

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu7.90 - Target: Eu11.50

Solid Top Line, Margins Still Dented by Cosmetics Turnaround

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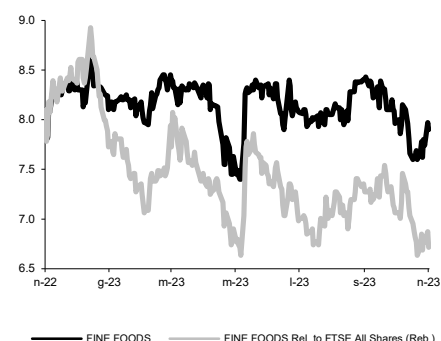
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 12.70 to 11.50		
	2023E	2024E	2025E
Chg in Adj EPS	-53.4%	-14.3%	-7.4%

Next Event

FY23 Results out March 2024

FINE FOODS - 12M Performance



Stock Data			
Reuters code:	FF.MI		
Bloomberg code:	FF IM		
Performance	1M	3M	12M
Absolute	-0.8%	-1.9%	-2.5%
Relative	-5.0%	-4.7%	-20.0%
12M (H/L)	8.67/7.40		
3M Average Volume (th):	6.00		

Shareholder Data	
No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	202
Total Mkt Cap (Eu mn):	202
Mkt Float - Ord (Eu mn):	96
Mkt Float (in %):	47.3%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.7%

Balance Sheet Data	
Book Value (Eu mn):	131
BVPS (Eu):	5.11
P/BV:	1.5
Net Financial Position (Eu mn):	-58
Enterprise Value (Eu mn):	260

■ **9M results and reassuring outlook for early 2024.** 9M results were broadly in line with our expectations, with double-digit growth at Pharma (+26.9%) and Food (+29.2%), but weaker Cosmetics. The 2pp YoY margin increase in 9M to 9.9% (in line with our exp.) was the result of strong margins in Food and Pharma (11.4% for both) partially offset by the impact of restructuring at Cosmetics (disposal of E-CIG business and part of medical surgical aids). The Group's order backlog suggests an optimistic outlook to year-end, which can be extended into the first months of 2024. Moreover, Pharma is expected to grow significantly due to the key multi-year agreements signed with large international clients that will require an expansion of the production plant.

■ **Highlights and lowlights:** (+) Top line still growing at a double-digit rate (1Q: +29%, 2Q: +24%, 3Q: 22%) driven by Food (1Q: +38%, 2Q: +27%, 3Q: +22%) and Pharma (1Q: +42%, 2Q: +29%, 3Q: +12%), almost completely overcoming the difficulties arising from the external environment and despite the tough comparison with a year ago (when Pharma trends were particularly strong); (-) Cosmetics: lower sales (9M: -12%, 3Q: -27%) due to the disposal of non-core business lines. Group EBIT affected by the €4.4mn goodwill impairment on Pharmatek booked in 1H. (+) Adj. EBITDA margin showing a QoQ recovery (1Q: 12.1%, 2Q: 7.5%, 3Q: 9.8%). The margin improvement derived from better fixed cost absorption. (-) Energy costs still above historical levels, impact of c.Eu1.5mn in 9M or 1.7% of sales. Excluding the energy cost increase, the underlying EBITDA margin would have stood at 10.7%. (-) Negative bottom-line: the impairment at Pharmatek, as well as increased financial charges and taxes, led to a net loss of €1.8mn in 9M23. On an adjusted basis, the bottom line was positive at €2.6mn. (+/-) Net debt broadly in line at €53.6mn (our exp. €54.7mn) showing lower NWC absorption (9M €-12mn, 1H €-16mn).

■ **Updated estimates.** We are leaving our top line projections unchanged, while trimming FY23-25 margins by 0.6-0.9pp to capture less inspiring progression for the coming quarters. On FY23, we expect a 10% margin, in line with 9M, rising to 11.5% in FY24 and 12.8% in FY25. This leads to cuts of 53%/14%/7% in adj. EPS for 2023/24/25.

■ **OUTPERFORM confirmed; target cut to €11.5 (from €12.7).** On our new estimates and a higher WACC (risk-free rate increased by 0.5pp), we are lowering our DCF-based TP to €11.5 from €12.7. As a result of the reorganisation of the Cosmetics business, 3Q was another volatile quarter that should not be taken as a proxy for future trends, while we welcome management indications on current trading, enhancing visibility on 4Q23 and early 2024. 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. 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	25	32	39
Net Profit Adj (Eu mn)	10	-9	4	11	16
EPS New Adj (Eu)	0.398	-0.338	0.165	0.444	0.619
EPS Old Adj (Eu)	0.398	-0.338	0.354	0.518	0.669
DPS (Eu)	0.160	0.100	0.066	0.178	0.248
EV/EBITDA Adj	17.8	18.3	10.3	7.9	6.6
EV/EBIT Adj	nm	nm	26.1	15.7	12.0
P/E Adj	19.8	nm	47.9	17.8	12.8
Div. Yield	2.0%	1.3%	0.8%	2.2%	3.1%
Net Debt/EBITDA Adj	0.7	2.8	2.3	1.6	1.4

