

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu8.40 - Target: Eu12.70

Volatile Quarter Should Not Be Taken As Proxy For Future

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Stock Rating

Rating: Unchanged

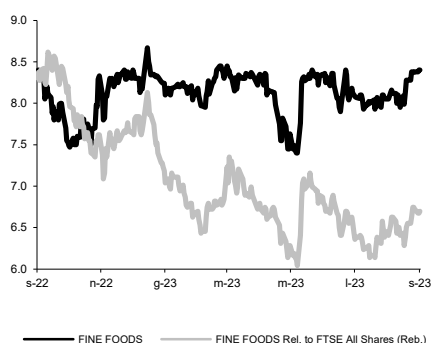
Target Price (Eu): Unchanged

	2023E	2024E	2025E
Chg in Adj EPS	0.0%	-0.2%	-0.5%

Next Event

3Q23 Results 14 November

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	4.3%	0.7%	1.2%
Relative	3.9%	-1.6%	-24.1%
12M (H/L)	8.67/7.40		
3M Average Volume (th):	4.24		

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):	102
Mkt Float (in %):	47.3%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.7%

Balance Sheet Data

Book Value (Eu mn):	135
BVPS (Eu):	5.30
P/BV:	1.6
Net Financial Position (Eu mn):	-46
Enterprise Value (Eu mn):	260

■ **1H a mixed bag, reassuring FY outlook.** 1H results beat our expectations (top line +4%/ adj. EBITDA +1%/ adj. EBIT -0.2%) despite quite mixed and volatile trends in 2Q. This was due to a reorganisation of the Cosmetics BU which affected all P&L lines (lower sales for the termination of a non-core line, EBITDA margin dilution to 7.5% due to restructuring costs, lower EBIT due in part to goodwill impairment), but we believe this should not jeopardise the overall improving trajectory in 2H. The FY23 outlook was confirmed, with positive hints on current trading (*"management relatively confident on margin improvement in light of the results achieved in the period after the end of 1H"*). We also note that the Pharma BU is likely to grow significantly as a result of a key multi-year agreement inked with a large international client, which will require an expansion of the production plant (c.€30mn of CapEx spread over about 2 years).

■ **Highlights and lowlights:** (+) Strong top line growth (+26.7%) driven by Food (32.8%) and Pharma (+35%), almost completely overcoming the difficulties arising from the external environment; (-) Cosmetics: lower sales for the disposal of a non-core business line. Group EBIT affected by €4.4mn goodwill impairment on Pharmatek. (-) Softer adj. EBITDA margin at 9.9% in 1H (1Q: 12.1%, 2Q: 7.5%): QoQ margin dilution is mainly attributable to the reorganisation of Cosmetics activities, exacerbated by higher personnel and energy costs (c.0.6pp impact on margin); (+) Strong financials for FF parent company (ex-Cosmetics): sales €110.2mn (+33.5%), EBITDA €12.2mn (+71.5% YoY), with a 11.1% margin (Pharma 12.1%, Food 10.6%), up 2.5pp YoY. (+) Termination of portfolio management with a primary credit institution (FV: +€1.7mn in 1H23) which showed extreme volatility in previous quarters (FV: -€5.8mn in FY22). (+/-) Net debt broadly in line at €57.8mn (our exp. €60.7mn) showing significant NWC absorption (-€16mn in 1H).

■ **Updated estimates.** We are lifting our FY23-25 top line by c.5%, broadly offset by a c.0.5pp margin reduction vs. prior estimates. We now expect a c.11% margin in FY23 (in line with 1H for FF parent company) implying a more sustainable catch-up in 2H (now c.11.9%, vs. 13.3% previously). P&L estimate revisions broadly neutral on adj. EPS.

■ **OUTPERFORM confirmed; target still €12.7.** As a result of the reorganisation of the Cosmetics business, 2Q turned out to be a very volatile quarter that should not be taken as a proxy for future trends, while we welcome management indications on current trading, enhancing visibility on the remainder of the year. We therefore 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 confirm our TP at €12.7. FF 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	252	278	306
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	0.518	0.669
EPS Old Adj (Eu)	0.398	-0.338	0.354	0.519	0.672
DPS (Eu)	0.160	0.100	0.142	0.207	0.267
EV/EBITDA Adj	17.8	18.3	9.5	7.7	6.6
EV/EBIT Adj	nm	nm	21.3	14.6	11.6
P/E Adj	21.1	nm	23.7	16.2	12.6
Div. Yield	1.9%	1.2%	1.7%	2.5%	3.2%
Net Debt/EBITDA Adj	0.7	2.8	1.7	1.3	1.3

