

VOTE NOW

CAST YOUR VOTE FOR EQUITA  
IN THE 2024 DEVELOPED  
EUROPE RESEARCHINSTITUTIONAL  
INVESTORItaly: Research  
Italy: Small&Mid Caps  
Italy: Trading & Execution  
Italy: Sales  
Italy: Corporate AccessPOLLING: APRIL 2<sup>nd</sup> - 26<sup>th</sup>, 2024

# RACING FORCE

## Earnings Review

**BUY ord.** (Unchanged)Target: **€ 6.00** (Unchanged)

Risk: High

STOCKDATA	ORD		
Price (as of 28 Mar 2024)	4.4		
Bloomberg Code	RFG IM		
Market Cap (€ mn)	112		
Free Float	47%		
Shares Out (mn)	25.7		
52 week Range	€ 3.9 - 6.0		
Daily Volume	14,202		
<b>Performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>1Y</b>
Absolute	3.6	-16.2	-12.8
Rel to FTSE Italia All-Share	-1.8	-26.3	-30.8
<b>MAIN METRICS</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
SALES Adj	62.7	65.0	70.7
EBITDA Adj	9.6	10.4	12.0
EBIT Adj	6.3	6.4	7.7
NET INCOME Adj	5.1	4.6	5.6
EPS Adj - €	19.8	17.8	21.6
DPS Ord - €	9.0	9.0	10.9
<b>MULTIPLES</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
P/E ord Adj	26.6x	24.5x	20.2x
EV/EBITDA Adj	15.0x	12.6x	10.9x
EV/EBIT Adj	22.8x	20.5x	17.1x
<b>REMUNERATION</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
Div. Yield ord (A)	1.6%	2.1%	2.5%
FCF Yield Adj	-4.2%	-2.2%	1.5%
<b>INDEBTEDNESS</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
NFP Adj	-7.1	-16.9	-17.4
NFP ex-IFRS16	-3.2	-7.9	-8.6
D/Ebitda Adj	0.7x	1.6x	1.5x

### PRICE ORD LAST 365 DAYS

Analyst: Domenico Ghilotti  
d.ghilotti@equita.eu | +39 02 6204.249

## MOMENTUM IMPROVING, WHILE INVESTING FOR GROWTH PROJECTS

**FY23 results in line in terms of profitability, while NFP impacted by NWC. Good start to the year with close to 10% order growth. We confirm our 2026 expectations, supported by progress on core business and diversification projects that will drive 2024 investments. Stock is not cheap, but rich of growth drivers not fully reflected in our estimates.**

■ **FY23 in line with expectations in terms of profitability. NFP impacted by NWC**  
Racing Force had already disclosed FY23 sales, up by 6.4% to € 62.7mn (+7.0% cFX). FY23 profitability was in line with expectations revised at the end of January, with gross margin staying close to 62% (61.7% in FY23 or 61.5% in 2H23 from 61.8% in 1H23) and operating costs stabilizing after the significant jump in 2H22/1H23 (from +30% YoY in 1H23 to +4% in 2H23).

**The only weaker element was NFP**, at € -7.1mn including leases (vs. € -4.8mn expected) or € -3.2mn excluding leases (€ -1.7mn expected), due to net working capital absorption (€ +6.8mn), mainly related to inventory (€ +3.5mn).

- **Gross margin:** € 38.7mn (margin 61.7%, in line with expectations);
- **Adj. EBITDA:** € 9.6mn vs. € 9.5mn expected (margin 15.4% vs. 15.2% exp.);
- **Adj. NI:** € 4.8mn vs. € 4.6mn expected.

■ **Current trading highlights a rebound post 4Q23, supporting 2024 outlook**  
**Net of the expected lower contribution in 1Q24 from Racing Spirits** (the performance apparel brand), which in 1Q23 benefited from two large orders worth around € 1mn from important clients, **management sees stable revenues in 1Q24**. The different revenue mix, with higher % of sales from motorsport, should support profitability. Furthermore, management indicated a **positive trend in order intake in 1Q24, close to double digit**, driven by EMEA but quite well spread across geographies and products. **These messages indicate a rebound in top-line momentum after the weaker 4Q23, as confirmed by management expectation of growth in sales and profitability in FY24**, despite still relevant ongoing investments to support m/t prospects.

■ **Estimate revision: 2026 confirmed, with fine tuning on 2024-25 trajectory**  
We have fine-tuned top-line estimates, trimming 2024-25-26 by -2%, -2.5% and -1.5% respectively, with contribution from diversification projects still **limited to the ramp-up of the Lift agreement for US jet pilot helmets**. We see a **recovery in EBITDA margin**, with margin up by 60ps in 2024 to 16.0% (vs. previous 16.1%) and to 17.0% in 2025 (vs. previous 17.3%), with 2026 as the first year at almost full potential (18.6% margin vs. previous 18.2%).

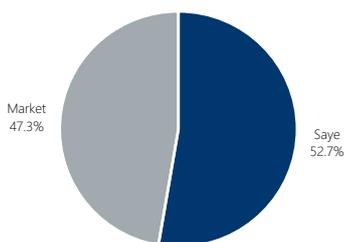
**We have brought forward CAPEX related to Ronco Scrivia to 2024** (though we still see some risk of CAPEX partially shifting to 2025), raising 2024 CAPEX to € 10.7mn from € 7.3mn and lowering 2025 CAPEX to € 4.5mn from previous € 6.6mn. At IFRS-16 level, we have factored in the new long-term lease agreement with BIC (Bahrain International Circuit) for the extended space as of the end of 2024, with debt related to leases moving from € 3.9mn in FY23 to € 9.0mn in FY24. This, together with higher CAPEX and lower FY23 base, explains the increase in **NFP to € -16.9mn in 2024** (€ -7.9mn ex IFRS-16) from previous € -5.5mn.

