

FINE FOODS

OUTPERFORM

Price (Eu):

10.40

Target Price (Eu):

13.00

SECTOR: Industrials

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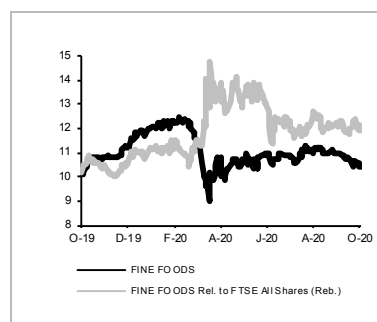
Reassuring Hints on 2H Should Support Visibility on Topline Recovery

- **Top-line trend reflected temporary shift in production due to Covid-19, as expected.** Fine Foods has published 1H results that are broadly in line with our expectations. Turnover came to Eu75.4mn (our estimate: Eu75mn), down -9% YoY due to the delaying of some orders on the books to 2H as a result of Covid-19. In particular, this involved: i) the rescheduling of production in smaller batches in order to accommodate most orders from key clients. This enabled the company to meet demanding levels of customer satisfaction, which remains a key differentiating aspect for CDMOs, and especially for Fine Foods, considering the outstanding quality and relatively high concentration of its client portfolio; ii) shorter work shifts (7 hours instead of 8) to allow longer breaks and avoid the risk of infection between teams of employees on each shift; iii) fewer staff at work at the two plants during the lockdown (at Zingonia and Brembate, which are in the areas worst hit by Covid-19 in Italy). Within the mix, a weaker performance of the Food division (75% of sales in FY19, 72% in 1H20), down low-teens (-14% YoY), was only partly offset by resilient mid-single digit Pharma growth (+6% YoY).
- **Healthy margins in line with historical levels.** Adj. EBITDA fell -12% YoY to Eu9.8mn (our estimate: Eu9.8mn) with a 13% margin, in line with the trend in recent years despite some minor dilution (1H19: 13.4%) that looks consistent with the rescheduling of production in smaller batches across different SKUs, meaning that each product change on a specific machine requires additional activities (e.g. washing and cleaning). This causes delays and inefficiency compared to uninterrupted production flow for a single, large SKU batch. Reported EBITDA was Eu9.1mn, burdened by Eu0.7mn in one-off costs (we believe mainly related to Covid-19, e.g. increased safety and sanitisation measures); adj. EBIT was Eu3.2mn (our estimate: Eu3.1mn), down vs. Eu5.7mn for 1H19, reflecting higher D&A (+Eu1.4mn) relating to recent investments to expand the two production sites. Net profit was Eu3.6mn adjusted (our estimate: Eu3.5mn, 1H19: Eu4.2mn) and Eu3.1mn reported. Positive NFP at Eu34.9mn (our estimate: Eu35.1mn) was down from Eu39.8mn as at the end of 2019, mainly due to the dividend (Eu2.7mn) and buyback (Eu2.6mn; treasury shares currently 3% of company share capital).
- **Reassuring outlook hints at strong catch-up in 2H.** After returning to double-digit revenue growth in 3Q20 (+22% YoY, 9M20: positive growth YoY) supported by a stronger market recovery, the company expects a strong expansion in 2H that can ensure 2020 revenue growth is in line with the historical trend (FY19A: +14.5% YoY, FY18A: +16.6% YoY).
- **Fine-tuning of estimates.** We have performed some minor fine-tuning to FY20 top-line estimates (new estimate: Eu177mn, +11% YoY, implying 2H growth in the low 30s), while we now assume a 13.1% adj. margin (from the previous 13.4%) almost stable compared to FY19 (13.0%) to factor in higher OpEx (new personnel hiring), and higher D&A (due to the recent expansion of production sites), leading to -3%/-2% EPS changes for FY20/'21.
- **Rating OUTPERFORM confirmed, target still at Eu13.0.** The group is well placed to confirm double-digit revenue growth thanks to highly visible customer demand and the additional capacity secured through investments, as well as the ability to seize M&A opportunities for quality assets in adjacent markets or to act as a natural aggregator domestically. In the s/m term, however, we think management focus will be on investing organically in the current business and the listing on the MTA segment (expected spring 2020 along with FY20 results), which could mean a break of a few months before the company turns its attention back to exploring M&A opportunities.

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	139	160	177	201	223
Ebitda (Eu mn)	19	18	22	27	32
Net profit (Eu mn)	9	6	9	12	15
EPS - New Adj.(Eu)	0.370	0.352	0.431	0.507	0.625
EPS - Old Adj.(Eu)	0.370	0.352	0.444	0.519	0.612
DPS (Eu)	0.098	0.120	0.142	0.167	0.206
Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	28.1	29.6	24.2	20.5	16.6
Div. Yield	0.9%	1.2%	1.4%	1.6%	2.0%
EV/Ebitda Adj.	10.2	9.5	8.4	6.9	5.5
ROCE	12.6%	6.6%	9.4%	13.5%	16.6%

Next event:
FY20 Results out March 2021

FINE FOODS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Ch. in Adj.EPS est: 2020E 2021E
-3.0% -2.3%

STOCK DATA

Reuters code: FF.MI
Bloomberg code: FF IM

Performance	1m	3m	12m
Absolute	-5.0%	-3.7%	2.0%
Relative	-2.7%	-2.8%	14.4%
12 months H/L:	12.50/9.00		

SHAREHOLDER DATA

No. of Ord. shares (mn): 24
Total No. of shares (mn): 24
Mkt Cap Ord (Eu mn): 245
Total Mkt Cap (Eu mn): 245
Mkt Float - ord (Eu mn): 101
Mkt Float (in %): 41.0%
Main shareholder:
Eigenfin Srl + M. Eigenmann 51.9%

