Intermonte

Milan, 31 March 2023

Italian Equity Research – FY22 Results

# FINE FOODS

# OUTPERFORM

*Sector: Industrials*

Price: Eu8.30 - **Target: Eu12.30**

## Green Shoots in 1Q Enhance Visibility on FY23 Expectations


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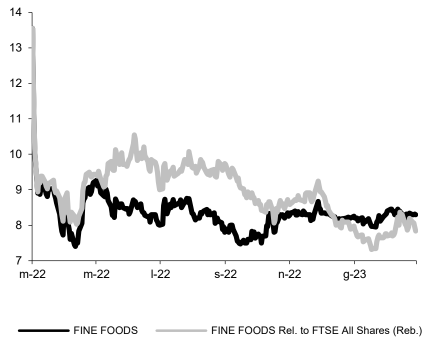
| Stock Rating | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 12.00 to 12.30 |
| | **2023E** | **2024E** | **2025E** |
| **Chg in Adj EPS** | -0.3% | -0.3% | |

**Next Event**

AGM 9 May / 1Q23 Results 15 May

**FINE FOODS - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | FF.MI |
| Bloomberg code: | | | FF IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 0.5% | -0.5% | -38.7% |
| Relative | 2.2% | -14.1% | -44.5% |
| 12M (H/L) | | | 11.75/7.40 |
| 3M Average Volume (th): | | | 6.74 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 26 |
| Total no. of shares (mn): | 26 |
| Mkt Cap Ord (Eu mn): | 212 |
| Total Mkt Cap (Eu mn): | 212 |
| Mkt Float - Ord (Eu mn): | 100 |
| Mkt Float (in %): | 47.3% |
| Main Shareholder: | |
| Eigenfin Srl + M. Eigenmann | 52.7% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 139 |
| BVPS (Eu): | 5.44 |
| P/BV: | 1.5 |
| Net Financial Position (Eu mn): | -31 |
| Enterprise Value (Eu mn): | 243 |

- **FY22 results:** headline numbers came in slightly below our estimates, while the bottom line, although in the red, was c.€3mn better than our assumptions, mainly due to a higher deferred tax asset (€4.7mn vs. our exp. €3.1mn) and much lower negative mark-to-market of FV related to securities in the parent company investment portfolio (€-7.7mn, our exp. -€10mn). WC absorption was €2mn better vs. our exp., also due to a c.€5mn VAT credit reduction, resulting in lower net debt (€43.6mn vs. our exp. €49.3mn). On the positive side, we would flag up, i) a contraction of just 4% in Food in 4Q after double-digit declines in previous quarters, ii) confirmation of outstanding double-digit 4Q growth rates in Pharma (+30% YoY), and iii) management hints on "comforting signs of recovery", with >25% top line growth in 1Q23. The top line stood at €207mn (our exp. €208mn) in FY, up 6.2%, supported by very strong trends in Pharma (+38.6% to €55mn, 26% of Group sales). Negative Food trends (-15.3% to €118mn, 57% of Group sales) were due to shrinking output for markets affected by the Russia-Ukraine war and the slowdown in clients' Multilevel Marketing activities, but the overall result was largely offset by solid growth in Pharma and Cosmetics. The latter (FY: €34mn), grew 7.6% (9M: 8.5%) on a pro-forma basis, driven by the integration of Pharmatek and Euro Cosmetics. Adj. EBITDA came to €15.7mn (our exp. €16.7mn), with a 7.6% margin (our exp. 8.0%), -3.3pp YoY. Energy costs were €6.5mn in FY22 or 3.1% of sales (9M22: 3.5%, including a spike to 5.5% in 3Q22) and the adj. EBITDA margin would have been 9.8% net of energy cost increases.
- **Very reassuring short-term outlook**: positive hints on current trading (sales up >25% in 1Q) support visibility on our current FY23 estimates (+16% sales growth and 11% margin) although we would rule out any meaningful revision to FY23-25 consensus estimates at this stage.
- **Updated estimates.** Pending full visibility on 1Q trends, we are raising our FY23-25 top line estimate by 1% (stronger mix of Pharma vs. Cosmetics and Food) leaving margin progression unchanged, while factoring in higher interest rates and lower taxes (deferred tax asset), driving minor changes to adj. EPS.
- **OUTPERFORM confirmed; new target at €12.3 (from €12.0).** 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 a material upgrade to current expectations. We are raising our target price from €12.0 to €12.3, essentially due to the rollover of our DCF model by one year. 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 | 262 | 288 |
| EBITDA Adj (Eu mn) | 21 | 16 | 26 | 33 | 40 |
| Net Profit Adj (Eu mn) | 10 | -9 | 8 | 13 | 17 |
| EPS New Adj (Eu) | 0.398 | -0.338 | 0.324 | 0.518 | 0.670 |
| EPS Old Adj (Eu) | 0.398 | -0.486 | 0.325 | 0.519 | |
| DPS (Eu) | 0.160 | 0.100 | 0.130 | 0.207 | 0.268 |
| EV/EBITDA Adj | 17.8 | 18.3 | 9.2 | 7.1 | 5.6 |
| EV/EBIT Adj | nm | nm | 22.0 | 13.4 | 10.0 |
| P/E Adj | 20.9 | nm | 25.6 | 16.0 | 12.4 |
| Div. Yield | 1.9% | 1.2% | 1.6% | 2.5% | 3.2% |
| Net Debt/EBITDA Adj | 0.7 | 2.8 | 1.2 | 0.7 | 0.3 |