

## EQUITY RESEARCH

## RACING FORCE SPA

## FEEDBACK CONFERENCE

## Press release

BUY

TP 6.2€

Up/Downside: 59%

## Medium-Term Prospects Still Very Attractive

For the third year in a row, Racing Force was present at our annual conference. As announced in the group's Q1 revenue press release, the group expects a good Q2 and confirms the objective of reaching a new sales record this year. Regarding diversification projects, timing targets have been confirmed.

Paolo Delprato and Roberto Ferroggiaro, CEO and CFO of the Racing Force group, were present once again for the 2024 edition of our annual conference. They first reviewed the group's current trading. After publishing a flat Q1 vs. last year (-0.2% yoy), in line with our estimates, management confirmed Q2's strong commercial momentum. Business growth continues to be driven by the EMEA and APAC zones. On the other hand, the context remains challenging in the US which still shows no signs of rebound but where the turning point is expected by the end of the year. The region remains the focus of many motorsport categories, particularly Formula 1, with growing interest from consumers. RFG should greatly benefit from a recovery in the region, both for the Bell brand with new standards expected next year for helmets and for OMP which will also benefit from increased visibility through the recently announced partnerships.

Regarding diversification projects, management confirmed the main timing objectives. The group is still aiming for certification of its defense helmets (gladiator helmet + police riot helmet) between the end of the year and Q1 2025 with marketing to follow. The medium-term objective of defense turnover as high as that of motorsport was also confirmed.

As mentioned in our latest comment, FY 2024 presents itself again as a transition year for the group. The timing nevertheless seems interesting to gain position on the stock given the YTD performance (-24.5%) and the significant revaluation potential. This potential obviously arises from diversification projects, which should record their first contributions in 2025, but also from the group's core activity with new standards expected on helmets (FIA + SFI) and a US zone which remains one of the main growth drivers for the group. While our upside has never been so significant on the stock, we naturally reiterate our Buy rating and TP of €6.2.

## Key data

Price (€)	3.9
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	100.5
Next event	FY23 Results - 3/28

Source: FactSet

## Ownership (%)

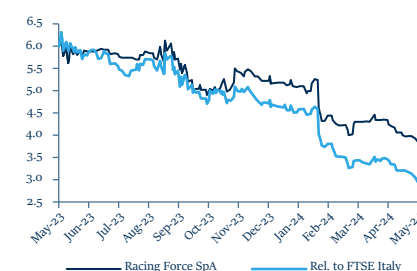
SAYE S.p.A	52.7
GMP Investments Holdings Limited	5.0
Free float	42.3

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	0.16	0.23	1.00
Change vs previous estimates (%)	-10.37	-11.48	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.3	-6.9	-24.5
Rel FTSE Italy	0.3	-8.7	-34.4



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	1.5	1.4
Current Op Inc (m €)	6.2	6.1	8.7	9.6	EV/EBITDA	10.5	7.8	7.0
Current op. Margin (%)	9.9	9.3	12.3	12.9	EV/EBIT	18.2	12.4	10.8
EPS (€)	0.18	0.16	0.23	1.00	PE	24.9	17.0	3.9
DPS (€)	0.09	0.06	0.09	0.10	Source: TPICAP Midcap			
Yield (%)	2.3	1.6	2.3	2.6				
FCF (m €)	-5.1	-0.4	6.4	6.3				

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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
<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>8.7</b>	<b>9.6</b>
% of Sales	11.8	15.0	9.9	9.3	12.3	12.9
EBIT	5.5	8.8	6.2	6.1	8.7	9.6
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	-2.5
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>5.9</b>	<b>6.6</b>
EPS	0.18	0.32	0.18	0.16	0.23	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	26.5	26.9
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	63.0	64.9
Shareholders equity group	29.9	36.5	48.5	50.3	54.6	58.7
Minorities	0.0	0.0	0.0	0.0	0.0	na
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	11.0	6.9	3.7
Other liabilities	0.1	0.0	0.0	0.0	0.0	1.0
Liabilities	34.7	45.6	57.6	62.7	63.0	64.9
Net debt excl. IFRS 16	1.0	4.5	3.7	7.1	3.1	-0.1
Gearing net	0.1	0.2	0.2	0.2	0.1	na
Leverage	0.4	0.7	0.8	1.0	0.5	0.3
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	11.8
$\Delta WCR$	-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	10.4
Net capex	-5.3	-4.5	-6.2	-9.5	-5.6	-4.1
FCF	-0.8	-1.4	-5.1	-0.4	6.4	6.3
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	-2.3	-1.6	-2.4
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	-3.4	4.0	3.2
ROA (%)	6.4%	10.7%	6.0%	5.0%	6.8%	na
ROE (%)	13.9%	20.7%	9.7%	8.0%	10.8%	na
ROCE (%)	12.8%	16.8%	9.1%	7.3%	10.2%	na

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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.

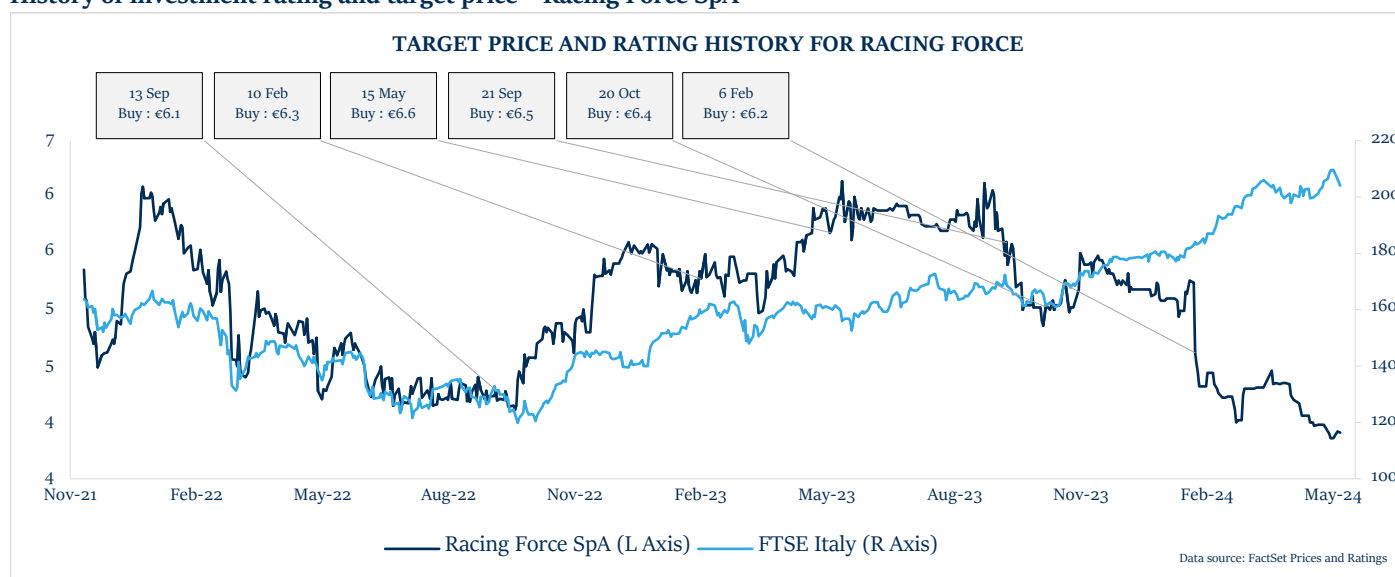
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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	64%
Hold	15%	54%
Sell	2%	33%
Under review	1%	100%

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