



# RACING FORCE

## Earnings Review

**BUY** ord. (Unchanged)

Target: **€ 6.40** (Prev.: €7.00)

Risk: High

STOCKDATA	ORD
Price (as of 22 Sep 2023)	5.5
Bloomberg Code	RFG IM
Market Cap (€ mn)	142
Free Float	47%
Shares Out (mn)	25.7
52 week Range	€ 4.1 - 6.0
Daily Volume	3,332

Performance (%)	1M	3M	1Y
Absolute	-2.8	-4.5	33.3
Rel to FTSE Italia All-Share	-3.8	-7.6	3.4

MAIN METRICS	2022	2023E	2024E
SALES Adj	58.9	64.8	69.0
EBITDA Adj	11.7	10.7	12.3
EBIT Adj	8.8	7.2	8.1
NET INCOME Adj	7.6	5.5	6.2
EPS Adj - €c	31.8	21.4	24.0
EPS Adj FD - €c	31.8	20.6	23.1
DPS Ord - €c	9.0	9.0	9.0

MULTIPLES	2022	2023E	2024E
P/E ord Adj	17.3x	25.8x	23.0x
P/E ord Adj FD	17.3x	26.8x	23.9x
EV/EBITDA Adj	12.0x	13.6x	11.9x
EV/EBIT Adj	15.8x	20.1x	18.1x

REMUNERATION	2022	2023E	2024E
Div. Yield ord (A)	1.9%	1.6%	1.6%
FCF Yield Adj	-2.4%	-1.5%	0.4%

INDEBTEDNESS	2022	2023E	2024E
NFP Adj	-7.7	-2.2	-3.9
NFP ex-IFRS16	-4.4	0.9	-0.6
D/Ebitda Adj	0.7x	0.2x	0.3x



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## INVESTING TO SUPPORT STRATEGIC DRIVERS

*Racing Force delivered a solid double-digit top-line growth in 1H23 but a sharp dilution in margins, due to ramp-up costs to support the implementation of strategic drivers in motorsport and in diversification projects. We stick to our BUY rating, given the expected improved visibility on these drivers over the coming quarters.*

### ■ Double-digit top-line growth, but margin diluted by ramp-up costs

- **Revenues:** € 37.2mn (+10.8% YoY) already disclosed;
- **Adjusted EBITDA:** € 7.9mn (-15.1% YoY) vs € 8.7mn exp;
- **Adj. net income:** € 4.9mn (-23.4% YoY) vs € 5.5mn exp;
- **NFP:** € -2.6mn vs € -2.3mn expected.

**RFG had reported strong 1H23 top-line growth on July 27<sup>th</sup>** (+10.7% to € 37.2mn) **driven by all geographic areas, including NA** (flat on a reported basis but +10% excl. a one-off project well flagged in 1H22). **Profitability was lower than expected** (margin 21.3% vs. 23.4% exp. and 27.8% in 1H22), because of: 1) **lower gross margin** due to a **less favorable product mix** and **raw material cost increases**; 2) **major ongoing investments in the production and commercial structure** to support growth in core business and diversification projects (operating costs € 15.1mn in 1H23 vs. € 11.7mn in 1H22 and € 13.4mn in 2H22).

### ■ Supportive comments on current trading

Key comments on current trading and 2023 outlook:

- **Current trading: 3Q sales are growing in line with 1H and management is confident to maintain this trend for FY23;**
- **Profitability:** the cost structure is now more stable, with **2023 margin less skewed between 1H and 2H compared to 2022.**

### ■ Update on key strategic drivers

Management provided an update on the key strategic drivers:

- **US market:** the completion of SFI certified product range can provide a major commercial boost in 2024-25;
- **Driver's Eye:** many opportunities, including outside motorsport (cited applications in golf, sailing, skiing), arising from relationships with broadcasters;
- **Jet pilot helmets:** management will meet with Lift Airborne in October to finalize the roll-out plan and to discuss new opportunities for collaboration;
- **Special Forces Head Protection (GLADIATOR):** certification and commercialization have been postponed to 2H24 as some production issues need to be fixed;
- **Riot Control Police Head Protection (RIOT).** Certification could arrive as early as 1H24, with commercialization in 2H24.

### ■ We raise sales by 2.5% and lower margin due to higher group structure costs

**We have raised 2023 sales by 2.5% to € 64.8mn and 2024 by 2.5% to € 69mn.** We have instead reduced EBITDA margin to 16.5% in 2023 (from previous 20.2%) and 17.9% in 2024 (from previous 21.5%) due to **higher costs related to new production capacity and strengthened commercial presence in the US.**

### ■ Valuation trimmed, but optionality is still high and supports the investment case

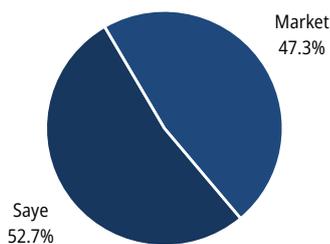
**We have reduced the target price to € 6.4PS, of which € 5.8PS related to core projects and € 0.6PS as an optionality arising from diversification projects.**

**We think the next few quarters will provide more datapoints on the strategic opportunities** emerging from the core business and diversification projects, in particular in relation to US commercial penetration and potential from Lift contract and Driver's Eye. **This supports our BUY recommendation**, despite apparently quite high multiples (12x EV/EBITDA and 24x Adj PE FD 2024) **because attractive growth options are currently marginally explicitly factored in our estimates** (we just assume € 0.5mn sales in 2024 and € 3mn in 2025 from existing contract with Lift).

