

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu8.10 - Target: Eu12.00

Business Recovery Well On Track Thanks to Management Actions

Giorgio Tavolini +39-02-77115.279

giorgio.tavolini@intermonte.it

Andrea Randone +39-02-77115.364

andrea.randone@intermonte.it

Stock Rating

Rating: Unchanged

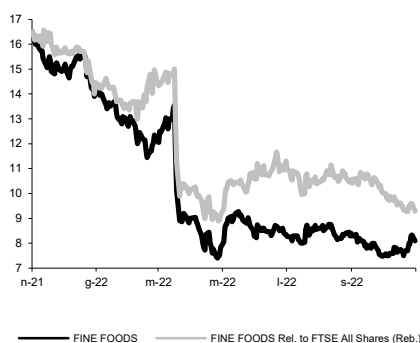
Target Price (Eu): Unchanged

	2022E	2023E	2024E
Chg in Adj EPS	nm	0.8%	0.5%

Next Event

FY22 Results out late March 2023

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	8.4%	-5.3%	-54.2%
Relative	-8.6%	-11.2%	-41.9%
12M (H/L)	16.50/7.40		
3M Average Volume (th):	6.82		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	207
Total Mkt Cap (Eu mn):	207
Mkt Float - Ord (Eu mn):	99
Mkt Float (in %):	47.9%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.1%

Balance Sheet Data

Book Value (Eu mn):	130
BVPS (Eu):	5.07
P/BV:	1.6
Net Financial Position (Eu mn):	-49
Enterprise Value (Eu mn):	256

■ **3Q/9M results at a glance:** 9M results were 1%/2% better on the top line/adj. EBITDA, confirming a steady business recovery for Fine Foods as a result of strengthening R&D, marketing, and commercial activities, but also of the timely and effective cost cutting actions implemented by management. The top line stood at €152.8mn in 9M, with the YoY trend improving (9M: +5.5% YoY of which 1Q: -1.1%, 2Q: +3.1%, 3Q: +15.6%), still supported by very strong trends in Pharma (9M: +42% YoY of which 1Q: +19%, 2Q: +49%, 3Q: +31%) leading to €40.0mn revenues in 9M (26% of total sales), exceeding FY21 turnover (€38.3mn) in just 9 months. Cosmetics (9M22: €26.5mn) benefitted from the Euro Cosmetic (EC) consolidation (from 4Q21): on a pro-forma basis organic growth was 8.5%, driven by the integration of the two companies. On the other hand, Food (9M: €86.4mn -19% YoY, 57% of sales) saw similar trends as 1H (-22.5% YoY) hit by shrinking output for markets affected by the Russia-Ukraine war and the slowdown of clients' activities in Multilevel Marketing, resulting in an anticyclical downturn in sales in the post-Covid recovery.

■ **Focus on profitability.** Adj. EBITDA reached €12.6mn in 9M (8.2% margin), due to the supply chain crisis and the significant increase in energy costs (€5.4mn in 9M, 3.5% of sales; 1% in 9M21) in 3Q in particular (€2.6mn, 5% of sales). Excluding energy cost increases, the adj. EBITDA margin was 12% in 3Q and 10.8% in 9M22, closer to historical levels. In 3Q, the material and energy cost increases were further shared with customers, while the impact of production downtime was reduced due to efficient stock management. The net loss (-€11.6mn) increased due to a €3.2mn write off of a financial receivable related to a claim against former EC shareholders. Indeed, following an expert opinion, FF was granted a reimbursement of €3.5mn for purchase price adjustment out of the € 6.7mn originally requested; FF is considering further action to recover the claim in its entirety. On the other hand, we had already captured the negative mark-to-market change in FV (€-7.9mn, non-cash item) related to the parent company's equity securities. Net debt was marginally better at €46.8m, with further WC absorption in 3Q related to the rise in trade receivables and inventories due to raw material and packaging procurement issues.

■ **More reassuring short-term outlook:** management is optimistic about the outlook for the coming months and the ongoing improvement of critical supply chain issues, leveraging on: a) strengthening R&D, marketing and sales activities and implementing continuous improvement projects; b) integration and developments in the Cosmetics BU to bring further opportunities; c) policies for inventory management and for recharging the cost of raw and packaging materials; d) energy efficiencies from the 2 photovoltaic systems from 4Q onwards.

■ **Updated estimates.** At this early stage, we are virtually confirming our FY22-24 top line estimates (although with a better mix of Pharma and Cosmetics vs. Food), while for this year below EBITDA we capture the €3.2mn write off of the financial receivable. 2023-24 adj. EPS +0.8%/+0.5%.

