

Analysts:

 Domenico Ghilotti | d.ghilotti@equita.eu | +39 02 6204 249
 Giulio Scanferlato | g.scanferlato@equita.eu | +39 02 6204 291

BUY (prev. n.a.)

Target: € 6.7 (prev. n.a.) | Risk: High

EQUITY RESEARCH
Italy | Sporting Goods
STOCK DATA

Price €	5.9
Bloomberg code	RFG IM
Market Cap. (€ mn)	138
Free Float	29%
Shares Out. (mn)	23.8
52-week range	4.46 - 6.2
Daily Volumes (mn)	0.04

PERFORMANCE

	1M	3M	12M
Absolute	8.6%	-	-
Rel. to FTSE all shares	7.5%	-	-

MAIN METRICS

	2020	2021E	2022E
Revenues	33.7	43.6	49.3
Adjusted EBITDA	5.4	8.4	10.1
Adj. net income	1.4	4.1	5.6
Adj. EPS - € cents	7.5	17.5	23.8
DPS ord - € cents	0.0	4.0	8.3

MULTIPLES

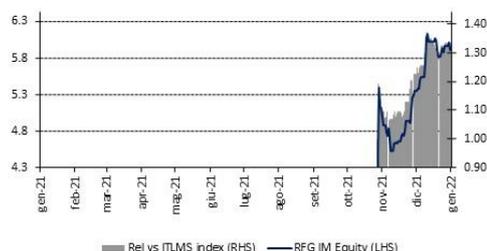
	2020	2021E	2022E
P/E adj	n.a.	33.2 x	24.4 x
Adj. EV/EBITDA	n.a.	16.9 x	13.6 x

REMUNERATION

	2020	2021E	2022E
Div. Yield ord	n.a.	0.7%	1.4%
FCF yield	n.a.	-1.5%	3.2%

INDEBTEDNESS

	2020	2021E	2022E
NFP	-20	-3	0
Debt/EBITDA	3.7 x	0.5 x	0.0 x
Interests cov	7.7 x	20.7 x	20.8 x

PRICE ORD LAST 365 DAYS

BORN TO RACE

We initiate our coverage with a **BUY** recommendation and **€6.7ps** target price, reflecting i) RFG's unique and leading positioning in the **Motorsport Safety Equipment** industry, which we believe will allow it to seize solid growth opportunities in the medium term (2021-25E Sales/Adj. EBIT CAGR +9/19%), ii) the potential upside coming from the diversification path in the **A&D** sectors, whose projects have gained some visibility in recent months (still not embedded in our estimates), iii) the management's execution ability in relation to the plan's targets and iv) the potential for future M&A.

Racing Force Group: leader in Motorsport Safety Equipment

Racing Force Group (RFG), born from the 2019 acquisition of **BELL Helmets** by **OMP Racing**, is an international manufacturer active in the design, production, and distribution of **Safety Equipment for the Motorsport industry**. Motorsport is a €60bn global industry which, by definition, involves "any competition restricted to vehicles that have at least four non-aligned wheels" (such as Formula 1, Rally, Nascar or Karting), while motorsport **Safety Equipment** includes **Driver's Equipment (c64% of Group's sales: racing helmets, fire-retardant suits and underwear, racing shoes and gloves)** and **Car Parts (c32% of Group's sales: seats, harnesses or roll bars)**. With **2020 revenues of €33.7mn** (€43.6mn in FY21E), a 2014-19AG¹ **6.6% organic CAGR** and a **2020 EBITDA margin of 16% (19% in FY21E)**, the Group today boasts an international footprint, with **sales in 80 countries**, more than **370 employees** located in **6 facilities worldwide** (o/w, 3 production sites and 3 R&D centers) and a **winning and consolidated presence in all major motorsport championships**.

Motorsport Safety Equipment: resilient niche market...

Motorsport Safety Equipment is a >€200mn² global market populated by several small-medium manufacturers (<€50mn). **Long-term growth rates are moderate (2007-2019 CAGR of around 3/3.5%) but very consistent and resilient over time** as i) Motorsport is **populated by a hard core of enthusiasts and professionals** whose activities are recurring year after year and ii) **safety equipment** covers a crucial role in the conduct of competitions.

... with very high entry barriers

The market is rather "closed" to potential new entrants, as it presents several and very high barriers to entry:

- **Strong regulation:** almost every product must be FIA homologated;
- **Technological know-how:** the only way to enter the market is to develop new equipment or technologies that, for the same safety standards, offer significantly higher performances to cars and drivers;
- **Emotional element:** drivers and teams tend to rely just on top-quality, well-renowned brands with strong industry reputation.

Solid competitive positioning...

RFG's key competitive advantages are:

- **almost fully vertically integrated supply chain:** allowing control over production and quality, and providing a lot of flexibility to managers;
- **tight and historical relationships with FIA:** RFG has been the sole supplier of safety equipment for all FIA's race staff since 2012;
- **widest product offer range:** more than 2,000 products in the catalogue, covering the whole spectrum of motorsport safety equipment;
- **iconic and well renowned brands:** both OMP and Bell Helmets boast a global reputation for quality and performance and are trusted by sport's main icons (such as **Fernando Alonso** or **Lewis Hamilton**).

¹ AG: Combined OMP + BELL + Zeronoise

² Source: RFG estimate based on industry knowledge

■ ...allowing for a clear future growth strategy

The 2019 acquisition of Bell Helmets i) significantly strengthened the Group's competitive positioning and ii) allowed to define a clear growth strategy:

1. **Attacking the US market:** RFG is still underpenetrated in North America (the most important motorsport market) but, by leveraging on the Bell Helmets market share and reputation in the US, it has now the chance to **penetrate** with OMP branded products both major **championships** (winning the trust of teams and drivers) and country **dealers**;
2. **Growing in the open-face helmet segment:** 2021 marked the successful return of Bell-branded helmets to the World Rally Championship after an absence of more than 10 years. A very strategic move as the "open-face" segment (a c€18/20mn global market³) boasts a **greater number of races per year** (i.e., for every full-face race there are 3 open-face races in the world), and ii) a **very high number of enthusiasts worldwide**;
3. **Diversification:** leveraging on the internal know-how and innovation capabilities, the Group has embarked in many interesting and promising diversification projects:
 - a. **Driver's Eye** (included in our estimates): RFG developed the smallest micro-camera in the world that can be easily fitted in a special niche inside the helmet, allowing the live broadcasting of the race "through the eyes of the driver". **The technology has already been used in the Formula E and Formula 1 championships.**
 - b. **Ballistic Military Helmets:** RFG developed a new material structure for military ballistic helmets that guarantees performances with an **amazing weight saving as well as the highest protection.**
 - c. **Jet Pilot Helmet's Shell:** RFG is participating as a Tier2 supplier to the tender (worth >\$10mn, final awarding by 1H22) for the US Air Force Next Generation Fixed Wing Helmet. It would be responsible for supplying the in-house designed helmet's carbon fiber shells.

■ Resilient 2020 results, with impressive rebound in 1H21

In 2020, despite a -52% drop of FIA worldwide motorsport events due to the pandemic, **the Group's reported €33.7mn revenues** (-8% vs 2019), with a **c16% EBITDA margin** (vs 11.4% in 2019), mainly thanks to strict cost containment. **1H21 was instead a record semester** in terms of both i) **turnover (+46.8% vs 1H20 at €24.9mn)** and ii) **margins (EBITDA margin 24% from 14.5% in 1H20)**, and started to show the huge potential of the new Group's structure.

■ Prospects: '21E and '21-25E revenues/adj. Net Income CAGR +9/22%

For FY21, we expect revenues to grow +29% vs 2020 to €43.6mn (from €33.7mn), with and implied 2H21 at €18.6mn (+11.2% vs 2H20) and a 19% Adj. EBITDA margin. **From 2021 onwards, we project a 2021-25E Revenues CAGR of 9%, from €43.6mn in 2021E to €61.9mn in 2025E.** At divisional level:

- **Drivers' Equipment: 9% revenues CAGR**, from €30mn in 2021E to €42.5mn in 2025E;
- **Car parts: 5%**, from €12.2mn in 2021E to €14.8mn in 2025E;
- **Other: 35%**, from €1.4mn in 2021E to €4.7mn in 2025E, including the contribution of the Driver's Eye technology from 2022.

■ Valuation: BUY and TP at €6.7ps

We initiate with a **BUY rating and a €6.7ps TP**, based on a DCF model for the core business, which we value at **€6.0ps** (equal to **12.2x EV/EBITDA 2023E and 21x P/E 2023E**), plus an additional upside reflecting the interesting pipeline of projects in the A&D sectors which, over the last two months, have gained visibility and whose implementation, discounted to date, adds **+12% to the value of the core business.**

³ Source: RFG estimate based on industry knowledge

MAIN FIGURES € mn	2019PF	2020	2021	2022E	2023E	2024E
Revenues	36.6	33.7	43.6	49.3	53.5	57.9
Growth	-	-8%	29%	13%	9%	8%
EBITDA	4.2	5.4	7.4	10.1	11.5	13.4
Growth	-	28%	37%	38%	13%	16%
Adjusted EBITDA	4.2	5.4	8.4	10.1	11.5	13.4
Growth	-	28%	56%	21%	13%	16%
EBIT	2	2.8	4.9	7.8	9.0	10.7
Growth	-	59%	72%	58%	15%	19%
Profit before tax	3.1	2.1	4.5	7.3	8.6	10.3
Growth	-	-31%	112%	60%	17%	21%
Net income	2.4	1.4	3.4	5.6	6.6	8.0
Growth	-	-41%	137%	66%	17%	21%
Adj. net income	2.4	1.4	4.1	5.6	6.6	8.0
Growth	-	-41%	189%	36%	17%	21%

MARGIN	2019PF	2020	2021	2022E	2023E	2024E
Ebitda Margin	11.4%	15.9%	16.9%	20.6%	21.5%	23.1%
Ebitda adj Margin	11.4%	15.9%	19.2%	20.6%	21.5%	23.1%
Ebit margin	4.9%	8.4%	11.3%	15.8%	16.8%	18.4%
Pbt margin	8.5%	6.4%	10.4%	14.8%	16.0%	17.9%
Ni rep margin	6.6%	4.3%	7.8%	11.4%	12.4%	13.8%
Ni adj margin	6.6%	4.3%	9.5%	11.4%	12.4%	13.8%

VARIOUS - € mn	2019PF	2020	2021	2022E	2023E	2024E
Capital employed	27.5	28.2	30.7	32.0	36.4	38.9
FCF	n.a.	0.5	-2.1	4.4	2.2	5.5
Capex	0.0	1.1	4.8	4.4	5.2	2.9
Working capital	8.3	9.8	12.7	11.5	12.9	14.8

INDEBTNESS - €mn	2019PF	2020	2021	2022E	2023E	2024E
NFP	-17.8	-19.7	-3.4	-0.3	0.2	3.8
D/E	2.8 x	2.4 x	0.1 x	0.0 x	n.m.	n.m.
Debt/EBITDA	4.3 x	3.7 x	0.5 x	0.0 x	n.m.	n.m.
Interests cov	n.m.	7.7 x	20.7 x	20.8 x	28.1 x	40.2 x

MARKET RATIOS	2019PF	2020	2021	2022E	2023E	2024E
P/E	0.0 x	0.0 x	40.5 x	24.4 x	20.8 x	17.2 x
P/E adj	0.0 x	0.0 x	33.2 x	24.4 x	20.8 x	17.2 x
PBV	n.a.	n.a.	5.1 x	4.4 x	3.8 x	3.3 x
P/CF	n.a.	n.a.	23.9 x	17.2 x	15.0 x	12.8 x

EV FIGURES	2019PF	2020	2021	2022E	2023E	2024E
EV/Sales	3.86 x	4.19 x	3.24 x	2.80 x	2.57 x	2.32 x
Adj. EV/EBITDA	33.8 x	26.3 x	16.9 x	13.6 x	12.0 x	10.0 x
Adj. EV/EBIT	79.1 x	49.6 x	23.9 x	17.8 x	15.3 x	12.6 x
EV/CE	5.1 x	5.0 x	4.6 x	4.3 x	3.8 x	3.4 x

REMUNERATION	2019PF	2020	2021	2022E	2023E	2024E
Div. Yield ord	n.a.	n.a.	0.8%	1.4%	1.7%	2.0%
FCF yield	n.a.	n.a.	-1.5%	3.2%	1.6%	4.0%
ROE	0.0%	19.8%	23.6%	19.3%	19.6%	20.4%
ROCE	6.5%	10.1%	12.0%	18.9%	19.1%	21.3%

AG: Combined OMP + BELL + Zeronoise

Source: Company data and Equita SIM Estimates

INDEX

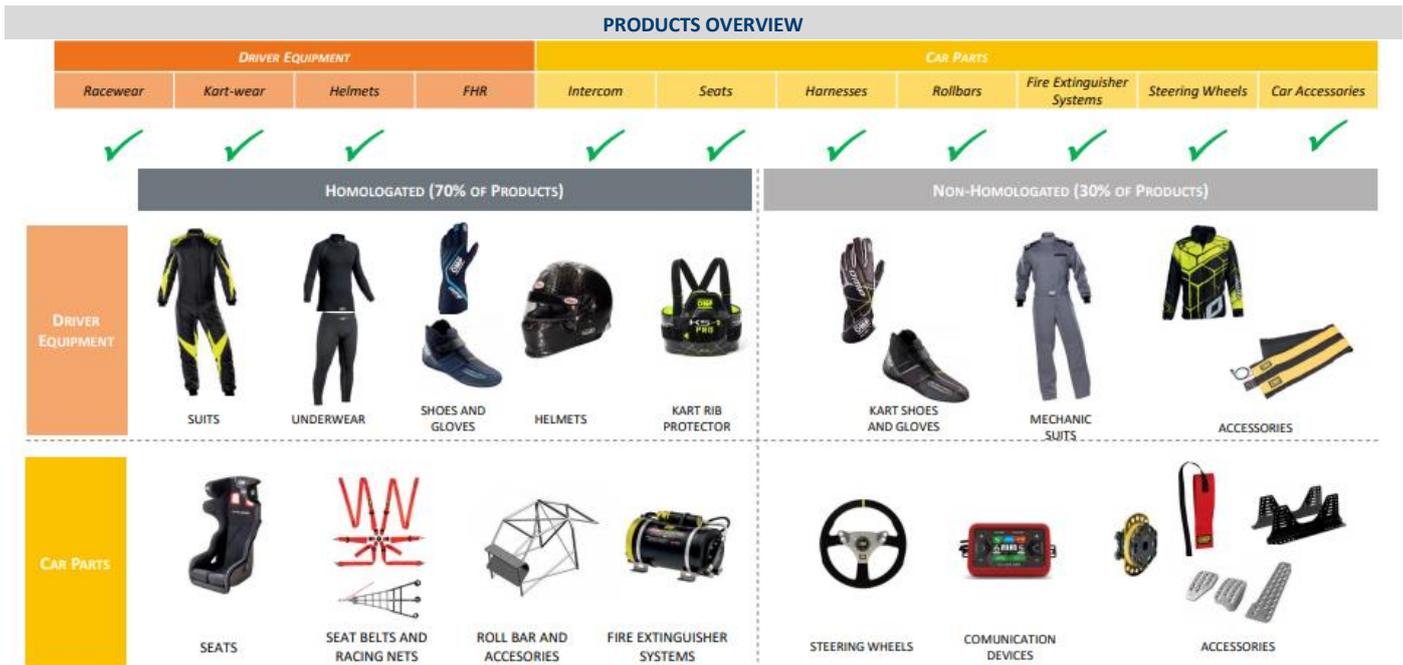
1. INVESTMENT CASE	5
2. INDUSTRY OVERVIEW	12
2.1. Motorsport Safety Equipment: a niche market.....	13
2.2. ... with very high barriers to entry.....	16
2.3. ... and “safety first” as its long-term mantra.....	19
2.4. ...across a growing number of events	20
3. BUSINESS DESCRIPTION	22
3.1. Quick History Overview: from OMP Racing to Racing Force Group.....	22
3.2. Group Structure and Shareholders	24
3.3. Management Team: a perfect mix of passion, experience, and drive for innovation	26
3.4. Racing Force Group: at the forefront of motorsport safety equipment	27
3.5. Strive for victory to reap the rewards out of the spotlights.....	28
3.6. Product overview	29
3.7. Distribution Channels and Geographical breakdown: a niche market, with a worldwide community	32
3.8. An R&D company.....	34
3.9. ...with almost fully vertically integrated manufacturing capabilities	35
4. RFG’S FUTURE: ROARING OPPORTUNITIES	37
4.1. A unique niche	37
4.2. Therefore, why do we believe that RFG will be an industry outperformer?	38
4.3. RFG’s future strategy in Five Steps	40
4.4. Motorsport vs Motorcycle: so close, yet so far.....	47
5. HISTORICAL FINANCIALS	50
5.1. 2020 Results.....	50
5.2. 1H21 results: impressive growth trends, pending contribution from new initiatives	51
5.3. Financial Analysis	54
6. 2021-25E CAGR: REVENUES +8%, NET INCOME +19%	58
6.1. Top line and market share	58
6.2. Marginality and operating performance.....	59
7. ESG	62
8. VALUATION CONSIDERATIONS	63
9. SWOT	68

1. INVESTMENT CASE

■ RACING FORCE GROUP: LEADER IN MOTORSPORT SAFETY EQUIPMENT

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 (>€200mn⁴) but global niche within Motorsport, which mainly includes:

- **Driver's Equipment (c64% of Group's sales):** racing helmets, fire-retardant suits and underwear, racing shoes and gloves;
- **Car Parts (c32% of sales):** racing seats, harnesses, roll bars, steering wheels, pedals, fire extinguisher systems.



Source: Company Data

Motorsport, by definition, involves “*any competition or related sport activity restricted to vehicles that i) have at least four non-aligned wheels* (consequently, the motorbike industry is excluded) *and ii) are constantly and entirely controlled by a driver on board the vehicle*”: a €60bn global industry, governed by the FIA, which currently counts **33 International Racing Series** (of which, 6 World Championships such as Formula 1, Formula E or World Rally Championship), **more than 60k events per year**, **7,200 permanent facilities** (not including itinerant races such as rally) and more than **2.7mn participants** (including drivers, teams, officials, safety personnel).

MOTORSPORT: SOME KEY CATEGORIES



Source: Company presentation and companies websites

With **2020 revenues of €33.7mn** (€43.6mn in 2021E), a 2014-19AG **6.6% organic CAGR** and a **2020 EBITDA margin of 16% (24% in 1H21)**, the Group today boasts an international footprint, with **sales in 80 countries**, more than **370 employees** located in **6 facilities worldwide** (o/w, 3 production sites and 3 R&D centers) and, most importantly, a winning and consolidated presence in all major motorsport championships (> 50% of Formula 1 drivers wear a Bell Helmet).

⁴ Source: RFG estimate based on industry knowledge

■ REASONS TO INVEST

1. Motorsport Safety Equipment: an attractive niche market

A niche but resilient market...

Motorsport Safety Equipment is a >€200mn⁵ global market populated by several small-medium manufacturers (<€50mn) of safety equipment for drivers and cars. **Long-term growth rates are moderate (2007-2019 CAGR of around 3/3.5%) but very consistent and resilient over time** as i) Motorsport, being a niche sport, is **populated by a hard core of enthusiasts and professionals** whose activities are recurring year after year and ii) **safety equipment**, in particular, **is even more protected** due to its essential role in the conduct of activities.

...with very high barriers to entry...

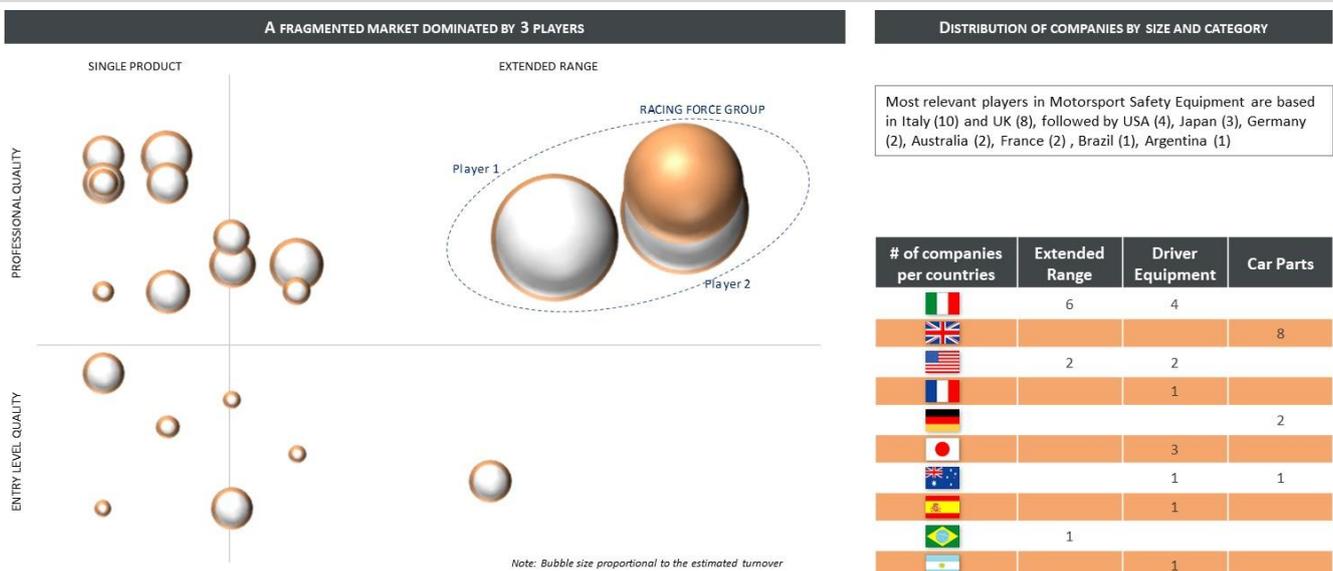
The market is rather “closed” to potential new entrants, as it presents several and very high barriers to entry:

1. **Strong Regulation:** any competition that falls within the definition of Motorsport lies under the **regulatory umbrella of the FIA** (Federation International de l'Automobile), the governing body for world motorsport, **responsible for regulating and monitoring every single aspect of the various competitions**. Given the sport's high degree of risk (vehicles racing at up to 300km/h or at 60G), **FIA is extremely careful and scrupulous when it comes to safety:** almost all products (safety equipment and car parts) must i) pass a long and extremely stringent homologation process and ii) be manufactured by FIA approved suppliers.
2. **Technological Know-How:** therefore, in order to obtaining homologations and operate within the industry, it is crucial to boast i) a very **high level of technical knowledge** (of both products and drivers' performance needs in competition) and ii) a **high degree of innovation capabilities;**
3. **Emotional element:** however, developing a good product and obtaining homologation is a necessary but by no means sufficient condition for penetrating the market, which is characterized by a **very strong emotional and trusting relationship between manufacturers-rider as well as manufacturer-team**, which heavily relies on brands industry reputation (on average, safety equipment supplier boast >40 years of experience in motorsport).

...offering many consolidation opportunities

On the one hand, the industry is rather consolidated, with **3 main players** (Racing Force Group, Simpson and Sparco) **sharing c2/3 of the market:**

MOTORSPORT SAFETY EQUIPMENT – COMPETITIVE SCENARIO



Source: Company Presentation

⁵ RFG estimate based on industry knowledge

On the other hand, **the remainder is shared by several smaller players, who i) boast leadership positions in specific market segments** (in terms of products, geographies and racing categories) or, instead, ii) **offer just an entry-level range of products** (in terms of performance). These represent very interesting consolidation opportunities for an industry leader like RFG.

2. RFG: a unique competitive positioning...

We believe that the **Group's fundamentals make it one of the best equipped in the universe of FIA-approved safety equipment suppliers to capture attractive growth opportunities in the market.**

The widest product offer range

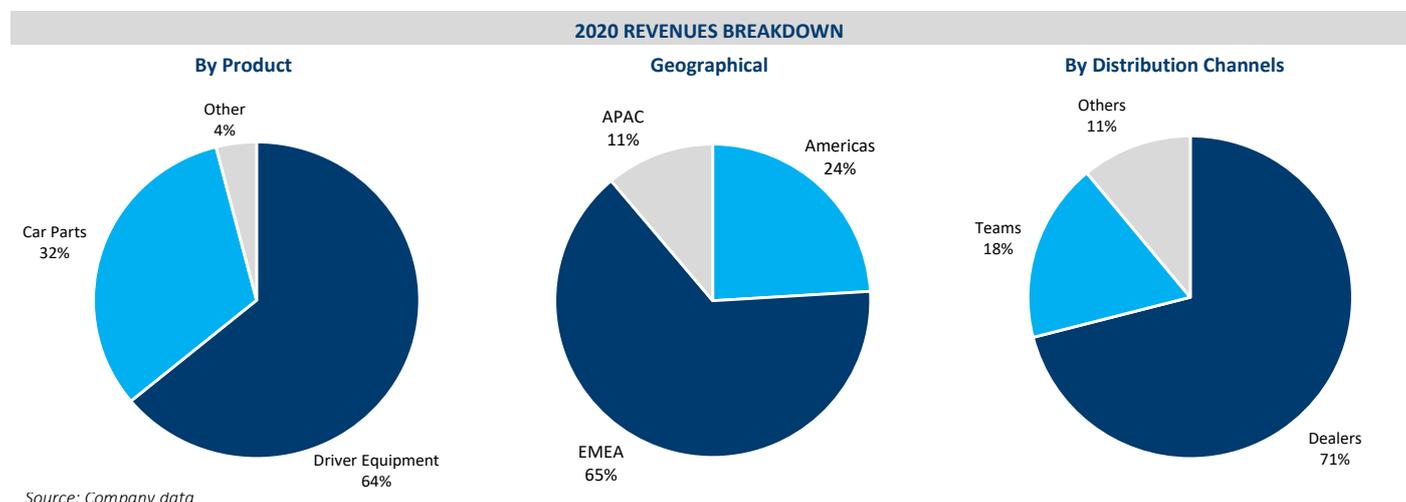
- **The Group's offer range includes OMP, Bell and Zeronoise branded products** (more than 2,000 items), which are split between **homologated** (70% of revenues) and **not homologated** (30% of revenues) ones.

Among all players, RFG boasts i) the **widest product offer range within the industry** (> 2,000 products in the catalogue **covering the whole spectrum of motorsport safety equipment**) and ii) the most iconic and famous brands (trusted by champions and teams such as Lewis Hamilton and Ferrari).

RFG's COMPETITIVE POSITIONING – PRODUCT RANGE													
	RFG	Sparco	Simpson	Sabelt	Alpinestar	Stand21	Recaro	Arai	Schubert	Freem	Schroth	HRX	
Driver Equipment	Suits	x	x	x	x	x	-	-	-	x	-	x	
	Shoes	x	x	x	x	x	-	-	-	x	-	x	
	Gloves	x	x	x	x	x	-	-	-	x	-	x	
	Helmets	x	x	x	-	-	x	-	x	x	-	-	
Car Parts	Seats	x	x	x	x	-	x	-	-	-	-	x	
	Harnesses	x	x	x	x	-	-	-	-	-	x	x	
	Rollbars	x	x	-	-	-	-	-	-	-	-	-	
	FES	x	x	-	-	-	-	-	-	-	-	-	
	Steering Wheels	x	x	-	x	-	-	-	-	-	-	-	
	Intercoms	x	x	x	-	-	-	-	-	-	-	-	
	Other car parts	x	x	x	-	-	-	-	-	-	-	-	

Source: Equita SIM elaborations on Company Presentation

Revenues are **extremely diversified** in terms of **customers** (+3,400 customers worldwide, with the top 10 customers accounting for c22% of sales, of which just one weighting for more than 5%), **and geographies** (sales in 80 countries with no countries, except US, accounting for more than 15% of total sales), and are mainly generated indirectly through **independent Dealers (c71% of 2020 sales)**, and directly to top **Teams and drivers (c18% of sales)**.



Source: Company data

Almost fully vertically integrated Group...

