

Costamp

Sector: Metal machinery



Analyst

Marco Greco

Tel: +39 02 80886654

marco.greco@value-track.com

Skype: marco.m.greco

Leading indicator on car component industry

Costamp Group is specialized in the engineering, production and trade of dies and molds for automotive components manufacturing.

Downstream OEM market: Is the worst over?

Due to its positioning in the supply chain, Costamp tends to be among the first companies to react (either positively and negatively) to shocks coming from OEMs (macro-factors, tensions between USA and China, regulatory changes). As such the company is a good leading indicator for the whole car component industry and we are not surprised that it recorded 1H19 revenues down by some 9% YoY. On the contrary, we appreciate that profitability didn't suffer too much (Reported EBITDA was up +4.8% YoY, down -10% YoY ex IFR16 impact), a sign that integration of LPDC business is positively evolving. Net Debt was up by €6.9mn vs. 2018YE, €3.6mn net of IFRS16 impact, mainly due to working capital absorption as Costamp granted longer credit terms to its clients in order to protect market share.

2019-onwards estimates fine-tuned upwards

Latest news flow on global car registrations and on Costamp orders' intake allow us raise a moderate optimism. Indeed, as far as the second point is concerned, we note that orders book at the end of June 2019 stood at €54.8mn vs. €46.0mn as of one year before and output capacity is almost entirely utilized up to Spring 2020.

We are fine-tuning our 2019E-21E forecasts as follows: 1) Revenues, mildly up as a consequence of the recent positive orders' intake; 2) Profitability, slightly up as the LPDC integration is almost entirely finalized; 3) Net Debt, unchanged if we exclude the impact of IFR16 accounting.

Still limited free float not reflected in stock performance

Volatility is always quite high on Costamp shares as an effect of the very low free float (6.6%) that implies thin traded volumes. Indeed, in the latest twelve months shares swung in the €1.60-€3.80 range totalling ca. 422k traded volumes i.e. ca. €1mn worth turnover. Based on our updated 2019E-21E estimates and on the current €2.10 per share market price, the company is currently trading at ca. 1.7x EV/Sales, 20.6x EV/EBIT and 30.1 P/E 2021E respectively.

Market Price (€) **2.10**
Market Cap. (€m) **89.5**

KEY FINANCIALS (€m)	2018A	2019E	2020E
REVENUES	58.0	58.0	61.5
EBITDA	1.6	5.4	6.6
EBIT	-1.7	2.1	3.2
NET PROFIT ADJ.	-1.7	0.9	1.6
EQUITY	23.0	24.0	25.6
NET FIN. POS.	-21.8	-26.2	-25.7
EPS ADJ. (€)	< 0	0.02	0.04
DPS (€)	0.00	0.00	0.00

Source: Company (historical pro-forma figures)
Value Track (2019E-20E pro-forma estimates)

RATIOS & MULTIPLES	2018A	2019E	2020E
EBITDA MARGIN (%)	2.7%	9.3%	2.7%
EBIT MARGIN (%)	nm	3.6%	nm
NET DEBT / EBITDA (x)	>10	4.9	>10
NET DEBT / EQUITY (x)	95%	109%	95%
EV/EBITDA (x)	nm	21.5	17.4
EV/EBIT (x)	nm	nm	35.8
P/E ADJ. (x)	nm	nm	54.3
DIV YIELD (%)	nm	nm	nm

Source: Company (historical pro-forma figures)
Value Track (2019E-20E pro-forma estimates)

STOCK DATA

MARKET PRICE (€)	2.10
SHS. OUT. (m)	42.6
MARKET CAP. (€m)	89.5
FREE FLOAT (%)	6.6
AVG. -20D VOL. (# shs)	2,018
RIC / BBG	MOLD.MI / MOLD IM
52 WK RANGE	1.60-3.80

Source: Stock Market Data

THIS EQUITY RESEARCH IS PRODUCED ON BEHALF OF INVEST BANCA S.P.A. THAT IS ACTING AS SPECIALIST ON COSTAMP GROUP SHARES

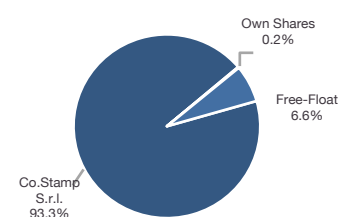


Business Description

Costamp group (MOLD IM / MOLD MI) designs, manufactures and commercialises die-casting molds for automotive components for high pressure (HPDC) and gravity low pressure (LPDC) processes.

The group is one of the very few players worldwide boasting a complete offer in terms of casting processes and products, offering to its clients a 360° service ranging from engineering & design to post sales assistance with timely and successful delivery of molds / dies of a superior quality.

