

FINE FOODS

OUTPERFORM

Price (Eu):

10.20

Target Price (Eu):

12.80

SECTOR: Industrials

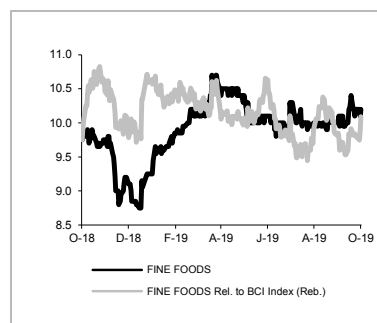
Giorgio Tavorini +39-02-77115.279
e-mail: giorgio.tavorini@intermonte.it

Andrea Randone +39-02-77115.364
e-mail: andrea.randone@intermonte.it

Food and Pharma: A Winning Formula for a CDMO Player

- **Leading player in the Italian CDMO industry.** Fine Foods (FF) is the largest Italian contract development manufacturer (CDMO) of solid oral forms for the nutraceutical and pharmaceutical industries. The last 5 years have seen FF on a steady upward path, with a CAGR of ca. 10% for both the top-line (139.4mn in FY18) and EBITDA, as well as robust profitability (13.4% in FY18). Top-line growth has been mostly organic and is the result of rising volumes from loyal clients and the steady accumulation of new customers, while profitability has been enhanced by ongoing product mix improvements and optimisation of production costs. The group also boasts a highly experienced and extremely committed management team. The business combination with the SPAC "Innova Italy 1" secured Eu100mn in new financial resources to fuel growth, enabling FF to list on the AIM Italia segment of the Italian Stock Exchange on 1st Oct 2018.
- **Dual presence in Food and Pharma the key to success.** FF maintains a healthy diversification between nutraceuticals (76% of total revenues in 2018) and pharmaceuticals (24%). In nutraceuticals, FF operates in virtually all the application categories of solid oral forms in the vitamin and dietary supplements segment, which is expected to continue to show strong growth in the coming years (+5% CAGR'18-'23) underpinned by increasing outsourcing to CDMOs like FF of development and manufacturing activities. In the Pharma segment, which is typically characterised by high entry barriers and strong resilience to economic cycles, FF is well positioned to take advantage of domestic market growth (Italy is the fastest growing European market) and the structural outsourcing trend from pharma to CDMOs of dossier development and production.
- **Future estimates.** Over the 2019-2023 period, we estimate a sound 10.8% revenue CAGR for FF, driven by double-digit growth in both business segments (2019-23 CAGRs: Pharma +10.4%, Food +11.0%) and the CAGR for adj. EBITDA of +13.7%, with the margin steadily improving towards 15.0% in FY23. Following around Eu45mn of extraordinary investments made between FY15 and 1H19 for the expansion of the two production plants, we assume the total CapEx-to-sales ratio will bottom out at around 4.5% from 2020 onwards, in line with the maintenance CapEx trend.
- **Initiating at OUTPERFORM, TP at Eu12.8.** Our TP of Eu12.8 is derived from a DCF valuation (WACC: 7.0%, g: 1.5%) and reflects the share count adjusted for warrant and special share conversion. The group is well placed to confirm the double-digit growth in revenues 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 across adjacent markets or act as a natural aggregator in the domestic market. However, in the short-medium term we think that management's focus will be on investing organically in the current business and the potential listing of company shares on the MTA segment, which will mean a break of a few months before the company again turns its attention to exploring M&A opportunities.

FINE FOODS - 12m Performance



RATING: New Coverage

TARGET PRICE (Eu): New Coverage

Ch. in Adj.EPS est: 2019E 2020E

STOCK DATA

Reuters code: FF.MI
Bloomberg code: FF IM

Performance	1m	3m	12m
Absolute	2.0%	0.0%	4.6%
Relative	2.4%	2.5%	3.5%
12 months H/L:	10.70/8.75		

SHAREHOLDER DATA

No. of Ord. shares (mn): 23
Total No. of shares (mn): 23
Mkt Cap Ord (Eu mn): 231
Total Mkt Cap (Eu mn): 231
Mkt Float - ord (Eu mn): 99
Mkt Float (in %): 42.7%
Main shareholder:
Eigenfin Srl + M. Eigenmann 53.9%

BALANCE SHEET DATA

2019
Book value (Eu mn): 152
BVPS (Eu): 6.71
P/BV: 1.5
Net Financial Position (Eu mn): 34
Enterprise value (Eu mn): 195

Please see important disclaimer
on the last page of this report

Key Figures	2017A	2018A	2019E	2020E	2021E
Sales (Eu mn)	120	139	161	181	201
Ebitda (Eu mn)	16	19	20	25	29
Net profit (Eu mn)	6	9	8	11	12
EPS - New Adj.(Eu)	0.301	0.383	0.357	0.477	0.542
EPS - Old Adj.(Eu)					
DPS (Eu)	0.000	0.098	0.092	0.123	0.139
Ratios & Multiples	2017A	2018A	2019E	2020E	2021E
P/E Adj.	33.8	26.7	28.5	21.4	18.8
Div. Yield	0.0%	1.0%	0.9%	1.2%	1.4%
EV/Ebitda Adj.	14.9	9.7	8.9	7.5	6.2
ROCE	16.1%	12.6%	9.4%	11.7%	13.2%

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and of any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization.

FINE FOODS - KEY FIGURES

		2017A	2018A	2019E	2020E	2021E
	Fiscal year end	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
PROFIT & LOSS (Eu mn)	Sales	120	139	161	181	201
	EBITDA	16	19	20	25	29
	EBIT	9	10	10	14	16
	Financial income (charges)	(0)	0	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	9	10	11	14	16
	Taxes	(2)	(2)	(2)	(3)	(4)
	Tax rate (%)	27.4%	16.7%	23.0%	23.0%	23.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	6	9	8	11	12
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	17	19	22	25	29
	Ebit excl. extraordinary items	10	10	10	14	16
	Net profit restated	7	9	8	11	12
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	23	23	23	23	23
	EPS stated fd	0.273	0.383	0.357	0.477	0.542
	EPS restated fd	0.301	0.383	0.357	0.477	0.542
	BVPS fd	1.712	6.573	6.715	7.025	7.445
	Dividend per share (ord)	0.000	0.098	0.092	0.123	0.139
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	0.0%	25.7%	25.7%	25.7%	25.7%
CASH FLOW (Eu mn)	Gross cash flow	13	17	18	22	25
	Change in NWC	8	(19)	(14)	(5)	(4)
	Capital expenditure	(22)	(32)	(12)	(8)	(9)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	21	(1)	4	18	21
	Acquisitions, divestments & others	(0)	(0)	(0)	(0)	(0)
	Dividend	0	0	(2)	(2)	(3)
	Equity financing/Buy-back	0	100	(3)	(2)	0
	Change in Net Financial Position	(1)	67	(13)	6	9
BALANCE SHEET (Eu mn)	Total fixed assets	59	83	85	82	78
	Net working capital	2	21	35	39	44
	Long term liabilities	0	0	0	0	0
	Net capital employed	59	102	119	120	120
	Net financial position	(20)	47	34	39	49
	Group equity	39	149	152	159	169
	Minorities	0	0	0	0	0
	Net equity	39	149	152	159	169
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	231	231	231	231	231
	Adjustments (associate & minorities)	3	3	3	3	3
	Net financial position	(20)	47	34	39	49
	Enterprise value	249	182	195	189	180
RATIOS(%)	EBITDA margin*	14.0%	13.4%	13.6%	14.0%	14.4%
	EBIT margin*	8.5%	7.3%	6.5%	7.7%	7.9%
	Gearing - Debt/equity	52.6%	-31.3%	-22.2%	-24.7%	-28.7%
	Interest cover on EBIT	20.0	nm	nm	nm	nm
	Debt/Ebitda	1.32	nm	nm	nm	nm
	ROCE*	16.1%	12.6%	9.4%	11.7%	13.2%
	ROE*	17.3%	9.2%	5.4%	6.9%	7.5%
	EV/CE	4.5	2.2	1.8	1.6	1.5
	EV/Sales	2.1	1.3	1.2	1.0	0.9
	EV/Ebit	24.5	17.8	18.7	13.5	11.3
	Free Cash Flow Yield	9.2%	-0.5%	1.8%	7.7%	9.2%
GROWTH RATES (%)	Sales	5.7%	16.6%	15.2%	12.9%	11.0%
	EBITDA*	10.5%	11.7%	16.6%	16.4%	14.2%
	EBIT*	9.4%	0.2%	2.5%	33.7%	13.9%
	Net profit	-0.8%	40.3%	-6.6%	33.4%	13.8%
	EPS restated	9.7%	26.9%	-6.6%	33.4%	13.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

INDEX

SWOT Analysis	4
Company Description	5
The company at a glance	5
History	7
Shareholding	8
Warrants	8
Special Shares (SPAC Promoters)	9
Combined Dilution from Warrant Exercise and Special Share Conversion	9
Potential Admission to MTA Segment of Borsa Italiana	10
Business overview	11
Core nutraceuticals market	12
Pharmaceutical CDMO core market	13
CDMO value chain and business models	15
Corporate Strategy	18
Strategic positioning in both sectors	18
Customer portfolio and commercial strategy	20
Production cycles	21
Manufacturing plants	22
Research & Development	23
Quality certification and sustainability policy	23
Personnel	24
M&A strategy	25
Financials	26
Historical results	26
1H19 results	30
2019-23 Projections	32
Valuation	36
DCF Valuation	36
Peer Multiples	37
Appendix	38
Peer Group Description	38
Fine Foods: Board of Directors and Management Team	39
Glossary	40

SWOT Analysis

Strengths

- Competitive advantage of being in both pharmaceutical and nutraceutical sectors, which enjoy steady high growth and resilience during recessions
- Secular trends of longer life expectancy and growing attention to well-being should boost demand in pharma and nutraceutical markets
- Skilled and strong management team. Over 30 years of growth, innovation and fruitful client relationships
- Optimal fit/scale between growth and flexibility: Fine Foods is better structured than small contractors, and more commercially focused than large competitors (too concerned about fixed costs, to the detriment of the relationship with customers)
- High barriers to entry for newcomers due to significant investments to build long-term relations with customers and strict quality and regulatory requirements

Opportunities

- High fragmentation of the sector to prompt a consolidation process, which could be exploited by Fine Foods to generate commercial and R&D synergies
- Increasing outsourcing trends in the pharmaceutical sector
- Increasing share of existing customers' wallets
- M&A to offer access to new technologies (such as semi-liquid and liquid products) or to adjacent sectors (such as cosmetics or functional foods)

Weaknesses

- Limited number of suppliers for specific raw materials
- Customer power due to high concentration of the portfolio: top 5 clients accounted for 75% of company revenues in 2018
- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- No patent protection

Threats

- Changes to the regulatory framework
- Potential shifts in consumer behaviour patterns and needs

Source: Intermonte SIM

Company Description

The company at a glance

Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods" or "The Company") is a CDMO (Contract Development & Manufacturing Organization) of solid oral forms for the nutraceutical and pharmaceutical industries. Fine Foods deliberately holds no proprietary brands, in order to maintain healthy partnerships with clients and present a unified identity to its clientele.

Established in 1984 at Brembate (Bergamo), Fine Foods has grown steadily over time to become a leader in its core market. In July 2018, the shareholder meeting approved a Business Combination with the SPAC Innova Italy 1, thus securing Eu100mn in new financial resources to fuel growth, enabling Fine Foods to list on the AIM Italia segment of the Italian Stock Exchange on 1st October 2018. Notably in this Business Combination no shareholders decided to exercise withdrawal rights. The SPAC Innova Italy 1 listed on AIM Italia on 19 October 2016 and was promoted by Fulvio Conti and other prominent individuals from the international financial and business community.

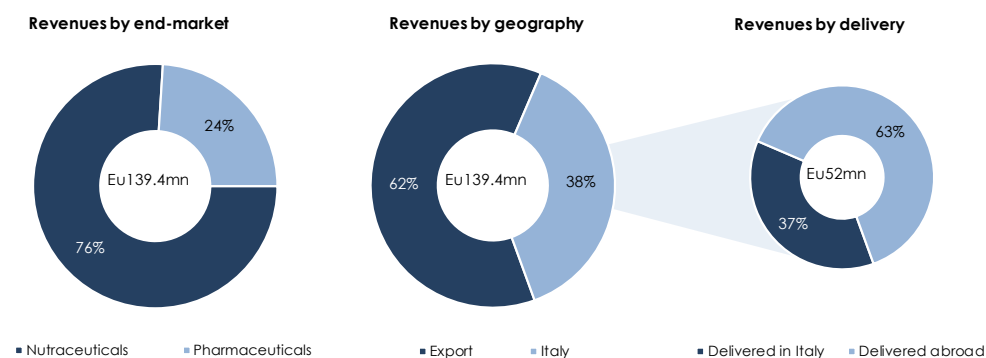
The two manufacturing sites are located at Zingonia and Brembate, a few miles from Bergamo, in northern Italy. The main factors in the success of Fine Foods have been an unrelenting quest for quality and customer satisfaction, combined with a constant focus on ethics and the company's human capital.

The company enjoys a strong market reputation for high quality standards; it maintains consolidated, long-term relationships with most of its customers (overall, more than 100), has 512 employees (as of December 31, 2018), and generated approx. 62% of its 2018 sales abroad.

Looking at 2018 revenues by end-market, Fine Foods maintains a healthy diversification between nutraceuticals (76% of the total) and pharmaceuticals (24%). The nutraceuticals market is very varied, with a looser regulatory framework than pharmaceuticals. In nutraceuticals, Fine Foods operates in virtually all the application categories of solid oral forms in the "Vitamins and Dietary supplements" segment, which is expected to continue to show strong growth in the coming years (+5% CAGR '18-'23, according to Euromonitor data), underpinned by increasing outsourcing to CDMOs of development and manufacturing activities. In the pharmaceuticals segment, Fine Foods is well positioned to take advantage of domestic market growth (Italy has the highest growth among European markets) and the structural outsourcing trend related to dossier development and production from pharma to CDMOs. Straddling both nutraceuticals and pharmaceuticals offers a compelling competitive advantage, allowing Fine Foods to exploit cross synergies, combining the flexibility of the nutraceutical segment with the best know-how and technologies from the pharmaceutical business.

Almost 75% of Fine Foods revenues in FY18 were generated by products delivered to foreign end-markets: this figure of 75% splits 62%/13% between revenues generated directly abroad, and revenues invoiced in Italy but delivered abroad.

