

Company Update

Buy

Recommendation unchanged

Share price: EUR 10.20

closing price as of 17/09/2019

Target price: EUR 13.20

from Target Price: EUR 12.70

Upside/Downside Potential 29.4%

Reuters/Bloomberg

FF.MI/FF IM

Market capitalisation (EURm) 231

Current N° of shares (m) 23

Free float 44%

Daily avg. no. trad. sh. 12 mth 10

Daily avg. trad. vol. 12 mth (m) 107.93

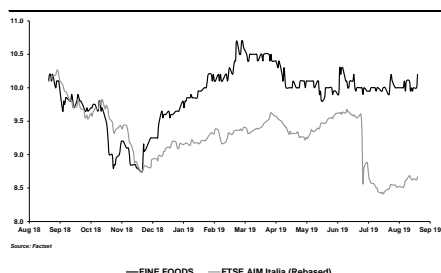
Price high/low 12 months 10.70 / 8.75

Abs Perfs 1/3/12 mths (%) 2.00/3.55/0.99

Key financials (EUR)	12/18	12/19e	12/20e
Sales (m)	139	163	179
EBITDA (m)	19	20	25
EBITDA margin	13.4%	12.2%	14.1%
EBIT (m)	10	10	13
EBIT margin	7.3%	6.0%	7.1%
Net Profit (adj.)(m)	9	7	10
ROCE	6.4%	6.6%	7.1%
Net debt/(cash) (m)	(47)	(39)	(48)
Net Debt/Equity	-0.3	-0.3	-0.3
Net Debt/EBITDA	-2.5	-2.0	-1.9
Int. cover(EBITDA/Fin.int)	(75.3)	high	high
EV/Sales	1.2	1.2	1.0
EV/EBITDA	8.7	9.8	7.3
EV/EBITDA (adj.)	8.7	8.7	7.3
EV/EBIT	16.0	19.9	14.6
P/E (adj.)	15.2	31.1	23.8
P/BV	1.4	1.5	1.4
OpFCF yield	-16.0%	-1.8%	4.8%
Dividend yield	1.0%	1.0%	1.0%
EPS (adj.)	0.61	0.33	0.43
BVPS	6.57	6.80	7.13
DPS	0.10	0.10	0.11

Shareholders

Marco Eigenmann 54%;



Analyst(s)

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Reason: Company results (post view)

18 September 2019

Investments acceleration to capture the robust demand

The important expansion of the two production sites for nutraceutical and pharmaceutical products was completed in H1 19. Furthermore, in the first part of the year, the demand for additional product volumes by customers continued to grow double digit. The management is continuing to invest in new production lines for the two plants that have recently been enlarged to support the current organic growth opportunity.

It is important to underline that in H1 19 the management managed, at the same time, the final phase of the expansion of the two plants in Brembate and Zingonia and the closure of the Nembro pharmaceutical plant with the consequent reallocation of the production lines to the Brembate plant. The one-off costs of this huge reorganisation negatively affected the H1 19 profitability. However, based on the management's statements, we are confident that, starting from H2 19, these effects will begin to be reabsorbed and that clear effects of the greater efficiency of the plants will be visible starting from 2020.

- ✓ **H1 19 results** - H1 19 sales increased by 17.9% Y/Y. Both divisions reported positive sales growth: Food +23% Y/Y and Pharma +4%. H1 19 EBITDA was ~ EUR 9.8m, an increase of more than EUR 1.5m compared to the previous year (+19.1% Y/Y). The H1 19 reported EBITDA margin was 11.7%, down from 13.4% in FY 18, due to one-off costs of the huge production reorganisation. One-off costs were EUR 1.4m for plant expansion set-up and the Nembro plant closing and production transfer : Net of these extraordinary expenses, the H1 19 adjusted EBITDA margin was 13.5%, in line with the H1 18 adjusted EBITDA margin of 13.3%, net of Business combination costs. Therefore, the company was able to maintain stable operating margins despite the temporary inefficiency due to reorganisation process.
- ✓ **2019-21 estimates** - Based on the management's indications, sales in the final part of 2019 should maintain a double-digit growth trend, so we forecast FY 19 total revenue growth of +16.6%. After the strong negative impact from the start-up and reorganisation costs of the plants in H1 19, we are confident that, starting from the H2, these effects will begin to be reabsorbed; therefore we estimate a reported FY 19 EBITDA margin of 12.2%, a recovery compared to the 11.7% in H1 19. FY 19 adjusted EBITDA margin is expected to remain substantially stable compared to the FY 18 EBITDA margin: we expect a FY 19 adjusted EBITDA margin of 13.6%. We believe we will begin to see the clear effects of greater plant efficiency starting in 2020; indeed, the management forecasts that as the new production lines come into operation the company will gradually record a lower incidence of the fixed costs, an efficiency improvement and further economies of scale. EBITDA is expected to increase steadily in the next two years (2019-21e CAGR of +22.3%).
- ✓ **Valuation** – we confirm our Buy recommendation and, based on our valuation (DCF model – WACC 6.7% and 1.5% perpetual growth rate), we set a target price of EUR 13.20 per share (vs previous EUR 12.70).

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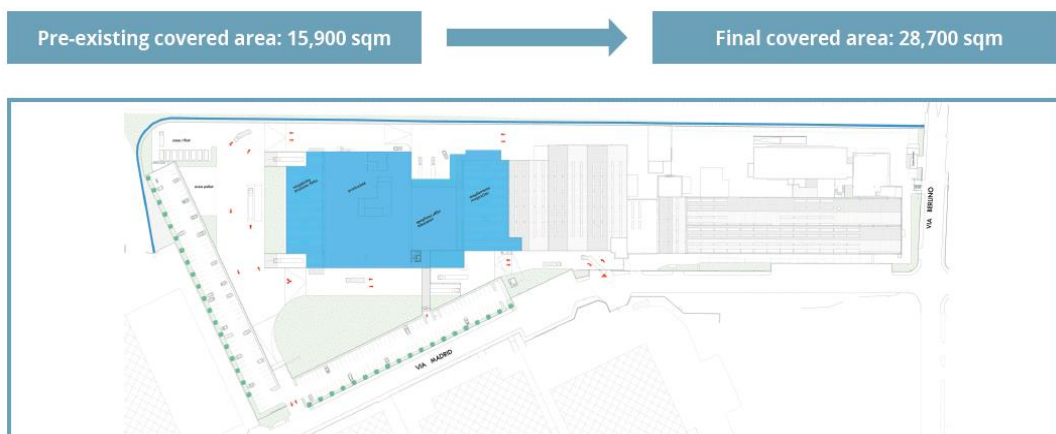
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Investments acceleration to capture the robust demand

The important expansion started in H2 16 of the two production sites in Zingonia and Brembate was completed in H1 19.