■ **BUY confirmed. Not cheap, but rich of growth drivers, not fully reflected in estimates**  
RFG is trading at 13x-11-9x EV/EBITDA and 24x-20-16x Adj. PE 2024-25-26. **Multiples are not cheap, but we think RFG has m/t growth options stronger than most peers** (and just partially reflected in our m/t estimates) **and in a much more mature phase of development compared to the time of the IPO**. For this reason, we think that premium multiples on 2024-25 numbers are deserved and we stick to our BUY recommendation. **We confirm a target of € 6.0PS, based on a DCF target of € 5.2PS for the explicit estimates and € 0.7PS for the diversification potential.**

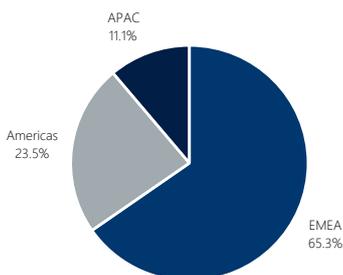
MAIN FIGURES - EURmn	2021	2022	2023	2024E	2025E	2026E
SALES Adj	46.7	58.9	62.7	65.0	70.7	76.9
Growth	38.4%	26.1%	6.4%	3.7%	8.8%	8.8%
EBITDA Adj	9.0	11.7	9.6	10.4	12.0	14.3
Growth	66.9%	30.6%	-17.7%	8.1%	15.2%	19.1%
EBIT Adj	6.6	8.8	6.3	6.4	7.7	9.7
Growth	130.6%	34.7%	-28.7%	1.2%	20.4%	25.8%
Net Income Adj	4.9	7.6	5.1	4.6	5.6	7.2
Growth	243.1%	53.5%	-32.7%	-10.0%	21.5%	29.5%
MARGIN - %	2021	2022	2023	2024E	2025E	2026E
EBITDA Adj Margin	19.2%	19.8%	15.4%	16.0%	17.0%	18.6%
Ebit Adj margin	14.1%	15.0%	10.1%	9.8%	10.9%	12.6%
Net Income Adj margin	10.6%	12.9%	8.1%	7.1%	7.9%	9.4%
SHARE DATA	2021	2022	2023	2024E	2025E	2026E
EPS Adj - €c	25.1	31.8	19.8	17.8	21.6	28.0
Growth	236.6%	26.9%	-37.8%	-10.0%	21.5%	29.5%
DPS ord(A) - €c	7.0	9.0	9.0	9.0	10.9	14.2
BVPS	1.3	1.5	1.9	2.0	2.1	2.3
VARIOUS	2021	2022	2023	2024E	2025E	2026E
Capital Employed	34.3	45.5	57.1	69.2	72.9	75.7
FCF	-0.8	-2.7	-5.9	-2.4	1.7	4.2
CAPEX	5.3	4.3	6.2	10.7	4.5	4.8
Working capital	12.4	19.9	26.9	25.8	28.1	32.6
INDEBTNESS	2021	2022	2023	2024E	2025E	2026E
Nfp Adj	-3.2	-7.7	-7.1	-16.9	-17.4	-15.8
D/E Adj	0.11	0.21	0.15	0.33	0.32	0.27
Debt / EBITDA Adj	0.4x	0.7x	0.7x	1.6x	1.5x	1.1x
NFP ex-IFRS16	-0.7	-4.4	-3.2	-7.9	-8.6	-7.2
Interest Coverage	28.6x	117x	18.8x	15.8x	21.9x	33.5x
MARKET RATIOS	2021	2022	2023	2024E	2025E	2026E
P/E Ord Adj	23.9x	17.3x	26.6x	24.5x	20.2x	15.6x
PBV	4.0x	3.1x	2.9x	2.2x	2.1x	1.9x
EV FIGURES	2021	2022	2023	2024E	2025E	2026E
EV/Sales	3.1x	2.4x	2.3x	2.0x	1.9x	1.7x
EV/EBITDA Adj	16.4x	12.0x	15.0x	12.6x	10.9x	9.1x
EV/EBIT Adj	22.4x	15.8x	22.8x	20.5x	17.1x	13.4x
EV/CE	4.3x	3.1x	2.5x	1.9x	1.8x	1.7x
REMUNERATION	2021	2022	2023	2024E	2025E	2026E
Div. Yield ord	1.4%	1.9%	1.6%	2.1%	2.5%	3.2%
FCF Yield Adj	-0.8%	-2.4%	-4.2%	-2.2%	1.5%	4.3%
Roce Adj	14.1%	19.1%	10.2%	8.1%	8.4%	10.1%

Source: Company data and Equita SIM estimates

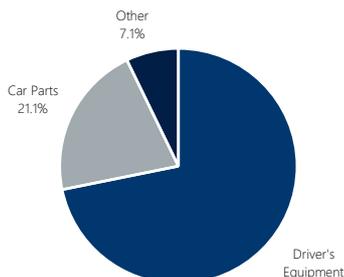
SHAREHOLDERS



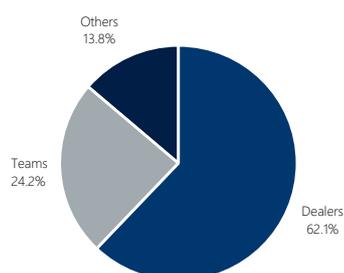
SALES BY GEOGRAPHY



SALES BY DIVISION



SALES BY CHANNEL



BUSINESS DESCRIPTION

**Racing Force Group is an international manufacturer** (born from the 2019 acquisition of Bell Helmets by OMP Racing) **active in the design, production and distribution of Motorsport Safety Equipment**, a small (>€250mn) but global niche within Motorsport, which mainly includes:

- **Driver's Equipment (72% of 2023 sales):** racing helmets, fire-retardant suits and underwear, racing shoes and gloves;
- **Car Parts (21% of 2023 sales):** racing seats, harnesses, roll bars, steering wheels, fire extinguisher systems, racing accessories.

**The Group's offer range includes OMP, Bell and Zeronoise branded products** (more than 2,000 items), which are split between **homologated** (c70% of revenues) and **not homologated** (c30% of revenues) ones. RFG also produces and distributes performance apparel under the Racing Spirits brand. RFG owns the OMP, Racing Spirits and Zeronoise brands and the perpetual worldwide licenses to use the Bell trademark in connection with the development, manufacturing and distribution of motorsport helmets.

With **2023 revenues of € 62.7mn**, a 2019pf-23 **14% organic CAGR** and a **2023 Adj. EBITDA margin of 15.3%**, the Group today boasts an international footprint, with **sales in 80 countries**, more than **550 employees** located in **8 facilities worldwide in 3 different continents** (o/w, 3 production sites, 3 R&D centers and 6 show-rooms) and, most importantly, a winning and consolidated presence in all major motorsport championships (70% of Formula 1 drivers wear Bell Helmets and 75% of WCR drivers wear OMP Suits). Revenues are **extremely diversified** in terms of **customers (3,400+ customers** worldwide, with the top 10 customers accounting for less than 25% of sales in 2022, of which just one weighting for more than 5%), **and geographies** (sales in 80 countries with no countries, except US, accounting for more than 20% of total sales in 2023), and are mainly generated indirectly through **independent Dealers (62% of 2023 sales)**, and directly to top **Teams and Car Manufacturers (24% of 2023 sales)**.