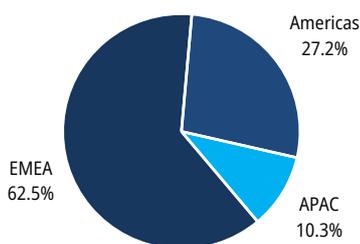
<b>MAIN FIGURES - EURmn</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
SALES Adj	33.7	46.7	58.9	64.8	69.0	75.7
Growth	-7.8%	38.4%	26.1%	10.0%	6.6%	9.7%
EBITDA Adj	5.4	9.0	11.7	10.7	12.3	14.2
Growth	28.3%	66.9%	30.6%	-8.4%	15.4%	14.8%
EBIT Adj	2.8	6.6	8.8	7.2	8.1	9.6
Growth	59.3%	130.6%	34.7%	-18.1%	12.2%	18.4%
Net Income Adj	1.4	4.9	7.6	5.5	6.2	7.3
Growth	-40.7%	243.1%	53.5%	-27.3%	12.3%	18.5%
<b>MARGIN - %</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EBITDA Adj Margin	15.9%	19.2%	19.8%	16.5%	17.9%	18.7%
Ebit Adj margin	8.4%	14.1%	15.0%	11.2%	11.8%	12.7%
Net Income Adj margin	4.3%	10.6%	12.9%	8.5%	8.9%	9.7%
<b>SHARE DATA</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EPS Adj - €c	7.4	25.1	31.8	21.4	24.0	28.4
Growth	-40.7%	236.6%	26.9%	-32.8%	12.3%	18.5%
DPS ord(A) - €c	0.0	7.0	9.0	9.0	9.0	10.7
BVPS	0.4	1.3	1.5	2.3	2.5	2.7
<b>VARIOUS</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Capital Employed	28.1	34.3	45.5	63.1	68.6	74.4
FCF	0.6	-0.8	-2.7	-2.1	0.6	1.6
CAPEX	1.1	5.3	4.3	7.5	7.5	6.8
Working capital	10.0	12.4	19.9	22.5	24.0	26.8
<b>INDEBTNESS</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Nfp Adj	-18.7	-3.2	-7.7	-2.2	-3.9	-4.6
D/E Adj	2.20	0.11	0.21	0.04	0.06	0.07
Debt / EBITDA Adj	3.5x	0.4x	0.7x	0.2x	0.3x	0.3x
NFP ex-IFRS16	-14.5	-0.7	-4.4	0.9	-0.6	-1.5
Interest Coverage	7.7x	28.6x	117x	29.4x	40.2x	58.8x
<b>MARKET RATIOS</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
P/E Ord Adj	n.a.	23.9x	17.3x	25.8x	23.0x	19.4x
P/E Ord Adj FD	n.a.	23.9x	17.3x	26.8x	23.9x	20.2x
PBV	n.a.	4.0x	3.1x	2.4x	2.2x	2.1x
<b>EV FIGURES</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EV/Sales	n.a.	3.1x	2.4x	2.2x	2.1x	2.0x
EV/EBITDA Adj	n.a.	16.4x	12.0x	13.6x	11.9x	10.4x
EV/EBIT Adj	n.a.	22.4x	15.8x	20.1x	18.1x	15.4x
EV/CE	n.a.	4.3x	3.1x	2.3x	2.1x	2.0x
<b>REMUNERATION</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Div. Yield ord	n.a.	1.4%	1.9%	1.6%	1.6%	1.9%
FCF Yield Adj	n.a.	-0.8%	-2.4%	-1.5%	0.5%	1.1%
Roce Adj	6.7%	14.1%	19.1%	10.7%	9.8%	10.5%

Source: Company data and Equita SIM estimates

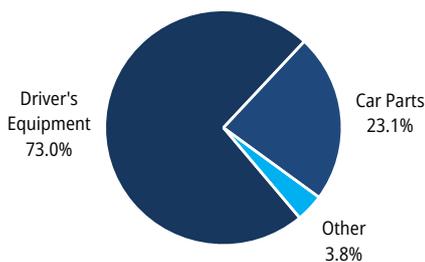
SHAREHOLDERS



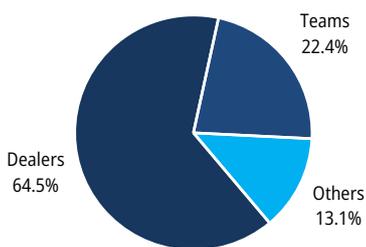
SALES BY GEOGRAPHY



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 also produces and distributes performance apparel under the Racing Spirits brand. RFG owns the OMP, Racing Spirits 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 **550 employees** located in **8 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), Roberto Ferroggiaro (CFO).**

