

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu17.35 - Target: Eu23.00

Strengthening in Cosmetics Is the Name of the Game

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Stock Rating

Rating: Unchanged

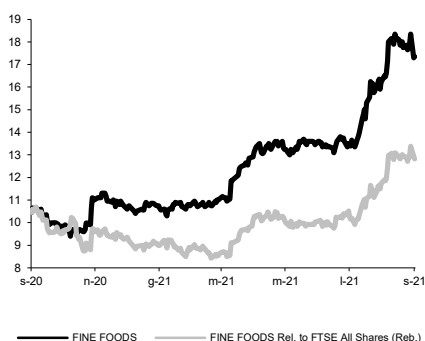
Target Price (Eu): from 22.00 to 23.00

	2021E	2022E	2023E
Chg in Adj EPS	2.9%	11.9%	12.0%

Next Event

9M Results out 12 November

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	7.1%	27.6%	66.0%
Relative	9.0%	27.5%	30.6%
12M (H/L)	18.35/9.40		
3M Average Volume (th):	26.04		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	443
Total Mkt Cap (Eu mn):	443
Mkt Float - Ord (Eu mn):	212
Mkt Float (in %):	47.9%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.1%

Balance Sheet Data

Book Value (Eu mn):	133
BVPS (Eu):	5.18
P/BV:	3.3
Net Financial Position (Eu mn):	-7
Enterprise Value (Eu mn):	429

■ **Acquisition of Euro Cosmetic, 2nd round of M&A in the cosmetic field.** Yesterday, Fine Foods (FF) signed a binding agreement for the acquisition of 72.9% of Euro Cosmetic (EC) for €26.8mn, a cosmetic CDMO based in Brescia and listed on the AIM segment of Borsa Italiana since November 2020 (€35.7mn market cap). A takeover bid on EC listed minorities will follow (at €8.60, +9.4% premium to yesterday's closing price, +22.3% vs last month, +36.5% to IPO price), leading to a €37.9mn overall cashout for 100% of EC. For FF, the deal represents a 2nd major step in the attractive segment of cosmetics&biocides manufacturing since the acquisition of Pharmatek (PMC) almost a year ago. In FY20, EC generated €27mn sales and €4.9mn EBITDA (above the €4.5mn target set at the IPO, with an 18% margin), while 1H21 trends (sales -20% YoY, EBITDA -41% YoY) were hit hard by pandemic restrictions and order postponements by some key clients. Considering a €5mn positive NFP in 1H21, the deal envisages a €33mn EV and implies an attractive 8x EV/EBITDA '22E multiple (FF currently trading at 11x), slightly above the c.7x EV/EBITDA paid for PMC (€17.2mn cashout).

■ **Attractive commercial portfolio and high-quality assets.** EC's customer portfolio consists of prestigious companies in the cosmetics and pharma industry, which serve the large-scale retail trade, discount stores and specialty channels such as pharmacies and perfumeries, both mono and multi-brand, nationally and internationally. Since 2007, EC has enjoyed significant top-line growth, becoming a leading Italian CDMO in cosmetics. The factory area, blending plants, packaging lines and labs have grown at the same pace to become a modern factory that now covers an area of 16,500 sqm and employees c.100 people. Thanks to EC, FF should reinforce visibility on HSD/DD growth (above the 3% CAGR expected over the next 3 years for its core EU cosmetic market) and cross-fertilisation opportunities from the increase in share-of-wallet related to existing clients and constant expansion of the client base thanks to the integration of the respective commercial portfolios of the 3 companies (FF, PMC, EC).

■ **Updated estimates.** Assuming EC consolidation since 4Q21, we embody full upside from the acquisition in FY22, seeing for a return of the top line back to FY20 levels. This leads us to raise the top line and EBITDA by 11-12% (assuming EC profitability in line with FF and PMC, before considering synergies), driving a c.12% EPS increase in both years.

■ **OUTPERFORM confirmed; new target €23.** Double-digit 1H revenue growth supports visibility on a strong FY21 performance, on top of value accretion and cross-fertilisation opportunities from Pharmatek and Euro Cosmetic, prompting us to confirm our positive view on the stock and raise our DCF-based TP to €23 (from €22). The company is well placed to outperform peers, having largely outgrown its core end-markets in the last decade and enjoy solid operating trends leveraging its critical mass as the largest Italian CDMO, highly visible customer demand (resulting in enduring relations and increasing share of wallet), and the additional capacity secured through investments, as well as the ability to seize further M&A opportunities for quality assets in adjacent markets or to act as a natural aggregator.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	160	172	223	270	296
EBITDA Adj (Eu mn)	20	22	31	40	45
Net Profit Adj (Eu mn)	12	9	13	17	19
EPS New Adj (Eu)	0.506	0.398	0.502	0.671	0.762
EPS Old Adj (Eu)	0.506	0.398	0.488	0.600	0.680
DPS (Eu)	0.120	0.140	0.176	0.235	0.267
EV/EBITDA Adj	9.7	8.6	13.7	10.4	8.9
EV/EBIT Adj	18.0	18.0	26.2	20.7	17.4
P/E Adj	34.3	43.6	34.6	25.9	22.8
Div. Yield	0.7%	0.8%	1.0%	1.4%	1.5%
Net Debt/EBITDA Adj	-1.2	-1.9	0.2	-0.2	-0.6

