

## EQUITY RESEARCH

RACING FORCE SPA  
NEWS

BUY

TP 6.6€

Up/Downside: 16%

## Still a significant potential

Alongside its core business in the motor sports market, where momentum remains strong, the Group is continuing to develop its diversification projects, which still represent a significant growth driver - not included in our estimates or those of the consensus - and could generate initial revenues in the next months.

As regards the future US Air Force helmet in partnership with LIFT Airborne, the roadmap remains unchanged. While last summer the US Air Force announced its choice of LIFT's prototype over that of Gentex Corporation (the current supplier), the helmet is currently in its final stages of refinement and the first (small) deliveries should take place by the end of the year. In 2024, production is expected to ramp up before reaching its peak in 2025. Although the details of the contract between LIFT Airborne and Racing Force for the supply of the helmet shell are not public, we believe that the group could earn a few million euros (mid-single digit) each year from this contract once it reaches its maximum level. As a reminder, while revenues from the LIFT contract are not included in our estimates, part of our valuation is based on this project, given its level of maturity. It should be noted that the partnership with LIFT has been extended to include a helmet for helicopters (military and civil).

As for the Gladiator Helmet for special police forces, this is currently undergoing testing in collaboration with the Fraunhofer Institute in Germany. While the first certifications are expected this year, the first sales should take place next year. Ahead of this market launch, the group is already in advanced discussions with various police forces based on fine-tuning the product and initial commercial interests. The Gladiator Helmet is also being redesigned for use by riot police forces. Given the structure of this market, which operates mainly through calls for tender (ranging from a few tens/hundreds of thousands of euros to several tens of millions of euros), no sales have been included in our estimates for the time being, leaving room for potential outperformance from 2024 onwards.

Although our current TP shows modest potential for the stock (16%), this only includes income from the LIFT Airborne project and none from the Gladiator Helmet, which should be the most profitable diversification project. On the strength of this potential outperformance, we are reiterating our Buy rating on RFG, with a TP currently unchanged at €6.6.

## Key data

Price (€)	5.7
Industry	Protective Equipment
Ticker	ALRFG-FR
Shares Out (m)	25.699
Market Cap (m €)	146.5
Next event	H1 Results - 9/21/2023

## Ownership (%)

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

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.28	0.33	0.36
Change vs previous estimates (%)	0.00	0.00	0.00

Performance (%)	1D	1M	YTD
Price Perf	0.0	-3.7	3.6
Rel FTSE Italy	2.1	-4.4	-11.2



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	58.8	66.0	71.8	76.1	EV/Sales	2.2	2.0	1.8
Current Op Inc (m €)	8.8	10.1	12.0	13.2	EV/EBITDA	10.7	8.9	7.9
Current op. Margin (%)	15.0	15.3	16.7	17.3	EV/EBIT	14.3	11.7	10.2
EPS (€)	0.32	0.28	0.33	0.36	PE	20.6	17.3	15.8
DPS (€)	0.12	0.11	0.13	0.14				
Yield (%)	2.1	1.9	2.3	2.5				
FCF (m €)	-1.4	2.3	7.2	9.5				

