

EQUITY RESEARCH

RACING FORCE SPA

RESULTS REVIEW

Press release

BUY

TP 6.4€

Up/Downside: 48%

Solid

Racing Force reported its half year results yesterday, showing an EBITDA of €8.2 million, perfectly in line with our expectations and reflecting 3% year-over-year growth alongside strong cash generation. Management also provided an update on current trading, announcing mid-single-digit order book growth at the start of the second half of the year.

After previously announcing sales of €37.6 million (+1% year-over-year), Racing Force released its six-month results last night. EBITDA came in at €8.2 million (compared to €7.9 million in H1 2023), matching our expectations, with an EBITDA margin of 21.7% (up from 21.3% in H1 2023). This slight growth resulted from the company's efforts, particularly in reducing logistics and distribution costs.

The company also demonstrated strong cash generation, with operational cash flow of €7.1 million (87% of EBITDA), driven in part by a positive working capital effect, broadly in line with our expectations for the full year. Free cash flow (FCF) amounted to €2.9 million, slightly exceeding our expectations due to lower-than-anticipated CAPEX. Net debt shifted from €3.2 million to a net cash position of €4.6 million, thanks to the factors mentioned above and the €7.5 million capital increase completed last June.

Management took the opportunity to provide an update on current trading, citing mid-single-digit growth in the order book at the start of H2, consistent with what was announced at the end of H1. While this aligns with our 2024 expectations, the publication of Q3 sales will allow us to refine, if needed, our annual forecast. We will pay close attention to developments in the U.S., which showed signs of recovery towards the end of H1 and will benefit from more favorable base effects in H2, as well as the potential first contribution from the LIFT project this year. Earlier this month, the company announced it had received the first order linked to this contract, with an initial contribution expected in the next months.

Following this publication, we are slightly adjusting our cash generation forecast for the year by lowering the CAPEX envelope. Aside from this, our estimates remain unchanged, as does our target price and BUY recommendation on the stock.

Management will hold a presentation call this morning at 10 a.m.

Key data

Price (€)	4.3
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	111.3
Next event	Turnover Q3 - 10/22/2024

Source: FactSet

Ownership (%)

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

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	0.15	0.21	1.00
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.0	7.7	-16.4
Rel FTSE Italy	-0.5	6.5	-27.0



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	62.7	65.6	70.5	74.8	EV/Sales	1.7	1.6	1.5
Current Op Inc (m €)	6.2	6.2	8.6	8.7	EV/EBITDA	10.8	8.3	7.6
Current op. Margin (%)	9.9	9.5	12.2	11.6	EV/EBIT	18.3	13.2	13.0
EPS (€)	0.18	0.15	0.21	1.00	PE	28.7	20.4	4.3
DPS (€)	0.09	0.06	0.09	0.09	Source: TPICAP Midcap			
Yield (%)	2.1	1.4	2.0	2.0				
FCF (m €)	-5.1	0.4	3.3	3.2				

