

FINE FOODS

Sector: *Industrials*

OUTPERFORM

Price: Eu7.45 - Target: Eu12.70

Food Back to Growth, Pharma Still Strong, Impressive Margins

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Stock Rating

Rating: Unchanged

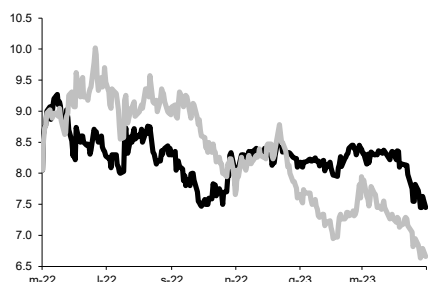
Target Price (Eu): from 12.30 to 12.70

	2023E	2024E	2025E
Chg in Adj EPS	9.2%	0.2%	0.3%

Next Event

2Q23 Results 13 September

FINE FOODS - 12M Performance



— FINE FOODS — FINE FOODS Rel. to FTSE All Shares (Rel.)

Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	-10.7%	-7.1%	-5.0%
Relative	-8.4%	-5.7%	-16.9%
12M (H/L)		9.27/7.45	
3M Average Volume (th):		8.48	

Shareholder Data

No. of Ord shares (mn): 26

Total no. of shares (mn): 26

Mkt Cap Ord (Eu mn): 190

Total Mkt Cap (Eu mn): 190

Mkt Float - Ord (Eu mn): 90

Mkt Float (in %): 47.3%

Main Shareholder:

Eigenfin Srl + M. Eigenmann 52.7%

Balance Sheet Data

Book Value (Eu mn): 140

BVPS (Eu): 5.47

P/BV: 1.4

Net Financial Position (Eu mn): -35

Enterprise Value (Eu mn): 226

■ **1Q23 results.** Superior top-line growth (+29% vs >25% hint provided at end-March along with FY results, with Foods BU back to growth, Pharma BU still strong, softer Cosmetics BU) and an unexpected jump in profitability (12% vs. our 9.1% forecast) leading to a 37% EBITDA surprise, which amplifies scrolling down the P&L (adj. EBIT and net profit both > 2x our expectations). Total sales €65.6mn (+3% vs our exp. €63.6mn), up 29.2% (4Q: +9.6%) supported by a balanced mixed: (++) Food at €40.7mn (our exp. €37.8mn), up 38% (4Q: -4%; back to growth thanks to the effectiveness of commercial actions taken); (++) Pharma at €16.8mn (our exp. €16.0mn), up 42% (4Q: +30%; increased volumes of existing products and new production); (-) Cosmetics at €8.1mn (our exp. €11.1mn), -14% YoY (temporary production slowdown due to restructuring of Trezzano production site and integration operations of Pharmatek, which just merged into Euro Cosmetic). Adj. EBITDA at €7.9mn (+36% vs our exp. €5.8mn), c. 2x YoY thanks to deployment of timely commercial actions, production efficiency and cost-control initiatives. As a consequence, the EBITDA margin strengthened to 12.1% (+3pp vs our exp. 9.1%), +4.3pp YoY, +6.5pp QoQ. Excluding the rise in energy costs (1pp YoY), 1Q margin would be c. 13% (9.7% in 1Q22). Net profit turned positive at €2.9mn (our exp. €1.3mn) vs €2.5mn loss in 1Q22. In 1Q23, Parent Company's asset securities management showed positive FV of €1.1mn (1Q22: €-2.4mn). Finally, net debt was €51.5mn (in line with our exp. €51mn), up on end-2022 (€43.6mn), mainly due to NWC absorption (€8mn due to the increase in sales and inventories) and CapEx (€5mn).

■ **Extraordinary CapEx cycle for Pharma BU to support an additional (and meaningful) layer of growth.** Management expects the Pharma BU to grow significantly due to the multi-year agreements signed with important customers that will require a production plant expansion (c. €30mn CapEx spread over about 2 years).

■ **Updated estimates.** We confirm FY23 top line, reflecting a different mix (softer Cosmetics offset by stronger Food BU) and a mixed comparison base for the coming Qs (easier for Food, tougher for Pharma); we raise the margin by c. 0.5pp while leaving the same margins for the next 2 years, leading to a 9% rise in adj. EPS for 2023 and neutral changes for 2024-25. Net debt increased to capture the €30mn CapEx (mostly in 2024 and 2025) which should materialise in a higher Pharma top line from early 2026.

■ **OUTPERFORM confirmed; new target at €12.7 (from €12.3).** We confirm our positive view on the stock: a re-acceleration of growth in the coming months fuelled by ongoing business recovery and lower energy costs might rekindle interest in the equity story and allow the stock to benefit from a significant re-rating in the short term, even without any material upgrade to current expectations. On our new estimates, we raise our target price from €12.3 to €12.7. Fine Foods is well placed to outperform peers, having grown notably faster than its core end markets in the last decade. It enjoys solid operating trends through leveraging its critical mass as the largest Italian CDMO, as well as highly visible customer demand (resulting in enduring relations and an increasing share of wallet), additional capacity secured through investments, and the ability to seize further M&A opportunities for quality assets in adjacent markets or to act as a natural aggregator.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	195	207	239	266	293
EBITDA Adj (Eu mn)	21	16	28	34	41
Net Profit Adj (Eu mn)	10	-9	9	13	17
EPS New Adj (Eu)	0.398	-0.338	0.354	0.519	0.672
EPS Old Adj (Eu)	0.398	-0.338	0.324	0.518	0.670
DPS (Eu)	0.160	0.100	0.142	0.208	0.269
EV/EBITDA Adj	17.8	18.3	8.2	6.8	5.8
EV/EBIT Adj	nm	nm	18.5	12.8	10.2
P/E Adj	18.7	nm	21.0	14.4	11.1
Div. Yield	2.1%	1.3%	1.9%	2.8%	3.6%
Net Debt/EBITDA Adj	0.7	2.8	1.3	1.1	1.1

