



Commercial Vehicle Group, Inc. (CVGI)

Notes From Sidoti Conference: Inflation and Supply Chain Issue Will Weigh On Near-Term Results; New Programs Wins And Opportunity Profile Remains Enticing; Maintain \$18 Price Target

	2020	2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW
Mar.	\$0.02	\$0.27A		\$0.26	\$0.21	\$0.30	\$0.32
June	(0.24)	0.33A		0.31	0.27	0.37	
Sep.	0.21	0.25A		0.35	0.32	0.42	0.43
Dec.	(0.05)	0.18	0.16	0.33	0.29	0.44	0.39
EPS	(\$0.06)	\$1.03	\$1.00	\$1.26	\$1.10	\$1.53	\$1.51
P/E			8.1x		7.4x		5.4x

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky.

Year	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Rev.(Mil.)	\$839.7	\$825.4	\$662.1	\$755.2	\$897.7	\$901.2	\$717.7	\$967.2	\$1017.7	\$1088.1
GAAP EPS	\$0.26	\$0.24	\$0.23	(\$0.06)	\$1.46	\$0.51	(\$1.20)	\$0.81	\$1.10	\$1.51

Description: Commercial Vehicle Group, Inc. (www.cvgroup.com) is a leading supplier of electrical wire harnesses, seating systems, and a full range of other cab-related products for the global commercial vehicle markets, including medium- and heavy-duty trucks and construction vehicles. The company also supplies electrical wire harnesses, control panels, electro-mechanical and cable assemblies, seating systems and other products to automotive, military, bus, agriculture, transportation, mining, industrial and off-road recreational markets. About 75% of annual sales is in North America. The company is based in New Albany, OH.

- **Commercial Vehicle Group, Inc. (CVGI) presented at the Sidoti Winter Virtual Conference this week where, in our view, the focus was on the changes being made at the company and the slope of the recovery in the truck market.**
- **CVGI's diversification efforts include expanding operations into new markets, such as warehouse automation, and capitalizing on opportunities in the emerging electronic vehicle market.**
- **As a result, revenue from new business is project to jump from \$163 million in 2021 to \$309 million in 2025. Meanwhile the company is tracking an additional \$1.1 billion in new program opportunities.**
- **CVGI remains optimistic about a recovery in truck production and highlighted 42% projected growth in North American truck production in coming two years. However the company is still cautious about the near-term build rate.**
- **At the end of 3Q:21, CVGI had cash of \$33.6 million against total debt of \$178.7 million, resulting in net debt of \$145.1 million. However, CVGI refinanced its debt, which resulted in considerably lower interest expenses and the ability for more aggressive debt repayment.**
- **We lower our estimates to reflect higher inflationary costs and potential ongoing supply chain issues to \$1.00 (from \$1.03), \$1.10 (from \$1.26) and \$1.51 (from \$1.53) in 2021, 2022 and 2023, respectively.**
- **Regarding valuation, given the ongoing transformation of CVG, we opt for a blended multiple based on the future projected profit contribution of the businesses. As such, our target multiple of 12x reflects the projected profit contribution from both the machinery and truck markets.**
- **Our unchanged \$18 price target is based on 12x our revised 2023 EPS estimate of \$1.51 (was \$1.53).**

CVGI's largest end market is poised for a multi-year growth spurt, in our opinion. The

NR
Price Target: \$18
Price: \$8.10
Risk Rating: M

John Franzreb
(212) 453-7014
(jfranzreb@sidoti.com)