The group has also embarked in interesting and promising diversification projects:

- **Driver's Eye:** a micro-camera fitted in a special niche inside the helmet, the sole technology homologated by FIA, allowing to film the race "through the eyes of the driver" and already adopted by Formula 1, Nascar, SuperCars and Formula E.
- **Jet Pilot Helmet's Shell and Special Force and Police Riot Head Protection:** new products with advanced technical performances positioning RFG as a credible player in these new markets.

**Key managers are Paolo Delprato (Chairman and CEO), Stephane Cohen (co-CEO), Alexandros Haristos (COO), Roberto Ferroggiaro (CFO).**

**The company is controlled by SAYE, the holding company of the Delprato family, owning 52.7% of the capital.** Key managers are also present in the share capital.

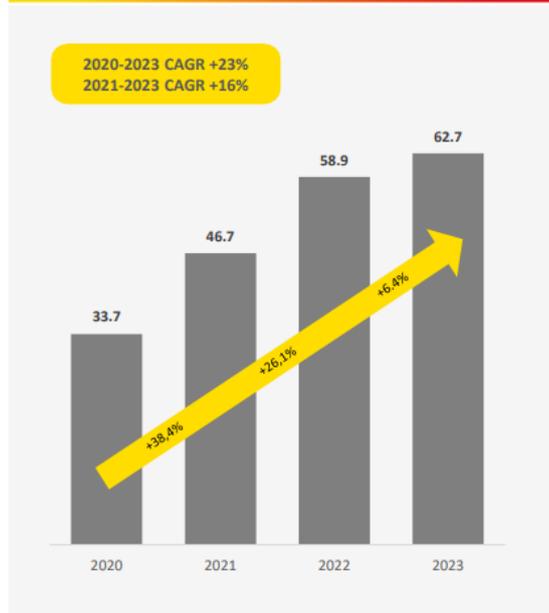
STRENGTHS / OPPORTUNITIES	WEAKNESSES /THREATS
<ul style="list-style-type: none"> <li>- Premium, well-known and historical brands, with outstanding reputation</li> <li>- R&amp;D know-how and almost fully vertical integrated supply chain and manufacturing</li> <li>- Low suppliers and customer concentration</li> <li>- Commercial synergies post Bell Helmet acquisition: increase of OMP branded products reach in NA, and increase of Bell helmets penetration in open-face categories</li> <li>- Diversification in adjacent markets (e.g. Special Force and Police Riot Helmets, Jet Pilot Helmets)</li> <li>- Scalability of Driver's Eye technology in core and adjacent markets</li> </ul>	<ul style="list-style-type: none"> <li>- Niche market with moderate growth rates</li> <li>- Quite consolidated core market, with c70% in the hands of 3 players</li> <li>- Disruptive innovations from competitors, mainly in terms of technologies or products performances</li> <li>- Reputational damage from product failures / quality leaks</li> <li>- Higher competitions in top categories from larger non "core" players such as Puma</li> <li>- Limited track record outside of Motorsport</li> </ul>

**FY23 IN LINE IN TERMS OF PROFITABILITY. NFP IMPACTED BY NWC**

Racing Force Group (RFG) revenue for FY23 had already been reported at the end of January (€ 62.7mn, +6.4% YoY or +7.0% at cFX) and had shown a deceleration compared to previous quarters, mostly attributable to **destocking in the US market** by some dealers and a **tough comparable base** (+21.4% in 4Q22 on an already strong 2021).

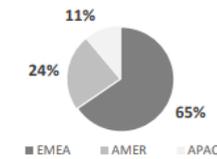
**SALES TREND AND SALES BREAKDOWN**

Revenues (€m) and Growth (%)



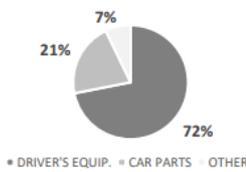
FY 2023 Revenues Breakdown and Variance vs FY 2022

Geographies



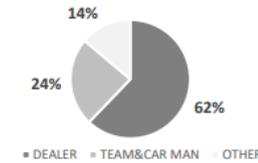
	EMEA	AMER	APAC
SALES FY23	41.0 ml	14.7 ml	6.9 ml
VAR vs LY	+4.1 ml	-1.2 ml	+0.9 ml
VAR %	+11.2%	-7.8%	+15.0%

Product categories



	DRIVER'S EQUIP.	CAR PARTS	OTHER
SALES FY23	45.0 ml	13.2 ml	4.5 ml
VAR vs LY	+2.0 ml	-0.2 ml	+1.9 ml
VAR %	+4.7%	-1.3%	+76.5%

Channels



	DEALER	TEAM&CAR MAN	OTHER
SALES FY23	38.9 ml	15.1 ml	8.6 ml
VAR vs LY	+0.9 ml	+1.9 ml	+0.9 ml
VAR %	+2.4%	+14.5%	+12.3%

Source: Company presentation

FY23 profitability was in line with expectations revised at the end of January, with **gross margin staying close to 62%** (61.7% in FY23 or 61.5% in 2H23 from 61.8% in 1H23) and **operating costs stabilizing after the significant jump in 2H22/1H23** (from +30% YoY in 1H23 to +4% in 2H23).

**RACING FORCE - FY23 - Results**

	EXPECTED		REPORTED		CONS	
	12M-22	12M-23E	YoY gr. %	12M-23E		YoY gr. %
Revenues	58.9	62.6	6%	62.7	6%	62.8
Adjusted EBITDA	11.7	9.5	-18%	9.6	-18%	9.5
Margin	19.8%	15.2%	-	15.4%	-	15%
Adj. EBIT	8.8	6.2	-30%	6.3	-29%	6.3
Margin	15.0%	9.9%	-	10.0%	-	10.0%
Net income	7.5	4.6	-38%	4.8	-37%	4.6
Margin	12.8%	7.4%	-	7.6%	-	7%
NFP	-7.7	-4.8	-37%	-7.1	-7%	1.3

Source: Equita SIM estimates and Company data

In more detail, for FY23:

