

Full Company Report

Reason: Initiation of coverage

15 April 2019

Buy

Initiating Coverage

Share price: EUR 10.40

closing price as of 12/04/2019

Target price: EUR 12.70

Upside/Downside Potential 22.1%

Reuters/Bloomberg

FF.MI/FF IM

Market capitalisation (EURm) 236

Current N° of shares (m) 23

Free float 46%

Daily avg. no. trad. sh. 12 mth 13

Daily avg. trad. vol. 12 mth (m) 47.96

Price high/low 12 months 8.75 / 10.70

Abs Perfs 1/3/12 mths (%) 1.96/8.33/4.00

Key financials (EUR)

Sales (m) 139 152 166

EBITDA (m) 19 21 24

EBITDA margin 13.4% 13.9% 14.6%

EBIT (m) 10 11 13

EBIT margin 7.3% 7.5% 7.6%

Net Profit (adj.)(m) 9 9 9

ROCE 6.8% 7.6% 8.7%

Net debt/(cash) (m) (47) (53) (63)

Net Debt Equity -0.3 -0.3 -0.4

Net Debt/EBITDA -2.5 -2.5 -2.6

Int. cover(EBITDA/Fin.int) (75.3) high high

EV/Sales 1.2 1.2 1.0

EV/EBITDA 8.7 8.6 7.2

EV/EBITDA (adj.) 8.7 8.6 7.2

EV/EBIT 16.0 16.0 13.7

P/E (adj.) 15.2 26.8 24.8

P/BV 1.4 1.5 1.4

OpFCF yield -16.0% 4.5% 5.1%

Dividend yield 1.0% 1.0% 1.0%

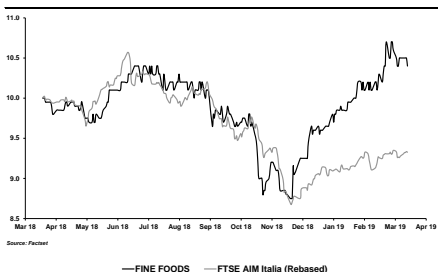
EPS (adj.) 0.61 0.39 0.42

BVPS 6.57 6.86 7.18

DPS 0.10 0.10 0.11

Shareholders

Marco Eigenmann 54%;



Analyst(s)

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Important investments to nourish business expansion

Fine Foods, which was recently listed on the AIM segment, is a cash-generating story with interesting growth opportunities for the following reasons: 1) attractive sector: the CDMO industry is non-cyclical and resilient, supported by (i) outsourcing mega-trends in the Pharma industry, and (ii) significant entry barriers; 2) leading position in the Italian market: Fine Foods delivers strong growth by leveraging on both the Nutraceutical and Pharmaceutical markets; 3) strong customer loyalty: it allows sustainable organic growth thanks to the increasing share of wallet; 4) opportunity to be a leader in a consolidating market or to enter new adjacent markets: in the still very fragmented CDMO industry, Fine Foods can play a consolidator role through acquisitions.

- ✓ **Fine Foods** is currently listed on the AIM Italia market owing to the Business Combination between Fine Foods and the Italian SPAC Innova Italy 1 in October 2018.

Fine Foods is the largest independent Italian Contract Development and Manufacturing Organisation (CDMO) of Pharmaceuticals, Nutraceuticals and Medical Devices in solid oral form.

The management made huge investments of around EUR 32.8m in the period 2016-18 to enlarge the plants and for new production lines. These recent significant expansion investments should be able to guarantee sufficient additional production capacity to face the growth in production volumes expected in the next five years. We point out that, in the CDMO industry, it is important to have available and ready-to-use production areas because they allow the manufacturer to avoid bottlenecks in production, as new products arrive from customers, and guarantee maximum flexibility in responding to the needs and changes in production that arise from time to time. Indeed, Fine Foods can be called a "no surprise company" because it has made reliability its core competitive advantage: Fine Foods' customers, i.e. pharmaceutical companies, cannot afford to have surprises in the production process and are therefore willing to create a long-term relationship only with high-standard suppliers.

- ✓ **2018-2021 estimates** - based on the solid growth market drivers, we expect: 1) as in the past years, sales to continue to grow at high single digit; 2) the EBITDA to increase steadily in the next three years (2018-21e CAGR of +13.1%); 3) 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 and the good cash generation will allow Fine Foods to further improve the current Net Cash Position, which the management could utilize to fuel the company's external growth. Nevertheless, our estimates do not include any potential acquisitions.
- ✓ **Valuation** - we start our coverage with a Buy recommendation and, based on our valuation (DCF model – WACC 6.70% and 1.5% perpetual growth rate), we set a target price of EUR 12.70 per share

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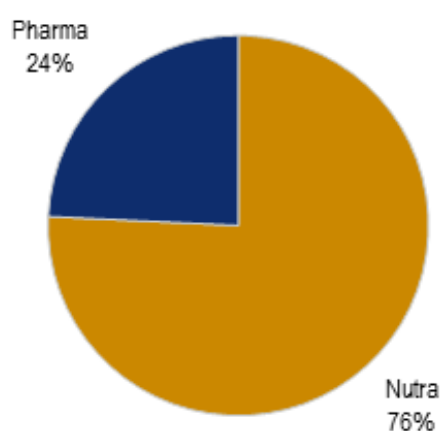
The target company: Fine Foods

Company highlights

Fine Foods is the largest independent Italian Contract Development and Manufacturing Organisation (CDMO) of Pharmaceuticals, Nutraceuticals and Medical Devices in solid oral form (tablets, capsules, effervescent tablets, granules, effervescent granules, powders).

The company's main products are nutraceuticals (76% of FY 18 sales) and pharmaceuticals (24% of FY 18 sales).

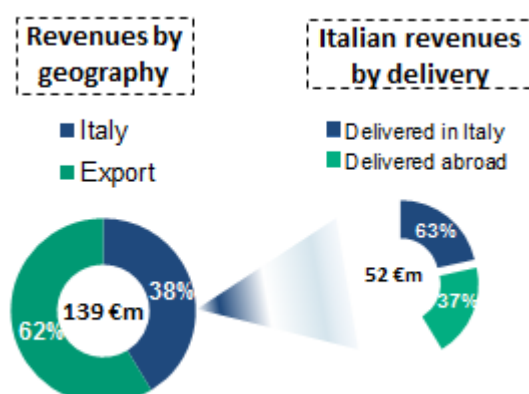
FY 18 revenue breakdown



Source: Company data

From a geographical point of view, about 75% of production is sent to foreign markets.

FY 18 revenue breakdown



Source: Company presentation

Products are manufactured in three production plants, located in Zingonia, Brembate and Nembro (all around Bergamo).

With its 92 production lines, Fine Foods supplies more than 100 customers through more than 1,300 product codes, which are extremely customised based on the client needs.

Fine Foods currently produces and develops products for the most important world players in both the pharmaceutical and food supplements sectors.

Unlike other players in the sector, Fine Foods deliberately holds no proprietary brands, in order to maintain healthy partnerships with its clients.

Example of products manufactured for reference clients



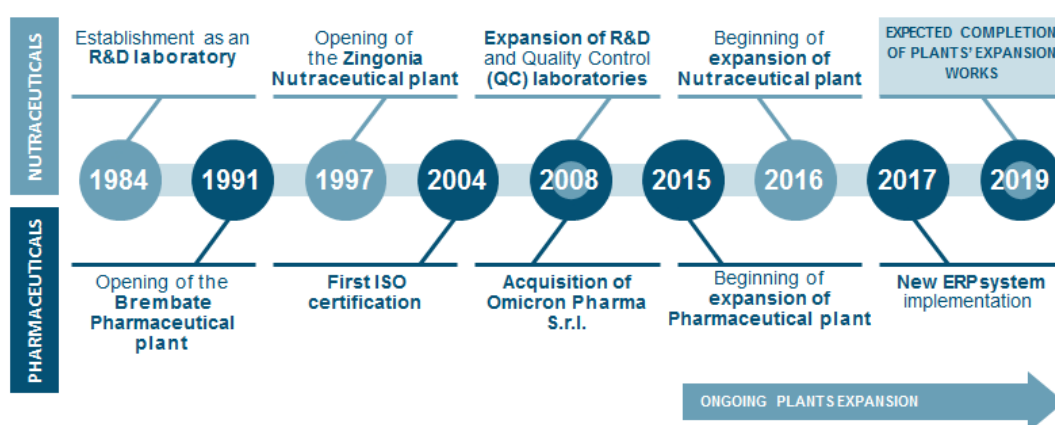
Source: Company presentation

A history of thirty-year growth

Established in 1984 in Brembate (Bergamo) as an R&D laboratory, Fine Foods continued its growth by opening new plants and expanding the R & D capacity, as well as by acquiring Omicron Pharma in 2008.

Starting from 2015, the management has undertaken significant investments to almost double the production capacity and to increase the efficiency both in nutraceuticals and pharmaceuticals.

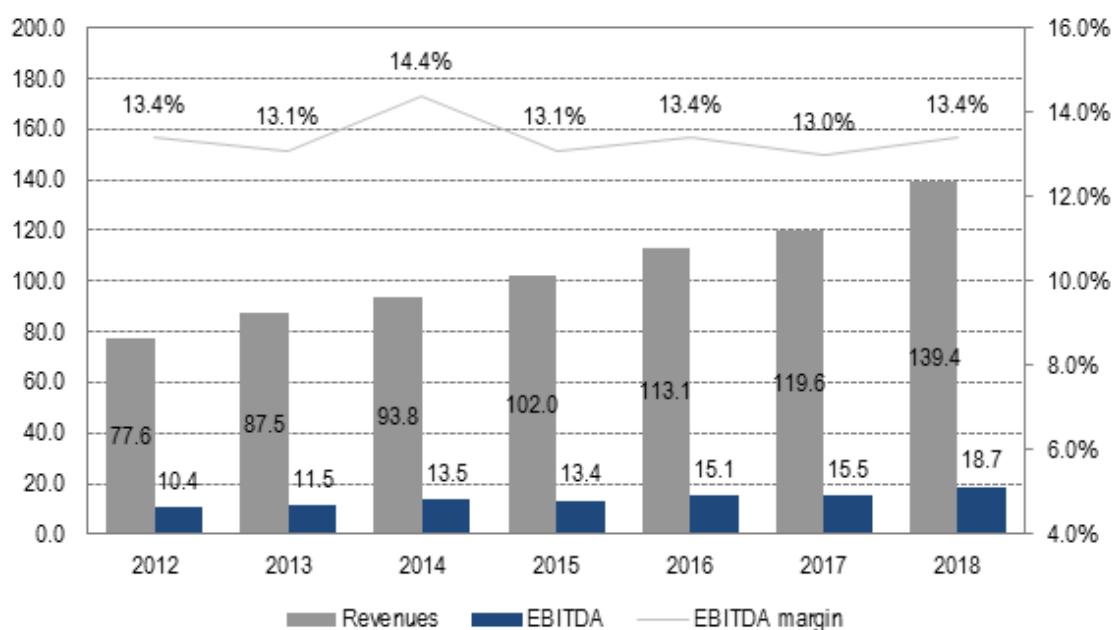
The main growth milestones



Source: Company presentation

In terms of results, the company boasts a history of continuous growth: 2012-18 sales and EBITDA CAGR of 10.3%, with an EBITDA margin at an average level of approximately 13.4%.

Revenues and EBITDA evolution (EUR m)



Source: Company data

Shareholder structure after the Business Combination

On 7th June 2018, Innova Italy 1, an Italian SPAC (Special Purpose Acquisition Company), and Fine Foods announced they had signed a framework agreement for a Business Combination involving the merger of Fine Foods into Innova Italy 1. Therefore, at 1 October 2018, the new entity, called Fine Foods, remained listed on the AIM Italia segment of the Italian Stock Exchange, with the aim of move to the MTA segment of the Italian Stock Exchange within 18 months after the merger. No withdrawal rights were exercised upon the merger

The following table shows Fine Foods' post business combination structure.