Key Statistics	
Analysts Covering	3
Market Cap (Mil)	\$270
Enterprise Value	\$437
52-Week Range (NASDAQ)	14-7
5-Year EPS CAGR	22%
Avg. Daily Trading Volume	172,000
Shares Out (Mil)	32.979
Float Shares (Mil)	29.019
Insider Ownership	11%
Institutional Holdings	53%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (2023E)	\$1.14
FCF Yield (2023E)	14.1%
Net Cash Per Share (2023E)	(\$1.74)
Price to Book Value	2.0x
Return on Equity (2023E)	27.0%
Total Debt to Capital	63%
Interest Coverage Ratio	6.5x
Short Interest %	2.5%
Short Interest Days To Cover	3.7
Russell 2000	2,024
Russell 2000 – Last 12 Months	-4.1%
CVGI – Last 12 Months	-6.8%



truck market accounts for about 35% of CVG's total revenue. The company provides seats, electrical wire harness, panel assemblies and a host of other products to the class 5-8 truck market. Demand in this market has risen substantially as we have emerged from the pandemic due to that lack of production and the recovery in the global economies. Nonetheless, the current build rate is barely sufficient to cover the number of retired trucks every year (about 260,000). In all likelihood, during 1H:22, total truck orders will reach an all-time high, suggesting a multi-year build cycle will likely emerge starting in 2H:22, in our view. Current estimates by ACT Research put the class 8 truck build at 301,000 and 363,000 in 2022 and 2023, respectively compared to the estimate of 256,000 in 2021. One growth opportunity is producing seats and wire harnessing for the electronic vehicle market (EV). While the customers are mostly undisclosed, two are with larger clientele and have potential revenue of \$200 million. Of the \$168 million in new awards business awards garnered by CVG through 3Q:22, about 70% was in the EV market. That said, given the development timeline, we think material revenue recognition from this business is not likely to be significant until after 2023 and should therefore be considered only moderately accretive to the sales outlook, particularly as there is likely to be some substitution from the existing diesel trucks business. The company is incurring costs associated with new prototype development (\$1.5-\$2 million per quarter). There may be an opportunity to expand margins by selling electrical systems into EVs with content potentially doubling, depending on the success of its partner platforms.

The kickoff of the growth cycle is predicated on resolution of supply chain issues. CVG's management has asserted that the recovery will not emerge any time soon. Supply chain issues and inflationary costs will weigh on near-term results, most acutely in 4Q:21. We think about \$8-12 million of revenue has been deferred from 4Q:21 to later periods. Generally, every 10,000 units results in an incremental/decremental \$13 million change in revenue for the company (depending on mix). Previously, we followed the more optimistic near-term scenario, but now also allow for higher inflationary pressures to trim operating profits. As a result, we have tempered our earnings expectations to \$1.00 (from \$1.03), \$1.10 (from \$1.26) and \$1.51 (from \$1.53) in 2021, 2022 and 2023, respectively.

We remind investors of another sizable growth opportunity for CVG to further expand into the warehouse automation market. The Electrical Systems Segment (about 70% of 2021 revenue) manufactures electrical wire harnesses, control panels, electro-mechanical and cable assemblies primarily for the construction, agricultural, industrial, automotive, truck, mining, rail and military markets. Within this business is First Source Electronic (acquired in September 2019), which has an attractive opportunity to supply the growing warehouse automation market. This business provided the company with electro-mechanical assemblies, cable and wire harness assemblies along with chassis integration and cabinet, panel, and rack assemblies. According to management, recent awards suggest that the warehouse automation business is on pace to exceed more than \$150 million in revenue in 2021. In 3Q:21, the company recorded \$37.13 million in revenue from this business, up more than threefold from 3Q:20 and compared to an estimated \$65 million in 2020. This business has a higher overall contribution margin than the legacy CVGI operations. Indeed, new program revenue (which we think is mostly in the warehouse automation segment) are set to rise from \$163 million in 2021 to \$205 million in 2022, \$248 million in 2023 to \$309 million by 2025, by our model. The company is also bidding on \$1.1 billion in new business.

The company will begin to trim debt levels this year. The combination of new product growth and uneven order profiles resulted in increased debt, as the company had to fund new programs and maintain higher inventory levels. At the end of 3Q:21, CVGI had cash of \$33.6 million against total debt of \$178.7 million, resulting in net debt of \$145.1 million. However, CVGI has refinanced its debt, which resulted in considerably lower interest expenses and now plans to be more aggressive in debt repayment. CVG has targeted debt reduction of \$25-\$40 million in 2022 (lowering the leverage ratio to 1.8x-1.6x from 2.2x in 3Q:21).

