

RACING FORCE

1H22 Results

BUY (Unchanged)

Target: **€ 6.7** (unchanged)

Risk: High

STOCK DATA

Price €	4.6
Bloomberg code	RFG IM
Market Cap. (€ mn)	109
Free Float	30%
Shares Out. (mn)	23.8
52-week range	4.07 - 6.2
Daily Volumes (mn)	0.01

PERFORMANCE

	1M	3M	12M
Absolute	8.4%	9.7%	-
Rel. to FTSE all shares	13.9%	12.9%	-

MAIN METRICS

	2021	2022E	2023E
Revenues	46.7	55.3	59.7
Adjusted EBITDA	9.0	10.6	11.7
Adj. net income	4.9	5.8	6.3
Adj. EPS - € cents	20.7	24.3	26.4
DPS ord - € cents	7.0	8.0	8.7

MULTIPLES

	2021	2022E	2023E
P/E adj	n.a.	18.8 x	17.4 x
Adj. EV/EBITDA	n.a.	10.6 x	9.8 x

REMUNERATION

	2021	2022E	2023E
Div. Yield ord	1.4%	1.8%	1.9%
FCF yield	-0.7%	0.8%	-0.7%

INDEBTEDNESS

	2021	2022E	2023E
NFP	-3.2	-3.6	-6.3
Debt/EBITDA	0.4 x	0.3 x	0.5 x
Interests cov	12.1 x	26.6 x	30.6 x

PRICE ORD LAST 365 DAYS



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IMPRESSIVE MOMENTUM

Racing Force delivered quite impressive 1H22 results, executing very well along all the key strategic drivers presented at the IPO, from entry in open-face helmets, to expansion in NA, to development of diversification projects (Driver's Eye and defense options). We raise FY22 sales by 8.5% to € 55mn while keeping a more prudent approach on profitability with FY22 Adj. EBITDA +6% to € 10.6mn while FY24E is confirmed given the investments ongoing to sustain m/t sales ambitions. We reiterate our BUY rating with target confirmed at € 6.7PS.

■ 1H22 results well above our expectations

- **Revenues:** € 33.6mn (+35% YoY) vs € 27.4mn exp.;
- **Adjusted EBITDA:** € 9.3mn (+56% YoY) vs € 6.1mn exp.;
- **Net income:** € 6.9mn (+93% YoY) vs € 3.5mn exp.;
- **NFP:** € -2.5mn vs € -3.5mn exp. (including leases).

Racing Force (RFG) delivered quite impressive results, well above our expectations, driven by all segments (Driver's equipment +40%, Car parts +26%) **and geographies** (Americas +49%, reaching 27% of group sales, EMEA +33%, RoW +14%) and highlighting the **strong execution along the strategic growth drivers presented at the time of the IPO.**

■ Strong execution along all key strategic trajectories

The implementation of growth strategies is continuing, both in the core business and in diversification projects. On the **core business**, as already commented, 1H22 showed the strong results achieved in **open-faced helmets** and in the **North American expansion**. We now expect that open-faced helmets will contribute **€ 4.5mn sales in 2022** from almost zero in 2019.

We also expect **growing contribution from North America, in 2H22 and 2023** thanks to higher visibility on OMP provided by the **first driver using OMP branded technical wear in Nascar, expanded portfolio of SFI certified products** and new opportunity to sell **technical wear under the Bell brand.**

On the diversification projects, we highlight the **stronger positioning of Driver's Eye**, the service provided by RFG to broadcast high-quality, real-time videos of F1 races from a camera installed into the driver's helmets. This stems from F1 decision to make **Driver's Eye mandatory for all teams starting from the new championship** and from ongoing negotiations for the **adoption of the technology in other motorsport competitions and by other interested parties.**

■ Estimate revision: strong at top-line level, more prudent on profitability

We remind the strong seasonality of the business, accentuated in 2022 by raw material cost inflation which will be more visible in 2H22, by higher energy costs and by RFG action to strengthen the manufacturing and commercial structure.... while the price list revisions will be effective as of January 2023. All in all, **we have raised 2022 revenues by 8.5% to € 55mn, and Adj. EBITDA by 6% to € 10.6mn, with limited changes on estimates for FY23-24.**