FINE FOODS – Key Figures

Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	172	195	207	252	278	306
EBITDA	21	20	15	28	34	41
EBIT	9	5	-1	8	18	23
Financial Income (charges)	-0	-1	-5	-5	-2	-2
Associates & Others	8	-9	-8	2	0	0
Pre-tax Profit	17	-5	-14	5	16	21
Taxes	-3	3	5	-0	-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	5	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	0.182	0.518	0.669
EPS Adj f.d	0.398	0.398	-0.338	0.354	0.518	0.669
BVPS f.d	5.982	5.760	5.215	5.297	5.673	6.135
Dividend per Share ORD	0.141	0.160	0.100	0.142	0.207	0.267
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	-6	-1	-5
Capital Expenditure	-16	-17	-15	-18	-24	-30
Other Cash Items	1	17	-12	0	0	0
Free Cash Flow (FCF)	20	-30	-12	1	4	-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	-2	1	-6
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	95	128	128	126	134	146
Net Working Capital	4	39	52	58	59	64
Long term Liabilities	-1	-4	-3	-3	-3	-3
Net Capital Employed	98	163	177	181	190	208
Net Cash (Debt)	43	-16	-44	-46	-45	-51
Group Equity	141	147	133	135	145	157
Minorities	0	0	0	0	0	0
Net Equity	141	147	133	135	145	157
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	256	361	243	215	215	215
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	43	-16	-44	-46	-45	-51
Enterprise Value	213	377	287	260	260	266
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	13.0%	10.9%	7.6%	10.9%	12.2%	13.3%
EBIT Adj Margin	6.2%	4.0%	0.1%	4.9%	6.4%	7.5%
Gearing - Debt/Equity	-30.3%	10.6%	32.7%	33.7%	30.9%	32.6%
Interest Cover on EBIT	23.0	6.6	nm	1.7	10.2	14.6
Net Debt/EBITDA Adj	-1.9	0.7	2.8	1.7	1.3	1.3
ROACE*	9.2%	3.9%	-0.6%	4.4%	9.6%	11.6%
ROE*	6.9%	7.1%	-6.2%	6.7%	9.4%	11.3%
EV/CE	2.1	2.9	1.7	1.5	1.4	1.3
EV/Sales	1.2	1.9	1.4	1.0	0.9	0.9
EV/EBITDA Adj	9.6	17.8	18.3	9.5	7.7	6.6
EV/EBIT Adj	20.0	nm	nm	21.3	14.6	11.6
Free Cash Flow Yield	9.4%	-14.1%	-5.4%	0.2%	2.1%	-0.5%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	7.7%	13.3%	6.2%	22.0%	10.2%	9.9%
EBITDA Adj	9.9%	-5.0%	-25.8%	75.1%	22.8%	20.0%
EBIT Adj	-2.5%	-27.4%	-96.1%	3980.1%	45.4%	29.2%
Net Profit Adj	nm	nm	nm	nm	184.3%	29.1%
EPS Adj	-21.2%	0.0%	nm	nm	46.2%	29.1%
DPS	16.8%	13.7%	-37.5%	41.7%	46.2%	29.1%

*Excluding extraordinary items Source: Intermonte SIM estimates

2Q/1H23 Results

- 1H a mixed bag, but reassuring FY outlook.** 1H results beat our expectations (top line +4%/ adj. EBITDA +1%/ adj. EBIT -0.2%) despite quite mixed and volatile trends in 2Q. This was due to a reorganisation of the Cosmetics BU which affected all P&L lines (lower sales for the termination of a non-core line, EBITDA margin dilution to 7.5% due to restructuring costs, lower EBIT due in part to goodwill impairment), but we believe this should not jeopardise the overall improving trajectory in 2H. The FY23 outlook was confirmed, with positive hints on current trading (*"management relatively confident on margin improvement in light of the results achieved in the period after the end of 1H"*). We also note that the Pharma BU is likely to grow significantly as a result of a key multi-year agreement inked with a large international client, which will require an expansion of the production plant (c.€30mn of CapEx spread over about 2 years).
- Highlights and lowlights:** **(+) Strong top line growth** (+26.7%) driven by Food (32.8%) and Pharma (+35%), almost completely overcoming the difficulties arising from the external environment; **(-) Cosmetics:** lower sales for the disposal of a non-core business line. Group EBIT affected by €4.4mn goodwill impairment on Pharmatek. **(-) Softer adj. EBITDA margin** at 9.9% in 1H (1Q: 12.1%, 2Q: 7.5%): QoQ margin dilution is mainly attributable to the reorganisation of Cosmetics activities, exacerbated by higher personnel and energy costs (c.0.6pp impact on margin); **(+) Strong financials for FF parent company (ex-Cosmetics):** sales €110.2mn (+33.5%), EBITDA €12.2mn (+71.5% YoY), with a 11.1% margin (Pharma 12.1%, Food 10.6%), up 2.5pp YoY. **(+) Termination of portfolio management** with a primary credit institution (FV: +€1.7mn in 1H23) which showed extreme volatility in previous quarters (FV: -€5.8mn in FY22). **(+/-) Net debt broadly in line** at €57.8mn (our exp. €60.7mn) showing significant NWC absorption (-€16mn in 1H).

