

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu8.50 - Target: Eu12.00

Strong Start to the Year: Record Margin Despite Flat Top Line

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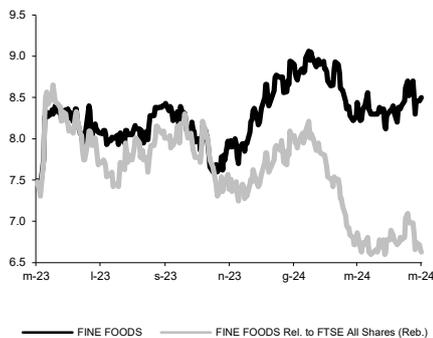
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Events

2Q24 Results 13 September

FINE FOODS - 12M Performance



Stock Data

Reuters code:	FF.MI		
Bloomberg code:	FF IM		
Performance	1M	3M	12M
Absolute	1.9%	-3.5%	14.1%
Relative	-2.2%	-14.7%	-13.9%
12M (H/L)	9.06/7.40		
3M Average Volume (th):	5.95		

Shareholder Data

No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	217
Total Mkt Cap (Eu mn):	217
Mkt Float - Ord (Eu mn):	103
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):	-79
Enterprise Value (Eu mn):	296

■ **1Q24 results.** 1Q revenues were broadly in line, while adj. EBITDA/net profit were 11%/15% better than our estimates. This quarter's volatility (flattish top line) was the result of a challenging comparison base with last year (when the Pharma BU grew by 42% and the Nutra BU by 38%) and some de-stocking after a very strong 4Q. We therefore believe it is better to look at annualised trends to get a more reliable picture of operating trends. On the other hand, the company posted an impressive margin of 13.5% (our exp. 12.2%), above historical levels as a result of a decrease in raw materials, packaging, and energy costs on revenue and a progressive improvement in organisational efficiency. Net debt came in at €43.6mn (our exp. €45.0mn) unchanged vs. YE23 as a result of a solid CFO (€5.6mn, our exp. €4.4mn) entirely absorbed by CapEx (€5.5mn) and buybacks (€0.1mn).

■ **Highlights and lowlights:** (++) Pharma BU sales (€17.6mn) grew 5% from last year's exceptional levels (1Q23: +42%, FY23: +24%); (+/-) Nutra BU sales (€39.8mn) declined slightly (1Q: -2.1%) as a consequence of the tough comparison base; (+/-) Cosmetics BU flat QoQ and YoY after several quarters of restructuring. (++) Margin above historical averages (1Q: 13.5%, +1.4pp YoY, +2.2pp QoQ) as a consequence of better absorption of fixed costs and, in particular, variable costs remaining under control, raw materials came to c.58.6% of net sales (-1.5pp YoY) while energy costs at c.1pp were in line with the historical average. (+) NWC under control (19.3% of net sales, -3.1pp YoY, +0.2% QoQ) with very limited absorption (€-2.6mn).

■ **Positive outlook confirmed:** historical revenue growth and margin enhancement trends should continue in the coming quarters. Despite the uncertain macro context and temporary shifts in customer inventory management, the market is growing, and the company is committed to increasing market share across all segments.

■ **Estimates unchanged:** looking at our current FY24 estimates (7.7% top line growth, 12.0% margin), 1Q results would imply 10.4% top line growth and an 11.5% margin for the remainder of the year, which we believe could be achieved comfortably, especially if energy prices remain under control.

■ **OUTPERFORM confirmed; target still €12, estimates unchanged.** Despite a flat top line due to temporary factors that should normalise throughout the year, 1Q provided enhanced visibility on margin progression. After just one quarter, however, it may be too early to characterise this exceptional profitability as structural going forward. The likely confirmation of current consensus should therefore include a degree of flexibility, based on visibility from upcoming 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)	271	297	350	386	428
EBITDA Adj (Eu mn)	33	39	48	54	62
Net Profit Adj (Eu mn)	10	13	18	22	28
EPS New Adj (Eu)	0.383	0.507	0.710	0.869	1.092
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	9.1	7.7	6.1	5.2	4.2
EV/EBIT Adj	18.2	14.2	10.5	8.6	6.6
P/E Adj	22.2	16.8	12.0	9.8	7.8
Div. Yield	1.4%	1.4%	1.4%	1.4%	1.4%
Net Debt/EBITDA Adj	2.4	2.2	1.6	1.2	0.7

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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.

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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

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BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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