in H2'25, and the Modules activity, which despite a rapid recovery in 2024, can still improve its margin by +33%.

A higher quality financial performance than its peers

Granted, OPmobility trades at a slight premium compared to its Tier 1 peers, but this is fully justified in our view by a clearer strategy and activity portfolio, a better track record of meeting guidance, and higher quality financial performance (FCF conversion, debt, M&A execution). We reiterate our BUY recommendation, target price of €13.

Key data	
Price (€)	10.3
Industry	Automotive
Ticker	OPM-FR
Shares Out (m)	145.522
Market Cap (m €)	1,498.9
Average trading volumes (k shares / day)	60.348
Next event	4/23/2025

Source: FactSet

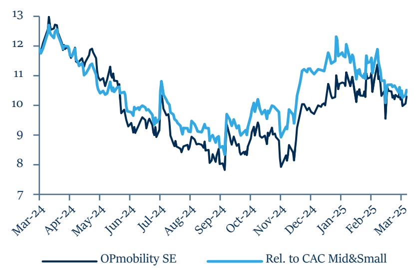
Ownership (%)	
Burelle SA	60.6
OPmobility	1.9
Free float	37.5

Source: TPICAP Midcap estimates

EPS (€)	12/25e	12/26e	12/27e
Estimates	1.35	1.46	1.53
Change vs previous estimates (%)	-1.39	-4.36	-3.71

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	2.4	-5.4	2.7
Rel CAC Mid&Small	1.6	-8.3	-5.6



Source: FactSet

TP ICAP Midcap Estimates	12/24	12/25e	12/26e	12/27e
Sales (m €)	10,483.8	10,442.9	10,520.5	10,567.3
Current Op Inc (m €)	419.4	420.8	440.9	449.4
Current op. Margin (%)	4.0	4.0	4.2	4.3
EPS (€)	1.17	1.35	1.46	1.53
DPS (€)	0.60	0.39	0.42	0.44
Yield (%)	5.8	3.8	4.1	4.3
FCF (m €)	246.4	244.8	253.7	265.6

Valuation Ratio	12/25e	12/26e	12/27e
EV/Sales	0.3	0.3	0.2
EV/EBITDA	3.3	3.0	2.7
EV/EBIT	7.2	6.4	5.8
PE	7.7	7.0	6.8

Source: TPICAP Midcap

Consensus FactSet - Analysts:10	12/25e	12/26e	12/27e
Sales	10,267.2	10,540.7	10,540.7
EBIT	371.6	410.3	437.7
Net income	172.7	178.8	204.4

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FINANCIAL DATA

Income Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Sales	8,538.1	10,314.5	10,483.8	10,442.9	10,520.5	10,567.3
Changes (%)	18.0	20.8	1.6	-0.4	0.7	0.4
Gross profit	1,225.6	1,374.6	1,424.3	1,457.3	1,511.4	1,536.6
% of Sales	14.4	13.3	13.6	14.0	14.4	14.5
EBITDA	**816.6**	**859.2**	**882.9**	**912.3**	**956.2**	**966.5**
% of Sales	9.6	8.3	8.4	8.7	9.1	9.1
Current operating profit	**335.7**	**377.8**	**419.4**	**420.8**	**440.9**	**449.4**
% of Sales	3.9	3.7	4.0	4.0	4.2	4.3
Non-recurring items	-82.5	-85.5	-89.5	-89.5	-89.5	-89.5
EBIT	253.3	292.3	329.9	331.3	351.4	359.9
Net financial result	-61.7	-105.2	-130.0	-113.0	-113.0	-110.0
Income Tax	-60.2	-62.7	-72.0	-65.5	-71.1	-74.2
Tax rate (%)	-25.2	-27.8	-29.6	-25.0	-25.0	-25.0
Net profit, group share	**168.4**	**163.0**	**170.4**	**195.5**	**212.2**	**221.5**
EPS	1.16	1.12	1.17	1.35	1.46	1.53

Financial Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Goodwill	1,319.6	1,297.0	1,302.0	1,302.0	1,302.0	1,302.0
Tangible and intangible assets	2,542.4	2,600.2	2,781.0	2,769.6	2,742.2	2,715.7
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	429.3	435.4	467.0	468.5	470.1	471.7
Working capital	-495.8	-601.2	-711.0	-754.6	-772.6	-794.3
Other Assets	156.2	171.0	191.0	187.0	187.0	187.0
Assets	3,951.7	3,902.5	4,030.0	3,972.6	3,928.6	3,882.1
Shareholders equity group	1,889.6	1,945.5	2,058.0	2,166.1	2,322.2	2,482.8
Minorities	29.3	34.6	29.0	28.0	27.0	26.0
LT & ST provisions and others	239.1	225.0	211.0	211.0	211.0	211.0
Net debt	1,724.1	1,653.3	1,691.0	1,526.5	1,327.4	1,121.3
Other liabilities	21.6	21.5	23.0	23.0	23.0	23.0
Liabilities	3,951.7	3,902.5	4,030.0	3,972.6	3,928.6	3,882.1
Net debt excl. IFRS 16	1,724.1	1,653.3	1,691.0	1,526.5	1,327.4	1,121.3
Gearing net	0.9	0.8	0.8	0.7	0.6	0.4
Leverage	2.1	1.9	1.9	1.7	1.4	1.2

