



RACING FORCE

Earnings Review

BUY ord. (Unchanged)

Target: **€ 7.00** (Prev.: €6.80)

Risk: High

STOCKDATA	ORD
Price (as of 24 Apr 2023)	5.6
Bloomberg Code	RFG IM
Market Cap (€ mn)	143
Free Float	47%
Shares Out (mn)	23.8
52 week Range	€ 4.1 - 5.6
Daily Volume	12,950

Performance (%)	1M	3M	1Y
Absolute	13.2	4.9	13.5
Rel to FTSE Italia All-Share	2.2	6.9	1.5

MAIN METRICS	2022	2023E	2024E
SALES Adj	58.9	63.2	67.5
EBITDA Adj	11.7	12.7	14.6
EBIT Adj	8.8	9.2	10.4
NET INCOME Adj	7.6	7.1	7.9
EPS Adj - €c	31.8	27.6	30.9
EPS Adj FD - €c	31.8	26.5	29.7
DPS Ord - €c	9.0	9.0	9.0

MULTIPLES	2022	2023E	2024E
P/E ord Adj	17.3x	20.2x	18.0x
P/E ord Adj FD	17.3x	20.9x	18.7x
EV/EBITDA Adj	12.1x	11.4x	9.9x
EV/EBIT Adj	15.9x	15.8x	13.9x

REMUNERATION	2022	2023E	2024E
Div. Yield ord (A)	1.6%	1.6%	1.6%
FCF Yield	-2.1%	-0.2%	2.4%

INDEBTEDNESS	2022	2023E	2024E
NFP Adj	-7.7	-0.3	0.8
NFP ex-IFRS16	-4.4	2.8	4.0
D/Ebitda Adj	0.7x	0.0x	n.m.



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STRONG PROGRESS IN CORE AND DIVERSIFICATION PROJECTS

Racing Force has delivered another year at strong double-digit growth and has progressed in the execution of the strategic core and diversification projects. We start to factor in our numbers the jet pilot's helmet for 2024-25. We also present a preliminary assessment of the SWAT and police riot helmets opportunity, not yet included in our estimates. Target raised to € 7.0PS.

■ FY22 results: another year at double-digit pace

- **Revenues:** € 58.9mn (+26% YoY) vs € 58.8mn exp. (already announced);
- **Adj. EBITDA:** € 11.7mn (+31% YoY) vs € 11.5mn exp.;
- **Adj. net income:** € 7.6mn (+54% YoY) vs € 6.3mn expected.

Racing Force Group (RFG) FY22 results showed a strong +26.1% YoY growth, driven by Americas (+44.3%), followed by EMEA (+22.7%) and APAC (+8.3%). **Adj. EBITDA jumped by +31%, with margin up by +60bps YoY to 19.8%**, despite inflationary pressures and investments to strengthen production capacity. Bottom line was better than expected also due to a **lower tax rate** (13% thanks to country mix and IPO fiscal credits vs. 23% exp.). **FCF was € -2mn, after € 4.3mn CAPEX** and a **large increase in working capital** (€ 7.5mn, mainly due to higher inventories).

■ Supportive messages on execution of key growth projects

Key messages from management presentation:

1. In the **U.S., 2023** will benefit from the new **complete range of SFI-certified product line** under the Bell brand and investments in the Mooresville centre. **Open helmets grew by 70% in 2022**, with an estimated 15% market share.
2. **Driver's eye gained visibility and recognition in 2022** through agreements signed with the big 4 series (F1, Nascar, SuperCars and Formula-E).
3. **Jet Pilot Helmets.** The project is now in the execution phase. First sales are expected in 2024, with full benefit as of 2025.
4. **SWAT and Police Riot Helmets.** Certification and prototypes are expected by year end, with commercial opportunities, not yet quantifiable, from 2024.

■ 2023 got off to a strong start

1Q23 sales grew by 17.3% to € 20.6mn (+16.2% at constant FX) with **well-balanced contribution from the two main geographical areas:** EMEA +19.6%, Americas +17.1%.

■ Estimate revision: we add first initial contribution from jet pilot's helmets

After the release of FY22 results **we confirmed our +7% sales growth for FY23 to € 63mn**, while raising EBITDA by 1% to € 12.7mn (**margin +30bps YoY to 20.1%**) and EPS by 3%, thanks to lower tax rate (20% from 22.5%). **For 2024-25 we start to factor in a contribution from the jet pilot's helmets project** (€ 0.5mn in 2024, € 3mn in 2025), **but we prudently do not yet consider likely add-ons from other related opportunities and contribution from the SWAT and Police Riot helmets.**

■ Preliminary considerations on the SWAT and police riot helmets opportunity

We have provided a **preliminary assessment of the addressable market from SWAT and police riot helmets**, though not yet factored in our numbers. **We estimate a yearly addressable market in the € 150-200mn range** and therefore our assumption of € 10mn sales to set an option value from these diversification projects would imply a market share in the 5-7% area, suggesting a high potential for further increase in the medium-long run.

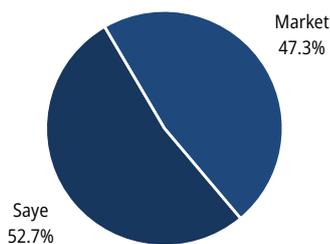
■ Valuation raised to € 7.0PS

With the stock trading at 11x-10x EV/EBITDA and 20x-18x Adj PE 2023-24, with estimates just marginally reflecting the diversification opportunities, **we see current multiples as still attractive.** Our **DCF valuation based on explicit estimates** (core motorsport + jet pilot's helmets) **brings us to a valuation of € 6.4PS.** **We add € 0.6 as optionality linked to medium-term developments** (mostly SWAT and Police Riot helmets at the moment, as commented before). We therefore set a target price of € 7.0PS,

