

## EQUITY RESEARCH

# RACING FORCE SPA

## RESULTS REVIEW

Press release

**BUY**

**TP 6.3€ (vs 6.1€)**  
Up/Downside: 18%

### DRS on

Yesterday, Racing Force published a strong report. Revenue landed at €58.8m (+26.1% yoy), well above our expectations of €54.8m (+17.3%), still buoyed by the performance of its protective equipment for pilots, in particular Bell helmets.

Once again, the group has delivered a strong publication. Thanks to a robust Q4 (€13.4m, +21.3% yoy), Racing Force closed the year at €58.8m, up 26.1% yoy, including positive currency effects of 2.8%.

Unsurprisingly, growth was driven in particular by the Driver's Equipment segment (+30% yoy), more particularly by the performance of Bell helmets. For the record, the open-face helmet range dedicated to rallying has shown triple-digit growth rates since its launch (+177% in 2021, +143% in H1 2022), a trend that seems to have continued in H2 2022. Although less dynamic, the Car Parts segment is also showing strong growth of 15.9%.

Regionally, the AMER region continues to outperform the group's overall growth with a 44.3% increase in sales in this region vs. 22.6% in Europe and 8.3% in the APAC region. This performance seems quite logical in view of the synergies, which are still significant, resulting from the combination of the Bell and OMP brands, but also of the group's position in this region, where it is only the third largest player behind its two historical competitors (Simpson and Sparco) despite its position as world leader.

Regarding the outlook, although it is still early to predict the outlook for FY 2023, the momentum is still strong at the beginning of the year. In addition, the recent receipt of SFI approval for a complete range of equipment, marketed at the beginning of the year in the USA, represents an important growth driver, in our opinion, and should enable the group to maintain significant growth in this region despite relatively high base effects. Q1 revenue, which will be released on 20 April, should provide higher visibility for the current FY given the seasonality of the group's business and its focus on H1.

Following this strong publication, our estimates have logically been upgraded for the next few years, while maintaining our top-line growth expectations. After taking these new estimates into account, we are upgrading our TP to €6.3 (vs. €6.1 previously) and reiterating our Buy rating.

#### Key data

Price (€)	5.3
Industry	Protective Equipment
Ticker	RFG-IT
Shares Out (m)	25.702
Market Cap (m €)	137.2
Next event	RN 2022 - 30/03/2023

#### Ownership (%)

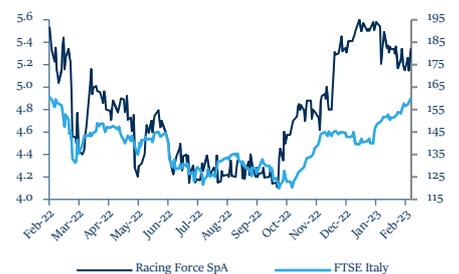
SAYE S.p.A	57.0
GMP Investments Holdings Limited	5.4
Others	7.6
Free float	30.0

#### EPS (€)

	12/22e	12/23e	12/24e
Estimates	0.27	0.30	0.35
Change vs previous estimates (%)	8.09	7.45	6.83

#### Performance (%)

	1D	1M	YTD
Price Perf	1.7	-3.6	-2.9
Rel FTSE Italy	0.5	-10.0	-15.1



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e
Sales (m €)	46.7	58.8	66.0	71.8	EV/Sales	2.3	2.0	1.8
Current Op Inc (m €)	5.5	8.9	11.1	12.8	EV/EBITDA	11.6	9.3	8.0
Current op. Margin (%)	11.8	15.1	16.8	17.8	EV/EBIT	15.0	11.9	10.0
EPS (€)	0.18	0.27	0.30	0.35	PE	20.0	17.9	15.4
DPS (€)	0.07	0.10	0.12	0.14				
Yield (%)	1.3	1.9	2.2	2.6				
FCF (m €)	-0.8	-0.3	4.8	7.3				