FINE FOODS – Key Figures

Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	172	195	207	239	266	293
EBITDA	21	20	15	28	34	41
EBIT	9	5	-1	12	18	23
Financial Income (charges)	-0	-1	-5	-4	-2	-2
Associates & Others	8	-9	-8	2	0	0
Pre-tax Profit	17	-5	-14	10	16	22
Taxes	-3	3	5	-1	-3	-4
Tax rate	19.9%		33.1%	6.7%	17.5%	20.2%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	13	-1	-10	9	13	17
EBITDA Adj	22	21	16	28	34	41
EBIT Adj	11	8	0	12	18	23
Net Profit Adj	9	10	-9	9	13	17
Per Share Data (Eu)	2020A	2021A	2022A	2023E	2024E	2025E
Total Shares Outstanding (mn) - Average	24	26	26	26	26	26
Total Shares Outstanding (mn) - Year End	24	26	26	26	26	26
EPS f.d	0.570	-0.056	-0.372	0.354	0.519	0.672
EPS Adj f.d	0.398	0.398	-0.338	0.354	0.519	0.672
BVPS f.d	5.982	5.760	5.215	5.469	5.846	6.311
Dividend per Share ORD	0.141	0.160	0.100	0.142	0.208	0.269
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)						
Cash Flow (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Gross Cash Flow	27	1	18	24	29	35
Change in NWC	9	-14	-14	4	-6	-6
Capital Expenditure	-16	-17	-15	-17	-23	-30
Other Cash Items	1	17	-12	0	0	0
Free Cash Flow (FCF)	20	-30	-12	11	0	-1
Acquisitions, Divestments & Other Items	0	-42	0	0	0	0
Dividends	-3	-3	-4	-3	-4	-5
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	18	-58	-28	9	-3	-6
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	95	128	128	129	137	149
Net Working Capital	4	39	52	48	54	59
Long term Liabilities	-1	-4	-3	-3	-3	-3
Net Capital Employed	98	163	177	175	188	205
Net Cash (Debt)	43	-16	-44	-35	-38	-44
Group Equity	141	147	133	140	149	161
Minorities	0	0	0	0	0	0
Net Equity	141	147	133	140	149	161
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	256	361	243	190	190	190
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	43	-16	-44	-35	-38	-44
Enterprise Value	213	377	287	226	229	235
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	13.0%	10.9%	7.6%	11.5%	12.7%	13.9%
EBIT Adj Margin	6.2%	4.0%	0.1%	5.1%	6.7%	7.9%
Gearing - Debt/Equity	-30.3%	10.6%	32.7%	25.1%	25.7%	27.4%
Interest Cover on EBIT	23.0	6.6	nm	3.1	10.2	15.0
Net Debt/EBITDA Adj	-1.9	0.7	2.8	1.3	1.1	1.1
ROACE*	9.2%	3.9%	-0.6%	6.9%	9.8%	11.7%
ROE*	6.9%	7.1%	-6.2%	6.6%	9.2%	11.1%
EV/CE	2.1	2.9	1.7	1.3	1.3	1.2
EV/Sales	1.2	1.9	1.4	0.9	0.9	0.8
EV/EBITDA Adj	9.6	17.8	18.3	8.2	6.8	5.8
EV/EBIT Adj	20.0	nm	nm	18.5	12.8	10.2
Free Cash Flow Yield	10.6%	-15.9%	-6.1%	5.8%	0.2%	-0.3%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	7.7%	13.3%	6.2%	15.7%	11.2%	9.9%
EBITDA Adj	9.9%	-5.0%	-25.8%	75.2%	22.9%	20.1%
EBIT Adj	-2.5%	-27.4%	-96.1%	3968.1%	46.2%	29.3%
Net Profit Adj	nm	nm	nm	nm	46.5%	29.4%
EPS Adj	-21.2%	0.0%	nm	nm	46.5%	29.4%
DPS	16.8%	13.7%	-37.5%	41.7%	46.5%	29.4%

*Excluding extraordinary items

Source: Intermonte SIM estimates

1Q23 Results

Superior top-line growth (+29% vs >25% hint provided at end-March along with FY results, with Foods BU back to growth, Pharma BU still strong, softer Cosmetics BU) and an unexpected jump in profitability (12% vs. our 9.1% forecast) leading to a 37% EBITDA surprise, which amplifies scrolling down the P&L (adj. EBIT and net profit both > 2x our expectations). Total sales €65.6mn (+3% vs our exp. €63.6mn), up 29.2% (4Q: +9.6%) supported by a balanced mixed: (++) Food at €40.7mn (our exp. €37.8mn), up 38% (4Q: -4%; back to growth thanks to the effectiveness of commercial actions taken); (++) Pharma at €16.8mn (our exp. €16.0mn), up 42% (4Q: +30%; increased volumes of existing products and new production); (-) Cosmetics at €8.1mn (our exp. €11.1mn), -14% YoY (temporary production slowdown due to restructuring of Trenzano production site and integration operations of Pharmatek, which just merged into Euro Cosmetic). Adj. EBITDA at €7.9mn (+36% vs our exp. €5.8mn), c. 2x YoY thanks to deployment of timely commercial actions, production efficiency and cost-control initiatives. As a consequence, the EBITDA margin strengthened to 12.1% (+3pp vs our exp. 9.1%), +4.3pp YoY, +6.5pp QoQ. Excluding the rise in energy costs (1pp YoY), 1Q margin would be c. 13% (9.7% in 1Q22). Net profit turned positive at €2.9mn (our exp. €1.3mn) vs €2.5mn loss in 1Q22. In 1Q23, Parent Company's asset securities management showed positive FV of €1.1mn (1Q22: €-2.4mn). Finally, net debt was €51.5mn (in line with our exp. €51mn), up on end-2022 (€43.6mn), mainly due to NWC absorption (€8mn due to the increase in sales and inventories) and CapEx (€5mn).

