Intermonte

Milan, 15 November 2024

Italian Equity Research – 9M24 Results

FINE FOODS

OUTPERFORM

Sector: Industrials

Price: Eu8.12 - **Target: Eu12.00**

Margins Keeping Pace, Partial CapEx Shift to 2025

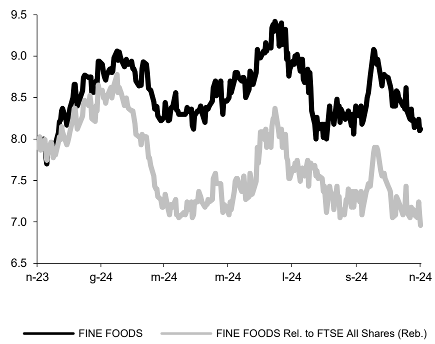
Giorgio Tavolini +39-02-77115.279
giorgio.tavolini@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.3%	-0.5%	-1.4%

Next Events

FY24 Results late March 2025

FINE FOODS - 12M Performance



Stock Data			
Reuters code:			FF.MI
Bloomberg code:			FF IM
Performance	**1M**	**3M**	**12M**
Absolute	-7.1%	-0.7%	2.8%
Relative	-6.2%	-6.7%	-13.8%
12M (H/L)			9.42/7.70
3M Average Volume (th):			5.19

Shareholder Data	
No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	208
Total Mkt Cap (Eu mn):	208
Mkt Float - Ord (Eu mn):	98
Mkt Float (in %):	47.3%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.7%

Balance Sheet Data	
Book Value (Eu mn):	133
BVPS (Eu):	5.22
P/BV:	1.6
Net Financial Position (Eu mn):	-53
Enterprise Value (Eu mn):	260

- **9M24 results.** Despite revenues closing in line with our expectations in each business unit, the company delivered a strong margin at 13.2% (up 3pp YoY, our expectation 12.9%), resulting in a positive EBITDA surprise (+3% vs. our forecast). This outcome was supported by the revised pricing policy introduced in 2H23, which mitigated the impact of raw material and packaging costs on revenues. At bottom line, the positive surprise was further amplified by lower D&A, financial charges and taxes. Net debt came in at €45.0mn (our exp. €47.5mn) slightly higher than at YE23 due to solid FCFO (€26mn, our exp. €27mn) almost entirely absorbed by CapEx (€24.3mn), dividends (€2.9mn) and buybacks (€0.1mn).
- **Divisional trends**: group revenues came to €177mn (-4.6% YoY) reflecting: a) a still relatively challenging YoY comparison (9M23: +22% YoY); b) different order phasing in the Cosmetics BU (€19.5mn, -16% YoY) due to delays to new business developments and a customer portfolio review; c) the expected drop in the Nutra BU (€102.5mn, -8% YoY) to factor in ongoing sector issues (temporary realignment of inventories by certain customers, already mentioned in 1Q24), but also the challenging YoY comp (9M23: +29% YoY); d) an accelerating performance in the Pharma BU (€55.2mn, +9% YoY, 3Q: +13%) despite a tough comp (9M23: +27% YoY).
- **Confident tone from management team:** a recovery in 4Q is expected to bring 2024 revenues close to 2023 levels. In our view, there could be a slight decline if nutraceuticals and cosmetics remain flat, with pharma growth similar to 3Q. The 9M EBITDA margin of 13% is likely to hold up in 4Q, supported by strong Nutra & Pharma profitability. Some CapEx initially planned for 4Q may be deferred to 2025, resulting in lower YE24 net debt. On "Project X", there was good feedback from the pharma client's visit to the production site. Capacity expansion programmes are on track.
- **Estimates update:** we are revising our estimates, now assuming a 3% decline in the FY top line (flat previously) to reflect a less spectacular trajectory in 4Q (now +3% vs. +13.5% previously), which is more than offset by a higher margin (c.12.8% from 10%) in line with 9M. Additionally, we are factoring in higher financial charges and taxes and deferring around €15mn in CapEx from 4Q to FY25. These adjustments result in minimal EPS cuts.
- **OUTPERFORM confirmed; target still €12.** While the Nutra and Cosmetics top lines were hit by temporary issues that should normalise in 4Q, 9M results provided greater clarity on the margin trajectory. Confirmation of the current outlook should therefore allow for a degree of flexibility given the visibility on the coming quarters. FF is well placed to gain market share and outperform peers, having grown notably faster than its core end markets over 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)	245	281	338	375	412
EBITDA Adj (Eu mn)	32	37	47	53	60
Net Profit Adj (Eu mn)	10	13	18	22	27
EPS New Adj (Eu)	0.383	0.498	0.695	0.848	1.056
EPS Old Adj (Eu)	0.384	0.500	0.705	0.867	1.082
DPS (Eu)	0.117	0.117	0.117	0.117	0.117
EV/EBITDA Adj	8.1	7.6	6.0	5.0	4.1
EV/EBIT Adj	15.8	14.0	10.3	8.4	6.5
P/E Adj	21.2	16.3	11.7	9.6	7.7
Div. Yield	1.4%	1.4%	1.4%	1.4%	1.4%
Net Debt/EBITDA Adj	1.6	2.1	1.5	1.1	0.6

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 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"). 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 Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

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&PMIB40 Index, most of those on the MIDEX 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 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:
Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.
Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.
Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aquafil, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambienthesis), 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, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DHH, El.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, GPI, Greenthesis (formerly Ambienthesis), IEG, IndelB, Intred, Luve, Misitano & Stracuzzi, Mondadori, Notorious Pictures, Omer, Pharmanutra, Relatech, Reply, Revo Insurance, Reway, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, SyS-Dat Group, Talea, 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 performes 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, 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, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider and/or Specialist and/or Corporate Broker on the following companies: Abitare In, Alkemy, Allcore, Almawave, Banca Sistema, Bifire S.P.A., B&C Speakers, Casta Diva Group, Cleanbnb, Cofle, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, DHH, Digital Bros, Digital Magics, Digitouch, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GM Leather, GPI, Green Oleo, High Quality Food, Ikonisys, Intercos, Intred, ISCC Fintech, Lemon Sistemi, Lventure Group, Maps Group, Mare Group, Masi Agricola, Matica Fintec, Misitano & Stracuzzi, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Redfish Long Term Capital, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Xenia Hôtellerie Solution Spa Società Benefit, Wiit, Zest.
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

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website MiFID
Further information is available