

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu13.55 - Target: Eu17.50

Difficult Market Conditions Set to Continue in 1H22

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Stock Rating

Rating: Unchanged

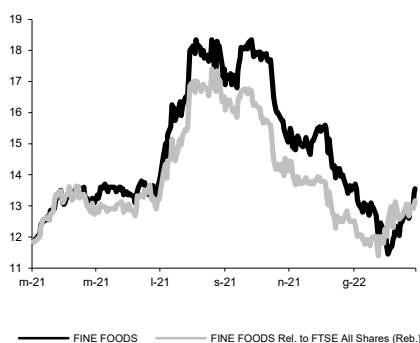
Target Price (Eu): from 20.50 to 17.50

	2022E	2023E	2024E
Chg in Adj EPS	-58.9%	-26.0%	-22.0%

Next Event

1Q22 Results out 13 May'22

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	11.1%	-12.0%	14.3%
Relative	11.4%	-4.3%	11.3%
12M (H/L)	18.35/11.45		
3M Average Volume (th):	13.34		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	346
Total Mkt Cap (Eu mn):	346
Mkt Float - Ord (Eu mn):	166
Mkt Float (in %):	47.9%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.1%

Balance Sheet Data

Book Value (Eu mn):	149
BVPS (Eu):	5.82
P/BV:	2.3
Net Financial Position (Eu mn):	-9
Enterprise Value (Eu mn):	355

■ **FY21 results.** On top of the revision to outlook in mid-November, full-year numbers were further affected by challenging market conditions in 4Q (EBITDA margin at 5% compared to 13% in 9M, mainly due to rising raw material and packaging costs, surging energy costs, order delays, manufacturing inefficiencies), causing FY EBITDA to fall short by 16% (€21.2mn, -€4mn vs. our exp, 11% margin), while top line trends were broadly in line (€193mn, up 12% YoY). Despite ongoing turbulence in 4Q, at constant scope the company enjoyed resilient top line growth, +2.6% YoY (4Q: -15%, 9M: +9.8%) supported by +4.6% YoY in Food (72% of total) more than offsetting the weakness in Pharma (-4.4% YoY). At bottom line, the EBITDA shortfall was mitigated by lower financial charges (better asset securities management) and taxes, leading to adj. net profit coming in 11% lower than expected (€10.2mn). NFP turned negative at €-15.7mn (our exp. €-17.3mn), from net cash of €42.8mn at YE20, mainly due to recent M&A (€42.3mn), while FCF was affected by trends in working capital (€17mn increase in inventories), CapEx (€16.5mn), share buybacks (€7.5mn) and dividends (€3.2mn).

■ **FY22 outlook.** Management expects 2022 sales to be hit by the ongoing war in Ukraine, with declining sales of products bought by FF customers for subsequent resale to crisis-affected countries in Eastern Europe. However, there are no business partners whose headquarters are in an at-risk area. In addition to the increase in energy costs (mitigated by timely investments on co-generator and photovoltaic systems and other moves to curb consumption), the FY22 margin could be dented by possible material supply shortages, causing further production inefficiency. In particular, the economic situation could influence the strategic and commercial choices of some of the Group's customers, with a negative knock-on effect for sales volumes. New agreements negotiated with customers will gradually offset the raw material price increases. Management remains very positive on the medium to long-term outlook of the reference sectors, as well as of Fine Foods, which traditionally exceeds the growth of the sectors in question.

■ **Updated estimates.** FY22 outlook prompts us to reduce our FY22-24 projections on the top line by c.11-12% and to assume a 10% margin in FY22 (from 13.8% previously) gradually recovering to 13-13.5% in FY23-24 (-1pp vs. prior estimates). This translates into an EPS revision of -59% in FY22 and -26%/-22% in FY23/24. We now expect 7% YoY growth in FY22 (organic -1%) with a return to the usual 10-12% levels over the next 2 years.

■ **OUTPERFORM confirmed; new target €17.5 (from €20.5).** Despite some temporary headwinds for the whole CDMO industry, the medium-term outlook remains extremely positive for Fine Foods organically and will be also supported by value accretion and cross-fertilisation opportunities from Pharmatek and Euro Cosmetic: this prompts us to confirm our positive view on the stock, while reducing our DCF-based TP to €17.5 (from €20.5). 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	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	172	193	207	232	257
EBITDA Adj (Eu mn)	22	21	21	30	35
Net Profit Adj (Eu mn)	9	10	6	12	15
EPS New Adj (Eu)	0.398	0.398	0.220	0.462	0.575
EPS Old Adj (Eu)	0.398	0.449	0.535	0.624	0.738
DPS (Eu)	0.141	0.160	0.088	0.185	0.230
EV/EBITDA Adj	9.6	17.8	17.2	11.5	9.8
EV/EBIT Adj	20.0	nm	nm	22.6	17.6
P/E Adj	34.0	34.0	61.7	29.3	23.6
Div. Yield	1.0%	1.2%	0.6%	1.4%	1.7%
Net Debt/EBITDA Adj	-1.9	0.7	0.4	0.0	-0.2