Cash flow statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
CF after elimination of net borrowing costs and taxes	667.2	648.8	712.4	707.3	747.7	758.8
ΔWCR	-219.8	60.6	42.0	43.6	18.0	21.7
Operating cash flow	447.3	709.4	754.4	750.9	765.8	780.4
Net capex	-351.2	-482.7	-508.0	-506.1	-512.1	-514.9
FCF	96.2	226.7	246.4	244.8	253.7	265.6
Acquisitions/Disposals of subsidiaries	-101.5	11.8	-43.0	0.0	0.0	0.0
Other investments	-9.3	-0.5	-7.0	0.0	0.0	0.0
Change in borrowings	48.3	-86.3	-64.0	653.6	1.5	1.5
Dividends paid	-51.6	-60.4	-95.0	-87.4	-56.1	-60.9
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	-16.3	-2.8	-10.0	0.0	0.0	0.0
Others	-4.2	-15.5	0.0	0.0	0.0	0.0
Change in net cash over the year	-38.4	72.9	27.4	810.9	199.0	206.1

ROA (%)	2.4%	2.2%	2.2%	2.3%	2.5%	2.5%
ROE (%)	0.6%	na	na	na	na	na
ROCE (%)	8.8%	11.4%	11.4%	8.5%	9.8%	9.0%

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MIDCAP

EQUITY RESEARCH

PLASTIVALOIRE
SECTOR NOTE

HOLD
TP 1.4€ (vs 1.2€)
Up/Downside: -1%

A risky bet

Research partially paid by the Issuer

Although possessing a solid and motorisation-agnostic activity portfolio, pursuing a diversification strategy that should make the group's results more linear and expected to outperform its market in 2025, we remain cautious about the stock, whose debt turns PVL into a binary option. HOLD.

A robust activity portfolio

PVL is a leading plastics manufacturer producing complex plastic parts for the automotive and industrial sectors. For the automotive sector, the group specialises in interior cabinetry and also produces exterior parts. As a result, the group is powertrain agnostic and operates a Just-in-Time operating model, which in our view is protected from Chinese competition or the direct impacts of additional US tariffs. The group's strategy focused on diversifying its customer base by developing activities for the industrial sector and automotive suppliers should help to somewhat desensitise its results from the automotive cycle.

PVL should stabilise its results in 2025

After a year marked by the exit from the Karl HESS activity and the Pilsen plant in 2024, we anticipate stable organic activity of ~€700M in 2025, implying solid outperformance compared to global automotive production (we remind that the group closes in September 2025 and global production is expected to rebound from June 2025), driven by a high level of SOPs, some launch delays initially planned for 2024, and easy comparison bases in Industries. We anticipate an EBITDA margin improvement of +20bps Y/Y thanks to a new restructuring plan announced in September 2024, expected to bring ~€2.5M in gross savings. Finally, the group should significantly improve its FCF generation thanks to normalised Capex, allowing it to deleverage its balance sheet, which is critical to the case.

A risky bet

Despite a portfolio that poses few structural questions and anticipated stability in results, PVL remains a risky bet in our view due to its level of debt, which leaves little leeway for management. Given this risk, we find the stock's valuation to be high. We maintain our HOLD recommendation, with a revised target price of €1.4 (vs €1.2) following the update of our valuation parameters.

Key data	
Price (€)	1.4
Industry	Automotive
Ticker	PVL-FR
Shares Out (m)	22.090
Market Cap (m €)	31.4
Average trading volumes (k shares / day)	27.905
Next event	5/15/2025

Source: FactSet

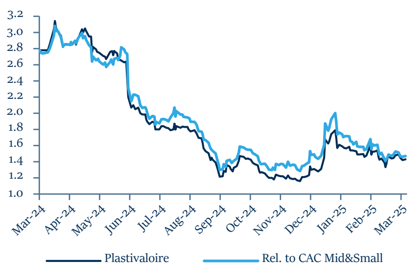
Ownership (%)	
Famille Findeling	57.4
Autocontrôle	0.3
Free float	42.3

Source: TPICAP Midcap estimates

EPS (€)	09/25e	09/26e	09/27e
Estimates	-1.50	0.11	0.17
Change vs previous estimates (%)	na	-72.56	-62.78

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.7	-3.1	8.4
Rel CAC Mid&Small	-1.4	-6.0	-0.4



Source: FactSet

TP ICAP Midcap Estimates	09/24	09/25e	09/26e	09/27e
Sales (m €)	703.5	692.5	697.1	733.4
Current Op Inc (m €)	12.7	10.9	10.8	12.1
Current op. Margin (%)	1.8	1.6	1.6	1.6
EPS (€)	-2.04	-1.50	0.11	0.17
DPS (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0	0.0	0.0	0.0
FCF (m €)	-14.6	8.3	18.6	19.2

Valuation Ratio	09/25e	09/26e	09/27e
EV/Sales	0.3	0.3	0.2
EV/EBITDA	3.7	3.3	2.8
EV/EBIT	18.6	17.0	13.7
PE	na	13.1	8.5

