

RACING FORCE

Company update

BUY (unchanged)

Target: **€ 6.7** (unchanged)

Risk: High

STOCK DATA

Price €	4.6
Bloomberg code	RFG IM
Market Cap. (€ mn)	109
Free Float	29%
Shares Out. (mn)	23.8
52-week range	4.2 - 6.2
Daily Volumes (mn)	0.01

PERFORMANCE	1M	3M	12M
Absolute	-6.2%	-15.5%	-
Rel. to FTSE all shares	-5.2%	-9.5%	-

MAIN METRICS	2021	2022E	2023E
Revenues	46.7	51.0	55.7
Adjusted EBITDA	9.0	10.0	11.5
Adj. net income	4.9	5.5	6.3
Adj. EPS - € cents	20.7	23.3	26.6
DPS ord - € cents	7.0	7.7	8.8

MULTIPLES	2021	2022E	2023E
P/E adj	n.a.	19.7 x	17.3 x
Adj. EV/EBITDA	n.a.	11.0 x	9.6 x

REMUNERATION	2021	2022E	2023E
Div. Yield ord	1.4%	1.7%	1.9%
FCF yield	-0.7%	3.2%	2.1%

INDEBTEDNESS	2021	2022E	2023E
NFP	-3.2	-1.3	-0.8
Debt/EBITDA	0.4 x	0.1 x	0.1 x
Interests cov	28.6 x	22.4 x	29.9 x

PRICE ORD LAST 365 DAYS



Analyst: Domenico Ghilotti
d.ghilotti@equita.eu | +39 02 6204249

CORE BUSINESS AND DIVERSIFICATION PROJECTS AT FULL SPEED

We met the top management of Racing Force, receiving supporting messages on the progress of strategic projects: expansion in open-face helmets and in North America, development of Driver's Eye opportunity and diversification in the military business. We reiterate our BUY recommendation.

■ Core business and diversification projects progress at full speed

We met with the top management of Racing Force (RFG). The main insights that emerged are as follows:

- Helmets** (about one-third of group revenues). Growth has been driven by brand strength and entry into the open helmets (rally helmets) segment, essentially Bell's first year back in the category and already worn by 50% of drivers in the first category (WCR). Among the reasons behind Bell's success in penetrating the market, dominated by Stilo (Simpson group), are the strength of the brand, the quality of the Zero Noise communication system, and the technical quality of the product. The group's Bahrain-based helmet production capacity is expected to triple in the medium term from 2019 levels to serve the group's growth opportunities.
- Racewear** (about 40% of group revenues). The main strategic opportunity is related to business development in North America, as a result of both the increased penetration of the OMP brand and the development of the new racewear line under the BELL brand, which is already very strong and credible in the U.S. in helmets. By the end of the year, an extensive product catalogue is expected to be homologated to SFI standards (the standards used in some U.S. championships), which will enable RFG to develop business potential in the U.S., which today sees the group underrepresented compared to its main competitors (Sparco and Simpson). Management is considering expanding production capacity at the Italian site in Ronco Scrivia, using the recently acquired area.
- Diversification projects:**
 - Driver's Eye.** The FIA recently announced that the technology, adopted from this year in F1, will be mandatory in all helmets from the 2022/23 season. This will allow RFG to expand the service offered and capture market share, which is already very high.
 - Tender for jet pilot helmet for the US Airforce** as a Lift Airborne supplier. The selection led from over 100 bidders to two players, Gentex (incumbent supplier) and Lift (the contender RFG is working with). There is a high level of confidence about the outcome of the bid, which is expected in the summer, Lift having presented a product with features recognized as better. If awarded, we think the first sales contribution could start in 2024. The size of the tender is not known, but the helmet will be adopted by almost all air force pilots, so we envision an order of magnitude of several thousand helmets (RFG supplies only the shell).
 - SWAT and Anti-riot Helmets.** Prototypes are expected to be completed by late 2022. Discussions with possible interested counterparts are very promising, in light of the technical performance offered by RFG's product, which has followed a different development path from other industry players, based on the use of carbon fibres on which RFG has strong expertise.
- M&A.** There are no hot dossiers on the table at the moment. Contacts have been established with possible counterparts, but at the moment the conditions do not seem to be in place to start negotiations.
- 2022 is off to a good start**, with excellent sales trend, mainly driven by volume. Russia and Ukraine are not relevant markets for the group. Strong growth in China, but the market is still very small.
- CAPEX.** Generally around 5/6% of revenues. Additional investments to increase capacity in Italy and Bahrain linked to military diversification and geographic expansion projects, as well as energy efficiency investments are being studied.