	N. shares	%	N. voting rights	%
M. Eigemann (main shareholder & Chairman)	12,240,000	53.9	19,240,000	65.1
Ex-SPAC shareholders	10,000,000	44.1	10,000,000	33.9
SPAC Promoters	450,000	2.00	300,000	1.00
TOTAL shares	22,690,000		29,540,000	

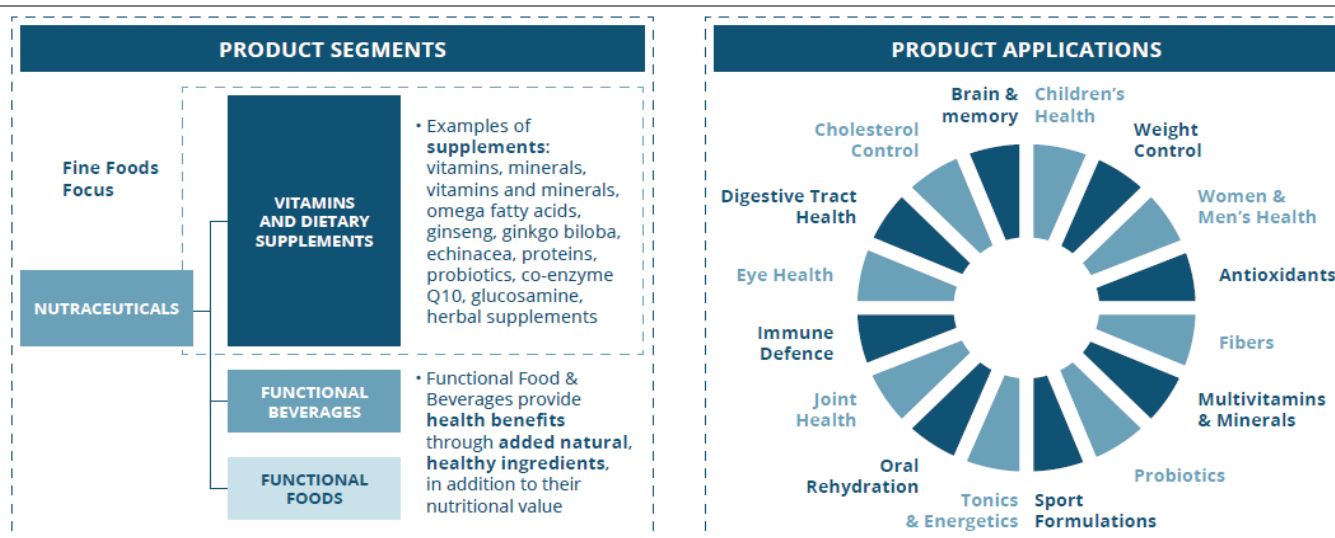
The reference market

European nutraceutical market

A nutraceutical is defined as any substance that may be considered a food or part of a food and provides medical or health benefits, including the prevention and treatment of diseases. Nutraceuticals may range from isolated nutrients, dietary supplements and diets to genetically engineered “designer” foods, herbal products and processed products such as cereals, soups and beverages.

The nutraceuticals market is segmented and projected on the basis of product categories and applications (see table below). The nutraceutical market is very diverse, with a lighter regulatory framework than pharma. Fine Foods operates in virtually all the application categories of solid oral forms within the “Vitamins and Dietary supplements” segment.

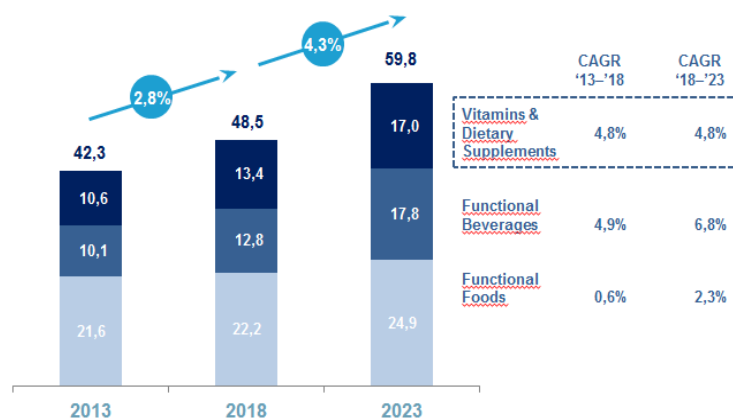
Nutraceutical markets: overview by segment / application



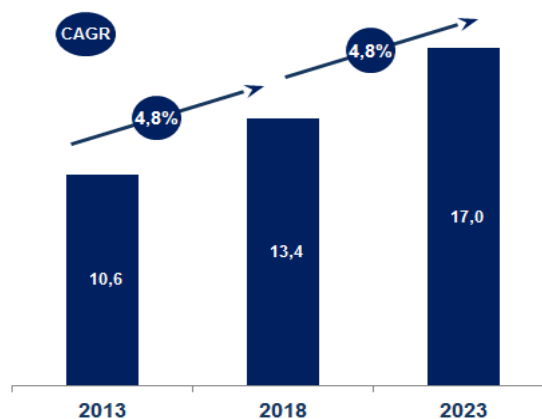
Source: Company presentation

The growth in the demand for nutraceuticals is linked to the modern health needs of people, who are increasingly attentive to prevention and wellbeing.

European Nutraceutical Market Value (EUR bn)



European Vitamins & Dietary Supplements Market Value (EUR bn)



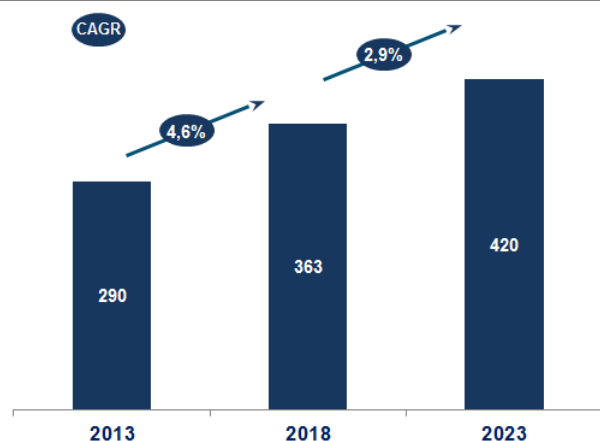
Source: Company presentation - Euromonitor

The European nutraceutical market has grown steadily in the last 5 years and is expected to grow rapidly in the coming years. In particular, the Vitamins & Dietary Supplements sector, which is Fine Foods' focus area, has shown consistently strong growth in the last 5 years (CAGR 2013-'18 +4,8%) and is expected to maintain a positive trend in the coming years (CAGR 2018-'23 +4,8%).

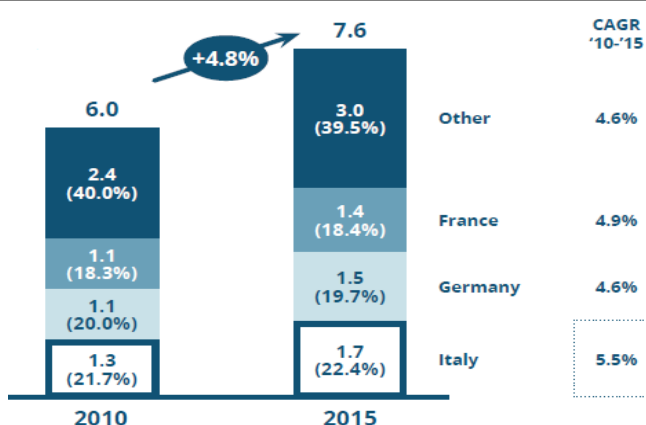
Pharmaceutical Market and CDMO

The European pharmaceuticals market has shown consistently strong growth over the last 5 years and is expected to continue growing in the coming years (see table below).

European Pharmaceutical Market Value (EUR bn)



European CDMOs (Pharma) Market Value (EUR bn)

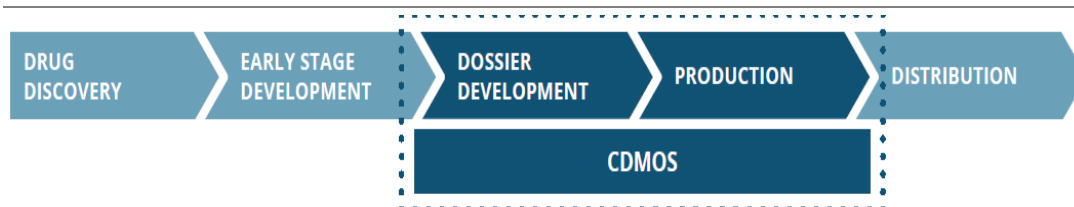


Source: Company presentation - Euromonitor, Farmaindustria, Prometeia

However, the CDMO sector is expected to receive a large push in the coming years, not only by pharmaceutical sector growth, but also by the pharmaceuticals outsourcing mega-trend.

Supporting and serving the pharmaceutical industry, the CDMO sector has been growing remarkably thanks to structural, long-term trends: more and more pharmaceutical companies face increasing worldwide price pressure from public and government insurance systems; therefore, the reduction in operational expenses and the decrease in the structural overcapacity are very strong drivers to outsource pharmaceutical manufacturing to CDMOs. Indeed, an increasing number of pharmaceutical companies are refocusing on their core business and strengths, leading to divestments in in-house manufacturing capacities in some areas and to a growing reliance on CDMOs in other areas, as the latter players can focus on more efficient development and manufacturing.

Pharma outsourcing mega-trend



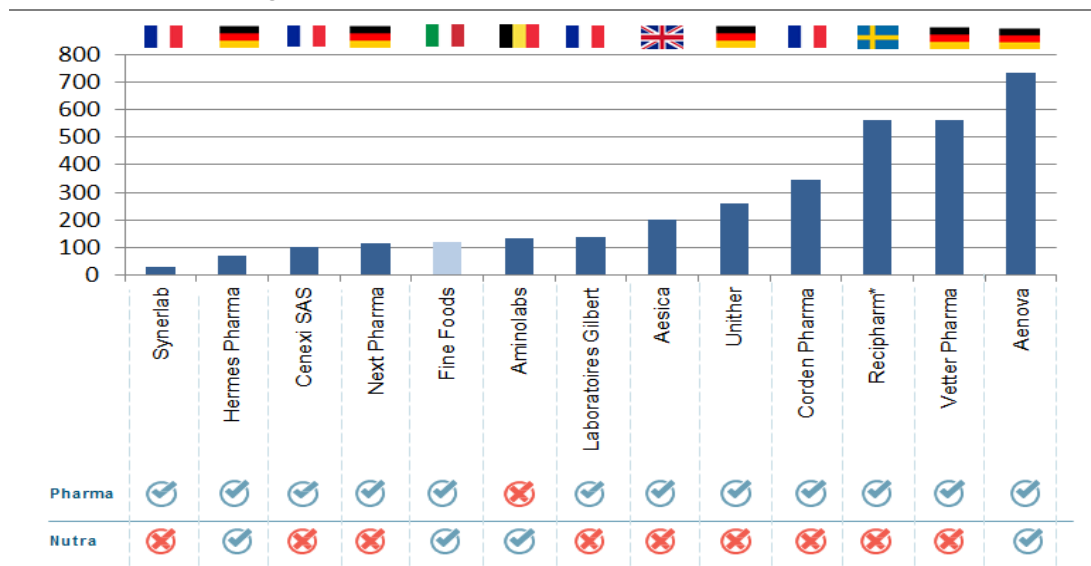
Source: Company presentation - PharmSource Trend Report 2016, Frost & Sullivan, Farmaindustria, Prometeia

Fine Foods' market positioning

As shown by the chart below, at the European level the CDMO sector is still fragmented and the main players operate almost exclusively in the pharmaceutical sector.

Fine Foods is one of the few players active in both Pharmaceutical and Nutraceuticals.