■ **OUTPERFORM confirmed; target still €12.0.** Our DCF model leads us to confirm our €12.0 TP. Despite the complete unpredictability of energy cost trends, we appreciate the effectiveness of the turnaround strategy undertaken so far and management's 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	236	259
EBITDA Adj (Eu mn)	22	21	17	26	33
Net Profit Adj (Eu mn)	9	10	-12	8	13
EPS New Adj (Eu)	0.398	0.398	-0.486	0.325	0.519
EPS Old Adj (Eu)	0.398	0.398	-0.353	0.323	0.517
DPS (Eu)	0.141	0.160	0.160	0.160	0.208
EV/EBITDA Adj	9.6	17.8	15.3	9.2	7.1
EV/EBIT Adj	20.0	nm	nm	21.9	13.4
P/E Adj	20.3	20.4	nm	24.9	15.6
Div. Yield	1.7%	2.0%	2.0%	2.0%	2.6%
Net Debt/EBITDA Adj	-1.9	0.7	3.0	1.2	0.8

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FINE FOODS – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	160	172	193	208	236	259
EBITDA	17	21	20	16	26	33
EBIT	8	9	5	1	11	17
Financial Income (charges)	-0	-0	-1	-5	-0	-0
Associates & Others	-8	8	-9	-12	0	0
Pre-tax Profit	0	17	-5	-16	11	17
Taxes	-3	-3	3	3	-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	-13	8	13
EBITDA Adj	20	22	21	17	26	33
EBIT Adj	11	11	8	2	11	17
Net Profit Adj	12	9	10	-12	8	13
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	-0.494	0.325	0.519
EPS Adj f.d	0.506	0.398	0.398	-0.486	0.325	0.519
BVPS f.d	5.571	5.982	5.760	5.075	5.240	5.600
Dividend per Share ORD	0.120	0.141	0.160	0.160	0.160	0.208
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	2	23	29
Change in NWC	1	9	-14	-17	9	-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	-29	21	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	-34	17	7
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	93	95	144	127	124	121
Net Working Capital	16	4	39	56	46	51
Long term Liabilities	-2	-1	-4	-4	-4	-4
Net Capital Employed	106	98	179	179	166	168
Net Cash (Debt)	24	43	-16	-49	-32	-25
Group Equity	131	141	147	130	134	143
Minorities	0	0	0	0	0	0
Net Equity	131	141	147	130	134	143
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	242	256	361	207	207	207
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	24	43	-16	-49	-32	-25
Enterprise Value	217	213	377	256	239	232
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	12.7%	13.0%	11.0%	8.0%	11.0%	12.7%
EBIT Adj Margin	6.8%	6.2%	4.0%	0.8%	4.6%	6.7%
Gearing - Debt/Equity	-18.7%	-30.3%	10.6%	38.1%	24.2%	17.6%
Interest Cover on EBIT	16.8	23.0	6.6	0.3	31.3	49.6
Net Debt/EBITDA Adj	-1.2	-1.9	0.7	3.0	1.2	0.8
ROACE*	8.2%	9.2%	3.6%	0.7%	6.3%	10.4%
ROE*	8.8%	6.9%	7.1%	-9.0%	6.3%	9.6%
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	15.3	9.2	7.1
EV/EBIT Adj	19.9	20.0	nm	nm	21.9	13.4
Free Cash Flow Yield	-4.9%	9.8%	-15.2%	-13.9%	10.2%	5.5%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	14.6%	7.7%	12.0%	8.0%	13.4%	9.7%
EBITDA Adj	8.6%	9.9%	-5.0%	-21.0%	55.8%	26.4%
EBIT Adj	7.2%	-2.5%	-27.2%	-77.6%	529.9%	58.7%
Net Profit Adj	nm	nm	nm	nm	nm	59.6%
EPS Adj	36.6%	-21.2%	0.0%	nm	nm	59.6%
DPS	20.4%	16.8%	13.7%	0.0%	0.0%	29.8%

