

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu17.90 - Target: Eu22.00

1H to Show Steady Growth in Food and Resilience in Pharma

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Stock Rating

Rating: Unchanged

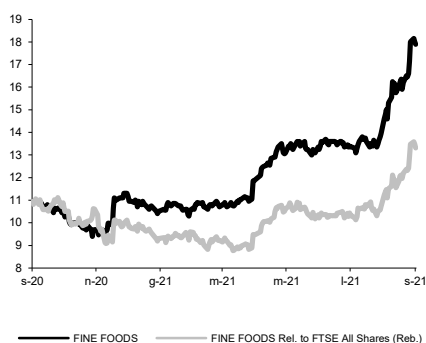
Target Price (Eu): from 16.00 to 22.00

	2021E	2022E	2023E
Chg in Adj EPS	0.2%	1.4%	1.2%

Next Event

Results out 13 September

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	28.3%	35.1%	63.5%
Relative	24.9%	31.4%	28.9%
12M (H/L)	18.15/9.40		
3M Average Volume (th):	22.06		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	458
Total Mkt Cap (Eu mn):	458
Mkt Float - Ord (Eu mn):	219
Mkt Float (in %):	47.9%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.1%

Balance Sheet Data

Book Value (Eu mn):	145
BVPS (Eu):	5.67
P/BV:	3.2
Net Financial Position (Eu mn):	30
Enterprise Value (Eu mn):	407

■ **Solid momentum to be confirmed in 1H.** We expect 1H net sales at €97mn, up +29% YoY (in line with our estimate of +26% YoY for FY21), showing a flattish but resilient trend in Pharma (+0.1% YoY, 22% of total turnover), more than compensated by a significant increase in the Food segment (+29% YoY, 72% of total) and the contribution from new acquisition Pharmatek (6% of total). In the Pharma segment, we only expect some minor and temporary effects from the pandemic restrictions and lower demand that hit the broader sector sales in the cough&cold segment. The adj. EBITDA trend should mirror the top-line one, growing by 30% to €12.7mn, with a flattish but healthy margin of 13%. We expect a positive net financial position at €20mn, halving from YE20 (€43mn), mainly due to the acquisition of Pharmatek (€17.7mn). Also during 1H, strong FCF generation (€7.4mn) was entirely used to finance new CapEx (€6.5mn, c.7% of sales) and to remunerate shareholders (€2.5mn in buybacks and €3.3mn in dividends).

■ **After the STAR listing, M&A back on the radar?** In the s/m term, we think management focus will be on investing organically in the current business, but we do not rule out the company possibly turning its attention back to exploring M&A opportunities, after the break of a few months in which Fine Foods (FF) was engaged in preparatory activities for the successful listing on the STAR segment in July. We estimate FF has c. €100mn of M&A firepower, considering the current solid NFP (c.€20mn in June'21), a mark-to-market valuation of c.€20mn for treasury shares (4.47% of the capital), and the possibility of increasing leverage to a comfort zone of 2.5x (c.€60mn), not far off the sector average. Assuming acquisition multiples in line with FF's current ones (c.11x EV/EBITDA/22), this would imply maximum accretion of c.25-30% on EBITDA and c.40-50% on net profit.

■ **Estimates Update.** We have fine-tuned our FY21-23 estimates to capture superior top-line growth in FY21 for the Food segment (now at low 20s) vs Pharma (at mid-single digit pace); this leads to +0.2/+1.4%/+1.2% on '21/22/23 EPS.