**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
<ul style="list-style-type: none"> <li>- Premium, well-known and historical brands, with-outstanding reputation</li> <li>- R&amp;D know-how and almost fully vertical integrated supply chain and manufacturing</li> <li>- Low suppliers and customer concentration</li> <li>- Commercial synergies post Bell Helmet acquisition:- increase of OMP branded products reach in NA, and increase of Bell helmets penetration in open-face categories</li> <li>- Diversification in adjacent markets (e.g. Special Force and Police Riot Helmets, Jet Pilot Helmets)</li> <li>- Scalability of Driver's Eye technology in core and adjacent markets</li> </ul>	<ul style="list-style-type: none"> <li>- Niche market with moderate growth rates</li> <li>- Quite consolidated core market, with c70% in the hands of 3 players</li> <li>- Disruptive innovations from competitors, mainly in terms of technologies or products performances</li> <li>- Reputational damage from product failures / quality leaks</li> <li>- Higher competitions in top categories from larger non "core" players such as Puma</li> <li>- Limited track record outside of Motorsport</li> </ul>

### 1H23 RESULTS: DOUBLE-DIGIT SALES GROWTH, COST RAMP-UP

	1H RESULTS (€ mn)					
	1H22	EXPECTED		ACTUAL		
		1H23	YoY Δ%	1H23	YoY Δ%	Abs Δ
Revenues	33.6	37.2	11%	37.2	11%	0.0
Adj. EBITDA	9.3	8.7	-7%	7.9	-15%	-0.8
Adj. EBIT	8.1	7.1	-13%	6.4	-21%	-0.7
Adj. Net Income	6.4	5.5	-14%	4.9	-23%	-0.6
Net income	6.9	5.5	-21%	4.9	-30%	-0.6
NFP	-2.5	-2.3	-5%	-2.6	n.m.	-0.3

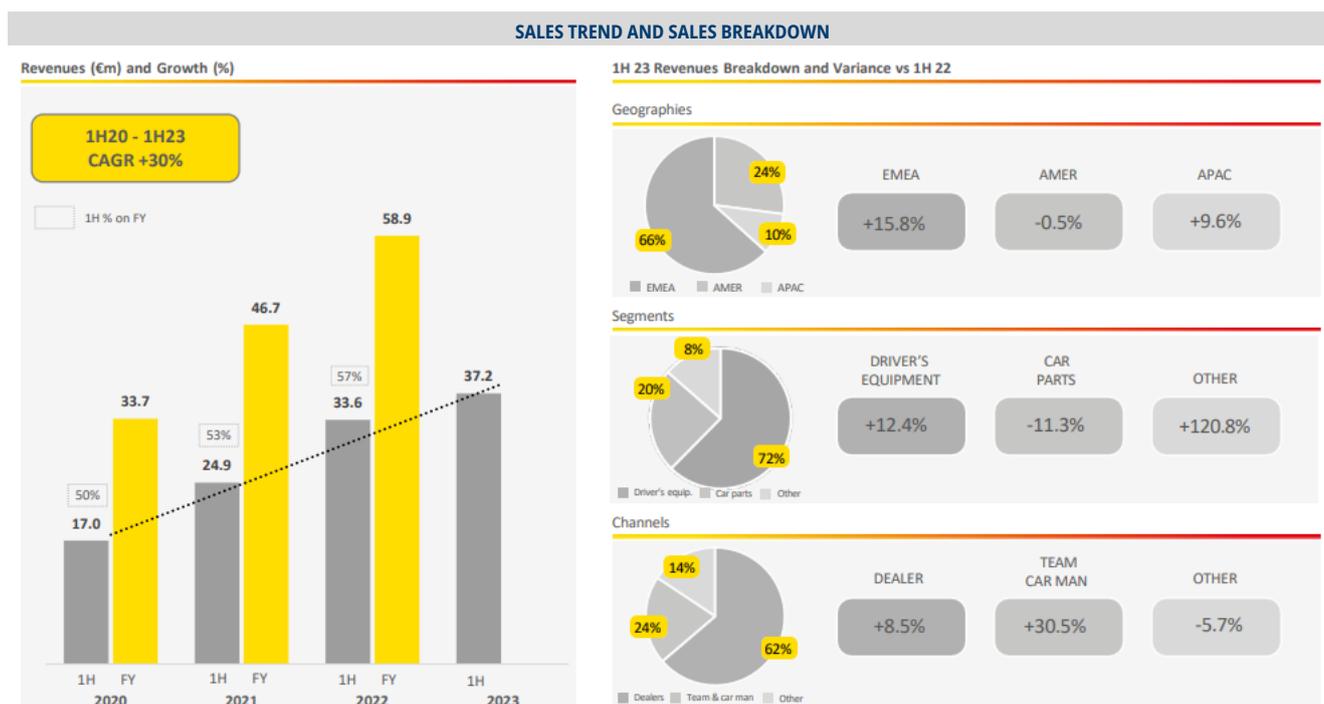
Source: Equita SIM estimates & company data