*Excluding extraordinary items Source: Intermonte SIM estimates

3Q/9M22 Results

Fine Foods – 3Q/9M22 Results: P&L*

P&L (Eu mn)	2020A	1Q21A	2Q21A	1H21A	3Q21A	9M21A	4Q21A	2021A	1Q22A	2Q22A	1H22A	3Q22A	9M22A	9M22E	A/E	4Q22E	2022E
Food	132.0	38.3	35.0	73.3	33.1	106.4	31.7	138.1	29.5	27.3	56.8	29.6	86.4	85.6	1%	32.4	118.8
YoY growth	10.7%			35.4%	-11.7%	16.1%	-21.4%	4.7%	-22.9%	-22.1%	-22.5%	-10.7%	-18.8%	-19.6%		2.3%	-14.0%
on net sales	76.8%	74.6%	72.4%	73.6%	73.2%	73.5%	64.3%	71.7%	58.2%	54.7%	56.5%	56.6%	56.5%	56.6%		58.9%	57.1%
Pharma	40.0	10.0	9.3	19.3	8.8	28.2	10.1	38.3	11.9	13.9	25.8	14.2	40.0	39.2	2%	12.4	52.4
YoY growth	-1.2%			-8.8%	-9.6%	-9.1%	11.8%	-4.4%	18.6%	49.2%	33.4%	30.8%	42.0%	38.9%		23.2%	37.0%
on net sales	23.3%	19.5%	19.3%	19.4%	19.6%	19.5%	20.5%	19.9%	23.4%	28.0%	25.7%	27.2%	26.2%	25.9%		22.6%	25.2%
Cosmetics & Biocides				7.0	1.8	10.3	7.5	16.3	9.4	8.6	18.0	8.5	26.5	26.5	0%	10.2	36.7
on net sales				7.0%	3.9%	7.1%	15.2%	8.5%	18.4%	17.3%	17.9%	16.2%	17.3%	17.5%		18.6%	17.7%
Net revenues	172.0	51.3	48.3	99.7	45.2	144.9	49.3	192.6	50.8	49.8	100.6	52.2	152.8	151.2	1%	55.1	208.0
YoY growth	7.7%	0.0%	0.0%	32.1%	-4.4%	18.1%	-0.1%	12.0%	-1.1%	3.1%	0.9%	15.6%	5.5%	5.5%		11.7%	8.0%
Other income	5.0	0.1	0.0	0.1	1.5	1.7	0.9	2.6	0.2	0.1	0.2	0.1	0.3	0.5		0.7	1.0
Value of production	177.0	51.4	48.4	99.8	46.7	146.6	50.3	195.2	50.9	49.9	100.8	52.3	153.1	151.7	1%	55.8	209.0
Raw materials	(109.0)	(31.1)	(28.5)	(59.6)	(27.4)	(87.1)	(31.6)	(118.7)	(30.9)	(29.6)	(60.6)	(32.2)	(92.7)	(90.9)	2%	(33.1)	(125.8)
on net sales	-63.4%	-60.6%	-59.0%	-59.8%	-60.7%	-60.1%	-64.1%	-61.6%	-60.9%	-60.5%	-60.2%	-60.5%	-60.7%	-60.1%		-60.1%	-60.5%
Personnel	(31.0)	(8.9)	(8.5)	(17.4)	(7.6)	(25.1)	(9.7)	(34.8)	(9.4)	(10.2)	(19.6)	(8.6)	(28.2)	(29.9)	-5%	(9.8)	(38.0)
on net sales	-18.0%	-17.4%	-17.6%	-17.5%	-16.9%	-17.3%	-19.7%	-18.1%	-18.5%	-20.5%	-19.5%	-16.5%	-18.5%	-19.7%		-17.7%	-18.3%
Cost of services	(15.0)	(4.3)	(4.9)	(9.2)	(4.9)	(14.0)	(6.8)	(20.8)	(6.3)	(5.8)	(12.1)	(7.1)	(19.1)	(18.1)	5%	(7.3)	(26.4)
on net sales	-8.7%	-8.3%	-10.1%	-9.2%	-10.8%	-9.7%	-13.8%	-10.8%	-12.3%	-12.5%	-12.0%	-12.5%	-12.5%	-12.0%		-13.2%	-12.7%
Other costs	(0.9)	(0.4)	(0.3)	(0.7)	(1.7)	(2.4)	1.1	(1.3)	(0.4)	(0.3)	(0.7)	(0.2)	(0.9)	(1.0)	-3%	(1.6)	(2.5)
on net sales	-0.5%	-0.7%	-0.7%	-0.7%	-3.7%	-1.6%	2.2%	-0.7%	-0.8%	-0.7%	-0.7%	-0.4%	-0.6%	-0.6%		-2.8%	-1.2%
Total Opex	(155.9)	(44.7)	(42.3)	(86.9)	(41.6)	(128.6)	(47.1)	(175.6)	(46.9)	(46.0)	(93.0)	(48.0)	(141.0)	(139.9)	1%	(51.7)	(192.7)
EBITDA	21.1	6.8	6.1	12.9	5.1	18.0	1.6	19.6	4.0	3.9	7.8	4.3	12.1	11.8	3%	4.2	16.3
YoY growth	20.6%			56.0%	-28.4%	16.8%	-71.2%	-6.9%	-41.4%	-36.4%	-39.1%	-16.4%	-32.6%	-34.4%		154.2%	-17.0%
as % of net sales	12.3%	13.2%	12.6%	12.9%	11.3%	12.4%	3.3%	10.2%	7.8%	7.8%	7.8%	8.2%	7.9%	7.8%		7.5%	7.8%
Adj. EBITDA	22.3	6.8	6.4	13.1	5.7	18.8	2.4	21.2	4.0	4.4	8.4	4.2	12.6	12.3	2%	4.2	16.7
YoY growth	9.9%			46.9%	-22.8%	15.4%	-60.0%	-5.0%	-41.4%	-30.6%	-36.2%	-26.8%	-33.3%	-34.5%		74.4%	-21.0%
as % of net sales	13.0%	13.2%	13.2%	13.2%	12.6%	13.0%	4.8%	11.0%	7.8%	8.9%	8.3%	8.0%	8.2%	8.2%		7.5%	8.0%
D&A	(11.6)	(3.1)	(3.3)	(6.4)	(3.8)	(10.2)	(4.4)	(14.6)	(3.6)	(3.7)	(7.3)	(3.8)	(11.1)	(11.1)		(3.8)	(15.0)
EBIT	9.4	3.7	2.8	6.5	1.3	7.8	(2.7)	5.1	0.4	0.1	0.5	0.4	1.0	0.7	42%	0.3	1.3
Adj. EBIT	10.7	3.7	3.1	6.7	1.9	8.6	(0.9)	7.8	0.4	0.7	1.1	0.3	1.4	1.2	15%	0.3	1.7
as % of net sales	6.2%	7.1%	6.3%	6.8%	4.2%	6.0%	-1.8%	4.0%	0.8%	1.4%	1.1%	0.6%	0.9%	0.8%		0.6%	0.8%
Pretax	16.7	3.1	(7.2)	(4.1)	1.3	(2.7)	(1.9)	(4.6)	(2.3)	(3.6)	(5.9)	(5.7)	(11.6)	(9.0)	n.m.	(4.2)	(15.8)
Taxes	(3.3)	(1.3)	(1.1)	(2.4)	1.7	(0.7)	3.9	3.2	(0.2)	0.1	(0.1)	(0.2)	(0.3)	(0.1)		3.5	3.2
tax rate	-20%	0%	0%	59%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	2%	3%	3%	2%		-82%	-20%
Net income	13.4	1.8	(8.3)	(6.5)	3.0	(3.4)	2.0	(1.4)	(2.5)	(3.6)	(6.0)	(5.9)	(11.9)	(9.2)	n.m.	(0.8)	(12.6)
Adj. Net Income	9.3	3.1	0.3	3.4	3.0	6.4	3.7	10.2	(2.5)	(3.1)	(5.6)	(6.0)	(11.6)	(8.8)	n.m.	(0.8)	(12.4)
Ending NFP/(Debt)	42.8			20.7	20.7	10.6	(15.7)	(15.7)	(33.0)	(42.2)	(42.2)	(46.8)	(46.8)	(49.3)	2.4	(49.4)	(49.4)