■ **OUTPERFORM confirmed, TP at €22 (from €16).** The expected double-digit revenue growth in 1H supports visibility on a robust performance in FY21, on top of value accretion and cross-fertilisation opportunities from Pharmatek, prompting us to confirm our positive view on the stock. On our new estimates, we raise our DCF-based TP to capture higher terminal growth (from 1.5% to 2.5%) also as a result of very encouraging outlook for the European CDMO sector: the usual high, steady growth of the EU nutraceutical market is expected to accelerate in coming years, as the secular trend of outsourcing pharmaceutical production to CDMOs is set to continue to add consistent non-cyclical growth. FF is well placed to outperform its peers, having substantially outgrown its core end-markets in the last decade, and to 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 domestically.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	160	172	217	242	265
EBITDA Adj (Eu mn)	20	22	30	36	40
Net Profit Adj (Eu mn)	12	9	12	15	17
EPS New Adj (Eu)	0.506	0.398	0.488	0.600	0.680
EPS Old Adj (Eu)	0.506	0.398	0.487	0.591	0.672
DPS (Eu)	0.120	0.140	0.171	0.210	0.238
EV/EBITDA Adj	9.7	8.7	13.4	11.0	9.4
EV/EBIT Adj	18.0	18.1	24.9	19.7	16.5
P/E Adj	35.4	45.0	36.7	29.9	26.3
Div. Yield	0.7%	0.8%	1.0%	1.2%	1.3%
Net Debt/EBITDA Adj	-1.2	-1.9	-1.0	-1.3	-1.5

FINE FOODS – Key Figures						
Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	139	160	172	217	242	265
EBITDA	19	17	21	30	36	40
EBIT	10	8	9	16	20	23
Financial Income (charges)	0	-0	-0	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	10	0	17	16	20	23
Taxes	-2	-3	-3	-4	-4	-5
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	12	15	17
EBITDA Adj	19	20	22	30	36	40
EBIT Adj	10	11	11	16	20	23
Net Profit Adj	9	12	9	12	15	17
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	0.488	0.600	0.680
EPS Adj f.d	0.370	0.506	0.398	0.488	0.600	0.680
BVPS f.d	5.954	5.571	5.982	5.673	6.101	6.572
Dividend per Share ORD	0.098	0.120	0.140	0.171	0.210	0.238
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	31	34
Change in NWC	-11	1	9	-2	-0	-1
Capital Expenditure	-32	-20	-16	-11	-11	-12
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-31	4	18	14	20	21
Acquisitions, Divestments & Other Items	30	-20	8	-18	0	0
Dividends	0	-2	-3	-3	-4	-5
Equity Financing/Buy-back	100	-5	-4	-5	0	0
Change in Net Financial Position	67	-22	18	-13	15	16
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	82	93	97	111	107	102
Net Working Capital	19	16	3	5	5	5
Long term Liabilities	-7	0	0	-0	-0	-0
Net Capital Employed	93	106	98	115	110	106
Net Cash (Debt)	47	24	43	30	46	61
Group Equity	140	131	141	145	156	168
Minorities	0	0	0	0	0	0
Net Equity	140	131	141	145	156	168
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	232	242	256	458	458	458
Adjustments (Associate & Minorities)	20	20	20	20	20	20
Net Cash (Debt)	47	24	43	30	46	61
Enterprise Value	165	197	193	407	391	376
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	13.4%	12.7%	13.0%	14.0%	14.7%	15.1%
EBIT Adj Margin	7.3%	6.8%	6.2%	7.5%	8.2%	8.6%
Gearing - Debt/Equity	-33.4%	-18.7%	-30.3%	-20.9%	-29.2%	-36.6%
Interest Cover on EBIT	nm	16.8	23.0	41.0	50.4	65.5
Net Debt/EBITDA Adj	-2.5	-1.2	-1.9	-1.0	-1.3	-1.5
ROACE*	13.4%	8.2%	9.2%	15.4%	17.9%	21.2%
ROE*	9.7%	8.8%	6.9%	8.7%	10.2%	10.7%
EV/CE	2.2	2.0	1.9	3.8	3.5	3.5
EV/Sales	1.2	1.2	1.1	1.9	1.6	1.4
EV/EBITDA Adj	8.8	9.7	8.7	13.4	11.0	9.4
EV/EBIT Adj	16.2	18.0	18.1	24.9	19.7	16.5
Free Cash Flow Yield	-7.2%	1.0%	4.0%	3.1%	4.5%	4.9%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	16.6%	14.6%	7.7%	26.4%	11.4%	9.2%
EBITDA Adj	11.7%	8.6%	9.9%	36.6%	17.3%	11.8%
EBIT Adj	0.2%	7.2%	-2.5%	53.6%	21.7%	14.1%
Net Profit Adj	40.3%	nm	nm	-6.7%	22.9%	13.5%
EPS Adj	26.9%	36.6%	-21.2%	22.5%	22.9%	13.5%
DPS	nm	22.0%	16.7%	22.0%	22.9%	13.5%

