

EQUITY RESEARCH

RACING FORCE SPA INITIATION OF COVERAGE

BUY, TP of 6.1€
Up/Downside: +44%

In Pole Position

A historical know-how, an iconic catalogue

Founded in 1973, the OMP Racing brand became the Racing Force group in 2021 following the acquisition (made at the end of 2019) of a second mythical brand in motorsport: Bell Racing Helmets. With a strong historical know-how equipping the greatest sportsmen of this industry (Ayrton Senna, Carlos Sainz, Michael Schumacher, Valentino Rossi, Lewis Hamilton etc.), RFG's product ranges also and above all address the great majority of the industry composed of semi-professional and amateur drivers.

A niche within the vast motorsport industry

If the market of protective equipment for motorsport represents a niche estimated at 250M€, it is nevertheless dynamic, driven by a very strong regulation from the regulatory authorities (FIA, SFI, Snell) symbolizing strong barriers to entry. This niche should also benefit from a renewed enthusiasm for motor sports, visible both for the major international championships (F1, WRC, etc.) and for amateur competitions, which are at the heart of RFG's activity.

Synergies still hold great potential

Thanks to the natural commercial synergies between OMP Racing and Bell Helmets, there is still significant potential in RFG's historical market. Indeed, while the group can count on OMP's distribution network to introduce new ranges of Bell helmets in Europe (already the case, notably in the rally industry), it will also be able to count on Bell's distribution network to increase OMP's presence in the US.

Ambitious diversification plans

With its unique R&D strength, particularly in the helmet segment, RFG is pursuing various diversification projects for the defence sector. The group will be the supplier of the shell to Lift Airborne Technology, the US company which recently won the tender to supply the next helmet generation for the US Air Force. Through its Zeronoise brand, RFG is also behind one of the latest major technological innovations in F1: Driver's Eye, which the group intends to deploy in other disciplines.

A price target of €6.1

We initiate coverage of the Racing Force group at Buy with an target price of €6.1, derived from a DCF valuation (€5.2) and the contribution of the project with Lift Airborne Technology (€0.9), showing a potential of over 40%.

TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e
Sales (m €)	46.7	53.0	59.6	64.8	EV/Sales	2.0	1.7	1.6
Current Op Inc (m €)	5.5	7.9	9.9	11.4	EV/EBITDA	10.0	8.1	7.0
Current op. Margin (%)	11.8	14.8	16.6	17.6	EV/EBIT	13.2	10.5	8.8
EPS (€)	0.18	0.24	0.29	0.33	PE	17.9	14.8	12.7
DPS (€)	0.07	0.09	0.11	0.13				
Yield (%)	1.7	2.2	2.7	3.1				
FCF (m €)	-0.8	2.3	3.0	6.6				

Key data

Price (€)	4.2
Industry	Protective Equipment
Ticker	RFG-IT
Shares Out (m)	23.757
Market Cap (m €)	100.6

Ownership (%)

SAYE S.p.A	57.0
GMP Investments Holdings Limited	5.4
Others	7.6
Free float	30.0

EPS (€)	12/22e	12/23e	12/24e
Estimates	0.24	0.29	0.33
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.4	0.6	-29.3
Rel FTSE Italy	-2.1	2.5	-14.0



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Description

Founded in 1973, OMP Racing is an Italian company specialising in protective equipment for drivers and racing cars within the motorsport industry. At the end of 2019, OMP Racing acquired two companies: the legendary helmet brand Bell Racing Helmets and the start-up Zeronoise. Following these acquisitions, OMP Racing becomes the Racing Force Group. With more than 2,000 products, the Racing Force catalogue is one of the most complete and iconic in motor sport. The quality of its products, homologated by the FIA and recognised by the industry's greatest sportsmen (Ayrton Senna, Carlos Sainz, Michael Schumacher, Valentino Rossi, Lewis Hamilton, etc.) is available to all drivers, whether professional, semi-professional or amateur, in more than 80 countries thanks to its 4 sites (2 in Italy, 1 in Bahrain and 1 in the USA) with more than 400 employees and its network of dozens of distributors. Through its Zeronoise brand, Racing Force is at the origin of one of the major technological innovations of recent years: Driver's Eye, the world's smallest camera for TV broadcasting (8 millimetres in diameter for 2.5 grams) incorporated into the driver's helmet. Present in Formula E since 2020, Driver's Eye made its appearance in Formula 1 in 2021 and will be mandatory for all drivers from next season. Although Driver's Eye is currently only present in motor sport, it could well be the first brick in the diversification of the Racing Force group. Indeed, the group is in discussion with several other competitions and sports in order to introduce its technology. In parallel, the group is carrying out two other diversification projects aimed at the defence sector: 1) a prototype helmet for jet pilots in collaboration with LIFT Airborne, a company for which RFG supplies the helmet shell. LIFT's AV2.2 prototype was selected from over 100 prototypes by the US Air Force for the final stages of development; 2) a ballistic helmet for military and police special forces with a considerably reduced weight compared to current standards from which Racing Force Group will also derive a police riot helmet

SWOT Analysis

Strengths

- Two iconic brands and a catalogue covering all protective equipment
- Partnerships with the industry's leading teams and drivers
- A market with high barriers to entry (FIA, SFI, Snell homologation)
- One of the most advanced R&D forces in the sector, especially in the helmet and electronics segments

Weaknesses

- Relatively limited size of the historical market (around €250m)
- Still relatively weak presence in the US
- Slight seasonality of the activity involving the outsourcing of part of the production

Opportunities

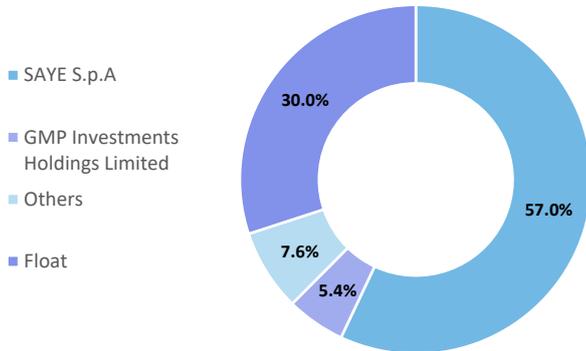
- A renewed enthusiasm for motor sport
- Commercial synergies between OMP and Bell can still be exploited
- Consolidation of the rest of the market (30-35%) which is still fragmented
- Know-how applicable to other industries (diversification projects in defence in particular)

Threats

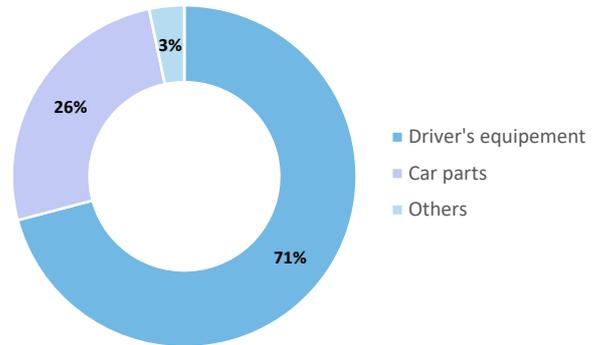
- Consolidation to the benefit of other players in the sector (notably Sparco and Simpson)
- Failure of diversification projects

Overview

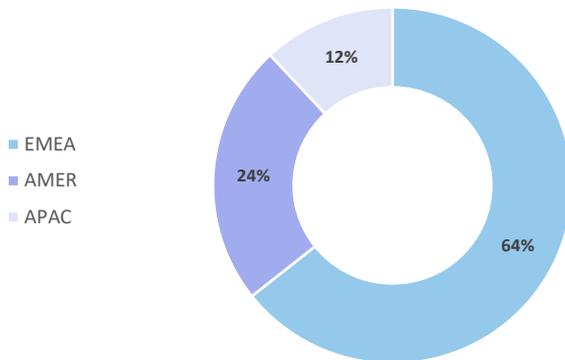
Shareholder structure



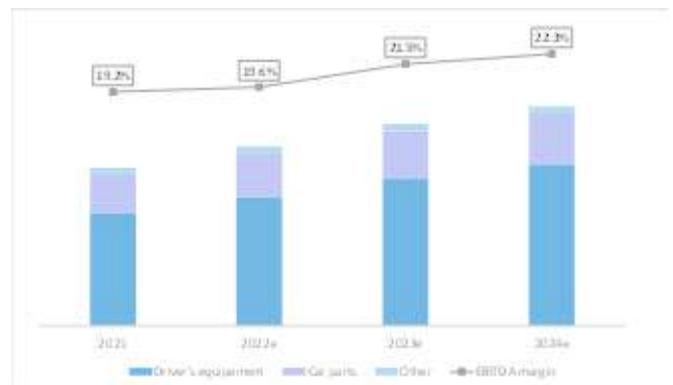
Segmentation of 2021 revenue by product type



Segmentation of 2021 revenue by geography



Evolution of estimated activity in 2021 and 2024



Racing Force's catalogue

	DRIVER EQUIPMENT					CAR PARTS					
	Racewear	Kart-wear	Helmets	FHR	Intercom	Seats	Harnesses	Rollbars	Fire Extinguisher Systems	Steering Wheels	Car Accessories
	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
	HOMOLOGATED (70% OF PRODUCTS)					NON-HOMOLOGATED (30% OF PRODUCTS)					
DRIVER EQUIPMENT											
CAR PARTS											

I. Racing Force: the Safety First Icon

Referred to by the name of its first historical brand (OMP), today, the Racing Force group is composed of 4 international brands, namely: OMP Racing, Bell Helmets, Zeronoise and Racing Spirit. Thanks to these 4 brands, the group now offers one of the most complete ranges in the motorsport industry. Racing Force's products cover the entire sector and are used in the biggest international competitions: Formula 1, World Rally Championship (WRC), World Rallycross Championship (WRX), Karting, Rally-Raid, World Endurance Championship (WEC), IndyCar Series and NASCAR (National Association for Stock Car Auto Racing).

Building one of the most comprehensive and iconic catalogues in the motorsport industry

Two legendary motorsport brands

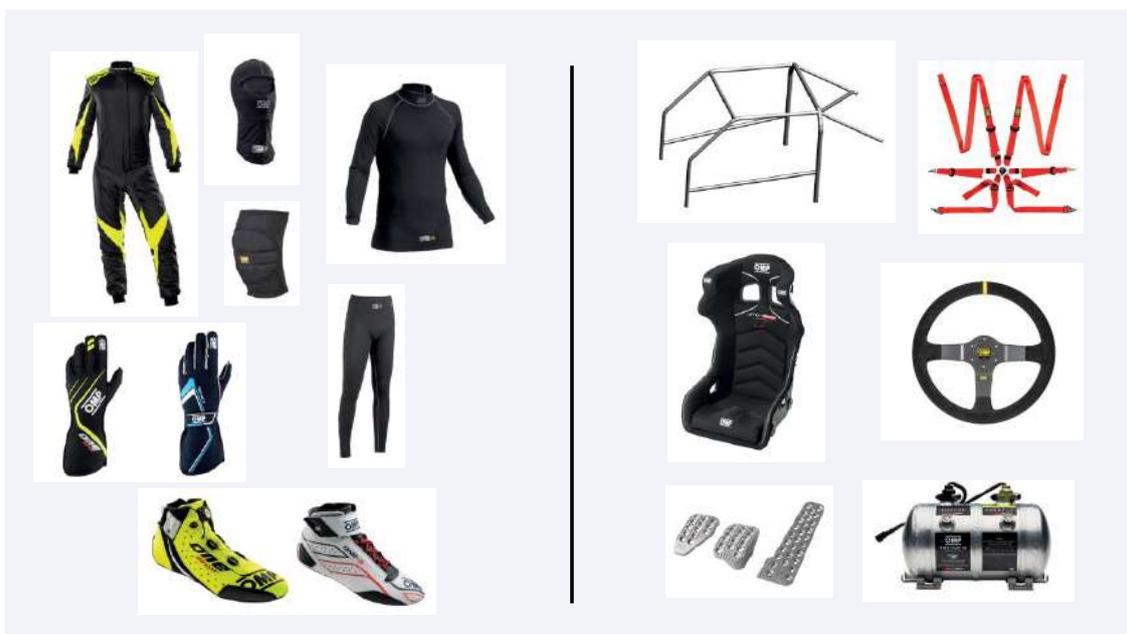


Source: Company

OMP Racing

OMP Racing, the former name of Racing Force and a historic brand in the Group's portfolio, was founded in 1973 by the three Percivale brothers (Claudio, Roberto and Piergiorgio). They marketed their first product the same year: a Fiat 500 roll bar. Over the years, the brand has continued to grow; today, it offers a complete catalogue of protective equipment for motor sports aimed both for drivers (suits, gloves, shoes, helmets, etc.) and cars (seats, seat belts, steering wheels, roll bars, etc.).