FINE FOODS – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	160	172	193	207	232	257
EBITDA	17	21	20	21	30	35
EBIT	8	9	5	7	15	19
Financial Income (charges)	-0	-0	-1	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	0	17	-5	7	15	19
Taxes	-3	-3	3	-1	-3	-4
Tax rate		19.9%		20.0%	21.5%	22.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	-3	13	-1	6	12	15
EBITDA Adj	20	22	21	21	30	35
EBIT Adj	11	11	8	7	15	19
Net Profit Adj	12	9	10	6	12	15
Per Share Data (Eu)	2019A	2020A	2021A	2022E	2023E	2024E
Total Shares Outstanding (mn) - Average	23	24	26	26	26	26
Total Shares Outstanding (mn) - Year End	24	24	26	26	26	26
EPS f.d	-0.119	0.570	-0.056	0.220	0.462	0.575
EPS Adj f.d	0.506	0.398	0.398	0.220	0.462	0.575
BVPS f.d	5.571	5.982	5.760	5.819	6.193	6.584
Dividend per Share ORD	0.120	0.141	0.160	0.088	0.185	0.230
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)						
Cash Flow (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Gross Cash Flow	9	28	-1	19	27	30
Change in NWC	1	9	-14	3	-5	-4
Capital Expenditure	-20	-16	-17	-11	-12	-13
Other Cash Items	-10	-1	19	0	0	0
Free Cash Flow (FCF)	-10	22	-31	11	10	13
Acquisitions, Divestments & Other Items	0	0	-42	0	0	0
Dividends	-2	-3	-3	-4	-2	-5
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-22	18	-58	7	8	9
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	93	97	131	129	126	124
Net Working Capital	16	3	36	33	37	41
Long term Liabilities	-2	-1	-4	-4	-4	-4
Net Capital Employed	106	98	163	158	159	160
Net Cash (Debt)	24	43	-16	-9	-1	8
Group Equity	131	141	147	149	158	168
Minorities	0	0	0	0	0	0
Net Equity	131	141	147	149	158	168
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	242	256	361	346	346	346
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	24	43	-16	-9	-1	8
Enterprise Value	217	213	377	355	347	339
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	12.7%	13.0%	11.0%	10.0%	13.0%	13.5%
EBIT Adj Margin	6.8%	6.2%	4.0%	3.6%	6.6%	7.5%
Gearing - Debt/Equity	-18.7%	-30.3%	10.6%	6.2%	0.6%	-4.6%
Interest Cover on EBIT	16.8	23.0	6.6	18.6	44.0	54.9
Net Debt/EBITDA Adj	-1.2	-1.9	0.7	0.4	0.0	-0.2
ROACE*	8.2%	9.2%	3.9%	4.6%	9.7%	12.0%
ROE*	8.8%	6.9%	7.1%	3.8%	7.7%	9.0%
EV/CE	2.2	2.1	2.9	2.2	2.2	2.1
EV/Sales	1.4	1.2	2.0	1.7	1.5	1.3
EV/EBITDA Adj	10.7	9.6	17.8	17.2	11.5	9.8
EV/EBIT Adj	19.9	20.0	nm	nm	22.6	17.6
Free Cash Flow Yield	-3.0%	6.3%	-9.1%	3.1%	3.0%	3.9%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	14.6%	7.7%	12.0%	7.4%	12.3%	10.8%
EBITDA Adj	8.6%	9.9%	-5.0%	-2.4%	46.5%	14.5%
EBIT Adj	7.2%	-2.5%	-27.2%	-4.2%	107.3%	24.8%
Net Profit Adj	nm	nm	nm	nm	110.1%	24.6%
EPS Adj	36.6%	-21.2%	0.0%	-44.8%	110.1%	24.6%
DPS	20.4%	16.8%	13.7%	-45.1%	110.1%	24.6%

*Excluding extraordinary items Source: Intermonte SIM estimates

Fine Foods in Brief

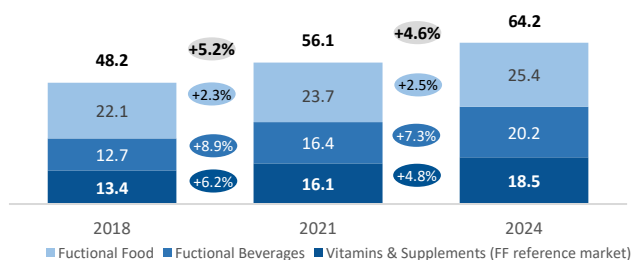
Company description

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) 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