Fine Foods' positioning at the European level, based on FY 17 revenues (EUR m)

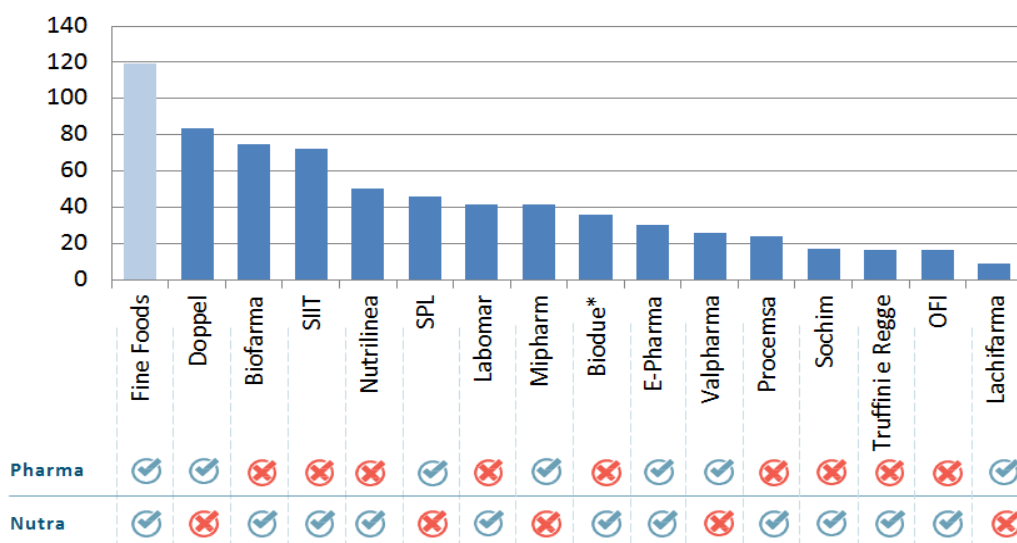


Source: Company data – Management elaboration on publicly retrievable selected information. (*) Listed companies.

Fine Foods is the largest Italian CDMO.

We remind investors that, in Italy, in addition to several local players, we can also find the subsidiaries of the multinationals in the CDMO industry. Nevertheless, the management believes that Fine Foods' current size and model is a competitive advantage as it is more structured than all the small local competitors but, at the same time, it is more flexible than the big players in the sector.

Selected Fine Foods competitors at an Italian level, based on FY 17 revenues (EUR m)



Source: Company presentation – Management elaboration on publicly retrievable selected information. (*) Listed companies.

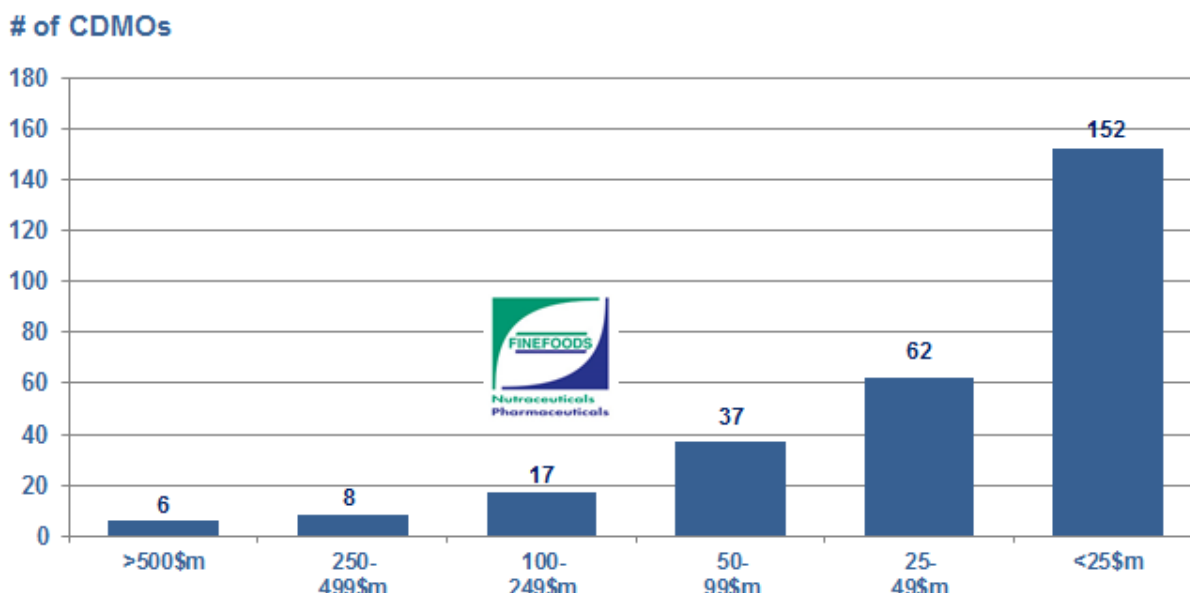
M&A opportunities in a consolidation phase

In the last few years, the CDMO sector has started to show strong M&A activity (e.g. in December 2016, Swiss CDMO Lonza acquired Capsugel, a CDMO specialist in gelatine capsules; in May 2017 the life science company Thermo Fisher Scientific acquired Patheon, one of the leading global CDMOs; between 2015 and 2017, the Italian competitors Nutrilinea, Mipharm and Doppel were respectively acquired by the Private Equity investors White Bridge, Mandarin Capital and Trilantic Europe).

Nevertheless, CDMO remains a highly fragmented market in which there is no overall market leader and where the majority of CDMOs have revenues < USD 25m (see table below). So, it is still a market with plenty of M&A opportunities.

In this framework, structured and nimble CDMOs that are willing to rapidly invest in production capacity have a strong competitive advantage. Thanks to part of the cash inflow of EUR 100m owing to the BC, Fine Foods can speed up its growth using acquisitions to enlarge and strengthen its technology footprint, geographic reach and client portfolio.

Top 282 world Pharmaceuticals CDMOs by 2017 revenues clusters



Source: Company presentation – Recipharm Annual Report 2017

Production: the company's core business with a strong focus on HR and Quality Control

The plants and the recent expansion plan

Products are manufactured in three production plants all located around Bergamo.

The pharmaceutical plants are located in Brembate and Nembro. The two sites manufacture powders and granules, tablets, coated tablets and hard gelatine capsules, packaged in sachets, blisters and bottles. Both plants have obtained the approval from the Ministry of Health and the Italian Medicines Agency (AIFA) as well as the numerous authorisations for the drug production and the environmental certifications.

The Nembro plant has a covered area of 4,400 sqm.

The Brembate plant is an operating complex that covers a total area of 20,700 sqm; thanks to EUR 14.7m in investments over the period 2016-18, the planned expansion, which is expected to be completed in H2 2019, **will increase the covered area by around 120%.**

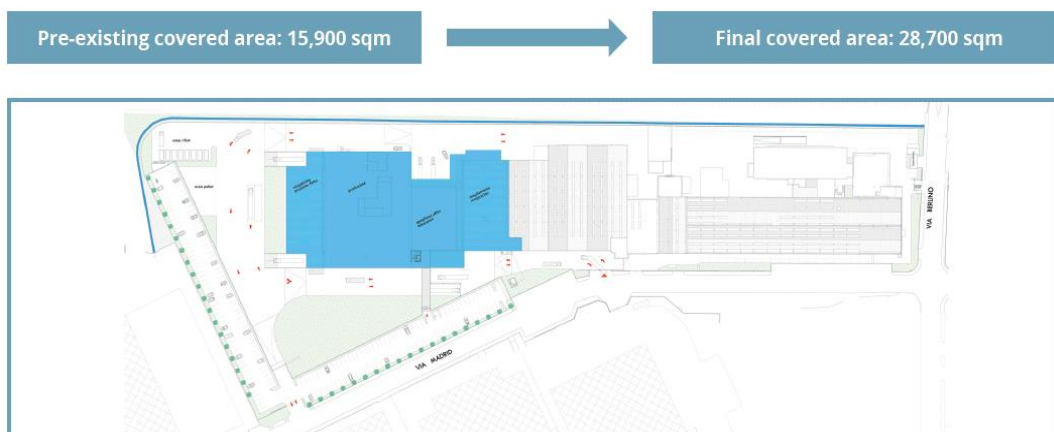
BREMBATE – plant expansion



Source: Company data

Nutraceuticals are made in the **Zingonia** plant, which is Europe's largest nutraceutical facility. This plant manufactures 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 Zingonia plant obtained the approval from the Ministry of Health and has received several environmental, food-safety and medical-devices-quality certifications; furthermore, it successfully passed an inspection by the US Food and Drug Administration in 2017. This operating complex covers a total area of 45,600 sqm; thanks to EUR 18.1m in investments over the period 2016-18, the planned expansion, which is expected to be completed by year-end 2019, **will increase the covered area by around 80%.**

ZINGONIA – plant expansion



Source: Company data

The management made huge investments of around EUR 32.8m in the period 2016-18 for the plants expansion and for new production lines. These recent significant expansion investments should be able to guarantee sufficient additional production capacity to cope with the growth in production volumes expected in the next five years.

We point out that, in the CDMO industry, it is important to have available and ready-to-use production areas because they allow the manufacturer to avoid bottlenecks in production, as new products arrive from customers, and to guarantee maximum flexibility in responding to the needs and changes in production that arise from time to time.

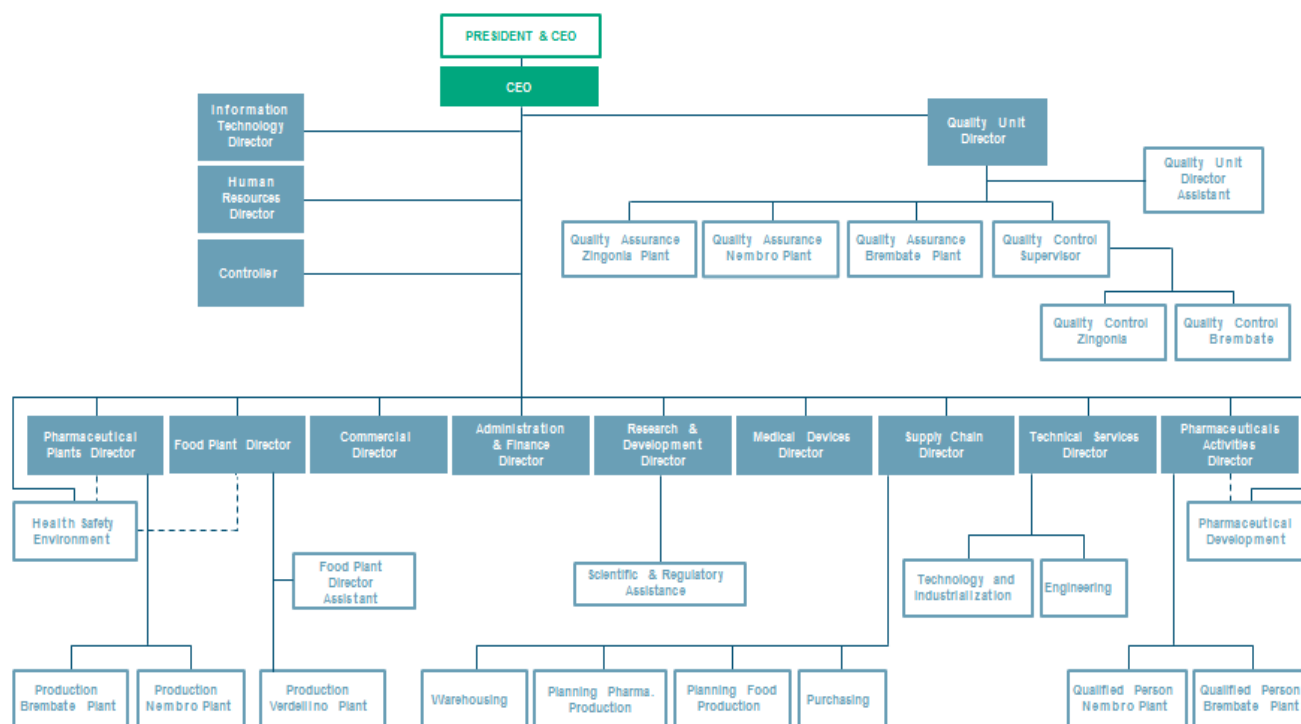
HR and Quality Control key factors of the business model

Fine Foods' management has identified Human Capital as one of the key competitive factors to invest in and the **Human Resources** strategy has a central role and focuses on two core activities:

- 1) personnel selection - Fine Foods' personnel research and selection is a relevant process not only for white collars but also for blue collars (for the latter, who initially enter the company as temporary workers and are subsequently hired on a permanent basis, the selection process starts with temporary employment agencies through an ad hoc questionnaire designed by Fine Foods. The choice of candidates is an important step because the company invests time and resources in training new workers, and it is therefore necessary to immediately identify the most suitable candidate profiles for the company);
- 2) employment retention - The company employs 512 people (31 December 2018). Employee turnover is low, less than 3% per year on average. It is important to underline that the stability of the workforce is a key factor in this industry, given the high-specialised activities and the complexity of the customer relationships. The management, therefore, aims to develop a sense of belonging in the staff to make them feel involved using numerous tools, including an innovative performance evaluation scheme.

