

EQUITY RESEARCH

RACING FORCE SPA

RESULTS REVIEW

Press release

BUY

TP 6.2€ (vs 6.4€)

Up/Downside: 18%

A Complicated Year-End

Yesterday after market close, Racing Force released its 2023 revenue figures, which came in at €62.6m (+6.4%), below our estimates of €64.5m (+9.7%). The group ended the year with a challenging Q4 (€12.8m; -4.2% yoy), particularly in the AMER region, as it did for the year as a whole.

Racing Force reported a challenging end to the year, with revenue for the last three months down by 4.2% to €12.8m, a rare occurrence. Total Q4 revenue amounted to €62.6m (+6.4% yoy).

While Q4's underperformance in the US market came as no surprise, seems more significant than expected. Whereas the group was reporting a 0.6% H1 decline and a 3.1% fall at 9M, the FY figures came in at 7.8%, implying a sharp double-digit fall at the end of the year. While the group once again mentioned the effects of a one-off order placed last year (which was concentrated in H1) and the depreciation of the dollar vs. the euro, without which growth would have amounted to 4.5%, the distributors' destocking was fully felt. The EMEA and APAC regions remain the group's growth drivers, ending the FY showing growth of 11.2% and 15% respectively.

Regarding the outlook, it is still too early to have visibility for FY 2024; all eyes will once again be on the US zone. After a 2023 marked by distributor destocking, 2024 should theoretically benefit from an easier base effect. Q1 is the group's most important quarter of the year and should serve as the initial indicator of whether or not US orders are picking up. H2 will present an even easier base effect (thanks to the greater decline not including the impact of 2022's one-off order).

Following this publication, our 2023 profitability estimates have been lowered. We are now expecting an EBITDA margin of 15.4% (vs. 18.3% previously). Our 2024 scenario has also been revised, now calling for a more cautious view of the US zone, suggesting top-line growth of 7.4% (vs. 8.9% previously) accompanied by an EBITDA margin of 17.1% (vs. 19.5% previously). Following these adjustments, our TP has been downgraded to €6.2 (vs. €6.4 previously). We are reiterating our Buy rating.

Key data

Price (€)	5.2
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	134.7
Next event	FY23 Results - 3/28

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	0.17	0.21	0.25
Change vs previous estimates (%)	-26.36	-21.81	-19.22

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.4	2.3	1.2
Rel FTSE Italy	-1.0	0.7	-1.4



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	62.6	67.4	71.2	EV/Sales	2.2	2.0	1.8
Current Op Inc (m €)	8.8	6.3	7.9	9.2	EV/EBITDA	14.2	11.6	10.0
Current op. Margin (%)	15.0	10.0	11.7	12.8	EV/EBIT	21.8	16.9	14.1
EPS (€)	0.32	0.17	0.21	0.25	PE	31.0	24.5	21.0
DPS (€)	0.12	0.07	0.09	0.10				
Yield (%)	2.2	1.3	1.6	1.9				
FCF (m €)	-1.4	-1.3	5.5	6.3				