MAIN FIGURES € mn	2019PF	2020	2021	2022E	2023E	2024E
Revenues	36.6	33.7	46.7	51.0	55.7	59.8
Growth	-	-8%	38%	9%	9%	7%
EBITDA	4.2	5.4	7.9	10.0	11.5	13.4
Growth	-	28%	47%	27%	14%	17%
Adjusted EBITDA	4.2	5.4	9.0	10.0	11.5	13.4
Growth	-	28%	67%	12%	14%	17%
EBIT	2	2.8	5.5	7.6	8.6	10.0
Growth	-	59%	94%	38%	13%	17%
Profit before tax	3.1	2.1	5.2	7.1	8.2	9.7
Growth	-	-31%	144%	37%	14%	19%
Net income	2.4	1.4	4.2	5.5	6.3	7.5
Growth	-	-41%	190%	33%	14%	19%
Adj. net income	2.4	1.4	4.9	5.5	6.3	7.5
Growth	-	-41%	243%	12%	14%	19%

MARGIN	2019PF	2020	2021	2022E	2023E	2024E
Ebitda Margin	11.4%	15.9%	16.9%	19.7%	20.6%	22.4%
Ebitda adj Margin	11.4%	15.9%	19.2%	19.7%	20.6%	22.4%
Ebit margin	4.9%	8.4%	11.8%	14.9%	15.4%	16.8%
Pbt margin	8.5%	6.4%	11.2%	14.0%	14.7%	16.2%
Ni rep margin	6.6%	4.3%	8.9%	10.9%	11.4%	12.6%
Ni adj margin	6.6%	4.3%	10.6%	10.9%	11.4%	12.6%

SHARE DATA	2019PF	2020	2021	2022E	2023E	2024E
EPS - € cents	12.6	7.4	17.5	23.3	26.6	31.6
Growth	-	-41%	135%	33%	14%	19%
Adj. EPS - € cents	12.6	7.4	20.7	23.3	26.6	31.6
Growth	-	-41%	178%	12%	14%	19%
DPS ord - € cents	n.a.	0.0	7.0	7.7	8.8	10.4
BVPS - €	0.3	0.4	1.3	1.4	1.6	1.8

VARIOUS - € mn	2019PF	2020	2021	2022E	2023E	2024E
Capital employed	27.5	27.2	33.1	35.1	39.1	40.7
FCF	1.7	0.6	-0.8	3.5	2.3	5.9
Capex	0.7	1.1	5.3	3.1	5.2	3.3
Working capital	8.3	9.8	11.7	12.7	14.0	15.2

INDEBTNESS - €mn	2019PF	2020	2021	2022E	2023E	2024E
NFP	-17.8	-18.7	-3.2	-1.3	-0.8	3.1
D/E	2.8 x	2.3 x	0.1 x	0.0 x	0.0 x	n.m.
Debt/EBITDA	4.3 x	3.5 x	0.4 x	0.1 x	0.1 x	n.m.
Interests cov	n.m.	7.7 x	28.6 x	22.4 x	29.9 x	43.7 x