Furthermore, as shown by the organisation chart below, the company boasts a solid and broad managerial structure; this guarantees sound business continuity regardless of a few key managers and is an important element for the customer who, in this industry, considers the reliability and quality of service as two fundamental factors in choosing the CDMO operator

Fine Foods' organisation chart



Source: Company data

Another important pillar is the key role played by Quality Control. Indeed, 11% of employees work in quality control and assurance and, in order to guarantee a high quality system, there are remarkable resources that Fine Foods invests in its System Certification for quality and sustainability.

As such, Fine Foods has made of its ability to guarantee the highest quality and reliability along all the steps of the process (in 2018 only Fine Foods successfully passed 27 audits by customers and authorities), the strength of its business model, which has allowed it to obtain a high reputation with clients.

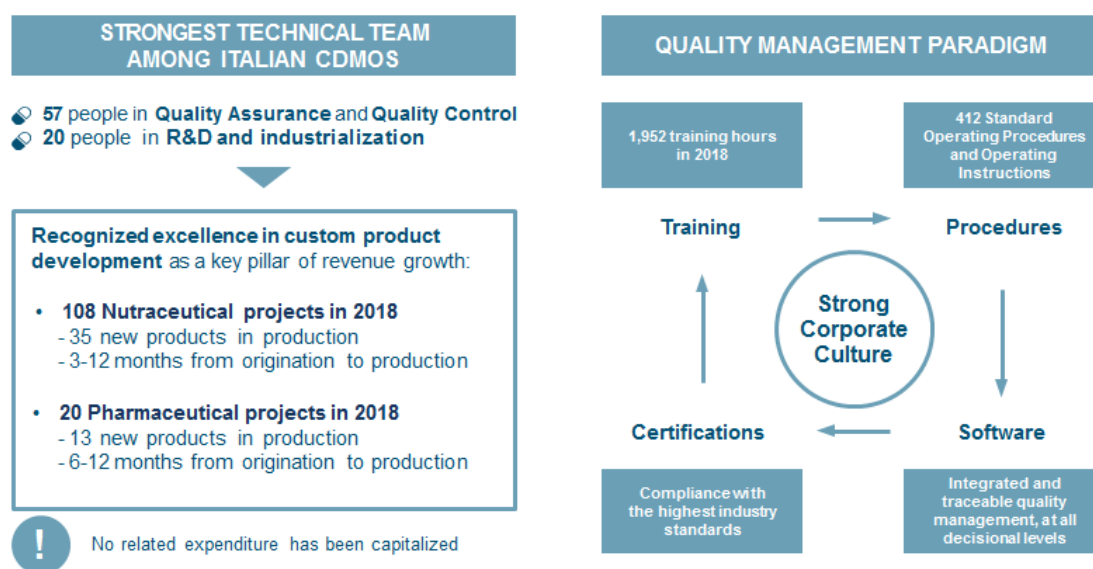
Strengths and critical issues

Strengths and competitive advantages

■ Strong focus on the selection of product development projects

The process leading to the acquisition of a new product can be long and competitive. Therefore, it is a critical strategic decision to carefully select the projects to participate in. For this reason, the management has established a strong technical team to assist the client (57 people in Quality Assurance and Quality Control and 20 people in R&D and industrialisation) that boasts a strong track record (see chart below) and that allows Fine Foods to be considered a recognised player in custom product development.

The importance of project management to obtain new products in production



Source: Company presentation

■ Presence both in Nutraceuticals and in Pharmaceuticals: strong structure flexibility

Fine Foods is one of the few players active in both Pharmaceutical and Nutraceuticals.

Fine Foods' management believes that the presence in both sectors is a competitive advantage both from the point of view of commercial synergies and from the point of view of know-how and technologies since the use of the same pharmaceutical forms and technologies in both sectors allows Fine Foods to create interesting **cross-fertilisation**. In particular, *customers recognise Fine Foods's capability to bring the skills and quality standards of the pharmaceutical sector to the nutraceuticals area and to bring the flexibility and speed of the nutraceutical world to the pharmaceutical sector.*

■ Strong client loyalty

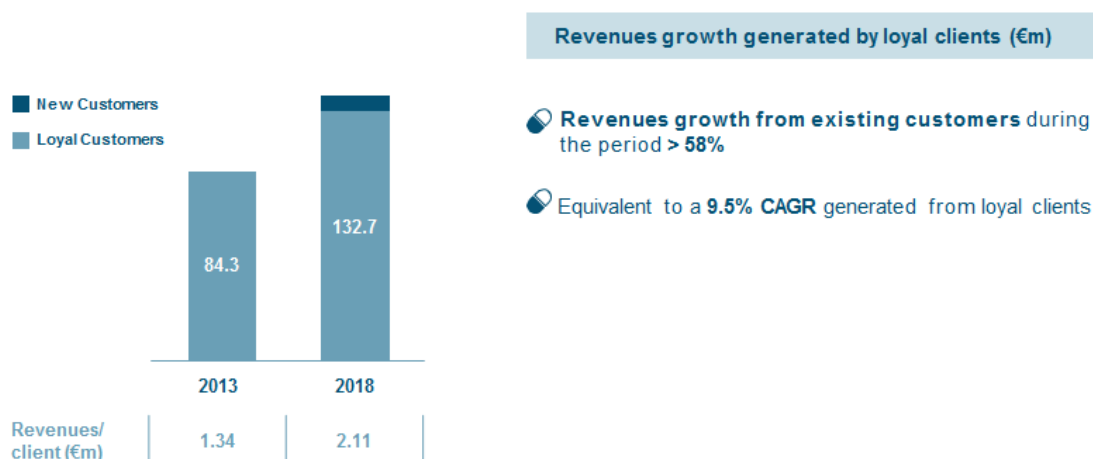
The relationships that are created in the CDMO industry are normally long lasting. As shown by the charts below, Fine Foods has a strong track record in maintaining strong relationships, substantially increasing the pipeline with new products, new geographies or the combination of

the two: in fact, revenue growth generated by the existing customers in the period 2013-2018 was around 58%.

Strong retention of key loyal customers



Revenue breakdown by client loyalty



Source: Company presentation

Critical issues

■ Strong client market power

Fine Foods develops and produces specific pharmaceutical and nutraceutical formulations for its customers on the basis of supply framework contracts, which are usually renewable every two years.

As for all CDMO's industry players, these framework contracts do not provide for guaranteed minimum volumes and Fine Foods undertakes to produce and deliver the products based on the orders received from time to time.

In line with the practice of CDMO's industry, in the event of defects or non-conformity to the requirements, Fine Foods has to replace the products or, in some cases, the customer can

reprocess the products at the expense of Fine Foods. In some cases, Fine Foods is required to bear the recalling costs for products whose defects are attributable to non-fulfilment on their part.

Some of these contracts include the requirement of Fine Foods to: 1) pay a penalty to the customer if there are product production and delivery delays with respect to the agreed timing; 2) indemnify its customers against possible injuries, damage or death caused to third parties due to production defects and / or in the case of defective products or negligence or breach of contract by Fine Foods.

It is important to point out that, to date, none of the foregoing events has ever taken place.

■ High customer concentration

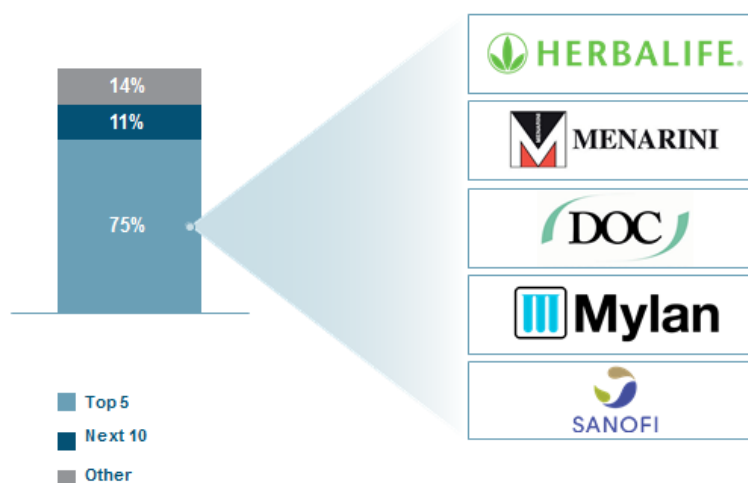
Fine Foods' main customers are Herbalife, Menarini, Doc, Mylan and Sanofi, who jointly weigh for approximately 75% on the FY 18 turnover. In light of the strong and long-term partnership with these customers, Fine Foods' management believes that the commercial relationship with them will continue also in the future.

Faced with the ability of CDMOs to reliably meet the stringent requirements of the customer, the latter repays that reliability with the continuous addition of new products. Indeed, it is important to note that the growth in turnover volumes and the allocation of new product lines by these 5 main customers has steadily increased over the years.

So, the management considers the high customer concentration more a company asset than an issue, in particular, in the case of acquisitions, because a consolidated relationship of trust with these customers allows important cross-selling opportunities, as they can offer them a wider range of technologies.

However, it is necessary to point out that any interruption in the relationships with one or more of these 5 main customers would have significant negative impacts on Fine Foods.

High customer concentration



Source: management elaboration on Company data

■ Potential difficulties in the acquisition and integration of new companies

Since external growth is one of the main focuses of Fine Foods management, thanks also to the cash inflow of EUR 100 m, following the merger with Innova Italy 1, we cannot rule out that the company will not make acquisitions at an unfair value or that are difficult to integrate into the company structure.

Fine Foods growth strategy

Fine Foods' future growth is based on the following key strategies:

Organic growth

The management aims to boost the sales growth by leveraging on:

- the loyalty-based client portfolio;
- the additional production capability available as of H2 19;
- the expected steady growth of the CDMO industry in Europe.

Acquisition of new technology in existing end-markets

In the still very fragmented CDMO industry, Fine Foods, also thanks to the capital injection of EUR 100m deriving from the business combination with Innova Italy 1, will be in the right position to play a consolidator role through acquisitions of new technology (i.e. semi-solids, liquids) in the existing end-markets.

External growth in adjacent markets

The management does not rule out the possibility of exploiting the financial resources for the acquisition of technologies aimed at serving the end-markets adjacent to nutraceuticals and pharmaceuticals, as there are similar customers and there are brands in common between adjacent CDMO segments (see picture below).

External growth in adjacent markets



Source: Company presentation – Management elaboration

Financials

2015-17 Key financial evolution

FY 17 revenues were EUR 119.6m (5.7% Y/Y). The 2015-17 sales CAGR was +8.3%, driven by increasing volumes by historical clients and a constant inflow of new ones.

The company also showed an increase in the EBITDA margin from 13.1% in 2015 to 14.0% in 2017 on an adjusted basis (i.e. EUR 1.2m for extraordinary costs generated by the change in the IT system and the plants' expansion). This increase in profitability (2015-17 CAGR of +11.6%) was due to an improved product mix and production costs optimisation.

After EUR 5.8m D&As, FY 17 EBIT Adj was EUR 10.2m with a 2015-17 CAGR of +12.2%. Consequently, FY 17 Net Profit Adj of EUR 7.1m has also showed an important improvement in the last three years (2015-17 CAGR of +15.7%).

