

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu7.45 - Target: Eu12.70

Food Back to Growth, Pharma Still Strong, Impressive Margins

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Stock Rating

Rating: Unchanged

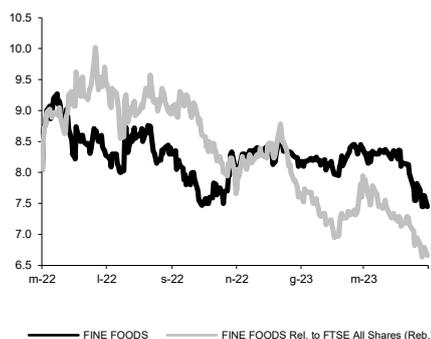
Target Price (Eu): from 12.30 to 12.70

	2023E	2024E	2025E
Chg in Adj EPS	9.2%	0.2%	0.3%

Next Event

2Q23 Results 13 September

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	-10.7%	-7.1%	-5.0%
Relative	-8.4%	-5.7%	-16.9%
12M (H/L)	9.27/7.45		
3M Average Volume (th):	8.48		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	190
Total Mkt Cap (Eu mn):	190
Mkt Float - Ord (Eu mn):	90
Mkt Float (in %):	47.3%
Main Shareholder:	
Eigenfin Srl + M. Eigenmann	52.7%

Balance Sheet Data

Book Value (Eu mn):	140
BVPS (Eu):	5.47
P/BV:	1.4
Net Financial Position (Eu mn):	-35
Enterprise Value (Eu mn):	226

■ **1Q23 results.** Superior top-line growth (+29% vs >25% hint provided at end-March along with FY results, with Foods BU back to growth, Pharma BU still strong, softer Cosmetics BU) and an unexpected jump in profitability (12% vs. our 9.1% forecast) leading to a 37% EBITDA surprise, which amplifies scrolling down the P&L (adj. EBIT and net profit both > 2x our expectations). Total sales €65.6mn (+3% vs our exp. €63.6mn), up 29.2% (4Q: +9.6%) supported by a balanced mixed: (++) Food at €40.7mn (our exp. €37.8mn), up 38% (4Q: -4%; back to growth thanks to the effectiveness of commercial actions taken); (++) Pharma at €16.8mn (our exp. €16.0mn), up 42% (4Q: +30%; increased volumes of existing products and new production); (-) Cosmetics at €8.1mn (our exp. €11.1mn), -14% YoY (temporary production slowdown due to restructuring of Trezano production site and integration operations of Pharmatek, which just merged into Euro Cosmetic). Adj. EBITDA at €7.9mn (+36% vs our exp. €5.8mn), c. 2x YoY thanks to deployment of timely commercial actions, production efficiency and cost-control initiatives. As a consequence, the EBITDA margin strengthened to 12.1% (+3pp vs our exp. 9.1%), +4.3pp YoY, +6.5pp QoQ. Excluding the rise in energy costs (1pp YoY), 1Q margin would be c. 13% (9.7% in 1Q22). Net profit turned positive at €2.9mn (our exp. €1.3mn) vs €2.5mn loss in 1Q22. In 1Q23, Parent Company's asset securities management showed positive FV of €1.1mn (1Q22: €-2.4mn). Finally, net debt was €51.5mn (in line with our exp. €51mn), up on end-2022 (€43.6mn), mainly due to NWC absorption (€8mn due to the increase in sales and inventories) and CapEx (€5mn).

■ **Extraordinary CapEx cycle for Pharma BU to support an additional (and meaningful) layer of growth.** Management expects the Pharma BU to grow significantly due to the multi-year agreements signed with important customers that will require a production plant expansion (c. €30mn CapEx spread over about 2 years).

■ **Updated estimates.** We confirm FY23 top line, reflecting a different mix (softer Cosmetics offset by stronger Food BU) and a mixed comparison base for the coming Qs (easier for Food, tougher for Pharma); we raise the margin by c. 0.5pp while leaving the same margins for the next 2 years, leading to a 9% rise in adj. EPS for 2023 and neutral changes for 2024-25. Net debt increased to capture the €30mn CapEx (mostly in 2024 and 2025) which should materialise in a higher Pharma top line from early 2026.

■ **OUTPERFORM confirmed; new target at €12.7 (from €12.3).** We 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 raise our target price from €12.3 to €12.7. Fine Foods 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	239	266	293
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	0.519	0.672
EPS Old Adj (Eu)	0.398	-0.338	0.324	0.518	0.670
DPS (Eu)	0.160	0.100	0.142	0.208	0.269
EV/EBITDA Adj	17.8	18.3	8.2	6.8	5.8
EV/EBIT Adj	nm	nm	18.5	12.8	10.2
P/E Adj	18.7	nm	21.0	14.4	11.1
Div. Yield	2.1%	1.3%	1.9%	2.8%	3.6%
Net Debt/EBITDA Adj	0.7	2.8	1.3	1.1	1.1