

EQUITY RESEARCH

RACING FORCE SPA

RESULTS REVIEW

BUY

TP 6.1€

Up/Downside: 26%

The Momentum Continues

This morning, Racing Force published its Q3 2022 revenue. Double-digit growth continues, with activity amounting to €11.9m (+11% yoy), bringing 9M revenue to €45.5m (+27.6% yoy).

The Racing Force group announced this morning that it had recorded Q3 revenue of €11.9m (+11% yoy), bringing 9M revenue to €45.5m (+27.6% yoy).

In detail, as in H1, growth was driven in particular by the Driver's Equipment category, and more particularly by the strong sales trends for Bell helmets, which grew by 33.3% over 9M, impacting 72% of revenue. The same is true for the other regions, with the AMER region growing by 41%, symbolising the progressive materialisation of commercial synergies between Bell and OMP here. For the record, the group expects to receive SFI certification by the end of this year for a complete range of OMP products that can be introduced on the North American market. In terms of sales channels, while dealers still impact 65% of revenue, direct sales (to professional teams and car manufacturers) showed strong growth of 40.3% following the signing of new agreements.

The momentum continues to be strong for the Racing Force group. As a reminder, the group's activity is marked by a certain seasonality with the emphasis on H1. This publication easily confirms our current 2022 scenario of a FY landing of €54.8m (+17.3% yoy). We are reiterating both our Buy rating and TP of €6.1.

Key data

Price (€)	4.8
Industry	Protective Equipment
Ticker	RFG-IT
Shares Out (m)	23.757
Market Cap (m €)	114.7

Ownership (%)

SAYE S.p.A	57.0
GMP Investments Holdings Limited	5.4
Others	7.6
Free float	30.0

EPS (€)

	12/22e	12/23e	12/24e
Estimates	0.25	0.30	0.35
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)

	1D	1M	YTD
Price Perf	1.9	14.7	-19.4
Rel FTSE Italy	0.9	17.5	2.8



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e
Sales (m €)	46.7	54.8	61.5	67.0	EV/Sales	2.2	1.9	1.7
Current Op Inc (m €)	5.5	8.2	10.3	12.0	EV/EBITDA	11.0	8.9	7.6
Current op. Margin (%)	11.8	15.0	16.8	17.9	EV/EBIT	14.4	11.5	9.6
EPS (€)	0.18	0.25	0.30	0.35	PE	19.5	16.1	13.8
DPS (€)	0.07	0.10	0.12	0.14				
Yield (%)	1.4	2.0	2.5	2.9				
FCF (m €)	-0.8	2.0	3.1	6.9				

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FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	25.7	33.7	46.7	54.8	61.5	67.0
Changes (%)	na	31.2	38.4	17.3	12.4	8.9
Gross profit	12.3	20.1	27.2	32.0	36.2	39.4
% of Sales	47.9	59.7	58.3	58.4	58.9	58.8
EBITDA	4.0	5.4	7.9	10.8	13.3	15.1
% of Sales	15.6	15.9	16.9	19.7	21.6	22.5
Current operating profit	2.5	2.8	5.5	8.2	10.3	12.0
% of Sales	9.7	8.4	11.8	15.0	16.8	17.9
EBIT	2.5	2.8	5.5	8.2	10.3	12.0
Net financial result	-0.3	-0.7	-0.3	-0.1	-0.4	-0.4
Income Tax	-0.7	-0.7	-1.1	-2.3	-2.8	-3.2
Tax rate (%)	31.2	33.1	20.4	27.9	27.9	27.9
Net profit, group share	1.5	1.4	4.2	5.9	7.1	8.3
EPS	na	0.07	0.18	0.25	0.30	0.35
Financial Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Goodwill	0.0	5.7	5.7	5.7	5.7	5.7
Tangible and intangible assets	0.0	8.8	13.1	15.3	18.1	18.8
Right of Use	0.0	4.1	2.4	2.4	2.4	2.4
Financial assets	0.0	1.8	0.4	0.4	0.4	0.4
Working capital	0.0	10.0	12.5	14.6	16.3	17.5
Other Assets	0.0	0.2	0.7	0.7	0.7	0.7
Assets	0.0	30.7	34.7	39.0	43.5	45.5
Shareholders equity group	0.0	8.2	29.9	34.1	38.8	44.3
Minorities	0.0	0.3	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.0	1.0	1.2	1.2	1.2	1.2
Net debt	0.0	21.2	3.5	3.7	3.4	-0.1
Other liabilities	0.0	0.0	0.1	0.1	0.1	0.1
Liabilities	0.0	30.7	34.7	39.0	43.5	45.5
Net debt excl. IFRS 16	0.0	17.0	1.0	1.2	0.9	-2.6
Gearing net	na	2.5	0.1	0.1	0.1	-0.0
Leverage	0.0	4.0	0.4	0.3	0.3	-0.0
Cash flow statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
CF after elimination of net borrowing costs and taxes	0.0	4.0	6.7	8.4	10.1	11.4
Δ WCR	0.0	-1.7	-2.2	-2.1	-1.7	-1.2
Operating cash flow	0.0	2.4	4.5	6.3	8.4	10.2
Net capex	0.0	-1.1	-5.3	-4.4	-5.2	-3.4
FCF	0.0	1.2	-0.8	2.0	3.1	6.9
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	0.0	5.9	-2.5	0.0	0.0	0.0
Dividends paid	0.0	-0.0	-1.3	-1.7	-2.4	-2.8
Repayment of leasing debt	0.0	-0.7	-0.3	-0.5	-0.5	-0.5
Others	0.0	-3.1	18.5	0.0	0.0	0.0
Changes in exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	0.0	3.3	13.5	-0.2	0.3	3.5
ROA (%)	na	3.3%	6.4%	8.2%	9.2%	9.9%
ROE (%)	na	17.5%	13.9%	17.3%	18.3%	18.8%
ROCE (%)	na	7.0%	12.8%	15.3%	17.4%	19.3%