FINE FOODS – Key Figures

Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	139	160	172	223	270	296
EBITDA	19	17	21	31	40	45
EBIT	10	8	9	17	23	26
Financial Income (charges)	0	-0	-0	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	10	0	17	-0	22	25
Taxes	-2	-3	-3	0	-5	-6
Tax rate	16.7%		19.9%	22.0%	22.5%	23.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	9	-3	13	-0	17	19
EBITDA Adj	19	20	22	31	40	45
EBIT Adj	10	11	11	16	20	23
Net Profit Adj	9	12	9	13	17	19
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	23	23	24	26	26	26
Total Shares Outstanding (mn) - Year End	24	24	24	26	26	26
EPS f.d	0.370	-0.119	0.570	-0.004	0.671	0.762
EPS Adj f.d	0.370	0.506	0.398	0.502	0.671	0.762
BVPS f.d	5.954	5.571	5.982	5.184	5.679	6.206
Dividend per Share ORD	0.098	0.120	0.140	0.176	0.235	0.267
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)						
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	12	24	24	27	34	38
Change in NWC	-11	1	9	-2	-1	-1
Capital Expenditure	-32	-20	-16	-11	-12	-13
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-31	4	18	14	21	24
Acquisitions, Divestments & Other Items	30	-20	8	-55	0	0
Dividends	0	-2	-3	-3	-4	-6
Equity Financing/Buy-back	100	-5	-4	-5	0	0
Change in Net Financial Position	67	-22	18	-50	17	18
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	82	93	97	149	144	138
Net Working Capital	19	16	3	5	6	6
Long term Liabilities	-7	0	0	-13	-13	-13
Net Capital Employed	93	106	98	139	136	131
Net Cash (Debt)	47	24	43	-7	10	27
Group Equity	140	131	141	133	145	159
Minorities	0	0	0	0	0	0
Net Equity	140	131	141	133	145	159
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	232	242	256	443	443	443
Adjustments (Associate & Minorities)	21	21	21	21	21	21
Net Cash (Debt)	47	24	43	-7	10	27
Enterprise Value	164	196	192	429	413	395
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	13.4%	12.7%	13.0%	14.0%	14.8%	15.1%
EBIT Adj Margin	7.3%	6.8%	6.2%	7.3%	7.4%	7.7%
Gearing - Debt/Equity	-33.4%	-18.7%	-30.3%	5.2%	-6.6%	-17.2%
Interest Cover on EBIT	nm	16.8	23.0	41.5	56.3	73.3
Net Debt/EBITDA Adj	-2.5	-1.2	-1.9	0.2	-0.2	-0.6
ROACE*	13.4%	8.2%	9.2%	14.0%	16.4%	19.2%
ROE*	9.7%	8.8%	6.9%	9.4%	12.4%	12.8%
EV/CE	2.2	2.0	1.9	3.6	3.0	3.0
EV/Sales	1.2	1.2	1.1	1.9	1.5	1.3
EV/EBITDA Adj	8.8	9.7	8.6	13.7	10.4	8.9
EV/EBIT Adj	16.1	18.0	18.0	26.2	20.7	17.4
Free Cash Flow Yield	-7.5%	1.0%	4.1%	3.3%	5.0%	5.6%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	16.6%	14.6%	7.7%	29.6%	20.9%	9.8%
EBITDA Adj	11.7%	8.6%	9.9%	40.3%	27.2%	12.1%
EBIT Adj	0.2%	7.2%	-2.5%	53.6%	21.7%	14.1%
Net Profit Adj	40.3%	nm	nm	nm	nm	13.6%
EPS Adj	26.9%	36.6%	-21.2%	26.1%	33.6%	13.6%
DPS	nm	22.0%	16.7%	25.5%	33.6%	13.6%

*Excluding extraordinary items Source: Intermonte SIM estimates

Fine Foods in Brief

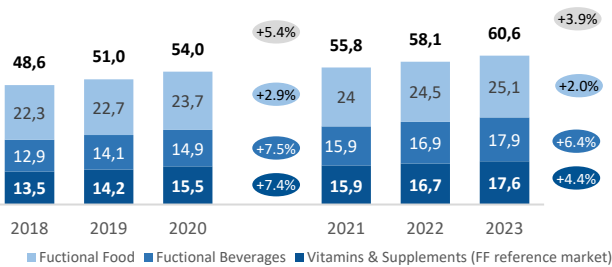
Company description

Fine Foods (FF) is the largest independent Italian CDMO of solid oral forms for the nutraceutical and pharmaceutical industries and is also active in the cosmetics, biocides and medical devices industries with the acquisition of Pharmatek (Jan'21). Founded in 1984, FF has been pursuing quality and innovation on behalf of its primary objective. With an 11% top-line CAGR over the last decade, FF is a growing and future-oriented company. In July '21, less than 3 years after listing on the AIM segment, FF shares were admitted to the STAR segment of Borsa Italia.

Strengths/Opportunities

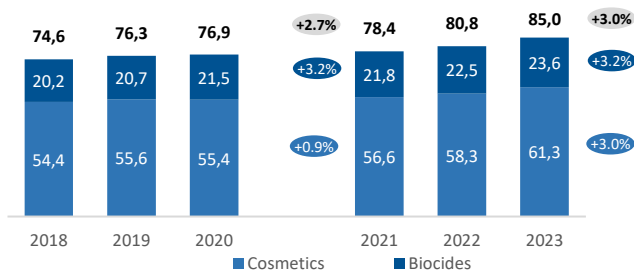
- Exposure to secular trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across pharma, food and cosmetic/biocides sector (Pharmatek and Euro Cosmetics) with cross-selling opportunities and cross-functional on R&D
- High employee engagement (best-in-class retention rate)

European Nutraceutical Market Value (Eu bn)



