

Fine Foods

Sponsored Research

Italy | Healthcare

Investment Research



Company Flash Note

Reason: Company newsflow

28 September 2021

Buy

Recommendation unchanged

Share price: EUR 17.50

closing price as of 27/09/2021

Target price: EUR 23.00

from Target Price: EUR 21.50

Upside/Downside Potential 31.4%

Reuters/Bloomberg FF.MI/FF IM

Market capitalisation (EURm) 429

Current N° of shares (m) 25

Free float 52%

Daily avg. no. trad. sh. 12 mth (k) 17

Daily avg. trad. vol. 12 mth (k) 767.79

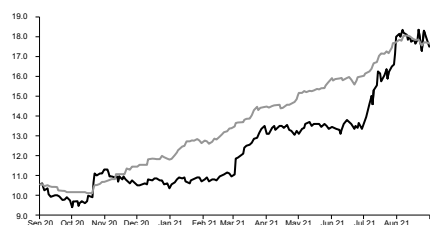
Price high/low 12 months 18.35 / 9.40

Abs Perfs 1/3/12 mths (%) -2.78/31.09/64.32

Key financials (EUR)	12/20	12/21e	12/22e
Sales (m)	172	215	262
EBITDA (m)	21	31	40
EBITDA margin	12.3%	14.5%	15.1%
EBIT (m)	9	17	23
EBIT margin	5.5%	7.9%	8.7%
Net Profit (adj.)(m)	9	13	17
ROCE	6.9%	7.2%	9.5%
Net debt/(cash) (m)	(43)	1	(11)
Net Debt Equity	-0.3	0.0	-0.1
Net Debt/EBITDA	-2.0	0.0	-0.3
Int. cover(EBITDA/Fin.int)	(2.9)	34.6	43.8
EV/Sales	1.2	2.0	1.6
EV/EBITDA	9.8	13.9	10.6
EV/EBITDA (adj.)	9.3	13.9	10.6
EV/EBIT	21.9	25.5	18.5
P/E (adj.)	18.4	33.6	25.2
P/BV	1.8	2.9	2.6
OpFCF yield	8.8%	-8.8%	4.0%
Dividend yield	0.8%	0.9%	1.0%
EPS (adj.)	0.57	0.52	0.69
BVPS	5.98	6.13	6.67
DPS	0.14	0.15	0.17

Shareholders

Marco Eigenmann 48%;



Source: FactSet

— FINE FOODS — FTSE AIM Italia (Rebased)

Analyst(s)

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Acquisition of Euro Cosmetic to strengthen position in the cosmetic market

After the acquisition of Pharmatek, Fine Foods' management announced the acquisition of Euro Cosmetic. This deal will allow Fine Foods to grow in the promising and profitable CDMO cosmetics segment. We reckon that this operation is a very positive deal for the group because it will be accretive right away. Given the foregoing, we confirm our Buy recommendation.

- ✓ **Euro Cosmetic overview:** Euro Cosmetic, which is based in Trenzano (near Brescia), is listed on the AIM Italia market. It is specialised in the CDMO in the cosmetics sector. It develops and produces cosmetics on behalf of third parties in the following areas: oral hygiene, skin care, personal deodorants, body cleansing, hair treatments and perfumery. Products are manufactured in a modern factory with an area of 16,500 square meters, of which 10,800 square meters is covered. With its laboratories, blending plants and packaging lines, Euro Cosmetic supplies prestigious companies in the cosmetics and pharmaceutical industry that operate in the large-scale retail trade, discount stores and specialty channels such as pharmacies and perfumeries, both mono and multi-brand, national and international. Euro Cosmetic posted FY 20 sales of EUR 27.8m and a FY 20 EBITDA of EUR 4.9m (EBITDA margin 17.6%), with a NFP of around EUR 5.9m net cash, while H1 21 results were negative (H1 21 sales -20.2% Y/Y and H1 21 EBITDA -41% Y/Y) due to the impact of the lockdown in the first part of the year and to the drastic reduction in the consumption of sanitizing products compared to 2020.
- ✓ **Transaction consideration:** Fine Foods will pay a total amount of EUR 26.8m for 72.9% of the share capital (38.7% of MD and 34.2% of Findea). After acquiring the controlling stake, Fine Foods will launch a mandatory takeover bid for the remaining 27.1% of Euro Cosmetic's shares. The takeover bid purchase price will be EUR 8.60 per Euro Cosmetic ordinary share (+22.3%, +22.5% and +36.5% against the mean of the official share price in the last month, the previous 6 months and the placement price for the listing on the AIM Italia, respectively). So, the total outlay for the deal should amount to approximately EUR 37.9m. Therefore, based on H1 21 Net Cash of EUR 5m and assuming a FY 21e EBITDA of around EUR 3.7m, the total consideration for the deal should be approximately EUR 33m and should imply a FY 21e EV/EBITDA multiple of around 8.5x.
- ✓ **Rationale for the acquisition:** this acquisition is decidedly positive from a strategic point of view because, after the recent acquisition of Pharmatek, it opens the way for Fine Foods to enter the important CDMO cosmetics segment. This acquisition clearly presents interesting commercial cross-selling synergies for the group because it will allow the group to offer new products and services to the existing customers and be known and appreciated by new customers.

