

## Cooper-Standard (CPS)

**\$30.51** (As of 01/16/20)

Price Target (6-12 Months): **\$26.00**

Long Term: 6-12 Months

**Zacks Recommendation:** **Underperform**  
(Since: 12/19/19)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:C

Value: A

Growth: D

Momentum: F

### Summary

Shares of Cooper-Standard have underperformed its industry over the past year. The bleak outlook of the company dampens investors' confidence. For 2019, the company anticipates sales in the range of \$3-\$3.1 billion, down from the previous view of \$3-\$3.2 billion. Weak vehicle production and unfavorable volume mix have adversely impacted the company's top line. Market weakness, in Europe and Asia Pacific regions, hit the company hard. Tariff impact on auto parts from China, and looming tariff conflicts from the European Union may eat into some of the profits of the firm. With the technology shift in full swing, OEMs like Cooper Standard have to design innovative products which would lead to increase in R&D costs, thereby marring margins. As such, the stock is viewed as a risky bet at the moment.

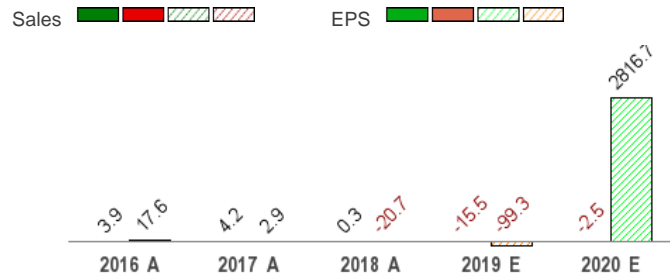
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$77.77 - \$26.42
20 Day Average Volume (sh)	212,565
Market Cap	\$513.8 M
YTD Price Change	-8.0%
Beta	1.65
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Automotive - Original Equipment</a>
Zacks Industry Rank	Bottom 33% (171 out of 254)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-137.8%
Last Sales Surprise	3.7%
EPS F1 Est- 4 week change	-3.4%
Expected Report Date	02/13/2020
Earnings ESP	0.0%
P/E TTM	13.9
P/E F1	17.4
PEG F1	NA
P/S TTM	0.2

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	712 E	748 E	765 E	767 E	2,991 E
2019	880 A	765 A	729 A	694 E	3,068 E
2018	967 A	928 A	862 A	872 A	3,629 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.22 E	\$0.75 E	\$0.92 E	\$1.11 E	\$1.75 E
2019	\$0.67 A	\$0.31 A	-\$0.31 A	-\$0.59 E	\$0.06 E
2018	\$3.45 A	\$2.74 A	\$1.05 A	\$1.53 A	\$8.79 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/16/2020. The reports text is as of 01/17/2020.

## Overview

Novi, MI-based Cooper-Standard Holdings Inc. is engaged in designing, manufacturing and selling of sealing, fuel and brake delivery along with fluid transfer and anti-vibration systems. The products of the company are mainly used in passenger vehicles and light trucks that are manufactured by original equipment manufacturers (OEMs) and replacement markets. The company employs around 30,000 people across the globe and operates in 21 countries.

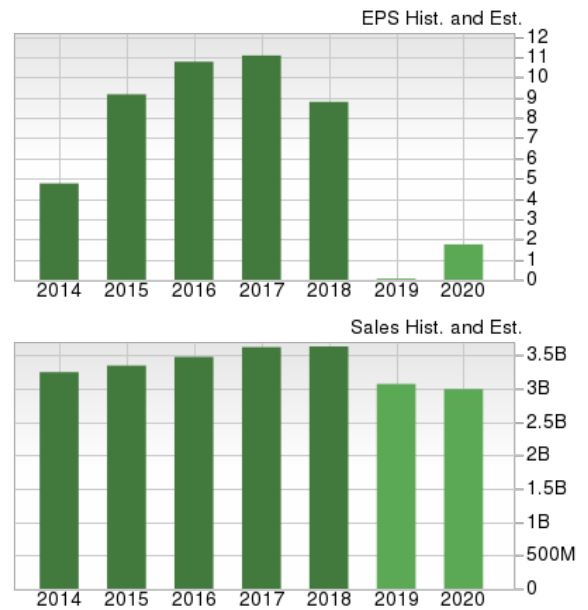
The company operates under four segments: North America, Europe, Asia Pacific and South America.

