

# FINE FOODS

Sector: Industrials

# OUTPERFORM

Price: Eu8.40 - Target: Eu12.00

## Surging Profitability and New Orders Spark Optimism for 2H

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### Stock Rating

**Rating:** Unchanged

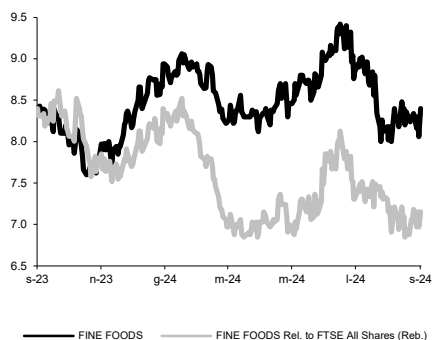
**Target Price (Eu):** Unchanged

	2024E	2025E	2026E
Chg in Adj EPS	0.1%	-1.3%	-0.6%

### Next Events

**3Q24** Results 14 November

### FINE FOODS - 12M Performance



### Stock Data

**Reuters code:** FF.MI

**Bloomberg code:** FF IM

Performance	1M	3M	12M
Absolute	4.7%	-6.5%	0.0%
Relative	0.1%	-6.2%	-17.3%
12M (H/L)	9.42/7.60		
3M Average Volume (th):	4.21		

### 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):	134
BVPS (Eu):	5.23
P/BV:	1.6
Net Financial Position (Eu mn):	-74
Enterprise Value (Eu mn):	289

■ **1H24 results.** 1H results came in 2% below expectations, both on the top line and for EBITDA, while net debt was marginally better than anticipated. The top line fell slightly YoY (€122.8mn, -3.6% YoY) reflecting: a) a still relatively challenging YoY comparison (1H23: +27% YoY); b) different order phasing in the Cosmetics BU (€13.5mn, -22% YoY), now skewed more to 2H following the recent reorganisation; c) a slight drop in the Nutra BU (€72.2mn, -4% YoY) to factor in ongoing sector issues (temporary realignment of inventories by certain customers, already mentioned in 1Q24), but also the challenging YoY comp (1H23: +33% YoY); d) solid performance in the Pharma BU (€37.1mn, +7% YoY) despite the tough YoY comp (1H23: +35% YoY). On the other hand, the company showed strong profitability, with a 13% margin (+3.1pp YoY), thanks to the sales price policy, and a reduction in the impact of raw and packaging materials and energy purchasing costs on turnover. Net debt came in at €43.2mn (our exp. €43.6mn) slightly improving vs. YE23 as a result of a solid FCFO (€16.0mn, our exp. €15.8mn) almost entirely absorbed by CapEx (€12.6mn), dividends (€2.9mn) and buybacks (€0.1mn).

■ **Positive outlook confirmed:** Pietro Oriani has been appointed as the new CEO, with former CEO Giorgio Ferraris staying on with a three-year consultancy contract to ensure a smooth transition. After 22% top line growth in FY23, if Fine Foods ends 2024 flat, it would represent average annual growth of 10% over the last two years, in line with the historical average (11% CAGR). The >15% margin target has already been achieved in the Pharma and Nutra BUs (combined margin 15.1%, o/w Nutra 16.2%, Pharma 13.2%). The Pharma BU is set to boost profitability once the new plant is ready by YE25 (the Group recently added a mandatory third shift to handle new orders with an almost fully saturated plant), while Cosmetics margins depend on revenue growth volumes (during the summer they've started working with a major client in the cosmetics sector, committing to high volumes).

■ **Estimates update:** we are revising our estimates to reflect a flat top line this year and a less challenging trajectory in 2H. For FY25-26, we reflect a smoother path for both top line growth and profitability. These adjustments are largely offset by lower financial charges, resulting in minimal cuts to EPS.

■ **OUTPERFORM confirmed; target still €12.** Although the top line is affected by temporary factors that should normalise through the year, 1H provided enhanced visibility on margin progression. Confirmation of the current outlook should therefore allow some degree of flexibility, based on visibility from coming quarters. FF is well placed to gain market share and 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 and long-lasting customer demand (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	2024E	2025E	2026E	2027E	2028E
Sales (Eu mn)	252	289	347	385	424
EBITDA Adj (Eu mn)	31	37	48	54	61
Net Profit Adj (Eu mn)	10	13	18	22	28
EPS New Adj (Eu)	0.384	0.500	0.705	0.867	1.082
EPS Old Adj (Eu)	0.383	0.507	0.710	0.869	1.092
DPS (Eu)	0.117	0.117	0.117	0.117	0.117
EV/EBITDA Adj	9.3	8.1	6.1	5.1	4.2
EV/EBIT Adj	19.4	15.2	10.4	8.5	6.6
P/E Adj	21.9	16.8	11.9	9.7	7.8
Div. Yield	1.4%	1.4%	1.4%	1.4%	1.4%
Net Debt/EBITDA Adj	2.4	2.3	1.6	1.1	0.7

FINE FOODS – Key Figures						
Profit & Loss (Eu mn)	2023A	2024E	2025E	2026E	2027E	2028E
Sales	252	252	289	347	385	424
EBITDA	22	31	37	48	54	61
EBIT	1	15	20	28	33	39
Financial Income (charges)	-5	-3	-4	-4	-4	-3
Associates & Others	2	0	0	0	0	0
Pre-tax Profit	-2	12	16	23	29	36
Taxes	-2	-2	-3	-5	-7	-8
Tax rate		17.5%	20.2%	23.0%	23.0%	23.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	-4	10	13	18	22	28
EBITDA Adj	26	31	37	48	54	61
EBIT Adj	10	15	20	28	33	39
Net Profit Adj	5	10	13	18	22	28
Per Share Data (Eu)	2023A	2024E	2025E	2026E	2027E	2028E
Total Shares Outstanding (mn) - Average	26	26	26	26	26	26
Total Shares Outstanding (mn) - Year End	26	26	26	26	26	26
EPS f.d	-0.138	0.384	0.500	0.705	0.867	1.082
EPS Adj f.d	0.193	0.384	0.500	0.705	0.867	1.082
BVPS f.d	4.967	5.230	5.613	6.201	6.951	7.916
Dividend per Share ORD	0.120	0.117	0.117	0.117	0.117	0.117
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)						
Cash Flow (Eu mn)	2023A	2024E	2025E	2026E	2027E	2028E
Gross Cash Flow	20	26	30	38	44	50
Change in NWC	-2	-1	-7	1	2	4
Capital Expenditure	-18	-53	-29	-27	-29	-31
Other Cash Items	2	0	0	0	0	0
Free Cash Flow (FCF)	0	-28	-7	11	16	23
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	-2	-3	-3	-3	-3	-3
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-0	-31	-10	8	13	20
Balance Sheet (Eu mn)	2023A	2024E	2025E	2026E	2027E	2028E
Total Fixed Assets	123	160	172	179	187	195
Net Working Capital	43	44	51	50	49	45
Long term Liabilities	4	4	4	4	4	4
Net Capital Employed	170	208	227	234	240	244
Net Cash (Debt)	-44	-74	-84	-75	-62	-42
Group Equity	127	134	143	159	178	202
Minorities	0	0	0	0	0	0
Net Equity	127	134	143	159	178	202
Enterprise Value (Eu mn)	2023A	2024E	2025E	2026E	2027E	2028E
Average Mkt Cap	208	215	215	215	215	215
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-44	-74	-84	-75	-62	-42
Enterprise Value	251	289	299	290	277	257
Ratios (%)	2023A	2024E	2025E	2026E	2027E	2028E
EBITDA Adj Margin	10.3%	12.3%	12.8%	13.8%	14.1%	14.5%
EBIT Adj Margin	3.9%	5.9%	6.8%	8.0%	8.5%	9.2%
Gearing - Debt/Equity	34.3%	55.5%	58.4%	47.6%	34.9%	20.8%
Interest Cover on EBIT	0.2	5.0	5.5	6.4	8.6	12.6
Net Debt/EBITDA Adj	1.7	2.4	2.3	1.6	1.1	0.7
ROACE*	0.6%	7.9%	9.0%	12.0%	13.7%	16.1%
ROE*	3.8%	7.5%	9.2%	11.9%	13.2%	14.5%
EV/CE	1.5	1.5	1.4	1.3	1.2	1.1
EV/Sales	1.0	1.1	1.0	0.8	0.7	0.6
EV/EBITDA Adj	9.7	9.3	8.1	6.1	5.1	4.2
EV/EBIT Adj	25.9	19.4	15.2	10.4	8.5	6.6
Free Cash Flow Yield	0.1%	-12.8%	-3.1%	5.3%	7.6%	10.7%
Growth Rates (%)	2023A	2024E	2025E	2026E	2027E	2028E
Sales	21.7%	0.2%	14.5%	20.2%	10.8%	10.2%
EBITDA Adj	64.2%	20.1%	19.1%	29.6%	13.0%	13.6%
EBIT Adj	3556.0%	53.4%	31.9%	41.5%	17.3%	19.8%
Net Profit Adj	nm	98.9%	30.5%	41.0%	23.0%	24.7%
EPS Adj	nm	98.9%	30.5%	41.0%	23.0%	24.7%
DPS	20.0%	-2.2%	0.0%	0.0%	0.0%	0.0%

