

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu7.84 - Target: Eu15.00

Better Margin Trajectory Enhances Visibility on FY Expectations

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Stock Rating

Rating: Unchanged

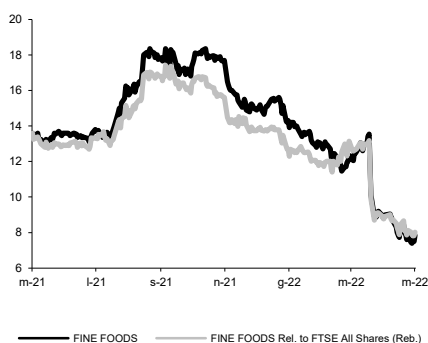
Target Price (Eu): from 17.50 to 15.00

	2022E	2023E	2024E
Chg in Adj EPS	-20.3%	0.0%	0.0%

Next Event

2Q22 Results out 13 September'22

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	-11.0%	-39.9%	-42.4%
Relative	-8.3%	-29.3%	-40.2%
12M (H/L)	18.35/7.40		
3M Average Volume (th):	27.61		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	200
Total Mkt Cap (Eu mn):	200
Mkt Float - Ord (Eu mn):	96
Mkt Float (in %):	47.9%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.1%

Balance Sheet Data

Book Value (Eu mn):	148
BVPS (Eu):	5.77
P/BV:	1.4
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	227

■ **1Q results: turning point on margin trajectory.** Last Friday, Fine Foods reported an unexpected turning point on margin trends (1Q: 8%, we were expecting a 5% margin in line with 4Q) which we believe should enhance visibility on current FY expectations (although at this stage we would not expect major changes in consensus) and might be well received by the market. This resulted from the actions implemented by management, such as charging increased raw material and packaging costs to clients and reducing production downtime due to stock management policies. In addition, we flag up a stronger top line (+3% vs. our exp.) mainly thanks to a greater contribution from the Cosmetics BU (18% of the total), although trends were pretty similar to 4Q: the Pharma BU (23% of the total) confirmed healthy double-digit growth (1Q: +19%, 4Q: +21%), while the Food BU (now 58%) saw a -23% decline similar to the one seen in 4Q (-21% YoY). On the negative side, we would highlight bottom line and NWC trends. The bottom line turned negative due an adverse change (at EBT level) in the parent Company's equity securities business (€-2.4mn change in FV at March 2022 vs +€1.4mn at March 2021), while net debt doubled to €33mn (from €15.7mn at YE21) due to the increase in NWC (€15.6mn increase, due to higher inventories as part of supply chain crisis management, and trade receivables due to a higher portion of clients with longer payment terms) and CapEx (€4.0mn).

■ **Slightly more positive FY22 outlook, mainly thanks to timely and effective actions.** The company expects an improvement in the Food BU from 1Q22, despite the Ukraine conflict, and positive outlooks for the Pharma BU (strong recovery from the Covid crisis) and the Cosmetics BU (integration of Pharmatek and Euro Cosmetics), both unaffected by the geopolitical situation. Policies for targeted stock increases have been successfully implemented to cope with the uncertainties of the raw material and packaging supply chain, while rising energy costs were addressed through the installation of two new photovoltaic systems. Transfers of material and energy price increases to customers have boosted margins. Management is satisfied with its risk mitigation actions, which started to have an impact in 1Q, and is ready to implement further actions if the international and domestic economic landscape requires

■ **Updated estimates.** We confirm our FY22-24 top line and margin estimates, while capturing higher D&A in FY22 (driving a 20% EPS cut) and NWC absorption (net debt now €26m by YE22, previous forecast €10mn), both in 1Q.

■ **OUTPERFORM confirmed; new target €15.0 (from €17.5).** Despite short-term headwinds for the whole CDMO industry, the unexpected turning point on margins in 1Q enhances visibility on current FY expectations, while the medium-term outlook remains extremely positive for Fine Foods: this prompts us to confirm our positive rating but reduce our DCF-based TP to €15.0 (from €17.5) to capture a +50bp increase in WACC (to 7.8%) and higher net debt at YE22. FF 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	4	12	15
EPS New Adj (Eu)	0.398	0.398	0.175	0.462	0.575
EPS Old Adj (Eu)	0.398	0.398	0.220	0.462	0.575
DPS (Eu)	0.141	0.160	0.070	0.185	0.230
EV/EBITDA Adj	9.6	17.8	11.0	6.8	5.7
EV/EBIT Adj	20.0	nm	34.4	13.5	10.4
P/E Adj	19.7	19.7	44.8	17.0	13.6
Div. Yield	1.8%	2.0%	0.9%	2.4%	2.9%
Net Debt/EBITDA Adj	-1.9	0.7	1.3	0.2	0.0

