

Italy – Food

Unrivaled distribution of healthy fruit and yields

25th November 2016

BUSINESS COMBINATION NOTE

RIC: GGLF.MI
BBG: GGLF IM

Purchased at 4.4x EV/EBITDA_{16e}, GF Group is the leading player in a disciplined oligopoly, with the most complete selling proposition on the market. The business combination will allow the group to further grow, mainly via acquisitions, aiming for nearly € 1.0bn sales by 2018 in our view.

Last Price: € 9.97

Market Cap.: € 79.72

1Y High/Low: € 9.50/€ 10.45

Free Float: 100.0%

Major shareholders:

Pictet 6.50%
Julius Baer 5.31%

Glenalta Food SPAC has found the target: GF Group

Glenalta Food and GF Group announced an agreement last 28th Oct for a business combination between the two companies. The deal will be realised via the merger of GF Group in Glenalta Food: the new entity will take the name Orsero Spa and will be listed on the AIM Italia. The business combination values the equity of GF Group at € 80.0m. This consideration includes also 1) the purchase of € 25m of equity instruments from banks, 2) the rationalisation of the group structure with the disposal of some non-core activities and 3) the value of three firms currently consolidated with the equity methodology.

A leading player with the most complete selling proposition in a disciplined oligopoly

GF Group is a leading producer and distributor of fresh fruit and vegetables in Mediterranean Europe, firmly controlling the entire value chain of the business. The group distributes more than 300 key products (of a total of some 2,000 items). The firm operates in an oligopoly, quite disciplined and concentrated. GF Group is the leading player in Italy and Portugal, the co-leader in Spain and France. It has the most complete selling proposition on the market and the ownership of the four best in class reefer vessels makes GF Group a cost and service leader and allows “control” of competitors to a certain extent.

EBITDA and Net Profit CAGR₁₅₋₁₈ of 13.9% and 20.5% in a moderately growing sector

CFO Sim expects top line to increase by 5.0% YoY on average in 2016-18, driven by Distribution BU. EBITDA and EBIT are expected to grow more than proportionately to top line: +13.9% and 53.6% CAGR in 2015-18. The driver of group profitability is the Distribution division, thanks to the expansion of the F.lli Orsero brand into new segments and to better control of some areas. Net profit adj. is projected to show a 20.5% CAGR₁₅₋₁₈. Thanks to the small amount of capex, operating cash flow translates massively in FCF: EBITDA FCF conversion is 28%, 55% and 53% in 2016-18. The substantial FCF is consequently projected to bring down Net Financial Position to € 54.2m in 2018e from € 106.9m in 2015. Estimates do not consider any acquisition upside, the most important use of proceeds.

Shareholders pay 4.4x and 9.9x 2016e EV/EBITDA and adj. PER FD post-money

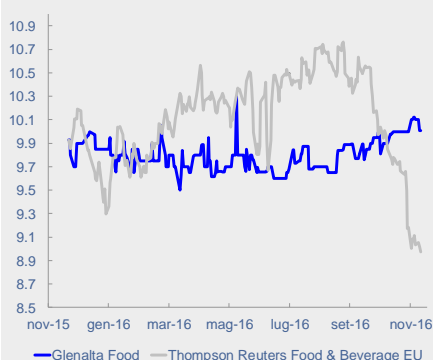
The transaction assesses GF Group's equity value at € 80.0m, corresponding to an EV/EBITDA_{16e} of 4.4x and PER_{16e} adjusted post-money fully diluted of 9.9x vs. a peers median of 9.6x and 14.6x respectively. GF Group is the smallest amongst peers in terms of size, has profitability in line with them, but offers much more growth. The DCF model (6.3% WACC and 1.0% long term growth rate) based on CFO Sim projections entailing organic evolution of the business, delivers an equity value of € 217.3m.

GF Group, key pre-money financials and ratios.

Implied multiples at Glenalta Food's acquisition price (including pro-quota JV financials)

€ m	2015 PF	2016e	2017e	2018e
Sales	627.8	680.0	707.3	739.5
EBITDA	27.5	36.6	37.9	40.6
EBIT	6.5	18.2	20.7	23.4
Net profit	15.9	11.7	16.5	18.8
Net profit adjusted	10.8	14.4	16.5	18.8
NFP (cash)/debt	106.9	96.5	75.7	54.2
EPS adjusted FD	0.75	1.01	1.16	1.32
EPS adj. FD growth	-	34.3%	14.1%	14.2%
PER adj. post money x *	12.9	9.6	8.4	7.4
PER adj. post money x **	10.7	8.0	7.0	6.1
PER adj. post money FD x*	13.2	9.9	8.6	7.6
PER adj. post money FD x**	11.0	8.2	7.2	6.3
EV/Sales x	0.26	0.22	0.19	0.16
EV/EBITDA x	6.4	4.4	3.8	3.1
EV/EBIT x	24.2	8.7	6.8	5.3

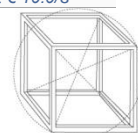
* hp. zero withdrawals, warrant conversion at € 10.0/s; ** hp. max withdrawals, warrant conversion .at € 10.0/s



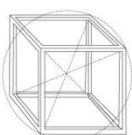
Stock price performance

	1M	3M	12M
Absolute	-2.4%	-5.3%	1.6%
Rel.to Milan AIM	-0.1%	-4.8%	22.0%
Rel.to EU Sector	5.3%	10.0%	12.8%

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1. Investment Summary

Glenalta Food is the first Italian SPAC focused on food and promoted by a team of 4 professionals with complementary experiences in the management of multinational organisations in the food sector and in corporate finance/PE operations. The SPAC was listed on **10th November 2015 at € 10/share, on AIM Italia** with a total market capitalisation of € 80.0m, which was at that time, **the largest amount raised** on the AIM Italia market segment.

Glenalta Food and GF Group announced an agreement last 28th Oct for a business combination between the two companies. The deal will be realised via the merger of GF Group in Glenalta Food: **the new entity will take the name Orsero Spa and will be listed on the AIM Italia.** The business combination transaction **values the equity of GF Group at € 80.0m.** This consideration includes also 1) the **purchase of € 25m of equity instruments** from banks, 2) the rationalisation of the group structure with **the disposal of some non-core activities** (apple and pear production in Argentina and business aviation activity) and 3) the **value of three firms** currently consolidated with the equity methodology.

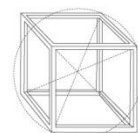
GF Group, founded in the 1940s by the Orsero family with headquarters in Albenga (Savona), is a **leading producer and distributor of fresh fruits and vegetables in Mediterranean Europe**, firmly **controlling the entire value chain** of the business, from production to end customer distribution. The group distributes **more than 300 key products (of a total of some 2,000 items)**, mainly bananas, pineapples and citrus fruits, in the five most important markets in Southern Europe (Italy, France, Spain, Portugal and Greece) via eight local distributors, of which 3 are 50-50 owned JVs.

