

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu17.70 - Target: Eu20.50

Rephasing Our Estimates to a New Market Scenario

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Stock Rating

Rating: Unchanged

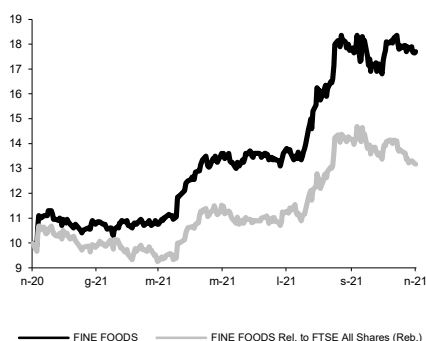
Target Price (Eu): from 23.00 to 20.50

	2021E	2022E	2023E
Chg in Adj EPS	-10.6%	-20.3%	-18.1%

Next Event

FY21 Results out March'22

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	2.0%	9.6%	77.4%
Relative	-4.7%	5.2%	43.0%
12M (H/L)	18.35/9.90		
3M Average Volume (th):	27.78		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	452
Total Mkt Cap (Eu mn):	452
Mkt Float - Ord (Eu mn):	217
Mkt Float (in %):	47.9%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.1%

Balance Sheet Data

Book Value (Eu mn):	155
BVPS (Eu):	6.05
P/BV:	2.9
Net Financial Position (Eu mn):	-17
Enterprise Value (Eu mn):	448

■ **9M21 results.** Last Friday, Fine Foods reported the first set of 9M results in its history with figures broadly in line with our estimates, showing 10% organic top-line growth (ex €8.8mn from newly acquired Pharmatek), in line with the historical average (10Y CAGR: 11%), although with a slowdown in 3Q at the Food BU (3Q -11.6% YoY, 1H +35% YoY), which represents 74% of total sales, while the Pharma BU (3Q: -9% YoY) performed in line with 1H21. Fine Foods cites a more challenging market scenario for the whole industry due to pandemic problems (in our view, likely postponement of orders from some key clients), the supply chain crisis (hitting procurement of raw materials) and the unforeseen increase in energy costs (typically pass-through but potentially hitting volumes and shifting demand). Group adj. EBITDA was €18.8mn (our exp. €19.0mn), up 15% in 9M (-23% YoY in 3Q), keeping profitability (13.1%) substantially in line with a year ago (13.3%). The NFP was still positive by €10.6mn, down from the previous year (€42.8mn) mainly due to the acquisition of Pharmatek (€17.2mn cash out).

■ **Revised Outlook.** Despite the aforementioned market difficulties, whose effects will impact 4Q21 but also the FY22 margin, management believes that for the 2021 financial year and future financial years, revenue growth at Group level (i.e. including Pharmatek and Euro Cosmetics) could remain in line with the historical trend (i.e. 11% CAGR) and accompanied by a progressive improvement in expected margins. Our own and consensus estimates were perhaps too bullish, assuming a strong boost to volumes from buoyant pent-up demand and foreseeing 30% growth at Group level in FY21 (fairly in line with the +31% seen in 1H), of which +17% organic (at constant perimeter). Now assuming a 10-11% growth at Group and stripping out the M&A boost from Pharmatek and Euro Cosmetics (c. €16mn combined revenues for this year), the revised outlook would imply mid-single digit organic top-line growth (c. 4% YoY, our prior estimate: +17% YoY) and c.1pp margin dilution (from the current 14% to historical c.13% average).

■ **Updated estimates.** Revised outlook prompts us to reduce our FY21-24 projections on the top line by c. 12%-13% and on EBITDA by c.18-19%, translating into an 18-20% cut to FY22-23 EPS, while for FY21 the milder EPS revision (-11%) reflects almost no P&L taxes allocated (negative pre-tax result in 9M21). We now expect 4.3% YoY organic growth in FY21 (from +17% YoY), implying -9.4% YoY in 4Q, with a return to the usual 9-11% levels over the next 3 years, while on profitability we assume a 12.9% margin for this year, gradually trending towards 14-14.5% in FY22-23.