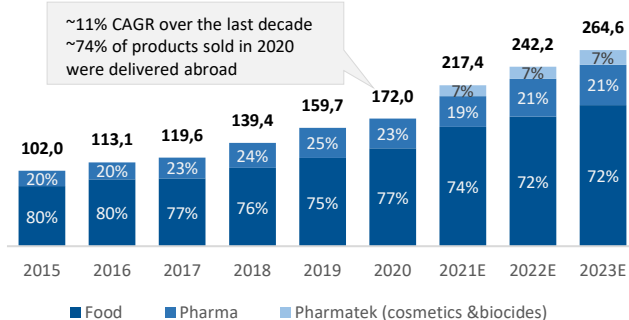
Source: Euromonitor International

European Cosmetics and Biocides Market



Source: Euromonitor International

Fine Foods – Net Revenue Trend (2015-2023E)



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

Management

Chairman and CEO: M. Eigenmann
CEO: Giorgio Ferraris
CFO: Pietro Bassani
IR: Carlo Larghi

Next BoD renewal: Spring, 2023
BoD independent members: 3/7
BoD women: 3/7

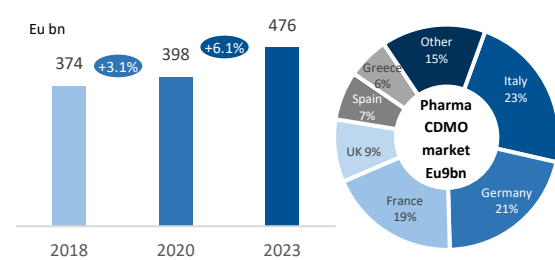
Shareholders

Marco Eigenmann 52.1%
 Treasury Shares 4.7%
 Market 43.2%
Free float (ord. shares) 52.1%

Weaknesses/Threats

- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- Limited customer power due to high concentration (top 5 clients c. 77% of FF sales in 2020)
- No patent protection
- Changes to the regulatory framework
- Potential shifts in consumer behaviour patterns and needs

European Pharma Production (left) and EU CDMO Market Value (right)



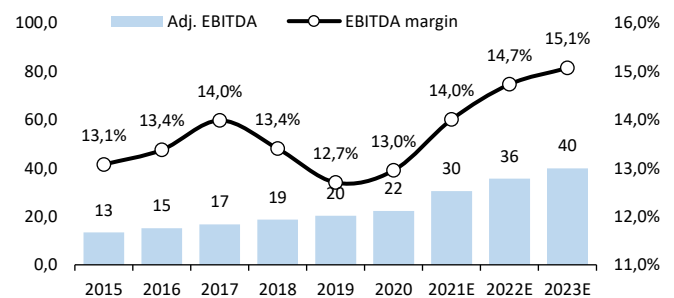
Source: FY20 Company Presentation (Euromonitor International, Prometeia)

Fine Foods – Diversified Share of Wallet (2020 client as % of total sales)



Source: FY20 Company Presentation

Fine Foods – EBITDA and Margin trend (2015-2023E)



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

Euro Cosmetic in nutshell

- Euro Cosmetic S.p.A. (EC) is a company active in the research & development, production, and sale of products for Personal Care (personal hygiene, well-being and fragrances): detergents, products for oral hygiene, skin care and fine fragrances.
- Production is entirely made in Italy at the Trezano (BS) plant employing over 90 personnel.
- Since 2007, EC has enjoyed significant top-line growth, becoming a leading Italian CDMO in cosmetics. The factory area, blending plants, packaging lines and labs have grown at the same pace to become a modern factory that now covers an area of 16,500 sqm and employees c.100 people
- The Customer Portfolio consists of prestigious companies in the cosmetics and pharmaceutical industry that serve the large-scale retail trade, discount stores and specialty channels such as pharmacies and perfumeries, both mono and multi-brand, nationally and internationally. FY20 sales breakdown across product areas (FY20 sales: c. 50% personal hygiene, c.30% oral care, 13% fine fragrances and 7% skin care) and different channels (40% mass retail/GDO, 33% industrial, 14% pharmacies, 14% professional).
- In FY20, EC generated €27.1mn in sales and €4.9mn EBITDA (above the €4.5mn target set at the IPO, with an 18% margin), while 1H21 trends (sales -20% YoY to €11.7mn, EBITDA -41% YoY to €1.7, with a 14.2% margin) were severely hit by further pandemic restrictions leading to postponement of orders by some key professional clients and lower orders for sanitizing products, attributable to massive production by many firms that led to the sector now being saturated and carrying large stocks, but also rising price pressure on raw material and packaging costs.

Euro Cosmetic Transaction: Key Terms and Conditions

Yesterday, Fine Foods (FF) announced the signing of a binding agreement with Findea's S.r.l. ("Findea") and MD S.r.l. ("MD") for the purchase of 72.9% of Euro Cosmetic S.p.A. (EC) share capital. The Company shares are traded on AIM Italia market organized and managed by Borsa Italiana S.p.A.

Binding agreement with key shareholders (72.9%). Findea and MD are the key companies of the Chairman of the Company Board of Directors Carlo Ravasio and Euro Cosmetic CEO Daniela Maffoni, his wife.

- **Price:** FF shall pay (i) to MD, for its shareholding and equal to 38.7% of the share capital of EC, €8.13 (+3.4% premium vs yesterday's price) per share for a total of Euro 15,000,411; (ii) to Findea for its shareholding of 34.2% of the share capital of Euro Cosmetic, € 7.25 per share (-7.8% discount vs yesterday's price) for a total of € 11,815,550.
- **Closing date:** The transfer of the Shareholdings is subject to the usual conditions for these transactions and should be completed on 8 October 2021, unless otherwise agreed. Findea and MD will sell the Shareholdings as an exception to the lock-up agreement previously signed
- **Key terms agreed:** (i) Findea, Carlo Ravasio, MD and Daniela Maffoni shall enter into non-competition agreements for FF Group for 5 years; (ii) Findea shall enter into a consulting agreement with EC for a year; and Fine Foods shall enter into a trade agreement with Aphrodite S.r.l. - a company reporting to Daniela Maffoni - for 24 months to supply skincare products for the latter under Aphrodite S.r.l.'s proprietary brand. On the closing date, the Euro Cosmetic shareholders' meeting will be held to change the corporate bodies.