Shareholders structure



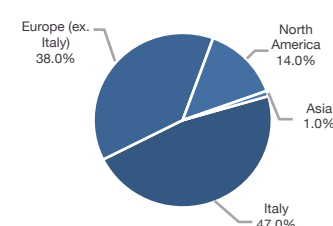
Source: Costamp

Key Financials

€mn	2018A	2019E	2020E	2021E
Net Revenues	58.0	58.0	61.5	67.0
Chg. % YoY	-1.6%	-0.1%	6.0%	8.9%
EBITDA	1.6	5.4	6.6	8.8
EBITDA Margin (% of Net Revenues)	2.7%	9.3%	10.8%	13.2%
EBIT	-1.7	2.1	3.2	5.4
EBIT Margin (% of Net Revenues)	-2.9%	3.6%	5.2%	8.1%
Net Profit	-1.7	0.9	1.6	3.0
Chg. % YoY	-565.7%	-155.4%	76.9%	79.9%
Adjusted Net Profit	-1.7	0.9	1.6	3.0
Chg. % YoY	-594.1%	-155.4%	76.9%	79.9%
Net Fin. Position	-21.8	-26.2	-25.7	-22.5
Net Fin. Pos. / EBITDA (x)	>10	4.9	3.9	2.6
Capex	-4.7	-2.4	-2.5	-2.0
OpFCF b.t.	6.9	0.1	2.0	5.7
OpFCF b.t. as % of EBITDA	443.3%	1.8%	30.4%	64.2%

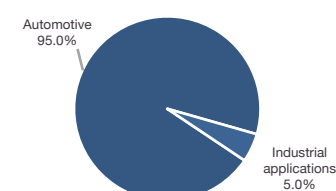
Source: Costamp (historical figures), Value Track (estimates)

Sales breakdown by geography



Source: Costamp

Sales breakdown by end market



Source: Costamp

Investment case

Strengths / Opportunities

- ◆ Completeness of product/service range and cross selling opportunities;
- ◆ Aluminum and EV cars / more restrictive CO₂ policies emission.

Weaknesses / Risks

- ◆ High exposure to automotive market and its business cyclicality;
- ◆ Customer concentration;
- ◆ Exposure to exogenous factors, e.g. diesel-gate or trade tariffs.

Costamp 1H19 financial performance

Costamp Group IAS / IFRS based 1H19 financial figures compare with 1H18 pro-forma ones that were taking into account Modelleria Brambilla business combination as if it was valid as of January 2018.

- ◆ Value of Production -8.7% YoY to €28.7mn;
- ◆ EBITDA +4.8% YoY to €2.94mn (€2.54mn before IFRS16 accounting principle), with EBITDA margin at 10.2%;
- ◆ Net Profit down by -22.3% YoY;
- ◆ Net Debt at €28.6mn (€25.5mn before IFRS16 accounting principle).

Costamp Group: key financials by semester

(€mn)	1H18PF	1H19	Chg. % YoY
Value of Production	31.4	28.7	-8.7%
EBITDA	2.81	2.94	4.8%
EBITDA Margin (as % of VoP)	8.9%	10.2%	+132bps
EBIT	1.61	1.20	-25.3%
EBIT Margin (as % of VoP)	5.1%	4.2%	-93bps
Net Profit	0.78	0.61	-22.3%
Net Financial Debt	-26.1	-28.6	9.7%

Source: Company figures, Value Track Analysis

Key messages of 1H19 pro-forma figures

In our view, the key messages of 1H19 pro-forma figures are as follows:

1. Top line has suffered from weak reference market ... but it could have been worse;
2. Profitability steady despite lower revenues;
3. Higher Net Debt due to seasonality and to IFRS16.

1. Top line has suffered from weak reference market but it could have been worse

Revenues were down YoY not only due to the weak reference market on which we already commented after the approval of FY18 figures, but also due to a choice to refuse not profitable orders.

We'll see in the next paragraph that such a choice has contributed to protect margins to suffer from a possible higher incidence of fixed costs.

Costamp Group: Value of Production breakdown

(€mn)	1H18PF	1H19	Chg. % YoY
Revenues from already invoiced sales	n.a.	27.53	
Change in work-in-progress	n.a.	-0.10	
Change in work-in-progress on orders	n.a.	2.06	
Revenues from sales and services	30.16	27.69	-8.2%
Other Revenues	1.29	1.02	-20.9%
Value of Production	31.45	28.71	-8.7%

Source: Company figures, Value Track Analysis

2. Profitability steady despite lower revenues;

1H19 EBITDA stood at €2.9mn, +4.8% YoY with a 10.2% EBITDA margin vs. 8.9% as of 1H18 and materially higher than the whole 2018FY, affected in 2H18 by market deceleration / work-in-progress write-off and one off write-downs of receivables linked to LPDC division. If we adjust 2H18 figures for one-offs and 1H19 ones for IFRS16 impact we better feel how the company has got back on its average historical EBITDA margin, a proof that the integration of LPDC business is almost entirely finalized.

Despite D&A charge up 45% YoY, (in 2018FY Costamp invested ca. 10% of revenues especially in order to finalize its “puzzle die” technology), EBIT margin stood at 3.9%, close to 1H18 all-time high level.