■ **OUTPERFORM confirmed; new target €20.5 (from €23).** Despite some temporary headwinds for the whole CDMO industry, the revised outlook remains positive at organic level and will be also supported by value accretion and cross-fertilisation opportunities from Pharmatek and Euro Cosmetic, prompting us to confirm our positive view on the stock, although reducing our DCF-based TP to €20.5 (from €23). The company is well placed to outperform peers, having largely outgrown its core end-markets in the last decade, and enjoys solid operating trends by 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	195	236	261
EBITDA Adj (Eu mn)	20	22	25	33	37
Net Profit Adj (Eu mn)	12	9	11	14	16
EPS New Adj (Eu)	0.506	0.398	0.449	0.535	0.624
EPS Old Adj (Eu)	0.506	0.398	0.502	0.671	0.762
DPS (Eu)	0.120	0.141	0.157	0.187	0.218
EV/EBITDA Adj	9.6	8.6	17.7	13.4	11.3
EV/EBIT Adj	17.9	17.9	27.4	22.0	18.6
P/E Adj	35.0	44.5	39.4	33.1	28.4
Div. Yield	0.7%	0.8%	0.9%	1.1%	1.2%
Net Debt/EBITDA Adj	-1.2	-1.9	0.7	0.2	-0.2

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FINE FOODS – Key Figures						
Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	139	160	172	195	236	261
EBITDA	19	17	21	25	33	37
EBIT	10	8	9	12	17	21
Financial Income (charges)	0	-0	-0	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	10	0	17	-2	17	20
Taxes	-2	-3	-3	0	-3	-4
Tax rate	16.7%		19.9%	20.0%	20.0%	21.5%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	9	-3	13	-1	14	16
EBITDA Adj	19	20	22	25	33	37
EBIT Adj	10	11	11	16	20	23
Net Profit Adj	9	12	9	11	14	16
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	-0.057	0.535	0.624
EPS Adj f.d	0.370	0.506	0.398	0.449	0.535	0.624
BVPS f.d	5.954	5.571	5.982	6.045	6.423	6.860
Dividend per Share ORD	0.100	0.120	0.141	0.157	0.187	0.218
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	9	28	6	29	33
Change in NWC	-11	1	9	-6	-4	-2
Capital Expenditure	-32	-20	-11	-10	-11	-12
Other Cash Items	-1	-10	-6	8	0	0
Free Cash Flow (FCF)	-31	-10	27	-10	15	19
Acquisitions, Divestments & Other Items	0	0	0	-55	0	0
Dividends	0	-2	-3	-3	-4	-5
Equity Financing/Buy-back	100	0	0	0	0	0
Change in Net Financial Position	67	-22	18	-60	11	14
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	82	93	97	149	144	139
Net Working Capital	19	16	3	14	18	20
Long term Liabilities	-8	-2	-1	-1	-1	-1
Net Capital Employed	93	106	98	161	160	158
Net Cash (Debt)	47	24	43	-17	-7	7
Group Equity	140	131	141	155	164	175
Minorities	0	0	0	0	0	0
Net Equity	140	131	141	155	164	175
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	232	242	256	452	452	452
Adjustments (Associate & Minorities)	22	22	22	22	22	22
Net Cash (Debt)	47	24	43	-17	-7	7
Enterprise Value	163	195	191	448	437	423
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	13.4%	12.7%	13.0%	12.9%	13.8%	14.3%
EBIT Adj Margin	7.3%	6.8%	6.2%	8.4%	8.4%	8.7%
Gearing - Debt/Equity	-33.4%	-18.7%	-30.3%	11.2%	4.1%	-4.1%
Interest Cover on EBIT	nm	16.8	23.0	30.2	43.7	59.1
Net Debt/EBITDA Adj	-2.5	-1.2	-1.9	0.7	0.2	-0.2
ROACE*	13.4%	8.2%	9.2%	9.3%	10.9%	13.0%
ROE*	9.7%	8.8%	6.9%	7.8%	8.6%	9.4%
EV/CE	2.1	2.0	1.9	3.4	2.7	2.7
EV/Sales	1.2	1.2	1.1	2.3	1.9	1.6
EV/EBITDA Adj	8.7	9.6	8.6	17.7	13.4	11.3
EV/EBIT Adj	16.0	17.9	17.9	27.4	22.0	18.6
Free Cash Flow Yield	-7.3%	-2.4%	6.3%	-2.2%	3.4%	4.3%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	16.6%	14.6%	7.7%	13.6%	20.7%	10.9%
EBITDA Adj	11.7%	8.6%	9.9%	13.3%	29.0%	14.9%
EBIT Adj	0.2%	7.2%	-2.5%	53.6%	21.7%	14.1%
Net Profit Adj	40.3%	nm	nm	nm	nm	16.7%
EPS Adj	26.9%	36.6%	-21.2%	12.7%	19.1%	16.7%
DPS	nm	20.4%	16.8%	11.6%	19.1%	16.7%