#### ■ SALES UP DOUBLE DIGIT IN 1H23

RFG had reported sales on July 27<sup>th</sup>. Revenues were up by +10.7% to € 37.2mn in 1H23 (+10.4% at constant FX). 2Q showed +3.4% top-line growth to € 16.6mn (+4% at constant FX). 1H had a challenging comparison for the € 1.5mn one-off project highlighted last year with a U.S. customer partly offset by the contribution of the newly consolidated Racing Spirits (performance apparel). **Geographically, 1H EMEA +15.7%, APAC +9.6% and America -0.6% (but over +10% excl. 1H22 one-off sales).**

**At the product level, Driver`s Equipment remained the most relevant area**, both as a contributor and as growth driver (+12.3% YoY and 72% of group revenues), **while Car Parts sales were down** (-11.3% YoY). This part of the business is suffering due to a product cycle with two large customers that is close to completion and could see a recovery with the launch of the new cars in 2024, and on a buoyant market in 2020-21 during Covid restrictions. The Others segment benefits from the consolidation of Racing Spirits and now contributes about 8% to group revenues.

**At channel level, the most important segment remained dealers, which grew by +8.5% in 1H** (62% of the group`s total), **while Teams segment rose by +30.5%** thanks to major contracts signed in the period and reached 30% of group revenues, and the Others segment declines due to the absence of the contribution of the aforementioned 1H22 one-off.



Source: Company presentation

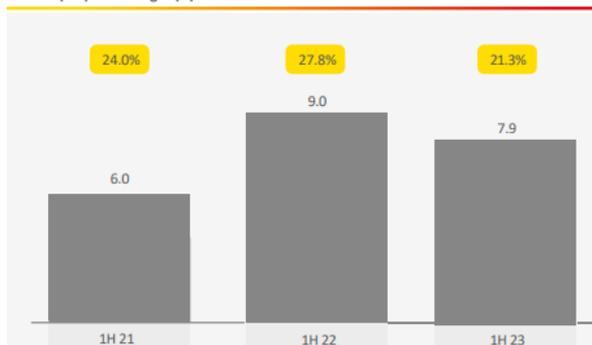
■ **MARGIN LOWER THAN RECORD 1H22 LEVEL, DUE TO STRENGTHENED PRODUCTION AND COMMERCIAL STRUCTURE**

**Profitability in 1H23 was lower than expected** (EBITDA € 7.9mn vs. € 8.7mn expected, with a margin of 21.3% vs. 23.4% expected and 27.8% in 1H22), due to:

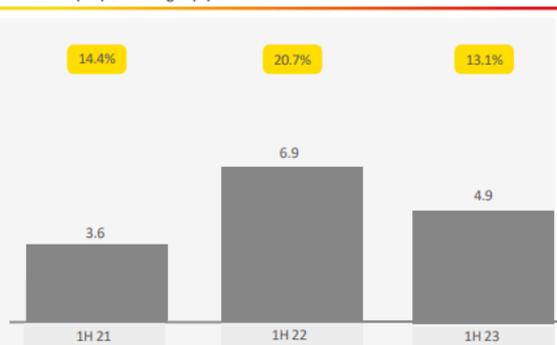
1. **gross margin lower than in 1H22** and our expectations (€ 23mn vs. € 23.6mn expected, i.e. a margin of 61.8% vs. 62.7% of 1H22) due to a **less favorable product mix** (contribution of lower-margin Racing Spirits) and **raw material cost increases** (purchases executed in 2H22);
2. **major ongoing investments in the production and commercial structure** to support growth in core business and diversification projects (operating costs € 15.1mn in 1H23 vs. € 11.7mn in 1H22 and € 13.4mn in 2H22). In more details, personnel costs moved from € 5.6mn to € 6.9mn, due to +89 FTE (around +20% YoY).

**EBITDA AND NI**

EBITDA (€m) and Margin (%)



NET INCOME (€m) and Margin (%)



Source: Company presentation

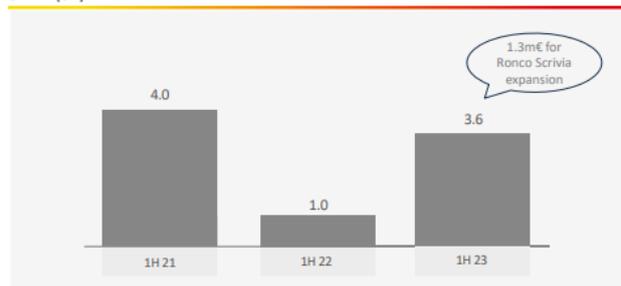
On top of this, results were affected by € 0.3mn lower other income (mostly tax credits booked in 1H22).

Below EBITDA, no major surprises emerged so EBIT and NI mainly reflect lower EBITDA.

