

# FINE FOODS

Sector: Industrials

# OUTPERFORM

Price: Eu8.40 - Target: Eu12.00

## Business Recovery Well On-Track, Excluding Energy Price Swings

**Giorgio Tavolini +39-02-77115.279**

giorgio.tavolini@intermonte.it

**Andrea Randone +39-02-77115.364**

andrea.randone@intermonte.it

### Stock Rating

**Rating:** Unchanged

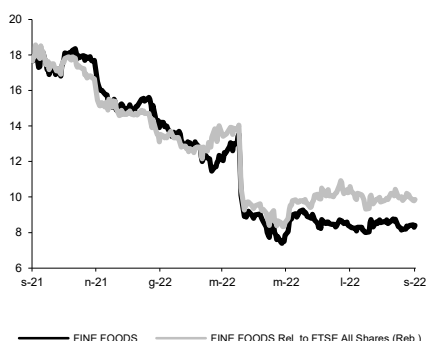
**Target Price (Eu):** from 15.00 to 12.00

	2022E	2023E	2024E
Chg in Adj EPS	nm.	-30.1%	-10.2%

### Next Event

3Q22 Results out 14 November 2022

### FINE FOODS - 12M Performance



### Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	-1.8%	1.4%	-52.4%
Relative	1.3%	-0.6%	-37.6%
12M (H/L)		18.35/7.40	
3M Average Volume (th):		6.33	

### Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	215
Total Mkt Cap (Eu mn):	215
Mkt Float - Ord (Eu mn):	103
Mkt Float (in %):	47.9%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.1%

### Balance Sheet Data

Book Value (Eu mn):	136
BVPS (Eu):	5.33
P/BV:	1.6
Net Financial Position (Eu mn):	-40
Enterprise Value (Eu mn):	255

■ **1H results show operational recovery in a still challenging market scenario.** 1H22 results in line with our expectations for the top line (Eu100.6mn) and 6% better in terms of adj. EBITDA (Eu8.4mn, our exp. Eu7.9mn) despite the energy cost increase, while the bottom line (-Eu6.0mn, our exp. -Eu3.6mn) was hit by the performance of financial assets held by the parent company due to a negative mark-to-market of Eu5.8mn (asset portfolio worth c. Eu65mn in 1H22, with a 74% bond/26% equity mix) with no impact on cash. Net debt in line at Eu42.2mn (our exp. Eu41.4mn). Despite the recovery of the top line vs the most critical period of the crisis in 4Q21, the geopolitical and macro environment is still harming 2022 margins. Management expressed optimism on the next 6 to 12 months and on the continued improvement of critical supply chain issues, except for energy costs, which are subject to random factors.

■ **Several moving parts suggest effectiveness of management actions:** (+) Turnover trend again positive (1H, +1% YoY o/w 2Q, +3%; 1Q, -1%), in line with our assumptions, with a downturn of the Food BU entirely compensated by growth of the BU; (+) Pharma BU (26% of 1H topline), particular acceleration of growth (1H, +31% YoY of which 2Q, +49% YoY; 1Q, +19% YoY); (+) Cosmetics BU (18%): on-track for integration between Pharmatek (acquired January 2021) and Euro Cosmetics (December 2021); (-) Food BU (56%): down 22% YoY in 2Q, similar to 1Q (-23% YoY), hit by the contraction of output destined for markets affected by the Russia-Ukraine war and the slowdown of client activities in Multilevel Marketing, which, post-Covid recovery, have seen a downturn in sales. (+) Improving adj. EBITDA margin trajectory (2Q, 8.3%; 1Q, 7.9%; 4Q21, 4.7%), despite the rising energy costs (2pp YoY impact on 1H margin) and production inefficiencies (procurement difficulties and rise in raw material prices). To cope with the economic situation, the Group adopted a policy of passing on higher raw material, packaging and energy costs to customers. (-) Still sustained cash absorption: deterioration related to the rise in trade receivables (Eu12.3mn) and inventory (Eu7.5mn) due to raw material and packaging procurement problems. Supply chain difficulties and production downtime were reduced thanks to the inventory management policy.

■ **Estimates Update.** We virtually confirm our FY22-24 top-line estimates (albeit with a different mix, assuming a stronger contribution from Pharma and Cosmetics), while we translate the 2pp impact on the 1H margin to our FY22 estimate (assuming c. Eu7mn energy costs in FY22, +5mn YoY): this leads to a 20% cut to our adj. EBITDA estimate (from Eu20.7mn to c. Eu16.5mn) on our prudent assumption of power costs remaining at current levels for the next 2-3 months. We apply some prudence to FY23-24 trends, assuming more sustainable margin progression (11% in FY23 and 12.7% in FY24) towards historical company levels (c.13%). These latter changes lead to -30%/-10% changes in EPS'23/24.

■ **OUTPERFORM confirmed; new target €12.0 (from €15).** Revised estimates and higher WACC (at 8.6% from the previous 7.8%) prompt us to trim our DCF-based TP to €12.0 (from €15). Despite the complete unpredictability of the evolution of energy costs, we appreciate the effectiveness of the turnaround strategy undertaken in 1H and management confidence in the short/medium term outlook thanks in part to the continuing improvement of supply chain problems: this prompts us to confirm our positive rating. Fine Foods 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	208	235	258
EBITDA Adj (Eu mn)	22	21	16	26	33
Net Profit Adj (Eu mn)	9	10	-6	8	13
EPS New Adj (Eu)	0.398	0.398	-0.240	0.323	0.517
EPS Old Adj (Eu)	0.398	0.398	0.175	0.462	0.575
DPS (Eu)	0.141	0.160	0.160	0.160	0.207
EV/EBITDA Adj	9.6	17.8	15.5	9.3	7.1
EV/EBIT Adj	20.0	nm	nm	22.2	13.6
P/E Adj	21.1	21.1	nm	26.0	16.3
Div. Yield	1.7%	1.9%	1.9%	1.9%	2.5%
Net Debt/EBITDA Adj	-1.9	0.7	2.4	1.0	0.6

