

Cooper-Standard (CPS)

\$22.31 (As of 02/18/20)

Price Target (6-12 Months): **\$24.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/17/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: D

Momentum: A

Summary

Shares of Cooper-Standard have underperformed the industry over the past year. It continues at a record pace for new program launches and contract awards related to recent product innovations. These innovative plans are driving the company to expand opportunities, attract new customers and gain a competitive edge. It has been making efforts to trim costs through operational efficiency. Lean purchasing initiatives and restructuring savings are likely to strengthen its cash flow and balance sheet. However, 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. Trade disputes and increased tariff have resulted in high commodity costs. As such, investors are recommended to wait for a better entry point.

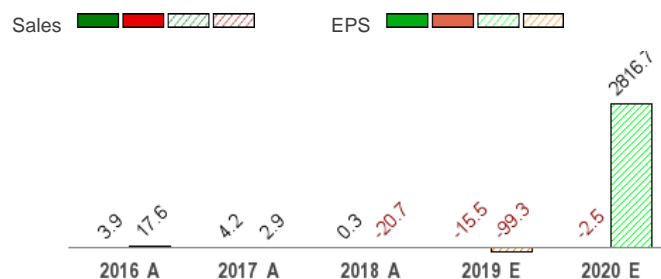
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$63.84 - \$21.40
20 Day Average Volume (sh)	182,544
Market Cap	\$375.7 M
YTD Price Change	-32.7%
Beta	1.66
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Automotive - Original Equipment
Zacks Industry Rank	Top 42% (106 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-137.8%
Last Sales Surprise	3.7%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/24/2020
Earnings ESP	0.0%
P/E TTM	10.1
P/E F1	12.8
PEG F1	NA
P/S TTM	0.1

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 02/18/2020. The reports text is as of 02/19/2020.

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.

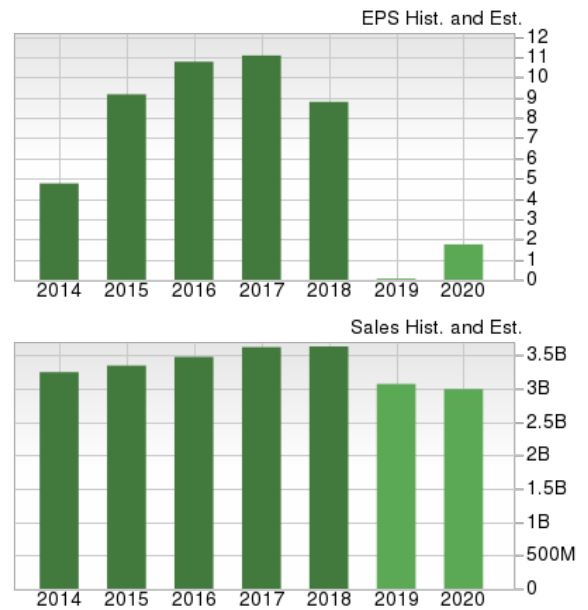
The company operates under four segments: North America, Europe, Asia Pacific and South America.

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.



Reasons To Buy:

- ▲ Cooper-Standard continues at a record pace for new program launches and contract awards related to recent product innovations. These innovative plans are driving the company to expand opportunities and attract new customers. During third-quarter 2019, the company executed 71 launches, bringing the total for the year to 176 successful new program launches. The company also continues to fill the pipeline for future sales with significant business awards.
- ▲ The company has been making efforts to trim costs through operational efficiency. Moreover, improved operating efficiency is expected to not only reduce SG&A expenses but also aid cost saving and lean initiatives. Lean purchasing initiatives and restructuring savings resulted in \$13 million total cost savings in the third quarter of 2019. These actions are focused on improving its cash flow and balance sheet.
- ▲ In the third half of 2019, the firm expects to generate positive free cash flow. For the full year, it aims at becoming cash flow neutral, implying a year-over-year improvement. Favorable cash position and credit profile will provide the company with sufficient liquidity that can support near-term operating requirements, along with long-term strategic plans.

New customer programs and cost-saving initiatives to shore up the firm's financials bode well for Cooper-Standard.

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. Further, 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.

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

Valuation

Cooper-Standard's shares are down 32.7% in the year-to-date period and down 64.6% over the trailing 12-month period. Stocks in the Zacks Automotive - Original Equipment industry and the Zacks Automotive sector are down 1.6% and up 5.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 2.8% and 15.5%, respectively.

The S&P 500 index is up 5.2% in the year-to-date period and up 23.1% in the past year.

The stock is currently trading at 10.44X forward 12-month earnings, which compares to 13.08X for the Zacks sub-industry, 11.5X for the Zacks sector and 19.34X for the S&P 500 index.