MARKET RATIOS	2019PF	2020	2021	2022E	2023E	2024E
P/E	35.8 x	60.4 x	29.6 x	19.7 x	17.3 x	14.5 x
P/E adj	35.8 x	60.4 x	25.0 x	19.7 x	17.3 x	14.5 x
PBV	13.7 x	10.6 x	4.1 x	3.2 x	2.9 x	2.5 x
P/CF	18.0 x	22.0 x	16.8 x	13.7 x	11.8 x	10.0 x

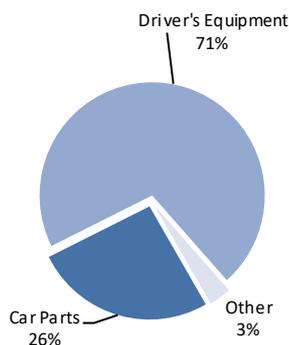
EV FIGURES	2019PF	2020	2021	2022E	2023E	2024E
EV/Sales	3.46 x	3.75 x	2.71 x	2.17 x	1.98 x	1.78 x
Adj. EV/EBITDA	30.3 x	23.6 x	14.1 x	11.0 x	9.6 x	7.9 x
Adj. EV/EBIT	70.8 x	44.4 x	19.3 x	14.6 x	12.9 x	10.6 x
EV/CE	4.6 x	4.7 x	3.8 x	3.2 x	2.8 x	2.6 x

REMUNERATION	2019PF	2020	2021	2022E	2023E	2024E
Div. Yield ord	0.0%	0.0%	1.4%	1.7%	1.9%	2.3%
FCF yield	1.9%	0.6%	-0.7%	3.2%	2.1%	5.4%
ROE	n.a.	19.8%	25.9%	17.4%	17.6%	18.4%
ROCE	n.a.	10.5%	13.3%	16.8%	17.0%	19.1%

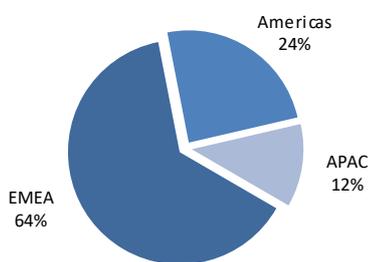
Source: Company data and Equita SIM estimates

BUSINESS DESCRIPTION

REVENUES BY COUNTRY - 2021



REVENUES BY PRODUCT - 2021



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

- **Driver's Equipment (more than 70% of 2021 sales):** racing helmets, fire-retardant suits and underwear, racing shoes and gloves;
- **Car Parts (less than 30% of 2021 sales):** racing seats, harnesses, roll bars, steering wheels, fire extinguisher systems, racing accessories.

With **2021 revenues of € 46.7mn**, a 2019pf-21 **12.9% organic CAGR** and a **2021 Adj. EBITDA margin of 19.2%**, the Group today boasts an international footprint, with **sales in 80 countries**, more than **400 employees** located in **6 facilities worldwide in 3 different continents** (o/w, 3 production sites and 3 R&D centers) and, most importantly, a winning and consolidated presence in all major motorsport championships (60% of Formula 1 drivers wear a Bell Helmet).

The Group's offer range includes OMP, Bell and Zeronoise branded products (more than 2,000 items), which are split between **homologated** (c70% of revenues) and **not homologated** (c30% of revenues) ones. RFG owns the OMP and Zeronoise brands and the perpetual worldwide licenses to use the Bell trademark in connection with the development, manufacturing and distribution of motorsport helmets.

Revenues are **extremely diversified** in terms of **customers (+3,400 customers worldwide**, with the top 10 customers accounting for c22% of sales in 2020, 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 in 2020), and are mainly generated indirectly through **independent Dealers (69% of 2021 sales)**, and directly to top **Teams** and **Car Manufacturers (21% of 2021 sales)**.

The group has also embarked in interesting and promising diversification projects:

- **Driver's Eye:** a micro-camera fitted in a special niche inside the helmet, allowing to film the race "through the eyes of the driver" and already adopted by Formula E and, since 2021, Formula 1).
- **Ballistic Military Helmets and Jet Pilot Helmet's Shell:** new products with advanced technical performances positioning RFG as a credible player in this new markets.