Costamp Group: key financials by semester

(€mn)	1H17	2H17	1H18	2H18	2H18 Adj.	1H19	1H19 ex IFRS16
Value of Production	26.3	32.7	31.4	26.6	29.4	28.7	28.7
EBITDA	1.9	2.7	2.8	-1.2	1.6	2.9	2.5
EBITDA Margin	7.2%	8.3%	8.9%	< 0%	5.4%	10.3%	8.8%
EBIT	0.7	1.0	1.6	-3.3	-0.1	1.2	1.1
EBIT Margin	2.7%	3.1%	5.1%	< 0%	< 0%	4.2%	3.9%
Net Profit	0.1	0.2	0.8	-2.5	-0.2	0.6	0.6

Source: Company figures, Value Track Analysis

3. Higher Net Debt due to seasonality and to IFRS16.

Net Debt has increased by €6.9mn vs. 2018 year-end. Out of this amount, €3.3mn is the impact of IFRS16 accounting and €3.6mn mainly due to working capital absorption as Costamp granted longer credit terms to its clients in order to protect its market share.

Costamp Group: 1H19 Cash Flow Statement

€ mn	1H18	1H19
EBITDA	2.8	2.9
Op. WC requirements	1.2	-3.7
Capex	-2.8	-1.4
Cash Taxes	-0.3	0.0
Net Financial Charges	-0.5	-0.4
Other (incl. Fin. Inv.)	0.4	-4.3 (*)
Change in Net Fin Position	0.8	-6.9

Source: Costamp Group, Value Track Analysis

(*) IFRS16 accounting for €3.3mn

Costamp Group: 1H19 Balance Sheet

€ mn	2018YE	1H19PF
Net Fixed assets	49.3	51.8
Net Working Capital	-3.0	1.7
Severance pay and funds	1.5	1.2
Total Capital Employed	44.8	52.3
Group Net Equity	23.0	23.6
Net Fin. Position [Net debt (-) / Cash (+)]	-21.8	-28.6
Net Fin. Position ex IFRS16	-21.8	-25.3

Source: Costamp Group, Value Track Analysis

Reference market update

Costamp Group is highly correlated with the automotive sector industry. Indeed, the rate of introduction of new car models remains the more powerful driver of growth for the group. For this reason, we believe that a look at car industry stance is deserved.

In our view three points are worth being mentioned:

1. Market crisis should have hit its bottom in 2Q19;
2. 2020E-onwards: rebound in the cards but uncertainty still high;
3. Electric shift is taking place, but a slow speed.

1. Market crisis should have hit its bottom in 2Q19

After summer 2018 the auto industry has been negatively hit by a multitude of factors, such as weakening macro scenario, endless trade wars negotiation, shockwaves of Brexit, USMCA deal, new EU rules for car emission and consumption.

According to the main stats published by LMC Automotive, **at the end of August global car sales volumes were decreasing at mid-single-digit pace**, while the US market was basically flat YoY, and the Chinese market with the European were facing negative growth rates for the second year in a row.

Worldwide Light Vehicle Sales (YoY % chg.)

Region	1Q19	2Q19	July '19	August '19	Jan- Aug '19
USA	-2.7%	-1.5%	2.2%	10.5%	0.1%
Western Europe	-3.1%	-3.1%	1.3%	-7.2%	-2.7%
Eastern Europe	-6.7%	-7.7%	-7.4%	-6.5%	-7.8%
China	-12.6%	-13.1%	-4.4%	-7.9%	-10.8%
World	-6.4%	-6.8%	-1.5%	-3.9%	-5.9%

Source: Value Track processing of LMC Automotive data

However, by **looking at the same statistics during the latest weeks, the global market seems perhaps improving its momentum**. Indeed:

- ◆ **Global Seasonally Adjusted Annual Rate (SAAR)** released by LMC Automotive that has increased to 94.9mn units/year, moving from 90.9mn and 90.2mn units/year in July and June respectively, recording the strongest value since August '18 WLTP-distorted results (i.e. positively impacted by the anticipation of car registrations ahead of the stricter WLTP requirement introduction);
- ◆ Reassuring data (i.e. smoothed trend) came in from the **Chinese market**, as 1H19 results had been penalized by the aggressive destocking activity taken by mostly dealers, prior to the launch of vehicles compliant with the State VI emissions standards.
- ◆ Preliminary passenger car registrations figures for **Western Europe** in September point at a +13.9% YoY rebound (Italy +13.8% YoY, Germany +22% YoY), however “distorted” by the sizeable August 2018 car sale anticipations aimed at avoiding the new WLTP testing standards introduced on Sept. 1, 2018. We remind that, for instance, German registrations recorded a 30% YoY decrease in September 2018.

2. 2020E-onwards: rebound in the cards but uncertainty still high

The global picture for automotive remains mixed: according to the current market sentiment and despite the smoothing trends - from September 2019 the YoY statistical comparison will be easier, thus making it possible to see somewhere positive monthly growth rates, highly predictable - the outlook is likely to remain negative till mid 2020 at least.