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	-1	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	0	17	-5	6	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	4	12	15
EBITDA Adj	20	22	21	21	30	35
EBIT Adj	11	11	8	7	15	19
Net Profit Adj	12	9	10	4	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	0.175	0.462	0.575
EPS Adj f.d	0.506	0.398	0.398	0.175	0.462	0.575
BVPS f.d	5.571	5.982	5.760	5.775	6.167	6.557
Dividend per Share ORD	0.120	0.141	0.160	0.070	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	27	-1	19	27	30
Change in NWC	1	9	-14	-14	6	-4
Capital Expenditure	-20	-16	-17	-11	-12	-13
Other Cash Items	-10	1	19	0	0	0
Free Cash Flow (FCF)	-10	20	-31	-6	21	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	-11	20	8
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	93	95	144	125	122	119
Net Working Capital	16	4	39	53	47	51
Long term Liabilities	-2	-1	-4	-4	-4	-4
Net Capital Employed	106	98	179	174	164	166
Net Cash (Debt)	24	43	-16	-26	-7	1
Group Equity	131	141	147	148	158	168
Minorities	0	0	0	0	0	0
Net Equity	131	141	147	148	158	168
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	242	256	361	200	200	200
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	24	43	-16	-26	-7	1
Enterprise Value	217	213	377	227	207	199
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%	3.2%	6.6%	7.5%
Gearing - Debt/Equity	-18.7%	-30.3%	10.6%	17.8%	4.3%	-0.8%
Interest Cover on EBIT	16.8	23.0	6.6	6.6	44.0	54.9
Net Debt/EBITDA Adj	-1.2	-1.9	0.7	1.3	0.2	0.0
ROACE*	8.2%	9.2%	3.6%	3.7%	9.1%	11.6%
ROE*	8.8%	6.9%	7.1%	3.0%	7.7%	9.0%
EV/CE	2.2	2.1	2.7	1.3	1.2	1.2
EV/Sales	1.4	1.2	2.0	1.1	0.9	0.8
EV/EBITDA Adj	10.7	9.6	17.8	11.0	6.8	5.7
EV/EBIT Adj	19.9	20.0	nm	34.4	13.5	10.4
Free Cash Flow Yield	-5.1%	10.1%	-15.7%	-3.2%	10.6%	6.4%
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%	-14.9%	133.3%	24.8%
Net Profit Adj	nm	nm	nm	nm	163.8%	24.6%
EPS Adj	36.6%	-21.2%	0.0%	-56.0%	163.8%	24.6%
DPS	20.4%	16.8%	13.7%	-56.2%	163.8%	24.6%

*Excluding extraordinary items Source: Intermonte SIM estimates

Fine Foods in Brief

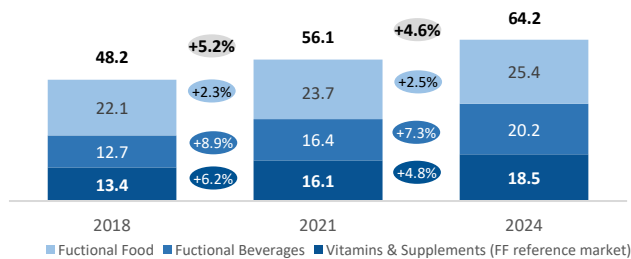
Company description

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 to serve 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

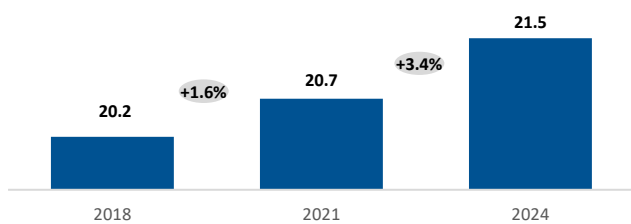
- Exposure to secular trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across pharma,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



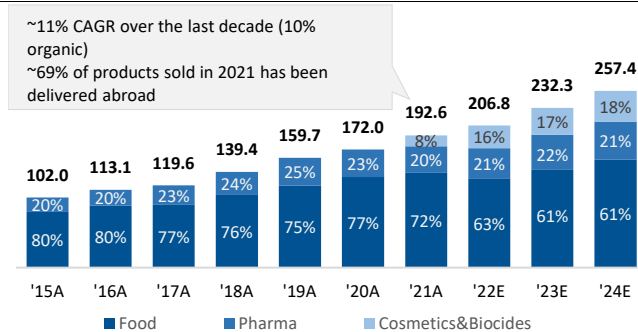
Source: Euromonitor International

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

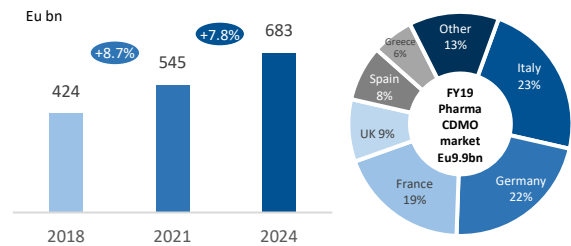
Shareholders

Marco Eigenmann	52.1%
Treasury Shares	5.4%
Market	42.5%
Free float (ord. shares)	53.5%