Fine Foods – 1Q23 Results: P&L

P&L (Eu mn)	2020A	2021A	1Q22A	2Q22A	1H22A	3Q22A	9M22A	4Q22A	2022A	1Q23A	1Q23E	A/E
Food	132.0	139.1	29.5	27.3	56.8	29.6	86.4	31.5	117.8	40.7	37.8	8%
YoY growth	10.7%	5.4%	-22.9%	-22.1%	-22.5%	-10.7%	-18.8%	-3.8%	-15.3%	37.8%	28.0%	
on net sales	76.8%	71.4%	58.2%	54.7%	56.5%	56.6%	56.5%	55.8%	57.0%	62.1%	59.4%	
Pharma	40.0	39.5	11.9	13.9	25.8	14.2	40.0	14.7	54.7	16.8	16.0	5%
YoY growth	-1.2%	-1.4%	18.6%	49.2%	33.4%	30.8%	42.0%	30.2%	38.6%	41.8%	35.0%	
on net sales	23.3%	20.3%	23.4%	28.0%	25.7%	27.2%	26.2%	26.1%	26.5%	25.6%	25.1%	
Cosmetics & Biocides		16.3	9.4	8.6	18.0	8.5	26.5	10.2	34.3	8.1	11.1	-28%
YoY growth		n.m.			n.m.	n.m.	n.m.	n.m.	n.m.	-13.9%	18.9%	
on net sales		8.4%	18.4%	17.3%	17.9%	16.2%	17.3%	18.2%	16.6%	12.3%	17.5%	
Net revenues	172.0	194.8	50.8	49.8	100.6	52.2	152.8	56.4	206.9	65.6	63.6	3%
YoY growth	7.7%	13.3%	-1.1%	3.1%	0.9%	15.6%	5.5%	9.6%	6.2%	29.2%	25.4%	
o/w organic	7.7%	3.8%	-14.3%	-7.1%	-10.8%	4.3%	-6.1%	5.0%	-3.9%	38.9%	39.4%	
Other income	5.0	0.4	0.2	0.1	0.2	0.1	0.3	1.1	1.5	0.2	0.2	
Value of production	177.0	195.2	50.9	49.9	100.8	52.3	153.1	57.6	208.3	65.8	63.8	3%
Total Opex	(155.9)	(175.7)	(46.9)	(46.0)	(93.0)	(48.0)	(141.0)	(51.9)	(192.9)	(57.8)	(58.0)	0%
EBITDA	21.1	19.6	4.0	3.9	7.8	4.3	12.1	3.3	15.4	7.9	5.8	37%
YoY growth	20.6%	-7.2%	-41.4%	-36.5%	-39.1%	-16.4%	-32.6%	108.2%	-21.2%	100.6%	46.1%	
as % of net sales	12.3%	10.0%	7.8%	7.8%	7.8%	8.2%	7.9%	5.8%	7.4%	12.1%	9.1%	
Adj. EBITDA	22.3	21.2	4.0	4.4	8.4	4.2	12.6	3.2	15.7	7.9	5.8	37%
YoY growth	9.9%	-5.0%	-41.4%	-30.6%	-36.2%	-26.8%	-33.3%	35.5%	-25.8%	100.6%	46.1%	
as % of net sales	13.0%	10.9%	7.8%	8.9%	8.3%	8.0%	8.2%	5.6%	7.6%	12.1%	9.1%	
D&A	(11.6)	(14.5)	(3.6)	(3.7)	(7.3)	(3.8)	(11.1)	(5.3)	(16.4)	(3.7)	(3.8)	
EBIT	9.4	5.0	0.4	0.1	0.5	0.4	1.0	(2.0)	(1.0)	4.2	2.0	113%
Adj. EBIT	10.7	7.7	0.4	0.7	1.1	0.3	1.4	(1.1)	0.3	4.2	2.0	113%
as % of net sales	6.2%	4.0%	0.8%	1.4%	1.1%	0.6%	0.9%	-2.0%	0.1%	6.4%	3.1%	
Pretax	16.7	(4.6)	(2.3)	(3.6)	(5.9)	(5.7)	(11.6)	(2.6)	(14.2)	4.3	1.4	199%
Taxes	(3.3)	3.2	(0.2)	0.1	(0.1)	(0.2)	(0.3)	5.0	4.7	(1.4)	(0.1)	
tax rate	-20%	n.m.	n.m.	n.m.	2%	3%	3%	-191%	-33%	-32%	-7%	
Net income	13.4	(1.4)	(2.5)	(3.6)	(6.0)	(5.9)	(11.9)	2.4	(9.5)	2.9	1.3	118%
Adj. Net Income	9.3	10.2	(2.5)	(3.1)	(5.6)	(6.0)	(11.6)	3.0	(8.6)	2.9	1.3	118%
Ending NFP/(Debt)	42.8	(15.7)	(33.0)	(42.2)	(42.2)	(46.8)	(46.8)	(43.6)	(43.6)	(51.5)	(51.0)	1%

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

Fine Foods – 1Q23 Results: FCF & Net Debt Evolution and Reclassified Balance Sheet