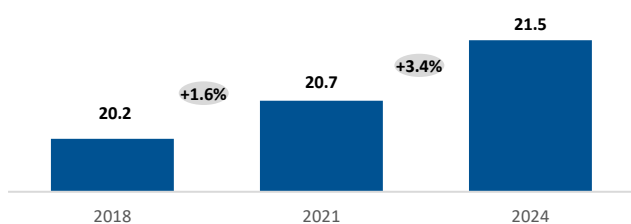
- Exposure to secular trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across pharma,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

European Nutraceutical Market Value (Eu bn, 3Y CAGR %)



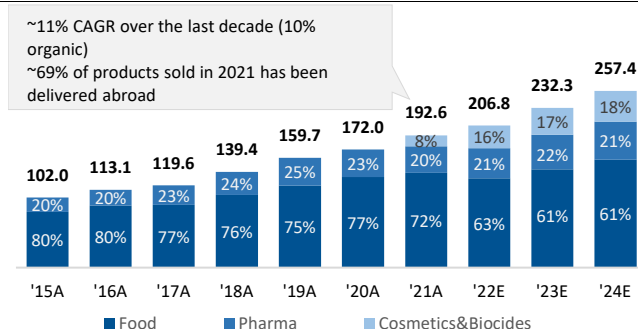
Source: Euromonitor International

European Cosmetic and Biocide Market (Eu bn, 3Y CAGR %)



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

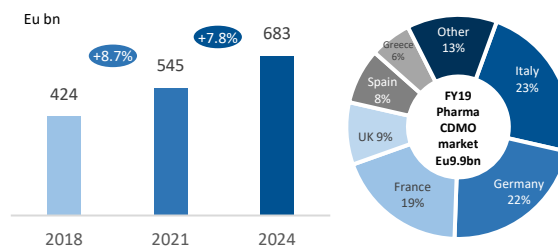
Shareholders

Marco Eigenmann	52.1%
Treasury Shares	5.1%
Market	42.8%
Free float (ord. shares)	53.5%

Weaknesses/Threats

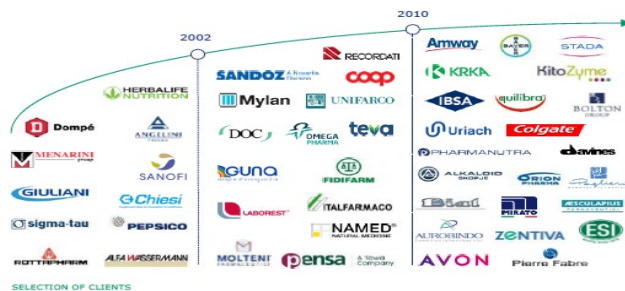
- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- Limited customer power due to high concentration (top 5 clients c. 77% of FF sales in 2020)
- No patent protection
- Changes to the regulatory framework
- Potential shifts in consumer behaviour patterns and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

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



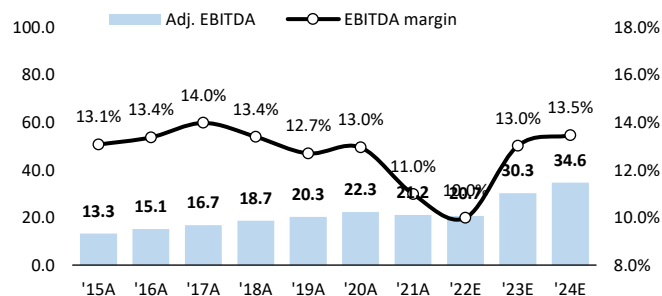
Source: FY21 Company Presentation (Euromonitor International, Prometeia)

Fine Foods – High Customer Loyalty



Source: FY21 Company Presentation

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



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

FY21 Results

- On top of the revision to outlook in mid-November, full-year numbers were further affected by challenging market conditions in 4Q (EBITDA margin at 5% compared to 13% in 9M, mainly due to rising raw material and packaging costs, surging energy costs, order delays, manufacturing inefficiencies), causing FY EBITDA to fall short by 16% (€21.2mn, -€4mn vs. our exp, 11% margin), while top line trends were broadly in line (€193mn, up 12% YoY).
- Despite ongoing turbulence in 4Q, at constant scope the company enjoyed resilient top line growth, +2.6% YoY (4Q: -15%, 9M: +9.8%) supported by +4.6% YoY in Food (72% of total) more than offsetting the weakness in Pharma (-4.4% YoY)
- Adj. EBIT decreased to €7.7mn due to lower EBITDA generation and a rise in D&A (€1.8mn) mainly due to M&A.
- At bottom line the EBITDA/EBIT shortfall was mitigated by lower financial charges (better result in asset securities management) and taxes, leading to adj. net profit coming in 11% lower than expected (€10.2mn, +9.1% YoY).