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	25	32	39
EBIT	9	5	-1	6	16	22
Financial Income (charges)	-0	-1	-5	-5	-2	-2
Associates & Others	8	-9	-8	2	0	0
Pre-tax Profit	17	-5	-14	3	14	20
Taxes	-3	3	5	-3	-2	-4
Tax rate	19.9%		33.1%	0.0%	17.5%	20.2%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	13	-1	-10	-0	11	16
EBITDA Adj	22	21	16	25	32	39
EBIT Adj	11	8	0	10	16	22
Net Profit Adj	9	10	-9	4	11	16
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	-0.007	0.444	0.619
EPS Adj f.d	0.398	0.398	-0.338	0.165	0.444	0.619
BVPS f.d	5.982	5.760	5.215	5.108	5.486	5.928
Dividend per Share ORD	0.141	0.160	0.100	0.066	0.178	0.248
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	19	27	33
Change in NWC	9	-14	-14	-13	7	-5
Capital Expenditure	-16	-17	-15	-20	-24	-30
Other Cash Items	1	17	-12	2	0	0
Free Cash Flow (FCF)	20	-30	-12	-14	10	-2
Acquisitions, Divestments & Other Items	0	-42	0	0	0	0
Dividends	-3	-3	-4	-3	-2	-5
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	18	-58	-28	-15	8	-7
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	95	128	128	128	136	149
Net Working Capital	4	39	52	65	58	64
Long term Liabilities	-1	-4	-3	-5	-5	-5
Net Capital Employed	98	163	177	189	190	208
Net Cash (Debt)	43	-16	-44	-58	-50	-57
Group Equity	141	147	133	131	140	152
Minorities	0	0	0	0	0	0
Net Equity	141	147	133	131	140	152
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	256	361	243	202	202	202
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	43	-16	-44	-58	-50	-57
Enterprise Value	213	377	287	260	252	259
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	13.0%	10.9%	7.6%	10.0%	11.5%	12.8%
EBIT Adj Margin	6.2%	4.0%	0.1%	4.0%	5.8%	7.1%
Gearing - Debt/Equity	-30.3%	10.6%	32.7%	44.6%	35.5%	37.4%
Interest Cover on EBIT	23.0	6.6	nm	1.2	7.2	12.4
Net Debt/EBITDA Adj	-1.9	0.7	2.8	2.3	1.6	1.4
ROACE*	9.2%	3.9%	-0.6%	3.0%	8.4%	10.8%
ROE*	6.9%	7.1%	-6.2%	3.2%	8.4%	10.9%
EV/CE	2.1	2.9	1.7	1.4	1.3	1.3
EV/Sales	1.2	1.9	1.4	1.0	0.9	0.8
EV/EBITDA Adj	9.6	17.8	18.3	10.3	7.9	6.6
EV/EBIT Adj	20.0	nm	nm	26.1	15.7	12.0
Free Cash Flow Yield	10.0%	-15.0%	-5.8%	-7.0%	5.0%	-1.2%
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%	60.7%	26.7%	22.4%
EBIT Adj	-2.5%	-27.4%	-96.1%	3223.0%	60.4%	35.0%
Net Profit Adj	nm	nm	nm	nm	nm	39.5%
EPS Adj	-21.2%	0.0%	nm	nm	169.0%	39.5%
DPS	16.8%	13.7%	-37.5%	-34.0%	169.0%	39.5%

*Excluding extraordinary items

Source: Intermonte SIM estimates

3Q/9M23 Results

- **9M results and reassuring outlook for early 2024.** 9M results were broadly in line with our expectations, with double-digit growth at Pharma (+26.9%) and Food (+29.2%), but weaker Cosmetics. The 2pp YoY margin increase in 9M to 9.9% (in line with our exp.) was the result of strong margins in Food and Pharma (11.4% for both) partially offset by the impact of restructuring at Cosmetics (disposal of E-CIG business and part of medical surgical aids). The Group's order backlog suggests an optimistic outlook to year-end, which can be extended into the first months of 2024. Moreover, Pharma is expected to grow significantly due to the key multi-year agreements signed with large international clients that will require an expansion of the production plant.
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Fine Foods – 3Q/9M23 Results: P&L