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Methodology

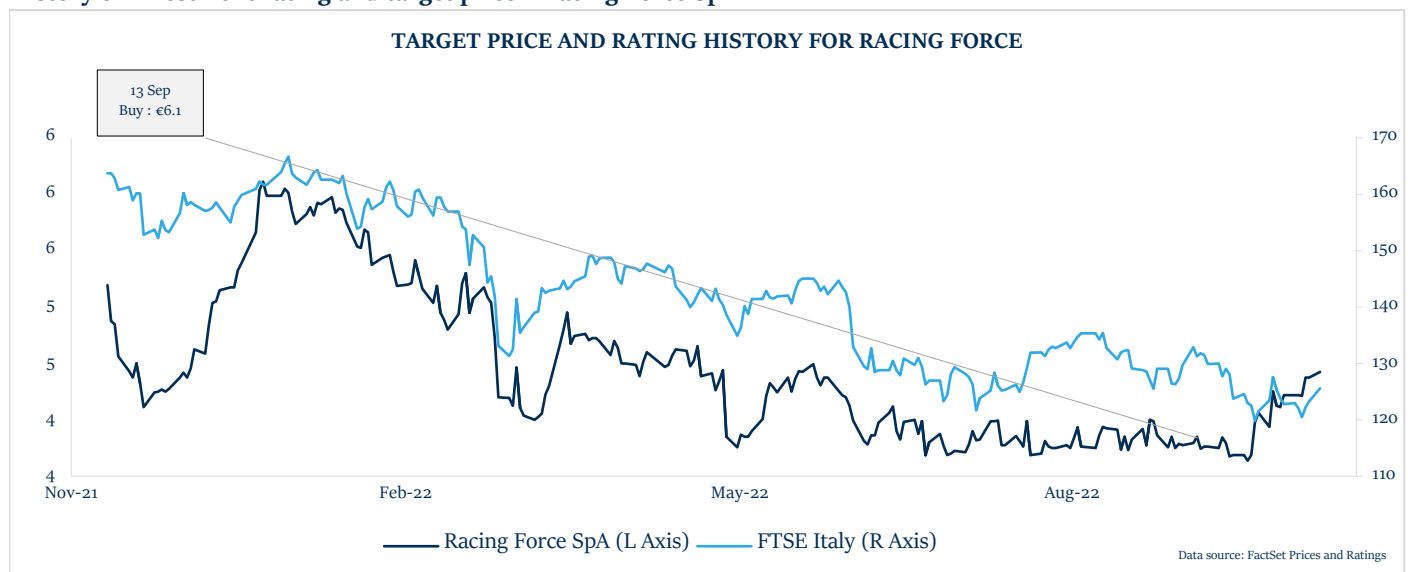
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1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
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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History of investment rating and target price – Racing Force SpA



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	86%	65%
Hold	13%	39%
Sell	1%	0%
Under review	0%	

Midcap employs a rating system based on the following:

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.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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