

EQUITY RESEARCH

RACING FORCE SPA

RESULTS REVIEW

BUY, TP 6.1€
Up/Downside: 47%

Excellence

This morning, the Racing Force group released its H1 results, which are excellent. Revenue rose well above our estimates to €33.6m (vs. an estimated €28.1m), up 35%, with EBITDA of €9.3m and a margin of 27.8% (vs. 24% in H1 2021).

Racing Force's momentum continues. Despite a complicated base effect after a record FY 2021 following the post-covid rebound in the motorsport industry, the group's published H1 2022 results reached H1 revenue of €33.6m, up by almost 35%. Unsurprisingly, growth was driven in particular by helmet sales, and more specifically by the range of open-face helmets for rallying, which posted triple-digit growth rates similar to those for 2021. This dynamism in both helmets and the rest of the rider's equipment improved this segment's revenue contribution by more than 2 points and now represents 71% of group revenue. Commercial synergies in the USA are gradually materialising with sales growth in the AMER region representing 27% of H1 sales (vs. 24% in H1 2021).

The improved mix favouring pilot equipment, which is the group's highest-margined product, has enabled the group to generate record level profits with an EBITDA of €9.3m, representing a margin of 27.8% vs. 24% in H1 2021.

Regarding the outlook, the group continues to see strong commercial momentum in the first months of H2. For the record, Racing Force group's business is seasonal, which historically implies a stronger H1 than H2. Advances made following this H1 2022 has led us to slightly raise our 2022 top-line scenario. We are now calling for revenue of €54.8m (+17% yoy) vs. €53m (+14% yoy) previously. As for margins, we are reiterating our current estimate calling for a 19.6% EBITDA margin. While the group was able to contain the impact of inflation in H1 thanks to an increase in inventories at the end of 2021 and a new pricing structure (updated at the end of each year), the group should not escape a higher cost structure in H2.

Following this strong publication, we are reiterating both our Buy rating and TP of €6.1.

Key data

Price (€)	4.2
Industry	Protective Equipment
Ticker	RFG-IT
Shares Out (m)	23.757
Market Cap (m €)	98.6

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 (%)	4.88	4.77	5.42

Performance (%)	1D	1M	YTD
Price Perf	1.0	-2.6	-30.7
Rel FTSE Italy	1.3	2.6	-8.6



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	1.9	1.7	1.5
Current Op Inc (m €)	5.5	8.2	10.3	12.0	EV/EBITDA	9.5	7.7	6.5
Current op. Margin (%)	11.8	15.0	16.8	17.9	EV/EBIT	12.4	9.9	8.2
EPS (€)	0.18	0.25	0.30	0.35	PE	16.8	13.9	11.8
DPS (€)	0.07	0.10	0.12	0.14				
Yield (%)	1.7	2.4	2.9	3.4				
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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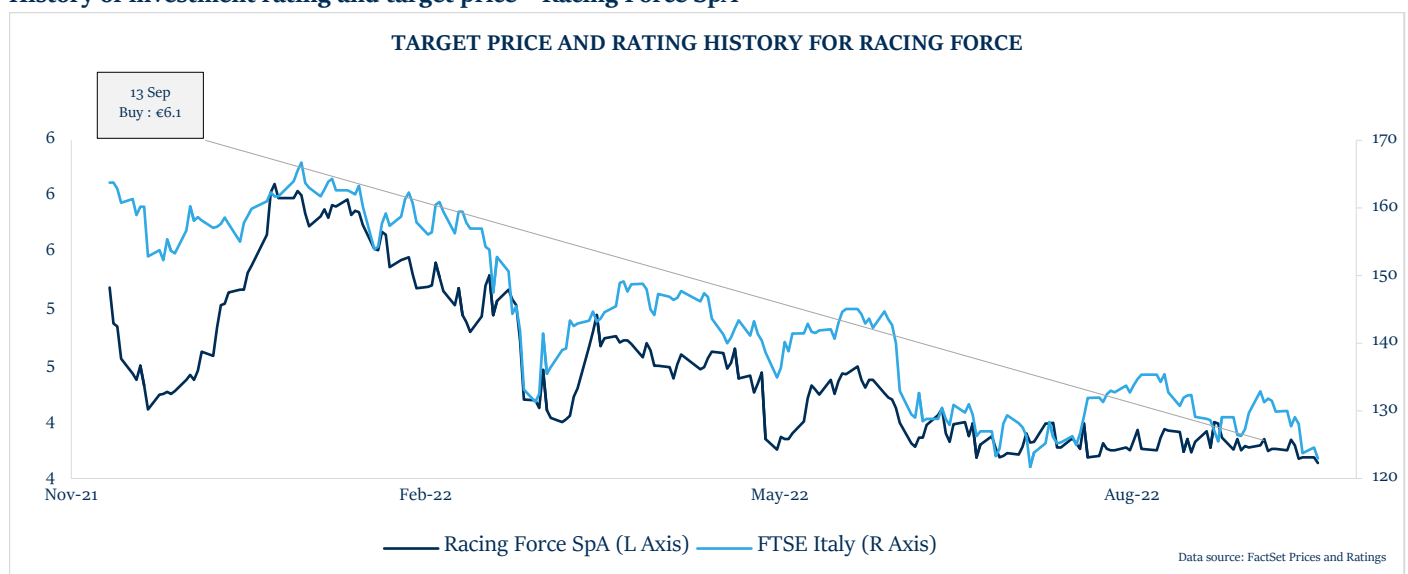
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's 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



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
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Hold	13%	35%
Sell	1%	0%
Under review	0%	

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

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