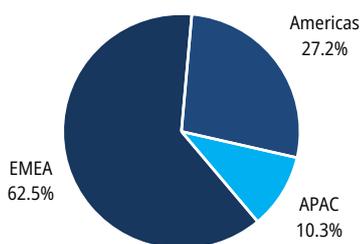
MAIN FIGURES - EURmn	2020	2021	2022	2023E	2024E	2025E
SALES Adj	33.7	46.7	58.9	63.2	67.5	74.1
Growth	-7.8%	38.4%	26.1%	7.4%	6.9%	9.7%
EBITDA Adj	5.4	9.0	11.7	12.7	14.6	16.5
Growth	28.3%	66.9%	30.6%	9.0%	14.6%	13.0%
EBIT Adj	2.8	6.6	8.8	9.2	10.4	11.9
Growth	59.3%	130.6%	34.7%	4.5%	12.2%	15.2%
Net Income Adj	1.4	4.9	7.6	7.1	7.9	9.1
Growth	-40.7%	243.1%	53.5%	-6.2%	12.0%	14.8%
MARGIN - %	2020	2021	2022	2023E	2024E	2025E
EBITDA Adj Margin	15.9%	19.2%	19.8%	20.1%	21.6%	22.2%
Ebit Adj margin	8.4%	14.1%	15.0%	14.6%	15.4%	16.1%
Net Income Adj margin	4.3%	10.6%	12.9%	11.2%	11.8%	12.3%
SHARE DATA	2020	2021	2022	2023E	2024E	2025E
EPS Adj	7.4	25.1	31.8	27.6	30.9	35.4
Growth	-40.7%	236.6%	26.9%	-13.3%	12.0%	14.8%
DPS ord(A)	0.0	7.0	9.0	9.0	9.0	10.3
BVPS	0.4	1.3	1.5	2.4	2.6	2.9
VARIOUS	2020	2021	2022	2023E	2024E	2025E
Capital Employed	28.1	34.3	45.5	62.8	67.3	69.9
FCF	-2.7	-1.5	-2.7	-0.2	3.4	6.5
CAPEX	-1.1	-5.3	-4.3	-8.7	-6.4	-3.7
Working capital	10.0	12.4	19.9	21.1	22.7	25.3
INDEBTNESS	2020	2021	2022	2023E	2024E	2025E
Nfp Adj	-18.7	-3.2	-7.7	-0.3	0.8	5.0
D/E Adj	2.20	0.11	0.21	0.01	n.m.	n.m.
Debt / EBITDA Adj	3.5x	0.4x	0.7x	0.0x	n.m.	n.m.
NFP ex-IFRS16	-14.5	-0.7	-4.4	2.8	4.0	8.1
Interest Coverage	7.7x	28.6x	117x	35.0x	47.5x	68.4x
MARKET RATIOS	2020	2021	2022	2023E	2024E	2025E
P/E Ord Adj		23.9x	17.3x	20.2x	18.0x	15.7x
P/E Ord Adj FD		23.9x	17.3x	20.9x	18.7x	16.3x
PBV		4.0x	3.1x	2.3x	2.1x	1.9x
EV FIGURES	2020	2021	2022	2023E	2024E	2025E
EV/Sales		3.2x	2.4x	2.3x	2.1x	1.9x
EV/EBITDA Adj		16.5x	12.1x	11.4x	9.9x	8.5x
EV/EBIT Adj		22.5x	15.9x	15.8x	13.9x	11.8x
EV/CE		4.3x	3.1x	2.3x	2.1x	2.0x
REMUNERATION	2020	2021	2022	2023E	2024E	2025E
Div. Yield ord		1.3%	1.6%	1.6%	1.6%	1.9%
FCF yield		-0.6%	-1.9%	-0.2%	2.4%	4.6%
Roce Adj	7.7%	10.0%	15.6%	10.3%	10.9%	11.6%

Source: Company data and Equita SIM estimates

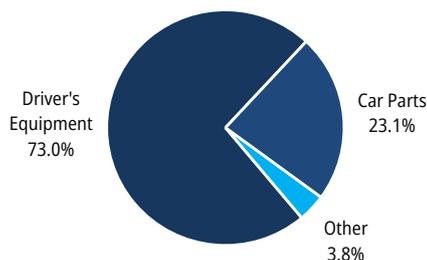
SHAREHOLDERS



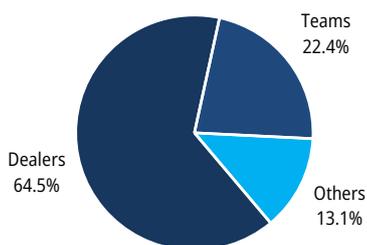
SALES BY GEOGRAPHY



SALES BY DIVISION



SALES BY CHANNEL



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 (73% of 2022 sales):** racing helmets, fire-retardant suits and underwear, racing shoes and gloves;
- **Car Parts (24% of 2022 sales):** racing seats, harnesses, roll bars, steering wheels, fire extinguisher systems, racing accessories.

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.

With **2022 revenues of € 58.9mn**, a 2019pf-22 **17% organic CAGR** and a **2022 Adj. EBITDA margin of 19.8%**, the Group today boasts an international footprint, with **sales in 80 countries**, more than **500 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 (70% of Formula 1 drivers wear Bell Helmets and 75% of WCR drivers wear OMP Suits). Revenues are **extremely diversified** in terms of **customers (3,400+ customers** worldwide, with the top 10 customers accounting for less than 25% of sales in 2022, 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 (65% of 2022 sales)**, and directly to top **Teams and Car Manufacturers (22% of 2022 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 1, Nascar, SuperCars and Formula E.
- **Jet Pilot Helmet's Shell and Special Force and Police Riot Head Protection:** 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 52.7% of the capital. Key managers are also present in the share capital.