\*Excluding extraordinary items Source: Intermonte SIM estimates

## 1H24 Results

■ **1H24 results.** 1H results came in 2% below expectations, both on the top line and for EBITDA, while net debt was marginally better than anticipated. The top line fell slightly YoY (€122.8mn, -3.6% YoY) reflecting: a) a still relatively challenging YoY comparison (1H23: +27% YoY); b) different order phasing in the Cosmetics BU (€13.5mn, -22% YoY), now skewed more to 2H following the recent reorganisation; c) a slight drop in the Nutra BU (€72.2mn, -4% YoY) to factor in ongoing sector issues (temporary realignment of inventories by certain customers, already mentioned in 1Q24), but also the challenging YoY comp (1H23: +33% YoY); d) solid performance in the Pharma BU (€37.1mn, +7% YoY) despite the tough YoY comp (1H23: +35% YoY). On the other hand, the company showed strong profitability, with a 13% margin (+3.1pp YoY), thanks to the sales price policy, and a reduction in the impact of raw and packaging materials and energy purchasing costs on turnover. Net debt came in at €43.2mn (our exp. €43.6mn) slightly improving vs. YE23 as a result of a solid FCFO (€16.0mn, our exp. €15.8mn) almost entirely absorbed by CapEx (€12.6mn), dividends (€2.9mn) and buybacks (€0.1mn).

### Fine Foods – 1H24 Results: P&L

P&L (Eu mn)	1Q23A	2Q23A	1H23A	3Q23A	9M23A	4Q23A	2023A	1Q24A	2Q24A	1H24A	2H24E	2024E	1H24E	A/E
<b>Nutra</b>	<b>40.7</b>	<b>34.7</b>	<b>75.4</b>	<b>36.1</b>	<b>111.5</b>	<b>40.9</b>	<b>152.4</b>	<b>39.8</b>	<b>32.3</b>	<b>72.2</b>	<b>78.8</b>	<b>150.9</b>	<b>73.1</b>	<b>-1.3%</b>
YoY growth	37.8%	27.3%	32.8%	22.3%	29.2%	30.0%	29.4%	-2.1%	-6.9%	-4.3%	2.2%	-1.0%	-3.0%	
on net sales	62.1%	56.1%	59.2%	62.0%	60.1%	61.8%	60.5%	60.8%	56.4%	58.7%	60.8%	59.8%	58.1%	
<b>Pharma</b>	<b>16.8</b>	<b>18.0</b>	<b>34.8</b>	<b>15.9</b>	<b>50.8</b>	<b>17.2</b>	<b>67.9</b>	<b>17.6</b>	<b>19.5</b>	<b>37.1</b>	<b>36.2</b>	<b>73.4</b>	<b>37.3</b>	<b>-0.4%</b>
YoY growth	41.8%	29.3%	35.0%	12.1%	26.9%	16.7%	24.2%	4.9%	8.1%	6.6%	9.5%	8.0%	7.0%	
on net sales	25.6%	29.1%	27.3%	27.4%	27.3%	26.0%	27.0%	26.9%	34.1%	30.2%	28.0%	29.1%	29.6%	
<b>Cosmetics</b>	<b>8.1</b>	<b>9.2</b>	<b>17.2</b>	<b>6.2</b>	<b>23.4</b>	<b>8.1</b>	<b>31.4</b>	<b>8.1</b>	<b>5.5</b>	<b>13.5</b>	<b>14.4</b>	<b>28.0</b>	<b>15.5</b>	<b>-12.6%</b>
YoY growth	-13.9%	6.2%	-4.3%	-27.2%	-11.6%	2.5%	-8.4%	0.3%	-40.4%	-21.3%	1.5%	-11.0%	-10.0%	
on net sales	12.3%	14.8%	13.5%	10.6%	12.6%	12.2%	12.5%	12.3%	9.5%	11.0%	11.2%	11.1%	12.3%	
<b>Net revenues</b>	<b>65.6</b>	<b>61.9</b>	<b>127.5</b>	<b>58.2</b>	<b>185.7</b>	<b>66.1</b>	<b>251.8</b>	<b>65.6</b>	<b>57.3</b>	<b>122.8</b>	<b>129.4</b>	<b>252.3</b>	<b>125.9</b>	<b>-2.4%</b>
<b>YoY growth</b>	<b>29.2%</b>	<b>24.2%</b>	<b>26.7%</b>	<b>11.5%</b>	<b>21.5%</b>	<b>22.4%</b>	<b>21.7%</b>	<b>0.0%</b>	<b>-7.5%</b>	<b>-3.6%</b>	<b>4.1%</b>	<b>0.2%</b>	<b>-1.2%</b>	
Other income	0.2	0.9	1.1	0.3	1.4	-0.3	1.1	0.3	0.2	0.5	2.0	2.5	1.0	
<b>Value of production</b>	<b>65.8</b>	<b>62.8</b>	<b>128.6</b>	<b>58.5</b>	<b>187.1</b>	<b>65.8</b>	<b>252.9</b>	<b>65.8</b>	<b>57.5</b>	<b>123.3</b>	<b>131.4</b>	<b>254.8</b>	<b>126.9</b>	<b>-2.8%</b>
<b>Raw materials</b>	<b>(39.4)</b>	<b>(39.8)</b>	<b>(79.2)</b>	<b>(36.4)</b>	<b>(115.6)</b>	<b>(42.6)</b>	<b>(158.2)</b>	<b>(38.4)</b>	<b>(32.4)</b>	<b>(70.8)</b>	<b>(78.1)</b>	<b>(148.8)</b>	<b>(79.1)</b>	<b>-10.5%</b>
on net sales	-60.1%	-64.2%	-62.1%	-62.6%	-62.3%	-64.4%	-62.8%	-58.6%	-56.5%	-57.6%	-60.3%	-59.0%	-62.8%	
<b>Personnel</b>	<b>(11.2)</b>	<b>(11.4)</b>	<b>(22.6)</b>	<b>(9.8)</b>	<b>(32.4)</b>	<b>(12.1)</b>	<b>(44.4)</b>	<b>(11.6)</b>	<b>(11.9)</b>	<b>(23.5)</b>	<b>(23.5)</b>	<b>(47.0)</b>	<b>(22.2)</b>	<b>5.9%</b>
on net sales	-17.0%	-18.4%	-17.7%	-16.8%	-17.4%	-18.2%	-17.6%	-17.7%	-20.8%	-19.1%	-18.1%	-18.6%	-17.6%	
<b>Cost of services</b>	<b>(6.8)</b>	<b>(6.4)</b>	<b>(13.2)</b>	<b>(6.3)</b>	<b>(19.5)</b>	<b>(6.4)</b>	<b>(25.9)</b>	<b>(6.3)</b>	<b>(5.6)</b>	<b>(11.9)</b>	<b>(13.3)</b>	<b>(25.2)</b>	<b>(12.9)</b>	<b>-8.1%</b>
on net sales	-10.3%	-10.4%	-10.4%	-10.8%	-10.5%	-9.7%	-10.3%	-9.7%	-9.7%	-9.7%	-10.3%	-10.0%	-10.3%	
<b>Other costs</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>(2.1)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(1.1)</b>	<b>(1.6)</b>	<b>(2.7)</b>	<b>3.7</b>	
on net sales	-0.7%	-0.8%	-0.8%	-0.5%	-0.7%	-1.3%	-0.8%	-0.9%	-1.0%	-0.9%	-1.2%	-1.1%	2.9%	
<b>Total Opex</b>	<b>(57.8)</b>	<b>(58.1)</b>	<b>(116.0)</b>	<b>(52.8)</b>	<b>(168.7)</b>	<b>(61.9)</b>	<b>(230.6)</b>	<b>(57.0)</b>	<b>(50.4)</b>	<b>(107.3)</b>	<b>(116.4)</b>	<b>(223.8)</b>	<b>(110.6)</b>	<b>-2.9%</b>
<b>EBITDA</b>	<b>7.9</b>	<b>4.7</b>	<b>12.6</b>	<b>5.7</b>	<b>18.3</b>	<b>3.9</b>	<b>22.3</b>	<b>8.9</b>	<b>7.1</b>	<b>16.0</b>	<b>15.0</b>	<b>31.0</b>	<b>16.4</b>	<b>-2.3%</b>
YoY growth	101%	21%	61%	33%	51%	20%	44.5%	11.5%	52.8%	26.8%	55.7%	39.3%	29.7%	
as % of net sales	12.1%	7.5%	9.9%	9.8%	9.9%	6.0%	8.8%	13.5%	12.5%	13.0%	11.6%	12.3%	13.0%	
<b>Adj. EBITDA</b>	<b>7.9</b>	<b>4.7</b>	<b>12.6</b>	<b>5.7</b>	<b>18.3</b>	<b>7.5</b>	<b>25.8</b>	<b>8.9</b>	<b>7.1</b>	<b>16.0</b>	<b>15.0</b>	<b>31.0</b>	<b>16.4</b>	<b>-2.3%</b>
<b>YoY growth</b>	<b>100.6%</b>	<b>5.6%</b>	<b>50.5%</b>	<b>36.9%</b>	<b>46.0%</b>	<b>136%</b>	<b>64.2%</b>	<b>11.5%</b>	<b>52.8%</b>	<b>26.8%</b>	<b>13.7%</b>	<b>20.1%</b>	<b>29.7%</b>	
<b>as % of net sales</b>	<b>12.1%</b>	<b>7.5%</b>	<b>9.9%</b>	<b>9.8%</b>	<b>9.9%</b>	<b>11.4%</b>	<b>10.3%</b>	<b>13.5%</b>	<b>12.5%</b>	<b>13.0%</b>	<b>11.6%</b>	<b>12.3%</b>	<b>13.0%</b>	
D&A & writedown	(3.7)	(8.4)	(12.2)	(4.0)	(16.2)	(5.0)	(21.2)	(3.8)	(3.9)	(7.7)	(8.4)	(16.1)	(7.6)	
<b>EBIT</b>	<b>4.2</b>	<b>(3.8)</b>	<b>0.4</b>	<b>1.7</b>	<b>2.2</b>	<b>(1.1)</b>	<b>1.1</b>	<b>5.1</b>	<b>3.2</b>	<b>8.3</b>	<b>6.6</b>	<b>14.9</b>	<b>8.8</b>	<b>-6.1%</b>
<b>Adj. EBIT</b>	<b>4.2</b>	<b>0.6</b>	<b>4.8</b>	<b>1.7</b>	<b>6.6</b>	<b>3.1</b>	<b>9.7</b>	<b>5.1</b>	<b>3.2</b>	<b>8.3</b>	<b>6.6</b>	<b>14.9</b>	<b>8.8</b>	<b>-6.1%</b>
as % of net sales	6.4%	1.0%	3.8%	3.0%	3.5%	4.7%	3.9%	7.7%	5.6%	6.7%	5.1%	5.9%	7.0%	
net fin. exp.	0.1	(0.6)	(0.6)	(1.1)	(1.7)	(1.3)	(2.9)	(1.1)	-	(1.9)	(1.9)	(3.0)	(2.0)	
<b>Pretax</b>	<b>4.3</b>	<b>(4.4)</b>	<b>(0.1)</b>	<b>0.6</b>	<b>0.5</b>	<b>(2.4)</b>	<b>(1.9)</b>	<b>4.0</b>	<b>3.2</b>	<b>6.4</b>	<b>4.7</b>	<b>11.9</b>	<b>6.8</b>	<b>-6.7%</b>
Taxes	(1.4)	(0.2)	(1.6)	(0.7)	(2.3)	0.6	(1.7)	(1.2)	(0.7)	(1.9)	(0.2)	(2.1)	(2.0)	
<b>Net income</b>	<b>2.9</b>	<b>(4.6)</b>	<b>(1.7)</b>	<b>(0.1)</b>	<b>(1.8)</b>	<b>(1.8)</b>	<b>(3.5)</b>	<b>2.8</b>	<b>2.5</b>	<b>4.5</b>	<b>5.3</b>	<b>9.8</b>	<b>4.8</b>	<b>-6.3%</b>
<b>Adj. Net Income</b>	<b>2.9</b>	<b>(0.2)</b>	<b>2.7</b>	<b>(0.1)</b>	<b>2.6</b>	<b>2.3</b>	<b>4.9</b>	<b>2.8</b>	<b>1.7</b>	<b>4.5</b>	<b>5.3</b>	<b>9.8</b>	<b>4.8</b>	<b>-6.3%</b>
<b>Ending NFP/(Debt)</b>	<b>(51.5)</b>	<b>(57.8)</b>	<b>(57.8)</b>	<b>(53.6)</b>	<b>(53.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.2)</b>	<b>(43.2)</b>	<b>(74.2)</b>	<b>(74.2)</b>	<b>(44.1)</b>	<b>-2.2%</b>