- The Group is **highly vertically integrated**: almost every step of the process (from R&D, design and testing to production and distribution) is managed in-house, and this is one of the strategic aspects underlying the Group's success, as it guarantees i) **direct control over the entire production chain to verify that the typical high levels of product quality are always met**, ii) **limited reliance on external suppliers** (a risk, both in terms of production flow and in the homologation phase) and iii) **flexibility in the hands of managers** to meet any need or request addressed by their main drivers and racing teams;

... with historical and solid relationship with FIA...

- RFG can count on a **collaborative relationship with FIA**: not only the issuing of a new safety standard for a product almost always sees the Group's direct involvement (which contributes to R&D, testing and dialogue with drivers and teams) but, since 2012, the Group's is the sole safety Equipment supplier for all FIA staff. The supply agreement has been recently extended for further three years until 2024.

3. ...with a clear and well-defined future growth strategy

The 2019 **acquisition of Bell Racing Helmets** represented a fundamental step in the Group's history, introducing a series of elements that, in our opinion, have:

- significantly **strengthened its competitive positioning** and
- opened numerous **interesting growth opportunities** both within the reference market (Motorsport Safety Equipment) and in adjacent ones (such as A&D).

In particular:

1. **Attacking the US market**

RFG sales are currently concentrated mostly in EMEA (65% of 2020 sales), and Americas (24% of 2020 sales). However:

- **NA weighs just c15% of 2020 revenues for OMP Racing** whose products, however, generate c70% of Group's sales
- **NA (in particular, the US) is the world's largest motorsport market⁶** and
- **Bell Helmets (US company founded in California) has a consolidated presence** i) in the **main US motorsport championships** (in the 2021/22 season, 46% and 31% of drivers, respectively, IndyCar and Nascar wear a Bell helmet) and ii) **with the country's major dealers.**

Therefore, we see the **opportunity for OMP branded products to exploit**, in the coming years, the strength of the Bell brand in the region **to i) penetrate US major championships** (by winning contracts with teams and the trust of drivers) and **ii) generate cross selling through major American dealers.**

As a proof of the company's commitment to seize this opportunity, next season will see the first NASCAR driver fully equipped with OMP products: an important first step for the brand's visibility in both the racing category and the American market.

2. **Growing in the open-face helmet segment**

2021 marked the return of Bell-branded helmets to the World Rally Championship after an absence that lasted almost 10 years: a very interesting move as the "**open-face**" segment i) boasts a **greater number of races per year** (i.e., for every full-face race there are 3 open-face races worldwide, with often more than 1 driver/car), and ii) a **very high number of enthusiasts** among semi-professionals and amateurs. To date, **we estimate a c5% market share for Bell in the open-face helmet segment, a c€18/20mn⁷ market worldwide.**

⁶ Source: RFG estimate based on industry knowledge

⁷ Source: RFG estimate based on industry knowledge

3. Diversification

Leveraging on the internal know-how and innovation capabilities, the Group has embarked in many interesting and promising diversification projects:

- **Driver's Eye:** the Group developed the smallest micro-camera in the world (8 millimeters in diameter and weighing 2.5 grams) that can be easily fitted in a special niche inside the helmet, allowing to film the race "through the eyes of the driver". **The technology**, immediately after the expiry of the two-year exclusive contract with Formula E last summer, **was also strongly sought by Formula 1 which, in addition to having already used it for the live world broadcast of the last race of this season** (with the duel between Hamilton-Verstappen), **has signed a contract with RFG for the administration of the service throughout the next season.** This is a **one-year, non-exclusive contract** (which will allow RFG to offer the service to broadcasters of other competitions, including Formula E).
- **Ballistic Military Helmets:** RFG developed a new material structure for military ballistic helmets that guarantees performances with an **amazing weight saving as well as the highest protection.** Prototypes are ready for final design and industrialization, and **single tenders can involve thousands of helmets that, at present, the market is buying at a price between €3-4k⁸.**
- **Jet Pilot Helmet's Shell:** a new range of carbon fiber advanced shells for jet pilot helmets have been developed and are currently under testing by a major Air Force. **Currently pending the final award of a >\$10mn tender in which, if finalized, RFG would be Tier 2 supplier.**

Note that, **with the exception of the Driver's Eye** (which is already contributing to the group's results and whose growth path, following the recently announced agreement with F1, has gained visibility), **we do not include in our estimates the potential benefits arising from the diversification projects in the A&D industry.**

4. M&A

The future M&A strategy will be based on the **search for deals that can give synergies in i) distribution (i.e. US targets), ii) production (i.e. South America) and/or iii) R&D**, without seeking a mere growth in size. At present, **no negotiations are at an advanced stage, nor has any proposal been submitted by the company.**

■ RESILIENT 2020 RESULTS, WITH IMPRESSIVE REBOUND IN 1H21

The 2020 covid-19 pandemic, the first year following the acquisition of Bell Helmets, has severely tested the world of Motorsport: however, RFG managed to contain the impact of the pandemic, ending 2020 with:

- **Revenues -8% to €33.7mn** vs 2019AG (vs -52% of FIA events worldwide);
- **EBITDA +28.3%** to €5.4mn vs €4.2mn in 2019, with a **15.9% EBITDA margin** (vs 11.4% in 2019AG) mainly thanks to strict cost containment.

1H21 was instead a record semester in terms of i) **turnover (+46.8% vs 1H20)** and ii) **margins (EBITDA margin 24%** from 14.5% in 1H20), and which started to show the enormous potential of the new Group's structure.

2020 - 1H21 KEY HIGHLIGHTS

2020 – 1H21 key results	2019AG	2020	YoY	1H20	1H21	YoY
			delta %			delta %
Revenues	36.6	33.7	-7.8%	17.0	24.9	46.8%
Adj. EBITDA	4.2	5.4	28.3%	2.5	6.0	142.9%
Adj. EBITDA margin	11%	16%		15%	24%	
Adj. EBIT	1.8	2.8	59.3%	1.4	4.9	256.9%
Adj. EBIT margin	5%	8%		8%	20%	
Adj. Net Income	2.4	1.4	-40.7%	0.8	3.6	370.4%

Source: Company data

⁸ Source: RFG estimate based on industry knowledge

■ 2021-25E CAGR: REVENUES +9%, NET INCOME +21%

Based on 1H21 results and bearing in mind the Group's traditional business seasonality (1H weighs, on average, c55/60% of sales volume for the year), **we expect FY21 sales to grow +29.1% vs 2020 to €43.6mn (from €33.7mn), with and implied 2H21 at €18.6mn (+11.2% vs 2H20).**

From 2021 onwards, we project a 2021-25E Revenues CAGR of 9%, from €43.6mn in 2021E to €61.9mn in 2025E. In terms of marginality, we expect:

- **Adj. EBITDA: 2021-25E 13.5% CAGR**, at €13.9mn from €8.4mn in 2021E, with a **24% margin in 2025E** from 19.2% in 2021E;
- **Adj. Net Income:** by assuming an **average cost of debt of 2.2%**, and a **22.5% normalized tax rate**, we project a **21% 21-25E CAGR**, with a **14.6% Net Income margin in 2025E** (€9.1mn) from 9.5% in 2021E (€4.1mn).

Assuming a market growth (in line with historical growth rates) of 3.5%, and a conservative estimate of the starting market size at €200mn, **we expect the group's market share in Motorsport Safety Equipment to increase from 17% at the end of 2020 to 25% at the end of 2025.**

■ VALUATION: BUY and TP €6.7PS

We set our target price at €6.7ps, based on a DCF model for the core business, which we valued at 6.7ps (equal to 12.2x EV/EBITDA 2023E and 21x P/E 2023E), plus an additional upside reflecting the interesting pipeline of projects in the A&D sectors.

Considering the improvements made on the military projects (especially with the jet pilot helmets in partnership with LIFT Airborne, see section 4.3), **we decided to include in our valuation an upside potential (not embedded in our current estimates) to reflect the improved visibility on this diversification path.** Therefore, we have assumed that the **military projects could bring an amount of sales in the €8-10mn area by 2025E**, and have applied an incremental margin of 30%, projecting a **potential upside at EBITDA level north of €2mn**, with the first revenues that could be generated already in 2023E. Applying a multiple of 11x EV/EBITDA (current EV/EBITDA multiple for our military panel) and discounting at an annual rate of 15%, **we estimate a potential value creation from the military projects of € 15-20mn, or around € 0.7ps**

BRIDGE TO TARGET PRICE							
	EBITDA 2025E (€ mn)	A&D multiple	EV € mn	Discount rate (annual)	Value Creation		
					€ mn	€ ps	%
Military upside	2.4	11.0x	26.4	15%	17.4	0.7	12%
DCF - core business					141.0	6.0	88%
Target Price					158.4	6.7	

Source: Equita SIM estimates

■ BENCHMARKING

It is **not possible to identify players in the market that are perfectly (or sufficiently) comparable to RFG** in terms of i) products, ii) end markets and iii) technologies, as RFG:

- operates in a niche market** within Motorsport
- offers products with high technological content**, which are responsible for ensuring the safety of drivers and staff without affecting their performance
- boasts historical and best-in-class quality brands** with high industry reputation
- operates in a market with high barriers to entry** mainly determined by i) regulation, ii) quality standards and iii) innovation capabilities
- has embarked on a diversification path** in the A&D segment.

Based on our analysis, at present there are no other listed motorsport safety equipment suppliers. Therefore:

1. We believe that **the most comparable listed company is SHOEI**: first, we notice an **overlap in product range and respective end markets**, although the exposure is to the motorcycle segment (but where safety equipment such as helmets, suits and gloves are used as well). Secondly, SHOEI also boasts **specific certifications** in the racing world (FIM homologated helmets);
2. Considering i) the key elements of **RFG's business**, ii) its **diversification projects in the A&D world**, iii) **a track record of competitors certifying the proximity of these two markets** (Dainese, Schroth, Schubert) and iv) **the presence of a direct competitor such as Schubert** (motorcycles, racing, firefighting, military helmets), we deemed reasonable and interesting to also identify **a panel of companies operating in the military/industrial market**, manufacturing high performance safety equipments in similar segments to those of RFG (such as ballistic helmets).

2. INDUSTRY OVERVIEW

Racing Force Group is active in the design, manufacture and distribution of safety equipment (made up by racing helmets, fire retardant technical wear, racing seats and harnesses, safety roll bars, etc..) for the motorsport industry which, according to the official definition, includes **“any competition or related sport activity restricted to vehicles that i) have at least four non-aligned wheels** (consequently, the motorbike industry is excluded) **and ii) are constantly and entirely controlled by a driver on board the vehicle”**.

Motorsport, in general, consists of all racing championships that:

- meet the minimum requirements of the above definition;
- are **recognized, authorized, and regulated by the regulatory body** which, at world level, is **FIA** (Federation International de l’Automobile – see section 2.2.)
- are attended by **drivers with a specific racing license**: these include professional, semi-professional, youth, and amateur drivers.

The market, therefore, includes all the **world’s most famous global and international competitions** (such as F1, World Rally Championship, Indycar, Nascar, etc.), **as well as semi-professional and amateur national and local ones** (i.e., Silverstone Classic).

MOTORSPORT CATEGORIES	
Open wheel racing	
Formula racing	Any of several forms of open-wheeled single-seater motorsport road racing. The best known of these formulae are Formula One, Formula Two, Formula Three and Formula E
IndyCar series	Major US motorsport championship for open-wheel cars
Enclosed wheel racing	
Sports Car racing	A set of classes of vehicles, over a closed course track, including GT sports cars, and specialized racing prototypes. The premiere race is the 24 Hours of Le Mans and 24 Hours of Daytona
Rally series	Racing on public or private roads with modified production or specially built road-legal cars. The main championship is WRC, besides regional rallies and cross-country rallies.
Stock Car racing	A set of vehicles that race over a speedway track, organized by NASCAR. While once stock cars, the vehicles are now purpose-built.
Touring Car racing	Modified street cars that race over closed purpose-built racetracks and street courses.
Off-road racing	Specially modified vehicles (including cars, trucks, and buggies) racing in off-road environments.
Other racing	
Truck racing	Modified versions of heavy tractor units on road racing or oval track circuits.
Kart racing	A variant of motorsport road racing with open-wheel, four-wheeled vehicles known as go-karts or shifter karts. Karting is commonly perceived as the steppingstone to the higher ranks of motorsports

Source: Equita SIM elaborations

MOTORSPORT: SOME KEY CATEGORIES



Source: Company presentation

Motorsport is a multi-billion dollar (c€60bn in 2019⁹) global industry attracting the interest of millions of fans and enthusiasts worldwide (in 2019, the total global TV cumulative audience for Formula 1 stood at 1.9bn, with >400mn unique viewers¹⁰), with a high degree of complexity represented by the **very high number of different actors and interests at stake**.

⁹ €59.8bn of directly generated gross output (the value of goods and services produced by each segment of the industry) among services (51%), Advanced Manufacturing & Engineering (36%) and Other Manufacturing (13%)

¹⁰ Source: Formula 1 official website

In particular, these can be represented as follows:

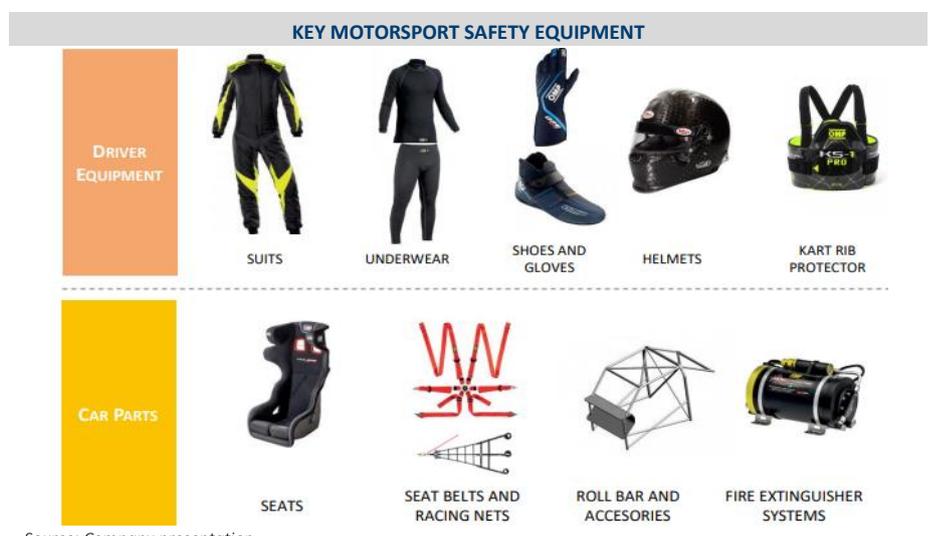
- **Participants:** manufacturers, racing teams and drivers: the main industry actors who compete in engineering, R&D, production and on the racetrack;
- **Manufacturers suppliers:** include a plurality of companies manufacturing and supplying all the components and technologies needed to compete on the track: engines, electronic components, safety devices, tyres, fuels, etc..;
- **Sponsors:** they literally cover drivers, cars and circuits with their logos to benefit from the enormous visibility offered by the broadcasting of such competitions, financing drivers, teams and events at all levels;
- **Event promoters:** managing and setting up circuits, organizing competitions and events, and selling media contents for broadcasting;
- **Broadcasters:** responsible for producing media contents for broadcasting;
- **Regulatory bodies:** such as the FIA, Snell Foundation and SFI Foundation, which are responsible not only for regulating, supervising, and sanctioning every single aspect of competitions, but also for establishing stringent requirements and criteria for the homologation of products (cars and safety equipment), with the aim of increasing the safety of athletes and operators.

This industry currently counts **33 FIA International Racing Series** (of which, 6 World Championships), **more than 60k events per year** (of which, 324 FIA World & Regional Championships, 556 FIA International Series rounds and 59k+ national and local championships), **7,200 permanent facilities** (not including itinerant races such as rally) and **more than 2.7mn participants** (including drivers, teams, officials, safety personnel, etc.).

RFG, being a **manufacturer and supplier of safety equipment for drivers, staff and cars**, competes within the **Motorsport Safety Equipment** market: a **small niche (estimated to be >€200m¹¹)** within Motorsport that, however, not only represents a pivotal element underpinning all competitions, but is also at the top of FIA's and industry professionals' priorities. A long-term trend, that of drivers' safety, destined to continue and grow also in the future (see section 2.3).

2.1. Motorsport Safety Equipment: a niche market...

Motorsport Safety Equipment is a >€200mn global market¹² populated by several small-medium manufacturers (size <€50mn) of safety equipment for drivers and cars, which mainly consists of racing helmets, fire retardant suits, karting suits, underwear, racing gloves and shoes, seats, roll bars, harnesses and fire extinguisher systems.



Source: Company presentation

¹¹ RFG estimate based on industry knowledge

¹² RFG estimate based on industry knowledge

Although there are no official market size studies, nor any specific reference reports on motorsport safety equipment, by analyzing the turnover evolution of the main market players (namely Racing Force Group, Simpson, Sparco, etc.), it is possible to observe that the **long-term growth rates are moderate (2007-2019 CAGR of around 3/3.5%) but very consistent and resilient over time.**

This can be partly explained by the fact that Motorsport, being a niche sport, is **populated by a hard core of enthusiasts and professionals** whose activities are recurring year after year and, on the other hand, that the **safety equipment segment** (RFG's reference market) is **even more protected** since it is an essential and functional element for the existence of these activities (increasingly acquiring relevance among the industry priorities).

■ BUSINESS DYNAMICS

To fully understand the rationale of the business of a manufacturer and supplier of motorsport safety equipment (such as RFG), it is **necessary to think of the market as a kind of pyramid:**



Source: Equita SIM Elaborations

- **Segment 1:** at the top we have the major world and international championships such as F1, WRC, WEC, Formula E, Indycar and Nascar, where every manufacturer and supplier of safety equipment aims to literally “cover” drivers, teams and cars with its products and brands. The return, in this case, more than monetary comes in terms of i) **know-how/technology** (being a supplier, i.e., of Formula 1 helmets means not only being able to offer the market state-of-the-art technologies and quality standards, but also being naturally pushed to keep innovating the solutions offered), ii) **visibility** (given by the broadcasting of competitions, with the logos of the brands always in full view) and iii) **reputation** (all elements necessary to attack the rest of the market);

- **Segment 2:** Just below this we find all the minor professional competitions (national and international): this is where the real business begins for suppliers, who sign annual or multi-year supply agreements with carmakers, racing teams and drivers selling their products either directly or, more often, indirectly through a worldwide network of dealers. Competing in major leagues, and being associated with famous and successful drivers in the various categories, is therefore fundamental to the business: everyone riding in a racing car not only wants to make sure they are equipped with the best technology and safety standard available, but also dream of imitating their idols (the underlying mechanism of any sport);
- **Segment 3:** finally, at the base of the pyramid are all local semi-professional, amateur and youth (FIA approved) competitions: a plafond of more than 59k events per year worldwide that sees kids competing in karting championships (a non-negligible part of RFG's business) as well as enthusiasts competing in the most diverse competitions (from GT, Ferrari customer racing, Lamborghini Super Trofeo, historic races or rallies, truck competitions, hill climbing, etc.). This very large and fragmented market is served by manufacturers mainly indirectly through independent dealers and distributors (who, in turn, resell to retail distributors), but also through their online channel (where present).

■ COMPETITIVE SCENARIO

On the one hand, **the industry is rather consolidated**, with **3 main players** (in terms of turnover and range of products offered) **sharing c2/3 of the market**:

- **Racing Force Group (€33.7mn of 2020 sales):** it manufactures and distributes technical wear under the OMP brand and the super-premium Bell helmets (with more than 2,000 products offered by the OMP brand alone and 163 homologations, it boasts the widest and most complete offer on the market);
- **Simpson Performance Group (€41mn of sales in 2020¹³):** it sells technical wear, car parts and helmets under the "Simpson" brand and helmets under the "Stilo" brand;
- **Sparco Group (€46mn of sales in 2020¹⁴):** it manufactures and distributes technical wear under the "Sparco" and "Impact!" brands.

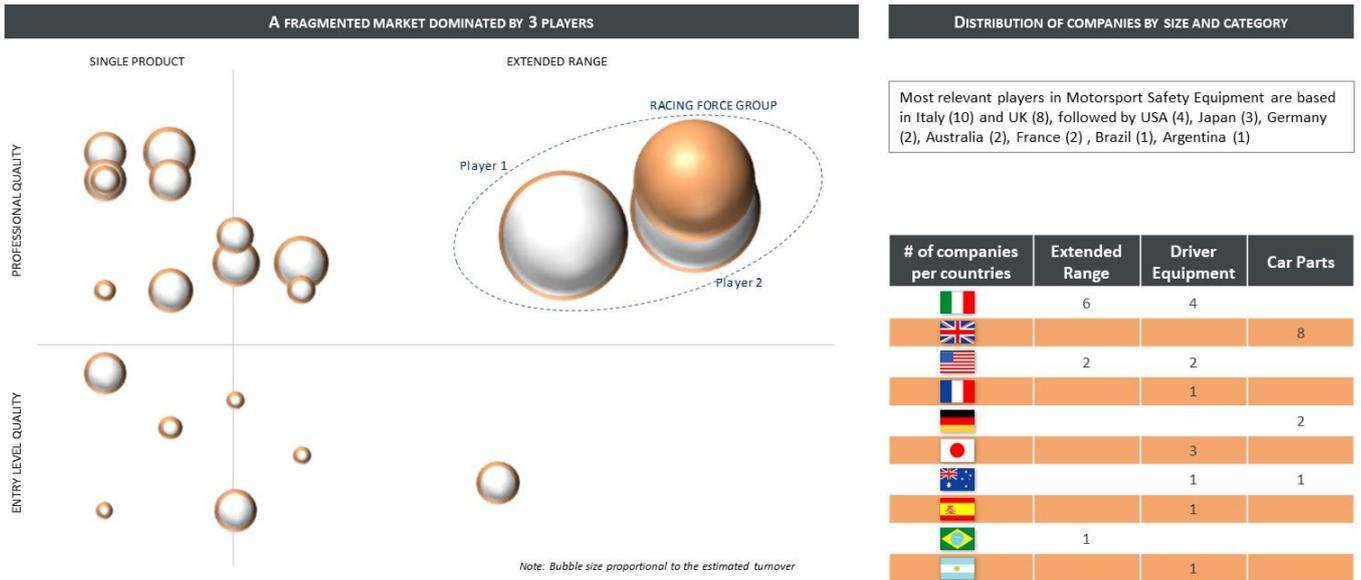
On the other hand, **the remainder of the market is shared by several smaller players**, who i) **boast leadership positions in specific market segments** (an example is Sabelt, leader in the production of harnesses for motorsport, with an estimated 2020 turnover of c€6mn in the segment) or, instead, ii) **offer just an entry-level range of products** (in terms of quality and performance).

In general, however, **most of these companies** are characterized by i) a **historical and consolidated presence in the industry**, ii) a **high degree of specialization** in products and technologies, but iii) an **unbalanced presence in the various categories or geographies** of motorsport.

¹³ Source: RFG estimate based on industry knowledge

¹⁴ These include only revenues generated by the motorsport segment, as Sparco is also a direct suppliers of OEMs in the automotive industry

MOTORSPORT SAFETY EQUIPMENT – COMPETITIVE SCENARIO



Finally, to complete the market snapshot, it is important to underline that, often, the supply of safety equipment to drivers and teams at top levels is in the hands of **“brands” rather than “pure players/competitors”**: some players like **Puma** or **Schubert**, i.e., although they have been protecting (for many years) with their own suits and helmets some of the greatest champions of Motorsport (i.e. Lewis Hamilton’s suit is supplied by Puma), see Motorsport more as a marketing tool than as a real business: their aim is to strengthen their brand reputation to sell mass market products, but do not cross-sell safety products in the semi-professional and amateur motorsport segments which, as explained above, represent the real reference market for RFG (see section 2.1.3.).

2.2. ... with very high barriers to entry...

Motorsport Safety Equipment is a market characterized by very specific dynamics that result in a **multitude of high and established barriers to entry**, many of which are a consequence of the very high level of regulation in the market.

1) Regulatory bodies...

Any competition that falls within the definition of Motorsport lies under the **regulatory umbrella of the FIA** (Federation International de l’Automobile). The FIA is the **governing body for world motorsport** and the federation of the world’s leading motoring organizations, and is **responsible for regulating and monitoring every single aspect of the various competitions**: from the regulations of the races, to the competition calendar and the homologation criteria for all products used in the cars, or worn by both drivers and teams.

Founded in 1904, with headquarters in Paris, the FIA is a non-profit association that brings together 245 international motoring and sporting organizations from 146 countries on five continents and is the sum of the individual national motoring authorities.

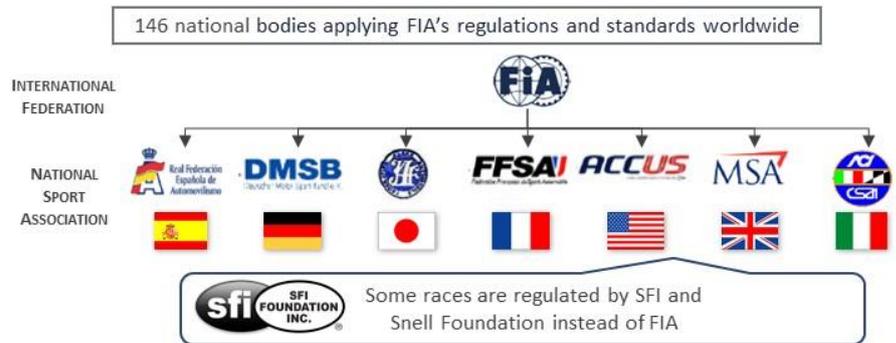
For example, American competitions such as Nascar or Indycar are not classified as FIA Championships, but fall under the ACCUS (Automobile Competition Committee for the US): the ACCUS, however, is simply the National Sporting Authority (ASN) of the FIA for the US (comprised of the six major motorsport sanctioning organizations: IMSA, INDYCAR, NASCAR, NHRA, SCCA, USAC).

2) ...setting strict safety requirements

Almost all products (safety and non-safety) that are used in motorsport (by drivers and in vehicles) must pass a long and stringent homologation process, whose criteria and requirements are defined by

- **FIA:** for European competitions and RoW, with some exceptions in the USA¹⁵ (i.e. Nascar);
- **SFI:** for US competition safety equipment, except helmets;
- **Snell:** for the helmets of drivers competing in US championships.

MOTORSPORT REGULATORY BODIES



Source: Company presentation

Given the sport's high degree of risk (fireballs racing at up to 300km/h or in extreme driving conditions), **regulators are extremely careful and scrupulous when it comes to safety**. This approach has, in recent years, (i) significantly **reduced the number of accidents per race** (in 1960, 1 in every 8 F1 races saw a driver killed in an accident), (ii) **raised safety targets** (while 20 years ago drivers risked their lives in accidents at 25G, today the FIA target is for drivers to remain unharmed after accidents of up to 70G¹⁶) and, therefore, (iii) resulted in the **setting of more and more stringent safety and quality requirements** to obtain homologation.

