

EQUITY RESEARCH

RACING FORCE SPA

NEWS

BUY, TP 6.1€
Up/Downside: 33%

A Small Acquisition

Racing Force announced on Friday the (small) acquisition of one of its historical suppliers, Giordani Digital Lab, for the production and customisation of protective equipment (PPE) and also lifestyle clothing (Racing Spirit).

Based nearby Racing Force's headquarters in Ronco Scrivia, Italy, Giordani Global specialises in the production and customisation of competition and leisure clothing using sublimation printing, cutting and digital printing techniques. While the acquisition of Giordani Digital Lab's various equipment and machines allows the group to internalise specific skills, this is part of the group's wider strategy to gradually raise the capacity and efficiency of internal production.

For now, the operation's size does not justify revising our estimates. We are reiterating our Buy rating and TP of €6.1.

Key data

| | |
|------------------|----------------------|
| Price (€) | 4.6 |
| Industry | Protective Equipment |
| Ticker | RFG-IT |
| Shares Out (m) | 23.757 |
| Market Cap (m €) | 108.7 |

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 | 8.9 | -23.6 |
| Rel FTSE Italy | 2.8 | 12.1 | 0.6 |



| 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 | 2.1 | 1.8 | 1.6 |
| Current Op Inc (m €) | 5.5 | 8.2 | 10.3 | 12.0 | EV/EBITDA | 10.4 | 8.4 | 7.2 |
| Current op. Margin (%) | 11.8 | 15.0 | 16.8 | 17.9 | EV/EBIT | 13.6 | 10.9 | 9.1 |
| EPS (€) | 0.18 | 0.25 | 0.30 | 0.35 | PE | 18.5 | 15.3 | 13.1 |
| DPS (€) | 0.07 | 0.10 | 0.12 | 0.14 | | | | |
| Yield (%) | 1.5 | 2.2 | 2.6 | 3.1 | | | | |
| 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

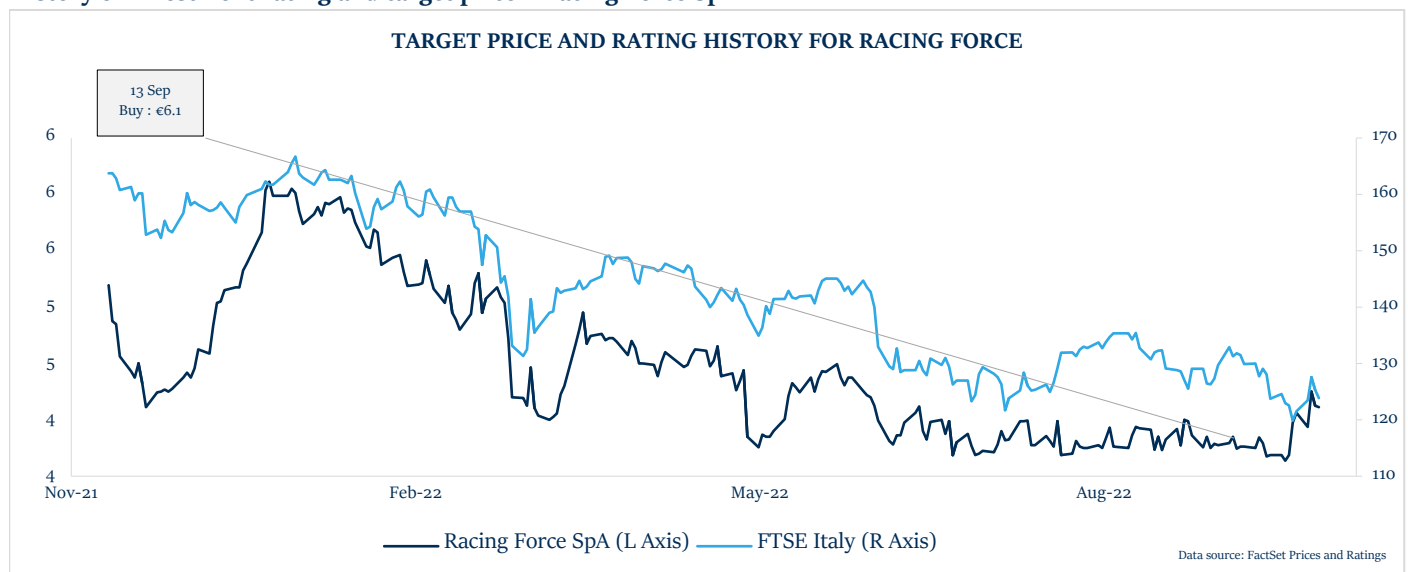
This Report may mention evaluation methods defined as follows:

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% | |

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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.

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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