*Excluding extraordinary items Source: Intermonte SIM estimates

1H21 Preview

- Solid momentum to be confirmed in 1H.** We expect 1H net sales at €97mn, up +29% YoY (in line with our estimate of +26% YoY for FY21), showing a flattish but resilient trend in Pharma (+0.1% YoY, 22% of total turnover), more than compensated by a significant increase in the Food segment (+29% YoY, 72% of total) and the contribution from new acquisition Pharmatek (6% of total). In the Food segment, Fine Foods should have delivered an impressive performance, in line with the strong performance of its key clients: to name but one, Herbalife Nutrition achieved the highest quarterly net sales result in its history in 2Q21, delivering double-digit growth for the fourth straight quarter. In the Pharma segment, we only expect some minor and temporary effects from the pandemic restrictions and lower demand that hit the broader sector sales in the cough&cold segment. The adj. EBITDA trend should mirror the top-line one, growing by 30% to €12.7mn, with a flattish but healthy margin of 13%. We expect a positive net financial position at €20mn, halving from YE20 (€43mn), mainly due to the acquisition of Pharmatek (€17.7mn). Also during 1H, strong FCF generation (€7.4mn) was entirely used to finance new CapEx (€6.5mn, c.7% of sales) and to remunerate shareholders (€2.5mn in buybacks and €3.3mn in dividends).

Fine Foods – 1H21E results: P&L

P&L (Eu mn)	1H19A	2H19A	2019A	1H20A	2H20A	2020A	1H21E	2H21E	2021E
Net revenues	83.2	76.6	159.7	75.4	96.6	172.0	97.1	120.3	217.4
YoY growth	17.9%	11.1%	14.6%	-9.4%	26.2%	7.7%	28.8%	24.5%	26.4%
Food	63.1	56.1	119.2	54.1	77.9	132.0	69.8	91.2	161.0
YoY growth	23.0%	3.3%	12.8%	-14.2%	38.8%	10.7%	29.0%	17.1%	22.0%
as % of sales	76%	73%	75%	72%	81%	77%	72%	76%	74%
Pharma	20.1	20.5	40.5	21.2	18.8	40.0	21.2	20.0	41.2
YoY growth	4.4%	40.5%	20.0%	5.8%	-8.0%	-1.2%	0.1%	6.3%	3.0%
as % of sales	24%	27%	25%	28%	19%	23%	22%	17%	19%
Pharmatek							6.0	9.1	15.1
YoY growth							n.a.	n.a.	n.a.
on sales							6.2%	7.6%	6.9%
Other Income/ Δ finished goods	5.5	(3.5)	1.9	1.0	4.0	5.0	1.0	1.2	2.2
Value of production	88.6	73.0	161.6	76.4	100.6	177.0	98.0	121.5	219.5
Adjusted EBITDA	11.2	9.1	20.3	9.8	12.5	22.3	12.7	17.7	30.4
YoY growth	18.8%	-1.8%	8.6%	-12.2%	36.9%	9.9%	29.9%	41.8%	36.6%
Adjusted EBITDA Margin	13.4%	11.9%	12.7%	13.0%	12.9%	13.0%	13.1%	14.7%	14.0%
one off	(1.4)	(1.4)	(2.8)	(0.7)	(0.5)	(1.2)	-	-	-
Reported EBITDA	9.8	7.7	17.5	9.1	12.0	21.1	12.7	17.7	30.4
Reported EBITDA margin	11.7%	10.1%	10.9%	12.1%	12.4%	12.3%	13.1%	14.7%	14.0%
D&A	(4.6)	(5.5)	(10.1)	(5.9)	(5.0)	(10.8)	(6.3)	(7.7)	(14.0)
Writedowns/Provision	(0.9)	1.6	0.8	(0.7)	(0.1)	(0.8)	-	-	-
EBIT adjusted	5.7	5.3	10.9	3.2	7.4	10.7	6.4	10.0	16.4
EBIT reported	4.3	3.8	8.1	2.5	6.9	9.4	6.4	10.0	16.4
Financial Income (Charges)	0.4	(0.9)	(0.5)	1.6	(2.0)	(0.4)	0.4	(0.8)	(0.4)
Non recurring income (Charges)	(0.2)	(7.3)	(7.5)	-	7.7	7.7	-	-	-
Pretax	4.5	(4.4)	0.1	4.2	12.5	16.7	6.8	9.2	16.0
Taxes	(1.3)	(1.6)	(2.9)	(1.1)	(2.3)	(3.3)	(1.7)	(1.8)	(3.5)
tax rate	28.4%	n.m.	n.m.	25.3%	18.1%	19.9%	25.0%	19.8%	22.0%
Net income	3.2	(6.0)	(2.8)	3.1	10.2	13.4	5.1	7.4	12.5
Net Income Restated	4.2	7.6	11.9	3.6	5.7	9.3	5.1	7.4	12.5