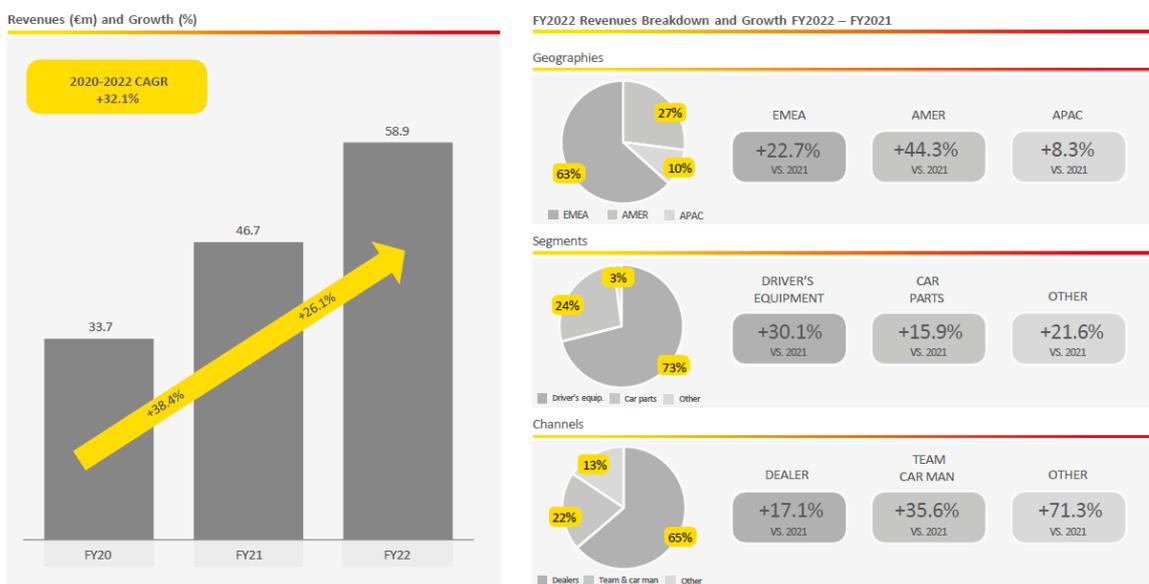
STRENGTHS / OPPORTUNITIES	WEAKNESSES /THREATS
- Premium, well-known and historical brands, with-outstanding reputation	- Niche market with moderate growth rates
- R&D know-how and almost fully vertical integrated supply chain and manufacturing	- Quite consolidated core market, with c70% in the hands of 3 players
- Low suppliers and customer concentration	- Disruptive innovations from competitors, mainly in terms of technologies or products performances
- Commercial synergies post Bell Helmet acquisition:- increase of OMP branded products reach in NA, and increase of Bell helmets penetration in open-face categories	- Reputational damage from product failures / quality leaks
- Diversification in adjacent markets (e.g. Special Force and Police Riot Helmets, Jet Pilot Helmets)	- Higher competitions in top categories from larger non "core" players such as Puma
- Scalability of Driver's Eye technology in core and adjacent markets	- Limited track record outside of Motorsport

FY22 RESULTS: ANOTHER YEAR AT FULL SPEED

- **Revenues:** € 58.9mn (+26% YoY) vs € 58.8mn exp. (already announced);
- **Adj. EBITDA:** € 11.7mn (+31% YoY) vs € 11.5mn exp.;
- **Adj. EBIT:** € 8.8mn (+35% YoY) vs € 8.7mn exp.;
- **Adj. net income:** € 7.6mn (+54% YoY) vs € 6.3mn exp.;
- **Net income:** € 7.5mn (+81% YoY) vs € 6.9mn exp.;
- **NFP:** € -7.6mn vs € -8.5mn expected.

Racing Force Group (RFG) FY22 results were slightly better than expected in terms of margins. Revenues had already been disclosed and had shown a strong +26.1% YoY growth, driven by Americas (+44.3%), followed by EMEA (+22.7%) and APAC (+8.3%). From a divisional standpoint, FY22 sales had been buoyed by Driver’s Equipment - helmets and technical wear (+30.1%), while Car Parts grew by +15.9% and the “Other” segment jumped by +21.6% (3% of total sales) thanks to a special project executed during the year.

SALES TREND AND SALES BREAKDOWN



Source: Company presentation

Adj. EBITDA jumped by +31% vs. +29% expected, with margin at 19.8% (19.6% exp), up by +60bps YoY despite inflationary pressures (mainly affecting raw materials, logistics and energy costs) **and investments to strengthen production capacity** (personnel moved from 413 employees at the end of 2021 to 510 at the end of 2022).

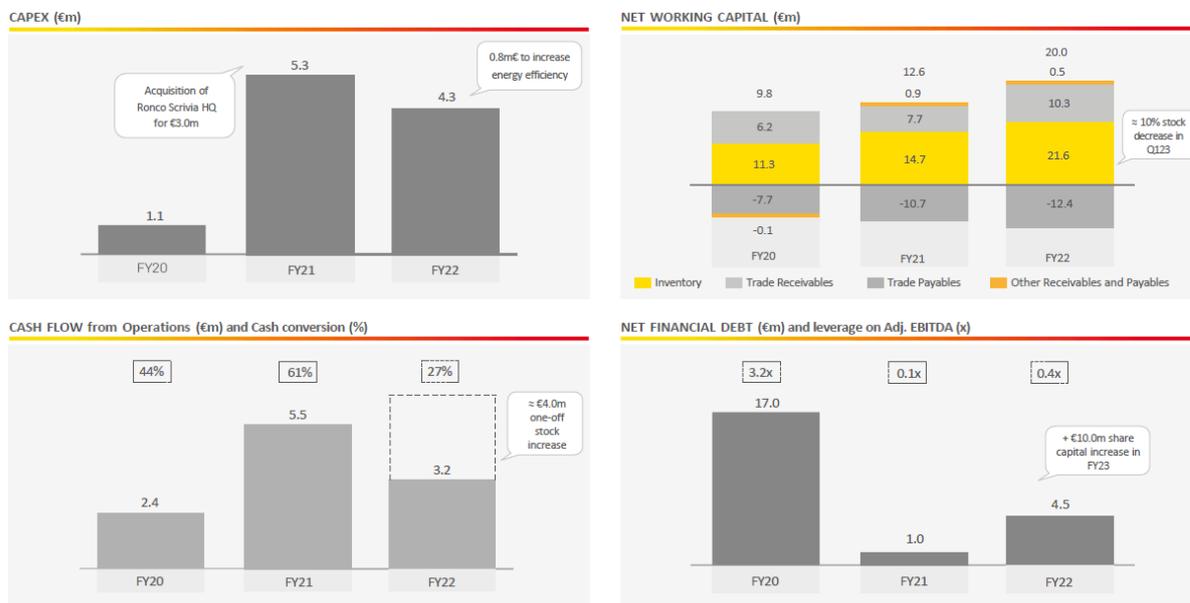
Below EBITDA, Adj. and Reported Net Income were better than expected mainly due to a much lower tax rate (13% vs. 23% exp.) helped by **country mix** (stronger growth in helmets manufactured in Bahrain which enjoys a zero tax-rate) **and IPO cost tax credits** (temporary impact).