That said, global auto sales are expected to decline by some 2.5mn units, or 3.0% YoY in 2019E, to around 92.1 mn units sold.

As for 2020E, we highlight the following:

- ◆ **As for the mature markets**, i.e. Western Europe, US, Japan and Korea are expected to face a flat-to-falling market demand in the foreseeable future, likely to witness some volume contractions over the next year too;
- ◆ **Growth opportunities should rely on emerging markets**, in particular Brazil, Russia, India, Turkey and China. Although these countries are currently in a slowdown phase, they are expected to drive the global market growth in the next years.

2019E-20E Automotive Outlook

Region	Outlook	Overview
Europe (ex. Russia)		Volume demand slightly lower (-1%/-0% YoY) in 2019E, and expected to stagnate in 2020E-22E
Russia		The market expected to end up flat or slightly positive in 2019E, and likely to record some positive trends afterwards
North America		Volume demand in 2019E slightly lower (-1%/-2% YoY), expected to shrink again going forward
Latin America		Growth potential in 2020E driven by the Brazilian market, assuming gradual normalization of Argentina market demand
Asia-Pacific (ex. China)		Market expected to be more or less stable in the foreseeable future
China		Market demand should gradually stabilize as the year progresses, with volumes expected to remain slightly below 2018 level also in 2020E

Source: Value Track Analysis

- ◆ As for the **European countries** - and according to the latest forecasts from HIS Markit – total light vehicles sales are expected to bottom in 2019E, with similar numbers in car registrations through to 2022E. A similar forecast came from the European Car Manufacturers' Association (ACEA), which recently revised downwards its estimate for 2019, with passenger car registrations expected to drop by 1% YoY.
- ◆ As for the **North American** market, a slight decrease is expected in 2019E, however sector analysts also predict a further dip over the next years, with vehicle sales expected to drop to 15.1mn units in 2021E from 17.3mn recorded in 2018;
- ◆ As for the **Chinese market** –passenger car sales will likely drop at mid-single digit in 2019E (Source: LMC Automotive/IHS Markit). The loss in purchasing power of the lower-end customers, together with the rising popularity and availability of car sharing ride-hailing services, are reducing the need for individuals to buy vehicles. That is why the market demand is expected to decrease for the second year in a row, before recovering gradually; a modest growth should return in 2020E, but annual light vehicles sales should not recover 2017 level until 2021E.

3. Electric shift is taking place, but a slow speed

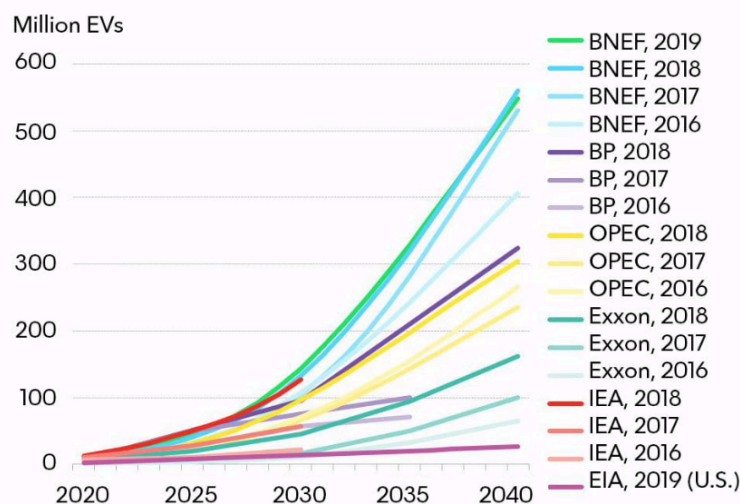
Sales volume of ICE cars fell by 5%, and **electrified cars (BEV, PHEV, HEV, EREV) posted a 36% increase in 1H19**, but ICE still accounts for more than 90% of passenger car global sales.

Focusing on pure electric vehicles (BEV) global sales increased by 92% to 765K units, with a global market share at ca. 1.7%, i.e. fewer than 2 in 100 vehicles sold globally were powered by a fully electric engine.

This means that **the shift towards the electrification is happening but not at the speed governments and car makers want**. Probably it is needed a further reduction of the overall EV system cost from the current \$250 per kilowatt hour down to \$100 per kilowatt hour, (estimated to be the current ICE drivetrain technology cost) to make EV cars more affordable and thus to push on their sales.

That said, it is clear that medium term outlook remains bright for electric vehicles, but consensus on how fast / how deep will the shift remains scattered. Indeed, estimates on the percentage of EVs on total range from a minimum of 20% up to a maximum of 50% as of 2040E.

Electric Vehicles growth up to 2040E



Source: BloombergNEF, organization websites. Note: BNEF's 2019 outlook includes passenger and commercial EVs. Some values for other outlooks are BNEF estimates based on organization charts, reports and/or data (estimates assume linear growth between known data points). Outlook assumptions and methodologies vary. See organization publications for more.

