

## EQUITY RESEARCH

# RACING FORCE SPA

NEWS

**BUY**

**TP 6.1€**

Up/Downside: 15%

### New SFI Approved Product Line

As expected, the Racing Force group yesterday announced the launch of a complete range of SFI approved racewear equipment for the US market, which will be available starting in January 2023.

Expected before the end of the year, and it's now arrived: the Racing Force group announced yesterday the launch of its new SFI approved racewear line for the American market.

For the record, the American market represents one of the three major growth drivers for the group over the next few years. Indeed, while RFG is the world leader in the niche market of protective equipment for the motorsport industry, it is only #3 in the US market, behind its two main competitors: Simpson and Sparco. The group intends to exploit the commercial synergies resulting from the merger between OMP and BELL, the latter being a historic brand on the American market. If the vast majority of competitions in the world are under the FIA's control, a certain number of competitions in the USA depend on the SFI homologation. While the group already had some SFI homologated OMP products, the idea is obviously to offer a complete line of racewear equipment for the US market. In order to maximise synergies, this new line will be presented under BELL, which has brand recognition in the USA.

While H1 2022, sales in the AMER zone showed strong growth (49% vs. 35% for total revenue) to represent 27% of the group's sales, the launch of this new racewear line at the beginning of 2023 should support growth in this region and testify to the materialisation of the synergies between OMP and BELL. As this event has already been incorporated into our estimates, they remain unchanged. We are reiterating our Buy rating for Racing Force, as well as our TP of €6.1.

#### Key data

|                  |                      |
|------------------|----------------------|
| Price (€)        | 5.3                  |
| Industry         | Protective Equipment |
| Ticker           | RFG-IT               |
| Shares Out (m)   | 23.757               |
| Market Cap (m €) | 126.2                |

#### 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     | -0.7 | 11.1 | -11.4 |
| Rel FTSE Italy | 0.4  | 7.2  | 0.3   |



| 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        | 2.4    | 2.1    | 1.9    |
| Current Op Inc (m €)     | 5.5   | 8.2    | 10.3   | 12.0   | EV/EBITDA       | 12.0   | 9.7    | 8.3    |
| Current op. Margin (%)   | 11.8  | 15.0   | 16.8   | 17.9   | EV/EBIT         | 15.8   | 12.6   | 10.5   |
| EPS (€)                  | 0.18  | 0.25   | 0.30   | 0.35   | PE              | 21.5   | 17.7   | 15.1   |
| DPS (€)                  | 0.07  | 0.10   | 0.12   | 0.14   |                 |        |        |        |
| Yield (%)                | 1.3   | 1.9    | 2.3    | 2.6    |                 |        |        |        |
| FCF (m €)                | -0.8  | 2.0    | 3.1    | 6.9    |                 |        |        |        |

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## 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%         |

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3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
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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** |
|--------------|--------------------------|--|
| Buy          | 85%                      | 65%  |
| Hold         | 13%                      | 33%  |
| Sell         | 1%                       | 0%   |
| Under review | 1%                       | 100%   |

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