	FY RESULTS (€ mn)					
	FY21	EXPECTED		ACTUAL		
		FY22	YoY Δ%	FY22	YoY Δ%	Abs Δ
Revenues	46.7	58.8	26%	58.9	26%	0.1
Adj. EBITDA	9.0	11.5	29%	11.7	31%	0.2
Adj. EBIT	6.6	8.7	33%	8.8	35%	0.1
Adj. Net Income	4.9	6.3	29%	7.6	54%	1.2
Net income	4.2	6.9	66%	7.5	81%	0.6
NFP	-3.2	-8.5	164%	-7.7	139%	0.8

Source: Equita SIM estimates & company data

NFP was slightly better than our estimates (€ -7.7mn vs. € -8.5mn exp., or € -4.4mn excluding leases), which we had however revised with the release of preliminary results to factor in higher working capital absorption. In FY22 **cash absorption** was € 3.7mn, or **€ 2mn before dividends, after € 4.3mn CAPEX**. Operating cashflow equal to € 2.3mn was depressed by a **large increase in working capital** (€ 7.5mn, mainly due to higher inventories, while receivables remained fully financed by payables).

CAPEX, NWC, ADJ CASHFLOW AND NET DEBT



Source: Company presentation

KEY MESSAGES FROM FY22 PRESENTATION

The company made an effective presentation after the release of FY22 results, reviewing the growth drivers presented at the time of the IPO and giving an update on the status of project execution. **We think the comments are very supportive for the group's medium-term growth prospects and on current momentum**, both in terms of revenues and price/mix.

In detail, the main highlights were:

1. **Organic growth in motorsport.** The two main initiatives outlined in the IPO (expansion in NA and penetration in open-face helmets) are bearing fruits:
 - a. **In the U.S., top-line growth was +44% in 2022** and the company intends to work to close the gap with competitors (RFG is currently the third largest player in the U.S. market after Simpson and Sparco) thanks to the strength of the **Bell brand, the new complete range of SFI-certified product line under the Bell brand** available since January 2023, and **investments in the Mooresville centre**, instrumental in reducing the time to market and improving the competitive position.
 - b. **Open helmets grew by 70% in 2022 to reach € 3mn revenues, with an estimated 15% market share**, leaving room for further growth in the medium term. In particular RFG has opportunities to expand in the semi-professional and amateur segments, which are just starting to benefit from the high visibility and penetration gained by Bell open-face helmets in the top series (WCR, WCR2) because the replacement cycle is longer in the lower categories.

MOTORSPORT ORGANIC DRIVERS

AMERICAS

KEY UPDATES

- ✓ Sales in USA +44% in FY22 vs FY21
- ✓ A new complete range of SFI homologated products under BELL brand available starting January FY23
- ✓ Racewear under both OMP and BELL brand to target all levels of US major series, with diversified strategies
- ✓ A new factory based in Mooresville (NC), headquarter of most racing teams and drivers, will be active starting autumn 2023
- ✓ A new Sales and Service Center in Orange (CA), is active since March 2023 to support the off-road racing market in the US



B. Keselowski - NASCAR Driver



EUROPE AND ASIA-PACIFIC

KEY UPDATES

- ✓ Italy, UK, Germany and France are the main countries in Europe, representing ≈40% of total Group sales
- ✓ High potential and growth rate in China (≈60% CAGR 2019-22)
- ✓ Consolidated leadership in Oceanian market
- ✓ OMP Suits and Seats both +15% in FY22 vs FY21
- ✓ Bell Open Face Helmets +70% in FY22 vs FY21
- ✓ Bell Full Face Helmets +41% in FY22 vs FY21
- ✓ ZeroNoise Communication systems +147% in FY22 vs FY21



S. Loeb - WRC Champion



THE US MARKET

- ✓ NASCAR audience up 10% FY2022 vs. prior year
- ✓ Hit Netflix docuseries Drive to Survive contributed to increase the audience base in the US
- ✓ IMSA Daytona race in Jan-23 record TV viewership (+28% vs FY22)
- ✓ Average TV audience for Formula 1® in US increased 28% in FY22 to over 1.21 ml
- ✓ New Miami F1 GP up 27% vs FY21 US race
- ✓ USA will host 3 races in FY23 with Las Vegas being added to the F1 calendar



A ONE STOP-SHOP OFFERING

DEALERS AND DISTRIBUTORS

PROFESSIONAL TEAMS



STRONG BRAND SINERGIES

Source: Company presentation

2. Diversification projects.

- Driver's eye gained visibility and recognition in 2022** through agreements signed with the big 4 series (F1, Nascar, SuperCars and Formula-E). Strong interest was collected both in the motorsport world and from other sports. RFG is working for example to solve some "transferability" issues to other sports such as skiing.