Source: TPICAP Midcap

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FINANCIAL DATA

Income Statement	09/22	09/23	09/24	09/25e	09/26e	09/27e
Sales	704.2	834.2	703.5	692.5	697.1	733.4
Changes (%)	4.0	18.4	-15.7	-1.6	0.7	5.2
Gross profit	317.0	399.5	337.9	323.7	326.1	342.3
% of Sales	45.0	47.9	48.0	46.7	46.8	46.7
EBITDA	**52.3**	**69.4**	**54.2**	**55.0**	**56.4**	**59.2**
% of Sales	7.4	8.3	7.7	7.9	8.1	8.1
Current operating profit	**4.4**	**22.1**	**12.7**	**10.9**	**10.8**	**12.1**
% of Sales	0.6	2.6	1.8	1.6	1.6	1.6
Non-recurring items	-11.7	-20.1	1.4	-35.0	0.0	0.0
EBIT	-7.3	1.9	14.1	-24.1	10.8	12.1
Net financial result	-6.7	-8.4	-12.5	-8.2	-7.6	-7.1
Income Tax	-4.5	-4.5	-3.8	0.0	-0.8	-1.3
Tax rate (%)	32.0	69.9	-235.3	0.0	-25.0	-25.0
Net profit, group share	**-22.7**	**-14.8**	**-45.1**	**-33.0**	**2.4**	**3.7**
EPS	na	na	na	na	0.11	0.17

Financial Statement	09/22	09/23	09/24	09/25e	09/26e	09/27e
Goodwill	59.4	44.0	38.8	38.8	38.8	38.8
Tangible and intangible assets	313.8	313.0	267.4	223.2	209.6	194.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.7	1.8	1.6	1.6	1.6	1.6
Working capital	157.4	147.1	113.1	133.2	130.4	130.1
Other Assets	6.9	5.2	6.0	6.0	6.0	6.0
Assets	539.2	511.1	426.9	402.8	386.5	370.9
Shareholders equity group	245.7	232.3	194.1	191.0	193.4	197.1
Minorities	11.6	13.3	12.1	10.9	10.8	10.7
LT & ST provisions and others	28.5	29.5	17.9	17.9	17.9	17.9
Net debt	240.3	222.1	191.4	171.6	153.0	133.8
Other liabilities	10.9	10.8	10.7	10.7	10.7	10.7
Liabilities	539.2	511.1	426.8	402.8	386.5	370.8
Net debt excl. IFRS 16	240.3	222.1	191.4	171.6	153.0	133.8
Gearing net	0.9	0.9	0.9	0.8	0.7	0.6
Leverage	4.6	3.2	3.5	3.1	2.7	2.3

Cash flow statement	09/22	09/23	09/24	09/25e	09/26e	09/27e
CF after elimination of net borrowing costs and taxes	33.9	51.9	26.0	39.8	47.8	50.7
ΔWCR	-27.9	4.6	-2.4	2.3	2.8	0.4
Operating cash flow	6.0	56.5	23.5	42.2	50.6	51.0
Net capex	-19.5	-36.3	-38.1	-33.9	-32.0	-31.8
FCF	-13.6	20.2	-14.6	8.3	18.6	19.2
Acquisitions/Disposals of subsidiaries	0.0	-0.2	-1.4	34.0	0.0	0.0
Other investments	-6.2	-3.2	0.2	0.0	0.0	0.0
Change in borrowings	-25.0	7.8	12.7	-38.8	-10.0	-10.0
Dividends paid	-3.1	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	0.1	0.0	0.0	0.0	0.0
Others	-0.5	0.3	0.2	0.0	0.0	0.0
Change in net cash over the year	-48.3	25.1	-3.0	3.5	8.7	9.2

ROA (%)	na	na	na	na	0.4%	0.6%
ROE (%)	na	na	na	na	1.2%	1.9%
ROCE (%)	1.1%	5.6%	3.5%	3.2%	3.4%	3.9%

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MIDCAP

EQUITY RESEARCH

VALEO SE
INITIATION OF COVERAGE

SELL
TP 9.0€
Up/Downside: -12%

Many points to be clarified

Despite an attractive activity portfolio at first glance, we are concerned about both the long-term prospects and the short-term financial performance of Valeo. We initiate coverage at SELL.

An attractive portfolio but with structural questions
Valeo is a leading player in embedded electronics (ADAS, cockpit), a very promising segment but also subject to rapid transformations such as the development of the SDV, which disrupts the positioning of historical players and the added value between equipment and software. Since the consolidation of VSeA, Valeo is also one of the main suppliers of components for EV propulsion (excluding batteries), another high-potential segment that faces high internalisation of these critical systems by OEMs. Additionally, 2024 proved that EV demand could be very volatile (this activity having dropped by -40% Y/Y). The group can also boast a leading position in lighting, a "cash cow" activity backed by a stable and profitable aftermarket rent. We are concerned that the majority of Valeo's products naturally lend themselves to export dynamics, opening the door to potential international Chinese competition and exposing the group to direct impacts from additional US tariffs.

Growth postponed, once again
Despite intense commercial activity between 2022-23 (>€70bn in orders) suggesting strong growth in 2025, the group's latest outlook indicates "only stable" activity in 2025, postponing growth once again to 2026 and beyond. Acknowledging less dynamic activity than expected (as evidenced by €7.5bn in order cancellations in 2024), the group has increased its restructuring effort for the POWER division (from €200M to €300M), which, coupled with the recovery of the HV activity, should allow the group's EBIT to progress.