The firm **operates in an oligopoly, quite disciplined and concentrated**, with the rest of the pie widely fragmented. GF Group is the leading player in Italy and Portugal, the co-leader in Spain and France. **It has the most complete selling proposition** on the market and the **ownership of the four innovative best in class reefer vessels makes GF Group a cost and service leader** and allows "control" of competitors to a certain extent.

Market **volumes are projected to remain basically stable/moderately on the rise**, whilst **prices are set to show a 3/3.5% CAGR₁₅₋₁₈** thanks to a more favourable product mix. **GF Group is foreseen to outperform the reference market** thanks to 1) **some market share recovery** in particular in France and Portugal, 2) **action on the "F.lli Orsero" brand** with extensions in new segments (i.e. fresh-cut, dried fruit), and 3) **the most complete selling proposition** in the market. In a **business driven by prices**, the weight of raw materials is seen to lessen to a certain extent on total revenues. **D&A are seen to diminish as of 2016:** the firm is planning to shift the lifespan of its own four reefer vessels to 2025 (previously projected in 2019) together with an asset revaluation.

CFO expects total revenues to increase by 5.0% YoY on average in 2016-18, driven by Distribution BU, the core business of GF Group. **EBITDA and EBIT are expected to grow more than proportionately to top line: +13.9% and 53.6% CAGR in 2015-18.** **The driver of group profitability is the Distribution division**, 73% of turnover and 33% of EBITDA in 2015, thanks to the expansion of the F.lli Orsero brand into new segments and to better control of some areas. The **tax burden here is lightened by the tonnage tax regime** applied to the shipping arm of the group, Cosiarma. **Net profit adjusted is projected to show a 20.5% CAGR₁₅₋₁₈.** Thanks to the small amount of capex, **operating cash flow translates massively in free cash flow: EBITDA Free Cash Flow conversion is 28%, 55% and 53% in 2016-18.** The substantial cash generation is consequently projected to bring down Net Financial Position to € 54.2m in 2018e from € 106.9m in 2015.

The transaction assesses **GF Group's equity value at € 80.0m**, corresponding to an **EV/EBITDA_{16e} of 4.4x and adj. PER_{16e} fully diluted post money of 9.9x** vs. a peers median of 9.6x and 14.6x respectively. **GF Group is the smallest** amongst peers in terms of size, has a **profitability in line** with them, but **offers much more growth.** The **DCF model** (6.3% WACC and 1.0% long term growth rate) based on CFO Sim projections entailing organic evolution of the business, **delivers an equity value of € 217.3m.**



2. Glenalta Food: the first SPAC focused on food

A Special Purpose Acquisition Company (SPAC) is a **listed investment vehicle that raises funds to acquire and/or reverse merge with one or more unlisted operating companies**. The promoters form the management of the company: their quality and reputation are fundamental to the success of a SPAC. They invest their own capital in the SPAC to finance its business activities. **The capital raised with the IPO is deposited in an escrow account**, which cannot be accessed by the managers without the approval of a shareholders' meeting. The SPAC typically has about 18 months to identify and acquire the target, otherwise it will be dissolved. **The acquisition must be approved by an Extraordinary General Meeting** of the SPAC's shareholders. **The shareholders who do not approve the acquisition can be reimbursed using the funds** held in the escrow account.

Glenalta Food is the first Italian SPAC focused on food and promoted by a team of 4 professionals with complementary experiences in the management of multinationals in the food sector, in corporate finance operations (LBO, MBO, MBI and turnarounds), both as Sponsors/Investors and as advisors:

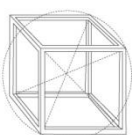
- **Gino Lugli** (with a 30% share), 35 years' experience in the European food industry. Deep knowledge of the international retailing arena;
- **Luca Giacometti** (with a 30% share), 25 years' experience in M&A advisory and private equity. Already Promoter of two SPACs: "Made in Italy 1" and "IPO Challenger".
- **Stefano Malagoli** (with a 20% share) 15 years of experience in M&A advisory and Debt Restructuring and
- **Silvio Marengo** (with a 20% share). 15 years of experience in strategic consulting, university teaching and entrepreneurial activity.

The share capital of Glenalta Food comprises 8,150,000 shares, of which **8,000,000 ordinary listed shares** and **150,000 special shares**. The special shares, currently in the hands of the promoters (30% Gino Lugli, 30% Luca Giacometti, 20% Stefano Malagoli and 20% Silvio Marengo), will be converted into ordinary shares at a 1:6 ratio according to the following steps:

- 1/3 of special shares (# 50,000) at the business combination;
- 1/3 if the ordinary share market price stays above € 11.0 for at least 15 out of 30 consecutive market open days, within 36 months from the consummation of the business combination;
- 1/3 if the ordinary share market price stays above € 12.0 for at least 15 out of 30 consecutive market open days, within 36 months from the consummation of the business combination.

At the IPO **1 warrant is assigned for free for every 1 share subscribed** and **1 is given at the business combination**, only to shareholders who do not withdraw. The warrants have a strike price of € 9.50 and a cap of € 13.30 and have an exercise period of 5 years following the approval date of the business combination.

Glenalta Food was focusing on Italian firms with an EV of € 100-400m, operating in the food & beverage and consumer & retail sectors with the aim of strengthening and integrating complementary businesses and facilitating international and dimensional development. The SPAC was obliged to identify a target company within 18 months of the IPO of the **10th November 2015 at € 10/share, on AIM Italia** with a total market capitalisation of € 80.0m, which was at that time **the largest amount raised** on the AIM Italia market segment.



3. The Business Combination

Glenalta Food and GF Group announced an agreement last 28th Oct for a business combination between the two companies. The deal will be realised via the merger of GF Group in Glenalta Food: **the new entity will take the name Orsero Spa and will be listed on the AIM Italia.**

The business combination transaction **values the equity of GF Group at some € 80.0m.** This consideration includes also 1) the **purchase of € 25m of equity instruments** from banks, 2) the rationalisation of the group structure with **the disposal of some non-core activities** (apple and pear production in Argentina and business aviation activity) and 3) the **value of three firms** currently consolidated with the equity methodology.

GF Group is an international group with headquarters in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution arena in the Mediterranean area of Europe. 2015 GF Group pro-forma highlights: € 617m revenues, EBITDA of € 27.5m (4.5% margin), € 6.1m net profit and € 106.7m net financial position (3.9x EBITDA).

According to the pro-forma 2015 figures and the 2016e CFO forecasts for GF Group, **the price paid values the target 4.8x 2016e projected EBITDA** (6.4x 2015 reported pro-forma EBITDA) and **9.9x adj. PER FD post-money for 2016e** (13.2x adj. PER FD post-money for 2015), including the 50-50 JVs, consolidated according to the equity method.

