

## EQUITY RESEARCH

## RACING FORCE SPA

## RESULTS REVIEW

## Press release

BUY

TP 6.3€

Up/Downside: 18%

## No False Starts

**The strong momentum continued for Racing Force, which released its Q1 2023 revenue this morning, landing at €20.6m (+17.3% yoy), surpassing our expectations of €19.8m; these figures are already ahead of our FY estimates.**

The year has gotten off to a strong start for Racing Force, which this morning published 3M revenue of €20.6m. While we were already expecting double-digit growth for FY 2023, with management already confirming this trend for the first 2 months of the year at its FY 2022 presentation, the group has already exceeded our FY landing by publishing growth of 17.3% (vs. 12.3% for FY). For the record, due to the inherent seasonality of the group's activity in the motorsport industry, H1 and especially Q1 historically represent the most dynamic periods of the year for the group (Q1 = 30% of 2022 revenue, H1 = 57% of 2022 revenue).

In detail, while growth continues to be sustained in the Driver's Equipment segment, which recorded an increase of 15.7% in Q1, the Car Parts segment recorded a contraction in Q1. While Car Parts posted a 7% contraction following a number of order delays vs. Q1 2022, which should be made up for over the rest of the year, the Other division recorded growth of almost 200% (10% of Q1 2023 revenue vs. 3% of 2022 revenue), mainly driven by large orders for Racing Spirit products in the context of partnerships with Pirelli and Toyota. Regarding the geographies, after a year of strong growth in the USA (+44%), the EMEA zone once again became Q1's growth driver (+19.6% yoy) ahead of the AMER zone, which posted growth of 17.1%. This trend should be reiterated in Q2, with the US commercial dynamic seemingly more affected by the current macroeconomic context than in Europe.

Regarding the outlook, management remains confident with the orderbook still well oriented. While Q1 is historically the most important quarter of the year, RFG remains perfectly positioned to achieve another year of double-digit growth, which supports our 2023 scenario. We are reiterating both our Buy rating and TP of €6.3.

## Key data

Price (€)	5.3
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.702
Market Cap (m €)	137.2
Next event	H1 2023 - 7/27/2023

## Ownership (%)

SAYE S.p.A	52.7
GMP Investments Holdings Limited	5.0
Free float	42.3

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.28	0.33	0.36
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.0	0.4	-2.9
Rel FTSE Italy	-0.7	-8.7	-16.5



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	58.8	66.0	71.8	76.1	EV/Sales	2.1	1.8	1.6
Current Op Inc (m €)	8.8	10.1	12.0	13.2	EV/EBITDA	10.0	8.4	7.4
Current op. Margin (%)	15.0	15.3	16.7	17.3	EV/EBIT	13.4	11.0	9.5
EPS (€)	0.32	0.28	0.33	0.36	PE	19.3	16.2	14.8
DPS (€)	0.12	0.11	0.13	0.14				
Yield (%)	2.2	2.1	2.5	2.7				
FCF (m €)	-1.4	2.3	7.2	9.5				