Developing a helmet or suit for an F1 driver, and obtaining FIA homologation for its use and distribution, is therefore a long and complex process that cannot simply be done overnight. This, for many reasons:

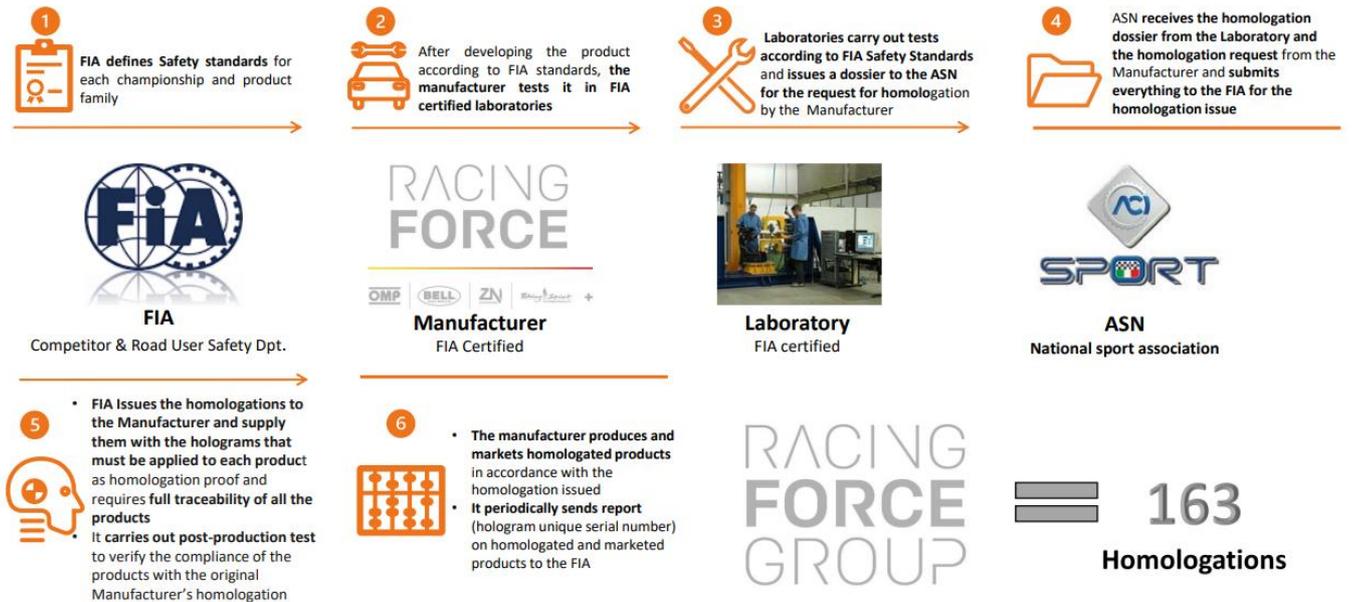
a) Long and strict homologation process

The product homologation process is often **very long and uncertain in terms of time framework and outcomes** (from the issuing of a new standard – about every 5 years for helmets and suits – to the development phase, to the testing phase, years can pass), and requires significant investments in R&D, laboratories and testing facilities. The effort, however, does not in any way guarantee the issue of certification;

¹⁵ Other competitions, such as Indycar or IMSA, are under FIA

¹⁶ Source: FIA official website

FIA HOMOLOGATION PROCESS



Source: Company presentation

b) Technological know-how and racing heritage

To operate within the industry, in addition to obtaining homologations, it is necessary to boast i) a very **high level of expertise and technical knowledge** of the products, and ii) a **high degree of technological innovation**. It is in fact from the combination of these two characteristics that companies can offer products that, in addition to safety, excel in terms of technical performance: safety equipment should never be an impediment to the rider, but rather a tool designed to improve performances (i.e., custom-made gloves or aerodynamic helmets). It is precisely for this reason that the industry's leading players have been in the market for more than 40 years and consider the victories of the drivers who rely on their products to be 100% their own.

c) Relational / Emotional element

Developing a good product and obtaining homologation is, however, a necessary but by no means sufficient condition for penetrating the market, which is characterized by a **very strong emotional and trusting relationship between manufacturers-rider as well as manufacturer-team**. When a rider wears, i.e., a Bell helmet, he is entrusting his life and performance to that brand. Consequently, once the ideal fit has been identified, **a driver tends to rely on the same manufacturer for his entire career**, both because of his confidence in the history and quality of the products and because of a superstitious element (very widespread in the sector).

The key lever in the hands of a potential new entrant to attract the interest of a driver or a team would be to offer a product which, for the same level of safety, offers **significantly higher performances** (i.e. in terms of weight or aerodynamics): a very complex challenge for someone who is new to the sector and lacks the dialectical and daily relationship with drivers, FIA and engineers.

2.3. ... and “safety first” as its long-term mantra...

Recognizing that **motorsport is inherently dangerous**, the FIA has, throughout its history, worked ceaselessly to improve safety at all levels of competition. Therefore, within Motorsport, **safety will continue to be pivotal also in the future**, regardless of potential changes in championships rules (i.e., shift from ICEs competitions to all electric ones: a journey already begun with the introduction of the Formula E and the Pure ETCR competitions, where nevertheless fire-retardant suits, helmets or harnesses are needed).

Attention to safety is demonstrated not only in words, as one of the pillars of the FIA’s mission, but above all by i) the constant improvement of the safety standards of the devices used and ii) the **recent introduction of new and revolutionary devices** strongly desired and “imposed” by the regulatory bodies. Among these, just to name a few:

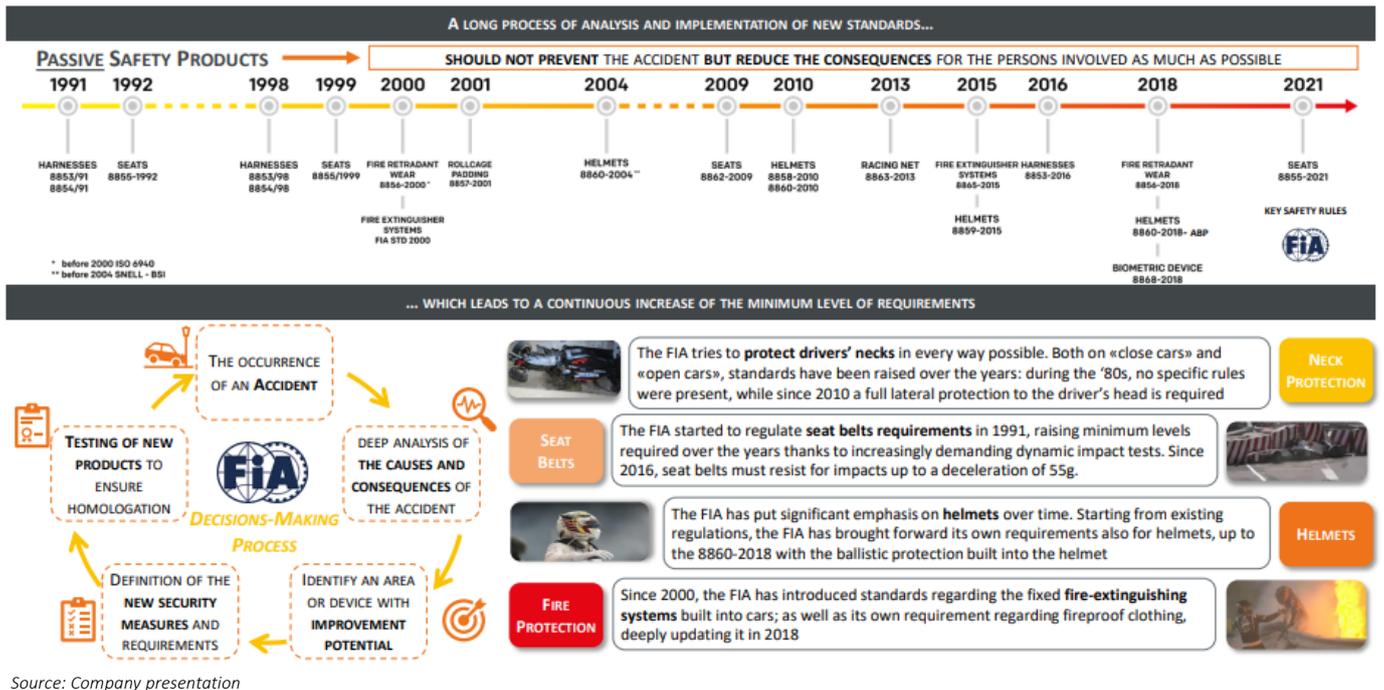
- **2003 – Hans (Head and Neck Support):** a type of head restrains that reduces the likelihood of head or neck injuries, including the often-fatal basilar skull fracture (causing the death, i.e., of Roland Ratzenberg in the 1994 San Marino Grand Prix), in the event of a crash. Formula One mandated HANS devices in 2003 after extensive testing by Mercedes from 1996 to 1998
- **Crash Helmets:** first full-face helmets were introduced into F1 in the late-1960s, and they have undergone significant refinement over the decades. Today, helmet design and characteristics are highly regulated by the FIA which, under the most recent standard (FIA 88860 – 2018) requires the outmost in toughness to accord homologation:
 - Advanced Ballistic Protection: a 225g metal projectile fired at 250km/h. The peak deceleration shall not exceed 275G;
 - Crush: A 10kg weight falling 5.1 meters onto helmet. Lateral and longitudinal tests. The transmitted force should not exceed 10 kN;
 - Flammability: Helmet exposed to 790 C° flame; it must self-extinguish once flame is removed and the temperature inside the helmets should not exceed 70 C°
- **2018 – Halo:** protection system used in FIA formula series that consists of a bent bar positioned to protect the driver’s head. The system was first trialed in 2015, becoming mandatory under FIA homologation and regulations from 2018: since then, the FIA has made Halo mandatory on every vehicle in Formula 1, Formula E and Formula 2, then in Formula 3 in 2019 and finally in Formula 4 from 2021 as a new safety measure.

RECENTLY INTRODUCED SAFETY TECHNOLOGIES



Source: Company Presentation

FIA HOMOLOGATION REQUIREMENTS



It is also important to emphasize, in this regard, that in order to obtain FIA homologations (and, therefore, carry a label with the reference standard, a unique serialized anti-counterfeiting code and the expiry date), each product must meet a guaranteed minimum level of quality: this means that the **minimum safety standard set by the FIA will be guaranteed both by a basic product** (i.e., a €350 helmet) and, obviously, **by premium products** (helmets can cost up to thousands of euros). The main difference between these products is in fact more about the **materials used and the performance they guarantee** (i.e., fiberglass helmets vs. carbon fiber helmets), rather than their safety and performance (i.e., weight).

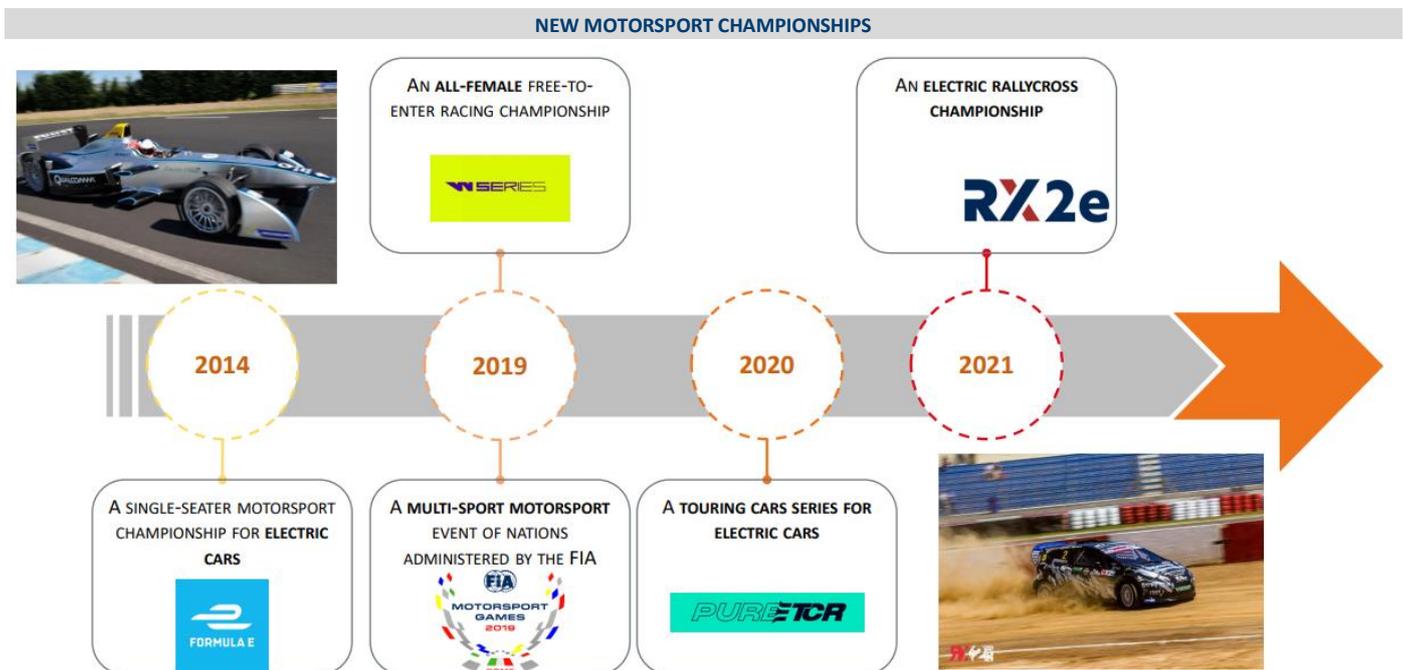
This is a fundamental approach that, on the one hand, makes motorsport more accessible even at lower levels (and more lucrative for manufacturers) and, on the other, prevents 'mass market' players from trying to become producers and suppliers of safety products for motorsport: the technological and safety requirements are in fact very high at all levels, and require the issue of specific homologations.

2.4. ...across a growing number of events

Motorsport is a global industry, encompassing a wide variety of championships and individual historic competitions that are very different from each other. However, from year to year, (i) **new championships**, both national and global, and/or (ii) **new stages in existing championships are added**. In particular, the last few years have seen a number of promising new entries come into the market:

- a) **New geographies**: new championships, or new stages of world circuits, are emerging in countries that have (i) a growing number of motorsport fans (i.e., fans of world championships such as Formula 1) but (ii) still a limited tradition and offer in racing and are underdeveloped in terms of infrastructure. The number of rounds of the Formula 1 season, i.e., has increased from 17 in 2009 to 21 in 2019, and the FIA has a target of raising the number of races to 23 by 2023;

- b) **New technologies:** new championships or categories are emerging with the aim of testing new types of fuels or technologies: this is the case, for example, with the emergence of new championships using purely electric engines. Among these, we would like to highlight some very recent innovations, which indicate the industry's keen interest in keeping the sport evolving:
- **Formula E:** launched in 2014, this is a single-seater Formula World Championship which involves only battery-electric vehicles;
 - **Pure ETCR:** a new touring car series for electric cars, launched in 2020
 - **RX2e:** the first electric rallycross championship launched in 2021
- c) **New drivers:** finally, it is interesting to point out the growing effort of the industry to stimulate the involvement, participation and interest of the female audience in sport: a trend that has pushed in recent years and culminated with the launch, in the 2019/2020 season, of the first W Series: an all-female-free-to-enter racing championship.



Source: Company presentation

To date, the **Motorsport industry boasts 33 International Racing Series** (of which, 6 World Championships), **more than 60k events per year** (of which, 324 FIA World & Regional Championships, 556 FIA International Series rounds and 59k+ national and local championships), **7,200 fixed facilities** (not counting touring circuits such as rally circuits) and **more than 2.7mn participants** (including drivers, teams, officials, safety personnel, etc.).

In the UK alone, one of the main motorsport countries, around 5,000 motorsport events take place every year (*source: Motorsport UK*) while, in the US, more than 15mn people attend motorsport events every year (*source: USSCA*).

3. BUSINESS DESCRIPTION

RFG (Racing Force Group) is active in the development, production and marketing of safety equipment and car parts for the motorsport industry (see section 2). The Group, which distributes its products in 80 countries, was born from the union of two of the most historic and iconic brands in the world of motorsport: OMP Racing S.p.A. (today Racing Force S.p.A.) and BELL Helmets (acquired by OMP in 2019). With 3 production plants, 3 R&D centers and 6 showrooms worldwide (Europe, US and Asia), RFG today boasts the most complete and extensive range of offerings in the industry, (more than 2,000 products offered among helmets, racing suits, seats, technical wear and other car parts) and a stable and winning presence at the top levels of all major championships.

In addition to OMP (car parts and drivers' equipment) and BELL (helmets), the Group also includes Zeronoise (an Italian startup, acquired in 2019, active in the design and marketing of communication equipment and software for motorsport such as the Driver's Eye).

3.1. Quick History Overview: from OMP Racing to Racing Force Group

■ FROM OMP RACING (1973)...

Founded in 1973 by the Percivale brothers in Genoa (Italy), OMP Racing (from here on, OMP) was born from the design and production of the first safety roll bars for the cockpit of racing cars, and then of safety racing car parts like seats, steering-wheels, fire extinguisher systems and other. In 1981, in the wake of the success of the first products and the growing attention to the issue of driver safety, the company expanded its design and production activities to all the main safety products for motorsport (fire retardant suits, gloves, shoes, underwear, etc.), and debuted alongside key drivers in major championships. In 2008 the company passed under the control of the Delprato brothers (through SAYE, the family holding company) who, with a particular focus on innovation and product quality and following a strong internal renovation, guided the company towards an important growth in terms of both size and geographical footprint, consolidating the OMP brand reputation of a super-premium manufacturer of quality, safe and innovative products.

OMP FIRST SAFETY ROLL BARS



Source: Company website

■ ... THROUGH THE BELL HELMETS AND ZERONISE ACQUISITIONS (2019)...

Following a period of organic growth, in 2019 OMP Racing made a strategic step that radically changed i) the size, ii) the competitive positioning and iii) the future prospects of the Group, completing the acquisition of 100% of Tahru, the holding company owning the world licenses for Bell Racing Helmets brand¹⁷ (see Appendix 1).

Bell Racing Helmets (from now on, Bell), founded in 1954 in a suburb of Los Angeles (California – US), designs, develops, and manufactures some of the most iconic and innovative helmets for the motorsport industry, and has continued over the years to be chosen by many of the greatest champions in motorsport history such as Ayrton Senna, Michael Schumacher, Lewis Hamilton or Fernando Alonso.

BELL RACING HELMETS



Source: Company website

The acquisition came in a very complex phase of Bell's history: the years from 2015 to 2018 are in fact marked by a long and complex shareholder fight that had diverted the focus of the then and current CEO (Stephane Cohen) from the business, with negative impacts in terms of margins and efficiency of operations. Taking advantage of the frictions among shareholders and the operating issues faced by Bell, Mr. Delprato (OMP's CEO) by i) sensing the tremendous synergy potential deriving from the union of two historical and established brands such as OMP and Bell and ii) identifying significant efficiency margins for the acquired business, seized a once-in-a-lifetime opportunity at very attractive conditions and completed its range of offerings with the helmets produced by a company that, just like OMP, is considered as a benchmark in the industry.

In the same month of December 2019, OMP Racing acquired Zeronise, an innovative start-up focused on the development and manufacturing of communication devices for the racing industry.

■ ... TO RACING FORCE GROUP (2021)

Following the acquisition, in 2021, the Group will change its name to Racing Force Group S.p.A. (from now on, RFG or Group), **with the key managers of the acquired company remaining within the Group, also as shareholders.** Today Racing Force S.p.A. is the parent company of the Group and it's based in Ronco Scrivia (Genoa – Italy). Other main companies of the Group are: Racing Force International Wll (Bahrain), Racing Force USA Inc. (Miami – USA) and High Protection Systems SA (Belgium).

¹⁷ Please note that Bell Racing Helmet only refers to the brand of racing helmets for motorsport. Helmets sold in the motorcycle industry under the Bell brand, instead, are designed and manufactured by Bell Sport: a Vista Outdoor investee owning the Bell trademark for the motorcycle segment

■ KEY MILESTONES IN RFG'S RACING HISTORY

Below are some of the most important steps in both OMP and Bell's racing heritage:

- 1954: Bell manufactures the world's first rigid helmet: TX'500 (now exposed at Moma in New York);
- 1966: Bell manufactures the world's first full-face helmet: the Star;
- 1986: First suit to receive new FIA homologation;
- 1989: Gerhard Berger, famous F1 driver, escapes unharmed from a fireball after a serious accident wearing OMP gloves and fire-retardant suit: a star is born;
- 1990-94: start of collaboration with Ayrton Senna, with whom OMP wins its first F1 world title;
- 1996-06: Start of a ten-year collaboration between OMP and Michael Schumacher;
- 2012: OMP become the official FIA supplier, it develops the lightest fire extinguisher and introduces innovative harnesses with Dyneema;
- 2019: OMP products win both F1 (Mercedes AMG) and WRC Titles (Toyota Gazoo);
- 2021: Bell Helmets returns in WRC with a completely new and innovative range of open face helmets together with Zeronoise communication systems.

3.2. Group Structure and Shareholders

On 16 November 2021, the company went public through an IPO in the Euronext Growth Segment of Borsa Italiana, with an offering of 5.3mn shares (4.5mn primary offering, 1.8 secondary) at €4.5ps, for a total value of €31mn (capital increase was €20.3mn) and an initial market cap of €107mn. Following the exercise of the greenshoe option by CEO Delprato and manager Stephane Cohen on December 16th, the free float is now 29.15% of the share capital.

The Group consists of a series of companies controlled, directly and indirectly, by Racing Force S.p.A. (formerly, OMP Racing S.p.A.), whose main shareholder is SAYE, the Delprato family holding company with 56.95% of the capital. All the other shareholders, except for Lapo Salvadori¹⁸, are represented by Group managers.

SHAREHOLDER STRUCTURE

Racing Force S.p.A. – Shareholder	Manager	Country	N° of shares	stake %
SAYE S.p.A. (Delprato family)	x	Italy	13,529,266	56.95%
Free Float			6,924,862	29.15%
GMP Investment Holdings ¹⁹	x	Cyprus	1,283,870	5.40%
Nehoc Systems Ltd (Stephane Cohen)	x	Belgium	921,882	3.88%
Alexander Haristos	x	UK	458,220	1.93%
Kyle Kietzmann	x	US	346,630	1.46%
Lapo Salvadori		Italy	222,120	0.93%
Aref Khalil Yazbeck	x	Bahrain	70,600	0.30%
Total			23,757,450	100.00%

Source: Company Data

In particular, following the acquisition of Bell Racing Helmets in 2019, the Group underwent a reorganization aimed at making the structure leaner and more efficient:

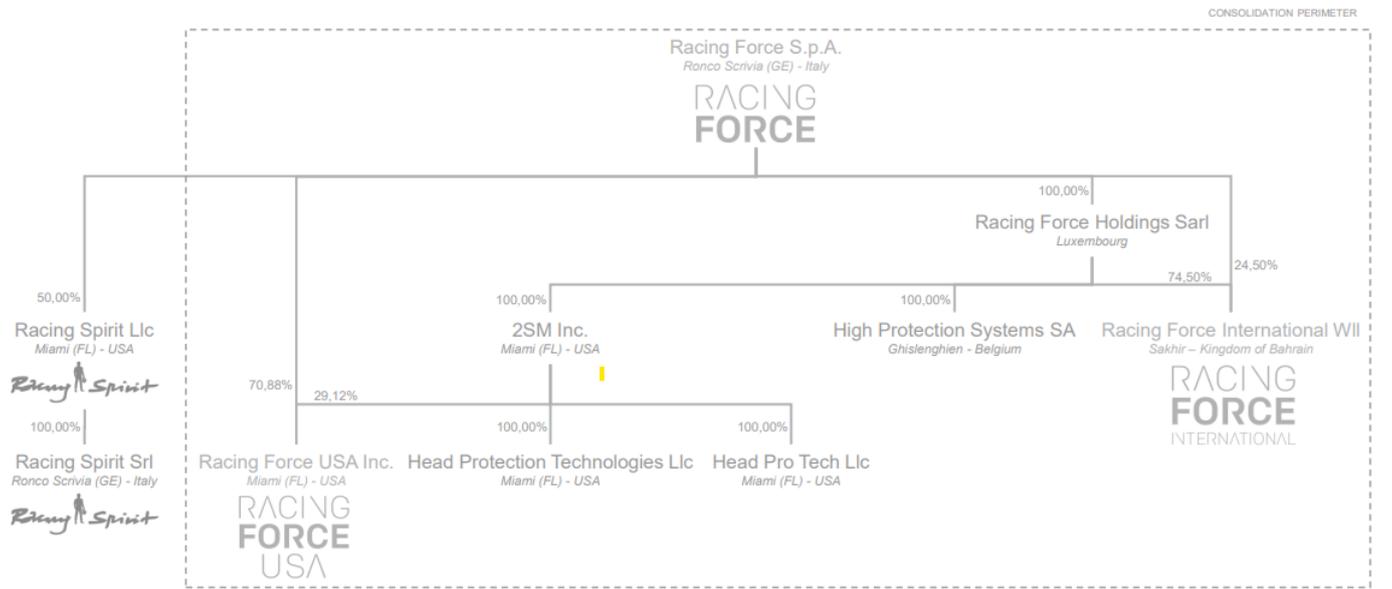
- **Racing Force S.p.A.** (the company to be listed) is the holding company that sells the commercial brands of OMP, Bell Helmets and (Zeronoise), and which runs OMP's operations in Italy (OMP in Ronco Scrivia and Zeronoise in Pisa);
- **Racing Force International WLL (Bahrain)**: it refers to assets and activities of Bell Helmets in Bahrain (mainly production) and in Pisa (Zeronoise); RFI owns the worldwide license for Bell Motorsport brand;
- **High Protection Systems (Belgium)**: it is a small company providing painting services for helmets;

¹⁸ Lapo Salvadori is a close friend of Group's CEO Paolo Del Prato and private investor

¹⁹ GMP Investment Holding is the investment company of the Pedone Family, managed by Guido Pedone (Gabriele Pedone is the Racing Force USA CEO)

- **2SM:** is the holding company controlling the Group’s activities in the US. In particular:
 - **Head Pro Tech:** used to be the commercial tier 2 company brand for helmets in the US;
 - **Head Protection Technologies:** the company holding the US license for the Bell motorsport brand;
 - **Racing Force USA:** running the commercial activities of both OMP, Bell and Zeronoise in the US.

GROUP STRUCTURE at 30.09.2021

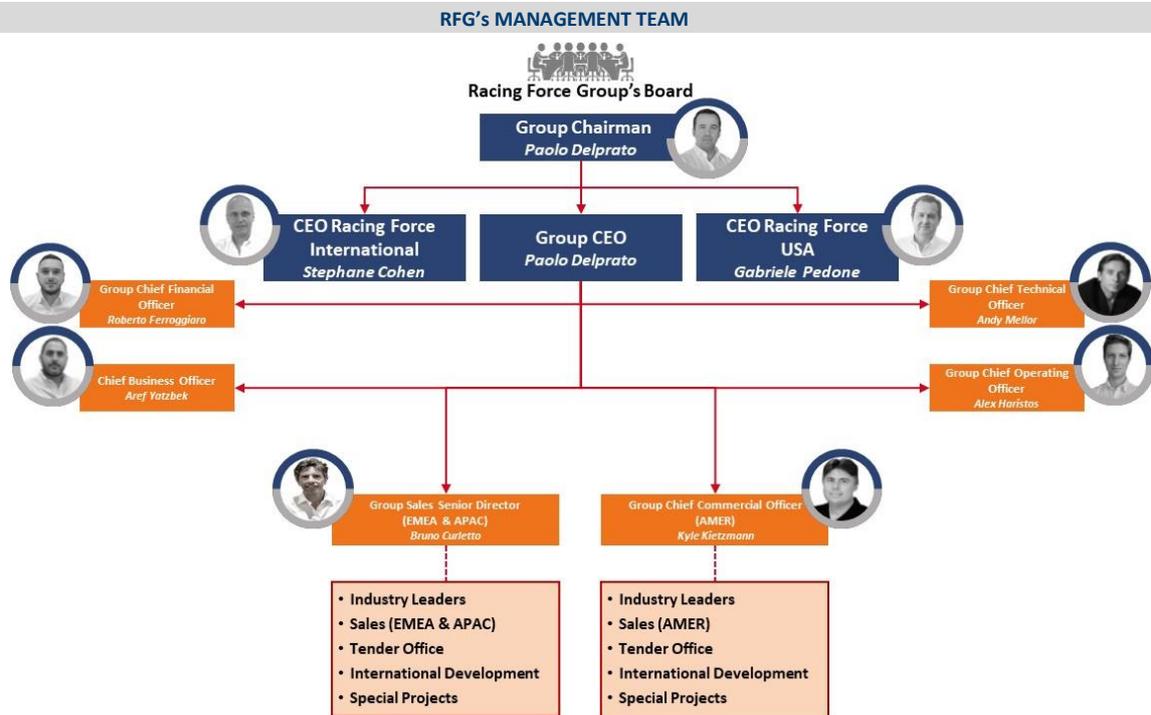


Source: Company data

Finally, outside of the consolidation perimeter, there is a 50% stake held in Racing Spirit LLC, which in turn holds the entire corporate capital of Racing Spirit S.r.l., the apparel brand of the Group, jointly controlled with Gabriele Pedone.