Weaknesses/Threats

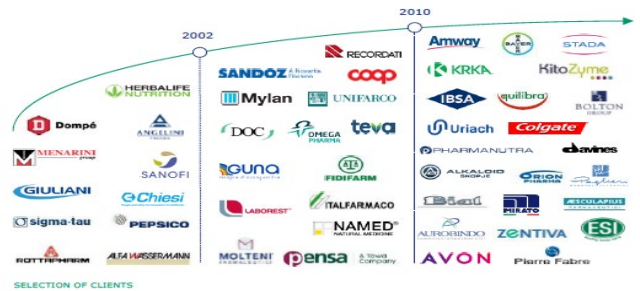
- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- Limited customer power due to high concentration (top 5 clients c. 77% of FF sales in 2020)
- No patent protection
- Changes to the regulatory framework
- Potential shifts in consumer behaviour patterns and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

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



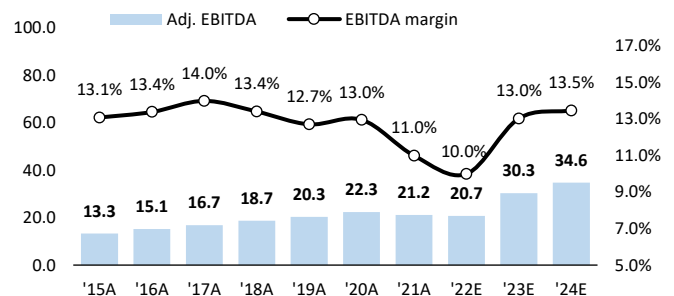
Source: FY21 Company Presentation (Euromonitor International, Prometeia)

Fine Foods – High Customer Loyalty



Source: FY21 Company Presentation

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



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

1Q22 Results

Last Friday, Fine Foods reported an unexpected turning point on margin trends (1Q: 8%, we were expecting a 5% margin in line with 4Q) which we believe should enhance visibility on current FY expectations (although at this stage we would not expect major changes in consensus) and might be well received by the market. This resulted from the actions implemented by management, such as charging increased raw material and packaging costs to clients and reducing production downtime through stock management policies.

In addition, we flag up a stronger top line (+3% vs. our exp.) mainly thanks to a greater contribution from the Cosmetics BU (18% of the total), although trends were pretty similar to 4Q: the Pharma BU (23% of the total) confirmed healthy double-digit growth (1Q: +19%, 4Q: +21%), while the Food BU (now 58%) saw a -23% decline similar to the one seen in 4Q (-21% YoY). On the negative side, we would highlight bottom line and NWC trends.

The bottom line turned negative due an adverse change (at EBT level) in the parent Company's equity securities business (€-2.4mn change in FV at March 2022 vs +€1.4mn at March 2021), while net debt doubled to €33mn (from €15.7mn at YE21) due to the increase in NWC (€15.6mn increase, due to higher inventories as part of supply chain crisis management, and trade receivables due to a higher portion of clients with longer payment terms) and CapEx (€4.0mn).