BALANCE SHEET DATA

2020
Book value (Eu mn): 151
BVPS (Eu): 6.42
P/BV: 1.6
Net Financial Position (Eu mn): 45
Enterprise value (Eu mn): 193

Please see important disclaimer
on the last page of this report

FINE FOODS - KEY FIGURES

		2018A	2019A	2020E	2021E	2022E
	Fiscal year end	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
PROFIT & LOSS (Eu mn)	Sales	139	160	177	201	223
	EBITDA	19	18	22	27	32
	EBIT	10	7	10	15	18
	Financial income (charges)	0	1	2	1	1
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	10	8	12	15	19
	Taxes	(2)	(2)	(3)	(3)	(4)
	Tax rate (%)	16.7%	21.4%	21.5%	21.5%	22.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	9	6	9	12	15
	Total extraordinary items	0	2	1	0	0
	Ebitda excl. extraordinary items	19	21	23	27	32
PER SHARE DATA (Eu)	Ebit excl. extraordinary items	10	10	11	15	18
	Net profit restated	9	8	10	12	15
	Total shares out (mn) - average fd	23	23	24	24	24
	EPS stated fd	0.370	0.259	0.397	0.507	0.625
	EPS restated fd	0.370	0.352	0.431	0.507	0.625
	BVPS fd	6.360	6.322	6.420	6.783	7.238
	Dividend per share (ord)	0.098	0.120	0.142	0.167	0.206
CASH FLOW (Eu mn)	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	25.7%	45.0%	35.8%	33.0%	33.0%
	Gross cash flow	17	18	21	24	28
	Change in NWC	(19)	2	(0)	(7)	(3)
	Capital expenditure	(32)	(20)	(11)	(9)	(10)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(1)	19	21	16	24
	Acquisitions, divestments & others	(0)	1	1	1	1
BALANCE SHEET (Eu mn)	Dividend	0	(2)	(3)	(3)	(4)
	Equity financing/Buy-back	100	(5)	(4)	0	0
	Change in Net Financial Position	67	(7)	5	5	11
	Total fixed assets	83	93	92	89	85
	Net working capital	21	19	19	26	30
	Long term liabilities	0	(2)	(4)	(4)	(4)
	Net capital employed	102	109	107	110	109
ENTERPRISE VALUE (Eu mn)	Net financial position	47	40	45	50	61
	Group equity	149	148	151	160	171
	Minorities	0	0	0	0	0
	Net equity	149	148	151	160	171
RATIOS(%)	Average mkt cap - current	245	245	245	245	245
	Adjustments (associate & minorities)	7	7	7	7	7
	Net financial position	47	40	45	50	61
	Enterprise value	191	198	193	188	177
GROWTH RATES (%)	EBITDA margin*	13.4%	13.0%	13.1%	13.6%	14.5%
	EBIT margin*	7.3%	6.1%	6.3%	7.3%	8.2%
	Gearing - Debt/equity	-31.3%	-26.8%	-29.5%	-31.1%	-35.9%
	Interest cover on EBIT	nm	nm	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	12.6%	6.6%	9.4%	13.5%	16.6%
	ROE*	9.2%	4.1%	6.2%	7.6%	8.9%
	EV/CE	2.4	1.9	1.8	1.7	1.6
	EV/Sales	1.4	1.2	1.1	0.9	0.8
	EV/Ebit	18.8	20.4	17.3	12.8	9.7
	Free Cash Flow Yield	-0.5%	8.1%	8.7%	6.9%	10.3%
GROWTH RATES (%)	Sales	16.6%	14.5%	10.8%	13.5%	11.1%
	EBITDA*	11.7%	11.3%	11.1%	18.2%	18.4%
	EBIT*	0.2%	-4.7%	15.0%	31.3%	24.8%
	Net profit	40.3%	-30.1%	53.4%	27.7%	23.1%
GROWTH RATES (%)	EPS restated	26.9%	-5.0%	22.4%	17.8%	23.1%

* Excluding extraordinary items

Source: Intermonte SIM estimates

1H20 Results

- Top-line trend reflected temporary shift in production due to Covid-19, as expected.** Fine Foods has published 1H results that are broadly in line with our expectations. Turnover came to Eu75.4mn (our estimate: Eu75mn), down -9% YoY due to the delaying of some orders on the books to 2H as a result of Covid-19. In particular, this involved: i) the rescheduling of production in smaller batches in order to accommodate most orders from key clients. This enabled the company to meet demanding levels of customer satisfaction, which remains a key differentiating aspect for CDMOs, and especially for Fine Foods, considering the outstanding quality and relatively high concentration of its client portfolio; ii) shorter work shifts (7 hours instead of 8) to allow longer breaks and avoid the risk of infection between teams of employees on each shift; ii) fewer staff at work at the two plants during the lockdown (at Zingonia and Brembate, which are in the areas worst hit by Covid-19 in Italy). Within the mix, a weaker performance of the Food division (75% of sales in FY19, 72% in 1H20), down low-teens (-1.4% YoY), was only partly offset by resilient mid-single digit Pharma growth (+6% YoY).
- Healthy margins in line with historical levels.** Adj. EBITDA fell -12% YoY to Eu9.8mn (our estimate: Eu9.8mn) with a 13% margin, in line with the trend in recent years despite some minor dilution (1H19: 13.4%) that looks consistent with the rescheduling of production in smaller batches across different SKUs, meaning that each product change on a specific machine requires additional activities (e.g. washing and cleaning). This causes delays and inefficiency compared to uninterrupted production flow for a single, large SKU batch. Reported EBITDA was Eu9.1mn, burdened by Eu0.7mn in one-off costs (we believe mainly related to Covid-19, e.g. increased safety and sanitisation measures); adj. EBIT was Eu3.2mn (our estimate: Eu3.1mn), down vs. Eu5.7mn for 1H19, reflecting higher D&A (+Eu1.4mn) relating to recent investments to expand the two production sites. Net profit was Eu3.6mn adjusted (our estimate: Eu3.5mn, 1H19: Eu4.2mn) and Eu3.1mn reported.

Fine Foods – 1H20 Results: P&L

P&L (Eu mn)	1H18A	2H18A	2018A	1H19A	2H19A	2019A	1H20A	1H20E	A/E
Net revenues	70.5	68.8	139.4	83.1	76.5	159.7	75.4	75.0	0.5%
YoY growth				17.9%	11.1%	14.5%	-9.4%	-9.8%	
Food	51.3	54.3	105.6	63.1	56.1	119.2	54.1	54.2	-0.1%
YoY growth				23.0%	3.3%	12.8%	-14.2%	-14.1%	
as % of sales	73%	79%	76%	76%	73%	75%	72%	72%	
Pharma	19.2	14.6	33.8	20.1	20.5	40.5	21.2	20.8	1.9%
YoY growth				4.4%	40.5%	20.0%	5.8%	4.0%	
as % of sales	27%	21%	24%	24%	27%	25%	28%	28%	
Other Income/ Δ finished goods	0.8	3.7	4.5	5.5	(1.9)	3.5	1.0	(2.0)	
Value of production	71.4	72.5	143.9	88.6	74.6	163.2	76.4	73.0	4.6%
Total Opex	(63.2)	(62.0)	(125.2)	(77.5)	(64.9)	(142.4)	(66.6)	(63.2)	
Adjusted EBITDA	9.4	9.3	18.7	11.2	9.6	20.8	9.8	9.8	0.0%
YoY growth				18.8%	3.8%	11.3%	-12.2%	-12.2%	
Adjusted EBITDA Margin	13.3%	13.5%	13.4%	13.4%	12.6%	13.0%	13.0%	13.1%	
one off	(1.2)	1.2	-	(1.4)	(1.4)	(2.8)	(0.7)	(0.7)	
Reported EBITDA	8.2	10.5	18.7	9.8	8.3	18.0	9.1	9.1	0.0%
Reported EBITDA margin	11.6%	15.2%	13.4%	11.7%	10.8%	11.3%	12.1%	12.1%	
D&A	(4.1)	(3.7)	(7.7)	(4.6)	(5.5)	(10.1)	(5.9)	(6.0)	
Writedowns/Provision	(0.7)	(0.1)	(0.8)	(0.9)	(0.1)	(1.0)	(0.7)	(0.7)	
EBIT adjusted	3.4	6.8	10.2	5.7	4.1	9.7	3.2	3.1	4.8%
EBIT reported	3.4	6.8	10.2	4.3	2.6	6.9	2.5	2.4	6.1%
Financial Income (Charges)	0.5	(0.2)	0.2	0.4	0.4	0.8	1.6	1.7	
Non recurring income (Charges)	0.0	0.0	0.0	(0.2)	0.2	-	-	-	
Pretax	3.9	6.5	10.4	4.5	3.2	7.7	4.2	4.1	1.8%
Taxes	(1.1)	(0.7)	(1.7)	(1.3)	(0.4)	(1.7)	(1.1)	(1.1)	
tax rate	27.9%	10.1%	16.7%	28.4%	11.8%	21.4%	25.3%	27.5%	
Net income	2.8	5.9	8.7	3.2	2.9	6.1	3.1	3.0	4.8%
Net Income Restated	2.8	5.9	8.7	4.2	4.0	8.2	3.6	3.5	4.6%