The market capitalisation of Orsero will range between € 138m and € 115m, depending on the level of withdrawals. The exact amount to be held by shareholders GF Group in Orsero and the free float of the new entity will depend on the number of Glenalta Food shares which may be the subject of the withdrawal right. As provided in Glenalta Food bylaws, shareholders not willing to vote on the resolution approving the merger may withdraw from the company under art. 2,437 Italian Civil Code at a withdrawal value of € 10.0 per share. That said, **GF Group shareholders will detain a participation of 40.4-48.7% of Orsero** and the **free float will therefore be 59.6-51.4%** assuming a contribution of Glenalta Food ranging between € 80.0-56.0m, zero and maximum level of withdrawals (30.0% of the share capital minus one share).

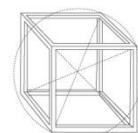
Table 1 – Orsero, post-merger shareholders structure

Shareholders	Hypothesis no withdrawal			Hypothesis max withdrawals		
	# shares	%	€ m	# shares	%	€ m
GF Group	5,590,000	40.40%	55,900,000	5,590,000	48.65%	55,900,000
Anna Chiara Orsero	1,694,711	12.25%	16,947,108	1,694,711	14.75%	16,947,108
Raffaella Orsero	1,694,711	12.25%	16,947,108	1,694,711	14.75%	16,947,108
Pierangelo Ottonello	758,812	5.48%	7,588,124	758,812	6.60%	7,588,124
Antonio Orsero	645,000	4.66%	6,450,000	645,000	5.61%	6,450,000
Lorenzo Ighina	398,383	2.88%	3,983,830	398,383	3.47%	3,983,830
Leonardo Ighina	398,383	2.88%	3,983,830	398,383	3.47%	3,983,830
Free Float	8,245,000	59.60%	82,450,000	5,900,001	51.35%	59,000,010
Market	7,945,000	57.43%	79,450,000	5,600,001	48.74%	56,000,010
Promoters	300,000	2.17%	3,000,000	300,000	2.61%	3,000,000
Total	13,835,000	100.00%	138,350,000	11,490,001	100.00%	114,900,010
Warrant holders	409,217		4,092,172	348,611		3,486,111
Total Fully Diluted	14,244,217		142,442,172	11,838,612		118,386,121

Source: Glenalta Food, CFO Sim, hp. warrant conversion at € 10.0/s

The business combination is clearly subject to few conditions:

- Approval by Glenalta Food and GF Group ordinary shareholder meetings;
- Withdrawal of Glenalta Food shareholders lower than 30% of the total share capital minus one share;
- Admission of Orsero to listing on the AIM Italia.

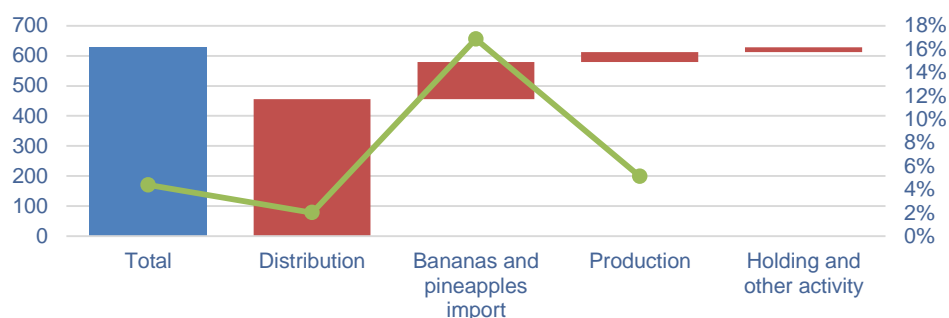


4. The target: GF Group

GF Group is an international group with headquarters in Albenga (Savona), **operating in the fresh fruit and vegetable import and distribution business** in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and distribution of fresh fruit and vegetables, production and export of fruit together with chilled maritime transportation. GF Group boasts a presence mainly in Italy, France, Spain, Portugal, Greece, Costa Rica and Colombia.

During 2012, the group launched the "F.lli Orsero" brand for bananas and pineapples, which expresses the sense of tradition and the passion of a large Italian family company for fruit and vegetables of the highest quality.

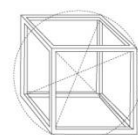
Chart 1 – Revenues breakdown and EBITDA margin by business unit



Source: Company data

Main milestones from 1940 to date

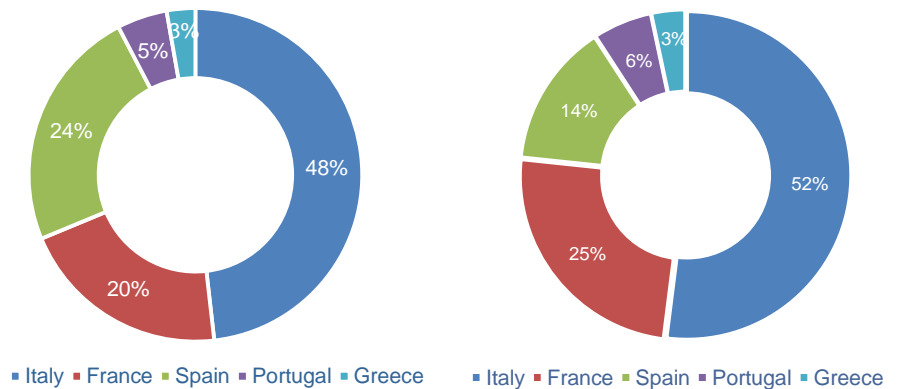
- 1940s Beginning of the fruit distribution business in Italy
- 1970s Launch of a relationship with Del Monte, in order to develop exotic and counter season fruit import and distribution
- 1980s Purchase of plantations in Costa Rica and investments in the banana ripening and distribution business in France
- 1990s Beginning of the shipping business with the construction of "Cala Bianche", the first reefer fleet. Major investments in the Italian, Portuguese and Greek distribution arenas.
- 2000-2006 Acquisition of stakes in certain retail sector businesses in order to expand activities in the Spanish and Italian markets.
- 2007-2013 Diversification into adjacent/third businesses.
Introduction of the "Fratelli Orsero" brand and interruption of the commercial partnership with Del Monte.
The crisis.
- 2014-2015 Start of the divestment policy to refocus on the group's core business.
In 2015, management reinforcement and organisational review.



4.1 Distribution

The group distributes **more than 300 key products (of a total of some 2,000 items)**, mainly bananas, pineapples and citrus fruits, in the five most important markets in Southern Europe (Italy, France, Spain, Portugal and Greece) thanks to eight local distributors, of which 3 are 50-50 owned JVs.