■ **NFP NEUTRAL EX LEASES**

**CAPEX, NWC, CASHFLOW AND NET DEBT**

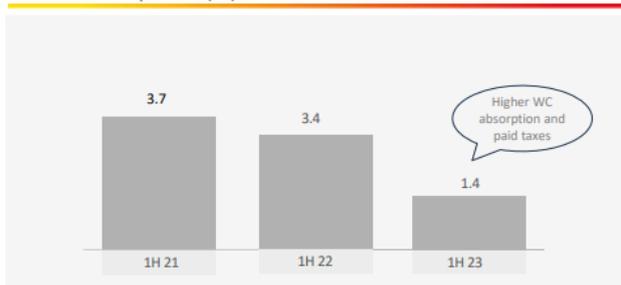
CAPEX (€m)



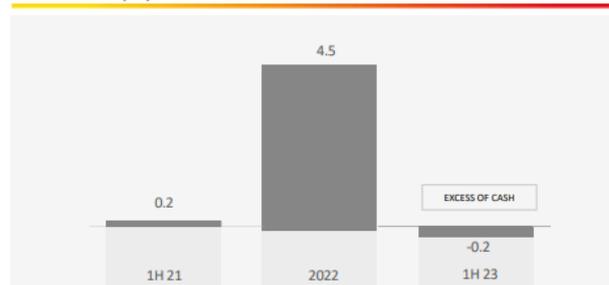
NET WORKING CAPITAL (€m)



CASH FLOW from Operations (€m)



NET BANK DEBT (€m)



Source: Company presentation

**NFP was slightly positive** (€ 0.2mn) excluding leases and € -2.6mn including leases, in line with our expectations, with **FCF in 1H23 of around € -3mn**.

**NWC in June was up € 5mn compared to December**, led by receivables, while payables and inventories remained stable. Management commented in the call that receivables had been reduced by € 3.5mn by the end of August.

**CAPEX were € 3.6mn, of which € 1.3mn related to the expansion in Italy.**

We remind that company is planning some € 12-13mn CAPEX over 2022-2025 to expand capacity in Italy (race ware), Bahrein (helmets) and to set up a logistic center (potentially also a manufacturing center over the medium term) in Mooresville, as described below.

MAIN EXPANSION CAPEX		
<p><b>EUROPE, RONCO SCRIVIA</b></p>  <p>Expansion: +4,000 sqm <b>+50%</b></p> <ul style="list-style-type: none"> <li>▶ It's the main headquarter of the Group</li> <li>▶ Expansion aimed at increasing production and logistics for Europe and ROW</li> <li>▶ Attention to environmental sustainability                             <ul style="list-style-type: none"> <li>- Solar panels</li> <li>- Energy-saving façades</li> <li>- Car recharging stations</li> <li>- Rain water collection system</li> </ul> </li> <li>▶ Active starting Q3 2024</li> </ul>	<p><b>MIDDLE EAST, BAHRAIN</b></p>  <p>Expansion: +4,000 sqm <b>+60%</b></p> <ul style="list-style-type: none"> <li>▶ It's the main manufacturing hub that hosts production of helmets as well as diversification and integration projects</li> <li>▶ Creation of a 2<sup>nd</sup> floor to increase factory production capacity, in partnership with Bahrain International Circuit</li> <li>▶ Attention to environmental sustainability                             <ul style="list-style-type: none"> <li>- Solar panels</li> <li>- Car recharging stations</li> </ul> </li> <li>▶ Active starting Q1 24</li> </ul>	<p><b>AMERICA, MOORESVILLE</b></p>  <p><b>New Logistics Facility</b></p> <ul style="list-style-type: none"> <li>▶ Mooresville has a racing DNA, hosting NASCAR's headquarter and the majority of US racing teams</li> <li>▶ The new site has already <b>entered into operations starting August 2023</b>, becoming the main logistics hub for the US</li> <li>▶ Plan is to integrate production activities aimed at the American market in 2024/25</li> </ul>

Source: Company presentation

## CURRENT TRADING AND OUTLOOK

- **Current trading: 3Q sales are growing in line with 1H and management is confident to maintain this trend for FY23.** The US market, after signs of order slowdown during 1H, is showing a good recovery;
- **Profitability:** the cost structure is now more stable and able to support the expected growth in demand for motorsport-related helmets and diversification projects. This means that **profitability in 2023 will be less skewed in favour of 1H compared to 2022.**

## UPDATE ON KEY STRATEGIC DRIVERS

- **US:** the completion of the SFI certified product portfolio and the visibility of agreements signed in recent months and in negotiation can provide a **major commercial boost in 2024-2025**. Market share growth in the **US is a strategic priority for the group**.
- **Driver's Eye:** There are many opportunities, including outside motorsport (management cited applications in golf, sailing, skiing), mainly arising from **relationships with broadcasters**. It is not possible to quantify the opportunity at this stage.

- **Jet Pilot Helmets.** they will meet with Lift Airborne in October in Bahrain to finalize the roll-out plan and to discuss new commercial opportunities. Currently the plan is to ramp up production of helmet shells in 2024 with more tangible contribution in 2025. We are currently assuming € 0.5mn sales in 2023 and € 3mn in 2024.