*Excluding extraordinary items Source: Intermonte SIM estimates

Fine Foods in Brief

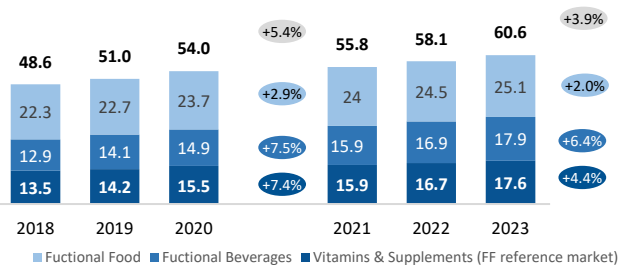
Company description

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) and Euro Cosmetics (Oct'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

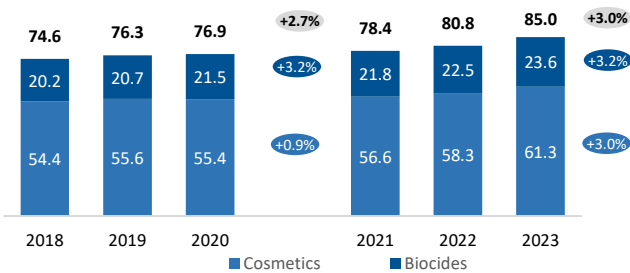
- Exposure to secular trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across pharma, 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)



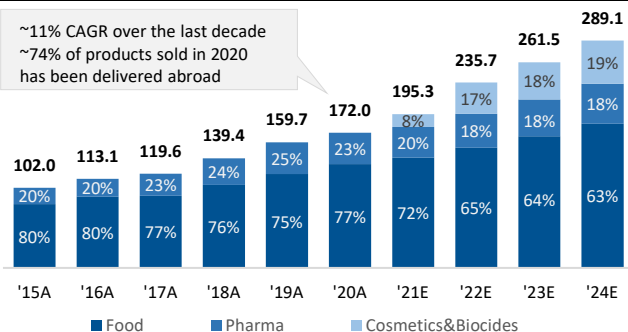
Source: Euromonitor International

European Cosmetics and Biocides Market



Source: Euromonitor International

Fine Foods – Net Revenue Trend (2015-2024E)



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

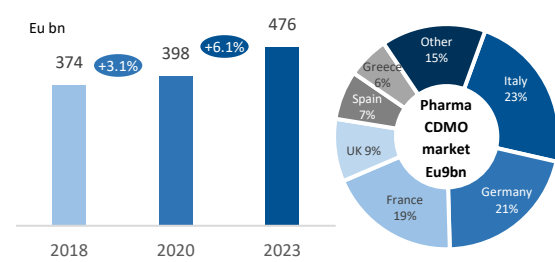
Shareholders

Marco Eigenmann	52.1%
Treasury Shares	4.9%
Market	43.0%
Free float (ord. shares)	52.1%

Weaknesses/Threats

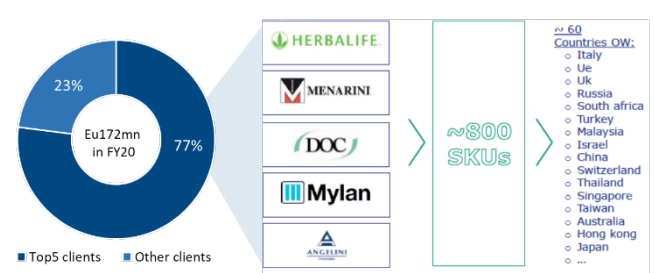
- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- Limited customer power due to high concentration (top 5 clients c. 77% of FF sales in 2020)
- No patent protection
- Changes to the regulatory framework
- Potential shifts in consumer behaviour patterns and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

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



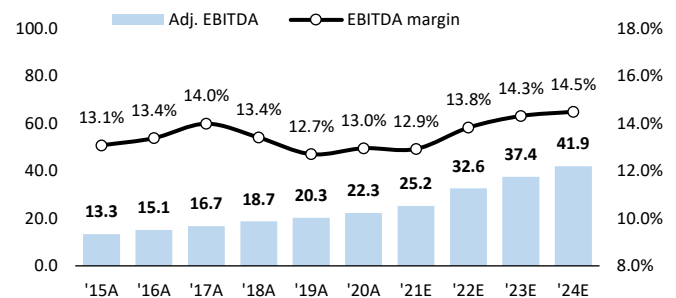
Source: FY20 Company Presentation (Euromonitor International, Prometeia)