P&L (Eu mn)	1Q22A	2Q22A	1H22A	3Q22A	9M22A	4Q22A	2022A	1Q23A	2Q23A	1H23A	3Q23A	9M23A	9M23E	A/E	4Q23E	2023E
Food	29.5	27.3	56.8	29.6	86.4	31.5	117.8	40.7	34.7	75.4	36.1	111.5	110.5	1%	35.7	147.3
YoY growth	-22.9%	-22.1%	-22.5%	-10.7%	-18.8%	-3.8%	-15.3%	37.8%	27.3%	32.8%	22.3%	29.2%	28.0%		13.6%	25.0%
on net sales	58.2%	54.7%	56.5%	56.6%	56.5%	55.8%	57.0%	62.1%	56.1%	59.2%	62.0%	60.1%	60.4%		53.6%	58.4%
Pharma	11.9	13.9	25.8	14.2	40.0	14.7	54.7	16.8	18.0	34.8	15.9	50.8	50.0	2%	20.4	71.1
YoY growth	18.6%	49.2%	33.4%	30.8%	42.0%	30.2%	38.6%	41.8%	29.3%	35.0%	12.1%	26.9%	25.0%		38.4%	30.0%
on net sales	23.4%	28.0%	25.7%	27.2%	26.2%	26.1%	26.5%	25.6%	29.1%	27.3%	27.4%	27.3%	27.3%		30.5%	28.2%
Cosmetics & Biocides	9.4	8.6	18.0	8.5	26.5	10.2	34.3	8.1	9.2	17.2	6.2	23.4	22.5	4%	10.6	34.0
YoY growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-13.9%	6.2%	-4.3%	-27.2%	-11.6%	-15.0%		3.5%	-1.0%
on net sales	18.4%	17.3%	17.9%	16.2%	17.3%	18.2%	16.6%	12.3%	14.8%	13.5%	10.6%	12.6%	12.3%		15.9%	13.5%
Net revenues	50.8	49.8	100.6	52.2	152.8	56.4	206.9	65.6	61.9	127.5	58.2	185.7	183.0	1%	66.7	252.4
YoY growth	-1.1%	3.1%	0.9%	15.6%	5.5%	9.6%	6.2%	29.2%	24.2%	26.7%	11.5%	21.5%	19.8%		18.2%	22.0%
Other income	0.2	0.1	0.2	0.1	0.3	1.1	1.5	0.2	0.9	1.1	0.3	1.4	1.5		1.1	2.5
Value of production	50.9	49.9	100.8	52.3	153.1	57.6	208.3	65.8	62.8	128.6	58.5	187.1	184.5	1%	67.8	254.9
Raw materials	(30.9)	(29.6)	(60.6)	(32.2)	(92.7)	(35.3)	(128.0)	(39.4)	(39.8)	(79.2)	(36.4)	(115.6)	(111.0)		(41.6)	(157.2)
on net sales	-60.9%	-60.5%	-60.2%	-60.5%	-60.7%	-62.6%	-61.9%	-60.1%	-64.2%	-62.1%	-62.6%	-62.3%	-60.7%		-62.4%	-62.3%
Personnel	(9.4)	(10.2)	(19.6)	(8.6)	(28.2)	(10.1)	(38.3)	(11.2)	(11.4)	(22.6)	(9.8)	(32.4)	(28.2)		(11.6)	(44.0)
on net sales	-18.5%	-20.5%	-19.5%	-16.5%	-18.5%	-17.8%	-18.5%	-17.0%	-18.4%	-17.7%	-16.8%	-17.4%	-15.4%		-17.4%	-17.4%
Cost of services	(6.3)	(5.8)	(12.1)	(7.1)	(19.1)	(6.1)	(25.2)	(6.8)	(6.4)	(13.2)	(6.3)	(19.5)	(22.9)		(8.3)	(27.8)
on net sales	-12.3%	-12.5%	-12.0%	-12.5%	-12.5%	-10.8%	-12.2%	-10.3%	-10.4%	-10.4%	-10.8%	-10.5%	-12.5%		-12.4%	-11.0%
Other costs	(0.4)	(0.3)	(0.7)	(0.2)	(0.9)	(0.4)	(1.4)	(0.5)	(0.5)	(1.0)	(0.3)	(1.3)	(4.2)		0.6	(0.7)
on net sales	-0.8%	-0.7%	-0.7%	-0.4%	-0.6%	-0.8%	-0.7%	-0.7%	-0.8%	-0.8%	-0.5%	-0.7%	-2.3%		0.9%	-0.3%
Total Opex	(46.9)	(46.0)	(93.0)	(48.0)	(141.0)	(51.9)	(192.9)	(57.8)	(58.1)	(116.0)	(52.8)	(168.7)	(166.4)	1%	(60.9)	(229.7)
EBITDA	4.0	3.9	7.8	4.3	12.1	3.3	15.4	7.9	4.7	12.6	5.7	18.3	18.1		6.9	25.2
YoY growth	-41.4%	-36.5%	-39.1%	-16.4%	-32.6%	108.2%	-21.2%	100.6%	20.5%	61.0%	33.4%	51.2%	49.5%		110.0%	63.8%
as % of net sales	7.8%	7.8%	7.8%	8.2%	7.9%	5.8%	7.4%	12.1%	7.5%	9.9%	9.8%	9.9%	9.9%		10.4%	10.0%
Adj. EBITDA	4.0	4.4	8.4	4.2	12.6	3.2	15.7	7.9	4.7	12.6	5.7	18.3	18.1	1%	6.9	25.2
YoY growth	-41.4%	-30.6%	-36.2%	-26.8%	-33.3%	35.5%	-25.8%	100.6%	5.6%	50.5%	36.9%	46.0%	44.3%		119.1%	60.7%
as % of net sales	7.8%	8.9%	8.3%	8.0%	8.2%	5.6%	7.6%	12.1%	7.5%	9.9%	9.8%	9.9%	9.9%		10.4%	10.0%
D&A & writedown	(3.6)	(3.7)	(7.3)	(3.8)	(11.1)	(5.3)	(16.4)	(3.7)	(8.4)	(12.2)	(4.0)	(16.2)	(16.1)		(3.5)	(19.7)
EBIT	0.4	0.1	0.5	0.4	1.0	(2.0)	(1.0)	4.2	(3.8)	0.4	1.7	2.2	2.0	8%	3.4	5.6
Adj. EBIT	0.4	0.7	1.1	0.3	1.4	(1.1)	0.3	4.2	0.6	4.8	1.7	6.6	6.4	3%	3.4	10.0
as % of net sales	0.8%	1.4%	1.1%	0.6%	0.9%	-2.0%	0.1%	6.4%	1.0%	3.8%	3.0%	3.5%	3.5%		5.1%	4.0%
net fin. exp.	(2.7)	(3.8)	(6.4)	(6.1)	(12.6)	(0.6)	(13.2)	0.1	(0.6)	(0.6)	(1.1)	(1.7)	(6.1)		(1.2)	(2.9)
Pretax	(2.3)	(3.6)	(5.9)	(5.7)	(11.6)	(2.6)	(14.2)	4.3	(4.4)	(0.1)	0.6	0.5	0.3	74%	2.2	2.7
Taxes	(0.2)	0.1	(0.1)	(0.2)	(0.3)	5.0	4.7	(1.4)	(0.2)	(1.6)	(0.7)	(2.3)	(1.9)		(0.6)	(2.9)
tax rate	n.m.	n.m.	2%	3%	3%	-191%	-33%	-32%	4%	-30%	-116%	27%	-7%		-28%	0%
Net income	(2.5)	(3.6)	(6.0)	(5.9)	(11.9)	2.4	(9.5)	2.9	(4.6)	(1.7)	(0.1)	(1.8)	(1.6)	11%	1.6	(0.2)
Adj. Net Income	(2.5)	(3.1)	(5.6)	(6.0)	(11.6)	3.0	(8.6)	2.9	(0.2)	2.7	(0.1)	2.6	2.5	5%	1.6	4.2
Ending NFP/(Debt)	(33.0)	(42.2)	(42.2)	(46.8)	(46.8)	(43.6)	(43.6)	(51.5)	(57.8)	(57.8)	(53.6)	(53.6)	(54.7)	-2%	(58.2)	(58.2)