FINE FOODS: 2015-17 Key financial evolution

	2015a	2016a	2017a	% CAGR
Revenues	102.0	113.1	119.6	8.3%
EBITDA	13.4	15.1	15.6	
Margin	13.1%	13.4%	12.8%	
EBITDA Adjusted	13.4	15.1	16.7⁽¹⁾	11.6%
Margin	13.1%	13.4%	14.0%	
D&A & Provisions	(5.3)	(5.8)	(6.5)	
EBIT Adjusted	8.1	9.3	10.2⁽¹⁾	12.2%
Margin	7.9%	8.2%	8.5%	
Net Profit	5.3	6.2	7.1⁽¹⁾	15.7%
NWC % on sales	11.8%	11.4%	6.8%	
Capex	7.4	10.0	21.9	
Net Debt	17.8	19.3	20.4	
Net Debt/EBITDA	1.3x	1.3x	1.2x	

Source: Company data – (1) EUR 1.2m adjustment for extraordinary costs generated by the recent change in the company's IT system and plants' expansion

As shown in the table above, despite the significant expansion investments in the last two years, the company's financial structure has remained solid thanks to the improvement in the NWC and the strong cash flow generation.

2018 results

In 2018, the company further strengthened the sales growth rates compared to the previous three-year period, reaching **FY 18 revenues** of EUR 139m + 16.6% Y/Y. Both divisions reported positive sales growth: Food + 11% Y/Y and Pharma +21%. This growth strengthening was driven by a further increase in sold volumes, which benefited from the important investments realised in the last three year.

FY 18 EBITDA was around EUR 18.7m, an increase of more than EUR 3m compared to the previous year (+20.3% Y/Y); consequently, the EBITDA margin moved from 13% in 2017 to 13.4% in 2018. Despite the costs related to the gradual start-up of the expansion investments in the Brembate and Zingonia plants, the company was able to stabilise the profitability thanks to efficiency projects in areas other than production.

FY 18 EBIT grew by 13.6% Y/Y, due to the increased incidence of amortisation linked to the significant level of investments.

FY 18 Net Profit reached EUR 8.7m, +40.4% Y/Y. in addition to improving operating profitability; this robust growth benefited from the financial income accrued by Innova Italy on current accounts, which Fine Foods incorporated at the time of the merger, and by a lower tax rate than the previous year.

Lastly, the BoD proposed the distribution of a dividend of EUR 0.10 per share.

FINE FOODS: 2018 Profit & loss

	2017a	2018a	% CAGR
Revenues	119.6	139.4	16.6%
EBITDA	15.6	18.7	20.3%
<i>Margin</i>	13.0%	13.4%	
EBIT	9.0	10.2	13.6%
<i>Margin</i>	7.5%	7.3%	
Net Profit	6.2	8.7	40.4%

Source: Company data

FY 18 Fixed assets increased by around EUR 24m compared to the previous year, due to the expansion investments of around EUR 32m: around EUR 15m to conclude the production sites expansion in Brembate and Zingonia and approximately EUR 11m for new equipment and production lines.

NWC increased significantly from EUR 3.3m in 2017 to EUR 20m in 2018. This worsening was mainly due:

- 1) to the important increase in FY 18 revenues;
- 2) the collection of some trade receivables was shifted from year-end to the beginning of 2019;
- 3) an increase in VAT credits of around EUR 2m at the end of the 2018 compared to the same period of the previous year;
- 4) FY 17 NWC benefited from the effect of a stand-alone no-recourse factoring transaction of around EUR 4.9m, which was not repeated in 2018;
- 5) an increase in inventories at the end of the year in light of the planned production in January and February 2019, which recorded a significant growth compared to the same period in 2018.

FY 18 Net equity amounted to EUR 149.2m and the increase compared to the previous year was mainly due to the effects of the business combination.

FY 18 NFP was positive by around EUR 47m. This was strongly influenced by the cash of around EUR 100m deriving from the merger with Innova Italy, which was partly used to finance expansion capex.

FINE FOODS: 2018 Balance sheet

	2017a	2018a
Fixed assets	58.6	82.9
NWC	3.3	17.0
Net Equity	38.9	149.2
NFP	20.4	(47.0)

Source: Company data

2019 - 21 estimates

Based and on the management's indications, sales in the first months of 2019 are confirming the growth trend of the last few years. Therefore, we believe that FY 19e sales can record sales growth of near 9.0% Y/Y.

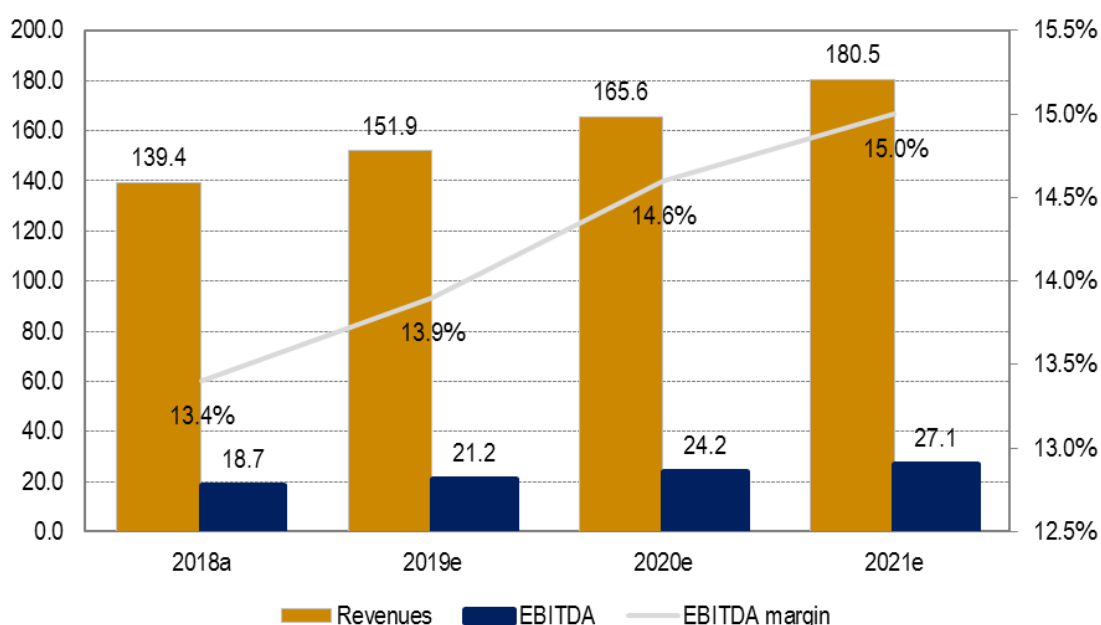
Given the solid market growth drivers described in the previous paragraphs, and thanks to the additional production capacity available after the expansion investments, we are confident that the company will be able to maintain a sales CAGR of 9% in the period 2020-2021.

The EBITDA is expected to increase steadily in the next three years (2018-21e CAGR of +13.1%); indeed, the management forecasts that as the new plants come into operation the company will gradually record a lower incidence of the fixed costs, an efficiency improvement and further economies of scale.

The EBIT growth will be partially impacted by higher depreciation following the plant expansion investments (2018-21e CAGR of +12.0%)

The financial charges are expected to further reduce; while the tax rate is estimated to be more in line with the historical level. Therefore, we expect a Net Profit 2018-21e CAGR of +7.3%.

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



Source: Company data, Banca Akros estimates.

Since the expansion capex, which totalled around EUR 32.8m in three years, was completed, we estimate maintenance capex to remain at around 4.5-5.0% of revenues.

After the strong increase in the NWC in 2018, the management expects stabilisation at current levels in the coming years; so, we forecast NWC will remain at around 14% of revenues in the next three years.

Thus 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 allow Fine Foods to further improve the current Net Cash Position,

which the management could utilize to fuel the company's external growth. Nevertheless, our estimates do not include any potential acquisitions.

We summarise our forecasts in the following table.

Fine Foods: 2018-2021e Banca Akros estimates

PROFIT & LOSS (EUR m)	2018	2019e	%Chg	2020e	%Chg	2021e	%Chg	%CAGR
Revenues	139.4	151.9	9.0%	165.6	9.0%	180.5	9.0%	9.0%
EBITDA	18.7	21.2	13.2%	24.2	14.4%	27.1	12.2%	13.1%
<i>EBITDA margin</i>	13.4%	13.9%		14.6%		15.0%		
Depreciation & amortization	(8.5)	(9.7)		(11.4)		(12.8)		
EBIT	10.2	11.4	12.3%	12.7	10.7%	14.3	13.3%	12.0%
<i>EBIT margin</i>	7.3%	7.5%		7.6%		7.9%		
Net financial income(charges)	0.2	(0.0)		(0.0)		(0.0)		
Non-Recurring items	0.0	0.0		0.0		0.0		
Pre-tax profit	10.4	11.4	9.7%	12.7	10.7%	14.3	13.3%	
Taxes	(1.7)	(2.6)		(3.2)		(3.6)		
<i>Tax rate</i>	16.7%	23.0%		25.0%		25.0%		
Minorities	0.0	0.0		0.0		0.0		
Net profit	8.7	8.8	1.4%	9.5	7.8%	10.8	13.3%	7.3%
Capex	32.0	6.0		7.0		7.5		
Net Debt	(46.7)	(53.3)		(63.1)		(76.4)		

Source: Company data and Banca Akros estimates

Valuation

DCF valuation

Based on our DCF model, we come to a fair value of EUR 12.70 per share, thus an upside over 20.0% on the current share price.

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

- Sales forecast: a) for the period 2018/2021e we assume the estimates described in the paragraph above; b) for the period 2022/2023e we estimate a sales CAGR of 7.2%;
- Profitability forecast: a) for the period 2018/2021e we assume the estimates described in the paragraph above; b) in terms of long-term forecasts we assume a stable EBITDA margin of around 15.2%, which is higher than the FY 18 EBITDA of 13.4%, 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 at 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	11.4	12.7	14.3	16.1	18.1
Taxes	-2.6	-3.2	-3.6	-4.0	-4.5
Tax rate	23.0%	25.0%	25.0%	25.0%	25.0%
NOPLAT	8.8	9.5	10.8	12.0	13.6
Depreciation & other provisions	9.7	11.5	12.8	13.1	13.5
Operating Cash Flow	18.5	21.0	23.6	25.2	27.1
Capex	-6.0	-7.0	-7.5	-8.5	-9.0
Change in Net Working Capital	-1.9	-2.0	-0.5	0.3	0.0
Free Operating Cash Flow (FOCF)	10.7	12.0	15.5	17.0	18.1

Source: Banca Akros estimates

FINE FOODS: DCF analysis

Perpetual Growth Rate	1.50%
WACC	6.70%
Terminal Value	269.3
Discounting Rate of Terminal Value	0.68
Discounted Terminal Value	182.5
Cumulated DFOCF	59.5
Financial Assets as of 31/12/17	0.0
Enterprise Value (EUR m)	242.0
Net Financial Cash as of 31/12/17 (EUR m)	46.7
Minorities market value (EUR m)	(0.0)
Equity Value (EUR m)	288.7
Value per share (EUR)	12.70

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%	12.9	13.4	13.9	14.4	15.0	15.7	16.6
6.10%	12.4	12.8	13.3	13.8	14.3	14.9	15.6
6.40%	12.0	12.4	12.8	13.2	13.7	14.2	14.8
6.70%	11.7	12.0	12.3	12.7	13.2	13.6	14.2
7.00%	11.3	11.6	11.9	12.3	12.7	13.1	13.6
7.30%	11.0	11.3	11.6	11.9	12.2	12.6	13.0
7.60%	10.7	11.0	11.2	11.5	11.8	12.2	12.6

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. However, we have not taken into account the peer multiples comparison 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 offers a discount compared to the sector's peers in terms of EV/EBITDA multiples, while it is trading at a premium in terms of P/E multiples. 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 2018, 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	
			2019e	2020e	2019e	2020e
BIODUE SPA	EUR	56.2	7.4	6.2	12.6	9.9
CATALENT INC	USD	5,717.5	12.7	11.7	21.3	19.2
PIRAMAL ENTERPRISES LTD	INR	501,938.0	23.7	19.6	28.9	21.0
RECIPHARM AB-B SHS	SEK	9,149.7	10.7	9.9	24.1	19.5
SIEGFRIED HOLDING AG-REG	CHF	1,591.0	11.3	10.0	21.5	18.0
STRIDES PHARMA SCIENCE LTD	INR	44,107.6	15.3	13.0	44.8	17.2
CONSORT MEDICAL PLC	GBp	448.2	9.7	9.4	14.3	13.5
MEDIAN			11.3	10.0	21.5	18.0
AVERAGE			13.0	11.4	23.9	16.9
FINE FOODS	EUR	236.0	8.6	7.2	26.8	24.8
Premium (discount)			-23.7%	-28.1%	24.5%	37.9%

Source: Bloomberg data at 15 April 2019 and Banca Akros estimates.