The **Zingonia plant** is now the largest nutraceutical facility in Europe. Indeed, thanks to EUR 19.7m investments over the period 2016-2019, the complex covers a total area of 28,700 sqm, ~ 80% more than the initial area of 15,900 sqm.

ZINGONIA – plant expansion



Source: Company data

The **Brembate plant** is designed for pharmaceutical products and after EUR 15.2m in investments over the period 2016-2019 the complex now covers a total area of 12,700 sqm, ~ 120% more than the initial area of 5,700 sqm.

BREMBATE – plant expansion



Source: Company data

Furthermore, at the end of H1 19, the production activity of the **Nembro plant was closed** to concentrate all the pharmaceutical production in the more modern Brembate plant that had just been expanded. Therefore, all the machinery and all the productions and complementary activities (e.g. laboratory analyses) have been transferred from Nembro to Brembate.

The management has specified that, in light of the continuous increasing demand for additional volumes from new and existing customers, the installation of new production lines will continue in H2 19.

Both the installation and start-up of the new lines at the Zingonia and Brembate plants and the transfer of the pharmaceutical production from Nembro to Brembate have resulted in temporary production inefficiency and cost increases that will impact the profitability of the current year and that will be gradually reabsorbed in the future thanks to the improvements in terms of synergies and efficiency.

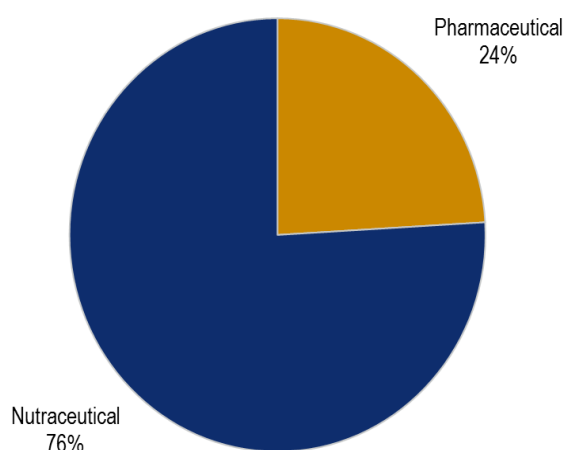
The one-off costs that will impact on FY 19 are therefore unquantifiable production inefficiencies as well as specific costs related to additional labour, transport and storage costs to third parties, which we estimate at ~ EUR 2.3 m.

We believe that we will begin to see the clear effects of greater plant efficiency starting in 2020; the management forecasts that as the new production lines come into operation the company will gradually record a lower incidence of the fixed costs, an efficiency improvement and further economies of scale.

H1 19 results

H1 19 revenues of EUR 83.1m increased by 17.9% Y/Y. Both divisions reported positive sales growth: Food division's sales grew by 23% Y/Y, driven by a further increase in volumes, which benefited from the important investment in the nutraceutical plant. Pharma division's sales were up by 4%; compared to the nutraceutical division, the revenue growth of the pharma division was temporarily slowed by the transfer of production from the Nembro plant to Brembate.

FINE FOODS: Revenue breakdown (H1 19)



Source: Company data

H1 19 EBITDA was ~ EUR 9.8m, an increase of more than EUR 1.5m compared to the previous year (+19.1% Y/Y).

H1 19 reported EBITDA margin was 11.7%, down from 13.4% in FY 18, due to the one-off costs of the huge reorganization of production described in the previous paragraph.

H1 19 reported EBITDA margin was, in any case, in line with H1 18 reported EBITDA margin of 11.6%, since also last year the profitability was negatively impacted by the one-off costs amounting to EUR 1.2m due to the Business combination; most of these cost were subsequently capitalized in FY 18 balance sheet.

One-off costs totalled EUR 1.4m for the plant expansion set-up and for the Nembro plant closing and production transfer: net of these extraordinary expenses, H1 19 adjusted EBITDA margin was 13.5%, in line with H1 18 adjusted EBITDA margin of 13.3%, net of Business combination costs. Therefore, the company was able to maintain stable operating margins despite the temporary inefficiency due to the reorganisation process; furthermore, profitability benefited from significant growth in sales volumes, in fact the growth in profitability fully reflects the strong growth in turnover.

FINE FOODS: H1 19 Profit & loss

	H1 18a	H1 19a	% Chg
Revenues	70.5	83.1	17.9%
EBITDA adj	9.4 (*)	11.2 (**)	18.9%
<i>Margin</i>	<i>13.3%</i>	<i>13.5%</i>	
EBITDA reported	8.2	9.8	19.1%
<i>Margin</i>	<i>11.6%</i>	<i>11.7%</i>	
EBIT	3.4	4.3	25.4%
<i>Margin</i>	<i>4.9%</i>	<i>5.2%</i>	
Net Profit	2.8	3.2	14.7%

Source: Company data

(*) net of EUR 1.2m of one-off costs for BU

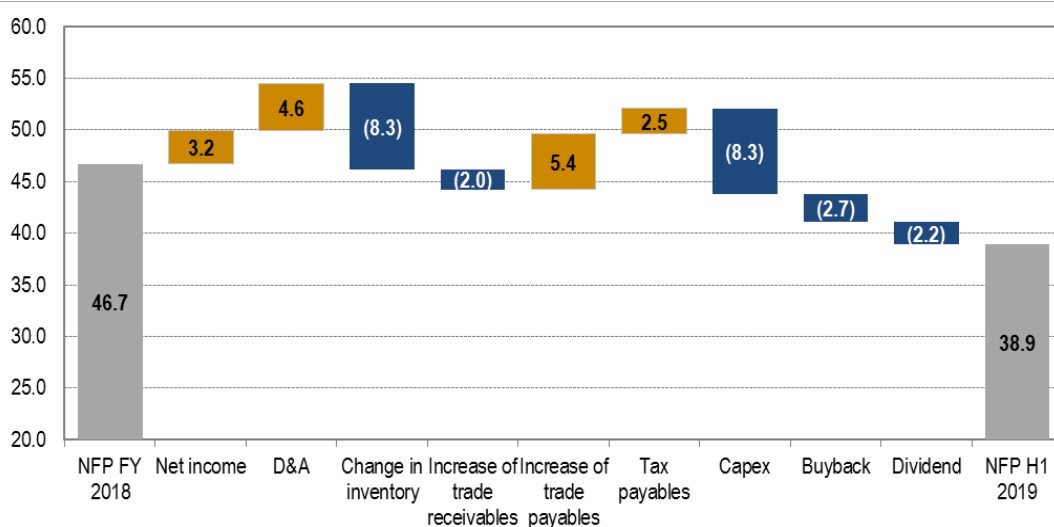
(**) net of EUR 1.4m of one-off costs for plants expansion set-up costs and for Nembro plant closing and production transfer costs

H1 19 Fixed assets increased by ~ EUR 3.7m compared to the previous year, due to the investments of ~ EUR 8.3m: mainly around EUR 2.1m to conclude the production sites expansion in Brembate and Zingonia and approximately EUR 4.8m for new equipment and production lines.