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



Source: FY20 Company Presentation

Fine Foods – EBITDA and Margin trend (2015-2024E)



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

9M Results

- Last Friday, Fine Foods reported the first set of 9M results in its history with figures broadly in line with our estimates, showing 10% organic top-line growth (ex €8.8mn from newly acquired Pharmatek), in line with historical average (10Y CAGR: 11%), although with a slowdown in 3Q at the Food BU (3Q -11.6% YoY, 1H +35% YoY), which represents the 74% of total sales, while the Pharma BU (3Q: -9% YoY) performed in line with 1H21.
- **Fine Foods cites a more challenging market scenario for the whole industry due to pandemic problems (in our view, likely postponement of orders from some key clients), the supply chain crisis (hitting procurement of raw materials) and the unforeseen increase in energy costs (typically pass-through costs but potentially hitting volumes and shifting demand).**
- Group Adj. EBITDA was €18.8mn (our exp. €19.0mn), up 15% in 9M (-23% YoY in 3Q), keeping profitability (13.1%) substantially in line with a year ago (13.3%). Raw material costs on sales revenues of approximately 60.7% were substantially in line YoY, while personnel costs (c. €25mn) saw a €3.6mn increase YoY mainly due to the Pharmatek acquisition (€1.9mn), contractual increases and productivity gains, and the stock grant incentive plan for top management for the 2018-2021 period. Adjusted EBITDA excludes non-recurring charges for €0.8 in 9M21 (translating to STAR segment and M&A activities) and €0.9mn in 9M20 (covid-19 safety measures and M&A costs).

Fine Foods – 9M21 results: P&L

P&L	1H20A	3Q20A	9M20A	4Q20A	2H20A	2020A	1H21A	3Q21A	9M21A	9M21E	A/E	4Q21E	2H21E	2021E
Food	54.1	37.5	91.6	40.4	77.9	132.0	73.3	33.1	106.4			33.5	66.6	139.9
YoY growth	-14.2%				38.8%	10.7%	35.4%	-11.7%	16.1%			-17.0%	-14.4%	6.0%
on net sales	71.8%	79.3%	74.7%	81.7%	80.7%	76.8%	74.3%	74.0%	74.2%			64.5%	68.9%	71.6%
Pharma	21.2	9.8	31.0	9.0	18.8	40.0	19.3	8.9	28.2			11.2	20.1	39.4
YoY growth	5.8%				-8.0%	-1.2%	-9.0%	-9.2%	-9.1%			24.4%	6.9%	-1.5%
on net sales	28.1%	20.7%	25.3%	18.3%	19.5%	23.3%	19.6%	19.8%	19.7%			21.6%	20.8%	20.2%
Pharmatek							6.0	2.8	8.8			3.2	6.0	12.0
YoY growth							n.m.	n.m.	n.m.			n.m.	n.m.	n.m.
on net sales							6.1%	6.2%	6.1%			6.2%	6.2%	6.1%
Euro Cosmetic												4.0	4.0	4.0
YoY growth												n.m.	n.m.	n.m.
on net sales												7.7%	4.1%	2.0%
Net revenues	75.4	47.3	122.6	49.4	96.5	172.0	98.6	44.8	143.4	143.0	0%	52.0	96.7	195.3
YoY growth	-9.3%				26.1%	7.7%	30.7%	-5.3%	16.9%	16.6%		5.2%	0.2%	13.6%
o/w organic	-9.3%				26.1%	7.7%	22.9%	-11.2%	9.8%			-9.4%	-10.3%	4.3%
Other income	0.6	0.1	0.7	4.3	4.4	5.0	1.2	0.5	1.7			0.3	0.8	2.0
Value of production	76.1	47.3	123.3	53.7	100.9	177.0	99.8	45.3	145.1			52.2	97.5	197.3
EBITDA adjusted	8.9	7.4	16.3	6.0	13.3	22.3	13.1	5.7	18.8	19.0	-1%	7.0	12.1	25.2
YoY growth	-19.9%				13.8%	9.9%	46.9%	-22.8%	15.4%	16.4%		17.3%	12.5%	13.3%
as % of net sales	11.9%	15.6%	13.3%	12.0%	13.8%	13.0%	13.3%	12.7%	13.1%	13.3%		13.4%	12.5%	12.9%
EBITDA reported	8.2	7.1	15.4	5.7	12.8	21.1	12.9	5.1	18.0			7.0	12.1	25.0
YoY growth	-15.5%				13.3%	20.6%	56.0%	-28.4%	16.8%			22.9%	12.5%	18.4%
as % of net sales	10.9%	15.1%	12.6%	11.5%	13.3%	12.3%	13.0%	11.4%	12.5%			13.4%	12.5%	12.8%
Adj. EBIT	3.3	4.5	7.8	2.9	7.3	10.7	6.7	2.5	9.2			3.7	5.6	12.3
YoY growth	-41.6%				37.5%	-2.5%	101.8%	-44.9%	18.0%			30.5%	-23.1%	15.9%
as % of net sales	4.4%	9.5%	6.4%	5.8%	7.6%	6.2%	6.8%	5.5%	6.4%			7.2%	5.8%	6.3%
Pretax	5.9	7.5	13.5	3.2	10.7	16.7	(4.1)	1.9	(2.2)			0.3	2.2	(1.8)
Taxes	(1.2)	(1.3)	(2.5)	(0.8)	(2.1)	(3.3)	(2.4)	1.7	(0.7)			1.1	2.8	0.4
tax rate	-20%	-17%	-18%	-26%	-20%	-20%	59%	n.m.	n.m.			n.m.	123%	-20%
Net income	4.7	6.3	11.0	2.3	8.6	13.4	(6.5)	3.6	(2.9)			1.4	5.0	(1.5)
Adj. Net Income	1.5	6.4	7.9	1.4	7.8	9.3	6.5	3.6	10.0			1.4	5.0	11.5