Chart 2 – 2015 total revenues (incl. 100% of JVs)/revenues by country



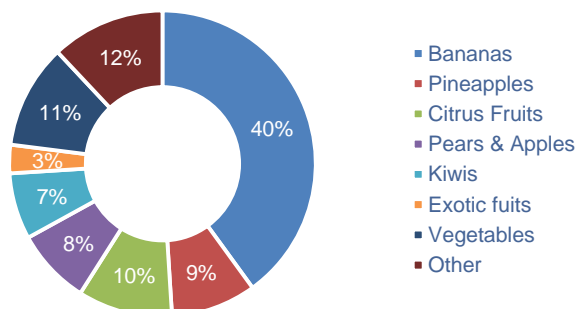
Source: Company data

GF Group boasts a consolidated network of wholesalers and large-scale retail chains where it distributes more than 500,000 tons/y exploiting its platforms specialized in fresh product storage and handling.

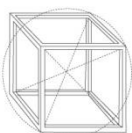
In addition to its own brands, F.lli Orsero and Simba, GF Group is one of the largest distributors in Europe of the key fruit and vegetable brands.

The Distribution business represents the main and oldest activity of the group since 1940. This business unit is truly strategic for GF Group thanks to its size (73% of total revenues in 2015) and stable returns generated, quite steadily around 2-3% in terms of EBITDA.

Chart 3 – 2015 revenues by product



Source: Company data



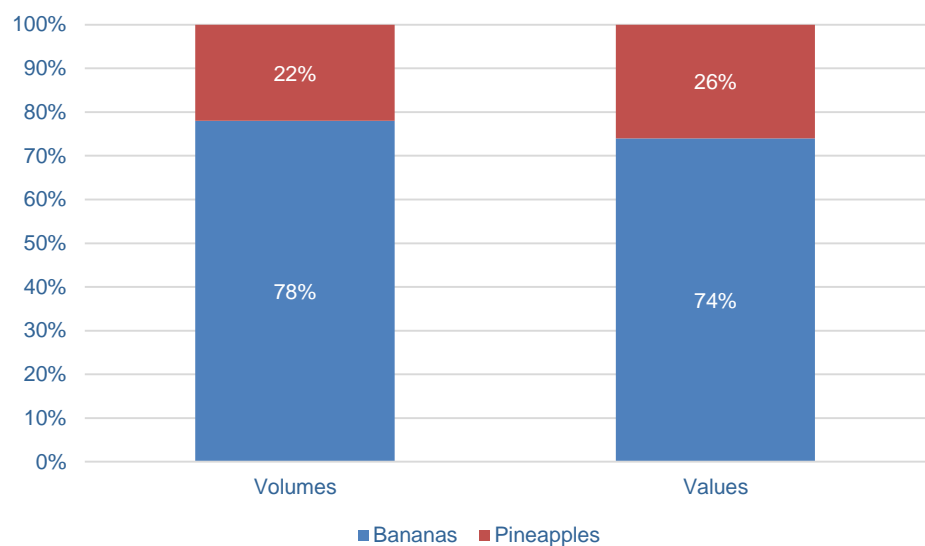
4.2 Banana and pineapple import

The "tropical division" is responsible for the import and transportation of bananas and pineapples from five different countries of Central America to Europe. The subsidiary Simba buys the products from local producers who can supply a constant amount of fruit all year long, then bananas and pineapples begin a one-week trip to Europe on the four fully owned reefer vessels.

Due to some technical characteristics of the ships, the roundtrip is 25% faster than competitors thanks to the cruise speed of 22 knots as well as the average time of unloading, respectively 20% and 50% less than competitors. This is a unique competitive advantage, which leads other major international importers to entrust the transportation of their products to GF Group's vessels.

These features make the fleet a strategic asset for the group, which ensures high profitability of the business unit. The ownership of the reefer vessels makes GF Group a cost and service leader and allow "control" of competitors to a certain extent a.

Chart 4 – 2015 products breakdown by volumes/values



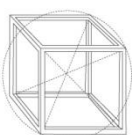
Source: Company data

4.3 Production

The group is also active in the production of bananas and avocados through a JV in Costa Rica and a wholly owned subsidiary in Mexico.

GF Group owns 4,500 hectares of land, corresponding to 45km², of which 2,500 are currently active.

After the spinoff of the production company in Argentina, Mono Azul, which reported heavy losses during recent years, the production business unit will be marginal in terms of revenues (5% of total revenues) with decent margin and profit levels.

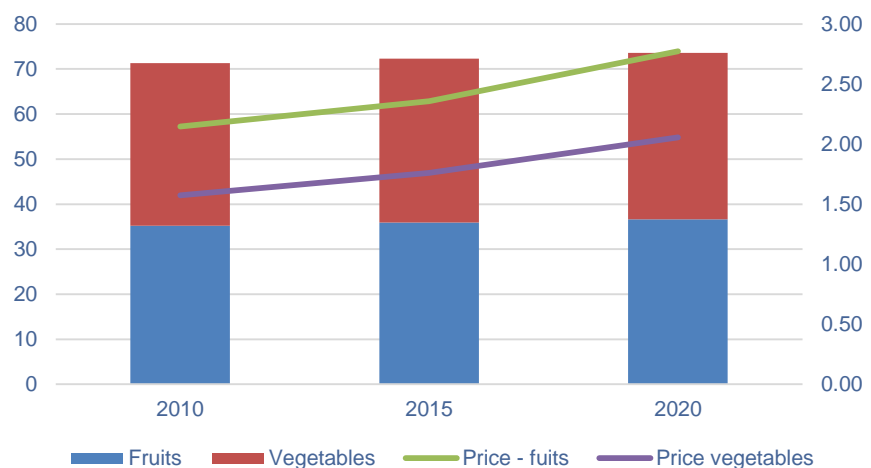


5. The reference market

Over the last five years, European production and consumption of fresh fruit and vegetables has been stable, but **market volumes are expected to grow slightly to 73.6mtons in 2020**, of which 36.6mtons of fruit, representing almost 50% of the total market (+0.4% CAGR₁₅₋₂₀).

In the coming years, major **shifts in dietary patterns are expected to occur in Europe**: with diets becoming lighter and lower in fats, even in relation to the consumption of staples. In fact, **people are becoming more and more interested in food and health related issues**, as they try to pay attention to a safe and healthy diet.

Chart 5 – Fruit & vegetable consumption (mtons) and prices (€/kg) in Europe



Source: GF Group, Euromonitor

In addition, there is a new concern for environmental issues, which leads to a more conscious way of eating. Average life expectancy has increased too, and **people eat more frequently during the day**, encouraging the consumption of fresh fruit, which represents 62% of the global snacks market.

Due to the aforementioned reasons, even if market volumes are expected to remain basically stable, **prices are set to increase at a 3.3% pa**, also because of the more favourable product mix.

In Italy, the market is forecasted to grow from € 14.8bn to € 17.5bn by 2020, with an increase in consumption of exotic and organic fruit. Apples are the most popular fruit item consumed, representing 17% of the overall market, whereas bananas account for approximately 9%. Looking at the channel of fresh fruit distribution, 40% of Italian fruit is sold by domestic producers with direct access to the market.

