

EQUITY RESEARCH

RACING FORCE SPA FEEDBACK CONFERENCE Conference TPICAP Midcap

BUY

TP 6.6€ (vs 6.3€)
Up/Downside: 12%

At High Speed

Present during this new edition, management confirmed the strong commercial dynamics revealed by Q1 figures. Diversification projects' remains strong, with the first contributions expected in 2024.

Paolo Delprato and Roberto Ferroggiaro, CEO and CFO of the Racing Force group participated again in our annual conference. For the record, the group recently reported a strong start to the FY with Q1 revenue of €20.6m (+17.3% yoy). Q2 also seems to be going well, as the group has a good visibility over the next 2 to 3 months, and should therefore enable it to close a solid H1, the most important semester for the group. As indicated by the Q1 figures, management confirmed slightly lower than expected traction in the USA which, in addition to presenting a difficult base effect (+44% in 2022), seems to suffer more from the current macroeconomic environment than Europe, which has become again been the group's growth engine. On the other hand, the newsflow could be positive regarding North America. While Formula 1 is increasingly developing in the USA, this year, with 3 grand prix races being held there, the WRC could do the same soon following conclusive tests carried out recently. World Rally Championship developments could contribute to the group's dynamic in this region given the strong presence of both OMP and Bell in this discipline.

As far as diversification projects are concerned, everything seems to be going according to plan, with no delays to report for now. The Gladiator Helmet, dedicated to special police forces, should be certified by the end of the year and logically be marketed in 2024. As for the LIFT Airborne project for US Air Force helmets, the final year of fine-tuning also seems to be well underway with the first deliveries expected next year. The excitement around the helmet is growing with other US military corps and other countries already showing interest in the AV2.2. In view of the project's progress and increasingly de-risked profile, we are taking advantage of this feedback to reduce the risk premium attributed to the project in our valuation, which is now discounted to 15% (from 20% previously).

Overall, RFG's outlook remains very positive, both for its core business, where we expect further double-digit growth this year, and for the diversification projects, which are not included in our current estimates. We are naturally reiterating our Buy rating, and adjusting our TP to €6.6 (vs. €6.3 previously) following the update of our model.

Key data

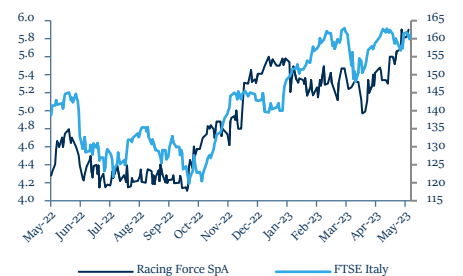
Price (€)	5.9
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.702
Market Cap (m €)	151.1
Next event	H1 2023 - 7/27/2023

Ownership (%)

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

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	-0.3	7.3	6.9
Rel FTSE Italy	0.1	7.7	-6.4



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	2.3	2.0	1.8
Current Op Inc (m €)	8.8	10.1	12.0	13.2	EV/EBITDA	11.1	9.2	8.2
Current op. Margin (%)	15.0	15.3	16.7	17.3	EV/EBIT	14.8	12.1	10.6
EPS (€)	0.32	0.28	0.33	0.36	PE	21.3	17.9	16.3
DPS (€)	0.12	0.11	0.13	0.14				
Yield (%)	2.0	1.9	2.2	2.5				
FCF (m €)	-1.4	2.3	7.2	9.5				

Analyst
Corentin Marty
cmarty@midcapp.com
33173030981



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%

DISCLAIMER

Analyst certifications

This research report (the “Report”) has been approved by Midcap, a business division of TP ICAP (Europe) SA (“Midcap”), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (“ACPR”). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst’s and associate’s personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate’s compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

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.

Conflict of Interests between TP ICAP Midcap and the Issuer

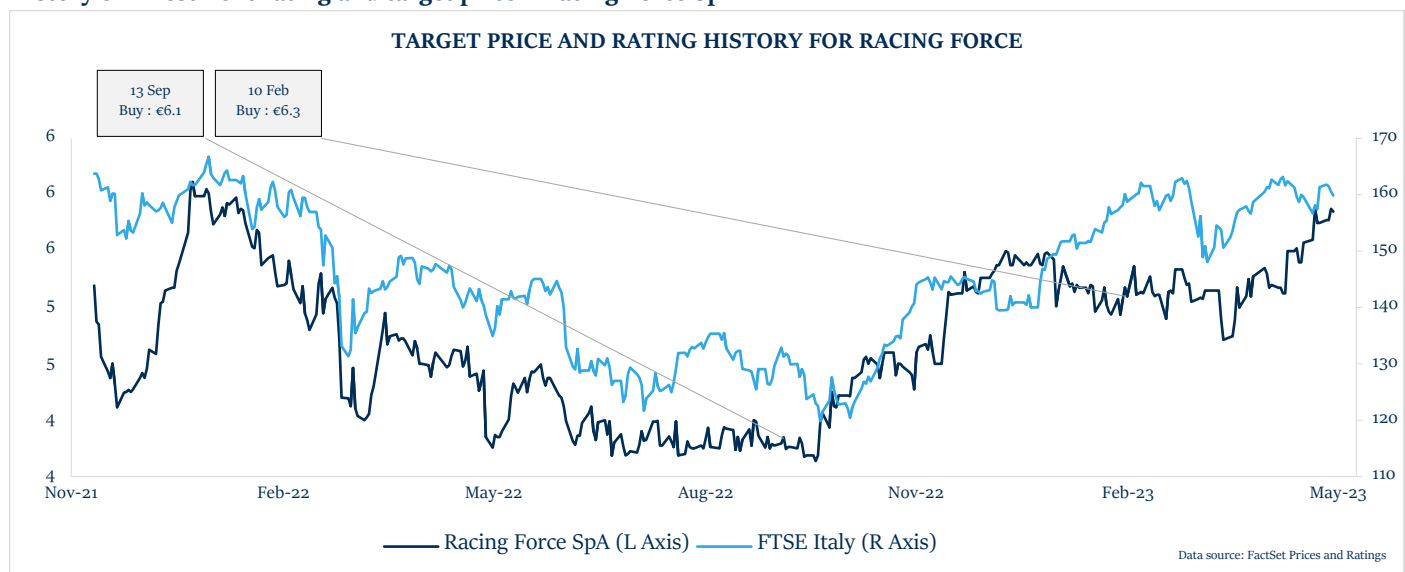
D. Midcap or any related legal entity is a market maker or liquidity provider with whom a liquidity agreement has been entered into in respect of the Issuer's financial instruments: Racing Force SpA

E. Midcap or any related legal entity has acted, over the last twelve months, as lead or co-lead in a public offer for financial instruments of the Issuer: Racing Force SpA

F. Midcap or any legal entity related to it is party to any other agreement with the Issuer relating to the provision of investment services in connection with the corporate activity: Racing Force SpA

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Racing Force SpA

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	82%	65%
Hold	16%	42%
Sell	1%	0%
Under review	1%	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>.

General Disclaimer

This Report is confidential and is for the benefit and internal use of the selected recipients only. No part of it may be reproduced, distributed, or transmitted without the prior written consent of Midcap

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable and public, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. This Report is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of MIFID II regulation. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. The Report is subject to restricted circulation. The research was conducted in accordance with the provisions of the Charter. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.