During first-quarter 2019 and in prior periods, the company also operated an anti-vibration systems business. Subsequent to the end of the first quarter, on Apr 1, 2019, the company completed the divestiture of the anti-vibration systems business.

In fourth-quarter 2018, Cooper-Standard acquired the assets and liabilities of Hutchings Automotive Products, LLC for approximately \$42,100. During the same quarter, the company acquired 80.1% of LS Mtron Ltd.'s automotive parts business, now named Cooper Standard Automotive and Industrial, Inc. The acquisition unites Cooper-Standard's automotive fluid transfer, and fuel and brake delivery systems with jounce brake lines and charge air cooling technology.

In third-quarter 2018, the company acquired assets and liabilities of Lauren Manufacturing and Lauren Plastics — extruders and molders of organic, silicone, thermoplastic and engineered polymer products with expertise in sealing solutions — to further expand its Industrial and Specialty Group, and non-automotive and adjacent markets.

On Apr 1, 2019, Cooper-Standard completed the divestment of the anti-vibration systems business to Continental AG. At the sale price of \$265.5 million, the deal includes divesting hubs in Auburn, IN; Mitchell, Ontario and Rennes, France. Further, the deal comprises AVS-related assets in Poland and China, and equity interest in India's joint venture.



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## Reasons To Sell:

- ▼ The bleak outlook of the company dampens investors' confidence. For 2019, the company anticipates sales in the range of \$3-\$3.1 billion, down from the previous view of \$3-\$3.2 billion. It expects adjusted EBITDA in the band of \$190-\$210 million, down from the earlier guidance of \$270-\$300 million.
- ▼ Concerns related to economic slowdown have been dampening demand for vehicles, thereby affecting Cooper-Standard's performance. Weak vehicle production, and unfavorable volume and customer mix have adversely impacted the company's top line. Market weakness, especially in Europe and Asia Pacific regions, hit the company hard. In fact, the firm anticipates light vehicle production to remain at or below current levels through 2021 in Asian and European markets.
- ▼ Tariff impact on auto parts from China, and looming tariff conflicts from the European Union are escalating the cost of raw materials and may eat into some of the profits of the firm.
- ▼ With the technology shift in full swing, OEMs like Cooper Standard have to develop components that comply with emission standards and meet the critical requirements of electric and self-driving vehicles. These new features, upgrades and component designs require abundant capital expenses, which may limit the firm's margins.

Lower industry volumes, adverse customer mix and higher commodity prices have been weighing on Cooper-Standard of late.

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## Risks

- The Company continues at a record pace for new program launches and contract awards related to recent product innovations. Product technology and innovation are the key factors in winning new contracts, besides gaining a competitive advantage over others. These innovations are aiding the company to gain new customers and in expansion opportunities along with the existing ones.
  - Cooper Standard's improving operating efficiency will drive cost-saving and lean initiatives, besides lowering SG&A expenses. Along with restructuring savings and lean purchasing initiatives, the company is at par to achieve their target of \$130 million in total cost savings for the full year.
  - Cooper Standard has a strong balance sheet and credit profile. The adequate cash position and credit profile will aid the company with sufficient liquidity that can support its near-term operating requirements, along with long-term strategic plans.
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## Last Earnings Report

### Cooper-Standard Q3 Earnings Miss Estimates, Revenue Tops

Cooper-Standard Holdings Inc. reported adjusted loss of 31 cents per share in third-quarter 2019 against the Zacks Consensus Estimate of earnings of 82 cents. The year-ago quarter's profit was \$1.05 per share. Unfavorable volume and mix, foreign exchange, as well as the sale of the company's Anti-Vibration Systems resulted in the underperformance.

In the quarter under review, the company generated revenues of \$729 million, lower than the year-ago figure of \$862 million. However, revenues topped the Zacks Consensus Estimate of \$703 million.

During the reported quarter, adjusted net loss was \$5.2 million against the year-ago net income of \$19.1 million. Adjusted EBITDA declined to \$43.5 million from \$69.6 million recorded in the third quarter of 2018.