Euro Cosmetic (EC) – Prices paid across shareholder categories

EC Shareholders	Shares	stake	Agreed price (€)	Counter value (€ mn)
MD Srl	1,845,069	38.7%	8.13	15,000,411
Findea Srl	1,629,731	34.2%	7.25	11,815,550
Market	1,286,800	27.0%	8.60	11,066,480
Total	4,761,600	100.0%	7.96	37,882,441

Source: Intermonte SIM

Takeover bid on minorities (27.1%) and delisting. After the purchase of Shareholdings, Fine Foods will acquire control of Euro Cosmetic and launch a mandatory takeover bid for the remaining Euro Cosmetic shares, amounting to 27.1% of the share capital under the terms and procedures provided by law. The takeover bid purchase price will be € 8.60 per Euro Cosmetic ordinary share (+9.4% premium vs yesterday's price), which represents a premium of 22.3%, 22.5% and 36.5% against the average of the official share price of the last month, the previous six months, and the placement price for the listing on AIM Italia, respectively. The transaction is aimed at delisting the Company.

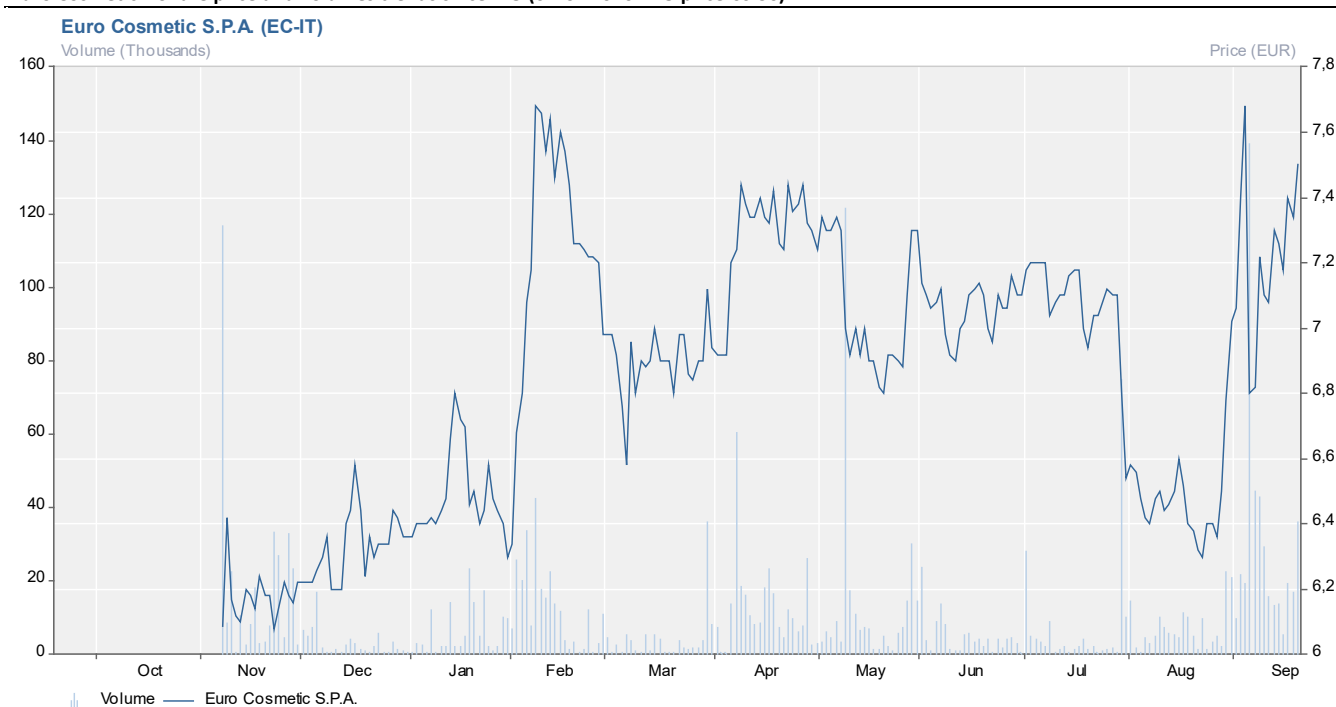
Acquisition multiple. Considering a €5mn positive NFP in 1H21, the deal envisages a €33mn EV and implies an attractive 8x EV/EBITDA '22E multiple (FF currently trading at 11x), slightly above the c.7x EV/EBITDA paid for PMC (€17.2mn cashout). The overall transaction implies a blended price for EC of €7.96, 1% above yesterday's closing price (€7.86).

Fine Foods – M&A track-record and acquisition multiples

Date	Target	EV	Debt/(Cash)	Equity	Year	Sales	EV/sales	EBITDA	EBITDA margin	EV/EBITDA
21/09/2021	Euro Cosmetic	32.9	(5.0)	37.9	FY22E	27.3	1.2x	4.1	15.0%	8.0x
		32.9	(5.0)	37.9	FY21E	22.0	1.5x	3.3	15.0%	10.0x
		32.0	(5.9)	37.9	FY20A	27.1	1.2x	4.9	18.1%	6.5x
16/11/2020	Pharmatek	17.7	0.5	17.2	FY21E	15.1	1.2x	2.4	16.0%	7.3x
		17.7	0.5	17.2	FY20A	17.8	1.0x	3.8	21.4%	4.6x

Source: Intermonte SIM

Euro Cosmetic – Share price and volumes trends since IPO (6 Nov 2020: IPO price €6.30)