Produced by:



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- ✓ **New estimates:** we have factored in Euro Cosmetic's expected sales and profitability in our estimates; for the period 2022-23, we assume Euro Cosmetic sales growth of 10-15% and an EBITDA margin above 16%. Therefore, our EPS 2022-2023e improves respectively by +11.1% and +13.1%.

PROFIT & LOSS (EUR m)	2020	OLD 2021e	NEW 2021e	%Chg	OLD 2022e	NEW 2022e	%Chg	OLD 2023e	NEW 2023e	%Chg
Revenues	172.0	210.2	215.2	25.1%	236.0	262.0	21.8%	253.1	283.4	8.2%
EBITDA adj	22.3	30.3	31.1	39.6%	35.4	39.6	27.2%	38.0	43.1	8.7%
EBITDA adj margin	13.0%	14.4%	14.5%		15.0%	15.1%		15.0%	15.2%	
One-off costs	1.2	0			0	0		0	0	
EBITDA	21.1	30.3	31.1	47.6%	35.4	39.6	27.2%	38.0	43.1	8.7%
EBITDA margin	12.3%	14.4%	14.5%		15.0%	15.1%		15.0%	15.2%	
D&A and provisions	-11.6	-13.9	-14.2		-15.1	-16.9		-15.9	-17.8	
EBIT	9.5	16.3	17.0	79.4%	20.3	22.7	34.0%	22.2	25.3	11.4%
EBIT margin	5.5%	7.8%	7.9%		8.6%	8.7%		8.8%	8.9%	
Net fin. income/charges	7.2	-0.7	-0.9		-0.7	-0.9		-0.7	0.9	
Non-Recurring items	0	0	0		0	0		0	0	
Pre-tax profit	16.6	15.7	16.1	-3.6%	19.6	21.8	35.9%	21.5	24.4	11.6%
Taxes	-3.3	-3.4	-3.5		-4.3	-4.8		-4.7	-5.3	
Tax rate	19.9%	21.9%	21.9%		21.9%	21.9%		21.9%	21.9%	
Minorities	0	0	0		0	0		0	0	
Net profit	13.4	12.2	12.5	-6.2%	15.3	17.0	35.9%	16.8	19.0	11.6%
Net profit adj	9.3	12.2	12.5		15.3	17.0		16.8	19.0	
Maintenance capex	12	10.2	10.2		9.6	11.0		10.2	11.2	
Acquisition Capex		11.2(*)	49.1(*)					6.0(**)	6.0(**)	
Net Debt (Cash)	-42.8	-48.5	1.2		-60.3	-11.4		-70.1	-23.7	
Net Debt from warrants	11.0									
Net Debt (Cash) Adj	-53.8	-48.5	1.2		-60.3	-11.4		-70.1	-23.7	

(*) Pharmatek and Euro Cosmetic acquisitions (**) Pharmatek acquisition

Conclusion & Action: based on our new estimates and our DCF model (WACC 6.50% and perpetual growth 1.8%), we increase our target price from EUR 21.50 to EUR 23.00 per share. Buy recommendation confirmed.