Source: TPICAP Midcap

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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	62.6	67.4	71.2
Changes (%)	31.2	38.4	25.9	6.4	7.7	5.7
Gross profit	20.1	27.2	36.8	37.7	40.6	43.0
% of Sales	59.7	58.3	62.6	60.2	60.2	60.4
EBITDA	5.4	7.9	11.7	9.6	11.5	12.9
% of Sales	15.9	16.9	19.8	15.4	17.1	18.1
Current operating profit	2.8	5.5	8.8	6.3	7.9	9.2
% of Sales	8.4	11.8	15.0	10.0	11.7	12.8
EBIT	2.8	5.5	8.8	6.3	7.9	9.2
Net financial result	-0.7	-0.3	-0.1	-0.3	-0.3	-0.3
Income Tax	-0.7	-1.1	-1.2	-1.7	-2.1	-2.5
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
Net profit, group share	1.4	4.2	7.5	4.3	5.5	6.4
EPS	0.07	0.18	0.32	0.17	0.21	0.25
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	19.6	20.4	19.7
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	20.6	21.3
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
Assets	30.7	34.7	45.6	51.2	51.2	51.3
Shareholders equity group	8.2	29.9	36.5	47.7	51.5	55.7
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	2.2	-1.6	-5.7
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
Liabilities	30.7	34.7	45.6	51.2	51.2	51.4
Net debt excl. IFRS 16	17.0	1.0	4.5	-1.1	-4.9	-9.0
Gearing net	2.5	0.1	0.2	0.0	-0.0	-0.1
Leverage	4.0	0.4	0.7	0.2	-0.1	-0.4
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	7.7	9.1	10.1
Δ WCR	-1.7	-2.2	-8.0	-1.5	0.8	-0.8
Operating cash flow	2.4	4.5	3.2	6.2	9.9	9.4
Net capex	-1.1	-5.3	-4.5	-7.5	-4.4	-3.1
FCF	1.2	-0.8	-1.4	-1.3	5.5	6.3
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	5.9	-2.5	-4.4	0.0	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-3.0	-1.7	-2.2
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	5.6	3.8	4.1
ROA (%)	3.3%	6.4%	10.7%	5.2%	6.2%	6.9%
ROE (%)	17.5%	13.9%	20.7%	9.1%	10.7%	11.5%
ROCE (%)	7.0%	12.8%	16.8%	9.0%	11.2%	13.0%

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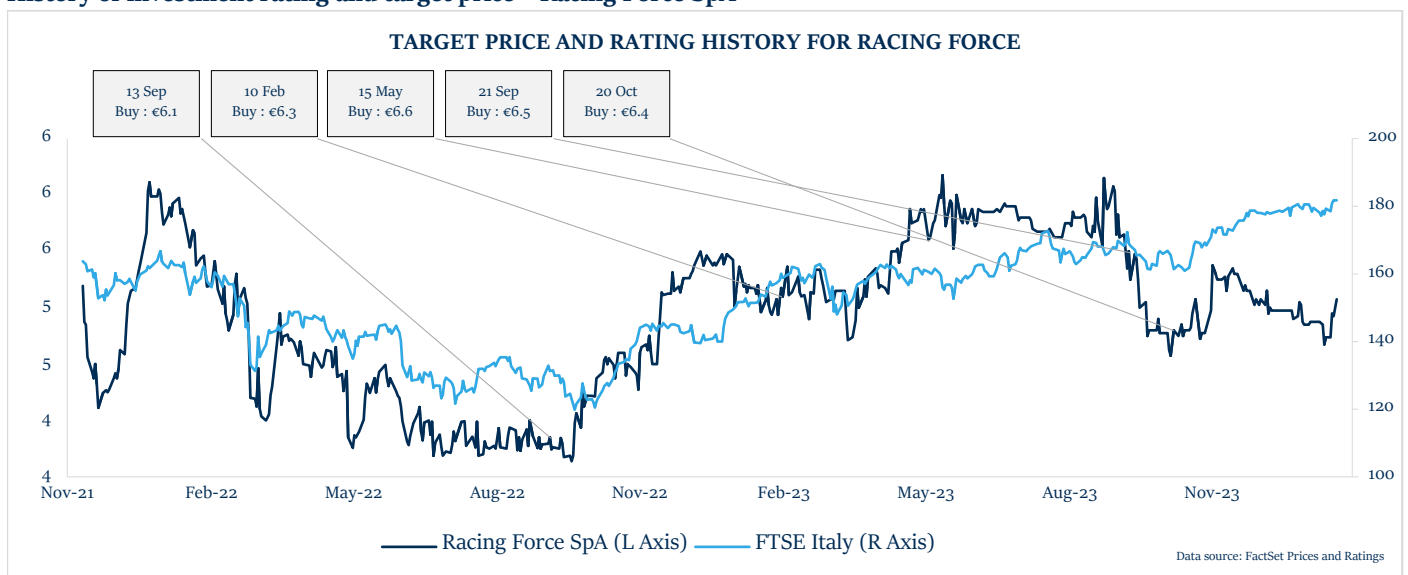
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Hold	16%	56%
Sell	1%	0%
Under review	2%	100%

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