3.3. Management Team: a perfect mix of passion, experience, and drive for innovation

RFG boasts an **extremely experienced and passionate management team** (+20 years of experience, on average) with **Paolo Delprato**, RFG's President & CEO, as the driving force behind both OMP's organic growth in recent years as well as Bell and Zeronoise acquisitions and integration.



Source: Company Data

The management team, in recent years, was strengthened by the **entry of both senior managers with international reputation** (i.e. **Stephane Cohen**, Racing Force International WLL's CEO), **as well as younger profiles with a marked vocation for innovation** such as

- **Alexander Haristos**, founder of Zeronoise, whose technologies like the Driver's Eye represent a game changer in motorsport broadcasting, and
- **Aref Yazbek**, General Managers for the Group's operations in Bahrain and Chief Business Officer of the Group.

In addition, the team is complemented by:

- **Andy Mellor**: Group's CTO (>20 years of experience in motorsport), besides having been a technical consultant to FIA for more than 20 years, was also Vice President of the FIA's Safety Commission, responsible for defining the technical standards of safety devices and their homologation requirements;
- **Gabriele Pedone**: CEO of Racing Force USA since 2006, he is also the mastermind and managing partner of Racing Spirit and Group's shareholder;
- **Roberto Ferroggiaro**: Group's CFO since March 2020;
- **Kyle Kietzmann**: CCO for Americas, with more than 26 years industry experience;
- **Bruno Curletto**: Sales Senior Director for EMEA & APAC with 20 years industry experience.

KEY MANAGERS

Piero Paolo Delprato
Group Chairman & CEO
 Engineering graduated with MBA, with seven-year experience in international consulting firms, since 2009 has been CEO of OMP Racing. Through the family-owned company SAYE, he represents also the main shareholder of OMP Racing

Stephane Alexander Cohen
CEO Racing Force International
 Background as kart and car driver, winner of several titles in the Touring and GT categories, Stephane started his first business in 1986, while he started cooperate with Bell Helmets. Since 2019 he is CEO of Bell Racing Helmets International and of Bell Racing Europe, as well as minority shareholder of OMP Racing

Gabriele Pedone
CEO Racing Force USA
 After working for 10 years as manager in Publitalia '80, in 1999 Gabriele moved to US, where he founded STUDIOMILANO. In 2006 he became OMP Racing Inc. CEO. Gabriele is also the mastermind and managing partner of Racing Spirit, LLC. Through a family-owned company Gabriele is also an OMP Racing S.p.A. shareholder

Roberto Ferroggiaro
Group CFO
 Graduated in Economics, with a master in General Management, he gained 10+ years experience in the field of finance management, working for auditing companies and large international groups. After joining Costa Crociere in 2014 as Finance Manager, in March 2020 Roberto became RF Group's CFO

Alexander Haristos
Group COO
 With a Master's Degree in Industrial and Management Engineering, he started his career as a management consultant in London. After a few years he left consultancy to be an entrepreneur and in 2018 founded Zeronoise (acquired by OMP Racing in 2019). Since 2020 Alex is RF Group's COO

Aref Yazbek
Group CBO
 Strong operations professional with a Bachelor of Science focused on Business/ Banking & Finance from Lebanese American University. After 10 years experience in Finance and Hospitality industry, he joined in 2014 Bell Racing as General Manager of new Bahrain operations

Andy Mellor
Group CTO
 Graduated in Mechanical Engineering and developed his career in motorsport, road vehicle and motorcycle safety activities. He has been a technical consultant to the FIA for more than 20 years, as well as Vice President of the FIA Safety Commission and other main roles in the industry¹. In April 2021, Andy has joined the Group as its CTO

Bruno Curletto
Sales Senior Director (EMEA & APAC)
 Former international Ski Athlete, after his degree Bruno developed his commercial skills within the Ski industry. In 2002 he joined OMP Racing as Karting Sales Manager in the Export Sales Department. He developed his career in OMP and currently is the Sales and Motorsport Senior Director for EMEA and APAC Regions

Kyle Kietzmann
Chief Commercial Officer (AMER)
 After an MBA, Kyle joined Bell Sports Inc. in 1996 as Marketing Coordinator. He also served as Sales and Marketing Dir., GM and President. In 2010 Kyle partnered with Stephan Cohen to acquire the Bell Auto Racing business for North and South America. Kyle is RFG's CCO for Americas as well as minor shareholder of OMP Racing

Source: Company Data

3.4. Racing Force Group: at the forefront of motorsport safety equipment

RFG is a world leader in the design, manufacture and distribution of premium safety and racing equipment for motorsport (see section 2 for Motorsport definition). With 2020 revenues of €33.7mn (€43.6mn in 2021E), a 6.6% 2014-19AG organic CAGR and a 2020 EBITDA margin of 16% (24% in 1H21), the Group today boasts an international footprint, with sales in 80 countries, more than 370 employees located in 6 facilities worldwide (o/w, 3 production sites and 3 R&D centers) and, most importantly, an historical and winning track-record in all major motorsport championships (24/31 FIA world championship titles in the last 3 years).

GEOGRAPHICAL FOOTPRINT



Source: Company Data

The Group, on top of being a direct supplier to the main teams and drivers in the market (i.e., **BELL helmets, for the 2021-22 season, are trusted by 55% of F1 drivers**, including Lewis Hamilton and Charles Leclerc), can also count on a **long and consolidated relationship of collaboration and partnership with the industry's regulatory bodies** (FIA, Snell and SFI, see section 2.2.) which, among other things, establish the stringent requirements for product approval and issue the homologation certificates needed to operate in the sector. As a proof of the quality and reliability of the Group's products, in December **RFG was once again selected by the FIA as the official supplier (3-year contract, expiring in 2024) for all safety equipment for its staff and race personnel**. This is the second renewal in a row since 2012²⁰.

3.5. Strive for victory to reap the rewards out of the spotlights

The Group has competed in all major motorsport competitions for decades and boasts not only partnerships with many of the biggest and most famous athletes in the circus but, above all, a **history of victories** that have contributed, and still do, to **making its brands famous and iconic among fans**. Aiming to remain at the forefront of an industry that demands the best and most advanced technologies for the performance and safety of its athletes, the group is completely committed to the continuous improvement and innovation of the solutions it offers.

Having to meet the comfort, safety and performance needs of athletes such as Lewis Hamilton (F1) or Sebastien Ogier (WRC), truly represents a natural drive that keeps the group at the forefront of product development. As proof of the brands premium positioning, **RFG recently announced the signing of a multi-year agreement with Ferrari**, under which all Ferrari drivers (except for Sainz) and mechanics will use Bell Helmets in all its racing activities (from the Ferrari Challenge and Competizione GT series to F1).

However, it must be understood that **dressing and protecting, i.e., F1 champions, doesn't represent the Group's core business but, instead, should be thought as very visible showcase, needed to generate turnover volumes in all the categories of motorsport**, populated by semi-professionals, amateurs and young aspiring champions who want to protect themselves with the same brands trusted by both regulatory bodies and their idols.

KEY RFG'S TESTIMONIALS AND PARTNERSHIPS

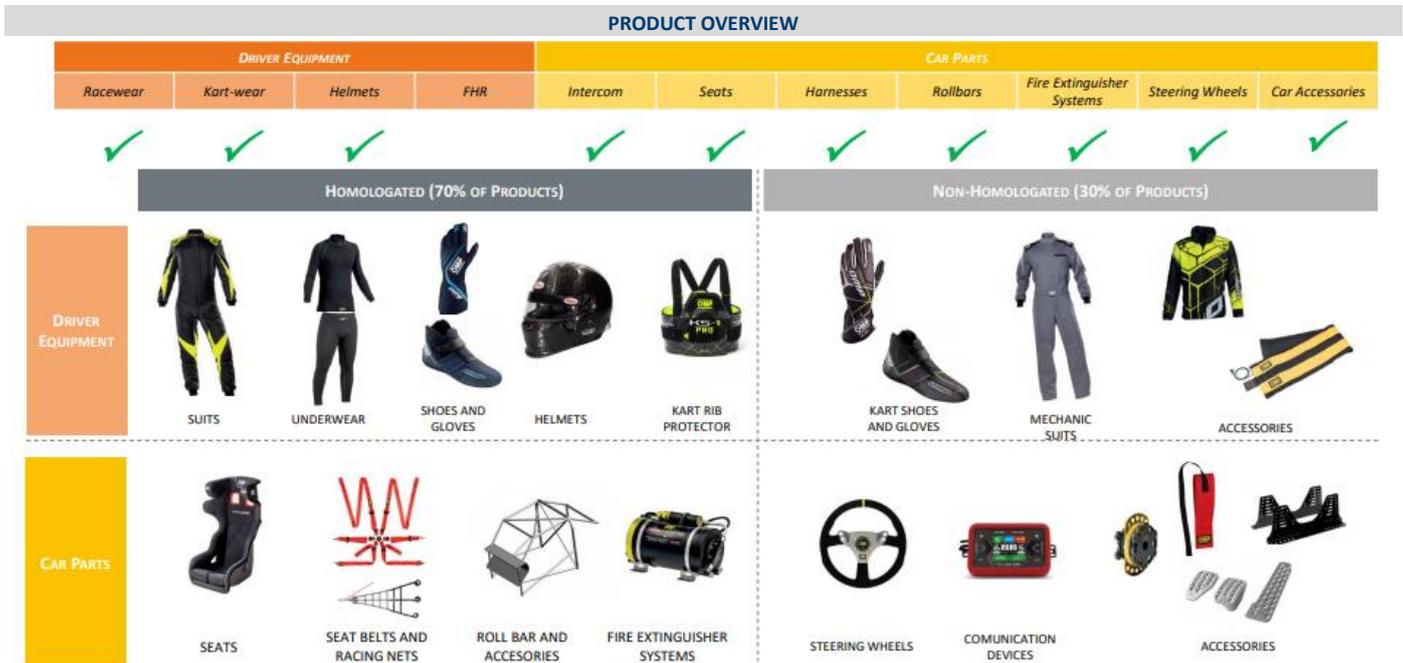
SELECTED TESTIMONIALS	SELECTED 2021 PARTNERSHIPS
 <p data-bbox="263 1921 638 1966">IN 2021, 55% OF F1 DRIVERS WEAR BELL HELMETS AND 61% OF WRC DRIVERS WEAR OMP SAFETY EQUIPMENT</p>	<div data-bbox="799 1451 1474 1832"> <p>Official Team Supplier</p>  <p>TEAMS</p>   </div> <div data-bbox="799 1848 1474 1968"> <p>FIA</p>  </div>

Source: Company Data

²⁰ Since 2012, OMP has been the FIA Official Supplier for technical race wear. It means that all the medical cars and safety cars' crews in FIA-sanctioned Championships wear OMP suits, gloves, shoes, underwear and helmets. OMP has been appointed as Official Partner for FIA Rally Star and FIA Girls on Track — Rising Stars new talent detection programs

3.6. Product overview

The Group's offer range includes OMP, Bell and Zeronoise branded products (more than 2,000 items), which are split between **homologated** (70% of revenues) and **not homologated** (30% of revenues).



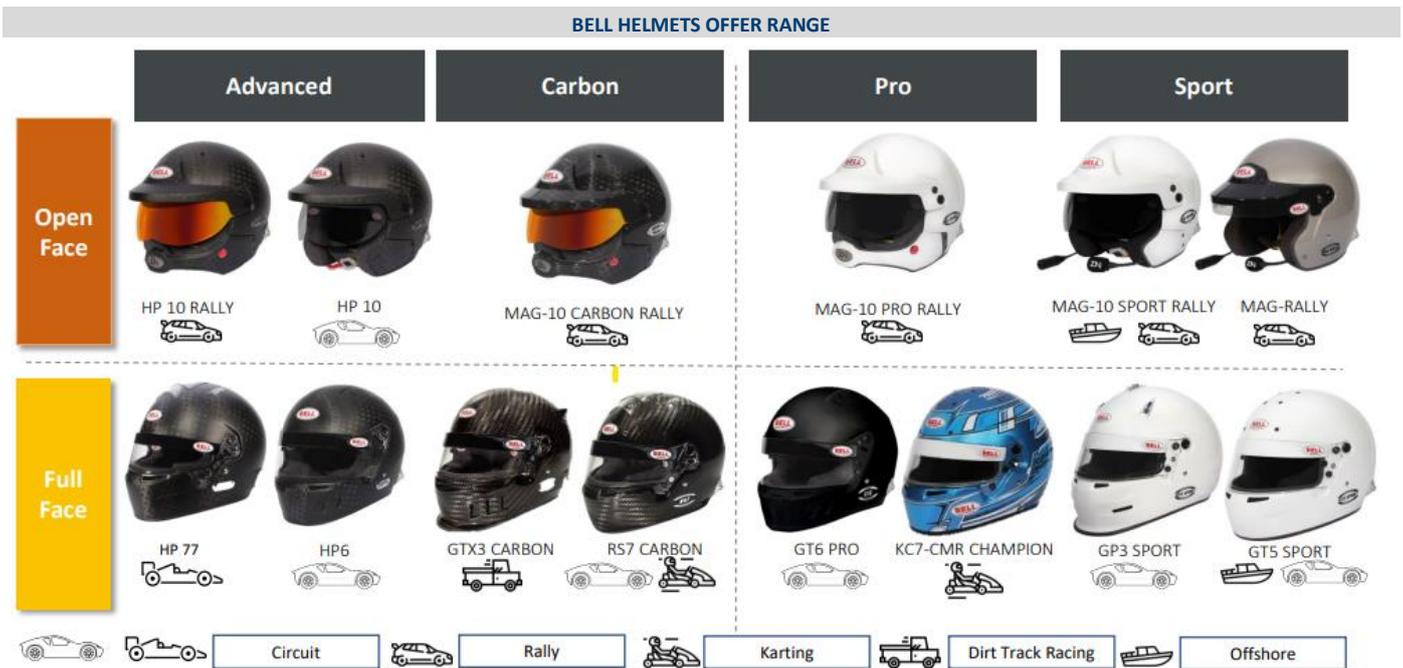
Source: Company Data

Revenues are broken down as follows:

1. Driver's Equipment (64% of 2020 sales)

This segment includes **safety equipment for teams and drivers**, with products under both the OMP Racing and Bell Helmets brands (both considered as a standard in the industry). In particular,

- **Technical wear:** OMP designs, manufactures and distributes fire retardant racing suits and underwear, gloves and shoes, and other driver safety devices (such as the Kart Rib Protector - see section 2.3);
- **Helmets:** Bell has been a pioneer in innovating head protection creating the first helmets with hard shell (TX500 at MOMA NYC). Today, Bell is the choice of more than 50% of the drivers in Formula1. The helmets range covers all motorsport disciplines, from single seaters like Formula1 and FormulaE, to GT Touring, Dirt track racing, but also karting. During 2020, an important addition to the product line is represented by the new Bell open face helmets for Rally, today at the top of the category in the World Rally Championship. The rally helmet range is fully equipped with Zeronoise communication devices, a fundamental feature for this discipline that heavily relies on the quality of communication. All helmets are homologated according to the relevant standard, FIA and/or SNELL in the USA. To complete the product range, the Bell factory in Bahrain also develop and manufacture helmets branded OMP and B2. These two proprietary brands increase the ability of the group to penetrate the market with a positioning that does not overlap the one of the Bell brand.



Source: Company presentation

2. Car Parts (32% of 2020 sales)

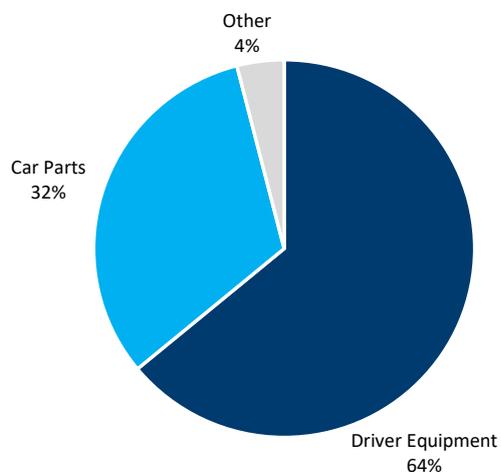
These include products sold under the OMP and Zeronoise brands, split between:

- **homologated products** such as seats, fire extinguisher systems, harnesses and safety roll bars;
- **not homologated** ones, such as steering wheels, communication devices and other accessories.

3. Others (4% of 2020 sales)

It includes revenues from OMP branded chairs and seats for stadiums, sportswear and other non-homologated products. While relatively small in size, these products represent a valuable marketing tool for the visibility of RFG’s brands. Starting from 2022, it will also include revenues generated with broadcaster through the Driver’s Eye technology.

REVENUES BREAKDOWN BY PRODUCT



Source: Company Data

■ PRODUCT CUSTOMIZATION

With particular focus on the Driver's Equipment segment (Technical Wear and Helmets), there is a growing tendency on the market to request customized products: these are standard products (in terms of materials and homologations) in the catalogue that customers ask to customize in terms of

- **design:** colors and patterns;
- **sponsorship:** application of the logos of the brands that sponsor the team or driver.

Offering customization is extremely relevant to the motorsport industry and, in particular, to the business dynamics of suppliers:

- while for semi-pro and amateur drivers **customizing their suits means having the chance of finding the necessary funds to participate in competitions** through one or more sponsors...
- ... the stringent safety and homologation requirements imposed by the FIA **prevent such modifications** (application of sponsors' logos) **from being made in a "handcrafted" manner:** in fact, special fabrics and processing techniques are required (to apply a logo or a pattern) that not only have to meet the FIA requirements, but also have to be applied by recognized suppliers.

This has several positive implications for RFG, as customization

- **increases the average selling price of the products;**
- **Reduces the useful life of the products:** since from year to year (or, sometimes, from one race to another) drivers or teams may i) change sponsors or ii) add new ones;
- **it widens the universe of drivers** who, thanks to sponsors, **participate in competitions.**

Therefore, in order to make the most of this dynamic, RFG launched the **"Art" revolution in 2017:** using a **new proprietary technology** that allows colors and logos to be "printed" directly on the suits instead of sewn on (with significant improvements in terms of costs, timing and processing possibilities), **the company presented "One Art", the first fully printed and customizable fireproof suit.**

■ PRODUCT AVERAGE LIFETIME

The average useful life of motorsport safety equipment is very variable and depends on several factors.

As a general rule, FIA homologated products have an expiry date: when the FIA grants homologation, the manufacturer attaches a label to the product which shows both the unique serial number (in order to avoid counterfeiting) and the words "NOT VALID AFTER": an expiry date which can be up to 10 years for suits (this does not apply to helmets, which follow the pace of homologation).

However, it is important to consider

- **wear rate:** being used in high stress environments, the products tend to wear very quickly, making it extremely rare for a semi-professional or amateur driver to replace the product simply due to the expiry of the homologation;
- **change of sponsors/team:** every time a driver changes even one sponsor, or moves to a new team, it may be necessary to replace the equipment to dress the new brands/colours;
- **visible defects:** irrespective of the validity of the products in terms of i) homologations and ii) expiry date, before each race the FIA judges check the equipment worn by the drivers for obvious cosmetic defects: scratches, abrasions or burns may affect the safety of the products and, if present, the judges will not allow the driver to race;

- **accidents:** in the event of an accident, the FIA requires the replacement of the safety equipment;
- **top championships:** a rally or Formula 1 driver tends to change helmet or suit even from one race to the next: they always want to make sure that the helmet provides maximum performance.

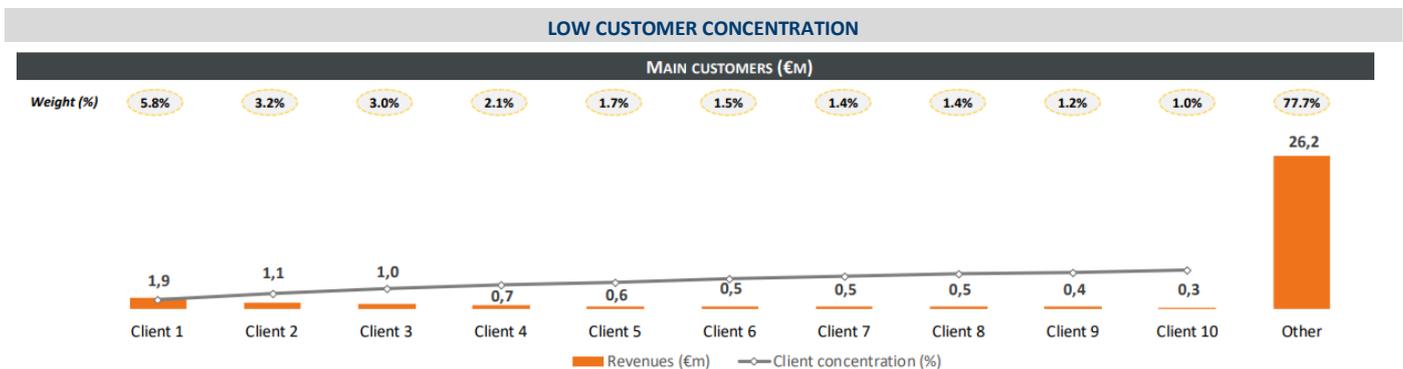
As regards the 'commercial' life of the products offered by RFG:

- **Technical wear (c4 years):** after launch, a product remains in the catalogue for c2 years and, subsequently, undergoes an aesthetic restyling. After a further 2 years, an entirely updated and innovated product is presented;
- **Helmets (c5 years):** tend to follow homologations. Snell issues a new standard every 5 years, while FIA standards are more variable, but tend to change every 5 years as well. There is a cutoff date after which helmets with the old homologation cannot be sold anymore. However, a helmet that has already been sold remains valid and can be used in competition until 5 years after a new standard comes into force.

3.7. Distribution Channels and Geographical breakdown: a niche market, with a worldwide community

■ DISTRIBUTION CHANNELS

RFG's customer base is extremely diversified both in terms of numbers (+3,400 customers worldwide, with the top 10 customers accounting for c22% of sales, of which only just one weighting for more than 5%), and geographies (sales in 80 countries with no countries, except US, accounting for more than 15% of total sales).



Source: Company Data

The Group, which operates mainly in a B2B context, distributes its products mainly through 3 channels:

1. Dealers (c71% of 2020 sales)

Dealers represent the **main distribution channel**: it involves the sale of RFG products to major dealers (in terms of volumes and quality of brands on display) located in all major geographies (mainly North America, Europe and Middle-East). The dealers' activity generally consists of i) resale to semi-professional/amateur racing teams not directly served by RFG, ii) resale to smaller and less relevant dealers not directly served by the Group and/or iii) retail sale of goods purchased directly from manufacturers (also online).

● Contractual relationships

From a commercial point of view, the **relationship between RFG and dealers is based on agreed discounts on suggested retail prices** in the catalogue (RFG tends to prepare two different catalogues for OMP and Bell brand products), granted by the company according to

- **geographies:** there is a small difference between discounts applied in the US and those applied in Europe;
- **brand:** in general, different brands in the market can have different discount policies: depending on the competitiveness of the market space and the positioning of the brand (i.e., Bell is a premium brand with high positioning);
- **dealer relevance** (in terms of purchase volumes)
- **motorsport category:** products for the karting segment tend to offer significantly lower margins than those for racing in general. The Group, in order to avoid diluting margins on racing products, treats separately commercial relations with dealers of karting and racing products, with dedicated sales personnel for the two channels.

We also underline that:

- the commercial **relationship with most dealers is long-standing** (the top ten dealers have been customer of RFG for >16 years) and **recurring**;
- there are **no long-term agreements** between RFG and the various dealers: each dealer places orders (with a very strong seasonality in the last three months of the year - see section 5.3) on the basis of the products offered in the Group's catalogue (whose products and prices are updated every year);
- it is **essential for RFG to build up stocks in the last months of the year**, so as to be able to satisfy the strong demand and meet deliveries in the first months of the following year: however, the temporary lack of certain products in stock does not result in a loss of turnover, but rather in a shift of invoicing 1-2 months later: if a dealer is selling Bell helmets / OMP suits, it is generally willing to wait a few months to restock;
- there are no consignment purchase agreements;
- there are no agreements to buy back unsold goods.

As a result, the **turnover generated through this channel has a rather limited sales pipeline** (c1-2 months on average) and varies depending on the sales performance of individual dealers but, however, are **very recurring on an annual basis (customer retention rate close to 100%)**.

2. Teams (c18% of 2020 sales)

These are **revenues generated by the supply of safety equipment directly to**

- the **major and largest professional racing teams** (non-professional teams are served indirectly through dealers);
- **carmakers** (such as Ferrari or Lamborghini for competitions such as Ferrari Challenge or Lamborghini Super Trofeo);
- **most important drivers** (with the most famous and important drivers, such as Lewis Hamilton, there is obviously no commercial relationship, but rather a partnership).

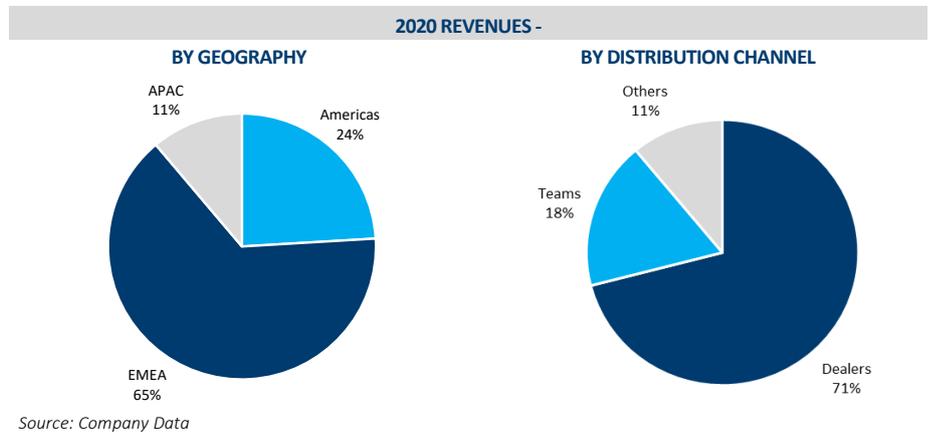
Generally, these are **multi-year agreements** (in some cases, 3-5 years) with an **average order planning of six months**. It is important to emphasize that technical safety clothing is not only necessary/required for drivers, but also for all technical staff in the pits and on the track (i.e., mechanics and engineers). An example of such contracts is the one recently signed with the Toyota Gazoo rally team for the WRC (a multi-year contract for the supply of safety equipment to staff, drivers and cars), as well as the one signed with the Williams team in F1 (where RFG supplies drivers and the team with both Bell helmets and OMP technical wear).

3. Others (c11% of 2020 sales)

The "Others" segment mainly relates to **revenues from individual customers through Racing Force Pro-Shops and Racing Force website**, as well as **revenues outside motorsport** (i.e., football teams, other sports).