NWC increased from EUR 19.7m in FY 18 to EUR 24.5m in H1 19. This rise was mainly due:

- 1) to the significant increase in H1 19 revenues;
- 2) a great increase in inventories in June due to the significant order backlog to sustain EUR 20m of turnover achieved in July.

H1 19 NFP was positive by EUR 38.9m vs EUR 46.7m at the end of 2018. This difference is especially due to new investments carried out in the six-month period, equal to EUR 8.3m, from the buy-back plan in progress (EUR 2.7m) and from the dividends distribution (EUR 2.2m).

FINE FOODS: NFP evolution (H1 19)

Source: Company data

2019 - 21 estimates

2019-21 sales evolution

Based on the management's indications, nutraceutical sales in the final part of 2019 should maintain a double-digit growth trend, while, revenues growth of the pharmaceutical division is expected to recover in H2 19 after the delay in pharmaceutical sales growth in H1 19 due to the transfer of production from Nembro to Brembate. We estimate that FY 19 nutraceutical revenues will grow +17.9% and FY 19 pharmaceutical revenues will grow +12.4%; consequently, we forecast FY 19 total revenues to grow +16.6%.

Given the additional production capacity available after the expansion investments and the solid demand from clients, we are confident that the company will be able to maintain a sales CAGR of 10% in the period 2020-2021.

2019-21 profitability evolution

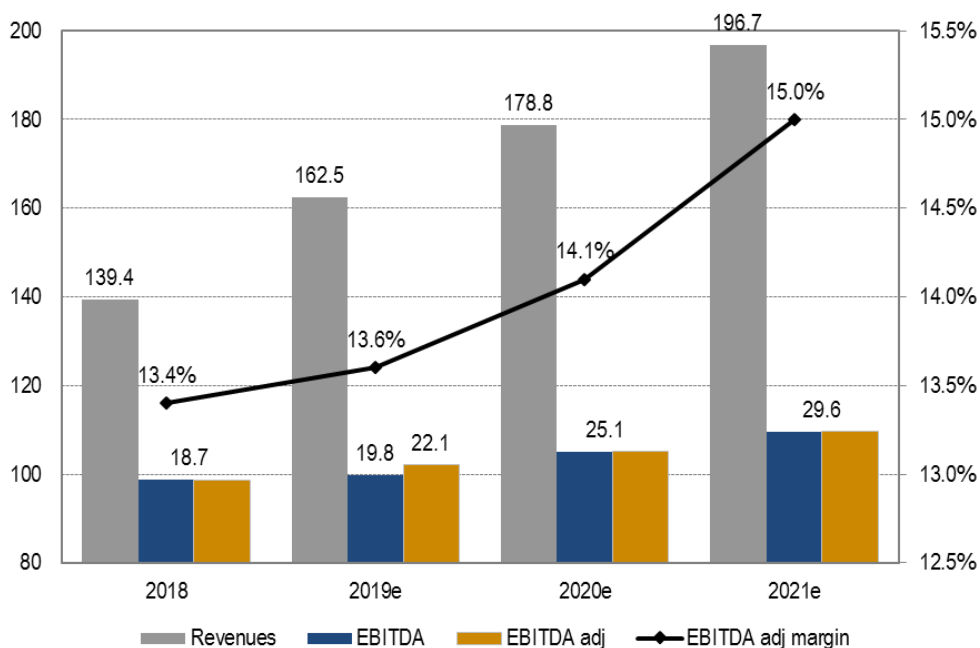
After the strong negative impact of the start-up and reorganisation costs for the plants in H1 19, based on the management's indications, we are confident that, starting from the H2, these effects will begin to be reabsorbed; therefore we estimate a reported FY 19 EBITDA margin of 12.2%, a recovery compared to 11.7% in H1 19, with total annual one-off costs of EUR 2.3m vs EUR 1.4m in H1 19.

The FY 19 adjusted EBITDA margin is expected to remain substantially stable compared to the FY 18 EBITDA margin: we expect a FY 19 adjusted EBITDA margin of 13.6%.

We believe that we will begin to see the clear effects of greater plant efficiency starting in 2020; indeed, the management forecasts that as the new production lines come into operation, the company will gradually record a lower incidence of the fixed costs, an efficiency improvement and further economies of scale. The EBITDA is expected to increase steadily in the next two years (2019-21e CAGR of +22.3%).

EBIT growth will be partially impacted by higher depreciation following the plant expansion investments (2018-21e CAGR of +17.1%).

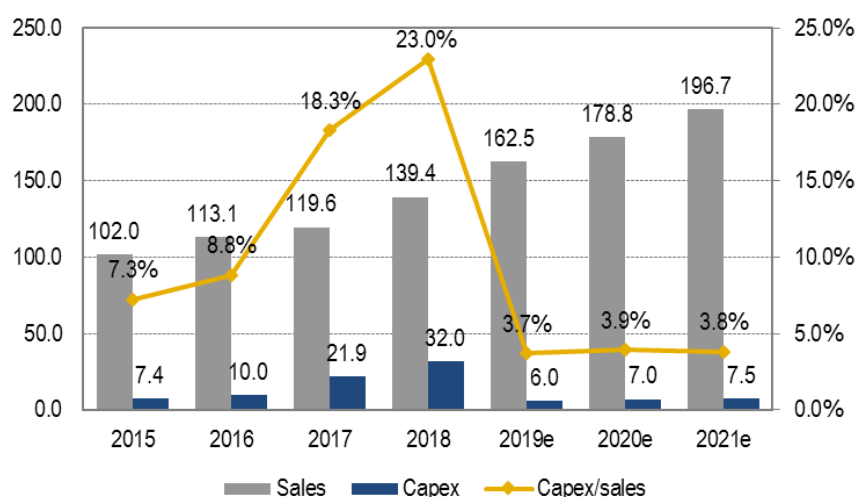
Financial charges are expected to come down further, while the tax rate is estimated to remain ~ 23%. Therefore, we expect a Net Profit 2018-21e CAGR of +13.2%.