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.

Fine Foods – 9M22 Results: FCF & Net Debt evolution and Reclassified Balance Sheet*

FCF (Eu mn)	2020A	1Q21A	1H21A	9M21A	2021A	1Q22A	1H22A	9M22A	9M22E	A-E
Net Profit	13.4	1.8	(6.5)	(3.4)	(1.4)	(2.5)	(6.0)	(11.9)	(9.2)	(2.7)
D&A	11.6	3.1	6.4	10.2	14.6	3.6	7.3	11.1	11.1	0.0
Delta Op. WKC	9.4	(16.8)	(13.1)	(26.5)	(14.4)	(15.6)	(15.2)	(15.0)	(20.0)	5.0
Chg. in other funds	1.8	2.4	(5.0)	11.1	(13.7)	3.9	6.7	12.1	-	12.1
FCFO	36.2	(9.6)	(18.2)	(8.6)	(15.0)	(10.6)	(7.2)	(3.6)	(18.1)	14.5
Capex	(16.0)	(2.0)	(5.8)	(7.6)	(16.5)	(4.0)	(8.8)	(11.1)	(10.8)	(0.2)
Equity FCF	20.2	(11.5)	(24.0)	(16.2)	(31.5)	(14.6)	(16.0)	(14.7)	(28.9)	14.2
Acquisitions	-	(9.6)	(17.2)	(17.2)	(42.4)	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Dividends	(2.7)	-	(3.2)	(3.2)	(3.2)	-	(3.9)	(3.9)	(3.9)	-
Share Buy-back	(4.0)	(0.8)	(2.4)	(6.2)	(7.5)	(0.1)	(0.7)	(0.8)	(0.8)	(0.0)
Rights Issue/ ipo	-	-	-	-	-	-	-	-	-	-
Other	5.0	-	24.7	10.7	26.1	(2.7)	(5.9)	(11.8)	-	(11.8)
Change in NFP	18.4	(22.0)	(22.1)	(32.1)	(58.4)	(17.3)	(26.5)	(31.2)	(33.6)	2.4
Opening NFP	24.4	-	42.8	42.8	42.8	(15.7)	(15.7)	(15.7)	(15.7)	0.0
Change in NFP	18.4	(22.0)	(22.1)	(32.1)	(58.4)	(17.3)	(26.5)	(31.2)	(33.6)	2.4
Ending NFP/(Debt)	42.8	20.8	20.7	10.6	(15.7)	(33.0)	(42.2)	(46.8)	(49.3)	2.4

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

At this early stage, we are virtually confirming our FY22-24 top line estimates (although with a better mix of Pharma and Cosmetics vs. Food), while for this year below EBITDA we capture the €3.2m write-off of the financial receivable. 2023-24 adj. EPS +0.8%/+0.5%.