■ GEOGRAPHICAL BREAKDOWN

From a geographical point of view, **the group's turnover is mainly generated in EMEA** (c65% of 2020 sales, with only Italy and UK accounting for more than 10% of sales) **and Americas** (c24% of 2020 sales). Despite RFG's global distribution network, **the Group is still under-penetrated in high-potential markets such as Japan and South America.**

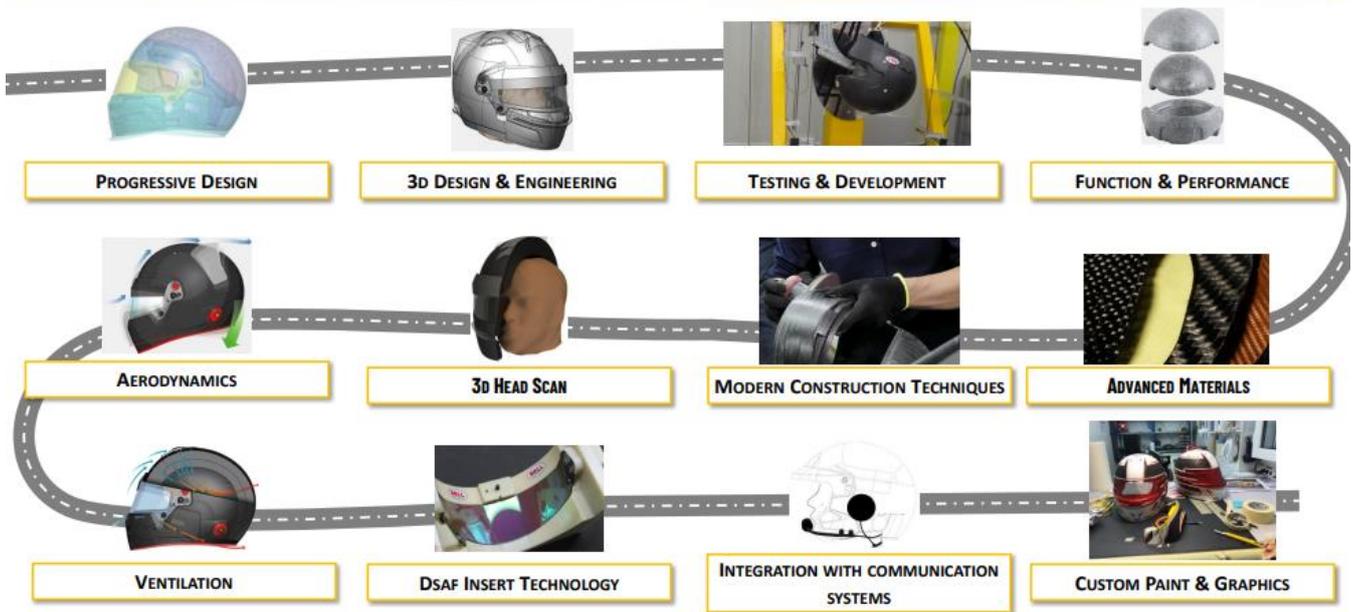


3.8. An R&D company...

RFG is proud to define itself first and foremost as an R&D company, always committed to raising the level of safety of athletes while also enhancing their performance. To this end, **the company invests significantly in R&D** (c3/4% of turnover, of which 1.5/2% in capitalized R&D and 2% in R&D personnel) **both directly within its own 3 laboratories** (the company manages internally all the phases in the 3 laboratories located in Ronco Scrivia, Pisa and Sakhir: from research, design and development of prototypes up to testing), **and "indirectly" through a dialectical and close confrontation "on the field" with drivers, engineers and regulatory bodies (FIA)** in order to be an integral part and engine of the improvement process of a sector, that of motorsport, which requires the application of the best technologies available on the planet.

This approach has historically allowed the company to be **one of the first to respond to new market needs and regulations** (i.e., Bell was the first homologated helmet with the new FIA8860 standard helmet with ABP (Ballistic protection) introduced after Felipe Massa accident, and used in F1), and still represents today (with more than 163 homologations - the highest figure in the industry) **one of the main assets underlying the opportunities for future growth and business diversification** (see section 4.3.4.).

FULL R&D, TESTING and MANUFACTURING CAPABILITIES



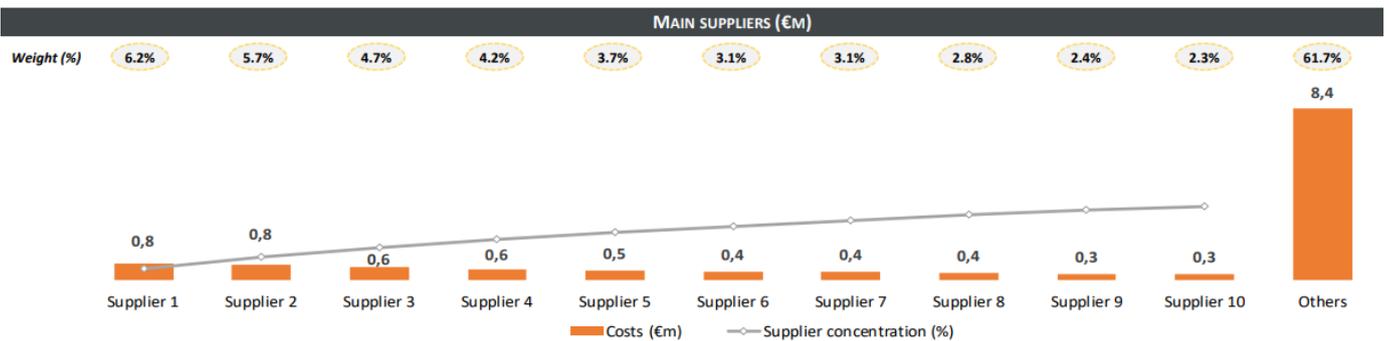
Source: Company Data

3.9. ...with almost fully vertically integrated manufacturing capabilities

The Group is **highly vertically integrated**: almost every step of the process (from research and development, design and testing to production and distribution) is managed in-house, and this is one of the strategic aspects at the core of the Group's success:

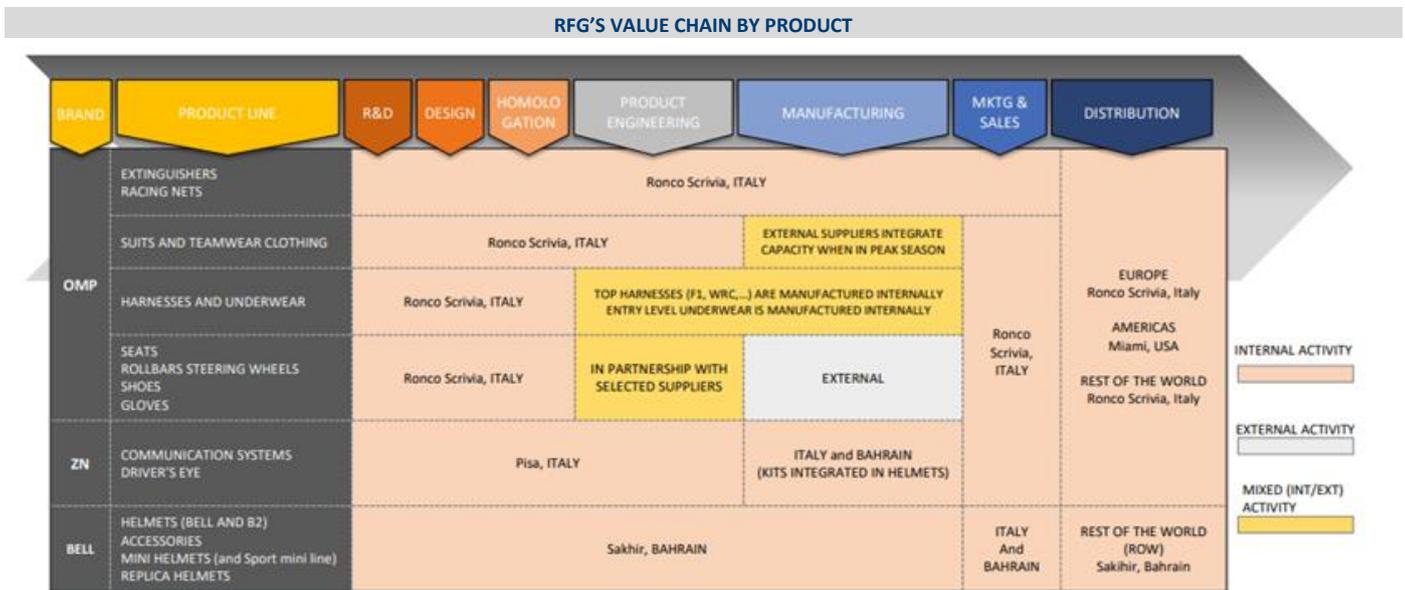
- on the one hand, it guarantees **control and monitoring of manufacturing process** (which involves a high degree of manual labour), ensuring that the quality standards (at the core of the brands' reputation) are met and limiting the number of suppliers to be trusted and monitored, thus **preventing potential delays or quality leaks** that could have extremely negative impacts for the Group's operations (especially during the homologation phase);

LOW SUPPLIERS CONCENTRATION



Source: Company Data

- on the other hand, it provides managers with the high degree of flexibility they need to respond promptly to any request from teams and drivers: an extremely strategic and highly valued "service", which allows the relationship of trust between the Group and the athletes to be maintained and consolidated over time.



Source: Analyst Presentation

The only processes currently not entirely managed internally are those of some OMP branded products (seats, shoes, gloves and roll bars), as well as part of the suits production during periods of demand and production peaks (typically, last three months of the year).

However, **the Group is on track to internalize the production of** a selected number of products that can increase overall profitability as well as efficiency.

4. RFG'S FUTURE: ROARING OPPORTUNITIES

4.1. A unique niche

As seen in section 2, **Motorsport Safety Equipment** is a market that historically

- a) registers **low to mid-single-digit growth rates** (estimated last 10Y CAGR of 3/3.5%);
- b) presents a **high level of competition** (3 big historical players share more than 2/3 of the market (see section 2.1), with the rest is in the hands of many small but highly specialized manufacturers) and
- c) is characterized by a **high number of entry barriers** that can also apply to companies already active in the market.

■ WHAT ARE THE TYPICAL GROWTH OPPORTUNITIES IN THE SECTOR...?

Analyzing the recent growth history of the main companies in terms of i) business model and ii) volumes of activity, and taking into account the peculiar characteristics of the market described in Section 2, it is evident how, traditionally, the development of a company within this sector can follow the following strategies/channels:

- a) **Consolidation of the market share:** the most obvious (and feasible) strategy could be focusing on increasing the current market share in core segments, by i) signing agreements with an increasing number of teams and/or drivers (especially in the lower categories), and ii) exploiting the brand reputation in the segment;
- b) **Entry into new championships/leagues:** a manufacturer is usually strongly positioned in some leagues/categories, but totally or almost absent in others (i.e., this is the case of OMP in Nascar), and this despite the fact that products technical characteristics are often exactly the same between the various categories (i.e., for a fire-retardant racing suit).
- c) **Geographical diversification:** targeting geographies that are under-penetrated but offer interesting business opportunities. This strategy may require 2 different steps: first, it is important to be able to place the products in the highest-level categories by signing, i.e., supply agreements with drivers or racing teams. Subsequently, it will be easier to open some distribution channels, as the interest and demand of enthusiasts and amateurs of the lower categories will be captured.
- d) **Going beyond Motorsport:** exploiting their technological knowledge and expertise (developed from the participation in top racing competitions), some companies have managed to exploit their highly specialized know-how by exploring opportunities outside Motorsport. This is the case, for example, of Dainese (Italian historical safety equipment supplier for motorcycles) which, starting from the production of suits and footwear for motorcycles, has been able over the years to export its brand and its technologies to many other sectors: from skiing (helmets and back protectors) to aerospace (underwear for astronauts), to road motorcycles.

■ ... AND WHAT ARE THE OBSTACLES THAT MAY BE ENCOUNTERED?

- a) **Intense competition:** Motorsport Safety Equipment is mainly populated by historical players which i) boast a consolidated presence in certain championships and, for this reason, ii) represent a reference point for drivers and racing teams in certain product categories. Therefore, gaining market share from a competitor in its "leagues" might be often very tricky due to both i) know-how and expertise needed, and ii) the strength of the brands among professionals and enthusiasts;

- b) Often "impenetrable" geographies:** although the same safety equipment is used in different leagues across Europe, the US or APAC, it is a very long and complex process for a manufacturer to "export" and impose its products in new markets, due to a number of factors: (i) the reference players in each geography tend to have a dominant position in their territory (e.g. Arai in Japan in the helmet segment) which entails (ii) a difficult challenge in placing their products at the main dealers alongside the "historical"/trusted brands, to which one can add (iii) the need to obtain homologation from specific regulatory bodies (such as Snell and SFI for a foreign player aiming to sell its products from the US - see section 2.2);
- c) Cutting edge technologies:** typically, in order to penetrate a new category/geography, offering a homologated product that is just "as good as those already offered" is not enough: in order to convince a team to change supplier, or a driver to change helmet (the helmet is the only element in which there is a direct relationship between manufacturer and driver in top categories), it is necessary to enter the market with a product that presents a significant competitive advantage in terms of performance (i.e. the lightness of the products). Since, at the highest level, teams and drivers tend to secure the best the market can offer, achieving significant performance gains in the development phase can be very complex for non-expert/specialist companies;
- d) Reputation:** as safety equipment manufacturers are, as we have already seen, historical players and well-known for certain products, exporting their brand to new product categories is a challenge that is far from easy, even for the most famous brands: Recaro is a well-known seats manufacturer, and would hardly be able to impose racewear over that of, e.g., Sparco or Alpinestar (it does not have the expertise and credibility to do so, as it has no history in that segment). This is the same difficulty OMP had in establishing its helmet line on the market, before acquiring Bell: it was always up against the greater strength and product history of brands like Bell, Arai or Stilo.

The market in which the Group operates is therefore rather closed and with very particular dynamics that make growth a very tricky challenge.

4.2. Therefore, why do we believe that RFG will be an industry outperformer?

■ THE FUNDAMENTALS ARE EXTREMELY SOLID...

First, we believe that the **Group's fundamentals make it one of the best equipped in the universe of FIA-approved safety equipment suppliers to capture attractive growth opportunities in the market.** This is due to a number of factors, which we summarize below:

- **Almost fully vertically integrated Group...** a structure that guarantees i) direct control over the entire production chain to verify that the typical high levels of product quality are always met, ii) limited reliance on external suppliers (a risk, both in terms of production flow and in the homologation phase) and iii) flexibility in the hands of managers to meet any need or request addressed by their main drivers and racing teams (see section 3.9);
- **... with historical and solid relationship with FIA...**: the relationship between RFG and FIA is essentially a collaborative one. On the one hand, in fact, the regulatory body of the entire Motorsport universe aspires to raise safety standards for drivers and staff, and on the other, the only possible partners to achieve this are precisely the safety equipment designers and manufacturers. For RFG, however, the relationship with FIA is even more straightforward than for the other players as:

- a) RFG has been the sole supplier of safety equipment for all FIA race staff since 2012 (and this generates a direct and constant channel of communication and exchange) and
- b) Andy Mellor, the newly appointed CTO, has had various roles at FIA such as Vice President of the FIA Safety Commission for more than 10 years while being a Senior Research Engineer and a prominent member of FIA Research Groups, leading the development of motorsport safety systems and delivering enhanced FIA regulations for driver's and car safety equipment.

RFG and FIA: TIGHT RELATIONSHIP



Source: Company presentation

The issuing of a new safety standard for a product, therefore, almost always sees the direct involvement of RFG, which contributes to R&D, testing and dialogue with drivers and teams: the main stakeholders;

- **...boasting the widest product offer range in the industry...:** among all players, RFG is the one boasting the **widest product offer range within the industry**, with more than 2,000 products in the catalogue **covering the whole spectrum of motorsport safety equipment**.

RFG's COMPETITIVE POSITIONING – PRODUCT RANGE

	RFG	Sparco	Simpson	Sabelt	Alpinestar	Stand21	Recaro	Arai	Schubert	Freem	Schroth	HRX
Driver Equipment	Suits	x	x	x	x	x	-	-	-	x	-	x
	Shoes	x	x	x	x	x	-	-	-	x	-	x
	Gloves	x	x	x	x	x	-	-	-	x	-	x
	Helmets	x	x	x	-	-	x	-	x	-	-	-
Car Parts	Seats	x	x	x	x	-	x	-	-	-	-	x
	Harnesses	x	x	x	x	-	-	-	-	-	x	x
	Rollbars	x	x	-	-	-	-	-	-	-	-	-
	FES	x	x	-	-	-	-	-	-	-	-	-
	Steering Wheels	x	x	-	x	-	-	-	-	-	-	-
	Intercoms	x	x	x	-	-	-	-	-	-	-	-
	Other car parts	x	x	x	-	-	-	-	-	-	-	-

Source: Equita SIM elaborations on Company Data

- **...designed by some of the world's most well renowned brands...:** both OMP and Bell Helmets are two of the most historical motorsport safety equipment brands, with i) a global reputation for quality and best-in-class safety standard, and ii) trusted by some of the most famous, iconic and international stars of the industry (above all, F1 7th time World Champions Michael Schumacher and Lewis Hamilton). Not by chance, RFG customers' retention rate is historically close to 100%.

- **...and a proven track-record of R&D capabilities and innovation:** starting from the HTE ONE in 2010 (the first racing seat to meet the FIA8862 standard and widely used in rally, winning several WRC Championships), passing through the revolutionary introduction of Dyneema in the production of harnesses in 2012, the Art technology enabling the printing of the first full customizable suit, up to the development of the Driver's Eye in 2020 (the smallest micro camera in the world for live TV broadcasting): the story of the Group is a constellation of remarkable innovation that set milestones in the history of motorsport.

■ ... AND THE BELL ACQUISITION WAS A GAME CHANGER

The **acquisition of Bell Racing Helmets** in 2019 (see section 3.1) represented a fundamental step in the Group's history, introducing a series of elements that, in our opinion, have:

- significantly **strengthened the Group's competitive positioning** and
- opened numerous **interesting growth opportunities** both within the reference market (Motorsport Safety Equipment) and in adjacent ones (in the wake of what has been done by companies such as Schubert, Schroth or Sabelt).

Therefore, for these reasons, we believe that the Group has very concrete and visible opportunities to continue a successful growth path.

In particular, we have identified **5 main opportunities** that we believe have a high potential, and that should allow RFG to both:

- **outperform the reference market** and
- **undertake a very interesting path of development and diversification.**

4.3. RFG's future strategy in Five Steps

■ STEP ONE– ATTACKING THE US MARKET

RFG sales are currently concentrated mostly in EMEA (c65% of 2020 sales), and **Americas** (c24% of 2020 sales). However, the consolidated figures do not reflect the actual geographical mix of revenues generated by the two main brands: OMP and Bell Helmets. In particular:

- **NA weighs just c15% of 2020 revenues for OMP Racing**
- **Bell Helmets, on the other hand, has a more balanced presence:** Europe accounts for c52% of turnover (53.6% in 1H21), while NA accounts for c37% (36.7% in 1H21).

However, considering that:

- OMP products generate c70% of Group sales (2020)²¹;**
- NA (in particular, the US) is the world's largest motorsport market** and
- Bell Helmets (US company founded in California), has a consolidated presence i) in the main US motorsport championships** (in the 2021/22 season, 46% and 31% of drivers, respectively, IndyCar and Nascar wear a Bell helmet) and, more importantly (see section 4.2) ii) **with the country's major dealers**

it is evident the **opportunity for OMP to exploit**, in the coming years, the strength of the Bell brand **to penetrate** both i) **US major championships** (by winning contracts with teams and the trust of drivers), and ii) **major American dealers.**

MAIN US MOTORSPORT CATEGORIES (IndyCar and Nascar)



Source: Companies websites

²¹ Equita SIM estimate

This is a potential commercial synergy that could overcome one of the historical obstacles encountered by OMP branded products in the US market: the lack of negotiating power and appeal to athletes and retailers. To date, OMP products are still marginally present in the US market (i.e., in the 2021 season no Nascar driver wears OMP products, vs. 41% of World Rally Championship drivers).

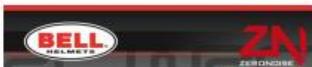
As proof of the Group's commitment to seizing this opportunity, it is important to point out that the Group has embarked on the process of developing a **new line of OMP-branded products for the US market, with the aim of obtaining approval from the SFI (the US market regulator) by autumn 2022 for the whole range**. Moreover, next season will see the first NASCAR driver fully equipped with OMP products: an important first step for the brand's visibility in both the racing category and the American market.

Finally, on October 4th, 2021, Bell Sports Inc. and the Group's controlled company Head Protection Technologies LLC (HPT) entered into a license agreement according to which Bell Sports Inc. has granted HPT and its affiliates Racing Force USA and Racing Spirit, LLC the **license to use exclusively the Bell trademarks worldwide in connection with the manufacture, promotion and sale of certain soft goods products, such as gloves, suits, shoes, underwear, seats and seat belts** (see Appendix 1).

■ **STEP TWO - BELL RALLY HELMETS: ONCE BACK, NO PLANS TO STOP**

On the other hand, similar synergies between the two brands have already begun to emerge very quickly and markedly with regard to the Bell brand. Partly thanks to the historical presence of OMP in the World Rally Championship, **2021 marked the return of Bell-branded helmets to the World Rally Championship** after an absence that lasted almost 10 years. This step was made possible i) by the **strong penetration of OMP branded products** in the category but, above all, ii) by the **brilliant R&D work** carried out after the acquisition by RFG engineers, which allowed the development, homologation and **production of a new line of helmets** i) innovative (entirely made of carbon fiber, they integrate Zeronoise communication systems) and ii) performing (in terms of weight and silence/clarity of communications) **that in the very first season were selected by 7/32 drivers** (vs. 0 in the previous season).

BELL RETURNING TO THE OPEN-FACE BUSINESS

<p>OPEN FACE HELMETS</p> <p>MARKET SIZE 1 CIRCUIT COMPETITION VS 3 RALLY COMPETITIONS 1 DRIVER VS 2 DRIVER</p>	<p>A "WINNING" STRATEGY</p>  <p>Neuville - Wydaeghe winner WRC Belgium</p>  <p>On August 15th 2021, Thierry Neuville and Martjin Wydaeghe (Hyundai Motorsport Team) won the WRC Belgium Rally</p> <p>First victory for Bell and Zeronoise together</p> <p>BELL RALLY HELMETS SALES INCREASED BY +168% IN 1H21</p>
<p>MARKET POSITION In 2020 RACING FORCE MARKET Rally Helmets Market Share SHARE WAS BELOW 5%</p>	<p>2021 RALLY HELMETS RANGE</p> 
<p>INNOVATION CREATING OPPORTUNITIES</p>  <p>A state-of-the-art range of integrated Rally Helmets and Communication devices. Starting from 2021 BELL and ZeroNoise products are adopted by top drivers of World Rally Championship</p> <p>BELL HELMETS ZERO Z1 NOISE</p> <p>Thierry Neuville, Hyundai Motorsport Jan 2021 WRC Montecarlo</p>	

Source: Company Data

Considering that, prior to Bell's return, the open face rally helmet market was almost entirely in the hands of the STILO brand (Simpson Group), the speed with which RFG has managed to impose a new standard of helmets on both teams and drivers (who are typically extremely resilient in changing suppliers) is a perfect demonstration of i) the **strength of the acquired brand** and, above all, ii) the **enormous power generated by the union of the two brands**, with RFG now positioned in the market with a super-premium offering in both the technical wear (OMP) and helmet (Bell) segments: **an industry unicorn**.

It is no coincidence, therefore, that RFG has recently announced the signing of a multi-year contract with the M-Sport Ford World Rally Team for the supply of Bell helmets and Zeronoise integrated communication systems to the team's drivers from the 2022 season. This contract is important not only because it brings RFG's brands alongside all three of the top teams in the championship (Hyundai, M-Sport and Toyota Gazoo), but also because Bell has undermined its competitor STILO which, until now, had been working with M-Sport for over 10 years.

The return of the Bell brand to the open-face segment is also even more interesting for the future growth of the Group, considering that the "**open-face**" segment i) boasts a **greater number of races per year** (i.e., for every full-face race there are 3 open-face races, with often more than 1 driver/car²²), and ii) a **very high number of enthusiasts** among semi-professionals and amateurs who compete in historical and local competitions.

Therefore, we expect the brand's comeback alongside the stars of the league to be followed by an intense product cross-selling in the semi-professional and amateur categories, with a return in terms of volumes and turnover: to date, **we estimate a 5% market share for Bell in the rally helmet segment, a c€18/20mn²³ market worldwide**.

■ STEP THREE – THERE'S PLENTY OF ROOM TO INCREASE VOLUMES AND STREAMLINE OPERATIONS

Growing in the market necessarily means increasing sales volumes: this, in fact, not only i) allows to increase the size of the business but, above all, ii) to generate economies of scale and a significant operating leverage with important returns in terms of marginality.

To date, we believe that RFG i) has a **production capacity that is largely capable of sustaining an increase in volumes** and ii) has **excellent margins for improving the production efficiency and distribution processes**.

1. Production capacity:

- **Helmets:** during 1H21, a record semester in terms of sales and volumes, the production of helmets (thanks to the Bahrain facility opened in 2014) has managed to substantially increase from 2020 to June 2021 (c+50%), without the need to outsource production to third parties, but simply increasing the workforce;
- **Technical wear:** the recent acquisition of the Ronco Scrivia (Italy) headquarter and surrounding land was an extremely strategic move: not only is the factory currently capable of supporting an increase in production (i.e. of suits), but all the land surrounding the factory is i) fully owned and ii) buildable. Moreover, the future internalization of the manufacturing of some products requires marginal investments in room and machinery.

²² Source: Company Presentation

²³ Source: RFG estimate based on industry knowledge

2. Operational efficiencies:

- **Rationalization of Bell's distribution network** and merging with OMP's in Europe: sales efficiency, stronger discount policy;
- **Introduction of antropomorphic arms for cutting carbon helmet shells** (they are now cut by hand even for entry level products)
- **Potential commercial and distribution synergies:** the Group can now offer a complete range of products to dealers around the world, with greater bargaining power that will allow it to increase brand penetration in under-penetrated geographies;
- **Potential production synergies** arising from the unification of the process of certain products.

■ STEP FOUR- DIVERSIFICATION

Leveraging on the internal know-how and innovation capabilities, the Group has embarked in many interesting and promising diversification projects: from the Driver's Eye (already a "reality", contributing to the Group's sales) to the development of helmets prototypes with applications outside Motorsport.

1. Driver's Eye (from Zeronoise):

Zeronoise, a startup acquired in 2019 and co-founded by Alex Haristos (currently Group's COO), has developed a new technology that is achieving a huge success in the Motorsport broadcasting industry. In particular, **the Drivers' Eye consists of the smallest micro-camera in the world** (8 millimeters in diameter and weighing 2.5g) that can be **easily integrated in a special niche inside the helmet, allowing to film the race "through the eyes of the driver"**. The most interesting innovation, however, is the possibility offered by this technology to transmit the images in real time, allowing the TV broadcasting in world view.

Key facts:

- **Commercial success:** the technology has already been used in the Formula E championship, attracting the interest of Formula 1 which, **in addition to having already used it for the live world broadcast of the last race of this season** (with the battle between Hamilton and Verstappen), **has signed a contract with RFG for the administration of the service throughout the next season**. This is a **one-year, non-exclusive service contract** (which will allow RFG to offer the service to broadcasters of other competitions, including Formula E);
- **Business model:** RFG, in this segment, offers a service supply contract to the promoter (i.e., Formula 1): in addition to supplying the equipment (which to date can only be integrated into Bell-branded helmets, but can potentially be integrated into any type of helmet - full face or open face), RFG oversees each competition with one or more technicians who monitor the correct functioning of the equipment and the data transmission;
- **Potential size of the contracts:** The size of the service contracts depends on i) number of races in the championship, ii) number of drivers in the championship and iii) relevance of the championship;
- **Patent:** the technology has been patented (lasting 20 years) and, to date, competitors are not developing similar technologies;
- **Future developments:** on the wave of the commercial success of the first product, Zeronoise is currently developing the Driver's Eye "Generation 2": a system even smaller in terms of space and weight, but with better performance in terms of i) image quality and ii) software.

Moreover, the development of such a technology, compared to the other products of the group, offers

- **a very high marginality:** the production cost of the cameras is marginal compared to the turnover volumes that can be generated by the supply of the service to the broadcasters
- **numerous cross-selling opportunities:** i.e., RFG is discussing with a main broadcaster of world horse racing series, but in the future business could come from sports such as motorcycles, skiing or other extreme sports (i.e., parachuting).

DRIVER'S EYE – MANY POTENTIAL APPLICATIONS



Driver's Eye successfully tested in SPA F1 Gran Prix

While the test in F1 was largely successful and acclaimed worldwide, Racing Force is **working to close an important partnership with a major motorsports racing series.**

Discussions are also progressing with the other most prominent racing series.



