

FINE FOODS

Sector: Industrials

OUTPERFORM

Price: Eu8.40 - Target: Eu12.00

Surging Profitability and New Orders Spark Optimism for 2H

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Stock Rating

Rating: Unchanged

Target Price (Eu): Unchanged

	2024E	2025E	2026E
Chg in Adj EPS	0.1%	-1.3%	-0.6%

Next Events

3Q24 Results 14 November

FINE FOODS - 12M Performance



Stock Data

Reuters code: FF.MI

Bloomberg code: FF IM

Performance	1M	3M	12M
Absolute	4.7%	-6.5%	0.0%
Relative	0.1%	-6.2%	-17.3%
12M (H/L)	9.42/7.60		
3M Average Volume (th):	4.21		

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):	134
BVPS (Eu):	5.23
P/BV:	1.6
Net Financial Position (Eu mn):	-74
Enterprise Value (Eu mn):	289

■ **1H24 results.** 1H results came in 2% below expectations, both on the top line and for EBITDA, while net debt was marginally better than anticipated. The top line fell slightly YoY (€122.8mn, -3.6% YoY) reflecting: a) a still relatively challenging YoY comparison (1H23: +27% YoY); b) different order phasing in the Cosmetics BU (€13.5mn, -22% YoY), now skewed more to 2H following the recent reorganisation; c) a slight drop in the Nutra BU (€72.2mn, -4% YoY) to factor in ongoing sector issues (temporary realignment of inventories by certain customers, already mentioned in 1Q24), but also the challenging YoY comp (1H23: +33% YoY); d) solid performance in the Pharma BU (€37.1mn, +7% YoY) despite the tough YoY comp (1H23: +35% YoY). On the other hand, the company showed strong profitability, with a 13% margin (+3.1pp YoY), thanks to the sales price policy, and a reduction in the impact of raw and packaging materials and energy purchasing costs on turnover. Net debt came in at €43.2mn (our exp. €43.6mn) slightly improving vs. YE23 as a result of a solid FCFO (€16.0mn, our exp. €15.8mn) almost entirely absorbed by CapEx (€12.6mn), dividends (€2.9mn) and buybacks (€0.1mn).

■ **Positive outlook confirmed:** Pietro Oriani has been appointed as the new CEO, with former CEO Giorgio Ferraris staying on with a three-year consultancy contract to ensure a smooth transition. After 22% top line growth in FY23, if Fine Foods ends 2024 flat, it would represent average annual growth of 10% over the last two years, in line with the historical average (11% CAGR). The >15% margin target has already been achieved in the Pharma and Nutra BUs (combined margin 15.1%, o/w Nutra 16.2%, Pharma 13.2%). The Pharma BU is set to boost profitability once the new plant is ready by YE25 (the Group recently added a mandatory third shift to handle new orders with an almost fully saturated plant), while Cosmetics margins depend on revenue growth volumes (during the summer they've started working with a major client in the cosmetics sector, committing to high volumes).

■ **Estimates update:** we are revising our estimates to reflect a flat top line this year and a less challenging trajectory in 2H. For FY25-26, we reflect a smoother path for both top line growth and profitability. These adjustments are largely offset by lower financial charges, resulting in minimal cuts to EPS.

■ **OUTPERFORM confirmed; target still €12.** Although the top line is affected by temporary factors that should normalise through the year, 1H provided enhanced visibility on margin progression. Confirmation of the current outlook should therefore allow some degree of flexibility, based on visibility from coming 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)	252	289	347	385	424
EBITDA Adj (Eu mn)	31	37	48	54	61
Net Profit Adj (Eu mn)	10	13	18	22	28
EPS New Adj (Eu)	0.384	0.500	0.705	0.867	1.082
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	9.3	8.1	6.1	5.1	4.2
EV/EBIT Adj	19.4	15.2	10.4	8.5	6.6
P/E Adj	21.9	16.8	11.9	9.7	7.8
Div. Yield	1.4%	1.4%	1.4%	1.4%	1.4%
Net Debt/EBITDA Adj	2.4	2.3	1.6	1.1	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)

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Frequency of research: quarterly.

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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;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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