

### Buy

Recommendation unchanged

Share price: EUR **9.90**

closing price as of 16/11/2020

Target price: EUR **14.00**

from Target Price: EUR 12.90

Upside/Downside Potential **41.4%**

Reuters/Bloomberg

FF.MI/FF IM

Market capitalisation (EURm) **233**

Current N° of shares (m) 24

Free float **44%**

Daily avg. no. trad. sh. 12 mth (k) 14

Daily avg. trad. vol. 12 mth (k) 184.13

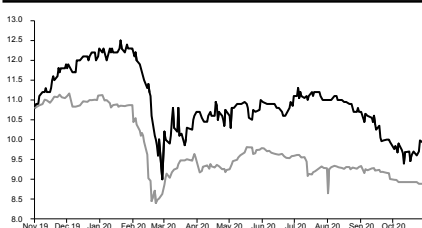
Price high/low 12 months 12.50 / 9.00

Abs Perfs 1/3/12 mths (%) -0.40/-10.00/-8.33

Key financials (EUR)	12/19	12/20e	12/21e
Sales (m)	160	176	216
EBITDA (m)	18	23	31
EBITDA margin	11.3%	13.0%	14.4%
EBIT (m)	7	10	18
EBIT margin	4.3%	5.7%	8.2%
Net Profit (adj.)(m)	6	9	14
ROCE	5.6%	5.7%	9.8%
Net debt/(cash) (m)	(40)	(38)	(47)
Net Debt/Equity	-0.3	-0.2	-0.3
Debt/EBITDA	-2.2	-1.7	-1.5
Int. cover(EBITDA/Fin. int)	(21.9)	(25.4)	(36.6)
EV/Sales	1.5	1.1	0.9
EV/EBITDA	13.3	8.6	6.0
EV/EBITDA (adj.)	11.8	8.6	6.0
EV/EBIT	34.8	19.6	10.6
P/E (adj.)	45.5	26.9	16.2
P/BV	1.9	1.5	1.4
OpFCF yield	3.3%	-2.4%	5.4%
Dividend yield	1.2%	1.3%	1.3%
EPS (adj.)	0.26	0.37	0.61
BVPS	6.39	6.53	7.02
DPS	0.12	0.13	0.13

### Shareholders

Marco Eigenmann 54%;



Source: FactSet

— FINE FOODS — FTSE AIM Italia (Rebased)

### Analyst(s)

Paola Saglietti

paola.saglietti@bancaakros.it

+39 02 4344 4287

## Interesting acquisition in a complementary sector

**The facts:** yesterday Fine Foods announced the acquisition of 100% of Pharmatek PMC S.r.l. The company, which is based in Cremosano (near Cremona), produces medical and surgical aids, medical devices and cosmetics.

**Pharmatek PMC S.r.l.** is expected to reach FY 20 turnover of around EUR 17m and a FY 20 EBITDA of EUR 3.4m (equal to 20% of turnover, higher than 13% of Fine Foods). FY 20 Net debt should amount to EUR 0.5m.

The purchase price is EUR 17.2 m, which will be paid entirely in cash and will be divided into a fixed component equal to EUR 11.2m and a variable amount equal to a maximum of EUR 6m to be paid within the next three years. The closing of the transaction is expected before the end of January 2021. The entrepreneur, Mr. Marco Pessah, will keep his role as CEO of Pharmatek for the next three years

**EV/EBITDA multiple paid for the acquisition is around 5.2x:** the total consideration for the deal implies a multiple FY 20e EV/EBITDA of around 5.2x (vs Fine Foods FY 20 EV/EBITDA 8.0x).

**Our analysis:** In our opinion, this acquisition is decidedly positive from a strategic point of view because is counter-diluting and allows to entre new CDMO market segments. This acquisition presents interesting cross-selling synergies for the group; furthermore, thanks to its organizational and financial structure, Fine foods will be able to support Pharmatek's growth in the face of the robust demand expected in the cosmetics sector.

**Our estimates** – starting from an organic growth of Fine Foods +12.8% in 2021 and incorporating expected sales of Pharmatek in line with 2020 (EUR 17m), we get FY 21e total revenues of EUR 215.6m (vs previous EUR 198.6m). Therefore, considering Pharmatek's EBITDA margin of around 20%, Fine Foods's FY 21e EBITDA moves from EUR 27.7m to EUR 31.1m (FY 21e EBITDA margin of 14.4% vs previous 14.0%).

**Conclusion & Action:** with this new acquisition, the management confirmed what was announced on the occasion of the Business Combination, that is, the intention to strengthen organic growth through M&A activity. We therefore consider the deal positive and we reckon that it may be followed by new acquisitions in 2021.

Based on our new estimates and on our DCF model (WACC 6.70% and perpetual growth 1.5%), we set a target price of EUR 14.00 per share (vs previous EUR 12.90).

In light of the acquisition, we believe that the stock, at the current price, is an interesting Buy opportunity; so, we confirm our Buy recommendation.