Fine Foods – 1Q22 Results: P&L*

P&L (Eu mn)	2020A	1Q21A	2Q21A	1H21A	3Q21A	9M21A	4Q21A	2021A	1Q22A	1Q22E	A/E
Food	132.0	38.3	35.0	73.3	33.1	106.4	31.7	138.1	29.5	31.0	
YoY growth	10.7%			35.4%	-11.7%	16.1%	-21.4%	4.7%	-22.9%	-19.0%	
on net sales	76.8%	74.6%	74.0%	74.3%	74.0%	74.2%	64.3%	71.7%	58.2%	62.9%	
Pharma	40.0	10.0	9.3	19.3	8.9	28.2	10.1	38.3	11.9	12.3	
YoY growth	-1.2%			-9.0%	-9.2%	-9.1%	11.8%	-4.4%	18.6%	23.2%	
on net sales	23.3%	19.5%	19.7%	19.6%	19.8%	19.7%	20.5%	19.9%	23.4%	25.0%	
Cosmetics & Biocides				6.0	2.8	8.8	7.5	16.3	9.4	6.0	
on net sales				6.1%	6.2%	6.1%	15.2%	8.5%	18.4%	12.2%	
Net revenues	172.0	51.3	47.3	98.6	44.8	143.4	49.3	192.6	50.8	49.3	3%
YoY growth	7.7%	0.0%	0.0%	30.7%	-5.3%	16.9%	-0.1%	12.0%	-1.1%	-3.9%	
Other income	5.0	0.1	1.1	1.2	0.5	1.7	0.9	2.6	0.2	0.2	
Value of production	177.0	51.4	48.4	99.8	45.3	145.1	50.3	195.2	50.9	49.6	3%
Raw materials	(109.0)	(31.1)	(25.5)	(56.6)	(30.4)	(87.1)	(31.6)	(118.7)	(30.9)	(31.0)	
on net sales	-63.4%	-60.6%	-54.0%	-57.4%	-68.0%	-60.7%	-64.1%	-61.6%	-60.9%	-62.8%	
Personnel	(31.0)	(8.9)	(0.2)	(9.2)	(15.9)	(25.1)	(9.7)	(34.8)	(9.4)	(9.6)	
on net sales	-18.0%	-17.4%	-0.5%	-9.3%	-35.6%	-17.5%	-19.7%	-18.1%	-18.5%	-19.5%	
Cost of services	(15.0)	(4.3)	(13.2)	(17.4)	3.4	(14.0)	(6.8)	(20.8)	(6.3)	(6.4)	
on net sales	-8.7%	-8.3%	-27.9%	-17.7%	7.6%	-9.8%	-13.8%	-10.8%	-12.3%	-13.0%	
Other costs	(0.9)	(0.4)	(3.3)	(3.7)	2.8	(0.9)	(0.4)	(1.3)	(0.4)	(0.1)	
on net sales	-0.5%	-0.7%	-7.1%	-3.8%	6.3%	-0.6%	-0.8%	-0.7%	-0.8%	-0.2%	
Total Opex	(155.9)	(44.7)	(42.3)	(86.9)	(40.1)	(127.1)	(48.5)	(175.6)	(46.9)	(47.1)	
EBITDA	21.1	6.8	6.1	12.9	5.1	18.0	1.6	19.6	4.0	2.5	61%
YoY growth	20.6%			56.0%	-28.4%	16.8%	-71.2%	-6.9%	-41.4%	-63.5%	
as % of net sales	12.3%	13.2%	12.9%	13.0%	11.4%	12.5%	3.3%	10.2%	7.8%	5.0%	
Adj. EBITDA	22.3	6.8	6.4	13.1	5.7	18.8	2.4	21.2	4.0	2.5	61%
YoY growth	9.9%			46.9%	-22.8%	15.4%	-60.0%	-5.0%	-41.4%	-63.5%	
as % of net sales	13.0%	13.2%	13.5%	13.3%	12.7%	13.1%	4.8%	11.0%	7.8%	5.0%	
D&A	(11.6)	(3.1)	(3.3)	(6.4)	(3.8)	(10.2)	(4.4)	(14.6)	(3.6)	(3.1)	
EBIT	9.4	3.7	2.8	6.5	1.3	7.8	(2.7)	5.1	0.4	(0.7)	
Adj. EBIT	10.7	3.7	3.1	6.7	1.9	8.6	(0.9)	7.8	0.4	(0.7)	
as % of net sales	6.2%	7.1%	6.5%	6.8%	4.3%	6.0%	-1.8%	4.0%	0.8%	-1.4%	
Pretax	16.7	3.1	(7.2)	(4.1)	1.3	(2.7)	(1.9)	(4.6)	(2.3)	(0.8)	
Taxes	(3.3)	(1.3)	(1.1)	(2.4)	1.7	(0.7)	3.9	3.2	(0.2)	0.2	
tax rate	-20%	0%	0%	59%	n.m.	n.m.	n.m	n.m	n.m.	-20%	
Net income	13.4	1.8	(8.3)	(6.5)	3.0	(3.4)	2.0	(1.4)	(2.5)	(0.6)	
Adj. Net Income	9.3	3.1	3.3	6.5	3.0	9.5	0.7	10.2	(2.5)	(0.6)	

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

* We remind investors that 1Q22 was the first time that Fine Foods published its first-quarter results since the company listing on the STAR segment in July 2021. Therefore, many details on historical figures for 1Q21 and 2Q21 are missing.

Fine Foods – FY21 Results: FCF & Net Debt evolution and Reclassified Balance Sheet*