**JET PILOT HELMETS UPDATE**

**JET PILOT HELMETS ( TECHNICAL PARTNERSHIP WITH LIFT AIRBORNE)**

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



**NEXT MILESTONES**



**NEXT DEVELOPMENTS**

- ✔ Rotary wing helmets and other projects



**KEY UPDATES**

- ✔ Extension of partnership with LIFT Airborne for helicopter helmets, in military (ballistic) and civil version
- ✔ Strategic meeting with LIFT will take place in Bahrain in mid-October to explore more extensive collaboration

Source: Company presentation

- **Special Forces Head Protection (GLADIATOR):** the prototype passed the ballistic testing, but certification and commercialization have been postponed to 2H24 as some production issues need to be fixed to arrive at an industrialization of the product;
- **Riot Control Police Head Protection (RIOT).** Certification could arrive as early as 1H24, with commercialization in 2H24.

**SPECIAL FORCES AND RIOT CONTROL POLICE DIVERSIFICATION PROJECTS**

**PILLAR 2 - DIVERSIFICATION**

**SPECIAL FORCE AND POLICE RIOT HEAD PROTECTION**

SPECIAL FORCE HEAD PROTECTION (GLADIATOR)	RIOT CONTROL POLICE HEAD PROTECTION (RIOT)
<p><b>KEY UPDATES</b></p> <ul style="list-style-type: none"> <li>✔ Latest ballistic testing successfully passed in August 2023</li> <li>✔ The manufacturing process development at Fraunhofer Institute (FI) is still in progress, although the timeline was affected by some technical issues at FI</li> <li>✔ <b>2024 Q3</b> - First Certification and final prototypes</li> <li>✔ <b>2024 Q4</b> - Start of commercialization activities - Contact with relevant police forces already established for both product design and commercialization</li> </ul>	<p><b>KEY UPDATES</b></p> <ul style="list-style-type: none"> <li>▶ R&amp;D activities ongoing in our Bahrain facility, progressing as planned</li> <li>▶ <b>1H 2024</b> - First Certification and prototypes</li> <li>▶ <b>2H 2024</b> - Start of commercialization activities - Contact with relevant police forces already established for both product design and commercialization</li> </ul>

**GLADIATOR MAIN TECHNICAL FEATURES**

SWAT helmet developed according to TR 2010 Ballistic Helmet, VPAM and NATO standards

Optimized shell design for full compatibility with headset and chemical, biological, radiological, and nuclear protection mask (CBRN)

Improved night vision shroud design

Visor with improved pivoting system for optimized balance

F1 racing helmet chinstrap, anti-fog and anti-scratch technologies



**RIOT MAIN TECHNICAL FEATURES**

Lightweight shell with FR coating for optimized shock and stab protection

3 shell sizes for lowest possible weight with a size range from 46 to 67

Exchangeable anti-bacterial finished, flame-retardant lining for highest comfort

Flame-resistant 3-point chinstrap with FR micro-lock ratchet fastener and emergency opening

Clear injection molded visor with F1 proven anti-fog (inside) and anti-scratch (outside) technology



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Source: Company presentation

## ESTIMATES: DIVERSIFICATION PROJECTS ARE TAKING A TOLL ON MARGINS

In light of 1H23 results and indications on 3Q and FY prospects, **we have raised 2023 sales by 2.5% to € 64.8mn and 2024 by 2.5% to € 69mn**. This implies a 10% top-line growth in FY23 and 6.6% in FY24.

We have instead reduced EBITDA margin to 16.5% in 2023 (from previous 20.2%) and 17.9% in 2024 (from previous 21.5%) due to **higher costs related to new production capacity** (operating cost raised by € 2mn). Clearly, the group structure today would enable **strong operating leverage on additional volumes**, should they emerge from the aforementioned diversification projects, only minimally reflected in our estimates. **We remind that we do not incorporate any contributions from projects related to special forces and riot police head protections and very marginal contribution from the contract with Lift** (€ 0.5mn sales in 2024 and € 3mn in 2025).

**We have also update the CAPEX plan to factor in the indication of € 12-13mn of strategic investments** spread over 2022-2025 (less than € 1mn booked in 2022, around € 4mn per year in 2023-2024-2025), on top of around 5% of CAPEX/sales for maintenance capex and IT upgrades.

We could look at 2023-24-25 profitability as the combination of highly profitable (20+% EBITDA margin) core business and start-up costs to the tune of a couple of mn euros for the diversification project ramp-up/opportunity.