Fine Foods: Summary tables

	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
PROFIT & LOSS (EURm)						
Sales	139	160	172	215	262	283
Cost of Sales & Operating Costs	-81.6	-69.5	-85.1	-96.6	-108.8	-131.0
Non Recurrent Expenses/Income	0.0	-2.8	-1.2	0.0	0.0	0.0
EBITDA	18.7	17.5	21.1	31.1	39.6	43.1
EBITDA (adj.)*	18.7	20.3	22.3	31.1	39.6	43.1
Depreciation	-8.5	-9.4	-11.6	-13.3	-15.8	-16.6
EBITA	10.2	8.1	9.5	17.9	23.8	26.5
EBITA (adj.)*	10.2	10.9	10.7	17.9	23.8	26.5
Amortisations and Write Downs	0.0	0.0	0.0	-0.9	-1.1	-1.2
EBIT	10.2	8.1	9.5	17.0	22.7	25.3
EBIT (adj.)*	10.2	10.9	10.7	17.0	22.7	25.3
Net Financial Interest	0.2	-8.0	7.2	-0.9	-0.9	-0.9
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)	10.4	0.1	16.6	16.1	21.8	24.4
Tax	-1.7	-2.9	-3.3	-3.5	-4.8	-5.3
<i>Tax rate</i>	<i>16.7%</i>	<i>n.m.</i>	<i>19.9%</i>	<i>21.9%</i>	<i>21.9%</i>	<i>21.9%</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)	8.7	-2.8	13.3	12.5	17.0	19.0
Net Profit (adj.)	8.7	11.9	9.3	12.5	17.0	19.0
CASH FLOW (EURm)						
Cash Flow from Operations before change in NWC	17.2	6.5	25.0	26.7	33.9	36.8
Change in Net Working Capital	-18.7	5.3	12.7	-5.3	-5.8	-2.3
Cash Flow from Operations	-1.5	11.8	37.7	21.4	28.1	34.5
Capex	-32.0	-20.2	-16.0	-59.3	-11.0	-17.2
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-33.5	-8.4	21.7	-37.9	17.1	17.3
Dividends	0.0	-2.3	-2.8	-3.3	-3.8	-4.1
Other (incl. Capital Increase & share buy backs)	202	-25.2	-0.9	-2.7	-0.7	-1.0
Change in Net Debt	169	-36	18	-44	13	12
NOPLAT	7.0	7.5	7.3	11.6	15.6	17.4
BALANCE SHEET & OTHER ITEMS (EURm)						
Net Tangible Assets	78.6	89.3	93.4	142	137	137
Net Intangible Assets (incl. Goodwill)	4.3	1.9	1.9	1.9	1.9	1.9
Net Financial Assets & Other	0.0	2.0	2.0	2.0	2.0	2.0
Total Fixed Assets	82.9	93.3	97.3	145	141	141
Inventories	22.0	22.5	19.6	27.2	34.8	40.0
Trade receivables	21.5	17.1	12.7	17.8	24.1	24.9
Other current assets	5.7	2.5	3.3	4.1	5.0	5.4
Cash (-)	-74.8	-74.8	-75.0	-44.3	-50.5	-57.4
Total Current Assets	124	117	111	93.5	114	128
Total Assets	207	210	208	239	255	269
Shareholders Equity	149	131	141	150	164	178
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	149	131	141	150	164	178
Long term interest bearing debt	22.6	21.2	16.1	22.7	19.5	16.8
Provisions	1.0	1.1	1.1	1.3	1.6	1.7
Other long term liabilities	0.0	1.2	0.6	0.7	0.9	0.9
Total Long Term Liabilities	23.6	23.6	17.7	24.7	21.9	19.5
Short term interest bearing debt	5.5	29.2	16.2	22.8	19.6	16.9
Trade payables	23.9	20.6	22.7	28.4	34.6	37.4
Other current liabilities	4.7	6.1	10.2	12.8	15.6	16.9
Total Current Liabilities	34.1	55.9	49.1	64.0	69.8	71.2
Total Liabilities and Shareholders' Equity	206.9	210.2	207.8	239.0	255.2	269.1
Net Capital Employed	103.5	108.6	99.9	153.4	154.4	157.3
Net Working Capital	20.1	19.4	10.0	17.0	24.7	27.9
GROWTH & MARGINS						
<i>Sales growth</i>	<i>16.6%</i>	<i>14.6%</i>	<i>7.7%</i>	<i>25.1%</i>	<i>21.8%</i>	<i>8.2%</i>
EBITDA (adj.)* growth	20.3%	8.6%	9.9%	39.6%	27.2%	8.7%
<i>EBITA (adj.)* growth</i>	<i>13.6%</i>	<i>7.2%</i>	<i>-2.5%</i>	<i>67.6%</i>	<i>33.4%</i>	<i>11.2%</i>
<i>EBIT (adj.)* growth</i>	<i>13.6%</i>	<i>7.2%</i>	<i>-2.5%</i>	<i>59.2%</i>	<i>34.0%</i>	<i>11.4%</i>