**FINE FOODS – Key Figures**

<b>Profit &amp; Loss (Eu mn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Sales	160	172	193	208	235	258
EBITDA	17	21	20	16	26	33
EBIT	8	9	5	2	11	17
Financial Income (charges)	-0	-0	-1	-1	-0	-0
Associates & Others	-8	8	-9	-9	0	0
Pre-tax Profit	0	17	-5	-8	11	17
Taxes	-3	-3	3	2	-2	-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	8	13
EBITDA Adj	20	22	21	16	26	33
EBIT Adj	11	11	8	2	11	17
Net Profit Adj	12	9	10	-6	8	13
<b>Per Share Data (Eu)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
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	-0.240	0.323	0.517
EPS Adj f.d	0.506	0.398	0.398	-0.240	0.323	0.517
BVPS f.d	5.571	5.982	5.760	5.330	5.493	5.849
Dividend per Share ORD	0.120	0.141	0.160	0.160	0.160	0.207
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)						
<b>Cash Flow (Eu mn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Gross Cash Flow	9	27	-1	8	23	29
Change in NWC	1	9	-14	-13	6	-5
Capital Expenditure	-20	-16	-17	-15	-12	-13
Other Cash Items	-10	1	19	-1	0	0
Free Cash Flow (FCF)	-10	20	-31	-20	18	11
Acquisitions, Divestments & Other Items	0	0	-42	0	0	0
Dividends	-2	-3	-3	-4	-4	-4
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-22	18	-58	-25	14	7
<b>Balance Sheet (Eu mn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Total Fixed Assets	93	95	144	128	125	122
Net Working Capital	16	4	39	52	46	51
Long term Liabilities	-2	-1	-4	-4	-4	-4
Net Capital Employed	106	98	179	176	167	169
Net Cash (Debt)	24	43	-16	-40	-27	-20
Group Equity	131	141	147	136	140	150
Minorities	0	0	0	0	0	0
Net Equity	131	141	147	136	140	150
<b>Enterprise Value (Eu mn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Average Mkt Cap	242	256	361	215	215	215
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	24	43	-16	-40	-27	-20
Enterprise Value	217	213	377	255	241	234
<b>Ratios (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
EBITDA Adj Margin	12.7%	13.0%	11.0%	7.9%	11.0%	12.7%
EBIT Adj Margin	6.8%	6.2%	4.0%	1.1%	4.6%	6.7%
Gearing - Debt/Equity	-18.7%	-30.3%	10.6%	29.5%	19.0%	13.1%
Interest Cover on EBIT	16.8	23.0	6.6	2.3	31.0	49.4
Net Debt/EBITDA Adj	-1.2	-1.9	0.7	2.4	1.0	0.6
ROACE*	8.2%	9.2%	3.6%	1.3%	6.3%	10.3%
ROE*	8.8%	6.9%	7.1%	-4.3%	6.0%	9.1%
EV/CE	2.2	2.1	2.7	1.4	1.4	1.4
EV/Sales	1.4	1.2	2.0	1.2	1.0	0.9
EV/EBITDA Adj	10.7	9.6	17.8	15.5	9.3	7.1
EV/EBIT Adj	19.9	20.0	nm	nm	22.2	13.6
Free Cash Flow Yield	-4.8%	9.4%	-14.7%	-9.2%	8.2%	5.2%
<b>Growth Rates (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Sales	14.6%	7.7%	12.0%	7.9%	13.3%	9.7%
EBITDA Adj	8.6%	9.9%	-5.0%	-22.2%	57.4%	26.4%
EBIT Adj	7.2%	-2.5%	-27.2%	-69.8%	363.8%	59.1%
Net Profit Adj	nm	nm	nm	nm	nm	60.1%
EPS Adj	36.6%	-21.2%	0.0%	nm	nm	60.1%
DPS	20.4%	16.8%	13.7%	0.0%	0.0%	29.2%

\*Excluding extraordinary items Source: Intermonte SIM estimates

## 2Q22/1H22 Results

■ **1H results show operational recovery in a still challenging market scenario.** 1H22 results came in line with our expectations for the top line (Eu100.6mn) and 6% better in terms of adj. EBITDA (Eu8.4mn, our exp. Eu7.9mn) despite the energy cost increase, while the bottom line (-Eu6.0mn, our exp. -Eu3.6mn) was hit by the performance of financial assets held by the parent company due to a negative mark-to-market of Eu5.8mn (asset portfolio worth c. Eu65mn in 1H22, with a 74% bond/26% equity mix) with no impact on cash. Net debt in line at Eu42.2mn (our exp. Eu41.4mn). Despite the recovery of the top line vs the most critical period of the crisis in 4Q21, the geopolitical and macro environment is still harming the 2022 margin. Management expressed optimism on the next 6 to 12 months and on the continued improvement of the critical supply chain issues, except for energy costs, which are subject to random factors.

