Cooper Standard (CPS) and Abercrombie (ANF)

April 16, 2025

Write up: Great companies, yet risky companies that are way too cheap to ignore

Abercrombie and Fitch (ANF) stock performance has been a rollercoaster from 2023 to today, returning a 285% performance in 2023, 69% in 2024 and, as of today, it is returning -53% in 2025. The company operates in the clothing retail sector with brands such as Abercrombie and Hollister as their main sources of revenue.

The question about why the stock has been down in 2025 currently bugs me. Even before the tariffs introduced on April 2nd, the stock was already down -48% YTD, even though revenue was up 9.1% in Q125 when compared to the same quarter last year and their margins were pretty great, reaching their all time highs at 16% free cash flow in Q125. They also essentially have no debt, with 62 million in net debt.

The company is facing risks with the tariffs imposed upon countries like Vietnam, India and Bangladesh. However, Vietnam is now in negotiations with the Trump administration to reduce tariffs on both sides, which could lead for a free trade again and making ANF’s margins almost untouched. The same goes for Bangladesh and India. These trade talks could be essential for determining Abercrombie’s margins in the near future and be essential for the company’s long term growth

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However, the company is simply way too cheap to ignore. They are currently trading at a record low 8.5x FCF, compared to historical multiples of 12-14x. With the fast growth the company has had in the recent past, great margins and healthy balance sheet, I do think the stock has upside even if the long term prospects are bleak and uncertain. I will hold the stock in my portfolio with a relatively low weigh in order to reap the benefits of the upside without being held hostage to the tariff discussions

On the other hand, Cooper Standard's (CPS) stock has been down -20% in one year and has returned -17% YTD. The company operates in the automotive sector specializing in sealing systems and fluid handling, serving manufacturers such as GM and Ford. Cooper Standard is widely recognized by their partners as one of their best suppliers, regularly being named by GM as their best supplier, which gives them some ability to negotiate for good terms with the automotive companies. The company mainly operates in the US but has many of its inputs coming from abroad, being affected by the trade war.

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The company, however, has been doing a fantastic job in reducing costs. In 4Q24 they saved 100M dollars in reduced costs, which according to their reports, 76M come from operational improvements in manufacturing/inputs and the other 24M come from cost optimization related to restructuring. This caused the company to have a 52% increase in net income even though revenue went down -3%. Furthermore, they've reduced their Capex significantly and have seen great improvement in Gross Margin, EBITDA margin and actually have seen a positive net income in the last quarter of 2024, compared to -55M in losses the previous year.

Also, Cooper Standard got into an agreement with Nike to allow the footwear company to use their Fortrex licensed technology, used by CPS to produce automotive sealing systems, in their product line. This agreement will result in a steady stream of licensing revenue for CPS, a 100% margin revenue stream for the company, in the foreseeable future.

The biggest concern for the company are twofold: the first is fears about automotive demand for vehicles in the near future. The company has predicted 15M light vehicle sales in North America in 2025, however this number seems very conservative compared to other forecasts, especially when considering that CPS made this prediction before the announcement of the Liberation Day tariffs, which would push the forecast even lower. Morningstar predicts between 16.2 and 16.4 million vehicles sold, Cox Automotive predicts 16.3 and JD Power/Global Data predict around 16.8 Million vehicles for the year. All this to say, they're being extremely conservative on their predictions and the company could see a beat in revenue if they are indeed overly pessimistic. This beat in revenue combined with a drastic reduction in cost and a great margin expansion could mean that CPS is bound for a great bottom line in the near future, considering these assumptions

Finally, debt concerns are also something bringing the stock price down. They have an outstanding debt of almost 1B dollars, which is more than they have in cash and more than the current market value of the company. They have around 339M dollars of cash in hand, which is more than enough to sustain current operations and pay their current debt obligations. Furthermore, something really important to notice here is that this debt is only due starting last quarter of 2026 and most mature only in 2027. So basically with all this cost cutting and possibility to generate cash to payoff their debt in the next 2 years, the company should be fine.

I will keep a position in this company since the company is very cheap, trading at 7x FCF, way below its historical ranges. The company has room to grow a lot in the coming months as consumption shows to be stronger than they foresee and debt becomes less of a concern, which is why I'm predicting a great upside for the company. I plan to expand my position in the coming weeks and dollar cost average as I study this company deeper and await for their earnings release in a few weeks.

Both of these companies are in positions to show great multiple expansion and upside in the coming months, even though none of them have a super strong economic MOAT or hard competitive advantage, which is something I usually really look for in my portfolio. Through these positions I aim to take risks in companies that are not that safe but can present great upside in the near future.

	Revenue (M)	Revenue Growth	FCF margin		
Y0	$2.730,00	-4%	6%	Company	CPS
Y1	$2.620,80	-4%	6%	Rev. Growth Change	
y2	$2.515,97	-4%	6%		
y3	$2.415,33	-4%	6%		
y4	$2.318,72	-4%	6%	market cap (M)	207,00
y5	$2.225,97	-4%	6%	Future price (M)	801,35
				Multiple	6
Y5 FCF	$133,56				
				return (CAGR)	31,09%

	Revenue (M)	Revenue Growth	FCF margin		
Y0	$4.948,00	5%	9%	Company	ANF
Y1	$5.195,40	5%	9%	Rev. Growth Change	
y2	$5.455,17	5%	9%		
y3	$5.727,93	5%	9%		
y4	$6.014,32	5%	9%	market cap (M)	3.685,77
y5	$6.315,04	5%	9%	Future price (M)	7.956,95
				Multiple	14
Y5 FCF	$568,35				
				return (CAGR)	16,64%