Products from the OMP Racing catalogue



Source: Company

With more than 2,000 items in its catalogue, the brand is one of the leaders in motorsport protection, equipping the industry's greatest athletes and teams to this day.

OMP Racing's reputation was augmented in 1989. The 23 April '89 Formula 1 race took place at the Imola Grand Prix in Italy, OMP Racing's home turf. During the 4th lap of the race, driver Gerhard Berger was involved in a spectacular accident. The Ferrari driver missed the Tamburello corner and slammed hard into the wall. A few seconds after he came to a standstill, the car burst into flames as a result of a fuel tank puncture caused by the accident. The Austrian driver was knocked unconscious by the impact and remained in the flames for almost 25 seconds before first responders managed to extinguish the fire and pull him from the car. To everyone's surprise, the Ferrari driver suffered "only" minor burns to his hands and made his return to the grid after missing only one race. **Gerhard Berger was wearing a suit and protective gear from OMP Racing.**

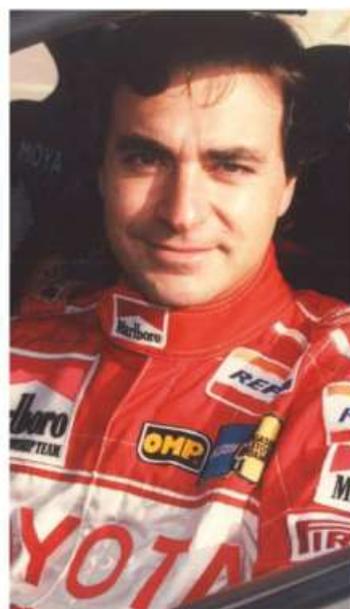
Gerhard Berger's spectacular accident at the 1989 Imola Grand Prix



Sources: YouTube, Motors Inside

In the years that followed, OMP Racing entered a new era; the motorsport industry's greatest men and women became OMP ambassadors by equipping themselves with the brand. In 1990, Ayrton Senna started the ball rolling, the year in which the Brazilian driver won his second world championship title. Subsequently, the brand equipped Carlos Sainz, and above all Michael Schumacher, who chose to make OMP his personal equipment supplier in 1996.

Ayrton Senna, Carlos Sainz and Michael Schumacher equipped by OMP Racing in the 90s



Source: Google Images

In the 2000s, the company went through a challenging period following the death of one of the three Percivale brothers, Piergiorgio Percivale, considered the brand's guiding light. A few years later, the other two brothers decided to sell the company. In 2008, OMP was acquired by the Delprato brothers, Alberto and Paolo (the group's current CEO).

The brand's development continues; in 2012, it became an official supplier of the FIA. In the 2010s, OMP became the supplier of many drivers/security companies in various competitions (Indycar, WTCC, WEC, WRC, JWRC etc.). Today, OMP Racing is notably the official supplier of **Williams Racing** in Formula 1, **Toyota Gazoo Racing** and **Hyundai Motorsport** in the WRC as well as other relevant teams in the most important championships worldwide. The brand also equips the **drivers of safety cars and other official FIA agents in many championships, including Formula 1.**

Bell Racing Helmets

Founded in 1954 in a Los Angeles suburb, Bell Racing Helmets is the world leader in the development, production and marketing of helmets for the motorsport industry. In 2019, the Racing Force Group acquired 100% of Tahru, the holding company of Bell Racing Helmets. Like OMP Racing, Bell Racing Helmets is an iconic motorsport brand that has equipped, and continues to equip, the industry's greatest drivers.

When you think of personal protective equipment in motorsport, **the first thing that comes to mind is the helmet.** In 1957, Bell launched its 500 TX model (in reference to the Indianapolis 500) which became the benchmark helmet for almost a decade. The helmet was revolutionary in that its shape extended to the bottom of the face (whereas helmets had stopped above the ears) and its composition contained mainly laminated fibreglass. In 1959, Bell became the first company to obtain Snell certification for its 500 TX model. Since the first model, Bell Racing Helmets has been a leader and pioneer in the market. The brand has continued to innovate, initiating numerous technological developments that have generally set new standards: first full-face helmet in 1966, first fireproof car helmet in 1973 (Star FX), first helmet made of carbon in 1979 (XFM-1), first helmet made of Kevlar in 1989 (AFX-1), first aerodynamic helmet suitable for speeds of over 320 km/h in 1993 (Fueling SS), the first helmet with a zylon visor to be homologated and used in F1 in 2011, and finally the first helmet to comply with the latest FIA standards, including ballistic protection for medium-sized debris and projectiles in 2019 (HP77), which is still the reference helmet for F1 drivers today.

Evolution of Bell helmets since the 1957 500 TX



Source: Bellracing.com

This season, **60% of Formula 1 drivers are equipped with the Bell HP77** (Charles Leclerc, Carlos Sainz, Lewis Hamilton, George Russell, Fernando Alonso, Esteban Ocon, Nicholas Latifi, Alex Albon, Lando Norris, Pierre Gasly, Guanyu Zhou and Kevin Magnussen).

Although Bell has historically equipped F1 and other circuit competitions, since its integration into the Racing Force group, the brand now offers again open-face helmets for the rally industry, a segment in which the group had only a small presence.

In addition to these two legendary brands, which offer drivers complete head-to-toe protection, the Racing Force group has completed its global offer with two other brands.

Two brands completing the group's offer



Source: Company

Zeronoise

Established in 2018, Zeronoise was acquired by the OMP Group (now Racing Force) in December 2019, one month after the acquisition of Bell Racing Helmets. The technology start-up specialises in communication devices for the motorsport industry: amplifiers, headphones, driver audio kits, earphones etc.

Communication devices from the Zeronoise catalogue



Source: Ompracing.com

In addition to these communication tools, Zeronoise is behind a recent (patented) innovation in the world of Formula E and now Formula 1: **Driver's Eye**. This is the world's smallest camera for TV broadcasting (8 millimetres in diameter and 2.5 grams), integrated directly into the driver's helmet. While it has been used since 2020 in Formula E, it made its appearance in mid-season 2021 in Formula 1 and will be compulsory for all drivers from 2023.

Driver's Eye camera and TV rendering



Source: Company, Redbull.com

Racing Spirit

Previously co-owned and since July 2022 fully owned by the Racing Force Group, Racing Spirit is the latest brand in the Racing Force portfolio. Created by the group itself in 2012, Racing Spirit is a ready-to-wear brand aimed at employees and enthusiasts in the motorsport industry and also accessible to the general public. The brand is part of the partnership with Toyota Racing Development USA announced in early June 2022. This agreement includes the supply of OMP equipment for drivers and technicians and Racing Spirit clothing for all employees to wear at Toyota GR Cup Series events.

In short, Racing Force, through its various brands, offers a complete range (from head to toe) of protective equipment for the motorsport industry, validated by the sport's greatest icons (Michael Schumacher, Ayrton Senna, Carlos Sainz etc.). More recently, the group has diversified its offer with its ready-to-wear brand Racing Spirit, but above all, with the Zeronoise acquisition, offering communication devices as well as the patented innovation Driver's Eye.

FIA certification as a barrier to entry

In this highly regulated niche, there is a high barrier to entry: FIA (Fédération Internationale de l'Automobile) certification. Any competition within the automotive spectrum is required to be under the authority of a regulatory institution:

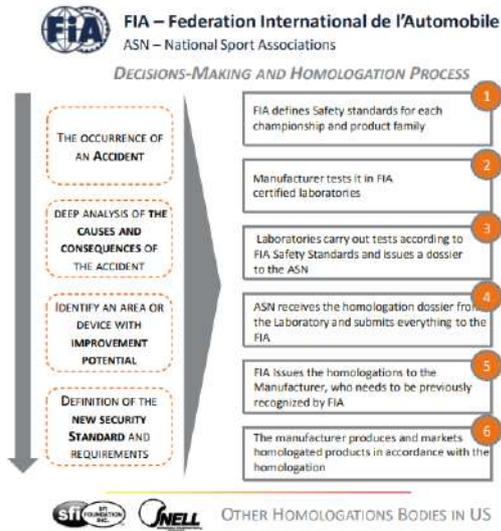
- FIA (Fédération Internationale de l'Automobile), which governs most international competitions, including some American ones (IndyCar, IMSA)
- SFI, for protective equipment (except helmets) used in American competitions
- Snell, for helmets used by drivers in US competitions. For the record, as mentioned in the previous section, the first Snell approved helmet was Bell Racing Helmets' 500 TX model.

Accidents are an integral part of the motorsport industry; FIA standards are not considered preventative measures. Rather, these standards are set to ensure that the human consequences of these accidents are minimised. Therefore, the introduction of new standards is often the result of major accidents, followed by regulatory authorities' thorough analysis of an accident's causes and consequences. Following this study, if deemed necessary, certain components can be subject to amelioration and new standards can be introduced, a process that generally can take several years.

Felipe Massa's accident in 2009 is a perfect illustration of this process. During the qualifying round for the 2009 Hungarian GP, Felipe Massa was hit in the head by a suspension spring lost by Rubens Barrichello's Brawn car. Stunned by the impact, the Ferrari driver lost control of his car and hit the tyre wall. Following the accident, Felipe Massa underwent head surgery and was placed in a coma. Nine years later, in 2018, **the FIA introduced a new standard for helmets: FIA 8860-2018 ABP (Advanced-Ballistic Protection)**. This new standard now requires reinforced protection in the front part of the helmet shell, tested to military ballistic specifications with a projectile hit of 250 km/h.

Once the standard was introduced, all of the sector's players worked on new prototypes to meet the new requirements. This prototype is then tested in an FIA-certified laboratory which, if proven conclusive, prepares an approval file for the ASN (National Sport Association). The ASN then forwards this file to the FIA with an application for certification. The regulatory process does not end with the granting of homologation: the FIA also carries out tests after the first productions to ensure the product's conformity. Once marketed, the producer must send reports to the FIA on the homologated, marketed product. **Taking advantage of its privileged relationship with the FIA, Bell was consulted in the drafting of this new standard, enabling it to work quickly on a new model. Released in 2019, one year after the new standard's introduction, the HP77 was the first helmet to obtain FIA 8860-2018 homologation, making it the benchmark helmet that now equips 60% of F1 drivers.**

Certification processus



Accident de Felipe Massa en 2009



Nouvelle norme : FIA 8860-2018



Commercialisation du Bell HP77 en 2019

Source: Company, Bfmtv.com, Bellracing.com

The necessary approvals for the driver's equipment (71% of revenue), as well as for certain vehicle parts (26% of revenue), represent long-term efforts (often several years) requiring investments on the part of the producers, whether for R&D or for the infrastructure aimed at compliance testing. Today, around 70% of the Racing Force catalogue is homologated by the FIA. The remaining 30% of the group's catalogue is made up of products for technicians and mechanics of professional teams (suits, gloves, shoes) and other types of accessories (steering wheels, communication devices, pedals, etc.) which do not require FIA homologation to be used.