### Fine Foods – 2Q22/1H22 Results: P&L\*

P&L (Eu mn)	2020A	1Q21A	2Q21A	1H21A	3Q21A	9M21A	4Q21A	2021A	1Q22A	2Q22A	1H22A	1H22E	A/E
<b>Food</b>	<b>132.0</b>	<b>38.3</b>	<b>35.0</b>	<b>73.3</b>	<b>33.1</b>	<b>106.4</b>	<b>31.7</b>	<b>138.1</b>	<b>29.5</b>	<b>27.3</b>	<b>56.8</b>	<b>60.7</b>	<b>-6%</b>
YoY growth	10.7%			35.4%	-11.7%	16.1%	-21.4%	4.7%	-22.9%	-22.1%	-22.5%	-17.2%	
on net sales	76.8%	74.6%	72.4%	73.6%	75.7%	74.2%	64.3%	71.7%	58.2%	54.7%	56.5%	60.4%	
<b>Pharma</b>	<b>40.0</b>	<b>10.0</b>	<b>9.3</b>	<b>19.3</b>	<b>8.8</b>	<b>28.2</b>	<b>10.1</b>	<b>38.3</b>	<b>11.9</b>	<b>13.9</b>	<b>25.8</b>	<b>22.5</b>	<b>15%</b>
YoY growth	-1.2%			-8.8%	-9.6%	-9.1%	11.8%	-4.4%	18.6%	49.2%	33.4%	16.4%	
on net sales	23.3%	19.5%	19.3%	19.4%	20.2%	19.7%	20.5%	19.9%	23.4%	28.0%	25.7%	22.3%	
<b>Cosmetics &amp; Biocides</b>				<b>7.0</b>	<b>1.8</b>	<b>8.8</b>	<b>7.5</b>	<b>16.3</b>	<b>9.4</b>	<b>8.6</b>	<b>18.0</b>	<b>17.4</b>	<b>4%</b>
on net sales				7.0%	4.0%	6.1%	15.2%	8.5%	18.4%	17.3%	17.9%	17.3%	
<b>Net revenues</b>	<b>172.0</b>	<b>51.3</b>	<b>48.3</b>	<b>99.7</b>	<b>43.7</b>	<b>143.4</b>	<b>49.3</b>	<b>192.6</b>	<b>50.8</b>	<b>49.8</b>	<b>100.6</b>	<b>100.5</b>	<b>0.1%</b>
YoY growth	7.7%	0.0%	0.0%	32.1%	-7.5%	16.9%	-0.1%	12.0%	-1.1%	3.1%	0.9%	1.9%	
Other income	5.0	0.1	0.0	0.1	1.5	1.7	0.9	2.6	0.2	0.1	0.2	0.4	
<b>Value of production</b>	<b>177.0</b>	<b>51.4</b>	<b>48.4</b>	<b>99.8</b>	<b>45.3</b>	<b>145.1</b>	<b>50.3</b>	<b>195.2</b>	<b>50.9</b>	<b>49.9</b>	<b>100.8</b>	<b>100.9</b>	<b>-0.1%</b>
<b>Raw materials</b>	<b>(109.0)</b>	<b>(31.1)</b>	<b>(28.5)</b>	<b>(59.6)</b>	<b>(27.4)</b>	<b>(87.1)</b>	<b>(31.6)</b>	<b>(118.7)</b>	<b>(30.9)</b>	<b>(29.6)</b>	<b>(60.6)</b>	<b>(61.0)</b>	<b>-0.8%</b>
on net sales	-63.4%	-60.6%	-59.0%	-59.8%	-62.8%	-60.7%	-64.1%	-61.6%	-60.9%	-60.5%	-60.2%	-60.7%	
<b>Personnel</b>	<b>(31.0)</b>	<b>(8.9)</b>	<b>(8.5)</b>	<b>(17.4)</b>	<b>(7.6)</b>	<b>(25.1)</b>	<b>(9.7)</b>	<b>(34.8)</b>	<b>(9.4)</b>	<b>(10.2)</b>	<b>(19.6)</b>	<b>(18.8)</b>	<b>4.5%</b>
on net sales	-18.0%	-17.4%	-17.6%	-17.5%	-17.5%	-17.5%	-19.7%	-18.1%	-18.5%	-20.5%	-19.5%	-18.7%	
<b>Cost of services</b>	<b>(15.0)</b>	<b>(4.3)</b>	<b>(4.9)</b>	<b>(9.2)</b>	<b>(4.9)</b>	<b>(14.0)</b>	<b>(6.8)</b>	<b>(20.8)</b>	<b>(6.3)</b>	<b>(5.8)</b>	<b>(12.1)</b>	<b>(12.5)</b>	<b>-3.2%</b>
on net sales	-8.7%	-8.3%	-10.1%	-9.2%	-11.2%	-9.8%	-13.8%	-10.8%	-12.3%	-12.5%	-12.0%	-12.4%	
<b>Other costs</b>	<b>(0.9)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>(0.4)</b>	<b>(1.3)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(0.7)</b>	<b>5.2%</b>
on net sales	-0.5%	-0.7%	-0.7%	-0.7%	-0.4%	-0.6%	-0.8%	-0.7%	-0.8%	-0.7%	-0.7%	-0.7%	
<b>Total Opex</b>	<b>(155.9)</b>	<b>(44.7)</b>	<b>(42.3)</b>	<b>(86.9)</b>	<b>(40.1)</b>	<b>(127.1)</b>	<b>(48.5)</b>	<b>(175.6)</b>	<b>(46.9)</b>	<b>(46.0)</b>	<b>(93.0)</b>	<b>(93.0)</b>	<b>0.0%</b>
<b>EBITDA</b>	<b>21.1</b>	<b>6.8</b>	<b>6.1</b>	<b>12.9</b>	<b>5.1</b>	<b>18.0</b>	<b>1.6</b>	<b>19.6</b>	<b>4.0</b>	<b>3.9</b>	<b>7.8</b>	<b>7.9</b>	<b>-1.3%</b>
YoY growth	20.6%			56.0%	-28.4%	16.8%	-71.2%	-6.9%	-41.4%	-36.4%	-39.1%	-38.2%	
as % of net sales	12.3%	13.2%	12.6%	12.9%	11.7%	12.5%	3.3%	10.2%	7.8%	7.8%	7.8%	7.9%	
<b>Adj. EBITDA</b>	<b>22.3</b>	<b>6.8</b>	<b>6.4</b>	<b>13.1</b>	<b>5.7</b>	<b>18.8</b>	<b>2.4</b>	<b>21.2</b>	<b>4.0</b>	<b>4.4</b>	<b>8.4</b>	<b>7.9</b>	<b>5.6%</b>
YoY growth	9.9%			46.9%	-22.8%	15.4%	-60.0%	-5.0%	-41.4%	-30.5%	-36.1%	-39.5%	
as % of net sales	13.0%	13.2%	13.2%	13.2%	13.0%	13.1%	4.8%	11.0%	7.8%	8.9%	8.3%	7.9%	
<b>D&amp;A</b>	<b>(11.6)</b>	<b>(3.1)</b>	<b>(3.3)</b>	<b>(6.4)</b>	<b>(3.8)</b>	<b>(10.2)</b>	<b>(4.4)</b>	<b>(14.6)</b>	<b>(3.6)</b>	<b>(3.7)</b>	<b>(7.3)</b>	<b>(6.9)</b>	
<b>EBIT</b>	<b>9.4</b>	<b>3.7</b>	<b>2.8</b>	<b>6.5</b>	<b>1.3</b>	<b>7.8</b>	<b>(2.7)</b>	<b>5.1</b>	<b>0.4</b>	<b>0.1</b>	<b>0.5</b>	<b>1.0</b>	<b>n.m.</b>
<b>Adj. EBIT</b>	<b>10.7</b>	<b>3.7</b>	<b>3.1</b>	<b>6.7</b>	<b>1.9</b>	<b>8.6</b>	<b>(0.9)</b>	<b>7.8</b>	<b>0.4</b>	<b>0.7</b>	<b>1.1</b>	<b>1.0</b>	<b>n.m.</b>
as % of net sales	6.2%	7.1%	6.3%	6.8%	4.4%	6.0%	-1.8%	4.0%	0.8%	1.4%	1.1%	1.0%	
<b>Pretax</b>	<b>16.7</b>	<b>3.1</b>	<b>(7.2)</b>	<b>(4.1)</b>	<b>1.3</b>	<b>(2.7)</b>	<b>(1.9)</b>	<b>(4.6)</b>	<b>(2.3)</b>	<b>(3.6)</b>	<b>(5.9)</b>	<b>(3.7)</b>	<b>n.m.</b>
Taxes	(3.3)	(1.3)	(1.1)	(2.4)	1.7	(0.7)	3.9	3.2	(0.2)	0.1	(0.1)	0.1	
tax rate	-20%	0%	0%	59%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2%	-2%	
<b>Net income</b>	<b>13.4</b>	<b>1.8</b>	<b>(8.3)</b>	<b>(6.5)</b>	<b>3.0</b>	<b>(3.4)</b>	<b>2.0</b>	<b>(1.4)</b>	<b>(2.5)</b>	<b>(3.6)</b>	<b>(6.0)</b>	<b>(3.6)</b>	<b>n.m.</b>
<b>Adj. Net Income</b>	<b>9.3</b>	<b>3.1</b>	<b>0.3</b>	<b>3.4</b>	<b>3.0</b>	<b>6.4</b>	<b>3.7</b>	<b>10.2</b>	<b>(2.5)</b>	<b>(3.1)</b>	<b>(5.6)</b>	<b>(3.6)</b>	<b>n.m.</b>
<b>Ending NFP/(Debt)</b>	<b>42.8</b>			<b>20.7</b>	<b>20.7</b>	<b>10.6</b>	<b>(15.7)</b>	<b>(15.7)</b>	<b>(33.0)</b>	<b>(42.2)</b>	<b>(42.2)</b>	<b>(41.4)</b>	

Source: Company Data (A), Intermonte Estimates (E). \* We remind that 1Q22 was the first time that Fine Foods published its first-quarter results since the company listed on the STAR segment in July 2021. Therefore, many details on historical figures for 1Q21 and 2Q21 are missing.