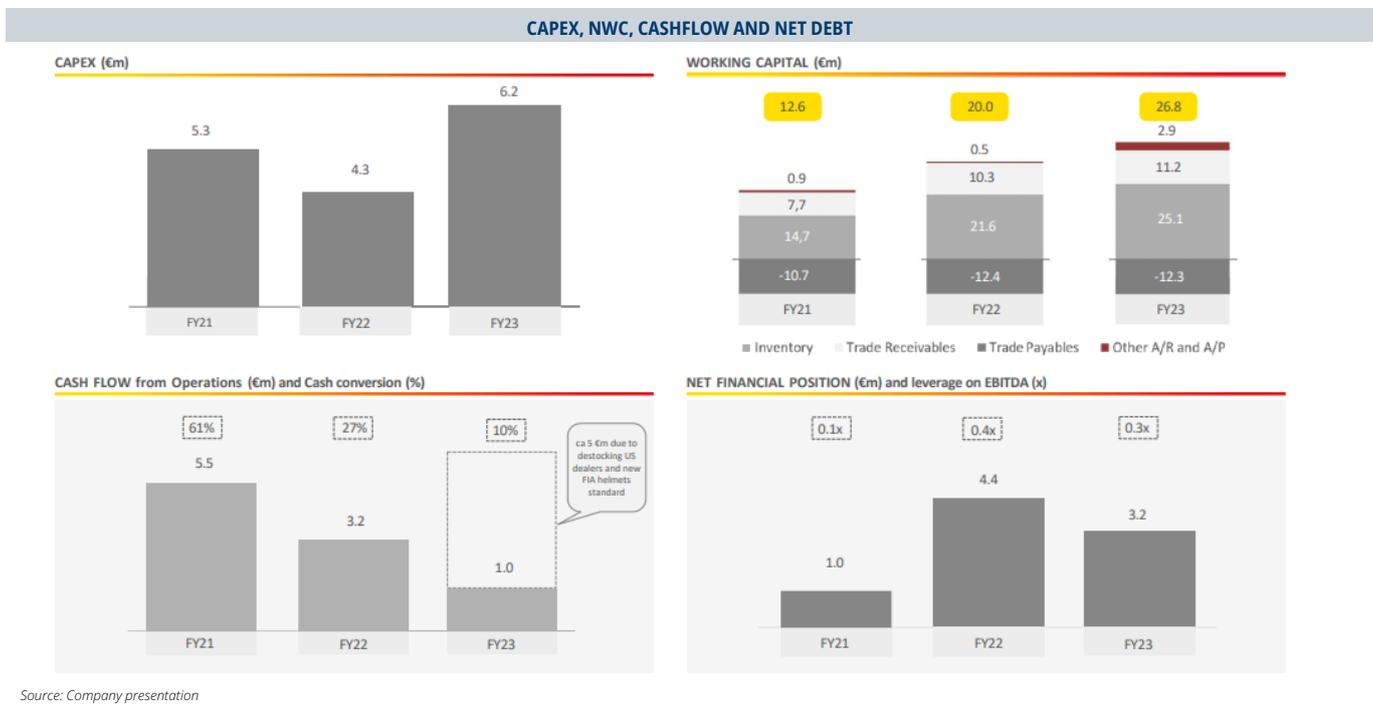
- **Gross margin:** € 38.7mn (margin 61.7%, in line with expectations);
- **Adj. EBITDA:** € 9.6mn vs. € 9.5mn expected (margin 15.4% vs. 15.2% exp.);
- **Adj. EBIT:** € 6.3mn vs. € 6.2mn exp.;
- **Adj. NI:** € 4.8mn vs. € 4.6mn expected.

The **BoD proposed a DPS of € 9c**, in line with last year and with our expectations, implying a pay-out close to 50%.

The **only weaker element was NFP, at € -7.1mn including leases** (vs. € -4.8mn expected) or € -3.2mn excluding leases (€ -1.7mn expected), **due to net working capital absorption** (€ +6.8mn), mainly related to inventory (€ +3.5mn). The main reasons for the higher NWC were 1) the unexpected slowdown in 4Q23 revenues in NA and 2) the increase in inventories

in EU to allocate more capacity in 2024 to the production of helmets with new FIA regulations, introduced at the end of 2023. In the call, management indicated **around € 5mn of extra inventory at the end of 2023. RFG is now monetizing the extra stock thanks to the good sell-in momentum** and this should support better FCF conversion in 2024.

CAPEX were € 6.2mn vs. € 7.4mn expected, including € 2.5mn related to the extraordinary investments to ramp up capacity in Bahrain (helmets) and Ronco Scrivia (race wear).



## CURRENT TRADING AND 2024 OUTLOOK

**Net of the expected lower contribution in 1Q24 from Racing Spirits** (the brand selling performance apparel), which in 1Q23 benefited from two large orders worth around € 1mn from important clients, **management sees stable revenues in 1Q24**. The different revenue mix, with higher % of sales from motorsport, should support profitability. Furthermore, management indicated **a positive trend in order intake in 1Q24, close to double-digit**, driven by EMEA but quite well spread across geographies and products. **These messages indicate a rebound in top-line momentum after the weaker 4Q23**.

### OUTLOOK

#### Motorsport

- Q1 Sales expected in line with previous year despite two big (approx. 1,0 mio €) Racing Spirit orders in Q1 2023. Q1 Orders in strong growth.
- Main 2024 target to increase efficiency and cash generated from operations, to complete investments plan within Q1 2025.
- New FIA 8859-2024 standard for Premium Helmets coming into force as soon as a helmet manufacturer homologates a model with the new standard (helmets under previous standard still usable until Dec. 31, 2025).
- New FIA 8877-2022 standard for kartwear (including gloves and shoes) mandatory from Jan. 2025.
- New SNELL standard (for US Helmets market) expected for Autumn 2025 with strong sales generation starting end 2025.
- The Wired-Wireless helmet, developed by integrating top level open-face Bell helmets with new Zeronise Fearless intercom, debut Q1 2024 with very positive feedback.
- New websites for all brands, including online sales, expected 2H 2024

#### Diversification Projects

- LIFT, Gladiator and Riot projects are progressing as planned with the new Tubize facility, HPS headquarter
- First effects within the end of 2024 / Q1 2025
- Further important Skier's Eye milestones expected within the year





S. Campedelli testing WW helmet

Aston Martin F1 Team

Josef Newgarden won the first 2024 Indycar race with Team Penske

Source: Company presentation

**Management underlined that FY24 remains a year of investments to increase production capacity to support medium-term core business and diversification projects.**

In terms of product categories:

- In the **helmet segment**, the regulatory changes introduced by FIA at the end of 2023 represent a challenge for 2024 because RFG will have to rush to get the homologation and start production for the full FIA-homologated helmet product range. This represents a challenge for all market participants (and in particular for smaller players) and could lead to market share gains for companies able to come first with the new product range. A similar situation is foreseeable in NA in 2025 with the implementation of the new Snell regulation;
- Regarding **racewear and car parts**, the group can benefit from contracts signed, among others, with Team Penske at the beginning of the year (and spread over the entire 2024) and from an easier comparison vs. 2023 thanks to the launch of new cars by two big Teams;
- **Diversification projects continue as planned** and are expected to start contributing to revenues between late 2024 and early 2025.