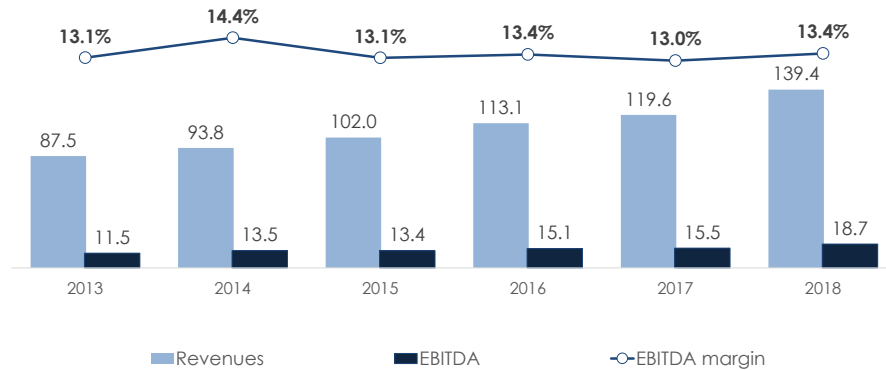
Fine Foods – Revenues Breakdown (FY'18)



Source: Company data

The continuous growth, innovation and fruitful relationships with clients are also well reflected in company financials: the company posted a +9.8% CAGR '13-'18 for the top line and a +10.2% CAGR '13-'18 for EBITDA, and achieved a robust EBITDA margin of 13.4% in FY18. Top-line growth was mostly organic and was the result of rising volumes from loyal clients and steady accretion of new customers, while profitability has been enhanced by ongoing product mix improvements and production cost optimisation. For FY18, EBIT was Eu10.2mn (i.e. 7.3% of revenues) while net profit reached Eu8.7mn, a +40% increase on Eu6.2mn for 2017. The net financial position went into the black by Eu46.7mn (from net debt of Eu20.4mn as at YE2017), thanks to the SPAC cash-in (Eu100mn) and healthy operating FCF (Eu16.8mn) before WKC absorption (-Eu18mn) and CapEx (-Eu31.7mn).

Fine Foods – Main Financials (FY18A)



Source: Company data

Fine Foods – Key Figures



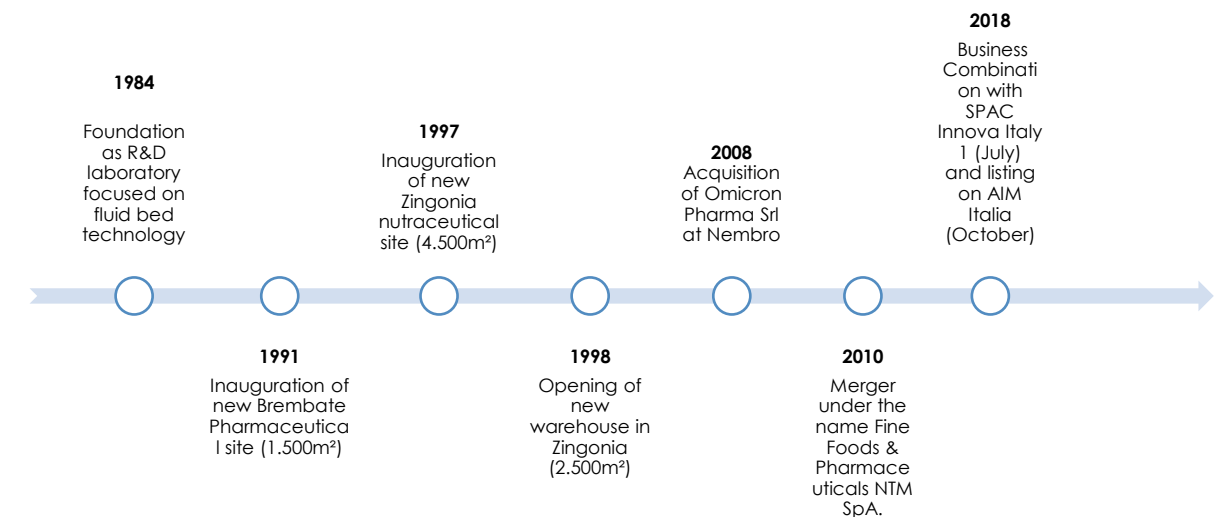
(1) 526m revenues invoiced in Italy, of which 336m delivered abroad (2) SKUs means "Stock-Keeping Units", namely single product codes

Source: Company presentation

History

Established in 1984 at Brembate (Bergamo) as an R&D laboratory, Fine Foods has grown steadily to become a leading independent CDMO (Contract Development and Manufacturing Operations) of pharmaceutical and nutraceutical products in all oral solid forms (tablets, capsules, granules, powders). Since 1 October 2018, following the Business Combination with the SPAC Innova Italy 1 which provided Eu100mn in new financial resources to fuel growth, Fine Foods has traded on AIM Italia, with the aim of moving to the MTA segment within 18 months of the merger. No withdrawal right was exercised at the time of the merger.

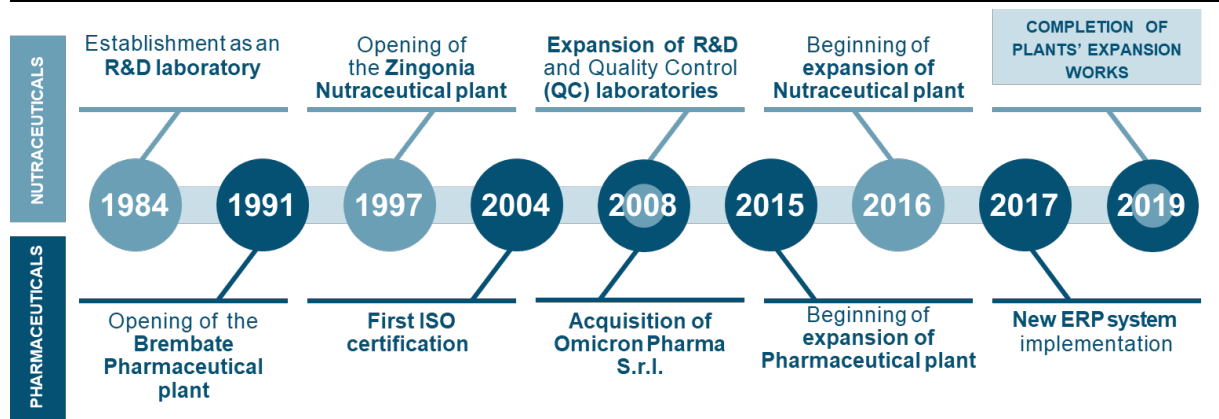
Fine Foods – Company Milestones



Source: Company

Fine Foods has undertaken significant investments since 2015 to increase capacity and efficiency in both nutraceuticals and pharmaceuticals.

Fine Foods – Business Development by Segment



Source: Company

Shareholding

Before the merger with Innova Italy 1, Fine Foods was fully-controlled by Marco Eigenmann, both directly (5%) and indirectly (95%), through the holding company Eigenfin S.r.l. ("Eigenfin"), in turn controlled through a 99% stake.

Following the Business Combination on 1 October 2018, Fine Foods shares started trading on the AIM segment of Borsa Italiana, an SME-oriented market with minimum entry requirements and a balanced regulatory approach. As of 1 October 2019, Company share capital of € 22,564,043 is divided into several classes.

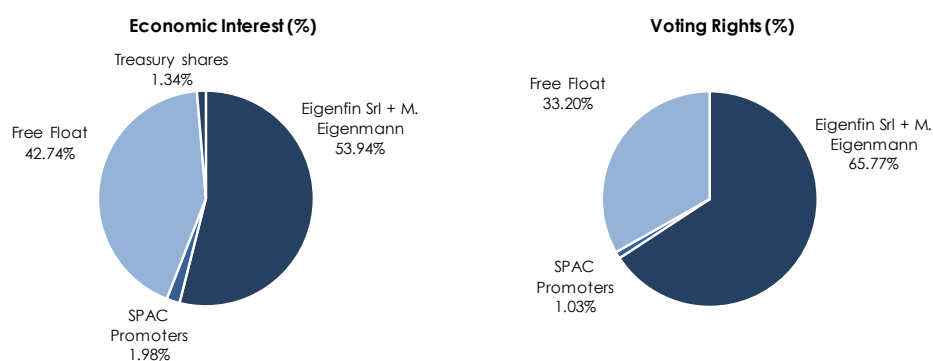
Fine Foods – Current Share Capital Composition

		No. of Shares	Share Capital (Euro)	par value
Ordinary Shares	listed	17,842,929	17,741,589	without
Redeemable Shares	unlisted	1,200,000	1,193,185	without
Multivoting Shares	unlisted	3,500,000	3,480,121	without
Special Shares	unlisted	150,000	149,148	without
Total		22,692,929	22,564,043	

Source: Company data

Mr. Eigenmann currently holds 54% of share capital, the SPAC promoters almost 2%, the free float is close to 43%. Considering multiple-voting shares, Mr. Eigenmann (through Eigenfin) holds around 66% of voting rights.

Fine Foods – Current Shareholding Structure



Source: Company data

Following the purchases as of September 27th, 2019 the Company currently holds 303,443 treasury shares, or 1.3372% of the share capital.

Warrants

Following the Business Combination, the Company also has the following financial instruments, issued on 19th October 2016:

- **4,000,000 Unlisted Warrants related to Mr. Eigenmann Holding:** 100% exercisable if the stock price is Eu13.0 for 15 trading days out of 30 in the three years after the Business Combination; In this case the conversion rate is set at 0.2713, therefore ensuring the issue of 1.085mn new shares (as shown in the table below). If this condition is not met by October 2022, warrants are subject to conversion at more stringent conditions, which are explained in greater detail in the Board's Explanatory Report on the Business Combination.

- **5,000,000 Market Warrants** (of which 150,522 already exercised, as of 1 October 2019), issued in favour of the subscriber members and listed on the AIM Italia segment.

With reference to Market Warrants:

- **The Subscription Price** ranges from Eu0.1/share to Eu7/share, while the strike price has been set at Eu9.50/share.
- **The Exercise Ratio** is calculated using the following formula:

$$\frac{30 \text{ Day VWAP} - \text{Strike Price}}{30 \text{ Day VWAP} - \text{Subscription Price}}$$

- **Acceleration Condition:** If the Average Monthly Price is equal to or greater than the Acceleration Price (set at Eu13/share) in the above formula, the Average Monthly Price will be replaced by the Acceleration Price. In a purely hypothetical scenario, in the event that the Subscription Price is not modified and therefore remains Eu0.1/warrant, the conversion ratio on reaching the Threshold Price of Eu13 would be 0.2713, calculated as follows:

$$\frac{€13 - €9.50}{€13 - €0.10}$$

- In this case, a fractional share of 0.2713 newly issued ordinary shares would be delivered for each Warrant.
- **The maximum number of shares** serving the exercise of Warrants is 2,916,500 which implies a 11.4% max. dilution to existing ordinary shareholders.
- **The exercise deadline** is whichever of the following dates falls first: (i) the 5th anniversary of the Business Combination date (October 2023); or (ii) the 30th day following the Acceleration Notice.

Special Shares (SPAC promoters)

Out of the 200,000 Special Shares initially issued, 150,000 are yet to be converted into ordinary shares; the first tranche of 50,000 shares (25% of the total) was converted immediately after the Business Combination (October 2018), while the remaining Special Shares will be converted into ordinary shares at a **multiplier of 6x** within 36 months of the Business Combination, i.e. by October 2021, according to the following schedule:

- **50,000 Special Shares if the Fine Foods share price reaches Eu11 per share** and stays at or above that price for at least 15 days (not necessarily consecutive) out of 30 days of consecutive trading;
- **50,000 Special Shares if the Fine Foods share price reaches Eu12 per share** and stays at or above that price for at least 15 days (not necessarily consecutive) out of 30 days of consecutive trading;
- **50,000 Special Shares if the Fine Foods share price reaches Eu13 per share** and stays at or above that price for at least 15 days (not necessarily consecutive) out of 30 days of consecutive trading.

Any Special Shares that have not been converted by the end of this 36-month period will automatically be converted into ordinary shares at a 1:1 ratio, with no dilutive impact for ordinary shareholders.

Combined Dilution from Warrant Exercise and Special Share Conversion

The tables below show a sensitivity analysis of the potential dilution for ordinary shareholders from both the Warrant exercise and the conversion of Special Shares at different stock prices. At Eu13 per share and assuming a base case scenario of a subscription price at Eu0.10, we identify

maximum dilution of ca. 12% from the issue of 3.15mn new ordinary shares, of which 2.4mn for the Warrant exercise and 0.75mn from the Special Share conversion.

Sensitivity on Theoretical Dilution from Warrants Exercise and Special Share Conversion

Current # of FF shares outstanding 22,693 ('000)

WARRANTS

Market warrants (excl. already exercised ones) 4,849 ('000)
Unlisted warrants 4,000 ('000)
Subscription price 0.10 Eu/share
Strike price 9.50 Eu/share
Acceleration Price 13.00 Eu/share

SPECIAL SHARES

of special shares 150 ('000)
exercise in 3 tranche of 50k, if price > Eu11, Eu12, Eu13
ratio of 6 new ord. shares : 1 special share

Fine Foods - Stock Price levels (Eu/share)											
Sensitivity	9.5	10.5	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0
A) EXERCISE OF MARKET WARRANTS:											
Fraction	-	0.0962	0.1376	0.1754	0.2101	0.2419	0.2713	0.2713	0.2713	0.2713	0.2713
Additional shares ('000)	-	467	667	851	1,019	1,173	1,316	1,316	1,316	1,316	1,316
B) EXERCISE OF UNLISTED WARRANTS:											
Fraction							0.2713	0.2713	0.2713	0.2713	0.2713
Additional shares ('000)							1,085	1,085	1,085	1,085	1,085
C) CONVERSION OF SPECIAL SHARES:											
# of special shares ('000)			50		50		50				
# of special shares (progressive, '000)			50	50	100	100	150	150	150	150	150
Conversion factor (per each special share held)			6	6	6	6	6	6	6	6	6
New Ord. shares			300	300	600	600	900	900	900	900	900
Special shares to be cancelled			(50)	(50)	(100)	(100)	(150)	(150)	(150)	(150)	(150)
Net additional shares ('000)			250	250	500	500	750	750	750	750	750
A+B+C Additional share to be issued	-	467	917	1,101	1,519	1,673	3,151	3,151	3,151	3,151	3,151
# Tot. Shares outstanding	22,693	23,159	23,610	23,793	24,212	24,366	25,844	25,844	25,844	25,844	25,844
Overall dilution %	0.0%	-2.0%	-3.9%	-4.6%	-6.3%	-6.9%	-12.2%	-12.2%	-12.2%	-12.2%	-12.2%
Fine Foods - Market Cap (Eu mn)	215.58	243.17	259.7	273.6	290.5	304.6	336.0	348.9	361.8	374.7	387.7

Source: Intermonte SIM estimates

Potential Admission to MTA Segment of Borsa Italiana

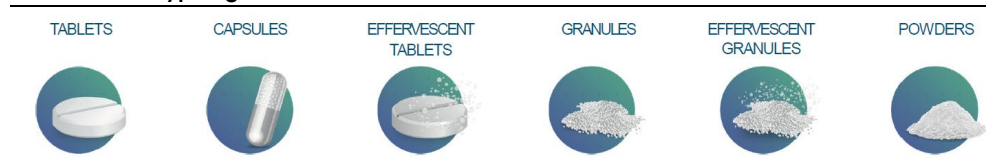
In the short to medium term, management has said it will apply for Fine Foods shares to be admitted for listing on the MTA market of the Italian Stock Exchange. This process, which could take some months, should significantly improve the stock's liquidity profile and attract greater interest in the company, especially from foreign institutional investors.

Among the formal requirements, a capitalisation of at least of Eu40mn and a free float of at least of 25% (35% in the case of STAR companies) are required. The substantial requirements also include having a sound and clear strategy, a good competitive advantage, a balanced financial structure, the management autonomy and all of the aspects which contribute to improving the company's ability to create value for the investors.

Business overview

Fine Foods & Pharmaceuticals N.T.M. S.p.A. ("Fine Foods" or "The Company") is the largest Italian CDMO (Contract Development & Manufacturing Organization) of solid oral forms, for the nutraceutical and pharmaceutical industries.