On the other hand, 91.7% of the fruit trade is controlled by the large retail chains in France. Bananas account for 20% of the total fruit market, expected to reach a peak of € 10.7bn by 2020. Furthermore, **organic food represents a key emerging trend**, as consumers are willing to pay a more elevated price for local and natural products.

The same trend can be observed in Spain, where the demand for organic products increased by 3% last year. Oranges and mandarins have the largest share and account for almost 26% of the Spanish market, whereas bananas total 10%.

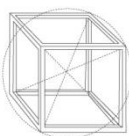
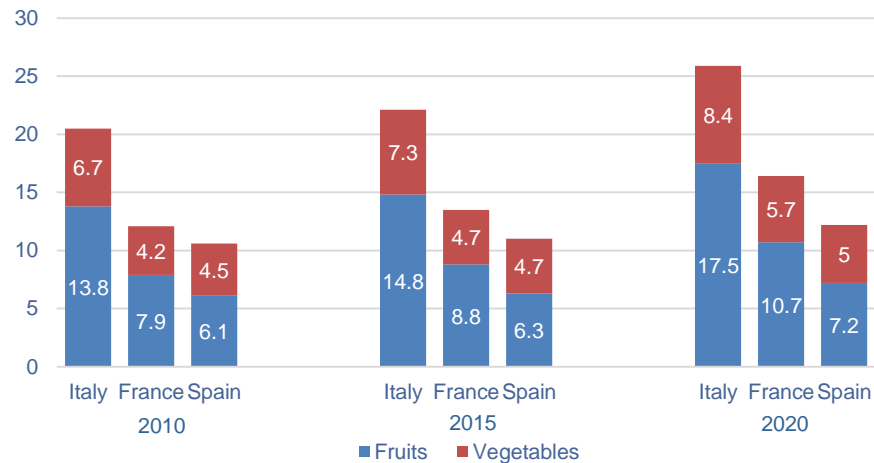


Chart 6 – Fruit & vegetable consumption (€ bn) trend in Southern European key areas



Source: GF Group, Euromonitor

With regards to the vegetable market, its value is expected to increase by 2-3% in all the countries considered, thanks to the increased popularity of healthy natural products, as well as the increased importance of corporate social responsibility.

Finally, the total volume of fruit and vegetables produced in Portugal and Greece, account for 1.9 and 2.4 tons respectively, with a slight increase in the consumption of fruit forecasted in Greece (+0.1% CAGR 15-20).

5.1 Pineapple and banana markets

The world pineapple and banana markets can be labelled as oligopolies. In fact, four companies Fyffes, Chiquita, Del Monte and Dole detain the vast majority of the pie and are vertically integrated all over the chain. **The remainder is highly fragmented** and divided among a plethora of several other small fruit companies.

Italy imports almost 130mtons of pineapples per annum, with Spain and France following suit. **The pineapple market in Europe is expanding rapidly:** consumption showed a +5.0% CAGR₁₃₋₁₅. In particular, consumption in Greece and Spain is growing more than twice the average of countries served by GF Group.

Fresh Del Monte is the world's largest dealer of pineapples, distributing nearly 53% of all cases exported worldwide. The second player is Dole, with almost 31% of all cases, whereas all the other players hold significantly lower market shares.

The vast majority of bananas come from Central and South America: Ecuador, Guatemala and Costa Rica are the main producers, accounting for more than 70% of world production.

In Europe, nearly 3mtons of bananas are consumed each year; Italian consumption accounts for almost 700,000tons, with Spain and France following with 500,000tons.

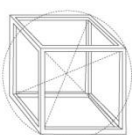
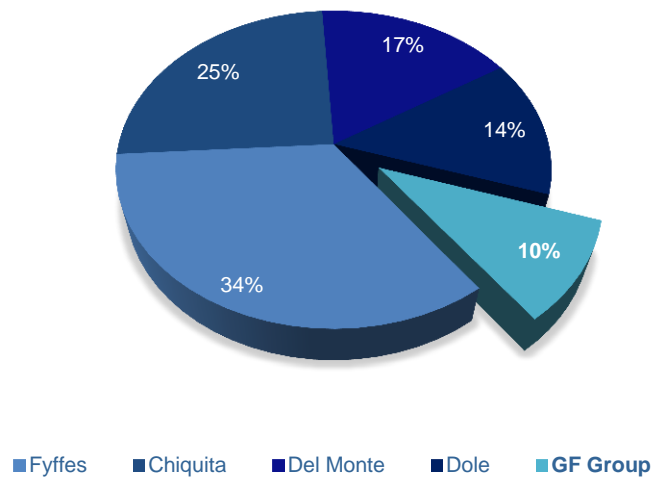


Chart 7 – The five largest banana importers in Europe



Source: GF Group, Euromonitor

GF Group is the fifth largest banana importer in Europe, with the other major fruit companies ruling the world supply chain.

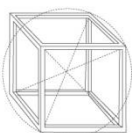
Banana pricing, both to purchase and to sell, is seasonal and depends on several factors, including its availability and quality in relation to competing fresh fruit items. As a result, **prices are typically stronger during the first half of the year and lower in the second half to correspond with the seasonal supply-and-demand dynamics.**

Due to the strength of the “Chiquita” brand, the company obtains a premium price for its products: 18,85 EUR/box compared to 16,00 EUR/box charged by F.lli Orsero. As a result, **F.lli Orsero pricing is 15% lower than Chiquita’s, but it is still higher than Del Monte** (€ 15.25/box) and in line with Dole (€ 16.15/box). The cheapest brands are subject to higher periodical price fluctuations than price leaders.

Table 2 – GF Group, price positioning vs. competitors (bananas)

€/box	Price per unit			Price index (Chiquita=100)		
	2013	2014	2015	2013	2014	2015
Chiquita	18.11	18.33	18.85	100	100	100
Dole	15.53	16.01	16.15	86	87	86
F.lli Orsero	15.47	15.75	16.00	85	86	85
Del Monte	14.45	14.87	15.25	80	81	81
Bonita	14.76	14.89	15.24	81	81	81
Simba	13.56	14.30	14.66	75	78	78
Other brands	12.84	13.41	13.48	71	73	71

Source: GF Group, Euromonitor



6. Business model & strategy

The business model here is plain: GF Group is a leading producer and distributor of fresh fruit and vegetables in Mediterranean Europe, firmly controlling the entire value chain of the business, from production to end customer distribution.

Sourcing: long term relationships and partnerships with key leading providers of each segment in which the group operates;

Import: logistic efficiency thanks to the reefer fleet directly owned which grants massive cost and service competitive advantages vs. other players;

Quality check: constant continuous quality checks of the whole value chain of the business;

Storage: the group owns 25 warehouses in Southern Europe for product storage and control;

Ripening: GF Group owns and runs 20 specialised centres in Southern Europe dedicated to banana maturation;

Trade: daily sales via traditional and modern distribution channels in each reference market;

Distribution: daily deep-rooted distribution and custom made solutions.