Investments to increase helmet production capacity in Bahrain (completion by 2H24 – around € 1.5mn residual investment) and racewear production in Italy (completion in late 2024 or early 2025 – € 6-7mn investment) are also progressing as planned. Management indicated in the call that it is evaluating a proposal by Bahrain International Circuits (BIC) to add further space to expand internal manufacturing for other productions currently outsourced, but at the moment no decisions have been taken.

**MAIN EXPANSION CAPEX**

EUROPE, RONCO SCRIVIA		
	<p>Expansion: +4,000 sqm <b>+50%</b></p> <ul style="list-style-type: none"> <li>▶ It's the main headquarter of the Group</li> <li>▶ Expansion aimed at increasing production and logistics for Europe and ROW</li> <li>▶ Attention to environmental sustainability                             <ul style="list-style-type: none"> <li>- Solar panels</li> <li>- Energy-saving façades</li> <li>- Car recharging stations</li> <li>- Rain water collection system</li> </ul> </li> <li>▶ In progress during 2024</li> </ul>	<p><b>WORK PROGRESSION – UPDATE MARCH 2024</b></p> <ul style="list-style-type: none"> <li>✔ Foundations completed</li> <li>✔ Building frame under construction</li> </ul> 
MIDDLE EAST, BAHRAIN		
	<p>Expansion: +4,000 sqm <b>+60%</b></p> <ul style="list-style-type: none"> <li>▶ It's the main manufacturing hub that hosts production of helmets as well as diversification and integration projects</li> <li>▶ Creation of a 2<sup>nd</sup> floor to increase factory production capacity, in collaboration with Bahrain International Circuit</li> <li>▶ Attention to environmental sustainability                             <ul style="list-style-type: none"> <li>- Solar panels</li> <li>- Car recharging stations</li> </ul> </li> <li>▶ In progress during 2024</li> </ul>	<p><b>WORK PROGRESSION – UPDATE MARCH 2024</b></p> <ul style="list-style-type: none"> <li>✔ Foundations completed</li> <li>✔ Pillars completed</li> <li>✔ Horizontal structures under construction</li> <li>✔ Possibility of further expansion in partnership with BIC (Bahrain International Circuit)</li> </ul>

Source: Company presentation

**DIVERSIFICATION PROJECTS ARE PROGRESSING**

Management updated on the progress of diversification projects, progressing as planned:

- **Driver's Eye:** management is developing applications for goggles, evaluating not only the "professional" segment but also potential consumer applications together with a strong partner;
- The first deliveries of pre-series of **US Jet Pilot helmets** were executed in August 2023, production ramp-up is planned in 2024 with first production batch to be delivered by 4Q24 and production expected in full swing by 2026. Lift has asked to bring forward to 2025 from 2026 the certification of the rotary wing helmet version.
- **Gladiator and Police Riot helmets:** the completion of tests for the M size of the police riot helmets is expected by April, and for the other sizes by the end of Autumn, while Gladiator is expected to be certified by the end of 2024. Commercialization activities are planned as of 1Q25.

## EXPECTATIONS FOR 2024-26

**2023 was weaker than what we expected at the beginning of the year**, both in terms of sales and margins and FCF. The main reasons in our view were:

- A deceleration in the market, mostly in NA, in the 2H23, also due to destocking by some dealers;
- Higher-than-expected costs and inefficiencies to ramp-up production in helmets and race wear and get the company ready for the incremental volumes expected from the diversification projects;
- The need for a stronger and more direct presence in NA, a market where RFG is still running behind the two market leaders Simpson and Sparco.

After the supportive messages emerging from the call on 1Q24 orders, **management reassured on the fact that 2024 will be another year of top-line and profitability growth** despite the still relevant ongoing investments to support m/t prospects.

We have fine-tuned top-line estimates, taking a marginally more prudent stance on 2024-25-26 (-2%, -2.5% and -1.5% revision respectively), with diversification projects still **assuming only the ramp-up of the Lift agreement for US jet pilot helmets** (€ 2mn in 2025 and € 4.5mn in 2026).

	ESTIMATE REVISION (€ mn)					
	2024E Prev.	2024E Curr.	2025E Prev.	2025E Curr.	2026E Prev.	2026E Curr.
<b>Revenues</b>	66.3	65.0	72.5	70.7	77.8	76.9
% chg		-2.0%		-2.5%		-1.1%
Abs chg		-1.3		-1.8		-0.9
<b>Adj. EBITDA</b>	10.7	10.4	12.5	12.0	14.1	14.3
% chg		-2.7%		-4.4%		1.0%
Abs chg		-0.3		-0.6		0.1
<b>EBIT</b>	6.6	6.4	8.1	7.7	9.5	9.7
% chg		-3.3%		-5.7%		2.0%
Abs chg		-0.2		-0.5		0.2
<b>Net income</b>	5.0	4.6	6.2	5.6	7.2	7.2
% chg		-7.9%		-9.7%		-0.3%
Abs chg		-0.4		-0.6		0.0
<b>Adj EPS</b>	19.3	17.8	23.9	21.6	28.1	28.0
% chg		-7.9%		-9.7%		-0.3%
Abs chg		-1.5		-2.3		-0.1
<b>FCF</b>	1.6	-2.4	0.6	1.7	2.4	4.2
% chg		-252.6%		191.5%		75.4%
Abs chg		-4.0		1.1		1.8
<b>CAPEX</b>	7.3	10.7	6.6	4.5	6.9	4.8
% chg		47.0%		-31.6%		-29.7%
Abs chg		3.4		-2.1		-2.0
<b>NFP</b>	-5.5	-16.9	-7.3	-17.4	-7.7	-15.8
% chg		206.0%		138.9%		103.9%
Abs chg		-11.4		-10.1		-8.0

Source: Equita SIM estimates

**We see a recovery in EBITDA margin in 2024-25-26** given the efforts to support growth projects: we see margin up by 60ps in 2024 to 16.0% (vs. previous 16.1%) and to 17.0% in 2025 (vs. previous 17.3%), with 2026 as the first year at almost full potential (18.6% margin vs. previous 18.2%).