FCF (Eu mn)	2020A	2021A	1Q22A	1H22A	9M22A	2022A	1Q23A	1Q23E	A-E
Net Profit	13.4	(1.4)	(2.5)	(6.0)	(11.9)	(9.5)	2.9	1.3	1.6
D&A	11.6	14.5	3.6	7.3	11.1	16.4	3.7	3.8	(0.1)
Delta Op. WKC	9.4	(14.4)	(15.6)	(15.2)	(15.0)	(14.4)	(7.9)	(8.0)	0.1
Chg. in other funds	1.8	(12.4)	3.9	6.7	12.1	11.1	(2.9)	-	(2.9)
FCFO	36.2	(13.7)	(10.6)	(7.2)	(3.6)	3.7	(4.1)	(2.8)	(1.3)
Capex	(16.0)	(16.5)	(4.0)	(8.8)	(11.1)	(15.3)	(4.8)	(4.5)	(0.4)
Equity FCF	20.2	(30.2)	(14.6)	(16.0)	(14.7)	(11.6)	(9.0)	(7.3)	(1.7)
Acquisitions	-	(42.4)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Dividends	(2.7)	(3.2)	-	(3.9)	(3.9)	(3.9)	-	-	-
Share Buy-back	(4.0)	(7.5)	(0.1)	(0.7)	(0.8)	(0.9)	(0.1)	(0.1)	(0.0)
Rights Issue/ ipo	-	-	-	-	-	-	-	-	-
Other	5.0	24.9	(2.7)	(5.9)	(11.8)	(11.6)	1.2	-	1.2
Change in NFP	18.4	(58.4)	(17.3)	(26.5)	(31.2)	(27.9)	(7.9)	(7.4)	(0.5)
Opening NFP	24.4	42.8	(15.7)	(15.7)	(15.7)	(15.7)	(43.6)	(43.6)	-
Change in NFP	18.4	(58.4)	(17.3)	(26.5)	(31.2)	(27.9)	(7.9)	(7.4)	(0.5)
Ending NFP/(Debt)	42.8	(15.7)	(33.0)	(42.2)	(46.8)	(43.6)	(51.5)	(51.0)	(0.5)

Balance Sheet (Eu mn)	2020A	2021A	1Q22A	1H22A	9M22A	2022A	1Q23A	QoQ	YoY
Fixed Assets	95.3	127.8	128.6	129.4	128.4	127.8	128.7	0.9	0.2
Inventories	19.6	35.1	37.4	42.6	42.6	40.4	49.3	8.9	12.0
Trade Receivables	12.7	29.4	42.4	41.8	38.9	39.3	51.6	12.2	9.2
Trade Payables	(22.7)	(32.5)	(32.4)	(33.4)	(30.7)	(33.5)	(42.0)	(8.6)	(9.6)
Operating Working Capital	9.6	32.0	47.4	50.9	50.8	46.3	58.9	12.6	11.5
Other curr assets	4.9	15.5	14.8	12.0	10.9	15.5	13.4	(2.1)	(1.4)
Other current liabilities	(10.0)	(8.2)	(9.1)	(9.4)	(8.6)	(10.0)	(10.9)	(0.8)	(1.7)
Net Working Capital	4.4	39.2	53.1	53.5	53.2	51.8	61.5	9.7	8.4
Provisions	(0.4)	(1.1)	(1.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.0)	0.8
Employees benefits	(1.1)	(3.0)	(2.9)	(2.5)	(2.6)	(2.4)	(2.3)	0.1	0.6
Others	-	-	-	(1.1)	(1.1)	-	-	-	-
Net capital employed	98.2	162.9	177.7	179.0	177.8	176.9	187.7	10.7	10.0
Total equity	141.0	147.2	144.7	136.9	131.0	133.3	136.1	2.8	(8.6)
Net Cash (Debt)	42.8	(15.7)	(33.0)	(42.2)	(46.8)	(43.6)	(51.5)	(7.9)	(18.5)
Cash	75.0	95.1	105.3	92.6	80.5	76.7	69.5	(7.3)	(35.8)
Gross Debt	(32.2)	(110.8)	(138.3)	(134.7)	(127.3)	(120.4)	(121.0)	(0.7)	17.2
Total Funds	98.2	162.9	177.7	179.0	177.8	176.9	187.7	10.7	10.0

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

Business Outlook

The Group will develop the business along three main lines - Pharma, Food and Cosmetics - by strengthening the activities of corporate functions. **Fine Foods will seize any opportunities for external growth.**

The Pharma BU is expected to grow significantly due to the multi-year agreements signed with important customers that will require a **production plant expansion, on which the Board of Directors passed a resolution on 30 March 2023. This is estimated at € 30mn over about two years.**

The integration and optimisation of processes will continue for the Cosmetic BU. Investments for production capacity expansion at the Trenzano site and closure of the Cremosano plant will be completed shortly. The greater efficiency generated by these activities will increase the ability to meet customer demands.

The increase in sales recorded in 1Q23 confirmed the effectiveness of the commercial actions taken for the Food BU and enabled the company to forecast a largely positive outlook.

Change in Estimates

We confirm FY23 top line, reflecting a different mix (softer Cosmetics offset by stronger Food BU) and a mixed comparison base for the coming Qs (easier for Food, tougher for Pharma); we raise the margin by c. 0.5pp while leaving the same margins for the next 2 years, leading to a 9% rise in adj. EPS for 2023 and neutral changes for 2024-25. Net debt increased to capture the €30mn CapEx (mostly in 2024 and 2025) which should materialise in a higher Pharma top line from early 2026.