FINE FOODS: Revenues and EBITDA evolution 2018-2021e (EUR m)


Source: Company data, Banca Akros estimates

2019-21 capital structure evolution

Since the expansion capex, which should total ~ EUR 34.9m in four years (2016-19), is almost complete, we estimate maintenance capex to remain not more than 4.5-5.0% of revenues in the coming years.

FINE FOODS: Sales and capex evolution 2015-2021e (EUR m)


Source: Company data, Banca Akros estimates

Given the strong growth in turnover expected over the next three years, we believe that NWC will remain high; we forecast that NWC will remain at ~ 16% of revenues over the next three years.

We believe that the steady improvement in profitability, the lower level of investments and the stabilisation of the incidence of the NWC on the turnover will allow the company to record good cash generation and improve the current Net Cash Position.

We summarise our forecasts in the following table.

We remind investors that our estimates do not include any potential acquisitions.

Fine Foods: 2018-2021e Banca Akros old and new estimates (comparison)

PROFIT & LOSS (EUR m)	Old estimates				New estimates				New vs. old est. (chg.)		
	2018	2019e	2020e	2021e	2018	2019e	2020e	2021e	2019e	2020e	2021e
Pharmaceutical	33.8	na	na	na	33.8	37.9	41.7	45.9			
Nutraceutical	105.6	na	na	na	105.6	124.6	137.0	150.7			
Revenues	139.4	151.9	165.6	180.5	139.4	162.5	178.8	196.7	7.0%	8.0%	9.0%
growth rate		9.0%	9.0%	9.0%		16.6%	10.0%	10.0%			
EBITDA adj	18.7	21.2	24.2	27.1	18.7	22.1	25.1	29.6	4.2%	3.7%	9.2%
growth rate		13.4%	14.2%	12.0%		18.2%	13.6%	17.9%			
EBITDA adj margin	13.4%	13.9%	14.6%	15.0%	13.4%	13.6%	14.1%	15.0%			
One-off costs	0.0	0.0	0.0	0.0	0.0	-2.3	0.0	0.0			
EBITDA	18.7	21.2	24.2	27.1	18.7	19.8	25.1	29.6	-6.6%	3.7%	9.2%
growth rate		13.4%	14.2%	12.0%		5.9%	26.8%	17.9%			
EBITDA margin	13.4%	13.9%	14.6%	15.0%	13.4%	12.2%	14.1%	15.0%			
Depreciation & amortization	-8.5	-9.7	-11.4	-12.8	-8.5	-10.1	-12.5	-13.1			
EBIT	10.2	11.4	12.7	14.3	10.2	9.7	12.6	16.4	-14.9%	-0.8%	14.7%
growth rate		11.8%	11.4%	12.6%		-4.9%	29.9%	30.2%			
EBIT margin	7.3%	7.5%	7.6%	7.9%	7.3%	6.0%	7.1%	8.3%			
Net financial income(charges)	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0			
Non-Recurring items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Pre-tax profit	10.4	11.4	12.7	14.3	10.4	9.7	12.6	16.4	-14.9%	-0.8%	14.7%
growth rate		9.6%	11.4%	12.6%		-6.7%	29.9%	30.2%			
Taxes	-1.7	-2.6	-3.2	-3.6	-1.7	-2.2	-2.9	-3.8			
Tax rate	16.7%	23.0%	25.0%	25.0%	16.7%	23.0%	23.0%	23.0%			
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Net profit	8.7	8.8	9.5	10.8	8.7	7.5	9.7	12.6	-14.8%	2.1%	16.7%
growth rate		1.1%	8.0%	13.7%		-13.8%	29.3%	29.9%			
Capex	32.0	6.0	7.0	7.5	32.0	12.0	8.0	8.8	6.0	1.0	1.3
% on sales	23.0%	3.9%	4.2%	4.2%	23.0%	7.4%	4.5%	4.5%			
Net Debt	-46.7	-53.3	-63.1	-76.4	-46.7	-38.6	-47.6	-60.7	14.7	15.5	15.7

Source: Company data and Banca Akros estimates

Valuation

DCF valuation

Based on our DCF model, we come to a fair value of EUR 13.20 per share, implying a 24% potential upside.

We have run our DCF analysis based on the following assumptions:

- Sales forecast: a) for the period 2018/2021e, we assume a sales CAGR of 12%; b) for the period 2022/2023e we estimate a sales CAGR of 7.5%;
- Profitability forecast: a) for the period 2018/2021e we assume an average EBITDA margin of 13.7%; b) in terms of long-term forecasts we assume a stable EBITDA margin of around 15.0%, which is higher than the FY 19e adjusted EBITDA margin of 13.6%, because we reckon that the group, also helped by the additional production capacity available after the expansion investments, will benefit from a lower incidence of fixed cost, an efficiency improvement and further economies of scale.
- A WACC at 6.7% calculated by assuming: a) a risk-free rate of 3.5% and a market risk premium of 5.0%; b) a target capital structure with debt covering 32.0% of net capital employed; c) a beta of 1.1, reflecting that Fine Foods is a small cap, so it is slightly penalised in light of the stock's modest liquidity, but it operates in an anti-cyclical sector.
- A terminal growth rate of 1.5%.

FINE FOODS: Free Cash Flow projection (EUR m)

	2019e	2020e	2021e	2022e	2023e
EBITA	9.7	12.6	16.4	18.6	20.5
Taxes	-2.2	-2.9	-3.8	-4.3	-4.7
Tax rate	23.0%	23.0%	23.0%	23.0%	23.0%
NOPLAT	7.5	9.7	12.6	14.3	15.8
Depreciation & other provisions	10.1	12.5	13.1	13.5	13.9
Operating Cash Flow	17.6	22.2	25.8	27.8	29.7
Capex	-12.0	-8.0	-8.8	-9.6	-10.2
Change in Net Working Capital	-9.8	-1.8	-1.3	0.3	0.1
Free Operating Cash Flow (FOCF)	-4.2	12.4	15.7	18.5	19.6

Source: Banca Akros estimates

FINE FOODS: DCF analysis

Perpetual Growth Rate	1.50%
WACC	6.70%
Terminal Value	312.5
Discounting Rate of Terminal Value	0.68
Discounted Terminal Value	211.8
Cumulated DFOCF	48.3
Financial Assets as of 31/12/19e	0.0
Enterprise Value (EUR m)	260.1
Net Financial Cash as of 31/12/19e (EUR m)	38.6
Minorities market value (EUR m)	(0.0)
Equity Value (EUR m)	298.8
Value per share (EUR)	13.20