Key managers are Paolo Delprato (Chairman and CEO), Stephane Cohen (co-CEO), Alexander Haristos (COO).

The company is controlled by SAYE, the holding company of the Delprato family, owning 56.95% of the capital. Key managers are also present in the share capital.

Strengths / Opportunities	Weaknesses / Threats
<ul style="list-style-type: none"> - Premium, well-known and historical brands, with outstanding reputation - R&D know-how and almost fully vertical integrated supply chain and manufacturing - Low suppliers and customer concentration 	<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 	<ul style="list-style-type: none"> - 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

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;
- Deterioration in the geopolitical situation affecting market demand.
- Sharp increase in logistics and energy costs, not matched by price increases.

P&L	2019	2020	2021	2022E	2023E	2024E
Revenues	36.6	33.7	46.7	51.0	55.7	59.8
Growth	-	-8%	38%	9%	9%	7%
Total opex	-16.7	-13.6	-19.5	-21.5	-23.3	-24.5
Growth	-	-19%	43%	10%	8%	5%
Margin	-46%	-40%	-42%	-42%	-42%	-41%
Adjusted EBITDA	4.2	5.4	9.0	10.0	11.5	13.4
Growth	-	28%	47%	27%	14%	17%
Margin	11.4%	15.9%	19.2%	19.7%	20.6%	22.4%
Depreciation& amortization	-2.2	-2.3	-2.3	-2.4	-2.9	-3.4
Provisions	-0.2	-0.2	-0.1	0.0	0.0	0.0
Depreciation&provision	-2.4	-2.5	-2.4	-2.4	-2.9	-3.4
EBIT	1.8	2.8	5.5	7.6	8.6	10.0
Growth	-	59%	94%	38%	13%	17%
Margin	4.9%	8.4%	11.8%	14.9%	15.4%	16.8%
Net financial profit/Expenses	1.3	-0.7	-0.3	-0.4	-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	-0.3	-0.4	-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	5.2	7.1	8.2	9.7
Growth	-	-0.3	1.4	0.4	0.1	0.2
Taxes	-0.7	-0.7	-1.1	-1.6	-1.8	-2.2
Tax rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring post tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income	2.4	1.4	4.2	5.5	6.3	7.5
Growth	-	-41%	190%	33%	14%	19%
Margin	6.6%	4.3%	8.9%	10.9%	11.4%	12.6%
Adj. net income	2.4	1.4	4.9	5.5	6.3	7.5
Growth	-	-41%	243%	12%	14%	19%
Margin	6.6%	4.3%	10.6%	10.9%	11.4%	12.6%

CF Statement	2019	2020	2021	2022E	2023E	2024E
Cash Flow from Operations	n.a.	3.3	6.4	8.0	9.2	10.9
(Increase) decrease in ONWC	n.a.	-1.7	-1.9	-1.0	-1.3	-1.3
(Purchase of fixed assets)	n.a.	-1.1	-5.3	-3.5	-5.6	-3.7
(Other net investments)	n.a.	-3.2	-0.6	0.0	0.0	0.0
(Distribution of dividends)	n.a.	0.0	-1.3	-1.7	-1.8	-2.1
Rights issue	n.a.	0.1	18.8	0.0	0.0	0.0
Other	n.a.	1.7	-0.5	0.0	0.0	0.0
(Increase) Decrease in Net Debt	n.a.	-0.9	15.5	1.9	0.5	3.9

Source: Equita SIM estimates and company data

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

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RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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Date	Rec.	Target Price (€)	Risk	Comment
January 24, 2022	BUY (n.a.)	6.7 (n.a.)	High	Initiation of coverage

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(art. 6, par. 3 Delegated Regulation (EU) 2016/958 of 09 March 2016)

	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	54.0%	63.9%
HOLD	43.6%	34.7%
REDUCE	0.6%	1.4%
NOT RATED	1.8%	0.0%

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