Source: Company Data (A), Intermonte Estimates (E)

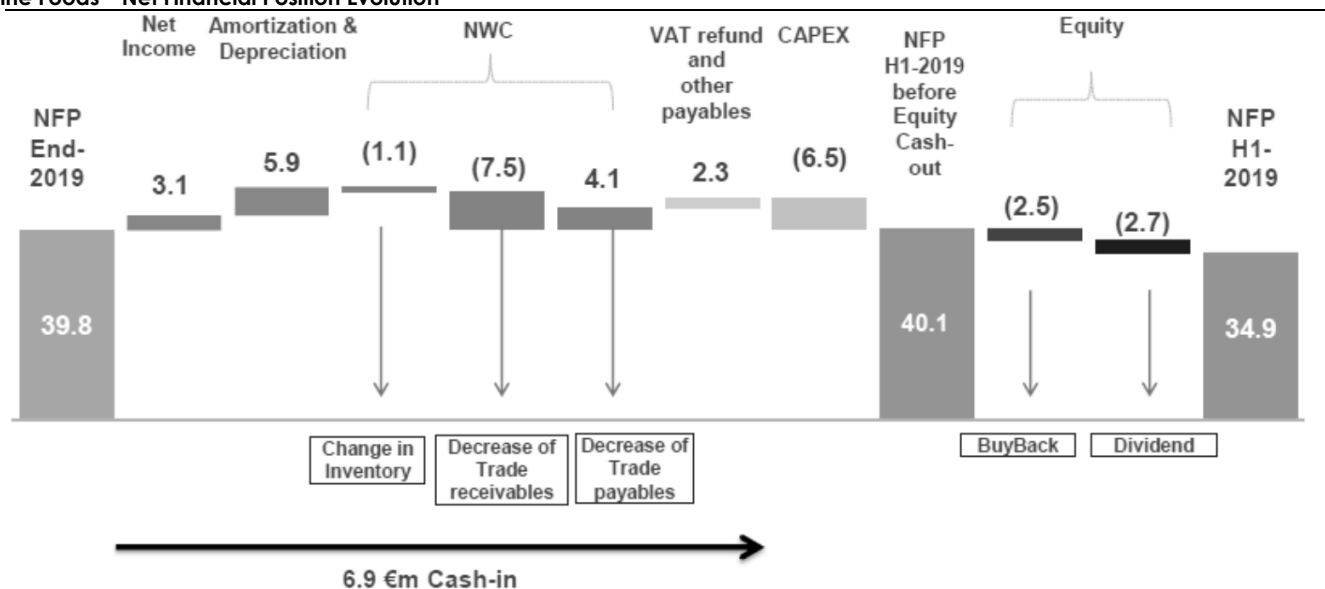
- **Solid financial profile.** Positive NFP at Eu34.9mn (our estimate: Eu35.1mn) was down from Eu39.8mn as at the end of 2019, mainly due to the dividend (Eu2.7mn) and the buyback (Eu2.6mn; treasury shares currently 3% of company share capital).

Fine Foods – 1H20 Results: FCF Evolution

FCF Evolution (Eu mn)	2018A	1H19A	2H19A	2019A	1H20A	1H20E	A-E
Net Income Restated	8.7	4.2	4.0	8.2	3.6	3.5	0.2
D&A and Provisions	8.5	4.6	6.5	11.1	5.9	6.0	(0.1)
Change in Working Capital	(18.6)	(2.2)	3.9	1.7	(4.5)	(4.0)	(0.5)
Other	0.3	(1.4)	(0.4)	(1.8)	1.9	-	1.9
Operating CF	(1.1)	5.2	13.9	19.2	6.9	5.5	1.4
Capex (Fixed & Intangible Assets)	(31.7)	(8.3)	(11.8)	(20.1)	(6.5)	(5.0)	(1.5)
Dividends	-	(2.2)	(0.0)	(2.2)	(2.7)	(2.7)	-
Share Buy-back	-	(2.7)	(2.0)	(4.7)	(2.5)	(2.5)	(0.0)
Rights Issue/ ipo	100.0	-	-	-	-	-	-
Other	(0.1)	-	-	-	-	-	-
Cash Flow	67.1	(7.8)	0.9	(6.8)	(4.9)	(4.8)	(0.2)
NFP at the beg. of the year: Cash/(Debt)	(20.4)	46.7	38.9	46.7	39.8	39.8	-
Cash Flow: Cash/(Debt)	67.1	(7.8)	0.9	(6.8)	(4.9)	(4.8)	(0.2)
NFP at year end: Cash/(Debt)	46.7	38.9	39.8	39.8	34.9	35.1	(0.2)

Source: Company Data (A), Intermonte Estimates (E)

Fine Foods – Net Financial Position Evolution



Source: Company presentation

Changes to Estimates

We have performed some minor fine-tuning to FY20 top-line estimates (new estimate: Eu177mn, +11% YoY, implying 2H growth in the low 30s), while we now assume a 13.1% adj. margin (from the previous 13.4%) almost stable compared to FY19 (13.0%) to factor in higher OpEx (new personnel hiring), and higher D&A (due to the recent expansion of production sites), leading to -3%/-2% EPS changes for FY20/'21.