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

NFP was still positive for €10.6mn, down from the previous year (€42.8mn) mainly due to the acquisition of Pharmatek (€17.2mn cash-out). WKC absorption was mainly due to a negative change in trade receivables (€12.7mn) and inventories (€8.3mn).

Fine Foods – 9M21 results: FCF evolution and NFP

FCF (Eu mn)	1H20A	9M20A	2020A	1H21A	9M21A	2021E
Net Profit	4.7	11.0	13.4	(6.5)	(2.9)	(1.5)
D&A	5.6	8.5	11.6	6.4	9.6	12.9
Delta Op. WKC	(4.5)	8.0	9.4	(13.1)	(26.5)	(6.2)
Chg. in other funds	2.3	3.0	3.4	(5.0)	11.1	(5.0)
FCF before Capex	8.1	30.6	37.8	(18.2)	(8.6)	0.2
Capex	(6.5)	(8.6)	(10.8)	(5.8)	(7.6)	(9.8)
Equity FCF	1.6	22.0	27.0	(24.0)	(16.2)	(9.5)
Acquisitions	-	-	-	(17.2)	(17.2)	(55.1)
Disposals	-	-	-	-	-	-
Dividends	(2.7)	(2.7)	(2.7)	(3.2)	(3.2)	(3.2)
Share Buy-back	(2.5)	(3.0)	(4.0)	(2.4)	(6.2)	(6.2)
Rights Issue/ ipo	-	-	-	-	-	-
Other	14.1	-	(1.8)	24.7	10.7	14.0
Change in NFP	10.5	16.2	18.4	(22.1)	(32.1)	(60.1)
-	-	-	-	-	-	-
Opening NFP	24.4	24.4	24.4	42.8	42.8	42.8
Change in NFP	10.5	16.2	18.4	(22.1)	(32.1)	(60.1)
Ending NFP (- Debt)	34.9	40.6	42.8	20.7	10.6	(17.3)

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

Changes to Estimates

Revised outlook prompts us to reduce our FY21-24 projections on the top line by c. 12%-13%, and EBITDA by c.18-19%, translating into a 18-20% cut to FY22-23 EPS, while for FY21 the milder EPS revision (-11%) reflects almost no P&L taxes allocated (negative pre-tax result in 9M21). We now expect 4.3% YoY organic growth in FY21 (from +17% YoY), implying -9.4% YoY in 4Q, with a return to the usual 9-11% levels over the next 3 years, while on profitability we assume a 12.9% margin for this year, gradually trending towards 14-14.5% in FY22-23.