Fine Foods – 2Q/1H23 Results: P&L

P&L (Eu mn)	1Q22A	2Q22A	1H22A	3Q22A	9M22A	4Q22A	2H22A	2022A	1Q23A	2Q23A	1H23A	1H23E	A/E	2H23E	2023E
Food	29.5	27.3	56.8	29.6	86.4	31.5	61.0	117.8	40.7	34.7	75.4	72.7	3.7%	71.9	147.3
YoY growth	-22.9%	-22.1%	-22.5%	-10.7%	-18.8%	-3.8%	-7.3%	-15.3%	37.8%	27.3%	32.8%	28.0%		17.8%	25.0%
on net sales	58.2%	54.7%	56.5%	56.6%	56.5%	55.8%	57.4%	57.0%	62.1%	56.1%	59.2%	59.1%		57.5%	58.4%
Pharma	11.9	13.9	25.8	14.2	40.0	14.7	28.9	54.7	16.8	18.0	34.8	33.8	3.1%	36.3	71.1
YoY growth	18.6%	49.2%	33.4%	30.8%	42.0%	30.2%	43.6%	38.6%	41.8%	29.3%	35.0%	31.0%		25.5%	30.0%
on net sales	23.4%	28.0%	25.7%	27.2%	26.2%	26.1%	27.2%	26.5%	25.6%	29.1%	27.3%	27.5%		29.0%	28.2%
Cosmetics & Biocides	9.4	8.6	18.0	8.5	26.5	10.2	16.3	34.3	8.1	9.2	17.2	16.5	4.1%	16.8	34.0
YoY growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-13.9%	6.2%	-4.3%	-8.0%		2.6%	-1.0%
on net sales	18.4%	17.3%	17.9%	16.2%	17.3%	18.2%	15.4%	16.6%	12.3%	14.8%	13.5%	13.4%		13.4%	13.5%
Net revenues	50.8	49.8	100.6	52.2	152.8	56.4	106.3	206.9	65.6	61.9	127.5	123.0	3.6%	124.9	252.4
YoY growth	-1.1%	3.1%	0.9%	15.6%	5.5%	9.6%	11.6%	6.2%	29.2%	24.2%	26.7%	22.3%		17.5%	22.0%
Other income	0.2	0.1	0.2	0.1	0.3	1.1	1.2	1.5	0.2	0.9	1.1	0.2		1.4	2.5
Value of production	50.9	49.9	100.8	52.3	153.1	57.6	107.5	208.3	65.8	62.8	128.6	123.3	4.3%	126.3	254.9
Total Opex	(46.9)	(46.0)	(93.0)	(48.0)	(141.0)	(51.9)	(99.9)	(192.9)	(57.8)	(58.1)	(116.0)	(110.8)	4.7%	(111.4)	(227.4)
EBITDA	4.0	3.9	7.8	4.3	12.1	3.3	7.6	15.4	7.9	4.7	12.6	12.5	1.0%	14.9	27.5
YoY growth	-41.4%	-36.5%	-39.1%	-16.4%	-32.6%	108.2%	13.0%	-21.2%	100.6%	20.5%	61.0%	59.3%		96.7%	78.5%
as % of net sales	7.8%	7.8%	7.8%	8.2%	7.9%	5.8%	7.1%	7.4%	12.1%	7.5%	9.9%	10.2%		11.9%	10.9%
Adj. EBITDA	4.0	4.4	8.4	4.2	12.6	3.2	7.6	15.7	7.9	4.7	12.6	12.5	1.0%	14.9	27.5
YoY growth	-41.4%	-30.6%	-36.2%	-26.8%	-33.3%	35.5%	-5.7%	-25.8%	100.6%	5.6%	50.5%	49.0%		96.7%	75.1%
as % of net sales	7.8%	8.9%	8.3%	8.0%	8.2%	5.6%	7.1%	7.6%	12.1%	7.5%	9.9%	10.2%		11.9%	10.9%
D&A	(3.6)	(3.7)	(7.3)	(3.8)	(11.1)	(5.3)	(9.1)	(16.4)	(3.7)	(8.4)	(12.2)	(7.6)		(7.5)	(19.7)
EBIT	0.4	0.1	0.5	0.4	1.0	(2.0)	(1.6)	(1.0)	4.2	(3.8)	0.4	4.9		7.4	7.8
Adj. EBIT	0.4	0.7	1.1	0.3	1.4	(1.1)	(0.8)	0.3	4.2	0.6	4.8	4.9	-0.2%	7.4	12.2
as % of net sales	0.8%	1.4%	1.1%	0.6%	0.9%	-2.0%	-0.7%	0.1%	6.4%	1.0%	3.8%	4.0%		5.9%	4.9%
net fin. exp.	(2.7)	(4.3)	(7.0)	(6.0)	(13.0)	(1.5)	(7.5)	(14.5)	0.1	(5.0)	(5.0)	(0.5)		(2.3)	(7.3)
Pretax	(2.3)	(3.6)	(5.9)	(5.7)	(11.6)	(2.6)	(8.3)	(14.2)	4.3	(4.4)	(0.1)	4.4		5.1	5.0
Taxes	(0.2)	0.1	(0.1)	(0.2)	(0.3)	5.0	4.8	4.7	(1.4)	(0.2)	(1.6)	(1.8)		1.2	(0.3)
tax rate	n.m.	n.m.	2%	3%	3%	-191%	-58%	-33%	-32%	4%	-30%	-41%		24%	-7%
Net income	(2.5)	(3.6)	(6.0)	(5.9)	(11.9)	2.4	(3.5)	(9.5)	2.9	(4.6)	(1.7)	2.6	n.a.	6.3	4.7
Adj. Net Income	(2.5)	(3.1)	(5.6)	(6.0)	(11.6)	3.0	(3.0)	(8.6)	2.9	(0.2)	2.7	2.6	6.9%	6.3	9.1
Ending NFP/(Debt)	(33.0)	(42.2)	(42.2)	(46.8)	(46.8)	(43.6)	(43.6)	(43.6)	(51.5)	(57.8)	(57.8)	(60.7)	2.9	(45.7)	(45.7)

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

Fine Foods – 1H23 Results: FCF & Net Debt Evolution and Reclassified Balance Sheet