■ Valuation confirmed: higher rates but higher visibility on the IPO projects

Visibility on both core business and diversification projects is growing, as evidenced by 1H results, and so is visibility on the 2023/25 outlook in light of the progress on the development of Driver's Eye and on the defense diversification opportunities. **For this reason, we see the negative impact from higher interest rates at least balanced by higher visibility on the m/t expectations and we confirm our target of € 6.7PS.**

The stock is trading at 11-10x EV/EBITDA and 19-17x Adj. PE 2022-23E, an attractive multiple considering the **+10% sales CAGR 2021-25E** and **the defense option.**

MAIN FIGURES € mn	2019PF	2020	2021	2022E	2023E	2024E
Revenues	36.6	33.7	46.7	55.3	59.7	63.8
Growth	-	-8%	38%	18%	8%	7%
EBITDA	4.2	5.4	7.9	10.6	11.7	13.4
Growth	-	28%	47%	35%	10%	14%
Adjusted EBITDA	4.2	5.4	9.0	10.6	11.7	13.4
Growth	-	28%	67%	19%	10%	14%
EBIT	2	2.8	5.5	8.0	8.5	9.7
Growth	-	59%	94%	46%	6%	14%
Profit before tax	3.1	2.1	5.2	8.2	8.1	9.4
Growth	-	-31%	144%	57%	-1%	16%
Net income	2.4	1.4	4.2	6.4	6.3	7.3
Growth	-	-41%	190%	52%	-1%	16%
Adj. net income	2.4	1.4	4.9	5.8	6.3	7.3
Growth	-	-41%	243%	17%	9%	16%

MARGIN	2019PF	2020	2021	2022E	2023E	2024E
Ebitda Margin	11.4%	15.9%	16.9%	19.3%	19.7%	21.0%
Ebitda adj Margin	11.4%	15.9%	19.2%	19.3%	19.7%	21.0%
Ebit margin	4.9%	8.4%	11.8%	14.5%	14.2%	15.2%
Pbt margin	8.5%	6.4%	11.2%	14.8%	13.5%	14.7%
Ni rep margin	6.6%	4.3%	8.9%	11.5%	10.5%	11.4%
Ni adj margin	6.6%	4.3%	10.6%	10.5%	10.5%	11.4%

SHARE DATA	2019PF	2020	2021	2022E	2023E	2024E
EPS - € cents	12.6	7.4	17.5	26.7	26.4	30.5
Growth	-	-41%	135%	52%	-1%	16%
Adj. EPS - € cents	12.6	7.4	20.7	24.3	26.4	30.5
Growth	-	-41%	178%	17%	9%	16%
DPS ord - € cents	n.a.	0.0	7.0	8.0	8.7	10.1
BVPS - €	0.3	0.4	1.3	1.5	1.6	1.9

VARIOUS - € mn	2019PF	2020	2021	2022E	2023E	2024E
Capital employed	27.5	27.2	33.1	38.2	45.2	46.8
FCF	1.7	0.6	-0.8	0.8	-0.7	5.7
Capex	0.7	1.1	5.3	3.0	8.0	3.2
Working capital	8.3	9.8	11.7	15.8	17.1	18.4

INDEBTNESS - €mn	2019PF	2020	2021	2022E	2023E	2024E
NFP	-17.8	-18.7	-3.2	-3.6	-6.3	-2.7
D/E	2.8 x	2.3 x	0.1 x	0.1 x	0.2 x	0.1 x
Debt/EBITDA	4.3 x	3.5 x	0.4 x	0.3 x	0.5 x	0.2 x
Interests cov	0.8 x	5.7 x	12.1 x	26.6 x	30.6 x	43.7 x

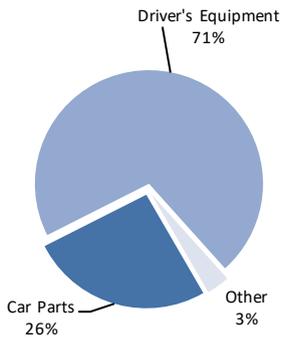
MARKET RATIOS	2019PF	2020	2021	2022E	2023E	2024E
P/E	35.8 x	60.4 x	29.6 x	17.1 x	17.4 x	15.0 x
P/E adj	35.8 x	60.4 x	25.0 x	18.8 x	17.4 x	15.0 x
PBV	13.7 x	10.6 x	4.1 x	3.1 x	2.8 x	2.5 x
P/CF	18.0 x	22.0 x	16.8 x	13.0 x	11.4 x	9.9 x