Fine Foods – Changes to Estimates

(Eu mn)	'19A	'20A	New Estimates				Old Estimates				New vs Old			
			'21E	'22E	'23E	'24E	'21E	'22E	'23E	'24E	'21E	'22E	'23E	'24E
Food	119.2	132.0	139.9	152.8	167.3	183.2	162.8	177.1	192.7	209.1	-14%	-14%	-13%	-12%
Pharma	40.5	40.0	39.4	42.9	46.8	51.0	39.4	48.8	52.3	55.9	0%	-12%	-11%	-9%
Pharmatek	0.0	0.0	12.0	15.0	18.2	20.9	15.1	16.3	19.7	21.7	-21%	-8%	-8%	-3%
Euro Cosmetic	0.0	0.0	4.0	25.0	29.3	34.1	5.5	27.3	31.4	36.1	-27%	-9%	-7%	-6%
Revenues	159.7	172.0	195.3	235.7	261.5	289.1	222.9	269.5	296.1	322.8	-12%	-13%	-12%	-10%
YoY growth	14.6%	7.7%	13.6%	20.7%	10.9%	10.6%	29.6%	20.9%	9.8%	9.0%				
a/w organic	14.6%	7.7%	4.3%	9.1%	10.9%	10.6%	17.6%	11.7%	9.8%	9.0%				
EBITDA	17.5	21.1	25.0	32.6	37.4	41.9	31.0	39.8	44.6	47.5	-19%	-18%	-16%	-12%
Adj. EBITDA	20.3	22.3	25.2	32.6	37.4	41.9	31.3	39.8	44.6	47.5	-19%	-18%	-16%	-12%
% on sales	12.7%	13.0%	12.9%	13.8%	14.3%	14.5%	14.0%	14.8%	15.1%	14.7%				
Adj. EBIT	10.9	10.7	12.3	17.5	20.7	24.5	16.9	22.5	25.6	26.9	-27%	-22%	-19%	-9%
% on sales	6.8%	6.2%	6.3%	7.4%	7.9%	8.5%	7.6%	8.4%	8.7%	8.3%				
EBIT	8.1	9.4	12.1	17.5	20.7	24.5	16.6	22.5	25.6	26.9	-27%	-22%	-19%	-9%
Pre taxes	0.1	16.7	(1.8)	17.1	20.3	24.2	(0.1)	22.1	25.3	26.5	n.a.	-23%	-20%	-9%
Net Profit	(2.8)	13.4	(1.5)	13.7	16.0	18.9	(0.1)	17.1	19.5	20.4	n.a.	-20%	-18%	-8%
Adj. Net profit	11.9	9.3	11.5	13.7	16.0	18.9	12.8	17.1	19.5	20.4	-11%	-20%	-18%	-8%
Adj. EPS (€/share)	0.51	0.40	0.45	0.53	0.62	0.74	0.50	0.67	0.76	0.80	-11%	-20%	-18%	-8%
DPS (€/share)	0.12	0.14	0.16	0.19	0.22	0.26	0.18	0.23	0.27	0.28	-11%	-20%	-18%	-8%
% payout on Adj. EPS	24%	35%	35%	35%	35%	35%	35%	35%	35%	35%				
Adj. EBITDA	20.3	22.3	25.2	32.6	37.4	41.9	31.3	39.8	44.6	47.5	-19%	-18%	-16%	-12%
capex	(20.1)	(10.8)	(9.8)	(10.6)	(11.8)	(14.5)	(11.1)	(12.1)	(13.3)	(16.1)	-12%	-13%	-12%	-10%
% on sales	12.6%	6.3%	5.0%	4.5%	4.5%	5.0%	5.0%	4.5%	4.5%	5.0%				
NWC change	0.5	9.4	(6.2)	(3.6)	(2.3)	(2.3)	(2.3)	(1.3)	(1.4)	(1.1)				
Op. FCF	0.7	20.9	9.3	18.4	23.4	25.1	17.8	26.3	29.8	30.3	-48%	-30%	-22%	-17%
% of Adj. EBITDA	3%	94%	37%	57%	62%	60%	57%	66%	67%	64%				
Equity FCF	(10.2)	27.0	(9.5)	14.6	18.6	19.4	13.9	21.0	23.7	23.9	n.m.	-31%	-21%	-19%
% of Adj. EBITDA	-50%	121%	-38%	45%	50%	46%	44%	53%	53%	50%				
NFP/ (Debt)	24.4	42.8	(17.3)	(6.7)	7.1	21.0	(6.9)	9.6	27.3	44.4	n.m.	-170%	-74%	-53%
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-0.2x	0.2x	0.5x	-0.2x	0.2x	0.6x	0.9x				