### Several moving parts suggest effectiveness of management actions:

- (+) Turnover trend again positive (1H, +1% YoY o/w 2Q, +3%; 1Q, -1%), in line with our assumptions, with a downturn of the Food BU entirely compensated by growth of the BU;
- (+) Pharma BU (26% of 1H top line), particular acceleration of growth (1H, +31% YoY of which 2Q, +49% YoY; 1Q, +19% YoY);
- (+) Cosmetics BU (18%): on-track for integration between Pharmatek (acquired January 2021) and Euro Cosmetics (in December 2021).
- (-) Food BU (56%), down 22% YoY in 2Q, similar to 1Q (-23% YoY), hit by the contraction of output destined for markets affected by the Russia-Ukraine war and the slowdown of client activities in Multilevel Marketing, which, post-Covid recovery, have seen a downturn in sales;
- (+) Improving adj. EBITDA margin trajectory (2Q, 8.3%; 1Q, 7.9%; 4Q21, 4.7%), despite the rising energy costs (2pp YoY impact on 1H margin) and production inefficiencies (procurement difficulties and rise in raw material prices). To cope with the economic situation, the Group adopted a policy of passing on higher raw material, packaging and energy costs to customers;
- (-) Still sustained cash absorption: deterioration related to the rise in trade receivables (Eu12.3mn) and inventory (Eu7.5mn) due to raw material and packaging procurement problems. Supply chain difficulties and production downtime were reduced thanks to the inventory management policy.

**Fine Foods – 1H22 Results: FCF & Net Debt evolution and Reclassified Balance Sheet\***

FCF (Eu mn)	2020A	1Q21A	1H21A	9M21A	2021A	1Q22A	1H22A	1H22E
Net Profit	13.4	1.8	(6.5)	(3.4)	(1.4)	(2.5)	(6.0)	(3.6)
D&A	11.6	3.1	6.4	10.2	14.6	3.6	7.3	6.9
Delta Op. WKC	9.4	(16.8)	(13.1)	(26.5)	(14.4)	(15.6)	(15.2)	(17.0)
Chg. in other funds	1.8	2.4	(5.0)	11.1	(13.7)	3.9	6.7	-
<b>FCFO</b>	<b>36.2</b>	<b>(9.6)</b>	<b>(18.2)</b>	<b>(8.6)</b>	<b>(15.0)</b>	<b>(10.6)</b>	<b>(7.2)</b>	<b>(13.7)</b>
Capex	(16.0)	(2.0)	(5.8)	(7.6)	(16.5)	(4.0)	(8.8)	(7.0)
<b>Equity FCF</b>	<b>20.2</b>	<b>(11.5)</b>	<b>(24.0)</b>	<b>(16.2)</b>	<b>(31.5)</b>	<b>(14.6)</b>	<b>(16.0)</b>	<b>(20.6)</b>
Acquisitions	-	(9.6)	(17.2)	(17.2)	(42.4)	-	-	-
Disposals	-	-	-	-	-	-	-	-
Dividends	(2.7)	-	(3.2)	(3.2)	(3.2)	-	(3.9)	(4.1)
Share Buy-back	(4.0)	(0.8)	(2.4)	(6.2)	(7.5)	(0.1)	(0.7)	(1.0)
Rights Issue/ ipo	-	-	-	-	-	-	-	-
Other	5.0	-	24.7	10.7	26.1	(2.7)	(5.9)	-
<b>Change in NFP</b>	<b>18.4</b>	<b>(22.0)</b>	<b>(22.1)</b>	<b>(32.1)</b>	<b>(58.5)</b>	<b>(17.3)</b>	<b>(26.5)</b>	<b>(25.7)</b>
<b>Opening NFP</b>	<b>24.4</b>	<b>-</b>	<b>42.8</b>	<b>42.8</b>	<b>42.8</b>	<b>(15.7)</b>	<b>(15.7)</b>	<b>(15.7)</b>
Change in NFP	18.4	(22.0)	(22.1)	(32.1)	(58.5)	(17.3)	(26.5)	(25.7)
<b>Ending NFP/(Debt)</b>	<b>42.8</b>	<b>20.8</b>	<b>20.7</b>	<b>10.6</b>	<b>(15.7)</b>	<b>(33.0)</b>	<b>(42.2)</b>	<b>(41.4)</b>

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 virtually confirm our FY22-24 top-line estimates (albeit with a different mix, assuming a stronger contribution from Pharma and Cosmetics), while we translate the 2pp impact on the 1H margin to our FY22 estimate (assuming c. Eu7mn energy costs in FY22, +5mn YoY): this leads to a 20% cut to our adj. EBITDA estimate (from Eu20.7mn to c. Eu16.5mn) on our prudent assumption of power costs remaining at current levels for the next 2-3 months. We apply some prudence to FY23-24 trends, assuming more sustainable margin progression (11% in FY23 and 12.7% in FY24) towards company historical levels (c.13%). These latter changes lead to -30%/-10% changes in EPS'23/24.