Fine Foods: Summary tables

GROWTH & MARGINS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Profit growth	41.4%	37.0%	-21.8%	34.8%	35.9%	11.6%
EPS adj. growth	-31.8%	n.m.	n.m.	-8.8%	33.2%	11.6%
DPS adj. growth	n.m.	20.0%	16.7%	10.0%	8.0%	8.0%
EBITDA (adj)* margin	13.4%	12.7%	13.0%	14.5%	15.1%	15.2%
EBITA (adj)* margin	7.3%	6.8%	6.2%	8.3%	9.1%	9.3%
EBIT (adj)* margin	7.3%	6.8%	6.2%	7.9%	8.7%	8.9%
RATIOS	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Net Debt/Equity	-0.3	-0.2	-0.3	0.0	-0.1	-0.1
Net Debt/EBITDA	-2.5	-1.4	-2.0	0.0	-0.3	-0.6
Interest cover (EBITDA/Fin.interest)	n.m.	2.2	n.m.	34.6	43.8	45.3
Capex/D&A	376.7%	215.8%	137.5%	418.6%	65.2%	96.8%
Capex/Sales	23.0%	12.7%	9.3%	27.6%	4.2%	6.1%
NWC/Sales	14.4%	12.1%	5.8%	7.9%	9.4%	9.8%
ROE (average)	9.2%	8.5%	6.8%	8.6%	10.9%	11.1%
ROCE (adj.)	6.8%	6.8%	6.9%	7.2%	9.5%	10.4%
WACC	6.7%	6.7%	6.7%	6.5%	6.5%	6.5%
ROCE (adj.)/WACC	1.0	1.0	1.0	1.1	1.5	1.6
PER SHARE DATA (EUR)***	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Average diluted number of shares	22.7	23.2	23.6	24.5	24.5	24.5
EPS (reported)	0.61	-0.12	0.57	0.52	0.69	0.78
EPS (adj.)	0.61	-0.12	0.57	0.52	0.69	0.78
BVPS	6.57	5.63	5.98	6.13	6.67	7.28
DPS	0.10	0.12	0.14	0.15	0.17	0.18
VALUATION	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
EV/Sales	1.2	1.6	1.2	2.0	1.6	1.4
EV/EBITDA	8.7	14.7	9.8	13.9	10.6	9.5
EV/EBITDA (adj.)*	8.7	12.6	9.3	13.9	10.6	9.5
EV/EBITA	16.0	31.5	21.9	24.2	17.6	15.4
EV/EBITA (adj.)*	16.0	23.5	19.4	24.2	17.6	15.4
EV/EBIT	16.0	31.5	21.9	25.5	18.5	16.1
EV/EBIT (adj.)*	16.0	23.5	19.4	25.5	18.5	16.1
P/E (adj.)	15.2	n.m.	18.4	33.6	25.2	22.6
P/BV	1.4	2.1	1.8	2.9	2.6	2.4
Total Yield Ratio	1.1%	1.0%	0.8%	0.9%	1.0%	1.0%
EV/CE	1.6	2.3	2.0	2.7	2.6	2.4
OpFCF yield	-16.0%	-3.0%	8.8%	-8.8%	4.0%	4.0%
OpFCF/EV	-20.5%	-3.3%	10.5%	-8.8%	4.1%	4.2%
Payout ratio	16.4%	-98.7%	24.5%	29.5%	23.9%	23.2%
Dividend yield (gross)	1.1%	1.0%	0.8%	0.9%	1.0%	1.0%
EV AND MKT CAP (EURm)	12/2018	12/2019	12/2020	12/2021e	12/2022e	12/2023e
Price** (EUR)	9.25	12.00	10.50	17.50	17.50	17.50
Outstanding number of shares for main stock	22.7	23.2	23.6	24.5	24.5	24.5
Total Market Cap	209.9	278.3	247.5	429.1	429.1	429.1
Gross Financial Debt (+)	28.1	50.4	32.3	45.5	39.0	33.7
Cash & Marketable Securities (-)	-74.8	-74.8	-75.0	-44.3	-50.5	-57.4
Net Financial Debt	-46.7	-24.4	-42.7	1.2	-11.5	-23.7
Lease Liabilities (+)						
Net Debt	-46.7	-24.4	-42.7	1.2	-11.5	-23.7
Other EV components	0.1	2.2	2.1	2.1	2.1	2.1
Enterprise Value (EV adj.)	163.4	256.1	206.9	432.4	419.7	407.5