DIVERSIFICATION PROJECT: DRIVER'S EYE

MOTORSPORT

DRIVER'S EYE HAS CONQUERED THE MOTORSPORT STAGE

...and many more to come

WORLD SMALLEST AND LIGHTEST MICRO-CAMERA FOR LIVE TV BROADCASTING

THE ONLY CAMERA SYSTEM HOMOLOGATED BY FIA

MANDATORY TECHNOLOGY IN FORMULA 1

SINCE 2023, DRIVER'S EYE IS ALSO HOMOLOGATED BY THE OTHER HELMET MANUFACTURERS

OTHER SPORTS

OPPORTUNITIES OUTSIDE MOTORSPORT

Driver's Eye™ is a patented technology (5 patents) that has been extended also to sports eyewear

Source: Company presentation

- Jet Pilot Helmets.** After the award of the tender to Lift in June 2022 and the official signing of the technical partnership between Lift and RFG in September 2022, the project is now in the execution phase. First sales are expected in 2024, with full benefit as of 2025. On top of the supply contract with the US Airforce, the product has received interest from other branches of the US defence forces (e.g. US Navy) and from other allied countries, and RFG and Lift are now collaborating in a project for helicopter helmets, for both military and civil versions.

DIVERSIFICATION: JET PILOT HELMETS

JET PILOT HELMETS (TECHNICAL PARTNERSHIP WITH LIFT AIRBORNE)

- ✓ Lift Airborne was awarded the tender of the US AirForce in June 2023



NEXT MILESTONES



(Other branches of the US defence forces and allied countries have shown great interest in the product)

NEXT DEVELOPMENTS

- ✓ Rotary wing helmets



KEY UPDATES

- ✓ Extension of the partnership with LIFT Airborne for helicopter helmets, in military (ballistic) and civil version
- ✓ Civil version mockup shown by Lift at EAA AirVenture Oshkosh in July 2022
- ✓ R&D activities from the second half of 2023

Source: Company presentation

- c. **SWAT and Police Riot Helmets.** The first samples of the helmets developed for Special Police Forces (project “Gladiator”) are now being tested and the project has been extended to develop helmets for Police Riot forces. **Certification and prototypes for the SWAT helmets are expected by year end, with commercial opportunities, not yet quantifiable, from 2024.**

DIVERSIFICATION: SWAT AND POLICE RIOT HELMETS

SPECIAL FORCE HEAD PROTECTION

KEY UPDATES

- ✓ The first samples have been produced and are now in the testing phase for the Special Police Forces (project “Gladiator”) in collaboration with Fraunhofer Institute (GER)
- ✓ Extension of the Project to the Police Riot Helmets, R&D activities currently in progress.

NEXT DEVELOPMENTS

- ▶ 2023 - First Certification and prototypes of SPF helmets
- ▶ 2024 - Start of commercialization activities for both SPF & Riot Helmets
 - Contact with relevant police forces already established for both product design and commercialization

GLADIATOR MAIN TECHNICAL FEATURES

- SWAT helmet developed according to TR 2010 Ballistic Helmet, VPAM and NATO standards
- Hybrid composite structure produced with high pressure advanced technology on our proprietary machines
- Optimized shell design for full compatibility with headset and chemical, biological, radiological, and nuclear protection mask (CBRN) and improved night vision shroud design
- Visor with improved pivoting system for optimized balance
- F1 racing helmet chinstrap, anti-fog and anti-scratch technologies



Source: Company presentation

3. **CAPEX.** The company is structuring its industrial footprint to be ready to support new projects, both in terms of production capacity and logistics, through investments in Mooresville (U.S.), Ronco (IT), and Bahrain, with a commitment of about € 10mn CAPEX, which started in 2022 and will end in 2024.

NEW MANUFACTURING AND LOGISTIC CAPACITY TO SUPPORT GROWTH PROJECTS

AMERICA, MOORESVILLE	EUROPE, RONCO SCRIVIA	MIDDLE EAST, BAHRAIN
		
Expansion: +4,000 sqm +500%	Expansion: +4,000 sqm +50%	Expansion: +4,000 sqm +60%
<ul style="list-style-type: none"> ▶ Mooresville has a racing DNA, hosting NASCAR's headquarter and the majority of US racing teams ▶ The new plant will be functional to start diversification projects and to integrate production activities aimed at the American market. Mooresville will also become the main logistics hub for the US ▶ Attention to environmental sustainability (under evaluation) ▶ Active starting autumn 2023 	<ul style="list-style-type: none"> ▶ It's the main headquarter of the Group ▶ Expansion aimed at increasing production and logistics for Europe and ROW ▶ Attention to environmental sustainability <ul style="list-style-type: none"> - Solar panels - Energy-saving façades - Car recharging stations - Rain water collection system ▶ Active starting summer 2024 	<ul style="list-style-type: none"> ▶ It's the main manufacturing hub that hosts production of helmets as well as diversification and integration projects ▶ Creation of a 2nd floor to increase factory production capacity, in partnership with Bahrain International Circuit ▶ Attention to environmental sustainability <ul style="list-style-type: none"> - Solar panels - Car recharging stations ▶ Active starting autumn 2023

Source: Company presentation

4. **Absorption of working capital** (inventories) was particularly strong in 2022 and is expected to normalize in 2023, although we do not expect a reabsorption in absolute value, given growth projects and needs to better serve different markets.
5. **Price impact for 2023 is seen at around 5%** and will allow higher 2022 costs (mainly logistics and raw materials) to be passed to customers, as normal in the market.