Advanced talks

The R&D team has been developing Driver's Eye for applications outside the racing industry, where **the use of safety helmets offers a perfect housing for the technology.** Advanced talks and testing are taking place in two disciplines, horse racing and e-scooters.



Other possible applications

The micro camera can be applied to a variety of professional applications in which a camera would be inconvenient for the athlete to wear and there is live broadcasting.



The set can be customized in order to be integrated with a range of different helmets; **motorbiking, skiing, skateboarding, and extreme sports such as climbing, and parachuting** are examples of possible future developments for the Driver's Eye technology.



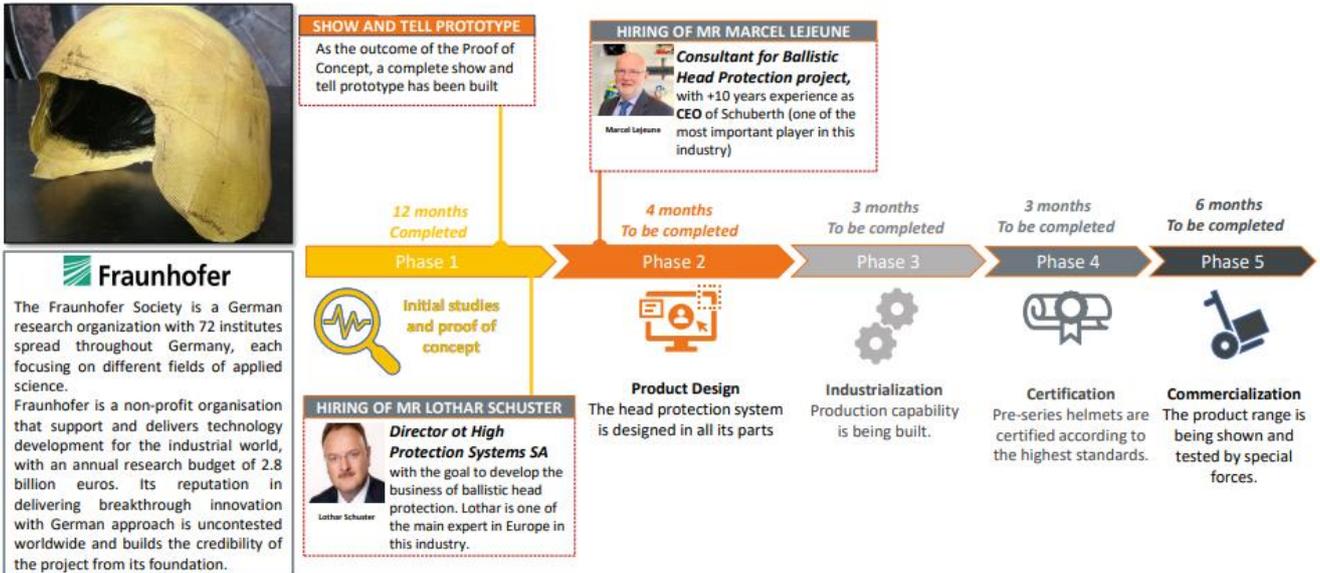
Source: Company Data

2. Ballistic Military Helmets

A new technology assessed by the Fraunhofer Institute for microstructures in Germany and a feasibility study that involved experts in the field of head protection, led to the **creation of a new material structure that guarantees performances with an amazing weight saving (up to -24% vs current best) as well as the highest protection.** The R&D project carried out by Bell and the Institute aims at setting new standards for head protection systems. As a result, a new material structure and production process was defined after achieving a remarkable weight saving and a reduction in production costs compared to the actual market reference.

Prototypes are ready for final design.

BALLISTIC MILITARY HELMET – PROJECT SNAPSHOT



Source: Company Data

Although helmets for special forces represent a niche market, business dynamics are quite different, as **single tenders can involve thousands of helmets that, at present, the market is buying at a price between €3-4k²⁴.**

3. Jet Pilot Helmet’s Shell

RFG, thanks to Bell Helmets' reputation for producing the world's best helmets in terms of weight, safety and technology, has been selected by American LIFT Airborne as a partner for the development of the Next Generation Fixed Wing Helmet for the US Air Force. In particular, Bell has developed and would supply the helmet’s carbon fiber shells to LIFT, who is participating at the US tender (worth c\$10mn per year). The final awarding is expected by June 2022 and LIFT is one of the two players left (from over 100 initial) competing for the contract alongside Gentex Corporation.

The helmet is currently undergoing flight testing and is intended for cockpits of all airframes except for the F35 Lightning. The tender aims to replace Gentex’s previous 55/P helmet, which has been in place since the ‘80s and is now extremely obsolete in terms of weight, stability, ventilation and technology.



Source: LIFT Airborne website

²⁴ Source: RFG estimate based on industry knowledge

The helmet has been presented at the Dubai Air Show in December 2021, thus opening up the possibility of future supply of this technology to ex-NATO allied countries. Even in the event that LIFT does not win the American tender, therefore, we believe that the technological innovations offered by this new helmet will result in a solid competitive positioning to participate in tenders with other governments.

■ FROM MOTORSPORT TO AEROSPACE & DEFENSE: IT CAN BE DONE

The feasibility of diversification projects in the military and aerospace sectors is supported, first and foremost, by the fact that **the production of motorsport helmets:**

- **meets the highest safety standards in the world**, since motorsport materials are tested to over 60G;
- **incorporates ballistic protection technologies** (imposed by the FIA after Felipe Massa’s accident in 2014);
- **meets very high standards of helmet stability in motion**, which is crucial for use by armed ground and air forces;
- **Schubert**, a leading motorsport and motorcycle helmets manufacturer, and direct RFG competitors in top motorsport categories (see section 2.1), **is already active in the design and production of military combat ballistic helmets** (which satisfy tight safety compliance requirements imposed by, i.e., NATO).

Moreover, precisely because of the high technological and performance standards required in both markets, **the worlds of Motorsport Safety Equipment and Aerospace & Defence have historically proved to be extremely ‘close’ and attentive to each other’s innovations.** There are many examples of manufacturers that i) generate business in both markets or ii) have been able to export their technologies from one market to the other:

- **Sabelt:** currently seats, harnesses and racewear supplier of 7 out of 10 Formula 1 racing teams (as well as top teams in GT, WRC, NASCAR, Indycar, IMSA and more), since 2010 Sabelt is also a key suppliers of seat belts for aerospace (especially for cargo applications), aircraft cockpits and land armored vehicles;
- **Schroth:** leading manufacturer of harnesses, it is active in the military (military ground vehicles, jets or aerospace helicopters), aerospace (mainly commercial aviation) and motorsport (racing) segments;
- **Dainese:** world leader in the design and production of motorbike safety equipment (suits, helmets, boots, back protectors, airbags), in 2016 it developed the SkinSuit, a close-fitting suit designed to be worn on board the International Space Station. The SkinSuit, when in weightlessness, exerts the weight normally imposed by the body mass on earth on the astronauts’ body in the head-foot direction, counteracting the stretching of the spine and reducing the likelihood of contracting a herniated disc.

JET PILOT HELMETS – PROJECT SNAPSHOT

A new range of carbon fiber advanced shells for jet pilot helmets have been developed and are currently under testing by a major Air Force. The carbon fiber shell was specifically designed to achieve top performances in the avionic industry. The shape, the weight and the safety performances are unparalleled, thanks to the knowledge of composite materials used in Formula1 helmets, where the G force requires the helmets to be as light as possible as well as resistant to high impact.



Racing Force has already been enrolled by potential customer as a tier 2 supplier and, if awarded with the contract, will provide the most important part of the head protection system, although only a part of it: the carbon shell.

The outlook of the project is to gear up to become a tier 1 supplier when introduced in the industry. That involves integration of manufacturing operations across the group to supply the full system.

WELL-DEFINED ACTION PLAN ALREADY IN MOTION

DATE	MILESTONE
Jun-20	Shell Design
Dec-20	Shell Prototyping
Jan-21	Shell pre-series production (Bahrain)
May-21	Lab Testing (impact, windblast, environmental)
Early-22	Production Proposal
Early-22	Down Select Date
Mid-22	Sled Testing
Mid-23	Qualification Clean Up / Manufacturing Readiness
Mid-23	Production Contract
Oct-23	First delivery in Q3 2023

Source: Company Data

■ STEP FIVE – EXPLORING M&A OPPORTUNITIES

The Group does not boast a long track record of M&A transactions but, nevertheless, it has shown great strategic vision by thinking clearly and integrating the Bell acquisition quickly and with remarkable results.

Therefore, the future M&A strategy will still be based on the **search for deals that can give synergies in i) distribution, ii) production and/or iii) R&D**, without seeking a mere growth in the size of the business.

We believe that the Group could consider using part of the proceeds from the IPO by following one of the following strategies:

- **Focus on the core business:** the Group is analyzing and considering a number of targets in
 - **South America:** the rationale would be to acquire production capacity in the territory and avoid the import duties that are making the market difficult to attack
 - **US:** the rationale would be to acquire production capacity to reduce the time-to-market in the market (currently, RFG's production is unbalanced in Bahrain and Italy)
- **market consolidation:** a potential future acquisition/merger with another safety equipment supplier is not ruled out, should the necessary terms and conditions be met: i.e. different exposure in terms of geographies or championships;
- **adjacent sectors:** the Group is considering opportunities in adjacent sectors such as gaming chairs and driving simulators. A sector that has grown significantly in recent years and has interesting prospects for the future.

However, **no negotiations are at an advanced stage, nor has any proposal been submitted by the company.**

4.4. Motorsport vs Motorcycle: so close, yet so far

When discussing motorsport safety equipment, it may come natural to think not only of Formula 1, but also of worldwide two wheels competitions such as Moto GP or motocross.

However, as its definition clearly indicates, **Motorsport does not include two (or three) wheeled competitions** which, on the contrary, **fall within the context of Motorcycle** competitions.

Despite the different 'perimeter', the question of whether there might be any business opportunities in that market too is a very legitimate one, and this depends on the fact that **not only does Motorcycle have some basic elements in common with Motorsport...**

- **Safety Equipment:** although with technical differences, helmets, racing suits, gloves and boots are also used in two-wheel competitions;
- **Regulation:** the Motorcycle industry is subject to the regulatory hat of the FIM (Fédération Internationale de Motocyclisme), the equivalent of the FIA for Motorsport;
- **Pyramidal structure:** at the top are the world championships and, at the lower levels, an extremely heterogeneous universe of competitions and minor specialities populated by semi-professionals, amateurs and enthusiasts.

... **but it is in fact also targeted by several Motorsport suppliers**, active in Motorcycle especially in the **helmet segment** (the remaining technical wear such as suits, shoes or gloves presents instead higher entry barriers due to different technical characteristics – i.e. leather vs textile suits – and performance – i.e. rider position -).

HELMETS: MOTORSPORT vs MOTORCYCLE

	Brand	Motorsport		Motorcycle		Diversification				
		Full Face	Open F.	Full Face	Open F.	Snow	Boat	Bike	Ski	Military
Motorsport	RFG (BELL + OMP)	x	x	-	-	-	x	-	-	x
	Simpson	x	x	x	x	-	x	-	-	-
	Arai	x	x	x	x	-	-	-	-	-
	Schubert	x	x	x	x	-	-	-	-	x
	Sparco	x	x	-	-	-	-	-	-	-
Motorcycle	BELL Sports	-	-	x	x	x	-	x	-	-
	Scorpion	-	-	x	x	-	-	-	-	-
	Shoei	-	-	x	x	-	-	-	-	-
	HJC	-	x	x	x	-	-	-	-	-
	Studds	-	-	x	x	-	-	-	-	-
	AGV	-	-	x	x	-	-	-	-	-
	Dainese	-	-	x	x	-	-	-	x	x
	FLY racing	-	-	x	x	x	x	x	-	-
	Nolan	-	-	x	x	-	-	-	-	-

Source: Equita SIM elaborations

As can be seen from the table, the major manufacturers of motorsport helmets, such as **Simpson, Arai or Schubert**, are all **active in the Motorcycle segment, offering both full face** (on track competitions such as Moto GP) **and open face** (dirty competitions such as Motocross) **helmets**. The only two absent players are Sparco (whose core business in the racing world is however represented by the sale of soft goods such as suits, gloves or shoes rather than helmets) and Racing Force Group, whose absence, given its leadership position in motorsport, inevitably raises a question:

why isn't Racing Force Group also active in Motorcycle?

1. Lack of clear competitive advantage

RFG's management sees its key competitive advantage in R&D capabilities, top-quality products in terms of performance and product innovation and, very important, brands reputation. In trying to enter the Motorcycle market, therefore, **the company could not count on any of these competitive advantages**, at least at the beginning, making it much more complex to penetrate the market at the top levels (i.e., with top drivers): as we saw for Motorsport, a necessary step in order to generate products cross-selling in the lower segments.

2. Motorcycle's pyramid extends to the mass market segment

While Motorsport safety equipment is a real niche market confined to professionals and enthusiasts who, with a specific license, race on the track (no one normally wears a helmet or a fireproof suit going to work in their car), **motorbike helmets, jackets/suits and gloves are also used every day by common bikers all over the world** (motorbikes yearly sales exceed 60mn at world level) how many motorbikes there are in the world). **Therefore, this segment imposes a different industrial set up and probably mindset, with focus on delocalized production and volume efficiencies, not in the DNA of RFG.**

3. Bell Sports USA

The BELL Helmets brand (under which RFG markets its helmets) is a **trademark owned by BELL Sports USA**, a company founded in 1923 in California (currently owned by the American Vista Outdoors group), and one of the world leaders in the design, production and distribution of motorbike, bike and other helmets in both the Competition and consumer/retail segments. **Bell Racing, the company acquired by OMP Racing in 2019** (see section 3.1), **is a company that instead holds the perpetual worldwide license to use the BELL brand just in motorsports** (see Appendix 1). Therefore, Bell-branded helmets that are worn by both major champions of 2-wheel racing and ordinary "retail" motorcyclists are helmets developed and manufactured by BELL Sports, a company that has nothing to do with RFG.

RFG would still have the chance to enter the market via M&A, acquiring an already well-established brand. However, management remains very skeptical on this idea, mainly because:

- existing players (including Bell Sports USA), are much larger than RFG and
- even players with decent scale (such as Alpinestars or Nolan) have unattractive profitability, mainly resulting from the fierce competition on the mass market products from lower-quality players.

MOTORCYCLE – KEY PLAYERS								
€ mn		Revenues			EBITDA margin		EBIT margin	
Company	Country	2019	2020	YoY	2019	2020	2019	2020
SHOEI	Jap	150.1	161.4	7.5%	27.2%	29.0%	22.6%	24.3%
Caberg	Ita	11.1	10.8	-3.2%	12.9%	11.9%	4.1%	4.0%
Alpinestars	Ita	194.0	189.8	-2.2%	2.4%	3.5%	0.1%	0.6%
Dainese	Ita	198.7	178.0	-10.4%	14.0%	16.8%	5.3%	6.7%
Airoh	Ita	14.3	19.2	33.9%	17.1%	12.6%	10.1%	8.6%
Nolan	Ita	39.6	39.9	0.8%	5.7%	6.4%	-0.4%	5.4%
Media Motorcycle				4.4%	13.2%	13.4%	7.0%	8.3%
Media Motorcycle ex-SHOEI				3.8%	10.4%	10.2%	3.8%	5.1%
RFG	Ita	36.6	33.7	-7.8%	11.4%	15.9%	4.9%	8.4%

Source: Equita SIM elaborations on Company Data

Consequently, it is essential to understand that RFG strategy remains focused on opportunities offered by i) Motorsport and ii) diversification into high-performance niches, such as ballistic or jet-pilot helmets, as we just saw.

5. HISTORICAL FINANCIALS

RFG is characterized by an **extremely resilient top line** which has grown with a **2014AG-19AG organic CAGR of 6.6%** (vs c3% estimated for the reference market), **from €26.6mn in 2014** (on an aggregated basis) **to €36.6mn in 2019** (on an aggregated basis).

In particular:

- **OMP 2014-19 organic revenues CAGR: 6.3%** from €18.9mn in 2014 to €25.7mn in 2019;
- **Bell 2014-19 organic revenues CAGR: 6.8%** from €7.7mn in 2014 to €10.7mn in 2019.

RFG HISTORICAL GROWTH RATES								
Revenues - RFG (€ mn)	2007	2014	2015	2016	2017	2018	2019	2020
OMP	16.8	18.9	20.8	24.5	24.8	25.4	25.7	22.9
growth %			13.2%	17.6%	1.4%	2.4%	1.2%	-10.9%
Bell	4.8	7.7	7.4	7.1	8.1	9.8	10.7	10.5
growth %			-3.9%	-4.3%	14.3%	21.1%	9.0%	-1.9%
RFG	21.6	26.6	28.2	31.6	32.9	35.2	36.6	33.7
growth %			6.2%	11.9%	4.3%	7.0%	3.9%	-7.9%
							2007-2019	2020
Revenues long-term CAGR							CAGR	vs 2019
OMP							3.7%	-10.9%
Bell							7.0%	-1.9%
RFG							4.5%	-7.9%
							5Y CAGR	2020 vs 2019
OMP							6.3%	-10.9%
Bell							6.8%	-1.9%
RFG							6.6%	-7.9%

Source: Company Data

5.1. 2020 Results

The 2020 covid-19 pandemic, the first year following the acquisition of Bell Helmets, has severely tested the world of Motorsport: the prolonged stop of activities worldwide has in fact led to a **marked decline in the number of FIA events of -52%** compared to 2019, with obvious negative impacts for all industry players.

However, RFG managed to contain the impact of the pandemic, ending 2020 with excellent results if compared to (i) the macroeconomic context and (ii) the decline seen in the entire industry. In particular:

- **Revenues -8% to €33.7mn** vs 2019AG (vs -52% of FIA worldwide);
- **Gross Margin 59.7%** vs 54.3% in 2019AG;
- **EBITDA +28.3%** to €5.4mn vs €4.2mn in 2019AG;
- **EBITDA margin 15.9%** vs 11.4% in 2019AG thanks to i) strict cost containment (G&A, logistics, commercial, sponsorship, etc.) and ii) the emergence of the first commercial synergies deriving from the acquisition of Bell (which, however, have only marginally shown their full potential);
- **EBIT +59.3% to 2.8mn** vs 1.8mn in 2019AG. EBIT margin 8.4% vs 4.9% in 2019AG, benefiting from the efficiencies at EBITDA level;
- **Net Income €1.4mn** (net income margin 4.3% vs 6.6% in 2019AG);
- **Op. CF positive for €2.4mn**, with a 44.7% cash conversion on EBITDA;
- **NFP at €19.7mn** from €17.3mn at the end of 2019.

P&L 2019AG-2020			
P&L 2020-25	2019AG	2020	
Sales	36.6	33.7	
<i>growth</i>		-8%	
COGS	-16.7	-13.6	
Adj. Gross Profit	19.9	20.1	
<i>growth</i>		1%	
margin	54%	60%	
G&A	-11.5	-10.8	
Other costs	-4.2	-3.9	
Adj. EBITDA	4.2	5.4	
<i>growth</i>		28%	
margin	11%	16%	
EBITDA	4.2	5.4	
<i>growth</i>		28%	
<i>margin</i>	11%	16%	
D&A	-2.4	-2.5	
EBIT	1.8	2.8	
<i>growth</i>		59%	
<i>margin</i>	5%	8%	
NI	2.4	1.4	
<i>growth</i>		-41%	
<i>margin</i>	7%	4%	
Adj. NI	2.4	1.4	
<i>growth</i>		-41%	
<i>margin</i>	7%	4%	

Source: Company Data

It is important to note that, in 2020:

- The Group has never resorted, in Italy, to the Temporary Layoff Program;
- Production, in all plants, has never stopped; and
- R&D, testing and development activities continued at full pace.

Moreover, it is interesting to note that 2020 performance was mainly sustained by the Car Parts segment. Specifically:

- **Car Parts -1.3% to €10.7mn** (from €10.9mn in 2019AG): despite the halt in activities, in fact, manufacturers, engineers and racing teams continued their research and improvement work on the vehicles, and took the opportunity to i) do some maintenance, ii) develop prototypes and iii) prepare the cars in the best possible way for the restart of competitions;
- **Drivers' Equipment -11% to €21.6mn** (from €24.2mn in 2019AG)
- **Others -8% to €1.4mn** (from €1.5mn in 2019AG)

5.2. 1H21 results: impressive growth trends, pending contribution from new initiatives

While 2020, the first year following the integration of Bell, has been a complex year in which the Group focused on protecting the business and preparing products and inventory for the restart of activities, **1H21 was instead a record semester** in terms of i) **turnover (+46.8% vs 1H20)** and ii) **margins (EBITDA margin 24% from 14.5% in 1H20)**, and which started to show the enormous potential of the new Group's structure.

In particular:

- **Revenues +46.8% to €24.9mn from €17mn** in 1H20
- **Gross Margin 59.3%** vs 60% in 1H20: a slight decrease due to the increase in the cost of some raw materials (the company tends to reverse any price increase of raw materials to customers through adjustments in product prices for the following year)
- **EBITDA +142% to €6mn** (from €2.5mn in 1H20), with a **record EBITDA margin of 24%** (from 14.5% in 1H20), mainly resulting from outstanding operating leverage (personnel expenses stood at c16.6% on sales vs 21% in 1H20);

- **EBIT +260% to €4.9mn** (from €1.4mn in 1H20), EBIT margin 19.6% from 8%, mainly benefitting from the improvement at EBITDA level;
- **Net income €3.6mn** from €0.8mn, **Net income margin 14.4%** from 5%.
- **Op. cash flow €3.7mn**, with a **cash conversion of 61.8%** vs negative in 1H20

1H21 KEY HIGHLIGHTS			
1H21 results	1H20	1H21	YoY delta %
Revenues	17.0	24.9	46.8%
Adj. EBITDA	2.5	6.0	142.9%
Adj. EBITDA margin	15%	24%	
Adj. EBIT	1.4	4.9	256.9%
Adj. EBIT margin	8%	20%	
Adj. Net Income	0.8	3.6	370.4%
NFP ex-leases	-	-16.9	

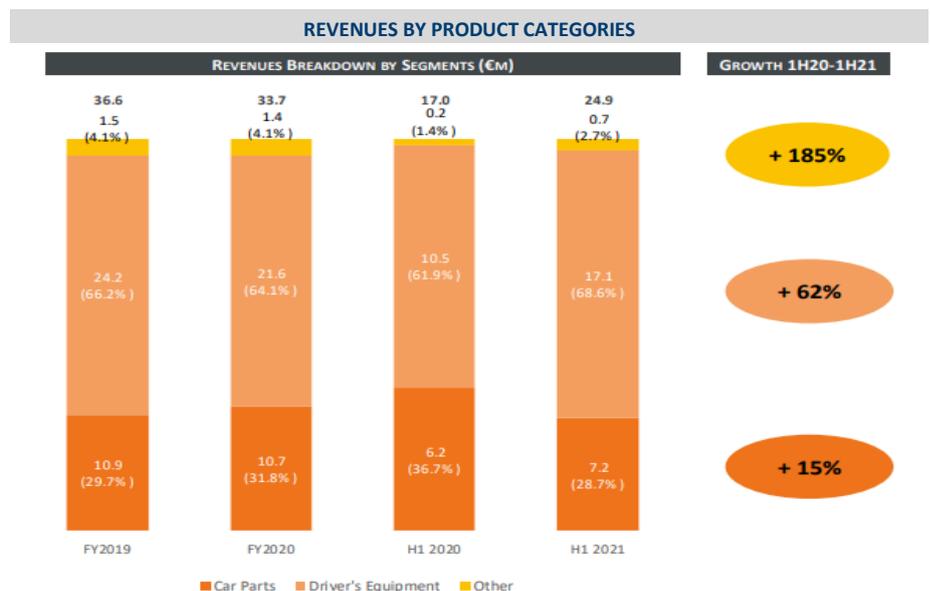
Source: Company Data

In particular, the strong growth reported in 1H21 is mainly due to the following:

- **Higher volumes from 2020 pent-up demand**, resulting in a **very strong operating leverage**: +880bps of marginality (at EBITDA level) resulting from personnel expenses which stood at 16.6% on sales vs 21% in 1H20;
- Exploitation of **first production and distribution synergies** from the integration of the Bell and Zeronoise brands;
- **Return of the Bell brand (+ Zeronoise) to the rally segment**, already contributing in terms of turnover (for the moment, generated by the Teams segment, while cross-selling to Dealers should take place starting from the second half of the year and in subsequent years);
- **Continuous process of efficiency and cost containment.**

From sales mix perspective, the largest contribution to growth vs 1H20 is due to:

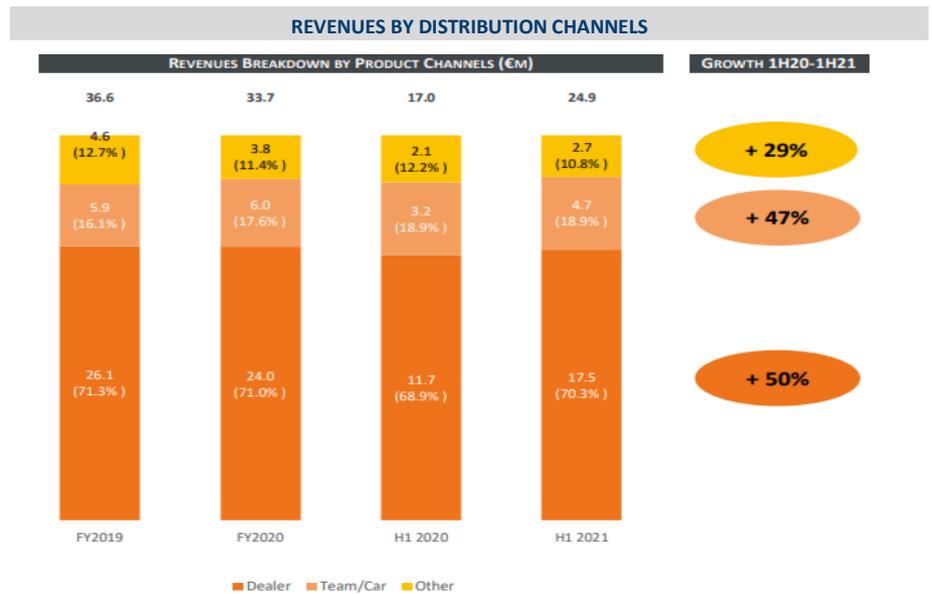
- **Driver's Equipment +62% vs 1H20 to €17.1mn**, driven in particular by **Technical Wear**, with a good contribution also from **Helmets** (benefiting also from sales of new Bell's open face helmets);
- **Car Parts +15% vs 1H20 to €7.2mn**: positive performance, but discounting a less favorable comparison with 1H20 (in 2020, the Car Parts segment was essentially flat vs 2019AG).