Source: Bloomberg BNEF

2019E-onwards financial forecasts

2019E-20E financial evolution

Due to its positioning in the supply chain, Costamp tends to be among the first companies to react (either positively and negatively) to shocks coming from OEMs. As such is a good leading indicator for the whole car component industry.

If so, the latest news flow on global car registrations (see previous paragraph) and on Costamp orders' intake allow us raise a moderate optimism. Indeed, as far as the second point is concerned, we note that **orders book at the end of June 2019 stood at €54.8mn vs. €46.0mn as of one year before**. In June alone the company acquired new orders for around €26.6mn out of which:

- ◆ High Pressure Division (HPDC): €17.1mn commercial agreements with clients such as Renault Group, Nemak, Endurance and more. By the way, molds to be supplied to Nemak Group will be built with the new "PUZZLE DIE" technology;
- ◆ Low Pressure Division (LPDC): €5.5mn contracts with clients such as Volkswagen, Ferrari, BMW;
- ◆ Plastics Division (PLASTIC): €4.0mn commercial agreements with FCA Group.

According to our estimates, such a high orders book implies the **output capacity to be fully utilized up to Spring 2020**, but we think that outsourcing the lower value-added productions shouldn't be difficult.

Last but not least, Costamp has announced the possible signature of new important partnerships in the second half of the year that should capitalize on the recent significant R&D efforts leading to the development of new technologies and new production processes.

That said, we are fine-tuning our **2019E-21E forecasts** as follows:

- ◆ **Revenues**. Mildly up as a consequence of the recent positive orders' intake;
- ◆ **Profitability**. Slightly revised upward as the LPDC integration is almost entirely finalized;
- ◆ **Net Debt**. Unchanged if we exclude the impact of IFR16 accounting.

We remind that Costamp works by order so the orders to be finalized in December might change the P&L picture depending on their shipment before or after the year end.

Costamp Group: New vs. Old estimates

€mn	2019E			2020E			2021E		
	Old	New	Chg. (%)	Old	New	Chg. (%)	Old	New	Chg. (%)
Value of Production	55.0	58.0	5%	61.0	61.5	1%	66.0	67.0	2%
EBITDA	4.1	5.4	32%	6.1	6.6	8%	8.5	8.8	4%
EBITDA margin (%)	7.4%	9.3%		10.1%	10.8%		12.8%	13.2%	
EBIT	1.3	2.1	64%	3.4	3.2	-7%	5.9	5.4	-8%
EBIT margin (%)	2.3%	3.6%		5.6%	5.2%		8.9%	8.1%	
Net Profit	0.3	0.9	211%	1.7	1.6	-5%	3.3	3.0	-9%
Capex	-1.5	-2.4	60%	-2.5	-2.5	0%	-2.0	-2.0	1%
OpFCF a.t.	-0.1	0.1	-208%	2.7	2.0	-25%	5.5	5.7	3%
Net Financial Position	-22.9	-26.2	-3.3	-21.9	-25.7	-3.3	-19.0	-22.5	-3.8

Source: Value Track Analysis

Costamp Group: Profit & Loss 2018PF-21E

(€mn)	2018PF	2019E	2020E	2021E
Value of Production	58.0	58.0	61.5	67.0
COGS	-40.4	-35.8	-38.1	-41.3
Labour costs	-16.2	-16.8	-16.8	-16.9
EBITDA	1.6	5.4	6.6	8.8
EBITDA margin (%)	2.8%	9.3%	10.8%	13.2%
D&A	-3.2	-3.3	-3.4	-3.4
EBIT	-1.7	2.1	3.2	5.4
EBIT margin (%)	< 0%	3.6%	5.2%	8.1%
Net Financial Charges	-0.7	-0.8	-1.0	-1.2
Pre-tax profit	-2.4	1.2	2.3	4.2
Taxes	0.7	-0.3	-0.6	-1.3
Net Profit	-1.7	0.9	1.6	3.0

Source: Costamp Group (historical figures), Value Track (2019E-21E estimates)

Costamp Group: Balance sheet 2018PF-21E

(€mn)	2018PF	2019E	2020E	2021E
Net Fixed assets	49.3	51.7	50.8	49.4
Net Working Capital	0.4	3.3	5.4	6.6
Severance pay and other funds	4.9	4.9	4.9	4.9
Total Capital Employed	44.8	50.1	51.3	51.1
Group Net Equity	23.0	24.0	25.6	28.6
Net Fin. Position [Net debt (-) / Cash (+)]	-21.8	-26.2	-25.7	-22.5

Source: Costamp Group (historical figures), Value Track (2019E-21E estimates)