Source: Banca Akros estimates

DCF sensitivity table (EUR)

WACC	Terminal growth rate (g)						
	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
5.80%	13.4	13.9	14.5	15.1	15.9	16.7	17.6
6.10%	12.8	13.3	13.8	14.4	15.0	15.7	16.5
6.40%	12.4	12.8	13.2	13.7	14.3	14.9	15.6
6.70%	11.9	12.3	12.7	13.2	13.7	14.2	14.8
7.00%	11.5	11.9	12.3	12.7	13.1	13.6	14.1
7.30%	11.2	11.5	11.8	12.2	12.6	13.0	13.5
7.60%	10.9	11.1	11.5	11.8	12.1	12.5	13.0

Source: Banca Akros estimates

Peer multiples

Here we provide a sample of the listed players that operate in the CDMO industry and/or are engaged in the provision of products for the health care sector. We have not taken into account the peer multiples in our valuation because, compared to Fine Foods, the peers are too diversified in terms of size, geographical presence, financial structure and profitability.

Nevertheless, as shown by the following table, Fine Foods trades at a discount compared to the peers in terms of EV/EBITDA multiples, while it trades at a premium in terms of P/E multiple. However, we believe it is important to underline that the Fine Foods P / E multiple mirrors the fact that the company's net profit in the next two years will be penalised by the high amortisation due to the significant investments completed in 2019, which will begin to provide important benefits in terms of EPS only beyond the horizon of multiples.

Fine Foods: peer data

	Cur	Market Cap (m)	EV/EBITDA		P/E adj	
			2019e	2020e	2019e	2020e
CATALENT INC	USD	7,423.9	17.4	14.9	25.8	22.8
PIRAMAL ENTERPRISES LTD	INR	371,614.2	24.6	21.3	17.7	15.0
RECIPHARM AB-B SHS	SEK	9,136.2	10.7	9.7	25.6	21.2
SIEGFRIED HOLDING AG-REG	CHF	1,767.6	14.7	12.9	25.4	20.9
STRIDES PHARMA SCIENCE LTD	INR	32,640.8	12.8	10.5	14.6	9.8
CONSORT MEDICAL PLC	GBp	382.1	8.7	9.8	14.2	11.1
AVERAGE			14.8	13.2	20.6	16.8
FINE FOODS	EUR	231.2	9.8	7.3	31.1	23.8
Premium (discount)			-33.8%	-44.7%	51.0%	41.7%

Source: Bloomberg data at 18 September 2019 and Banca Akros estimates

Fine Foods: Summary tables

PROFIT & LOSS (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Sales	113	120	139	163	179	197
Cost of Sales & Operating Costs	0.0	-72.6	-81.6	-69.5	-85.1	-99.5
Non Recurrent Expenses/Income	0.0	0.0	0.0	-2.3	0.0	0.0
EBITDA	15.1	15.5	18.7	19.8	25.1	29.6
EBITDA (adj.)*	15.1	15.5	18.7	22.1	25.1	29.6
Depreciation	-5.8	-6.6	-8.5	-10.1	-12.5	-13.1
EBITA	9.2	9.0	10.2	9.7	12.6	16.4
EBITA (adj)*	9.2	9.0	10.2	12.0	12.6	16.4
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	9.2	9.0	10.2	9.7	12.6	16.4
EBIT (adj.)*	9.2	9.0	10.2	12.0	12.6	16.4
Net Financial Interest	-0.3	-0.5	0.2	0.0	0.0	0.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	9.0	8.5	10.4	9.7	12.6	16.4
Tax	-2.8	-2.3	-1.7	-2.2	-2.9	-3.8
<i>Tax rate</i>	<i>31.3%</i>	<i>27.6%</i>	<i>16.7%</i>	<i>23.0%</i>	<i>23.0%</i>	<i>23.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	6.2	6.1	8.7	7.5	9.7	12.6
Net Profit (adj.)	6.2	6.1	8.7	7.5	9.7	12.6
CASH FLOW (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Cash Flow from Operations before change in NWC	12.0	12.7	17.2	17.6	22.2	25.8
Change in Net Working Capital	0.0	8.4	-18.7	-9.8	-3.0	-1.5
Cash Flow from Operations	12.0	21.1	-1.5	7.8	19.2	24.3
Capex	-8.2	-21.9	-32.0	-12.0	-8.0	-8.8
Net Financial Investments	-0.9	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	2.9	-0.8	-33.5	-4.2	11.2	15.5
Dividends	0.0	0.0	0.0	-2.3	-2.3	-2.4
Other (incl. Capital Increase & share buy backs)	-9.3	-0.4	202	-1.6	0.1	0.1
Change in Net Debt	-6.4	-1.2	169	-8.1	9.0	13.2
NOPLAT	6	6	7	8	9	11
BALANCE SHEET & OTHER ITEMS (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Net Tangible Assets	41.6	57.3	78.6	82.3	77.8	73.4
Net Intangible Assets (incl. Goodwill)	1.3	1.3	4.3	4.3	4.3	4.3
Net Financial Assets & Other	0.0	0.0	0.0	0.0	0.0	0.0
Total Fixed Assets	42.9	58.6	82.9	86.6	82.0	77.7
Inventories	15.0	17.0	22.0	28.8	31.7	33.7
Trade receivables	13.9	8.7	21.5	28.3	31.1	33.6
Other current assets	1.1	3.1	5.7	6.6	7.3	8.0
Cash (-)	-10.4	-9.7	-74.8	-68.9	-75.1	-84.8
Total Current Assets	40.4	38.6	124	133	145	160
Total Assets	83.3	97.1	207	219	227	238
Shareholders Equity	32.7	38.9	149	154	162	172
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	32.7	38.9	149	154	162	172
Long term interest bearing debt	29.2	29.6	22.6	24.4	22.2	19.3
Provisions	1.3	1.2	1.0	1.2	1.3	1.4
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Long Term Liabilities	30.5	30.8	23.6	25.6	23.5	20.7
Short term interest bearing debt	0.5	0.5	5.5	5.9	5.4	4.7
Trade payables	16.0	22.5	23.9	27.8	30.6	33.7
Other current liabilities	3.6	4.4	4.7	5.5	6.0	6.6
Total Current Liabilities	20.1	27.4	34.1	39.2	42.0	45.0
Total Liabilities and Shareholders' Equity	83.3	97.1	206.9	219.2	227.3	237.8
Net Capital Employed	53.2	60.5	103.5	117.0	115.5	112.7
Net Working Capital	13.3	3.7	20.1	29.7	32.6	34.0
GROWTH & MARGINS	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
<i>Sales growth</i>	<i>10.9%</i>	<i>5.7%</i>	<i>16.6%</i>	<i>16.6%</i>	<i>10.0%</i>	<i>10.0%</i>
EBITDA (adj.)* growth	12.2%	2.9%	20.3%	18.2%	13.8%	17.6%
<i>EBITA (adj.)* growth</i>	<i>12.7%</i>	<i>-3.0%</i>	<i>13.6%</i>	<i>17.6%</i>	<i>5.4%</i>	<i>30.1%</i>
<i>EBIT (adj.)* growth</i>	<i>12.7%</i>	<i>-3.0%</i>	<i>13.6%</i>	<i>17.6%</i>	<i>5.4%</i>	<i>30.1%</i>