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	118.8	129.5	139.9	121.6	132.5	143.1	-2.3%	-2.3%	-2.3%
YoY growth	13%	11%	5%	-14%	9%	8%	-12%	9%	8%			
Pharma	40.5	40.0	38.3	52.4	62.9	68.6	50.5	60.6	66.1	3.8%	3.8%	3.8%
YoY growth	20%	-1%	-4%	37%	20%	9%	32%	20%	9%			
Cosmetics			16.3	36.7	43.4	50.4	35.7	42.3	49.0	2.8%	2.8%	2.8%
YoY growth				n.m.	18%	16%	n.m.	18%	16%			
Revenues	159.7	172.0	192.6	208.0	235.9	258.8	207.8	235.4	258.2	0.1%	0.2%	0.2%
YoY growth	14.6%	7.7%	12.0%	8.0%	13.4%	9.7%	7.9%	13.3%	9.7%			
o/w organic	14.6%	7.7%	2.6%	-2.9%	13.4%	9.7%	-2.5%	13.3%	9.7%			
EBITDA	17.5	21.1	19.6	16.3	26.0	32.9	16.5	25.9	32.8	-1.2%	0.4%	0.4%
Adj. EBITDA	20.3	22.3	21.2	16.7	26.0	32.9	16.5	25.9	32.8	1.4%	0.4%	0.4%
% on sales	12.7%	13.0%	11.0%	8.0%	11.0%	12.7%	7.9%	11.0%	12.7%			
D&A	(9.4)	(11.6)	(13.4)	(15.0)	(15.1)	(15.5)	(14.8)	(15.1)	(15.5)			
Adj. EBIT	10.9	10.7	7.8	1.7	10.9	17.4	1.7	10.9	17.3	1.1%	0.7%	0.5%
% on sales	6.8%	6.2%	4.0%	0.8%	4.6%	6.7%	0.8%	4.6%	6.7%			
EBIT	8.1	9.4	5.1	1.3	10.9	17.4	1.7	10.9	17.3	-24.3%	0.7%	0.5%
Pre taxes	0.1	16.7	(4.6)	(15.8)	10.6	17.0	(11.3)	10.5	16.9	n.m.	0.8%	0.5%
taxes	(2.9)	(3.3)	3.2	3.2	(2.3)	(3.7)	2.3	(2.3)	(3.7)			
tax rate	n.m.	20%	69%	20%	22%	22%	20%	22%	22%			
Net Profit	(2.8)	13.4	(1.4)	(12.6)	8.3	13.3	(9.0)	8.3	13.2	n.m.	0.8%	0.5%
Adj. Net profit	11.9	9.3	10.2	(12.4)	8.3	13.3	(9.0)	8.3	13.2	n.m.	0.8%	0.5%
Adj. EPS (€/share)	0.51	0.40	0.40	(0.49)	0.3	0.5	(0.4)	0.32	0.52	n.m.	0.8%	0.5%
DPS (€/share)	0.12	0.14	0.16	0.16	0.16	0.21	0.16	0.16	0.21	n.m.	0.0%	0.5%
% payout	24%	35%	40%	n.m.	n.m.	40%	n.m.	n.m.	40%			
Adj. EBITDA	20.3	22.3	21.2	16.7	26.0	32.9	16.5	25.9	32.8	1%	0%	0%
CapEx	(20.1)	(16.0)	(16.5)	(14.6)	(11.8)	(12.9)	(14.5)	(11.8)	(12.9)	0%	0%	0%
% on sales	12.6%	9.3%	8.6%	7.0%	5.0%	5.0%	7.0%	5.0%	5.0%			
EBITDA-Capex	0.2	6.3	4.7	2.2	14.2	20.0	1.9	14.2	19.9	12%	1%	0%
% of Adj. EBITDA	1%	28%	22%	13%	55%	61%	12%	55%	61%			
NWC change	0.5	9.4	(14.4)	(16.6)	9.4	(4.6)	(13.1)	6.0	(4.5)			
Op. FCF	0.7	15.7	(9.7)	(14.4)	23.7	15.4	(11.2)	20.2	15.3	n.m.	17%	0%
% of Adj. EBITDA	3%	70%	-46%	n.m.	91%	47%	n.m.	78%	47%			
Equity FCF	(10.2)	20.2	(31.5)	(28.8)	21.0	11.3	(22.0)	17.6	11.3	n.m.	20%	0%
% of Adj. EBITDA	-50%	91%	-149%	n.m.	81%	34%	n.m.	68%	34%			
NFP/ (Debt)	24.4	42.8	(15.7)	(49.4)	(32.4)	(25.2)	(42.5)	(29.0)	(21.8)	(6.8)	(3.4)	(3.3)
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-3.0x	-1.2x	-0.8x	-2.6x	-1.1x	-0.7x			