Fine Foods – Change in Estimates

(Eu mn)	Actual Results				New Estimates			Old Estimates			New vs Old		
	'19A	'20A	'21A	'22A	'23E	'24E	'25E	'23E	'24E	'25E	'23E	'24E	'25E
Food	119.2	132.0	139.1	117.8	141.4	156.9	172.6	129.6	139.9	153.9	9%	12%	12%
<i>YoY growth</i>	<i>13%</i>	<i>11%</i>	<i>5%</i>	<i>-15%</i>	<i>20%</i>	<i>11%</i>	<i>10%</i>	<i>10%</i>	<i>8%</i>	<i>10%</i>			
Pharma	40.5	40.0	39.5	54.7	65.7	71.8	78.9	66.2	72.1	77.2	-1%	0%	2%
<i>YoY growth</i>	<i>20%</i>	<i>-1%</i>	<i>-1%</i>	<i>39%</i>	<i>20%</i>	<i>9%</i>	<i>10%</i>	<i>21%</i>	<i>9%</i>	<i>7%</i>			
Cosmetics			16.3	36.7	32.3	37.4	41.2	43.4	50.4	57.0	-26%	-26%	-28%
<i>YoY growth</i>				<i>n.m.</i>	<i>-12%</i>	<i>16%</i>	<i>10%</i>	<i>18%</i>	<i>16%</i>	<i>13%</i>			
Revenues	159.7	172.0	194.8	206.9	239.3	266.2	292.7	239.2	262.5	288.2	0%	1%	2%
<i>YoY growth</i>	<i>14.6%</i>	<i>7.7%</i>	<i>13.3%</i>	<i>6.2%</i>	<i>15.7%</i>	<i>11.2%</i>	<i>9.9%</i>	<i>15.6%</i>	<i>9.7%</i>	<i>9.8%</i>			
<i>o/w organic</i>	<i>14.6%</i>	<i>7.7%</i>	<i>3.8%</i>	<i>-3.4%</i>	<i>15.7%</i>	<i>11.2%</i>	<i>9.9%</i>	<i>15.6%</i>	<i>9.7%</i>	<i>9.8%</i>			
EBITDA	17.5	21.1	19.6	15.4	27.5	33.8	40.6	26.4	33.3	40.0	4%	1%	2%
Adj. EBITDA	20.3	22.3	21.2	15.7	27.5	33.8	40.6	26.4	33.3	40.0	4%	1%	2%
% on sales	12.7%	13.0%	10.9%	7.6%	11.5%	12.7%	13.9%	11.0%	12.7%	13.9%			
D&A	(9.4)	(11.6)	(13.4)	(15.4)	(15.3)	(16.0)	(17.6)	(15.3)	(15.7)	(17.3)			
Adj. EBIT	10.9	10.7	7.7	0.3	12.2	17.8	23.1	11.1	17.6	22.7	10%	1%	2%
% on sales	6.8%	6.2%	4.0%	0.1%	5.1%	6.7%	7.9%	4.6%	6.7%	7.9%			
EBIT	8.1	9.4	5.0	-1.0	12.2	17.8	23.1	11.1	17.6	22.7	10%	1%	2%
net fin. Exp.	(8.0)	7.2	(9.6)	(13.2)	(2.5)	(1.8)	(1.5)	(2.2)	(1.5)	(1.2)			
Pre taxes	0.1	16.7	(4.6)	(14.2)	9.7	16.1	21.5	8.9	16.0	21.5			
taxes	(2.9)	(3.3)	3.2	4.7	(0.7)	(2.8)	(4.3)	(0.6)	(2.8)	(4.4)			
tax rate	n.m.	20%	69%	33%	7%	18%	20%	7%	18%	21%			
Net Profit	(2.8)	13.4	(1.4)	(9.5)	9.1	13.3	17.2	8.3	13.2	17.1	9%	0%	0%
Adj. Net profit	11.9	9.3	10.2	-8.6	9.1	13.3	17.2	8.3	13.2	17.1	9%	0%	0%
Adj. EPS (€/share)	0.51	0.40	0.40	(0.34)	0.35	0.52	0.67	0.32	0.52	0.67	9%	0%	0%
DPS (€/share)	0.12	0.14	0.16	0.10	0.14	0.21	0.27	0.13	0.21	0.27	9%	0%	0%
% payout	24%	35%	40%	n.m.	40%	40%	40%	40%	40%	40%			
Adj. EBITDA	20.3	22.3	21.2	15.7	27.5	33.8	40.6	26.4	33.3	40.0	1	0	1
CapEx	(20.1)	(16.0)	(16.5)	(15.3)	(17.0)	(23.3)	(29.6)	(12.0)	(13.1)	(14.4)	(5)	(10)	(15)
% on sales	12.6%	9.3%	8.5%	7.4%	7.1%	8.8%	10.1%	5.0%	5.0%	5.0%			
EBITDA-Capex	0.2	6.3	4.7	0.4	10.6	10.5	11.0	14.4	20.2	25.6	(4)	(10)	(15)
% of Adj. EBITDA	1%	28%	22%	3%	38%	31%	27%	55%	61%	64%			
NWC change	0.5	9.4	(14.4)	(14.4)	3.7	(5.6)	(5.6)	3.7	(4.9)	(5.2)	0	(1)	(0)
Op. FCF	0.7	15.7	(9.7)	(14.0)	14.2	4.9	5.4	18.1	15.3	20.3	(4)	(10)	(15)
% of Adj. EBITDA	3%	70%	-46%	n.m.	52%	15%	13%	69%	46%	51%			
Equity FCF	(10.2)	20.2	(30.2)	(11.6)	11.1	0.4	(0.5)	15.3	10.9	14.8	(4)	(11)	(15)
% of Adj. EBITDA	-50%	91%	-143%	n.m.	40%	1%	-1%	58%	33%	37%			
NFP/ (Debt)	24.4	42.8	(15.7)	(43.6)	(35.1)	(38.3)	(44.2)	(30.9)	(23.2)	(13.8)	(4)	(15)	(30)
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-2.8x	-1.3x	-1.1x	-1.1x	-1.2x	-0.7x	-0.3x			