### 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	121.6	132.5	143.1	129.9	142.8	157.1	-6%	-7%	-9%
Pharma	40.5	40.0	38.3	50.5	60.6	66.1	44.0	50.6	55.2	15%	20%	20%
Cosmetics	0.0	0.0	16.3	35.7	42.3	49.0	32.9	38.9	45.1	9%	9%	9%
<b>Revenues</b>	<b>159.7</b>	<b>172.0</b>	<b>192.6</b>	<b>207.8</b>	<b>235.4</b>	<b>258.2</b>	<b>206.8</b>	<b>232.3</b>	<b>257.4</b>	<b>0%</b>	<b>1%</b>	<b>0%</b>
<i>YoY growth</i>	<i>14.6%</i>	<i>7.7%</i>	<i>12.0%</i>	<i>7.9%</i>	<i>13.3%</i>	<i>9.7%</i>	<i>7.4%</i>	<i>12.3%</i>	<i>10.8%</i>			
<i>a/w organic</i>	<i>14.6%</i>	<i>7.7%</i>	<i>2.6%</i>	<i>-2.5%</i>	<i>13.3%</i>	<i>9.7%</i>	<i>-1.4%</i>	<i>12.3%</i>	<i>10.8%</i>			
EBITDA	17.5	21.1	19.6	16.5	25.9	32.8	20.7	30.3	34.6	-20%	-14%	-5%
<b>Adj. EBITDA</b>	<b>20.3</b>	<b>22.3</b>	<b>21.2</b>	<b>16.5</b>	<b>25.9</b>	<b>32.8</b>	<b>20.7</b>	<b>30.3</b>	<b>34.6</b>	<b>-20%</b>	<b>-14%</b>	<b>-5%</b>
% on sales	12.7%	13.0%	11.0%	7.9%	11.0%	12.7%	10.0%	13.0%	13.5%			
D&A	(9.4)	(11.6)	(13.4)	(14.1)	(15.1)	(15.5)	(14.1)	(14.9)	(15.4)			
<b>Adj. EBIT</b>	<b>10.9</b>	<b>10.7</b>	<b>7.8</b>	<b>2.3</b>	<b>10.9</b>	<b>17.3</b>	<b>6.6</b>	<b>15.4</b>	<b>19.2</b>	<b>-64%</b>	<b>-29%</b>	<b>-10%</b>
% on sales	6.8%	6.2%	4.0%	1.1%	4.6%	6.7%	3.2%	6.6%	7.5%			
EBIT	8.1	9.4	5.1	2.3	10.9	17.3	6.6	15.4	19.2	-64%	-29%	-10%
<b>Pre taxes</b>	<b>0.1</b>	<b>16.7</b>	<b>(4.6)</b>	<b>(7.7)</b>	<b>10.5</b>	<b>16.9</b>	<b>5.6</b>	<b>15.0</b>	<b>18.9</b>	<b>n.m.</b>	<b>-30%</b>	<b>-10%</b>
taxes	(2.9)	(3.3)	3.2	1.5	(2.3)	(3.7)	(1.1)	(3.2)	(4.1)			
tax rate	n.m.	20%	69%	20%	22%	22%	20%	22%	22%			
<b>Net Profit</b>	<b>(2.8)</b>	<b>13.4</b>	<b>(1.4)</b>	<b>(6.1)</b>	<b>8.3</b>	<b>13.2</b>	<b>4.5</b>	<b>11.8</b>	<b>14.7</b>	<b>n.m.</b>	<b>-30%</b>	<b>-10%</b>
<b>Adj. Net profit</b>	<b>11.9</b>	<b>9.3</b>	<b>10.2</b>	<b>(6.1)</b>	<b>8.3</b>	<b>13.2</b>	<b>4.5</b>	<b>11.8</b>	<b>14.7</b>	<b>n.m.</b>	<b>-30%</b>	<b>-10%</b>
Adj. EPS (€/share)	0.51	0.40	0.40	(0.24)	0.3	0.5	0.18	0.46	0.58	n.m.	-30%	-10%
<b>DPS (€/share)</b>	<b>0.12</b>	<b>0.14</b>	<b>0.16</b>	<b>0.16</b>	<b>0.16</b>	<b>0.21</b>	<b>0.07</b>	<b>0.18</b>	<b>0.23</b>	<b>n.m.</b>	<b>-13%</b>	<b>-10%</b>
% payout	24%	35%	40%	n.m.	n.m.	40%	40%	40%	40%			
<b>Adj. EBITDA</b>	<b>20.3</b>	<b>22.3</b>	<b>21.2</b>	<b>16.5</b>	<b>25.9</b>	<b>32.8</b>	<b>20.7</b>	<b>30.3</b>	<b>34.6</b>	<b>-20%</b>	<b>-14%</b>	<b>-5%</b>
CapEx	(20.1)	(16.0)	(16.5)	(14.5)	(11.8)	(12.9)	(11.4)	(11.6)	(12.9)	28%	1%	0%
% on sales	12.6%	9.3%	8.6%	7.0%	5.0%	5.0%	5.5%	5.0%	5.0%			
<b>EBITDA-Capex</b>	<b>0.2</b>	<b>6.3</b>	<b>4.7</b>	<b>1.9</b>	<b>14.2</b>	<b>19.9</b>	<b>9.3</b>	<b>18.6</b>	<b>21.8</b>	<b>-79%</b>	<b>-24%</b>	<b>-9%</b>
% of Adj. EBITDA	1%	28%	22%	12%	55%	61%	45%	62%	63%			
NWC change	0.5	9.4	(14.4)	(13.1)	6.0	(4.5)	(13.7)	6.3	(4.4)			
<b>Op. FCF</b>	<b>0.7</b>	<b>15.7</b>	<b>(9.7)</b>	<b>(11.2)</b>	<b>20.2</b>	<b>15.3</b>	<b>-4.4</b>	<b>24.9</b>	<b>17.3</b>	<b>n.m.</b>	<b>-19%</b>	<b>-12%</b>
% of Adj. EBITDA	3%	70%	-46%	-68%	78%	47%	-21%	82%	50%			
<b>Equity FCF</b>	<b>(10.2)</b>	<b>20.2</b>	<b>(31.5)</b>	<b>(19.7)</b>	<b>17.6</b>	<b>11.3</b>	<b>-6.5</b>	<b>21.3</b>	<b>12.8</b>	<b>n.m.</b>	<b>-17%</b>	<b>-12%</b>
% of Adj. EBITDA	-50%	91%	-149%	-119%	68%	34%	-31%	70%	37%			
<b>NFP/ (Debt)</b>	<b>24.4</b>	<b>42.8</b>	<b>(15.7)</b>	<b>(40.5)</b>	<b>(27.0)</b>	<b>(19.8)</b>	<b>(27.3)</b>	<b>(7.7)</b>	<b>0.4</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-2.5x	-1.0x	-0.6x	-1.3x	-0.3x	0.0x			

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

### Fine Foods – P&L

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
<b>Total Revenues</b>	<b>102</b>	<b>113</b>	<b>120</b>	<b>139</b>	<b>160</b>	<b>172</b>	<b>193</b>	<b>208</b>	<b>235</b>	<b>258</b>
Total OpEx	(89)	(98)	(104)	(121)	(142)	(151)	(173)	(191)	(209)	(225)
<b>EBITDA</b>	<b>13</b>	<b>15</b>	<b>16</b>	<b>19</b>	<b>17</b>	<b>21</b>	<b>20</b>	<b>16</b>	<b>26</b>	<b>33</b>
% 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)
<b>EBIT</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>8</b>	<b>9</b>	<b>5</b>	<b>2</b>	<b>11</b>	<b>17</b>
% 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
<b>Net Operating Margin</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>0</b>	<b>17</b>	<b>(5)</b>	<b>(8)</b>	<b>11</b>	<b>17</b>
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	3	2	(2)	(4)
Tax Rate %	(0)	(0)	(0)	(0)	n.m.	(0)	n.m	(0)	(0)	(0)
<b>Net Income</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>(3)</b>	<b>13</b>	<b>(1)</b>	<b>(6)</b>	<b>8</b>	<b>13</b>
<b>Adj. Net Income</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>9</b>	<b>12</b>	<b>9</b>	<b>10</b>	<b>(6)</b>	<b>8</b>	<b>13</b>