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	208	236	259
Total OpEx	(89)	(98)	(104)	(121)	(142)	(151)	(173)	(192)	(210)	(226)
EBITDA	13	15	16	19	17	21	20	16	26	33
% EBITDA Margin	0	0	0	0	0	0	0	0	0	0
D&A and writedown	(5)	(6)	(7)	(8)	(9)	(12)	(15)	(15)	(15)	(16)
EBIT	8	9	9	10	8	9	5	1	11	17
% EBIT Margin	0	0	0	0	0	0	0	0	0	0
Net Financial Charges	(0)	(0)	(0)	0	(0)	(0)	(1)	(5)	(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)	(16)	11	17
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	3	3	(2)	(4)
Tax Rate %	(0)	(0)	(0)	(0)	n.m.	(0)	n.m.	(0)	(0)	(0)
Net Income	5	6	6	9	(3)	13	(1)	(13)	8	13
Adj. Net Income	5	6	7	9	12	9	10	(12)	8	13

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	102	99	97
Financial Assets	0	0	0	0	0	0	0	0	0	0
Total Fixed Assets	40	43	59	82	93	95	128	127	124	121
NWC	10	10	2	19	16	4	39	56	46	51
Gross inv. capital	51	53	61	101	108	100	167	183	170	172
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	(4)	(4)	(4)
Net invested capital	49	52	59	93	106	98	163	179	166	168
Group Equity	31	33	39	140	131	141	147	130	134	143
Minority interests	0	0	0	0	0	0	0	0	0	0
Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(49)	(32)	(25)
Total cover	49	52	59	93	106	98	163	179	166	168

Fine Foods – FCF

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E
Net Profit	5	6	6	9	(3)	13	(1)	(13)	8	13
D&A	5	6	7	8	9	12	15	15	15	16
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(14)	(17)	9	(5)
Change in funds/other	(1)	1	4	(6)	3	2	(14)	0	0	0
FCFO	4	12	21	0	10	36	(15)	(14)	33	24
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(15)	(12)	(13)
Equity FCF	(3)	2	(1)	(31)	(10)	20	(31)	(29)	21	11
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
Change in NFP	(4)	(1)	(1)	67	(22)	18	(58)	(34)	17	7
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(49)	(32)
Ending Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(49)	(32)	(25)

DCF Valuation

On new estimates and applying the same WACC (8.6%), our DCF model leads us to confirm our €12.0 target price. At TP, which offers 48% upside to the current price, the stock would be trading at 10x EV/EBITDA'24E (currently 7x), in line with its historical average.

Fine Foods – DCF Model (WACC unchanged at 8.6%, g still 2.5%)

(Eu mn)	22E	23E	24E	25E	26E	27E	28E	29E	30E	31E	32E	TV
Net Revenues	208.0	235.9	258.8	284.3	307.9	332.5	358.9	387.7	416.8	444.1	473.9	485.8
YoY growth	8.0%	13.4%	9.7%	9.8%	8.3%	8.0%	7.9%	8.0%	7.5%	6.5%	6.7%	2.5%
EBITDA	16.7	26.0	32.9	39.5	43.8	47.3	51.1	55.2	59.4	63.4	67.7	68.0
% margin	8.0%	11.0%	12.7%	13.9%	14.2%	14.2%	14.2%	14.2%	14.3%	14.3%	14.3%	14.0%
D&A	(15.4)	(15.1)	(15.5)	(17.1)	(18.5)	(20.0)	(21.5)	(23.3)	(25.0)	(26.6)	(28.4)	(29.1)
as % of sales	7.4%	6.4%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.5%
EBIT	1.3	10.9	17.4	22.4	25.3	27.3	29.5	32.0	34.4	36.8	39.3	38.9
% margin	0.6%	4.6%	6.7%	7.9%	8.2%	8.2%	8.2%	8.2%	8.3%	8.3%	8.3%	8.0%
Taxes	(0.3)	(2.6)	(4.2)	(5.4)	(6.1)	(6.6)	(7.1)	(7.7)	(8.3)	(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	(16.6)	9.4	(4.6)	(4.9)	(4.2)	(4.2)	(4.5)	(4.9)	(5.0)	(4.7)	(5.1)	-
Capex	(14.6)	(11.8)	(12.9)	(14.2)	(15.4)	(16.6)	(17.9)	(19.4)	(20.8)	(22.2)	(23.7)	(29.1)
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	(14.8)	21.0	11.2	15.0	18.1	19.9	21.5	23.2	25.3	27.7	29.5	29.5
TV												487.9
year		1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	10.0
Discounted WACC		0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Discounted Free cash flow		19.4	9.5	11.7	13.0	13.2	13.1	13.1	13.1	13.2	13.0	214.3