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

**Fine Foods – 1H24 Results: FCF & Net Debt Evolution and Reclassified Balance Sheet**

FCF (Eu mn)	1Q23A	2Q23A	1H23A	3Q23A	9M23A	4Q23A	2023A	1Q24A	2Q24A	1H24A	2H24E	2024E	1H24E	A-E
Net Profit	2.9	(4.6)	(1.7)	(0.1)	(1.8)	(1.8)	(3.5)	2.8	1.7	4.5	5.3	9.8	4.8	(0.3)
D&A	3.7	8.4	12.2	4.0	16.2	5.0	21.2	3.8	3.9	7.7	8.4	16.1	7.6	0.2
Delta NWKC	(7.9)	(7.8)	(15.7)	3.5	(12.2)	10.3	(1.8)	(2.6)	3.5	0.9	(1.8)	(0.9)	3.5	(2.6)
Chg. in other funds	(2.9)	2.7	(0.2)	0.6	0.3	2.4	2.7	1.6	1.3	2.9	(2.9)	-	-	2.9
<b>FCFO</b>	<b>(4.1)</b>	<b>(1.2)</b>	<b>(5.4)</b>	<b>8.0</b>	<b>2.6</b>	<b>16.0</b>	<b>18.5</b>	<b>5.6</b>	<b>10.4</b>	<b>16.0</b>	<b>9.1</b>	<b>25.1</b>	<b>15.8</b>	<b>0.2</b>
Capex	(4.8)	(4.0)	(8.8)	(3.0)	(11.8)	(6.4)	(18.2)	(5.5)	(7.1)	(12.6)	(40.0)	(52.6)	(13.3)	0.7
<b>Equity FCF</b>	<b>(9.0)</b>	<b>(5.2)</b>	<b>(14.2)</b>	<b>5.0</b>	<b>(9.2)</b>	<b>9.5</b>	<b>0.3</b>	<b>0.1</b>	<b>3.3</b>	<b>3.4</b>	<b>(30.9)</b>	<b>(27.5)</b>	<b>2.5</b>	<b>0.9</b>
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	(2.5)	(2.5)	-	(2.5)	(0.0)	(2.5)	-	(2.9)	(2.9)	(0.2)	(3.1)	(3.0)	0.1
Share Buy-back	(0.1)	-	(0.1)	0.1	-	-	-	(0.1)	0.0	(0.1)	0.1	-	(0.1)	-
Rights Issue/ipo	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1.2	1.4	2.6	(0.9)	1.7	0.2	1.9	(0.0)	0.0	-	-	-	-	-
<b>Change in NFP</b>	<b>(7.9)</b>	<b>(6.3)</b>	<b>(14.2)</b>	<b>4.2</b>	<b>(10.0)</b>	<b>10.0</b>	<b>0.1</b>	<b>(0.0)</b>	<b>0.4</b>	<b>0.4</b>	<b>(31.0)</b>	<b>(30.6)</b>	<b>(0.6)</b>	<b>1.0</b>
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Opening NFP</b>	<b>(43.6)</b>	<b>(51.5)</b>	<b>(43.6)</b>	<b>(57.8)</b>	<b>(43.6)</b>	<b>(53.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.2)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>-</b>
Change in NFP	(7.9)	(6.3)	(14.2)	4.2	(10.0)	10.0	0.1	(0.0)	0.4	0.4	(31.0)	(30.6)	(0.6)	1.0
<b>Ending NFP/(Debt)</b>	<b>(51.5)</b>	<b>(57.8)</b>	<b>(57.8)</b>	<b>(53.6)</b>	<b>(53.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.2)</b>	<b>(43.2)</b>	<b>(74.2)</b>	<b>(74.2)</b>	<b>(44.1)</b>	<b>1.0</b>