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

Fine Foods – P&L

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21E	'22E	'23E	'24E
Total Revenues	102	113	120	139	160	172	195	236	261	289
Total OpEx	(89)	(98)	(104)	(121)	(142)	(151)	(170)	(203)	(224)	(247)
EBITDA	13	15	16	19	17	21	25	33	37	42
% EBITDA Margin	0	0	0	0	0	0	0	0	0	0
D&A and writedown	(5)	(6)	(7)	(8)	(9)	(12)	(13)	(15)	(17)	(17)
EBIT	8	9	9	10	8	9	12	17	21	25
% EBIT Margin	0	0	0	0	0	0	0	0	0	0
Net Financial Charges	(0)	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)
Other Charges and Income	0	0	0	0	0	0	0	0	0	0
Net Operating Margin	8	9	9	10	0	17	(2)	17	20	24
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	0	(3)	(4)	(5)
Tax Rate %	(0)	(0)	(0)	(0)	n.m.	(0)	(0)	(0)	(0)	(0)
Net Income	5	6	6	9	(3)	13	(1)	14	16	19
Adj. Net Income	5	6	7	9	12	9	11	14	16	19

Fine Foods – BS

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21E	'22E	'23E	'24E
Intangible Assets	1	1	1	4	3	3	59	59	59	59
Tangible Assets	39	42	57	79	89	93	90	86	81	78
Financial Assets	0	0	0	0	0	0	0	0	0	0
Total Fixed Assets	40	43	59	82	93	97	149	144	139	137
NWC	10	10	2	19	16	3	14	18	20	22
Gross inv. capital	51	53	61	101	108	100	163	162	159	159
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(1)	(1)	(1)	(1)
Net invested capital	49	52	59	93	106	98	161	160	158	157
Group Equity	31	33	39	140	131	141	155	164	175	189
Minority interests	0	0	0	0	0	0	0	0	0	0
Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(17)	(7)	7	21
Total cover	49	52	59	93	106	98	172	171	168	168

Fine Foods – FCF

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21E	'22E	'23E	'24E
Net Profit	5	6	6	9	(3)	13	(1)	14	16	19
D&A	5	6	7	8	9	12	13	15	17	17
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(6)	(4)	(2)	(2)
Change in funds/other	(1)	1	4	(6)	3	3	(5)	0	0	0
FCF before Capex	4	12	21	0	10	38	0	25	30	34
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(11)	(10)	(11)	(12)	(14)
Equity FCF	(3)	2	(1)	(31)	(10)	27	(10)	15	19	19
Acquisitions	0	0	0	0	0	0	(55)	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
Dividends	0	(5)	0	0	(2)	(3)	(3)	(4)	(5)	(6)
Share Buy-back	0	0	0	0	(5)	(4)	(6)	0	0	0
Rights Issue/ ipo	0	0	0	100	0	0	0	0	0	0
Other	(0)	2	(0)	(1)	(5)	(2)	14	0	0	0
Change in NFP	(4)	(1)	(1)	67	(22)	18	(60)	11	14	14
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(17)	(7)	7
Ending Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(17)	(7)	7	21

Source: Intermonte Estimates

DCF Valuation

On our new estimates, we reduce our DCF-based TP to €20.5 (from €23), still based on a 7.3% WACC (unchanged) and 2.5% terminal growth (unchanged). At our TP, which offers 16% upside to the current price, the stock would trade at 13/11x 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	195.3	235.7	261.5	289.1	316.2	342.2	369.1	397.9	429.2	460.8	490.1	502.6
YoY growth	13.6%	20.7%	10.9%	10.6%	9.4%	8.2%	7.9%	7.8%	7.9%	7.4%	6.4%	2.5%
EBITDA	25.2	32.6	37.4	41.9	46.1	49.9	54.2	58.4	63.1	68.2	72.6	74.6
% margin	12.9%	13.8%	14.3%	14.5%	14.6%	14.6%	14.7%	14.7%	14.7%	14.8%	14.8%	14.8%
D&A	(13.2)	(15.1)	(16.7)	(17.3)	(19.0)	(20.5)	(22.1)	(23.9)	(25.8)	(27.7)	(29.4)	(30.2)
as % of sales		6.4%	6.4%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
EBIT	12.1	17.5	20.7	24.5	27.1	29.4	32.0	34.6	37.3	40.5	43.2	44.4
% margin	6.2%	7.4%	7.9%	8.5%	8.6%	8.6%	8.7%	8.7%	8.7%	8.8%	8.8%	8.8%
Taxes		(4.2)	(5.0)	(5.9)	(6.5)	(7.0)	(7.7)	(8.3)	(9.0)	(9.7)	(10.4)	(10.7)
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		(3.6)	(2.3)	(2.3)	(2.3)	(2.1)	(2.3)	(2.4)	(2.6)	(2.7)	(2.4)	-
Capex		(10.6)	(11.8)	(14.5)	(15.8)	(17.1)	(18.5)	(19.9)	(21.5)	(23.0)	(24.5)	(30.2)
as % of sales		4.5%	4.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%
Unlevered FCF		14.2	18.4	19.2	21.5	23.6	25.8	27.9	30.1	32.7	35.3	33.8
TV												716.9
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		13.3	16.0	15.6	16.2	16.6	16.9	17.1	17.2	17.4	17.5	356.0