Source: Factset

Overview on the Italian Cosmetic CDMO sector

- According to latest Euromonitor figures, **the reference market for the European Cosmetics & Biocides CDMO sector is expected to show a 3% CAGR over the next 3 years** (slightly above its 2.7% CAGR'18-20), keeping solid trends in both segments: Cosmetics (comprising bath&shower, deodorants, hair care, skin care) and Biocides (oral care, dermatologicals, surface care, adult mouth care). In particular, soaring demand from personal care & cosmetic manufacturers is creating new growth opportunities for contract manufacturing organizations and contract development and manufacturing organizations (CMO/CDMOs).
- **Italy accounts for a substantial share of around 20% of the global market**, attributed to the strong presence of cosmetic manufacturers, with high demand from cosmetic & personal care industry set to boost CMO/CDMO sales across EU and United States.
- **Euro Cosmetic and Pharmatek rank among the Italy's largest CDMOs active in the Cosmetics & Biocides segment.**

Italian top CDMOs active in the Cosmetics & Biocides segment

Eu mn	Net Sales					EBITDA				EBITDA margin (%)			
	'17A	'18A	'19A	'20A	3Y/2Y CAGR	'17A	'18A	'19A	'20A	'17A	'18A	'19A	'20A
Farmol	62.0	72.2	85.8	79.8	8.8%	5.7	9.0	12.5	9.6	9%	12%	15%	12%
Cosmoproject	36.0	46.0	45.1	47.3	9.6%	3.5	5.5	3.5	4.6	10%	12%	8%	10%
Huwell Chemicals	35.4	46.2	46.5	46.6	9.5%	8.1	9.6	8.9	8.3	23%	21%	19%	18%
Eurosirel	35.6	37.9	41.5	45.9	8.8%	7.1	6.9	8.5	10.1	20%	18%	20%	22%
Incos	40.3	41.4	44.5	n.a.	5.0%	3.6	3.7	3.5	n.a.	9%	9%	8%	n.a.
Biodue	35.7	41.0	41.9	n.a.	8.3%	4.6	7.5	6.2	n.a.	13%	18%	15%	n.a.
Cosmosol	23.7	25.2	31.3	n.a.	14.9%	(1.6)	0.7	1.6	n.a.	-7%	3%	5%	n.a.
Euro cosmetic	19.8	19.1	22.0	27.1	10.9%	1.9	1.7	2.8	4.9	10%	9%	13%	18%
Biokosmes	15.2	16.5	17.3	23.8	16.1%	2.3	2.6	3.0	4.2	15%	16%	18%	18%
Valetudo	14.9	15.5	18.1	18.4	7.4%	2.2	2.3	1.2	2.5	15%	15%	7%	14%
Pharmatek pmc	8.5	7.7	7.0	17.8	28.0%	0.6	0.6	0.6	3.8	7%	8%	8%	21%
OFI	16.2	18.0	18.5	17.5	2.5%	2.5	2.9	3.7	3.3	15%	16%	20%	19%
Eley	10.6	12.9	13.3	n.a.	11.9%	0.7	1.6	0.9	n.d.	7%	12%	7%	n.d.
Biogei cosmetici	1.3	3.1	13.2	13.0	113%	0.5	1.8	8.6	8.1	38%	57%	66%	62%
Farcoderma	6.0	6.9	10.4	12.2	27.0%	1.6	1.3	1.8	2.7	27%	19%	17%	22%
Cleys	6.7	6.7	6.9	11.9	21.3%	0.3	0.1	(0.1)	1.3	4%	1%	-1%	11%
SIPRES	9.9	8.9	11.6	n.d.	8.1%	0.5	0.4	0.4	n.d.	5%	4%	3%	n.a.
San.Eco.Vit.	6.6	8.3	8.4	10.9	18.3%	1.1	0.5	0.7	1.7	17%	6%	8%	16%
I.R.A.	6.7	9.9	10.8	10.3	15.3%	1.0	3.2	3.2	3.7	15%	32%	30%	36%
Profimed	7.2	9.0	9.0	9.7	10.5%	0.7	1.5	1.9	1.4	9%	17%	21%	14%
Pink frogs	5.1	5.9	7.4	9.6	23.2%	0.4	0.4	0.4	0.6	7%	7%	6%	7%
Pharma Millennium	5.0	5.6	7.2	9.5	23.5%	0.4	0.5	0.6	2.2	8%	8%	8%	23%
Res Pharma	6.3	7.5	8.6	8.5	10.6%	0.4	0.5	0.8	0.6	6%	7%	10%	8%
Average					17.9%					12%	14%	14%	19%

Source: Intermonte SIM, Company data

Changes to Estimates

Assuming EC consolidation since 4Q21, we incorporate full upside from the acquisition in FY22, estimating for EC a return of the top line to FY20 levels. This leads us to raise topline and EBITDA by 11-12% (assuming EC profitability in line with FF and PMC, before considering synergies), driving a c.12% EPS increase in both years.