Fine Foods – Typologies of Solid Oral Forms



Source: Company presentation

Fine Foods deliberately holds no proprietary brands, in order to maintain healthy partnerships with clients and present a unified identity to its clientele. The figure below shows a wide selection of products currently manufactured by Fine Foods for core pharmaceutical and nutraceutical clients.

Fine Foods – Examples of Products Manufactured for Core Clients



Source: Company presentation

Sales@intermonte.it

Core nutraceuticals market

The nutraceuticals market is very diverse, with a looser regulatory framework than pharmaceuticals. Fine Foods operates in virtually all the application categories for solid oral forms in the "Vitamins and Dietary supplements" segment.

Fine Foods – Products Segments and Applications

NUTRACEUTICALS SEGMENTS		
Vitamins & Dietary Supplements	Functional beverage	Functional Foods
Examples of supplements: vitamins, minerals, vitamins and minerals, omega fatty acids, ginseng, ginkgo biloba, echinacea, proteins, probiotics, co-enzyme Q10, glucosamine, herbal supplements	Functional Food & Beverages provide health benefits through added natural, healthy ingredients, in addition to their nutritional value	
Fine Foods Focus		
PRODUCT APPLICATIONS		
Brain & Memory	Children’s Health	
Weight Control	Women & Men’s Health	
Antioxidans	Fibers	
Multivitamins & Minerals	Probiotics	
Sport Formulations	Tonics & Energetics	
Oral Rehydration	Joint Health	
Immuno Defence	Eye Health	
Digestive Tract Health	Cholesterol Control	

Source: Company presentation

Europe: The European nutraceuticals market has shown high, steady growth, and is expected to accelerate in coming years. In particular, the Vitamins & Dietary Supplements segment has shown consistently strong growth in the last 5 years, which is expected to continue in coming years. CDMO-driven development and manufacturing is mostly outsourced.

Nutraceuticals – European Sector Market Value

(Eu bn)	2013	2018	2023	CAGR '13-'18	CAGR '18-'23
Vitamins & Dietary Supplements	10.6	13.4	17.0	4.8%	4.9%
Functional Beverages	10.1	12.8	17.8	4.9%	6.8%
Functional Foods	21.6	22.2	24.9	0.5%	2.3%
European Market Value	42.3	48.4	59.7	2.7%	4.3%

Source: Company presentation (citing Euromonitor data)

Italy: despite a flattish decade for the country's economy, the food supplements sector showed constant growth: consumption in the sector in the 2008-2018 period was +126%, and went from Eu1.3bn to Eu3.3bn (3.5bn in March 2019), according to the latest Censis report ([link](#)). Dietary supplements have become a stable part of people's individual strategies for maintaining good health (in 2018 there were 26 million medical prescriptions of dietary supplements, up from 20.3 million in 2016), acquiring real social value. And that is why 32 million Italians today consume dietary supplements, of which 18 million are habitual consumers. Users are mainly of working age (62.8% are 35-64 years' old), women (60.5%), and healthy (58.1%).

According to Federsalus, over the 12 months to March 2019, the market for dietary supplements grew by 4.3% YoY, supported by a 2.5% increase in consumption. As a result of these changes, as of March 2019 the market value is close to Eu3.5bn for a total of 256 million packages sold. Over the same period, special medical foods reported an increase of 6% in value and 1.2% in units sold. Looking at the broader market, which also considers the parapharmacy channel, pharmacies

account for 83% of the value generation from dietary supplement sales, followed by 8% each for supermarkets and parapharmacies.

Italian Vitamin & Dietary Supplements – Market value and Major Distribution Channels				
<i>Eu mn, period: Apr'18-Mar'19</i>	Value	%	Volumes	%
Pharmacy	2,892	83%	184	72%
Parapharmacy	290	8%	20	8%
GDO store with no pharma corner	172	5%	37	14%
GDO store with pharma corner	114	3%	15	6%
Italian Market	3,468	100%	256	100%

Source: Federsalus (data elaborated by IQVIA Solutions Italy), [link](#)

As of March 2019, the average public price of a packet of food supplements in Italy was Eu13.56. The price trend indicates an annual increase in pharmacies of 1.8%, 1.2% in parapharmacies, and 1.7% in supermarkets and hypermarkets where there is a pharma corner. The price is substantially stable (-0.2%) in retail outlets that do not have a pharma corner.

Pharmaceutical CDMO core market

Overview of the Italian pharma sector

Global demand for pharmaceutical products has increased steadily as the world's population ages and healthcare standards in developing countries rise.

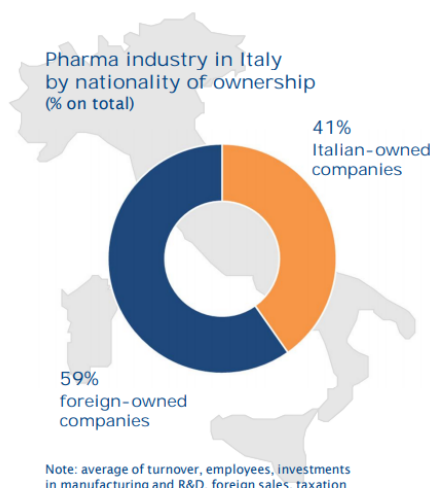
Italy: one of the healthiest countries in world, and at a lowish cost. The public health service is one of the country's most important assets. Many respected international sources (WHO and OECD to name but two) rank Italy among the leading countries for life expectancy in good health, and for quality of the health service.

Healthcare Expenditure, % on GDP			
<i>As % of GDP</i>	Total	Public	Out-of-pocket
EU-15 Average	10.0%	7.9%	2.1%
Italy	8.8%	6.5%	2.3%
USA	17.1%	8.3%	8.7%
Japan	10.9%	9.2%	1.7%

Source: Farindustria report (July 2019, [link](#))

Use of medicines and vaccines has been a major contributor to health in Italy and other countries, but public pharmaceutical expenditure is more than 25% below the average for large European countries. **Public pharma spending in Italy as a percentage of GDP is lower than the average for large European countries: 1% vs 1.2%.** Italy has lower pharmaceutical spending compared to large European countries (-15%), also considering private expenditure.

Key Figures for the Pharma Sector in Italy



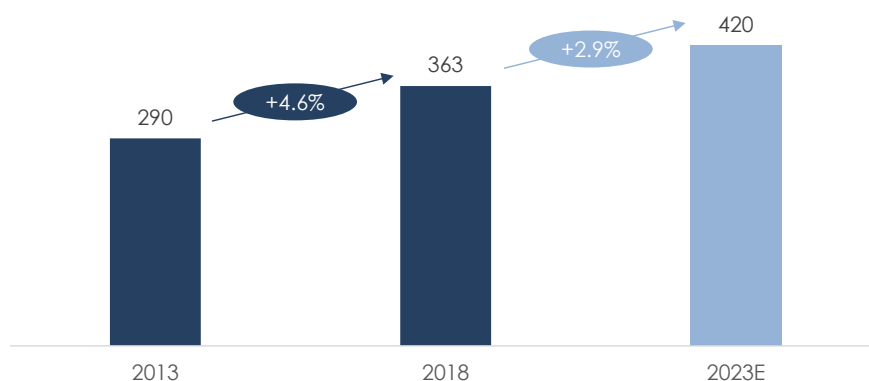
- 200 companies, members of Farmindustria, representing 90% of industrial value of the pharmaceutical sector in Italy
- 66,500 employees (90% graduates), 42% women, and 79,100 in upstream sectors
- 6,600 R&D employees, 52% women
- € 32 billion of manufacturing value, 80% of which due to export (€26 billion)
- € 3 billion in investments, €1.7 of which in R&D and €1.3 in hi-tech plants and machinery

Source: Farmindustria report (July 2019, [link](#))

Pharma CDMO industry

In the pharmaceutical sector, **Fine Foods operates as a CDMO** ("Contract Development and Manufacturing Operator"). CDMOs manufacture meds on behalf of pharmaceutical companies. The European pharmaceuticals market has shown consistent non-cyclical growth and still offers great potential for CDMOs to grow further via the outsourcing trend.

European Pharmaceuticals Market Value (Eu bn, % CAGR)



Source: Company presentation

The pharma CDMO sector in Italy is strengthening its EU leadership: it ranks first for manufacturing value (Eu2.1bn, i.e. 25% of the European CDMO market value) and it has been growing since 2010 in production (+53%, especially in innovative products) and exports (+98%, especially towards advanced economies, i.e. the US, EU15). An outcome possible also thanks to constant investment in production lines and new technologies, aimed at enhancing efficiency and product quality.

European CDMO Market Value between 2010 and 2018 (Eu bn)

(Eu bn)	2010	2015	2018	CAGR '10-'15	CAGR '15-18
Italy	1.3	1.7	2.1	5.5%	4.0%
% of total	21.7%	22.4%	25.2%		
Germany	1.2	1.5	1.8	4.6%	4.1%
% of total	20.0%	19.7%	22.3%		
France	1.1	1.4	1.6	4.9%	2.5%
% of total	18.3%	18.4%	19.2%		
Other Countries	2.4	3.0	2.7	4.6%	-1.9%
% of total	40.0%	39.5%	33.3%		
European CDMO Market Value	6.0	7.6	8.2	4.8%	1.6%

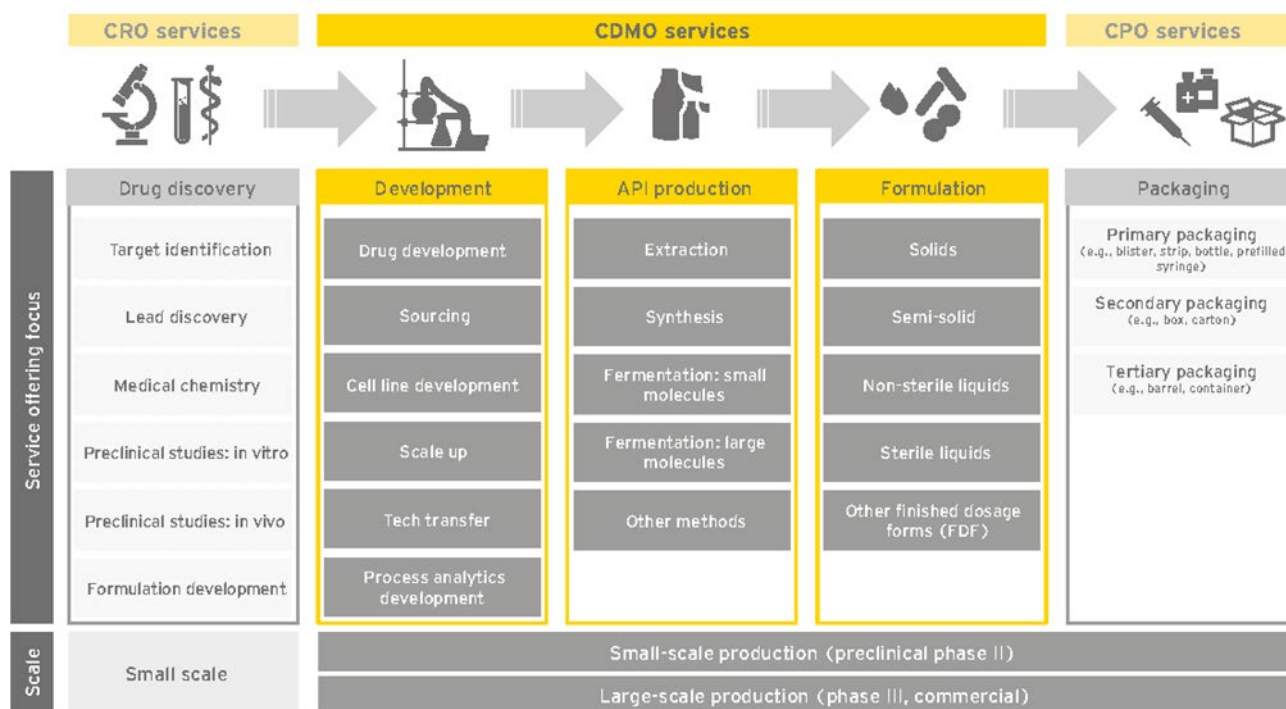
Source: Company data and updated figures from Farmindustria-Prometeia survey 2018 ([link](#))

CDMO value chain and business models

The CDMO industry started out decades ago as a niche service, offering additional manufacturing capacity or specialty services to pharmaceutical firms, but the rise of CDMOs was fuelled by failures in the pharmaceutical industry. Companies often installed dedicated manufacturing capacity for innovative drugs in development, only to see them fail during phase III of clinical research trials, meaning the additional capacity for those drugs was no longer needed. Demand for outsourced manufacturing has thus undergone a continuous increase in order to reduce the risk of expensive overcapacity.

At a time when pharmaceutical companies face pricing pressure increasing around the globe from key payers, including public and government insurance systems, reducing operational expense is a major driver for outsourcing pharma manufacturing to CDMOs. Also, a rising number of pharmaceutical companies are refocusing on their core capabilities and strengths, leading to divestment of in-house manufacturing capacities in some areas and to growing reliance on CDMOs in others.

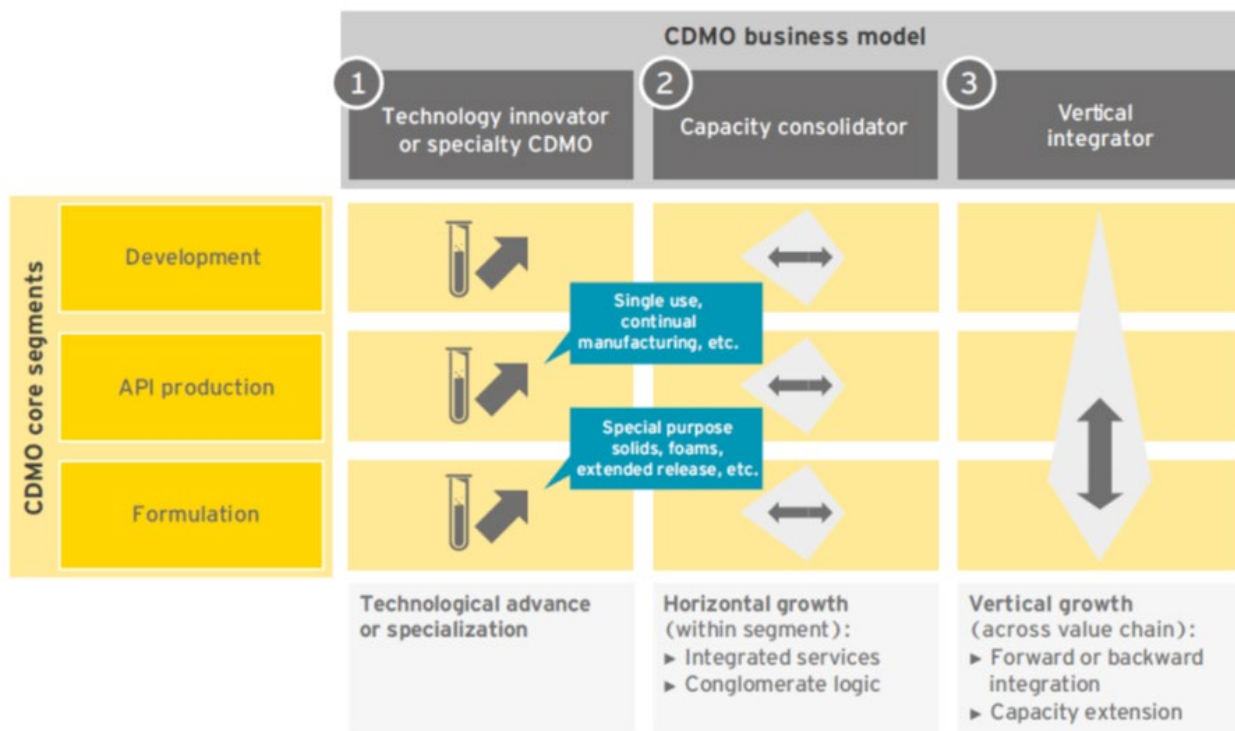
Overview of the CDMO Value Chain



Source: Ernst & Young ("The pharmaceutical CDMO industry is consolidating", September 2017, [link](#))

Today's CDMO business models are the result of historic developments combined with CDMOs' current strategic inclinations. Three key business models can be distinguished: 1) the specialty or technology innovator; 2) the capacity consolidator; and 3) the vertical integrator.