Despite a promising portfolio, we remain very sceptical
Valeo's activity portfolio is undoubtedly promising, but it raises long-term questions about competitive intensity and the reshaping of historical strategic positions. In the short term, we note the group's has regularly been forced to downgrade its financial targets as well as the relatively low quality of its results, affected notably by significant variations in R&D capitalisation, weak conversion of its results into FCF, which mainly relies on working capital evolution, and consistently high debt. We initiate at SELL, target price of €9.

Key data	
Price (€)	10.3
Industry	Automotive
Ticker	FR-FR
Shares Out (m)	244.633
Market Cap (m €)	2,507.5
Average trading volumes (k shares / day)	916.499
Next event	4/29/2025

Source: FactSet

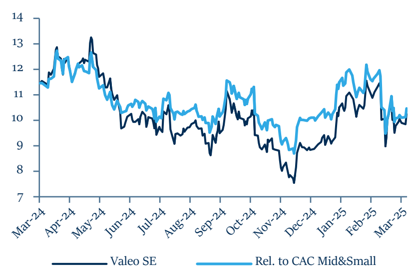
Ownership (%)	
Dassault Family	5.6
BPI France	5.2
Valeo SE	0.3
Free float	88.9

Source: TPICAP Midcap estimates

EPS (€)	12/25e	12/26e	12/27e
Estimates	1.08	1.98	2.36
Change vs previous estimates (%)	na	na	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	4.1	-9.1	10.1
Rel CAC Mid&Small	3.3	-11.8	1.2



Source: FactSet

TP ICAP Midcap Estimates	12/24	12/25e	12/26e	12/27e
Sales (m €)	21,492.3	21,418.5	22,305.6	23,043.3
Current Op Inc (m €)	919.2	959.6	1,247.8	1,423.2
Current op. Margin (%)	4.3	4.5	5.6	6.2
EPS (€)	0.66	1.08	1.98	2.36
DPS (€)	0.42	0.47	0.52	0.57
Yield (%)	4.1	4.6	5.1	5.6
FCF (m €)	481.0	530.5	535.4	836.2

Valuation Ratio	12/25e	12/26e	12/27e
EV/Sales	0.3	0.3	0.2
EV/EBITDA	2.1	1.9	1.7
EV/EBIT	6.3	4.8	4.0
PE	9.5	5.2	4.3

Source: TPICAP Midcap

Consensus FactSet - Analysts:19	12/25e	12/26e	12/27e
Sales	22,127.7	22,127.7	23,546.3
EBIT	998.4	1,239.5	1,458.9
Net income	395.6	617.6	772.8

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FINANCIAL DATA

Income Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Sales	20,037.0	22,044.0	21,492.3	21,418.5	22,305.6	23,043.3
Changes (%)	16.1	10.0	-2.5	-0.3	4.1	3.3
Gross profit	4,631.0	5,229.0	5,460.0	5,466.5	5,795.9	6,048.9
% of Sales	23.1	23.7	25.4	25.5	26.0	26.2
EBITDA	**2,401.0**	**2,647.0**	**2,863.0**	**2,865.1**	**3,186.9**	**3,412.4**
% of Sales	12.0	12.0	13.3	13.4	14.3	14.8
Current operating profit	**635.0**	**838.0**	**919.2**	**959.6**	**1,247.8**	**1,423.2**
% of Sales	3.2	3.8	4.3	4.5	5.6	6.2
Non-recurring items	9.0	-94.0	-301.0	-177.4	-36.8	-36.1
EBIT	644.0	744.0	618.2	782.2	1,211.0	1,387.1
Net financial result	-135.0	-290.0	-285.0	-286.5	-272.7	-266.5
Income Tax	-214.0	-154.0	-99.0	-116.1	-244.2	-292.3
Tax rate (%)	-54.3	-35.2	-30.8	-24.0	-26.4	-26.4
Net profit, group share	**230.0**	**221.0**	**162.2**	**262.9**	**480.8**	**573.6**
EPS	0.94	0.90	0.66	1.08	1.98	2.36

Financial Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Goodwill	3,245.0	3,112.0	3,086.0	2,986.0	2,986.0	2,986.0
Tangible and intangible assets	7,501.0	7,586.0	7,847.0	8,084.4	8,429.0	8,827.9
Right of Use	582.0	536.0	574.0	574.0	574.0	574.0
Financial assets	483.0	392.0	395.0	395.0	395.0	395.0
Working capital	-1,643.0	-2,019.0	-2,455.0	-2,578.1	-2,476.9	-2,518.6
Other Assets	714.0	758.0	881.0	877.9	874.5	871.1
Assets	10,882.0	10,365.0	10,328.0	10,339.2	10,781.6	11,135.4
Shareholders equity group	3,822.0	3,575.0	3,719.2	3,848.8	4,158.0	4,629.1
Minorities	790.0	785.0	796.0	844.6	933.6	1,039.7
LT & ST provisions and others	2,000.0	1,886.0	1,750.0	1,799.6	1,852.9	1,907.8
Net debt	4,018.0	4,046.0	3,884.0	3,548.9	3,474.4	3,127.5
Other liabilities	149.0	-39.0	54.8	173.3	238.7	307.3
Liabilities	10,882.0	10,365.0	10,328.0	10,339.2	10,781.6	11,135.4
Net debt excl. IFRS 16	3,401.0	3,465.0	3,258.0	2,922.9	2,848.4	2,501.5
Gearing net	0.9	0.9	0.9	0.8	0.7	0.6
Leverage	1.7	1.5	1.4	1.2	1.1	0.9

