

EQUITY RESEARCH

RACING FORCE SPA
FEEDBACK

BUY

TP 6.3€

Up/Downside: 18%

Still in Pole

Yesterday, Racing Force management reviewed its FY 2022 results. Our main focus was on the future outlook, which seems well oriented, for both 2023, where commercial trends seem to be continuing so far, or for 2024, which should see the first income from the diversification projects.

As a reminder, the group had released FY results, landing in line with our expectations. EBITDA amounted to €11.7m, for a margin of 19.8% (vs. 19.2% in 2021), despite the many inflationary pressures.

Management mainly reviewed the group's strategy in order to continue its history of significantly accelerated growth since the acquisition of Bell and Zeronoise at the end of 2019 (CAGR of +17.2% between 2019 and 2022 despite the Covid-19 period). This strategy is still based on the same 3 pillars: 1) motorsports, the group's historic activity. Although the group has benefited since 2020 from the commercial synergies between its two iconic brands OMP and Bell, they remain as important as ever. Even though RFG is the global leader in this niche, it is still only #3 in the USA, a region it clearly targets and which benefits greatly from synergies (27% of revenue after a growth of 44% in 2022). In 2023, this region should remain dynamic, driven by the SFI approval of a complete new range of OMP products (branded under the Bell brand, which is highly recognized in the USA). Synergies also remain strong in Europe, particularly for open-face helmets intended for rallies; after recording triple-digit growth in 2021, then recorded 70% growth in 2022 which implies a market share of 15-20%. Thus, there is still room for growth. 2) diversification projects, whether regarding *Driver's Eye* which continues to penetrate new disciplines, NASCAR being the latest, and which is about to be exported to other sports (skiing, extreme sports etc.), or the various defence helmet projects (jet pilot and special forces helmets), which should generate their first revenue in 2024. And, 3) M&A where, for the moment, the projects seem to be on stand-by due to the macroeconomic context.

In conclusion, the outlook remains positive for RFG. While FY 2023 started with two months of double-digit growth, it should deliver significant new growth and a higher-margined product mix. FY 2024 and 2025 should be marked by the first revenue from diversification projects. The latter, which are difficult to quantify today, represent an important growth driver for the group that could lead us to review our scenarios, perhaps too cautious. For now, we are reiterating both our TP of €6.3 and our Buy rating.

Key data

Price (€)	52.7
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.702
Market Cap (m €)	137.2
Next event	Q1 2023 - 4/20/2023

Ownership (%)

SAYE S.p.A	52.7
GMP Investments Holdings Limited	5.0
Float	42.3
Free float	30.0

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	4.5	0.6	-2.9
Rel FTSE Italy	3.5	2.6	-13.3



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	2.1	1.8	1.6
Current Op Inc (m €)	8.8	10.1	12.0	13.2	EV/EBITDA	10.0	8.4	7.4
Current op. Margin (%)	15.0	15.3	16.7	17.3	EV/EBIT	13.4	11.0	9.5
EPS (€)	0.32	0.28	0.33	0.36	PE	19.3	16.2	14.8
DPS (€)	0.12	0.11	0.13	0.14				
Yield (%)	2.2	2.1	2.5	2.7				
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	51.5
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.
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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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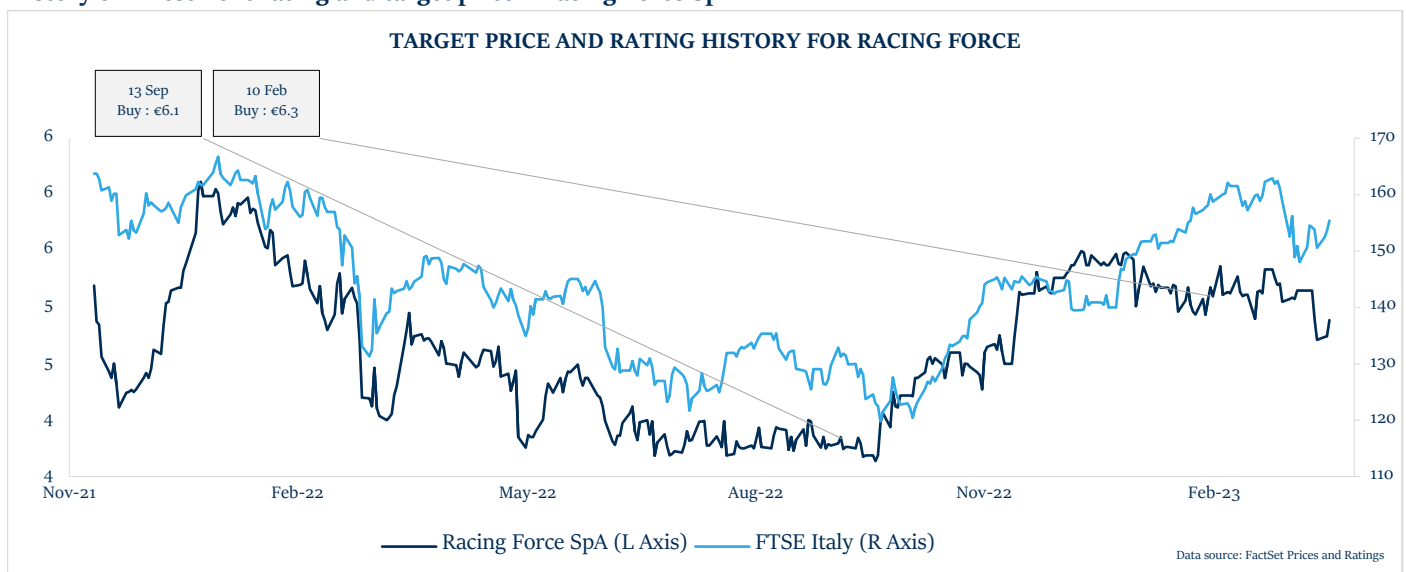
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Buy	83%	64%
Hold	14%	38%
Sell	1%	50%
Under review	1%	0%

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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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