### Segmental Performance

Sales in the North America segment were \$393.7 million, down from the year-ago figure of \$471.5 million. During the quarter, adjusted EBITDA in the segment came in at \$62.6 million, down from \$71.6 million recorded in the prior-year period.

Sales in the Europe segment were \$197.4 million, down from \$228.3 million in third-quarter 2018. However, the segment's adjusted EBITDA was \$6.7 million, up a whopping 622% year over year.

The Asia Pacific segment reported sales of \$112.6 million in the reported quarter, down from \$136.2 million in third-quarter 2018. The segment recorded negative EBITDA of \$22.9 million versus \$1.2 million in third-quarter 2018.

The company's South America segment generated sales worth \$25.2 million during the quarter under review, slightly lower than \$25.6 million in third-quarter 2018. The segment reported loss of \$2.9 million, wider than the prior-year loss of \$1.7 million.

### Financials

Cooper-Standard had \$323.1 million of cash and cash equivalents as of Sep 30, 2019 compared with \$264.9 million on Dec 31, 2018. The company had long-term debt of \$736 million, representing a debt-to-capital ratio of 44.4%

### 2019 Guidance

For 2019, the company anticipates sales in the range of \$3-\$3.1 billion, down from the previous view of \$3-\$3.2 billion. It expects adjusted EBITDA in the band of \$190-\$210 million, down from the earlier guidance of \$270-\$300 million. Further, the company expects capital expenditure in the range of \$165-\$175 million versus the prior guided range of \$175-\$185 million.

Quarter Ending **09/2019**

Report Date	Nov 05, 2019
Sales Surprise	3.66%
EPS Surprise	-137.80%
Quarterly EPS	-0.31
Annual EPS (TTM)	2.20

## Recent News

### Cooper Standard Diversifies Via Three New Fortrex Agreements

On **Jan 15**, Cooper Standard announced three new agreements to jointly develop commercial applications of its proprietary Fortrex chemistry platform. It continues to progress its diversification strategy through its Advanced Technology Group (ATG). Two agreements have been signed with consumer goods companies and the third signed with an industrial goods company, bringing the total agreements signed in 2019 to six.

## Valuation

Cooper-Standard's shares are down 58.9% over the trailing 12-month period. Stocks in the Zacks Automotive - Original Equipment industry and the Zacks Automotive sector are up 8.6% and 11.2%, respectively, over the past year.

The S&P 500 index is up 24.9% in the past year.

The stock is currently trading at 16.26X forward 12-month earnings, which compares to 12.98X for the Zacks sub-industry, 10.7X for the Zacks sector and 18.97X for the S&P 500 index.

Over the past five years, the stock has traded as high as 232.7X and as low as 6.52X, with a 5-year median of 9.51X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$26 price target reflects 13.83X forward 12-month earnings per share.

The table below shows summary valuation data for CPS:

Valuation Multiples - CPS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.26	12.98	10.7	18.97
	5-Year High	232.7	13.46	11.75	19.34
	5-Year Low	6.52	8.52	8.23	15.17
	5-Year Median	9.51	11.61	9.93	17.44
EV/EBITDA TTM	Current	4.68	6.2	8.64	12.12
	5-Year High	6.8	8.66	11.33	12.86
	5-Year Low	3.52	4.63	7.05	8.48
	5-Year Median	5.25	6.63	9.27	10.67
P/S F12M	Current	0.17	0.63	0.67	3.53
	5-Year High	0.72	0.81	0.76	3.53
	5-Year Low	0.15	0.49	0.5	2.54
	5-Year Median	0.39	0.65	0.62	3

As of 01/16/2020

## Industry Analysis Zacks Industry Rank: Bottom 33% (171 out of 254)



## Top Peers

Adient PLC (ADNT)	Neutral
Allison Transmission Holdings, Inc. (ALSN)	Neutral
American Axle & Manufacturing Holdings, Inc. (AXL)	Neutral
BorgWarner Inc. (BWA)	Neutral
Dana Incorporated (DAN)	Neutral
Gentex Corporation (GNTX)	Neutral
Tenneco Inc. (TEN)	Neutral
Garrett Motion Inc. (GTX)	Underperform