Valuation	We maintain our \$18 price target on CVGI shares. We think the ongoing transformation of CVG merits the utilization of a blended multiple, based on the future projected profit contribution of the businesses, in our valuation. In doing so, we assume that by 2022-23, 25% of revenue will be in automation and 75% in truck (and related) products. We compare this mix to the S&P small-cap truck, farming and construction and S&P small-cap industrial machinery indices. By the end of 2023, we assume profit growth rates will slow, reflected in contracting forward P/E multiples. Over the last ten years, the median forward P/E on the S&P small-cap truck sector was 20.0x forward one-year EPS and 17.0x forward two-year EPS, with a peak forward multiple of 12x-14x. Similarly, the S&P small-cap machinery index has traded at 20.0x forward one-year EPS and 18.0x forward two-year EPS, with peak forward multiple trading at a wider spread of 10x-14x. Utilizing the midpoints of 13x peak trucking and 12x peak machinery on our projected profit contributions, we derive a blended multiple of 12x. Our \$18 price target is based on a constant 12x our revised 2023 EPS estimate of \$1.51 (was \$1.53). We have a Moderately Risky rating on CVGI shares to reflect the cyclicality of the truck market and levered balance sheet.		
Key Risks	Cyclicality of trucking market	Risk in new market penetration	High debt levels

COMMERCIAL VEHICLE GROUP, INC.

Table 1.

Commercial Vehicle Group, Inc. Income Statement (\$ in thousands, except per share data)