	ESTIMATE REVISION (€ mn)					
	2023E Prev.	2023E Curr.	2024E Prev.	2024E Curr.	2025E Prev.	2025E Curr.
<b>Revenues</b>	<b>63.2</b>	<b>64.8</b>	<b>67.4</b>	<b>69.0</b>	<b>74.0</b>	<b>75.7</b>
% chg		2.5%		2.5%		2.4%
Abs chg		1.6		1.7		1.8
<b>Adj. EBITDA</b>	<b>12.7</b>	<b>10.7</b>	<b>14.5</b>	<b>12.3</b>	<b>16.4</b>	<b>14.2</b>
% chg		-16.0%		-14.6%		-13.5%
Abs chg		-2.0		-2.1		-2.2
<b>EBIT</b>	<b>9.2</b>	<b>7.2</b>	<b>10.2</b>	<b>8.1</b>	<b>11.9</b>	<b>9.6</b>
% chg		-21.6%		-20.7%		-18.8%
Abs chg		-2.0		-2.1		-2.2
<b>Net income</b>	<b>7.1</b>	<b>5.5</b>	<b>7.9</b>	<b>6.2</b>	<b>9.1</b>	<b>7.3</b>
% chg		-22.5%		-21.3%		-19.2%
Abs chg		-1.6		-1.7		-1.7
<b>Adj EPS</b>	<b>27.6</b>	<b>21.4</b>	<b>30.5</b>	<b>24.0</b>	<b>35.2</b>	<b>28.4</b>
% chg		-22.5%		-21.3%		-19.2%
Abs chg		-6.2		-6.5		-6.8
<b>FCF</b>	<b>-0.2</b>	<b>-2.1</b>	<b>3.4</b>	<b>0.6</b>	<b>6.4</b>	<b>1.6</b>
% chg		754.9%		-81.2%		-75.8%
Abs chg		-1.9		-2.8		-4.9
<b>CAPEX</b>	<b>8.7</b>	<b>7.5</b>	<b>6.4</b>	<b>7.5</b>	<b>3.7</b>	<b>6.8</b>
% chg		-12.9%		17.0%		83.5%
Abs chg		-1.1		1.1		3.1
<b>NFP</b>	<b>-0.3</b>	<b>-2.2</b>	<b>0.7</b>	<b>-3.9</b>	<b>4.9</b>	<b>-4.6</b>
% chg		549.9%		-619.1%		-195.3%
Abs chg		-1.9		-4.6		-9.5

Source: Equita SIM estimates & company data



## RFG AND PEERS MULTIPLES

Company	Curr.	Price	Mkt cap (€mn)	Current EV	PERF YTD	EV/EBITDA		EV/EBIT		P/E		EBITDA margin		EBIT margin		ND/ Ebitda 2022E
						2023E	2024E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	
<b>RACING FORCE SPA</b>	<b>EUR</b>	<b>5.5</b>	<b>142</b>	<b>145</b>	<b>0.4</b>	<b>13.6 x</b>	<b>11.9 x</b>	<b>20.1 x</b>	<b>18.1 x</b>	<b>26.8 x</b>	<b>23.9 x</b>	<b>16.5%</b>	<b>17.9%</b>	<b>11.2%</b>	<b>11.8%</b>	<b>0.2 x</b>
SHOEI CO LTD	JPY	2,382	810	731	-7.1	12.7 x	10.1 x	14.1 x	10.5 x	22.3 x	16.4 x	31.1%	33.8%	28.0%	32.4%	n.m.
<b>High Performance Sport equipment</b>																
FOX FACTORY HOLD	USD	97	3,836	4,049	5.8	12.6 x	10.4 x	14.8 x	12.1 x	19.2 x	16.1 x	19.4%	20.3%	16.4%	17.5%	n.m.
CLARUS CORP	USD	7.4	260	366	-5.7	8.7 x	6.4 x	20.8 x	12.8 x	9.6 x	7.6 x	11.2%	13.0%	4.7%	6.5%	2.3 x
ACUSHNET HOLDING	USD	54	3,401	4,010	28.3	11.7 x	11.3 x	17.6 x	17.3 x	18.5 x	17.8 x	15.6%	15.6%	10.4%	10.1%	1.7 x
PIERER MOBILITY	CHF	63	2,205	2,654	-6.1	6.1 x	5.4 x	10.5 x	9.7 x	13.5 x	11.8 x	15.2%	16.1%	8.9%	9.0%	0.8 x
VISTA OUTDOOR	USD	32	1,730	2,687	30.4	4.9 x	3.8 x	6.2 x	4.6 x	6.8 x	6.0 x	18.1%	19.0%	14.4%	15.5%	1.3 x
<b>Average</b>						<b>8.1 x</b>	<b>6.5 x</b>	<b>13.1 x</b>	<b>9.8 x</b>	<b>12.3 x</b>	<b>10.4 x</b>	<b>16.0%</b>	<b>17.1%</b>	<b>11.1%</b>	<b>12.1%</b>	<b>1.1 x</b>
<b>Median</b>						<b>7.4 x</b>	<b>5.9 x</b>	<b>12.7 x</b>	<b>10.9 x</b>	<b>11.5 x</b>	<b>9.7 x</b>	<b>16.7%</b>	<b>17.5%</b>	<b>11.6%</b>	<b>12.2%</b>	<b>1.0 x</b>
<b>Defense/Medical High Performance Safety Equipment</b>																
MSA SAFETY INC	USD	165	6,081	6,727	14.4	16.9 x	15.0 x	29.5 x	23.0 x	25.5 x	23.1 x	24.8%	25.5%	14.2%	16.7%	1.6 x
GENTEX CORP	USD	32	7,018	6,784	17.5	12.5 x	10.4 x	15.1 x	12.4 x	18.1 x	14.6 x	25.7%	27.9%	21.1%	23.2%	n.m.
ANSELL LTD	AUD	22	1,727	2,049	-20.4	8.2 x	7.0 x	11.3 x	9.3 x	25.4 x	20.2 x	15.1%	16.4%	10.9%	12.4%	0.8 x
AVON PROTECTION	GBp	632	220	307	-41.2	12.1 x	8.2 x	25.8 x	11.6 x	49.7 x	13.8 x	9.4%	14.9%	4.4%	10.5%	3.1 x
<b>Average</b>						<b>12.4 x</b>	<b>10.2 x</b>	<b>20.4 x</b>	<b>14.1 x</b>	<b>29.7 x</b>	<b>17.9 x</b>	<b>18.8%</b>	<b>21.2%</b>	<b>12.7%</b>	<b>15.7%</b>	<b>1.9 x</b>
<b>Median</b>						<b>12.3 x</b>	<b>9.3 x</b>	<b>20.5 x</b>	<b>12.0 x</b>	<b>25.4 x</b>	<b>17.4 x</b>	<b>19.9%</b>	<b>21.0%</b>	<b>12.5%</b>	<b>14.5%</b>	<b>1.6 x</b>