Compared to the IPO projects, M&A is the only area where management has not yet found concrete sizeable opportunities. In 2022, the only deals were very small and related to 1) the **acquisition of Giordani Digital Lab, historical supplier** to Racing Force for the production and **customization of technical wear** and sportswear by sublimation printing, cutting, tailoring and digital printing; 2) the acquisition of the **full control of Racing Spirits**, the company (formerly 50% owned by RFG and by RFG shareholder Gabriele Pedone) **producing and distributing lifestyle apparel** for RFG under the Racing Spirit brand. Total investments for the two assets were less than € 1mn.

M&A STRATEGY

 TECHNOLOGY	<ul style="list-style-type: none"> ■ INTEGRATE NEW TECHNOLOGY TO STRENGTHEN RFG POSITION IN THE MARKET ■ STRENGTHEN TECHNOLOGICAL CAPABILITIES NOT YET AVAILABLE IN RACING FORCE CURRENT OFFERING
 DIVERSITY	<ul style="list-style-type: none"> ■ BROADEN GEOGRAPHICAL DIVERSIFICATION EXPANDING IN NEW MARKETS ■ EXPANDING PRODUCTS OFFERING ■ DIVERSIFY AND EXPAND THE CUSTOMER BASE
 TALENTS	<ul style="list-style-type: none"> ■ ACQUIRE AND RETAIN HIGHLY QUALIFIED AND EXPERIENCED TALENT ■ STRENGTHEN THE MANAGEMENT TEAM WITH INDUSTRY - EXPERIENCED LEADERS WITH IN -DEPTH KNOWLEDGE OF LOCAL MARKETS
 VALUE ACCRUAL	<ul style="list-style-type: none"> ■ DISCIPLINED APPROACH ■ SCOUTING OPPORTUNITIES SHOWING BOTH STRONG BUSINESS AND FINANCIAL RATIONALE WITH STRONG VALUE CREATION

Source: Company presentation

1Q23 SALES UP +17.3%, SUPPORTED BY PRICES AND VOLUMES

The company had already announced a double-digit growth in first 2 months. The trend was confirmed with the **recent release of 1Q23 sales data, showing revenues up by 17.3% to € 20.6mn (+16.2% at constant FX).**

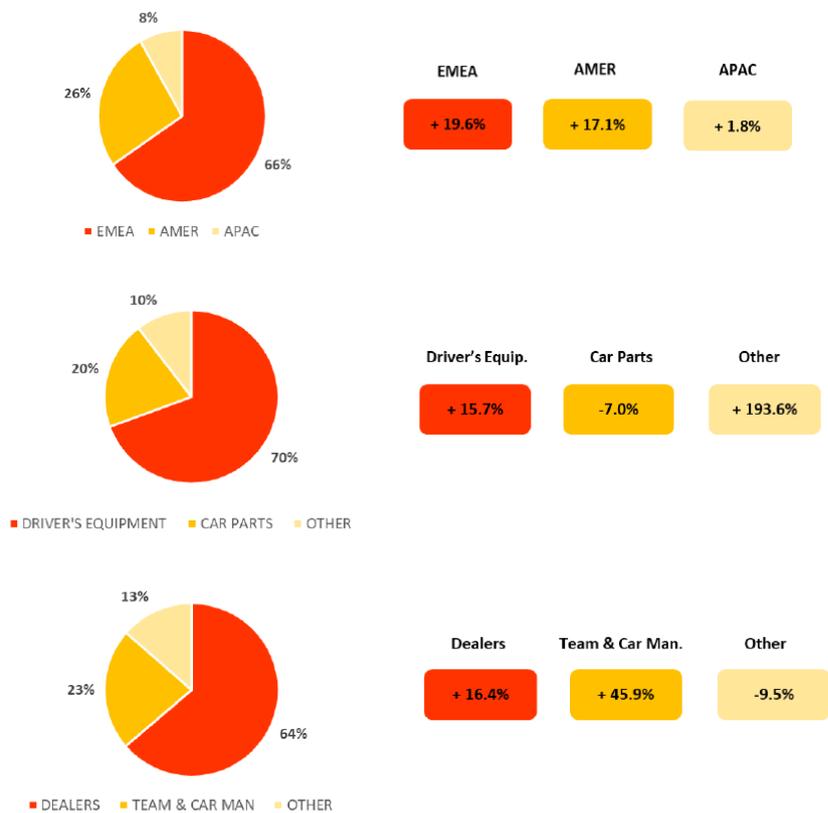
Sales growth was **well balanced in the two main geographical areas**: EMEA (66% of group revenue) +19.6%, Americas (26% of total) +17.1%, while APAC (8% of group revenue) was up by +1.8%. At divisional level, **Driver's Equipment** (helmets, technical wear) was up by +15.7%, **Car Parts** was down -7% (on tough comps), **Other** +193% (the jump is reflecting the contribution of Racing Spirits, the group brand for apparel inspired by motorsport, fully consolidated as of 2023, and boosted by exceptional deliveries of some large orders in the quarter). **The most significant figure in our view is the growth in driver`s equipment (70% of group turnover and best margin area).**

In terms of **distribution channels, dealers grew by 16.4% and remained by far the most relevant channel for the group** (64% of group revenues). **Teams** grew by 45.9% and reached 23% of group sales due to the important partnership agreements (including those for apparel under Racing Spirits brand). **Others** declined by -9.5% because 1Q22 had a one-off project for a US client outside of motorsport.

The 1Q23 trend (+17% or +10% ex-Others) is supportive of our FY23 +7% top-line growth estimate, given also the significant seasonal weight of 1Q and 1H.

We think sales have been supported by mid-single-digit price impact and mid-to-high single-digit volume growth. This mix bodes well for our assumptions on 2023 margins, given the fading of some inflationary pressures (steel prices currently 40% lower vs. 2022 peak, logistic costs sharply down vs 2022 average).