Fine Foods – Changes to Estimates

(Eu mn)	2019A	2020E	2021E	2022E
Revenues new	159.7	176.8	200.8	223.0
Revenues old		182.9	205.5	228.9
% change		-3.3%	-2.3%	-2.6%
Adj. EBITDA new	20.8	23.1	27.3	32.3
Adj. EBITDA old	20.7	24.7	28.8	33.2
% change		-6.4%	-5.1%	-2.6%
Adj. EBIT new	9.7	11.2	14.7	18.3
Adj. EBIT old		14.0	15.9	18.1
% change		-20.0%	-7.8%	0.8%
Adj. Net profit new	8.2	10.1	11.9	14.7
Adj Net profit old		10.4	12.2	14.4
% change		-3.0%	-2.3%	2.0%
Net Cash (Debt) new	39.8	44.6	49.7	61.2
Net Cash (Debt) Old		43.2	50.9	60.2
% change		3.2%	-2.2%	1.6%

Source: Company Data (A), Intermonte Estimates (E)

Fine Foods – Income Statement

(Eu mn)	2015	2016	2017	2018	2019A	2020E	2021E	2022E
Total Revenues	102	113	120	139	160	177	201	223
Total Operating Costs	(89)	(98)	(104)	(121)	(142)	(155)	(173)	(191)
EBITDA	13	15	16	19	18	22	27	32
% EBITDA Margin	13%	13%	13%	13%	11%	13%	14%	15%
Depr. Prov 's. and Write-downs	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
EBIT	8	9	9	10	7	10	15	18
% EBIT Margin	7.9%	8.2%	7.5%	7.3%	4.3%	5.7%	7.3%	8.2%
Net Financial Charges	(0)	(0)	(0)	0	1	2	1	1
Other Charges and Income	0	0	0	0	0	0	0	0
Net Operating Margin	8	9	9	10	8	12	15	19
Taxes	(3)	(3)	(2)	(2)	(2)	(3)	(3)	(4)
Tax Rate %	-32%	-31%	-27%	-17%	-21%	-22%	-22%	-22%
Net Income	5	6	6	9	6	9	12	15

Source: Company data and Intermonte SIM estimates.

Fine Foods – Balance Sheet

(Eu mn)	2015	2016	2017	2018	2019A	2020E	2021E	2022E
Fixed assets:								
- Intangible	2	2	2	4	4	3	3	3
- Tangible	39	42	57	79	89	89	85	81
- Financial	0	0	0	0	0	0	0	0
Total Fixed Assets	40	43	59	83	93	92	89	85
Net working capital	10	10	2	21	19	19	26	30
Gross inv. capital	51	53	61	103	112	112	115	114
Severance provision	(0)	(0)	0	0	(2)	(4)	(4)	(4)
Net invested capital	49	52	59	102	109	107	110	109
Group sharehold. equity	31	33	39	149	148	151	160	171
Minority interests	0	0	0	0	0	0	0	0
Net Debt /(Net Cash)	18	19	20	(47)	(40)	(45)	(50)	(61)
Total cover	49	52	59	102	109	107	110	109

Source: Company data and Intermonte SIM estimates.

Fine Foods – Cash Flow Statement

(Eu mn)	2015	2016	2017	2018	2019A	2020E	2021E	2022E
Net fin position beg of year	(14)	(18)	(19)	(20)	47	40	45	50
Net income	5	6	6	9	8	10	12	15
Depreciation	5	6	7	8	11	12	13	14
Change in working capital	(7)	0	8	(19)	2	(0)	(7)	(3)
Others	0	0	0	0	(2)	(1)	(1)	(1)
Operating cash flow	4	12	21	(1)	19	21	16	24
Investments	(8)	(10)	(22)	(32)	(20)	(11)	(9)	(10)
Free cash flow	(3)	2	(1)	(33)	(1)	10	7	14
Dividends	(5)	0	0	(2)	(3)	(3)	(4)	(5)
Other movements	(0)	2	(0)	100	(4)	(3)	1	1
Cash flow	(9)	4	(1)	65	(7)	4	5	11
Net fin position end of year	(18)	(19)	(20)	47	40	45	50	61

Source: Company data and Intermonte SIM estimates.

Valuation

We use a DCF approach to value Fine Foods, restricting the comparison with peers' multiples to a mere sanity check, given the lack of significance of the peer group due to very high diversification in terms of size, level of vertical integration, geographical footprint, capital structure, and profitability.

DCF Valuation

We assume the following in our DCF valuation:

- WACC at 7.5%, which reflects a 2.5% risk-free rate;
- Terminal growth rate of 1.5%;
- Long-term EBITDA margin of 14%, at a mid-point between current profitability levels and levels targeted for 2023/'24E;
- CapEx/sales ratio at ca. 4.5%, in line with usual level of maintenance CapEx.

Our TP of Eu13 is derived from a DCF valuation (WACC 7.5%, g: 1.5%) and reflects the share count adjusted for warrant and special share conversion. At our TP, the stock would trade at 11.5x/19.6x EV/EBITDA 2020E/'21E (current prices: 8.4x/6.9x)

Fine Foods – DCF Model

(Eu mn)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	TV
Net Revenues	176.8	200.8	223.0	238.8	252.9	265.0	275.9	285.2	292.9	298.7	302.5	306.9
YoY growth	10.8%	13.5%	11.1%	7.1%	5.9%	4.8%	4.1%	3.4%	2.7%	2.0%	1.3%	1.5%
EBITDA	23.1	27.3	32.3	35.8	37.4	38.4	39.2	39.6	40.4	40.9	41.1	44.3
% margin	13.1%	13.6%	14.5%	15.0%	14.8%	14.5%	14.2%	13.9%	13.8%	13.7%	13.6%	14.5%
D&A	(12.9)	(12.6)	(14.0)	(15.0)	(15.4)	(15.6)	(15.8)	(16.0)	(16.2)	(16.4)	(16.6)	(13.8)
EBIT	10.2	14.7	18.3	20.8	22.0	22.8	23.3	23.6	24.2	24.5	24.5	30.5
% margin	5.7%	7.3%	8.2%	8.7%	8.7%	8.6%	8.5%	8.3%	8.3%	8.2%	8.1%	10.0%
Taxes	(2.4)	(3.5)	(4.4)	(5.0)	(5.3)	(5.5)	(5.6)	(5.7)	(5.8)	(5.9)	(5.9)	(7.3)
tax rate	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%
Change in WC	(0.4)	(7.0)	(3.3)	(2.3)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(2.2)
Capex	(10.6)	(9.0)	(10.0)	(10.7)	(11.4)	(11.9)	(12.4)	(12.8)	(13.2)	(13.4)	(13.6)	(13.8)
FCF	9.7	7.7	14.6	17.8	16.8	17.0	17.2	17.1	17.4	17.6	17.6	21.0
TV												350.1
year	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
Discounted WACC	1.0	0.9	0.9	0.8	0.8	0.7	0.6	0.6	0.6	0.5	0.5	0.5
Discounted Free cash flow	9.7	7.2	12.7	14.3	12.6	11.9	11.1	10.4	9.8	9.2	8.6	158.8