FCF (Eu mn)	1Q22A	1H22A	9M22A	2022A	1Q23A	1H23A	1H23E	A-E	2023E
Net Profit	(2.5)	(6.0)	(11.9)	(9.5)	2.9	(1.7)	2.6	(4.2)	4.7
D&A	3.6	7.3	11.1	16.4	3.7	12.2	7.6	4.5	19.7
Delta Op. WKC	(15.6)	(15.2)	(15.0)	(14.4)	(7.9)	(15.9)	(16.0)	0.1	(6.2)
Chg. in other funds	3.9	6.7	12.1	11.1	(2.9)	-	-	-	-
FCFO	(10.6)	(7.2)	(3.6)	3.7	(4.1)	(5.4)	(5.8)	0.4	18.1
Capex	(4.0)	(8.8)	(11.1)	(15.3)	(4.8)	(8.8)	(8.6)	(0.2)	(17.6)
Equity FCF	(14.6)	(16.0)	(14.7)	(11.6)	(9.0)	(14.2)	(14.4)	0.2	0.5
Acquisitions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Dividends	-	(3.9)	(3.9)	(3.9)	-	(2.5)	(2.6)	0.1	(2.6)
Share Buy-back	(0.1)	(0.7)	(0.8)	(0.9)	(0.1)	(0.1)	(0.1)	0.0	-
Rights Issue/ ipo	-	-	-	-	-	-	-	-	-
Other	(2.7)	(5.9)	(11.8)	(11.6)	1.2	2.6	-	2.6	-
Change in NFP	(17.3)	(26.5)	(31.2)	(27.9)	(7.9)	(14.2)	(17.1)	2.9	(2.1)
Opening NFP	(15.7)	(15.7)	(15.7)	(15.7)	(43.6)	(43.6)	(43.6)	-	(43.6)
Change in NFP	(17.3)	(26.5)	(31.2)	(27.9)	(7.9)	(14.2)	(17.1)	2.9	(2.1)
Ending NFP/(Debt)	(33.0)	(42.2)	(46.8)	(43.6)	(51.5)	(57.8)	(60.7)	2.9	(45.7)
Balance Sheet (Eu mn)	1Q22A	1H22A	9M22A	2022A	1Q23A	1H23A			2023E
Fixed Assets	128.6	129.4	128.4	127.8	128.7	123.2			125.8
Inventories	37.4	42.6	42.6	40.4	49.3	51.3			50.5
Trade Receivables	42.4	41.8	38.9	39.3	51.6	48.8			52.6
Trade Payables	(32.4)	(33.4)	(30.7)	(33.5)	(42.0)	(38.1)			(50.5)
Operating Working Capital	47.4	50.9	50.8	46.3	58.9	62.0			52.5
Other curr assets	14.8	12.0	10.9	15.5	13.4	15.4			15.5
Other current liabilities	(9.1)	(9.4)	(8.6)	(10.0)	(10.9)	(11.2)			(10.0)
Net Working Capital	53.1	53.5	53.2	51.8	61.5	66.3			58.0
Provisions	(1.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)			(0.2)
Employees benefits	(2.9)	(2.5)	(2.6)	(2.4)	(2.3)	(2.3)			(2.4)
Others	-	(1.1)	(1.1)	-	-	-			(0.0)
Net capital employed	177.7	179.0	177.8	176.9	187.7	186.9			181.1
Total equity	144.7	136.9	131.0	133.3	136.1	129.1			135.4
Net Cash (Debt)	(33.0)	(42.2)	(46.8)	(43.6)	(51.5)	(57.9)			(45.7)
Cash	105.3	92.6	80.5	76.7	69.5	53.1			-
Gross Debt	(138.3)	(134.7)	(127.3)	(120.4)	(121.0)	(111.0)			-
Total Funds	177.7	179.0	177.8	176.9	187.7	186.9			181.1

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

Change in Estimates

We are lifting our FY23-25 top line by c.5%, broadly offset by a c.0.5pp margin reduction vs. prior estimates. We now expect a c.11% margin in FY23 (in line with 1H for FF parent company) implying a more sustainable catch-up in 2H (now c.11.9%, vs. 13.3% previously). P&L estimate revisions broadly neutral on adj. EPS.