The group strategy can be structured in three major pillars: organic growth, acquisitions and increased operating efficiency.

1) Organic growth

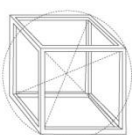
- **Market share recovery** in Italy and in Europe, lost during the years of group crisis 2008-13
- **Further development in the Italian market** in particular in the regions in which GF Group is still not yet at full potential.
- **“F.lli Orsero” brand extension** into new promising higher margin segments, for instance fresh cut, dried fruit, exotic products and berries, characterised by a marked consistency with main consumer trends (namely, fresh cut and dried fruit).
- **Scouting and development of new channels**, that is to say vending machines for fresh cut and bananas and HORECA.

2) External growth

- **Consolidation of key markets**, namely Italy and Spain.
- In Italy, a highly fragmented market and in the course of consolidation, GF Group can **leverage its leading position to grab market opportunities**.
- In Europe development of **partnerships with local producers** of specific items characterised by outlier growth rates.
- Possible **targets in adjacent but consistent product categories** bio-vegan with the aim to expand group current product portfolio.

3) Increase operating efficiency

- **Redefinition and reorganisation of procedures**, with the aim of standardising them at group level.
- Implementation of a **new performing integrated ERP software**, to the benefit of a central management control.
- **Focus on logistics:** appropriate centralised management and dimensioning of distribution platforms



7. Porter's 5 Forces

According to Michael Porter the competitive structure and the degree of attractiveness of an industry are a function of the **simultaneous interaction of the five forces**. Their analysis allows to evaluate the competitive position of a company within a given industry.

- **Competitors**, intensity of competition.
- **Suppliers**, bargaining power.
- **Customers**, bargaining power.
- Potential new **competitors**.
- **Substitute** products.

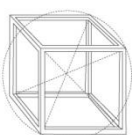
The fresh fruit and vegetable import and distribution sector in which GF Group operates is a business that can be labelled as **attractive** and characterized by:

- **Rather narrow intensity level of competition, a quite disciplined oligopoly.** The reference market is characterized by a few large players and a plethora of local small actors: a rather disciplined price arena. Fragmentation is pretty high, with the five top players accounting for much less than 10% of the pie. GF Group is the leading actor in Italy and Portugal, the co-leader in Spain and France.
- **The almost entire absence of weighty suppliers.** GF Group purchases over 2,000 products, from almonds to zucchini, from a vast number of suppliers: the first 5 providers account for 23% of the total COGS. The most relevant cost item is represented by raw material, some 68% of top line in 2015.
- **Pretty vast client base, with on average broadly limited bargaining power.** The GF Group serves the main southern European super-hypermarket chains and distributes third parties and white label brands. The first 5 clients account for 15% of the total. GF Group is a leading player in its reference market and prices are expected to rise in the future.
- **Barriers to entry represented by logistics and distribution:** handling fresh fruit and vegetables properly and in a timely fashion is far from being easy and therefore represents a key competitive advantage. Additionally, thanks to the ownership of the reefer vessels, GF Group is a cost and service leader.
- **The substantial absence of significant threats of potential substitutes.** Fruit and vegetables are in the midst of an ongoing health trend: they are replacing to a certain extent some outmoded foods with an increase of consumption occasions throughout the day. In the medium term, market volumes are projected to be stable or moderately on the rise. Conversely, prices are estimated to grow firmly.

Chart 8 – Porter's 5 forces industry summary

Rivalry amongst competitors	Low	An oligopoly: a few large players, then a plethora of small local actors The group holds leading positioning in all the market in which it operates	+	+
Bargaining power of suppliers	Low	A vast product list purchased from a large numbers of suppliers Providers do not detain key distinctive assets: fruit and vegetables are a commodity No possibility for suppliers to vertically integrate, two different jobs	+	+
Bargaining power of customers	Medium	Fragmented client base Despite large chains being key clients, product prices are expected to rise	+/-	+/-
Threats of new entrants	Low	Barriers represented by logistics, distribution and fresh product handling capabilities Economies of scale make the difference when purchasing and moving goods around the world GF Group is a cost and service leader thanks to the ownership of the reefer vessels	+	+
Threats of potential substitutes	Low	Natural products with no potential substitutes Fruit and vegetables are replacing some outmoded foods, gaining market share	+	+

Source: CFO Sim, Company data



8. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ Well established business model **vertically integrated** from production to distribution-logistic. **Strong trade brand**
- ❑ Substantial **cash flow generation** and **sound balance** sheet allow external growth opportunities
- ❑ **Vessel ownership** is a distinctive competitive advantage with significant 15Y residual life

WEAKNESSES

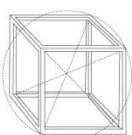
- ❑ Currently still **limited F.lli Orsero brand awareness** on end consumers
- ❑ **Exposure to USD/EUR**, in particular for maritime transport segment
- ❑ **Market share recovery**, may be more complicated than expected

OPPORTUNITIES

- ❑ **Penetration and aggregation prospects** in the domestic market
- ❑ 360-degree **developments of F.lli Orsero brand** in new adjacent segments (fresh-cut, dried fruits) with substantial growth/return profile
- ❑ **Foreign markets** further expansion
- ❑ Increase in **fruit consumption frequency, times, occasions, places**

THREATS

- ❑ Expansion via external growth might erode **marginality** to a certain extent
- ❑ Maritime transportation is **highly related to freights** and ancillary business lines



9. Recent results, H1-16

Table 3 – GF Group, H1-16 results summary

€ m	H1-16	H1-15	% YoY
Revenues	337.6	311.5	8.4
Other revenues	4.0	3.3	
Total Revenues	341.6	314.7	8.5
Material expenses	(228.3)		
Services	(58.8)		
Personnel expenses	(22.4)		
Other operating (expenses)/income	(5.9)		
EBITDA	26.2	14.6	79.1
% margin	7.7	4.7	
Writedowns, provisions & other	(1.5)	(1.6)	
D&A	(8.9)	(9.2)	
EBIT	15.8	3.8	n.m.
% margin	4.6	1.2	
Financials	(1.1)		
Re/(Devaluation) of financial assets	1.8		
Extraordinary	(3.0)		
Pre-Tax profit	13.5		
% margin	4.0		
Income taxes	(2.1)		
Tax rate	15.5%		
Net Profit	11.4		
% margin	3.3		
Net Profit Adjusted	14.0		
% margin	4.1		

Source: Company data

Figures are based on GF Group pro-forma consolidated financial statements reflecting the listing perimeter that reflect the effects of the transactions preliminary to the business combination.