Fine Foods – FY21 Results: P&L

P&L	1H20A	9M20A	4Q20A	2020A	1H21A	9M21A	4Q21A	2021A	2021E	A/E
Food	54.1	91.6	40.4	132.0	73.3	106.4	31.7	138.1	139.9	-1%
YoY growth	-14.2%			10.7%	35.4%	16.1%	-21.4%	4.6%	6.0%	
on net sales	71.8%	74.7%	81.7%	76.8%	74.3%	74.2%	64.3%	71.7%	71.6%	
Pharma	21.2	31.0	9.0	40.0	19.3	28.2	10.1	38.3	39.4	-3%
YoY growth	5.8%			-1.2%	-9.0%	-9.1%	11.8%	-4.4%	-1.5%	
on net sales	28.1%	25.3%	18.3%	23.3%	19.6%	19.7%	20.5%	19.9%	20.2%	
Cosmetics & Biocides	-	-	-	-	6.0	8.8	7.5	16.3	16.0	2%
on net sales					6.1%	6.1%	15.2%	8.5%	8.2%	
Pharmatek					6.0	8.8	3.4	12.2	12.0	
on net sales					6.1%	6.1%	6.9%	6.3%	6.1%	
Euro Cosmetic							4.1	4.1	4.0	
on net sales							8.3%	2.1%	2.0%	
Net revenues	75.4	122.6	49.4	172.0	98.6	143.4	49.3	192.6	195.3	-1%
YoY growth	-9.3%			7.7%	30.7%	16.9%	-0.1%	12.0%	13.6%	
o/w organic	-9.3%			7.7%	22.9%	9.8%	-15.3%	2.6%	4.3%	
Other income	0.6	0.7	4.3	5.0	1.2	1.7	0.9	2.6	2.0	
Value of production	76.1	123.3	53.7	177.0	99.8	145.1	50.3	195.2	197.3	
EBITDA adjusted	8.9	16.3	6.0	22.3	13.1	18.8	2.4	21.2	25.2	-16%
YoY growth	-19.9%			9.9%	46.9%	15.4%	-60.0%	-5.0%	13.3%	
as % of net sales	11.9%	13.3%	12.0%	13.0%	13.3%	13.1%	4.8%	11.0%	12.9%	
EBITDA reported	8.2	15.4	5.7	21.1	12.9	18.0	1.6	19.6	25.0	-21%
YoY growth	-15.5%			20.6%	56.0%	16.8%	-71.2%	-6.9%	18.4%	
as % of net sales	10.9%	12.6%	11.5%	12.3%	13.0%	12.5%	3.3%	10.2%	12.8%	
Adj. EBIT	3.3	7.8	2.9	10.7	6.7	8.6	(0.9)	7.8	12.3	-37%
YoY growth	-41.6%			-2.5%	101.8%	10.9%	n.m.	-27.2%	15.9%	
as % of net sales	4.4%	6.4%	5.8%	6.2%	6.8%	6.0%	-1.8%	4.0%	6.3%	
Pretax	5.9	13.5	3.2	16.7	(4.1)	(2.7)	(1.9)	(4.6)	(1.8)	
Taxes	(1.2)	(2.5)	(0.8)	(3.3)	(2.4)	(0.7)	3.9	3.2	0.4	
tax rate	-20%	-18%	-26%	-20%	59%	n.m.	n.m	n.m	-20%	
Net income	4.7	11.0	2.3	13.4	(6.5)	(3.4)	2.0	(1.4)	(1.5)	-2%
Adj. Net Income	1.5	7.9	1.4	9.3	6.5	9.5	0.7	10.2*	11.5	-11%

Source: Company Data (A), Intermonte Estimates (E), * €11.6mn Adjustments on net profit FY21: €1.9mn non-recurring costs net of tax effect, plus €9.7mn negative effect on warrant fair value measurement net of tax effect

- NFP turned negative at €-15.7mn (our exp. €-17.3mn), from net cash of €42.8mn at YE20, mainly due to recent M&A (€42.3mn), while FCF was affected by trends in working capital (€17mn increase in inventories), CapEx (€16.5mn), share buybacks (€7.5mn) and dividends (€3.2mn).
- The DPS proposal at €0.16 (40% payout on adj. net profit) was broadly in line with our estimate.