CDMO Industry – 3 Different Business Models



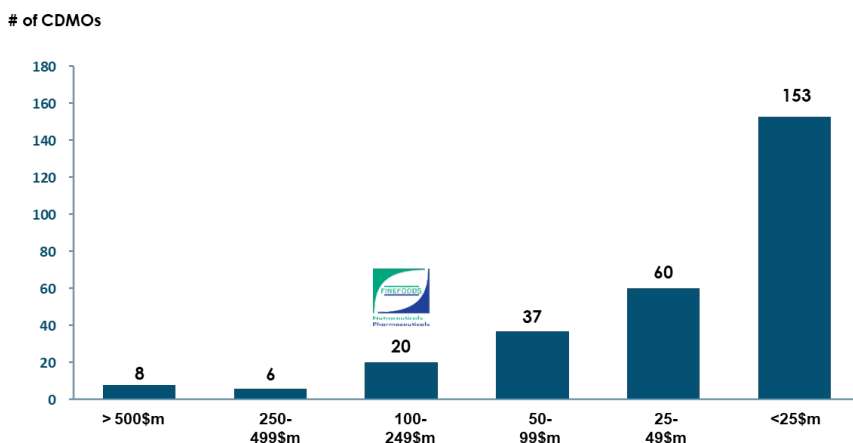
Source: Ernst & Young ("The pharmaceutical CDMO industry is consolidating", September 2017, [link](#))

CDMOs follow one of three business models to address market needs and grow their businesses: **specialty CDMOs** rely on technological leadership and provide cutting-edge services for selected segments at limited scale; **capacity consolidators** aim to be regional or global leaders and preferred partners for large-volume production of certain product types; while **vertical integrators** seek to provide value by addressing a wide range of customer needs with integrated solutions, from development to packaging. An increasing number of companies follow the one-stop shop model, which appears especially well suited to biologics CDMOs. The establishment of large players and interest from new entrants has increased momentum in the CDMO market, supporting further consolidation.

Here follows a summary of the key trends in the pharma CDMO sector:

- **The CDMO industry is currently very fragmented.** According to Kurmann Partners Pharma (M&A Report 2018), the top 5 companies hold less than 15% of the global market. By comparison, in the contract research organisation (CRO) market, the five largest companies have 70%. A similar picture on market fragmentation is also confirmed by Pharmasource analysis showing that the majority of CDMOs have revenues < 25\$m and there is no overall market leader.

Top 284 Global Pharmaceuticals CDMOs by 2018 Revenues



Source: Recipharm Annual Report 2018

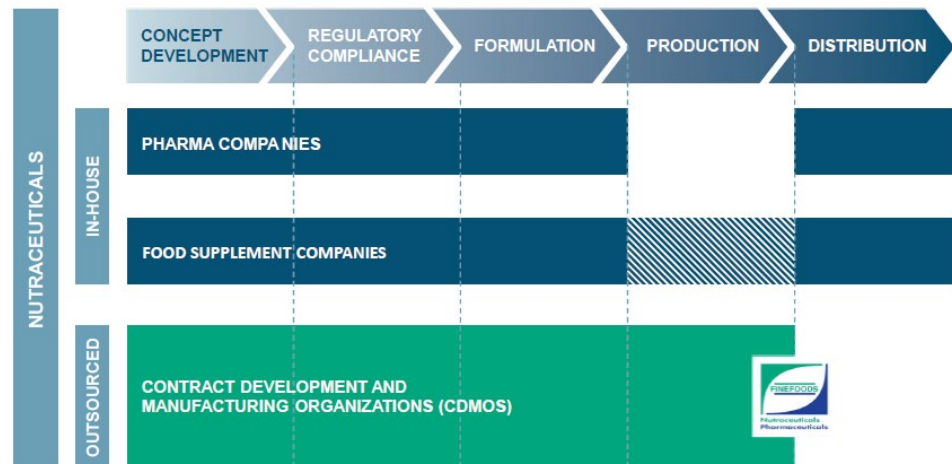
- **Increasing outsourcing to CDMOs from pharma companies in the next few years.** This trend should facilitate supply chain efficiencies, improve lead times, expand geographical reach and advance capabilities. Industry consolidation has been partly driven by the desire to diversify capabilities, so that CDMOs can effectively provide customers with comprehensive end-to-end drug development and manufacturing services, whilst also reducing operational costs. This is because drug developers are keen to progress their drug product to market as quickly as possible, with minimal supply chain complexity. Additionally, changing service providers mid-development incurs heavy expenditure and so full-service providers are often seen as way to decrease overall costs for drug developers.
- **Increasing M&A consolidation across the CDMO sector:** many larger CDMOs are acquiring smaller, niche facilities in multiple locations to help bolster and expand their capabilities, and this trend is set to continue in the next few years. In acquiring new technologies and capabilities, contract service providers can streamline their overall service spanning drug development to commercial product and can expand their global presence and reach new markets. Although there are many opportunities available in the European market, it does present some challenges such as the need to cater for a diverse range of packaging variations as a result of varying legislation and the large number of languages spoken across the continent. In contrast, the US provides many operational and market benefits, i.e. a common language and greater uniformity in regulatory requirements, plus fewer logistical issues. Outsourcing to a CDMO with experience and a presence in both markets can help to manage this complexity.
- **In terms of drug development, there is increasing demand for complex formulations.** New technologies and development techniques are emerging, meaning controlled release and fixed-dose combinations are becoming more achievable. Progress is also being made in technologies to deter misuse and abuse, with novel solutions beginning to enter the market. These advances are likely to lead to greater take-up by patients and increased safety. In addition, given a shifting regulatory environment with evolving customer demands, CDMOs must always be thinking about what comes next.

Corporate Strategy

Strategic positioning in both sectors

In the **nutraceuticals segment**, as a CDMO, Fine Foods oversees the complete value chain encompassing concept development, regulatory compliance, formulation and production. The latter is typically outsourced by pharma companies, while food firms usually do not include production in their value chain.

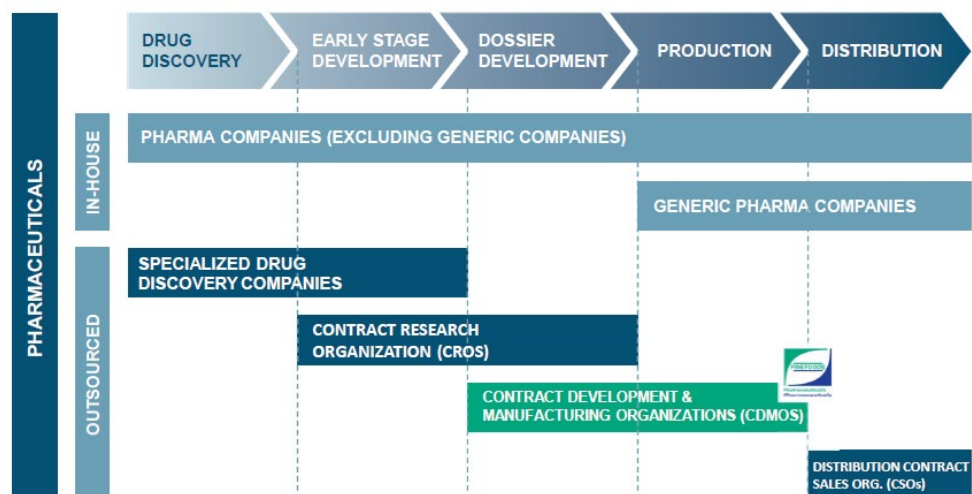
Fine Foods – Positioning in the Nutraceuticals Value Chains



Source: Company presentation

In the **pharmaceuticals segment**, pharma companies traditionally carry out all the activities (drug discovery, molecule development, dossier creation) including production and distribution. Since development is generally very expensive, pharma firms have started to outsource this along with production and distribution. As a CDMO, Fine Foods oversees the dossier development and production process but not distribution, which is entrusted to CSO (distribution Contract Sales Organisations).

Fine Foods – Positioning in the Pharmaceutical Value Chains



Source: Company presentation

As of today, Fine Foods is the largest Italian CDMO and one of the few players active in both pharmaceuticals and nutraceuticals. In general, the largest European CDMOs are focused almost exclusively on pharmaceuticals. In Italy, after Fine Foods, Biodue is the only listed company (IPO in May 2015), while Nutrilinea, Mipharm and Doppel are controlled by private equity investors (respectively by White Bridge, Mandarin Capital and Trilantic Europe).

Fine Foods – Selected competitors at Italian level (ranking by 2017 revenues, Eu mn)



Source: Company presentation (*) listed companies

Fine Foods enjoys a significant competitive advantage from being in both nutraceuticals and pharmaceuticals. On the one hand, nutraceuticals is: a) a fast growing market; b) adjacent to the core business of pharma companies; and, c) economically attractive for all players in the distribution chain. On the other, pharma remains a large, solid and predictable market, with high barriers to entry for new CDMOs and which offers the opportunity of exploiting the ongoing megatrend for subcontracting and outsourcing pharma manufacturing.

Fine Foods mainly produces oral solid forms. Within the industry, these represent 63% of overall production and there is ample room for growth. In particular, segments exist that could offer good industrial integration with oral forms (e.g. functional foods). That said, potential development of semi-solid (cream, paste, gel, suppositories) or liquid (syrup, solution, emulsion, suspension) forms could enable Fine Foods to strengthen its presence in the pharma segment and enter adjacent markets such as Personal Care.

Fine Foods – Examples of Products Manufactured for Core Clients

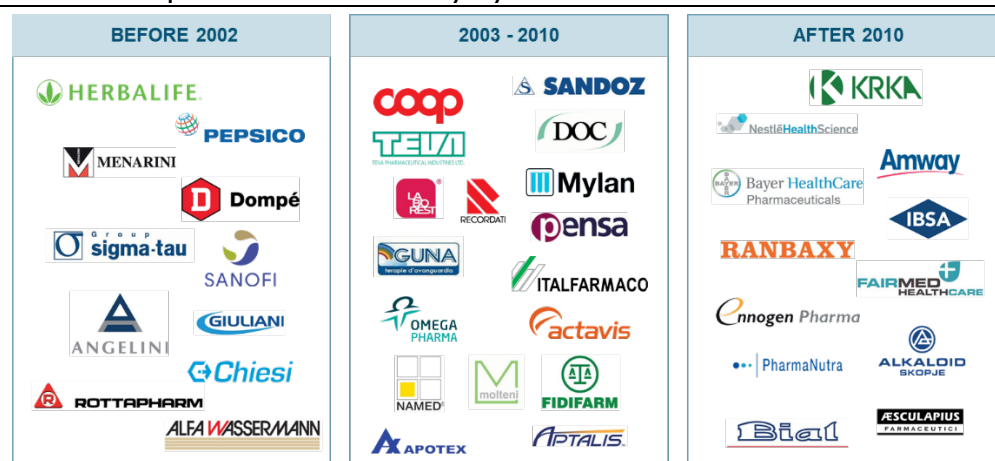


Source: Company presentation

Customer portfolio and commercial strategy

Fine Foods deliberately holds no proprietary brands, in order to maintain healthy partnerships with clients and present a unified identity to its clientele. The company has more than 100 customers, including leading pharmaceutical and nutraceutical players. Over the years, Fine Foods has succeeded in retaining key clients acquired before 2012 and has added several new ones since.

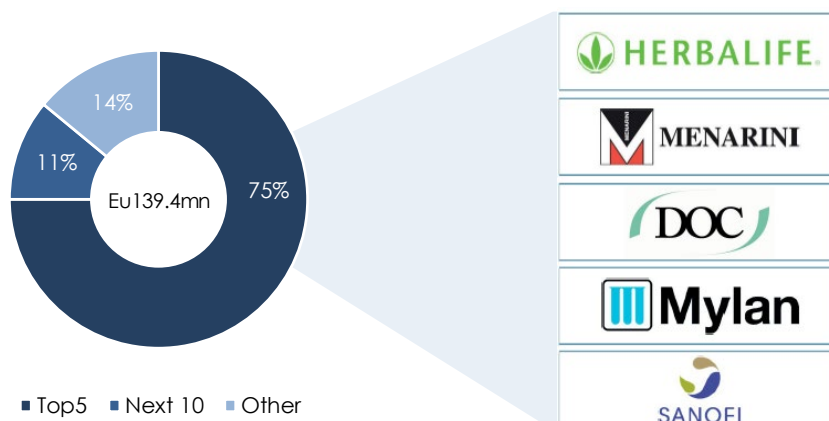
Fine Foods – Acquisition and Retention of Key Loyal Customers



Source: Company presentation

The commercial portfolio contains more than 100 customers and is quite concentrated, suggesting high customer power: the top 5 clients accounted for 75% of company revenues in 2018, while the top 15 represented 86%.

Fine Foods – Customer Concentration: 2018 Customers as % of Total Revenues





Source: Company

Historically, Fine Foods' customers have maintained strong relationships, substantially increasing the pipeline with new products, new geographies or a combination of the two. High customer satisfaction means Fine foods has enjoyed low contractual turnover and has constantly attracted interest from new customers.

Accreditation of a new client takes around a year. Fine Foods tends not to take part in tenders in competition against other pharmaceutical CDMOs. This avoids the risk of losing a supply contract once a concession expires and thus the problem of gaps in the marketing and sales plan that are hard to fill. Fine Foods clients tend to choose the companies they wish to deal with before commissioning the products to be made.

Production cycles

The company produces ca. 1,300 SKUs ("Stock-Keeping Units"), namely single product codes, which are tailored to client needs and delivered according to high-quality standards.

Fine Foods – Production Activities	
MANUFACTURING	PACKAGING
Granulation Blending Tabletting Capsule Filling Film Coating	Powder in sachets and sticks Tablets and capsules in counting machines Powder in jars Tablets and capsules in blisters
	

Source: Company

Changes to raw material prices are generally agreed with the client. A positive variable is applied to the prices of supplies if the agreed price provides for adjustments for increases in raw material costs. Generally speaking, advance planning enables Fine Foods to minimise raw material waste.

The quality of raw materials and machinery varies little from one supplier to another, with the only difference being in product processing. The maximum shelf life is 5 years. All raw materials are traceable and stored in lots in vertical storage systems to enable checks in the event of problems emerging subsequent to use. In the pharma sector, strict regulations apply to the traceability of raw materials, while the food sector is subject to high quality standards that Fine Foods is fully committed to observing.

Fine Foods is also active in the generic pharmaceuticals sector. The client pharmaceutical company needs to show that the generic product it is offering for sale is equivalent to an existing medicine.