GF Group reported a good set of results in the first half of 2016, characterized by **solid top line growth** and a **more than proportional rise in profitability**. Financial commitments are generally much higher in the first half of the year. Despite this, NFP only marginally increased vs. end-15.

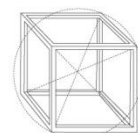
H1-16 total revenues grew 8.5% to € 341.6m, mainly driven by distribution in Italy, France and Portugal. **Top line trend is slightly seasonal**, with H1 revenues normally totaling some 55% of FY total figure.

EBITDA increased to € 26.2m, +79.1% YoY, margin of 7.7% i.e. +300bps, thanks to the **lower-than-proportional progression of direct costs** (material expenses and services) compared to the evolution of volumes. The efficiency and cost reduction measures has started to bring in tangible results. Margin trends present strong seasonality: normally 65-70% of FY EBITDA is produced in the first six months of the year. This is mainly due to the competition of local fresh products in the period Jun-Sept.

At operating level, the higher EBITDA and basically flat D&A, contributed to boost profitability: **EBIT reached € 15.8m**, 4.6% margin +340bps, vs. € 3.8m in H1-15.

Consistent with the evolution of operating performance, partially affected by € 3.0m extraordinary costs mainly aimed at improving the operating performance in the French distributing subsidiary, **Net Profit reached € 11.4m**, **3.3% margin**.

Net Financial Position remained basically unchanged at € 111.2m vs. € 106.9m at end-15 reflecting substantial operating cash flow despite the business seasonality which involves physiologically greater financial commitments in H1 and the investment over that period.



9. Financial forecasts

GF Group is an international player with headquarters in Albenga (Savona), operating in the **fresh fruit and vegetable production, import and distribution** businesses in the Mediterranean area of Europe. Market **volumes are projected to remain basically stable/moderately on the rise**, whilst **prices are set to show a 3/3.5% CAGR₁₅₋₁₈** in the main markets (Italy, France and Spain) thanks to a more favourable product mix.

In this context, **GF Group is foreseen to outperform the reference market** thanks to 1) **some market share recovery** in particular in France and Portugal, 2) **action on the “F.lli Orsero” brand** with extensions into new segments (i.e. fresh-cut, dried fruit) a 360-degree brand, 3) **the most complete selling proposition** in the market.

Historical figures and projections are based on GF Group pro-forma consolidated financial statements reflecting the listing perimeter that replicate the effects of transactions preliminary to the business combination. Numbers are ITA GAAP.

CFO expects total revenues to increase by 5.0% YoY on average in 2016-18, driven by Distribution BU, the core business of GF Group totalling almost 74% of total revenues. The banana and pineapple Import division, which includes Cosiarma, the shipping arm of the group, is projected to slow down growth rates since 2016 was an outstanding year in terms of load factor, seen to the tune of 92-93%.

Table 4 – GF Group, 2015-18e top line growth evolution breakdown

€ m	2015 PF	2016e	2017e	2018e	CAGR ₁₅₋₁₈
Total Revenues € m	627.8	668.7	695.6	727.4	5.0%
Production	32.9	36.1	37.7	39.4	6.1%
Import of bananas & pineapples	124.1	133.7	139.0	145.3	5.4%
Distribution	455.6	494.3	514.1	537.8	5.7%
Holding & other	15.2	15.9	16.5	17.1	4.0%
% YoY					
Total Revenues	-	6.5	4.0	4.6	
Production	-	9.5	4.5	4.5	
Import of bananas & pineapples	-	7.7	4.0	4.5	
Distribution	-	8.5	4.0	4.6	
Holding & other	-	5.1	3.4	3.6	
% on total					
Total Revenues	100.0	100.0	100.0	100.0	
Production	5.2	5.4	5.4	5.4	
Import of bananas & pineapples	19.8	20.0	20.0	20.0	
Distribution	72.6	73.9	73.9	73.9	
Holding & other	2.4	2.4	2.4	2.3	

Source: Company data, CFO Sim estimates

In 2015 10.2% of GF Group's costs have been fixed (D&A and personnel), and the remaining 89.8% variable. Assuming all costs are steady except for COGS, every additional unit increase in volumes impacts less on fixed costs and more on profitability.

The most relevant cost is material expenses, 68% of top line in 2015, mainly purchasing of fresh fruit and vegetables. As aforementioned, it is a business driven by prices rather than volumes, which is why the weight of raw materials is seen to lessen to a certain extent on total revenues.

D&A are seen to diminish as of 2016: the company is planning to shift the lifespan of its own four reefer vessels to 2025 (previously projected in 2019) together with an asset revaluation. The combined effect is a diminishment of D&A to the tune of € 2-2.5m.

As a result, **EBITDA and EBIT are expected to grow more than proportionately to top line:** +13.9% and 53.6% CAGR in 2015-18, vs. 5.6% of turnover.

The breakdown by business unit shows how **the driver of group profitability growth is the Distribution division**, 73% of turnover and 33% of EBITDA in 2015, thanks to the expansion of the F.lli Orsero brand to new segments and to better control of some areas.

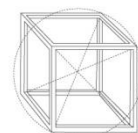


Table 5 – GF Group, 2015-18e profitability evolution

€ m	2015 PF	2016e	2017e	2018e	CAGR ₁₅₋₁₈
Total Revenues	627.8	680.0	707.3	739.5	5.6%
Material expenses	(426.5)	(461.6)	(480.0)	(498.3)	
Services	(111.1)	(118.9)	(123.5)	(130.9)	
Personnel expenses	(43.9)	(44.8)	(46.6)	(49.7)	
Other operating (expenses)/income	(18.8)	(18.1)	(19.3)	(19.9)	
EBITDA	27.5	36.6	37.9	40.6	13.9%
% margin	4.4	5.4	5.4	5.5	
D&A	(21.0)	(18.5)	(17.3)	(17.2)	
EBIT	6.5	18.2	20.7	23.4	53.6%
% margin	1.0	2.7	2.9	3.2	

Source: Company data, CFO Sim estimates

Table 6 – GF Group, 2015-18e profitability breakdown

€ m	2015 PF	2016e	2017e	2018e	CAGR ₁₅₋₁₈
EBITDA	27.5	36.6	37.9	40.6	13.9%
Production	1.7	1.8	1.9	2.0	6.7%
Import of bananas & pineapples	20.9	23.1	23.7	24.6	5.6%
Distribution	9.2	16.1	17.0	18.8	27.1%
Holding & other	(4.3)	(4.5)	(4.7)	(4.9)	4.5%
% margin					
EBITDA	4.4	5.5	5.5	5.6	
Production	5.1	5.1	5.1	5.2	
Import of bananas & pineapples	16.9	17.3	17.1	17.0	
Distribution	2.0	3.3	3.3	3.5	
Holding & other	(28.2)	(28.0)	(28.3)	(28.6)	
% YoY					
EBITDA	-	33.3	3.6	7.1	
Production	-	9.2	4.5	6.5	
Import of bananas & pineapples	-	10.6	2.5	3.9	
Distribution	-	76.1	5.3	10.8	
Holding & other	-	4.3	4.7	4.4	
% on total					
EBITDA	100.0	100.0	100.0	100.0	
Production	6.1	5.0	5.1	5.0	
Import of bananas & pineapples	76.1	63.1	62.5	60.7	
Distribution	33.3	44.0	44.7	46.3	
Holding & other	(15.6)	(12.2)	(12.3)	(12.0)	