Costamp Group: Cash flow Statement 2018PF-21E

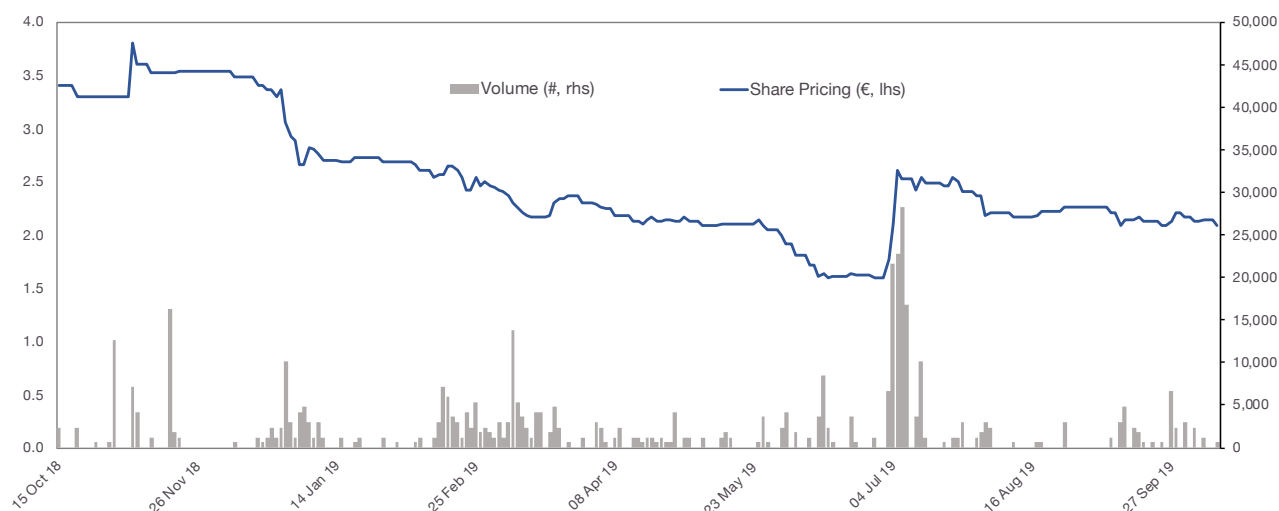
(€mn)	2018PF	2019E	2020E	2021E
EBITDA	1.6	5.4	6.6	8.8
Op. NWC requirements	9.0	-2.9	-2.1	-1.2
Capex (excl. Fin. Inv.)	-4.7	-2.4	-2.5	-2.0
Change in provisions	1.1	0.0	0.0	0.0
Cash Taxes	0.7	-0.3	-0.6	-1.3
OpFCF a.t.	7.6	-0.2	1.4	4.4
Other (incl. Fin. Inv. and IFRS16)	-1.8	-3.3	0.0	0.0
Net Financial Charges	-0.7	-0.8	-1.0	-1.2
Change in Net Fin Position	5.1	-4.4	0.4	3.2

Source: Costamp Group (historical figures), Value Track (2019E-21E estimates)

Stock Performance

Volatility is always quite high on Costamp shares as an effect of the very low free float (6.6%) that implies thin traded volumes. Indeed, in the latest twelve months shares swung in the €1.60-€3.80 range totalling ca. 422k traded volumes i.e. ca. €1mn worth turnover.

Costamp -1y share price / traded volumes evolution



Source: S&P Capital IQ

Based on our updated 2019E-21E estimates and on the current €2.10 per share market price, the company is currently trading at ca. 1.7x EV/Sales, 12.7x EV/EBITDA, 20.6x EV/EBIT and 30.1 P/E 2021E respectively.

Costamp Group: Sensitivity of implicit stock trading multiples

Equity Value (100%)	€-per share	EV/SALES			EV/EBITDA			EV/EBIT			P/E		
		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
€38.2mn	€ 0.90	1.1	1.0	0.9	12.0	9.7	6.9	31.0	19.9	11.2	41.0	23.2	12.9
€55.2mn	€ 1.30	1.4	1.3	1.2	15.1	12.2	8.8	39.1	25.1	14.3	> 50	33.5	18.6
€72.2mn	€ 1.70	1.7	1.6	1.4	18.3	14.8	10.7	47.3	30.4	17.5	> 50	43.8	24.3
€89.2mn	€ 2.10	2.0	1.9	1.7	21.4	17.4	12.7	> 50	35.7	20.6	> 50	> 50	30.1
€106.2mn	€ 2.50	2.3	2.1	1.9	24.6	19.9	14.6	> 50	41.0	23.8	> 50	> 50	35.8
€123.2mn	€ 2.90	2.6	2.4	2.2	27.8	22.5	16.5	> 50	46.3	26.9	> 50	> 50	41.5