EV FIGURES	2019PF	2020	2021	2022E	2023E	2024E
EV/Sales	3.46 x	3.75 x	2.71 x	2.04 x	1.93 x	1.75 x
Adj. EV/EBITDA	30.3 x	23.6 x	14.1 x	10.6 x	9.8 x	8.3 x
Adj. EV/EBIT	70.8 x	44.5 x	19.3 x	14.0 x	13.6 x	11.5 x
EV/CE	4.6 x	4.7 x	3.8 x	2.9 x	2.5 x	2.4 x

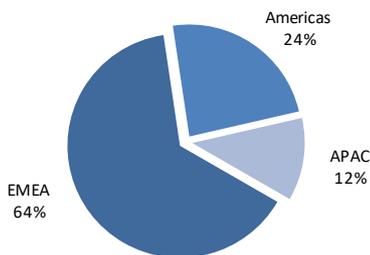
REMUNERATION	2019PF	2020	2021	2022E	2023E	2024E
Div. Yield ord	0.0%	0.0%	1.4%	1.8%	1.9%	2.2%
FCF yield	1.9%	0.6%	-0.7%	0.8%	-0.7%	5.2%
ROE	n.a.	19.8%	25.9%	17.9%	17.1%	17.5%
ROCE	n.a.	7.0%	13.3%	16.3%	14.5%	16.0%

Source: Company data and Equita SIM estimates

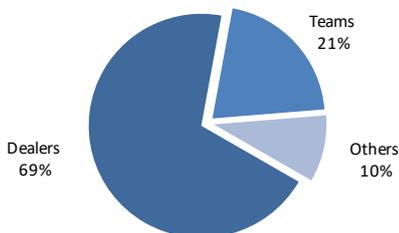
REVENUES BY COUNTRY - 2021



REVENUES BY PRODUCT - 2021



REVENUES BY DISTRIBUTION CHANNEL - 2021



BUSINESS DESCRIPTION

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 (>€250mn) 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 **480 employees** located in **7 facilities worldwide in 3 different continents** (o/w, 3 production sites, 3 R&D centers and 6 show-rooms) 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 2021, of which just one weighting for more than 5%), **and geographies** (sales in 80 countries with no countries, except US, accounting for more than 20% 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, the sole technology homologated by FIA, allowing to film the race "through the eyes of the driver" and already adopted by Formula E and, since 2021, Formula 1.
- **Ballistic Defense Helmets and Jet Pilot Helmet's Shell:** new products with advanced technical performances positioning RFG as a credible player in these new markets.

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

The company is controlled by SAYE, the holding company of the Delprato family, owning 57% 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: Defense 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

1H22 RESULTS: IMPRESSIVE MOMENTUM

Racing Force (RFG) delivered quite impressive results, well above our expectations, driven by all segments and geographies and highlighting the strong execution along the strategic growth drivers presented at the time of the IPO.

	1H RESULTS (€ mn)					
	1H21	EXPECTED		ACTUAL		
		1H22	YoY Δ%	1H22	YoY Δ%	Abs Δ
Revenues	24.9	27.4	10%	33.6	35%	6.2
Adj. EBITDA	6.0	6.1	2%	9.3	56%	3.2
Adj. EBIT	4.9	4.9	0%	8.1	66%	3.2
Adj. Net Income	3.6	3.5	-2%	6.4	77%	2.9
Net income	3.6	3.5	-2%	6.9	93%	3.4
NFP	-17.0	-3.5	-79%	-2.5	-85%	1.0

Source: Equita SIM estimates & company data

In more details:

- Revenues jumped by +35% to € 33.6mn vs € 27.4mn expected (+9.9% YoY exp.).