	<u>Mar.</u>	<u>June</u>	<u>Sep.</u>	<u>Dec.</u>	<u>2020</u>	<u>Mar.A</u>	<u>June A</u>	<u>Sep.A</u>	<u>Dec.</u>	<u>2021E</u>	<u>Mar.</u>	<u>June</u>	<u>Sep.</u>	<u>Dec.</u>	<u>2022E</u>	<u>2023E</u>
Electrical Systems	\$111,167	\$73,498	\$120,723	\$137,975	\$443,363	\$159,687	\$174,104	\$163,134	\$154,819	\$651,744	\$164,478	\$175,845	\$182,710	\$180,850	\$703,883	\$760,194
Global Seating	\$75,938	\$53,398	\$66,974	\$78,026	\$274,336	\$85,435	\$83,837	\$76,476	\$69,738	\$315,486	\$75,183	\$80,484	\$80,300	\$77,830	\$313,796	\$327,917
Net sales	\$187,105	\$126,896	\$187,697	\$216,001	\$717,699	\$245,122	\$257,941	\$239,610	\$224,557	\$967,230	\$239,660	\$256,329	\$263,010	\$258,680	\$1,017,679	\$1,088,111
Cost of sales	166,631	114,016	162,501	195,757	638,905	214,001	223,573	209,346	197,955	844,875	211,500	225,569	230,134	226,319	893,522	944,480
Gross profit	20,474	12,880	25,196	20,244	\$78,794	31,121	34,368	30,264	26,602	\$122,355	28,160	30,759	32,876	32,361	\$124,157	\$143,631
Selling, prod dev. & admin.	12,467	15,576	12,294	11,091	51,428	15,718	17,719	18,089	18,115	69,641	17,495	17,687	17,622	18,434	71,238	72,903
Amortization expense	860	856	858	860	3,434	-	-	-	-	-	-	-	-	-	-	-
Operating income	7,147	(3,552)	12,044	8,293	23,932	15,403	16,649	12,175	8,487	52,714	10,665	13,073	15,255	13,927	52,919	70,727
Depreciation & amort.	4,640	4,585	4,609	6,588	20,422	4,475	4,475	4,475	4,475	17,900	4,475	4,475	4,475	4,475	17,900	18,400
EBITDA	11,787	1,033	16,653	14,881	42,425	19,878	21,124	16,650	12,962	69,214	15,140	17,548	19,730	18,402	69,419	87,727
Interest expense	4,624	5,309	5,460	5,210	20,603	5,041	2,818	1,630	1,702	11,191	1,700	1,700	1,500	1,379	6,279	5,038
Other	741	(205)	214	(22)	728	(656)	(285)	(186)	(50)	(1,177)	(50)	(50)	(50)	(50)	(200)	(200)
Income before taxes	1,782	(8,656)	6,370	3,105	2,601	11,018	14,116	10,731	6,835	42,700	9,015	11,423	13,805	12,598	46,840	65,889
Provision for taxes	1,123	(1,381)	(171)	4,753	4,324	2,528	3,415	2,618	1,687	10,248	2,073	2,627	3,175	2,898	10,773	15,813
Net inc. (Cont. Ops)	659	(7,275)	6,541	(1,648)	(1,723)	8,490	10,701	8,113	5,148	32,452	6,941	8,796	10,630	9,700	36,067	50,076