Cash flow statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
CF after elimination of net borrowing costs and taxes	1,508.0	1,897.0	1,984.0	2,211.4	2,537.4	2,779.9
ΔWCR	231.0	278.0	492.0	123.1	-101.1	41.6
Operating cash flow	1,739.0	2,175.0	2,476.0	2,334.5	2,436.3	2,821.5
Net capex	-1,439.0	-1,965.0	-2,157.0	-1,972.0	-2,107.8	-2,208.6
FCF	388.0	379.0	481.0	530.5	535.4	836.2
Free Cash Flow excl IFRS 16	229.0	135.0	205.0	225.5	191.5	476.0
Acquisitions/Disposals of subsidiaries	-352.0	30.0	211.0	100.0	0.0	0.0
Other investments	-166.0	-13.0	-27.0	0.0	0.0	0.0
Change in borrowings	1,242.0	-351.0	9.0	-1,292.6	0.0	0.0
Dividends paid	-84.0	-92.0	-97.0	-102.2	-114.4	-126.5
Repayment of leasing debt	-101.0	-115.0	-135.0	-137.0	-137.0	-137.0
Equity Transaction	-36.0	16.0	-25.0	0.0	0.0	0.0
Others	4.0	-87.0	-17.0	-2.6	-2.6	-2.6
Change in net cash over the year	837.0	-362.0	259.0	-1,071.9	74.6	346.8

ROA (%)	1.3%	1.4%	1.1%	1.8%	3.2%	3.7%
ROE (%)	na	na	na	na	na	0.3%
ROCE (%)	5.7%	6.8%	5.8%	7.8%	11.8%	12.5%

DISCLAIMER

Analyst certifications

This research report (the "Report") has been approved by Midcap, a business division of TP ICAP (Europe) SA ("Midcap"), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR"). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst's and associate's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

Methodology

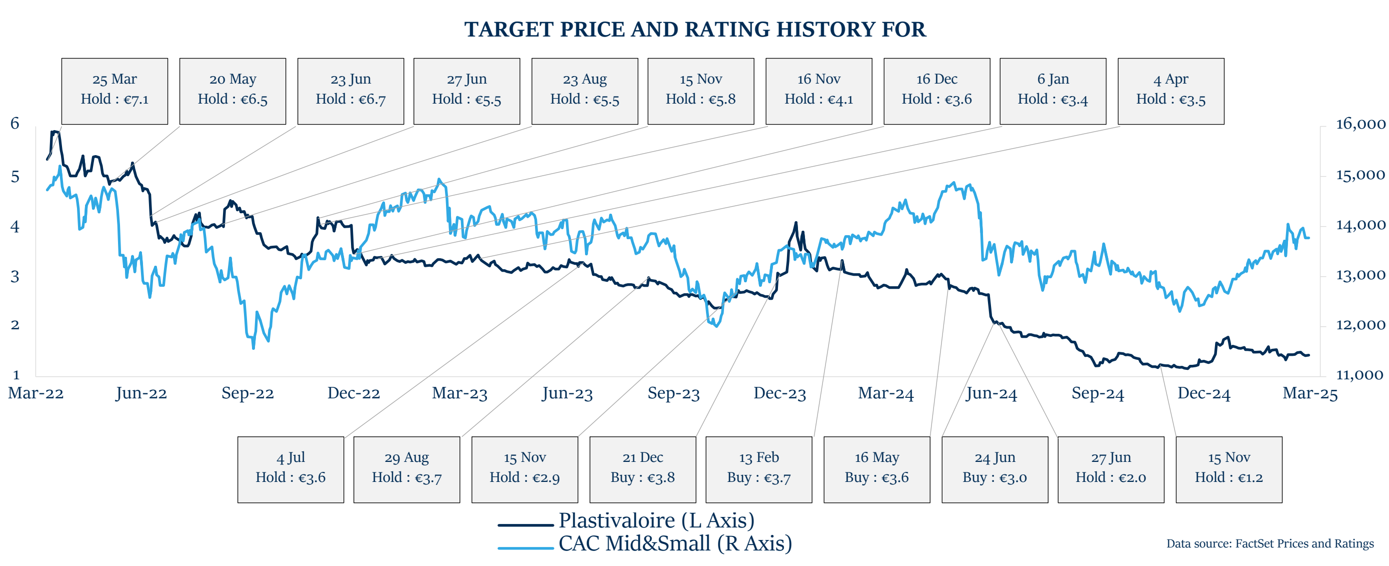
This Report may mention evaluation methods defined as follows:
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

D. Midcap or any related legal entity is a market maker or liquidity provider with whom a liquidity agreement has been entered into in respect of the Issuer's financial instruments: Plastivaloire
G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Plastivaloire, Cofle

J. Sponsored research or other issuer-related revenues represent more than 5% of the external provider's revenues: Plastivaloire, Cofle