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

Fine Foods – P&L

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E	'25E
Total Revenues	102	113	120	139	160	172	195	207	239	266	293
Total OpEx	(89)	(98)	(104)	(121)	(142)	(151)	(175)	(191)	(212)	(232)	(252)
EBITDA	13	15	16	19	17	21	20	15	28	34	41
% EBITDA Margin	0	0	0	0	0	0	0	0	0	0	14%
D&A and writedown	(5)	(6)	(7)	(8)	(9)	(12)	(15)	(16)	(15)	(16)	(18)
EBIT	8	9	9	10	8	9	5	(1)	12	18	23
% EBIT Margin	0	0	0	0	0	0	0	(0)	0	0	7.9%
Net Financial Charges	(0)	(0)	(0)	0	(0)	(0)	(1)	(5)	(4)	(2)	(2)
Other Charges and Income	0	0	0	0	0	0	0	0	0	0	-
Net Operating Margin	8	9	9	10	0	17	(5)	(14)	10	16	22
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	3	5	(1)	(3)	(4)
Tax Rate %	(0)	(0)	(0)	(0)	n.m.	(0)	n.m	(0)	(0)	(0)	-20%
Net Income	5	6	6	9	(3)	13	(1)	(10)	9	13	17
Adj. Net Income	5	6	7	9	12	9	10	(9)	9	13	17

Fine Foods – BS

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E	'25E
Intangible Assets	1	1	1	4	3	2	25	24	24	24	24
Tangible Assets	39	42	57	79	89	93	103	104	106	113	125
Financial Assets	0	0	0	0	0	0	0	0	0	0	-
Total Fixed Assets	40	43	59	82	93	95	128	128	129	137	149
NWC	10	10	2	19	16	4	39	52	48	54	59
Gross inv. capital	51	53	61	101	108	100	167	180	178	190	208
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	(3)	(3)	(3)	(3)
Net invested capital	49	52	59	93	106	98	163	177	175	188	205
Group Equity	31	33	39	140	131	141	147	133	140	149	161
Minority interests	0	0	0	0	0	0	0	0	0	0	-
Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(44)	(35)	(38)	(44)
Total cover	49	52	59	93	106	98	163	177	175	188	205

Fine Foods – FCF

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22E	'23E	'24E	'25E
Net Profit	5	6	6	9	(3)	13	(1)	(10)	9	13	17
D&A	5	6	7	8	9	12	15	16	15	16	18
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(14)	(14)	4	(6)	(6)
Change in funds/other	(1)	1	4	(6)	3	2	(12)	11	0	0	-
FCFO	4	12	21	0	10	36	(14)	4	28	24	29
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(15)	(17)	(23)	(30)
Equity FCF	(3)	2	(1)	(31)	(10)	20	(30)	(12)	11	0	(1)
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)	(3)	(4)	(5)
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	25	(12)	0	0	-
Change in NFP	(4)	(1)	(1)	67	(22)	18	(58)	(28)	9	(3)	(6)
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(44)	(35)	(38)
Ending Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(44)	(35)	(38)	(44)

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

DCF Valuation

On the back of our new estimates, we are raising our target price from €12.3 to €12.7, applying the same WACC (8.6%) and g (2.5%). At the TP, which offers 70% upside to the current price, the stock would be trading at 10x EV/EBITDA'24E (currently 7x), slightly above its historical average and well below the average for peers (13x).

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

(Eu mn)	23E	24E	25E	26E	27E	28E	29E	30E	31E	32E	33E	TV
Net Revenues	239.3	266.2	292.7	316.9	343.0	371.4	402.1	435.5	471.9	511.6	555.1	568.7
YoY growth	15.7%	11.2%	9.9%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.4%	8.5%	2.5%
EBITDA	27.5	33.8	40.6	44.0	47.8	51.9	56.4	61.3	66.7	72.5	79.0	79.6
% margin	11.5%	12.7%	13.9%	13.9%	13.9%	14.0%	14.0%	14.1%	14.1%	14.2%	14.2%	14.0%
D&A	(15.3)	(16.0)	(17.6)	(19.0)	(20.6)	(22.3)	(24.1)	(26.1)	(28.3)	(30.7)	(33.3)	(34.1)
as % of sales	6.4%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.5%
EBIT	12.2	17.8	23.1	25.0	27.2	29.6	32.3	35.2	38.3	41.8	45.7	45.5
% margin	5.1%	6.7%	7.9%	7.9%	7.9%	8.0%	8.0%	8.1%	8.1%	8.2%	8.2%	8.0%
Taxes	(2.9)	(4.3)	(5.5)	(6.0)	(6.5)	(7.1)	(7.7)	(8.4)	(9.2)	(10.0)	(11.0)	(10.9)
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	3.7	(5.6)	(5.6)	(4.4)	(4.9)	(5.3)	(5.7)	(6.2)	(6.8)	(7.4)	(8.1)	-
Capex	(17.0)	(23.3)	(29.6)	(15.8)	(17.2)	(18.6)	(20.1)	(21.8)	(23.6)	(25.6)	(27.8)	(34.1)
as % of sales	7.1%	8.8%	10.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%
Unlevered FCF	11.3	0.7	-0.2	17.7	19.2	21.0	22.8	24.9	27.1	29.5	32.2	34.6
TV												564.6
year	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	10.0
Discounted WACC	1.0	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	11.3	0.6	(0.2)	13.8	13.8	13.9	13.9	14.0	14.0	14.1	14.1	248.0

Discounted FCF '23E-31E	112.2
Terminal value	248.0
Total EV	360.2
NFP/(Debt) at YE22	(43.6)
Minorities	0.0
own shares	7.7
Total EQUITY (Eu mn)	324.3
NOSH (mn)	25.6
Fair value (Eu/share)	12.7
current price (Eu/share)	7.5
upside vs current price	70%