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

Fine Foods – 9M23 Results: FCF & Net Debt Evolution and Reclassified Balance Sheet

FCF (Eu mn)	1Q22A	1H22A	9M22A	2022A	1Q23A	1H23A	9M23A	9M23E	A-E	2023E
Net Profit	(2.5)	(6.0)	(11.9)	(9.5)	2.9	(1.7)	(1.8)	(1.6)	(0.2)	(0.2)
D&A	3.6	7.3	11.1	16.4	3.7	12.2	16.2	16.1	0.0	19.7
Delta Op. WKC	(15.6)	(15.2)	(15.0)	(14.4)	(7.9)	(15.9)	(12.2)	(11.0)	(1.2)	(13.4)
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)	2.2	3.5	(1.3)	6.1
Capex	(4.0)	(8.8)	(11.1)	(15.3)	(4.8)	(8.8)	(11.8)	(12.1)	0.3	(20.1)
Equity FCF	(14.6)	(16.0)	(14.7)	(11.6)	(9.0)	(14.2)	(9.6)	(8.5)	(1.1)	(14.1)
Acquisitions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Dividends	-	(3.9)	(3.9)	(3.9)	-	(2.5)	(2.5)	(2.5)	-	(2.6)
Share Buy-back	(0.1)	(0.7)	(0.8)	(0.9)	(0.1)	(0.1)	-	-	-	-
Rights Issue/ ipo	-	-	-	-	-	-	-	-	-	-
Other	(2.7)	(5.9)	(11.8)	(11.6)	1.2	2.6	2.1	-	2.1	2.0
Change in NFP	(17.3)	(26.5)	(31.2)	(27.9)	(7.9)	(14.2)	(10.0)	(11.0)	1.1	(14.6)
Opening NFP	(15.7)	(15.7)	(15.7)	(15.7)	(43.6)	(43.6)	(43.6)	(43.6)	-	(43.6)
Change in NFP	(17.3)	(26.5)	(31.2)	(27.9)	(7.9)	(14.2)	(10.0)	(11.0)	1.1	(14.6)
Ending NFP/(Debt)	(33.0)	(42.2)	(46.8)	(43.6)	(51.5)	(57.8)	(53.6)	(54.7)	1.1	(58.2)

Balance Sheet (Eu mn)	1Q22A	1H22A	9M22A	2022A	1Q23A	1H23A	9M23A	2023E
Fixed Assets	128.6	129.4	128.4	127.8	128.7	123.2	123.0	128.3
Inventories	37.4	42.6	42.6	40.4	49.3	51.3	47.3	50.5
Trade Receivables	42.4	41.8	38.9	39.3	51.6	48.8	41.9	53.3
Trade Payables	(32.4)	(33.4)	(30.7)	(33.5)	(42.0)	(38.1)	(30.7)	(44.0)
Operating Working Capital	47.4	50.9	50.8	46.3	58.9	62.0	58.5	59.7
Other curr assets	14.8	12.0	10.9	15.5	13.4	15.4	15.4	15.5
Other current liabilities	(9.1)	(9.4)	(8.6)	(10.0)	(10.9)	(11.2)	(11.9)	(10.0)
Net Working Capital	53.1	53.5	53.2	51.8	61.5	66.3	62.0	65.2
Provisions	(1.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)
Employees benefits	(2.9)	(2.5)	(2.6)	(2.4)	(2.3)	(2.3)	(2.2)	(2.4)
Others	-	(1.1)	(1.1)	-	-	-	-	(2.0)
Net capital employed	177.7	179.0	177.8	176.9	187.7	186.9	182.5	188.8
Total equity	144.7	136.9	131.0	133.3	136.1	129.1	128.8	130.6
Net Cash (Debt)	(33.0)	(42.2)	(46.8)	(43.6)	(51.5)	(57.9)	(53.6)	(58.2)
Cash	105.3	92.6	80.5	76.7	69.5	53.1	45.1	-
Gross Debt	(138.3)	(134.7)	(127.3)	(120.4)	(121.0)	(111.0)	(98.7)	-
Total Funds	177.7	179.0	177.8	176.9	187.7	186.9	182.4	188.8

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

Change in Estimates

We are leaving our top line projections unchanged, while trimming FY23-25 margins by 0.6-0.9pp to capture less inspiring progress in the coming quarters. On FY23, we expect a 10% margin, in line with 9M, rising to 11.5% in FY24 and 12.8% in FY25. This leads to cuts of 53%/14%/7% in adj. EPS for 2023/24/25.