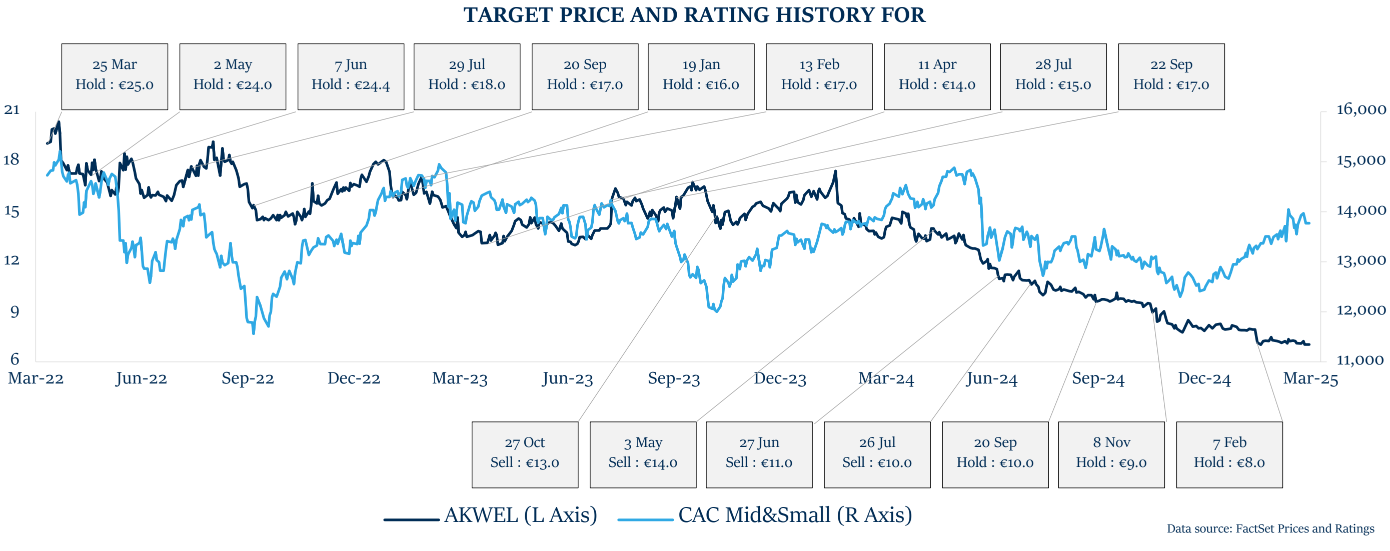
History of investment rating and target price – Plastivaloire



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
18 Feb 25 - 08:00:03	Julien Thomas	€ 1.20	€ 1.20	€ 1.60	Conserver	Hold
19 Dec 24 - 08:29:34	Julien Thomas	€ 1.20	€ 1.20	€ 1.24	Conserver	Hold
15 Nov 24 - 08:35:51	Julien Thomas	€ 2.00	€ 1.20	€ 1.18	Conserver	Hold
30 Aug 24 - 08:10:51	Julien Thomas	€ 2.00	€ 2.00	€ 1.77	Conserver	Hold
06 Aug 24 - 19:24:21	Julien Thomas	€ 2.00	€ 2.00	€ 1.80	Conserver	Hold
24 Jun 24 - 07:57:55	Julien Thomas	€ 3.60	€ 3.00	€ 2.20	Achat	Buy
21 Jun 24 - 07:59:37	Julien Thomas	€ 3.60	€ 3.60	€ 2.64	Achat	Buy
16 May 24 - 07:22:24	Julien Thomas	€ 3.70	€ 3.60	€ 2.95	Achat	Buy
03 Apr 24 - 07:57:01	Julien Thomas	€ 3.70	€ 3.70	€ 2.78	Achat	Buy

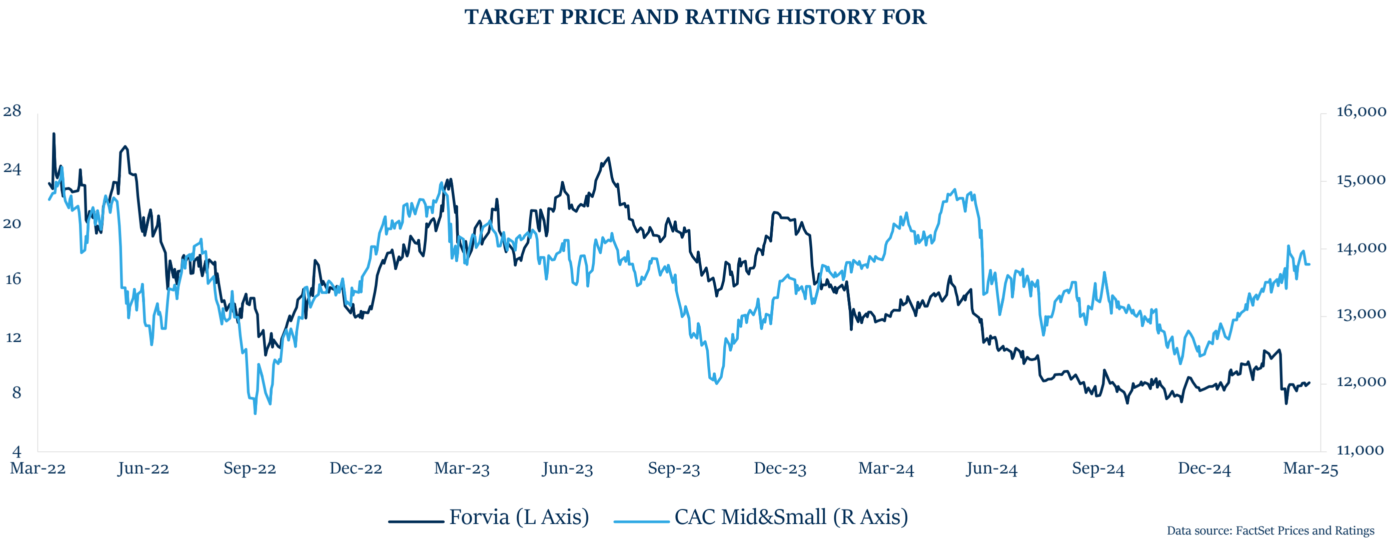
History of investment rating and target price – AKWEL