Discounted Free cash flows	107.8
Terminal value	158.8
Total EV (with DCF)	266.6
NFP/(Debt) at YE20	44.6
Acquisitions	0.0
Minorities	0.0
Treasury shares	7.3
Total EQUITY (Eu mn)	318.5
No. of shares fully diluted (mn)	24.5
Fair value (Eu/share)	13.0
current price (Eu/share)	10.2
upside/downside vs current price	27.6%

Source: Company Data (A), Intermonte estimates (E)

Fine Foods – TP Sensitivity to WACC (%) and g (%)

		g										
		1.0%	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%
WACC	6.5%	13.6	13.7	13.9	14.0	14.2	14.3	14.5	14.7	14.8	15.0	15.2
	6.7%	13.3	13.5	13.6	13.7	13.9	14.0	14.2	14.3	14.5	14.7	14.9
	6.9%	13.1	13.2	13.3	13.5	13.6	13.7	13.9	14.0	14.2	14.4	14.5
	7.1%	12.9	13.0	13.1	13.2	13.4	13.5	13.6	13.8	13.9	14.1	14.2
	7.3%	12.7	12.8	12.9	13.0	13.1	13.2	13.4	13.5	13.6	13.8	13.9
	7.5%	12.5	12.6	12.7	12.8	12.9	13.0	13.1	13.3	13.4	13.5	13.6
	7.7%	12.3	12.4	12.5	12.6	12.7	12.8	12.9	13.0	13.2	13.3	13.4
	7.9%	12.1	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9	13.0	13.2
	8.1%	12.0	12.1	12.2	12.2	12.3	12.4	12.5	12.6	12.7	12.8	12.9
	8.3%	11.8	11.9	12.0	12.1	12.2	12.3	12.3	12.4	12.5	12.6	12.7
	8.5%	11.7	11.8	11.8	11.9	12.0	12.1	12.2	12.3	12.4	12.5	12.6

Source: Intermonte SIM estimates (E)

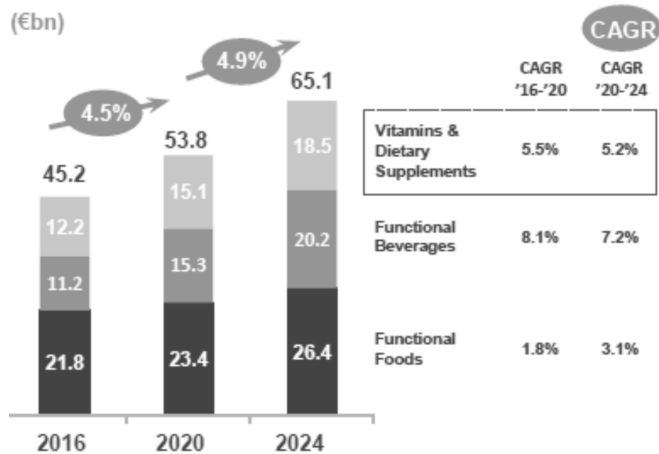
Peer Multiples

The reference table on the last page of the report provides a comparison with some players in the CDMO sector and/or in healthcare product manufacturing. Given the lack of significance of the peer group due to high diversification in terms of size, level of vertical integration, geographical footprint, capital structure and profitability when compared to Fine Foods, we do not take the peers multiples method into account in our valuation. **At current prices, Fine Foods trades at 8.4x/6.9x EV/adj. EBITDA'20/'21, at a ca. 50% discount to the peer group.**

Appendix

Focus on Key Reference Markets

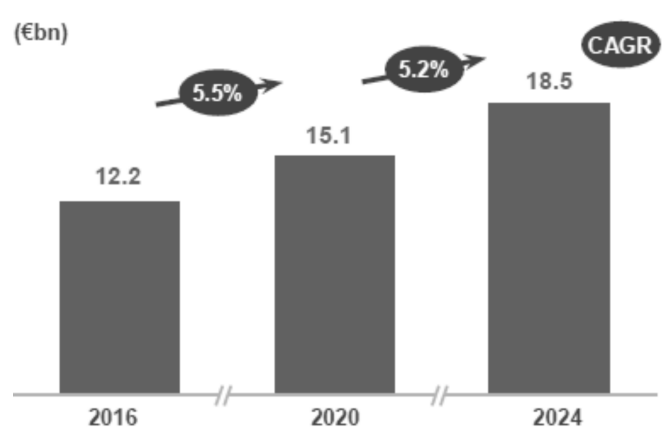
EU Pharmaceutical Market Value – € bn



The European Nutraceuticals market has shown high, steady growth, and is expected to accelerate in coming years

Source: company presentation

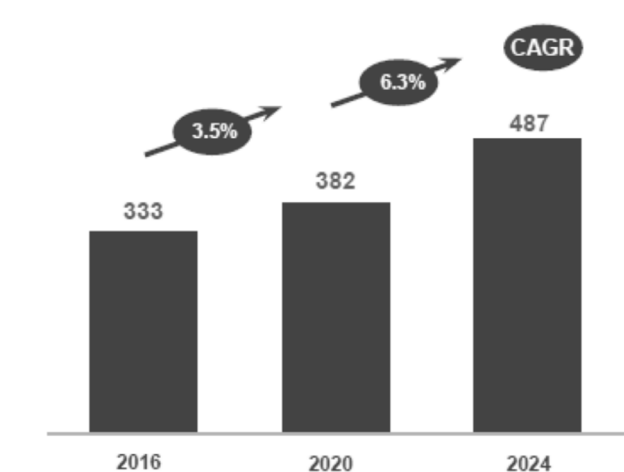
EU Pharmaceutical CDMO Market Value – € bn



The Vitamins & Dietary Supplements segment has consistently shown strong growth in the last 4 years, expected to continue in coming years. CDMO-driven development and manufacturing, mostly outsourced