Fine Foods – Changes to Estimates

(Eu mn)	'19A	'20A	New Estimates			Old Estimates			New vs Old		
			'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
Food	119.2	132.0	162.8	177.1	192.7	162.8	177.1	192.7	0.0%	0.0%	0.0%
Pharma	40.5	40.0	39.4	48.8	52.3	39.4	48.8	52.3	0.0%	0.0%	0.0%
Pharmatek	0.0	0.0	15.1	16.3	19.7	15.1	16.3	19.7	0.0%	0.0%	0.0%
Euro Cosmetic	0.0	0.0	5.5	27.3	31.4	0.0	0.0	0.0	n.a.	n.a.	n.a.
Revenues	159.7	172.0	222.9	269.5	296.1	217.4	242.2	264.7	2.5%	11.3%	11.9%
YoY growth	14.6%	7.7%	29.6%	20.9%	9.8%	26.4%	11.4%	9.3%			
Adj. EBITDA	20.3	22.3	31.3	39.8	44.6	30.4	35.7	39.9	2.7%	11.5%	11.8%
Adj. EBITDA Margin	12.7%	13.0%	14.0%	14.8%	15.1%	14.0%	14.7%	15.1%			
Adj. EBIT	10.9	10.7	16.9	22.5	25.6	16.4	20.2	22.9	2.9%	11.7%	11.8%
Adj. EBIT Margin	6.8%	6.2%	7.6%	8.4%	8.7%	7.5%	8.3%	8.7%			
EBIT	8.1	9.4	16.6	22.5	25.6	16.1	20.2	22.9	2.9%	11.7%	11.8%
Pre taxes	0.1	16.7	-0.1	22.1	25.3	-0.6	19.8	22.6	n.a.	11.9%	12.0%
Net Profit	(2.8)	13.4	(0.1)	17.1	19.5	-0.5	15.3	17.4	n.a.	11.9%	12.0%
Adj. Net profit	11.9	9.3	12.8	17.1	19.5	12.5	15.3	17.4	2.9%	11.9%	12.0%
Adj. EPS (€/share)	0.51	0.40	0.50	0.67	0.76	0.49	0.60	0.68	2.9%	11.9%	12.0%
DPS (€/share)	0.12	0.14	0.18	0.23	0.27	0.17	0.21	0.24	2.9%	11.9%	12.0%
% payout on Adj. EPS	24%	35%	35%	35%	35%	35%	35%	35%			
Adj. EBITDA	20.3	22.3	31.3	39.8	44.6	30.4	35.7	39.9	2.7%	11.5%	11.8%
- Capex	(20.1)	(15.7)	(11.1)	(12.1)	(13.3)	(10.9)	(10.9)	(11.9)	2.5%	11.3%	11.9%
capex /sales	12.6%	9.1%	5.0%	4.5%	4.5%	5.0%	4.5%	4.5%			
- Delta WKC	0.5	9.4	(2.3)	(1.3)	(1.4)	(2.0)	(0.3)	(1.2)			
Op. FCF	0.7	16.0	17.8	26.3	29.8	17.6	24.5	26.7	1.4%	7.5%	11.6%
as % of Adj. EBITDA	3%	72%	57%	66%	67%	58%	69%	67%			
Equity FCF	4.4	17.5	13.9	21.0	23.7	13.7	19.7	21.2	1.1%	6.6%	11.7%
as % of Adj. EBITDA	22%	79%	44%	53%	53%	45%	55%	53%			
Net Cash /(Debt)	24.4	42.8	(6.9)	9.6	27.3	30.9	46.2	62.1	-122.3%	-79.2%	-56.0%
Net Cash/Adj. EBITDA	1.2x	1.9x	-0.2x	0.2x	0.6x	1.0x	1.3x	1.6x			

Fine Foods – P&L

(Eu mn)	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Total Revenues	102.0	113.1	119.6	139.4	159.7	172.0	222.9	269.5	296.1
Total Operating Costs	(88.7)	(98.0)	(104.1)	(120.7)	(142.2)	(150.9)	(191.9)	(229.8)	(251.5)
EBITDA	13.3	15.1	15.5	18.7	17.5	21.1	31.0	39.8	44.6
% EBITDA Margin	13%	13%	13%	13%	11%	12%	14%	15%	15%
Depr. Prov's. and Write-downs	(5.2)	(5.8)	(6.6)	(8.5)	(9.4)	(11.6)	(14.4)	(17.3)	(18.9)
EBIT	8.1	9.3	9.0	10.2	8.1	9.4	16.6	22.5	25.6
% EBIT Margin	7.9%	8.2%	7.5%	7.3%	5.1%	5.5%	7.4%	8.4%	8.7%
Net Financial Charges	(0.3)	(0.2)	(0.4)	0.2	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)
Other Charges and Income	-	-	-	-	-	-	-	-	-
Net Operating Margin	7.8	9.0	8.5	10.4	0.1	16.7	(0.1)	22.1	25.3
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	0	(5)	(6)
Tax Rate %	-32%	-31%	-27%	-17%	n.m.	-20%	-22%	-23%	-23%
Net Income	5.3	6.2	6.2	8.7	(2.8)	13.4	(0.1)	17.1	19.5

Fine Foods – Balance Sheet

(Eu mn)	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Fixed assets:									
- Intangible	2.2	1.9	1.7	3.6	3.3	3.5	3.5	3.5	3.5
- Tangible	38.9	41.6	57.3	78.6	89.3	93.4	145.3	140.1	134.5
- Financial	-	-	-	-	-	-	-	-	-
Total Fixed Assets	40.3	42.9	58.6	82.2	92.7	96.9	148.7	143.6	138.0
Net working capital	10.3	10.3	2.0	18.9	15.7	2.8	5.1	6.3	7.7
Gross inv. capital	50.7	53.2	60.6	101.1	108.3	99.7	153.8	149.9	145.7
Severance provision	(0.0)	(0.0)	-	(7.0)	-	-	(13.3)	(13.3)	(13.3)
Net invested capital	49.3	51.9	59.4	93.0	106.3	98.2	139.4	135.5	131.3
Group sharehold. equity	31.5	32.7	38.9	139.6	130.7	141.0	132.5	145.2	158.6
Minority interests	-	-	-	-	-	-	-	-	-
Net Debt /(Net Cash)	17.8	19.3	20.4	(46.7)	(24.4)	(42.8)	6.9	(9.6)	(27.3)
Total cover	49.3	51.9	59.3	93.0	106.3	98.2	139.4	135.5	131.3

