

## EQUITY RESEARCH

## RACING FORCE SPA

## RESULTS REVIEW

## Press release

BUY

TP 6.4€

Up/Downside: 53%

## Positive Outcome

Racing Force published its H1 2024 sales yesterday. This came in at €37.6m (+1% yoy), just below our expectations of €38.3m. For the first time in 4 quarters, the Group returned to sales growth in the USA in Q2. The order book after the first six months shows a mid-single digit growth.

After a flat first quarter, Racing Force has cautiously returned to growth in Q2 2024. The group reported yesterday a H1 2024 revenue of €37.6m (compared to the expected €38.3m), a 1% increase compared to last year. This growth is mainly organic, with exchange rate effects described as “negligible.”

In detail, while the Driver’s Equipment segment, usually the group’s growth engine, showed a 2.5% increase in sales in this H1, it was the Car Parts segment that was the most dynamic this time, with a 5.4% growth. Unsurprisingly, the Other segment saw a significant decline (-24% yoy) following two large orders received for the Racing Spirit brand last year. Regarding geographies, while the EMEA (+1.3%) and APAC (+13.2%) regions continue to drive the group’s growth, the highlight of this publication is the AMER region. Although the latter showed a decline for the semester (-4.4% yoy), sales grew in the region in Q2 (+4.5%) after four consecutive quarters in negative territory. While the base effect was favorable, Paolo Delprato also mentioned the first signs of recovery. The group’s strategy in the United States (notably the partnership with Team Penske) seems to be starting to bear fruit, with OMP products showing a 12% increase in the region in H1.

Regarding outlook, although the publication is slightly below our expectations, we are maintaining our 2024 scenario for now. Management mentioned in the press release that the order book at the end of H1 is growing mid-single digit, which is grossly in line with our expectations. With the first signs of recovery and favorable base effects, the AMER region should continue its positive trend, and we could also see the first revenue contributions from diversification projects.

We still believe that the current low commercial momentum, compared to the group’s track record, represents an interesting entry point to the stock (a view reinforced by the recent capital increase carried out with a premium), which presents solid prospects both in its core business and in its diversification projects. We reiterate our Buy recommendation with a target price maintained at €6.4.

## Key data

Price (€)	4.2
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	107.4
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 (€)	12/24e	12/25e	12/26e
Estimates	0.15	0.21	1.00
Change vs previous estimates (%)	0.00	0.00	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.0	8.9	-19.3
Rel FTSE Italy	0.4	7.0	-29.5



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	1.8	1.6	1.5
Current Op Inc (m €)	6.2	6.1	8.6	8.7	EV/EBITDA	11.2	8.4	7.8
Current op. Margin (%)	9.9	9.3	12.2	11.6	EV/EBIT	19.4	13.5	13.4
EPS (€)	0.18	0.15	0.21	1.00	PE	28.3	19.7	4.2
DPS (€)	0.09	0.06	0.08	0.09	Source: TPICAP Midcap			
Yield (%)	2.2	1.4	2.0	2.1				
FCF (m €)	-5.1	-0.4	5.6	2.4				

Analyst

Corentin Marty  
corentin.marty@tpicap.com  
+33173030981



**FINANCIAL DATA**

<b>Income Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
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
<b>EBITDA</b>	<b>7.9</b>	<b>11.7</b>	<b>9.6</b>	<b>10.6</b>	<b>13.7</b>	<b>14.9</b>
% of Sales	16.9	19.8	15.4	16.2	19.4	19.9
<b>Current operating profit</b>	<b>5.5</b>	<b>8.8</b>	<b>6.2</b>	<b>6.1</b>	<b>8.6</b>	<b>8.7</b>
% of Sales	11.8	15.0	9.9	9.3	12.2	11.6
EBIT	5.5	8.8	6.2	6.1	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	-2.2	-2.3
Tax rate (%)	20.4	13.4	27.9	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>4.2</b>	<b>7.5</b>	<b>4.7</b>	<b>4.0</b>	<b>5.8</b>	<b>5.9</b>
EPS	0.18	0.32	0.18	0.15	0.21	1.00
<b>Financial Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Goodwill	5.7	6.2	6.2	6.2	6.2	6.2
Tangible and intangible assets	13.1	15.5	19.4	25.1	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	25.1	26.6
Other Assets	0.7	0.6	0.6	0.6	0.6	0.6
<b>Assets</b>	<b>34.7</b>	<b>45.6</b>	<b>57.6</b>	<b>62.7</b>	<b>63.7</b>	<b>69.0</b>
Shareholders equity group	29.9	36.5	48.5	50.1	54.3	58.0
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	11.1	7.9	8.5
Other liabilities	0.1	0.0	0.0	0.0	0.0	1.0
<b>Liabilities</b>	<b>34.7</b>	<b>45.6</b>	<b>57.6</b>	<b>62.7</b>	<b>63.7</b>	<b>69.0</b>
Net debt excl. IFRS 16	1.0	4.5	3.7	7.3	4.0	4.7
Gearing net	0.1	0.2	0.2	0.2	0.1	0.1
Leverage	0.4	0.7	0.8	1.0	0.6	0.6
<b>Cash flow statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
CF after elimination of net borrowing costs and taxes	6.7	11.1	8.1	8.5	10.9	12.1
$\Delta$ WCR	-2.2	-8.0	-7.0	0.6	1.1	-1.5
Operating cash flow	4.5	3.2	1.1	9.2	12.0	10.7
Net capex	-5.3	-4.5	-6.2	-9.5	-6.5	-8.2
FCF	-0.8	-1.4	-5.1	-0.4	5.6	2.4
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	-1.6	-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	0.0	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	-3.6	3.2	-0.6
ROA (%)	6.4%	10.7%	6.0%	5.0%	6.7%	6.4%
ROE (%)	13.9%	20.7%	9.7%	8.1%	10.7%	10.2%
ROCE (%)	12.8%	16.8%	9.1%	7.3%	9.9%	9.3%

## DISCLAIMER

### Analyst certifications

This research report (the “Report”) has been approved by Midcap, a business division of TP ICAP (Europe) SA (“Midcap”), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (“ACPR”). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst’s and associate’s personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst’s or associate’s compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

### Methodology

This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
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.

### Conflict of Interests between TP ICAP Midcap and the Issuer

D. Midcap or any related legal entity is a market maker or liquidity provider with whom a liquidity agreement has been entered into in respect of the Issuer's financial instruments: Racing Force SpA

F. Midcap or any legal entity related to it is party to any other agreement with the Issuer relating to the provision of investment services in connection with the corporate activity: Racing Force SpA

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Racing Force SpA

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



**Distribution of Investment Ratings**

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	81%	66%
Hold	16%	56%
Sell	2%	0%
Under review	2%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

## General Disclaimer

This Report is confidential and is for the benefit and internal use of the selected recipients only. No part of it may be reproduced, distributed, or transmitted without the prior written consent of Midcap

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable and public, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. This Report is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of MIFID II regulation. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. The Report is subject to restricted circulation. The research was conducted in accordance with the provisions of the Charter of good practices for sponsored research. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.