Fine Foods – FY21 Results: FCF and Net Debt evolution

FCF (Eu mn)	1H20A	9M20A	2020A	1H21A	9M21A	2021A	2021E	A-E
Net Profit	4.7	11.0	13.4	(6.5)	(3.4)	(1.4)	(1.5)	0.0
D&A	5.6	8.5	11.6	6.4	10.2	14.6	12.9	1.7
Delta Op. WKC	(4.5)	8.0	9.4	(13.1)	(26.5)	(14.4)	(6.2)	(8.2)
Chg. in other funds	2.3	3.0	3.4	(5.0)	11.1	(13.7)	(5.0)	(8.7)
FCF before Capex	8.1	30.6	37.8	(18.2)	(8.6)	(15.0)	0.2	(15.2)
Capex	(6.5)	(8.6)	(16.0)	(5.8)	(7.6)	(16.5)	(9.8)	(6.7)
Equity FCF	1.6	22.0	21.8	(24.0)	(16.2)	(31.5)	(9.5)	(21.9)
Acquisitions	-	-	-	(17.2)	(17.2)	(42.4)	(55.1)	12.7
Disposals	-	-	-	-	-	-	-	-
Dividends	(2.7)	(2.7)	(2.7)	(3.2)	(3.2)	(3.2)	(3.2)	-
Share Buy-back	(2.5)	(3.0)	(4.0)	(2.4)	(6.2)	(7.5)	(6.2)	(1.3)
Rights Issue/ ipo	-	-	-	-	-	-	-	-
Other	14.1	-	3.4	24.7	10.7	26.1	14.0	12.1
Change in NFP	10.5	16.2	18.4	(22.1)	(32.1)	(58.5)	(60.1)	1.6
Opening NFP	24.4	24.4	24.4	42.8	42.8	42.8	42.8	-
Change in NFP	10.5	16.2	18.4	(22.1)	(32.1)	(58.5)	(60.1)	1.6
Ending NFP (- Debt)	34.9	40.6	42.8	20.7	10.6	(15.7)	(17.3)	1.6

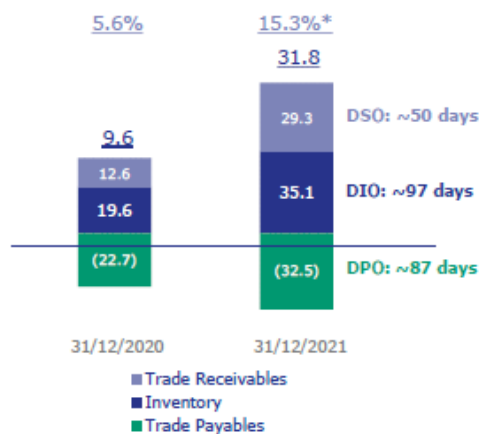
Source: Company Data (A), Intermonte Estimates (E)

Fine Foods – FY21 Results: NWC analysis and CapEx

Healthy capital allocation

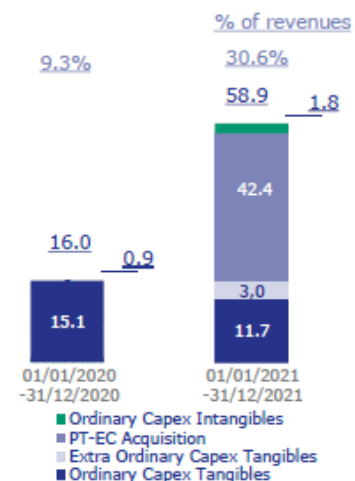
NET WORKING CAPITAL

NWC increased compared to last year mainly due to the impact in trade receivables (+16,6€m) whose variance is also due to 2021 acquisitions



CAPEX AND INVESTMENTS

Main impact derives from investments in Pharmatek and Euro Cosmetic acquisitions (+42.4€m); ordinary capex amounts to 13.5€m (7.0% of revenues)



*percentage computed on revenues with 12 months Euro Cosmetic turnover

Figures according to IAS-IFRS principles



Source: Company presentation

Changes to Estimates

The FY22 outlook prompts us to reduce our FY22-24 top line projections by c.11-12% and assume a 10% margin in FY22 (from 13.8% previously) gradually recovering to 13%-13.5% in FY23-24 (-1pp vs. prior estimates). This translates into EPS revisions of -59% in FY22 and -26%/-22% in FY23/24. We now expect 7% YoY growth in FY22 (organic -1%) with a return to the usual 10-12% levels over the next 2 years.