Discounted FCF '22E-31E	163.8
Terminal value	356.0
Total EV (with DCF)	519.9
NFP/(Debt) at YE21E	(17.3)
Minorities	0.0
own shares	22.2
Total EQUITY (Eu mn)	524.7
NOSH (mn)	25.6
Fair value (Eu/share)	20.5
current price (Eu/share)	17.7
upside vs current price	16%

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%	22.1	22.5	22.9	23.3	23.8	24.3	24.8	25.3	25.9	26.5	27.1
	6.5%	21.4	21.8	22.1	22.5	22.9	23.4	23.8	24.3	24.8	25.4	25.9
	6.7%	20.8	21.1	21.4	21.8	22.2	22.6	23.0	23.4	23.9	24.4	24.9
	6.9%	20.2	20.5	20.8	21.1	21.5	21.8	22.2	22.6	23.0	23.4	23.9
	7.1%	19.6	19.9	20.2	20.5	20.8	21.1	21.5	21.9	22.2	22.6	23.0
	7.3%	19.1	19.4	19.7	19.9	20.2	20.5	20.8	21.2	21.5	21.9	22.3
	7.5%	18.7	18.9	19.2	19.4	19.7	20.0	20.3	20.6	20.9	21.2	21.5
	7.7%	18.2	18.5	18.7	18.9	19.2	19.4	19.7	20.0	20.3	20.6	20.9
	7.9%	17.8	18.0	18.3	18.5	18.7	19.0	19.2	19.5	19.7	20.0	20.3
	8.1%	17.5	17.7	17.9	18.1	18.3	18.5	18.7	19.0	19.2	19.5	19.8
8.3%	17.1	17.3	17.5	17.7	17.9	18.1	18.3	18.5	18.8	19.0	19.3	

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	'22E	'23E	'22E	'23E	'22E	'23E	'22E	'23E	'22E	'23E
FF (@mkt price, our est.)	EUR	17.70	452	-0.6%	33.7%	71.9%	1.6	1.4	10.8	9.3	19.1	16.1	29.5	26.0	1.2%	1.3%
FF (@mkt price, cons.)	EUR	17.70	452	-0.6%	33.7%	71.9%	1.6	1.4	10.6	9.3	18.6	16.0	26.6	23.8	1.1%	1.3%
FF (@ our TP, our est.)	EUR	525	20.5				1.9	1.7	12.8	11.1	22.7	19.3	34.2	30.2	1.0%	1.2%
Catalent	USD	128.05	19,154	-5.5%	15.4%	28.3%	5.4	4.9	20.6	17.9	26.7	22.7	35.2	30.8	0.0%	0.0%
Labomar SpA	EUR	12.30	227	-12.6%	23.0%	80.1%	3.1	2.8	16.2	14.1	25.8	22.7	33.4	29.5	0.9%	1.0%
Lonza Group AG	CHF	737.00	52,033	1.6%	35.5%	32.6%	9.2	8.3	28.3	24.7	38.2	33.0	47.6	41.0	0.5%	0.5%
Siegfried Holding AG	CHF	882.00	3,676	4.4%	4.7%	36.2%	3.5	3.3	17.4	16.1	27.4	24.8	31.6	28.9	0.4%	0.5%
Strides Pharma	INR	508.75	536	-10.2%	-40.7%	-38.7%	1.3	1.0	6.9	5.1	9.9	7.2	13.2	7.3	0.9%	0.9%
Peer Group							3.5	3.3	17.4	16.1	26.7	22.7	33.4	29.5	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):	20.50	Previous Target (Eu):	23.00
Current Price (Eu):	17.70	Previous Price (Eu):	17.35
Date of report:	15/11/2021	Date of last report:	22/09/2021

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

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;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	52,89 %
NEUTRAL:	25,62 %
UNDERPERFORM:	04,13 %
SELL:	00,00 %

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NEUTRAL:	20,00 %
UNDERPERFORM:	00,00 %
SELL:	00,00 %

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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, GVS, IEG, Iervolino Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Nova Re SIQ, Omer, Pharamnutra, Relatech, Reply, Retelit, Saes Getters, Salcef, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, Txt and WIIT.

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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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