Racing Force's Catalogue

	DRIVER EQUIPMENT				CAR PARTS						
	Racewear	Kart-wear	Helmets	FHR	Intercom	Seats	Harnesses	Rollbars	Fire Extinguisher Systems	Steering Wheels	Car Accessories
	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
	HOMOLOGATED (70% OF PRODUCTS)					NON-HOMOLOGATED (30% OF PRODUCTS)					
DRIVER EQUIPMENT											
CAR PARTS											

Source: Company

A presence across the entire value chain

Regarding the business model, the group has decided to position itself along the entire value chain, from R&D to marketing, including homologation and production, with a significant proportion of these tasks being carried out in-house.

The value chain's level of internalisation, by activity

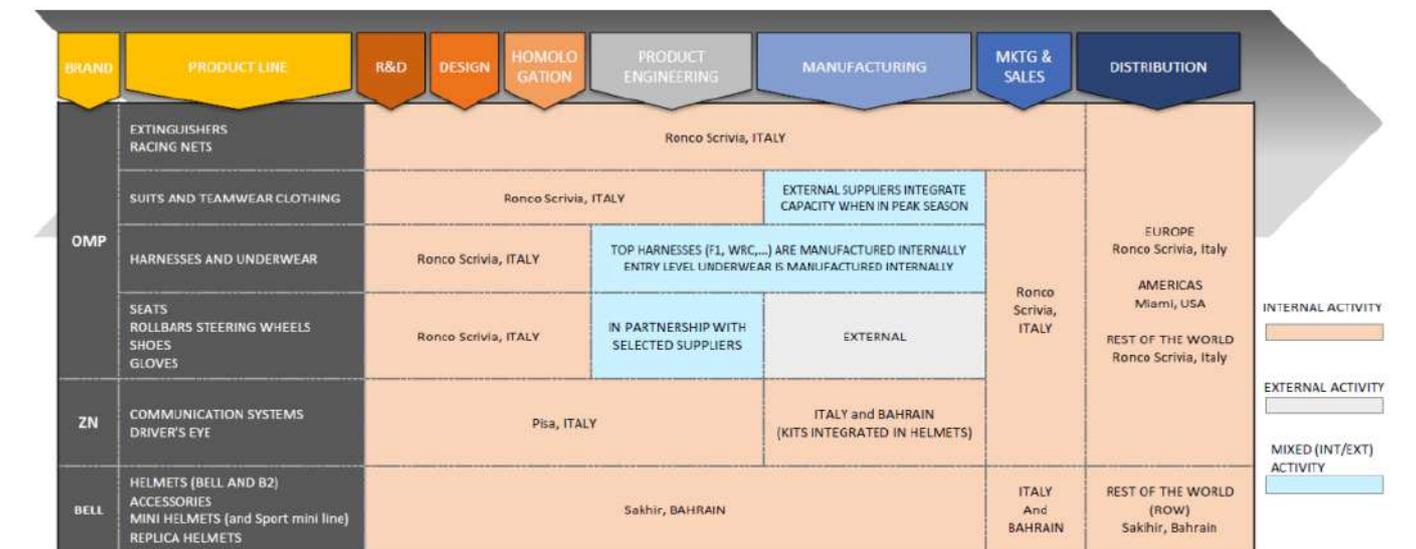


Source: Company

In particular, the group has decided to focus on the high value-added verticals that differentiate Racing Force's offer, namely: R&D, design and activities related to the homologation process. Regarding manufacturing, the group has a 50% mix of in-house and outsourced production. This value chain, largely internalised, is carried out at the company's worldwide facilities:

- Ronco Scrivia (Italy), headquarters and R&D, production and distribution centres
- Pise (Italy), R&D and production
- Sakhir (Bahrain), R&D, production and distribution
- Miami (United States), distribution

Organisation of the Group's activities



Source: Company

From R&D to certification: 100% in-house

In this highly regulated niche market focused on motorsport PPE, R&D is obviously an essential activity of the group's value chain, whether it entails product innovation, or existing product improvement or adaption to new regulatory standards. Thanks to its 3 R&D centres and, on average, 3 to 5% of revenue invested in R&D, the Racing Force group is recognised as an innovative pioneer in the sector, whether regarding its OMP, Bell Racing Helmets or Zeronoise brands. The Racing Force Group's R&D department responds to both customer requests and, above all, to the demands of regulatory bodies following the introduction of new standards. The introduction of the FIA 8860-2018 standard and the marketing of the Bell HP77 the following year is a perfect example. **To date, Racing Force's various R&D teams have been responsible for 176 FIA homologations.** Although the three R&D centres are each

responsible for their respective brands (OMP for the Ronco Scrivia centre, Bell for the Sakhir centre and Zeronoise for the Pisa centre), the teams also work together on various projects such as open-face helmets for rallies, and communication devices. Once ready, prototypes are then sent to the group's laboratories to carry out a range of tests, including simulations that will subsequently be conducted for FIA homologation.

A balanced production mix

Once certification is obtained (if necessary), the product then escalates to the production phase. For some products, production is entirely in-house (Bell helmets, Zeronoise devices), whereby for others, it is partly outsourced (OMP suits, harnesses and underwear) or totally outsourced (OMP seats, safety hoops, shoes, gloves). If we take the Racing Force group's complete catalogue, the mix between internal and external production is 50%.

This flexibility can be particularly valuable in an industry with some seasonality, **especially regarding professional teams**. This is why the group uses external production for its OMP professional team equipment, notably during peak seasons. For teams, this peak occurs in the first half of the year, as professional championships (e.g. Formula 1, WRC) start at the beginning of the year. OMP equipment produced for the teams is very often customised by teams or drivers. This year, OMP is the official supplier of the **Williams Racing Team** in Formula 1, the **Toyota Gazoo World Rally Team** in the WRC, and **Nio 333 Racing** in Formula E, to name but a few.

Alexander Albon (Williams), Sébastien Ogier (Toyota) & Oliver Turvey (Nio 333) outfitted by OMP Racing



Source: OMP Racing, Toyota Gazoo Racing, FIA Formula E

Racing Force also uses external production for some of its equipment, such as seats, shoes and gloves.

However, for Bell, all production is done in-house at the Sakhir centre in Bahrain. Like OMP products, Bell helmets can be customised for teams and drivers, which also points to peak activity occurring in the first half of the year. In addition to Formula 1 (where 60% of drivers are equipped with Bell helmets) and other major competitions, notably American (NASCAR, IndyCar), **Bell is now back in the Rally industry with open-face helmets that also integrate Zeronoise communication devices**. The speed of adoption of Bell's rally products has been rapid, with professional teams such as Hyundai and M-Sport (Ford) leading the way. In order to meet this growing demand, the group has significantly increased production at the Sakhir centre from 100 helmets at the time of the takeover to 177 helmets produced daily, with a target of 200 helmets per day by the end of the year. Racing Force has also reached an agreement with the Bahrain circuit (owner of the Sakhir centre) to increase the surface area of the centre operated by the group, which should double by next year.

Helmets of Charles Leclerc (Ferrari), Thierry Neuville (Hyundai) et Romain Grosjean (Dale Coyne) equipped by Bell Racing



Source: Bellracing.com, Laregion.es

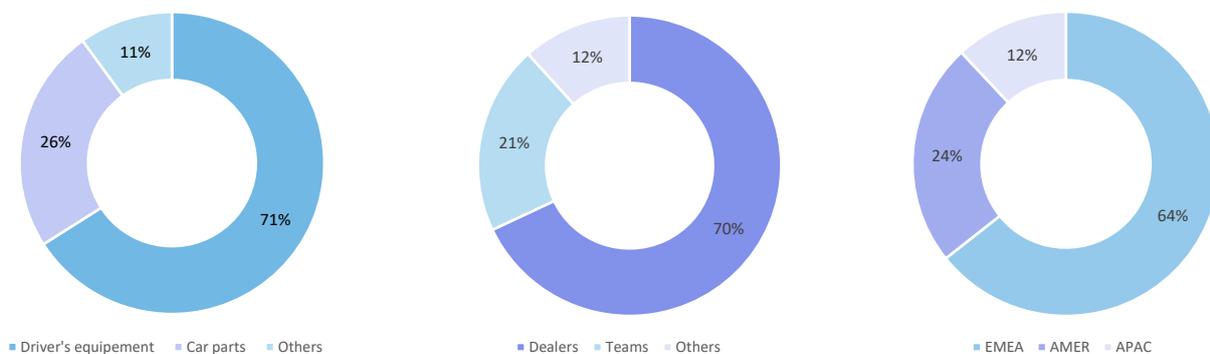
Distribution mainly via distributors

For product marketing, the Racing Force group relies on both:

- Direct sales channels to manage professional teams, drivers and car makers with whom the group has agreements over several years (generally between 3 and 5 years). These players have specific needs in terms of personalisation, quantity and/or product availability, requiring a direct relationship with Racing Force. This channel is also used by vehicle producers who need FIA-approved protective equipment (seats, belts, fire extinguishers, etc.). The direct sales channel generates on average 20% of the group's revenue.
- Indirect sales channels of numerous dealers (between 1 and 6 dealers per country) in more than 80 countries throughout the world, targeting non-professional teams and drivers. Unlike with the professional teams, the relationship between the Racing Force group and its distributors is not based on long-term contractual agreements. Despite the absence of a contractual agreement, distributor activity is recurrent, as shown by the fact that the top 10 Racing Force distributors have been working with the group for more than 20 years. The brand's iconic standing, its products' and catalogue's top-of-the-line positioning, built as a one-stop-shop, make it difficult for a distributor to do without the Racing Force group's products in this niche market. The indirect sales channel generates an average of 70% of revenue.
- The Racing Force USA subsidiary, through which the group addresses US market by direct sales and via distributors.

Regarding marketing, the Racing Force group organises and participates in events to present its products, but it can also count on its partnerships with numerous **professional teams** and **car makers** (Ferrari, Lamborghini, Hyundai Motorsport, Toyota Gazoo Racing, Williams Racing, McLaren, Skoda Motorsport, etc.) as well as with **well-known drivers** (Lewis Hamilton, Charles Leclerc, Sébastien Ogier, Valentino Rossi, etc.) to **promote its catalogue and its latest innovations to the general public.**

Breakdown of Racing Force's 2021 revenue by: type of equipment, distribution channel and geography



Source: Company

II. A Niche Market Within the Vast Motorsports Industry

Motorsports: an international influence

According to a 2017 report by Nielson Sport, motorsports reach over 194 countries worldwide, with only the Olympic Games and the Football World Cup performing better.

Motorsports are a broad industry, present in all areas of the world and encompassing millions of participants. According to the FIA, motorsports include: "any competition or related sporting activity involving vehicles that (i) have at least four wheels not in a straight line and (ii) are constantly and fully controlled by a driver in the vehicle;" they are one of the richest sports worldwide. We have broken down the segment's multiple disciplines into 4 main fields:

- Circuit racing, including the most famous discipline: Formula 1, but also other competitions such as Formula E, Indycar, Endurance etc.
 - Rallies, of which the most famous competition is obviously the WRC championship
- Karting, a *driving school* for many young drivers, but also including international competitions for adults
- Other motorsports, such as Autocross, Dragster, Hillclimbing and historic car racing categories

Motorsport categories



Sources: TP ICAP Midcap, FIA, Google Images

According to an economic report carried out by EY at the request of the FIA, **the industry generated €59bn in 2019**, almost doubling 2007 levels (of €31bn), representing a 5.5% average annual growth rate over the period.