Appendix

BioDue

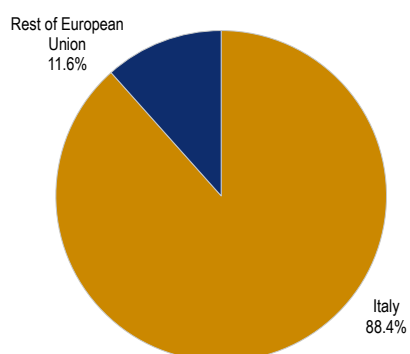
Market Cap EUR 35.7

Bloomberg: BIO2 IM

Website: www.biodue.com

BioDue S.p.A. develops, manufactures, and markets cosmetics, food supplements and medical devices. It operates through Biodue Industrial (53% of revenues), Pharcos (22%), Selerbe (16%), and BiOfta (9%) divisions. The company produces liquid and solid food supplements, cosmetics, medical devices, and herbal products on behalf of national and international pharmaceutical companies. It also provides dermo-cosmetics under the Pharcos brand; herbal medicines with products and extracts from herbal drugs, aromatics, and medicinals under the Selerbe brand; and food supplements for eyes and ophthalmic cosmetics under the BiOfta brand. The company was founded in 1986 and is based in Tavarnelle Val di Pesa, Italy.

BioDue



EUR (m)	2018a	2019e	2020e	2021e	CAGR 18-21e
Revenue	35.7	45.0	49.5	n.a.	
EBITDA	4.6	9.2	10.9	n.a.	
(%)	13%	20%	22%		
Operating Income or Losses	3.2	7.1	8.7	n.a.	
(%)	9%	16%	18%		
Net Income/Net Profit (Losses)	4.1	4.5	5.7	n.a.	
Dividend Yield	-	1.6	2.6	n.a.	
Net debt	6.1	n.a.	n.a.		
Net Debt/EBITDA	1.3	n.a.	n.a.		

Source: Company data

Catalent

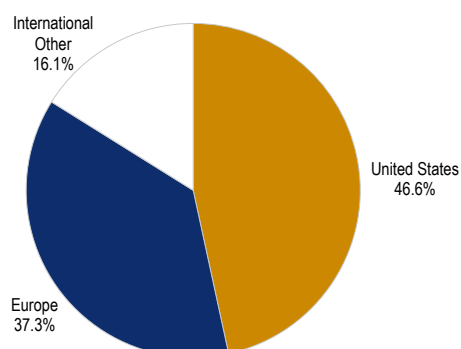
Market Cap USD 5,236m

Bloomberg: CTLT US

Website: www.catalent.com

Catalent, is a provider of delivery technologies and development solutions for drugs, biologics, and consumer and animal health products. The company's segments include Softgel Technologies (36% of revenue), Biologics and Specialty Drug Delivery (24%), Oral Drug Delivery (23%), and Clinical Supply Services (17%). The Softgel Technologies segment is engaged in the formulation, development and manufacture of prescription and consumer health soft capsules or softgels, including traditional softgel capsules, Vegicaps and OptiShell capsules. The Biologics and Specialty Drug Delivery is engaged in the formulation, development and manufacturing of small molecule and biologic drug products in prefilled syringes, vials and cartridges, blow-fill-seal unit doses, and injectable formats; biologic cell line development (including its GPEX and SMARTag technologies); biologic drug substance manufacturing; and bioanalytical development and testing services. The Oral Drug Delivery segment is engaged in the formulation, development and manufacturing of oral dosage forms using proprietary and conventional drug delivery technologies, including OptiMelt, OptiPact, OptiForm and Zydis technologies; and analytical development and testing. The Clinical Supply Services segment is engaged in manufacturing, packaging, labelling, storage, distribution and inventory management for clinical trials of drugs and biologics for customer required patient kits; FastChain clinical supply service; clinical e-solutions and informatics, and global comparator sourcing services.

Catalent



USD (m)	2018a	2019e	2020e	2021e	CAGR 18-21e
Revenue	2463.4	2543.3	2682.3	2825.3	5%
EBITDA	461.2	608.9	661.5	710.8	15%
(%)	19%	24%	25%	25%	
Operating Income or Losses	271.1	447.5	486.3	525.0	25%
(%)	11%	18%	18%	19%	
Net Income/Net Profit (Losses)	83.6	270.9	304.3	337.0	59%
Dividend Yield					
Net debt	2311.1	1776.0	1547.3	1347.0	
Net Debt/EBITDA	5.0	2.9	2.3	1.9	

Source: Company data

Piramal Enterprises LTD

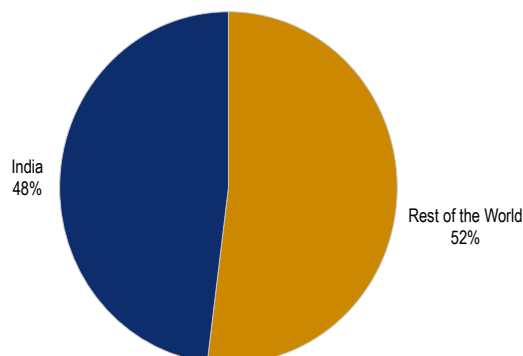
Market Cap INR 439,658M

Bloomberg: PIEL IN

Website: www.piramallifesciences.com

Piramal Enterprises is engaged in the business of pharmaceuticals, including research and development, financial services and information management through its subsidiaries. The company's pharmaceutical business consists of manufacturing and sale of own and traded bulk drugs and formulations. It operates through three segments: Healthcare (which represents 42% of revenues), Financial Services (47%) and Information Management (11%). Its Healthcare segment includes pharma solutions, critical care, consumer products and imaging. Its Financial Services segment includes wholesale lending, alternative asset management and investments in Shriram Group. Its Information Management segment is engaged in Decision Resources Group (DRG). DRG's product and services portfolio consists of data and analytics, research products and global consulting services. The Company offers its products under brands, including Saridon, Lacto Calamine, i-pill/i-know, Polycrol, Tetmosol, Untox, Stop AllerG and ThroatSil.

Piramal Enterprises LTD



INR (m)	2018a	2019e	2020e	2021e	CAGR 18-21e
Revenue	105,725.8	131,979.5	163,031.0	195,156.5	23%
EBITDA	51,603.9	36,554.5	44,241.0	51,225.5	0%
(%)	49%	28%	27%	26%	
Operating Income or Losses	46,825.4	31,494.0	38,813.5	45,477.0	-1%
(%)	44%	24%	24%	23%	
Net Income/Net Profit (Losses)	51,214.9	17,318.5	24,912.0	29,730.5	-17%
Dividend Yield	-	1.0	1.3	1.7	
Net debt	312,905.3	n.a.	n.a.	n.a.	
Net Debt/EBITDA	6.1	n.a.	n.a.	n.a.	

Source: Company data

Recipharm

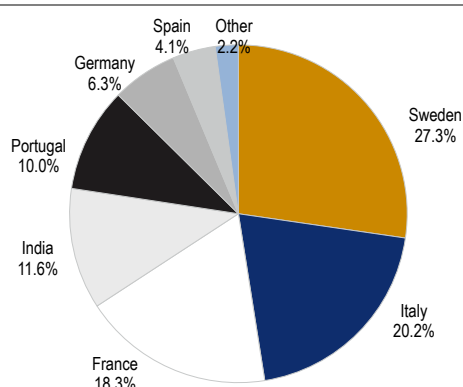
Market Cap SEK 7,991M

Bloomberg: RECIB SS

Website: www.recipharm.com

Recipharm publ AB is a Sweden-based pharmaceutical company operating as a Contract Development and Manufacturing Organisation (CDMO). It is divided into three business areas: Manufacturing Steriles and Inhalation (MFG-SI, which represents 43% of revenues), Manufacturing Solids & Others (MFG-SO, 40%) and Development & Technology (D&T, 14%). The business segment MFG-SI includes manufacturing of products on behalf of pharmaceutical companies and covers sterile and inhalation technologies including liquid vials and ampoules, lyophilisates, blow-fill-seal products and inhalation. The business segment MFG-SO includes manufacturing of products on behalf of pharmaceutical companies and covers tablets, capsules, semi-solids and non-sterile liquids. The business segment D&T provides pharmaceutical development services. It also includes patents, technologies and product rights, and sales of own products through distributors. The company targets two customer segments: large pharmaceutical companies, outsourcing part of their production, and small and medium-sized enterprises, outsourcing manufacturing and development services. Recipharm publ AB operates as a parent entity of the Recipharm Group, comprising approximately 15 subsidiaries.

Recipharm



SEK (m)	2018a	2019e	2020e	2021e	CAGR 18-21e
Revenue	6,373.7	7,420.9	7,779.9	8,145.4	9%
EBITDA	1,016.4	1,211.1	1,313.6	1,372.0	11%
(%)	16%	16%	17%	17%	
Operating Income or Losses	405.6	635.5	736.8	808.8	26%
(%)	6%	9%	9%	10%	
Net Income/Net Profit (Losses)	159.4	417.3	500.3	660.7	61%
Dividend Yield		1.2	1.4	1.5	
Net debt	3,790.5	3,128.3	2,655.9	2,419.5	
Net Debt/EBITDA	3.7	2.6	2.0	1.8	

Source: Company data

Siegfried

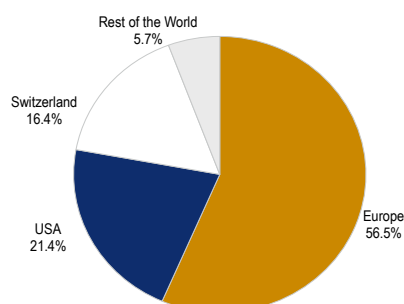
Market Cap CHF 1,641m

Bloomberg: SFZN SW

Website: www.siegfried.ch

Siegfried Holding AG is a Swiss-based life sciences company active in primary and secondary drug manufacturing. The company produces both drug substances and drug products. The drug substance portfolio includes contract development and manufacturing of both active pharmaceutical ingredients (APIs) and intermediates. The drug products portfolio comprises licensing and contract or co-development and manufacturing of oral solids and steriles. The company's products and substances are developed for treatment of hypertension, benign prostate hyperplasia, depression, chronic myeloid leukaemia, glaucoma, asthma, schizophrenia and bipolar disorders and diabetes. The company operates production facilities in Switzerland, Germany, France, Malta, the United States and China.

