

EQUITY RESEARCH

RACING FORCE SPA

NEWS
Press release

BUY
TP 6.1€
Up/Downside: 15%

€10m Capital Increase

This morning, Racing Force announced the success of its €10m capital increase that was launched last night. The operation was carried out at a price of €5.15, representing a 3% discount vs. last night's closing price.

1,941,748 new shares were added to the company's share capital, which now totals 25,701,748 shares.

The funds raised should enable Racing Force to finance its investment plan aimed at supporting the group's growth. This investment plan will be aimed at strengthening production capacity at the group's main sites: 1) Ronco Scrivia in Italy where the group is carrying out work to add 1,600 square metres of usable space, 2) Bahrain where the group is currently adding 5,000 square metres of production capacity with the aim of supporting the strong demand for Bell helmets, and 3) Mooresville in the US where the group is setting up a brand new factory of approximately 1,900 square metres (with the possibility of adding 4,600 square metres in the future) which will be dedicated to the diversification project with LIFT for the next US Air Force fighter pilot helmet, as well as supporting the group's strong growth in this geography.

While the group has the necessary funds to finance this investment programme, estimated at around €10m, management wishes to keep some liquidity in order to finance potential M&A operations. As mentioned in our September 2022 coverage initiation, the group, which was formed from the merger of four brands, including two iconic brands (OMP and Bell), intends to pursue its external growth strategy in order to 1) consolidate its historical market where there are still many historical brands focused on a particular piece of equipment, 2) accentuate its technological lead, particularly in communications systems, and 3) open up to new niches related to its historical activity.

After taking into account the newly raised funds, the new share base, and the update of our model, our TP of €6.1 remains unchanged. We are reiterating our Buy rating for Racing Force.

Key data

Price (€)	5.3
Industry	Protective Equipment
Ticker	RFG-IT
Shares Out (m)	25.702
Market Cap (m €)	136.7

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	0.28	0.32
Change vs previous estimates (%)	0.00	-7.55	-7.55

Performance (%)

	1D	1M	YTD
Price Perf	2.1	-1.7	-3.3
Rel FTSE Italy	1.4	-6.7	-10.0



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	2.4	2.1	1.9
Current Op Inc (m €)	5.5	8.2	10.3	12.0	EV/EBITDA	12.1	9.8	8.4
Current op. Margin (%)	11.8	15.0	16.8	17.9	EV/EBIT	15.9	12.6	10.6
EPS (€)	0.18	0.25	0.28	0.32	PE	21.5	19.2	16.4
DPS (€)	0.07	0.09	0.11	0.13				
Yield (%)	1.3	1.7	2.1	2.4				
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	0.28	0.32
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	43.9	48.7	54.2
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	-6.1	-6.4	-10.0
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	-8.6	-8.9	-12.5
Gearing net	na	2.5	0.1	-0.1	-0.1	-0.2
Leverage	0.0	4.0	0.4	-0.6	-0.5	-0.7
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
Free Cash Flow excl IFRS 16	0.0	0.0	0.0	0.0	0.0	0.0
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	-1.8	-2.4	-2.8
Repayment of leasing debt	0.0	-0.7	-0.3	-0.5	-0.5	-0.5
Equity Transaction	0.0	0.5	18.8	10.0	0.0	0.0
Others	0.0	-3.6	-0.4	0.0	0.0	0.0
Change in net cash over the year	0.0	3.3	13.5	9.7	0.3	3.5
ROA (%)	na	3.3%	6.4%	7.2%	8.1%	8.8%
ROE (%)	na	17.5%	13.9%	13.4%	14.6%	15.4%
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.

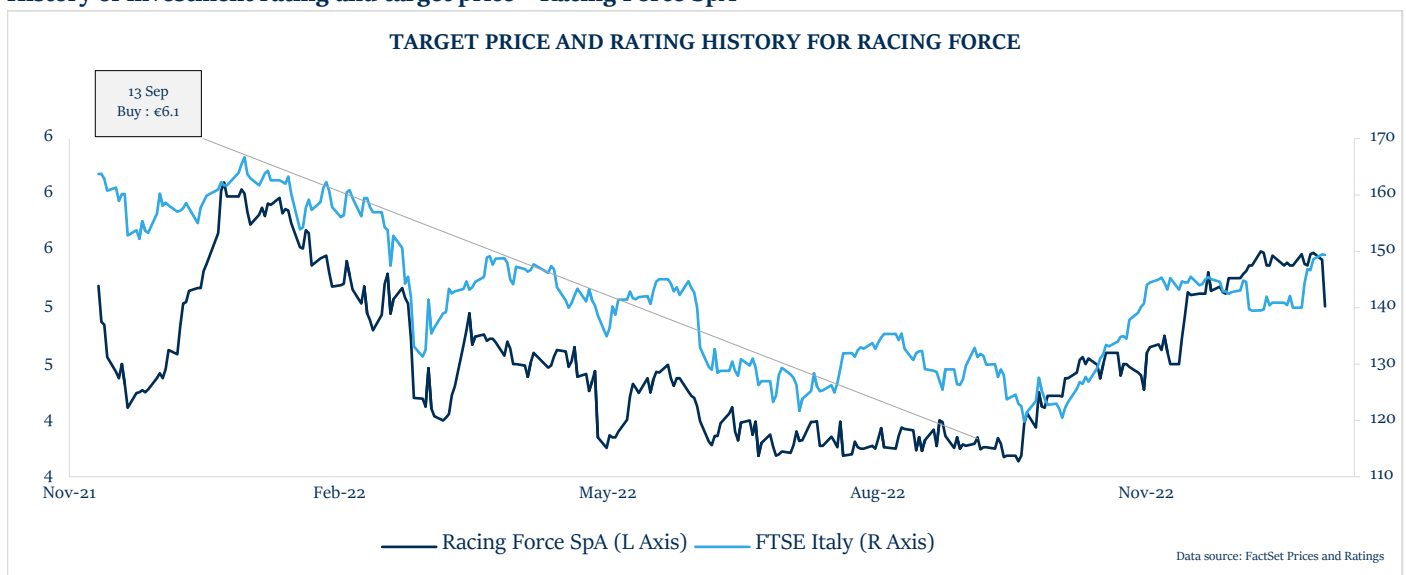
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History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	86%	63%
Hold	13%	39%
Sell	1%	0%
Under review	1%	100%

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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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