As regards nutraceuticals and pharma, 3 months are required before the product is put into production. In these 3 months, Fine Foods get the raw materials and start production. Products are invoiced as they are shipped.

Manufacturing plants

Pharmaceutical products are manufactured by Fine Foods in Brembate, near Bergamo. This site manufactures powders and granules, tablets, coated tablets and hard gelatine capsules, packaged in sachets, blisters and bottles.

Fine Foods manufactures nutraceuticals at Zingonia, close to Brembate. At Zingonia, Fine Foods makes soluble and effervescent powders and granules; soluble, effervescent and chewable tablets; coated tablets; and hard gelatine capsules. These forms are packaged in bags, sachets, sticks, jars, tablet bottles, blisters and strips. The two major plants (Zingonia and Brembate) have recently been expanded significantly via a total investment of around Eu33mn.

Fine Foods – Production Plants

	Zingonia (BG)	Brembate (BG)	Nembro (BG)
HQ	x		
Nutraceuticals	x		
Pharmaceuticals		x	
Warehouse	x	x	x
Quality Unit Offices	x	x	
Planned expansion			
Total area (sqm)	45,600	20,700	
Capex spent in 2016-'18 (Eu mn)	18.1	14.7	
Pre-existing covered area (sqm)	15,900	5,700	Plant
increase % in coverage	81%	123%	decommissioned
Final covered area (sqm)	28,700	12,700	during 1H19
to be completed by	YE'19	YE'19	

Source: Company

Production activity at the third plant located at Nembro was terminated at the end of 1H19 (keeping only two rented warehouses used for storage), in order to concentrate all pharmaceutical activities at the more up-to-date plant at Brembate. This caused a temporary increase in costs that will be compensated in the future by improvements in synergies and efficiency. The transfer also required a series of regulatory activities for which the company had agreed early on with customers to reschedule product deliveries of pharmaceuticals, without affecting commercial activities. This phenomenon led to a delay to sales growth in the pharma sector (+4% YoY in 1H19), which will be recovered during 2H19.

Research & Development

The R&D laboratory is equipped with small-scale technologies typical of the company's main production lines: a fluid bed granulator, high shear mixer, blenders, tableting machines, and coating pan. This equipment gives Fine Foods a competitive edge for the fast and efficient development of new products, enabling it to intercept problems and avoid critical steps in production.

Painstaking attention to detail is the hallmark of developing new products: from formulation to the optimisation of production processes, assembly of documentation to assessment of product stability, including, if necessary, the development of new analytical methods and their validation, in cooperation with Quality Control.

Active cooperation with important associations, such as FSE (Food Supplement Europe) and AIIPA (Associazione Italiana Integratori e Prodotti Alimentari) provides Fine Foods with key information on evolving European regulations for food supplements and foods for special groups, which are extremely important for its customers.

As of December 31, 2018, 77 employees work on scientific activities, or over 15% of total workforce: 20 people work in R&D and Industrialisation, and 57 in Quality Assurance and Control. In 2018, the company developed 128 projects:

- 108 projects in the nutraceutical space, of which 35 new products already in production and an average of 3-12 months from origination to production;
- 20 projects in the pharmaceutical segment, of which 13 new products already in production and an average of 6-12 months from origination to production.

Related development costs were not capitalised.

Quality certification and sustainability policy

Quality and reliability are guaranteed by Fine Foods through a dedicated Quality unit that oversees all steps in the production process. The unit is comprised of a Central Quality Assurance Management group heading 2 Quality Assurance units, one for each of the 2 manufacturing sites and two Quality Control Laboratories. Both laboratories are GMP certified for the control of pharmaceuticals and are equipped with units for microbiological analysis. As regards nutraceuticals, Fine Foods & Pharmaceuticals NTM has recently upgraded its auto-inspection plan to the ISO 22000 requirements. Specific protocols have been implemented for totally safe production of gluten-free and allergen-free products.

Fine Foods suppliers are chosen according to criteria of excellence, and stringent audits of suppliers are carried out as and when required by the risk assessment process. In 2018 alone, Fine Foods successfully passed 27 audits by customers and authorities.

Fine Foods – Certification Framework

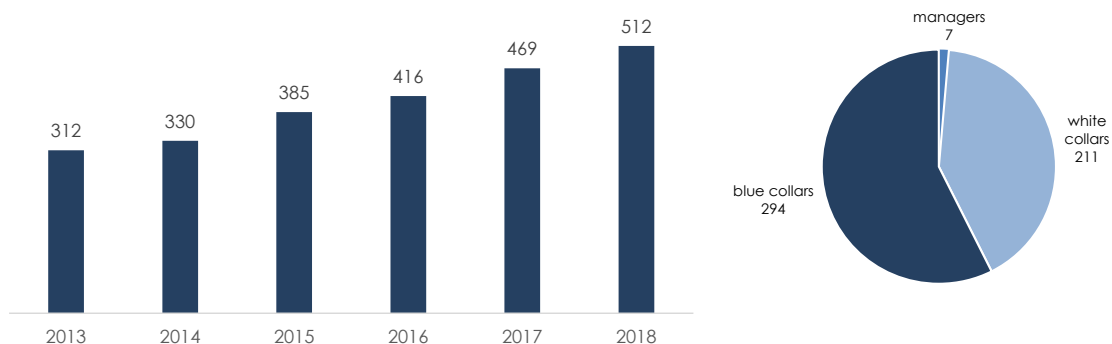
QUALITY	SUSTAINABILITY
Quality (ISO9001)	Environmental (ISO14001)
Food Safety (ISO22000)	Health & Safety (OHSAS18001)
AIIPA Approval	Administrative Responsibility (D.lgs 231/2001)
Medical Devices Quality (ISO13485)	Ethical Standards (Sedex)

Source: Company presentation

Personnel

Fine Foods currently employs around 512, a number that increased steadily over the last 5 years from 312 in 2013. In the last 5 years, Fine Foods has hired 200 new employees, of which 46% aged 30 or younger on the hiring date.

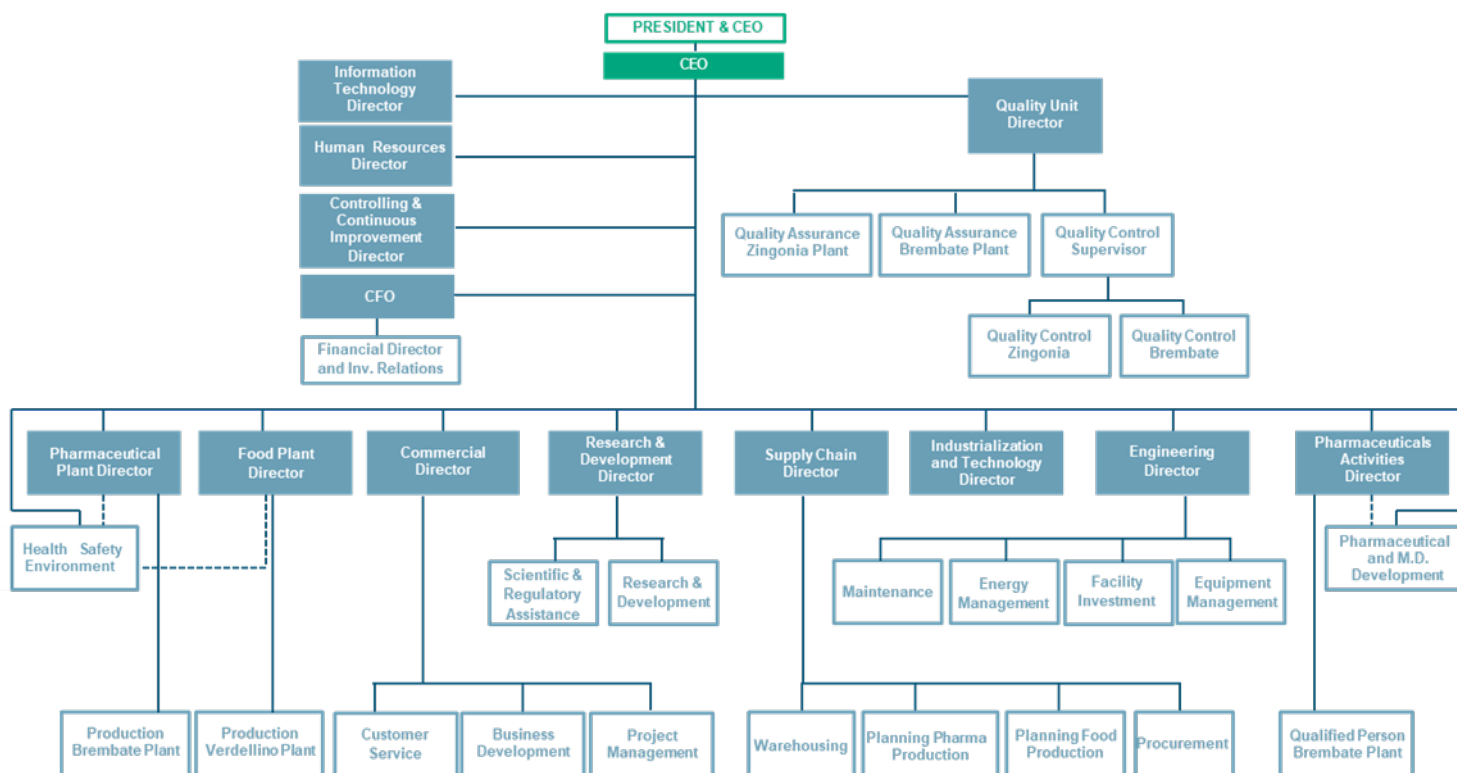
Fine Foods – Evolution in Number of Employees (Units) and Breakdown by Employee Cluster (FY18)



Source: Company presentation

Close attention has been paid to the presence of women, who represented 41% of total staff (as at Dec. 31st, 2018) and 60% of white-collar staff. The company enjoys very high workforce satisfaction (81%) and retention (96%) rates, underlining the ongoing commitment of Fine Foods to Corporate Social Responsibility.

Organisational Chart



Source: Company presentation

M&A strategy

So far, Fine Foods development has been mainly underpinned by organic growth, leveraging on a loyalty-based client portfolio. Additional growth may come from inorganic expansion through:

- **Acquisition of new technologies, such as semi-solids and liquids in existing end-markets.** CDMOs have been acquiring manufacturing assets, along with the ongoing outsourcing trend in the pharma industry. Acquisition of semi-solid and liquid forms could offer Fine Foods the opportunity to expand in adjacent markets such as cosmeceuticals, beverages (drink supplements) but also widen the range of products for OTC pharma, with the production of pharmacological ointments, mouthwashes, etc.
- **Inorganic growth in adjacent markets, targeting opportunities both in Italy and abroad.** Clients tend to favour long-term and reliable relations with a few CDMOs, with a preference for players that are nimble yet structured.

Inorganic growth should bring further benefits to the existing client base, as well, ensuring new production capacity and an expanding product range. In a highly fragmented supply-side industry in Italy, Fine Foods appears well placed to attempt to seize opportunities for quality assets across adjacent markets and to consolidate its presence in current sectors.

Despite that, over the short/medium term we believe that management's focus will be on investing organically in the current business and the potential listing of company shares on the MTA segment, which will mean a break of a few months before the company can return to exploring M&A opportunities. Furthermore, we believe that the solid organic performance of the business means external growth is currently lower on the Fine Foods' list of priorities.

Financials

Historical results

Sound CAGR in Revenue and Profitability: Over the last 4 years (2015-2018), Fine Foods has delivered a 11.0% net revenue CAGR thanks to its established presence in the Food segment (76% of net revenues in FY18) and a steadily increasing contribution in pharma (24% of net revenues in FY18), both growing at low-teen rates.

Fine Foods – Revenue Breakdown by Segment and by Geography

(Eu mn)	2015A	% of net revs	2016A	% of net revs	2017A	% of net revs	2018A	% of net revs	CAGR 2015-18
Food	81.2	79.6%	90.3	79.9%	91.6	76.6%	105.6	75.8%	9.2%
Pharma	20.8	20.4%	22.8	20.1%	28.0	23.4%	33.8	24.2%	17.5%
Net Revenues	102.0	100.0%	113.1	100.0%	119.6	100.0%	139.4	100.0%	11.0%

(Eu mn)	2015A	% of net revs	2016A	% of net revs	2017A	% of net revs	2018A	% of net revs	CAGR 2015-18
Italy	38.6	37.9%	41.4	36.6%	48.9	40.9%	52.4	37.6%	10.7%
Abroad	63.4	62.1%	71.7	63.4%	70.7	59.1%	87.0	62.4%	11.1%
Net Revenues	102.0	100.0%	113.1	100.0%	119.6	100.0%	139.4	100.0%	11.0%

Source: Company

Looking at 2015-18, total OpEx had a 11.7% CAGR on a reported basis, broadly mirroring revenue growth, and leading to a 11.8% CAGR for EBITDA (+11.8% on adjusted basis) and an average 13% EBITDA margin.

Fine Foods – P&L 2015-18

(Eu mn)	2015A	% of net revs	2016A	% of net revs	2017A	% of net revs	2018A	% of net revs	CAGR 2015-18
Net revenues	102.0	100.0%	113.1	100.0%	119.6	100.0%	139.4	100.0%	11.0%
Other Income/ Δ finished goods	1.1	1.1%	2.3	2.1%	2.3	1.9%	4.5	3.2%	
Value of production	103.1	101.1%	115.5	102.1%	121.8	101.9%	143.9	103.2%	11.8%
Raw materials	(61.0)	-59.8%	(69.4)	-61.4%	(72.9)	-61.0%	(87.4)	-62.7%	
Cost of services	(11.4)	-11.2%	(11.5)	-10.2%	(13.0)	-10.9%	(15.8)	-11.4%	
Personnell	(16.3)	-16.0%	(17.9)	-15.8%	(20.2)	-16.9%	(22.7)	-16.3%	
Rents	(0.6)	-0.6%	(0.6)	-0.6%	(0.9)	-0.7%	(1.1)	-0.8%	
Other costs	(0.5)	-0.4%	(0.9)	-0.8%	0.6	0.5%	1.8	1.3%	
Total Opex	(89.8)	-88.0%	(100.3)	-88.7%	(106.3)	-88.9%	(125.2)	-89.8%	11.7%
EBITDA adjusted	13.4	13.1%	15.1	13.4%	16.7	14.0%	18.7	13.4%	11.8%
EBITDA reported	13.4	13.1%	15.1	13.4%	15.5	13.0%	18.7	13.4%	11.8%
D&A	(5.1)	-5.0%	(5.6)	-5.0%	(6.2)	-5.2%	(7.7)	-5.5%	
Writedowns/Provision	(0.2)	-0.2%	(0.2)	-0.2%	(0.4)	-0.3%	(0.8)	-0.5%	
EBIT adjusted	8.1	7.9%	9.3	8.2%	10.2	8.5%	10.2	7.3%	8%
EBIT reported	8.1	7.9%	9.3	8.2%	9.0	7.5%	10.2	7.3%	8%
Financial Income (Charges)	(0.3)	-0.3%	(0.2)	-0.2%	(0.4)	-0.4%	0.2	0.2%	
Pretax	7.8	7.7%	9.0	8.0%	8.5	7.1%	10.4	7.5%	10%
Taxes	(2.5)	-2.5%	(2.8)	-2.5%	(2.3)	-2.0%	(1.7)	-1.3%	
tax rate	32.0%		31.0%		27.4%		16.7%		
Net income	5.3	5.2%	6.2	5.5%	6.2	5.2%	8.7	6.2%	18%
Net Income Restated	5.3	5.2%	6.2	5.5%	6.8	5.7%	8.7	6.2%	18%

Source: Company

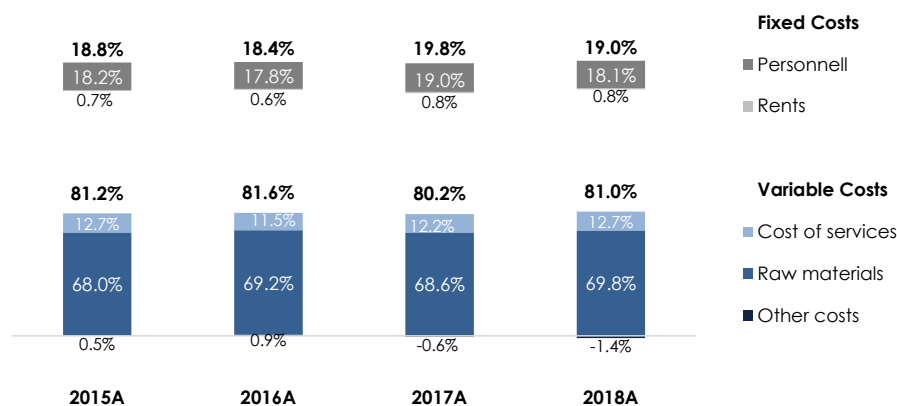
Non-recurring items: In FY2017, there were total adjustments to EBITDA of Eu1.2mn, mainly due to the change in the ERP system (from Aliseo to Microsoft Dynamics AX), with the same figure on EBIT. The adjustment to net income was instead Eu0.9mn. In FY18 there were no adjustment on EBITDA, since the extra costs for about Eu1.2mn in 1H18 (related to the merger of the company into SPAC Innova) were almost entirely capitalised in 2H18.