Source: company presentation

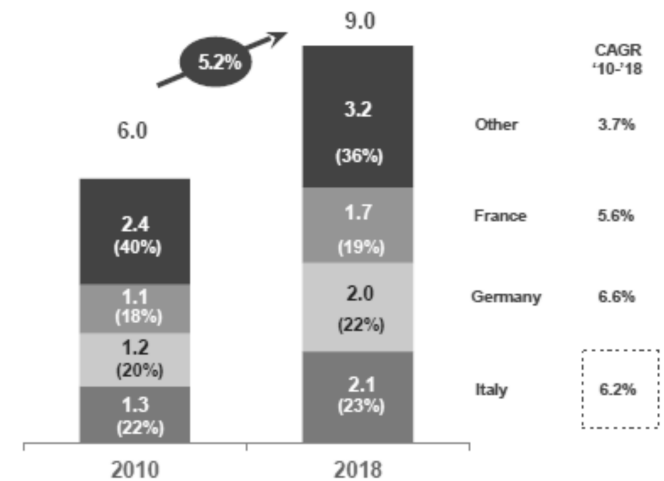
EU Pharmaceutical Market Value – € bn



The European Pharmaceuticals market has been showing consistent non-cyclical growth

Source: company presentation

EU Pharmaceutical CDMO Market Value – € bn



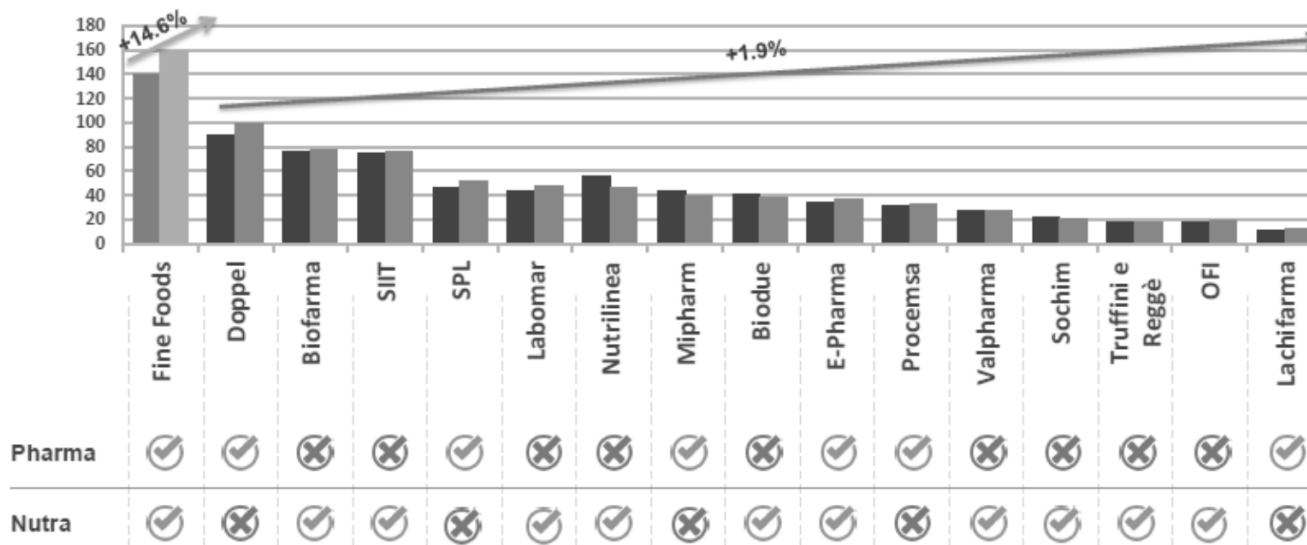
CDMO CAGR 5.2% VS PHARMA CAGR 3.5% between 2010 and 2018: Plenty of space for CDMOs to grow further along the outsourcing trend
Italy is confirmed at first place in Europe with a market share of 23%

Source: company presentation

Fine Foods – Benchmarking Analysis ITALY

- Fine Foods is the largest Italian CDMO
- Fine Foods is one of the few players active in both Pharmaceuticals and Nutraceuticals
- Fine Foods revenues increased 12.6% more than average competitors growth

SELECTED FINE FOODS' COMPETITORS AT ITALIAN LEVEL – 2019 and 2018 REVENUES (€M)



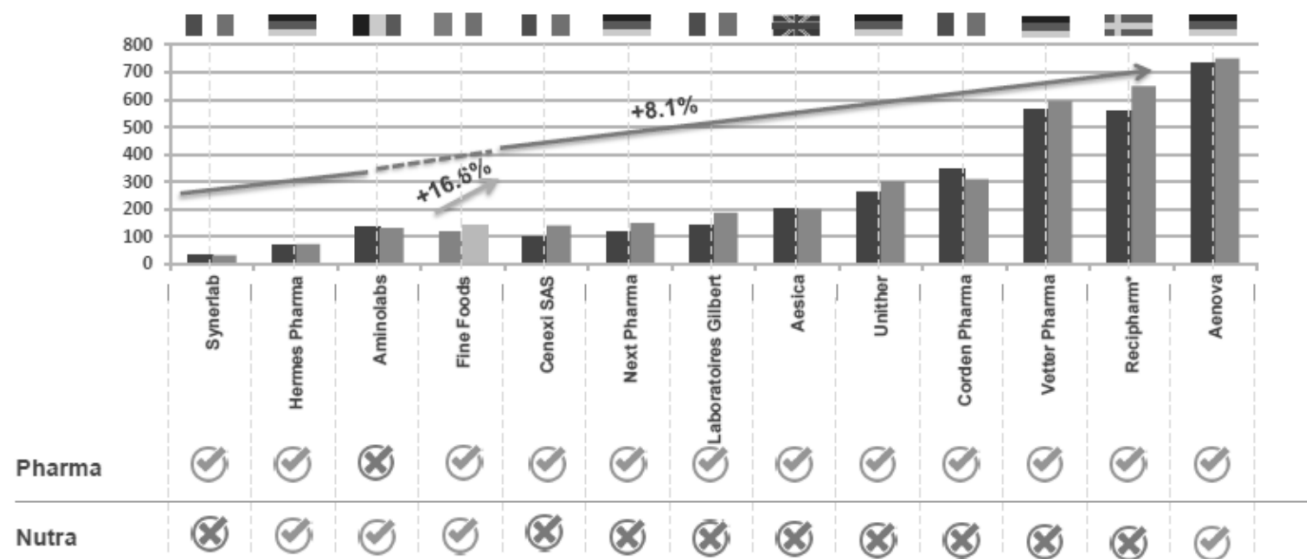
Note: Nutrilinea, Doppel, Biopharma, Nutrilinea, Mipharm, Procemsa and OFI are controlled by Private Equity Investors
Source: Management elaboration on publicly retrievable selected information

Source: Company presentation

Fine Foods – Benchmarking Analysis EUROPE

- Fine Foods' goal is to achieve premium European positioning, leveraging (i) its business mix and solid business model, and (ii) a strong financial position enabling inorganic growth
- In general, the largest European CDMOs are focused almost exclusively on Pharmaceuticals
- Fine Foods revenues increased 8.5% more than average competitors growth