Source: Value Track estimates and analysis

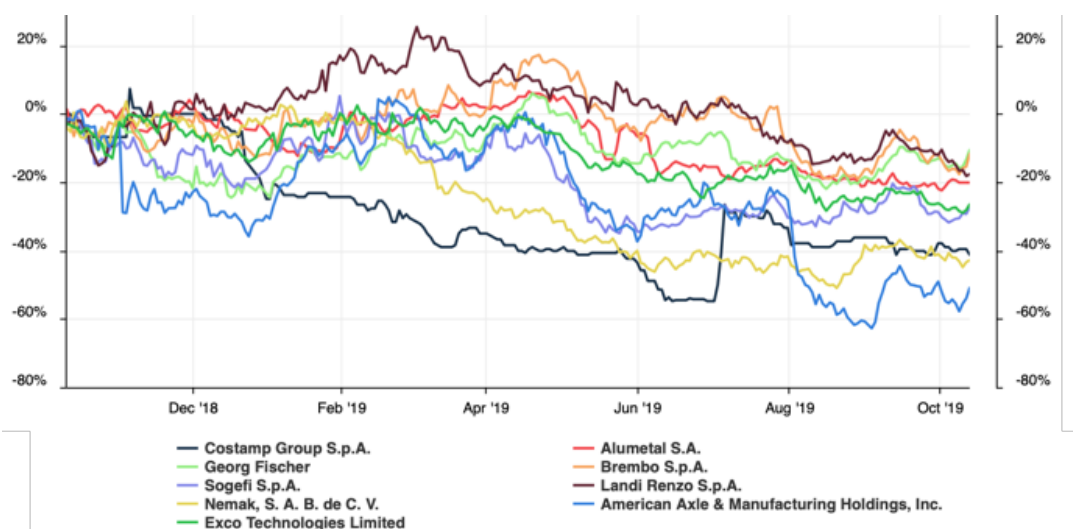
Costamp vs. Peers

Costamp Group – as well as main players specialized in the engineering, production and trade of dies and moulds – has the automotive sector as its main end market, or other sectors that are somehow cyclical too (e.g. industrial applications).

These sectors are among the ones that have been most heavily impacted by the “perfect storm” we well know. That’s why if we look back at one-year stock market performance we do not find any stock in positive territory.

At the same time, we warn that any possible encouraging news flow deriving from US China trade talks may positively impact these stocks.

Normalized Peers Stock behaviour October 2018 – October 2019



Source: S&P Capital IQ

Taking into account the peers’ group performance in term of fundamentals and the pricing of their stocks, we derive the following situation in terms of trading multiples.

Costamp Group: Peers’ stock trading multiples

Company	EV/Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P / E (x)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Alumetal	0.5	0.4	0.4	7.8	6.8	5.8	12.5	9.5	8.1	11.1	9.2	7.5
Georg Fisher	1.0	1.0	0.9	9.5	8.2	7.3	14.1	11.4	10.0	18.8	15.4	13.5
Park Ohio	0.5	0.5	0.2	5.7	5.2	2.1	8.5	7.3	2.9	7.1	5.6	4.9
Freni Brembo	0.7	0.0	0.0	6.4	6.1	5.4	10.3	9.7	8.6	12.6	12.4	12.1
Sogefi	0.6	0.6	0.5	2.6	2.3	2.2	8.6	6.3	5.9	12.9	6.1	4.9
Landi Renzo	1.2	1.1	1.0	3.9	4.8	3.4	6.2	7.0	4.9	11.3	8.3	7.3
Nemak	0.7	0.6	0.6	4.3	4.1	3.7	8.8	8.1	7.5	8.6	7.4	6.9
American Axle	0.6	0.7	0.5	3.7	3.5	3.3	7.7	6.9	6.6	3.7	3.7	4.2
Exco Tech.	0.6	0.6	0.6	4.6	4.2	4.2	6.6	5.9	5.9	8.3	8.1	7.7

Source: Market Consensus, Value Track Analysis

Appendix: A recap of Costamp profile

Molds and dies manufacturer for automotive industry

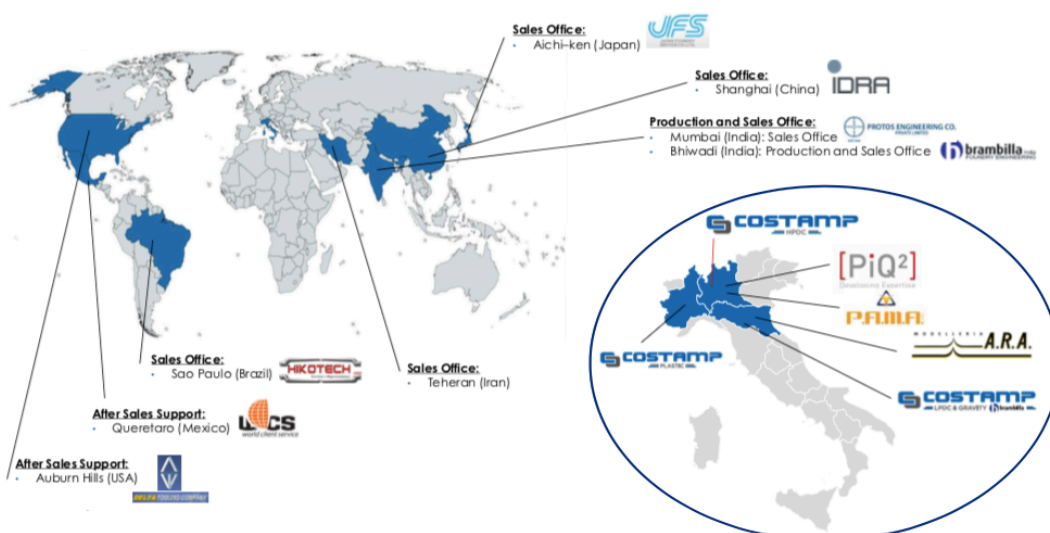
Costamp group is a young and dynamic entity engaged in the **engineering, production and trade of dies and molds for the automotive industry**. The Group is configured as among the very few global B2B players and strategic suppliers able to provide a **complete offer** in terms of:

1. **Processes:** High pressure die casting (HPDC), low pressure die casting (LPDC) & gravity;
2. **Products:** Molds and dies for the production of structural and powertrain car components made of aluminum, magnesium, cast iron and plastic.