Nonrecurring Items	(25,163)	(5,220)	(2,363)	(2,580)	(35,326)	-	(5,606)	(803)	-	(6,409)	-	-	-	-	-	-
Diluted shares (thou)	30,806	30,890	31,617	31,625	30,943	31,264	32,674	32,706	32,700	32,335	32,750	32,750	32,750	32,750	32,750	33,000
Adjusted EPS	\$0.02	(\$0.24)	\$0.21	(\$0.05)	(\$0.06)	\$0.27	\$0.33	\$0.25	\$0.16	\$1.00	\$0.21	\$0.27	\$0.32	\$0.30	\$1.10	\$1.52
Nonrecurring items	(\$0.82)	(\$0.17)	(\$0.07)	(\$0.08)	(\$1.14)	\$0.00	(\$0.17)	(\$0.02)	\$0.00	(\$0.20)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GAAP EPS	(\$0.80)	(\$0.40)	\$0.13	(\$0.13)	(\$1.20)	\$0.27	\$0.16	\$0.23	\$0.16	\$0.81	\$0.21	\$0.27	\$0.32	\$0.30	\$1.10	\$1.52
<u>Yr.-to-yr. rate of change</u>																
Total revenue	-23.1%	-47.8%	-16.7%	14.0%	-20.4%	31.0%	103.3%	27.7%	4.0%	34.8%	-2.2%	-0.6%	9.8%	15.2%	5.2%	6.9%
Gross profit	-38.1%	-60.3%	-14.4%	99.1%	-25.1%	52.0%	166.8%	20.1%	31.4%	55.3%	-9.5%	-10.5%	8.6%	21.7%	1.5%	15.7%
Operating income	-59.3%	-122.4%	-2.7%	NM	-42.4%	115.5%	-568.7%	1.1%	2.3%	120.3%	-30.8%	-21.5%	25.3%	64.1%	0.4%	33.7%
EBITDA	-45.5%	-94.7%	4.1%	NM	-25.6%	68.6%	1944.9%	0.0%	-12.9%	63.1%	-23.8%	-16.9%	18.5%	42.0%	0.3%	26.4%
Net income	-93.4%	-190.7%	-16.7%	-82.3%	-110.5%	1188.3%	-247.1%	24.0%	-412.4%	-1983.5%	-18.2%	-17.8%	31.0%	88.4%	11.1%	38.8%
EPS	-93.4%	-190.5%	-18.7%	-82.7%	-110.4%	1169.4%	-239.1%	19.9%	-402.1%	-1902.4%	-21.9%	-18.0%	30.8%	88.1%	9.7%	37.8%
<u>Margin analysis</u>																
Gross profit	10.9%	10.2%	13.4%	9.4%	11.0%	12.7%	13.3%	12.6%	11.8%	12.7%	11.8%	12.0%	12.5%	12.5%	12.2%	13.2%
SG&A	6.7%	12.3%	6.5%	5.1%	7.2%	6.4%	6.9%	7.5%	8.1%	7.2%	7.3%	6.9%	6.7%	7.1%	7.0%	6.7%
Operating income	3.8%	-2.8%	6.4%	3.8%	3.3%	6.3%	6.5%	5.1%	3.8%	5.4%	4.5%	5.1%	5.8%	5.4%	5.2%	6.5%
EBITDA	6.3%	0.8%	8.9%	6.9%	5.9%	8.1%	8.2%	6.9%	5.8%	7.2%	6.3%	6.8%	7.5%	7.1%	6.8%	8.1%
Pretax income	1.0%	-6.8%	3.4%	1.4%	0.4%	4.5%	5.5%	4.5%	3.0%	4.4%	3.8%	4.5%	5.2%	4.9%	4.6%	6.1%
Effective tax rate	63.0%	16.0%	-2.7%	153.1%	166.2%	22.9%	24.2%	24.4%	24.7%	24.0%	23.0%	23.0%	23.0%	23.0%	23.0%	24.0%
Net income	0.4%	-5.7%	3.5%	-0.8%	-0.2%	3.5%	4.1%	3.4%	2.3%	3.4%	2.9%	3.4%	4.0%	3.7%	3.5%	4.6%