SELECTED FINE FOODS' COMPETITORS AT EUROPEAN LEVEL – 2018 and 2017 REVENUES (€M)



*Listed companies
Source: Management elaboration on publicly retrievable selected information

Source: Company presentation

Appendix

Peer Group Description

Boiron SA	Boiron SA engages in the manufacturing and sale of homeopathic medicines. It operates in the following geographical segments: France; Eurooe; North America; and Other Countries. It offers non-proprietary, proprietary and branded homeopathic medicines. The company was founded by Jean Boiron and Henri Boiron on June 7, 1932 and is headquartered in Messimy, France.
Catalent	Catalent, Inc. is a holding company that engages in the provision of delivery technologies and development solutions for drugs, biologics, and consumer and animal health products. It operates through the following segments: Softgel Technologies; Biologics and Specialty Drug Delivery; Oral Drug Delivery; and Clinical Supply Services. The Softgel Technologies segment formulates, develops, and provides manufacturing services for soft capsules. The Biologics and Specialty Drug Delivery segment develops and provides manufacturing services for blow-fill-seal unit doses, prefilled syringes, vials, and cartridges; analytical development and testing services for large molecules; inhaled products for delivery via metered dose inhalers, dry powder inhalers, and intra-nasal sprays. The Oral Drug Delivery segment focuses on formulation, development and manufacturing technologies and related solutions including: clinical development and commercial manufacturing of a range of oral dose forms, including proprietary fast-dissolve Zydys tablets, and conventional immediate and controlled release tablets, capsules, and sachet products. The Clinical Supply Services segment includes packaging, labelling, storage, distribution, and inventory management for drugs and biologics in clinical trials. The company was founded in April 2007 and is headquartered at Somerset, NJ.
Clover	Clover Corp. Ltd. is engaged in research and product development of food supplements, pharmaceutical and nutraceuticals. The company focuses on the delivery of bioactive ingredients using proprietary encapsulation technology to produce ready-to-blend products containing tuna oil and other nutritional lipids. Its products include Docosahexaenoic acid oils & powders, and Microencapsulation. The company was founded by Guy Hamish Drummond in 1988 and is headquartered in Sydney, Australia.
Dermapharm	Dermapharm Holding SE engages in the development, manufacture, and marketing of patent-free pharmaceutical products. The company also carries out in-house development, in-house production, and distribution of pharmaceuticals and other healthcare products. It offers its products through the following brands: Dekristol 20,000 I.E., bite away, Herpotharm, sikapur, Ampho-Moronal, Solacutan, Ciclocutan, Minoxicutan, Prednisolut, Dienovel, Lactofem, Finapil, Panthenol-Augensalbe JENAPHARM, and Suxilep. The company was founded in 1991 and is headquartered at Grunwald, Germany.
Icon	ICON plc operates as a clinical research organisation in the provision of outsourced development services to the pharmaceutical, biotechnology, and medical device industries. It specialises in the strategic development, management and analysis of programs that support clinical development. The company was founded by John Climax and Ronan Lambe in June 1990 and is headquartered in Dublin, Ireland.
Jubilant	Jubilant Life Sciences Ltd. engages in the provision of basic organic chemicals. It operates through the following segments: Pharmaceuticals, Life Science Ingredients and Drug Discovery & Development Solutions. The Pharmaceuticals segment engages in the maintenance and establishment of market positions in business. The Life Science Ingredients segment boasts leadership positions in key products, a strong research & development ethos, long-standing client relationships, optimum utilisation of resources, and an integrated value chain. The Drug Discovery & Development Solutions segment provides drug discovery services. The company was founded on June 21, 1978 and is headquartered in Noida, India.
Laboratorios Rovi	Laboratorios Farmacéuticos Rovi SA engages in the research, development, manufacturing, and marketing of small molecule and specialty biologic drugs. It operates through the following business segments: Manufacturing, Marketing and Other. The Manufacturing segment obtains its income from service contracts that relate to the finalisation of the pharmaceutical product manufacturing process for external entities and the manufacture of

products to be subsequently marketed by other group companies. The Marketing segment purchases and sells pharmaceutical products. The Others segment includes other services, research, and development activities that are not significant for the group. The company was founded on December 21, 1946 and is headquartered in Madrid, Spain.

Lanxess

LANXESS AG is a holding company that engages in the provision of specialty chemicals. It operates through the following segments: Advanced Intermediates, Specialty Additives, Performance Chemicals, High Performance Materials, and Arlanxeo. The Advanced Intermediates segment consists of industrial chemical intermediates and is a key player in the custom synthesis and manufacturing of chemical precursors and specialty active ingredients. The Specialty Additives segment focuses on specialty additive chemicals. The Performance Chemicals segment covers application-oriented process, and functional chemicals operations. The High Performance Materials segment represents plastic activities in engineering materials. The Arlanxeo segment refers to synthetic rubber activities. The company was founded on July 1, 2004 and is headquartered in Leverkusen, Germany.

Probi

Probi AB engages in the development and sale of probiotics. It operates through the Consumer Healthcare and Functional Food segments. The Consumer Healthcare segment develops, markets, and sells Probi probiotics. The Functional Food segment develops food that provides beneficial health effects. The company was founded in 1991 and is headquartered in Lund, Sweden.

Recipharm

Recipharm AB engages in the manufacturing of pharmaceuticals and in contract development services for pharmaceutical companies. It operates through the following segments: Manufacturing Sterile and Inhalation (MFG-SI); Manufacturing Solids and Others (MFG-SO); Development and Technology (D&T); and Others and Eliminations. The MFG-SI segment includes manufacturing of products on behalf of pharmaceutical companies, and covers sterile and inhalation technologies as well as liquid vials and ampoules, lyophilisates, blow-fill-seal products, and inhalation. The MFG-SO segment makes products on behalf of pharmaceutical companies and covers tablets, capsules, semi-solids, and non-sterile liquids. The D&T segment focuses on pharmaceutical development services. The company was founded by Lars Rickard Backsell and Thomas Bengt Elderred in 1995 and is headquartered in Stockholm, Sweden.

Siegfried Holding

Siegfried Holding AG engages in the development and manufacturing of active pharmaceutical ingredients for pharmaceutical clients with research and development programs, related intermediates, and controlled substances. It also provides development and production services for finished dosage forms including sterile filling. The company was founded by Samuel Benoni Siegfried in 1873 and is headquartered in Zofingen, Switzerland.

Strides Pharma Science

Strides Pharma Science Ltd. engages in the development, manufacture and distribution of Internet Protocol-led generics and bio-pharmaceutical products. The company was founded by Arun N. Kumar on June 28, 1990 and is headquartered in Bangalore, India.