Balance Sheet (Eu mn)	1Q23A	1H23A	9M23A	2023A	1Q24A	1H24A	2024E
<b>Fixed Assets</b>	<b>128.0</b>	<b>122.9</b>	<b>122.6</b>	<b>123.2</b>	<b>125.0</b>	<b>128.1</b>	<b>159.7</b>
Inventories	49.3	51.3	47.3	42.5	40.0	42.4	42.9
Trade Receivables	51.6	48.8	41.9	38.1	43.9	38.0	37.8
Trade Payables	(42.0)	(38.1)	(30.7)	(32.4)	(33.2)	(33.2)	(31.7)
<b>Operating WKC</b>	<b>58.9</b>	<b>62.0</b>	<b>58.5</b>	<b>48.1</b>	<b>50.7</b>	<b>47.2</b>	<b>49.0</b>
<b>as % of annualized sales</b>	<b>22.5%</b>	<b>24.3%</b>	<b>23.6%</b>	<b>19.1%</b>	<b>19.3%</b>		<b>19.4%</b>
Other curr assets	6.1	8.1	8.2	8.1	8.7	7.3	8.1
Other current liabilities	(10.9)	(11.2)	(11.9)	(13.4)	(14.7)	(14.0)	(13.4)
Provisions	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
<b>Net WKC</b>	<b>53.9</b>	<b>58.7</b>	<b>54.5</b>	<b>42.6</b>	<b>44.3</b>	<b>40.3</b>	<b>43.7</b>
Provisions	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Employees benefits	(2.3)	(2.3)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Others	8.0	7.7	7.6	6.9	6.1	5.3	6.9
<b>Net capital employed</b>	<b>187.6</b>	<b>186.9</b>	<b>182.5</b>	<b>170.5</b>	<b>173.2</b>	<b>171.6</b>	<b>207.9</b>
<b>Total equity</b>	<b>136.1</b>	<b>129.1</b>	<b>128.8</b>	<b>126.9</b>	<b>129.6</b>	<b>128.4</b>	<b>133.7</b>
<b>Net Cash (Debt)</b>	<b>(51.5)</b>	<b>(57.9)</b>	<b>(53.6)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(43.2)</b>	<b>(74.2)</b>
Cash	69.5	53.1	45.1	22.8	17.4	18.7	-
Gross Debt	(121.0)	(111.0)	(98.7)	(66.4)	(60.9)	(61.8)	-
<b>Total Funds</b>	<b>187.7</b>	<b>186.9</b>	<b>182.5</b>	<b>170.5</b>	<b>173.2</b>	<b>171.6</b>	<b>207.9</b>

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

## Feedback from conference call

*Pietro Oriani has been appointed as the new CEO, with former CEO Giorgio Ferraris staying on with a three-year consultancy contract to ensure a smooth transition. After 22% top line growth in FY23, if Fine Foods ends 2024 flat, it would represent average annual growth of 10% over the last two years, in line with the historical average (11% CAGR). This year was affected by a challenging comparison base and an unusual reduction in client inventories, but this trend is normalising. The >15% margin target has already been achieved in the Pharma and Nutra BUs (combined margin 15.1%, o/w Nutra 16.2%, Pharma 13.2%). Pharma BU profitability will be boosted once the new plant is ready by YE25 (the company recently added a mandatory third shift to handle new orders at an almost fully-saturated plant), while Cosmetics margins depend on revenue growth volumes (during the summer FF started working with a major cosmetics sector client, committing to high volumes)*

- **Arrival of Pietro Oriani:** new CEO as of today. Giorgio Ferraris will facilitate a smoother and seamless transition, remaining in Fine Foods with a three-year consultancy contract.
- **Current trading:** Nothing significant happened in July and August due to the summer break. Fine Foods has started working with a major cosmetics sector client, with a commitment to high volumes. Large clients are preferred because they provide continuity and help reduce fixed costs, but are slower in approving orders with CDMOs. Client approval was delayed but not due to Fine Foods.
- **Year-end outlook:** After 22% top line growth in FY23, if Fine Foods ends 2024 flat, it would represent average annual growth of 10% over the last two years, in line with the historical average (11% CAGR). This year was affected by a tough comparison base and an unusual reduction in client inventories, but this trend is normalising.
- **1H revenues:** Slight contraction due to last year's strong finish in supplements, client slowdown, stock consolidation, and working capital optimisation. The market remains solid, and recent trends are seen as temporary.
- **1H EBITDA margin:** the >15% margin target has already been achieved in the Pharma and Nutra BUs (combined margin 15.1%, o/w Nutra 16.2%, Pharma 13.2%). Strategic price increases and aggressive procurement reduced energy costs to under 1% of revenues. Once the new Pharma plant is active, eliminating the third shift will boost profitability.
- **Pharma BU:** Focused on meeting client orders and starting the new plant by end-2025, with production in 2026. Pharma could see even more growth; the company is optimising productivity, including by adding a mandatory third shift to handle new orders at an almost fully-saturated plant.
- **Cosmetics BU:** during the summer the unit started working with a major cosmetics sector client with a commitment to high volumes. Margins are highly dependent on revenue growth. Management is confident about aligning the division's margins with the other two business units. High fixed costs require revenue proportional to the plant's size.
- **Financial position:** strong control of working capital and payables. Investments up (€12.6mn), mainly for the new Pharma plant (€5.5mn).
- **Herbalife:** Post-Covid restructuring with improved efficiency, well positioned for a good restart. For Fine foods, revenue from Herbalife remains stable but with a much lower weight compared to previous years. It remains a good client, being more acyclical than others. Herbalife's outlook is solid.
- **Pricing:** The current situation is the opposite of the Covid period when costs increased and couldn't be passed on to clients immediately. Now, raw material prices have fallen, while prices to clients have been lifted. The second half of the year should improve, although the impact of price increases won't be as linear as in the first half.
- **Project X:** Project X will start contributing to Pharma BU revenue between now and 2026 with some initial production batches. Marginal contribution until 2026, when the full project will be visible.
- **Food capacity expansion:** On 2 August 2024, the company signed a preliminary contract for the purchase of c.21,000m<sup>2</sup> of land located in the municipality of Zingonia-Verdellino (BG), bordering the current Fine Foods nutraceutical plant. The total value of the investment is anticipated to be approximately €4mn, of which €3.27mn has already been paid as an advance. Investments for the facility are planned for 2025, with first revenues in early 2026.
- **Supply chain:** no critical issues in raw materials or packaging materials; tensions in the Persian Gulf have eased.

## Positive outlook confirmed

Despite the current international economic and geopolitical situation, and temporary shifts in some customers' inventory management, target markets continue to expand. Fine Foods is set on growing its market share and will persist in developing its business across three key sectors: Nutraceuticals, Pharmaceuticals, and Cosmetics.

### Fine Foods – Short-Medium Term Guidelines

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#### NUTRA BU

The commercial strategies emphasising product quality, innovation, and improving customer support services were confirmed. The production capacity increase due to the existing facility expansion was confirmed. Initial investments are expected to start in the second half of the year.

#### PHARMA BU

Significant multi-year contracts with major international customers have been signed, underpinning the expected strong growth. The production plant expansion, initiated at the end of 2023, will be completed in 2025, with revenue generation starting from 2026

#### COSMETIC BU

After reorganising, integrating, and optimising processes, and making investments, the increased efficiency and enhanced capacity to fulfil customer demands are showing positive signs. These improvements are expected to come to fruition in 2024

**MANAGEMENT IS CONFIDENT THAT THE GROUP'S HISTORICAL REVENUE AND MARGIN GROWTH TRENDS WILL CONTINUE IN THE COMING YEARS**

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Source: company presentation

## Change in Estimates

We are revising our estimates to reflect a flat top line this year and a less challenging trajectory in 2H. For FY25-26, we reflect a smoother path for both top line growth and profitability. These adjustments are largely offset by lower financial charges, resulting in minimal cuts to EPS.