Fine Foods – Cash Flow Statement

(Eu mn)	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net fin position beg of year	(14.3)	(17.8)	(19.3)	(20.4)	46.7	24.4	42.8	(6.9)	9.6
Net income	5.3	6.2	6.2	8.7	11.9	9.3	12.8	17.1	19.5
Depreciation	5.2	5.8	6.6	8.5	9.4	11.6	14.4	17.3	18.9
Change in working capital	(6.5)	(0.8)	4.7	(11.3)	0.5	9.4	(2.3)	(1.3)	(1.4)
Others	0.0	0.8	3.6	(5.7)	2.8	2.8	0.1	0.1	0.1
FCF before capex	4.0	12.1	21.1	0.2	24.5	33.2	25.0	33.1	37.0
Investments	(7.5)	(10.0)	(21.9)	(31.7)	(20.1)	(15.7)	(11.1)	(12.1)	(13.3)
Equity FCF	(3.5)	2.1	(0.8)	(31.5)	4.4	17.5	13.9	21.0	23.7
Acquisitions	-	-	-	-	-	-	(55.1)	-	-
Disposals	-	-	0.0	0.0	-	-	-	-	-
Dividends	-	(5.0)	-	-	(2.2)	(2.7)	(3.2)	(4.5)	(6.0)
Share Buy-back	-	-	-	-	(4.7)	(4.0)	(5.2)	-	-
Rights Issue/ ipo	-	-	-	100.0	-	-	-	-	-
Other (incl. Warrants)	7.4	11.5	21.5	30.3	(19.7)	7.7	-	-	-
Cash flow	3.9	8.6	20.7	98.8	(22.3)	18.4	(49.7)	16.5	17.7
Net fin position end of year	(17.8)	(19.3)	(20.4)	46.7	24.4	42.8	(6.9)	9.6	27.3

(Eu mn)	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA adjusted	13.3	15.1	16.7	18.7	20.3	22.3	31.3	39.8	44.6
- Capex	(7.5)	(10.0)	(21.9)	(31.7)	(20.1)	(15.7)	(11.1)	(12.1)	(13.3)
- Delta WKC	(6.5)	(0.8)	4.7	(11.3)	0.5	9.4	(2.3)	(1.3)	(1.4)
Op.FCF	(0.7)	4.3	(0.5)	(24.3)	0.7	16.0	17.8	26.3	29.8
as % of Adj. EBITDA	n.m.	28%	n.m.	n.m.	3%	72%	57%	66%	67%
Interest&Taxes	(2.8)	(3.1)	(4.0)	(1.5)	0.9	(1.3)	(4.0)	(5.4)	(6.2)
Other (incl. one off)	0.0	0.8	3.6	(5.7)	2.8	2.8	0.1	0.1	0.1
Equity FCF	(3.5)	2.1	(0.8)	(31.5)	4.4	17.5	13.9	21.0	23.7

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

DCF Valuation

On our new estimates, we raise our DCF-based TP to €23 (from €22) based on a 7.3% WACC (unchanged) and 2.5% terminal growth (unchanged). At our TP, which offers 35% upside to the current price, the stock would trade at 15/13x EV/EBITDA '22/23E (currently at 11/9x) compared to the 17/16x average of selected peers.

Fine Foods – DCF Model

(Eu mn)	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	TV
Net Revenues	222.9	269.5	296.1	322.8	351.0	379.6	408.4	438.0	467.1	497.4	526.9	540.0
YoY growth	29.6%	20.9%	9.8%	9.0%	8.7%	8.2%	7.6%	7.3%	6.6%	6.5%	5.9%	2.5%
EBITDA	31.3	39.8	44.6	47.5	51.7	55.9	60.2	64.6	69.0	73.5	77.9	81.0
% margin	14.0%	14.8%	15.1%	14.7%	14.7%	14.7%	14.7%	14.8%	14.8%	14.8%	14.8%	15.0%
D&A	(14.7)	(17.3)	(18.9)	(20.7)	(22.5)	(24.3)	(26.2)	(28.1)	(30.0)	(31.9)	(33.9)	(32.4)
EBIT	16.6	22.5	25.6	26.9	29.2	31.6	34.1	36.6	39.1	41.7	44.2	48.6
% margin	7.4%	8.4%	8.7%	8.3%	8.3%	8.3%	8.3%	8.4%	8.4%	8.4%	8.4%	9.0%
Taxes		(5.4)	(6.2)	(6.4)	(7.0)	(7.6)	(8.2)	(8.8)	(9.4)	(10.0)	(10.6)	(11.7)
tax rate		24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Change in WC		(1.3)	(1.4)	(1.1)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)	(1.4)	-
Capex		(12.1)	(13.3)	(16.1)	(17.6)	(19.0)	(20.4)	(21.9)	(23.4)	(24.9)	(26.3)	(32.4)
Unlevered FCF		20.9	23.7	23.8	25.8	28.0	30.2	32.5	34.8	37.2	39.5	36.9
TV												777.7
year		1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	10.0
Discounted WACC		0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5
Discounted Free cash flow		19.5	20.6	19.3	19.5	19.7	19.9	19.9	19.9	19.8	19.6	386.2

Discounted FCF '22E-31E	197.7
Terminal value	386.2
Total EV (with DCF)	583.9
NFP/(Debt) at YE21E	(6.9)
Minorities	0.0
own shares	21.3
Total EQUITY (Eu mn)	598.2
NOSH (mn)	25.6
Fair value (Eu/share)	23.4
current price (Eu/share)	17.35
upside vs current price	34.9%