FCF (Eu mn)	2020A	1Q21A	1H21A	9M21A	2021A	1Q22A	1Q22E	A-E
Net Profit	13.4	1.8	(6.5)	(3.4)	(1.4)	(2.5)	(0.6)	(1.8)
D&A	11.6	3.1	6.4	10.2	14.6	3.6	3.2	0.4
Delta Op. WKC	9.4	(16.8)	(13.1)	(26.5)	(14.4)	(15.6)	(10.0)	(5.6)
Chg. in other funds	1.8	2.4	(5.0)	11.1	(13.7)	3.9	-	3.9
FCF before Capex	36.2	(9.6)	(18.2)	(8.6)	(15.0)	(10.6)	(7.5)	(3.1)
Capex	(16.0)	(2.0)	(5.8)	(7.6)	(16.5)	(4.0)	(1.5)	(2.5)
Equity FCF	20.2	(11.5)	(24.0)	(16.2)	(31.5)	(14.6)	(9.0)	(5.6)
Acquisitions	-	(9.6)	(17.2)	(17.2)	(42.4)	-	-	-
Disposals	-	-	-	-	-	-	-	-
Dividends	(2.7)	-	(3.2)	(3.2)	(3.2)	-	-	-
Share Buy-back	(4.0)	(0.8)	(2.4)	(6.2)	(7.5)	(0.1)	-	(0.1)
Rights Issue/ ipo	-	-	-	-	-	-	-	-
Other	5.0	-	24.7	10.7	26.1	(2.7)	-	(2.7)
Change in NFP	18.4	(22.0)	(22.1)	(32.1)	(58.5)	(17.3)	(9.0)	(8.4)
Opening NFP	24.4	-	42.8	42.8	42.8	(15.7)	(15.7)	-
Change in NFP	18.4	(22.0)	(22.1)	(32.1)	(58.5)	(17.3)	(9.0)	(8.4)
Ending NFP(Debt)	42.8	20.8	20.7	10.6	(15.7)	(33.0)	(24.7)	(8.4)

Balance Sheet (Eu mn)	2020A	1Q21A	1H21A	9M21A	2021A	1Q22A
Fixed Assets	95.3		111.5	110.8	127.8	128.6
Inventories	19.6		26.4	27.9	35.1	37.4
Trade Receivables	12.7		24.7	25.3	29.4	42.4
Trade Payables	(22.7)		(26.5)	(23.1)	(32.5)	(32.4)
Operating Working Capital	9.6		24.5	30.2	32.0	47.4
Other curr assets	4.9		10.5	10.9	15.5	14.8
Other current liabilities	(10.0)		(11.9)	(7.1)	(8.2)	(9.1)
Net Working Capital	4.4		23.0	34.0	39.2	53.1
Provisions	(0.4)		(0.5)	(0.6)	(1.1)	(1.1)
Employees benefits	(1.1)		(1.4)	(1.4)	(3.0)	(2.9)
Others	-		-	-	-	-
Net capital employed	98.2		132.6	142.8	162.9	177.7
Total equity	141.0		153.3	153.4	147.2	144.7
Net Cash (Debt)	42.8		20.8	10.6	(15.7)	(33.0)
Cash	75.0		74.8	70.8	95.1	105.3
Gross Debt	(32.2)		(54.0)	(60.1)	(110.8)	(138.3)
Total Funds	98.2		132.5	142.8	162.9	177.7

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

*We remind investors that 1Q22 was the first time that Fine Foods published its first-quarter results since the company listing on the STAR segment in July 2021. Therefore, many details on historical figures for 1Q21 and 2Q21 are missing.

Changes to Estimates

We confirm our FY22-24 top line and margin estimates, while for we capture higher D&A (driving a 20% EPS cut) and NWC absorption (net debt now at €26m by YE22, previous forecast €10mn), both witnessed in 1Q. At this stage we are not capturing the adverse change in fair value (€-2.4mn in 1Q, at EBT level) of the parent Company's equity securities business, as we believe it might unwind during the remainder of the year.