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

Fine Foods – 1H21E results: FCF evolution and net debt

FCF Evolution (Eu mn)	1H19A	2H19A	2019A	1H20A	2H20A	2020A	1H21E	2H21E	2021E
Net Income Restated	4.2	7.6	11.9	3.6	5.7	9.3	5.1	7.4	12.5
D&A and Provisions	4.6	4.8	9.4	5.9	5.8	11.6	6.3	7.7	14.0
Change in Working Capital	(2.2)	2.7	0.5	(4.5)	13.9	9.4	(4.0)	2.0	(2.0)
Change in funds/other							-	0.1	0.1
Other (incl. one off)	(1.4)	1.4	-	1.9	(2.5)	(0.6)	-	-	-
CF from Operations	5.2	16.5	21.7	6.9	22.9	29.8	7.4	17.1	24.5
Capex	(8.3)	(11.8)	(20.1)	(6.5)	(9.2)	(15.7)	(6.5)	(4.4)	(10.9)
Acquisition	-	-	-	-	-	-	(17.7)	-	(17.7)
Dividends	(2.2)	(0.0)	(2.2)	(2.7)	-	(2.7)	(3.3)	-	(3.3)
Share Buy-back	(2.7)	(2.0)	(4.7)	(2.5)	(1.5)	(4.0)	(2.5)	(2.7)	(5.2)
Rights Issue/ ipo	-	-	-	-	-	-	-	-	-
Other (incl. Warrants)	-	(19.7)	(19.7)	-	7.7	7.7	-	-	-
Change in NFP	(7.8)	(14.5)	(22.3)	(4.9)	19.9	14.9	(22.6)	10.0	(12.5)
NFP Evolution (Eu mn)	1H19A		2019A	1H20A		2020A	1H21E		2021E
initial NFP	46.7		46.7	24.4		24.4	42.8		42.8
change in NFP	(7.8)		(22.3)	(4.9)		14.9	(22.6)		(12.5)
NFP at year end: Cash/(Debt)	38.9		24.4	19.5		42.8	20.2		30.2

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

Changes to Estimates

We have fine-tuned our FY21-23 estimates to capture superior top-line growth in FY21 for the Food segment (now at low 20s) vs Pharma (at mid-single digit pace); this leads to +0.2%/+1.4%/+1.2% on '21/22/23 EPS.