Discounted FCF '23E-31E	132.3
Terminal value	214.3
Total EV	346.6
NFP/(Debt) at YE22	(49.4)
Minorities	0.0
own shares	8.2
Total EQUITY (Eu mn)	305.5
NOSH (mn)	25.6
Fair value (Eu/share)	12.0

current price (Eu/share) 8.1

upside vs current price 48%

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%	12.7	12.8	13.0	13.2	13.4	13.6	13.8	14.0	14.3	14.5	14.8
7.8%	12.3	12.5	12.7	12.9	13.0	13.2	13.4	13.6	13.8	14.1	14.3
8.0%	12.0	12.2	12.4	12.5	12.7	12.9	13.1	13.2	13.4	13.6	13.9
8.2%	11.8	11.9	12.1	12.2	12.4	12.5	12.7	12.9	13.1	13.3	13.5
8.4%	11.5	11.7	11.8	11.9	12.1	12.2	12.4	12.6	12.7	12.9	13.1
8.6%	11.3	11.4	11.5	11.7	11.8	12.0	12.1	12.3	12.4	12.6	12.8
8.8%	11.0	11.2	11.3	11.4	11.5	11.7	11.8	12.0	12.1	12.3	12.4
9.0%	10.8	10.9	11.1	11.2	11.3	11.4	11.6	11.7	11.8	12.0	12.1
9.2%	10.6	10.7	10.8	11.0	11.1	11.2	11.3	11.4	11.6	11.7	11.9
9.4%	10.4	10.5	10.6	10.7	10.9	11.0	11.1	11.2	11.3	11.5	11.6
9.6%	10.3	10.3	10.4	10.5	10.7	10.8	10.9	11.0	11.1	11.2	11.3

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 include a peer comparison in our valuation. **In any case, at current prices, Fine Foods is trading at 9-7x EV/adj. EBITDA for 2023-24E, broadly in line with key peers (10-9x)**

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	8.10	207	8%	-5%	3%	-47%	1.2	1.0	0.9	15.3	9.2	7.1	n.m.	24.9	15.6	2.0%	2.0%	2.6%
FF (@mkt price, cons.)	EUR	8.10	207	8%	-5%	3%	-47%	1.2	1.0	0.9	15.0	9.1	6.9	n.m.	24.2	15.9	2.1%	2.1%	2.6%
FF (@ our TP, our est.)	EUR	12.0	305					1.7	1.4	1.3	21.3	13.0	10.1	n.m.	36.7	23.0	1.3%	1.3%	1.7%
Catalent	USD	46.76	8,145	-35%	-57%	-52%	-63%	2.5	2.6	2.3	9.3	9.9	8.5	11.7	14.0	12.3	0.0%	0.0%	0.0%
InterCos	EUR	11.85	1,141	14%	-5%	-3%	-16%	1.6	1.4	1.3	10.7	9.3	8.2	22.3	20.0	17.6	1.1%	1.6%	1.9%
Labomar SpA	EUR	7.94	147	2%	-10%	-2%	-21%	2.1	1.8	1.6	11.6	9.9	8.3	24.6	21.5	17.5	1.3%	1.4%	1.7%
Lonza Group AG	CHF	508.60	38,764	3%	-11%	-8%	-33%	6.1	5.5	4.9	19.8	17.1	14.8	35.0	29.4	25.8	0.6%	0.7%	0.7%
Siegfried Holding AG	CHF	674.00	3,057	12%	-5%	8%	-24%	2.7	2.6	2.4	12.5	12.0	10.8	20.9	20.4	18.0	0.5%	0.6%	0.6%
Strides Pharma	INR	339.30	371	11%	-1%	23%	-23%	0.7	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%
Peer Group								2.3	2.2	2.3	11.6	9.9	8.5	22.3	20.4	17.6	0.6%	0.6%	0.6%
FF discount to peers								-46%	-54%	-61%	33%	-7%	-17%	n.m.	22%	-11%			
FTSE Italia Mid Cap				14%	-2%	-4%	-19%												
FTSE Italia Star				17%	-3%	-2%	-25%												
FTSE MIB				18%	7%	2%	-10%												
FTSE Italia All-Share				17%	6%	1%	-11%												

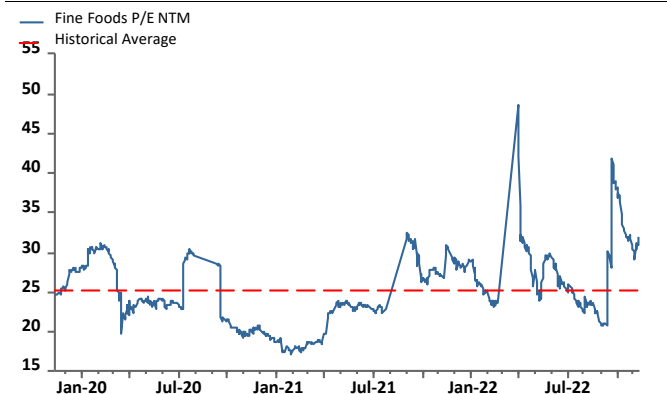
Source: Intermonte SIM (Fine Foods), Consensus (Factset)