Source: Company Data

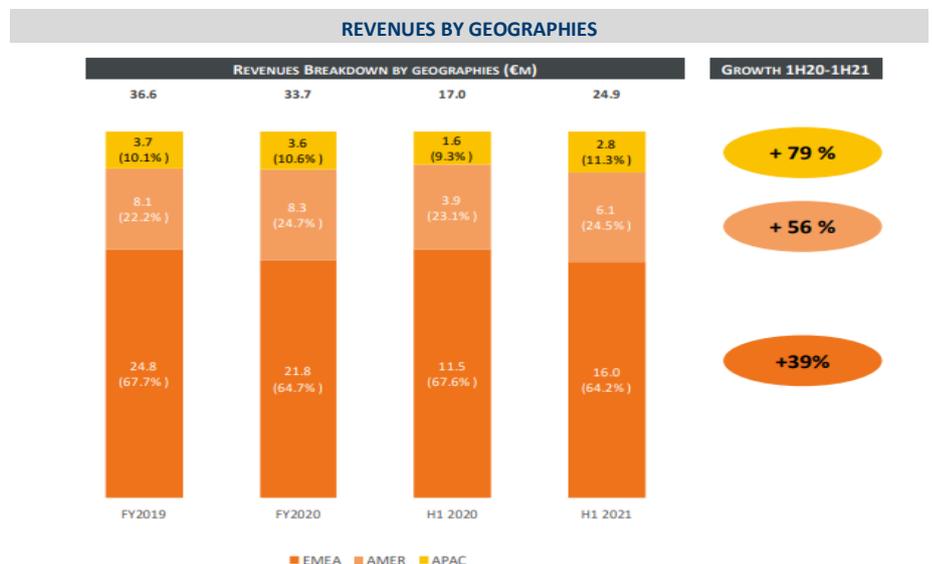
In terms of distribution channels, in 1H21:

- **Dealers (70% of 1H21 sales):** recorded growth of +50% vs 1H20, mainly due to higher deliveries in the first part of the year after the slowdown in 2020
- **Teams (19% of 1H21 sales):** the segment grew strongly compared to 1H20 (+47%), also thanks to new agreements signed with two major players (Hyundai Motorsport and Toyota Gazoo Racing), for the supply of safety equipment for the rally competitions. In addition, the segment benefited from the restart of all competitions at global level and, consequently, from an easier basis for comparison;
- **Other (10.8% of 1H21 sales):** up 29% vs. 1H20, these include sales generated from retail customers through the Pro-Shops of the Group, online sales and those generated outside motorsport (i.e., non-racing seat sales).



Source: Company Data

Finally, from a geographical point of view, it is interesting to note that **1H21 was well spread across all geographies**, with **particularly marked growth in the Americas** (24.5% of 1H21 sales vs 23.1% in 1H20) **and APAC** (11.3% in 1H21 sales from 9.3% in 1H20) which grew by +56% and +79% respectively, reflecting the good results generated by the commercial activities implemented by the group to penetrate new markets, as well as the distribution synergies between Bell and OMP in a core market such as America.



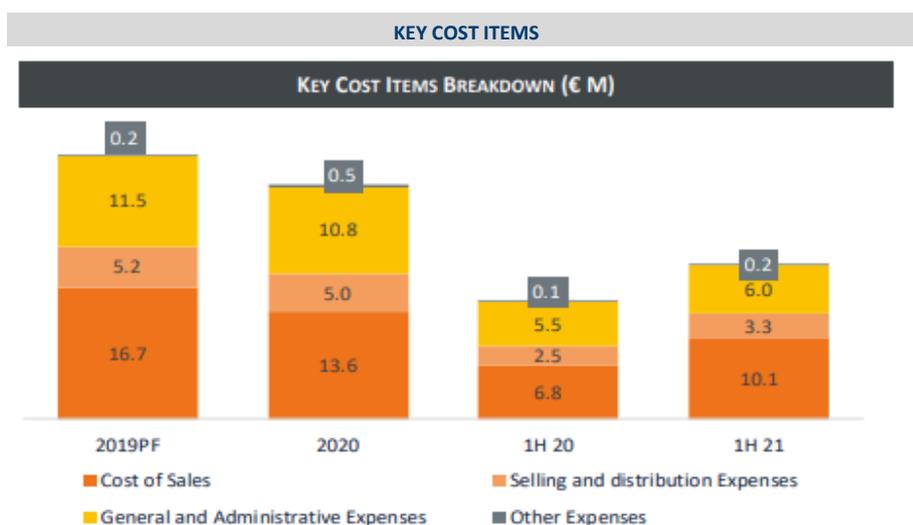
Source: Company Data

5.3. Financial Analysis

Key cost items

The group's key cost items include:

- **Cost of Sales (c40.3% of 2020 sales):** it mainly consists of costs of raw materials and semi-finished products (c€9.1mn in 1H21, or 36.6% of sales) and transportation costs (c€0.8mn in 1H21, or 3.2% of sales). The main raw materials purchased by the group include fabrics, carbon fiber, fiberglass and, at the moment, no critical issues have been encountered in their procurement. It is important to note that Cost of Sales does not include production personnel costs;
- **Personnel and G&A (c32% of 2020 sales):** these include personnel expenses (both direct labour costs and administrative one) which, in 1H21, increased by c€600k vs 1H20, due to c60 new personnel additions, o/w c50 in production lines at the Bahrain plant to support higher helmet production volumes (increasing productivity by c50% from the end of 2020 to June 2021);
- **Selling & Distribution – S&D (c14.7% of 2020 sales):** these consist primarily of technical partnership & sponsorship costs (c€2.2mn in 1H21, or 8.9%). These costs, during 1H21, increased in absolute terms by c€500k vs 1H20 reflecting the restart of competitions and events at all levels.



Source: Company Data

HIGH OPERATING LEVERAGE IN 1H21				
Cost items on sales %	2019AG	2020	1H20	1H21
COGS	45.7%	40.3%	39.9%	40.7%
S&D	14.5%	14.7%	14.9%	13.4%
<i>o/w sponsorships</i>	8.1%	9.6%	10.3%	8.9%
G&A	31.3%	32.1%	32.6%	24.2%
<i>o/w personnel</i>	20.5%	21.2%	21.0%	16.6%
Other expenses	0.6%	1.4%	0.9%	0.7%

Source: Company Data

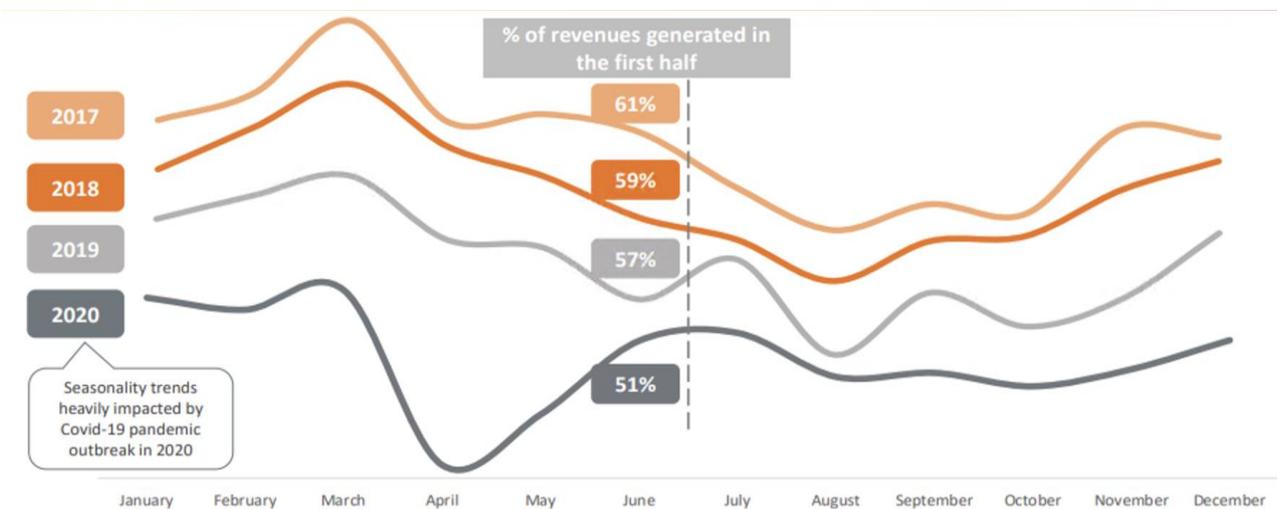
STRONG SEASONALITY IN 1H DUE TO THE START OF THE RACING SEASON

RFG’s business is characterized by a **marked seasonality of turnover in the first half of the year** (on average, accounting for c55/60% of full year sales), with a **peak in sales particularly in the first quarter of the year**: this is due to the fact that, in those months, are concentrated the deliveries of orders placed by dealers during the last months of the previous year (November – December). In the final part of the year, in fact, **dealers tend to secure enough inventory to support the traditional peak in demand before the beginning of the new racing season**, with the majority of championships starting in Spring.

In this regard, it is important to underline how

- **end-of-year orders are based on the product catalogue updated by RFG for the following year**: it is at this stage that RFG manages to **pass on to customers any increases in the cost of raw materials or semi-finished products**;
- the business seasonality leads RFG, during the last months of the year, to accumulate higher inventory volumes.

STRONG BUSINESS SEASONALITY IN 1H



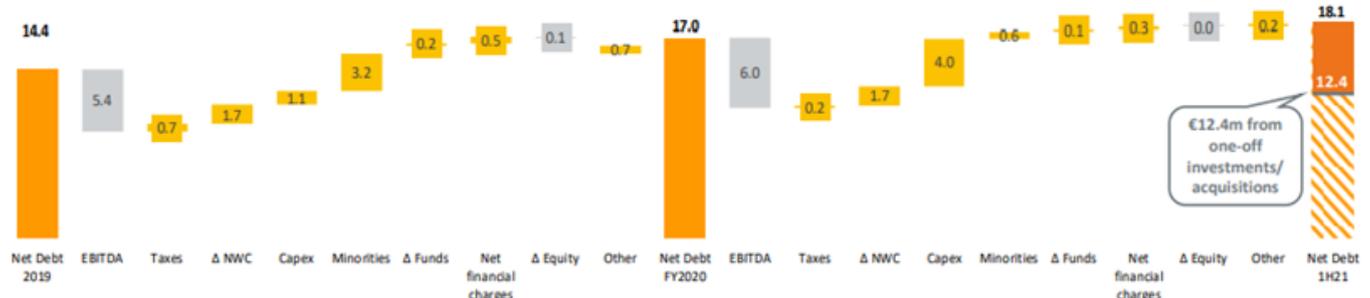
Source: Company Data

DEBT STRUCTURE

At June 30th 2021, the Group has €18.1mn of net bank debt, €2.3mn of lease liabilities and €1.2mn of active loans, for a **NFP of €-19.3mn**. Despite higher operating cash generation in the semester (€3.7mn vs €-0.5mn in 1H20), NFP slightly worsened vs 2020 mainly due to higher one-off investments related to the acquisition of the Ronco Scrivia property (€2.9mn), and M&A activities (€0.6mn).

Since December 2019, the **cumulative impact of M&A and one-off investments weighed €12.4mn on the Group’s NFP**.

DEBT EVOLUTION (€mn)



Source: Company Data

At June 30th 2021, the Group's Gross Debt amounted to €24.8mn, of which

- **Long term loans:** €16.1mn;
- **Short-term credit lines:** €6.3mn;
- **Financial lease liabilities:** €2.3mn (o/w €0.4mn short-term).

At June 30th 2021, the Group held active balances for €5.5mn, of which

- **Cash and cash equivalent:** €4.3mn.
- Finance loans to shareholders: €0.9mn
- Finance loan to other related party: 0.3mn

The average cost of debt is c2.2%.

BANK LOANS (€mn)								
Bank	Curr.	Size in curr. (mn)	Starting date	Maturity date	Interest base rate	Short-term	Long-term	Total at Jun-21(€mn)
Banca Carige	EUR	5	Sep-20	Aug-26	1.10%	-	5.00	5.00
Credit Agricole	EUR	0.7	May-19	Feb-23	0.90%	0.17	0.26	0.44
ISP	EUR	0.5	Oct-18	Jul-22	1.38%	0.17	0.08	0.25
Banco BPM	EUR	0.6	Jun-17	Oct-23	1.90%	0.12	0.17	0.29
Banco BPM	EUR	0.35	Apr-18	Jul-22	1.33%	0.12	0.01	0.13
Banco BPM	EUR	4	Dec-19	Jun-28	2.15%	0.54	3.46	4.00
Banco BPM	EUR	0.5	Nov-18	Aug-22	0.88%	0.27	0.04	0.31
Banco BPM	EUR	1.75	May-21	May-31	1.60%	0.16	1.57	1.74
MPS	EUR	0.35	May-18	Jun-23	1.20%	0.06	0.12	0.18
MPS	EUR	0.4	Dec-19	Sep-23	1.20%	0.11	0.29	0.40
BNL	EUR	1	May-19	Oct-21	1.00%	0.22	-	0.22
CreVal	EUR	0.4	Jun-19	Oct-25	1.35%	0.05	0.33	0.38
CreVal	EUR	0.5	Oct-18	Oct-23	0.96%	0.08	0.25	0.34
CreVal	EUR	0.25	Dec-19	Aug-22	0.90%	0.13	0.04	0.17
CredEm	EUR	0.4	Nov-17	Jun-24	1.48%	0.08	0.16	0.24
UBI	EUR	0.5	Jan-20	Oct-23	1.15%	0.12	0.38	0.50
ISP	EUR	0.8	Mar-20	Sep-21	1.00%	0.20	-	0.20
Simest	EUR	0.6	May-21	Dec-27	0.55%	-	0.36	0.36
PNC	USD	0.252	Jun-18	Jun-25	6.19%	0.03	0.11	0.14
Bahrain Dev. Bank	BD	0.3	Nov-15	Jul-21	2.19%	0.01	-	0.01
Bahrain Dev. Bank	BD	0.2	Aug-16	Jul-21	5.50%	0.01	-	0.01
Bahrain Dev. Bank	BD	0.05	Aug-16	Jul-21	2.17%	0.00	-	0.00
ASB	EUR	1	Jun-20	Jun-23	3.00%	0.40	0.41	0.81
Total						3.05	13.06	16.11

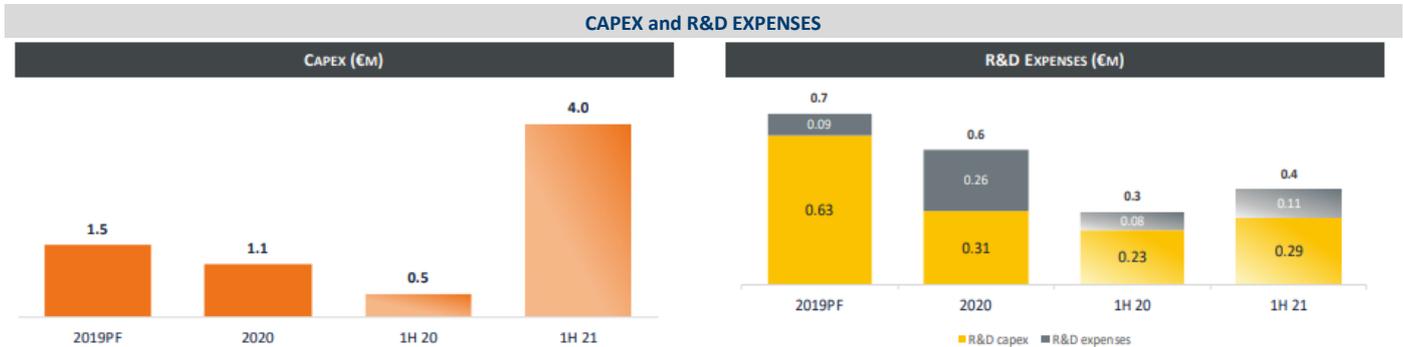
Source: Company Data

BANK CREDIT LINES (€mn)						
Bank (in mn)	Currency	Interest rate	ST credit lines limits in curr. as of Jun-21	ST credit lines limits in Euro as of Jun-21	ST debt as of Jun-21	
BNL	EUR	Euribor + spread	1.05	1.05	-	
Unicredit	EUR	Euribor + spread	1.75	1.75	0.50	
Carige	EUR	Euribor + spread	1.10	1.10	0.28	
Banco BPM	EUR	Euribor + spread	2.00	2.00	0.77	
Credit Agricole	EUR	Euribor + spread	0.65	0.65	0.06	
Intesa SanPaolo	EUR	Euribor + spread	1.60	1.60	0.67	
Credem	EUR	Euribor + spread	0.95	0.95	0.33	
Deutsche Bank	EUR	Euribor + spread	1.20	1.20	0.68	
Monte dei Paschi di Siena	EUR	Euribor + spread	1.00	1.00	0.42	
Credito Valtellinese	EUR	Euribor + spread	1.00	1.00	0.96	
UBI	EUR	Euribor + spread	0.90	0.90	0.55	
PNC	USD	3.25%	0.25	0.21	0.20	
ASB	BHD	5.75%	0.45	1.01	0.90	
TOTAL			13.90	14.42	6.32	

Source: Company Data

■ CAPEX AND R&D

Historically, each year the Group invests c3-5% of sales in Capex, which mainly includes R&D costs (c1.5/2% of sales, including homologation-linked costs), and maintenance capex (purchase of moulds and new machinery or replacement of existing ones).



Source: Company Data

It is important to point out, with regard to R&D, that the Capex figure does not include the expenses incurred in terms of i) personnel involved in the development, design and testing of products (c2% of sales, on average) and ii) the resources (in terms of time and cash) dedicated to the daily dialogue with racing teams, drivers and regulatory bodies aimed at stimulating the continuous improvement of the performance and safety of all products offered.

6. 2021-25E CAGR: REVENUES +9%, NET INCOME +21%

6.1. Top line and market share

Based on 1H21 results and bearing in mind the Group's traditional business seasonality (1H weighs, on average, c55/60% of sales volume for the year), **we expect FY21 sales to grow +29.1% vs 2020 to €43.6mn (from €33.7mn), with and implied 2H21 at €18.6mn (+11.2% vs 2H20).**

In details:

- **Drivers' Equipment: +39% vs 2020 at €30mn** (from €21.6mn), with an implied 2H21 at €12.9mn (+16.3%);
- **Car Parts: +13% vs 2020 at €12.2mn** (from €10.7mn), with an implied 2H at €5mn (+11.4% vs 2H20);
- **Other: flat vs 2020 at €1.4mn** (from €1.4mn), with an implied 2H at €0.7mn.

From 2021 onwards, we project a 2021-25E Revenues CAGR of 9.2%, from €43.6mn in 2021E to €61.9mn in 2025E.

At divisional level, we expect a 2021-25E revenues CAGR:

- **Drivers' Equipment: 9%**, from €30mn in 2021E to €42.5mn in 2025E;
- **Car parts: 5%**, from €12.2mn in 2021E to €14.8mn in 2025E;
- **Other: 35%**, from €1.4mn in 2021E to €4.7mn in 2025E.

In general, we expect top-line growth in the different segments to benefit from the following dynamics:

- **Drivers' Equipment (69% of 2021E sales):** it is the segment in which we expect most of the commercial and distribution synergies from the Bell acquisition to materialize. In particular:
 - **Technical Wear (c39% of 2021E sales):** we project a **2021-25E CAGR of 8.3%** for the segment, as we believe that OMP branded products (in particular suits, shoes and gloves) will be able to strongly penetrate the US market (the most important in the world for motorsport) taking advantage of Bell's established presence among the major i) US racing championships (i.e. 46% of IndyCar drivers wearing a Bell helmet in 2021-22 racing season) and ii) dealers in the region;
 - **Helmets (c30% of 2021E sales):** following the return of Bell helmets in the open-face category (rally and other) we assume a 2021-25E revenues CAGR of 10% for the segment, based on i) the current low market share of the brand in the rally world (c5% mkt share), ii) the consolidated presence of the OPM brand in the segment (with interesting commercial synergies) and iii) the market size (in the world, for every race with full face helmet there are 3 races with full face helmets – often involving 2 riders). In addition, the growth of the helmet segment should be further supported by the integration in the helmets of the technologies developed by Zeronoise (in particular, the communication devices which, on the basis of the best performance in terms of cleanliness and consistency of communications, have contributed to Bell's triumphant return to the category);
- **Car Parts (c26% of 2021E sales):** the segment, which includes products for cars (seats, harnesses, roll bars, fire extinguisher systems), does not have any particular development plans for the next few years (except for the technological improvement of existing products, i.e. racing seats). However, it should benefit from the distribution synergies resulting from the integration of Bell in terms of (i) geography and (ii) championships. As a result, we expect the segment to grow at a 5% 2021-25E CAGR (vs c7% between 2014-2019), from €12.2mn of sales in 2021E to €14.8mn in 2025E.

- **Other (c4% of 2021E sales):** we project a 35% 2021-25E revenues CAGR by including, starting 2022, revenues generated by the Driver's Eye technology with motorsport broadcaster (i.e., the one-year contract signed with F1 for the next season).

TOP-LINE EXPECTED FUTURE GROWTH							
Top-Line assumptions	2020	2021E	2022E	2023E	2024E	2025E	CAGR 21-25E
Car Parts	10.7	12.2	12.8	13.4	14.1	14.8	5.0%
growth		13.3%	5.0%	5.0%	5.0%	5.0%	
Drivers' Equipment	21.6	30.0	34.0	36.5	39.7	42.5	9.1%
growth		38.9%	13.3%	7.4%	8.6%	7.0%	
<i>Technical Wear</i>	<i>11.1</i>	<i>16.8</i>	<i>18.6</i>	<i>20.0</i>	<i>21.5</i>	<i>23.1</i>	<i>8.3%</i>
growth		51.5%	10.6%	7.5%	7.5%	7.5%	
<i>Helmets</i>	<i>10.5</i>	<i>13.2</i>	<i>15.4</i>	<i>16.5</i>	<i>18.1</i>	<i>19.3</i>	<i>10.0%</i>
growth		25.5%	16.7%	7.3%	10.0%	6.5%	
Other	1.4	1.4	2.6	3.6	4.1	4.7	35.9%
growth		-0.7%	86.5%	40.7%	15.0%	13.1%	
Tot. Revenues	33.7	43.6	49.3	53.5	57.9	61.9	9.2%
growth		29.1%	13.3%	8.5%	8.2%	7.0%	
Motorsport Safety Equipment	200.00	207.0	214.2	221.7	229.5	237.5	
growth		3.50%	3.50%	3.50%	3.50%	3.50%	
RFG's market share	16.9%	21.0%	23.0%	24.1%	25.2%	26.1%	

Source: Equita SIM elaborations

Assuming a market growth (in line with historical growth rates over the last 10 years) of 3.5%, and a conservative estimate of the starting market (motorsport safety equipment) size at €200mn, **we expect the group's market share to increase from 17% at the end of 2020 to 26% at the end of 2025.** In our view, this growth would reflect:

- **distribution synergies between Bell and OMP branded products in terms of (i) leagues and (ii) geographies;**
- **growth of the Bell brand in the open-face helmet segment.**

6.2. Marginality and operating performance

Following the top-line growth, we expect a clear "change of gear" also in terms of margins and operating efficiency, resulting from:

- **production and commercial synergies post-Bell brand acquisition:** rationalization of the Bell sales network and incorporation into the OMP network in EU, cost structure efficiency (in particular, on the Bell side);
- **operating leverage:** the current production capacity can currently sustain higher sales volumes with limited investments in personnel;
- **streamlining of production processes:** the company plans to automate certain production steps with lower added value (i.e., mechanical arms for cutting carbon fiber helmet shells), in addition to streamlining Bell's processes which, in the years prior to the acquisition, suffered from a management that was not very focused on business profitability (high-single-digit EBITDA margin on average in '17-'19);
- **integration of production processes:** the company plans to internalize the production of some products still entrusted to third parties, with first prototypes already under development in Ronco Scrivia (Italy).

As a result, we expect that the combination of these initiatives will significantly improve the Group's margin profile, with 2021E expected to close at the following levels:

- **Adj. EBITDA margin 19.2%** (from 15.9% in 2020) at €8.4mn, with an implied 2H21E at 12.8% vs the 1H21 historical peak of 24% which, however, benefited from strong pent-up demand coming from 2020 postponed orders and deliveries (and, therefore, higher volumes) and the typical business seasonality (1H accounts for c55/60% of full year sales and volumes);
- **Adj. EBIT margin 13.6%** (from 8.4% in 2020) at €5.9mn, with an implied 2H21 of 5.4% (vs 19.6% in 1H21), assuming a 4.4% D&A rate for the full year;
- **Adj. Net Income margin 9.5%** (from 4.3% in 2020) at €4.1mn, assuming a **FY21 tax rate of 25.3%**.

Starting from 2021, we project:

- **Adj. EBITDA: 2021-25E 15.4% CAGR**, at €14.8mn from €8.4mn in 2021E, with a **24% margin in 2025E** from 19.2% in 2021E;
- **Adj. EBIT: 2021-25E 19.3% CAGR** at €12mn from €5.9mn in 2021E, with a **18.7% EBIT margin in 2025E** from 13.6% in 2021E, assuming a D&A rate of 4%;
- **Adj. Net Income:** by assuming an **average cost of debt of 2.2%**, and a **22.5% normalized tax rate**, we project a **21.6% 21-25E CAGR**, with a **14.6% Net Income margin in 2025E** (€9.1mn) from 9.5% in 2021E (€4.1mn).

2020-25E P&L ESTIMATES

P&L 2020-25	2019PF	2020	2021E	2022E	2023E	2024E	2025E	CAGR 21-25E
Sales	36.6	33.7	43.6	49.3	53.5	57.9	61.9	9.2%
growth		-8%	29%	13%	9%	8%	7%	
COGS	-16.7	-13.6	-17.7	-20.0	-21.6	-23.2	-24.6	
Adj. Gross Profit	19.9	20.1	25.9	29.3	31.9	34.7	37.4	9.6%
growth		1%	28%	13%	9%	9%	8%	
margin	54%	60%	59%	59%	60%	60%	60%	
G&A	-11.5	-10.8	-12.1	-13.0	-13.7	-14.4	-15.1	
Other costs	-4.2	-3.9	-6.4	-6.1	-6.7	-6.9	-7.4	
Adj. EBITDA	4.2	5.4	8.4	10.1	11.5	13.4	14.8	15.4%
growth		28%	56%	21%	13%	16%	11%	
margin	11%	15.9%	19.2%	21%	21%	23%	24.0%	
EBITDA	4.2	5.4	7.4	10.1	11.5	13.4	14.8	19.1%
growth		28%	37%	38%	13%	16%	11%	
margin	11%	16%	17%	21%	21%	23%	24%	
D&A	-2.4	-2.5	-2.5	-2.4	-2.5	-2.7	-2.9	
Adj. EBIT	1.8	2.8	5.9	7.8	9.0	10.7	12.0	19.3%
growth		59%	108%	32%	15%	19%	12%	
margin	5%	8.4%	13.6%	16%	17%	18%	19.3%	
NI	2.4	1.4	3.4	5.6	6.6	8.0	9.1	27.8%
growth		-41%	137%	66%	17%	21%	13%	
margin	7%	4%	8%	11%	12%	14%	15%	
Adj. NI	2.4	1.4	4.1	5.6	6.6	8.0	9.1	21.6%
growth		-41%	189%	36%	17%	21%	13%	
margin	7%	4.3%	9.5%	11%	12%	14%	15%	

Source: Equita SIM estimates

2020-25E CASH FLOW and NFP						
<i>Cash-flow 2019-2020 (€mn)</i>	2020	2021E	2022E	2023E	2024E	2025E
Cash Flow	4.0	5.8	8.0	9.2	10.7	11.9
(Increase) decrease in TWC	(1.1)	(2.8)	1.2	(1.4)	(1.9)	(1.9)
(Increase) decrease in other assets	(0.6)	0.2	0.0	0.0	0.0	0.0
Operating Cash Flow	2.4	3.1	9.2	7.8	8.8	10.0
CAPEX	(1.1)	(4.8)	(4.4)	(5.2)	(2.9)	(3.1)
Other net investments	(3.2)	0.8	(0.4)	(0.4)	(0.4)	(0.4)
(Distribution of dividends)	(0.0)	(1.3)	(1.2)	(1.7)	(2.0)	(2.4)
Others (inc. IPO proceeds)	0.1	18.5	0.0	0.0	0.0	0.0
Change in NFP	(1.94)	16.34	3.11	0.47	3.55	4.12
Payment of leases principal	(0.7)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
FCF	0.52	(2.07)	4.36	2.16	5.54	6.52
NFP at the beginning of the year	(17.8)	(19.7)	(3.4)	(0.3)	0.2	3.8
Change in NFP	(1.94)	16.34	3.11	0.47	3.55	4.12
Differences from cash conversion	0.0	0.0	0.0	0.0	0.0	0.0
NFP at the end of the year	(19.7)	(3.4)	(0.3)	0.2	3.8	7.9
Lease Liabilities (IFRS 16)	4.2	2.3	2.3	2.3	2.3	2.3
NFP including lease liability at the end of the year	(15.5)	(1.0)	2.1	2.5	6.1	10.2

Source: Equita SIM estimates

We highlight that, compared to the estimates published in the IPO note, we now assume higher Capex for c€5mn in the period 2022-23E, reflecting investments for:

- expansion of production capacity and logistics space both at the Ronco Scrivia (mainly soft goods) and Bahrain (helmet production) plants, aimed at supporting higher production volumes and the internalization of some productions still with third parties;
- investments to strengthen the production capacity for the kick-off of the A&D projects (confirming the company's serious commitment to this diversification path);
- strengthening of the Group's commercial footprint in US, especially in the West Coast.

