

EQUITY RESEARCH

RACING FORCE SPA

NEWS
Press release

BUY

TP 6.3€

Up/Downside: 18%

Omnipresent on the Starting Grid

Yesterday, on the eve of the first Grand Prix of the 2023 Formula 1 season, Racing Force offered an update regarding its presence on the starting line of the top motor sport discipline, surpassing even last year's standing.

For the 3rd year in a row, the 2023 Formula 1 season will kick off at the Sakhir International Circuit (Bahrain) where, for the record, the group has its Bell helmet production unit. While these same Bell helmets were used by 60% of F1 drivers during the 2022 season (12/20), two more drivers have chosen the Bell HP77 for the 2023 season, bringing its share to 70% (14/20). The rookies Oscar Piastri (McLaren), Nick De Vries (AlphaTauri) and Logan Sargeant (Williams) were added to the 2022 list of drivers wearing a Bell helmet. With the exception of Nicolas Latifi, who was not renewed by his team, the list includes: Charles Leclerc, Carlos Sainz, Lewis Hamilton, George Russell, Fernando Alonso, Lando Norris, Pierre Gasly, Esteban Ocon, Kevin Magnussen, Guanyu Zhou and Alex Albon. Also for the record, the Driver's Eye, the world's smallest TV broadcast camera developed by RFG, which has been fitted to Bell helmets since its introduction in F1 2021, will be compulsory for all drivers and helmets on the 2023 grid, including the 14 drivers wearing Bell helmets, as well as the seven drivers wearing other helmet brands. Finally, as in 2022, the Williams team, in addition to the Bell helmets, will also be equipped with the safety suits and harnesses designed and developed by OMP. As part of its new branding strategy designed to penetrate the US market, which will host 3 of the year's 23 GPs, the OMP suits worn by Alex Albon and Logan Sargeant will also carry the Bell logo.

The group also announced a significant presence in the F2 and F3 championships. In F2, 15 of the 22 drivers will be equipped with Bell helmets and 1 driver will wear an OMP suit (Arthur Leclerc). In F3, 20 of the 30 drivers will have Bell helmets and 7 drivers will wear OMP suits.

While the increased presence in the top discipline is not expected to have a direct impact on the group's revenue, as the products are made available to the drivers, it does represent one of the most important marketing platforms and a necessary step in promoting the group's products to the entire motorsport pyramid of semi-professional and amateur drivers representing 98.5% of the market. The group will release and present its FY results in Paris on 30 March. For now, we are reiterating both our TP of €6.3 and our Buy rating for Racing Force.

Key data

Price (€)	5.3
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.702
Market Cap (m €)	136.7
Next event	RN 2022 - 30/03/2023

Ownership (%)

SAYE S.p.A	52.7
GMP Investments Holdings Limited	5.0
Float	42.3
Free float	30.0

EPS (€)

	12/22e	12/23e	12/24e
Estimates	0.27	0.30	0.35
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)

	1D	1M	YTD
Price Perf	0.2	1.9	-3.3
Rel FTSE Italy	0.9	-0.4	-14.8



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e
Sales (m €)	46.7	58.8	66.0	71.8	EV/Sales	2.4	2.0	1.8
Current Op Inc (m €)	5.5	8.9	11.1	12.8	EV/EBITDA	12.4	9.3	7.9
Current op. Margin (%)	11.8	15.1	16.8	17.8	EV/EBIT	16.1	11.9	10.0
EPS (€)	0.18	0.27	0.30	0.35	PE	19.9	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
EBITDA	4.0	5.4	7.9	11.5	14.1	16.1
% of Sales	15.6	15.9	16.9	19.6	21.4	22.4
Current operating profit	2.5	2.8	5.5	8.9	11.1	12.8
% 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
Net profit, group share	1.5	1.4	4.2	6.4	7.6	8.9
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
Assets	0.0	30.7	34.7	41.8	45.2	47.3
Shareholders equity group	0.0	8.2	29.9	34.4	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	6.2	-5.6	-9.3
Other liabilities	0.0	0.0	0.1	0.1	0.1	0.1
Liabilities	0.0	30.7	34.7	41.8	45.2	47.3
Net debt excl. IFRS 16	0.0	17.0	1.0	3.7	-8.1	-11.8
Gearing net	na	2.5	0.1	0.2	-0.1	-0.2
Leverage	0.0	4.0	0.4	0.5	-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
Δ 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	0.0	10.0	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	-2.6	11.7	3.7
ROA (%)	na	3.3%	6.4%	8.7%	8.6%	9.2%
ROE (%)	na	17.5%	13.9%	18.5%	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:

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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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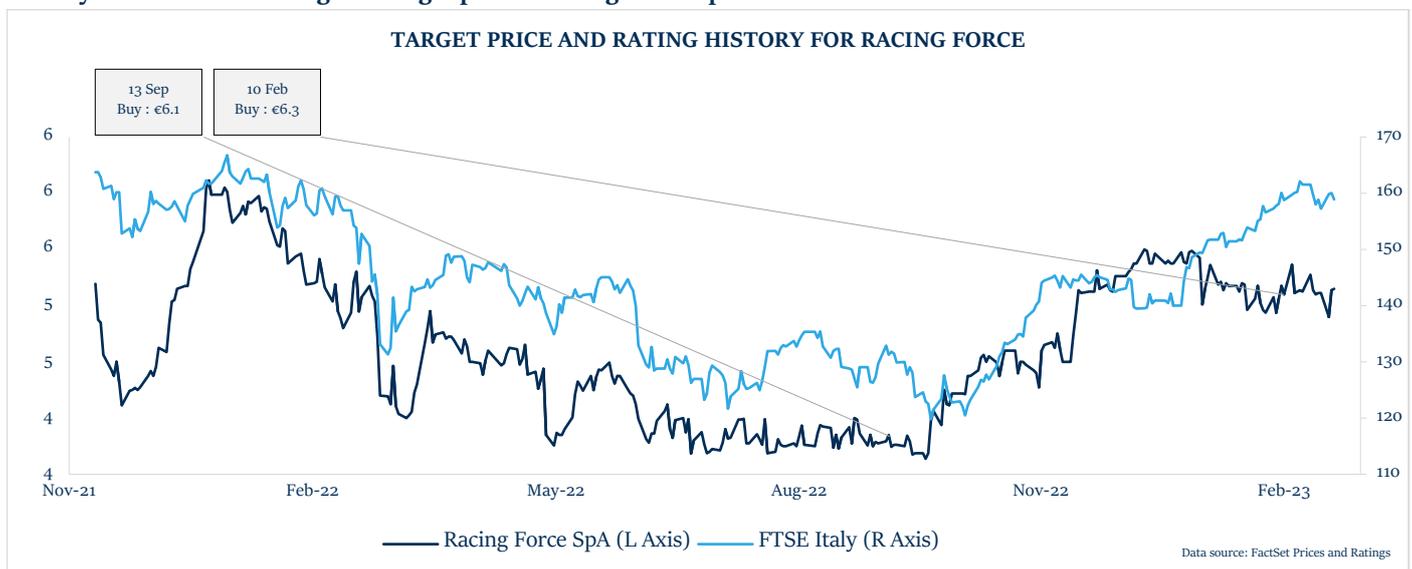
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History of investment rating and target price – Racing Force SpA



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	85%	63%
Hold	13%	42%
Sell	1%	50%
Under review	1%	0%

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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.

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