Sources: Company data; Sidoti & Company, LLC estimates

COMMERCIAL VEHICLE GROUP, INC.

Table 2.

Commercial Vehicle Group, Inc. Cash Flow Statement (\$ in thousands, except per share data)

	<u>Mar.</u>	<u>June</u>	<u>Sep.</u>	<u>Dec.</u>	<u>2020</u>	<u>Mar.A</u>	<u>JuneA</u>	<u>Sep.</u>	<u>2021E</u>	<u>2022E</u>	<u>2023E</u>
Operating sources/uses:											
Net income	(\$24,594)	(\$12,497)	\$4,178	(\$4,136)	(\$37,049)	\$8,490	\$5,095	\$7,511	\$26,043	\$36,067	\$50,076
Depreciation & amortization	4,640	4,585	4,610	6,587	20,422	4,642	4,666	5,466	17,900	17,900	18,400
Other	<u>24,755</u>	<u>(1,345)</u>	<u>1,863</u>	<u>805</u>	26,078	<u>4,599</u>	<u>10,151</u>	<u>1,817</u>	4,599	-	-
Total	\$4,801	(\$9,257)	\$10,651	3,256	9,451	\$17,731	\$19,912	\$14,794	48,542	53,967	68,476
Operating uses:											
Accounts receivable	(11,649)	22,646	(24,683)	(20,598)	(34,284)	(35,564)	(15,275)	9,387	18,612	(12,372)	(26,931)
Inventory	(3,259)	14,459	(11,826)	(6,202)	(6,828)	(18,255)	(18,788)	(18,870)	(30,292)	4,712	(56)
Other non-debt current assets liabilities	<u>20,452</u>	<u>(17,685)</u>	<u>36,122</u>	<u>27,144</u>	66,033	<u>20,717</u>	<u>4,710</u>	<u>(1,388)</u>	(41,476)	176	11,056
Total	5,544	19,420	(387)	344	24,921	(33,102)	(29,353)	(10,871)	(53,156)	(7,485)	(15,932)
Operating cash flow	10,345	10,163	10,264	3,600	34,372	(15,371)	(9,441)	3,923	(4,614)	46,482	52,544
YTD operating CF	10,345	20,508	30,772	34,372		(15,371)	(24,812)	(20,889)			
Cash from Investing Activities											
Capital expenditures	(3,472)	(1,018)	(1,531)	(1,121)	(7,142)	(1,736)	(5,208)	(4,497)	(15,000)	(20,000)	(15,000)
Asset sales	4	83	482	153	722	27	8	7	42	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
	<u>(3,468)</u>	<u>(935)</u>	<u>(1,049)</u>	<u>(968)</u>	(6,420)	<u>(1,709)</u>	<u>(5,200)</u>	<u>(4,490)</u>	(14,958)	(20,000)	(15,000)
YTD Investing act	(3,468)	(4,403)	(5,452)	(6,420)		(1,709)	(6,909)	(11,399)			
Cash from Financing Activities											
Proceeds from S-T debt, net	15,000	-	(15,000)	-	-	-	-	-	-	-	-
Proceeds from L-T debt, net	(1,094)	(1,094)	(6,093)	(6,094)	(14,375)	5,706	27,140	(6,075)	29,100	(29,400)	(25,000)
Proceeds from common financing, net	-	-	-	(663)	(663)	-	-	-	1,670	623	400
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Other	<u>(62)</u>	<u>(2,756)</u>	<u>(100)</u>	<u>(1,306)</u>	(4,224)	<u>(232)</u>	<u>(10,373)</u>	<u>(93)</u>	(11,000)	-	-
Total	13,844	(3,850)	(21,193)	(8,063)	(19,262)	5,474	16,767	(6,168)	19,770	(28,778)	(24,600)
YTD Financing act	13,844	9,994	(11,199)	(19,262)		5,474	22,241	16,073			
Foreign exchange	(2,177)	(43)	2,189	2,333	2,302	(761)	709	(633)	(230)	0	0
Beginning cash & equiv.	\$39,511	58,055	63,390	53,601	39,511	\$50,503	38,136	40,971	50,503	50,472	48,176
Cash flow	18,544	5,335	(9,789)	(3,098)	10,992	(12,367)	2,835	(7,368)	(31)	(2,296)	12,944
Ending cash & equiv.	58,055	63,390	53,601	50,503	\$50,503	38,136	40,971	33,603	\$50,472	\$48,176	\$61,120
Free cash flow	\$6,873	\$9,145	\$8,733	\$2,479	\$27,230	(\$17,107)	(\$14,649)	(\$574)	(\$19,614)	\$26,482	\$37,544
Free cash flow/share	\$0.34	\$0.33	\$0.32	\$0.11	\$0.88	(\$0.49)	(\$0.29)	\$0.12	(\$0.61)	\$0.81	\$1.14

