

# FINE FOODS

Sector: Industrials

# OUTPERFORM

Price: Eu8.10 - Target: Eu12.00

## Business Recovery Well On Track Thanks to Management Actions

**Giorgio Tavolini +39-02-77115.279**

giorgio.tavolini@intermonte.it

**Andrea Randone +39-02-77115.364**

andrea.randone@intermonte.it

### Stock Rating

**Rating:** Unchanged

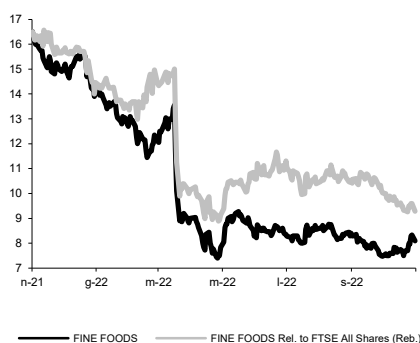
**Target Price (Eu):** Unchanged

	2022E	2023E	2024E
<b>Chg in Adj EPS</b>	nm	0.8%	0.5%

### Next Event

FY22 Results out late March 2023

### FINE FOODS - 12M Performance



### Stock Data

**Reuters code:** FF.MI

**Bloomberg code:** FF IM

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

### Shareholder Data

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

### Balance Sheet Data

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

- 3Q/9M results at a glance:** 9M results were 1%/2% better on the top line/adj. EBITDA, confirming a steady business recovery for Fine Foods as a result of strengthening R&D, marketing, and commercial activities, but also of the timely and effective cost cutting actions implemented by management. The top line stood at €152.8mn in 9M, with the YoY trend improving (9M: +5.5% YoY of which 1Q: -1.1%, 2Q: +3.1%, 3Q: +15.6%), still supported by very strong trends in Pharma (9M: +42% YoY of which 1Q: +19%, 2Q: +49%, 3Q: +31%) leading to €40.0mn revenues in 9M (26% of total sales), exceeding FY21 turnover (€38.3mn) in just 9 months. Cosmetics (9M22: €26.5mn) benefitted from the Euro Cosmetic (EC) consolidation (from 4Q21): on a pro-forma basis organic growth was 8.5%, driven by the integration of the two companies. On the other hand, Food (9M: €86.4mn -19% YoY, 57% of sales) saw similar trends as 1H (-22.5% YoY) hit by shrinking output for markets affected by the Russia-Ukraine war and the slowdown of clients' activities in Multilevel Marketing, resulting in an anticyclical downturn in sales in the post-Covid recovery.
- Focus on profitability.** Adj. EBITDA reached €12.6mn in 9M (8.2% margin), due to the supply chain crisis and the significant increase in energy costs (€5.4mn in 9M, 3.5% of sales; 1% in 9M21) in 3Q in particular (€2.6mn, 5% of sales). Excluding energy cost increases, the adj. EBITDA margin was 12% in 3Q and 10.8% in 9M22, closer to historical levels. In 3Q, the material and energy cost increases were further shared with customers, while the impact of production downtime was reduced due to efficient stock management. The net loss (-€11.6mn) increased due to a €3.2mn write off of a financial receivable related to a claim against former EC shareholders. Indeed, following an expert opinion, FF was granted a reimbursement of €3.5mn for purchase price adjustment out of the € 6.7mn originally requested; FF is considering further action to recover the claim in its entirety. On the other hand, we had already captured the negative mark-to-market change in FV (€-7.9mn, non-cash item) related to the parent company's equity securities. Net debt was marginally better at €46.8m, with further WC absorption in 3Q related to the rise in trade receivables and inventories due to raw material and packaging procurement issues.
- More reassuring short-term outlook:** management is optimistic about the outlook for the coming months and the ongoing improvement of critical supply chain issues, leveraging on: a) strengthening R&D, marketing and sales activities and implementing continuous improvement projects; b) integration and developments in the Cosmetics BU to bring further opportunities; c) policies for inventory management and for recharging the cost of raw and packaging materials; d) energy efficiencies from the 2 photovoltaic systems from 4Q onwards.
- Updated estimates.** At this early stage, we are virtually confirming our FY22-24 top line estimates (although with a better mix of Pharma and Cosmetics vs. Food), while for this year below EBITDA we capture the €3.2mn write off of the financial receivable. 2023-24 adj. EPS +0.8%/+0.5%.
- OUTPERFORM confirmed; target still €12.0.** Our DCF model leads us to confirm our €12.0 TP. Despite the complete unpredictability of energy cost trends, we appreciate the effectiveness of the turnaround strategy undertaken so far and management's confidence in the short/medium-term outlook thanks in part to the continuing improvement of supply chain problems: this prompts us to confirm our positive rating. Fine Foods is well placed to outperform peers, having largely outgrown its core end-markets in the last decade, and enjoys solid operating trends by leveraging its critical mass as the largest Italian CDMO, highly visible customer demand (resulting in enduring relations and increasing share of wallet), and the additional capacity secured through investments, as well as the ability to seize further M&A opportunities for quality assets in adjacent markets or to act as a natural aggregator.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	172	193	208	236	259
EBITDA Adj (Eu mn)	22	21	17	26	33
Net Profit Adj (Eu mn)	9	10	-12	8	13
EPS New Adj (Eu)	0.398	0.398	-0.486	0.325	0.519
EPS Old Adj (Eu)	0.398	0.398	-0.353	0.323	0.517
DPS (Eu)	0.141	0.160	0.160	0.160	0.208
EV/EBITDA Adj	9.6	17.8	15.3	9.2	7.1
EV/EBIT Adj	20.0	nm	nm	21.9	13.4
P/E Adj	20.3	20.4	nm	24.9	15.6
Div. Yield	1.7%	2.0%	2.0%	2.0%	2.6%
Net Debt/EBITDA Adj	-1.9	0.7	3.0	1.2	0.8