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	161.0	174.9	190.3	153.6	169.0	182.5	4.8%	3.5%	4.2%
Pharma	40.5	40.0	41.2	51.1	54.7	48.0	55.2	59.1	-14.1%	-7.5%	-7.5%
Pharmatek	0.0	0.0	15.1	16.3	19.7	15.1	16.3	19.7	0.0%	0.0%	0.0%
Revenues	159.7	172.0	217.4	242.2	264.6	216.7	240.5	261.3	0.3%	0.7%	1.3%
YoY growth	14.6%	7.7%	26.4%	11.4%	9.2%	26.0%	10.9%	8.7%			
Adj. EBITDA	20.3	22.3	30.4	35.7	39.9	30.4	35.5	39.7	0.1%	0.4%	0.4%
Adj. EBITDA Margin	12.7%	13.0%	14.0%	14.7%	15.1%	14.0%	14.8%	15.2%			
Adj. EBIT	10.9	10.7	16.4	20.2	22.9	16.4	19.9	22.7	0.2%	1.3%	1.0%
Adj. EBIT Margin	6.8%	6.2%	7.5%	8.3%	8.7%	7.5%	8.3%	8.7%			
EBIT	8.1	9.4	16.4	20.2	22.9	16.4	19.9	22.7	0.2%	1.3%	1.0%
Pre taxes	0.1	16.7	16.0	19.8	22.6	16.0	19.5	22.3	0.2%	1.4%	1.2%
Net Profit	(2.8)	13.4	12.5	15.3	17.4	12.4	15.1	17.2	0.2%	1.4%	1.2%
Adj. Net profit	11.9	9.3	12.5	15.3	17.4	12.4	15.1	17.2	0.2%	1.4%	1.2%
Adj. EPS (€/share)	0.51	0.40	0.49	0.60	0.68	0.49	0.60	0.68	0.2%	0.7%	0.6%
DPS (€/share)	0.12	0.14	0.17	0.21	0.24	0.17	0.21	0.24	0.2%	0.7%	0.6%
% payout on Adj. EPS	24%	35%	35%	35%	35%	35%	35%	35%			
Adj. EBITDA	20.3	22.3	30.4	35.7	39.9	30.4	35.5	39.7	0.1%	0.4%	0.4%
- Capex	(20.1)	(15.7)	(10.9)	(10.9)	(11.9)	(10.8)	(10.8)	(11.8)	0.3%	0.7%	1.3%
capex /sales	12.6%	9.1%	5.0%	4.5%	4.5%	5.0%	4.5%	4.5%			
- Delta WKC	0.5	9.4	(2.0)	(0.3)	(1.2)	(2.0)	(0.2)	(1.2)			
Op. FCF	0.7	16.0	17.5	24.5	26.7	17.5	24.5	26.7	-0.2%	0.1%	-0.1%
as % of Adj. EBITDA	3%	72%	58%	69%	67%	58%	69%	67%			
Equity FCF	4.4	17.5	13.7	19.7	21.2	13.7	19.8	21.3	-0.5%	-0.2%	-0.1%
as % of Adj. EBITDA	22%	79%	45%	55%	53%	45%	56%	54%			
NFP (Net Debt)	24.4	42.8	30.2	45.6	61.5	35.0	50.4	66.4	-13.6%	-9.6%	-7.4%
Net Cash/Adj. EBITDA	1.2x	1.9x	1.0x	1.3x	1.5x	1.1x	1.4x	1.7x			

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

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	217.4	242.2	264.6
Total Operating Costs	(88.7)	(98.0)	(104.1)	(120.7)	(142.2)	(150.9)	(186.9)	(206.5)	(224.7)
EBITDA	13.3	15.1	15.5	18.7	17.5	21.1	30.4	35.7	39.9
% 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)	(14.0)	(15.5)	(16.9)
EBIT	8.1	9.3	9.0	10.2	8.1	9.4	16.4	20.2	22.9
% EBIT Margin	7.9%	8.2%	7.5%	7.3%	5.1%	5.5%	7.5%	8.3%	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	16.0	19.8	22.6
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	(4)	(4)	(5)
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	12.5	15.3	17.4

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	107.9	103.3	98.3
- Financial	-	-	-	-	-	-	-	-	-
Total Fixed Assets	40.3	42.9	58.6	82.2	92.7	96.9	111.4	106.8	101.8
Net working capital	10.3	10.3	2.0	18.9	15.7	2.8	4.8	5.0	6.2
Gross inv. capital	50.7	53.2	60.6	101.1	108.3	99.7	116.2	111.8	108.0
Severance provision	(0.0)	(0.0)	-	(7.0)	-	-	(0.4)	(0.4)	(0.4)
Net invested capital	49.3	51.9	59.4	93.0	106.3	98.2	114.8	110.3	106.5
Group sharehold. equity	31.5	32.7	38.9	139.6	130.7	141.0	145.0	156.0	168.0
Minority interests	-	-	-	-	-	-	-	-	-
Net Debt /(Net Cash)	17.8	19.3	20.4	(46.7)	(24.4)	(42.8)	(30.2)	(45.6)	(61.5)
Total cover	49.3	51.9	59.3	93.0	106.3	98.2	114.8	110.3	106.5