While the six major world championships (Formula 1, Rally, Cross-Country Rally, Endurance, Rallycross and Formula E) are the headliners, they represent only a tiny fraction of the world's motorsport events. The FIA has around 324 events linked to world and regional championships, 556 events around various international competitions and **more than 59,800 events linked to national/local competitions or championships**, all of which take place at more than 7,200 facilities, tracks and circuits. All of these events involve nearly 2.7m participants: drivers and team members, officials and volunteers.

As an example, more than 1,000 events are organised each year in France (French GP, 24H du Mans, ePrix de Paris, Tour de Corse, etc.), which is still a far cry from the 5,000 annual events held in the United Kingdom, considered to be the cradle of motorsports. If we look at the distribution of these events between the different disciplines, we can see that **rally races are predominant**. For example, in France, nearly 270 rally races are on the calendar of the French Motorsports Federation, representing more than 25% of the events organised each year. In general, there are an average of one circuit race to three rally races, which may seem logical given the smaller number of circuits compared to the roads that can be used for rallies, as well as the diversity of surfaces: snow, dirt, asphalt, off-road etc.

The motorsports industry in figures



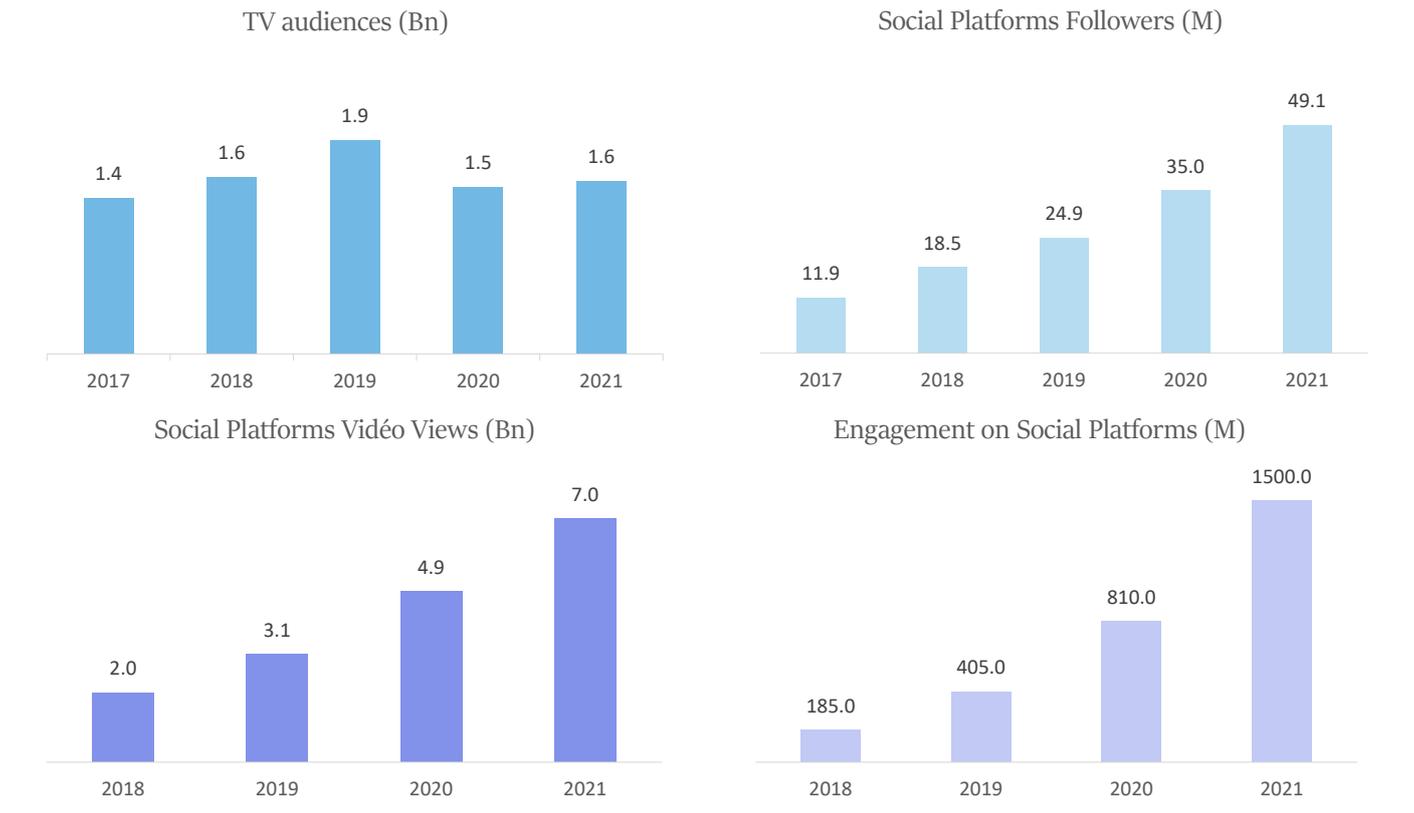
Source: FIA Global Motorsport Economic Study

A renewed enthusiasm and new emerging competitions

Although motorsports have always enjoyed an international profile, the entire sector has been more dynamic than ever in recent years. With a growing fan base, the emergence of new competitions and the development of the sport in new regions, this momentum is set to continue over the next few years with an increasing number of events.

Formula 1, the premier motorsport discipline, is the symbol of this renewed interest in the industry. With declining TV audiences between 2008 and 2016, since 2017, the number of viewers has been on the rise again. In most countries, the almost decade long decline was largely due to the transition from free-to-air to pay-TV broadcasting. France is a perfect example of this phenomenon: while the public TV channel TF1 was the main F1 broadcaster between 1992 and 2012, in 2013, France's leading channel lost the broadcasting rights to pay TV's Canal+. Over the last few years, Formula 1 has decided to transition to digital platforms and social networks as a driver. This strategy is paying off with figures that attest to its spectacular growth in the number of: followers (x2.7), watched videos (x3.5), interactions (x8.1), page visits on the F1 website and app (x4.8), all exploding since 2018. While F1 has been working hard to expand its digital segment, the strategy's success is obviously attributable to the Netflix series, *Drive to Survive*, which first aired in 2019. While the series has been repeated every season since then, it has been instrumental in popularising the sport by targeting a non-technical audience, and in turn, increasing motorsports' reach.

Growth of Formula 1's TV audiences & digital KPIs

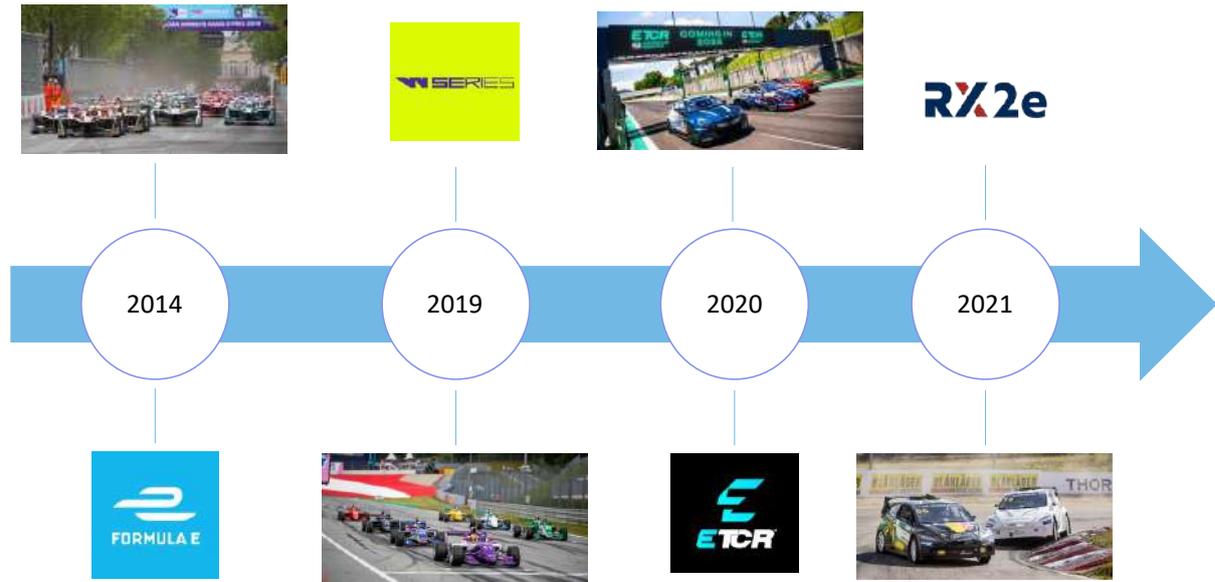


Source: Formula1.com

While this recent craze has been visible for F1, it is also present in other motorsport disciplines. The World Rally Championship (WRC) has been increasing its TV audiences for several years now. According to Nielsen's figures, 824m people watched WRC in 2018; for the following season the figure grew to around 845m, rising to over 900m for the 2020 season. A recent discipline, Formula E is also increasing its audience, growing by more than 32% between 2020 and 2021 and reaching 316m viewers as well as growth on digital platforms and social networks just as impressive as Formula 1's.

A logical development in view of the increasing number of events over the last few years is the enthusiasm amongst young age groups who are very present on rich content digital platforms. This progression has been initiated by **more competitions**: between 2000-2011 F1, had between 17 and 19 GPs each season. Since 2012, this figure has exceeded the 20 GP threshold, rising to 21 in 2016, 22 in 2021, and 23 for the current 2022 season, with 24 races proposed for the 2024 season. It is also interesting to see the new geographies targeted by these new stages of the Formula One championship. While each F1 season has its classics: Monaco, Silverstone (England) or Monza (Italy), new regions have appeared such as Abu Dhabi (United Arab Emirates) in 2009, the Baku GP (Azerbaijan) in 2017, Miami (USA) in 2022 and Las Vegas (USA) in 2023, possibly moving to South Africa for the 2023 calendar year. Although these new stages naturally respond to a financial logic, they are also the witness of **a desire to foster F1's development in Asia and Africa, in areas where it is still an under-represented sport**. As in Formula 1 and Formula E, the trend towards more races could extend to other franchises such as the WRC, the number of events is also supported by the creation of new competitions emanating from new technologies: Formula E, introduced in 2014, is a symbol of this, later joined by the Electric Touring Car World Cup (ETCR) in 2020 and the Electric Rallycross World Championship (RX2e) in 2021. With environmental and green issues gaining visibility, the development of electric cars, both in motorsport and in our daily lives, naturally suggests that more competitions involving electric cars should be created in the coming years. Finally, new competitions also emanate from the driver categories: in 2019 the W Series was born, a competition focusing exclusively on female drivers, with the latter theoretically entering Formula 1 on the same basis as their male counterparts.

Emergence of new competitions



Sources: Company, TP ICAP Midcap, Google Images

This trend also affects the rest of the pyramid, namely the semi-professional and amateur competitions. Although it is difficult to obtain official figures, the management is witnessing a significant dynamic in competitions such as the Ferrari Challenges or the Lamborghini Super Trofeo, for which Racing Force equips almost all the cars with roll bars, but also in karting competitions and various local rallies.