Siegfried



CHF (m)	2018a	2019e	2020e	2021e	CAGR 18-21e
Revenue	794.3	843.4	892.7	937.2	5.7%
EBITDA	125.9	148.6	167.3	181.2	12.9%
(%)	16%	18%	19%	19%	
Operating Income or Losses	76.3	97.5	114.7	124.4	17.7%
(%)	10%	12%	13%	13%	
Net Income/Net Profit (Losses)	56.3	74.1	89.0	92.0	17.7%
Dividend Yield	-	0.8	0.9	1.1	
Net debt	70.1	157.9	152.2	155.0	
Net Debt/EBITDA	0.6	1.1	0.9	0.9	

Source: Company data

Strides Shasun Limited

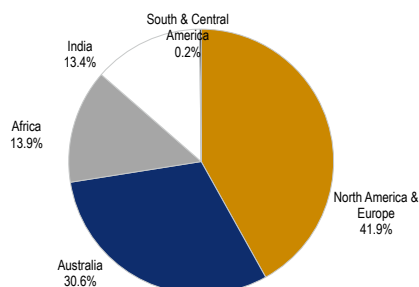
Market Cap INR 34,834m

Bloomberg: STR IN

Website: www.stridesarco.com

Strides Shasun Limited, a pharmaceutical company, develops, manufactures, and sells active pharmaceutical ingredients, formulations, and biotech products in Africa, Australasia, North America, Europe, South and Central America, India, and internationally. It operates through Pharmaceutical and Biotech segments. The company develops a pharmaceutical product portfolio in therapeutic segments, such as immune-suppressants, anti-viral, and antibiotics; and offers general tablets, hard and soft gelatine capsules, sachets, potent drugs, semi-solids, ointments, and creams in the areas of therapeutic segments for prescription, over the counter, and nutraceutical markets. It also provides branded generic products and buying solutions to the pharmacy owners through national pharmacy services; it supplies drugs in the anti-retroviral and anti-malaria segments. In addition, the company engages in the contract research, custom synthesis and contract manufacturing services for active pharma ingredients and intermediaries for the pharmaceutical industry.

Strides Shasun Limited



INR (m)	2017a	2018e	2019e	2020e	CAGR 17-20e
Revenue	34,834.2	33,073.3	30,359.6	34,362.0	-0.5%
EBITDA	6,543.5	4,800.1	4,879.6	6,012.5	-2.8%
(%)	18.8%	14.5%	16.1%	17.5%	
Operating Income or Losses	4,556.6	2,916.0	3,235.0	4,151.2	-3.1%
(%)	13.1%	8.8%	10.7%	12.1%	
Net Income/Net Profit (Losses)	4,459.5	1,863.7	1,768.6	2,760.3	-14.8%
Dividend Yield	-	1.0	1.0	1.2	
Net debt	14,226.5	16,491.5	15,228.5	14,231.0	
Net Debt/EBITDA	2.2	3.4	3.1	2.4	

Source: Company data

Consort Medical

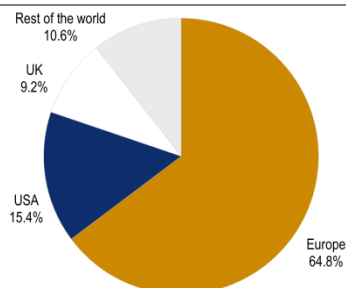
Market Cap GBp 426.5m

Bloomberg: CSRT LN

Website: www.consortmedical.com

Consort Medical Plc is a contract development and manufacturing organization (CDMO) based in Hemel Hempstead, the UK. The Company's principal activities include designing, development and manufacture of medical drug delivery devices and services for the pharmaceutical industry. The Company operates through two segments: Bespak (which represents 41% of revenues), and Aesica (59%). Bespak develops and manufactures metered dose inhalers, dry powder devices, actuators, dose counters, disposable auto-injectors, nasal devices and point of care diagnostics devices. The Aesica division provides pharmaceutical companies with API

Consort Medical



GBp (m)	2018a	2019e	2020e	2021e	CAGR 18-21e
Revenue	311.1	310.0	320.3	332.6	2%
EBITDA	47.1	55.9	57.7	61.1	9%
(%)	15%	18%	18%	18%	
Operating Income or Losses	21.5	43.7	46.3	48.3	31%
(%)	7%	14%	14%	15%	
Net Income/Net Profit (Losses)	16.1	29.9	32.2	36.2	31%
Dividend Yield	11.9	2.5	2.6	2.7	
Net debt	95.5	91.4	78.3	60.9	
Net Debt/EBITDA	2.0	1.6	1.4	1.0	

Source: Company data

Fine Foods : Summary tables

PROFIT & LOSS (EURm)	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Sales	113	120	139	152	166	181
Cost of Sales & Operating Costs	0.0	-72.6	-81.6	-69.5	-85.1	-92.7
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	15.1	15.5	18.7	21.2	24.2	27.1
EBITDA (adj.)*	15.1	15.5	18.7	21.2	24.2	27.1
Depreciation	-5.8	-6.6	-8.5	-9.7	-11.5	-12.8
EBITA	9.2	9.0	10.2	11.4	12.7	14.3
EBITA (adj)*	9.2	9.0	10.2	11.4	12.7	14.3
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	9.2	9.0	10.2	11.4	12.7	14.3
EBIT (adj.)*	9.2	9.0	10.2	11.4	12.7	14.3
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	11.4	12.7	14.3
Tax	-2.8	-2.3	-1.7	-2.6	-3.2	-3.6
<i>Tax rate</i>	<i>31.3%</i>	<i>27.6%</i>	<i>16.7%</i>	<i>23.0%</i>	<i>25.0%</i>	<i>25.0%</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	8.8	9.5	10.8
Net Profit (adj.)	6.2	6.1	8.7	8.8	9.5	10.8
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	18.5	21.0	23.6
Change in Net Working Capital	0.0	8.4	-18.7	-1.9	-2.0	-0.5
Cash Flow from Operations	12.0	21.1	-1.5	16.7	19.0	23.0
Capex	-8.2	-21.9	-32.0	-6.0	-7.0	-7.5
Net Financial Investments	-0.9	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	2.9	-0.8	-33.5	10.7	12.0	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	-1.7	0.1	0.1
Change in Net Debt	-6.4	-1.2	169	6.7	9.8	13.2
NOPLAT	6.3	6.1	7.0	7.8	8.7	9.8
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	76.7	72.1	66.8
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	80.9	76.4	71.1
Inventories	15.0	17.0	22.0	24.0	26.1	27.4
Trade receivables	13.9	8.7	21.5	23.5	25.6	27.3
Other current assets	1.1	3.1	5.7	6.2	6.8	7.4
Cash (-)	-10.4	-9.7	-74.8	-79.6	-87.0	-97.4
Total Current Assets	40.4	38.6	124	133	145	159
Total Assets	83.3	97.1	207	214	222	231
Shareholders Equity	32.7	38.9	149	156	163	171
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	32.7	38.9	149	156	163	171
Long term interest bearing debt	29.2	29.6	22.6	21.1	19.2	16.9
Provisions	1.3	1.2	1.0	1.1	1.2	1.3
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	22.2	20.4	18.2
Short term interest bearing debt	0.5	0.5	5.5	5.2	4.7	4.1
Trade payables	16.0	22.5	23.9	26.0	28.4	30.9
Other current liabilities	3.6	4.4	4.7	5.1	5.6	6.1
Total Current Liabilities	20.1	27.4	34.1	36.3	38.6	41.1
Total Liabilities and Shareholders' Equity	83.3	97.1	207	214	222	231
Net Capital Employed	53.2	60.5	104	103	101	96.2
Net Working Capital	13.3	3.7	20.1	21.8	23.8	24.2
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>9.0%</i>	<i>9.0%</i>	<i>9.0%</i>
EBITDA (adj.)* growth	12.2%	2.9%	20.3%	13.2%	14.4%	12.2%
<i>EBITA (adj.)* growth</i>	<i>12.7%</i>	<i>-3.0%</i>	<i>13.6%</i>	<i>12.3%</i>	<i>10.7%</i>	<i>13.3%</i>
<i>EBIT (adj)*growth</i>	<i>12.7%</i>	<i>-3.0%</i>	<i>13.6%</i>	<i>12.3%</i>	<i>10.7%</i>	<i>13.3%</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%	1.4%	7.8%	13.3%
EPS adj. growth	-18.4%	16.4%	-31.8%	-36.4%	7.8%	13.3%
DPS adj. growth			n.m.	0.0%	5.0%	0.0%
EBITDA (adj)* margin	13.3%	13.0%	13.4%	13.9%	14.6%	15.0%
EBITA (adj)* margin	8.2%	7.5%	7.3%	7.5%	7.6%	7.9%
EBIT (adj)* margin	8.2%	7.5%	7.3%	7.5%	7.6%	7.9%
RATIOS	12/2016	12/2017	12/2018	12/2019e	12/2020e	12/2021e
Net Debt/Equity	0.6	0.5	-0.3	-0.3	-0.4	-0.4
Net Debt/EBITDA	1.3	1.3	-2.5	-2.5	-2.6	-2.8
Interest cover (EBITDA/Fin.interest)	53.7	32.1	n.m.	high	high	high
Capex/D&A	140.1%	333.2%	376.7%	61.8%	60.7%	58.6%
Capex/Sales	7.2%	18.3%	23.0%	3.9%	4.2%	4.2%
NWC/Sales	11.8%	3.1%	14.4%	14.4%	14.3%	13.4%
ROE (average)	19.2%	17.2%	9.2%	5.8%	6.0%	6.4%
ROCE (adj.)	11.3%	9.9%	6.8%	7.6%	8.7%	10.3%
WACC	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
ROCE (adj.)/WACC	1.7	1.5	1.0	1.1	1.3	1.5
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	0.39	0.42	0.47
EPS (adj.)	0.77	0.90	0.61	0.39	0.42	0.47
BVPS	4.08	6.78	6.57	6.86	7.18	7.55
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	8.6	7.2	5.9
EV/EBITDA (adj.)*	5.0	5.0	8.7	8.6	7.2	5.9
EV/EBITA	8.1	8.7	16.0	16.0	13.7	11.1
EV/EBITA (adj.)*	8.1	8.7	16.0	16.0	13.7	11.1
EV/EBIT	8.1	8.7	16.0	16.0	13.7	11.1
EV/EBIT (adj.)*	8.1	8.7	16.0	16.0	13.7	11.1
P/E (adj.)	12.7	11.2	15.2	26.8	24.8	21.9
P/BV	2.4	1.5	1.4	1.5	1.4	1.4
Total Yield Ratio	0.0%	0.0%	1.0%	1.0%	1.0%	
EV/CE	1.3	1.3	1.6	1.8	1.7	1.7
OpFCF yield	6.8%	-1.3%	-16.0%	4.5%	5.1%	6.6%
OpFCF/EV	5.1%	-1.0%	-20.5%	5.8%	6.9%	9.7%
Payout ratio	0.0%	0.0%	16.4%	25.8%	25.1%	22.1%
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	10.40	10.40	10.40
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	236	236	236
Net Debt	19	20	-47	-53	-63	-76
<i>o/w Cash & Marketable Securities (-)</i>	<i>-10</i>	<i>-10</i>	<i>-75</i>	<i>-80</i>	<i>-87</i>	<i>-97</i>
<i>o/w Gross Debt (+)</i>	<i>30</i>	<i>30</i>	<i>28</i>	<i>26</i>	<i>24</i>	<i>21</i>
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)	75	78	163	183	173	160

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 three production plants located around Bergamo.