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Sales	33.7	46.7	58.8	66.0	71.8	76.1
Changes (%)	31.2	38.4	25.9	12.3	8.8	6.0
Gross profit	20.1	27.2	36.8	41.6	45.3	48.2
% of Sales	59.7	58.3	62.6	63.0	63.1	63.3
<b>EBITDA</b>	<b>5.4</b>	<b>7.9</b>	<b>11.7</b>	<b>13.5</b>	<b>15.7</b>	<b>17.0</b>
% of Sales	15.9	16.9	19.8	20.5	21.9	22.4
<b>Current operating profit</b>	<b>2.8</b>	<b>5.5</b>	<b>8.8</b>	<b>10.1</b>	<b>12.0</b>	<b>13.2</b>
% of Sales	8.4	11.8	15.0	15.3	16.7	17.3
EBIT	2.8	5.5	8.8	10.1	12.0	13.2
Net financial result	-0.7	-0.3	-0.1	-0.3	-0.3	-0.3
Income Tax	-0.7	-1.1	-1.2	-2.8	-3.3	-3.6
Tax rate (%)	33.1	20.4	13.4	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>1.4</b>	<b>4.2</b>	<b>7.5</b>	<b>7.1</b>	<b>8.5</b>	<b>9.3</b>
EPS	0.07	0.18	0.32	0.28	0.33	0.36
<b>Financial Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Goodwill	5.7	5.7	6.2	6.2	6.2	6.2
Tangible and intangible assets	8.8	13.1	15.5	20.0	20.9	20.3
Right of Use	4.1	2.4	3.1	3.1	3.1	3.1
Financial assets	1.8	0.4	0.3	0.3	0.3	0.3
Working capital	10.0	12.5	19.8	20.2	20.4	20.9
Other Assets	0.2	0.7	0.6	0.6	0.6	0.6
<b>Assets</b>	<b>30.7</b>	<b>34.7</b>	<b>45.6</b>	<b>50.4</b>	<b>51.6</b>	<b>51.4</b>
Shareholders equity group	8.2	29.9	36.5	50.5	56.1	62.0
Minorities	0.3	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	1.0	1.2	1.3	1.3	1.3	1.3
Net debt	21.2	3.5	7.8	-1.4	-5.8	-11.9
Other liabilities	0.0	0.1	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>30.7</b>	<b>34.7</b>	<b>45.6</b>	<b>50.4</b>	<b>51.6</b>	<b>51.4</b>
Net debt excl. IFRS 16	17.0	1.0	4.5	-4.7	-9.1	-15.2
Gearing net	2.5	0.1	0.2	-0.0	-0.1	-0.2
Leverage	4.0	0.4	0.7	-0.1	-0.4	-0.7
<b>Cash flow statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
CF after elimination of net borrowing costs and taxes	4.0	6.7	11.1	10.5	12.2	13.2
$\Delta$ WCR	-1.7	-2.2	-8.0	-0.4	-0.3	-0.4
Operating cash flow	2.4	4.5	3.2	10.2	11.9	12.7
Net capex	-1.1	-5.3	-4.5	-7.9	-4.7	-3.3
FCF	1.2	-0.8	-1.4	2.3	7.2	9.5
Free Cash Flow excl IFRS 16	17.0	1.1	4.5	-4.7	-9.1	-15.2
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	5.9	-2.5	-4.4	0.0	0.0	0.0
Dividends paid	-0.0	-1.3	-1.7	-3.0	-2.8	-3.4
Repayment of leasing debt	-0.7	-0.3	-0.7	0.0	0.0	0.0
Equity Transaction	0.5	18.8	0.0	10.0	0.0	0.0
Others	-3.6	-0.4	0.1	0.0	0.0	0.0
Change in net cash over the year	3.3	13.5	-8.1	9.2	4.4	6.1
ROA (%)	3.3%	6.4%	10.7%	8.2%	9.0%	9.2%
ROE (%)	17.5%	13.9%	20.7%	14.1%	15.1%	15.0%
ROCE (%)	7.0%	12.8%	16.8%	14.6%	16.9%	18.6%

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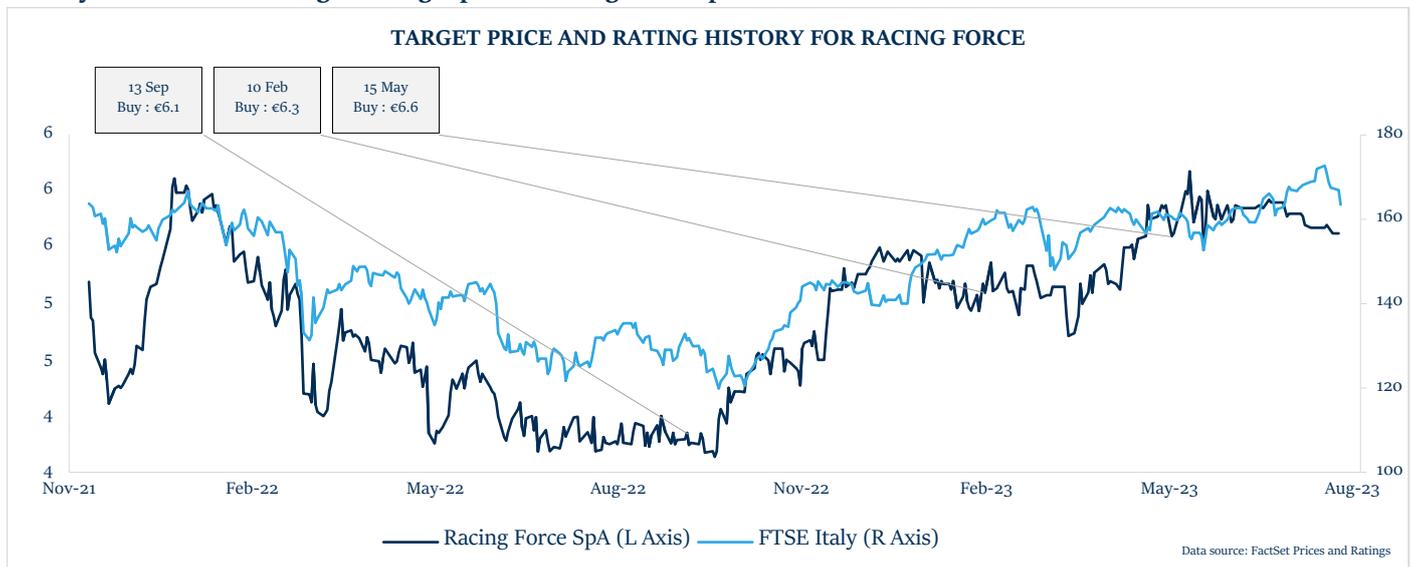
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### History of investment rating and target price – Racing Force SpA



## Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	79%	66%
Hold	17%	42%
Sell	3%	25%
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.

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