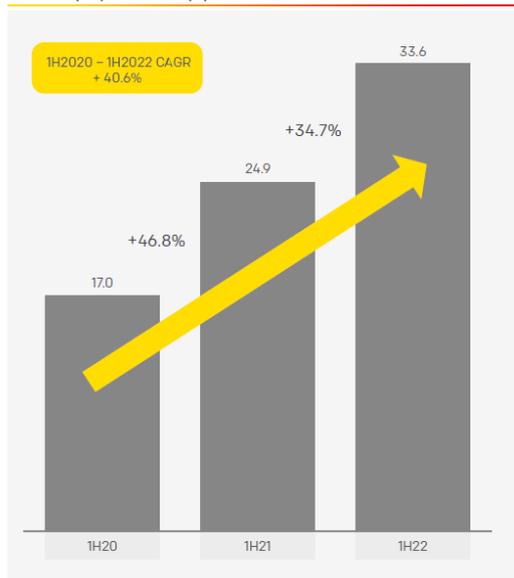
All geographies performed well, with Americas up by +49% and reaching 27% of group sales, EMEA up by 33% and moving to 63% of group sales and RoW up by 14% or 10% of group sales.

In terms of products, driver's equipment grew by +40% while car parts grew by +26%. In the Driver's equipment segment, helmets were the main driving force (we estimate around +50%, with open-faced helmets up by +143%).

In terms of distribution channels, distributors were up by 22% to 64% of sales, Teams were up by 45% to 20% of sales and others were up by 99% to 16% of sales, mostly due to a one-time project for a mechanical US company.

SALES TREND AND SALES BREAKDOWN

Revenues (€m) and Growth (%)



1H 2022 Revenues Breakdown and Growth 1H2022 - 1H2021

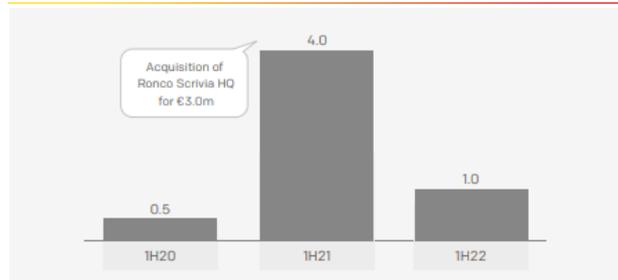


Source: Company presentation

- **Gross margin moved from 59.3% in 1H21 to 62.7% in 1H22** (vs 58.6% expected) due to **improved revenue mix** (higher contribution from helmets and Driver's Eye) and high inventory levels at the beginning of the period, which allowed RFG to **temporary benefit at P&L from raw material costs not yet fully impacted** by inflation;
- **EBITDA was up by +56% to € 9.3mn** (vs € 6.1mn expected) despite **operating costs rising from € 8.8mn in 1H21 to € 11.8mn in 1H22** to support growth projects (average employees grew by almost 100 units in 1H22 vs. 1H21 to 422, with employees at the end of June already at 464) and due to cost inflation (logistic costs more than doubling to € 1.8mn).
- **NI soared by +93% to € 6.9mn** (vs € 3.5mn expected!) mostly due to better operating profitability and partly also due to FX gains (€ 0.6mn);
- **NFP was almost at break-even** excluding IFRS16. Including leases, NFP was € -2.5mn vs. € -3.5mn exp., from € -3.2mn at the end of 2021. Limited cash conversion in the 1H22 (€ 2mn FCF vs. € 9.3mn EBITDA in 1H22) was due to an increase in inventories (€ +1.3mn, mainly due to higher raw materials volumes to better serve the increased demand expected in 2H22 and FY23 and higher raw material prices), and seasonal change in trade receivables (€ +3.3mn) and payables (€ -1.4mn), with **trade working capital absorbing € 6mn in 1H22**.
- **CAPEX were € 1mn**, in line with 1H21 net of € 3mn one-off capex related to the purchase of the HQ.

CAPEX, NWC, ADJ CASHFLOW AND NET DEBT

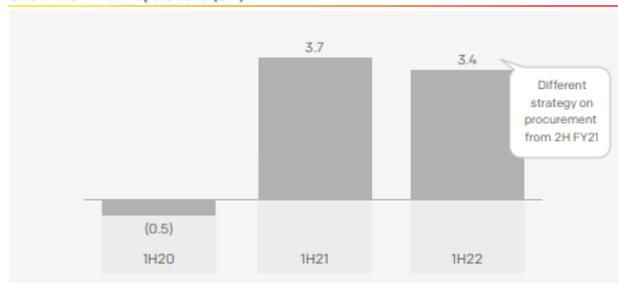
CAPEX (€m)