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	30.2	45.6
Net income	5.3	6.2	6.2	8.7	11.9	9.3	12.5	15.3	17.4
Depreciation	5.2	5.8	6.6	8.5	9.4	11.6	14.0	15.5	16.9
Change in working capital	(6.5)	(0.8)	4.7	(11.3)	0.5	9.4	(2.0)	(0.3)	(1.2)
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	24.5	30.6	33.1
Investments	(7.5)	(10.0)	(21.9)	(31.7)	(20.1)	(15.7)	(10.9)	(10.9)	(11.9)
Equity FCF	(3.5)	2.1	(0.8)	(31.5)	4.4	17.5	13.7	19.7	21.2
Acquisitions	-	-	-	-	-	-	(17.7)	-	-
Disposals	-	-	0.0	0.0	-	-	-	-	-
Dividends	-	(5.0)	-	-	(2.2)	(2.7)	(3.3)	(4.4)	(5.4)
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	(12.5)	15.4	15.9
Net fin position end of year	(17.8)	(19.3)	(20.4)	46.7	24.4	42.8	30.2	45.6	61.5

(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	30.4	35.7	39.9
- Capex	(7.5)	(10.0)	(21.9)	(31.7)	(20.1)	(15.7)	(10.9)	(10.9)	(11.9)
- Delta WKC	(6.5)	(0.8)	4.7	(11.3)	0.5	9.4	(2.0)	(0.3)	(1.2)
Op.FCF	(0.7)	4.3	(0.5)	(24.3)	0.7	16.0	17.5	24.5	26.7
as % of Adj. EBITDA	n.m.	28%	n.m.	n.m.	3%	72%	58%	69%	67%
Interest&Taxes	(2.8)	(3.1)	(4.0)	(1.5)	0.9	(1.3)	(3.9)	(4.8)	(5.5)
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	13.7	19.7	21.2

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

DCF Valuation

On our new estimates, we have raised our DCF-based TP from €16 to €23 to capture higher terminal growth (from 1.5% to 2.5%), also as a result of very encouraging outlook for the European CDMO sector. At our TP, which offers 23% upside on the current price, the stock would trade at 14/12x EV/EBITDA '22/23E (currently at 11/9x) compared to the 18/16x average of selected peers.

Fine Foods – DCF Model

(Eu mn)	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	TV
Net Revenues	217.4	242.2	264.6	288.4	313.1	338.4	364.3	390.6	416.9	443.2	469.1	480.8
YoY growth	26.4%	11.4%	9.2%	9.0%	8.5%	8.1%	7.6%	7.2%	6.7%	6.3%	5.8%	2.5%
EBITDA	30.4	35.7	39.9	43.3	47.0	50.8	54.7	58.6	62.5	66.5	70.4	72.1
% margin	14.0%	14.7%	15.1%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
D&A	(14.0)	(15.5)	(16.9)	(18.4)	(19.9)	(21.6)	(23.2)	(24.9)	(26.6)	(28.2)	(29.9)	(28.9)
EBIT	16.4	20.2	22.9	24.9	27.0	29.2	31.4	33.7	36.0	38.2	40.5	43.3
% margin	7.5%	8.3%	8.7%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	9.0%
Taxes		(4.8)	(5.5)	(6.0)	(6.5)	(7.0)	(7.5)	(8.1)	(8.6)	(9.2)	(9.7)	(10.4)
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		(0.3)	(1.2)	-	-	-	-	-	-	-	-	-
Capex		(10.9)	(11.9)	(17.3)	(18.8)	(20.3)	(21.9)	(23.4)	(25.0)	(26.6)	(28.1)	(28.9)
Unlevered FCF		19.7	21.2	20.0	21.7	23.5	25.2	27.1	28.9	30.7	32.5	32.9
TV												692.4
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		18.3	18.4	16.2	16.4	16.5	16.6	16.6	16.5	16.4	16.1	343.9