Fine Foods: Summary tables

GROWTH & MARGINS	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Net Profit growth	15.2%	-0.3%	41.4%	-14.2%	30.4%	30.1%
EPS adj. growth	-18.4%	16.4%	-31.8%	-46.2%	30.4%	30.1%
DPS adj. growth			n.m.	0.0%	5.0%	0.0%
EBITDA (adj)* margin	13.3%	13.0%	13.4%	13.6%	14.1%	15.0%
EBITA (adj)* margin	8.2%	7.5%	7.3%	7.4%	7.1%	8.3%
EBIT (adj)* margin	8.2%	7.5%	7.3%	7.4%	7.1%	8.3%
RATIOS	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Net Debt/Equity	0.6	0.5	-0.3	-0.3	-0.3	-0.4
Net Debt/EBITDA	1.3	1.3	-2.5	-2.0	-1.9	-2.1
Interest cover (EBITDA/Fin.interest)	53.7	32.1	n.m.	high	high	high
Capex/D&A	140.1%	333.2%	376.7%	118.7%	63.9%	66.9%
Capex/Sales	7.2%	18.3%	23.0%	7.4%	4.5%	4.5%
NWC/Sales	11.8%	3.1%	14.4%	18.3%	18.2%	17.3%
ROE (average)	19.2%	17.2%	9.2%	4.9%	6.1%	7.6%
ROCE (adj.)	11.7%	9.7%	6.4%	6.6%	7.1%	9.3%
WACC	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
ROCE (adj.)/WACC	1.7	1.4	1.0	1.0	1.1	1.4
PER SHARE DATA (EUR)***	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Average diluted number of shares	5.7	5.7	22.7	22.7	22.7	22.7
EPS (reported)	0.77	0.90	0.61	0.33	0.43	0.56
EPS (adj.)	0.77	0.90	0.61	0.33	0.43	0.56
BVPS	4.08	6.78	6.57	6.80	7.13	7.58
DPS	0.00	0.00	0.10	0.10	0.11	0.11
VALUATION	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
EV/Sales	0.7	0.7	1.2	1.2	1.0	0.9
EV/EBITDA	5.0	5.0	8.7	9.8	7.3	5.8
EV/EBITDA (adj.)*	5.0	5.0	8.7	8.7	7.3	5.8
EV/EBITA	8.1	8.7	16.0	19.9	14.6	10.4
EV/EBITA (adj.)*	8.1	8.7	16.0	16.1	14.6	10.4
EV/EBIT	8.1	8.7	16.0	19.9	14.6	10.4
EV/EBIT (adj.)*	8.1	8.7	16.0	16.1	14.6	10.4
P/E (adj.)	12.7	11.2	15.2	31.1	23.8	18.3
P/BV	2.4	1.5	1.4	1.5	1.4	1.3
Total Yield Ratio	0.0%	0.0%	1.0%	1.0%	1.0%	
EV/CE	1.3	1.3	1.6	1.7	1.6	1.5
OpFCF yield	6.8%	-1.3%	-16.0%	-1.8%	4.8%	6.7%
OpFCF/EV	5.1%	-1.0%	-20.5%	-2.2%	6.1%	9.1%
Payout ratio	0.0%	0.0%	16.4%	30.4%	24.5%	18.8%
Dividend yield (gross)	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%
EV AND MKT CAP (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Price** (EUR)	9.75	10.06	9.25	10.20	10.20	10.20
Outstanding number of shares for main stock	5.7	5.7	22.7	22.7	22.7	22.7
Total Market Cap	56	58	210	231	231	231
Net Debt	19	20	-47	-39	-48	-61
<i>o/w Cash & Marketable Securities (-)</i>	<i>-10</i>	<i>-10</i>	<i>-75</i>	<i>-69</i>	<i>-75</i>	<i>-85</i>
<i>o/w Gross Debt (+)</i>	<i>30</i>	<i>30</i>	<i>28</i>	<i>30</i>	<i>28</i>	<i>24</i>
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)	75	78	163	193	184	171

Source: Company, Banca Akros estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

** Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Healthcare/Pharmaceuticals

Company Description: Fine Foods is the largest independent Italian Contract Development and Manufacturing (CDMO) of Pharmaceuticals, Nutraceuticals and Medical Devices in solid oral form (tablets, capsules, effervescent tablets, granules, effervescent granules, powders). Fine Foods currently produces and develops products for the most important world players in both the pharmaceutical and food supplements sectors. Products are manufactured in two production plants located around Bergamo.