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Sales	33.7	46.7	58.8	66.0	71.8	76.1
Changes (%)	31.2	38.4	25.9	12.3	8.8	6.0
Gross profit	20.1	27.2	36.8	41.6	45.3	48.2
% of Sales	59.7	58.3	62.6	63.0	63.1	63.3
<b>EBITDA</b>	<b>5.4</b>	<b>7.9</b>	<b>11.7</b>	<b>13.5</b>	<b>15.7</b>	<b>17.0</b>
% of Sales	15.9	16.9	19.8	20.5	21.9	22.4
<b>Current operating profit</b>	<b>2.8</b>	<b>5.5</b>	<b>8.8</b>	<b>10.1</b>	<b>12.0</b>	<b>13.2</b>
% of Sales	8.4	11.8	15.0	15.3	16.7	17.3
EBIT	2.8	5.5	8.8	10.1	12.0	13.2
Net financial result	-0.7	-0.3	-0.1	-0.3	-0.3	-0.3
Income Tax	-0.7	-1.1	-1.2	-2.8	-3.3	-3.6
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>1.4</b>	<b>4.2</b>	<b>7.5</b>	<b>7.1</b>	<b>8.5</b>	<b>9.3</b>
EPS	0.07	0.18	0.32	0.28	0.33	0.36
<b>Financial Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Goodwill	5.7	5.7	6.2	6.2	6.2	6.2
Tangible and intangible assets	8.8	13.1	15.5	20.0	20.9	20.3
Right of Use	4.1	2.4	3.1	3.1	3.1	3.1
Financial assets	1.8	0.4	0.3	0.3	0.3	0.3
Working capital	10.0	12.5	19.8	20.2	20.4	20.9
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
<b>Assets</b>	<b>30.7</b>	<b>34.7</b>	<b>45.6</b>	<b>50.4</b>	<b>51.6</b>	<b>51.4</b>
Shareholders equity group	8.2	29.9	36.5	50.5	56.1	62.0
Minorities	0.3	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.0	1.2	1.3	1.3	1.3	1.3
Net debt	21.2	3.5	7.8	-1.4	-5.8	-11.9
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>30.7</b>	<b>34.7</b>	<b>45.6</b>	<b>50.4</b>	<b>51.6</b>	<b>51.5</b>
Net debt excl. IFRS 16	17.0	1.0	4.5	-4.7	-9.1	-15.2
Gearing net	2.5	0.1	0.2	-0.0	-0.1	-0.2
Leverage	4.0	0.4	0.7	-0.1	-0.4	-0.7
<b>Cash flow statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
CF after elimination of net borrowing costs and taxes	4.0	6.7	11.1	10.5	12.2	13.2
$\Delta$ WCR	-1.7	-2.2	-8.0	-0.4	-0.3	-0.4
Operating cash flow	2.4	4.5	3.2	10.2	11.9	12.7
Net capex	-1.1	-5.3	-4.5	-7.9	-4.7	-3.3
FCF	1.2	-0.8	-1.4	2.3	7.2	9.5
Free Cash Flow excl IFRS 16	17.0	1.1	4.5	-4.7	-9.1	-15.2
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	5.9	-2.5	-4.4	0.0	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-3.0	-2.8	-3.4
Repayment of leasing debt	-0.7	-0.3	-0.7	0.0	0.0	0.0
Equity Transaction	0.5	18.8	0.0	10.0	0.0	0.0
Others	-3.6	-0.4	0.1	0.0	0.0	0.0
Change in net cash over the year	3.3	13.5	-8.1	9.2	4.4	6.1
ROA (%)	3.3%	6.4%	10.7%	8.2%	9.0%	9.2%
ROE (%)	17.5%	13.9%	20.7%	14.1%	15.1%	15.0%
ROCE (%)	7.0%	12.8%	16.8%	14.6%	16.9%	18.6%

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This Report may mention evaluation methods defined as follows:

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2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
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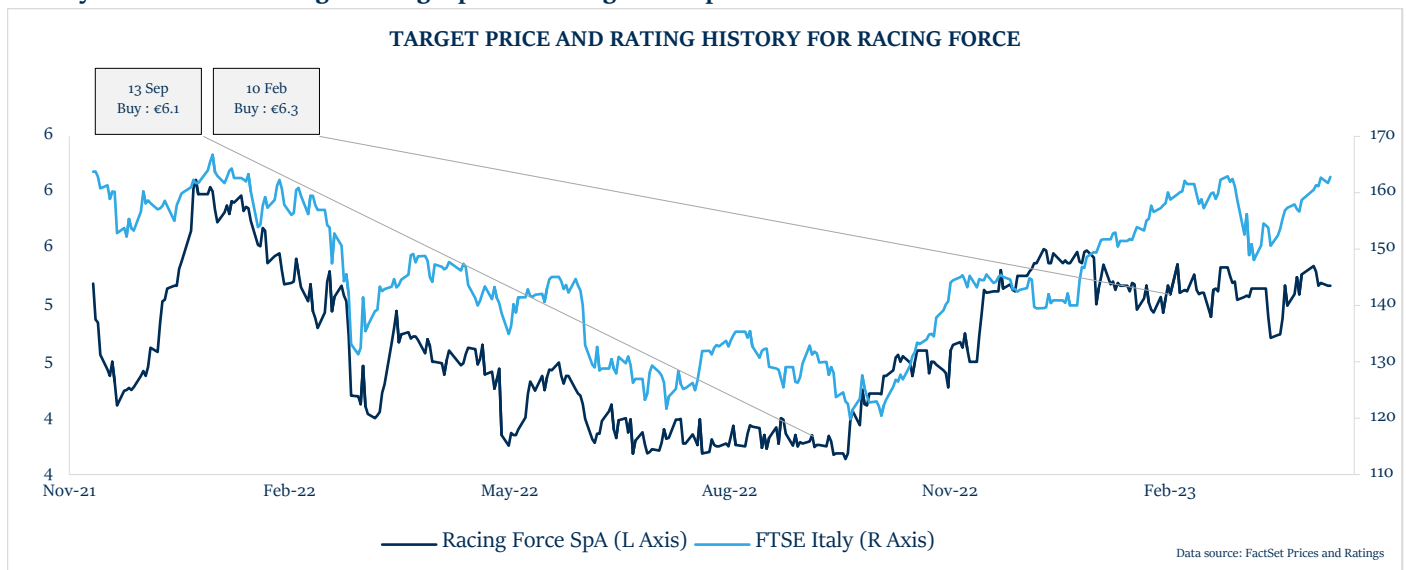
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### History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	84%	65%
Hold	14%	38%
Sell	1%	50%
Under review	1%	0%

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Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

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