OpEx base largely variable. The similarities between revenue and cost dynamics mainly reflect the largely variable structure of the Fine Foods cost base: OpEx absorb 88% on average of net revenues, with labour costs representing around 16% and most of the remaining 72% coming from variable expenditure (or 80-81% of total OpEx). In particular, **raw material costs weigh 60-61% on average on**

sales, almost stable over time. These costs are generally passed through to customers, who also usually indicate raw material suppliers.

A positive variable is applied to the prices of supplies if the agreed price provides for adjustments for increases in raw material costs. Costs for services remained broadly stable over time, with an 11% weight on net revenues. On our understanding, taking labour costs and rents into account (1% of revenues), the fixed cost base should amount to around 17% of revenues, or 18-19% of the total OpEx base.

Fine Foods – Reported OpEx Breakdown (Eu mn)



Source: Intermonte elaboration on Company data

Steady improvements to bottom-line trends. Taking into account D&A (5-5.5% of revenues) increasing slightly over time, EBIT showed a high single-digit improvement (CAGR '15-'18 +8%). Net income had a +18% CAGR underpinned in FY18 by a strong improvement in the net financial expenses balance which went into the black (benefitting from the Eu100mn capital injection from the Business Combination, which lead to a positive NFP as at the end of the year). Between 2015 and 2017, the company tax rate declined from 31.8% to 27.4%, benefitting from the reduction in the Italian IRES tax rates (from 27.5% to 24%). In 2018, the tax rate exceptionally declined to 16.7% buoyed by some non-recurring deductions (the "ACE" benefit) from the corporate income taxable base.

Healthy cash flow generation. Between 2015 and 2017, gross cash flow offset maintenance (around 6% of net revenues) and expansionary CapEx, while in 2018, gross cash flow was affected by higher capital absorption related to extraordinary investments.

Fine Foods – Cash Flow Statement

(Eu mn)	2015A	2016A	2017A	2018A
Net Profit	5.3	6.2	6.2	8.7
D&A (incl. Writedown)	5.2	5.8	6.6	8.5
Change in Working Capital	(6.5)	0.0	8.3	(18.6)
Change in funds	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.3
Operating CF	4.0	12.1	21.1	(1.1)
Capex (Fixed & Intangible Assets)	(7.5)	(10.0)	(21.9)	(31.7)
Acquisitions	0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Dividends	0.0	(5.0)	0.0	0.0
Share Buy-back	0.0	0.0	0.0	0.0
Rights Issue/ ipo	0.0	0.0	0.0	100.0
Other	(0.1)	1.5	(0.4)	(0.1)
Cash Flow	(3.6)	(1.4)	(1.2)	67.1
NFP at the beg. of the year: Cash/(Debt)	(14.3)	(17.8)	(19.3)	(20.4)
Cash Flow: Cash/(Debt)	(3.6)	(1.4)	(1.2)	67.1
NFP at year end: Cash/(Debt)	(17.8)	(19.3)	(20.4)	46.7

Source: Intermonte on company data

Extraordinary CapEx cycle already completed. The spike in expansionary CapEx registered between 2017 and 2018 was due to the expansion of the two major plants (Zingonia and Brembate) via a total investment of around Eu33mn (Eu18.1mn for Zingonia and Eu14.7mn for Brembate), successfully concluded in 1H19. At both plants, the company also invested in new machinery and equipment, including a precision tracking system for pharmaceutical products and raw materials, in compliance with European regulation.

Fine Foods – CapEx Breakdown 2015-18

Eu mn	2015A	2016A	2017A	2018A
Ordinary CAPEX	(6.0)	(6.6)	(7.8)	(8.3)
on sales	5.9%	5.8%	6.5%	6.0%
Extraordinary CAPEX	(1.5)	(3.4)	(14.1)	(23.4)
CAPEX	(7.5)	(10.0)	(21.9)	(31.7)
on sales	7.4%	8.8%	18.3%	22.7%
D&A	(5.1)	(5.6)	(6.2)	(7.7)
on sales	5.0%	5.0%	5.2%	5.5%

Source: Company data

NWC evolution under control. For the 2015-17 period, NWC did not see significant swings: the positive movement registered in 2017 (Eu8.4mn) benefitted from the Eu4.9mn non-recourse disposal of receivables. In 2018, the negative change in NWC (Eu-18.7mn) was due to a number of factors: i) the automatic increase in credit receivables correlated to the higher top-line; ii) some delays to credit collection from clients; iii) the decision not to use factoring; iv) an increase in inventory at the end of the year against significant sales made in January 2019 and February. The NWC/sales ratio was 14.8% in 2018, with around 70 days' sales outstanding.

Strong net financial position even before capital injection from Business Combination. Between 2015-17, net debt remained virtually stable (net debt/EBITDA ratio at 1.3x), while in FY18 it turned into net cash (at Eu46.7mn) underpinned by the Eu100mn cash-in from the Business Combination with Innova Italy, which partially financed the expansionary CapEx for the year.

FY18 net equity was Eu149.2mn and the increase on previous years reflected the effects of the Business Combination.

Fine Foods – Balance Sheet 2015-18

(Eu mn)	2015A	2016A	2017A	2018A
Tangible Assets	38.9	41.6	57.3	78.6
Intangible Assets	1.4	1.3	1.3	4.3
<i>Goodwill</i>	0.8	0.6	0.4	0.2
Financial Assets	0.0	0.0	0.0	0.0
Fixed Assets	40.3	42.9	58.6	82.9
Inventories	11.9	15.0	17.0	22.0
Trade Receivables	11.7	13.9	13.7	21.5
Trade Payables	(11.5)	(16.0)	(22.5)	(23.9)
Other curr assets	0.2	0.2	0.2	0.1
Other current liabilities	(1.9)	(2.7)	(6.4)	0.9
Total Working Capital	10.3	10.3	2.0	20.6
<i>Growth</i>		0%	-81%	925%
<i>on sales</i>	10.1%	9.1%	1.7%	14.8%
Provisions	0.0	0.0	0.0	0.0
Employees benefits	(1.3)	(1.3)	(1.2)	(1.0)
Others	(0.0)	(0.0)	0.0	0.0
Net capital employed	49.3	51.9	59.4	102.5
Group's shareholders' equity	31.5	32.7	38.9	149.2
Total equity	31.5	32.7	38.9	149.2
<i>- of which minorities</i>	0.0	0.0	0.0	0.0
Net Cash /(Debt)	(17.8)	(19.3)	(20.4)	46.7
Net Cash/EBITDA	-1.3x	-1.3x	-1.3x	2.5x
Total Funds	49.3	51.9	59.3	102.5
average CE	49.3	50.6	55.6	80.9

Source: Company data

1H19 results

Top-line growing double digit, with a temporary slowdown of growth in pharma. Revenues were Eu83.1mn, up 17.9% YoY. Within the mix: Food turnover grew 23% YoY, thanks to ongoing volume expansion, underpinned by the significant investment in the nutraceutical area. Pharma revenues grew mid-single digit (+4% YoY), slowing down from historical low teen rates; the decline was only due to the temporary transfer of production from the Nembro plant to Brembate, which caused a delay to 2H19. In 1H19, the Food segment generated 76% of revenues. No M&A transactions were carried out during the year; consequently, top-line performance was entirely attributable to organic growth. As a preliminary indication for 2H, management unveiled record turnover of Eu20mn in July, mostly due to the significant production backlog.

Reported EBITDA at Eu9.8mn, up +19.1% YoY. The reported EBITDA margin was 11.7%, slightly improving YoY (11.6% in 1H18). Excluding non-recurring costs related to the production plant transfer in 1H19 (for Eu1.4mn) and the Business Combination expenses in 1H18 (Eu1.2mn), adj. EBITDA grew 18.8% YoY, with the margin at 13.4% in 1H19 (from 13.3% for 1H18), highlighting solid profitability despite an automatic increase in variable costs correlated to volume growth and higher personnel costs from new hiring in 1H19 (+35 new employees, leading to a total workforce of 546).

Strong improvements across the rest of P&L: EBIT was Eu4.3mn up 25% YoY, while pre-tax and net income both rose 15% YoY.

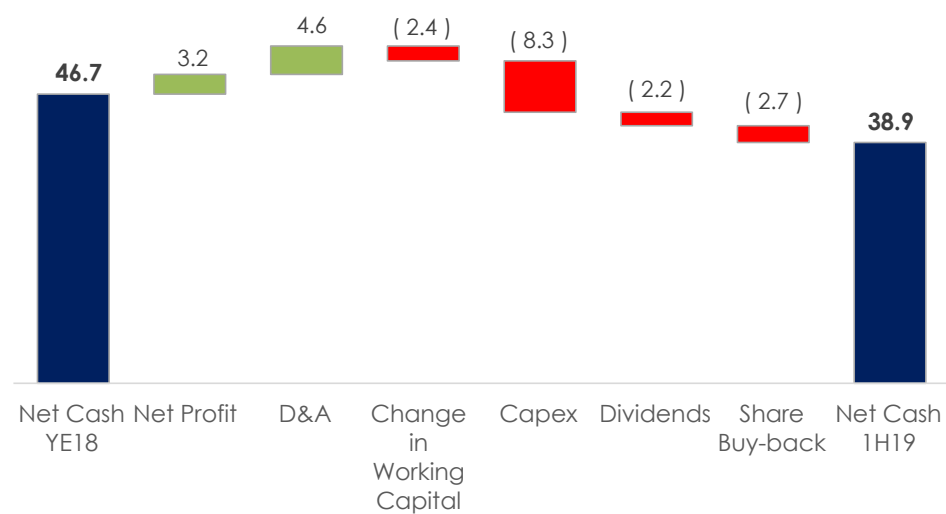
Fine Foods – P&L 1H19 (Eu mn)

(Eu mn)	1H18A	% of net revs	1H19A	% of net revs	YoY
Net revenues	70.5	100.0%	83.1	100.0%	17.9%
Food	51.3	72.7%	63.1	75.9%	23.0%
Pharma	19.2	27.2%	20.0	24.1%	4.2%
Other Income/ Δ finished goods	0.8	1.2%	5.5	6.6%	
Value of production	71.4	101.2%	88.6	106.6%	24.2%
Raw materials	(43.6)	-61.8%	(58.2)	-70.1%	33.7%
Cost of services	(7.9)	-11.2%	(8.3)	-10.0%	5.2%
Personnell	(12.2)	-17.3%	(15.2)	-18.3%	24.6%
Rents	(0.5)	-0.8%	(0.5)	-0.7%	0.9%
Other costs	1.0	1.5%	3.4	4.1%	
Total Opex	(63.2)	-89.5%	(78.9)	-94.9%	24.8%
EBITDA adjusted	9.4	13.3%	11.2	13.4%	18.8%
EBITDA reported	8.2	11.6%	9.8	11.7%	19.1%
D&A	(4.1)	-5.8%	(4.6)	-5.5%	
Writedowns/Provision	(0.7)	-1.0%	(0.9)	-1.0%	
EBIT adjusted	3.4	4.9%	4.3	5.2%	25.4%
EBIT reported	3.4	4.9%	4.3	5.2%	25.4%
Financial Income (Charges)	0.5	0.6%	0.7	0.8%	
Non recurring income (Charges)	0.0	0.0%	(0.5)	-0.6%	
Pretax	3.9	5.5%	4.5	5.4%	15.5%
Taxes	(1.1)	-1.5%	(1.3)	-1.5%	
tax rate	27.9%		28.4%		
Net income	2.8	4.0%	3.2	3.9%	14.7%
Net Income Restated	2.8	4.0%	3.2	3.9%	14.7%

Source: Company Data

Net financial position positive at Eu38.9mn, compared to Eu46.7mn as at end-December 2018. The change was generated by new investments (Eu8.3m), the buy-back plan in progress (Eu2.7) and the dividend payout (2.2mn). As of 30 June 2019, treasury shares totalled 262,431, or 1.1564% of share capital, at a weighted average price of Eu10.1692, for a total value of Eu2.67mn. The dividend cash-out of Eu2.2mn means a 26% payout on FY18 net profit.

Fine Foods – NFP Evolution in 1H19 (Eu mn)



Source: Company data

2019-23 Projections

Double-digit revenue growth profile to be confirmed. In line with management hints, especially on 2019, revenue should continue to display double-digit growth in both segments, as in 2H19 the company should be able to recoup the delay to pharmaceutical sales growth suffered in 1H19 (+4% YoY) due to the transfer of production from Nembro to Brembate.

We estimate food revenues to grow by 16% YoY this year, while pharmaceutical revenues should see a 12.5% YoY increase, leading to FY 15.2% YoY in total turnover. For the coming years, we believe the company is well placed to confirm the double-digit growth in revenues thanks to high visibility on customer demand and the additional capacity secured through additional investments. Over the 2019-2023 period, we estimate an 10.8% revenue CAGR for Fine Foods, driven by double-digit growth in both business segments (2019-23 CAGR: Pharma 10.4% and Food 11.0%).