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)	Tubacex	GVC	Food & Drug Retailers	Mem(*)	Haulotte Group	CIC
Airbus Se	CIC	Chemicals	Mem(*)	Carrefour	CIC	Ima	BAK
Dassault Aviation	CIC	Air Liquide	CIC	Casino Guichard-Perrachon	CIC	Interpump	BAK
Figeac Aero	CIC	Arkema	CIC	Jeronimo Martins	CBI	Manitou	CIC
Latecoere	CIC	Electronic & Electrical Eq.	Mem(*)	Marr	BAK	Prima Industrie	BAK
Leonardo	BAK	Rexel	CIC	Sonae	CBI	Prysman	BAK
Lisi	CIC	Fin. Serv. Holdings	Mem(*)	General Industrials	Mem(*)	Talgo	GVC
Safran	CIC	Cir	BAK	Cembre	BAK	Zardoya Otis	GVC
Thales	CIC	Digital Magics	BAK	Sergeferrari Group	CIC	Industrial Transportation	Mem(*)
Alternative Energy	Mem(*)	Eurazeo	CIC	General Retailers	Mem(*)	Bollere	CIC
Plc	BAK	Ffp	CIC	Emova Group	CIC	Clasquin	CIC
Siemens Gamesa Re	GVC	Rallye	CIC	Fnac Darty	CIC	Cit	CBI
Voltaia	CIC	Tip Tamburi Investment Partners	BAK	Fourlis Holdings	IBG	Insurance	Mem(*)
Automobiles & Parts	Mem(*)	Wendel	CIC	Inditex	GVC	Axa	CIC
Brembo	BAK	Fin. Serv. Industrials	Mem(*)	Jumbo	IBG	Catolica Assicurazioni	BAK
Ferrari	BAK	Athex Group	IBG	Maisons Du Monde	CIC	Generali	BAK
Fiat Chrysler Automobiles	BAK	Dovalue	BAK	Ovs	BAK	Net Insurance	BAK
Gestamp	GVC	Nexi	BAK	Unieuro	BAK	Unipolsai	BAK
Indelb	BAK	Tinexta	BAK	Healthcare	Mem(*)	Materials, Construction	Mem(*)
Landi Renzo	BAK	Financial Services Banks	Mem(*)	Ab Biotics	GVC	Acs	GVC
Piaggio	BAK	Amundi	CIC	Amplifon	BAK	Aena	GVC
Pininfarina	BAK	Anima	BAK	Atrys Health	GVC	Astaldi	BAK
Plastic Omnium	CIC	Azimut	BAK	Biom'Up	CIC	Atlantia	BAK
Sogefi	BAK	Banca Farmafactoring	BAK	Cerenis	CIC	Buzzi Unicem	BAK
Banks	Mem(*)	Banca Generali	BAK	Crossject	CIC	Capelli	CIC
Alpha Bank	IBG	Banca Ifis	BAK	Diasorin	BAK	Effage	CIC
Banca Carige	BAK	Banca Mediolanum	BAK	El.En.	BAK	Ezentis	GVC
Banca Mps	BAK	Banca Sistema	BAK	Fermentalg	CIC	Fcc	GVC
Bcp	CBI	Finacobank	BAK	Fine Foods	BAK	Ferrovial	GVC
Bnp Paribas	CIC	Poste Italiane	BAK	Genfit	CIC	Groupe Adp	CIC
Bper	BAK	Food & Beverage	Mem(*)	Guerbet	CIC	Groupe Poujoulat	CIC
Credem	BAK	Advini	CIC	Korian	CIC	Groupe Stpi S.A.	CIC
Credit Agricole Sa	CIC	Bonduelle	CIC	Oncodesign	CIC	Herige	CIC
Creval	BAK	Campani	BAK	Orpea	CIC	Imerys	CIC
Eurobank	IBG	Coca Cola Hbc Ag	IBG	Recordati	BAK	Kaufman & Broad	CIC
Intesa Sanpaolo	BAK	Danone	CIC	Household Goods	Mem(*)	Lafargeholcim	CIC
Mediobanca	BAK	Ebro Foods	GVC	Abeo	CIC	Maire Tecnimont	BAK
National Bank Of Greece	IBG	Enervit	BAK	De Longhi	BAK	Maisons France Confort	CIC
Natisis	CIC	Fleury Michon	CIC	Elica	BAK	Mota Engil	CBI
Piraeus Bank	IBG	Italian Wine Brands	BAK	Fila	BAK	Obrascon Huarte Lain	GVC
Rothschild & Co	CIC	La Doria	BAK	Groupe Seb	CIC	Sacyr	GVC
Societe Generale	CIC	Lanson-Boc	CIC	Industrial Engineering	Mem(*)	Saint Gobain	CIC
Ubi Banca	BAK	Laurent Perrier	CIC	Alstom	CIC	Salini Impregilo	BAK
Unicredit	BAK	Ldc	CIC	Biesse	BAK	Sias	BAK
Basic Resources	Mem(*)	Massimo Zanetti	BAK	Caf	GVC	Sonae Industria	CBI
Acerinox	GVC	Orsero	BAK	Carraro	BAK	Tarkett	CIC
Alti	CBI	Pernod Ricard	CIC	Cnh Industrial	BAK	Thermador Groupe	CIC
ArcelorMittal	GVC	Remy Cointreau	CIC	Danieli	BAK	Titan Cement	IBG
Corficeira Amorim	CBI	Tipiak	CIC	Datalogic	BAK	Trevi	BAK
Ence	GVC	Vidrala	GVC	Emak	BAK	Vicat	CIC
Mytilineos	IBG	Vilmorin	CIC	Exel Industries	CIC	Vinci	CIC
Semapa	CBI	Viscofan	GVC	Fincantieri	BAK		
The Navigator Company	CBI	Vranken Pommery Monopole	CIC	Groupe Gorge	CIC		