Fine Foods – Change in 2023-25 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	147.3	163.5	179.8	0%	0%	0%
<i>YoY growth</i>	13%	11%	5%	-15%	25%	11%	10%	25%	11%	10%			
Pharma	40.5	40.0	39.5	54.7	71.1	78.2	85.9	71.1	78.2	85.9	0%	0%	0%
<i>YoY growth</i>	20%	-1%	-1%	39%	30%	10%	10%	30%	10%	10%			
Cosmetics			16.3	34.3	34.0	36.4	40.0	34.0	36.4	40.0	0%	0%	0%
<i>YoY growth</i>				n.m.	-1%	7%	10%	-1%	7%	10%			
Revenues	159.7	172.0	194.8	206.9	252.4	278.1	305.7	252.4	278.1	305.7	0%	0%	0%
<i>YoY growth</i>	14.6%	7.7%	13.3%	6.2%	22.0%	10.2%	9.9%	22.0%	10.2%	9.9%			
EBITDA	17.5	21.1	19.6	15.4	25.2	32.0	39.1	27.5	33.8	40.5	-8%	-5%	-3%
Adj. EBITDA	20.3	22.3	21.2	15.7	25.2	32.0	39.1	27.5	33.8	40.5	-8%	-5%	-3%
% on sales	12.7%	13.0%	10.9%	7.6%	10.0%	11.5%	12.8%	10.9%	12.2%	13.3%			
D&A	(9.4)	(11.6)	(13.4)	(15.4)	(15.3)	(16.0)	(17.5)	(15.3)	(16.0)	(17.5)			
Adj. EBIT	10.9	10.7	7.7	0.3	10.0	16.0	21.6	12.2	17.8	23.0	-19%	-10%	-6%
% on sales	6.8%	6.2%	4.0%	0.1%	4.0%	5.8%	7.1%	4.9%	6.4%	7.5%			
EBIT	8.1	9.4	5.0	-1.0	5.6	16.0	21.6	7.8	17.8	23.0	-29%	-10%	-6%
net fin. Exp.	(8.0)	7.2	(9.6)	(13.2)	(2.9)	(2.2)	(1.7)	(2.9)	(1.8)	(1.6)			
Pre taxes	0.1	16.7	(4.6)	(14.2)	2.7	13.8	19.8	5.0	16.0	21.4			
taxes	(2.9)	(3.3)	3.2	4.7	(2.9)	(2.4)	(4.0)	(0.3)	(2.8)	(4.3)			
tax rate	n.m.	20%	69%	33%	107%	18%	20%	7%	18%	20%			
Net Profit	(2.8)	13.4	(1.4)	(9.5)	(0.2)	11.3	15.8	4.7	13.2	17.1	n.a.	-14%	-7%
Adj. Net profit	11.9	9.3	10.2	-8.6	4.2	11.3	15.8	9.1	13.2	17.1	-53%	-14%	-7%
Adj. EPS (€/share)	0.51	0.40	0.40	(0.34)	0.17	0.44	0.62	0.35	0.52	0.67	-53%	-14%	-7%
DPS (€/share)	0.12	0.14	0.16	0.10	0.07	0.18	0.25	0.14	0.21	0.27	-53%	-14%	-7%
% payout	24%	35%	40%	n.m.	40%	40%	40%	40%	40%	40%			
Adj. EBITDA	20.3	22.3	21.2	15.7	25.2	32.0	39.1	27.5	33.8	40.5	(2)	(2)	(1)
CapEx	(20.1)	(16.0)	(16.5)	(15.3)	(20.1)	(23.9)	(30.3)	(17.6)	(23.9)	(30.3)	(3)	0	0
% on sales	12.6%	9.3%	8.5%	7.4%	8.0%	8.6%	9.9%	7.0%	8.6%	9.9%			
EBITDA-Capex	0.2	6.3	4.7	0.4	5.1	8.1	8.8	9.9	9.9	10.3	(5)	(2)	(1)
% of Adj. EBITDA	1%	28%	22%	3%	20%	25%	23%	36%	29%	25%			
NWC change	0.5	9.4	(14.4)	(14.4)	(13.4)	6.7	(5.4)	(6.2)	(0.9)	(5.3)	(7)	8	(0)
Op. FCF	0.7	15.7	(9.7)	(14.0)	(8.3)	14.8	3.4	3.7	9.0	4.9	(12)	6	(1)
% of Adj. EBITDA	3%	70%	-46%	n.m.	-33%	46%	9%	13%	27%	12%			
Equity FCF	(10.2)	20.2	(30.2)	(11.6)	(14.1)	10.2	(2.3)	0.5	4.4	(1.0)	(15)	6	(1)
% of Adj. EBITDA	-50%	91%	-143%	n.m.	-56%	32%	-6%	2%	13%	-2%			
NFP/ (Debt)	24.4	42.8	(15.7)	(43.6)	(58.2)	(49.8)	(56.6)	(45.7)	(44.9)	(51.1)	(13)	(5)	(5)
/Adj. EBITDA(x)	1.2x	1.9x	-0.7x	-2.8x	-2.3x	-1.6x	-1.4x	-1.7x	-1.3x	-1.3x			