Headquartered and producing in **Sirone (LC)**, the group enhances other plants in **Rivalta (TO)**, **Correggio (RE)**, **Bologna**, **Azzano Mella (BR)** and **Brescia**.

Furthermore, the company is nowadays active in several regions though important business partnerships leveraging an international direct on-site after-sale support in North America, China, Brazil, Iran, India and Mexico.

Costamp International footprint



Source: Costamp

In terms of ownership, we note that stock market free float stands at 6.55% as a result of the Accelerated Book building process (ABB) that took place back in August 2018 on the 4.35% of the share capital, at a price of €3.00 per share.

Costamp Group: Shareholders structure

Shareholders	# of shares	%
Co.Stamp S.r.l	39,740,407	93.28%
Treasury Shares	73,200	0.17%
Free-Float	2,791,840	6.55%
Total	42,605,447	100.00%

Source: Costamp Group

Tailor made approach and turn-key service

As far as the business model is concerned, Costamp Group offers an “haute couture” service, i.e. producing a relatively low number of dies / molds, but of a superior quality compared to its competitors and serves a client base of **ca. 80 customers** composed by leading names both in the car components business and in direct car manufacturing (OEMs), e.g. Ferrari and Maserati.

In line with this **tailor-made approach**, Costamp works on orders and not for warehouse, boasting a **complete turn-key service** to clients structured on the following main steps:

- 1) Project management;
- 2) Design;
- 3) Dies and molds manufacturing;
- 4) Sampling, customization, post-sales support.

Project management. The group is strategically positioned in the car manufacturing chain not only as Sub-Supplier for machining but also as Engineering & Design partner, thanks to its die casting simulation software capability and to the above-mentioned sampling activity based on an internal foundry.

Design. This phase takes place in continuous collaboration with the end-user: the aim is to create products fulfilling the customers’ production and quality need, offering dies less complex and easier for the user to manage, together with optimized and improved performances.

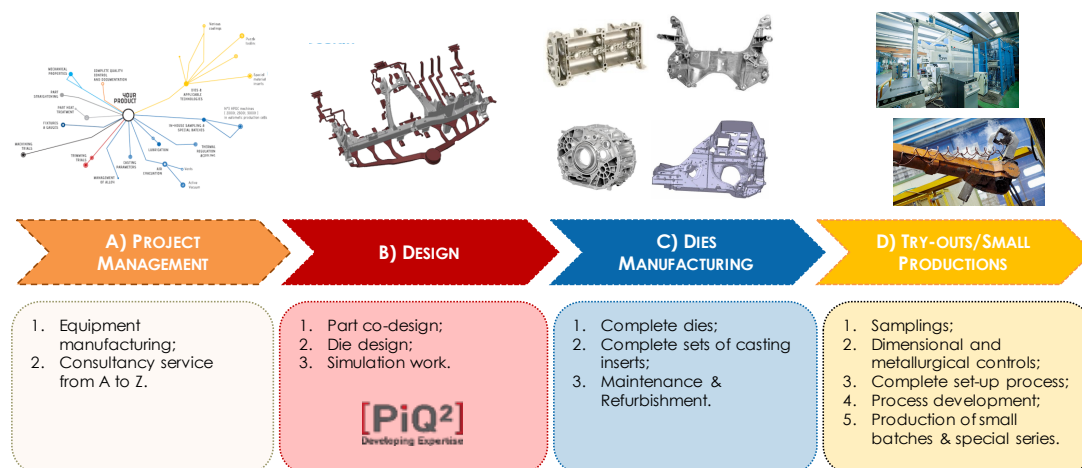
Manufacturing. Once the die project is complete, the company enters **the draw phase**. This is done for both the complete dies and the related sets of casting insert.

Sampling, customization and post-sales support. These phases are dedicated to the production of samples, small productions and special series, and are essential steps in order to finalize a product characterized by the maximum level of efficiency.

By the way, Costamp is able to anticipate any issue that may occur in the realization of the piece needed and is equipped with an internal foundry department. Here the samples are subjected to the first try-out, then they have to step by the quality control, which is both dimensional and metallurgical, and finally they can complete the set up.

Last but not least, Costamp, thanks to its collaboration with international partners, is able to offer an after sales service on-the-spot for any modification, repair and assistance.

Costamp offer: A turn-key service



Source: Costamp

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