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)	Altri	CBI	Fleury Michon	CIC	Orion	OPG
Airbus Se	CIC	Arcelormittal	GVC	Hkscan	OPG	Orpea	CIC
Dassault Aviation	CIC	Corticeira Amorim	CBI	La Doria	BAK	Pihlajalinna	OPG
Latecoere	CIC	Ence	GVC	Lanson-Bcc	CIC	Recordati	BAK
Leonardo	BAK	Europac	GVC	Laurent Perrier	CIC	Silmaasema	OPG
Lisi	CIC	Metsä Board	OPG	Ldc	CIC	Terveystalo	OPG
Safran	CIC	Mytilineos	IBG	Massimo Zanetti	BAK	Household Goods	Mem(*)
Thales	CIC	Otokumpu	OPG	Olvi	OPG	Abeo	CIC
Alternative Energy	Mem(*)	Semapa	CBI	Orsero	BAK	De Longhi	BAK
Siemens Gamesa Re	GVC	Ssab	OPG	Pernod Ricard	CIC	Elica	BAK
Automobiles & Parts	Mem(*)	Stora Enso	OPG	Raisio	OPG	Fila	BAK
Bittium Corporation	OPG	The Navigator Company	CBI	Remy Cointreau	CIC	Maisons Du Monde	CIC
Brembo	BAK	Tubacex	GVC	Tipiak	CIC	Industrial Engineering	Mem(*)
Ferrari	BAK	Upm-Kymmene	OPG	Vidrala	GVC	Alstom	CIC
Fiat Chrysler Automobiles	BAK	Chemicals	Mem(*)	Vilmorin	CIC	Biesse	BAK
Gestamp	GVC	Air Liquide	CIC	Viscofan	GVC	Caf	GVC
Indelb	BAK	Arkema	CIC	Vranken Pommery Monopole	CIC	Cargotec Corp	OPG
Kamux	OPG	Kemira	OPG	Food & Drug Retailers	Mem(*)	Carraro	BAK
Landi Renzo	BAK	Tikkurila	OPG	Carrefour	CIC	Cnh Industrial	BAK
Nokian Tyres	OPG	Electronic & Electrical Equipment	Mem(*)	Casino Guichard-Perrachon	CIC	Danieli	BAK
Piaggio	BAK	Rexel	CIC	Dia	GVC	Datalogic	BAK
Pininfarina	BAK	Vaisala	OPG	Jeronimo Martins	CBI	Emak	BAK
Sogefi	BAK	Financial Services Banks	Mem(*)	Kesko	OPG	Exel Composites	OPG
Banks	Mem(*)	Amundi	CIC	Marr	BAK	Fincantieri	BAK
Aktia	OPG	Anima	BAK	Sonae	CBI	Groupe Gorge	CIC
Alpha Bank	IBG	Azimut	BAK	General Industrials	Mem(*)	Ima	BAK
Banca Carige	BAK	Banca Farmafactoring	BAK	Aspo	OPG	Interpump	BAK
Banca Mps	BAK	Banca Generali	BAK	Cembre	BAK	Kone	OPG
Banco Sabadell	GVC	Banca Ifis	BAK	Huhtamäki	OPG	Konecranes	OPG
Banco Santander	GVC	Banca Sistema	BAK	Pöyry	OPG	Manitou	CIC
Bankia	GVC	Dobank	BAK	Sergeferrari Group	CIC	Metso Corporation	OPG
Bankinter	GVC	Finacobank	BAK	General Retailers	Mem(*)	Outotec	OPG
Bbva	GVC	Financial Services Holdings	Mem(*)	Fnac Darty	CIC	Ponsse	OPG
Bcp	CBI	Cir	BAK	Fourlis Holdings	IBG	Prima Industrie	BAK
Bnp Paribas	CIC	Corp. Financiera Alba	GVC	Inditex	GVC	Prysmian	BAK
Bper	BAK	Digital Magics	BAK	Jumbo	IBG	Talgo	GVC
Bpi	CBI	Eurazeo	CIC	Ovs	BAK	Valmet	OPG
Caixabank	GVC	Ffp	CIC	Rapala	OPG	Wärtsilä	OPG
Credem	BAK	Rallye	CIC	Stockmann	OPG	Zardoya Otis	GVC
Credit Agricole Sa	CIC	Tip Tamburi Investment Partners	BAK	Tokmanni	OPG	Industrial Transportation	Mem(*)
Creval	BAK	Wendel	CIC	Unieuro	BAK	Bolloré	CIC
Eurobank	IBG	Financial Services Industrials	Mem(*)	Healthcare	Mem(*)	Ctt	CBI
Intesa Sanpaolo	BAK	Athex Group	IBG	Ab Biotics	GVC	Insurance	Mem(*)
Liberbank	GVC	Bolsas Y Mercados Espanoles	GVC	Amplifon	BAK	Axa	CIC
Mediobanca	BAK	Capman	OPG	Atrys Health	GVC	Banca Mediolanum	BAK
National Bank Of Greece	IBG	Eq	OPG	Cellnovo	CIC	Cattolica Assicurazioni	BAK
Natixis	CIC	Food & Beverage	Mem(*)	Cerenis	CIC	Generali	BAK
Nordea	OPG	Advini	CIC	Crossject	CIC	Mapfre	GVC
Piraeus Bank	IBG	Altia	OPG	Diasorin	BAK	Sampo	OPG
Poste Italiane	BAK	Atria	OPG	El.En.	BAK	Unipolsai	BAK
Rothschild & Co	CIC	Bonduelle	CIC	Fermentalg	CIC	Materials, Construction & Infrastructure	Mem(*)
Societe Generale	CIC	Campari	BAK	Genfit	CIC	Acs	GVC
Ubi Banca	BAK	Coca Cola Hbc Ag	IBG	Guerbet	CIC	Aena	GVC
Unicredit	BAK	Danone	CIC	Korian	CIC	Astaldi	BAK
Basic Resources	Mem(*)	Ebro Foods	GVC	Oncodesign	CIC	Atlantia	BAK
Acerinox	GVC	Enervit	BAK	Oriola-Kd	OPG	Buzzi Unicem	BAK

Capelli	CIC	Solocal Group	CIC	Agile Content	GVC	Telecom Italia	BAK
Caverion	OPG	Teleperformance	CIC	Akka Technologies	CIC	Telefonica	GVC
Cramo	OPG	Tf1	CIC	Alten	CIC	Telia	OPG
Eiffage	CIC	Ubisoft	CIC	Altran	CIC	Tiscali	BAK
Eitel	OPG	Vivendi	CIC	Amadeus	GVC	Vodafone	BAK
Ezentis	GVC	Oil & Gas Producers	Mem(*)	Assystem	CIC	Travel & Leisure	Mem(*)
Fcc	GVC	Ecoslops	CIC	Atos	CIC	Accor	CIC
Ferrovial	GVC	Eni	BAK	Axway Software	CIC	Aegean Airlines	IBG
Groupe Adp	CIC	Galp Energia	CBI	Basware	OPG	Autogrill	BAK
Groupe Pajoulat	CIC	Gas Plus	BAK	Cast	CIC	Beneteau	CIC
Groupe Sfp S.A.	CIC	Hellenic Petroleum	IBG	Digia Plc	OPG	Compagnie Des Alpes	CIC
Herige	CIC	Maurel Et Prom	CIC	Econocom	CIC	Elior	CIC
Imerys	CIC	Motor Oil	IBG	Esi Group	CIC	Europcar	CIC
Lafargeholcim	CIC	Neste Corporation	OPG	Exprivia	BAK	Finnair	OPG
Lehto	OPG	Qgep	CBI	F-Secure	OPG	Gamenet	BAK
Maire Tecnimont	BAK	Repsol	GVC	Groupe Open	CIC	I Grandi Viaggi	BAK
Maisons France Confort	CIC	Total	CIC	Indra Sistemas	GVC	Ibersol	CBI
Mota Engil	CBI	Oil Services	Mem(*)	Neurones	CIC	Int. Airlines Group	GVC
Obrascon Huarte Lain	GVC	Bourbon	CIC	Novabase	CBI	Intralot	IBG
Ramirent	OPG	Cgg	CIC	Pharmagest Interactive	CIC	Kotipizza	OPG
Sacyr	GVC	Gaztransport Et Technigaz	CIC	Reply	BAK	Melia Hotels International	GVC
Saint Gobain	CIC	Rubis	CIC	Rovio Entertainment	OPG	Nh Hotel Group	GVC
Salini Impregilo	BAK	Saipem	BAK	Sii	CIC	Opap	IBG
Sias	BAK	Technipmc Plc	CIC	Sopra Steria Group	CIC	Pierre Et Vacances	CIC
Sonae Industria	CBI	Tecnicas Reunidas	GVC	Tieto	OPG	Sg Company	BAK
Srv	OPG	Tenaris	BAK	Visiativ	CIC	Sodexo	CIC
Tarkett	CIC	Vallourec	CIC	Support Services	Mem(*)	Sonae Capital	CBI
Thermador Groupe	CIC	Personal Goods	Mem(*)	Asiakastieto Group	OPG	Tallink	OPG
Titan Cement	IBG	Amer Sports	OPG	Bureau Veritas	CIC	Telepizza	GVC
Trevi	BAK	Basicnet	BAK	Cellnex Telecom	GVC	Trigano	CIC
Uponor	OPG	Cie Fin. Richemont	CIC	Enav	BAK	Utilities	Mem(*)
Vicat	CIC	Geox	BAK	Fiera Milano	BAK	Acciona	GVC
Vinci	CIC	Hermes Intl.	CIC	Inwit	BAK	Acea	BAK
Yit	OPG	Interparfums	CIC	Lassila & Tikanoja	OPG	Albion	CIC
Media	Mem(*)	Kering	CIC	Openjobmetis	BAK	Derichebourg	CIC
Alma Media	OPG	Luxottica	BAK	Rai Way	BAK	Edp	CBI
Heidelberg Pharma	EQB	Lvmh	CIC	Technology Hardware & Equipment	Mem(*)	Edp Renováveis	CBI
Arnoldo Mondadori Editore	BAK	Marimekko	OPG	Adeunis	CIC	Enagas	GVC
Atresmedia	GVC	Moncler	BAK	Ericsson	OPG	Endesa	GVC
Cairo Communication	BAK	Safilo	BAK	Evolis	CIC	Enel	BAK
Cofina	CBI	Salvatore Ferragamo	BAK	Hf Company	CIC	Erg	BAK
Digital Bros	BAK	Sarantis	IBG	Ingenico	CIC	Eydap	IBG
Digitouch	BAK	Swatch Group	CIC	Nokia	OPG	Falck Renewables	BAK
Gedi Gruppo Editoriale	BAK	Technogym	BAK	Osmosis	CIC	Fortum	OPG
GI Events	CIC	Tod'S	BAK	Stmicroelectronics	BAK	Hera	BAK
Impresa	CBI	Real Estate	Mem(*)	Teleste	OPG	Iberdrola	GVC
IoI	BAK	Beni Stabili	BAK	Telecommunications	Mem(*)	Iren	BAK
Ipsos	CIC	Citycon	OPG	Acotel	BAK	Italgas	BAK
Jcdecaux	CIC	Grivalia	IBG	Bouygues	CIC	Naturgy	GVC
Lagardere	CIC	Hispania Activos Inmobiliarios	GVC	Dna	OPG	Public Power Corp	IBG
M6-Metropole Television	CIC	Igd	BAK	Elisa	OPG	Red Electrica De Espana	GVC
Mediaset	BAK	Kojamo	OPG	Euskaltel	GVC	Ren	CBI
Mediaset Espana	GVC	Lar España	GVC	Iliad	CIC	Snam	BAK
Nrj Group	CIC	Merlin Properties	GVC	Masmovil	GVC	Solaria	GVC
Publicis	CIC	Realia	GVC	Nos	CBI	Terna	BAK
Rcs Mediagroup	BAK	Technopolis	OPG	Orange	CIC		
Sanoma	OPG	Software & Computer Services	Mem(*)	Ote	IBG		

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

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



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- **La Banca è specialist del titolo Fine Foods**
- **Al 31 marzo 2019 la Banca detiene una posizione netta lunga pari al 0.69% del capitale dell'emittente.**
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Recommendation history for FINE FOODS

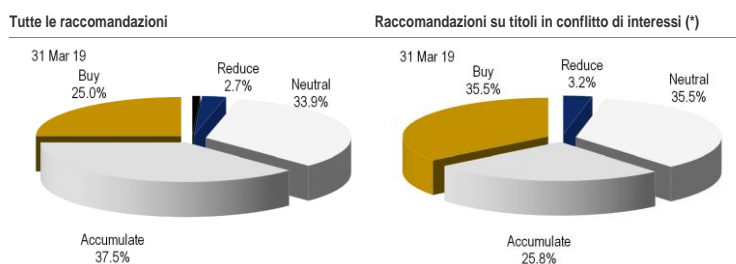
Date	Recommendation	Target price	Price at change date
15-Apr-19	Buy	12.70	10.40

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 31 marzo 2019



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 27.68% 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)**.

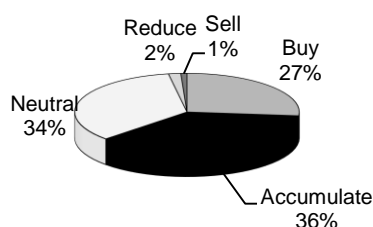
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Meaning of each recommendation or rating:

- **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
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
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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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