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## FINANCIAL DATA

Income Statement	12/19	12/20	12/21	12/22e	12/23e	12/24e
Sales	25.7	33.7	46.7	58.8	66.0	71.8
Changes (%)	na	31.2	38.4	25.9	12.3	8.8
Gross profit	12.3	20.1	27.2	34.3	38.8	42.2
% of Sales	47.9	59.7	58.3	58.4	58.8	58.8
<b>EBITDA</b>	<b>4.0</b>	<b>5.4</b>	<b>7.9</b>	<b>11.5</b>	<b>14.1</b>	<b>16.1</b>
% of Sales	15.6	15.9	16.9	19.6	21.4	22.4
<b>Current operating profit</b>	<b>2.5</b>	<b>2.8</b>	<b>5.5</b>	<b>8.9</b>	<b>11.1</b>	<b>12.8</b>
% of Sales	9.7	8.4	11.8	15.1	16.8	17.8
EBIT	2.5	2.8	5.5	8.9	11.1	12.8
Net financial result	-0.3	-0.7	-0.3	-0.1	-0.4	-0.4
Income Tax	-0.7	-0.7	-1.1	-2.5	-3.0	-3.4
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>6.4</b>	<b>7.6</b>	<b>8.9</b>
EPS	na	0.07	0.18	0.27	0.30	0.35
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	15.6	18.6	19.4
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	17.1	17.4	18.7
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>41.8</b>	<b>45.2</b>	<b>47.3</b>
Shareholders equity group	0.0	8.2	29.9	44.4	49.5	55.4
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	-3.8	-5.6	-9.3
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>41.8</b>	<b>45.2</b>	<b>47.3</b>
Net debt excl. IFRS 16	0.0	17.0	1.0	-6.3	-8.1	-11.8
Gearing net	na	2.5	0.1	-0.1	-0.1	-0.2
Leverage	0.0	4.0	0.4	-0.3	-0.4	-0.6
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	9.0	10.7	12.2
$\Delta$ WCR	0.0	-1.7	-2.2	-4.6	-0.4	-1.3
Operating cash flow	0.0	2.4	4.5	4.4	10.4	10.9
Net capex	0.0	-1.1	-5.3	-4.7	-5.6	-3.6
FCF	0.0	1.2	-0.8	-0.3	4.8	7.3
Free Cash Flow excl IFRS 16	0.0	0.0	0.0	0.0	0.0	0.0
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	-1.8	-2.5	-3.1
Repayment of leasing debt	0.0	-0.7	-0.3	-0.5	-0.5	-0.5
Equity Transaction	0.0	0.5	18.8	10.0	0.0	0.0
Others	0.0	-3.6	-0.4	0.0	0.0	0.0
Change in net cash over the year	0.0	3.3	13.5	7.4	1.7	3.7
ROA (%)	na	3.3%	6.4%	7.7%	8.6%	9.2%
ROE (%)	na	17.5%	13.9%	14.3%	15.4%	16.1%
ROCE (%)	na	7.0%	12.8%	15.4%	17.9%	19.8%

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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.

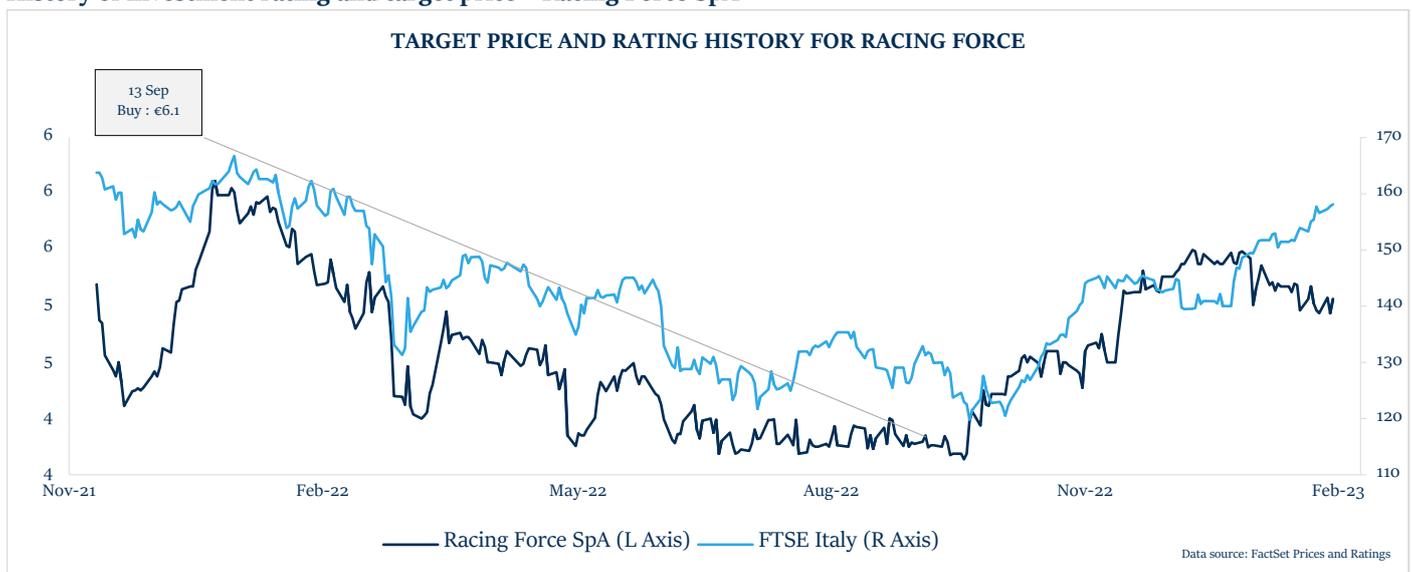
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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	85%	63%
Hold	13%	42%
Sell	1%	50%
Under review	1%	100%

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

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