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	129.9	142.8	157.1	0%	0%	0%
Pharma	40.5	40.0	38.3	44.0	50.6	55.2	44.0	50.6	55.2	0%	0%	0%
Cosmetics	0.0	0.0	16.3	32.9	38.9	45.1	32.9	38.9	45.1	0%	0%	0%
Revenues	159.7	172.0	192.6	206.8	232.3	257.4	206.8	232.3	257.4	0%	0%	0%
<i>YoY growth</i>	<i>14.6%</i>	<i>7.7%</i>	<i>12.0%</i>	<i>7.4%</i>	<i>12.3%</i>	<i>10.8%</i>	<i>7.4%</i>	<i>12.3%</i>	<i>10.8%</i>			
<i>o/w organic</i>	<i>14.6%</i>	<i>7.7%</i>	<i>2.6%</i>	<i>-1.4%</i>	<i>12.3%</i>	<i>10.8%</i>	<i>-1.4%</i>	<i>12.3%</i>	<i>10.8%</i>			
EBITDA	17.5	21.1	19.6	20.7	30.3	34.6	20.7	30.3	34.6	0%	0%	0%
Adj. EBITDA	20.3	22.3	21.2	20.7	30.3	34.6	20.7	30.3	34.6	0%	0%	0%
% on sales	12.7%	13.0%	11.0%	10.0%	13.0%	13.5%	10.0%	13.0%	13.5%			
D&A	(9.4)	(11.6)	(13.4)	(14.1)	(14.9)	(15.4)	(13.2)	(14.9)	(15.4)			
Adj. EBIT	10.9	10.7	7.8	6.6	15.4	19.2	7.4	15.4	19.2	-11%	0%	0%
% on sales	6.8%	6.2%	4.0%	3.2%	6.6%	7.5%	3.6%	6.6%	7.5%			
EBIT	8.1	9.4	5.1	6.6	15.4	19.2	7.4	15.4	19.2	-11%	0%	0%
Pre taxes	0.1	16.7	(4.6)	5.6	15.0	18.9	7.0	15.0	18.9	-20%	0%	0%
taxes	(2.9)	(3.3)	3.2	(1.1)	(3.2)	(4.1)	(1.4)	(3.2)	(4.1)			
tax rate	n.m.	20%	69%	20%	22%	22%	20%	22%	22%			
Net Profit	(2.8)	13.4	(1.4)	4.5	11.8	14.7	5.6	11.8	14.7	-20%	0%	0%
Adj. Net profit	11.9	9.3	10.2	4.5	11.8	14.7	5.6	11.8	14.7	-20%	0%	0%
Adj. EPS (€/share)	0.51	0.40	0.40	0.18	0.46	0.58	0.22	0.46	0.58	-20%	0%	0%
DPS (€/share)	0.12	0.14	0.16	0.07	0.18	0.23	0.09	0.18	0.23	-20%	0%	0%
% payout on Adj. EPS	24%	35%	40%	40%	40%	40%	40%	40%	40%			
Adj. EBITDA	20.3	22.3	21.2	20.7	30.3	34.6	20.7	30.3	34.6	0%	0%	0%
CapEx	(20.1)	(16.0)	(16.5)	(11.4)	(11.6)	(12.9)	(11.4)	(11.6)	(12.9)	0%	0%	0%
% on sales	12.6%	9.3%	8.6%	5.5%	5.0%	5.0%	5.5%	5.0%	5.0%			
EBITDA-Capex	0.2	6.3	4.7	9.3	18.6	21.8	9.3	18.6	21.8	0%	0%	0%
% of Adj. EBITDA	1%	28%	22%	45%	62%	63%	45%	62%	63%			
NWC change	0.5	9.4	(14.4)	(13.7)	6.3	(4.4)	3.1	(4.6)	(3.8)			
Op. FCF	0.7	15.7	(9.7)	(4.4)	24.9	17.3	12.4	14.0	18.0	n.m.	78%	-3%
% of Adj. EBITDA	3%	70%	-46%	-21%	82%	50%	60%	46%	52%			
Equity FCF	(10.2)	20.2	(31.5)	(6.5)	21.3	12.8	10.6	10.4	13.5	n.m.	105%	-5%
% of Adj. EBITDA	-50%	91%	-149%	-31%	70%	37%	51%	34%	39%			
NFP/ (Debt)	24.4	42.8	(15.7)	(26.3)	(6.7)	1.4	(9.2)	(1.0)	7.7	n.m.	n.m.	n.m.
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-1.3x	-0.2x	0.0x	-0.4x	0.0x	0.2x			

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)	(14)	(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)	(1)	(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)	6	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)	4	12	15
Adj. Net Income	5	6	7	9	12	9	10	4	12	15

Fine Foods – BS

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
Intangible Assets	1	1	1	4	3	2	25	25	25	25
Tangible Assets	39	42	57	79	89	93	103	100	97	94
Financial Assets	0	0	0	0	0	0	0	0	0	0
Total Fixed Assets	40	43	59	82	93	95	128	125	122	119
NWC	10	10	2	19	16	4	39	53	47	51
Gross inv. capital	51	53	61	101	108	100	167	178	168	170
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	(4)	(4)	(4)
Net invested capital	49	52	59	93	106	98	163	174	164	166
Group Equity	31	33	39	140	131	141	147	148	158	168
Minority interests	0	0	0	0	0	0	0	0	0	0
Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(26)	(7)	1
Total cover	49	52	59	93	106	98	163	174	164	166

Fine Foods – FCF

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
Net Profit	5	6	6	9	(3)	13	(1)	4	12	15
D&A	5	6	7	8	9	12	15	14	15	15
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(14)	(14)	6	(4)
Change in funds/other	(1)	1	4	(6)	3	2	(14)	0	0	0
FCF before Capex	4	12	21	0	10	36	(15)	5	33	26
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(11)	(12)	(13)
Equity FCF	(3)	2	(1)	(31)	(10)	20	(31)	(6)	21	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)	5	26	0	0	0
Change in NFP	(4)	(1)	(1)	67	(22)	18	(58)	(11)	20	8
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(26)	(7)
Ending Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(26)	(7)	1

DCF Valuation

Rolling our DCF valuation over by one year and reflecting a 50bp increase in our WACC (now 7.8%, due to a higher risk-free rate moving from 2.0% to 2.5%, while g remains at 2.5%) and a higher YE22 net debt (now €26m vs. our previous forecast of €10mn), we are lowering our DCF-based TP to €15.0 (from €17.5). At TP, which offers c.90% upside to the current price, the stock would trade at 11x EV/EBITDA'24E (currently 6x) in line with average of selected peers.

