

## EQUITY RESEARCH

# RACING FORCE SPA

NEWS

**BUY**

**TP 6.1€**

Up/Downside: 27%

### A First for Driver's Eye

**Formula 1 has published on its website images of the Driver's Eye, recorded from Max Verstappen's helmet during the second free practice session. This was a first as the World Champion's helmet is not a Bell helmet.**

For the first time, the patented technology the Racing Force's Driver's Eye was incorporated in a helmet from another manufacturer. The world's smallest camera was installed in the Schubert helmet of world champion Max Verstappen for TV broadcasting during the second free practice session in Abu Dhabi. The images, published on the Formula 1 website, are perfectly in line with those from the Bell helmets, proving that the technology can be perfectly integrated with the other helmets. The group has been working on this integration for several weeks, as the F1 commission announced in April that all drivers will have to wear Driver's Eye technology in their helmets starting next season. Furthermore, during the 2022 season, 60% of drivers wore Bell helmets; RFG has announced that this proportion will be even higher next season, without specifying an exact figure.

For the record, Driver's Eye technology could quickly become an important growth driver for the Racing Force group. Indeed, although the technology is currently used 'only' in Formula E and Formula 1, it could be introduced into other competitions such as NASCAR in the United States. On 2 November, the group shared images of the Driver's Eye tests during the runoffs in Martinsville, Virginia. A contract with NASCAR could prove significant as the competition has 36 races each season compared to this season's 23 for Formula 1, rising to 24 for the 2023 season. Beyond motorsport, the Driver's Eye could also be of interest to a variety of industries: motorcycling, skiing, extreme sports such as climbing and skydiving, and the defence industry.

For now, our estimates remain unchanged. We are reiterating both our Buy rating and TP of €6.1.

Images of the Driver's Eye in Max Verstappen's helmet: <https://www.formula1.com/en/latest/article.watch-ride-onboard-for-max-verstappens-fastest-lap-of-fp2-in-abu-dhabi.32TMzzFNncprf6KmG3CKh7.html>

Driver's Eye test images from NASCAR : <https://youtu.be/ddYhZNzVmas>

#### Key data

Price (€)	4.8
Industry	Protective Equipment
Ticker	RFG-IT
Shares Out (m)	23.757
Market Cap (m €)	114.0

#### 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	0.25	0.30	0.35
Change vs previous estimates (%)	0.0	0.0	0.0

#### Performance (%)

	1D	1M	YTD
Price Perf	-1.8	-0.6	-19.9
Rel FTSE Italy	-3.2	-13.2	-10.8



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e
Sales (m €)	46.7	54.8	61.5	67.0	EV/Sales	2.2	1.9	1.7
Current Op Inc (m €)	5.5	8.2	10.3	12.0	EV/EBITDA	10.9	8.8	7.5
Current op. Margin (%)	11.8	15.0	16.8	17.9	EV/EBIT	14.3	11.4	9.5
EPS (€)	0.18	0.25	0.30	0.35	PE	19.4	16.0	13.7
DPS (€)	0.07	0.10	0.12	0.14				
Yield (%)	1.5	2.1	2.5	2.9				
FCF (m €)	-0.8	2.0	3.1	6.9				

**Analyst**  
Corentin Marty  
cmarty@midcapp.com  
33173030981



## FINANCIAL DATA

<b>Income Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
Sales	25.7	33.7	46.7	54.8	61.5	67.0
Changes (%)	na	31.2	38.4	17.3	12.4	8.9
Gross profit	12.3	20.1	27.2	32.0	36.2	39.4
% of Sales	47.9	59.7	58.3	58.4	58.9	58.8
<b>EBITDA</b>	<b>4.0</b>	<b>5.4</b>	<b>7.9</b>	<b>10.8</b>	<b>13.3</b>	<b>15.1</b>
% of Sales	15.6	15.9	16.9	19.7	21.6	22.5
<b>Current operating profit</b>	<b>2.5</b>	<b>2.8</b>	<b>5.5</b>	<b>8.2</b>	<b>10.3</b>	<b>12.0</b>
% of Sales	9.7	8.4	11.8	15.0	16.8	17.9
EBIT	2.5	2.8	5.5	8.2	10.3	12.0
Net financial result	-0.3	-0.7	-0.3	-0.1	-0.4	-0.4
Income Tax	-0.7	-0.7	-1.1	-2.3	-2.8	-3.2
Tax rate (%)	31.2	33.1	20.4	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>1.5</b>	<b>1.4</b>	<b>4.2</b>	<b>5.9</b>	<b>7.1</b>	<b>8.3</b>
EPS	na	0.07	0.18	0.25	0.30	0.35
<b>Financial Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
Goodwill	0.0	5.7	5.7	5.7	5.7	5.7
Tangible and intangible assets	0.0	8.8	13.1	15.3	18.1	18.8
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	14.6	16.3	17.5
Other Assets	0.0	0.2	0.7	0.7	0.7	0.7
<b>Assets</b>	<b>0.0</b>	<b>30.7</b>	<b>34.7</b>	<b>39.0</b>	<b>43.5</b>	<b>45.5</b>
Shareholders equity group	0.0	8.2	29.9	34.1	38.8	44.3
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	3.7	3.4	-0.1
Other liabilities	0.0	0.0	0.1	0.1	0.1	0.1
<b>Liabilities</b>	<b>0.0</b>	<b>30.7</b>	<b>34.7</b>	<b>39.0</b>	<b>43.5</b>	<b>45.5</b>
Net debt excl. IFRS 16	0.0	17.0	1.0	1.2	0.9	-2.6
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
<b>Cash flow statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
CF after elimination of net borrowing costs and taxes	0.0	4.0	6.7	8.4	10.1	11.4
$\Delta$ WCR	0.0	-1.7	-2.2	-2.1	-1.7	-1.2
Operating cash flow	0.0	2.4	4.5	6.3	8.4	10.2
Net capex	0.0	-1.1	-5.3	-4.4	-5.2	-3.4
FCF	0.0	1.2	-0.8	2.0	3.1	6.9
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	-2.4	-2.8
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	-0.2	0.3	3.5
ROA (%)	na	3.3%	6.4%	8.2%	9.2%	9.9%
ROE (%)	na	17.5%	13.9%	17.3%	18.3%	18.8%
ROCE (%)	na	7.0%	12.8%	15.3%	17.4%	19.3%

## DISCLAIMER

### Analyst certifications

This research report (the “Report”) has been approved by Midcap, a business division of TP ICAP (Europe) SA (“Midcap”), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (“ACPR”). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst’s and associate’s personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst’s or associate’s compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

### Methodology

This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

### Conflict of Interests

D. Midcap or any related legal entity is a market maker or liquidity provider with whom a liquidity agreement has been entered into in respect of the Issuer's financial instruments: Racing Force SpA

F. Midcap or any legal entity related to it is party to any other agreement with the Issuer relating to the provision of investment services in connection with the corporate activity: Racing Force SpA

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Racing Force SpA

### History of investment rating and target price – Racing Force SpA



## Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	85%	65%
Hold	13%	39%
Sell	1%	0%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

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

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

## General Disclaimer

This Report is confidential and is for the benefit and internal use of the selected recipients only. No part of it may be reproduced, distributed, or transmitted without the prior written consent of Midcap

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. This Report is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of MIFID II regulation. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. The Report is subject to restricted circulation. The research was conducted in accordance with the provisions of the Charter. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.