Fine Foods – Changes to Estimates

(Eu mn)	'19A	'20A	'21A	New Estimates			Old Estimates			New vs Old		
				'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E
Food	119.2	132.0	138.1	129.9	142.8	157.1	152.8	167.3	183.2	-15%	-15%	-14%
Pharma	40.5	40.0	38.3	44.0	50.6	55.2	42.9	46.8	51.0	3%	8%	8%
Cosmetics	0.0	0.0	16.3	32.9	38.9	45.1	40.0	47.4	55.0	-18%	-18%	-18%
Revenues	159.7	172.0	192.6	206.8	232.3	257.4	235.7	261.5	289.1	-12%	-11%	-11%
YoY growth	14.6%	7.7%	12.0%	7.4%	12.3%	10.8%	20.7%	10.9%	10.6%			
o/w organic	14.6%	7.7%	2.6%	-1.4%	12.3%	10.8%	9.1%	10.9%	10.6%			
EBITDA	17.5	21.1	19.6	20.7	30.3	34.6	32.6	37.4	41.9	-37%	-19%	-17%
Adj. EBITDA	20.3	22.3	21.2	20.7	30.3	34.6	32.6	37.4	41.9	-37%	-19%	-17%
% on sales	12.7%	13.0%	11.0%	10.0%	13.0%	13.5%	13.8%	14.3%	14.5%			
Adj. EBIT	10.9	10.7	7.8	7.4	15.4	19.2	17.5	20.7	24.5	-58%	-26%	-22%
% on sales	6.8%	6.2%	4.0%	3.6%	6.6%	7.5%	7.4%	7.9%	8.5%			
EBIT	8.1	9.4	5.1	7.4	15.4	19.2	17.5	20.7	24.5	-58%	-26%	-22%
Pre taxes	0.1	16.7	(4.6)	7.0	15.0	18.9	17.1	20.3	24.2	-59%	-26%	-22%
taxes	(2.9)	(3.3)	3.2	(1.4)	(3.2)	(4.1)	(3.4)	(4.4)	(5.3)			
tax rate	n.m.	20%	69%	20%	22%	22%	20%	22%	22%			
Net Profit	(2.8)	13.4	(1.4)	5.6	11.8	14.7	13.7	16.0	18.9	-59%	-26%	-22%
Adj. Net profit	11.9	9.3	10.2	5.6	11.8	14.7	13.7	16.0	18.9	-59%	-26%	-22%
Adj. EPS (€/share)	0.51	0.40	0.40	0.22	0.46	0.58	0.53	0.62	0.74	-59%	-26%	-22%
DPS (€/share)	0.12	0.14	0.16	0.09	0.18	0.23	0.19	0.22	0.26	-53%	-15%	-11%
% payout on Adj. EPS	24%	35%	40%	40%	40%	40%	35%	35%	35%			
Adj. EBITDA	20.3	22.3	21.2	20.7	30.3	34.6	32.6	37.4	41.9	-37%	-19%	-17%
CapEx	(20.1)	(16.0)	(16.5)	(11.4)	(11.6)	(12.9)	(10.6)	(11.8)	(14.5)	7%	-1%	-11%
% on sales	12.6%	9.3%	8.6%	5.5%	5.0%	5.0%	4.5%	4.5%	5.0%			
EBITDA-Capex	0.2	6.3	4.7	9.3	18.6	21.8	22.0	25.6	27.4	-58%	-27%	-21%
% of Adj. EBITDA	1%	28%	22%	45%	62%	63%	67%	69%	65%			
NWC change	0.5	9.4	(14.4)	3.2	(4.6)	(3.8)	(3.6)	(2.3)	(2.3)			
Op. FCF	0.7	15.7	(9.7)	12.4	14.0	18.0	18.4	23.4	25.1	-32%	-40%	-28%
% of Adj. EBITDA	3%	70%	-46%	60%	46%	52%	57%	62%	60%			
Equity FCF	(10.2)	21.8	(31.5)	10.6	10.4	13.5	14.6	18.6	19.4	-27%	-44%	-31%
% of Adj. EBITDA	-50%	98%	-149%	52%	34%	39%	45%	50%	46%			
NFP/ (Debt)	24.4	42.8	(15.7)	(9.2)	(1.0)	7.8	(6.7)	7.1	21.0	n.m.	n.m.	n.m.
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-0.4x	0.0x	0.2x	-0.2x	0.2x	0.5x			

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

Fine Foods – P&L

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
Total Revenues	102	113	120	139	160	172	193	207	232	257
Total OpEx	(89)	(98)	(104)	(121)	(142)	(151)	(173)	(186)	(202)	(223)
EBITDA	13	15	16	19	17	21	20	21	30	35
% EBITDA Margin	0	0	0	0	0	0	0	0	0	0
D&A and writedown	(5)	(6)	(7)	(8)	(9)	(12)	(15)	(13)	(15)	(15)
EBIT	8	9	9	10	8	9	5	7	15	19
% EBIT Margin	0	0	0	0	0	0	0	0	0	0
Net Financial Charges	(0)	(0)	(0)	0	(0)	(0)	(1)	(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	(5)	7	15	19
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	3	(1)	(3)	(4)
Tax Rate %	(0)	(0)	(0)	(0)	n.m.	(0)	n.m.	(0)	(0)	(0)
Net Income	5	6	6	9	(3)	13	(1)	6	12	15
Adj. Net Income	5	6	7	9	12	9	10	6	12	15