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	147.3	163.5	179.8	141.4	156.9	172.6	4.2%	4.2%	4.2%
<i>YoY growth</i>	13%	11%	5%	-15%	25%	11%	10%	20%	11%	10%			
Pharma	40.5	40.0	39.5	54.7	71.1	78.2	85.9	65.7	71.8	78.9	8.3%	8.9%	8.9%
<i>YoY growth</i>	20%	-1%	-1%	39%	30%	10%	10%	20%	9%	10%			
Cosmetics			16.3	34.3	34.0	36.4	40.0	32.3	37.4	41.2	5.3%	-2.9%	-2.9%
<i>YoY growth</i>			<i>n.m.</i>	<i>n.m.</i>	-1%	7%	10%	-6%	16%	10%			
Revenues	159.7	172.0	194.8	206.9	252.4	278.1	305.7	239.3	266.2	292.7	5.5%	4.5%	4.5%
<i>YoY growth</i>	14.6%	7.7%	13.3%	6.2%	22.0%	10.2%	9.9%	15.7%	11.2%	9.9%			
EBITDA	17.5	21.1	19.6	15.4	27.5	33.8	40.5	27.5	33.8	40.6	0.0%	-0.1%	-0.2%
Adj. EBITDA	20.3	22.3	21.2	15.7	27.5	33.8	40.5	27.5	33.8	40.6	0.0%	-0.1%	-0.2%
% on sales	12.7%	13.0%	10.9%	7.6%	10.9%	12.2%	13.3%	11.5%	12.7%	13.9%			
D&A	(9.4)	(11.6)	(13.4)	(15.4)	(15.3)	(16.0)	(17.5)	(15.3)	(16.0)	(17.6)			
Adj. EBIT	10.9	10.7	7.7	0.3	12.2	17.8	23.0	12.2	17.8	23.1	0.3%	-0.2%	-0.3%
% on sales	6.8%	6.2%	4.0%	0.1%	4.9%	6.4%	7.5%	5.1%	6.7%	7.9%			
EBIT	8.1	9.4	5.0	-1.0	7.8	17.8	23.0	12.2	17.8	23.1	-35.8%	-0.2%	-0.3%
net fin. Exp.	(8.0)	7.2	(9.6)	(13.2)	(2.9)	(1.8)	(1.6)	(2.5)	(1.8)	(1.5)			
Pre taxes	0.1	16.7	(4.6)	(14.2)	5.0	16.0	21.4	9.7	16.1	21.5			
taxes	(2.9)	(3.3)	3.2	4.7	(0.3)	(2.8)	(4.3)	(0.7)	(2.8)	(4.3)			
tax rate	<i>n.m.</i>	20%	69%	33%	7%	18%	20%	7%	18%	20%			
Net Profit	(2.8)	13.4	(1.4)	(9.5)	4.7	13.2	17.1	9.1	13.3	17.2	-48.6%	-0.2%	-0.5%
Adj. Net profit	11.9	9.3	10.2	-8.6	9.1	13.2	17.1	9.1	13.3	17.2	0.0%	-0.2%	-0.5%
Adj. EPS (€/share)	0.51	0.40	0.40	(0.34)	0.35	0.52	0.67	0.35	0.52	0.67	0.0%	-0.2%	-0.5%
DPS (€/share)	0.12	0.14	0.16	0.10	0.14	0.21	0.27	0.14	0.21	0.27	0.0%	-0.2%	-0.5%
% payout	24%	35%	40%	<i>n.m.</i>	40%	40%	40%	40%	40%	40%			
Adj. EBITDA	20.3	22.3	21.2	15.7	27.5	33.8	40.5	27.5	33.8	40.6	(0)	(0)	(0)
CapEx	(20.1)	(16.0)	(16.5)	(15.3)	(17.6)	(23.9)	(30.3)	(17.0)	(23.3)	(29.6)	(1)	(1)	(1)
<i>% on sales</i>	12.6%	9.3%	8.5%	7.4%	7.0%	8.6%	9.9%	7.1%	8.8%	10.1%			
EBITDA-Capex	0.2	6.3	4.7	0.4	9.9	9.9	10.3	10.6	10.5	11.0	(1)	(1)	(1)
% of Adj. EBITDA	1%	28%	22%	3%	36%	29%	25%	38%	31%	27%			
NWC change	0.5	9.4	(14.4)	(14.4)	(6.2)	(0.9)	(5.3)	3.7	(5.6)	(5.6)	(10)	5	0
Op. FCF	0.7	15.7	(9.7)	(14.0)	3.7	9.0	4.9	14.2	4.9	5.4	(11)	4	(0)
% of Adj. EBITDA	3%	70%	-46%	<i>n.m.</i>	13%	27%	12%	52%	15%	13%			
Equity FCF	(10.2)	20.2	(30.2)	(11.6)	0.5	4.4	(1.0)	11.1	0.4	(0.5)	(11)	4	(0)
% of Adj. EBITDA	-50%	91%	-143%	<i>n.m.</i>	2%	13%	-2%	40%	1%	-1%			
NFP/ (Debt)	24.4	42.8	(15.7)	(43.6)	(45.7)	(44.9)	(51.1)	(35.1)	(38.3)	(44.2)	(11)	(7)	(7)
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-2.8x	-1.7x	-1.3x	-1.3x	-1.3x	-1.1x	-1.1x			

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

Fine Foods – P&L

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22A	'23E	'24E	'25E
Total Revenues	102	113	120	139	160	172	195	207	252	278	306
Total OpEx	(89)	(98)	(104)	(121)	(142)	(151)	(175)	(191)	(225)	(244)	(265)
EBITDA	13	15	16	19	17	21	20	15	28	34	41
% EBITDA Margin	0	0	0	0	0	0	0	0	0	0	13%
D&A and writedown	(5)	(6)	(7)	(8)	(9)	(12)	(15)	(16)	(20)	(16)	(18)
EBIT	8	9	9	10	8	9	5	(1)	8	18	23
% EBIT Margin	0	0	0	0	0	0	0	(0)	0	0	7.5%
Net Financial Charges	(0)	(0)	(0)	0	(0)	(0)	(1)	(5)	(5)	(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)	5	16	21
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	3	5	(0)	(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)	5	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	'22A	'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	102	110	123
Financial Assets	0	0	0	0	0	0	0	0	0	0	-
Total Fixed Assets	40	43	59	82	93	95	128	128	126	134	146
NWC	10	10	2	19	16	4	39	52	58	59	64
Gross inv. capital	51	53	61	101	108	100	167	180	184	193	211
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	(3)	(3)	(3)	(3)
Net invested capital	49	52	59	93	106	98	163	177	181	190	208
Group Equity	31	33	39	140	131	141	147	133	135	145	157
Minority interests	0	0	0	0	0	0	0	0	0	0	-
Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(44)	(46)	(45)	(51)
Total cover	49	52	59	93	106	98	163	177	181	190	208