Industry Comparison Industry: Automotive - Original Equipment				Industry Peers		
	CPS Underperform	X Industry	S&P 500	AXL Neutral	DAN Neutral	TEN Neutral
<b>VGM Score</b>	<b>C</b>	-	-	<b>A</b>	<b>A</b>	<b>A</b>
Market Cap	513.75 M	772.21 M	24.61 B	1.08 B	2.42 B	610.19 M
# of Analysts	3	3	13	6	5	4
Dividend Yield	0.00%	0.00%	1.74%	0.00%	2.38%	0.00%
<b>Value Score</b>	<b>A</b>	-	-	<b>A</b>	<b>A</b>	<b>A</b>
Cash/Price	0.65	0.10	0.04	0.36	0.18	0.69
EV/EBITDA	3.77	5.19	14.24	3.92	5.19	8.60
PEG Ratio	NA	1.29	2.07	0.56	1.22	NA
Price/Book (P/B)	0.56	1.45	3.38	0.76	1.29	0.33
Price/Cash Flow (P/CF)	1.76	5.00	13.75	0.77	3.43	0.85
P/E (F1)	17.48	11.78	19.09	4.49	5.55	2.60
Price/Sales (P/S)	0.16	0.45	2.68	0.16	0.28	0.03
Earnings Yield	5.74%	8.31%	5.24%	22.23%	18.00%	38.48%
Debt/Equity	0.87	0.41	0.72	2.61	1.32	2.94
Cash Flow (\$/share)	17.29	3.65	6.94	12.39	4.90	12.56
<b>Growth Score</b>	<b>D</b>	-	-	<b>B</b>	<b>B</b>	<b>B</b>
Hist. EPS Growth (3-5 yrs)	-4.53%	9.38%	10.56%	-0.04%	13.57%	4.80%
Proj. EPS Growth (F1/F0)	2,988.22%	7.82%	7.57%	42.97%	-0.33%	21.81%
Curr. Cash Flow Growth	-11.17%	6.02%	14.73%	68.32%	16.61%	19.10%
Hist. Cash Flow Growth (3-5 yrs)	14.11%	10.36%	9.00%	34.69%	2.65%	10.36%
Current Ratio	1.76	1.56	1.24	1.78	1.64	1.37
Debt/Capital	46.51%	35.95%	42.99%	72.27%	56.93%	75.12%
Net Margin	3.23%	3.02%	11.14%	-5.77%	2.80%	-0.74%
Return on Equity	4.41%	14.34%	17.16%	14.79%	26.97%	18.48%
Sales/Assets	1.20	1.30	0.55	0.91	1.24	1.31
Proj. Sales Growth (F1/F0)	-2.51%	1.72%	4.16%	-8.93%	-0.36%	0.41%
<b>Momentum Score</b>	<b>F</b>	-	-	<b>D</b>	<b>B</b>	<b>D</b>
Daily Price Chg	4.95%	0.73%	0.89%	2.68%	3.38%	2.99%
1 Week Price Chg	-7.05%	-2.53%	0.39%	-11.26%	-5.64%	-24.27%
4 Week Price Chg	-2.96%	-0.99%	2.65%	-10.88%	-10.24%	-22.44%
12 Week Price Chg	-6.84%	1.95%	7.55%	10.88%	5.25%	-22.94%
52 Week Price Chg	-57.62%	4.49%	22.12%	-32.35%	-1.81%	-68.09%
20 Day Average Volume	212,565	132,041	1,536,375	1,216,637	985,849	1,344,564
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.20%
(F1) EPS Est 4 week change	-3.45%	0.00%	0.00%	0.00%	0.00%	0.20%
(F1) EPS Est 12 week change	-60.11%	-5.19%	-0.40%	-4.26%	-5.19%	-11.10%
(Q1) EPS Est Mthly Chg	-42.11%	0.00%	0.00%	0.00%	NA	0.00%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	<b>A</b>
Growth Score	<b>D</b>
Momentum Score	<b>F</b>
VGM Score	<b>C</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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