### Fine Foods – Change in 2024-28 Estimates

P&L (Eu mn)			New Estimates					Old Estimates					New vs Old				
	'22A	'23A	'24E	'25E	'26E	'27E	'28E	'24E	'25E	'26E	'27E	'28E	'24E	'25E	'26E	'27E	'28E
<b>Nutra</b>	<b>117.8</b>	<b>152.4</b>	<b>150.9</b>	<b>173.5</b>	<b>197.8</b>	<b>223.6</b>	<b>250.4</b>	<b>164.2</b>	<b>182.2</b>	<b>203.2</b>	<b>227.6</b>	<b>257.2</b>	<b>-8.1%</b>	<b>-4.8%</b>	<b>-2.6%</b>	<b>-1.8%</b>	<b>-2.6%</b>
YoYgrowth	-15%	29%	-1%	15%	14%	13%	12%	8%	11%	12%	12%	13%					
<b>Pharma</b>	<b>54.7</b>	<b>67.9</b>	<b>73.4</b>	<b>80.3</b>	<b>110.9</b>	<b>119.7</b>	<b>129.0</b>	<b>73.4</b>	<b>77.8</b>	<b>107.3</b>	<b>115.9</b>	<b>124.9</b>	<b>0.0%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>3.3%</b>
YoYgrowth	39%	24%	8%	10%	38%	8%	8%	8%	6%	38%	8%	8%					
<b>Cosmetics</b>	<b>34.3</b>	<b>31.4</b>	<b>28.0</b>	<b>35.0</b>	<b>38.5</b>	<b>41.6</b>	<b>44.6</b>	<b>33.6</b>	<b>37.0</b>	<b>40.0</b>	<b>42.8</b>	<b>45.9</b>	<b>-16.8%</b>	<b>-5.5%</b>	<b>-3.7%</b>	<b>-2.8%</b>	<b>-2.8%</b>
YoYgrowth	n.m.	-8%	-11%	25%	10%	8%	7%	7%	10%	8%	7%	7%					
<b>Revenues</b>	<b>206.9</b>	<b>251.8</b>	<b>252.3</b>	<b>288.9</b>	<b>347.2</b>	<b>384.9</b>	<b>424.0</b>	<b>271.2</b>	<b>297.0</b>	<b>350.5</b>	<b>386.2</b>	<b>427.9</b>	<b>-7.0%</b>	<b>-2.7%</b>	<b>-0.9%</b>	<b>-0.4%</b>	<b>-0.9%</b>
YoYgrowth	6.2%	21.7%	0.2%	14.5%	20.2%	10.8%	10.2%	7.7%	9.5%	18.0%	10.2%	10.8%					
EBITDA	15.4	22.3	31.0	37.0	47.9	54.1	61.5	32.5	39.2	48.4	54.3	62.0					
<b>Adj. EBITDA</b>	<b>15.7</b>	<b>25.8</b>	<b>31.0</b>	<b>37.0</b>	<b>47.9</b>	<b>54.1</b>	<b>61.5</b>	<b>32.5</b>	<b>39.2</b>	<b>48.4</b>	<b>54.3</b>	<b>62.0</b>	<b>-4.7%</b>	<b>-5.6%</b>	<b>-0.9%</b>	<b>-0.3%</b>	<b>-0.9%</b>
% on sales	7.6%	10.3%	12.3%	12.8%	13.8%	14.1%	14.5%	12.0%	13.2%	13.8%	14.1%	14.5%					
D&A	(15.5)	(16.1)	(16.1)	(17.3)	(20.1)	(21.6)	(22.5)	(16.3)	(17.8)	(20.3)	(21.6)	(22.7)					
<b>Adj. EBIT</b>	<b>0.3</b>	<b>9.7</b>	<b>14.9</b>	<b>19.6</b>	<b>27.8</b>	<b>32.6</b>	<b>39.0</b>	<b>16.3</b>	<b>21.4</b>	<b>28.0</b>	<b>32.7</b>	<b>39.4</b>	<b>-8.5%</b>	<b>-8.1%</b>	<b>-0.9%</b>	<b>-0.3%</b>	<b>-0.9%</b>
% on sales	0.1%	3.9%	5.9%	6.8%	8.0%	8.5%	9.2%	6.0%	7.2%	8.0%	8.5%	9.2%					
EBIT	-1.0	1.1	14.9	19.6	27.8	32.6	39.0	16.3	21.4	28.0	32.7	39.4	-8.5%	-8.1%	-0.9%	-0.3%	-0.9%
net fin. Exp.	(13.2)	(2.9)	(3.0)	(3.6)	(4.4)	(3.8)	(3.1)	(4.4)	(5.1)	(4.5)	(3.8)	(3.1)					
<b>Pre taxes</b>	<b>(14.2)</b>	<b>(1.9)</b>	<b>11.9</b>	<b>16.0</b>	<b>23.4</b>	<b>28.8</b>	<b>35.9</b>	<b>11.9</b>	<b>16.2</b>	<b>23.6</b>	<b>28.9</b>	<b>36.2</b>	<b>0.1%</b>	<b>-1.3%</b>	<b>-0.6%</b>	<b>-0.2%</b>	<b>-0.9%</b>
taxes	4.7	(1.7)	(2.1)	(3.2)	(5.4)	(6.6)	(8.3)	(2.1)	(3.3)	(5.4)	(6.6)	(8.3)					
tax rate	33%	-90%	18%	20%	23%	23%	23%	18%	20%	23%	23%	23%					
<b>Net Profit</b>	<b>(9.5)</b>	<b>(3.5)</b>	<b>9.8</b>	<b>12.8</b>	<b>18.0</b>	<b>22.2</b>	<b>27.6</b>	<b>9.8</b>	<b>13.0</b>	<b>18.1</b>	<b>22.2</b>	<b>27.9</b>	<b>0.1%</b>	<b>-1.3%</b>	<b>-0.6%</b>	<b>-0.2%</b>	<b>-0.9%</b>
<b>Adj. Net profit</b>	<b>(8.6)</b>	<b>4.9</b>	<b>9.8</b>	<b>12.8</b>	<b>18.0</b>	<b>22.2</b>	<b>27.6</b>	<b>9.8</b>	<b>13.0</b>	<b>18.1</b>	<b>22.2</b>	<b>27.9</b>	<b>0.1%</b>	<b>-1.3%</b>	<b>-0.6%</b>	<b>-0.2%</b>	<b>-0.9%</b>
Adj. EPS (€/share)	(0.34)	0.19	0.38	0.50	0.71	0.87	1.08	0.38	0.51	0.71	0.87	1.09	0.1%	-1.3%	-0.6%	-0.2%	-0.9%
<b>DPS (€/share)</b>	<b>0.10</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.12</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
% payout	n.m.	62%	31%	23%	17%	14%	11%	31%	23%	17%	14%	11%					
<b>NFP/ (Debt)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(74.2)</b>	<b>(83.8)</b>	<b>(75.5)</b>	<b>(62.1)</b>	<b>(42.2)</b>	<b>(78.6)</b>	<b>(86.1)</b>	<b>(76.4)</b>	<b>(62.7)</b>	<b>(42.7)</b>	<b>-5.6%</b>	<b>-2.7%</b>	<b>-1.3%</b>	<b>-0.9%</b>	<b>-1.4%</b>
/Adj. EBITDA(x)	-2.8x	-1.7x	-2.4x	-2.3x	-1.6x	-1.1x	-0.7x	-2.4x	-2.2x	-1.6x	-1.2x	-0.7x					

FCF & Net Debt (Eu mn)			New Estimates					Old Estimates					New vs Old				
	'22A	'23A	'24E	'25E	'26E	'27E	'28E	'24E	'25E	'26E	'27E	'28E	'24E	'25E	'26E	'27E	'28E
Net Profit	(9.5)	(3.5)	9.8	12.8	18.0	22.2	27.6	9.8	13.0	18.1	22.2	27.9	0.0	(0.2)	(0.1)	(0.0)	(0.3)
D&A	16.4	21.2	16.1	17.3	20.1	21.6	22.5	16.3	17.8	20.3	21.6	22.7	(0.1)	(0.5)	(0.2)	(0.1)	(0.2)
Delta NWKC	(14.4)	(1.8)	(0.9)	(7.3)	0.5	1.9	4.0	(4.4)	(5.5)	1.7	2.2	3.7	3.6	(1.8)	(1.2)	(0.3)	0.3
Change in funds/other	11.1	2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FCFO</b>	<b>3.7</b>	<b>18.5</b>	<b>25.1</b>	<b>22.8</b>	<b>38.7</b>	<b>45.6</b>	<b>54.1</b>	<b>21.6</b>	<b>25.3</b>	<b>40.2</b>	<b>46.1</b>	<b>54.3</b>	<b>3.4</b>	<b>(2.5)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(0.2)</b>
Capex	(15.3)	(18.2)	(52.6)	(29.4)	(27.4)	(29.2)	(31.2)	(53.6)	(29.9)	(27.5)	(29.3)	(31.4)	0.9	0.4	0.2	0.1	0.2
<b>Equity FCF</b>	<b>(11.6)</b>	<b>0.3</b>	<b>(27.5)</b>	<b>(6.6)</b>	<b>11.3</b>	<b>16.4</b>	<b>22.9</b>	<b>(31.9)</b>	<b>(4.6)</b>	<b>12.7</b>	<b>16.8</b>	<b>22.9</b>	<b>4.4</b>	<b>(2.1)</b>	<b>(1.4)</b>	<b>(0.4)</b>	<b>0.0</b>
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	(3.9)	(2.5)	(3.1)	(3.0)	(3.0)	(3.0)	(3.0)	(3.1)	(3.0)	(3.0)	(3.0)	(3.0)	-	-	-	-	-
Share Buy-back	(0.9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights Issue/ ipo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(11.6)	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Change in NFP</b>	<b>(27.9)</b>	<b>0.1</b>	<b>(30.6)</b>	<b>(9.6)</b>	<b>8.3</b>	<b>13.4</b>	<b>19.9</b>	<b>(35.0)</b>	<b>(7.6)</b>	<b>9.7</b>	<b>13.8</b>	<b>19.9</b>	<b>4.4</b>	<b>(2.1)</b>	<b>(1.4)</b>	<b>(0.4)</b>	<b>0.0</b>
Opening NFP	(15.7)	(43.6)	(43.6)	(74.2)	(83.8)	(75.5)	(62.1)	(43.6)	(78.6)	(86.1)	(76.4)	(62.7)	0.0	4.4	2.3	1.0	0.6
<b>Change in NFP</b>	<b>(27.9)</b>	<b>0.1</b>	<b>(30.6)</b>	<b>(9.6)</b>	<b>8.3</b>	<b>13.4</b>	<b>19.9</b>	<b>(35.0)</b>	<b>(7.6)</b>	<b>9.7</b>	<b>13.8</b>	<b>19.9</b>	<b>4.4</b>	<b>(2.1)</b>	<b>(1.4)</b>	<b>(0.4)</b>	<b>0.0</b>
<b>Ending NFP/(Debt)</b>	<b>(43.6)</b>	<b>(43.6)</b>	<b>(74.2)</b>	<b>(83.8)</b>	<b>(75.5)</b>	<b>(62.1)</b>	<b>(42.2)</b>	<b>(78.6)</b>	<b>(86.1)</b>	<b>(76.4)</b>	<b>(62.7)</b>	<b>(42.7)</b>	<b>4.4</b>	<b>2.3</b>	<b>1.0</b>	<b>0.6</b>	<b>0.6</b>