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)	(227)	(246)	(267)
EBITDA	13	15	16	19	17	21	20	15	25	32	39
% 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)	6	16	22
% EBIT Margin	0	0	0	0	0	0	0	(0)	0	0	7.1%
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)	3	14	20
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	3	5	(3)	(2)	(4)
Tax Rate %	-32%	-31%	-27%	-17%	n.m.	-20%	n.m.	-33%	0%	-18%	-20%
Net Income	5	6	6	9	(3)	13	(1)	(10)	(0)	11	16
Adj. Net Income	5	6	7	9	12	9	10	(9)	4	11	16

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	105	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	128	136	149
NWC	10	10	2	19	16	4	39	52	65	58	64
Gross inv. capital	51	53	61	101	108	100	167	180	193	195	213
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	(3)	(5)	(5)	(5)
Net invested capital	49	52	59	93	106	98	163	177	189	190	208
Group Equity	31	33	39	140	131	141	147	133	131	140	152
Minority interests	0	0	0	0	0	0	0	0	0	0	-
Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(44)	(58)	(50)	(57)
Total cover	49	52	59	93	106	98	163	177	189	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)	(0)	11	16
D&A	5	6	7	8	9	12	15	16	20	16	18
Delta Op. WKC	(5)	(1)	5	(11)	1	9	(14)	(14)	(13)	7	(5)
Change in funds/other	(1)	1	4	(6)	3	2	(12)	11	0	0	-
FCFO	4	12	21	0	10	36	(14)	4	6	34	28
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(15)	(20)	(24)	(30)
Equity FCF	(3)	2	(1)	(31)	(10)	20	(30)	(12)	(14)	10	(2)
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)	(2)	(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)	2	0	-
Change in NFP	(4)	(1)	(1)	67	(22)	18	(58)	(28)	(15)	8	(7)
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(44)	(58)	(50)
Ending Net Cash (Debt)	(18)	(19)	(20)	47	24	43	(16)	(44)	(58)	(50)	(57)

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

DCF Valuation

Based on our new estimates and a higher WACC (risk-free rate increased by 0.5pp), we are lowering our DCF-based TP from €12.7 to €11.5. At our target, which offers c.45% upside to the current price, the stock would be trading at 11x EV/EBITDA'24E (currently 8x), slightly above its historical average but in line with the average for peers (11x).

Fine Foods – DCF Model (WACC increased from 8.6% to 9.0%, 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	334.0	365.1	398.5	434.3	467.3	501.5	537.2	574.2	612.6	627.6
<i>YoY growth</i>	22.0%	10.2%	9.9%	9.2%	9.3%	9.2%	9.0%	7.6%	7.3%	7.1%	6.9%	6.7%	2.5%
EBITDA	25.2	32.0	39.1	42.9	47.1	51.6	56.5	61.0	65.7	70.6	75.8	81.2	87.9
% margin	10.0%	11.5%	12.8%	12.9%	12.9%	13.0%	13.0%	13.1%	13.1%	13.2%	13.2%	13.3%	14.0%
D&A	(19.7)	(16.0)	(17.5)	(19.0)	(20.8)	(22.7)	(24.8)	(26.6)	(28.6)	(30.6)	(32.7)	(34.9)	(37.7)
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	5.6	16.0	21.6	23.9	26.3	28.9	31.7	34.3	37.1	40.0	43.1	46.3	50.2
% margin	2.2%	5.8%	7.1%	7.2%	7.2%	7.3%	7.3%	7.4%	7.4%	7.5%	7.5%	7.6%	8.0%
Taxes	(1.3)	(3.8)	(5.2)	(5.7)	(6.3)	(6.9)	(7.6)	(8.2)	(8.9)	(9.6)	(10.3)	(11.1)	(12.1)
<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	(13.4)	6.7	(5.4)	(7.9)	(6.2)	(6.7)	(7.2)	(6.6)	(6.9)	(7.2)	(7.4)	(7.7)	-
Capex	(20.1)	(23.9)	(30.3)	(16.7)	(18.3)	(19.9)	(21.7)	(23.4)	(25.1)	(26.9)	(28.7)	(30.6)	(37.7)
as % of sales	8.0%	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	(9.7)	11.0	(1.8)	12.6	16.3	18.1	20.0	22.8	24.9	27.0	29.3	31.7	38.2
TV													584.9
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	0.5	0.5	0.5	0.4	0.4	0.4
Discounted Free cash flow		10.1	(1.5)	9.7	11.6	11.7	11.9	12.5	12.5	12.5	12.4	12.3	227.3

Discounted FCF '24E-34E	115.7
Terminal value	227.3
Total EV	343.0
NFP/(Debt) at YE23	(58.2)
Minorities	0.0
own shares	8.3
Total EQUITY (Eu mn)	293.0
NOSH (mn)	25.6
Fair value (Eu/share)	11.5
current price (Eu/share)	7.9
upside vs current price	45%