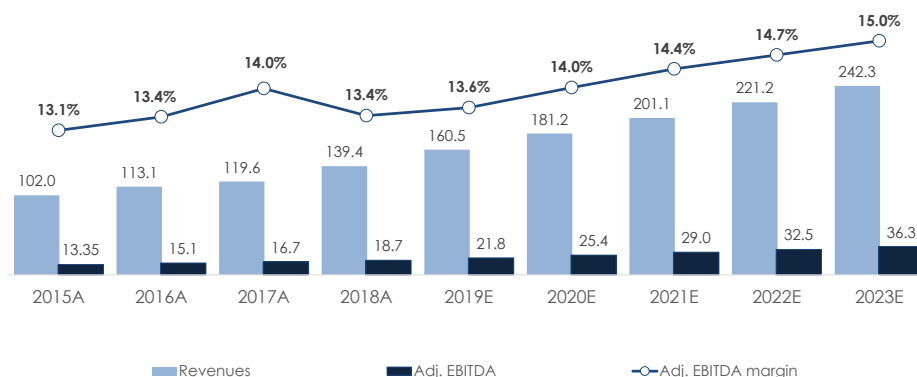
Fine Foods – Revenues Breakdown 2019E-'23E

(Eu mn)	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	CAGR '15-'18	CAGR '19-'23
Food	81.2	90.3	91.6	105.6	122.5	138.5	153.7	169.1	186.0	9.2%	11.0%
YoY growth		11.3%	1.4%	15.4%	16.0%	13.0%	11.0%	10.0%	10.0%		
on sales	79.6%	79.9%	77.0%	76.0%	76.3%	76.4%	76.4%	76.4%	76.8%		
Pharma	20.8	22.8	28.0	33.8	38.0	42.7	47.4	52.2	56.3	17.5%	10.4%
YoY growth		9.4%	22.9%	20.5%	12.5%	12.5%	11.0%	10.0%	8.0%		
on sales	20.4%	20.1%	23.0%	24.0%	23.7%	23.6%	23.6%	23.6%	23.2%		
Net Revenues	102.0	113.1	119.6	139.4	160.5	181.2	201.1	221.2	242.3	11.0%	10.8%
yoy growth		10.9%	5.7%	16.6%	15.2%	12.9%	11.0%	10.0%	9.5%		

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

Margins to improve towards 15% in the medium term. For this year, we expect the company to recoup the higher start-up and restructuring costs incurred in 1H18 in 2H, delivering a 16.6% YoY increase in adj. EBITDA, with an improving margin on sales (FY19: 13.6% s. 13.4% in FY18). Over the 2019-23 period, we expect the company to show a mid-teen adj. EBITDA CAGR (+13.7%) with steady improvements in the margin towards 15% in FY23. Within the mix, we expect variable costs to remain fairly stable in proportion to revenues, with raw materials at 63% and services at 11-12%, while personnel costs should stabilise at around Eu29-30mn p.a., thus coming down from 18% of turnover in 2019 to around 12% in 2023.

Fine Foods – Revenues, Adj. EBITDA and Margin Trends (Eu mn, %)



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

Operating estimates. We estimate adj. EBIT will display a high-teen 2019-23 CAGR (+18.5% mirroring the improving trend in EBITDA and more than offsetting high D&A charges (6.5% of revenues on a run-rate basis) following the recent investment in plant expansion. Taking into account a net positive balance in financial charges and flattish tax rate at 23% over the period, we estimate an 18.4% net income CAGR.

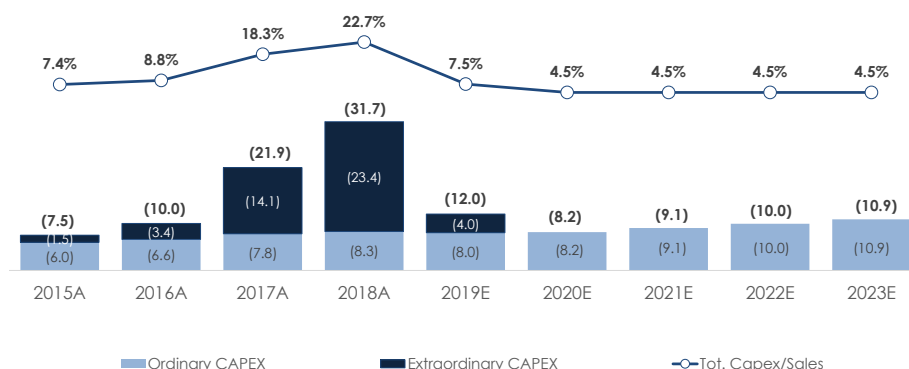
Fine Foods – P&L Evolution 2019-23

(Eu mn)	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E	CAGR '15-'18	CAGR '19-'23
Net revenues	102.0	113.1	119.6	139.4	160.5	181.2	201.1	221.2	242.3	11.0%	10.8%
YoY growth		10.9%	5.7%	16.6%	15.2%	12.9%	11.0%	10.0%	9.5%		
Other Income/ Δ finished goods	1.1	2.3	2.3	4.5	6.4	7.2	8.0	8.8	9.7		
on net revenues	1.1%	2.1%	1.9%	3.2%	4.0%	4.0%	4.0%	4.0%	4.0%		
yoy growth		111.3%	-3.2%	99.9%	42.6%	12.9%	11.0%	10.0%	9.5%		
Value of production	103.1	115.5	121.8	143.9	166.9	188.4	209.2	230.1	252.0	11.8%	10.8%
YoY growth		12.0%	5.5%	18.1%	16.0%	12.9%	11.0%	10.0%	9.5%		
Raw materials	(61.0)	(69.4)	(72.9)	(87.4)	(101.1)	(114.1)	(126.7)	(139.4)	(152.7)		
on net revenues	-59.8%	-61.4%	-61.0%	-62.7%	-63.0%	-63.0%	-63.0%	-63.0%	-63.0%		
yoy growth		13.8%	5.0%	19.9%	15.7%	12.9%	11.0%	10.0%	9.5%		
Cost of services	(11.4)	(11.5)	(13.0)	(15.8)	(17.7)	(20.8)	(23.1)	(26.5)	(30.3)		
on net revenues	-11.2%	-10.2%	-10.9%	-11.4%	-11.0%	-11.5%	-11.5%	-12.0%	-12.5%		
yoy growth		0.9%	13.0%	21.9%	11.4%	18.0%	11.0%	14.8%	14.1%		
Personnell	(16.3)	(17.9)	(20.2)	(22.7)	(29.0)	(29.0)	(29.5)	(30.0)	(30.0)		
on net revenues	-16.0%	-15.8%	-16.9%	-16.3%	-18.1%	-16.0%	-14.7%	-13.6%	-12.4%		
yoy growth		9.5%	13.0%	12.5%	27.9%	0.0%	1.7%	1.7%	0.0%		
Rents	(0.6)	(0.6)	(0.9)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)		
on net revenues			-0.7%	-0.8%	-0.7%	-0.6%	-0.6%	-0.5%	-0.5%		
Other costs	(0.5)	(0.9)	0.6	1.8	2.3	2.0	0.3	(0.4)	(1.4)		
EBITDA adjusted	13.4	15.1	16.7	18.7	21.8	25.4	29.0	32.5	36.3	11.8%	13.7%
YoY growth		13.3%	10.5%	11.7%	16.6%	16.4%	14.2%	12.3%	11.8%		
EBITDA margin	13.1%	13.4%	14.0%	13.4%	13.6%	14.0%	14.4%	14.7%	15.0%		
EBITDA reported	13.4	15.1	15.5	18.7	20.4	25.4	29.0	32.5	36.3	11.8%	15.6%
YoY growth		13.3%	2.6%	20.3%	9.1%	24.4%	14.2%	12.3%	11.8%		
EBITDA margin	13.1%	13.4%	13.0%	13.4%	12.7%	14.0%	14.4%	14.7%	15.0%		
D&A	(5.1)	(5.6)	(6.2)	(7.7)	(10.0)	(11.4)	(13.1)	(14.4)	(15.7)		
on net revenues	5.0%	5.0%	5.2%	5.5%	6.2%	6.3%	6.5%	6.5%	6.5%		
Writedowns/Provision	(0.2)	(0.2)	(0.4)	(0.8)	0.0	0.0	0.0	0.0	0.0		
on net revenues	0.2%	0.2%	0.3%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%		
EBIT adjusted	8.1	9.3	10.2	10.2	10.4	14.0	15.9	18.1	20.6	7.9%	18.5%
YoY growth		14.6%	9.4%	0.2%	2.5%	33.7%	13.9%	14.2%	13.5%		
Restated EBIT margin	7.9%	8.2%	8.5%	7.3%	6.5%	7.7%	7.9%	8.2%	8.5%		
EBIT reported	8.1	9.3	9.0	10.2	10.4	14.0	15.9	18.1	20.6	7.9%	18.5%
EBIT margin	7.9%	8.2%	7.5%	7.3%	6.5%	7.7%	7.9%	8.2%	8.5%		
Financial Income (Charges)	(0.3)	(0.2)	(0.4)	0.2	0.1	0.1	0.1	0.1	0.1		
Associates/Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Non recurring income (Charges)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Pretax	7.8	9.0	8.5	10.4	10.5	14.1	16.0	18.2	20.7	10.1%	18.4%
Taxes	(2.5)	(2.8)	(2.3)	(1.7)	(2.4)	(3.2)	(3.7)	(4.2)	(4.8)		
tax rate	-32.0%	-31.0%	-27.4%	-16.7%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%		
Minorities/disc. operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net income	5.3	6.2	6.2	8.7	8.1	10.8	12.3	14.0	15.9	17.8%	18.4%
YoY growth		17.5%	-0.8%	40.3%	-6.6%	33.4%	13.8%	14.1%	13.5%		
Net Income Restated	5.3	6.2	6.8	8.7	8.1	10.8	12.3	14.0	15.9	15.8%	18.4%

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

CapEx trends under control. Following around Eu45mn of extraordinary investments made between FY15 and 1H19, we assume the total CapEx-to-sales ratio will bottom out at around 4.5% from 2020 onwards, in line with the maintenance CapEx trend. In our estimates, we are not projecting further investments to fuel organic development in the next few years.

Fine Foods – Capex Evolution (Eu mn)



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

Sound FCF generation. Taking into account the improvements foreseen in EBITDA, CapEx remaining under control and a stabilisation of NWC over time, we expect a positive post-dividend cash flow trend, based on the assumption of a payout ratio of around 26% of net income. We expect in 2020 the continuation of current share buyback plan, assuming additional purchases for Eu1.7bn compared to the 2.7bn already made in 2019.

Fine Foods – FCF Evolution

(Eu mn)	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E
Net Profit	5.3	6.2	6.2	8.7	8.1	10.8	12.3	14.0	15.9
D&A (incl. Writedown)	5.2	5.8	6.6	8.5	10.0	11.4	13.1	14.4	15.7
Change in Working Capital	(6.5)	0.0	8.3	(18.6)	(13.9)	(4.7)	(4.3)	(4.4)	(4.6)
Change in funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Operating CF	4.0	12.1	21.1	(1.1)	4.1	17.5	21.0	24.1	27.1
Capex (Fixed & Intangible Assets)	(7.5)	(10.0)	(21.9)	(31.7)	(12.0)	(8.2)	(9.1)	(10.0)	(10.9)
Acquisitions	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	(5.0)	0.0	0.0	(2.2)	(2.1)	(2.8)	(3.2)	(3.6)
Share Buy-back	0.0	0.0	0.0	0.0	(2.7)	(1.7)	0.0	0.0	0.0
Rights Issue/ ipo	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Other	(0.1)	1.5	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cash Flow	(3.6)	(1.4)	(1.2)	67.1	(12.9)	5.5	9.2	10.9	12.5
NFP at the beg. of the year: Cash/(Debt)	(14.3)	(17.8)	(19.3)	(20.4)	46.7	33.8	39.4	48.5	59.4
Cash Flow: Cash/(Debt)	(3.6)	(1.4)	(1.2)	67.1	(12.9)	5.5	9.2	10.9	12.5
NFP at year end: Cash/(Debt)	(17.8)	(19.3)	(20.4)	46.7	33.8	39.4	48.5	59.4	71.9

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

Fine Foods – Balance Sheet

(Eu mn)	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E
Tangible Assets	38.9	41.6	57.3	78.6	80.6	77.4	73.4	68.9	64.1
Intangible Assets	1.4	1.3	1.3	4.3	4.3	4.3	4.3	4.3	4.3
<i>Goodwill</i>	0.8	0.6	0.4	0.2	0.2	0.0	0.0	0.0	0.0
Financial Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed Assets	40.3	42.9	58.6	82.9	84.9	81.7	77.6	73.2	68.4
Inventories	11.9	15.0	17.0	22.0	25.7	29.0	32.2	35.4	38.8
Trade Receivables	11.7	13.9	13.7	21.5	32.1	36.2	40.2	44.2	48.5
Trade Payables	(11.5)	(16.0)	(22.5)	(23.9)	(24.2)	(27.0)	(29.8)	(32.7)	(35.7)
Other curr assets	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other current liabilities	(1.9)	(2.7)	(6.4)	0.9	0.9	0.9	0.9	1.0	1.0
Total Working Capital	10.3	10.3	2.0	20.6	34.6	39.3	43.6	48.0	52.6
<i>Growth on sales</i>	10.1%	9.1%	-81%	925%	68%	14%	11%	10%	10%
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Employees benefits	(1.3)	(1.3)	(1.2)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)
Others	(0.0)	(0.0)	0.0	0.0	0.1	0.2	0.2	0.3	0.4
Net capital employed	49.3	51.9	59.4	102.5	118.6	120.1	120.4	120.4	120.2
Group's shareholders' equity	31.5	32.7	38.9	149.2	152.4	159.4	168.9	179.8	192.1
Total equity	31.5	32.7	38.9	149.2	152.4	159.4	168.9	179.8	192.1
- of which minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash /(Debt)	(17.8)	(19.3)	(20.4)	46.7	33.8	39.4	48.5	59.4	71.9
Net Cash/EBITDA	-1.3x	-1.3x	-1.3x	2.5x	1.7x	1.6x	1.7x	1.8x	2.0x
Total Funds	49.3	51.9	59.3	102.5	118.6	120.1	120.4	120.4	120.2
average CE	49.3	50.6	55.6	80.9	110.5	119.3	120.2	120.4	120.3

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

Valuation

We adopt 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 assumptions in our DCF valuation:

- WACC at 7.0% which reflects a 2.5% risk free rate;
- Terminal growth rate of 1.5%;
- Long-term EBITDA margin at 14.5% in a mid-point between current profitability levels and levels targeted for 2023/'24E;
- Capex/sales ratio at c.4.5% in line with usual level of maintenance capex.

Our TP of Eu12.80 is derived from a DCF valuation (WACC 7.0%, g: 1.5%) and reflects the share count adjusted for warrant and special share conversion. At our TP, stock trades at 12.7x/ 10.7x EV/EBITDA 2019E/'20E.