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

<b>Fine Foods – P&amp;L (Eu mn)</b>	<b>'15A</b>	<b>'16A</b>	<b>'17A</b>	<b>'18A</b>	<b>'19A</b>	<b>'20A</b>	<b>'21A</b>	<b>'22A</b>	<b>'23A</b>	<b>'24E</b>	<b>'25E</b>	<b>'26E</b>	<b>'27E</b>	<b>'28E</b>
<b>Total Revenues</b>	<b>102</b>	<b>113</b>	<b>120</b>	<b>139</b>	<b>160</b>	<b>172</b>	<b>195</b>	<b>207</b>	<b>252</b>	<b>252</b>	<b>289</b>	<b>347</b>	<b>385</b>	<b>424</b>
Total OpEx	(89)	(98)	(104)	(121)	(142)	(151)	(175)	(191)	(230)	(221)	(252)	(299)	(331)	(363)
<b>EBITDA</b>	<b>13</b>	<b>15</b>	<b>16</b>	<b>19</b>	<b>17</b>	<b>21</b>	<b>20</b>	<b>15</b>	<b>22</b>	<b>31</b>	<b>37</b>	<b>48</b>	<b>54</b>	<b>61</b>
% EBITDA Margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D&A and writedown	(5)	(6)	(7)	(8)	(9)	(12)	(15)	(16)	(21)	(16)	(17)	(20)	(22)	(22)
<b>EBIT</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>8</b>	<b>9</b>	<b>5</b>	<b>(1)</b>	<b>1</b>	<b>15</b>	<b>20</b>	<b>28</b>	<b>33</b>	<b>39</b>
% EBIT Margin	0	0	0	0	0	0	0	(0)	0	0	0	0	0	0
Net Financial Charges	(0)	(0)	(0)	0	(0)	(0)	(1)	(5)	(5)	(3)	(4)	(4)	(4)	(3)
Other Charges and Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Operating Margin</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>0</b>	<b>17</b>	<b>(5)</b>	<b>(14)</b>	<b>(2)</b>	<b>12</b>	<b>16</b>	<b>23</b>	<b>29</b>	<b>36</b>
Taxes	(3)	(3)	(2)	(2)	(3)	(3)	3	5	(2)	(2)	(3)	(5)	(7)	(8)
Tax Rate %	-32%	-31%	-27%	-17%	n.m.	-20%	n.m.	n.m.	n.m.	-18%	-20%	-23%	-23%	-23%
<b>Net Income</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>(3)</b>	<b>13</b>	<b>(1)</b>	<b>(10)</b>	<b>(4)</b>	<b>10</b>	<b>13</b>	<b>18</b>	<b>22</b>	<b>28</b>
<b>Adj. Net Income</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>9</b>	<b>12</b>	<b>9</b>	<b>10</b>	<b>(9)</b>	<b>5</b>	<b>10</b>	<b>13</b>	<b>18</b>	<b>22</b>	<b>28</b>

<b>Fine Foods – BS (Eu mn)</b>	<b>'15A</b>	<b>'16A</b>	<b>'17A</b>	<b>'18A</b>	<b>'19A</b>	<b>'20A</b>	<b>'21A</b>	<b>'22A</b>	<b>'23A</b>	<b>'24E</b>	<b>'25E</b>	<b>'26E</b>	<b>'27E</b>	<b>'28E</b>
Intangible Assets	1	1	1	4	3	2	25	23	16	16	16	16	16	16
Tangible Assets	39	42	57	79	89	93	103	104	107	143	155	163	170	179
Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>40</b>	<b>43</b>	<b>59</b>	<b>82</b>	<b>93</b>	<b>95</b>	<b>128</b>	<b>127</b>	<b>123</b>	<b>160</b>	<b>172</b>	<b>179</b>	<b>187</b>	<b>195</b>
NWC	10	10	2	19	16	4	39	44	43	44	51	50	49	45
<b>Gross inv. capital</b>	<b>51</b>	<b>53</b>	<b>61</b>	<b>101</b>	<b>108</b>	<b>100</b>	<b>167</b>	<b>171</b>	<b>166</b>	<b>203</b>	<b>223</b>	<b>230</b>	<b>235</b>	<b>240</b>
other funds	(1)	(1)	(1)	(8)	(2)	(1)	(4)	6	5	4	4	4	4	4
<b>Net invested capital</b>	<b>49</b>	<b>52</b>	<b>59</b>	<b>93</b>	<b>106</b>	<b>98</b>	<b>163</b>	<b>177</b>	<b>171</b>	<b>208</b>	<b>227</b>	<b>234</b>	<b>240</b>	<b>244</b>
Group Equity	31	33	39	140	131	141	147	133	127	134	143	159	178	202
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash (Debt)</b>	<b>(18)</b>	<b>(19)</b>	<b>(20)</b>	<b>47</b>	<b>24</b>	<b>43</b>	<b>(16)</b>	<b>(44)</b>	<b>(44)</b>	<b>(74)</b>	<b>(84)</b>	<b>(75)</b>	<b>(62)</b>	<b>(42)</b>
<b>Total cover</b>	<b>49</b>	<b>52</b>	<b>59</b>	<b>93</b>	<b>106</b>	<b>98</b>	<b>163</b>	<b>177</b>	<b>171</b>	<b>208</b>	<b>227</b>	<b>234</b>	<b>240</b>	<b>244</b>

<b>Fine Foods – FCF (Eu mn)</b>	<b>'15A</b>	<b>'16A</b>	<b>'17A</b>	<b>'18A</b>	<b>'19A</b>	<b>'20A</b>	<b>'21A</b>	<b>'22A</b>	<b>'23A</b>	<b>'24E</b>	<b>'25E</b>	<b>'26E</b>	<b>'27E</b>	<b>'28E</b>
<b>Net Profit</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>(3)</b>	<b>13</b>	<b>(1)</b>	<b>(10)</b>	<b>(4)</b>	<b>10</b>	<b>13</b>	<b>18</b>	<b>22</b>	<b>28</b>
D&A	5	6	7	8	9	12	15	16	21	16	17	20	22	22
Delta NWKC	(5)	(1)	5	(11)	1	9	(14)	(14)	(2)	(1)	(7)	1	2	4
Change in funds/other	(1)	1	4	(6)	3	2	(12)	11	3	-	-	-	-	-
<b>FCFO</b>	<b>4</b>	<b>12</b>	<b>21</b>	<b>0</b>	<b>10</b>	<b>36</b>	<b>(14)</b>	<b>4</b>	<b>19</b>	<b>25</b>	<b>23</b>	<b>39</b>	<b>46</b>	<b>54</b>
Capex (Fixed & Intangible Assets)	(8)	(10)	(22)	(32)	(20)	(16)	(17)	(15)	(18)	(53)	(29)	(27)	(29)	(31)
<b>Equity FCF</b>	<b>(3)</b>	<b>2</b>	<b>(1)</b>	<b>(31)</b>	<b>(10)</b>	<b>20</b>	<b>(30)</b>	<b>(12)</b>	<b>0</b>	<b>(28)</b>	<b>(7)</b>	<b>11</b>	<b>16</b>	<b>23</b>
Acquisitions	-	-	-	-	-	-	(42)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	(5)	-	-	(2)	(3)	(3)	(4)	(2)	(3)	(3)	(3)	(3)	(3)
Share Buy-back	-	-	-	-	(5)	(4)	(8)	(1)	-	-	-	-	-	-
Rights Issue/ ipo	-	-	-	100	-	-	-	-	-	-	-	-	-	-
Other	(0)	2	(0)	(1)	(5)	5	25	(12)	2	-	-	-	-	-
<b>Change in NFP</b>	<b>(4)</b>	<b>(1)</b>	<b>(1)</b>	<b>67</b>	<b>(22)</b>	<b>18</b>	<b>(58)</b>	<b>(28)</b>	<b>0</b>	<b>(31)</b>	<b>(10)</b>	<b>8</b>	<b>13</b>	<b>20</b>
Opening Net Cash (Debt)	(14)	(18)	(19)	(20)	47	24	43	(16)	(44)	(44)	(74)	(84)	(75)	(62)
<b>Ending Net Cash (Debt)</b>	<b>(18)</b>	<b>(19)</b>	<b>(20)</b>	<b>47</b>	<b>24</b>	<b>43</b>	<b>(16)</b>	<b>(44)</b>	<b>(44)</b>	<b>(74)</b>	<b>(84)</b>	<b>(75)</b>	<b>(62)</b>	<b>(42)</b>

