

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu8.40 - Target: Eu12.70

Volatile Quarter Should Not Be Taken As Proxy For Future

Giorgio Tavolini +39-02-77115.279
 giorgio.tavolini@intermonte.it
Andrea Randone +39-02-77115.364
 andrea.randone@intermonte.it

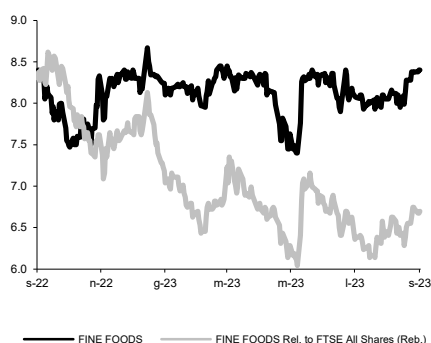
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	-0.2%	-0.5%

Next Event

3Q23 Results 14 November

FINE FOODS - 12M Performance



Stock Data

Reuters code:	FF.MI
Bloomberg code:	FF IM

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

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	215
Total Mkt Cap (Eu mn):	215
Mkt Float - Ord (Eu mn):	102
Mkt Float (in %):	47.3%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.7%

Balance Sheet Data

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

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

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

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

■ OUTPERFORM confirmed; target still €12.7. As a result of the reorganisation of the Cosmetics business, 2Q turned out to be a very volatile quarter that should not be taken as a proxy for future trends, while we welcome management indications on current trading, enhancing visibility on the remainder of the year. We therefore confirm our positive view on the stock: a re-acceleration of growth in the coming months fuelled by ongoing business recovery and lower energy costs might rekindle interest in the equity story and allow the stock to benefit from a significant re-rating in the short term, even without any material upgrade to current expectations. On our new estimates, we confirm our TP at €12.7. FF is well placed to outperform peers, having grown notably faster than its core end markets in the last decade. It enjoys solid operating trends through leveraging its critical mass as the largest Italian CDMO, as well as highly visible customer demand (resulting in enduring relations and an increasing share of wallet), additional capacity secured through investments, and the ability to seize further M&A opportunities for quality assets in adjacent markets or to act as a natural aggregator.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	195	207	252	278	306
EBITDA Adj (Eu mn)	21	16	28	34	41
Net Profit Adj (Eu mn)	10	-9	9	13	17
EPS New Adj (Eu)	0.398	-0.338	0.354	0.518	0.669
EPS Old Adj (Eu)	0.398	-0.338	0.354	0.519	0.672
DPS (Eu)	0.160	0.100	0.142	0.207	0.267
EV/EBITDA Adj	17.8	18.3	9.5	7.7	6.6
EV/EBIT Adj	nm	nm	21.3	14.6	11.6
P/E Adj	21.1	nm	23.7	16.2	12.6
Div. Yield	1.9%	1.2%	1.7%	2.5%	3.2%
Net Debt/EBITDA Adj	0.7	2.8	1.7	1.3	1.3

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 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 certifies 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) 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&P500 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 June 2023 Intermonte's Research Department covered 118 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.08 %
OUTPERFORM:	52.99 %
NEUTRAL:	22.22 %
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 %

CONFLICT OF INTEREST

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

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

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, 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, Aquafil, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularline, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, Datrix, El.En, Eles, Elica, Emak, Esprinet, 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, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Salcef, Sciuker 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, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMB, 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, Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Comer Industries, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Edilziacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Finanza.Tech, First Capital, Fope, FOS, Franchi Umberto Marmi, Giglio Group, Go Internet, GPI, Iervolino & Lady Bacardi Entertainment, Intercos, Intred, Iscc Fintech, Lindbergh, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nhoa, Notorious Pictures, Orsero Group, Osai Automation System, Racing Force Group, Relatech, Reti, Salcef Group, Sciuker Frames, Sebino, SGCompany, Solid World Group, Spindox Digital Soul, Supplymecapital, Tamburi, Tesmec, The Italian Sea Group, Tinexta, Tps Group, Trendevce, Tribuo, Ulisse Biomed, Vantea Smart, Wiit. 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 2023 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