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	8.0%	12.2	12.3	12.5	12.7	12.9	13.1	13.3	13.5	13.7	13.9	14.2
	8.2%	11.8	12.0	12.2	12.3	12.5	12.7	12.9	13.1	13.3	13.5	13.7
	8.4%	11.6	11.7	11.9	12.0	12.2	12.4	12.5	12.7	12.9	13.1	13.3
	8.6%	11.3	11.4	11.6	11.7	11.9	12.0	12.2	12.4	12.6	12.7	12.9
	8.8%	11.0	11.2	11.3	11.4	11.6	11.7	11.9	12.1	12.2	12.4	12.6
	9.0%	10.8	10.9	11.0	11.2	11.3	11.5	11.6	11.8	11.9	12.1	12.2
	9.2%	10.6	10.7	10.8	10.9	11.1	11.2	11.3	11.5	11.6	11.8	11.9
	9.4%	10.3	10.5	10.6	10.7	10.8	10.9	11.1	11.2	11.4	11.5	11.6
	9.6%	10.1	10.3	10.4	10.5	10.6	10.7	10.8	11.0	11.1	11.2	11.4
	9.8%	9.9	10.1	10.2	10.3	10.4	10.5	10.6	10.7	10.9	11.0	11.1
	10.0%	9.8	9.9	10.0	10.1	10.2	10.3	10.4	10.5	10.6	10.7	10.9

Source: Intermonte SIM

Peer Multiples

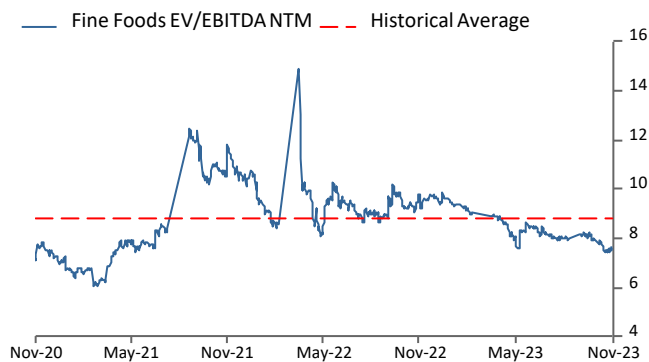
Given the lack of a meaningful comparison provided by the peer group due to significant diversification in terms of size, vertical integration, geographical footprint, capital structure and profitability compared to Fine Foods, we do not include a peer comparison in our valuation. **In any case, at current prices, Fine Foods is trading at 8x EV/adj. EBITDA for 24E (a c.25% discount to the peer average) and 18x P/E'24E (peers at 19x).**

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	7.90	3.0%	202	0.1%	-1.0%	4.5%	-4.4%	1.0	0.9	0.8	10.3	7.9	6.6	26.1	15.7	12.0	47.9	17.8	12.8
FF (@mkt price, cons.)	EUR	7.90	3.0%	202	0.1%	-1.0%	4.5%	-4.4%	1.0	0.9	0.8	9.7	7.5	6.2	46.2	15.5	11.0	30.5	18.6	11.9
FF (@ our TP, our est.)	EUR	11.5	OUTPERF.	293					1.4	1.2	1.1	14.0	10.7	9.0	35.3	21.5	16.2	69.5	25.8	18.5
InterCos	EUR	13.82	-0.6%	1,330	8.2%	-7.3%	-11.9%	6.3%	1.4	1.3	1.2	10.1	8.9	7.8	15.4	13.4	11.6	21.5	18.6	16.5
Catalent	USD	35.53	-1.3%	5,910	-29%	-28%	1%	-26%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32.5	44.1	18.4
Lonza Group AG	CHF	349.00	0.3%	26,880	-20%	-32%	-42%	-26%	4.2	4.2	3.8	14.5	14.5	12.5	22.0	23.0	19.8	27.2	30.3	24.5
Piramal Enterprises Ltd.	INR	946.05	0.0%	2,535	-10%	-8%	30%	14%	4.0	3.5	2.9	n.a.	n.a.	n.a.	10.0	7.8	5.6	0.2	0.2	0.1
Strides Pharma Science Ltd	INR	479.30	-0.8%	486	-6.0%	11.6%	30.6%	37.3%	1.1	0.9	0.8	5.8	4.9	4.0	8.5	8.0	n.a.	0.3	0.1	0.1
Siegfried Holding AG	CHF	773.50	-1.6%	3,574	3.1%	-1.8%	1.8%	21.7%	3.0	2.8	2.6	14.7	13.0	11.3	21.0	18.4	15.9	25.6	23.0	20.6
Peer Group									2.7	2.6	2.3	11.3	10.3	8.9	15.4	14.1	13.2	17.9	19.4	13.4
FF discount to peers									-62%	-65%	-63%	-8%	-24%	-26%	70%	12%	-9%	168%	-8%	-5%
FTSE Italia Mid Cap		41,935			5.5%	-2.2%	-5.1%	4.1%												
FTSE Italia Star		43,798			3.8%	-4.5%	-10.8%	-7.4%												
FTSE MIB		29,344			2.4%	2.3%	5.8%	22.0%												
FTSE Italia Growth Index		7,600			-5.1%	-14.7%	-16.8%	#####												
FTSE Italia All-Share		31,307			2.7%	1.8%	4.6%	19.9%												

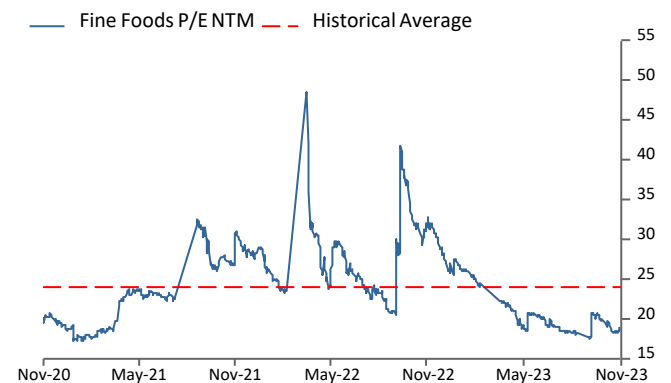
Source: Intermonte SIM (Fine Foods), Consensus (Factset)

