

EQUITY RESEARCH

RACING FORCE SPA
NEWS

BUY

TP 6.2€

Up/Downside: 47%

Back on the Starting Line

We had the pleasure of visiting the Racing Force group's Bahrain production site, the temple of the Bell brand, where all the brand's helmets are produced. The visit was also an opportunity for us to put the spotlight back on the company, whose stock has fallen by almost 20% since announcing its 2023 revenue figures, highlighting the significant upside that has been invisible since we initiated our coverage.

With almost 400 employees, the Sakhir production site is the largest in the Racing Force group. It is here that all Bell products are produced, a brand with the most internalised value chain in the group, since everything is done in Sakhir, from R&D to production, including design and homologation, for a total cycle time of 14 days. With production capacity rising from 100 helmets a day to more than 200 on certain days, the Bahrain site is one of the main witnesses to the strong growth recorded by the group, which has seen its revenue almost double between 2020 and 2024.

With a fall of almost 20% since the presentation of its 2023 revenue, the share price has almost returned to its lowest levels, leaving room for a potential revaluation that has been better observed since we initiated coverage. The US market will obviously be one of the main areas of focus for 2024. Although the timing of the recovery in the US market remains uncertain, after a year of destocking by US distributors in 2023 and felt by all players in the sector, the opposite phenomenon is bound to occur sooner or later. For the record, the US represents the group's most important growth lever in its core business, as it is the world leader, but only #3 in the North American market. The recently announced partnership with Team Penske is fully in line with the group's market development strategy. Finally, while the valuation multiples may not seem cheap, they do not yet include the group's various diversification projects, which have huge potential: US Air Force Helmet, Gladiator Helmet, Riot Helmet, deployment of Driver's Eye in other sports. Although it is still difficult to quantify precisely the potential benefits of these projects, the sheer number of projects and their advanced development (with certification still expected in H2 for Gladiator and Riot Helmet) confirm the low-risk profile of the group's diversification. We believe that the temporary weakness in the US market offers an attractive entry point for the share. We therefore reiterate our Buy rating on the stock while reiterating our TP of €6.2.

Key data

Price (€)	4.2
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	108.7
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 (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.2	-18.7	-18.3
Rel FTSE Italy	-0.6	-23.8	-24.9



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	1.8	1.6	1.4
Current Op Inc (m €)	8.8	6.3	7.9	9.2	EV/EBITDA	11.5	9.3	8.0
Current op. Margin (%)	15.0	10.0	11.7	12.8	EV/EBIT	17.7	13.6	11.3
EPS (€)	0.32	0.17	0.21	0.25	PE	25.1	19.8	17.0
DPS (€)	0.12	0.07	0.09	0.10				
Yield (%)	2.8	1.6	2.0	2.4				
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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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.

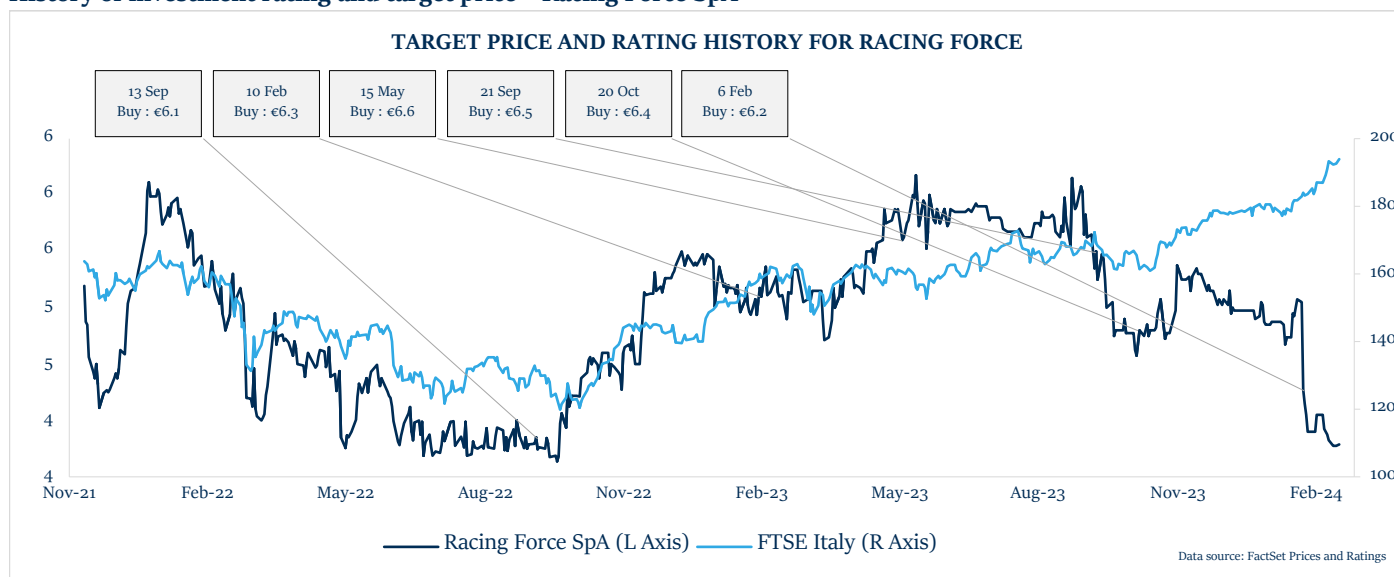
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History of investment rating and target price – Racing Force SpA



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Hold	16%	60%
Sell	1%	0%
Under review	1%	100%

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