

## EQUITY RESEARCH

## RACING FORCE SPA

NEWS

Press release

BUY

TP 6.4€

Up/Downside: 25%

## The Signing of a Strategic Partnership

Yesterday, Racing Force announced the signing of a partnership with the American Team Penske. While this is not the first signing of the year, it is by far the most important in our view, given its exposure to the American market, which represents one of the group's key growth drivers.

This is already the group's third announcement of a partnership with a professional team this year. After announcing the continuation of its collaboration with Toyota Gazoo Racing, the reigning world rally champion, and a new partnership with Aston Martin F1, last season's Formula 1 sensation, yesterday, RFG announced a new partnership with the American Team Penske. Founded and still run by former driver Roger Penske, Team Penske is one of the most prestigious teams in American racing, taking part in a number of competitions, including the two most important: NASCAR, where it holds the title, and the IndyCar Series. Racing Force will now equip the 3 NASCAR drivers and the 3 IndyCar drivers with their OMP products (suits and other accessories), as they were already equipped with Bell helmets. This partnership will take shape this weekend for the NASCAR Clash at the Memorial Coliseum in Los Angeles.

After obtaining all the necessary certifications for the launch of a complete range of OMP products in the USA last year, this partnership seems to us to be highly strategic, since it should greatly enhance the brand's visibility on the continent with NASCAR being the most watched competition in the United States. For the record, while RFG is the world leader in protective equipment for motor sport, it is only number three in the United States, behind its two competitors Simpson and Sparco. As a result, the US market represents the group's most important growth lever in its core business. After strong growth in 2022 (+44.3%), the group had a challenging 2023 in the USA (-3.1% over 9M) due to destocking by American dealers and a one-off order in 2022 which created a challenging base effect. Although it is still too early to have any visibility on 2024, we can expect dynamic growth in the Americas. A higher profile for the OMP brand thanks to this partnership should contribute to this.

We are reiterating our Buy rating on the stock, as well as the TP of €6.4.

## Key data

Price (€)	5.1
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	132.1
Next event	3 Revenue - January 2024

Source: FactSet

## Ownership (%)

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

Source: TPICAP Midcap estimates

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.23	0.27	0.31
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.4	-0.8	-0.8
Rel FTSE Italy	-0.8	-2.6	-2.6



Source: FactSet

TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	58.8	64.5	70.2	74.4	EV/Sales	2.1	1.8	1.7
Current Op Inc (m €)	8.8	8.4	10.0	11.3	EV/EBITDA	11.2	9.5	8.2
Current op. Margin (%)	15.0	13.1	14.3	15.1	EV/EBIT	15.8	12.9	11.0
EPS (€)	0.32	0.23	0.27	0.31	PE	22.4	18.8	16.7
DPS (€)	0.12	0.09	0.11	0.12				
Yield (%)	2.3	1.8	2.1	2.4				
FCF (m €)	-1.4	0.0	5.7	8.0				

