

EQUITY RESEARCH

RACING FORCE SPA

NEWS

Press release

BUY

TP 6.5€

Up/Downside: 29%

A Promising Start to the New Season

Last weekend in Bahrain, Racing Force Group held its first World Meeting since 2019 (pre-Covid), and therefore since the acquisition of Bell and Zeronoise, which led to the change in the group's name. The future products in RFG's catalogue were presented to the industry's leading distributors, and the feedback was very positive - a good omen ahead of the start of the 2024 season.

The 2023 edition of the Racing Force World Meeting was held on 14 and 15 October, bringing together more than 75 distributors from over 40 countries. This was the first face to face World Meeting since 2019, i.e. before the acquisitions of Bell and Zeronoise which, together with OMP, formed the Racing Force group. For this grand return, the 2023 edition was held at the Sakhir International Circuit in Bahrain, the group's main production hub, notably for its helmets. It was an opportunity for the motorsport industry's biggest distributors to discover and test the group's new products for the 2024 season.

The biggest news from the 2024 catalogue was a new range of open-face helmets featuring a dual-mode communication system (wired and wireless), the latest innovation from Zeronoise and making these the first helmets on the market to have this integrated technology. For the record, Bell's open-face range, dedicated to the world of rallying and which made a comeback following Bell's takeover by OMP after several years' absence, has been one of the group's growth drivers since its launch (+170% in 2021 and +70% in 2022). While the integration of Zeronoise communications systems was already a key factor in the success of these open-face headsets, this new enhancement should help to sustain the range's strong growth. In addition to this new product, the group also presented new products for its three main brands: 1) Bell's new helmet dedicated to autocross, 2) OMP's range of new products for the car parts, racewear and kartwear lines, and 3) Racing Spirit with a new 2024 collection. Initial feedback from the event has been positive, which bodes well for the 2024 season. These new products should translate into new orders between the end of the year and the start of 2024, since Q1 is the group's biggest quarter in terms of revenue.

As a reminder, we will be welcoming Paolo Delprato, Roberto Ferroggiaro and Alexander Haristos (the Group's CEO, CFO and COO) to Paris on 24 October, to give the management team an opportunity to talk in more detail about its new products and future prospects. After a turbulent September and a share price down by almost 18% since 5 September, we consider this to be a very attractive entry point. We are reiterating our Buy rating and TP of €6.5.

Key data

| | |
|------------------|-------------------------|
| Price (€) | 5.0 |
| Industry | Protective Equipment |
| Ticker | ALRFG-FR |
| Shares Out (m) | 25.699 |
| Market Cap (m €) | 129.0 |
| Next event | Q3 Revenue - 10/19/2023 |

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 | 0.25 | 0.30 | 0.34 |
| Change vs previous estimates (%) | 0.00 | 0.00 | 0.00 |

| Performance (%) | 1D | 1M | YTD |
|-----------------|-----|-------|-------|
| Price Perf | 0.0 | -12.2 | -8.7 |
| Rel FTSE Italy | 0.8 | -11.4 | -23.0 |



| 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 | 2.0 | 1.8 | 1.6 |
| Current Op Inc (m €) | 8.8 | 9.1 | 11.0 | 12.3 | EV/EBITDA | 10.4 | 8.6 | 7.5 |
| Current op. Margin (%) | 15.0 | 13.8 | 15.3 | 16.1 | EV/EBIT | 14.3 | 11.5 | 9.8 |
| EPS (€) | 0.32 | 0.25 | 0.30 | 0.34 | PE | 20.3 | 16.7 | 14.9 |
| DPS (€) | 0.12 | 0.10 | 0.12 | 0.13 | | | | |
| Yield (%) | 2.3 | 2.0 | 2.4 | 2.7 | | | | |
| FCF (m €) | -1.4 | -0.1 | 6.4 | 8.7 | | | | |