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report

**DISCLAIMER (for more details go to [DISCLAIMER](#))**

**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website [www.intermonte.it](http://www.intermonte.it) under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

**ANALYST CERTIFICATION**

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

**GUIDE TO FUNDAMENTAL RESEARCH**

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) 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 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P/IB40 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 2022 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

BUY:	38.46 %
OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

**CONFLICT OF INTEREST**

In order to disclose its possible conflicts of interest Intermonte SIM states that:

**Intermonte SIM SpA is acting as ECM Advisor in GPI's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte will receive fees from the company for its activity as ECM Advisor.**

**Intermonte SIM is acting as Global Coordinator in the proposed Unidata's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. Intermonte is also acting as Listing Agent in the proposed Unidata's Translisting. Intermonte will receive fees from the company for its activity as Global Coordinator and Listing Agent.**

Within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems.

**Intermonte SIM** has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Amalfi Holding (on La Doria shares), ASGM-AIM, Be, Cellularline, Cy4Gate, Esprint, GPI, Greenthesis (formerly Ambientthesis), Growens, Gruppo Catagione (in connection with roadshow activities ahead of 2022 Generali AGM), Illimity Bank, Link Mobility Group (on AMM shares), Maire Tecnimont, OVS, Tinexta, Unidata and WIIT.

**Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.**

**Intermonte SIM** is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Aquafly, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularline, Civitanavi Systems, Cybero, Cy4gate, DeA Capital, Datrix, El.En, Eles, Elica, Emak, Esprint, Expert AI, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, GPI, Greenthesis (formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Next Re SIQ, Omer, Pharanutra, Reevo, Relatech, Reply, Sababa Security, Saes Getters, Salcef, Sciucker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

**Intermonte SIM** has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

**Intermonte SIM** performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNH, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

**Intermonte SIM** is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsp, Campari, CIR- Compagnie Industriali Riunite, Credito Emiliano, Danieli & C., Danieli & C. Risparmio, Diadorini, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C., Poste Italiane, Prysmian, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, UnipolSai.

**Intermonte SIM**, through Websim and TIE, which constitute the digital division of Intermonte, acts as a Retail Investor Research Provider on the following companies: Abitare In, Aedes, Aleph Finance, Alkemy, Banca Sistema, Borgosesia 1873, B&C Speakers, Casta Diva Group, Cattolica Assicurazioni, Cellularline, Circle, Cleanbn, Comer Industries, Convergence Spa, Crowdfundme, Cy4Gate, Cybero, Dhh, Digital Bros, Digital Magics, Doxee, Edilizacrobatica Spa, Eles, Elica, Emak, Esi, Esprint, Fabilla, Fenix Entertainment, Fiera Milano, Finlog, First Capital, Fope, Fos, Franche Umberto Marmi, Generali Assicurazioni, Giglio, Gismondi 1754, Go Internet, Gpi, H-Farm, ID-Entity, Iervolino & Lady Bacardi Entertainment, Indel B, International Care Company, Intred, Kolinpharma, Lindbergh, LVenture, Maps, Masi Agricola, Matica Fintec, Neodecoratech, Nice Footwear Spa, Notorious Pictures, Nusco SPA, Nvp, Omer Spa, Orsero Group, Osai Automation System, Piaggio, Pierrel, Promotica, Reevo Spa, Relatech, Reti, Salcef Group, Sciucker Frames, Sebino, Sit Group, Sos Travel, Sourcesense, Spindox Digital Soul, Supplyncapital, Take Off, Tamburi, Tenax International, Tesmec, The Italian Sea Group, Tinexta, Tps, Trenddevice, Tribuo, Ullise Biomed, Unidata, Vantesa Smart, Websolite, WIIT.

**Intermonte SIM**, through Websim and TIE, which constitute the digital division of Intermonte, carries out marketing/communications on behalf of equity crowdfunding portals, Crowdfundme and the following issuers: Barlays, BNP Paribas, Cirdan, Exane, Goldman Sachs, Franklin Templeton, Leonteq, Marex, Mediobanca, SPDR, Unicredit, Vontobel, Wisdomtree.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
-----------	---	------------

**© Copyright 2022 by Intermonte SIM - All rights reserved**

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available