### 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	103	100	97
Financial Assets	0	0	0	0	0	0	0	0	0	0
<b>Total Fixed Assets</b>	<b>40</b>	<b>43</b>	<b>59</b>	<b>82</b>	<b>93</b>	<b>95</b>	<b>128</b>	<b>128</b>	<b>125</b>	<b>122</b>
NWC	10	10	2	19	16	4	39	52	46	51
<b>Gross inv. capital</b>	<b>51</b>	<b>53</b>	<b>61</b>	<b>101</b>	<b>108</b>	<b>100</b>	<b>167</b>	<b>181</b>	<b>171</b>	<b>173</b>
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	(4)	(4)	(4)
<b>Net invested capital</b>	<b>49</b>	<b>52</b>	<b>59</b>	<b>93</b>	<b>106</b>	<b>98</b>	<b>163</b>	<b>176</b>	<b>167</b>	<b>169</b>
Group Equity	31	33	39	140	131	141	147	136	140	150
Minority interests	0	0	0	0	0	0	0	0	0	0
<b>Net Cash (Debt)</b>	<b>(18)</b>	<b>(19)</b>	<b>(20)</b>	<b>47</b>	<b>24</b>	<b>43</b>	<b>(16)</b>	<b>(40)</b>	<b>(27)</b>	<b>(20)</b>
<b>Total cover</b>	<b>49</b>	<b>52</b>	<b>59</b>	<b>93</b>	<b>106</b>	<b>98</b>	<b>163</b>	<b>176</b>	<b>167</b>	<b>169</b>

### Fine Foods – FCF

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
<b>Net Profit</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>(3)</b>	<b>13</b>	<b>(1)</b>	<b>(6)</b>	<b>8</b>	<b>13</b>
D&A	5	6	7	8	9	12	15	14	15	15
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(14)	(13)	6	(5)
Change in funds/other	(1)	1	4	(6)	3	2	(14)	0	0	0
<b>FCFO</b>	<b>4</b>	<b>12</b>	<b>21</b>	<b>0</b>	<b>10</b>	<b>36</b>	<b>(15)</b>	<b>(5)</b>	<b>29</b>	<b>24</b>
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(15)	(12)	(13)
<b>Equity FCF</b>	<b>(3)</b>	<b>2</b>	<b>(1)</b>	<b>(31)</b>	<b>(10)</b>	<b>20</b>	<b>(31)</b>	<b>(20)</b>	<b>18</b>	<b>11</b>
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)	(4)	(4)
Share Buy-back	0	0	0	0	(5)	(4)	(8)	(1)	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
<b>Change in NFP</b>	<b>(4)</b>	<b>(1)</b>	<b>(1)</b>	<b>67</b>	<b>(22)</b>	<b>18</b>	<b>(58)</b>	<b>(25)</b>	<b>14</b>	<b>7</b>
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(40)	(27)
<b>Ending Net Cash (Debt)</b>	<b>(18)</b>	<b>(19)</b>	<b>(20)</b>	<b>47</b>	<b>24</b>	<b>43</b>	<b>(16)</b>	<b>(40)</b>	<b>(27)</b>	<b>(20)</b>

## DCF Valuation

Revised estimates and higher WACC (now 8.6% from 7.8%, risk-free rate moving from 2.5% to 3.0% and higher beta) lead us to trim our DCF-based TP to €12.0 (from €15). At TP, which offers c.40% upside to the current price, the stock would trade at 10x EV/EBITDA'24E (currently 7x), in line with its historical average.

### Fine Foods – DCF Model (WACC now at 8.6% from prior 7.8%, g still 2.5%)

(Eu mn)	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	32E	TV
Net Revenues	207.8	235.4	258.2	283.6	307.1	331.5	357.6	386.1	414.9	441.7	471.1	482.6
YoY growth	7.9%	13.3%	9.7%	9.8%	8.3%	7.9%	7.9%	8.0%	7.5%	6.5%	6.6%	2.5%
EBITDA	16.5	25.9	32.8	39.3	43.6	47.1	50.9	55.0	59.1	63.0	67.3	67.6
% margin	7.9%	11.0%	12.7%	13.9%	14.2%	14.2%	14.2%	14.2%	14.3%	14.3%	14.3%	14.0%
D&A	(14.1)	(15.1)	(15.5)	(17.0)	(18.4)	(19.9)	(21.5)	(23.2)	(24.9)	(26.5)	(28.3)	(29.0)
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	2.3	10.9	17.3	22.3	25.2	27.2	29.4	31.8	34.2	36.5	39.0	38.6
% margin	1.1%	4.6%	6.7%	7.9%	8.2%	8.2%	8.2%	8.2%	8.3%	8.3%	8.3%	8.0%
Taxes	(0.6)	(2.6)	(4.1)	(5.4)	(6.0)	(6.5)	(7.1)	(7.6)	(8.2)	(8.8)	(9.4)	(9.3)
tax rate	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	(13.1)	6.0	(4.5)	(4.9)	(4.2)	(4.2)	(4.5)	(4.9)	(4.9)	(4.6)	(5.0)	-
Capex	(14.5)	(11.8)	(12.9)	(14.2)	(15.4)	(16.6)	(17.9)	(19.3)	(20.7)	(22.1)	(23.6)	(29.0)
as % of sales	7.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%
Unlevered FCF	(11.8)	17.6	11.2	14.9	18.0	19.8	21.5	23.1	25.2	27.6	29.3	29.3
TV												478.7
year		1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	10.0
Discounted WACC		0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Discounted Free cash flow		16.2	9.5	11.7	13.0	13.1	13.1	13.0	13.1	13.1	12.9	210.2

Discounted FCF '23E-31E	128.7
Terminal value	210.2
<b>Total EV</b>	<b>338.8</b>
NFP/(Debt) at YE22	(40.2)
Minorities	0.0
own shares	8.5
<b>Total EQUITY (Eu mn)</b>	<b>307.1</b>
NOSH (mn)	25.6
<b>Fair value (Eu/share)</b>	<b>12.0</b>
current price (Eu/share)	8.4
upside vs current price	43%

### 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%
7.6%	12.6	12.8	13.0	13.2	13.3	13.5	13.7	13.9	14.2	14.4	14.6
7.8%	12.3	12.5	12.6	12.8	13.0	13.2	13.4	13.6	13.8	14.0	14.2
8.0%	12.0	12.2	12.3	12.5	12.7	12.8	13.0	13.2	13.4	13.6	13.8
8.2%	11.8	11.9	12.1	12.2	12.4	12.5	12.7	12.9	13.0	13.2	13.4
8.4%	11.5	11.7	11.8	11.9	12.1	12.2	12.4	12.5	12.7	12.9	13.0
8.6%	11.3	11.4	11.6	11.7	11.8	12.0	12.1	12.2	12.4	12.6	12.7
8.8%	11.1	11.2	11.3	11.4	11.6	11.7	11.8	12.0	12.1	12.3	12.4
9.0%	10.9	11.0	11.1	11.2	11.3	11.5	11.6	11.7	11.8	12.0	12.1
9.2%	10.7	10.8	10.9	11.0	11.1	11.2	11.4	11.5	11.6	11.7	11.9
9.4%	10.5	10.6	10.7	10.8	10.9	11.0	11.1	11.2	11.4	11.5	11.6
9.6%	10.3	10.4	10.5	10.6	10.7	10.8	10.9	11.0	11.1	11.3	11.4