Source: TPICAP Midcap

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Sales	33.7	46.7	58.8	64.5	70.2	74.4
Changes (%)	31.2	38.4	25.9	9.7	8.9	6.0
Gross profit	20.1	27.2	36.8	39.7	43.5	46.4
% of Sales	59.7	58.3	62.6	61.6	62.0	62.3
<b>EBITDA</b>	<b>5.4</b>	<b>7.9</b>	<b>11.7</b>	<b>11.8</b>	<b>13.7</b>	<b>15.1</b>
% of Sales	15.9	16.9	19.8	18.3	19.5	20.3
<b>Current operating profit</b>	<b>2.8</b>	<b>5.5</b>	<b>8.8</b>	<b>8.4</b>	<b>10.0</b>	<b>11.3</b>
% of Sales	8.4	11.8	15.0	13.1	14.3	15.1
EBIT	2.8	5.5	8.8	8.4	10.0	11.3
Net financial result	-0.7	-0.3	-0.1	-0.3	-0.3	-0.3
Income Tax	-0.7	-1.1	-1.2	-2.3	-2.7	-3.1
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>1.4</b>	<b>4.2</b>	<b>7.5</b>	<b>5.9</b>	<b>7.0</b>	<b>7.9</b>
EPS	0.07	0.18	0.32	0.23	0.27	0.31
<b>Financial Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Goodwill	5.7	5.7	6.2	6.2	6.2	6.2
Tangible and intangible assets	8.8	13.1	15.5	19.8	20.7	20.0
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	21.3	21.8	22.3
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
<b>Assets</b>	<b>30.7</b>	<b>34.7</b>	<b>45.6</b>	<b>51.4</b>	<b>52.7</b>	<b>52.6</b>
Shareholders equity group	8.2	29.9	36.5	49.3	54.0	59.1
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	0.8	-2.5	-7.8
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>30.7</b>	<b>34.7</b>	<b>45.6</b>	<b>51.4</b>	<b>52.7</b>	<b>52.6</b>
Net debt excl. IFRS 16	17.0	1.0	4.5	-2.5	-5.8	-11.0
Gearing net	2.5	0.1	0.2	0.0	-0.0	-0.1
Leverage	4.0	0.4	0.7	0.1	-0.2	-0.5
<b>Cash flow statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
CF after elimination of net borrowing costs and taxes	4.0	6.7	11.1	9.3	10.7	11.8
$\Delta$ WCR	-1.7	-2.2	-8.0	-1.5	-0.4	-0.5
Operating cash flow	2.4	4.5	3.2	7.8	10.3	11.2
Net capex	-1.1	-5.3	-4.5	-7.7	-4.6	-3.2
FCF	1.2	-0.8	-1.4	0.0	5.7	8.0
Free Cash Flow excl IFRS 16	17.0	1.1	4.5	-2.5	-5.8	-11.0
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	5.9	-2.5	-4.4	0.0	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-3.0	-2.4	-2.8
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	7.0	3.4	5.2
ROA (%)	3.3%	6.4%	10.7%	6.9%	7.7%	8.1%
ROE (%)	17.5%	13.9%	20.7%	12.0%	13.0%	13.4%
ROCE (%)	7.0%	12.8%	16.8%	12.0%	13.8%	15.6%

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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.

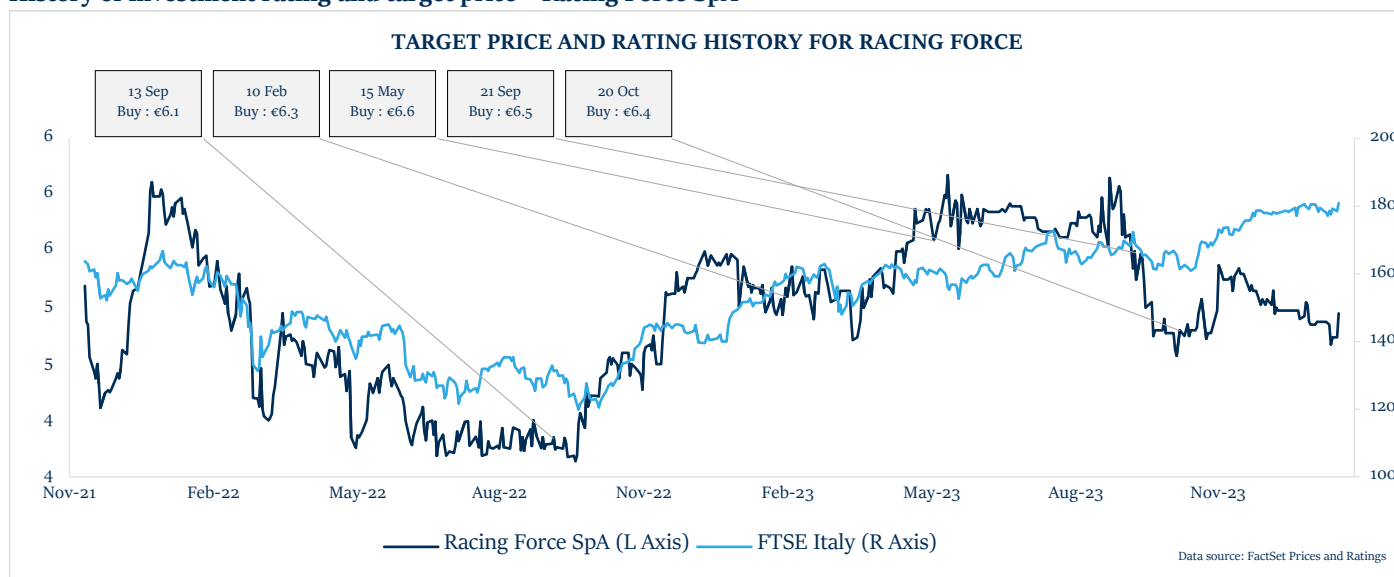
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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	81%	63%
Hold	16%	58%
Sell	1%	0%
Under review	2%	100%

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