Fine Foods – DCF Model

(Eu mn)	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	32E	TV
Net Revenues	206.8	232.3	257.4	281.5	304.7	328.8	354.5	382.6	410.9	437.2	465.9	477.5
<i>YoY growth</i>	7.4%	12.3%	10.8%	9.3%	8.2%	7.9%	7.8%	7.9%	7.4%	6.4%	6.6%	2.5%
EBITDA	20.7	30.3	34.6	39.0	43.2	46.7	50.4	54.4	58.5	62.3	66.5	66.9
% margin	10.0%	13.0%	13.5%	13.9%	14.2%	14.2%	14.2%	14.2%	14.2%	14.3%	14.3%	14.0%
D&A	(14.1)	(14.9)	(15.4)	(16.9)	(18.3)	(19.7)	(21.3)	(23.0)	(24.7)	(26.2)	(28.0)	(28.7)
as % of sales	6.8%	6.4%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.5%
EBIT	6.6	15.4	19.2	22.1	25.0	27.0	29.1	31.5	33.9	36.1	38.5	38.2
% margin	3.2%	6.6%	7.5%	7.9%	8.2%	8.2%	8.2%	8.2%	8.2%	8.3%	8.3%	8.0%
Taxes	(1.6)	(3.7)	(4.6)	(5.3)	(6.0)	(6.5)	(7.0)	(7.6)	(8.1)	(8.7)	(9.3)	(9.2)
<i>tax rate</i>	24.0%	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	(13.7)	6.3	(4.4)	(4.3)	(4.1)	(4.1)	(4.4)	(4.8)	(4.9)	(4.5)	(4.9)	-
Capex	(11.4)	(11.6)	(12.9)	(14.1)	(15.2)	(16.4)	(17.7)	(19.1)	(20.5)	(21.9)	(23.3)	(28.7)
as % of sales	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%
Unlevered FCF	(6.0)	21.2	12.7	15.3	17.9	19.6	21.3	22.9	25.0	27.3	29.0	29.0
TV												549.4
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	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.5
Discounted Free cash flow		19.7	11.0	12.2	13.2	13.5	13.6	13.6	13.7	13.9	13.7	259.6

Discounted FCF '23E-31E	138.1
Terminal value	259.6
Total EV	397.7
NFP/(Debt) at YE22	(26.3)
Minorities	0.0
own shares	10.9
Total EQUITY (Eu mn)	382.4
NOSH (mn)	25.6
Fair value (Eu/share)	15.0
current price (Eu/share)	7.8
<i>upside vs current price</i>	91%

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%
6.8%	16.0	16.2	16.5	16.7	17.0	17.3	17.6	18.0	18.3	18.7	19.1
7.0%	15.5	15.7	16.0	16.2	16.5	16.8	17.1	17.4	17.7	18.0	18.3
7.2%	15.1	15.3	15.5	15.8	16.0	16.3	16.5	16.8	17.1	17.4	17.7
7.4%	14.7	14.9	15.1	15.3	15.6	15.8	16.0	16.3	16.5	16.8	17.1
7.6%	14.4	14.6	14.7	14.9	15.1	15.4	15.6	15.8	16.1	16.3	16.6
7.8%	14.0	14.2	14.4	14.6	14.8	15.0	15.2	15.4	15.6	15.8	16.1
8.0%	13.7	13.9	14.1	14.2	14.4	14.6	14.8	15.0	15.2	15.4	15.6
8.2%	13.4	13.6	13.7	13.9	14.1	14.2	14.4	14.6	14.8	15.0	15.2
8.4%	13.2	13.3	13.5	13.6	13.8	13.9	14.1	14.3	14.4	14.6	14.8
8.6%	12.9	13.0	13.2	13.3	13.5	13.6	13.8	13.9	14.1	14.3	14.5
8.8%	12.7	12.8	12.9	13.1	13.2	13.3	13.5	13.6	13.8	14.0	14.1