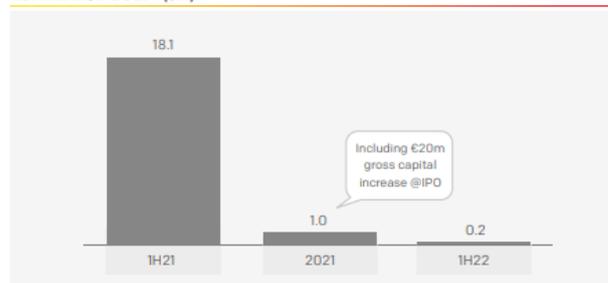
NET WORKING CAPITAL (€m)



CASH FLOW from Operations (€m)



NET FINANCIAL DEBT (€m)



Source: Company presentation

STRONG EXECUTION ALONG ALL KEY STRATEGIC TRAJECTORIES

The implementation of growth strategies is continuing, both in the core business and in diversification projects.

On the **core business**, as already commented, 1H22 showed the results achieved in **open-faced helmets** and in the **North American expansion**.

We now expect that open-faced helmets will contribute **around € 4.5mn sales in 2022** from almost zero in 2019.

CORE BUSINESS DRIVERS: OPEN-FACE HELMETS

OPEN FACE HELMETS	
MARKET SIZE	1 CIRCUIT COMPETITION vs 3 RALLY COMPETITION 1 DRIVER vs 2 DRIVER
MARKET POSITION	IN 2020 RACING FORCE MARKET SHARE WAS BELOW 5%
A "WINNING" STRATEGY	
	BELL RALLY HELMETS SALES INCREASED BY +143% IN 1H22
	THIERRY NEUVILLE HYUNDAI MOTORSPORT TDP WRC DRIVER

DEALERS AND DISTRIBUTORS

PROFESSIONAL TEAMS

Source: Company presentation

We also expect **growing contribution from North America, in 2H22 and 2023** thanks to higher visibility on OMP provided by the **first driver using OMP branded technical wear in Nascar** (Brad Keselowski), **expanded portfolio of SFI certified products** and opportunity to sell **technical wear under the Bell brand** after the license agreement signed in October 2021.

CORE BUSINESS DRIVERS: NORTH AMERICA

MAXIMISING COMMERCIAL & DISTRIBUTION EFFORT ACROSS BRANDS

US branch founded in 2003
Headquarter in Miami, FL

US branch founded in 2010
Headquarter in Champaign, IL

RACING FORCE USA

Pro-Shop
Indianapolis

Headquarter
Miami

Pro-Shop
Mooresville

NEW HEADQUARTERS COMING

US MOTORSPORT SAFETY DEVICES

US MAIN REGULATED RACES

WELL-DEFINED ACTION PLAN TO FOSTER RACING FORCE PENETRATION IN THE US AND THE AMERICAS

FULL INTEGRATION OF OMP AND BELL COMMERCIAL PLATFORMS

SYNERGIES FROM COMMON DEALERS

EXTENDED RANGE OF PRODUCTS (SFI HOMOLOGATION)

INCREASE PRODUCTS PENETRATION

SET UP OF NEW PRO-SHOPS

SET UP OF NEW PLANT IN MOORESVILLE

Source: Company presentation

On the diversification projects, we highlight the stronger positioning acquired by **Driver's Eye**, the service provided by RFG to broadcast high-quality, real-time videos of F1 races from a camera installed into the driver's helmets. This stems from:

- F1 decision to make **Driver's Eye mandatory for all teams starting from the new season**;
- Ongoing advanced negotiations for the **adoption of the technology in other motorsport competitions** and by **other interested parties**.

DRIVER'S EYE KEY DEVELOPMENTS

DRIVER'S EYE

KEY UPDATES

- ✓ Racing Force Group signs Driver's Eye agreement with Formula1
- ✓ Racing Force Group signs multiyear Driver's Eye agreement with ABB FIA Formula E World Championship 1
- ✓ GENERATION2 of Driver's Eye was released on four cars with winner of the Bahrain GP, Charles Leclerc, Ferrari F1
- ✓ GENERATION2.5 to be introduced Q42022

