

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				

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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	6.1	8.6	8.7
% 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
Net profit, group share	4.2	7.5	4.7	4.0	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	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
Assets	34.7	45.6	57.6	62.7	63.7	69.0
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
Liabilities	34.7	45.6	57.6	62.7	63.7	69.0
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
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	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%

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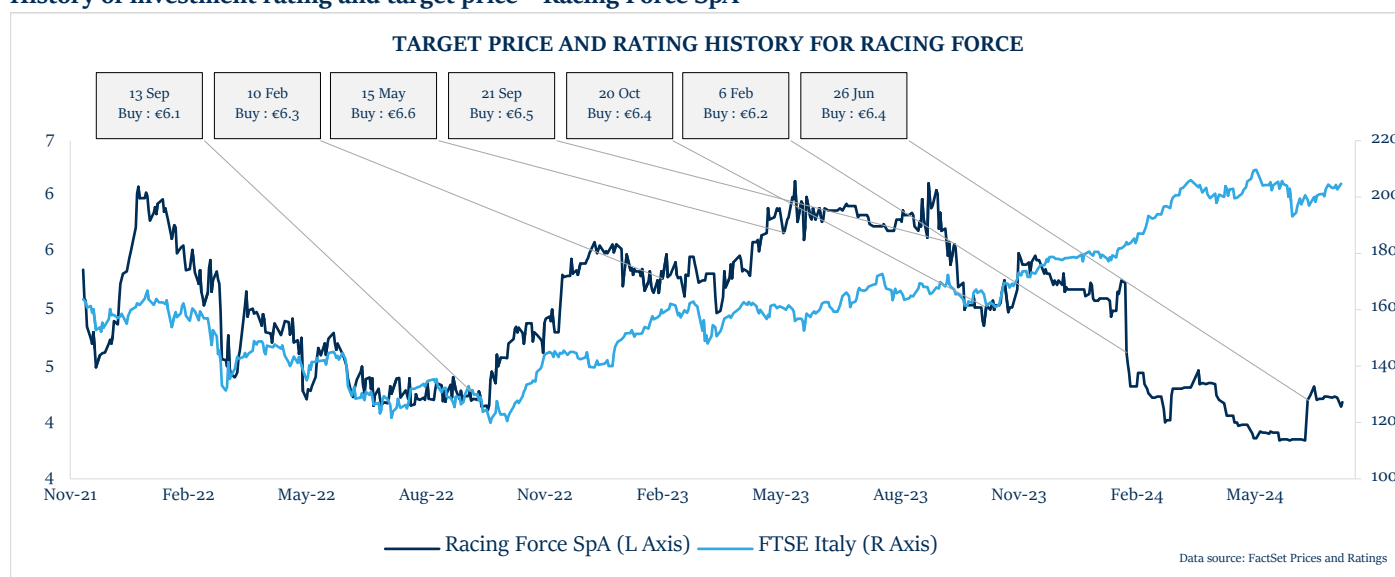
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Hold	16%	56%
Sell	2%	0%
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