

EQUITY RESEARCH

RACING FORCE SPA
FEEDBACK

BUY

TP 6.2€

Up/Downside: 44%

Patience is key

Yesterday, Racing Force's management discussed the recent publication of its annual results. In particular, it was an opportunity to review the Group's next growth drivers, both in core business, with the arrival of new FIA and Snell standards, and in diversification projects, which should reach maturity at the end of the year.

Paolo Delprato, Roberto Ferroggiaro and Alex Haristos, the Group's CEO, CFO and COO respectively, spoke yesterday about the publication of the 2023 annual results. As a reminder, these were broadly in line with our latest estimates, with EBITDA of €9.6m, giving a margin of 15.4%. Cash burn was higher than expected, with a significant increase in inventories linked to the regulatory changes mentioned in our note yesterday, as well as to a weakest demand than expected in the AMER region last year.

Management has confirmed that 2024 is likely to be a year of transition. With Q1 forecast to be in line with last year, and Q2 set to benefit from a growing order book, management does not anticipate very strong growth over the rest of the year, given the regulatory environment. Whether in EMEA, APAC or AMER, the arrival of new FIA and Snell standards is likely to limit demand from certain distributors waiting for products that comply with the new regulations. The Group's objective is to be ready by the end of the year, with a catalogue and stocks that are compliant and ready to be sold.

As far as diversification projects are concerned, things seem to be speeding up for Driver's Eye, which could very quickly give rise to Skier's Eye. Alex Haristos has announced the finalisation of an initial prototype with the technology integrated into a goggle. This has enabled the first images to be taken and presented to the International Ski Federation, which has been won over by the concept. The group is aiming to launch the product in official competitions next year, and is already considering the development of a B2C product. As for the US Air Force project with LIFT Airborne, the first official deliveries will take place by Q4 before full swing production in 2025/2026. Finally, development of the two defensive helmets, the Gladiator Helmet and the Police Riot Helmet, is proceeding according to plan, with final versions expected by the end of the summer for the former and the end of April for the latter. These two products should be on the market by early 2025, and will be presented at major conferences.

As mentioned, while 2024 is likely to be a transitional year, the outlook for 2025 is very strong, in terms of both core business and diversification projects. We reiterate our Buy recommendation, with the price maintained at €6.2.

TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	58.8	62.7	65.6	70.5	EV/Sales	1.9	1.8	1.6
Current Op Inc (m €)	8.8	6.3	6.8	9.7	EV/EBITDA	12.2	10.9	8.0
Current op. Margin (%)	15.0	10.0	10.3	13.8	EV/EBIT	18.8	17.1	11.3
EPS (€)	0.32	0.19	0.18	0.26	PE	23.2	24.6	16.6
DPS (€)	0.12	0.09	0.07	0.10	Source: TPICAP Midcap			
Yield (%)	2.7	2.1	1.6	2.4				
FCF (m €)	-1.4	-5.0	4.1	7.7				

Key data

Price (€)	4.3
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	110.8
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 (€)

	12/23e	12/24e	12/25e
Estimates	0.19	0.18	0.26
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)

	1D	1M	YTD
Price Perf	0.0	2.1	-16.8
Rel FTSE Italy	-0.2	-4.4	-28.0



Source: FactSet

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	33.7	46.7	58.8	62.7	65.6	70.5
Changes (%)	31.2	38.4	25.9	6.6	4.6	7.5
Gross profit	20.1	27.2	36.8	38.7	40.7	44.5
% of Sales	59.7	58.3	62.6	61.7	62.0	63.1
EBITDA	5.4	7.9	11.7	9.6	10.6	13.7
% of Sales	15.9	16.9	19.8	15.4	16.2	19.4
Current operating profit	2.8	5.5	8.8	6.3	6.8	9.7
% of Sales	8.4	11.8	15.0	10.0	10.3	13.8
EBIT	2.8	5.5	8.8	6.3	6.8	9.7
Net financial result	-0.7	-0.3	-0.1	-0.5	-0.5	-0.5
Income Tax	-0.7	-1.1	-1.2	-1.0	-1.7	-2.6
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
Net profit, group share	1.4	4.2	7.5	4.8	4.5	6.7
EPS	0.07	0.18	0.32	0.19	0.18	0.26
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	5.7	5.7	6.2	6.2	6.2	6.2
Tangible and intangible assets	8.8	13.1	15.5	19.6	21.7	20.8
Right of Use	4.1	2.4	3.1	3.1	3.1	3.1
Financial assets	1.8	0.4	0.3	0.3	0.3	0.3
Working capital	10.0	12.5	19.8	26.9	25.2	25.1
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
Assets	30.7	34.7	45.6	56.8	57.2	56.2
Shareholders equity group	8.2	29.9	36.5	48.7	50.9	55.7
Minorities	0.3	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.0	1.2	1.3	1.3	1.3	1.3
Net debt	21.2	3.5	7.8	6.8	5.0	-0.9
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
Liabilities	30.7	34.7	45.6	56.8	57.2	56.2
Net debt excl. IFRS 16	17.0	1.0	4.5	3.5	1.7	-4.2
Gearing net	2.5	0.1	0.2	0.1	0.1	-0.0
Leverage	4.0	0.4	0.7	0.7	0.5	-0.1
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	4.0	6.7	11.1	8.1	8.4	10.6
Δ WCR	-1.7	-2.2	-8.0	-7.0	1.6	0.1
Operating cash flow	2.4	4.5	3.2	1.1	10.0	10.7
Net capex	-1.1	-5.3	-4.5	-6.1	-5.9	-3.0
FCF	1.2	-0.8	-1.4	-5.0	4.1	7.7
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	5.9	-2.5	-4.4	-4.5	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-2.3	-2.3	-1.8
Repayment of leasing debt	-0.7	-0.3	-0.7	-0.7	0.0	0.0
Equity Transaction	0.5	18.8	0.0	9.7	0.0	0.0
Others	-3.6	-0.4	0.1	-0.2	0.0	0.0
Change in net cash over the year	3.3	13.5	-8.1	-3.0	1.8	5.9
ROA (%)	3.3%	6.4%	10.7%	6.2%	5.6%	7.6%
ROE (%)	17.5%	13.9%	20.7%	9.8%	8.9%	12.0%
ROCE (%)	7.0%	12.8%	16.8%	9.3%	8.8%	12.8%

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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.

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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%	63%
Hold	18%	61%
Sell	1%	0%
Under review	1%	100%

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

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