FINE FOODS Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
FINE FOODS	10.40	EUR	245	-5.0%	-3.7%	3.0%	-13.3%	2.0%	7.8%
BOIRON	41.35	EUR	724	20.2%	11.3%	44.3%	13.6%	27.2%	-29.4%
CATALENT	86.33	USD	14,202	-4.8%	17.7%	79.8%	53.3%	82.9%	90.5%
CLOVER CORP.	2.05	AUD	341	-5.1%	-4.7%	-1.9%	-24.1%	-31.7%	32.3%
DERMAPHARM	45.34	EUR	2,441	2.1%	0.5%	23.5%	14.1%	26.2%	55.8%
ICON	196.78	USD	10,356	5.3%	17.2%	48.9%	14.3%	37.2%	29.4%
JUBILANT LIFE SCIENCES	733.55	INR	116,841	-6.5%	10.4%	174.4%	36.7%	45.4%	3.0%
LABORATORIOS FARM. R	31.40	EUR	1,739	12.9%	28.7%	41.4%	28.7%	46.0%	98.7%
LANXESS	48.00	EUR	4,145	-2.6%	2.1%	37.8%	-19.8%	-14.0%	-24.6%
PROBI	354.00	SEK	4,034	6.3%	26.4%	117.2%	59.5%	16.6%	-15.3%
RECIPHARM	156.50	SEK	15,783	4.8%	29.1%	73.1%	19.3%	34.3%	24.0%
SIEGFRIED	645.00	CHF	2,678	24.4%	48.6%	68.0%	37.5%	66.5%	41.9%
STRIDES PHARMA SCIENC	725.15	INR	64,992	22.8%	77.1%	122.2%	100.3%	135.0%	63.0%
Mean performance				5.8%	20.1%	64.0%	24.6%	36.4%	29.0%
Italy FTSE Mib	19,061.5	EUR		-2.7%	-1.4%	15.2%	-18.9%	-13.1%	-7.5%

FINE FOODS Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
FINE FOODS	10.40	EUR	245	1.1	0.9	8.4	6.9	17.3	12.8	24.2	20.5	1.4%	1.6%
BOIRON	41.35	EUR	724	0.9	0.9	4.8	4.5	8.8	6.8	38.2	17.4	1.1%	2.3%
CATALENT	86.33	USD	14,202	5.3	4.5	21.9	18.5	29.5	25.2	40.9	36.3	0.0%	0.0%
CLOVER CORP.	2.05	AUD	341	3.9	3.7	18.3	20.0	19.0	20.7	27.5	29.2	1.2%	1.4%
DERMAPHARM	45.34	EUR	2,441	3.7	3.3	15.0	12.8	19.8	16.5	22.8	19.3	2.2%	2.6%
ICON	196.78	USD	10,356	3.7	3.2	22.4	18.3	26.1	21.1	31.4	25.3	0.0%	0.0%
JUBILANT LIFE SCIENCES	733.55	INR	116,841	1.5	1.3	7.4	6.1	10.1	8.1	12.1	10.1	0.6%	0.7%
LABORATORIOS FARM. R	31.40	EUR	1,739	4.3	3.6	24.4	18.0	32.7	23.5	37.0	25.6	0.7%	0.9%
LANXESS	48.00	EUR	4,145	1.0	0.9	7.0	6.0	14.8	11.4	15.8	12.7	2.0%	2.2%
PROBI	354.00	SEK	4,034	5.7	5.2	19.7	17.3	32.5	26.4	42.9	34.8	0.3%	0.4%
RECIPHARM	156.50	SEK	15,783	2.3	2.1	13.8	11.6	36.3	23.8	31.4	22.0	0.9%	1.3%
SIEGFRIED	645.00	CHF	2,678	3.8	3.3	22.4	18.7	35.7	28.5	39.9	32.0	0.5%	0.5%
STRIDES PHARMA SCIENC	725.15	INR	64,992	2.4	2.0	11.0	8.9	15.6	12.3	20.9	15.1	0.9%	0.7%
Median				3.7	3.3	16.7	15.0	22.9	20.9	31.4	23.7	0.8%	0.8%

FINE FOODS - Estimates Comparison with Consensus

(Eu mn)	2020			2021		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	176.8	179.3	-1.4%	200.8	206.0	-2.5%
Ebitda	22.1	24.5	-9.8%	27.3	29.0	-5.8%
Net Profit	9.3	9.4	-0.7%	11.9	12.0	-0.9%
EPS	0.431	0.409	5.3%	0.507	0.520	-2.5%
Net Debt	44.6	55.3	-19.3%	49.7		#DIV/0!

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM		
Current Target (Eu):	13.00		
Current Price (Eu):	10.40		
Date of report:	02/10/2020		
Previous Recomm:	OUTPERFORM		
Previous Target (Eu):	13.00		
Previous Price (Eu):	10.70		
Date of last report:	18/09/2020		

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newswell.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 30 September 2020 IntermonTE's Research Department covered 124 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	07.44 %
OUTPERFORM:	52.07 %
NEUTRAL:	33.88 %
UNDERPERFORM	06.61 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (52 in total) is as follows:

BUY:	11.54 %
OUTPERFORM:	59.62 %
NEUTRAL:	28.84 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Within the last year, IntermonTE SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: BPER, IEG and Iervolino Entertainment.

IntermonTE SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Abitare In, Aedes, Aeroporto di Bologna, Alkemy, Azimut, Banca Ifis, Cellularline, ePrice, Falck Renewables, Guala Closures, H-Farm, IEG, Iervolino Entertainment, Mittel, Nova Re, Retelit, Saes Getters, Somec, Tesmec, TXT, UBI Banca, and WIIT.

IntermonTE SIM is Specialist and/or Corporate Broker and/or Sponsor in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Ambientes, Aquafil, Avio, Banca Ifis, Banca Sistema, Be, Cattolica, CFT, Cellularline, Credito Valtellinese, Cyberoo, Dea Capital, Elen, Eles, Elica, Emak, Falck Renewables, Finit - Fondo Alpha, Fine Foods, Gefran, Go Internet, Gpl, Gruppo Fos, Guala, H-Farm, IEG, Iervolino Entertainment, IndelB, Industrial Stars Of Italy 3, Luve, Notorious, Openjobmetis, Reno de Medici, Reply, Retelit, Saes Getters, Servizi Italia, Sesa, Seri Industrial, Somec, Tinexta, Tesmec, Tamburi, Txt, Vetrya, and WIIT

IntermonTE SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following companies: Banca Sistema, Restart, and Unieuro

IntermonTE SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

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IntermonTE SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
LIFE CARE CAPITAL	0,59	LONG
OLIDATA	0,74	SHORT

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