

EQUITY RESEARCH

RACING FORCE SPA

RESULTS REVIEW

Press release

BUY

TP 6.6€

Up/Downside: 15%

Slight Drop in Pace

Racing Force published its H1 2023 revenue this morning, which amounted to €37.2m (versus an estimated €38.1m), up 10.7% (versus an estimated 13.6%). After a very strong Q1, momentum slowed in Q2, particularly in the AMER region, where the Group was also hit by a base effect linked to an exceptional order placed last year. The trend remains strong in the other regions.

This morning RFG published H1 2023 revenue of €37.2m (+10.7% yoy), slightly below our estimate of €38.1m (+13.6% yoy).

The difference with our estimate is due to the dynamic performance of the US zone in Q2. While Q1 saw growth of over 17%, the half-year as a whole ended with a decline of 0.6%. While, as mentioned in our Q1 revenue comment, the macroeconomic context clearly seems to have had an impact on the North American market, the significant decline seen in Q2 is also the consequence of an exceptional order placed in H1 last year, creating a difficult base effect. Without this effect, the AMER region would have recorded double-digit growth over the half-year as a whole. Outside the US, the EMEA region posted solid growth of 15.7%, while the APAC region, whose main markets are China and Australia, enjoyed a very good Q2, closing the half-year at +9.6%.

In terms of product families, it comes as no surprise that Driver's Equipment continues to drive the Group's growth (+12.3% yoy), while the Car Parts segment continues to suffer (-11.6% yoy) from deferrals of orders placed in H1 last year. The Other segment posted growth of 120%, benefiting from the integration and dynamic sales of Racing Spirit.

Although project diversification was not mentioned in the press release, the group is continuing to develop, in line with its roadmap.

Regarding the outlook, despite this publication being slightly below our expectations, we are maintaining for the time being our scenario of a landing in revenue of €66m. Although visibility is poor in the US, management is confident of achieving a better H2 in this region, and will obviously benefit from the end of the base effect linked to last year's one-off sale. Although the AMER region has been impacted, the Group is once again demonstrating its resilience, with further double-digit growth over a half-year in a more than complicated macroeconomic environment. We are reiterating our Buy rating on RFG, with the target price maintained at €6.6.

Key data

Price (€)	5.7
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	147.5
Next event	H1 Results - 9/21/2023

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	-2.4	4.4
Rel FTSE Italy	-0.1	-8.0	-13.6



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	2.2	2.0	1.8
Current Op Inc (m €)	8.8	10.1	12.0	13.2	EV/EBITDA	10.8	9.0	8.0
Current op. Margin (%)	15.0	15.3	16.7	17.3	EV/EBIT	14.4	11.8	10.3
EPS (€)	0.32	0.28	0.33	0.36	PE	20.7	17.4	15.9
DPS (€)	0.12	0.11	0.13	0.14				
Yield (%)	2.0	1.9	2.3	2.5				
FCF (m €)	-1.4	2.3	7.2	9.5				

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
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
EBITDA	5.4	7.9	11.7	13.5	15.7	17.0
% of Sales	15.9	16.9	19.8	20.5	21.9	22.4
Current operating profit	2.8	5.5	8.8	10.1	12.0	13.2
% 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
Net profit, group share	1.4	4.2	7.5	7.1	8.5	9.3
EPS	0.07	0.18	0.32	0.28	0.33	0.36
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
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
Assets	30.7	34.7	45.6	50.4	51.6	51.4
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
Liabilities	30.7	34.7	45.6	50.4	51.6	51.4
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
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	4.0	6.7	11.1	10.5	12.2	13.2
Δ 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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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.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

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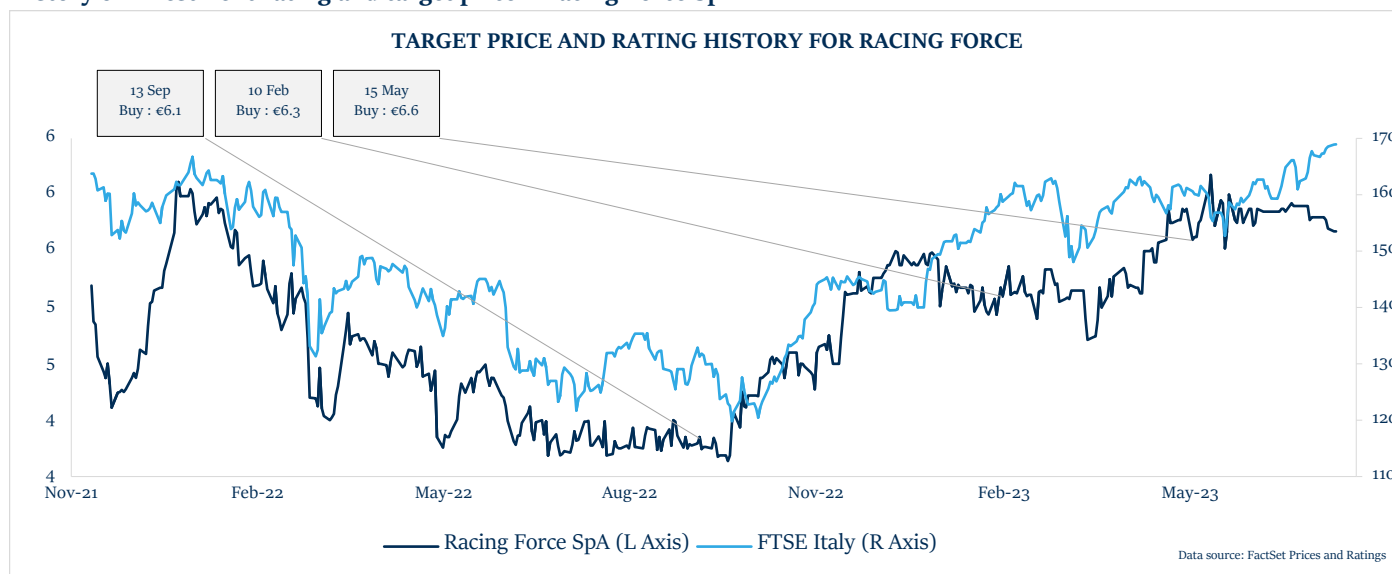
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History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	81%	64%
Hold	16%	50%
Sell	3%	20%
Under review	0%	

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