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

		g										
		2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%
WACC	6.3%	25.1	25.5	26.0	26.4	26.9	27.4	28.0	28.6	29.2	29.8	30.5
	6.5%	24.3	24.7	25.1	25.6	26.0	26.5	27.0	27.5	28.0	28.6	29.2
	6.7%	23.7	24.0	24.4	24.8	25.2	25.6	26.0	26.5	27.0	27.5	28.1
	6.9%	23.0	23.3	23.7	24.0	24.4	24.8	25.2	25.6	26.1	26.5	27.0
	7.1%	22.4	22.7	23.1	23.4	23.7	24.1	24.4	24.8	25.2	25.7	26.1
	7.3%	21.9	22.2	22.5	22.8	23.1	23.4	23.7	24.1	24.5	24.9	25.3
	7.5%	21.4	21.7	21.9	22.2	22.5	22.8	23.1	23.4	23.8	24.1	24.5
	7.7%	20.9	21.2	21.4	21.7	22.0	22.2	22.5	22.8	23.1	23.5	23.8
	7.9%	20.5	20.7	21.0	21.2	21.5	21.7	22.0	22.3	22.5	22.9	23.2
	8.1%	20.1	20.3	20.5	20.8	21.0	21.2	21.5	21.7	22.0	22.3	22.6
8.3%	19.7	19.9	20.1	20.3	20.6	20.8	21.0	21.3	21.5	21.8	22.0	

Source: Intermonte SIM

Peer Multiples

The table on the final page of the report provides a comparison with players in the CDMO sector and/or in healthcare product manufacturing. Given the lack of significance of the peer group due to high diversification in terms of size, vertical integration, geographical footprint, capital structure and profitability compared to Fine Foods, we do not take the peer multiples method into account in our valuation. **At current prices, Fine Foods trades at 11x/9x EV/adj. EBITDA for '22/'23, at a ca. 40% discount to the peer group.**

Fine Foods - Peer Multiples

Company	Currency	Price	Mkt. Cap (Eu mn)	Abs. Perf. (%)			EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			Adj. P/E (x)			Div. Yield (%)		
				1m	6m	Ytd	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E	'21E	'22E	'23E
FF (@mkt price, our est)	EUR	17.35	465	6.8%	56.6%	64.8%	1.8	1.6	1.4	12.9	10.6	9.1	23.9	18.7	15.7	35.6	28.9	25.5	1.0%	1.2%	1.4%
FF (@mkt price, cons.)	EUR	17.35	465	6.8%	56.6%	64.8%	1.8	1.6	1.4	12.9	10.5	9.3	24.0	18.6	16.1	36.6	29.2	26.2	0.9%	1.1%	1.2%
FF (@ our TP, our est.)	EUR	23	598				2.5	2.2	1.9	18.0	14.9	12.9	33.4	26.4	22.5	48.0	39.0	34.4	0.7%	0.9%	1.0%
Catalent	USD	136.09	19,851	10.2%	28.3%	30.7%	6.4	5.7	5.2	25.0	21.7	18.9	31.7	28.2	24.0	42.4	36.5	31.9	0.0%	0.0%	0.0%
Labomar SpA	EUR	13.75	254	1.8%	69.9%	109.8%	3.8	3.3	2.9	17.8	15.0	13.0	25.8	21.8	19.4	33.9	28.9	25.9	0.9%	1.0%	1.2%
Lonza Group AG	CHF	757.00	52,101	-1.9%	38.3%	31.6%	10.6	9.5	8.6	34.2	29.0	25.3	46.4	38.3	33.2	58.4	47.7	41.2	0.4%	0.4%	0.5%
Siegfried Holding AG	CHF	841.50	3,419	-8.0%	8.0%	24.8%	3.8	3.4	3.2	20.2	16.8	15.5	33.1	25.8	23.3	37.7	29.0	26.6	0.4%	0.5%	0.5%
Strides Pharma	INR	586.95	611	-2.7%	-23.8%	-33.3%	1.8	1.4	1.2	16.6	7.8	5.8	43.4	11.2	8.2	456.9	15.3	8.5	0.7%	0.8%	0.8%
Peer Group							3.8	3.4	3.2	20.2	16.8	15.5	33.1	25.8	23.3	42.4	29.0	26.6	0.4%	0.5%	0.5%

Source: Intermonte SIM (Fine Foods), Consensus (Factset)

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	23.00	Previous Target (Eu):	22.00
Current Price (Eu):	17.35	Previous Price (Eu):	17.85
Date of report:	22/09/2021	Date of last report:	14/09/2021

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

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- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
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OUTPERFORM:	52,42 %
NEUTRAL:	26,61 %
UNDERPERFORM	04,03 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

BUY:	27,08 %
OUTPERFORM:	56,25 %
NEUTRAL:	16,67 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

CONFLICT OF INTEREST

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

Within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: BPER, Cyberoo, Luve, Seri Industrial, The Italian Sea Group, Tinexta, WIIT.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Abitare In, Aedes, Aeroporto di Bologna, Alkemy, Ambienthesis, Azimut, Banca Ifis, Cellularline, Creval, Cy4Gate, ePrice, Falck Renewables, Guala Closures, H-Farm, IEG, Iervolino Entertainment, Link Mobility Group (on AMM shares), Mittel, Nova Re, OVS, Retelit, Saes Getters, Somec, SPSI (on Guala Closures shares), Tesmec, TXT, UBI Banca, and WIIT.

Intermonte acts as financial advisor to Ambienthesis in connection with the announced potential transaction with Greenthesis.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Ambienthesis, Aquafil, Avio, Banca Ifis, Banca Sistema, Cattolica, Cellularline, Cyberoo, Cy4gate, DeA Capital, El.En, Eles, Elica, Emak, Esprinet, Falck Renewables, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, Gpi, Gruppo Fos, IEG, Iervolino Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Nova Re SIQ, Pharamnutra, Relattech, Reply, Retelit, Saes Getters, Salcef, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, Txt and WIIT.

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

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

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

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

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

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

Emittente	%	Long/Short
AEDES NEW	3,7	LONG
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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