GENERATION 1 - 2021



ALONSO



GENERATION 2 - 2022

CUTTING-EDGE TECHNOLOGY

FEEDING LIVE TV FROM BEHIND THE VISOR SCREEN

WORLDS SMALLEST/LIGHTEST CAMERA

FOR LIVE TV BROADCASTING

FIRST-MOVER ADVANTAGE

2 YEARS IN FORMULA E AND DEBUT IN F1
PATENT PROTECTED

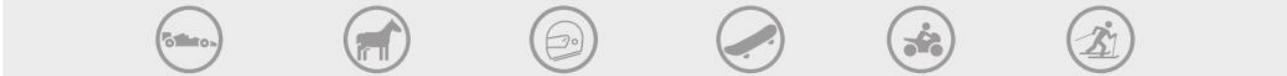
HOMOLOGATION

THE WORLD FIRST AND ONLY FIA HOMOLOGATED TECHNOLOGY TO BE INTEGRATED INSIDE THE HELMET

2023

ON APRIL 2022, F1 COMMISSION MADE THE HELMET CAM **MANDATORY FOR ALL F1 DRIVERS, STARTING 2023 SEASON**. RACING FORCE WILL INSTALL THE TECHNOLOGY TO THE OTHER HELMET MANUFACTURERS VIA FORMULA ONE

F1 IS JUST THE BEGINNING



Source: Company presentation

Last but not least, we underscore the **progress on the defense diversification**:

- We remind readers the **MoU signed in September with Lift Airborne, the US company winning the tender to supply helmets for US Air Force jet pilots**. RFG has committed to develop production capacity in the U.S. for the helmet shell and has already identified a location, initially rented, in Mooresville, NC, a major U.S. motorsport center and the base of an RFG pro-shop. The goal is to **structure the industrial presence in NA during 2023**, then start the **first deliveries during 2024** and have **tangible revenue contributions from 2025**.

DEFENSE PROJECTS DEVELOPMENTS: LIFT -RFG HELMETS SELECTED BY THE US AIR FORCE

JET PILOT HELMETS (TECHNICAL PARTNERSHIP WITH LIFT AIRBORNE)



LIFT - RFG Helmets, the choice of the US Air Force

Kyle Kietzmann, Chief Commercial Officer of Racing Force USA, Inc. said "Racing Force is proud to participate as a technology partner of LIFT to develop the ultralightweight carbon shell for the LIFT AV2.2, leveraging the technical innovation, advanced composite materials, and manufacturing techniques used to produce Formula 1 auto racing helmets under the BELL Helmets brand"

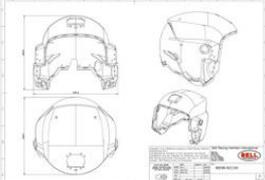
Guido Rietdyk, President and CEO of LIFT Airborne stated: "We would like to thank Racing Force for their expertise, and never-ending energy and drive to develop the carbon shell and help us bring the NGFWH project to the finish line. Our Company wouldn't have had this much success if it wasn't for the incredible work of Racing Force and our other technology partners to make the vision of the NGFWH a reality for both LIFT and our USAF customer. We look forward to a longterm partnership with Racing Force Group."

KEY UPDATES

- ✓ Successfully presented at the Dubai Airshow
- ✓ Available to US allied countries
- ✓ Extension of the partnership with LIFT Airborne for helicopter helmets, in defense version (ballistic) and civil version

NEXT MILESTONES

- **Sep. 2022** - Signing of the Memorandum of Understanding with LIFT
- **2023** - Final Definition of the Product
- **2024** - First Main Production batch
- **2025** - Main Production in full swing



Source: Company presentation

There are no quantitative indications at this stage, but we think that the magnitude of the supply order could be **several € mn annually at full capacity**, on the back of similar total investments (net of real estate) in 2023-24. The tender then offers **numerous opportunities to RFG in the defense world**, given the interest expressed by **other U.S. defense forces** and **other allied countries** as well as for **new collaborations under consideration with Lift** (e.g. defense and civilian rotary wings). **The results of the jet pilot tender and the MoU with Lift give strong credibility to RFG defense diversification options** envisaged at the IPO.

- The company is progressing in the **certification of the special force and police riot head protections**, in collaboration with the German Fraunhofer Institute, **expected by 1Q23**. Start of commercialization is expected by the end of 2023.

STRONG TOP-LINE REVISION, MORE PRUDENT ON PROFITABILITY TO SUPPORT M/T DRIVERS

We remind the strong seasonality of the business, with 1H21 for example running at 24% Adj. EBITDA margin and 2H21 at 13.6%. **This seasonality is accentuated in our view in 2022** 1) by raw material cost inflation which will be more visible in 2H22 due to the time lag for the costs to pass to P&L, 2) by higher energy costs 3) by RFG action to strengthen the manufacturing and commercial structure (average employees are almost 100 people more in 1H22 vs 1H21), while the **revision of price list will be effective as of January 2023**.