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

***EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

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.

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. **Esso è prodotto e distribuito dal giorno 28 September 2021, ore 08:41 italiane.**

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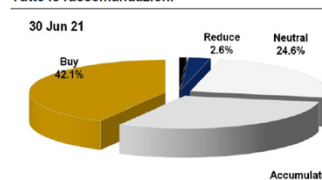
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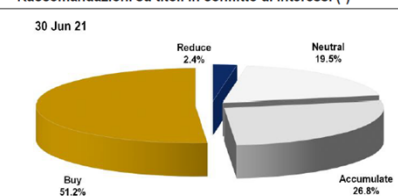
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Percentuale delle raccomandazioni al 30 giugno 2021

Tutte le raccomandazioni



Raccomandazioni su titoli in conflitto di interessi (*)



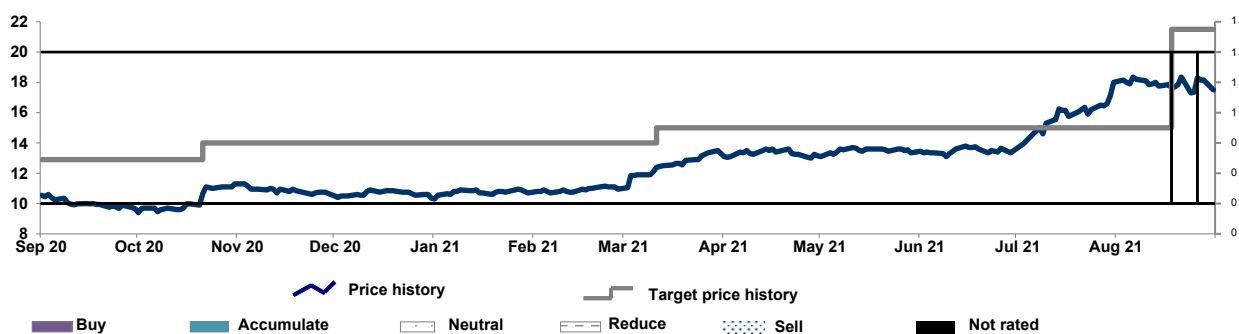
(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 35.96% del totale degli emittenti oggetto di copertura

Recommendation history for FINE FOODS

Date	Recommendation	Target price	Price at change date
22-Sep-21	Buy	21.50	18.30
14-Sep-21	Accumulate	21.50	17.65
07-Apr-21	Buy	15.00	12.40
17-Nov-20	Buy	14.00	10.65
10-Jan-20	Buy	12.90	12.20
14-Nov-19	Buy	13.00	10.80
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)





ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



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

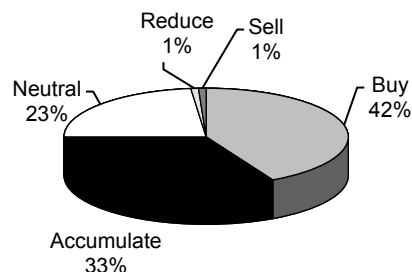
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a 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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