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



## DCF Valuation

On our new estimates and WACC (both unchanged), we confirm our DCF-based TP at €12. At our target, which offers 43% upside to the current price, the stock would be trading at 10x EV/EBITDA'25E (currently 8x), slightly above its historical average.

### Fine Foods – DCF Model (WACC unchanged at 8.7%, g still 2.5%)

(Eu mn)	24E	25E	26E	27E	28E	29E	30E	31E	32E	33E	34E	35E	TV
<b>Net Revenues</b>	<b>252.3</b>	<b>288.9</b>	<b>347.2</b>	<b>384.9</b>	<b>424.0</b>	<b>460.5</b>	<b>492.2</b>	<b>524.0</b>	<b>555.5</b>	<b>586.5</b>	<b>616.7</b>	<b>642.1</b>	<b>657.8</b>
<i>YoY growth</i>	0.2%	14.5%	20.2%	10.8%	10.2%	8.6%	6.9%	6.5%	6.0%	5.6%	5.1%	4.1%	2.5%
<b>EBITDA</b>	<b>31.0</b>	<b>37.0</b>	<b>47.9</b>	<b>54.1</b>	<b>61.5</b>	<b>66.3</b>	<b>70.7</b>	<b>75.3</b>	<b>79.5</b>	<b>83.6</b>	<b>87.9</b>	<b>91.5</b>	<b>92.4</b>
% margin	12.3%	12.8%	13.8%	14.1%	14.5%	14.4%	14.4%	14.4%	14.3%	14.3%	14.3%	14.3%	14.0%
D&A	(16.1)	(17.3)	(20.1)	(21.6)	(22.5)	(25.3)	(27.1)	(28.8)	(30.6)	(32.3)	(33.9)	(35.3)	(39.5)
as % of sales	6.4%	6.0%	5.8%	5.6%	5.3%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	6.0%
<b>EBIT</b>	<b>14.9</b>	<b>19.6</b>	<b>27.8</b>	<b>32.6</b>	<b>39.0</b>	<b>41.0</b>	<b>43.7</b>	<b>46.5</b>	<b>48.9</b>	<b>51.3</b>	<b>54.0</b>	<b>56.2</b>	<b>52.9</b>
% margin	5.9%	6.8%	8.0%	8.5%	9.2%	8.9%	8.9%	8.9%	8.8%	8.8%	8.8%	8.8%	8.0%
Taxes	(3.6)	(4.7)	(6.7)	(7.8)	(9.4)	(9.8)	(10.5)	(11.2)	(11.7)	(12.3)	(13.0)	(13.5)	(12.7)
<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	(0.9)	(7.3)	0.5	1.9	4.0	(4.2)	(7.5)	(8.1)	(8.5)	(8.9)	(9.3)	(9.0)	-
Capex	(52.6)	(29.4)	(27.4)	(29.2)	(31.2)	(25.3)	(27.1)	(28.8)	(30.6)	(32.3)	(33.9)	(35.3)	(39.5)
as % of sales	20.9%	10.2%	7.9%	7.6%	7.4%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	6.0%
<b>Unlevered FCF</b>	<b>(26.0)</b>	<b>(4.5)</b>	<b>14.4</b>	<b>19.0</b>	<b>24.9</b>	<b>26.9</b>	<b>25.7</b>	<b>27.3</b>	<b>28.7</b>	<b>30.1</b>	<b>31.7</b>	<b>33.8</b>	<b>40.2</b>
TV													647.1
year	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	12.0
Discounted WACC		0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.4
<b>Discounted Free cash flow</b>		<b>(3.8)</b>	<b>11.2</b>	<b>13.6</b>	<b>16.5</b>	<b>16.4</b>	<b>14.3</b>	<b>14.0</b>	<b>13.6</b>	<b>13.1</b>	<b>12.7</b>	<b>12.5</b>	<b>238.8</b>

Discounted FCF '25E-35E	134.1
Terminal value	238.8
<b>Total EV</b>	<b>372.9</b>
NFP/(Debt) at YE24	(74.2)
Minorities	0.0
own shares	8.8
<b>Total EQUITY (Eu mn)</b>	<b>307.5</b>
NOSH (mn)	25.6
<b>Fair value (Eu/share)</b>	<b>12.0</b>
current price (Eu/share)	8.4
<i>upside vs current price</i>	43%

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

		g										
		2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%
WACC	7.7%	12.8	13.0	13.2	13.4	13.6	13.8	14.1	14.3	14.5	14.8	15.1
	7.9%	12.5	12.6	12.8	13.0	13.2	13.4	13.6	13.8	14.1	14.3	14.6
	8.1%	12.1	12.3	12.5	12.7	12.8	13.0	13.2	13.4	13.6	13.9	14.1
	8.3%	11.8	12.0	12.2	12.3	12.5	12.7	12.9	13.1	13.2	13.5	13.7
	8.5%	11.6	11.7	11.9	12.0	12.2	12.3	12.5	12.7	12.9	13.1	13.3
	8.7%	11.3	11.4	11.6	11.7	11.9	12.0	12.2	12.4	12.5	12.7	12.9
	8.9%	11.0	11.2	11.3	11.4	11.6	11.7	11.9	12.1	12.2	12.4	12.6
	9.1%	10.8	10.9	11.1	11.2	11.3	11.5	11.6	11.8	11.9	12.1	12.2
	9.3%	10.6	10.7	10.8	10.9	11.1	11.2	11.3	11.5	11.6	11.8	11.9
	9.5%	10.4	10.5	10.6	10.7	10.8	11.0	11.1	11.2	11.4	11.5	11.6
9.7%	10.2	10.3	10.4	10.5	10.6	10.7	10.9	11.0	11.1	11.2	11.4	

Source: Intermonte SIM

## Peer Multiples

Given the lack of a meaningful comparison provided by the peer group due to significant diversification in terms of size, vertical integration, geographical footprint, capital structure and profitability compared to Fine Foods, we do not include a peer comparison in our valuation. **In any case, at current prices, Fine Foods is trading at 8x EV/adj. EBITDA for 25E (a c.45% discount to the peer average) and 17x P/E'25E (peers at 22x).**