Analyst

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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 | 40.8 | 44.7 | 47.6 |
| % of Sales | 59.7 | 58.3 | 62.6 | 61.8 | 62.3 | 62.6 |
| EBITDA | 5.4 | 7.9 | 11.7 | 12.5 | 14.7 | 16.1 |
| % of Sales | 15.9 | 16.9 | 19.8 | 18.9 | 20.5 | 21.2 |
| Current operating profit | 2.8 | 5.5 | 8.8 | 9.1 | 11.0 | 12.3 |
| % of Sales | 8.4 | 11.8 | 15.0 | 13.8 | 15.3 | 16.1 |
| EBIT | 2.8 | 5.5 | 8.8 | 9.1 | 11.0 | 12.3 |
| Net financial result | -0.7 | -0.3 | -0.1 | -0.3 | -0.3 | -0.3 |
| Income Tax | -0.7 | -1.1 | -1.2 | -2.5 | -3.0 | -3.3 |
| Tax rate (%) | 33.1 | 20.4 | 13.4 | 27.9 | 27.9 | 27.9 |
| Net profit, group share | 1.4 | 4.2 | 7.5 | 6.4 | 7.7 | 8.7 |
| EPS | 0.07 | 0.18 | 0.32 | 0.25 | 0.30 | 0.34 |
| 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 | 21.8 | 22.2 | 22.8 |
| Other Assets | 0.2 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 |
| Assets | 30.7 | 34.7 | 45.6 | 52.1 | 53.4 | 53.4 |
| Shareholders equity group | 8.2 | 29.9 | 36.5 | 49.7 | 54.9 | 60.5 |
| 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 | 1.0 | -2.8 | -8.5 |
| Other liabilities | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities | 30.7 | 34.7 | 45.6 | 52.1 | 53.4 | 53.4 |
| Net debt excl. IFRS 16 | 17.0 | 1.0 | 4.5 | -2.3 | -6.1 | -11.7 |
| Gearing net | 2.5 | 0.1 | 0.2 | 0.0 | -0.1 | -0.1 |
| Leverage | 4.0 | 0.4 | 0.7 | 0.1 | -0.2 | -0.5 |
| 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 | 9.8 | 11.5 | 12.5 |
| Δ WCR | -1.7 | -2.2 | -8.0 | -2.0 | -0.4 | -0.5 |
| Operating cash flow | 2.4 | 4.5 | 3.2 | 7.8 | 11.0 | 12.0 |
| Net capex | -1.1 | -5.3 | -4.5 | -7.9 | -4.7 | -3.3 |
| FCF | 1.2 | -0.8 | -1.4 | -0.1 | 6.4 | 8.7 |
| Free Cash Flow excl IFRS 16 | 17.0 | 1.1 | 4.5 | -2.3 | -6.1 | -11.7 |
| 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 | -2.5 | -3.1 |
| 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 | 6.8 | 3.8 | 5.6 |
| ROA (%) | 3.3% | 6.4% | 10.7% | 7.4% | 8.3% | 8.7% |
| ROE (%) | 17.5% | 13.9% | 20.7% | 12.8% | 14.1% | 14.3% |
| ROCE (%) | 7.0% | 12.8% | 16.8% | 12.7% | 14.9% | 16.7% |

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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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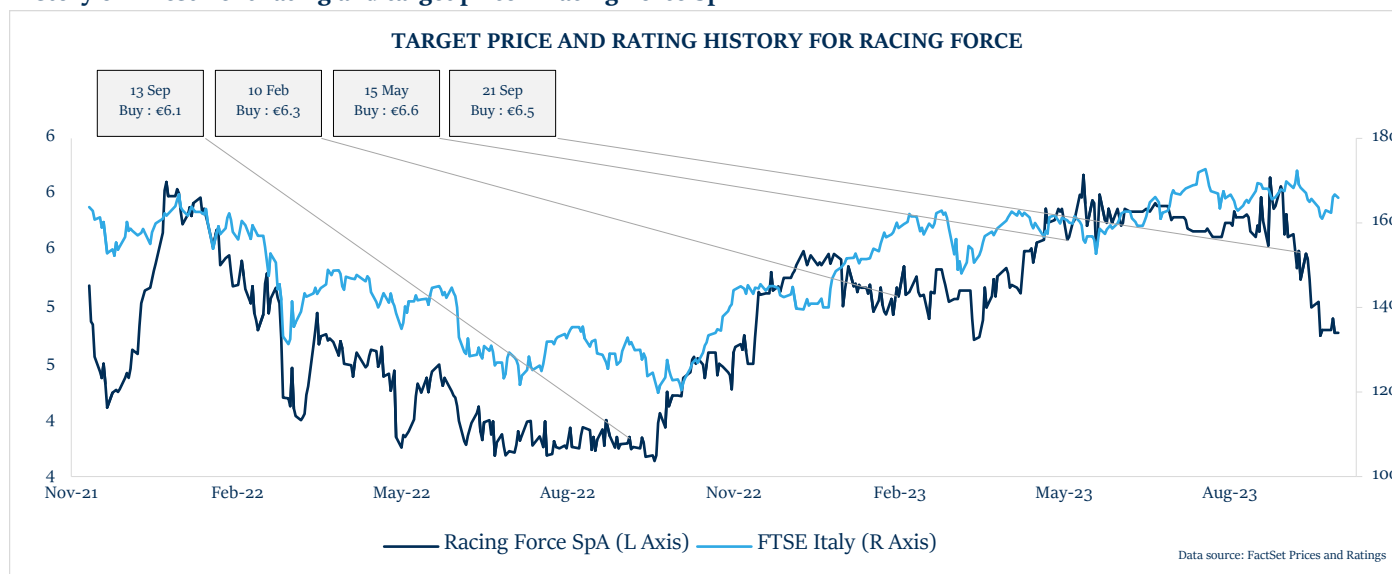
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History of investment rating and target price – Racing Force SpA



Distribution of Investment Ratings

| Rating | Recommendation Universe* | Portion of these provided with investment banking services** |
|--------------|--------------------------|--|
| Buy | 81% | 63% |
| Hold | 16% | 42% |
| Sell | 2% | 0% |
| Under review | 1% | 100% |

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>.

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