Fine Foods – FCF

(Eu mn)	'15A	'16A	'17A	'18A	'19A	'20A	'21A	'22A	'23E	'24E	'25E
Net Profit	5	6	6	9	(3)	13	(1)	(10)	5	13	17
D&A	5	6	7	8	9	12	15	16	20	16	18
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(14)	(14)	(6)	(1)	(5)
Change in funds/other	(1)	1	4	(6)	3	2	(12)	11	0	0	-
FCFO	4	12	21	0	10	36	(14)	4	18	28	29
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(15)	(18)	(24)	(30)
Equity FCF	(3)	2	(1)	(31)	(10)	20	(30)	(12)	1	4	(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)	(2)	1	(6)
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(44)	(46)	(45)
Ending Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(44)	(46)	(45)	(51)

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

DCF Valuation

On the back of our new estimates, we confirm our target price at €12.7, applying the same WACC (8.6%) and g (2.5%). At our target, which offers c.50% upside to the current price, the stock would be trading at 11x EV/EBITDA'24E (currently 7.7x), slightly above its historical average but in line with the average for peers (11x).

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	34E	TV
Net Revenues	252.4	278.1	305.7	331.8	358.9	387.5	417.4	448.9	481.6	515.8	551.2	587.9	602.3
<i>YoY growth</i>	22.0%	10.2%	9.9%	8.5%	8.2%	8.0%	7.7%	7.5%	7.3%	7.1%	6.9%	6.7%	2.5%
EBITDA	27.5	33.8	40.5	44.2	47.9	52.0	56.2	60.6	65.3	70.2	75.3	80.6	84.3
% margin	10.9%	12.2%	13.3%	13.3%	13.4%	13.4%	13.5%	13.5%	13.6%	13.6%	13.7%	13.7%	14.0%
D&A	(19.7)	(16.0)	(17.5)	(18.9)	(20.5)	(22.1)	(23.8)	(25.6)	(27.5)	(29.4)	(31.4)	(33.5)	(36.1)
as % of sales	7.8%	5.8%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.5%
EBIT	7.8	17.8	23.0	25.2	27.5	29.9	32.4	35.1	37.9	40.8	43.9	47.1	48.2
% margin	3.1%	6.4%	7.5%	7.6%	7.7%	7.7%	7.8%	7.8%	7.9%	7.9%	8.0%	8.0%	8.0%
Taxes	(1.9)	(4.3)	(5.5)	(6.1)	(6.6)	(7.2)	(7.8)	(8.4)	(9.1)	(9.8)	(10.5)	(11.3)	(11.6)
<i>tax rate</i>	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Change in WC	(6.2)	(0.9)	(5.3)	(7.5)	(5.5)	(5.7)	(6.0)	(6.3)	(6.6)	(6.9)	(7.2)	(7.4)	-
Capex	(17.6)	(23.9)	(30.3)	(16.6)	(17.9)	(19.4)	(20.9)	(22.4)	(24.1)	(25.8)	(27.6)	(29.4)	(36.1)
as % of sales	7.0%	8.6%	9.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%
Unlevered FCF	1.8	4.7	(0.6)	14.0	18.0	19.7	21.5	23.5	25.5	27.7	30.0	32.5	36.6
TV													597.9
year	0.0	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	11.0
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	0.4
Discounted Free cash flow		4.4	(0.5)	11.0	12.9	13.0	13.1	13.2	13.2	13.2	13.2	13.1	241.9

Discounted FCF '24E-34E	119.9
Terminal value	241.9
Total EV	361.8
NFP/(Debt) at YE22	(45.7)
Minorities	0.0
own shares	8.8
Total EQUITY (Eu mn)	324.9
NOSH (mn)	25.6
Fair value (Eu/share)	12.7
current price (Eu/share)	8.4
<i>upside vs. current price</i>	51%

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	15.0	15.3	15.6	15.8
	7.8%	13.2	13.3	13.5	13.7	13.9	14.1	14.4	14.6	14.8	15.1	15.3
	8.0%	12.8	13.0	13.2	13.4	13.5	13.7	13.9	14.2	14.4	14.6	14.8
	8.2%	12.5	12.7	12.8	13.0	13.2	13.4	13.6	13.8	14.0	14.2	14.4
	8.4%	12.2	12.4	12.5	12.7	12.9	13.0	13.2	13.4	13.6	13.8	14.0
	8.6%	12.0	12.1	12.2	12.4	12.6	12.7	12.9	13.0	13.2	13.4	13.6
	8.8%	11.7	11.8	12.0	12.1	12.3	12.4	12.6	12.7	12.9	13.1	13.2
	9.0%	11.5	11.6	11.7	11.8	12.0	12.1	12.3	12.4	12.6	12.7	12.9
	9.2%	11.2	11.4	11.5	11.6	11.7	11.9	12.0	12.1	12.3	12.4	12.6
	9.4%	11.0	11.1	11.2	11.4	11.5	11.6	11.7	11.9	12.0	12.2	12.3
9.6%	10.8	10.9	11.0	11.1	11.3	11.4	11.5	11.6	11.8	11.9	12.0	