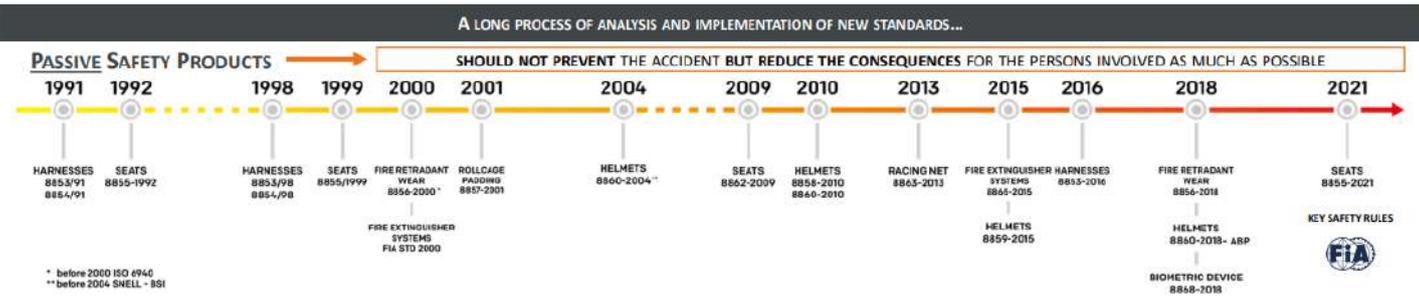
The FIA wants to continue to build on this craze for motor sport: the new FIA President, Mohammed Ben Sulayem, elected on 17 December 2021, has announced the objective of doubling the number of licence holders and therefore the worldwide participation in motor sport by 2025. In order to achieve this goal, he has promised to make the sport more accessible, through the creation of entry-level cross-cars (light buggies) and karts, obviously targeting the young age groups at the origin of this renewed interest in the industry.

A niche similar to the PPE sector

If current market dynamics support the growth in the number of events, particularly via new competitions, they also result in an increased number of drivers. Even though Racing Force group's brands are very present in the major international competitions (Formula 1, WRC, Formula E, NASCAR, etc.) and with the best professional drivers, **knowing that 98.5% of motor sports events concern national/local competitions or championships, there is no doubt that foundation of the group's business lies in this market segment.** This is why the group's entire catalogue offers different ranges, from the top of the pyramid for professional drivers to the bottom of the pyramid for amateur drivers. This observation is confirmed by the figures: **if we highlight the approximately dozen partnerships with major professional teams, the Racing Force group has no less than 3,400 customers throughout the world.**

Personal protective equipment for the automotive industry represents a niche market estimated between 200 and 250M€ according to Racing Force management. Although this seems like a small market, it is nonetheless dynamic. With an annual growth rate of around 5%, it is notably driven by the standards set up by the various regulatory institutions (FIA, SFI, Snell) which, as a reminder, govern all the competitions that make up the motor sport industry. These standards are constantly being challenged, whether after a technological innovation or a major accident, leading to the introduction of new standards; this cycle contributes to the niche's dynamism. These standards focus on crucial PPE issues concerning driver safety: the helmet: with new standards on average every 5 years, the seat: with average new standards every 9 years, safety harnesses: with new standards approximately every 12 years, and firefighting devices installed in vehicles: with 4 standards since 2000.

History of FIA standards since 1991



Source: Company

While these standards often concern existing parts and objects (helmets, seats, etc.), they can also lead to the creation of new safety products, such as the now very well-known Halo, which is the result of the 2018 FIA 8869 standard. Thanks to its leadership in this market and its status as official supplier to FIA officials, Racing Force is one of the few players consulted by the FIA during the process of introducing a new standard, which, as a reminder, can take several years. This was notably the case for the 8860-2018 standard for helmets, allowing Racing Force, via its Bell brand, to market the first helmet conforming to the new standards in 2019, only one year after the new standard's application.

This market is not really different from the global PPE sector, which includes a handful of players capturing a significant market share thanks to a complete and international offer covering different product families (overalls, gloves, helmets, vehicle equipment, etc.), the rest of the market being fragmented between different local and/or single-product players. On the other hand, the niche's market concentration is much higher than in the overall market. Out of a global PPE market estimated at more than €30bn (a Delta Plus Group estimate), the 4 largest listed players, namely: 3M (USA), Honeywell (USA), Ansell (Australia) and MSA Safety (USA), have an impact of more than €10bn, representing more than 30% of the market. In the PPE niche for the automotive industry, the three biggest players are : Racing Force (€47m revenue in 2021), Sparco (around €46m revenue in 2020) and Simpson (around €41m revenue in 2020) account for more than 65% of the market. The rest of the market is shared between about twenty players, with a high proportion of Italian companies, specialising in a few product categories.

Panorama concurrentiel

	Company										
	Location	Italy	Italy	US	Italy	Italy	Japan	Italy	Spain	UK	New Zealand
Drive Equipment	Racewear	x	x	x	x	x		x			
	Kartwear	x	x	x	x			x	x		
	Helmets	x	x	x	x		x				
	FHR			x	x						
Car Parts	Intercom	x	x	x							
	Seats	x	x	x		x				x	x
	Harnesses	x	x	x		x				x	x
	Rollbars	x	x								
	Fire Ex. Systems	x	x								x
	Steering Wheels	x	x								x
	Car Accesories	x	x	x							x

Source: Company, TP ICAP Midcap, FIA.com

It is also interesting to note the presence of major international brands in the racewear category, such as Puma. Even if the latter equips the biggest teams of the moment in Formula 1 for the 2022 season, namely: Mercedes, Red Bull and Ferrari, it does not represent competition for the Racing Force group. Like the Racing Force Group, Puma uses the Formula 1 platform as a means to promote its products. However, the targeted conversion channels are not the same: Racing Force promotes the quality of its products via Formula 1, as well as other major international competitions, targeting the middle and bottom of the motor sport pyramid, i.e. semi-professional and amateur drivers. This market is not addressed by Puma, which uses Formula 1 to increase the brand's visibility, creating merchandising collections in collaboration with the brands in question (Puma x Scuderia Ferrari, Puma x AMG Petronas, Puma x Red Bull Racing).

III. Strengthening international leadership and diversification

As one of the market leaders, further strengthened by the recent acquisitions of Bell Helmets and Zeronoise, the Racing Force group has posted solid average annual growth rates surpassing 14% since 2014. With nearly 65% of its revenue generated in Europe, the group enjoys a dominant position on the continent. The group aims to open the North American market, with it accounting for 25% of revenue by 2021. With 3 to 5% of group revenue invested in R&D each year, the group has been able to deliver significant organic growth for several years, by constantly adapting to new regulatory standards and addressing new market segments. Aware of the market's relatively limited size, Racing Force is currently working on various diversification projects involving new niches related to the group's traditional activities.

Heading for the US

Although the group is already present in the United States, it is not (yet) positioned as a sector leader. This could change following December 2019's acquisition of Bell Helmets. For the record, Bell Helmets is an American brand established in 1954 and was the first company to see a helmet receive Snell certification (governing helmets worn in American competitions). The brand's history has made it a household name in American racing and beyond, with 60% of F1 drivers wearing Bell helmets. Following this acquisition, the group created the Racing Force USA subsidiary, based in Miami, to market Bell products, but above all, promote all OMP products. The American subsidiary should be able to exploit the Bell brand's reputation and its well-established distribution network to introduce OMP products. The potential is huge, as Bell Helmets is a single product brand, while OMP is a complete offer with full range of equipment for both rider and vehicle. In a business that relies heavily on distributor sales, offering a one-stop-shop catalogue is a key point in attracting dealers who no longer need to use different brands to offer a complete catalogue to end customers.

These promising commercial synergies could materialise as early as FY 2023. For the record, there are 3 regulatory bodies within the automotive industry. While the FIA governs the majority of international competitions and some American competitions (such as Indycar, which explains OMP's presence in this competition), the SFI and the Snell remain the main regulatory bodies when it comes to automotive in the USA. Even though the OMP catalogue contains some SFI homologated products, in order to make the most of these synergies, more OMP products are currently undergoing the SFI homologation process, which should be completed by the end of the year. Once these approvals are obtained, the group will then be able to supply its products in all American competitions under the Bell brand : NASCAR, NHRA etc.

Racing Force's position in the US market and the authorities governing US competitions



Source: Company

A historic market with potential

Already the market leader in Europe, the group still offers strong growth prospects within the automotive industry, driven once again by the group's end-2019 acquisitions. Indeed, while US synergies should increasingly materialise once SFI homologation is obtained for the rest of the group's products, the synergies were immediate in Europe.

If Bell is an iconic US brand, similarly, OMP is the same in Europe. This time, however, the Racing Force group can rely on the distribution network of its historic brand in Europe to introduce (or reintroduce) Bell helmets from other market segments. While Bell is already present in Europe in numerous competitions, particularly on the circuit such as Formula 1, where the brand equips 60% of the drivers, it has not been present globally in rallying for several years. Racing Force was able to take advantage of OMP's strong presence, whether in racewear or helmets, to reintroduce the brand to this discipline. In order to maximise the synergies between all of the group's brands, Racing Force has also introduced Zeronoise communication devices within these new helmets. In

line with the group's strategy, this new range is aimed at the professional teams and drivers at the top of the pyramid, as well as the semi-professional and amateur drivers who make up the majority of this pyramid.

Bell Helmets' range of open-face helmets equipped with Zeronoise communication devices

HELMET - AMPLIFIER



HP10 RALLY



MAG-10 CARBON



MAG-10 PRO



MAG-10 SPORT



MAG RALLY



ZERONOISE FEARLESS



ZERONOISE INTREPID



ZERONOISE BRAVE

Source: Company

Racing Force is currently the sector's only player to have an R&D centre focused on electronics, via its Zeronoise brand, and therefore the only player to equip its helmets with its own communications devices. While this allows the group to have higher margins on its helmet lines, it also allows it to offer a best-in-class communications performance, in addition to Bell's recognised performance in terms of weight and comfort. While communication is an important issue in many motorsport disciplines, it is crucial in rally racing due to the presence of a co-driver. Although the audio quality of Zeronoise devices is at its best when the vehicle is equipped with a Zeronoise amplifier, Bell headsets and Zeronoise amplifier are also compatible with products from other brands present in this market. The choice of exclusivity would have significantly reduced the market's size as most amateur drivers rent their competition vehicles already equipped with an amplifier. The presence of a co-driver also makes the size of this market more important: whereas in Formula 1 you need to equip 1 driver, this need is doubled for a rally race. For the record, rallying is the discipline with the most events on the French motorsport calendar (more than 25% of annual events) and more globally with a ratio of one race on a circuit for every three rally races. Thus, for one driver equipped for a circuit race (F1, Formula E, Endurance etc.), Racing Force can equip six individuals (drivers and co-drivers) for a rally race.

A market segment historically dominated by the Stilo brand (owned by Simpson), these helmets, introduced by Bell in January 2021, have been a great success. As a sign of success, after Hyundai Motorsport in January 2021, the group announced on 13 January 2022 that it had signed an agreement with M-Sport Ford Rally Team to equip its drivers with the new Bell and Zeronoise open-face helmets, which had previously been equipped with Stilo helmets. While Racing Force was already present in the world of rallying with OMP products, the group saw its sales of open-face helmets jump by almost 180% in 2021. This trend is expected to continue in 2022 with a triple-digit growth rate for H1 2022. In a market segment estimated to be worth around €20m, we estimate Racing Force's current market share of open-face rally helmets to be around 10%, leaving plenty of potential.

Zeronoise's R&D force was also behind one of the main innovations (patented) of recent years: Driver's Eye. This mini camera (the smallest in the world for TV broadcasting with its 8 millimetre diameter for 2.5 grams) is directly incorporated into the driver's helmet. First adopted by Formula E in 2020, it made its appearance a few months ago in Formula 1 during the 2021 season. In the 2022 season, it was fitted to a larger number of drivers and will be mandatory for all drivers from the 2023 season. It is important to stress that the agreement signed with Formula 1 concerning the provision of Driver's Eye technology is non-exclusive and therefore allows Racing Force to continue to offer this service to Formula E (with which RFG has signed an agreement over several years) as well as to other competitions. Although the Formula 1 contract is not public, the Driver's Eye technology, presented as a service and not a product, should generate a comfortable margin for the group and could even become a significant operational lever as it is deployed in other competitions. If other motorsport disciplines could equip drivers with this camera, the Driver's Eye technology could also be of interest to various sports outside motorsport: motorcycling, skiing, skateboarding as well as extreme sports such as climbing or skydiving.