**We have brought forward CAPEX related to Ronco Scrivia to 2024** (though we still see some risk of CAPEX partially shifting to 2025), raising 2024 CAPEX to € 10.7mn from € 7.3mn and lowering 2025 CAPEX to € 4.5mn from previous € 6.6mn. At IFRS-16 level, we have factored in the new long-term lease agreement with BIC (Bahrain International Circuit) for the extended space as of the end of 2024, with debt related to leases moving from € 3.9mn in FY23 to € 9.0mn in FY24 (rents as of 2025 will be worth around € 1.1mn per year from € 1mn in 2024 and € 0.8mn in FY23).

Overall, we have:

- Lowered Adj. EBITDA 2024-25 by -3% and -4% and raised 2026 by 1%;
- Reduced Adj. NI 2024-25 by -8%/-10% while confirming 2026;
- Worsened NFP to € -16.9mn from € -5.5mn (or to € -7.9mn from € -2.3mn ex leases) in 2024 (half due to the worse 2023 base and half due to higher CAPEX), with broadly stable trend YoY in 2025 and then improving to € -15.8 in 2026.

**We remind that these estimates are not factoring in any contribution from the diversification projects but Driver's Eye development in motorsport and the US Jet Pilot helmets contract with Lift.**

## VALUATION: NOT CHEAP BUT RICH OF OPTIONALITIES

**The stock has performed poorly over the last 12 months** (-13% absolute, -33% relative to FTSE All Share Index) due to the **relevant downward revision in estimates commented before** (we have cut 2024-25 Adj. EPS by 40% over the last 12M).

The stock is trading at 13x-11x-9x EV/EBITDA and 24x-20x-16x Adj. PE 2024-25-26, at premium compared to Shoei (the reference benchmark we selected at the time of the IPO), as indicated in the table below.

Multiples are not cheap, but we think RFG has m/t growth options stronger than most peers (and just partially reflected in our m/t estimates) **and in a much more mature phase of development compared to the time of the IPO** (end of 2021), given the good progress on many diversification projects and on the build-up of capacity. **For this reason, we think that premium multiples on 2024-25 numbers are deserved and we stick to our BUY recommendation.**

**We confirm a target of € 6.0PS**, which is based on:

- **A DCF for the explicit estimates** (which include US jet pilot helmets and Driver's Eye in motorsport contributions) pointing to € 5.2PS and
- **A multiple of 10x EV/EBITDA applied to 2027 potential** (we assume projects can generate some € 10mn sales and € 2.5mn EBITDA) and discounted to 12M from now at a rate of 15% per annum, pointing to € 0.7PS value.

DFCF ANALYSIS (€ mn)							
Assumptions			2024E	2025E	2026E	2027E	Beyond
g	3.5%	Sales	65.0	70.7	76.9	82.3	85.2
WACC	8.6%	Change %	3.7%	8.8%	8.8%	7.0%	3.5%
		Adj. EBITDA	10.4	12.0	14.3	15.7	16.2
		Change %	8.1%	15.2%	19.1%	9.8%	3.5%
		Margin	16.0%	17.0%	18.6%	19.0%	19.0%
		D&A	-4.0	-4.3	-4.6	-4.9	-4.7
		Adj. EBIT	6.4	7.7	9.7	10.8	11.5
		Change %	1.7%	20.4%	25.8%	11.6%	6.9%
		Margin	14.9%	9.8%	10.9%	12.6%	13.1%
		Taxes	-1.1	-1.6	-2.0	-2.3	-1.5
		EBIT after Tax	5.2	6.1	7.6	8.5	10.0
		Change %	-1.2%	16.7%	24.9%	11.5%	17.5%
		Capex	-16.5	-5.0	-5.3	-5.6	-4.7
		capex/sales	25.5%	7.1%	6.9%	6.8%	5.5%
		(increase) decrease in NWC	1.1	-2.4	-1.5	-1.9	-1.0
		Free Cash Flow before minorities	-6.1	3.0	5.4	5.9	9.0
		FCF Minorities	0.0	0.0	0.0	0.0	0.0
		Free Cash Flow after minorities	-6.1	3.0	5.4	5.9	9.0
# of shares FD (mn)	26.7	Discount Factor	0.98	1.06	1.16	1.25	1.25
		PV of FCF	-6.3	2.8	4.6	4.7	7.2
<b>Target Price (€ PS)</b>	<b>5.2</b>						

Source: Equita SIM estimates

BRIDGE TO TARGET PRICE							
	EBITDA	A&D	EV	Discount factor	Value Creation		
	2025E (€ mn)	multiple	€ mn	3Y	€ mn	€ ps	%
Defense upside	2.5	10.0x	25	15%	19	0.7	12%
DCF - core business					140	5.2	88%
<b>Target Price</b>					<b>159</b>	<b>6.0</b>	

Source: Equita SIM estimates

RFG AND PEERS MULTIPLES																
Company	Curr.	Price	Mkt cap (€mn)	Current EV	PERF YTD	EV/EBITDA		EV/EBIT		P/E		EBITDA margin		EBIT margin		ND/ Ebitda 2024A
						2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	
RACING FORCE SPA	EUR	4.4	112	121	4.4	12.6 x	10.9 x	20.5 x	17.1 x	24.5 x	20.2 x	16.0%	17.0%	9.8%	10.9%	1.6x
SHOEI CO LTD	JPY	2,237	737	692	21.6	9.8 x	9.1 x	10.9 x	10.1 x	17.1 x	15.9 x	31.2%	31.4%	28.0%	28.3%	n.a.
FOX FACTORY HOLD	USD	52	2,039	2,711	-22.7	6.2 x	5.4 x	9.1 x	7.6 x	14.0 x	12.3 x	14.9%	17.8%	10.2%	13.3%	1.9 x
CLARUS CORP	USD	6.8	243	356	-0.8	12.0 x	7.3 x	n.m.	40.1 x	52.6 x	28.1 x	5.7%	8.1%	-1.7%	1.5%	n.m.
ACUSHNET HOLDING	USD	67	3,959	4,663	6.1	12.7 x	12.1 x	20.2 x	19.9 x	20.3 x	18.2 x	16.0%	16.0%	10.1%	9.7%	1.6 x
VISTA OUTDOOR	USD	33	1,759	2,559	9.9	<b>8.0 x</b>	<b>5.8 x</b>	<b>8.3 x</b>	<b>17.9 x</b>	8.4 x	7.7 x	16.2%	17.0%	12.6%	13.9%	1.5 x
MSA SAFETY INC	USD	191	6,986	7,440	13.1	16.5 x	15.4 x	32.9 x	26.6 x	25.3 x	23.2 x	25.8%	26.4%	13.0%	15.3%	n.a.
GENTEX CORP	USD	36	7,785	7,571	10.7	12.0 x	10.7 x	14.2 x	12.6 x	17.0 x	14.8 x	27.0%	28.1%	22.8%	23.9%	n.a.
ANSELL LTD	AUD	24	1,827	2,148	-3.9	9.0 x	7.8 x	12.8 x	10.5 x	28.1 x	22.0 x	15.0%	16.4%	10.6%	12.2%	0.9 x
AVON PROTECTION	GBp	1,068	378	459	25.6	10.0 x	8.6 x	14.7 x	12.2 x	21.4 x	16.5 x	14.2%	15.3%	9.7%	10.9%	n.m.