SALES TREND AND SALES BREAKDOWN 1Q23



Source: Company presentation

SUPPORTIVE CORE BUSINESS AND INITIAL DIVERSIFICATION CONTRIBUTION DRIVE ESTIMATES UPWARDS

In our view **2023 has to be seen as a year of further top-line growth in the core business** (supported by initiatives in USA and open-face helmets), **and a year of investments** (OPEX and CAPEX) **to prepare the deployment of diversification projects, expecting to translate into revenues in a more tangible way in 2024 and mostly 2025 and beyond.**

For this reason, we currently maintain our estimates of revenue growth of 7% to € 63mn for FY23, while raising EBITDA by 1% to € 12.7mn (margin +30bps YoY to 20.1%) and EPS by 3% to € 0.27, thanks to lower tax rate (20% from 22.5%).

For 2024-25 we start to factor in a contribution from the jet pilot's helmets project in this note, given that the tender has been awarded and RFG is in the implementation phase, **but we prudently do not consider likely add-ons from other related opportunities** (US Navy, other allied forces, rotary wing projects). We currently **do not include any contribution in our numbers from the SWAT and Police Riot helmets**. In particular, we have assumed a contribution from Jet Pilot's helmets of € 0.5mn in 2024 and € 3mn in 2025, on top of a growth in motorsport sales of 6.1% in 2024 and 2025. These elements lead us to raise 2024-25 sales by 1% and 4%, EBITDA by 4% and 9% and Adj. EPS by 4% and 9% and to raise CAPEX by € 3mn in 2024.

ESTIMATE REVISION (€ mn)						
	2023E	2023E	2024E	2024E	2025E	2025E
	Prev.	Curr.	Prev.	Curr.	Prev.	Curr.
Revenues	63.1	63.2	67.0	67.5	71.0	74.1
% chg		0.2%		0.9%		4.3%
Abs chg		0.1		0.6		3.1
Adj. EBITDA	12.6	12.7	14.0	14.6	15.2	16.5
% chg		1.4%		4.3%		8.8%
Abs chg		0.2		0.6		1.3
EBIT	9.3	9.2	10.2	10.4	11.1	11.9
% chg		-0.2%		1.7%		7.9%
Abs chg		0.0		0.2		0.9
Net income	6.9	7.1	7.7	7.9	8.4	9.1
% chg		3.2%		3.7%		8.8%
Abs chg		0.2		0.3		0.7
Adj EPS	26.7	27.6	29.8	30.9	32.6	35.4
% chg		3.2%		3.7%		8.8%
Abs chg		0.9		1.1		2.9
FCF	0.8	-0.2	6.6	3.4	6.8	6.5
% chg		-131.2%		-48.2%		-3.9%
Abs chg		-1.0		-3.2		-0.3
CAPEX	8.1	8.7	3.3	6.4	3.6	3.7
% chg		6.2%		90.5%		4.3%
Abs chg		0.5		3.0		0.2
NFP	0.1	-0.3	4.5	0.8	8.7	5.0
% chg		-350.7%		-83.0%		-43.0%
Abs chg		-0.5		-3.7		-3.8

Source: Equita SIM estimates & company data

SOME PRELIMINARY CONSIDERATIONS ON THE SWAT AND POLICE RIOT HELMETS OPPORTUNITIES

As commented before, **we are not yet factoring in our estimates the potential opportunities arising from SWAT and Police Riot projects**, pending the certification of the prototypes (expected by year end). For these initiatives, still in the early stages and not yet in commercialization phase, we keep our more qualitative approach of assuming a mid-term contribution in terms of sales and margins and applying a sector multiple (10x EV/EBITDA) and a large discount rate (15% per annum) to extract a rough indication of the option value.

Even though we have not explicitly modelled these projects, in order to provide a cross check of our medium-term assumptions and value creation calculation, in this note we have tried to provide a **preliminary assessment of the addressable market**.

- **SWAT HELMET MARKET**

Based on the information we have collected from public sources by adding up the numbers of special police forces (SWAT) in major Western countries (USA, Germany France, Italy, UK), we have estimated a number of units in the 20k area. Assuming a unitary price for SWAT helmets of around € 4,000/5000, we derive a very conservative (limited geographies, no inventories/spare units) **estimated market value of € 86/107mn**. If we then assume a product life cycle of 5 years, and an assumption of 50% spare helmets per unit, **we estimate a € 26-32mn of potential market size per year**.

YEARLY ADDRESSABLE MARKET - SWAT HELMETS (€ mn)		
	MIN	MAX
Units ('000)	21.4	21.4
Price (€/unit)	4,000	5,000
Market	86	107
Lifetime (years)	5	5
spare capacity	50%	50%
yearly addressable market	26	32

Source: EQUITA SIM estimates

- **POLICE RIOT HELMET MARKET**

In our preliminary analysis, the numbers for police riot helmets may be at least two orders of magnitude higher compared to SWAT forces. Looking just at major Western countries (USA, Germany, France, Italy, UK), we estimate a number of police officers in the 1.5mn area (100x larger than SWAT forces). Based on current unitary prices of around € 350/450, **we estimate a market size of around € 600mn**. With the same assumptions as before in terms of life cycle (5 years) and a more prudent hypothesis on spare capacity (20%), we derive an **annual addressable market opportunity of about € 130-160mn for RFG**.

YEARLY ADDRESSABLE MARKET - POLICE RIOT HELMETS (€ mn)		
	MIN	MAX
Units (mn)	1.5	1.5
Price (€/unit)	350	450
Market	525	675
Lifetime (years)	5	5
spare capacity	20%	20%
yearly addressable market	126	162

Source: EQUITA SIM estimates

From this very preliminary assessment, we estimate a yearly addressable market in the € 150-200mn range and therefore our assumption of € 10mn sales to set an option value from these diversification projects would imply a share of the addressable market in the medium term in the 5-7% area, suggesting a high potential for further increase in the medium-long run.