Fine Foods - EV/EBITDA NTM evolution



Source: FactSet Consensus

Fine Foods - P/E NTM evolution



Source: FactSet Consensus

Fine Foods in Brief

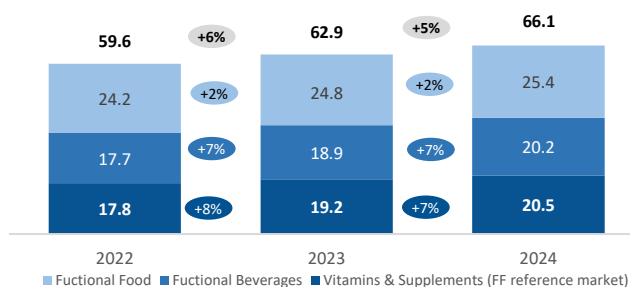
Company description

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

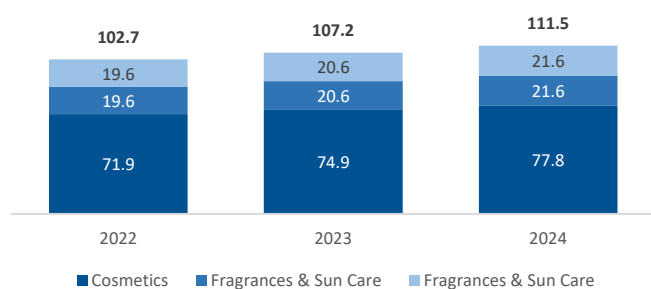
- Exposure to secular trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across pharma,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



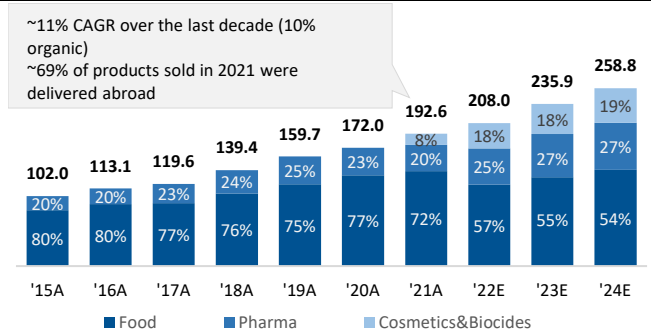
Source: Euromonitor International

Pharmatek and Euro Cosmetic Core Market (Eu bn, +3% CAGR'22-24)



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

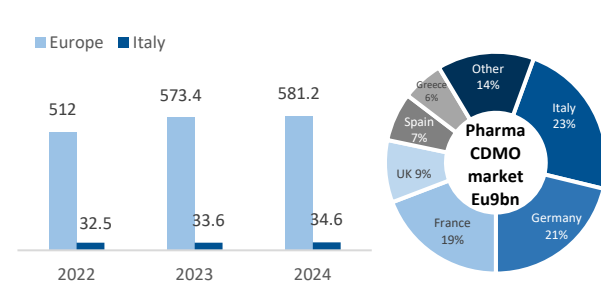
Shareholders

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

Weaknesses/Threats

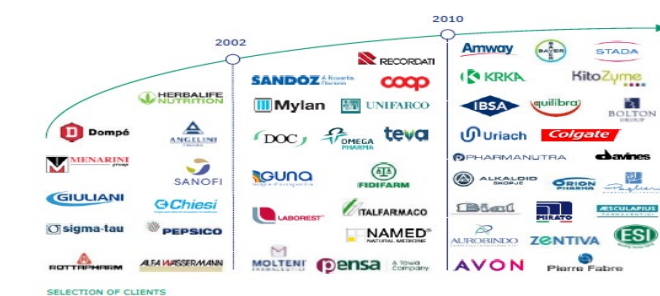
- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- Unpredictable evolution of energy costs and raw mats
- Limited customer power due to high concentration (top 5 clients c. 77% of FF sales in 2020)
- No patent protection
- Changes to the regulatory framework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

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



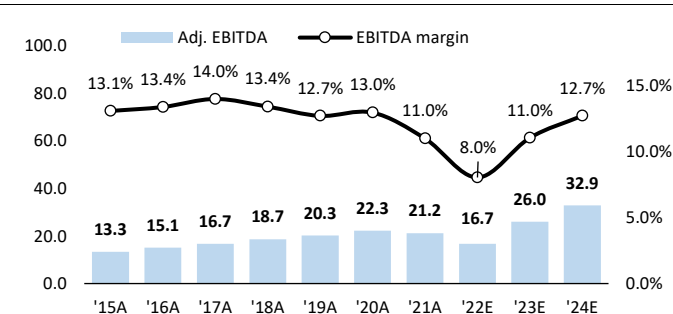
Source: Euromonitor International, Prometeia

Fine Foods – High Customer Loyalty



Source: FY21 Company Presentation

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



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

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.00	Previous Target (Eu):	12.00
Current Price (Eu):	8.10	Previous Price (Eu):	7.69
Date of report:	15/11/2022	Date of last report:	07/11/2022