Source: Equita SIM estimates and Bloomberg data, Vista ending FY in March, Shoei and Avon FY ending in September

## STATEMENT OF RISKS FOR RACING FORCE

Primary factors that could **negatively impact RFG** include:

- Failure to cope with rapid changes in homologation requirements;
- Disruptive innovations from competitors, mainly in terms of technologies or products performances;
- Reputational damage from product failures or quality leaks;
- Loss of market share in top categories, reducing brands' visibility and cross selling opportunities;
- Sharp increase in logistics and energy costs, not matched by price increases;
- Value disruptive M&A deals;
- Termination of the Bell Licence 1;
- Deterioration in the geopolitical situation affecting market demand

P&L - €mn	2021	2022	2023	2024E	2025E	2026E
<b>SALES Rep</b>	<b>46.7</b>	<b>58.9</b>	<b>62.7</b>	<b>65.0</b>	<b>70.7</b>	<b>76.9</b>
Growth	38.4%	26.1%	6.4%	3.7%	8.8%	8.8%
<b>EBITDA Rep</b>	<b>7.9</b>	<b>11.7</b>	<b>9.6</b>	<b>10.4</b>	<b>12.0</b>	<b>14.3</b>
Growth	47.3%	47.5%	-17.7%	8.4%	15.2%	19.1%
Margin	16.9%	19.8%	15.3%	16.0%	17.0%	18.6%
<b>D&amp;A</b>	<b>-2.4</b>	<b>-2.8</b>	<b>-3.3</b>	<b>-4.0</b>	<b>-4.3</b>	<b>-4.6</b>
<b>EBIT Rep</b>	<b>5.5</b>	<b>8.8</b>	<b>6.3</b>	<b>6.4</b>	<b>7.7</b>	<b>9.7</b>
Growth	93.7%	59.9%	-28.7%	1.7%	20.4%	25.8%
Margin	11.8%	15.0%	10.0%	9.8%	10.9%	12.6%
Net Interest Charges	-0.3	-0.1	-0.5	-0.7	-0.5	-0.4
<b>Financial Expenses</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-0.5</b>	<b>-0.4</b>
Non Recurrings	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT Rep</b>	<b>5.2</b>	<b>8.7</b>	<b>5.8</b>	<b>5.7</b>	<b>7.1</b>	<b>9.2</b>
Growth	144.0%	66.4%	-33.8%	-0.7%	24.6%	29.5%
Income Taxes	-1.1	-1.2	-1.0	-1.1	-1.6	-2.0
Tax rate	-20.4%	-13.4%	-16.9%	-20.0%	-22.0%	-22.0%
<b>Minority Interest</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income Rep</b>	<b>4.2</b>	<b>7.5</b>	<b>4.8</b>	<b>4.6</b>	<b>5.6</b>	<b>7.2</b>
Growth	190.0%	81.2%	-36.5%	-4.4%	21.5%	29.5%
Margin	8.9%	12.8%	7.6%	7.1%	7.9%	9.4%
<b>Net Income Adj</b>	<b>4.9</b>	<b>7.6</b>	<b>5.1</b>	<b>4.6</b>	<b>5.6</b>	<b>7.2</b>
Growth	243.1%	53.5%	-32.7%	-10.0%	21.5%	29.5%
Margin	10.6%	12.9%	8.1%	7.1%	7.9%	9.4%
<b>CF Statement</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
FFO	6.4	9.8	7.8	7.9	9.3	11.3
Chg. in Working Capital	-1.9	-7.5	-6.8	1.1	-2.4	-1.5
Other chg. in OCF	0.0	0.0	0.0	0.0	0.0	0.0
<b>NCF from Operations</b>	<b>4.5</b>	<b>2.3</b>	<b>1.0</b>	<b>9.0</b>	<b>6.9</b>	<b>9.8</b>
CAPEX	-5.3	-4.3	-6.2	-10.7	-4.5	-4.8
Financial Investments	-0.6	0.0	0.0	0.0	0.0	0.0
Other chg in investments	0.0	-0.8	-1.3	-5.8	-0.5	-0.5
<b>NCF from Investments</b>	<b>-5.9</b>	<b>-5.1</b>	<b>-7.5</b>	<b>-16.5</b>	<b>-5.0</b>	<b>-5.3</b>
Dividends paid	-1.3	-1.7	-2.1	-2.3	-2.3	-2.8
Capital Increases	18.8	0.0	9.7	0.0	0.0	0.0
Other changes in financing	-0.5	-0.1	-0.5	0.0	0.0	0.0
<b>CHG IN NFP</b>	<b>15.5</b>	<b>-4.5</b>	<b>0.6</b>	<b>-9.8</b>	<b>-0.5</b>	<b>1.6</b>

Source: Company data and Equita SIM estimates

**INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)**

This publication has been prepared by the following financial analyst(s) on behalf of EQUITA SIM SpA (licensed to practice by CONSOB resolution no. 11761 of December 22nd 1998 and registered as no. 67 in the Italian central register of investment service companies and financial intermediaries) to which he/she/they is/are bound by an employment contract: Domenico Ghilotti

In the past EQUITA SIM has published studies on Racing Force

EQUITA SIM is distributing this publication via e-mail to more than 900 qualified operators and to unqualified operators via Borsa Italiana website on Wednesday, 03 April 2024 at 08:00 AM.

The prices of the financial instruments shown in the report are the closing prices of the date indicated in the first page stock data table.

EQUITA SIM intends to provide continuous coverage of the financial instrument forming the subject of the present publication, with a semi-annual frequency and, in any case, with a frequency consistent with the timing of the issuer's periodical financial reporting and of any exceptional event occurring in the issuer's sphere of activity.