2023-25 STOCK GRANT PLAN

The BoD announced a few days ago a stock incentive plan ("Stock Grant 2023-25") for executives, key management personnel and certain employees and consultants of the group. The plan foresees the **free issuance of up to 1mn shares (3.9% of current capital)** depending on the achievement of predefined **YoY growth targets** in:

- 1) **adj. EBITDA;**
- 2) **operating cashflow;**
- 3) **stock performance.**

In more details, rights will be assigned in 3 tranches, based on targets defined before June 2023, June 2024 and June 2025, setting the growth objectives for the respective year. The plan will lead to share assignment in case of delivery of the respective year's target based on the following ratio: **80% linked to Adj. EBITDA growth, 10% to operating cashflow and 10% to stock performance**, and in proportion to the actual achievements (with a floor and a cap). Shares will be delivered only at the end of the 3 year plan (2026) to people still working in the group.

The plan will be presented for approval to the shareholders' meeting scheduled for April, 28th. **We think the plan is fair in terms of maximum dilution and KPIs identified** to align management's interests with those of the minority shareholders.

We have not factored in P&L the non-cash costs related to the stock grant issuance, while we have included the plan dilutive impact into our valuation.

BUY CONFIRMED AND TARGET RAISED BY 3% TO € 7.0PS

Overall, RFG investment case remains very attractive in our view: 2023 is expected to deliver good top-line growth in the core business with lower inflationary pressures compared to 2022, though we remain prudent about margin expansion given the investments that will be deployed to support the start-up of diversification projects in Jet Pilot, SWAT and Police Riot helmets. We think the next few quarters will also provide **interesting datapoints to assess the possible implications from the diversification investments**, expected to drive medium-term growth.

With the stock trading at 11x-10x EV/EBITDA and 20x-18x Adj PE 2023-24, with estimates just marginally reflecting the diversification opportunities, we see current multiples as attractive. In other words, if we take out the defence option value from current prices, the current implicit multiples for the core business would be 9-8x EV/EBITDA and 17-15x Adj. PE 2023-24.

Our DCF valuation based on explicit estimates (core motorsport + jet pilot's helmets) bring us to a valuation of € 6.4PS. We add € 0.6 as optionality linked to medium-term developments (mostly SWAT and Police Riot helmets at the moment, as commented before). Our We therefore reach a target price of € 7.0 PS, based on Fully Diluted number of shares.

STATEMENT OF RISKS FOR RACING FORCE

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;
- Sharp increase in logistics and energy costs, not matched by price increases;
- Value disruptive M&A deals;
- Termination of the Bell Licence 1;
- Deterioration in the geopolitical situation affecting market demand

P&L - €mn	2020	2021	2022	2023E	2024E	2025E
SALES Rep	33.7	46.7	58.9	63.2	67.5	74.1
Growth	-7.8%	38.4%	26.1%	7.4%	6.9%	9.7%
EBITDA Rep	5.4	7.9	11.7	12.7	14.6	16.5
Growth	28.3%	47.3%	47.5%	9.3%	14.6%	13.0%
Margin	15.9%	16.9%	19.8%	20.1%	21.6%	22.2%
D&A	-2.5	-2.4	-2.8	-3.5	-4.2	-4.5
EBIT Rep	2.8	5.5	8.8	9.2	10.4	11.9
Growth	28.3%	47.3%	47.5%	9.3%	14.6%	13.0%
Margin	8.4%	11.8%	15.0%	14.6%	15.4%	16.1%
Net Interest Charges	-0.7	-0.3	-0.1	-0.4	-0.3	-0.2
Financial Expenses	-0.7	-0.3	-0.1	-0.4	-0.3	-0.2
Non Recurrings	0.0	0.0	0.0	0.0	0.0	0.0
PBT Rep	2.1	5.2	8.7	8.9	10.1	11.7
Growth	-30.9%	144.0%	66.4%	1.9%	13.4%	16.3%
Income Taxes	-0.7	-1.1	-1.2	-1.8	-2.1	-2.6
Tax rate	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Minority Interest	0.3	0.0	0.0	0.0	0.0	0.0
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Net Income Rep	1.4	4.2	7.5	7.1	7.9	9.1
Growth	-40.7%	190.0%	81.2%	-6.0%	12.0%	14.8%
Margin	4.3%	8.9%	12.8%	11.2%	11.8%	12.3%
Net Income Adj	1.4	4.9	7.6	7.1	7.9	9.1
Growth	-40.7%	243.1%	53.5%	-6.2%	12.0%	14.8%
Margin	4.3%	10.6%	12.9%	11.2%	11.8%	12.3%
CF Statement	2020	2021	2022	2023E	2024E	2025E
FFO	3.3	6.4	9.8	10.1	11.7	13.3
Chg. in Working Capital	-1.7	-1.9	-7.5	-1.3	-1.5	-2.7
Other chg. in OCF	0.0	0.0	0.0	0.0	0.0	0.0
NCF from Operations	1.7	4.5	2.3	8.8	10.2	10.6
CAPEX	-1.1	-5.3	-4.3	-8.7	-6.4	-3.7
Financial Investments	-3.2	-0.6	0.0	0.0	0.0	0.0
Other chg in investments	0.0	0.0	-0.8	-0.4	-0.4	-0.4
NCF from Investments	-4.3	-5.9	-5.1	-9.1	-6.8	-4.1
DIVIDENDS PAID	0.0	-1.3	-1.7	-2.1	-2.3	-2.3
Capital Increases	0.1	18.8	0.0	9.7	0.0	0.0
Other changes in financing	1.7	-0.5	-0.1	0.0	0.0	0.0
NCF from Financing	6.0	15.0	-5.3	13.9	-4.7	-5.1
NET CHG IN CASH	3.3	13.5	-8.0	13.7	-1.3	1.4
CHG IN NFP	-0.9	15.5	-4.5	7.3	1.1	4.2

Source: Company data and Equita SIM estimates

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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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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Ord RFG IM MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE:

Date	Rec.	Target Price	Risk.	Comment
March 6, 2023	Buy	6.8	High	-

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