Source: Equita SIM estimates and Bloomberg data

## 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

<b>P&amp;L - €mn</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>SALES Rep</b>	<b>33.7</b>	<b>46.7</b>	<b>58.9</b>	<b>64.8</b>	<b>69.0</b>	<b>75.7</b>
Growth	-7.8%	38.4%	26.1%	10.0%	6.6%	9.7%
<b>EBITDA Rep</b>	<b>5.4</b>	<b>7.9</b>	<b>11.7</b>	<b>10.7</b>	<b>12.3</b>	<b>14.2</b>
Growth	28.3%	47.3%	47.5%	-8.2%	15.4%	14.8%
Margin	15.9%	16.9%	19.8%	16.5%	17.9%	18.7%
<b>D&amp;A</b>	<b>-2.5</b>	<b>-2.4</b>	<b>-2.8</b>	<b>-3.5</b>	<b>-4.2</b>	<b>-4.6</b>
<b>EBIT Rep</b>	<b>2.8</b>	<b>5.5</b>	<b>8.8</b>	<b>7.2</b>	<b>8.1</b>	<b>9.6</b>
Growth	59.3%	93.7%	59.9%	-17.8%	12.2%	18.4%
Margin	8.4%	11.8%	15.0%	11.2%	11.8%	12.7%
Net Interest Charges	-0.7	-0.3	-0.1	-0.4	-0.3	-0.2
<b>Financial Expenses</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.2</b>
Non Recurrings	0.0	0.0	0.0	0.0	0.0	0.0
<b>PBT Rep</b>	<b>2.1</b>	<b>5.2</b>	<b>8.7</b>	<b>6.9</b>	<b>7.8</b>	<b>9.4</b>
Growth	-30.9%	144.0%	66.4%	-21.0%	13.7%	20.0%
Income Taxes	-0.7	-1.1	-1.2	-1.4	-1.6	-2.1
Tax rate	-33.0%	-20.4%	-13.4%	-20.0%	-21.0%	-22.0%
<b>Minority Interest</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income Rep</b>	<b>1.4</b>	<b>4.2</b>	<b>7.5</b>	<b>5.5</b>	<b>6.2</b>	<b>7.3</b>
Growth	-40.7%	190.0%	81.2%	-27.1%	12.3%	18.5%
Margin	4.3%	8.9%	12.8%	8.5%	8.9%	9.7%
<b>Net Income Adj</b>	<b>1.4</b>	<b>4.9</b>	<b>7.6</b>	<b>5.5</b>	<b>6.2</b>	<b>7.3</b>
Growth	-40.7%	243.1%	53.5%	-27.3%	12.3%	18.5%
Margin	4.3%	10.6%	12.9%	8.5%	8.9%	9.7%
<b>CF Statement</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
FFO	3.3	6.4	9.8	8.4	10.0	11.6
Chg. in Working Capital	-1.7	-1.9	-7.5	-2.6	-1.5	-2.8
Other chg. in OCF	0.0	0.0	0.0	0.0	0.0	0.0
<b>NCF from Operations</b>	<b>1.7</b>	<b>4.5</b>	<b>2.3</b>	<b>5.8</b>	<b>8.5</b>	<b>8.7</b>
CAPEX	-1.1	-5.3	-4.3	-7.5	-7.5	-6.8
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
<b>NCF from Investments</b>	<b>-4.3</b>	<b>-5.9</b>	<b>-5.1</b>	<b>-7.9</b>	<b>-7.9</b>	<b>-7.2</b>
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
<b>CHG IN NFP</b>	<b>-0.9</b>	<b>15.5</b>	<b>-4.5</b>	<b>5.4</b>	<b>-1.7</b>	<b>-0.8</b>

Source: Company data and Equita SIM estimates

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HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
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Date	Rec.	Target Price	Risk.	Comment
April 26, 2023	Buy	7.00	High	-
March 6, 2023	Buy	6.80	High	-

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