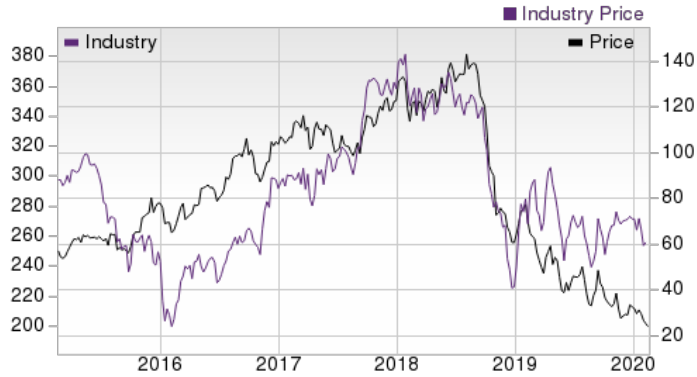
Over the past five years, the stock has traded as high as 232.7X and as low as 6.52X, with a 5-year median of 9.55X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$24 price target reflects 11.21X forward 12-month earnings per share.

The table below shows summary valuation data for CPS:

Valuation Multiples - CPS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	10.44	13.08	11.5	19.34
	5-Year High	232.7	13.46	11.75	19.34
	5-Year Low	6.52	8.52	8.23	15.18
	5-Year Median	9.55	11.61	9.93	17.47
EV/EBITDA TTM	Current	2.64	6.17	8.97	12.31
	5-Year High	6.41	8.66	11.25	12.85
	5-Year Low	2.59	4.63	6.9	8.47
	5-Year Median	4.92	6.62	9.2	10.7
P/S F12M	Current	0.13	0.64	0.7	3.58
	5-Year High	0.72	0.81	0.76	3.58
	5-Year Low	0.13	0.49	0.5	2.54
	5-Year Median	0.39	0.65	0.62	3

As of 02/18/2020

Industry Analysis Zacks Industry Rank: Top 42% (106 out of 255)



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
Garrett Motion Inc. (GTX)	Neutral
Tenneco Inc. (TEN)	Neutral

Industry Comparison Industry: Automotive - Original Equipment				Industry Peers		
	CPS Neutral	X Industry	S&P 500	AXL Neutral	DAN Neutral	TEN Neutral
VGM Score	A	-	-	A	A	B
Market Cap	375.67 M	791.30 M	24.50 B	930.75 M	2.48 B	563.34 M
# of Analysts	3	3	13	6	5	4
Dividend Yield	0.00%	0.00%	1.78%	0.00%	2.32%	0.00%
Value Score	A	-	-	A	A	A
Cash/Price	0.81	0.11	0.04	0.54	0.21	0.66
EV/EBITDA	3.25	4.92	14.25	4.51	6.88	8.53
PEG Ratio	NA	1.23	2.08	0.49	1.29	NA
Price/Book (P/B)	0.41	1.33	3.28	0.95	1.26	0.31
Price/Cash Flow (P/CF)	1.29	5.11	13.68	0.67	3.12	0.79
P/E (F1)	12.18	10.96	19.12	3.97	5.89	2.80
Price/Sales (P/S)	0.12	0.46	2.67	0.14	0.29	0.03
Earnings Yield	7.84%	8.21%	5.23%	25.15%	16.98%	35.80%
Debt/Equity	0.87	0.51	0.70	3.68	1.26	2.94
Cash Flow (\$/share)	17.29	3.65	6.93	12.33	5.52	12.56
Growth Score	D	-	-	B	A	B
Hist. EPS Growth (3-5 yrs)	-4.53%	8.47%	10.84%	-5.13%	14.51%	4.80%
Proj. EPS Growth (F1/F0)	2,988.22%	6.26%	7.11%	28.50%	-4.31%	4.83%
Curr. Cash Flow Growth	-11.17%	0.67%	7.81%	0.20%	12.13%	19.10%
Hist. Cash Flow Growth (3-5 yrs)	14.11%	7.72%	8.25%	29.66%	7.11%	10.36%
Current Ratio	1.76	1.56	1.24	1.81	1.71	1.37
Debt/Capital	46.51%	37.82%	42.37%	78.65%	55.72%	75.12%
Net Margin	3.23%	3.46%	11.76%	-7.42%	2.62%	-0.74%
Return on Equity	4.41%	13.72%	16.86%	13.56%	24.67%	18.48%
Sales/Assets	1.20	1.30	0.55	0.90	1.19	1.31
Proj. Sales Growth (F1/F0)	-2.51%	0.32%	4.05%	-7.44%	-0.84%	-1.83%
Momentum Score	A	-	-	A	F	F
Daily Price Chg	-6.30%	0.00%	-0.38%	-5.70%	-1.71%	-5.83%
1 Week Price Chg	-5.10%	0.40%	1.65%	-9.49%	10.30%	7.06%
4 Week Price Chg	-28.03%	-2.90%	0.39%	-11.93%	3.29%	-6.27%
12 Week Price Chg	-22.80%	-2.06%	4.84%	-16.47%	1.17%	-21.06%
52 Week Price Chg	-63.88%	-2.95%	14.99%	-50.21%	-13.92%	-72.68%
20 Day Average Volume	182,544	191,897	1,996,897	1,578,128	1,514,413	990,716
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-2.72%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.01%	-2.50%	-3.37%	-14.07%
(F1) EPS Est 12 week change	-3.45%	-2.17%	-0.21%	0.00%	-3.37%	-19.58%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-0.26%	0.00%	NA	-27.50%

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	A
Growth Score	D
Momentum Score	A
VGM Score	A

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.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.