Fine Foods – DCF Model

(Eu mn)	2019E	2020E	2021E	2022E	2023E	2024E	TV
Net Revenues	160.5	181.2	201.1	221.2	242.3	261.7	265.6
YoY growth	15.2%	12.9%	11.0%	10.0%	9.5%	8.0%	1.5%
EBITDA	21.8	25.4	29.0	32.5	36.3	39.3	38.5
% margin	13.6%	14.0%	14.4%	14.7%	15.0%	15.0%	14.5%
EBIT	10.4	14.0	15.9	18.1	20.6	22.2	26.3
% margin	6.5%	7.7%	7.9%	8.2%	8.5%	8.5%	9.9%
Taxes	(2.4)	(3.2)	(3.7)	(4.2)	(4.7)	(5.1)	(6.0)
taxrate	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%	-23.0%
Change in WC	(14)	(5)	(4)	(4)	(5)	(4)	(2)
Capex	(12)	(8)	(9)	(10)	(11)	(12)	(12)
FCF	-6.6	9.3	11.9	14.0	16.1	18.1	18.0
TV							328
year	0	1	2	3	4	5	6
Discounted WACC	0.98	0.92	0.86	0.80	0.75	0.70	0.66
Discounted Free cash flow	-6.5	8.5	10.2	11	12	13	215

Discounted Free cash flows	48.4
Terminal value	215.0
Total EV (with DCF)	263.4
NFP/(Debt) (YE18)	46.7
Acquisitions	0.0
Minorities	0.0
Treasury shares	3.1
Total EQUITY (Eu mn)	313.1
No. of shares (mn)	24.5
Fair value (Eu/share)	12.8

upside/downside vs current price 25.5%

TV / Total EV
82%

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

Fine Foods – DCF sensitivity table (Equity Value, Eu mn)

		Terminal Growth				
		1.00%	1.25%	1.50%	1.75%	2.00%
% WACC	6.6%	308.1	318.5	330.0	342.6	356.6
	6.8%	300.8	310.6	321.2	332.9	345.8
	7.0%	294.1	303.2	313.1	324.0	335.9
	7.2%	287.8	296.3	305.6	315.7	326.8
	7.4%	281.8	289.8	298.5	308.0	318.3

Source: Intermonte SIM estimates

Fine Foods – Implicit multiples (at Target Price)

	2018A	2019E	2020E	2021E
PE	36.1x	38.6x	28.9x	25.4x
EV/SALES	1.9x	1.7x	1.5x	1.3x
EV/EBITDA	14.1x	12.7x	10.7x	9.0x
EV/EBIT	25.9x	26.5x	19.4x	16.5x

Source: Intermonte SIM estimates

Peer Multiples

We show here below a reference table providing a comparison with some players operating in the CDMO sector and/or in the manufacturing of healthcare products. 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 with Fine Foods, we do not take into account in our valuation the Peers Multiples method. **At current prices, Fine Foods trades at c. 40/43% discount on EV/Adj. EBITDA '19/'20 compared to peer group.**

Fine Foods – Peer Multiples

			Mkt cap (mn)		EV/SALES		EV/Adj. EBITDA		EV/EBIT		Adj. PE	
			2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Catalent Inc	USD	7,012	3.8x	3.3x	15.9x	13.0x	22.5x	18.2x	26.5x	24.2x		
Consort Medical Plc	GBP	360	1.5x	1.4x	9.2x	7.5x	12.4x	9.8x	13.8x	10.8x		
PharmaNutra S.p.A.	EUR	196	3.4x	3.0x	14.2x	12.2x	27.7x	23.9x	23.0x	20.0x		
Recipharm AB Class B	SEK	8,681	1.7x	1.5x	10.1x	8.6x	22.3x	17.2x	24.0x	19.8x		
Siegfried Holding AG	CHF	1,588	2.2x	2.0x	12.7x	11.1x	20.0x	16.6x	23.9x	19.8x		
Strides Pharma Science Ltd	INR	28,119	1.2x	1.0x	6.4x	4.9x	9.7x	7.4x	13.0x	8.6x		
Median			1.9x	1.8x	11.4x	9.9x	21.2x	16.9x	23.4x	19.8x		
Fine Foods @ Market Price			0.9x	0.8x	6.8x	5.6x	14.2x	10.2x	21.0x	22.4x		
<i>delta vs median</i>			-52%	-55%	-40%	-43%	-33%	-39%	-10%	13%		
Fine Foods @ TP			1.7x	1.5x	12.7x	10.7x	26.5x	19.4x	38.6x	28.9x		
<i>delta vs median</i>			-10%	-15%	11%	8%	25%	15%	65%	46%		

Source: Intermonte SIM estimates

Appendix








Peer Group Description

Catalent	Catalent, Inc. is a holding company, which 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 formulate, develop, and manufacture services for soft capsules. The Biologics and Specialty Drug Delivery segment develops and manufacture 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 in the 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 both 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 in Somerset, NJ.
Consort Medical.	Consort Medical Plc engages in the design, development, manufacture, and sale of medical drug delivery devices and services to the pharmaceutical industry. It operates through two segments: Bepak and Aesica. The Bepak segment develops and produces drug delivery devices, which serves pharmaceutical companies with inhaler and auto-injector technologies. The Aesica segment is a contract development and manufacturing organization which serves pharmaceutical firms with active pharmaceutical ingredient and finished dose formulation development and manufacturing services. The company was founded on March 22, 1946 and is headquartered in Hemel Hempstead, United Kingdom.
Pharmanutra	Pharmanutra SpA develops nutraceutical products and medical devices. Its Sroscaloïdal Iron intends to restore articular and movement ability in osteoarticular affections, consisting of cetilar line. The company was founded by Andrea Lacorte and Roberto Lacorte in 2003 and is headquartered in Pisa, Italy.
Recipharm	Recipharm AB engages in the manufacture of pharmaceuticals and 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 produces 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 Eldered in 1995 and is headquartered in Stockholm, Sweden.
Siegfried Holding	Siegfried Holding AG engages in the development and manufacture 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: Board of Directors and Management Team

The Board of Directors of Fine Foods is composed of 7 directors: 4 nominated by Fine Foods (Marco Eigenmann, Giorgio Ferraris, Adriano Pala, Federico Oriani) and 3 by Innova Italy 1 (Fulvio Conti, Marco Costaguta and Paolo Ferrario). Mr. Eigenmann, the main shareholder, started his career at Eigenmann & Veronelli, the family business involved in trading raw materials for the food, pharma and cosmetic industries.




Fine Foods – Board of Directors

	Marco Eigenmann CHAIRMAN and CEO		Giorgio Ferraris CEO		Adriano Pala DIRECTOR		Federico Oriani DIRECTOR
	Fulvio Conti DIRECTOR		Paolo Ferrario DIRECTOR		Marco Costaguta DIRECTOR		

Source: Company data

After the Business Combination with Innova Italy 1 SPAC, Mr. Eigenmann was confirmed as Chairman & CEO of Fine Foods, while Mr. Ferraris was appointed CEO.

Fine Foods – Top Management team

	Marco Eigenmann CHAIRMAN and CEO	<ul style="list-style-type: none"> • Age 59, Mr. Eigenmann joined the Company in 1992 • From 1987 he was Director of Pharma-Food-Cosmetics Business Unit and member of the Board of Eigenmann & Veronelli, the family business involved in trading of raw materials • In 1992 he was appointed Vice President of Eigenmann & Veronelli; • In 1997 he left the family business to focus on Fine Foods • Since 1997 he has been Fine Foods' main shareholder
	Giorgio Ferraris CEO	<ul style="list-style-type: none"> • Age 61, Mr. Ferraris joined Fine Foods in 2013 • In 2013 he was appointed Board of Directors Member of Mondoconvenienza, left in 2014 to focus on Fine Foods • Previously, Mr. Ferraris worked for CTI INVEST as M&A General Manager of the Italian packaging division, and for Mondadori Printing • Between 1995 and 2003 he worked in New Jersey as Executive VP in the specialty chemical sector • Mr. Ferraris graduated in Pharmacy and attended executive programs at Harvard Business School
	Pietro Bassani CFO	<ul style="list-style-type: none"> • Age 56, Mr. Bassani was appointed CFO of Fine Foods in 1998 • From 1993 to 1998, he worked as Administration and Finance Director for La Metallurgica S.r.l. and Vamp Technologies S.r.l. • He is a qualified accountant ("Dottore Commercialista") • He graduated in Business Administration

Source: Company data

Glossary

API: Active Pharmaceutical Ingredients

AIFA: Italian Medicines Agency (Agenzia Italiana del Farmaco)

AIIPA: Italian Association for Nutraceuticals and Food Products (Associazione Italiana Integratori e Prodotti Alimentari)

CDMO: Contract Development and Manufacturing Organisation

CRO: Contract Research Organisation

CSO: Distribution Contract Sales Organisation

CPO: Contract Packaging Organisation

EMA: European Medicines Agency

FDF: Finished Dosage Forms

GMP: Good Manufacturing Practice, it represents the minimum standard requirements set by EMA that medicine manufacturers must meet in their production processes.

SKU: Stock-Keeping Unit

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	FINE FOODS
Current Recomm:	OUTPERFORM
Current Target (Eu):	12.80
Current Price (Eu):	10.20
Date of report:	04/10/2019

DISCLAIMER (for more details go to [DISCLAIMER](#))**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by IntermonTE SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from IntermonTE.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by IntermonTE. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on IntermonTE's website www.intermonTE.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by IntermonTE on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including IntermonTE's total profits, a portion of which is generated by IntermonTE's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

IntermonTE's internal procedures and codes of conduct are made to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

GUIDE TO FUNDAMENTAL RESEARCH

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&P/IB40 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 newsflow.

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.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

IntermonTE SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 June 2019 IntermonTE's Research Department covered 135 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	14.39 %
OUTPERFORM:	46.21 %
NEUTRAL:	35.61 %
UNDERPERFORM	03.79 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (50 in total) is as follows:

BUY:	20.00 %
OUTPERFORM:	56.00 %
NEUTRAL:	24.00 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest IntermonTE SIM states that:

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: Capital For Progress 2, IEG, Techedge.

IntermonTE SIM is acting as placement agent in II Sole 24 Ore's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. IntermonTE will receive fees from the company for its activity as placement agent.

IntermonTE SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aeroporto di Bologna, Alkemy, Banca Ifis, Cellularline, Falck Renewables, Gamenet, Mittel, Retelit, Saes Getters, Saras, Wiit.

IntermonTE SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Aquafil, ASTM, Avio, Azimut, B&C Speakers, Banca Ifis, Banca Sistema, Be, Brioschi Sviluppo Immobiliare, Cattolica Assicurazioni, CFT, Cellularline, DeA Capital, DigiTouch, ELEn, Emak, ePrice, Falck Renewables, Fine Foods, Fimit Fondo Alpha, First Capital, Gamenet, Gefran, GO Internet, GPI, Guala Closure, H-Farm, Iervolino Entertainment, IEG, Indel B, Industrial Star of Italy 3, Italiaonline, LU-VE, Notorious Picture, Nova RE, Openjobmetis, QF Alpha Immobiliare, Reno de Medici, Reply, Retelit, Saes Getters, Servizi Italia, Sesa, Somec, Tamburi Investment Partners, Tesmec, Tinexta, TXT e-solutions, Vetrya, Wiit.

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

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, FTMB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

IntermonTE SIM is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsp, Campari, CIR- Compagnie Industriali Riunite, Credito Emiliano, Danieli & C, Danieli & C. Risip NC, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C, Poste Italiane, Prysmian, Recordati, S.I.A.S., Saipem, Salini Impreglio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, Unipolsai.

Through its Websim Division, **IntermonTE SIM** acts as an Retail Investor Research Provider on behalf in regard to the following companies: Aedes, Banca Ifis, Banca Sistema, Cattolica Assicurazioni, Cellularline, CFT Group, Circle, Coima RES, Comer Industries, Crowdfundme, Digital Bros, Digital Magics, Elettra Investimenti, Falck Renewables, Fiera Milano, Finlogic, First Capital, FOPE, Gefran, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Ilpra, Indel B, ISI/Salcef, Italiaonline, La Doria, LVenture, MailUp, Maps, Masi Agricola, Molmed, Neodecortech, Piaggio, Portale Sardegna, Primi sui Motori, Retelit, Safe Bag, Somec, SOS Travel, Tinexta, TPS, WITT,

Through its Websim Division, **IntermonTE SIM** carries out marketing / communication activities on behalf of the following equity crowdfunding 200Crowd, BacktoWork24, Crowdfundme, Opstart and the following issuers: Banca IMI, BNP Paribas, Credit Suisse, Exane, Leonteq, Unicredit, Vontobel, Wisdomtree.

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
CAPITAL FOR PROGRESS 2	0.98	LONG
EPS EQUITA PEP2	0.51	LONG
SPACTIV	0.64	LONG
THESPA	0.91	LONG
VEI 1	0.65	LONG
WASTE ITALIA	0.65	SHORT

© Copyright 2019 by IntermonTE SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of IntermonTE SIM are provided to its clients only. If you are not a client of IntermonTE SIM and receive emailed, faxed or copied versions of the reports from a source other than IntermonTE SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of IntermonTE SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid .

IntermonTE Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MiFID compliant - for our Best Execution Policy please check our Website [MiFID](#)

Further information is available

DISCLAIMER (for more details go to [DISCLAIMER](#))**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

GUIDE TO FUNDAMENTAL RESEARCH

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&P/IB40 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 newsflow.

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.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 June 2019 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	14.39 %
OUTPERFORM:	46.21 %
NEUTRAL:	35.61 %
UNDERPERFORM	03.79 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	20.00 %
OUTPERFORM:	56.00 %
NEUTRAL:	24.00 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

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: Capital For Progress 2, IEG, Techedge.

Intermonte SIM is acting as placement agent in II Sole 24 Ore's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte will receive fees from the company for its activity as placement agent.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aeroporto di Bologna, Alkemy, Banca Ifis, Cellularline, Falck Renewables, Gamenet, Mittel, Retelit, Saes Getters, Saras, Wiit.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Aquafil, ASTM, Avio, Azimut, B&C Speakers, Banca Ifis, Banca Sistema, Be, Brioschi Sviluppo Immobiliare, Cattolica Assicurazioni, CFT, Cellularline, DeA Capital, DigiTouch, ELEn, Emak, ePrice, Falck Renewables, Fine Foods, Fimit Fondo Alpha, First Capital, Gamenet, Gefran, GO Internet, GPI, Guala Closure, H-Farm, Iervolino Entertainment, IEG, Indel B, Industrial Star of Italy 3, Italiaonline, LU-VE, Notorious Picture, Nova RE, Openjobmetis, QF Alpha Immobiliare, Reno de Medici, Reply, Retelit, Saes Getters, Servizi Italia, Sesa, Somec, Tamburi Investment Partners, Tesmec, Tinexta, TXT e-solutions, Vetrya, Wiit.

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

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, FTMB, 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.

Intermonte SIM is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsp, Campari, CIR- Compagnie Industriali Riunite, Credito Emiliano, Danieli & C, Danieli & C. Risparmio, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C, Poste Italiane, Prysmian, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, Unipolsai.

Through its Websim Division, **Intermonte SIM** acts as a Retail Investor Research Provider on behalf in regard to the following companies: Aedes, Banca Ifis, Banca Sistema, Cattolica Assicurazioni, Cellularline, CFT Group, Circle, Coima RES, Comer Industries, Crowdfundme, Digital Bros, Digital Magics, Elettra Investimenti, Falck Renewables, Fiera Milano, Finlogic, First Capital, FOPE, Gefran, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Ilpra, Indel B, IS/Salcef, Italiaonline, La Doria, LVenture, MailUp, Maps, Masi Agricola, Molmed, Neodecortech, Piaggio, Portale Sardegna, Primi sui Motori, Retelit, Safe Bag, Somec, SOS Travel, Tinexta, TPS, WITT,

Through its Websim Division, **Intermonte SIM** carries out marketing / communication activities on behalf of the following equity crowdfunding 200Crowd, BacktoWork24, Crowdfundme, Opstart and the following issuers: Banca IMI, BNP Paribas, Credit Suisse, Exane, Leonteq, Unicredit, Vontobel, Wisdomtree.

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
CAPITAL FOR PROGRESS 2	0.98	LONG
EPS EQUITA PEP2	0.51	LONG
SPACTIV	0.64	LONG
THESPA	0.91	LONG
VEI 1	0.65	LONG
WASTE ITALIA	0.65	SHORT

© Copyright 2019 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid .

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MiFID compliant - for our Best Execution Policy please check our Website [MIFID](#)
Further information is available