Fine Foods - TP Sensitivity to WACC (%) and g (%)

		g										
		2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%
WACC	7.6%	13.5	13.7	13.9	14.1	14.3	14.6	14.8	15.1	15.3	15.6	15.9
	7.8%	13.1	13.3	13.5	13.7	13.9	14.1	14.4	14.6	14.8	15.1	15.4
	8.0%	12.8	13.0	13.2	13.3	13.5	13.7	14.0	14.2	14.4	14.6	14.9
	8.2%	12.5	12.6	12.8	13.0	13.2	13.4	13.6	13.8	14.0	14.2	14.4
	8.4%	12.2	12.3	12.5	12.7	12.8	13.0	13.2	13.4	13.6	13.8	14.0
	8.6%	11.9	12.1	12.2	12.4	12.5	12.7	12.9	13.0	13.2	13.4	13.6
	8.8%	11.6	11.8	11.9	12.1	12.2	12.4	12.5	12.7	12.9	13.1	13.2
	9.0%	11.4	11.5	11.7	11.8	11.9	12.1	12.2	12.4	12.6	12.7	12.9
	9.2%	11.2	11.3	11.4	11.5	11.7	11.8	12.0	12.1	12.3	12.4	12.6
	9.4%	10.9	11.1	11.2	11.3	11.4	11.6	11.7	11.8	12.0	12.1	12.3
	9.6%	10.7	10.9	11.0	11.1	11.2	11.3	11.5	11.6	11.7	11.9	12.0

Source: Intermonte SIM

Peer Multiples

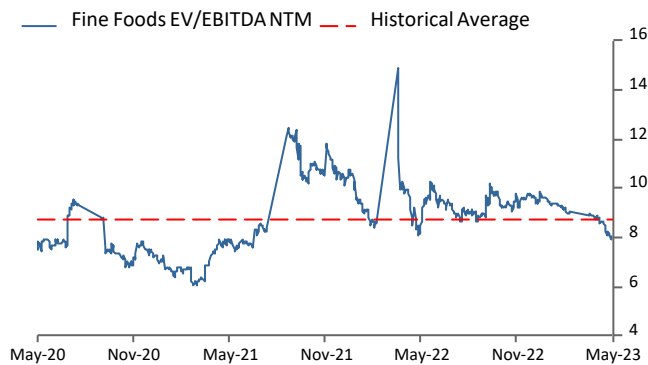
Given the lack of a meaningful comparison provided by the peer group due to significant diversification in terms of size, vertical integration, geographical footprint, capital structure and profitability compared to Fine Foods, we do not include a peer comparison in our valuation. **In any case, at current prices, Fine Foods is trading at 7x EV/adj. EBITDA for 24E (a c.50% discount to peer average) and 14x PE'24E (peers at 24x).**

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	3m	6m	YTD	'23E	'24E	'25E	'23E	'24E	'25E	'23E	'24E	'25E	'23E	'24E	'25E	'23E	'24E	'25E
FF (@mkt price, our est.)	EUR	7.45	190	-9%	-7%	-2%	-9%	0.9	0.9	0.8	8.2	6.8	5.8	18.5	12.8	10.2	21.0	14.4	11.1	1.9%	2.8%	3.6%
FF (@mkt price, cons.)	EUR	7.45	190	-9%	-7%	-2%	-9%	0.9	0.8	0.7	8.5	6.5	5.1	20.1	11.9	8.9	23.8	14.6	11.2	1.7%	2.8%	3.6%
FF (@ our TP, our est.)	EUR	12.3	324					1.5	1.3	1.2	12.7	10.4	8.8	28.6	19.8	15.5	35.8	24.4	18.9	1.2%	1.7%	2.2%
InterCos	EUR	15.32	1,475	17%	12%	58%	22%	1.7	1.5	1.4	11.2	9.8	8.8	17.2	14.8	13.0	23.8	20.6	18.5	1.4%	1.6%	1.9%
Labomar SpA	EUR	8.80	163	-10%	4%	7%	-8%	2.0	1.8	1.7	10.6	9.6	8.4	19.0	17.3	14.6	22.6	19.7	16.4	1.4%	1.5%	1.8%
Lonza Group AG	CHF	584.40	44,724	7%	5%	21%	28%	6.7	6.0	5.4	22.2	18.6	16.1	31.7	25.9	22.0	39.6	31.7	26.8	0.6%	0.7%	0.8%
Siegfried Holding AG	CHF	750.50	3,446	5%	1%	13%	13%	2.9	2.7	2.5	14.3	12.6	11.3	20.7	18.3	16.3	25.6	23.2	20.7	0.5%	0.5%	0.5%
Peer Group								3.3	3.0	2.7	14.6	12.7	11.2	22.2	19.1	16.5	27.9	23.8	20.6	1.0%	1.1%	1.3%
FF discount to peers								-72%	-72%	-71%	-44%	-47%	-48%	-17%	-33%	-38%	-25%	-40%	-46%			
FTSE Italia Mid Cap				-2%	-4%	13%	9%															
FTSE Italia Star				-2%	-6%	8%	3%															
FTSE MIB				-1%	-1%	15%	12%															
FTSE Italia All-Share				-1%	-1%	14%	12%															

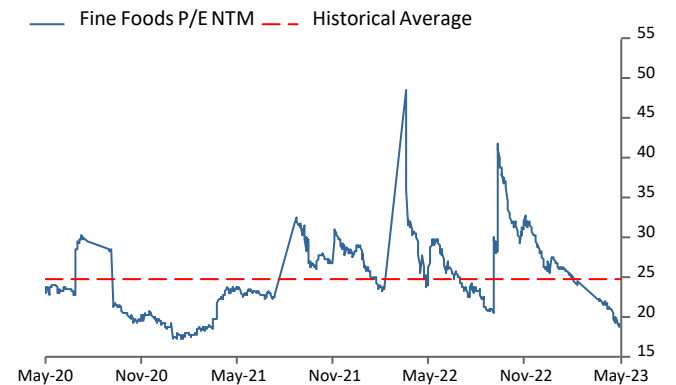
Source: Intermonte SIM (Fine Foods), Consensus (Factset)