Source: Intermonte SIM

Peer Multiples

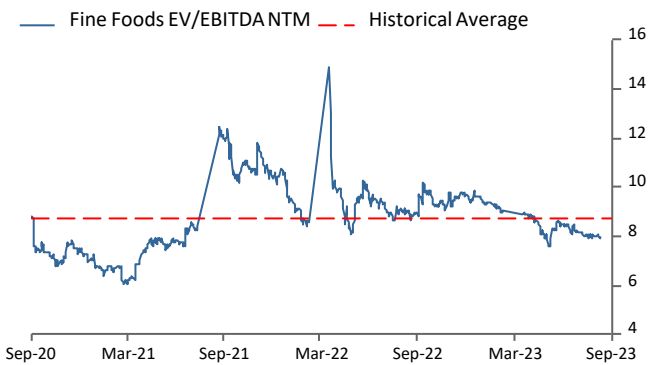
Given the lack of a meaningful comparison provided by the peer group due to significant diversification in terms of size, vertical integration, geographical footprint, capital structure and profitability compared to Fine Foods, we do not include a peer comparison in our valuation. **In any case, at current prices, Fine Foods is trading at 7.7x EV/adj. EBITDA for 24E (a c.30% discount to the peer average) and 16x P/E'24E (peers at 22x).**

Fine Foods - Peer Multiples

Company	Currency	Price	1-day Chg (%)	Mkt. Cap (Eu mn)	Abs. Perf. (%)				EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			Adj. P/E (x)		
					1m	3m	6m	YTD	'23E	'24E	'25E	'23E	'24E	'25E	'23E	'24E	'25E	'23E	'24E	'25E
FF (@mkt price, our est.)	EUR	8.40	0.0%	215	4.3%	0.7%	-0.6%	0.7%	1.0	0.9	0.9	9.5	7.7	6.6	21.3	14.6	11.6	23.7	16.2	12.6
FF (@mkt price, cons.)	EUR	8.40	0.0%	215	4.3%	0.7%	-0.6%	0.7%	1.1	0.9	0.9	9.3	7.3	6.3	24.3	15.2	n.a.	26.0	17.2	12.6
FF (@ our TP, our est.)	EUR	12.7	OUTPERF.	325					1.5	1.3	1.2	13.5	10.9	9.3	30.3	20.8	16.3	35.9	24.5	19.0
InterCos	EUR	12.92	0.3%	1,244	-11.3%	-16.3%	-2.8%	1.7%	1.4	1.3	1.2	9.5	8.3	7.4	14.4	12.5	11.0	20.0	17.4	15.4
Catalent	USD	48.82	1.1%	8,196	6%	11%	-26%	8%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	45.0	60.6	25.4
Lonza Group AG	CHF	485.70	0.2%	37,728	-1.9%	-14.1%	-7.7%	7.2%	5.9	5.4	4.8	20.6	17.6	15.1	31.3	25.9	21.6	40.0	32.4	26.7
Piramal Enterprises Ltd.	INR	1056.30	0.9%	2,873	5%	33%	52%	30%	4.4	4.0	3.4	n.a.	n.a.	n.a.	8.5	7.6	6.1	0.2	0.2	0.1
Strides Pharma Science Ltd	INR	465.15	2.0%	472	8.5%	14.4%	67.1%	33.5%	1.0	0.9	n.a.	5.6	4.8	n.a.	8.8	8.0	n.a.	0.2	0.1	n.a.
Siegfried Holding AG	CHF	788.00	-0.9%	3,673	3.7%	5.7%	20.7%	28.4%	3.1	2.8	2.6	14.9	13.1	11.5	21.3	18.6	16.1	26.5	23.8	21.3
Peer Group									3.2	2.9	3.0	12.6	11.0	11.3	16.9	14.5	13.7	22.0	22.4	17.8
<i>FF discount to peers</i>									-67%	-68%	-71%	-25%	-30%	-42%	26%	0%	-16%	8%	-28%	-29%
FTSE Italia Mid Cap		41,087			-1.9%	-6.5%	-2.8%	4.3%												
FTSE Italia Star		43,487			-3.1%	-11.5%	-9.7%	-6.0%												
FTSE MIB		28,482			0.7%	3.3%	8.8%	20.1%												
FTSE Italia Growth Index		8,671			-2.6%	-5.1%	-6.5%	-6.3%												
FTSE Italia All-Share		30,435			0.5%	2.4%	7.5%	18.3%												

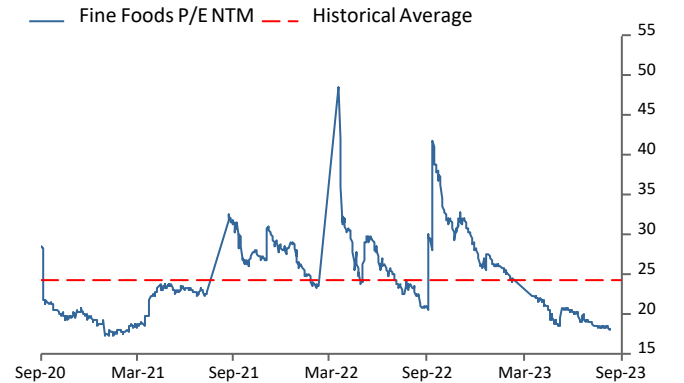
Source: Intermonte SIM (Fine Foods), Consensus (Factset)