Fine Foods – BS

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
Intangible Assets	1	1	1	4	3	3	28	28	28	28
Tangible Assets	39	42	57	79	89	93	103	101	98	95
Financial Assets	0	0	0	0	0	0	0	0	0	0
Total Fixed Assets	40	43	59	82	93	97	131	129	126	124
NWC	10	10	2	19	16	3	36	33	37	41
Gross inv. capital	51	53	61	101	108	100	167	162	163	165
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	(4)	(4)	(4)
Net invested capital	49	52	59	93	106	98	163	158	159	160
Group Equity	31	33	39	140	131	141	147	149	158	168
Minority interests	0	0	0	0	0	0	0	0	0	0
Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(9)	(1)	8
Total cover	49	52	59	93	106	98	163	158	159	161

Fine Foods – FCF

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
Net Profit	5	6	6	9	(3)	13	(1)	6	12	15
D&A	5	6	7	8	9	12	15	13	15	15
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(14)	3	(5)	(4)
Change in funds/other	(1)	1	4	(6)	3	3	(14)	0	0	0
FCF before Capex	4	12	21	0	10	38	(15)	22	22	26
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(11)	(12)	(13)
Equity FCF	(3)	2	(1)	(31)	(10)	22	(31)	11	10	13
Acquisitions	0	0	0	0	0	0	(42)	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
Dividends	0	(5)	0	0	(2)	(3)	(3)	(4)	(2)	(5)
Share Buy-back	0	0	0	0	(5)	(4)	(8)	0	0	0
Rights Issue/ ipo	0	0	0	100	0	0	0	0	0	0
Other	(0)	2	(0)	(1)	(5)	3	26	0	0	0
Change in NFP	(4)	(1)	(1)	67	(22)	18	(58)	7	8	9
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(9)	(1)
Ending Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(9)	(1)	8

DCF Valuation

On the back of our new estimates, we are lowering our DCF-based TP to €17.5 (from €20.5), still based on a 7.3% WACC (unchanged) and 2.5% terminal growth (unchanged). At TP, which offers 29% upside to the current price, the stock would trade at 15/13x EV/EBITDA '23/24E (currently 12/10x) compared to the 14x average of selected peers.

Fine Foods – DCF Model

(Eu mn)	21A	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	TV
Net Revenues	192.6	206.8	232.3	257.4	281.5	304.7	328.8	354.5	382.6	410.9	437.2	448.3
YoY growth	12.0%	7.4%	12.3%	10.8%	9.3%	8.2%	7.9%	7.8%	7.9%	7.4%	6.4%	2.5%
EBITDA	21.2	20.7	30.3	34.6	39.3	43.6	47.4	51.4	56.4	60.7	64.6	67.2
% margin	11.0%	10.0%	13.0%	13.5%	14.0%	14.3%	14.4%	14.5%	14.7%	14.8%	14.8%	15.0%
D&A	(16.1)	(13.2)	(14.9)	(15.4)	(16.9)	(18.3)	(19.7)	(21.3)	(23.0)	(24.7)	(26.2)	(24.8)
as % of sales		6.4%	6.4%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.5%
EBIT	5.1	7.4	15.4	19.2	22.4	25.3	27.6	30.1	33.5	36.0	38.4	42.4
% margin	2.6%	3.6%	6.6%	7.5%	8.0%	8.3%	8.4%	8.5%	8.7%	8.8%	8.8%	9.5%
Taxes	(1.8)	(3.7)	(3.7)	(4.6)	(5.4)	(6.1)	(6.6)	(7.2)	(8.0)	(8.6)	(9.2)	(10.2)
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		3.2	(4.6)	(3.8)	(3.7)	(3.5)	(3.6)	(3.8)	(4.3)	(4.1)	(3.8)	-
Capex		(11.4)	(11.6)	(12.9)	(14.1)	(15.2)	(16.4)	(17.7)	(19.1)	(20.5)	(21.9)	(26.9)
as % of sales		5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%
Unlevered FCF		10.7	10.3	13.4	16.1	18.7	20.7	22.6	25.0	27.3	29.7	30.2
TV												640.5
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		9.9	9.0	10.8	12.2	13.2	13.6	13.9	14.3	14.6	14.7	318.1

Discounted FCF '22E-31E	126.2
Terminal value	318.1
Total EV (with DCF)	444.3
NFP/(Debt) at YE21	(15.7)
Minorities	0.0
own shares	17.8
Total EQUITY (Eu mn)	446.4
NOSH (mn)	25.6
Fair value (Eu/share)	17.5
current price (Eu/share)	13.6
upside vs current price	29%