Media	Mem(*)	Interparfums	CIC	Technology Hardware & Eq.	Mem(*)	Enel	BAK
Arnoldo Mondadori Editore	BAK	Kering	CIC	Adeunis	CIC	Erg	BAK
Atresmedia	GVC	Lvmh	CIC	Evolis	CIC	Eydap	IBG
Cairo Communication	BAK	Moncler	BAK	Hf Company	CIC	Falck Renewables	BAK
Cofina	CBI	Safilo	BAK	Ingenico	CIC	Greenalia	GVC
Digital Bros	BAK	Salvatore Ferragamo	BAK	Memscap	CIC	Hera	BAK
Digitouch	BAK	Sarantis	IBG	Osmosis	CIC	Iberdrola	GVC
Gedi Gruppo Editoriale	BAK	Smcp	CIC	Stmicroelectronics	BAK	Iren	BAK
GI Events	CIC	Swatch Group	CIC	Telecommunications	Mem(*)	Italgas	BAK
Il Sole 24 Ore	BAK	Technogym	BAK	Acotel	BAK	Naturgy	GVC
Impresa	CBI	Tod'S	BAK	Alice Europe	CIC	Public Power Corp	IBG
lol	BAK	Real Estate	Mem(*)	Bouygues	CIC	Red Electrica Corporacion	GVC
Ipsos	CIC	Grivalia	IBG	Euskaltel	GVC	Ren	CBI
Jodecaux	CIC	Igd	BAK	Iliad	CIC	Snam	BAK
Lagardere	CIC	Lar España	GVC	Masmovil	GVC	Solaria	GVC
MC-Metropole Television	CIC	Merlin Properties	GVC	Nos	CBI	Terna	BAK
Mediaset	BAK	Realia	GVC	Orange	CIC		
Mediaset Espana	GVC	Terreis	CIC	Ote	IBG		
Nrj Group	CIC	Software & Computer Ser.	Mem(*)	Telecom Italia	BAK		
Publicis	CIC	Agile Content	GVC	Telefonica	GVC		
Rcs Mediagroup	BAK	Akka Technologies	CIC	Tiscali	BAK		
Solocal Group	CIC	Allen	CIC	Vodafone	BAK		
Teleperformance	CIC	Altran	CIC	Travel & Leisure	Mem(*)		
Tf1	CIC	Amadeus	GVC	Accor	CIC		
Ubisoft	CIC	Assystem	CIC	Aegean Airlines	IBG		
Vivendi	CIC	Atos	CIC	Autogrill	BAK		
Vogo	CIC	Axway Software	CIC	Beneteau	CIC		
Oil & Gas Producers	Mem(*)	Capgemini	CIC	Compagnie Des Alpes	CIC		
Ecoslops	CIC	Cast	CIC	Elior	CIC		
Enauta	CBI	Catenon	GVC	Europcar	CIC		
Eni	BAK	Econocom	CIC	Gamenet	BAK		
Galp Energia	CBI	Esi Group	CIC	Groupe Parfouche	CIC		
Gas Plus	BAK	Exprivia	BAK	I Grandi Viaggi	BAK		
Hellenic Petroleum	IBG	Gigas Hosting	GVC	Ibersol	CBI		
Maurel Et Prom	CIC	Gpi	BAK	Intralot	IBG		
Motor Oil	IBG	Groupe Open	CIC	Melia Hotels International	GVC		
Repsol	GVC	Indra Sistemas	GVC	Nh Hotel Group	GVC		
Total	CIC	Neurones	CIC	Opap	IBG		
Oil Services	Mem(*)	Novabase	CBI	Pierre Et Vacances	CIC		
Bourbon	CIC	Reply	BAK	Sg Company	BAK		
Cgg	CIC	Sii	CIC	Sodexo	CIC		
Gaztransport Et Technigaz	CIC	Sopra Steria Group	CIC	Sonae Capital	CBI		
Rubis	CIC	Visiativ	CIC	Trigano	CIC		
Saipem	BAK	Support Services	Mem(*)	Utilities	Mem(*)		
Technipmc Plc	CIC	Bureau Veritas	CIC	A2A	BAK		
Tecnicas Reunidas	GVC	Cellnex Telecom	GVC	Acciona	GVC		
Tenaris	BAK	Edenred	CIC	Acea	BAK		
Vallourec	CIC	Enav	BAK	Albioma	CIC		
Personal Goods	Mem(*)	Fiera Milano	BAK	Derichebourg	CIC		
Basicnet	BAK	Inwit	BAK	Edp	CBI		
Cie Fin. Richemont	CIC	Openjobmetis	BAK	Edp Renováveis	CBI		
Geox	BAK	Rai Way	BAK	Enagas	GVC		
Hermes Intl.	CIC			Endesa	GVC		

LEGEND: BAK: Banca Akros; CIC: CM CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Beks, SV, SA; IBG: Investment Bank of Greece,;as 1st June 2019

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

Il presente documento è stato redatto da Paola Saglietti (socio AIAF) che svolge funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso.

Banca Akros è una banca autorizzata anche alla prestazione di servizi di investimento appartenente al Gruppo Banco BPM (il "Gruppo"), ed è soggetta all'attività di direzione e coordinamento di Banco BPM (la "Capogruppo"). La banca è iscritta all'albo delle Banche al n. 5328 ed è soggetta alla regolamentazione e alla vigilanza di Banca d'Italia e Consob.

La banca ha prodotto il presente documento solo per i propri clienti professionali ai sensi della Direttiva 2016/65/CE, del Regolamento Delegato 2016/598 e dell'Allegato 3 del Regolamento Intermediari Consob (Risoluzione n. 16190).

Esso è prodotto e distribuito dal giorno 18 September 2019, ore 08:59 italiane.

Ai sensi degli artt. 5 e 6 del Regolamento Delegato 2016/598, **Banca Akros ha specifici interessi nei confronti della società oggetto di analisi nel presente documento, in quanto**

La Banca è specialist.

La Banca svolge il ruolo di Nomad.

Al 31 agosto 2019 la Banca detiene una posizione netta lunga pari al 0.68% del capitale dell'emittente.

La Banca è intermediario incaricato del riacquisto di azioni proprie (buyback) di Fine Foods (AIM) nel mese di gennaio 2019.

L'analista di Banca Akros, che ha redatto il presente documento, ha maturato una significativa esperienza presso Banca Akros e altri intermediari.

Detto analista e i suoi familiari non detengono Strumenti Finanziari emessi dagli Emittenti oggetto di analisi, né svolgono ruoli di amministrazione, direzione o consulenza per gli Emittenti, né l'analista riceve bonus, stipendi o altre forme di retribuzione correlate, direttamente o indirettamente, al successo di operazioni di investment banking.

Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 15 aprile, 6 settembre 2019.

Banca Akros rende disponibili informazioni sui conflitti di interesse, ai sensi delle disposizioni contenute nell'art. 20 del Regolamento EU 2014/596 (Regolamento sugli Abusi di Mercato) e in particolare ai sensi degli artt. 5 e 6 del Regolamento Delegato EU 2016/958, sul proprio sito internet:

<http://www.bancaakros.it/menu-informativa/analisi-finanziaria-e-market-abuse.aspx>.

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Recommendation history for FINE FOODS

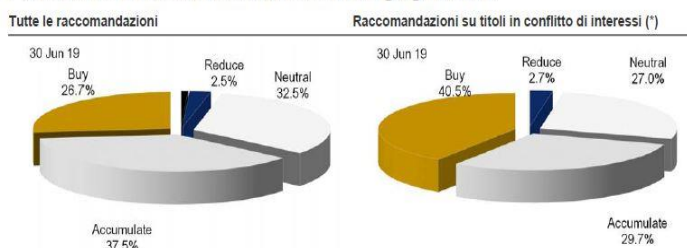
Date	Recommendation	Target price	Price at change date
18-Sep-19	Buy	13.20	10.20
15-Apr-19	Buy	12.70	10.50

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Paola Saglietti (since 15/04/2019)



Percentuale delle raccomandazioni al 30 giugno 2019



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 30.83% del totale degli emittenti oggetto di copertura

ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

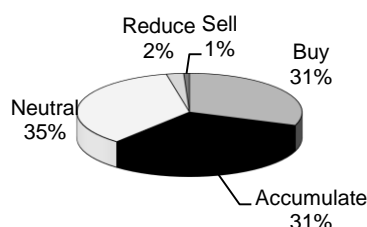
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Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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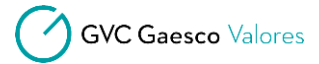
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