Sources: Company Data; Sidoti & Company, LLC estimates

Table 3.

Commercial Vehicle Group, Inc. Balance Sheet (\$ in thousands, except per share data)

	<u>Mar.</u>	<u>June</u>	<u>Sep.</u>	<u>2020</u>	<u>Mar.</u>	<u>June</u>	<u>Sep.</u>	<u>2021E</u>	<u>2022E</u>	<u>2023E</u>
Assets										
Current Assets:										
Cash and equivalents	\$58,055	\$63,390	\$53,601	\$50,503	\$38,136	\$40,971	\$33,603	\$50,472	\$48,176	\$61,120
Receivables	123,293	102,771	128,648	151,101	186,036	202,058	192,111	132,489	144,861	171,792
Inventory	84,459	70,711	83,303	91,247	109,008	128,319	146,469	123,506	116,406	114,528
Other current assets	14,043	13,684	13,031	17,686	22,043	21,650	19,918	15,719	18,108	20,042
Total current assets	279,850	250,556	278,583	\$310,537	355,223	392,998	392,101	322,186	327,551	367,482
Equipment, net	70,022	66,867	64,556	62,776	59,882	61,262	62,142	61,275	64,323	61,332
Goodwill & Intangibles	24,160	23,362	22,584	21,804	20,926	20,028	19,142	15,719	18,108	20,042
Other assets	57,156	60,203	61,394	59,256	55,855	55,667	55,807	52,322	51,219	51,538
Total Assets	\$431,188	\$400,988	\$427,117	\$454,373	\$491,886	\$529,955	\$529,192	\$451,501	\$461,200	\$500,394
Liabilities & Sh. Eq.										
Current Liabilities:										
Current Port. L-T Debt	\$18,268	\$17,444	\$2,435	\$2,429	\$2,430	\$7,500	\$8,438	\$4,400	\$4,400	\$5,000
Accounts payable	73,640	54,561	89,435	112,402	135,453	141,797	139,076	78,595	82,778	91,622
Operating leases	7,730	8,274	8,874	9,236	-	-	-	-	-	-
Other accrued liab.	39,266	37,140	36,445	40,820	51,681	46,501	52,070	40,420	38,802	42,948
Total current liabilities	138,904	117,419	137,189	\$164,887	189,564	195,798	199,584	\$123,415	\$125,980	\$139,570
Long-term debt	152,304	151,729	147,965	144,147	152,035	177,225	170,253	167,853	138,453	113,453
Other	43,054	43,979	46,618	49,969	47,672	45,295	38,697	41,543	41,389	41,516
Shareholders' Equity	96,926	87,861	95,345	95,370	102,615	111,637	120,658	118,689	155,379	205,854
Total Liab. & Sh. Eq.	\$431,188	\$400,988	\$427,117	\$454,373	\$491,886	\$529,955	\$529,192	\$451,501	\$461,200	\$500,394
Current Ratio	2.0	2.1	2.0	1.9	1.9	2.0	2.0	2.6	2.6	2.6
LT Debt / Total capital	61.1%	63.3%	60.8%	60.2%	59.7%	61.4%	58.5%	58.6%	47.1%	35.5%
Total Debt / Total capital	63.8%	65.8%	61.2%	60.6%	60.1%	62.3%	59.7%	59.2%	47.9%	36.5%
Book Value / Share	\$3.15	\$2.84	\$3.02	\$3.02	\$3.28	\$3.62	\$3.91	\$3.63	\$4.74	\$6.24
Tangible BV/Share	\$0.44	\$0.57	\$2.63	\$1.14	\$2.30	\$2.51	\$2.70	\$2.03	\$3.18	\$4.68
Return on avg. equity	5.8%	-7.1%	-9.2%	-1.5%	6.4%	28.1%	21.1%	30.3%	26.3%	27.7%
Return on avg. assets	1.6%	-1.9%	-2.2%	-0.4%	1.4%	6.1%	4.5%	7.2%	7.9%	10.4%
Asset turnover	1.9	1.7	1.6	1.6	1.7	1.8	1.9	2.1	2.2	2.5
Receiv. turnover (days)	59	62	62	68	67	70	72	54	50	48
Net cash	(\$112,517)	(\$105,783)	(\$96,799)	(\$96,073)	(\$116,329)	(\$143,754)	(\$145,088)	(\$121,781)	(\$94,677)	(\$57,333)
Net cash/debt per share	(\$170.74)	\$14.54	(\$14.80)	(\$3.04)	(\$13.70)	(\$17.93)	(\$18.47)	(\$3.72)	(\$2.89)	(\$1.74)

Sources: Company data; Sidoti & Company, LLC estimates

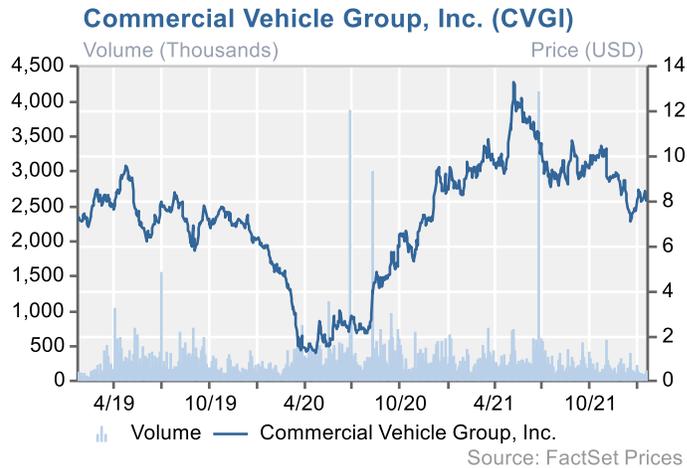
Appendix
Required Disclosures

Required Disclosures

Commercial Vehicle Group, Inc. (CVGI-\$8.10) NR Price Target: \$18 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	11/18/20	7.4	NR	14	M
PT	1/21/21	8.6		14	
PT	3/3/21	9.5		14	
PT	3/10/21	10.3		14	
PT	5/3/21	11.2		16	
PT	5/5/21	11.2		16	
PT	5/26/21	11.7		16	
PT	7/29/21	9.1		16	
PT	8/4/21	8.7		18	
PT	8/20/21	8.8		18	
PT	10/29/21	10.3		18	
PT	11/3/21	9		18	
PT	12/14/21	8		18	