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%	18.9	19.2	19.6	20.0	20.4	20.8	21.3	21.8	22.3	22.8	23.4
	6.5%	18.2	18.6	18.9	19.3	19.6	20.0	20.4	20.8	21.3	21.8	22.3
	6.7%	17.7	18.0	18.3	18.6	18.9	19.3	19.7	20.0	20.4	20.9	21.3
	6.9%	17.1	17.4	17.7	18.0	18.3	18.6	19.0	19.3	19.7	20.1	20.5
	7.1%	16.7	16.9	17.2	17.4	17.7	18.0	18.3	18.6	19.0	19.3	19.7
	7.3%	16.2	16.4	16.7	16.9	17.2	17.5	17.7	18.0	18.3	18.7	19.0
	7.5%	15.8	16.0	16.2	16.5	16.7	17.0	17.2	17.5	17.8	18.1	18.4
	7.7%	15.4	15.6	15.8	16.0	16.3	16.5	16.7	17.0	17.2	17.5	17.8
	7.9%	15.1	15.2	15.4	15.6	15.8	16.1	16.3	16.5	16.8	17.0	17.3
	8.1%	14.7	14.9	15.1	15.3	15.5	15.7	15.9	16.1	16.3	16.5	16.8
	8.3%	14.4	14.6	14.7	14.9	15.1	15.3	15.5	15.7	15.9	16.1	16.3

Source: Intermonte SIM

Peer Multiples

Given the lack of a meaningful comparison provided by the peer group due to significant 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 is trading at 11.5x/9.8x EV/adj. EBITDA for '23/'24, a discount of c.20-30% to the peer group (13.9-13.7x).**

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	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E
FF (@mkt price, our est.)	EUR	13.55	346	11.1%	-19.8%	-12.0%	1.7	1.5	1.3	17.2	11.5	9.8	47.9	22.6	17.6	61.7	29.3	23.6	0.6%	1.4%	1.7%
FF (@mkt price, cons.)	EUR	13.55	346	11.1%	-19.8%	-12.0%	1.5	1.3	1.2	10.7	9.1	8.3	18.5	15.3	14.1	25.1	21.3	18.3	1.3%	1.5%	0.0%
FF (@ our TP, our est.)	EUR	17.5	446				2.2	1.9	1.7	22.1	14.8	12.7	61.5	29.1	22.9	79.5	37.8	30.4	0.5%	1.1%	1.3%
Catalent	USD	110.83	17,782	8.6%	-16.7%	-13.4%	4.8	4.3	3.9	18.1	15.8	13.7	23.4	20.0	17.2	26.1	22.3	19.1	0.0%	0.0%	0.0%
Labomar SpA	EUR	10.25	189	17.3%	-12.0%	2.5%	2.5	2.3	n.a.	13.5	11.6	n.a.	20.9	18.1	n.a.	26.1	22.8	n.a.	1.1%	1.3%	0.0%
Lonza Group AG	CHF	670.00	48,455	5.1%	-4.5%	-12.0%	8.1	7.3	6.5	25.7	22.3	19.3	35.0	30.0	26.0	42.1	35.8	30.6	0.5%	0.6%	0.6%
Siegfried Holding AG	CHF	775.50	3,311	11.9%	-7.0%	-12.8%	3.1	2.9	2.8	15.2	13.9	12.6	23.8	21.6	19.5	26.6	23.8	22.4	0.5%	0.5%	0.5%
Strides Pharma	INR	352.40	377	11.3%	-39.6%	-20.4%	0.7	0.6	n.a.	5.3	3.7	n.a.	10.5	5.8	n.a.	0.4	0.1	n.a.	1.2%	1.5%	0.0%
Peer Group							3.1	2.9	3.9	15.2	13.9	13.7	23.4	20.0	19.5	26.1	22.8	22.4	0.5%	0.6%	0.0%

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

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	17.50	Previous Target (Eu):	20.50
Current Price (Eu):	13.55	Previous Price (Eu):	17.70
Date of report:	31/03/2022	Date of last report:	15/11/2021

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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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- 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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BUY:	16,95 %
OUTPERFORM:	53,39 %
NEUTRAL:	25,42 %
UNDERPERFORM	04,24 %
SELL:	00,00 %

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NEUTRAL:	20,75 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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Intermonte SIM provides investment banking services to Gruppo Caltagirone in connection with roadshow activities ahead of 2022 Generali AGM.

Intermonte SIM acted as financial advisor to Ambientthesis in connection with the reserved capital increase subscribed by Greenthesis through the contribution in kind of its businesses in the environmental sector.

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, Ambientthesis, Anima, Aquafil, Avio, Banca Ifis, Banca Sistema, Cattolica, Cellularline, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, El.En, Eles, Elica, Emak, Esprinet, Expert Al, 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, Pharmanutra, Relatech, Reply, Retelit, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Seco, 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, FTMIB, 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.

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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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