Fine Foods - EV/EBITDA NTM evolution



Source: FactSet Consensus

Fine Foods - P/E NTM evolution



Source: FactSet Consensus

Fine Foods in Brief

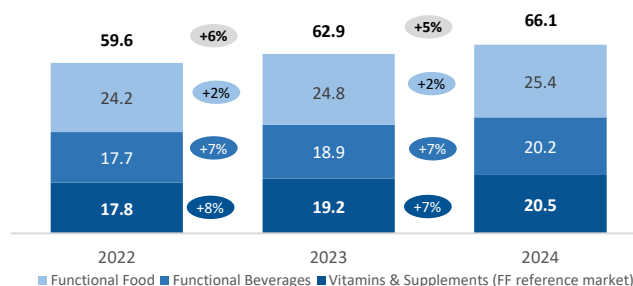
Company description

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.

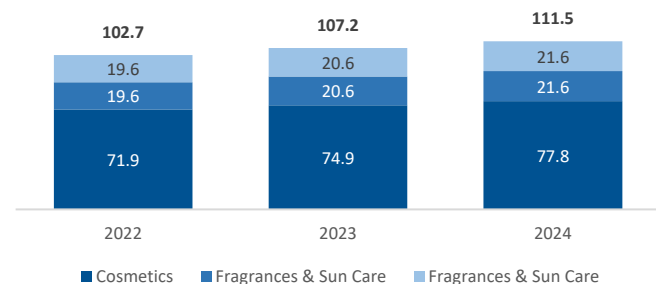
Strengths/Opportunities

- 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)

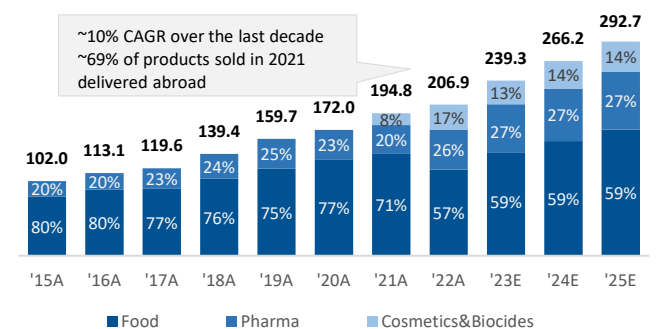
European Nutraceutical Market Value (Eu bn, +5% CAGR'22-24)



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



Fine Foods – Net Revenue Trend (2015-'25E)



Management

Chairman and CEO: M. Eigenmann
CEO: Giorgio Ferraris
CFO: Pietro Bassani
IR: Carlo Larghi

Next BoD renewal: Spring 2024
BoD independent members: 3/7
BoD women: 3/7

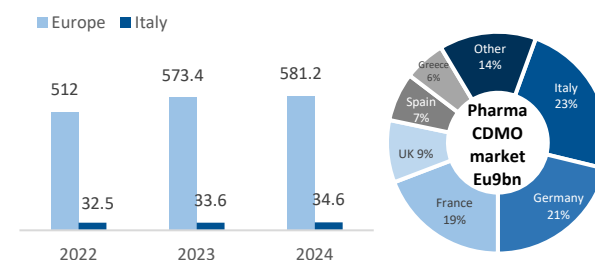
Shareholders

Marco Eigenmann	52.70%
Treasury Shares	4.04%
Market	43.27%
Free float (ord. shares)	53.5%

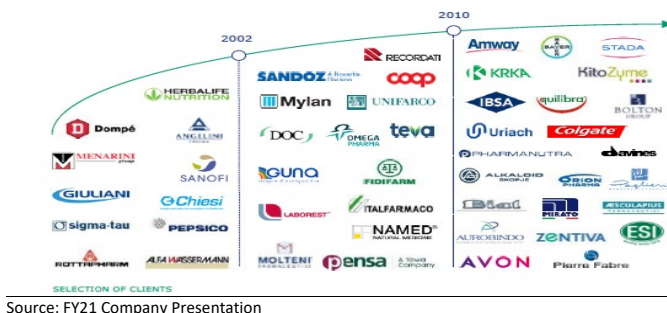
Weaknesses/Threats

- 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

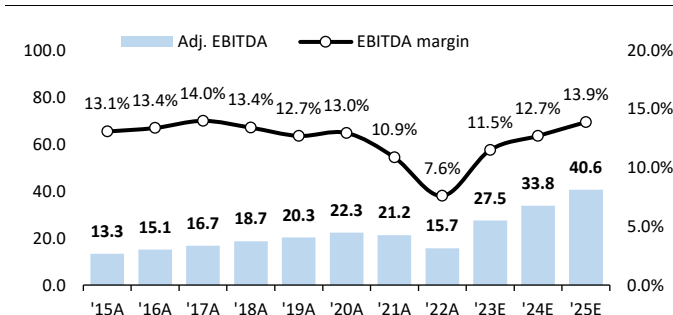
European Pharma Production (left) and EU CDMO Market Value (right)



Fine Foods – High Customer Loyalty



Fine Foods – EBITDA and Margin Trend (2015-'25E)



DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.70	Previous Target (Eu):	12.30
Current Price (Eu):	7.45	Previous Price (Eu):	8.30
Date of report:	16/05/2023	Date of last report:	31/03/2023

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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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 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

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As at 31 March 2023 Intermonte's Research Department covered 119 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	20.83 %
OUTPERFORM:	51.67 %
NEUTRAL:	25.83 %
UNDERPERFORM	01.67 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Intermonte is also acting as Listing Agent in the proposed Unidata's Translising. Intermonte will receive fees from the company for its activity as Global Coordinator and Listing Agent.

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Emittente	%	Long/Short
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