Fine Foods - EV/EBITDA NTM evolution



Source: FactSet Consensus

Fine Foods - P/E NTM evolution



Source: FactSet Consensus

Fine Foods in Brief

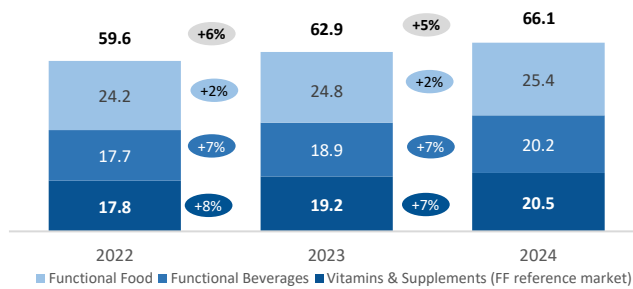
Company description

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

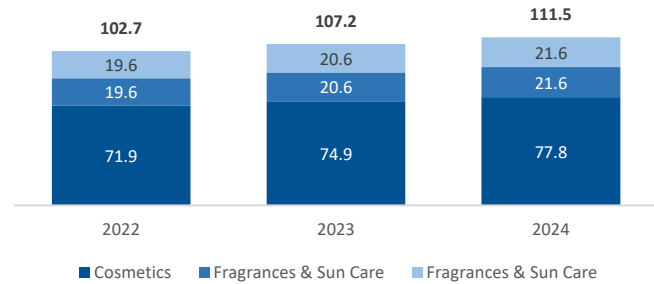
- Exposure to secular trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across pharma,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



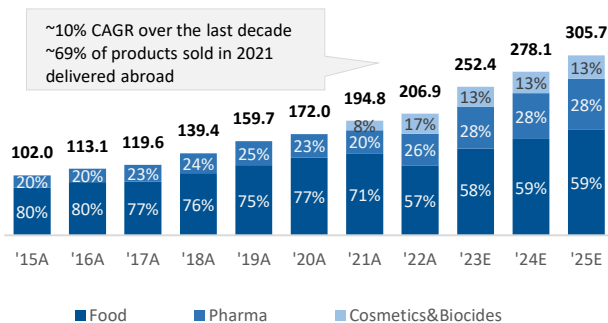
Source: Euromonitor International

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



Source: Euromonitor International

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



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 2024
BoD independent members: 3/7
BoD women: 3/7

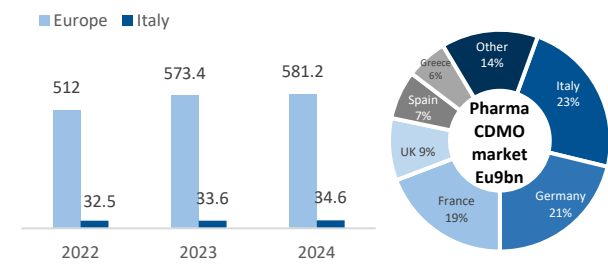
Shareholders

Marco Eigenmann 52.70%
 Treasury Shares 4.08%
 Market 43.22%
Free float (ord. shares) 53.5%

Weaknesses/Threats

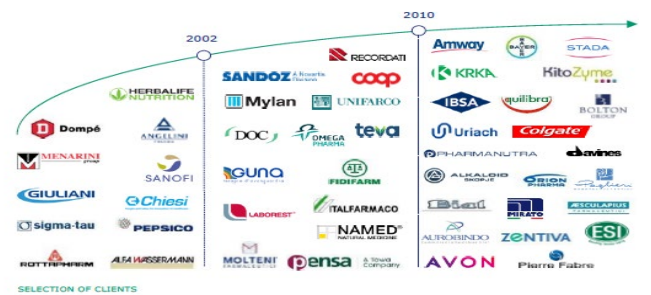
- Short-term visibility on production volumes (orders submitted by clients on quarterly basis)
- Unpredictable evolution of energy costs and raw mats
- Limited customer power due to high concentration (top 5 clients c. 77% of FF sales in 2020)
- No patent protection
- Changes to the regulatory framework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

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



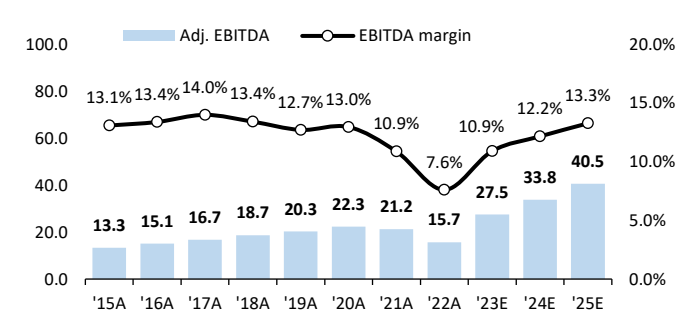
Source: Euromonitor International, Prometeia

Fine Foods – High Customer Loyalty



Source: FY21 Company Presentation

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



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

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	FINE FOODS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.70	Previous Target (Eu):	12.70
Current Price (Eu):	8.40	Previous Price (Eu):	7.45
Date of report:	14/09/2023	Date of last report:	16/05/2023