Despite the aforementioned reasons for being prudent on the profitability side, **we have raised our revenues for 2022 by € 4mn to € 55mn**, increasing the contribution of open-faced helmets to € 4.5mn and the contribution of NA to € 15.5mn (28% of sales from 22% in 2019).

At EBITDA level, we have raised our estimate by 6% to € 10.6mn. We see the rebound in cost of goods sold and higher labor costs as the key reasons for a lower profitability in 2H22 (6.0%) vs. 2H21 (13.6%).

ESTIMATE REVISION (€ mn)						
	2022E	2022E	2023E	2023E	2024E	2024E
	Prev.	Curr.	Prev.	Curr.	Prev.	Curr.
Revenues	51.0	55.3	55.7	59.7	59.8	63.8
% chg		8.4%		7.2%		6.7%
Abs chg		4.3		4.0		4.0
Adj. EBITDA	10.0	10.6	11.5	11.7	13.4	13.4
% chg		6.1%		2.4%		0.2%
Abs chg		0.6		0.3		0.0
EBIT	7.6	8.0	8.6	8.5	10.0	9.7
% chg		5.6%		-1.0%		-3.3%
Abs chg		0.4		-0.1		-0.3
Net income	5.5	6.4	6.3	6.3	7.5	7.3
% chg		14.7%		-1.1%		-3.4%
Abs chg		0.8		-0.1		-0.3
Adj EPS	23.3	24.3	26.6	26.4	31.6	30.5
% chg		4.3%		-1.1%		-3.4%
Abs chg		1.0		-0.3		-1.1
FCF	3.5	0.8	2.3	-0.7	5.9	5.7
% chg		-76.3%		-130.9%		-4.7%
Abs chg		-2.7		-3.1		-0.3
CAPEX	3.1	3.0	5.2	8.0	3.3	3.2
% chg		-2.0%		53.8%		-3.0%
Abs chg		-0.1		2.8		-0.1
NFP	-1.3	-3.6	-0.8	-6.3	3.1	-2.7
% chg		n.m.		n.m.		n.m.
Abs chg		-2.3		-5.5		-5.7

Source: Equita SIM estimates & company data

In terms of market multiples, RFG is showing a 20/30% discount on Shoei, the most comparable peer (though operating in motorbikes and with higher profitability vs. RFG) and by far the best performing stock in the panel YTD.