Ambitious diversification plans

While Driver's Eye could be the first step in Racing Force's diversification plans, drawing on its R&D strength, particularly in the helmet segment, the group is working in parallel on two other promising diversification projects.

LIFT Airborne's AV2.2 helmet for fighter pilots

Racing Force, through its Bell Helmets brand, was selected by LIFT Airborne Technologies as the technology partner for its next generation helmet project for the US Air Force. Recognised for its helmet performance in the demanding sport of Formula 1, Bell Helmets is the supplier of the carbon fibre shell for the AV2.2 prototype that competed against nearly 100 other prototypes in the US Air Force tender.

LIFT Airborne AV2.2 prototype and technology partners



Source: Company

While US Air Force fighter pilots have been wearing the same helmets for nearly 40 years (the Gentex Corporation HGU-55/P), the arrival of a new model would be an important event. This helmet would be used by all US Air Force fighter pilots, except for the F-35 pilots who already have their latest generation helmet, costing \$400,000.

The main advantages of the LIFT Airborne Av2.2 helmet compared to the Gentex HGU-55/P are:

- **Weight saving.** If the Gentex 55/P weighs 1kg (which may seem light), the AV2.2 prototype promises to weight no more than one kilogram, despite the helmet's size of the and the addition of accessories (night vision goggles for example). It should be noted that less weight, even by a few grams, is valuable for fighter pilots exposed to high G-forces. This is a problem that Bell Helmets is well aware of, as Formula 1 pilots are exposed to G-forces of up to 6 g. Fighter pilots are exposed to G-forces of between 9 and 12 g. If we consider the weight of a human head (5kg plus the weight of a helmet of 1kg), this represents a load of almost 55kg on the back of a pilot's neck at 9-G. This phenomenon is the cause of many ruined careers for pilots due to severe neck and back pain.
- **Optimised ventilation.** While pilots are subjected to high temperatures with heavy protective equipment and a lack of air conditioning mainly used to cool the aircraft system and not the pilot, optimised ventilation at the helmet level allows a significant temperature optimisation. This gain is not only a matter of comfort for the pilot, since according to a 1979 study, 3% dehydration could reduce a pilot's g-force tolerance by 40%.
- **Noise suppression.** A feature that was not present in the Gentex 55/P model and which may prove invaluable for pilots who may be flying 6-8 hours/combat.
- **Improved comfort.** While the adjustment system is a real improvement over its predecessor, the AV2.2 is also very convenient for adding accessories.

Initially competing against more than 100 prototypes, **LIFT's AV2.2 was in the final selection along with Gentex Corporation's prototype, once again. On July 8, 2022, the US Air Force announced that LIFT Airbone Technologies had won the bid**, confirming the technological advancement that the AV2.2 represents. Over the next few months, LIFT Airbone teams, in collaboration with their technology partners and now the US Air Force, are expected to refine the prototype for a final version expected in 2023 and a first production run in 2024.

More recently, on 5 September 2022, the Racing Force Group announced the signing of a Memorandum of Understanding with LIFT Airborne for the production and distribution to the US company of the carbon fibre shells that will make up the helmet for the US Air Force. The MOU also mentions the production of carbon fibre shells for other versions of the prototype for military and civil defence. While it is difficult to estimate the contribution of this diversification project at present, due to the confidentiality of the tender, we believe that it could represent a few million euros each year. This project could become even more important as the partnership with LIFT has recently been extended to the military and civil helicopter helmet segments.

Ballistic helmet for military and police intervention forces

This second project is also in the defence sector. With increasing military budgets in most developed countries following the outbreak of the conflict between Russia and Ukraine, Racing Force could take advantage of this trend. The group has been developing a ballistic helmet for special forces and police officers for over a year in collaboration with the German Fraunhofer Institute. The 12 months of R&D have resulted in a prototype with a weight saving of nearly 25% and production costs lower than current market standards, while still offering maximum protection. The finished and certified product is expected by the end of the year before a probable start of marketing in 2023. This second niche addressed by Racing Force, which also operates through calls for tender, is difficult to estimate since each call for tender can represents deals from 500k to more than 30m€.

Ballistic helmet project for military and police intervention forces



KEY UPDATES

- ☑ The first samples have been produced and are now in the **testing phase** for the Special Police Forces project
- ☑ Extension of the Project to the Police Riot Helmets, R&D activities currently in progress.

NEXT MILESTONES

- ☑ **Certification and the first prototypes of SPF helmets and Riot helmets are expected by the end of 2022**
- ☑ **2023** – Start of commercialization activities for both SPF & Riot Helmets



Source: Company

Pursue the external growth strategy

OMP Racing, which became Racing Force Group following the acquisition of Bell Helmets and Zeronoise, intends to pursue its growth strategy with several objectives:

- **Increase its technological lead**, if the group has a certain technological lead over its main competitors (as a reminder, RFG is the only player to have an R&D center specialized in the electronics department), it remains on the lookout for new technological bricks to add to its product portfolio ;
- **Consolidate its historical market**, leader of its market in Europe and among the 3 biggest players in the US, RFG could be interested in a strategic acquisition allowing it to penetrate a new geographical market or allowing it to extend its offer. Renowned for a certain level of quality in its products, the group is looking for a target offering a similar quality to its current ranges. As previously mentioned, the group wishes to accentuate its presence in the US, which we believe is a priority area for management..
- **Opening up to new niches**, while the group is carrying out two diversification projects in parallel with its core business, an acquisition could enable the group to gain exposure to a new niche related to its historical activities.

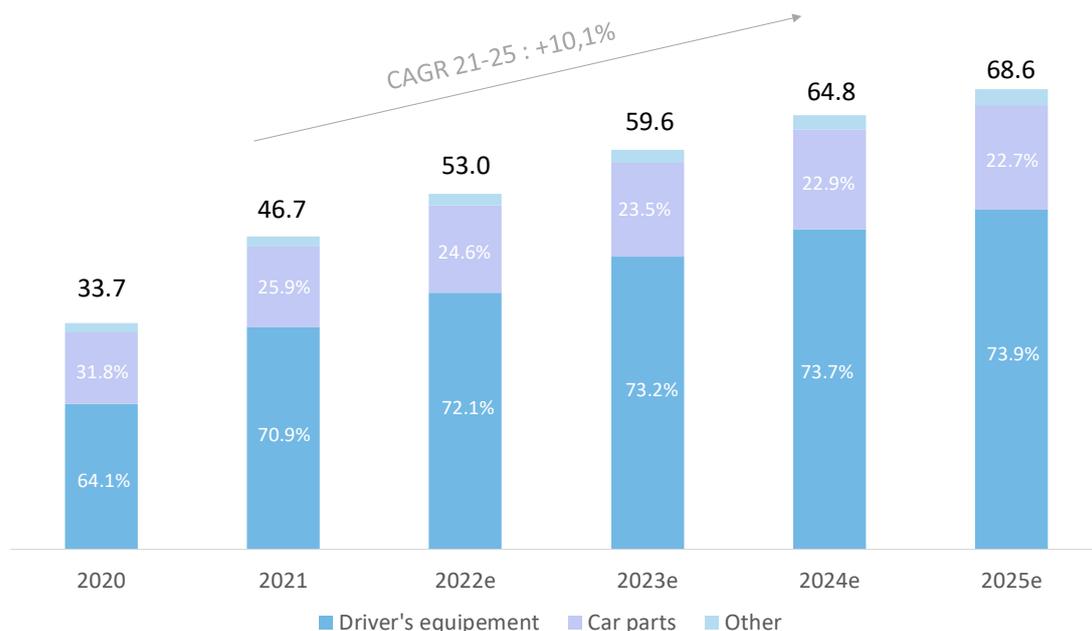
IV. Financial Outlook

Ranking among the leaders in its market and strengthened by the recent acquisitions of Bell Helmets and Zeronoise, the Racing Force group has posted solid average annual growth of more than 14% since 2014. In our opinion, the pace of growth should remain sustained over the next few years and should even accelerate if we look at the organic growth. Indeed, we expect an organic CAGR growth of 10.1% between 2021 and 2025 (vs. 7.7% between 2024 and 2019, i.e. before the takeover of Bell Helmets and Zeronoise), driven in particular by the commercial synergies between OMP Racing and Bell Helmets :

- In the open-face rally helmet segment, the new Bell range launched in January 2021 has boosted the group's open-face helmet sales by nearly 180% in 2021. A segment historically dominated by Stilo, we estimate RFG's current market share to be over 10% within a niche worth around €20M. OMP's strong presence on rallies and the quality of the range with the integration of Zeronoise devices should enable the group to have a market share of more than 30% by 2025. The strong growth of open-face helmets should drive the overall growth of the helmet segment of RFG's sales with an estimated CAGR of 14% between 2021 and 2025.
- In the US, commercial synergies should materialize from 2023 onwards, i.e. once SFI approvals have been obtained for OMP and Bell products. These synergies should be the main contributor to the growth of RFG's racing apparel segment, where we expect a CAGR of 7.7% between 2021 and 2025.

While the "Driver's equipment" division accounted for 71% of revenue in 2021, it should represent close to 75% of the revenue by 2025.

Historical and estimated evolution of Racing Force's turnover and segmentation by product type between 2020 and 2025

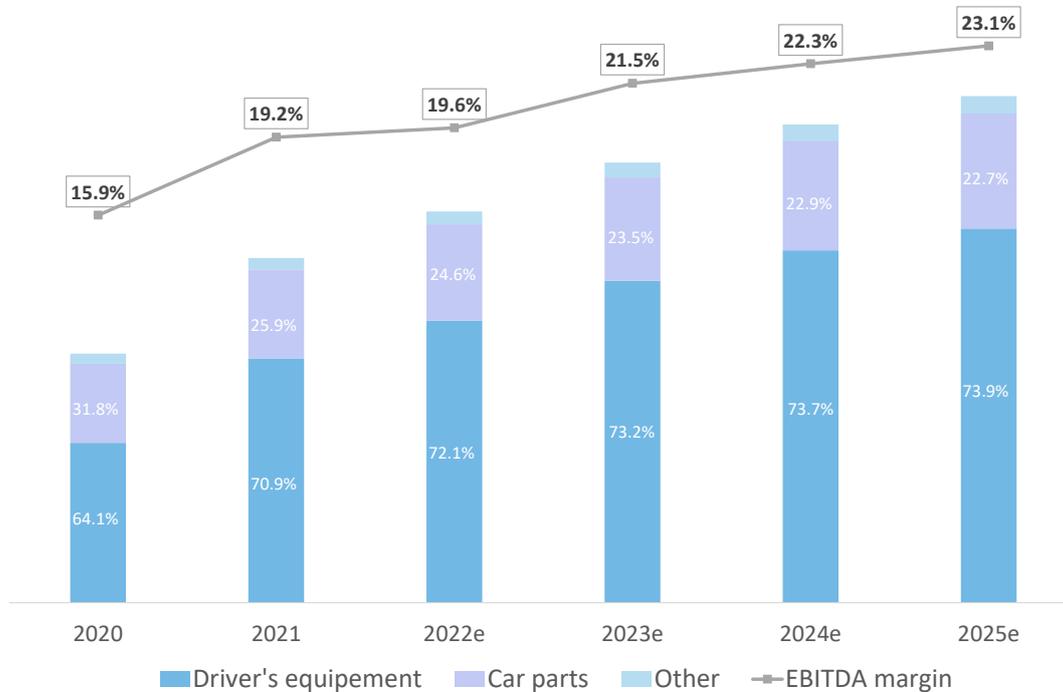


Source : TP ICAP Midcap estimates

Thanks to a mix more focused on driver equipment and not vehicle equipment, margins should also improve over the next few years. As a reminder, OMP uses external suppliers and producers for a large part of its vehicle equipment (harnesses, seats, roll bars, steering wheels). On the other hand, while the group can call on external producers during the peak of the season, for the rest of the year it produces its OMP suits and especially its Bell helmets internally throughout the year. While the group has already increased the production capacity of the Sakhir center in Bahrain (from 100 helmets to 177 helmets per day since 2019), Racing Force has set the goal of reaching 200 helmets produced each day by the end of the year. In order to support the very strong growth of Bell helmets sales, especially the open-face range which, as a reminder, is one of the main growth levers of the group over the next few years. Racing Force has recently agreed with the Bahrain circuit (owner of the premises) to occupy a new floor in its production center. This agreement should allow the group to double its production capacity (compared to 2019) by next year.