Source: Intermonte SIM



## Peer Multiples

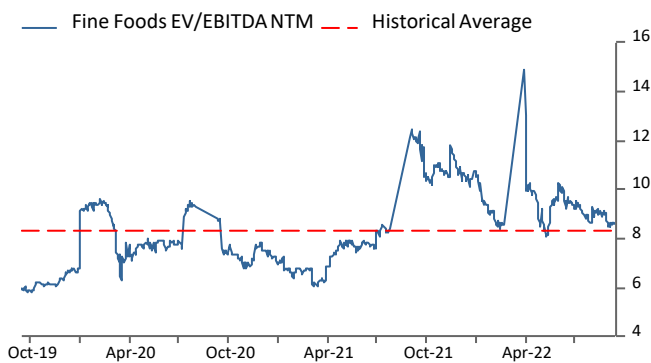
Given the lack of a meaningful comparison provided by the peer group due to significant diversification in terms of size, vertical integration, geographical footprint, capital structure and profitability compared to Fine Foods, we do not take the peer multiples method into account in our valuation. **At current prices, Fine Foods is trading at 9-7x EV/adj. EBITDA for '23-24E, a discount of c.30% to the peer group (12x).**

Fine Foods - Peer Multiples

Company	Currency	Price	Mkt. Cap (Eu mn)	Abs. Perf. (%)				EV/Sales (x)			EV/EBITDA (x)			Adj. P/E (x)			Div. Yield (%)		
				1m	3m	6m	Ytd	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E	'22E	'23E	'24E
FF (@mkt price, our est.)	EUR	8.40	215	-3%	-3%	-33%	-46%	1.2	1.0	0.9	15.5	9.3	7.1	n.m.	26.0	16.3	1.9%	1.9%	2.5%
FF (@mkt price, cons.)	EUR	8.40	215	-3%	-3%	-33%	-46%	1.1	0.9	0.8	11.1	7.3	6.1	42.2	17.9	14.6	1.4%	2.2%	2.7%
FF (@ our TP, our est.)	EUR	12.0	307					1.7	1.4	1.3	21.1	12.9	10.0	n.m.	37.2	23.2	1.3%	1.3%	1.7%
Catalent	USD	92.78	16,713	-16%	-11%	-4%	-28%	4.2	4.0	3.6	15.7	15.0	12.9	24.1	24.3	20.2	0.0%	0.0%	0.0%
InterCos	EUR	11.76	1,132	-2%	-6%	4%	-13%	1.6	1.4	1.3	10.8	9.3	8.1	22.9	19.8	17.4	1.1%	1.6%	1.9%
Labomar SpA	EUR	8.40	155	-5%	6%	-7%	-17%	2.2	1.9	1.7	12.1	10.5	8.9	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%
Lonza Group AG	CHF	499.40	38,747	-12%	-3%	-17%	-34%	6.0	5.4	4.8	18.9	16.5	14.4	34.0	28.9	24.7	0.7%	0.7%	0.8%
Siegfried Holding AG	CHF	780.50	3,604	11%	32%	5%	-12%	3.1	2.9	2.7	14.4	13.4	12.0	25.7	23.9	21.3	0.5%	0.5%	0.5%
Strides Pharma	INR	332.30	376	-3%	13%	3%	-24%	0.6	0.5	n.a.	5.0	3.5	n.a.	0.4	0.1	n.a.	1.0%	1.0%	0.0%
<b>Peer Group</b>								<b>2.7</b>	<b>2.4</b>	<b>2.7</b>	<b>13.2</b>	<b>11.9</b>	<b>12.0</b>	<b>24.1</b>	<b>23.9</b>	<b>20.8</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.3%</b>
<b>FF discount to peers</b>								<b>-54%</b>	<b>-58%</b>	<b>-66%</b>	<b>17%</b>	<b>-22%</b>	<b>-40%</b>	<b>n.m.</b>	<b>9%</b>	<b>-22%</b>			
FTSE Italia Mid Cap				-8%	-2%	-8%	-24%												
FTSE Italia Star				-11%	-2%	-14%	-31%												
FTSE MIB				-3%	2%	-3%	-18%												
FTSE Italia All-Share				-3%	1%	-4%	-19%												

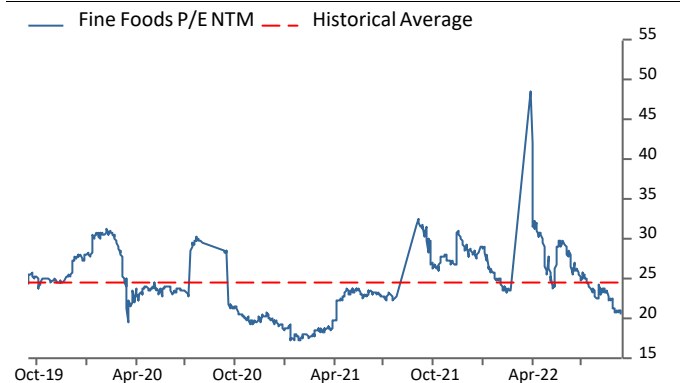
Source: Intermonte SIM (Fine Foods), Consensus (Factset)

Fine Foods - EV/EBITDA NTM evolution



Source: FactSet Consensus

Fine Foods - P/E NTM evolution



Source: FactSet Consensus



## Fine Foods in Brief

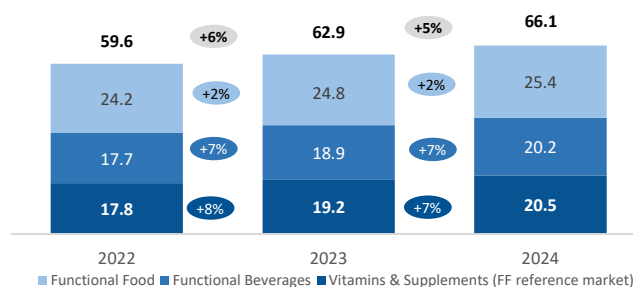
### Company description

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.