Valuation	<p>We maintain our \$18 price target on CVGI shares. We think the ongoing transformation of CVG merits the utilization of a blended multiple, based on the future projected profit contribution of the businesses, in our valuation. In doing so, we assume that by 2022-23, 25% of revenue will be in automation and 75% in truck (and related) products. We compare this mix to the S&P small-cap truck, farming and construction and S&P small-cap industrial machinery indices. By the end of 2023, we assume profit growth rates will slow, reflected in contracting forward P/E multiples. Over the last ten years, the median forward P/E on the S&P small-cap truck sector was 20.0x forward one-year EPS and 17.0x forward two-year EPS, with a peak forward multiple of 12x-14x. Similarly, the S&P small-cap machinery index has traded at 20.0x forward one-year EPS and 18.0x forward two-year EPS, with peak forward multiple trading at a wider spread of 10x-14x. Utilizing the midpoints of 13x peak trucking and 12x peak machinery on our projected profit contributions, we derive a blended multiple of 12x. Our \$18 price target is based on a constant 12x our revised 2023 EPS estimate of \$1.51 (was \$1.53). We have a Moderately Risky rating on CVGI shares to reflect the cyclicity of the truck market and levered balance sheet.</p>		
Key Risks	Cyclicity of trucking market	Risk in new market penetration	High debt levels

Sidoti & Company. Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally

terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

Sidoti Company Sponsored Research Rating System The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of “*Moderately Risky*” (M) and “*Highly Risky*” (H) ratings. “*Moderately Risky*” suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “*Highly Risky*” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 01/21/22 and immediately prior to the publication of this report, Company Sponsored Research provides research on 32 companies, of which 27 (84.4%) are rated Moderately Risky and 5 (15.6%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the Microcap segment of the market.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1177 Avenue of the Americas 5th Floor, (Attention: Director of Research), New York, NY 10036 USA.

Compensation. Sidoti & Company, LLC receives a flat fee of \$40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges

a fee up to \$6,000 per conference to presenting companies depending on the event. Sidoti does not currently have a current investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member of the selling group in, a securities underwriting. Sidoti's role in any issuer's investment banking transaction can be viewed in that issuer's filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for providing institutional investors with securities related services by virtue of commission sharing agreements. Sidoti & Company, LLC has received and expects to continue to receive compensation for non-investment banking services from companies under coverage from attendance fees for conferences sponsored by Sidoti and the arrangement of non-deal roadshow days. Sidoti *may* receive or seek to receive non-investment banking compensation from covered companies for investor relations-related services, or certain advisory, research analysis, financial modeling or similar services. CVGI has paid a fee to Sidoti & Company, LLC to participate at the August 2021 Micro Cap Virtual Conference. CVGI has paid a fee to Sidoti & Company, LLC to participate at the December 2021 Micro Cap Conference. CVGI has paid a fee to Sidoti & Company, LLC to participate at the January 2021 Virtual Investor Conference. CVGI has paid a fee to Sidoti & Company, LLC to participate at the March 2021 Virtual Investor Conference. CVGI has paid a fee to Sidoti & Company, LLC to participate at the May 2021 Micro Cap Virtual Conference.

Sidoti Analysts. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

Analyst Certification. John Franzreb certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be, directly or indirectly, related to the analyst's specific recommendations or views contained in this research report.

Source

Key Statistics data is sourced from FactSet Research Systems