RFG AND PEERS MULTIPLES																
Company	Curr.	Price	Mkt cap (€mn)	Current EV	PERF YTD	EV/EBITDA		EV/EBIT		P/E		EBITDA margin		EBIT margin		ND/ Ebitda 2022E
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	
RACING FORCE SPA	EUR	4.6	109	110	-23.6	10.6 x	9.8 x	14.0 x	13.6 x	18.8 x	17.4 x	19.3%	19.7%	14.5%	14.2%	0.3 x
SHOEI CO LTD	JPY	5,440	1,034	955	20.1	15.0 x	13.4 x	16.8 x	15.2 x	25.5 x	23.0 x	31.5%	32.5%	28.1%	28.6%	-1.2 x
High Performance Sport equipment																
FOX FACTORY HOLD	USD	82.7	3,607	3,929	-51.4	9.5 x	9.4 x	11.6 x	7.8 x	14.1 x	15.2 x	21.0%	20.3%	17.3%	24.4%	-0.5 x
CLARUS CORP	USD	12.8	494	623	-53.8	6.3 x	5.0 x	10.4 x	6.0 x	8.2 x	8.9 x	16.5%	17.2%	10.0%	14.2%	0.6 x
ACUSHNET HOLDING	USD	44.0	3,229	3,534	-17.1	9.5 x	n.a.	13.7 x	12.7 x	14.9 x	13.1 x	15.6%	n.m.	10.9%	11.2%	0.4 x
PIERER MOBILITY	CHF	58.0	2,021	2,407	-38.3	5.5 x	5.0 x	9.4 x	n.a.	12.4 x	11.2 x	15.9%	16.7%	9.2%	n.m.	0.2 x
VISTA OUTDOOR	USD	25.5	1,488	2,091	-44.6	1.3 x	4.7 x	1.5 x	6.0 x	4.2 x	6.9 x	18.6%	14.8%	15.5%	11.5%	-1.1 x
Average						5.6 x	6.0 x	8.2 x	6.6 x	9.7 x	10.6 x	18.0%	17.3%	13.0%	16.7%	-0.2 x
Median						5.9 x	5.0 x	9.9 x	6.0 x	10.3 x	10.1 x	17.6%	17.0%	12.7%	14.2%	-0.1 x
Defense/Medical High Performance Safety Equipment																
MSA SAFETY INC	USD	114.6	4,628	5,093	-24.1	13.5 x	n.a.	16.4 x	n.a.	19.0 x	n.a.	22.3%	n.m.	18.3%	n.m.	n.m.
GENTEX CORP	USD	24.2	5,871	5,595	-30.6	8.3 x	6.9 x	10.3 x	8.8 x	12.3 x	10.0 x	29.5%	32.9%	23.7%	25.7%	n.m.
ANSELL LTD	AUD	25.9	2,136	2,422	-17.8	6.9 x	6.4 x	8.8 x	8.0 x	19.1 x	17.9 x	16.2%	16.6%	12.8%	13.1%	0.2 x
AVON PROTECTION	GBp	991.5	341	417	-11.6	7.4 x	6.2 x	10.6 x	8.4 x	13.3 x	10.2 x	18.7%	22.2%	13.1%	16.4%	1.5 x
Average						9.0 x	6.5 x	11.5 x	8.4 x	15.9 x	12.7 x	21.7%	23.9%	17.0%	18.4%	0.9 x
Median						7.8 x	6.4 x	10.5 x	8.4 x	16.1 x	10.2 x	20.5%	22.2%	15.7%	16.4%	0.9 x

Source: Equita SIM estimates and Bloomberg data

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	55.3	59.7	63.8
Growth	-	-8%	38%	18%	8%	7%
Total opex	-16.7	-13.6	-19.5	-21.4	-23.1	-24.6
Growth	-	-19%	43%	10%	8%	6%
Margin	-46%	-40%	-42%	-39%	-39%	-38%
Adjusted EBITDA	4.2	5.4	9.0	10.6	11.7	13.4
Growth	-	28%	47%	35%	10%	14%
Margin	11.4%	15.9%	19.2%	19.3%	19.7%	21.0%
Depreciation& amortization	-2.2	-2.3	-2.3	-2.4	-3.1	-3.5
Provisions	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2
Depreciation&provision	-2.4	-2.5	-2.4	-2.6	-3.3	-3.7
EBIT	1.8	2.8	5.5	8.0	8.5	9.7
Growth	-	59%	94%	46%	6%	14%
Margin	4.9%	8.4%	11.8%	14.5%	14.2%	15.2%
Net financial profit/Expenses	-5.6	-0.9	-0.7	-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	6.9	0.2	0.4	0.6	0.0	0.0
Total financial expenses	1.3	-0.7	-0.3	0.2	-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	8.2	8.1	9.4
Growth	-	-0.3	1.4	0.6	0.0	0.2
Taxes	-0.7	-0.7	-1.1	-1.8	-1.8	-2.1
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	6.4	6.3	7.3
Growth	-	-41%	190%	52%	-1%	16%
Margin	6.6%	4.3%	8.9%	11.5%	10.5%	11.4%
Adj. net income	2.4	1.4	4.9	5.8	6.3	7.3
Growth	-	-41%	243%	17%	9%	16%
Margin	6.6%	4.3%	10.6%	10.5%	10.5%	11.4%
CF Statement	2019	2020	2021	2022E	2023E	2024E
Cash Flow from Operations	n.a.	3.3	6.4	8.4	9.0	10.5
(Increase) decrease in ONWC	n.a.	-1.7	-1.9	-4.1	-1.3	-1.2
(Purchase of fixed assets)	n.a.	-1.1	-5.3	-3.4	-8.4	-3.6
(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	-1.9	-2.1
Rights issue	n.a.	0.1	18.8	0.0	0.0	0.0
Other	n.a.	1.7	-0.5	0.4	0.0	0.0
(Increase) Decrease in Net Debt	n.a.	-0.9	15.5	-0.4	-2.6	3.6

Source: Equita SIM estimates and company data

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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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