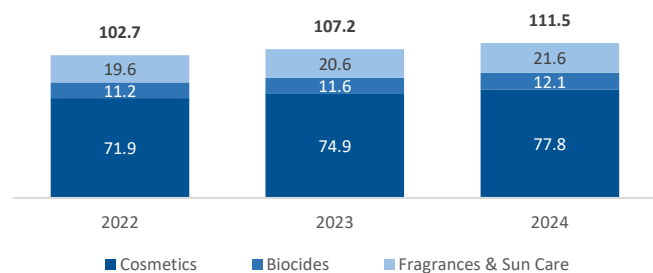
### Strengths/Opportunities

- 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)

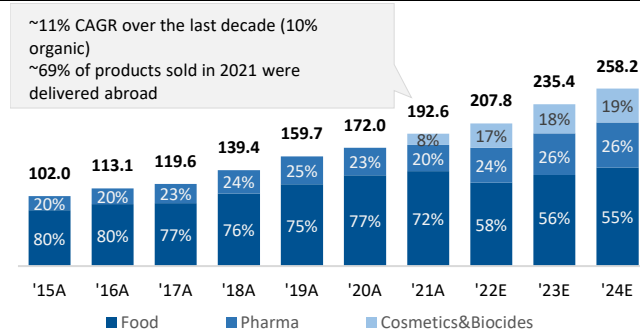
### European Nutraceutical Market Value (Eu bn, +5% CAGR'22-24)



### Pharmatek and Euro Cosmetic Reference Markets (Eu bn, +3% CAGR'22-24)



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



### 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

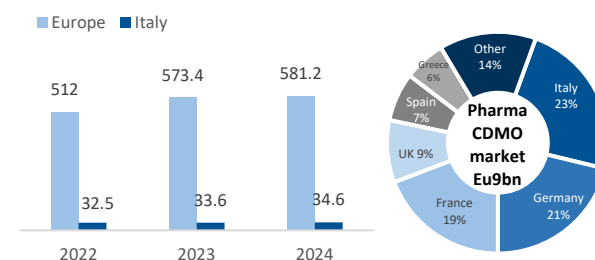
### Shareholders

Marco Eigenmann	52.70%
Treasury Shares	3.96%
Market	43.34%
<b>Free float (ord. shares)</b>	<b>53.5%</b>

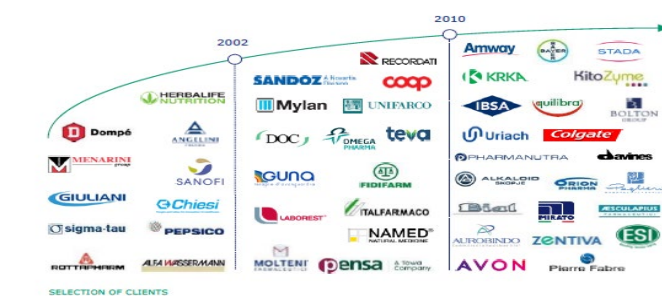
### Weaknesses/Threats

- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- Unpredictable evolution of energy costs and raw mats
- 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

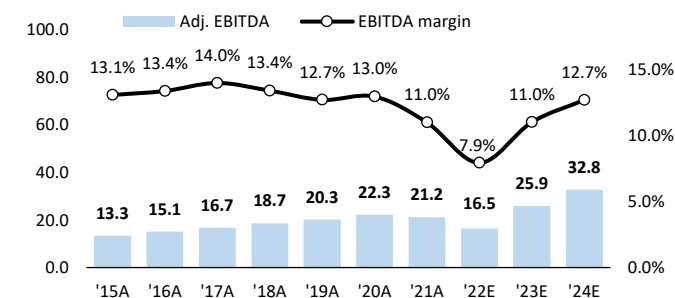
### European Pharma Production (left) and EU CDMO Market Value (right)



### Fine Foods – High Customer Loyalty



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



DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.00	Previous Target (Eu):	15.00
Current Price (Eu):	8.40	Previous Price (Eu):	7.84
Date of report:	15/09/2022	Date of last report:	16/05/2022

## DISCLAIMER (for more details go to [DISCLAIMER](#))

### IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website [www.intermonte.it](http://www.intermonte.it) under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker-dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

### ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

### GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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.

Reports on all companies listed on the S&P/IB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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

### CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 June 2022 Intermonte's Research Department covered 120 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	21.95 %
OUTPERFORM:	48.78 %
NEUTRAL:	27.64 %
UNDERPERFORM:	01.63 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (53 in total) is as follows:

BUY:	25.00 %
OUTPERFORM:	57.69 %
NEUTRAL:	17.31 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

### CONFLICT OF INTEREST

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

**Intermonte SIM SpA is acting as ECM Advisor in GPI's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte will receive fees from the company for its activity as ECM Advisor.**

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

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Abitare In, Aedes, Amalfi Holding (on La Doria shares), Cellularline, Creval, Cy4Gate, Esprinet, G4 and Finami (on Lu-ve shares), GPI, Greenthesis (formerly Ambientthesis), Growens, Gruppo Caltagirone (in connection with roadshow activities ahead of 2022 Generali AGM), Ilimity Bank, Link Mobility Group (on AMM shares), Maire Tecnimont, Neuberger Berman (on Seri Industrial shares), OVS, Sedoc (on Cyberoo shares), SPSP (on Guala Closures shares), Tesmec, Tinexta and WIIT.

Intermonte SIM provides investment banking services to Esprinet in connection with the non binding offer on Cellularline announced on the 7<sup>th</sup> of May 2022

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

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, 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, Greenthesis (formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Nova Re SIIQ, Omer, Pharmanutra, Reevo Spa, 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.

Intermonte SIM, through Websim and TIE, which constitute the digital division of Intermonte, acts as a Retail Investor Research Provider on the following companies: Abitare In, Aedes, Aleph Finance, Alkemy, Banca Sistema, Borgosesia 1873, B&C Speakers, Casta Diva Group, Cattolica Assicurazioni, Cellularline, Circle, Cleanb, Comer Industries, Convergence Spa, Crowdfundme, Cy4Gate, Cyberoo, Dh, Digital Bros, Digital Magics, Doxee, Ediliziaacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Fabila, Fenix Entertainment, Fiera Milano, Finlog, First Capital, Fope, Fos, Franche Umberto Marmi, Generali Assicurazioni, Giglio, Gismondi 1754, Go Internet, Gpi, H-Farm, ID-Entity, Iervolino & Lady Bacardi Entertainment, Indel B, International Care Company, Intred, Kolingpharma, Lindbergh, LVenture, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nice Footwear Spa, Notorious Pictures, Nusco SPA, Nvp, Omer Spa, Orsero Group, Osai Automation System, Piaggio, Pierrel, Promotica, Reevo Spa, Relatech, Reti, Salcef Group, Sciuker Frames, Sebino, Sit Group, Sos Travel, Sourcesense, Spindox Digital Soul, Supplyncapital, Take Off, Tamburi, Tenax International, Tesmec, The Italian Sea Group, Tinexta, Tps, Trenddevice, Tribuo, Ulisse Biomed, Unidata, Vantase Smart, Websolite, WIIT.

Intermonte SIM, through Websim and TIE, which constitute the digital division of Intermonte, carries out marketing/communications on behalf of equity crowdfunding portals, Crowdfundme and the following issuers: Barlays, BNP Paribas, Cirdan, Exane, Goldman Sachs, Franklin Templeton, Leonteq, Marex, Mediobanca, SPDR, Unicredit, Vontobel, Wisdmtree.

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

### © Copyright 2022 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFI](#)

Further information is available