7. ESG

Racing Force Group is strongly committed to achieve key objectives in terms of environmental sustainability, with a clear future strategy which grounds on well-defined fundamentals

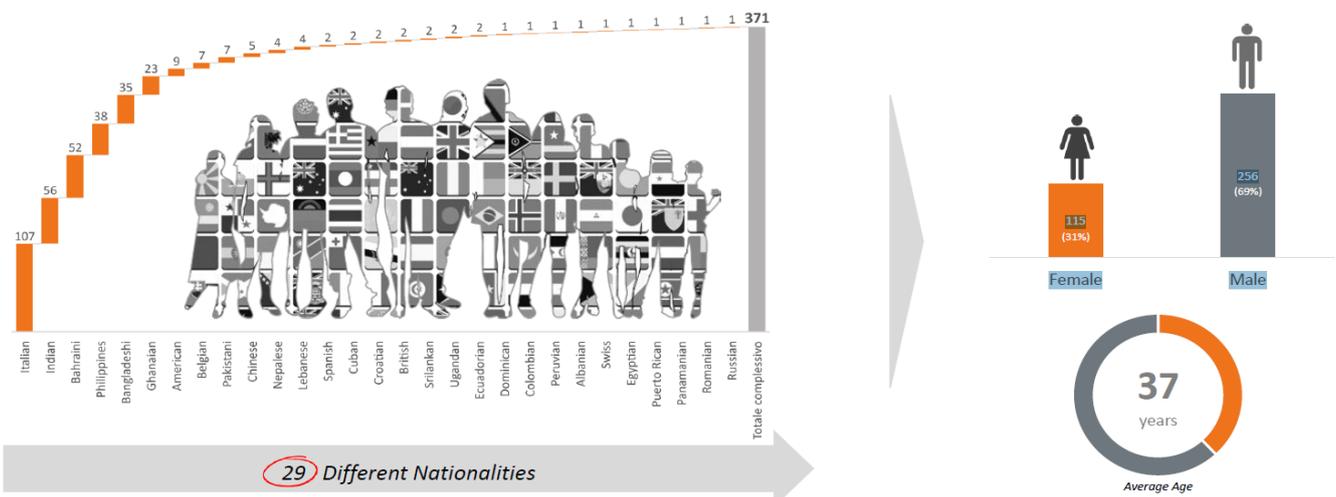
RFG's current profile...

Today, RFG is a multi-ethnic and inclusive workforce, which values social cohesion and intergenerational solidarity:

- **more than 370 employees from 29 different nationalities**, with more than 70% of workforce based outside Italy (where RFG is headquartered);
- **0.45x female to man ratio** within the Group, well above the industry average of 0.33x;
- **average age of 37 years old**, as the Group encourages youth employment to be combined with the expertise of professionals with decades of experience in the motorsport industry;

RFG's HUMAN RESOURCES

AS OF JUNE 30TH, 2021, RACING FORCE GROUP EMPLOYED 371 PROFESSIONALS, (31% FEMALE AND 69% MALE) FROM 29 DIFFERENT NATIONALITIES.



Source: Company presentation

- **meets all key social ESG objectives** such as #5 (Gender Equality), #8 (Decent work and economic growth) and #10 (Reduced Inequalities);

Moreover, its core business is that of protecting motorsport drivers and staff from injuries or death: therefore, the company boasts decades of collaboration with regulatory bodies to i) increase minimum safety standard at all levels and ii) foster product quality and innovation, with tangible results over the years (see section 2.2).

Thanks to its severe quality control standards, RFG's products are all UNI EN ISO 9001/2000 certified and rated by the most important International sanctioning bodies such as FIA, SFI and SNELL.

Finally, on September 10th, 2021 the company approved its future sustainability plan aimed at reducing the carbon footprint and increasing the business sustainability.

... with interesting future Developments

RFG, which will be assisted by Deloitte as environmental consultant, aims to adopt an organizational model compliant with D.Lgs. 231/2001, and to introduce its first sustainability report starting 2022.

8. VALUATION: TARGET PRICE AT €6.7PS

■ VALUATION

We set our target price at €6.7ps, based on a DCF model for the core business, which we valued at €6.0ps, plus an additional upside reflecting the interesting pipeline of projects in the A&D sectors which, over the last two months, have gained visibility and whose implementation, discounted to date, we believe could add +12% to value of the core business.

			DCF ANALYSIS					
Assumptions			2021E	2022E	2023E	2024E	2025E	Beyond
g	1.9%	Sales	43.6	49.3	53.5	57.9	61.9	63.1
WACC	6.7%	Change %		13.3%	8.5%	8.2%	7.0%	1.9%
Ke	7.2%	EBITDA	7.4	10.1	11.5	13.4	14.8	15.1
		Change %		37.7%	13.4%	16.3%	10.8%	2.0%
		Margin	16.9%	20.6%	21.5%	23.1%	24.0%	24.0%
		D&A	-2.5	-2.4	-2.5	-2.7	-2.9	-3.2
		EBIT	4.9	7.8	9.0	10.7	12.0	12.0
		Change %		58.4%	15.4%	19.0%	12.1%	0.2%
		Margin	13.6%	11.3%	15.8%	16.8%	18.4%	19.3%
		Taxes	-1.1	-1.6	-1.9	-2.3	-2.6	-2.7
		EBIT after Tax	3.8	6.1	7.0	8.3	9.3	9.3
		Change %		63.3%	14.8%	18.5%	11.8%	-0.4%
		Capex	-4.0	-4.8	-5.6	-3.3	-3.5	-3.2
		capex/sales	9.1%	9.8%	10.5%	5.7%	5.6%	5.0%
		Working Capital	12.6	11.5	12.9	14.8	16.7	18
		wkc/sales	29.0%	23.3%	24.0%	25.5%	26.9%	28.0%
		(increase) decrease in WC	-3	1	-1	-2	-2	-1.0
		Free Cash Flow before minorities	0	4.8	2.6	5.9	6.8	8.3
		FCF Minorities	0	0	0	0	0	0
		Free Cash Flow after minorities	-0.4	4.8	2.6	5.9	6.8	8.3
# of shares	24	Discount Factor	0.98	1.05	1.12	1.19	1.27	1.35
Target Price	6.0	PV of FCF	-0.4	4.6	2.3	4.9	5.3	6.1

Source: Equita SIM estimates

Considering the improvements made on the military projects (especially with the jet pilot helmets in partnership with LIFT Airborne, see section 4.3), we decided to include in our valuation an upside potential (not embedded in our current estimates) to reflect the improved visibility on this diversification path. Therefore, we have assumed that the military projects could bring an amount of sales in the €8-10mn area by 2025, and have applied an incremental margin of 30%, projecting a potential upside at EBITDA level north of €2mn, with the first revenues that could be generated already in 2023E. Applying a multiple of 11x EV/EBITDA (current EV/EBITDA multiple for our military panel) and discounting at an annual rate of 15%, we estimate a potential value creation from the military projects of € 15-20mn, or around €0.7ps.

BRIDGE TO TARGET PRICE							
	EBITDA	A&D	EV	Discount factor	Value Creation		
	2025E (€ mn)	multiple	€ mn	3Y	€ mn	€ ps	%
Military upside	2.4	11.0x	26.4	15%	17.4	0.7	12%
DCF - core business					141.0	6.0	88%
Target Price					158.4	6.7	

Source: Equita SIM estimates

■ BENCHMARKING

It is **not possible to identify players in the market that are perfectly (or sufficiently) comparable to RFG** in terms of i) products, ii) end markets and iii) technologies. Consequently, we decided to identify **different panels of potential listed peers** on the basis of the following considerations:

RFG:

- a. **operates in a niche market**, very resilient and with a "recurring" demand linked to the different professional/amatorial championships/races
- b. **offers products with high technological content**, which are responsible for ensuring the safety of drivers and staff without affecting their performance
- c. **boasts historical and best-in-class quality brands**, known and recognized by all professionals and enthusiasts as the reference points in the individual categories (helmets, suits, seats, rollbars, etc.)
- d. **operates in a market with high barriers to entry** determined by i) a high degree of regulation with respect to the conformity and homologation of individual products (= certifications), ii) high requirements in terms of quality of processes and products and iii) know-how/R&D capabilities
- e. operates in a segment, that of athlete safety, which appears resilient to the threat of possible changes in the rules/instruments/technologies used in the various disciplines (i.e. F1 from ICE to hybrid to electric)
- f. **has embarked on a path of diversification**, developing ballistic helmets for aeronautics and defense, demonstrating the "closeness" of the Group's technologies with those applied in A&D (the history of Schubert, Schroth or Sabelt offer some close and concrete examples).

Therefore, based on our analysis, we identified i) SHOEI as the key comparable for Group and ii) two different reference panel: a "military safety equipment" panel and a "high-performance sports equipment" one.

In particular:

1. Key comp: SHOEI

We believe that **the most comparable listed company is SHOEI**: first, we notice an **overlap in product range and respective end markets**, although the exposure is to the motorcycle segment which, as seen in section 4.4, is characterized by different business dynamics (but where safety equipment such as helmets, suits and gloves are used as well).

Secondly, SHOEI also boasts **specific certifications** in the racing world (FIM homologated helmets);

2. Military/industrial high-performance safety equipment

Considering:

- the key elements of **RFG's business**
- its **diversification projects in the A&D world**
- **a track record of competitors certifying the proximity of these two markets** (Dainese, Schroth, Schubert) and
- **the presence of a direct competitor such as Schubert** (motorcycles, racing, firefighting, military helmets)

we therefore deemed reasonable and interesting to identify **a panel of companies operating in the military/medical/industrial world**, manufacturing safety equipment in similar segments to those of RFG.

This second panel consists of companies with the following characteristics:

- **End-markets**: military / defense / medical safety equipment
- **Products** include: ballistic helmets / safety helmets / bulletproof jackets / high perf military uniform / shoes / gloves (medical)
- Operate in markets with **high barriers to entry, regulated** and with **strict safety controls** / product approval processes
- **High-technological products** / trend towards product/material innovation

However, despite the following “criticalities”:

- military market tends to be more cyclical and often relies on "waves" of investments / orders by institutional clients and governments
- they do not present exposure to the motorsport industry
- they are not FIA (or FIM) approved suppliers

we believe that this panel **can still provide an interesting set of reference multiples.**

3. Sports high-performance equipment

Finally, we identified a panel of listed companies active in the design and production of sport high-performance equipment, applying the following criteria:

- **End-market:** sports / extreme sports / motorsport / outdoor equipment
- Products related to **athlete safety** (i.e. motorcycle/bike/other sports helmets, knee pads) high standards of quality and control
- Best-in-class brands (e.g. North Face, Bell Moto, MIPS)
- **Niche markets:** i.e. climbing, downhill, ski, motocross, MTB
- **Strict safety and homologation requirements.**

However, we think that this panel can provide just an additional set of reference multiples, but with a lower degree of comparability.

In particular:

- **Vista Outdoor:** it is the owner of the BELL Sports USA. However, the brand is diluted within a portfolio that boasts more than 40 brands active in very different segments: from hunting clothing/equipment to gas stoves for outdoor grilling. It has therefore limited exposure to motorsport safety equipment;
- **Pierer Mobility:** it is the holding company that owns the KTM and Husquarna brands, both companies that produce motorcycles for motocross and road use. We decided to analyze this company, because not only there is a strong exposure to the motorsport world (KTM in particular participates in many competitions), but both brands produce, in addition to motorcycles, also all the equipment for the pilot such as suits, gloves, helmets and shoes. However, the core business is the production and sale of motorcycles: higher capex, lower margins and more cyclical target market. It has therefore limited business overlap;
- **Clarus International:** holding company whose revenues derive 76% from the Black Diamond brand, a brand that manufactures wall climbing and protection/safety equipment. The other brands, however, are active in the production of bullets. The benchmarking is interesting as the logic of the products is always that of guaranteeing the safety of the athlete in high-risk contexts that require high performance and, furthermore, the reference market is also in this case a niche market. However, we highlight no overlapping of products / no exposure to the motorsport world / no overlapping of business / no certification requirements;
- **Fox Factory Holding:** it is an interesting company to consider because its target market is extreme sports (= high performance niche sports, such as BMX or downhill) and, in addition, the company operates with a business model similar to that of RFG: partnerships/sponsorships with major teams for cross selling products plus participation in world championships to gain visibility. However, we highlight that FF Holding is a component supplier with much lower brand visibility.

RFG: PEERS BENCHMARKING

	Comparables	Products overlapping	Applications	End markets	Motorsport exposure	Regulatory bodies	Entry Barriers	Included
Key Comp	RFG	Helmets, Suits, Seats, Gloves, Shoes, Rollbars	Motorsport	Niche	100%	FIA	Very High	
	Shoei	Helmets, Shoes, Gloves	Motorcycle	Niche/Retail	Yes	FIM / ECE	High	Tier 1
Military/Medical	Avon Rubber	Helmets, Suits	Military	Niche	No	Multiple	Very High	Tier 2
	Gentex Corporation	Helmets, Suits	Military	Niche	No	Multiple	Very High	Tier 2
	MSA Safety	Gloves, Helmets	Medical /Industrial	Niche	No	Multiple	High	Tier 2
	Ansell	Gloves	Medical /Industrial	Niche	No	Multiple	High	Tier 2
Sport High-Perf Equipment	Clarus Corporation	No	Climbing/Rock X-sport	Niche	No	No	Low	Tier 3
	Fox Factory Holding	No	(motorsport /motorcycle /cycle)	Niche	Yes	Yes	High	Tier 3
	Pierer Mobility	Low: helmets, suits, gloves, shoes	Motorcycle	Niche/Retail	Yes	FIM / ECE	High	Tier 3
	Vista Outdoor	BELL motorcycle	Motorcycle	Niche	Yes	FIM / ECE	Low overall	Tier 3

Source: Equita SIM elaborations

PEERS MULTIPLES

Company	Description			Perf YTD	EV/EBITDA			EV/EBIT			P/E			Sales			EBITDA margin			EBIT margin			ND/ Ebitda	Sales CAGR	EBITDA CAGR		
	Curr.	Price	Mkt cap (€ mn)		Current EV	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2022E	21-23E	21-23E	
RACING FORCE SPA	EUR	5.8	139	159	-2.5	17.1 x	13.8 x	12.1 x	24.3 x	18.0 x	15.6 x	33.7 x	24.8 x	21.1 x	43.6	48.8	52.0	19.2%	20.6%	21.5%	13.6%	15.8%	16.8%	0.5 x	9.3%	17.3%	
SHOEI CO LTD	JPY	4,195.0	873	788	-7.4	n.m.	12.7 x	12.1 x	n.m.	14.6 x	13.1 x	n.m.	22.6 x	20.4 x	n.m.	26,858	31,825	n.m.	30.1%	28.9%	n.m.	26.1%	26.6%	-1.3 x	8.9%	4.2%	
High Performance Sport equipment																											
FOX FACTORY HOLD	USD	134.5	4,993	5,075	-21.0	20.8 x	18.2 x	15.6 x	26.0 x	22.2 x	19.1 x	29.9 x	26.3 x	22.5 x	1,287	1,431	1,578	20.8%	21.3%	22.5%	16.6%	17.4%	18.3%	-0.4 x	10.7%	15.0%	
CLARUS CORP	USD	22.8	743	899	-17.8	16.4 x	12.6 x	10.9 x	32.7 x	19.8 x	15.7 x	18.3 x	15.7 x	14.2 x	363	448	488	15.8%	15.9%	16.1%	7.9%	10.1%	11.3%	0.8 x	16.0%	17.1%	
ACUSHNET HOLDING	USD	48.0	3,119	3,150	-9.5	12.2 x	12.1 x	12.1 x	15.8 x	15.8 x	14.9 x	19.1 x	18.9 x	19.1 x	2,108	2,108	2,158	15.3%	15.3%	15.1%	11.8%	11.8%	12.2%	n.m.	1.2%	0.5%	
PIERER MOBILITY	CHF	92.5	3,020	3,596	-1.6	11.1 x	10.3 x	9.5 x	19.7 x	18.4 x	16.6 x	25.2 x	22.6 x	20.7 x	2,040	2,157	2,284	16.2%	16.2%	16.4%	9.2%	9.1%	9.4%	0.5 x	5.8%	6.3%	
VISTA OUTDOOR	USD	39.0	1,969	2,242	-15.4	3.7 x	4.2 x	4.6 x	4.1 x	4.9 x	5.5 x	5.0 x	5.8 x	7.0 x	2,940	3,047	3,166	24.2%	20.5%	17.7%	21.8%	17.6%	15.0%	n.m.	3.8%	-11.2%	
Average						13.0 x	11.3 x	10.2 x	20.6 x	16.3 x	14.2 x	19.6 x	17.6 x	16.1 x				19.3%	18.5%	18.2%	13.9%	13.6%	13.5%	0.3 x	9.1%	6.8%	
Median						13.8 x	11.5 x	10.2 x	22.9 x	19.1 x	16.1 x	21.8 x	19.2 x	17.5 x				18.5%	18.4%	17.0%	12.9%	13.8%	13.2%	0.5 x	8.3%	10.6%	
Max						20.8 x	18.2 x	15.6 x	32.7 x	22.2 x	19.1 x	29.9 x	26.3 x	22.5 x				24.2%	21.3%	22.5%	21.8%	17.6%	18.3%	0.8 x	16.0%	17.1%	
Min						3.7 x	4.2 x	4.6 x	4.1 x	4.9 x	5.5 x	5.0 x	5.8 x	7.0 x				15.8%	15.9%	16.1%	7.9%	9.1%	9.4%	-0.4 x	3.8%	-11.2%	
Military/Medical High Performance Safety Equipment																											
MSA SAFETY INC	USD	141.5	4,892	5,317	-6.3	20.7 x	17.8 x	n.a.	23.3 x	18.9 x	19.0 x	34.0 x	28.0 x	25.5 x	1,383	1,508	1,577	19.8%	21.2%	n.m.	17.6%	19.9%	19.0%	n.m.	6.8%	n.m.	
GENTEX CORP	USD	32.5	6,775	6,538	-6.8	14.1 x	11.2 x	9.6 x	17.5 x	13.4 x	11.3 x	21.9 x	16.6 x	13.6 x	1,721	2,031	2,306	29.9%	31.8%	32.5%	24.0%	26.6%	27.8%	n.m.	15.8%	20.8%	
ANSELL LTD	AUD	33.0	2,672	2,920	4.7	8.5 x	8.5 x	8.0 x	10.4 x	10.4 x	10.0 x	19.4 x	19.8 x	19.2 x	1,974	1,970	2,029	18.6%	18.4%	18.5%	15.3%	15.0%	14.8%	0.1 x	1.4%	1.2%	
AVON PROTECTION	GBp	1,036.0	385	433	-7.6	9.1 x	7.2 x	6.6 x	13.8 x	9.5 x	8.6 x	17.3 x	11.0 x	10.2 x	272	303	304	19.7%	22.2%	23.8%	13.0%	16.8%	18.4%	0.7 x	5.7%	16.1%	
Average						13.1 x	11.2 x	8.1 x	16.2 x	13.0 x	12.2 x	23.2 x	18.8 x	17.1 x				22.0%	23.4%	25.0%	17.5%	19.6%	20.0%	0.4 x	7.4%	12.7%	
Median						11.6 x	9.9 x	8.0 x	15.7 x	11.9 x	10.6 x	20.7 x	18.2 x	16.4 x				19.8%	21.7%	23.8%	16.5%	18.4%	18.7%	0.4 x	6.2%	16.1%	
Max						20.7 x	17.8 x	9.6 x	23.3 x	18.9 x	19.0 x	34.0 x	28.0 x	25.5 x				29.9%	31.8%	32.5%	24.0%	26.6%	27.8%	0.7 x	15.8%	20.8%	
Min						8.5 x	7.2 x	6.6 x	10.4 x	9.5 x	8.6 x	17.3 x	11.0 x	10.2 x				18.6%	18.4%	18.5%	13.0%	15.0%	14.8%	0.1 x	1.4%	1.2%	

Source: Bloomberg and Factset data

9. SWOT

Strengths / Opportunities	Weaknesses / Threats
<ul style="list-style-type: none"> - Most complete and wide product offer range in the market (>2,000 products) - Super premium and well-known brands, with outstanding reputation among industry professionals for products' quality and performance - Strong market penetration in top categories (Segment 1) - Strong R&D know-how, with proven innovation capabilities - Almost fully vertical integrated supply chain and manufacturing capabilities - Low suppliers and customer concentration - Tight and consolidated relationships with FIA and other governing bodies 	<ul style="list-style-type: none"> - Niche market with moderate growth rates - Quite consolidated core market, with c70% in the hands of 3 players
<ul style="list-style-type: none"> - Commercial synergies post Bell Helmet acquisition: increase of OMP branded products reach in NA, and increase of Bell helmets penetration in open-face categories - Diversification in adjacent markets: Military Ballistic Helmets and Jet Pilot Helmets - Scalability of Driver's Eye technology in core and adjacent markets - Increase of market share in sub-penetrated geographies such as Japan, China or South America 	<ul style="list-style-type: none"> - Rapid changes in FIA homologation requirements - Disruptive innovations from competitors, mainly in terms of technologies or products performances - Reputational damage from product failures / quality leaks - Higher competitions in top categories from larger non "core" players such as Puma

Source: Equita SIM elaborations

STATEMENT OF RISKS

The primary factors that could **negatively impact RFG** include:

- Failure to cope with rapid changes in FIA 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;
- Value disruptive M&A deals;
- Termination of the Bell Licence 1;
- Sharp increase in logistics and energy costs, not matched by price increases.

10. APPENDIX 1: THE BELL LICENSES

The company acquired by OMP in 2019, Tahru, is the holding owning the perpetual worldwide licenses to use the Bell trademark in connection with the development, manufacturing and distribution of motorsport helmets, granted in the early 2000s by Bell Sports Inc. (BSI - a company founded in 1954, today part of the American Vista Outdoor group).

In particular, the originally granted licenses were two (*Bell License 1 & 2*) to which, very recently, a third one was added for the development, production and distribution of Bell branded soft goods in the US market.

In details:

1. Bell License 1 – Americas & New Zealand (2010)

Agreement for the exclusive license to use the Bell trademark in favor to *Head Protection Technologies* (RFG), solely on and in connection with the manufacturing, packaging, advertising, selling and distributing of auto and kart racing helmets in the territory of South America, North America and New Zealand. Moreover, the license also provides for the right to sell “at no charge” promotional goods with the Bell trademark to retailer or other parties related to the auto racing business, up to 3% of net sales (generated through this license).

BSI (the licensor), at the time of the concession, reserved the option to terminate the agreement and buyback the Bell License 1 with a 2-year notice: in the event, BSI shall i) pay a fee related to total net sales generated over the previous 3 years and ii) repurchase the existing inventory of HPT (RFG) at standard cost up to a maximum of one half the total net sales of the previous 12 months.

2. Bell License 2 – Rest of the World (1999)

The agreement provides that HPT (RFG) shall be granted an exclusive, perpetual and royalty free license and rights to use the Bell trademark on and in connection with the manufacturing, packaging, advertising, marketing, promotion, sale and distribution of licensed products for solely auto and kart racing in Europe, Asia and Africa. The licensed products include motorsport helmets and soft goods.

3. Bell License 3 – Soft Goods in US (2021)

Agreement for the right to use exclusively the Bell trademark worldwide in favor of HPT (now RFG) and its affiliates Racing Force USA and Racing Spirits LLC (the Assignees) on and in connection with the manufacturing, promotion and sale of soft goods (such as gloves, suits, shoes, underwear) and other products (such as seats and harnesses).

In the event the Assignees fail to sell any products for three quarters in a row, BSI (the licensor) shall have the right to terminate the agreement.

Considering the nature of the licenses (which are now worldwide and perpetual for the use of the Bell trademark in all motorsport activities), the only element that could cause some concern is the presence of a buy-back clause in the hands of BSI (Vista Outdoor) for the Bell License 1. However, we do not see this clause as a material risk for RFG, as we consider its potential exercise as a very unlikely scenario, and devoid of any strategic sense for BSI, for the following main reasons:

- The clause is only valid for *License 1* which, following a possible exercise, would make it extremely complicated for BSI to bring the motorsport business back in-house which, given its global nature, cannot be limited to the American market alone;

- The whole know-how in the design and production of Bell motorsport helmets, the relationships with teams and drivers and also the distribution channels are, today, in the hands of RFG. This would make the eventual exercise of the clause by BSI devoid of any strategic sense: not only because of the presence of the 2-year pre-announcement period (which would guarantee RFG margin to modify brands and commercial offerings in the US, with the risk for BSI of eliminating the Bell brand from that market), but also because the repurchase would not concern the underlying technology, but the mere use of the trademark (in addition, just for the US market);
- RFG's current brand management has brought excellent results and visibility to the Bell brand as a whole (i.e., ambassadors such as Lewis Hamilton, participation in F1 and partnership with Ferrari), with strong benefits also for BSI's business which is focused on motorcycles and bikes.

Therefore, **we consider the overall licenses as perpetual**, and the risk of a possible exercise of the buyback clause for the Bell Licence 1 as an extremely unlikely scenario.

P&L	2019	2020	2021	2022E	2023E	2024E
Revenues	36.6	33.7	43.6	49.3	53.5	57.9
Growth	-	-8%	29%	13%	9%	8%
Total opex	-16.7	-13.6	-17.7	-20.0	-21.6	-23.2
Growth	-	-19%	30%	13%	8%	7%
Margin	-46%	-40%	-41%	-41%	-40%	-40%
Adjusted EBITDA	4.2	5.4	8.4	10.1	11.5	13.4
Growth	-	28%	37%	38%	13%	16%
Margin	11.4%	15.9%	19.2%	20.6%	21.5%	23.1%
Depreciation& amortization	-2.2	-2.3	-2.4	-2.4	-2.5	-2.7
Provisions	-0.2	-0.2	-0.1	0.0	0.0	0.0
Depreciation&provision	-2.4	-2.5	-2.5	-2.4	-2.5	-2.7
EBIT	1.8	2.8	4.9	7.8	9.0	10.7
Growth	-	59%	72%	58%	15%	19%
Margin	4.9%	8.4%	11.3%	15.8%	16.8%	18.4%
Net financial profit/Expenses	1.3	-0.7	-0.4	-0.5	-0.4	-0.3
Forex/Intercompany loans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other financial profit/Exp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total financial expenses	1.3	-0.7	-0.4	-0.5	-0.4	-0.3
Non recurring pre tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit before tax	3.1	2.1	4.5	7.3	8.6	10.3
Growth	-	-0.3	1.1	0.6	0.2	0.2
Taxes	-0.7	-0.7	-1.1	-1.6	-1.9	-2.3
Tax rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Margin	6.6%	4.3%	9.5%	11.4%	12.4%	13.8%
CF Statement	2019	2020	2021	2022E	2023E	2024E
Cash Flow from Operations	n.a.	2.4	3.1	9.2	7.8	8.8
(Increase) decrease in ONWC	n.a.	-1.1	-2.8	1.2	-1.4	-1.9
(Purchase of fixed assets)	n.a.	-1.1	-4.8	-4.4	-5.2	-2.9
(Other net investments)	n.a.	-0.5	0.1	-0.9	-1.2	-1.3
(Distribution of dividends)	n.a.	0.0	-1.3	-1.2	-1.7	-2.0
Rights issue	n.a.	0.1	18.5	0.0	0.0	0.0
Other	n.a.	0.0	0.0	0.0	0.0	0.0
(Increase) Decrease in Net Debt	n.a.	-1.9	16.3	3.1	0.5	3.6

Source: Company data and Equita SIM Estimates

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

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Date	Rec.	Target Price (€)	Risk	Comment
nil				

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