The information contained in this publication is based on sources believed to be reliable. Although EQUITA SIM makes every reasonable endeavour to obtain information from sources that it deems to be reliable, it accepts no responsibility or liability as to the completeness, accuracy or exactitude of such information. If there are doubts in this respect, EQUITA SIM clearly highlights this circumstance. The most important sources of information used are the issuer's public corporate documentation (such as, for example, annual and interim reports, press releases, and presentations) besides information made available by financial service companies (such as, for example, Bloomberg and Reuters) and domestic and international business publications. It is EQUITA SIM's practice to submit a pre-publication draft of its reports for review to the Investor Relations Department of the issuer forming the subject of the report, solely for the purpose of correcting any inadvertent material inaccuracies. This note has been submitted to the issuer.

The recommendation was produced using proprietary Excel models that are stored on company servers. The models are backed up at the end of each month.

EQUITA SIM has adopted internal procedures able to assure the independence of its financial analysts and that establish appropriate rules of conduct for them.

Furthermore, it is pointed out that EQUITA SIM SpA is an intermediary licensed to provide all investment services as per Italian Legislative Decree no. 58/1998. Given this, EQUITA SIM might hold positions in and execute transactions concerning the financial instruments covered by the present publication, or could provide, or wish to provide, investment and/or related services to the issuers of the financial instruments covered by this publication. Consequently, it might have a potential conflict of interest concerning the issuers, financial issuers and transactions forming the subject of the present publication.

**Equita SIM S.p.A. perform or has performed in the last 12 months the role of specialist for financial instruments issued by Racing Force. Equita SIM S.p.A. performs or has performed in the last 12 months the role of Nomad for the listing of Racing Force.**

In addition, it is also pointed out that, within the constraints of current internal procedures, EQUITA SIM's directors, employees and/or outside professionals might hold long or short positions in the financial instruments covered by this publication and buy or sell them at any time, both on their own account and that of third parties.

Research Division management alone determines the remuneration of the analysts who produced the publication, and their remuneration is not linked to Equita SIM's Investment Banking transactions. It is linked to Equita SIM's total revenue, which includes the revenue of the Investment Banking and Sales & Trading Divisions.

For more details on the policies and principles designed to ensure the integrity and independence of Equita SIM analysts, please refer to the policy on organizational mechanisms of the Research activity available at [www.equita.eu](http://www.equita.eu) on the "Legal notices" section.

The recommendations to BUY, HOLD and REDUCE are based on Expected Total Return (ETR – expected absolute performance in the next 12 months inclusive of the dividend paid out by the stock's issuer) and on the degree of risk associated with the stock, as per the matrix shown in the table. The level of risk is based on the stock's liquidity and volatility and on the analyst's opinion of the business model of the company being analysed. Due to fluctuations of the stock, the ETR might temporarily fall outside the ranges shown in the table.

EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE			
RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

The methods preferred by EQUITA SIM to evaluate and set a value on the stocks forming the subject of the publication, and therefore the Expected Total Return in 12 months, are those most commonly used in market practice, i.e. multiples comparison (comparison with market ratios, e.g. P/E, EV/EBITDA, and others, expressed by stocks belonging to the same or similar sectors), or classical financial methods such as discounted cash flow (DCF) models, or others based on similar concepts. For financial stocks, EQUITA SIM also uses valuation methods based on comparison of ROE (ROEV – return on embedded value – in the case of insurance companies), cost of capital and P/BV (P/EV – ratio of price to embedded value – in the case of insurance companies).

Ord RFG IM MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE:				
Date	Rec.	Target Price	Risk.	Comment
February 6, 2024	Buy	6.00	High	-
September 22, 2023	Buy	6.40	High	-
April 26, 2023	Buy	7.00	High	-

**DISCLAIMER**

The purpose of this publication is merely to provide information that is up to date and as accurate as possible. The publication does not represent to be, nor can it be construed as being, an offer or solicitation to buy, subscribe or sell financial products or instruments, or to execute any operation whatsoever concerning such products or instruments.

**EQUITA SIM does not guarantee any specific result as regards the information contained in the present publication, and accepts no responsibility or liability for the outcome of the transactions recommended therein or for the results produced by such transactions. Each and every investment/divestiture decision is the sole responsibility of the party receiving the advice and recommendations, who is free to decide whether or not to implement them. Therefore, EQUITA SIM and/or the author of the present publication cannot in any way be held liable for any losses, damage or lower earnings that the party using the publication might suffer following execution of transactions on the basis of the information and/or recommendations contained therein.**

The estimates and opinions expressed in the publication may be subject to change without notice.

## EQUITY RATING DISPERSION AS OF MARCH 31, 2024

(art. 6, par. 3 Delegated Regulation (EU) 2016/958 of 09 March 2016)

	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	56.3%	65.8%
HOLD	42.4%	32.9%
REDUCE	0.0%	0.0%
NOT RATED	1.3%	1.4%

The list of all conflicts of interest, rating dispersion, last 12 months recommendation made by Equita SIM's analysts and other important legal disclaimers are available on [www.equita.eu](http://www.equita.eu) in the "Legal notices" section.

This document has been provided to you solely for informational purposes and may not be reproduced or distributed, directly or indirectly, to any other person, nor may it be published, wholly or in part, for any reason, without EQUITA SIM's specific authorisation. By accepting this document, you agree to comply with the limitations indicated above.

#### For Entities and Clients in the United Kingdom

Equita is registered as a UK's "Overseas Persons Exclusion" ("OPE"): this means that Equita has not established an actual or deemed permanent place of business in the UK. Equita is not a member of the "Financial Conduct Authority" and Research Analysts and Research Reports must comply with requirements for fairness, balance and disclosure of potential conflicts of interest.

This research report is only being offered to UK "investment professionals" and "high net worth companies" and the investment to which it relates is available only to such persons and that any other person(s) should not act or rely upon it.

#### For Entities and Clients in the United States

Equita is not registered as a broker-dealer with the U S Securities and Exchange Commission, and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Equita is not a member of the Financial Industry Regulatory Authority. It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest.

This research report is only being offered to Major U S Institutional Investors and is not available to, and should not be used by, any U S person or entity that is not a Major U S Institutional Investor. Equita can not and will not accept orders for the securities covered in this research report placed by any person or entity in the United States. Orders should be placed with our correspondent, Auerbach Grayson & Co. 212-557-4444.