

EQUITY RESEARCH

RACING FORCE SPA

NEWS

Press release

BUY

TP 6.4€ (vs 6.2€)

Up/Downside: 66%

Capital Increase of €7.5m

This morning, Racing Force announced a successful capital increase of €7.5m following yesterday's launch. The operation led to the entry of the Bahrain sovereign fund into its capital as the group continues to expand into this region. It was carried out at a price of €4.43 for a 14.5% premium vs. last night's closing price.

1,690,135 new shares were added to the company's share capital, which is now composed of 27,389,333 shares.

The funds, raised mainly from the Bahrain sovereign fund, which now represents approximately 1.6% of the group's capital (€2m) as well as from Axon for €5m, will enable Racing Force to have a second factory on Bahraini territory. This second production unit will also be located in the space surrounding the Bahrain International Circuit, owned by BIC (Bahrain International Circuit), in front of the one the group currently uses. Racing Force mentioned in its press release that discussions on the final details are underway with the aim of signing the agreement with BIC by the end of the year; BIC will own the factory just like the one currently used. The timing of this operation is the result of the opportunity to take advantage of a second factory in this strategic and highly in-demand location which is the object of numerous projects by BIC. The new factory, whose construction should take two years, will be dedicated to strategic product lines for which the group currently does not have enough production capacity. This additional unit should allow RFG's internal production to increase from around 60% to 80%, with a naturally beneficial effect on the group's gross margin.

Following this operation, we are adjusting our CAPEX expectations for FY 2025 and FY 2026 to €6.5m (vs. €5.6m previously) and €8.2m (vs. €4.1m previously), for a total cost increased to €5m. These costs could rise to €6.5m in the event of strong demand for the products concerned. After taking into account the adjustments, the funds raised, the new number of shares and the update of our market parameters, our TP has been upgraded to €6.4 (vs. €6.2 previously). We reiterate our Buy rating on Racing Force with a revaluation potential that has never been so strong.

Key data

Price (€)	3.9
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	98.9
Next event	FY23 Results - 3/28

Source: FactSet

Ownership (%)

SAYE S.p.A	49.5
GMP Investments Holdings Limited	4.7
Free float	45.8

Source: TPICAP Midcap estimates

EPS (€)

	12/23e	12/24e	12/25e
Estimates	0.18	0.15	0.21
Change vs previous estimates (%)	0.00	-6.16	-7.55

Source: TPICAP Midcap estimates

Performance (%)

	1D	1M	YTD
Price Perf	0.3	-1.5	-25.7
Rel FTSE Italy	0.6	0.6	-33.7



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	62.7	65.6	70.5	EV/Sales	1.7	1.7	1.5
Current Op Inc (m €)	8.8	6.2	6.1	8.6	EV/EBITDA	11.1	10.4	7.8
Current op. Margin (%)	15.0	9.9	9.3	12.2	EV/EBIT	17.2	18.0	12.5
EPS (€)	0.32	0.18	0.15	0.21	PE	21.0	26.1	18.1
DPS (€)	0.11	0.09	0.06	0.08				
Yield (%)	2.9	2.3	1.5	2.2				
FCF (m €)	-1.4	-5.1	-0.4	5.6				