Fine Foods - EV/EBITDA NTM evolution



Source: FactSet Consensus

Fine Foods - P/E NTM evolution



Source: FactSet Consensus

Fine Foods in Brief

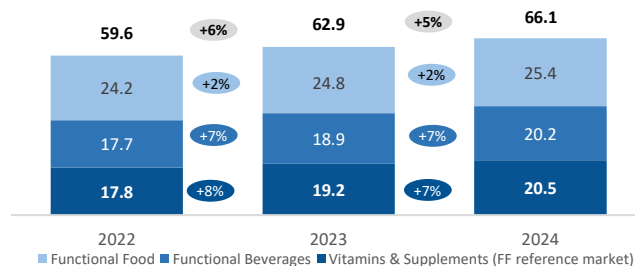
Company description

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 through the acquisitions 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 2021, less than 3 years after listing on the AIM segment, FF shares were admitted to the STAR segment of Borsa Italia.

Strengths/Opportunities

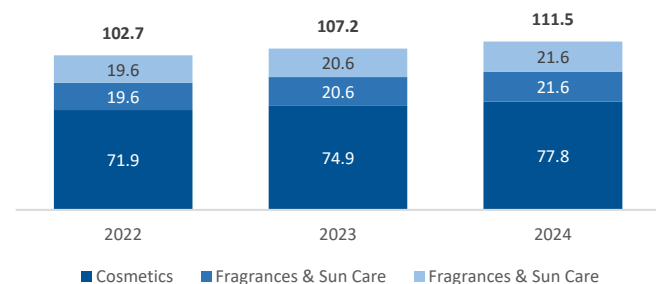
- Exposure to long-standing trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across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



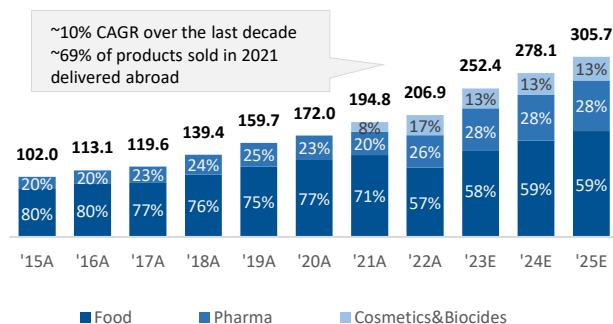
Source: Euromonitor International

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

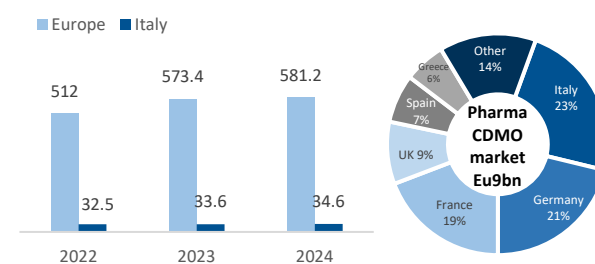
Shareholders

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

Weaknesses/Threats

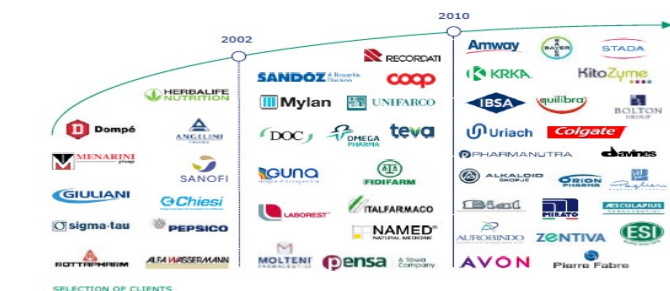
- Short-term visibility on production volumes (orders submitted by clients on a quarterly basis)
- Unpredictable evolution of energy and raw material costs
- Limited customer power due to high concentration (top 5 clients c. 77% of FF sales in 2020)
- No patent protection
- Changes to the regulatory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

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



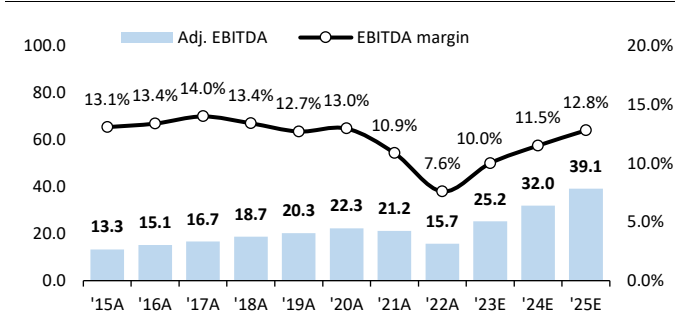
Source: Euromonitor International, Prometeia

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):	11.50	Previous Target (Eu):	12.70
Current Price (Eu):	7.90	Previous Price (Eu):	8.40
Date of report:	15/11/2023	Date of last report:	14/09/2023

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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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

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

As at 30 September 2023 Intermonte's Research Department covered 114 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	24.79 %
OUTPERFORM:	52.99 %
NEUTRAL:	20.51 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

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

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Emittente	%	Long/Short
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