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
07 Feb 25 - 08:30:24	Julien Thomas	€ 9.00	€ 8.00	€ 7.96	Conserver	Hold
08 Nov 24 - 07:49:12	Julien Thomas	€ 10.00	€ 9.00	€ 9.60	Conserver	Hold
23 Sep 24 - 07:58:58	Julien Thomas	€ 10.00	€ 10.00	€ 9.61	Conserver	Hold
20 Sep 24 - 07:57:25	Julien Thomas	€ 10.00	€ 10.00	€ 10.00	Vente	Hold
26 Jul 24 - 08:18:46	Julien Thomas	€ 11.00	€ 11.00	€ 10.84	Vente	Sell
16 Jul 24 - 08:02:58	Julien Thomas	€ 11.00	€ 11.00	€ 11.46	Vente	Sell
03 May 24 - 07:57:58	Julien Thomas	€ 13.00	€ 14.00	€ 14.00	Vente	Sell
08 Apr 24 - 08:01:41	Julien Thomas	€ 13.00	€ 13.00	€ 15.00	Vente	Sell
05 Apr 24 - 08:06:45	Julien Thomas	€ 13.00	€ 13.00	€ 14.30	Vente	Sell

History of investment rating and target price – Forvia



Historical recommendations and target price (-1Y)

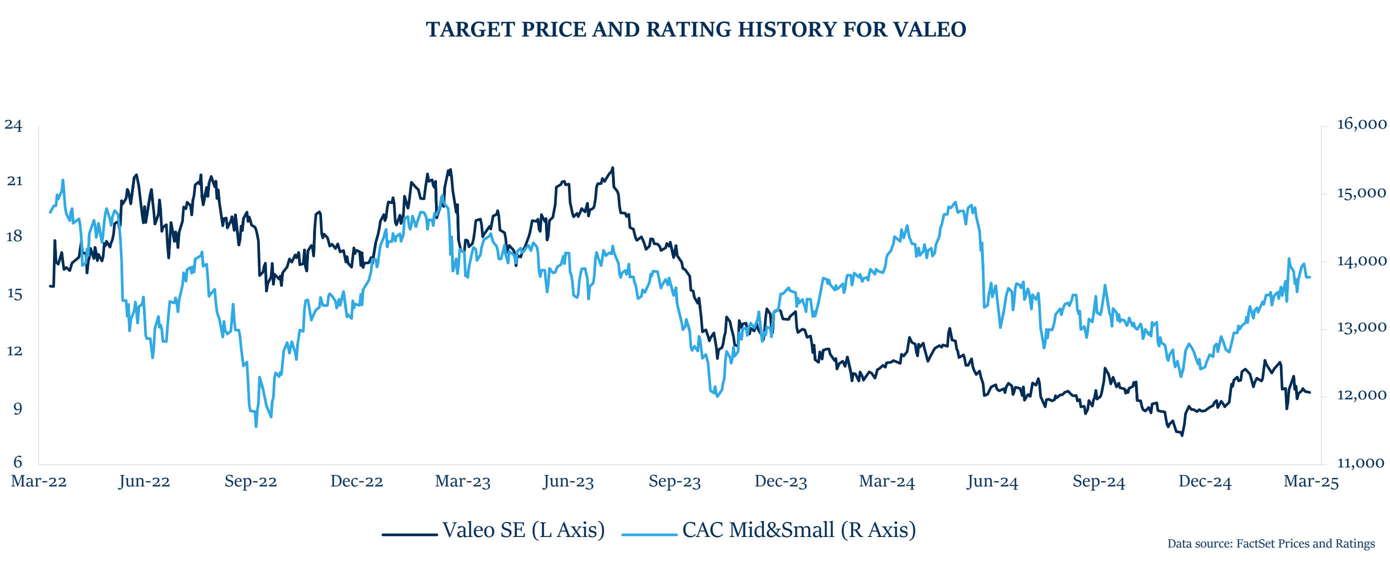
Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation

History of investment rating and target price – OPmobility SE

Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
04 Mar 25 - 08:28:56	Julien Thomas	€ 13.00	€ 13.00	€ 10.49	Achat	Buy
21 Feb 25 - 08:03:00	Julien Thomas	€ 13.00	€ 13.00	€ 10.46	Achat	Buy
20 Feb 25 - 08:30:46	Julien Thomas	€ 13.00	€ 13.00	€ 10.46	Achat	Buy
19 Feb 25 - 08:13:21	Julien Thomas	€ 15.00	€ 13.00	€ 11.09	Achat	Buy
29 Oct 24 - 08:07:38	Julien Thomas	€ 15.00	€ 15.00	€ 9.42	Achat	Buy
28 Oct 24 - 08:02:56	Julien Thomas	€ 15.00	€ 15.00	€ 8.99	Achat	Buy
15 Oct 24 - 08:10:53	Julien Thomas	€ 15.00	€ 15.00	€ 8.44	Achat	Buy
18 Sep 24 - 07:59:56	Julien Thomas	€ 15.00	€ 15.00	€ 8.32	Achat	Buy
24 Jul 24 - 07:56:10	Julien Thomas	€ 15.00	€ 15.00	€ 10.03	Achat	Buy
23 Jul 24 - 08:39:39	Julien Thomas	€ 15.00	€ 15.00	€ 9.17	Achat	Buy
12 Jul 24 - 07:57:20	Julien Thomas	€ 15.00	€ 15.00	€ 9.48	Achat	Buy
20 Jun 24 - 07:55:17	Julien Thomas	€ 14.00	€ 14.00	€ 9.52	Conserver	Hold
12 Jun 24 - 17:22:51	Julien Thomas	€ 14.00	€ 14.00	€ 10.61	Conserver	Hold
31 May 24 - 07:57:53	Julien Thomas	€ 14.00	€ 14.00	€ 10.70	Conserver	Hold

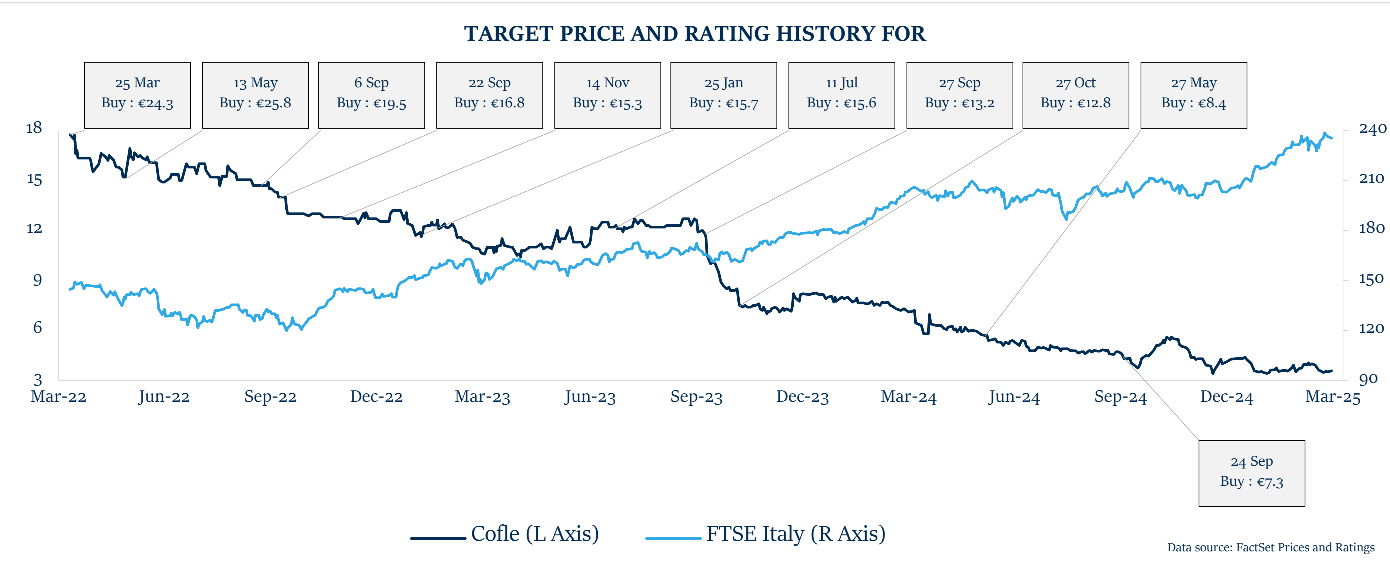
History of investment rating and target price – Valeo SE



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation

History of investment rating and target price – Cofle



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
28 Feb 25 - 07:59:38	Julien Thomas	€ 7.30	€ 7.30	€ 3.82	Achat	Buy
02 Oct 24 - 08:04:03	Julien Thomas	€ 7.30	€ 7.30	€ 4.08	Achat	Buy
24 Sep 24 - 08:24:39	Julien Thomas	€ 8.40	€ 7.30	€ 4.60	Achat	Buy
26 Jul 24 - 07:49:43	Julien Thomas	€ 8.40	€ 8.40	€ 5.00	Achat	Buy
16 Jul 24 - 07:50:57	Julien Thomas	€ 8.40	€ 8.40	€ 4.94	Achat	Buy
27 May 24 - 07:24:46	Julien Thomas	€ 12.80	€ 8.40	€ 5.75	Achat	Buy
28 Mar 24 - 08:19:52	Julien Thomas	€ 12.80	€ 12.80	€ 7.20	Achat	Buy

Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	79%	60%
Hold	15%	69%
Sell	4%	17%
Under review	2%	100%

Midcap employs a rating system based on the following:
Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.
Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.
Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at https://researchtpicap.midcapp.com/en/disclaimer.

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