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	46.7	58.8	62.7	65.6	70.5	74.8
Changes (%)	38.4	25.9	6.6	4.6	7.5	6.2
Gross profit	27.2	36.8	38.7	40.7	44.5	47.3
% of Sales	58.3	62.6	61.7	62.0	63.1	63.2
EBITDA	7.9	11.7	9.6	10.6	13.7	14.9
% of Sales	16.9	19.8	15.4	16.2	19.4	19.9
Current operating profit	5.5	8.8	6.2	6.2	8.6	8.7
% of Sales	11.8	15.0	9.9	9.5	12.2	11.6
EBIT	5.5	8.8	6.2	6.2	8.6	8.7
Net financial result	-0.3	-0.1	-0.5	-0.5	-0.5	-0.5
Income Tax	-1.1	-1.2	-1.0	-1.6	-2.3	-2.3
Tax rate (%)	20.4	13.4	27.9	27.9	27.9	27.9
Net profit, group share	4.2	7.5	4.7	4.1	5.8	5.9
EPS	0.18	0.32	0.18	0.15	0.21	1.00
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	5.7	6.2	6.2	6.2	6.2	6.2
Tangible and intangible assets	13.1	15.5	19.4	24.4	27.2	31.1
Right of Use	2.4	3.1	3.7	3.7	3.7	3.7
Financial assets	0.4	0.3	0.8	0.8	0.8	0.8
Working capital	12.5	19.8	26.9	26.2	26.7	27.3
Other Assets	0.7	0.6	0.6	0.6	0.6	0.6
Assets	34.7	45.6	57.6	62.0	65.3	69.8
Shareholders equity group	29.9	36.5	48.5	57.6	61.7	65.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.2	1.3	1.5	1.5	1.5	1.5
Net debt	3.5	7.8	7.6	3.0	2.0	1.9
Other liabilities	0.1	0.0	0.0	0.0	0.0	1.0
Liabilities	34.7	45.6	57.6	62.0	65.3	69.8
Net debt excl. IFRS 16	1.0	4.5	3.7	-0.9	-1.8	-2.0
Gearing net	0.1	0.2	0.2	0.1	0.0	0.0
Leverage	0.4	0.7	0.8	0.3	0.1	0.1
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	6.7	11.1	8.1	8.5	10.9	12.1
Δ WCR	-2.2	-8.0	-7.0	0.6	-0.4	-0.7
Operating cash flow	4.5	3.2	1.1	9.1	10.5	11.5
Net capex	-5.3	-4.5	-6.2	-8.7	-7.2	-8.2
FCF	-0.8	-1.4	-5.1	0.4	3.3	3.2
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	-2.5	-4.4	-4.5	0.0	0.0	0.0
Dividends paid	-1.3	-1.7	-2.3	-2.5	-1.7	-2.3
Repayment of leasing debt	-0.3	-0.7	-0.7	-0.7	-0.7	-0.7
Equity Transaction	18.8	0.0	9.7	7.3	0.0	0.0
Others	-0.4	0.1	-0.2	0.0	0.0	0.0
Change in net cash over the year	13.5	-8.1	-3.1	4.6	0.9	0.2
ROA (%)	6.4%	10.7%	6.0%	4.7%	6.2%	6.0%
ROE (%)	13.9%	20.7%	9.7%	7.2%	9.4%	9.0%
ROCE (%)	12.8%	16.8%	9.1%	7.5%	9.7%	9.2%

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This Report may mention evaluation methods defined as follows:

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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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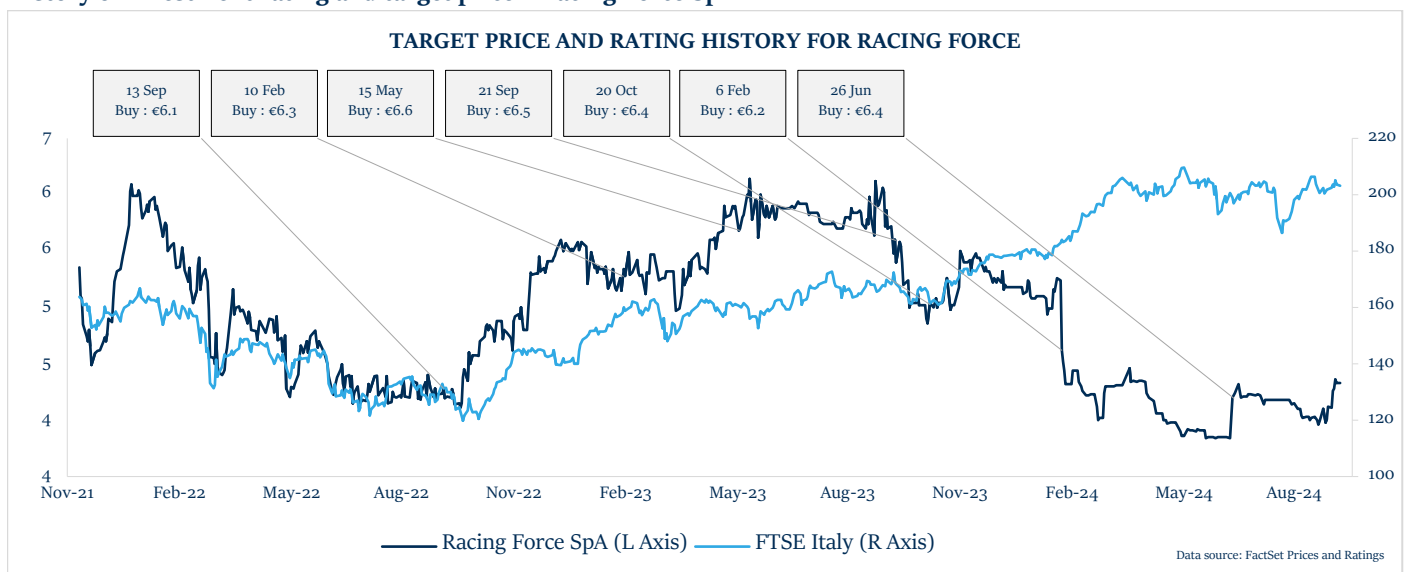
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History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	79%	65%
Hold	18%	66%
Sell	2%	0%
Under review	1%	100%

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