### Fine Foods - Peer Multiples

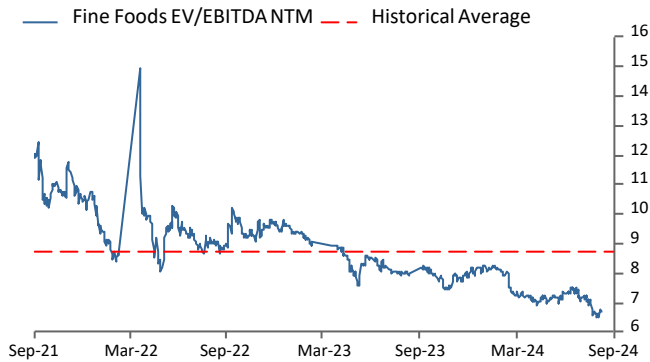
Company	Currency	Price	Mkt. Cap (Eu mn)	Abs. Perf. (%)				EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			Adj. P/E (x)			Div. Yield (%)		
				1m	3m	6m	YTD	'24E	'25E	'26E	'24E	'25E	'26E	'24E	'25E	'26E	'24E	'25E	'26E	'24E	'25E	'26E
FF (@mkt price, our est.)	EUR	8.40	215	1%	-8%	0%	-6%	1.1	1.0	0.8	9.3	8.1	6.1	19.4	15.2	10.4	21.9	16.8	11.9	1.4%	1.4%	1.4%
FF (@mkt price, cons.)	EUR	8.40	215	1%	-8%	0%	-6%	0.7	0.4	0.4	6.0	3.3	2.9	12.7	n.a.	n.a.	21.8	16.5	11.9	1.4%	1.4%	1.4%
FF (@ our TP, our est.)	EUR	12.0	307					1.5	1.4	1.1	12.3	10.6	8.0	25.6	19.9	13.8	31.3	24.0	17.0	1.0%	1.0%	1.0%
InterCos	EUR	14.94	1,438	-7%	-8%	8%	3%	1.4	1.3	1.2	10.1	8.9	8.0	15.1	13.1	11.6	21.9	18.6	16.5	1.5%	1.7%	2.0%
Catalent	USD	59.69	9,766	0%	7%	6%	33%	3.5	3.3	3.0	21.9	17.1	14.3	49.3	29.8	22.7	n.a.	46.4	29.0	0.0%	0.0%	0.0%
Lonza Group AG	CHF	554.80	42,621	0%	12%	18%	53%	6.5	5.6	5.0	23.1	19.5	16.8	34.0	28.6	24.1	44.4	36.6	30.4	0.8%	1.0%	1.1%
Piramal Enterprises Ltd.	INR	1119.30	2,713	8%	24%	24%	15%	4.7	3.9	3.3	n.a.	n.a.	n.a.	14.3	10.2	7.2	0.4	0.2	0.1	1.2%	1.4%	1.8%
Strides Pharma Science Ltd	INR	1353.50	1,338	20%	46%	68%	108%	2.7	2.4	n.a.	13.5	11.6	n.a.	17.9	14.9	n.a.	0.3	0.2	n.a.	0.2%	0.2%	0.0%
Siegfried Holding AG	CHF	1176.00	5,645	13%	23%	23%	32%	4.3	4.0	3.6	19.6	17.6	15.4	27.7	24.4	21.3	37.0	32.3	28.2	0.3%	0.4%	0.4%
<b>Peer Group</b>								<b>3.9</b>	<b>3.4</b>	<b>3.2</b>	<b>17.6</b>	<b>14.9</b>	<b>13.6</b>	<b>26.4</b>	<b>20.2</b>	<b>17.4</b>	<b>20.8</b>	<b>22.4</b>	<b>20.9</b>	<b>0.7%</b>	<b>0.8%</b>	<b>0.9%</b>
<i>FF discount to peers</i>								-70%	-70%	-74%	-47%	-46%	-65%	-26%	-25%	-40%	5%	-25%	-43%			

FTSE Italia Mid Cap	45,604	1%	-5%	-3%	2%
<b>FTSE Italia Star</b>	<b>45,214</b>	<b>1%</b>	<b>-6%</b>	<b>-3%</b>	<b>-5%</b>
FTSE MIB	33,454	5%	-3%	-1%	10%
FTSE Italia Growth Index	7,894	0%	-3%	-2%	-5%

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

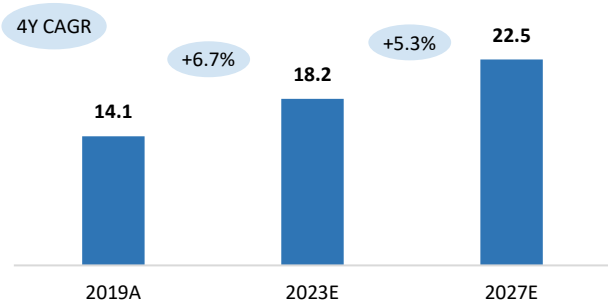
### Company description

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, biocide, 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

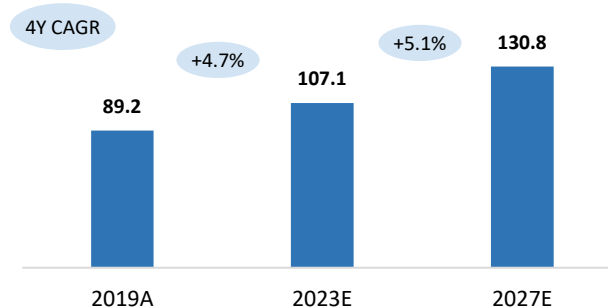
- Exposure to secular trends (life expectancy, well-being awareness) of steadily growing and non-cyclical segments
- High customer loyalty and significant entry/exit barriers
- Increasing outsourcing to CDMOs in pharma segment
- Right scale to play consolidation in Italy
- Diversification across sectors with cross-selling opportunities
- High employee engagement (best-in-class retention rate)

### Food - European Dietary Supplement Market (Eu bn)



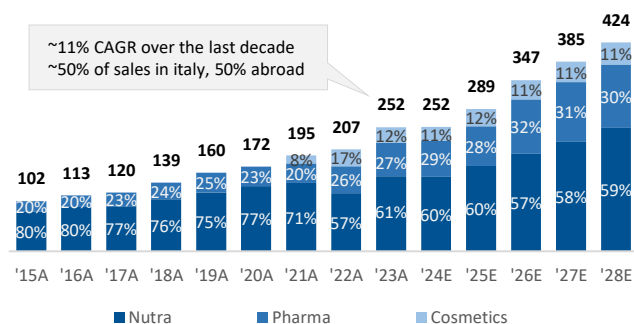
Source: Company presentation

### Cosmetics - European Core Market (Eu bn)



Source: Company presentation

### Fine Foods – Net Revenue Trend (2015-'28E)



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

### Management

**Chairman and CEO:** M. Eigenmann  
**CEO:** Pietro Oriani  
**CFO:** Pietro Bassani

**Next BoD renewal:** 29 May 2024  
**BoD independent members:** 4/10  
**BoD women:** 4/10

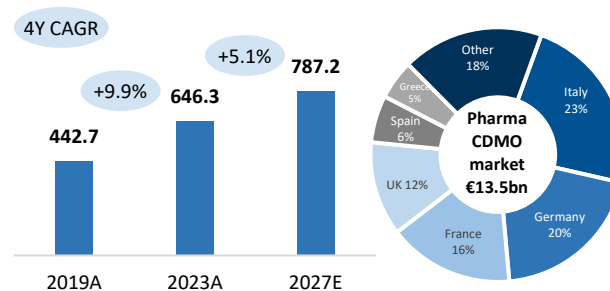
### Shareholders

Marco Eigenmann 52.7%  
 Treasury Shares 4.2%  
 Market 43.1%  
**Free float (listed shares) ~53.9%**

### Weaknesses/Threats

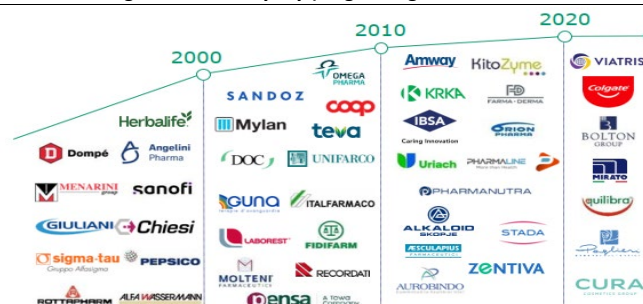
- Short-term visibility on production volumes (orders submitted by clients on a quarterly basis)
- Unpredictable evolution of energy costs and raw mats
- Limited customer power due to high concentration (top 5 clients c. 60.6% of Group sales in 2023)
- No patent protection (no proprietary trademarks)
- Any adverse change to the regulatory framework
- Potential shifts in consumer behaviour patterns and needs

### Pharma - European Production and EU CDMO Market Value (Eu bn)



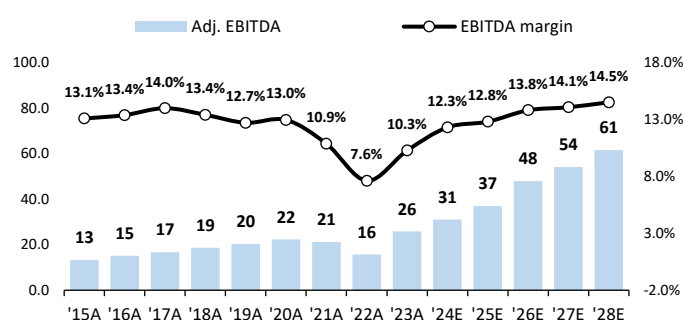
Source: Company presentation

### Fine Foods – High Customer Loyalty (long lasting relations with 130 clients)



Source: Company Presentation

### Fine Foods – Adj. EBITDA and Margin Trend (2015-'28E)



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

<b>DETAILS ON STOCKS RECOMMENDATION</b>			
<b>Stock NAME</b>	<b>FINE FOODS</b>		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.00	Previous Target (Eu):	12.00
Current Price (Eu):	8.40	Previous Price (Eu):	8.50
Date of report:	16/09/2024	Date of last report:	16/05/2024