Source: Intermonte SIM

Peer Multiples

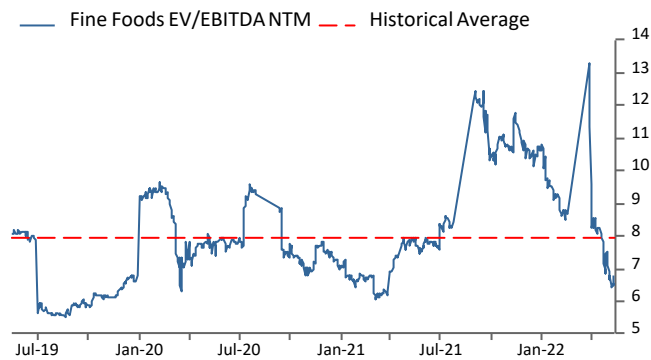
Given the lack of a meaningful comparison provided by the peer group due to significant diversification in terms of size, vertical integration, geographical footprint, capital structure and profitability compared to Fine Foods, we do not take the peer multiples method into account in our valuation. **At current prices, Fine Foods is trading at 6.7/5.6x EV/adj. EBITDA for '23/'24, a discount of c.40% to the peer group (10-11x) and well below its historical averages.**

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	7.84	200	-11.0%	-55.7%	-49.1%	1.0	0.9	0.7	10.1	6.7	5.6	28.2	13.1	10.0	35.7	17.0	13.6	1.1%	2.4%	2.9%
FF (@mkt price, cons.)	EUR	7.84	200	-11.0%	-55.7%	-49.1%	1.0	0.9	0.7	10.1	6.7	5.6	29.0	13.1	10.1	35.6	16.7	13.6	1.7%	2.4%	2.9%
FF (@ our TP, our est.)	EUR	15.0	446				1.9	1.7	1.5	19.0	12.7	10.8	52.8	24.9	19.5	79.5	37.8	30.4	0.6%	1.2%	1.5%
Catalent	USD	98.18	16,927	-2.7%	-23.3%	-23.3%	4.3	3.9	3.5	16.3	14.5	12.5	21.2	18.4	15.5	24.6	21.8	18.5	0.0%	0.0%	0.0%
InterCos	EUR	12.24	1,178	0.2%	-21.7%	-12.9%	1.6	1.5	1.4	11.1	9.6	8.6	17.8	14.7	12.7	24.1	20.5	17.7	1.0%	1.5%	2.0%
Labomar SpA	EUR	8.10	150	-8.4%	-34.1%	-19.0%	2.1	1.9	1.6	11.7	10.0	8.4	21.2	18.1	14.3	24.7	21.6	17.7	1.2%	1.4%	1.7%
Lonza Group AG	CHF	551.20	39,409	-16.4%	-25.2%	-27.6%	6.7	6.0	5.4	21.4	18.6	16.1	29.6	25.2	21.5	34.9	29.7	24.9	0.6%	0.6%	0.6%
Siegfried Holding AG	CHF	623.00	2,651	-18.3%	-29.4%	-30.0%	2.6	2.5	2.3	12.7	11.6	10.5	19.7	18.1	16.3	20.9	19.1	17.8	0.6%	0.6%	0.7%
Strides Pharma	INR	280.55	313	-22.7%	-44.9%	-37.3%	0.5	0.4	n.a.	3.9	2.8	n.a.	7.8	4.4	n.a.	0.3	0.1	n.a.	1.5%	1.9%	0.0%
Peer Group							2.4	2.2	2.3	12.2	10.8	10.5	20.5	18.1	15.5	24.4	21.0	17.8	0.8%	1.0%	0.6%
<i>FF discount to peers</i>							<i>-57%</i>	<i>-60%</i>	<i>-67%</i>	<i>-17%</i>	<i>-39%</i>	<i>-47%</i>	<i>38%</i>	<i>-28%</i>	<i>-35%</i>	<i>46%</i>	<i>-19%</i>	<i>-24%</i>			

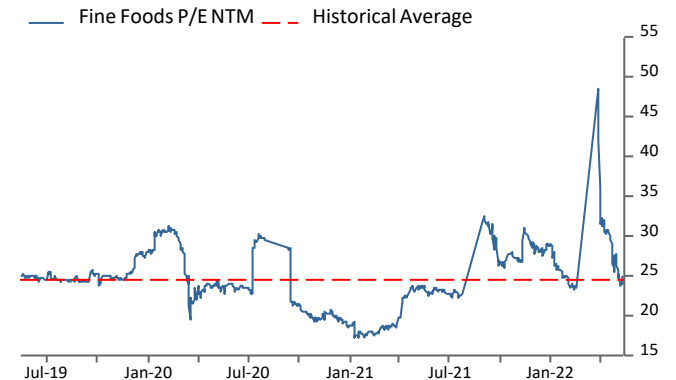
Source: Intermonte SIM (Fine Foods), Consensus (Factset)

Fine Foods - EV/EBITDA NTM evolution



Source: FactSet Consensus

Fine Foods - P/E NTM evolution



Source: FactSet Consensus

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	15.00	Previous Target (Eu):	17.50
Current Price (Eu):	7.84	Previous Price (Eu):	13.55
Date of report:	16/05/2022	Date of last report:	31/03/2022