Although the group has significant pricing power, inflationary pressures on raw material costs (a cost item accounting for 40% of revenue in 2021) and more importantly on transport costs (around 8% of revenue in 2021) could limit the group's margin growth in 2022. While we estimate EBITDA CAGR growth of around 15.5% between 2021 and 2025, implying a landing of the margin at 23.1% at the end of the period, we remain cautious for fiscal 2022 with an estimated EBITDA margin of 19.6% (vs. 19.2% in 2021 excluding IPO costs).

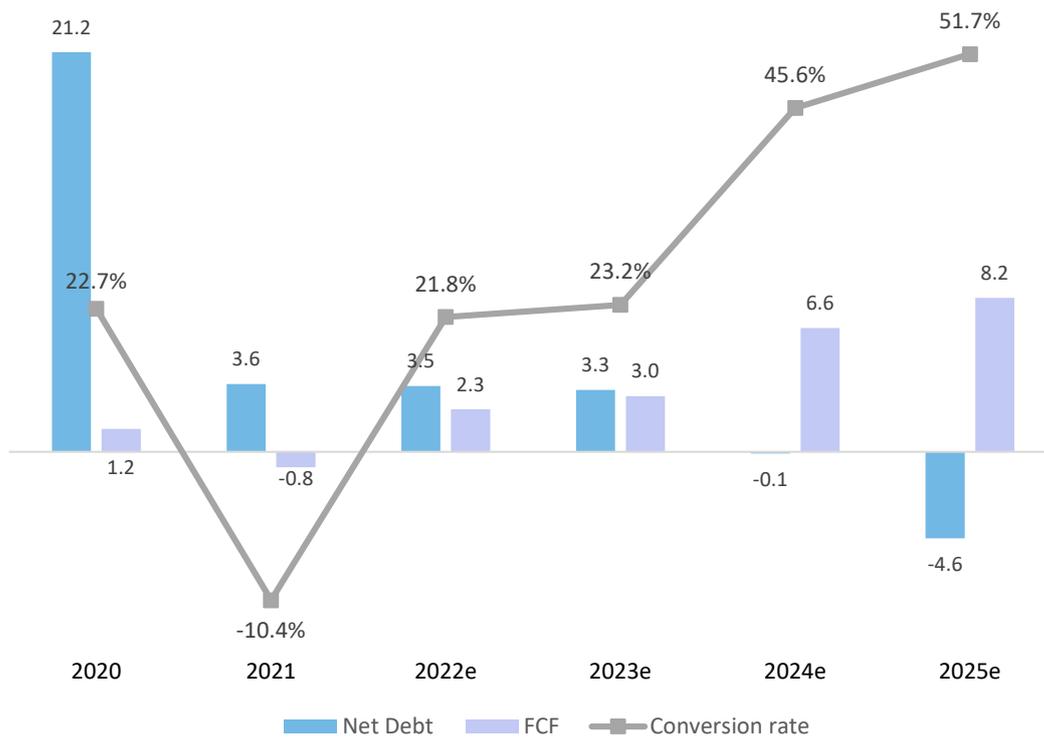
Historical and estimated evolution of the EBITDA margin between 2020 and 2025



Source : TP ICAP Midcap estimates

Following its successful IPO in November 2021, the group has a healthy financial situation with a net debt of €3.2M published as of 31/12/2021 (IRFS 16 included). This trend should continue over the next few years thanks to improved profitability and cash conversion. Indeed, despite the significant growth of the activity (+38.4% in 2021), the group shows a very good control of its working capital which represented 27% of its revenue at the end of 2021 (vs 30% in 2020), and which should easily reach around 26% of the revenue by 2025. While the group posted an EBITDA/cash conversion rate of 23% in 2020 and -10% in 2021 (including a €1M impact related to IPO costs and a €3M investment to acquire production capacity in Ronco Scrivia), this rate should logically exceed 30% by 2023 and could be higher than 50% by 2025, in our opinion. It should be noted that in the medium term, cash generation will be partly limited by the impact of higher CAPEX to finance the expansion of production capacity in Italy. The recently signed agreement with LIFT Airborne for the prototype helmet for the US Air Force should also lead to further investments in production capacity. We therefore expect CAPEX to be between 8 and 8.5% of sales over the next two years.

Historical and estimated changes in net debt, FCF and the FCF/EBITDA conversion rate



Sources : TP ICAP Midcap estimates

V. Valuation

Our approach to valuing the Racing Force group is based on the DCF method. We apply this method to the group's core business, i.e. the distribution of protective equipment for vehicles and drivers in the motorsport industry. We have also decided to add to our approach the diversification project concerning the probable next helmet for US Air Force fighter pilots following: 1) the announcement on July 8, 2022 that LIFT Airborne's prototype was selected from over 100 prototypes following the US Air Force's call for tenders; 2) the announcement on September 5, 2022 of the memorandum of understanding between LIFT Airborne and the Racing Force Group for the production and distribution of the carbon fibre shells that make up LIFT Airborne's next generation helmet.

The small number of listed players comparable to the Racing Force group leads us not to adopt a valuation approach peers multiples. On the other hand, we will indicate for information purposes a short list of companies relatively comparable to the group as well as their valuation multiples.

FCF discounting method

For this approach, we use the following assumptions:

Normative flows

- CAGR growth in sales of 9% between 2022 and 2025 (compared with 7.7% over the 2014-2019 period before the Bell and Zeronoise takeover), mainly driven by commercial synergies between the OMP and Bell Racing Helmets brands (open-face helmets for rallying and sales in the USA once SFI approvals have been obtained). Over the rest of our time horizon, we estimate a (very conservative) CAGR growth of 4.2% between 2026 and 2031.
- A normative EBITDA margin of 23.8% driven by the continued improvement of the product mix towards pilot equipment and in particular helmets which, as a reminder, are produced exclusively by the group, in its site located in Bahrain.
- A high level of CAPEX in the early years with planned expansions to fund new production capacity which should support the group's growth. After 2025, CAPEX is expected to normalise to 3.5% of sales by the end of our time horizon.
- A normative tax rate of 27.9% in line with the Italian rate.
- A relatively stable level of WCR over the next 3 years to support growth before decreasing over the rest of our time horizon to reach a normative level of 24.5% of sales (vs. 26.5% estimated in 2023).

Discount rate

- A standardised risk-free rate of 3%.
- An equity risk premium of 8.5%.
- A beta of 0.63 including 100% equity financing.
- A size, liquidity and specific risk premium of 1.5%.
- A perpetual growth rate of 2.5%.
- A WACC of 9.9%.

DCF scenario

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenue		53.0	59.6	64.8	68.6	72.3	75.9	79.7	83.2	86.2	88.7
	% var	14%	12%	9%	6%	5%	5%	5%	4%	3.5%	3.0%
EBITDA		10.4	12.8	14.4	15.8	16.8	17.8	18.8	19.8	20.7	21.1
	% var	31.4%	23.3%	12.9%	9.5%	6.3%	5.8%	5.8%	5.3%	4.3%	2.1%
	% CA	19.6%	21.5%	22.3%	23.1%	23.3%	23.4%	23.6%	23.8%	24.0%	23.8%
D&A		-2.5	-2.9	-3.0	-3.1	-3.2	-3.4	-3.5	-3.4	-3.2	-3.1
	% CA	4.8%	4.9%	4.7%	4.5%	4.4%	4.5%	4.4%	4.1%	3.7%	3.5%
EBIT		7.9	9.9	11.4	12.7	13.6	14.4	15.3	16.4	17.5	18.0
	% CA	14.8%	16.6%	17.6%	18.5%	18.8%	19.0%	19.2%	19.7%	20.3%	20.3%
Tax		-1.9	-2.8	-3.2	-3.5	-3.8	-4.0	-4.3	-4.6	-4.9	-5.0
	Tax rate	24.0%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%
D&A		2.5	2.9	3.0	3.1	3.2	3.4	3.5	3.4	3.2	3.2
CAPEX		-4.2	-5.1	-3.2	-2.9	-3.0	-3.0	-3.1	-3.1	-3.1	-3.1
	% CA	8.0%	8.5%	5.0%	4.3%	4.1%	4.0%	3.9%	3.7%	3.6%	3.5%
Change in WRC		1.6	1.7	1.1	0.8	0.7	0.8	0.7	0.7	0.5	0.6
	% CA										
FCF		2.6	3.3	6.9	8.6	9.3	10.0	10.7	11.4	12.2	12.4
Discounted FCF		2.6	2.9	5.6	6.3	6.2	6.1	6.0	5.8	5.6	5.2

Source : TP ICAP Midcap

DCF summary and sensitivity analysis

Synthesis		Sensitivity table					
Cumulated NPV of FCF	52.3						
Discounted Terminal Value	72.7						
Enterprise Value	125.0						
Net Debt	1.1						
Provisions	0.3						
Non-controlling interest	0.0						
Equity Value	123.6						
Number of shares	23.8						
Value per share	5.2						
		Price (€)	WACC				
			8.9%	9.4%	9.9%	10.4%	10.9%
Perpetuity growth rate	1.5%	5.5	5.2	4.8	4.5	4.2	
	2.0%	5.8	5.4	5.0	4.7	4.4	
	2.5%	6.1	5.6	5.2	4.8	4.5	
	3.0%	6.5	5.9	5.4	5.0	4.7	
	3.5%	6.9	6.2	5.7	5.3	4.9	

Source : TP ICAP Midcap

Contribution of the diversification project with LIFT Airborne

Following the latest announcements concerning this project, namely: 1) the announcement on July 8, 2022 of the selection of the LIFT Airborne prototype among more than 100 prototypes following the call for tenders launched by the US Air Force; 2) the announcement on September 5, 2022 of the memorandum of understanding between LIFT Airborne and the Racing Force group for the production and distribution of the carbon fibre shells composing the LIFT Airborne new generation helmet; we have decided to take this project into account in our valuation approach.

While the likely future helmet for US Air Force pilots is currently in the final stages of development in collaboration with the US Army, we expect mass production and distribution to begin in 2024. We believe that the Racing Force group could easily generate sales of close to €4m from this contract with a comfortable EBITDA margin of around 30%.

Scenario of revenues generated by the distribution contract with LIFT Airborne

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenue	-	-	0.5	3.0	4.0	4.0	4.0	4.0	4.0	4.0
EBITDA	-	-	0.2	0.9	1.2	1.2	1.2	1.2	1.2	1.2
% CA	-	-	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Discounted EBITDA			0.10	0.52	0.58	0.49	0.42	0.35	0.30	0.25

Source : TP ICAP Midcap Estimates

In order to take into account a higher risk than the group's core business, we have chosen to apply a discount rate of 18.5% (reflecting a specific premium of 10%) and a 30% discount on the multiple used to value the project. Our list of peers includes two companies active in the defence industry, including Gentex Corporation, producer of the helmet currently used by US Air Force pilots and a finalist in the last tender alongside the LIFT Airborne prototype. The average EV/EBITDA 2022 and 2023 multiples of these two players is 10.4x.