Discounted FCF '22E-31E	168.1
Terminal value	343.9
Total EV (with DCF)	512.0
NFP/(Debt) at YE21E	30.2
Minorities	0.0
own shares	20.5
Total EQUITY (Eu mn)	562.7
NOSH (mn)	25.6
Fair value (Eu/share)	22.0
current price (Eu/share)	17.90
upside vs current price	23.0%

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%	23.5	23.9	24.3	24.7	25.2	25.6	26.1	26.6	27.2	27.7	28.3
	6.5%	22.9	23.2	23.6	24.0	24.3	24.8	25.2	25.7	26.1	26.7	27.2
	6.7%	22.3	22.6	22.9	23.2	23.6	24.0	24.4	24.8	25.2	25.7	26.2
	6.9%	21.7	22.0	22.3	22.6	22.9	23.3	23.6	24.0	24.4	24.8	25.3
	7.1%	21.2	21.4	21.7	22.0	22.3	22.6	23.0	23.3	23.7	24.0	24.4
	7.3%	20.7	20.9	21.2	21.5	21.7	22.0	22.3	22.7	23.0	23.3	23.7
	7.5%	20.3	20.5	20.7	21.0	21.2	21.5	21.8	22.1	22.4	22.7	23.0
	7.7%	19.8	20.1	20.3	20.5	20.7	21.0	21.2	21.5	21.8	22.1	22.4
	7.9%	19.5	19.7	19.9	20.1	20.3	20.5	20.8	21.0	21.3	21.5	21.8
	8.1%	19.1	19.3	19.5	19.7	19.9	20.1	20.3	20.6	20.8	21.0	21.3
8.3%	18.8	18.9	19.1	19.3	19.5	19.7	19.9	20.1	20.3	20.6	20.8	

Source: Intermonte SIM

Peer Multiples

The reference 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	17.90	480	29.0%	68.2%	71.4%	1.9	1.6	1.4	13.4	11.0	9.4	24.8	19.4	16.4	36.7	29.9	26.3	1.0%	1.2%	1.3%
FF (@mkt price, cons.)	EUR	17.90	480	29.0%	68.2%	71.4%	1.9	1.6	1.4	13.1	10.7	9.5	24.2	19.0	16.4	37.8	30.2	27.1	0.9%	1.1%	1.2%
FF (@ our TP, our est.)	EUR	22	563				2.4	2.0	1.8	16.8	13.9	12.0	31.2	24.6	20.9	45.1	36.7	32.4	0.8%	1.0%	1.1%
Catalent	USD	133.86	19,286	8.9%	14.7%	25.3%	6.3	5.7	5.2	22.5	21.5	18.8	30.8	28.0	23.8	41.6	36.0	31.5	0.0%	0.0%	0.0%
Labomar SpA	EUR	14.00	259	9.0%	77.7%	116.5%	3.9	3.3	2.9	18.1	15.3	13.3	26.2	22.1	19.8	34.5	29.4	26.4	0.9%	1.0%	1.1%
Lonza Group AG	CHF	774.20	53,192	9.9%	35.1%	36.3%	10.9	9.8	8.8	35.1	29.8	25.9	48.8	39.7	34.2	60.3	49.1	42.0	0.4%	0.4%	0.5%
Siegfried Holding AG	CHF	884.50	3,587	-3.5%	24.7%	35.8%	4.0	3.5	3.3	20.9	17.7	16.4	33.5	26.6	24.4	38.5	29.5	27.5	0.4%	0.5%	0.5%
Strides Pharma	INR	614.00	631	-20.3%	-26.3%	-30.0%	1.8	1.5	1.2	15.5	7.9	6.0	32.7	11.1	8.4	93.3	14.7	8.8	0.8%	0.7%	0.8%
Peer Group							4.0	3.5	3.3	20.9	17.7	16.4	32.7	26.6	23.8	41.6	29.5	27.5	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):	22.00	Previous Target (Eu):	16.00
Current Price (Eu):	17.90	Previous Price (Eu):	12.85
Date of report:	02/09/2021	Date of last report:	19/04/2021

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- 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:	52,42 %
NEUTRAL:	26,61 %
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IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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