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	62.7	65.6	70.5
Changes (%)	31.2	38.4	25.9	6.6	4.6	7.5
Gross profit	20.1	27.2	36.8	38.7	40.7	44.5
% of Sales	59.7	58.3	62.6	61.7	62.0	63.1
EBITDA	5.4	7.9	11.7	9.6	10.6	13.7
% of Sales	15.9	16.9	19.8	15.4	16.2	19.4
Current operating profit	2.8	5.5	8.8	6.2	6.1	8.6
% of Sales	8.4	11.8	15.0	9.9	9.3	12.2
EBIT	2.8	5.5	8.8	6.2	6.1	8.6
Net financial result	-0.7	-0.3	-0.1	-0.5	-0.5	-0.5
Income Tax	-0.7	-1.1	-1.2	-1.0	-1.6	-2.2
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
Net profit, group share	1.4	4.2	7.5	4.7	4.0	5.8
EPS	0.07	0.18	0.32	0.18	0.15	0.21
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	19.4	25.1	27.2
Right of Use	4.1	2.4	3.1	3.7	3.7	3.7
Financial assets	1.8	0.4	0.3	0.8	0.8	0.8
Working capital	10.0	12.5	19.8	26.9	26.2	25.1
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
Assets	30.7	34.7	45.6	57.6	62.7	63.7
Shareholders equity group	8.2	29.9	36.5	48.5	50.1	54.3
Minorities	0.3	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.0	1.2	1.3	1.5	1.5	1.5
Net debt	21.2	3.5	7.8	7.6	11.1	7.9
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
Liabilities	30.7	34.7	45.6	57.6	62.7	63.7
Net debt excl. IFRS 16	17.0	1.0	4.5	3.7	7.3	4.0
Gearing net	2.5	0.1	0.2	0.2	0.2	0.1
Leverage	4.0	0.4	0.7	0.8	1.0	0.6
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	8.1	8.5	10.9
Δ WCR	-1.7	-2.2	-8.0	-7.0	0.6	1.1
Operating cash flow	2.4	4.5	3.2	1.1	9.2	12.0
Net capex	-1.1	-5.3	-4.5	-6.2	-9.5	-6.5
FCF	1.2	-0.8	-1.4	-5.1	-0.4	5.6
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	-4.5	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-2.3	-2.5	-1.6
Repayment of leasing debt	-0.7	-0.3	-0.7	-0.7	-0.7	-0.7
Equity Transaction	0.5	18.8	0.0	9.7	0.0	0.0
Others	-3.6	-0.4	0.1	-0.2	0.0	0.0
Change in net cash over the year	3.3	13.5	-8.1	-3.1	-3.6	3.2
ROA (%)	3.3%	6.4%	10.7%	6.0%	5.0%	6.7%
ROE (%)	17.5%	13.9%	20.7%	9.7%	8.1%	10.7%
ROCE (%)	7.0%	12.8%	16.8%	9.1%	7.3%	9.9%

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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.
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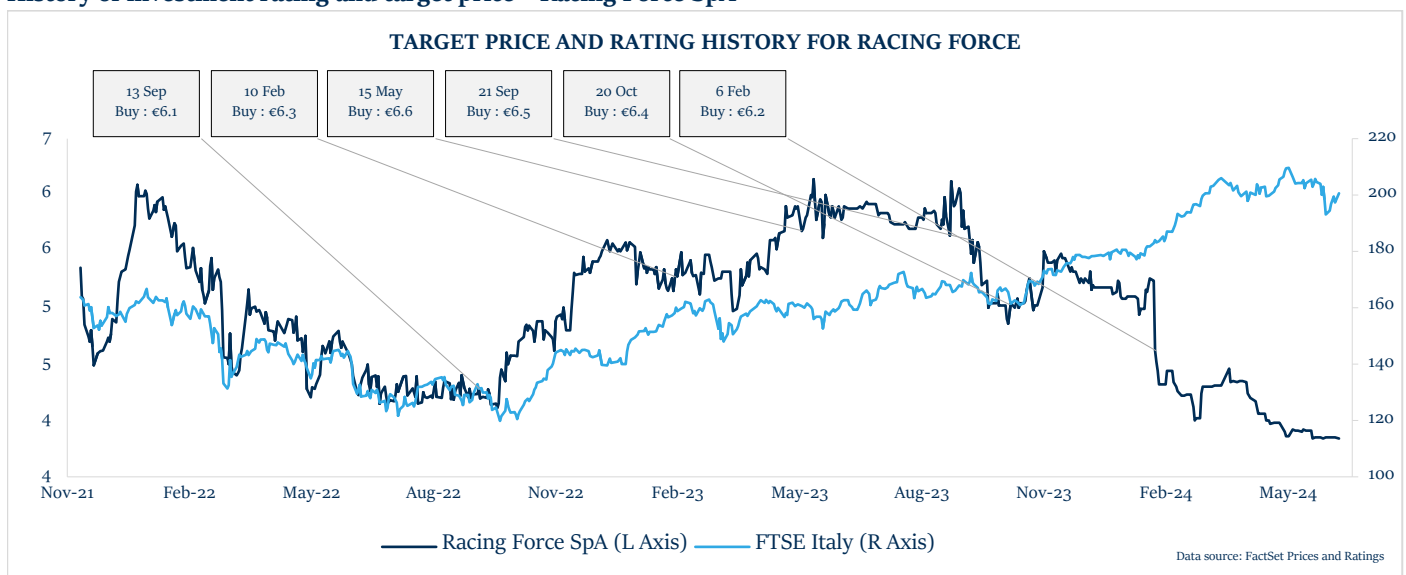
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History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	81%	66%
Hold	16%	58%
Sell	1%	0%
Under review	2%	100%

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