Summary and sensitivity analysis of the contribution of the diversification project with LIFT Airborne

Synthesis		Sensitivity table						
		Price (€)	WACC					
			17.5%	18.0%	18.5%	19.0%	19.5%	
Cumulated NPV	3.0	Discount	20.0%	1.1	1.0	1.0	1.0	1.0
Peers Multiple	10.4x		25.0%	1.0	1.0	1.0	0.9	0.9
Multiple at 30% discount	7.2x		30.0%	0.9	0.9	0.9	0.9	0.8
EV	21.8		35.0%	0.9	0.8	0.8	0.8	0.8
Bridge	1.4		40.0%	0.8	0.8	0.8	0.7	0.7
Equity Value	20.4							
Number of shares	23.8							
Value per share	0.9							

Source : TP ICAP Midcap

Peers comparison method

As mentioned above, the small number of listed players comparable to the Racing Force group leads us not to use this method in our valuation approach. Instead, we present a short list of players that are relatively comparable to the Racing Force group for information purposes:

- Shoen Co (market capitalisation: €1,015 million - turnover of €185 million in 2021). In our opinion, Shoen is the closest comparable to the Racing Force group. Shoen is a Japanese helmet brand for the motorbike industry, an industry that is closest to the one in which Racing Force operates. Shoen offers different ranges of helmets, from the casual rider to the top professional riders such as Marc Marquez in GP motorbikes.
- MSA Safety (market capitalisation: €4.7 billion - turnover of €1.85 billion in 2021). MSA Safety is an American company that markets PPE worldwide. MSA Safety is known for its specialised products in certain niches: firefighters, miners and also in defence.
- Ansell (market capitalisation: €2.319 billion - turnover of €1.73 billion in 2021/2022). Ansell is an Australian company specialising in the medical niche of PPE, offering hand and body protection products
- Gentex Corporation (market capitalisation: €6.353 billion - turnover of €1.46 billion in 2021). Gentex Corporation is an American group involved in many activities: automotive, fire protection, aeronautics and also defence. Its European subsidiary, which specialises in protective equipment for the military and civilian industries, has been producing the helmet currently worn by US Air Force pilots for almost 40 years.

- Avon Protection PLC (market capitalisation of €310m - turnover of €208m in 2021). Avon Protection is a British company specialising in the production and distribution of protective equipment for the military industry. The company is one of the leaders in the respiratory protection niche.

Valuation multiples of the list of comparable peers

Companies	Market Cap.	Revenue CAGR 2022-2024	EV/Sales			EV/EBIT			PE		
			2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Shoei Co.	1,015	10%	4.6x	4.2x	3.8x	16.4x	14.6x	13.0x	25.3x	22.5x	20.0x
MSA Safety	4,700	-	3.4x	3.2x	-	19.1x	17.0x	-	22.6x	20.5x	-
Ansell	2,319	4%	1.4x	1.3x	1.3x	11.4x	10.6x	10.0x	14.7x	13.4x	12.6x
Gentex Corporation	6,353	11%	3.1x	2.7x	2.5x	14.4x	11.2x	9.8x	18.2x	13.5x	11.5x
Avon Protection PLC	310	4%	1.4x	1.2x	1.3x	64.6x	11.4x	8.6x	133.2x	13.2x	9.5x
Mean	2939	7%	2.8x	2.5x	2.2x	25.2x	12.9x	10.4x	42.8x	16.6x	13.4x
Medianne	2319	7%	3.3x	2.7x	1.9x	16.4x	11.4x	9.9x	22.6x	13.5x	12.0x
Racing Force Group	100.5	11%	2.0x	1.7x	1.6x	13.2x	10.5x	8.8x	17.9x	14.8x	12.7x

Source : Factset

Summary of the valuation

Our valuation approach leads to a target price of €6.1, including our DCF approach (€5.2) but also the diversification project with LIFT Airborne (€0.9). The other diversification projects could progressively be integrated into our valuation model depending on the group's newsflow on this subject (tender won, agreement with new players etc.).

Summary of the valuation of the Racing Force group

Elements	Valuation	Contribution
DCF	123.6	5.2 €
Project with LIFT Airborne	20.4	0.9 €
Price per share	144.0	6.1 €

Source : TP ICAP Midcap

VI. Management

Membres	Description
	<p>Paolo Delprato, Group Chairman & CEO</p> <p>An engineering graduate with a MBA, Paolo has worked in several international consulting firms before taking the reins of OMP Racing S.P.A (today Racing Force S.P.A) as CEO in 2009. After the Group relaunch, he now serves as Racing Force Group’s Chairman and CEO, as well as Chairman of Racing Force International (Bahrain) and High Protection Systems (Belgium). He and family, through SAYE S.P.A, represent the majority shareholding.</p>
	<p>Roberto Ferroggiaro , CFO</p> <p>Graduated in Economics, with a master in General Management, he has gained more than 10 years of experience in the field of finance management, working for auditing companies and large internationals groups. After joining Costa Crociere in 2014 as Finance Manager, in March 2020 Roberto became Racing Force Group’s Chief Financial Officer.</p>
	<p>Alexander Miotto Haristos , COO</p> <p>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 – today Racing Force – in 2019). Since 2020 Alex is Racing Force Group’s Chief Operating Officer as well as minority shareholder of the Group.</p>
	<p>Stephane Cohen , Co-CEO</p> <p>With a background as kart and car driver and winner of several titles in the Touring and GT categories, Stephane started his first business in 1986, when he started cooperating with Bell Helmets. Since 2021 he is Group Co-CEO.</p>
	<p>Gabriele Pedone , CEO Racing Force USA</p> <p>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 (today Racing Force USA Inc.). Gabriele is also the mastermind and managing partner of Racing Spirit, LLC. Through a family-owned company Gabriele is also a minority shareholder of Racing Force Group.</p>

FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	25.7	33.7	46.7	53.0	59.6	64.8
Changes (%)	na	31.2	38.4	13.5	12.5	8.7
Gross profit	12.3	20.1	27.2	31.0	35.1	38.1
% of Sales	47.9	59.7	58.3	58.5	59.0	58.9
EBITDA	4.0	5.4	7.9	10.4	12.8	14.4
% of Sales	15.6	15.9	16.9	19.6	21.5	22.3
Current operating profit	2.5	2.8	5.5	7.9	9.9	11.4
% of Sales	9.7	8.4	11.8	14.8	16.6	17.6
EBIT	2.5	2.8	5.5	7.9	9.9	11.4
Net financial result	-0.3	-0.7	-0.3	-0.1	-0.4	-0.4
Income Tax	-0.7	-0.7	-1.1	-2.2	-2.6	-3.1
Tax rate (%)	31.2	33.1	20.4	27.9	27.9	27.9
Net profit, group share	1.5	1.4	4.2	5.6	6.8	7.9
EPS	na	0.07	0.18	0.24	0.29	0.33
Financial Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Goodwill	0.0	5.7	5.7	5.7	5.7	5.7
Tangible and intangible assets	0.0	8.8	13.1	15.2	17.8	18.5
Right of Use	0.0	4.1	2.4	2.4	2.4	2.4
Financial assets	0.0	1.8	0.4	0.4	0.4	0.4
Working capital	0.0	10.0	12.5	14.1	15.8	16.9
Other Assets	0.0	0.2	0.7	0.7	0.7	0.7
Assets	0.0	30.7	34.7	38.5	42.8	44.6
Shareholders equity group	0.0	8.2	29.9	33.8	38.4	43.5
Minorities	0.0	0.3	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.0	1.0	1.2	1.2	1.2	1.2
Net debt	0.0	21.2	3.5	3.4	3.2	-0.2
Other liabilities	0.0	0.0	0.1	0.1	0.1	0.1
Liabilities	0.0	30.7	34.7	38.5	42.8	44.6
Net debt excl. IFRS 16	0.0	17.0	1.0	0.9	0.7	-2.7
Gearing net	na	2.5	0.1	0.1	0.1	-0.0
Leverage	0.0	4.0	0.4	0.3	0.3	-0.0
Cash flow statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
CF after elimination of net borrowing costs and taxes	0.0	4.0	6.7	8.1	9.7	10.9
Δ WCR	0.0	-1.7	-2.2	-1.6	-1.7	-1.1
Operating cash flow	0.0	2.4	4.5	6.5	8.0	9.8
Net capex	0.0	-1.1	-5.3	-4.2	-5.1	-3.2
FCF	0.0	1.2	-0.8	2.3	3.0	6.6
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	0.0	5.9	-2.5	0.0	0.0	0.0
Dividends paid	0.0	-0.0	-1.3	-1.7	-2.2	-2.7
Repayment of leasing debt	0.0	-0.7	-0.3	-0.5	-0.5	-0.5
Others	0.0	-3.1	18.5	0.0	0.0	0.0
Changes in exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	0.0	3.3	13.5	0.1	0.2	3.4
ROA (%)	na	3.3%	6.4%	7.9%	8.9%	9.5%
ROE (%)	na	17.5%	13.9%	16.6%	17.7%	18.1%
ROCE (%)	na	7.0%	12.8%	14.8%	16.9%	18.7%

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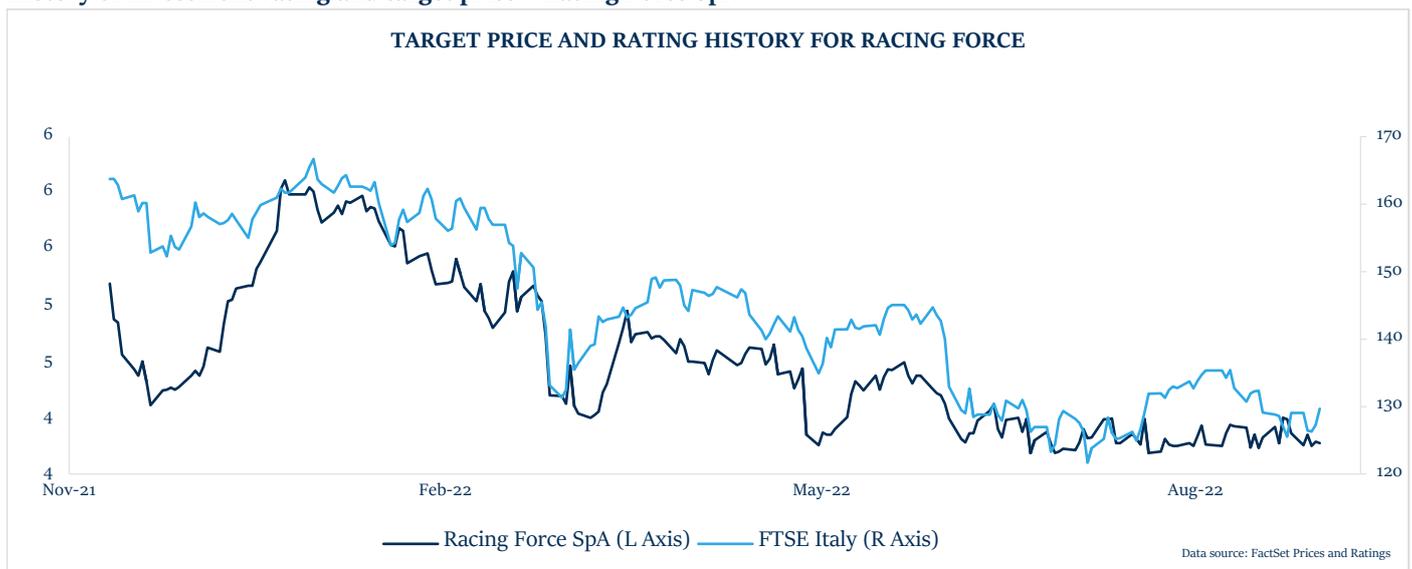
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1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
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History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
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Hold	14%	33%
Sell	1%	0%
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