Source: Company data, CFO Sim estimates

The company **pays some 200bps spread** to Euribor6M on its € 150m debt facilities. At revaluation of financial asset level, we find **the pro-quota net profit of the 50-50 JVs consolidated according to the equity method**. The three companies reported a total turnover of € 242m, EBITDA of € 6.1m (2.5% margin), a net profit of € 1.3m and a net financial position of € 14.4m in 2015. However, 2015 was a particularly poor year; in 2016 is reasonable to expect a definitely better operating performance: CFO Sim projects turnover of € 244m, EBITDA of € 8.0m (3.2% margin), net profit of € 3m and NFP of € 6m.

In France, the group started negotiations with trade unions and local authorities in 2016 for **the activation of a “social plan” allowing a reduction of personnel units** aimed at cost reduction and the recovery of appropriate margins. The € 3.5m extraordinary charges in 2016 are mainly related to this restructuring process, to be completed by the end of this year, with benefits as of 2017.

The **tax burden here is lightened by the tonnage tax regime** applied to the shipping arm of the group, Cosiarma. At a consolidated level CFO expects a conservative 20% tax rate in the coming years.

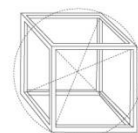


Table 7 – GF Group, 2015-18e figures evolution below EBIT

€ m	2015 PF	2016e	2017e	2018e	CAGR ₁₅₋₁₈
EBIT	6.5	18.2	20.7	23.4	53.6%
% margin	1.0	2.7	2.9	3.2	
Financials	(4.8)	(2.6)	(2.8)	(2.7)	
Re/(Devaluation) of financial assets	0.8	2.6	2.7	2.8	
Extraordinary	6.3	(3.5)	0.0	0.0	
Pre-Tax profit	8.7	14.7	20.6	23.5	39.0%
% margin	1.4	2.2	2.9	3.2	
Income taxes	7.1	(2.9)	(4.1)	(4.7)	
Tax rate	-81.4%	20.0%	20.0%	20.0%	
Minorities	0.0	0.0	0.0	0.0	
Net Profit	15.9	11.7	16.5	18.8	5.8%
% margin	2.5	1.7	2.3	2.5	
Net Profit Adjusted	10.8	14.4	16.5	18.8	20.5%
% margin	1.7	2.1	2.3	2.5	

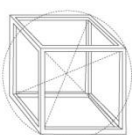
Source: Company data, CFO Sim estimates

Thanks to the relatively small amount of capex (€ 8.0m per annum in 2016e-18e), the **operating cash flow translates massively into free cash flow. EBITDA Free Cash Flow conversion is projected at 28%, 55% and 53% in 2016-18**. The substantial cash generation is consequently projected to bring down Net Financial Position to € 54.2m in 2018e from € 106.9m in 2015, a year affected by € 14m capital expenditures.

Table 8 – GF Group, 2015-18e Net Financial Position and financial solidity

€ m	2015 PF	2016e	2017e	2018e
Year-end NFP (Cash)/Debt	106.9	96.5	75.7	54.2
Average (Cash)/debt	106.9	101.7	86.1	65.0
EBITDA	27.5	36.6	37.9	40.6
Shareholders' equity	44.5	56.2	72.7	91.5
Interest charges	(4.8)	(2.6)	(2.8)	(2.7)
NFP/Equity	2.4	1.7	1.0	0.6
NFP/EBITDA	3.9	2.6	2.0	1.3
EBITDA/charges	5.8	14.1	13.4	15.0

Source: Company data, CFO Sim estimates



11. Valuation & risks

The transaction assesses **GF Group at an equity value of € 80.0m**, which according to CFO Sim estimates, corresponds to an **EV/EBITDA_{16e} of 4.4x** and **adjusted PER_{16e} post-money fully diluted of 9.9x** vs. a peer median of 9.6x and 14.6x respectively. **The DCF model** (6.3% WACC and 1.0% long term growth rate) based on CFO Sim projections entailing organic evolution of the business, **delivers an equity value of € 217.3m**.

11.1. DCF

In the valuation via the DCF method explicit estimates until 2020 and a long term growth of 1.0% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 9 - GF Group, WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	20.0%
Int. costs, after taxes	2.0%
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 2W average)	2.00%
Beta levered (x)	0.61
Required ROE	8.1%

Source: CFO Sim

Risk premium at 10.0% factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have.

Beta at 0.61x has been calculated taking peer group specific levered beta for each competitor, deleveraging it using each peer precise D/E structure, than leveraging it for GF Group 30/70 debt/equity long term sustainable balance sheet structure.

Table 10 - GF Group, DCF model

€ m	2016e	2017e	2018e	2019e	2020e	Term. Val.
EBIT	18.2	20.7	23.4	24.1	24.8	
Tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	
Operating profit (NOPAT)	14.5	16.6	18.7	19.3	19.8	
Change working capital	(6.8)	(7.5)	(6.4)	(4.5)	(3.1)	
Depreciation	16.5	15.2	15.1	11.0	8.0	
Investments	(14.0)	(8.0)	(8.0)	(8.0)	(8.0)	
Free Cash Flows	10.3	16.2	19.4	17.8	16.7	318.7
Present value	10.2	15.2	17.1	14.7	13.0	248.0
WACC	6.3%	6.3%	6.3%	6.3%	6.3%	
Long-term growth rate	1.0%					

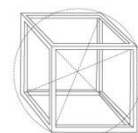
Source: CFO Sim

Table 11 – GF Group, DCF equity value derived from:

Total EV present value € m	318.2
<i>thereof terminal value</i>	78.0%
NFP FY-16e € m	(96.5)
Pension provision H1-16	(4.3)
Equity value € m	217.3

Source: CFO Sim

The application of the model produces an equity value of € 217.3m. Since the figures adopted in the model do not factor in the 50-50 JVs, the equity value obtained do not take into account the value of the 50-50 JVs included in the consolidation perimeter subjected to the business combination.



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 175.9–278.1m (perpetuity range of between 0.00% and +2.00%), while 2) compared to changes in the free risk rate produces an equity value of € 264.3–181.4m (free risk range of between 1.00% and 3.00%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € € 276.7-174.6m (risk premium range of between 8.00% and 12.0%).

Table 12 – GF Group, equity value sensitivity to changes in terminal growth rate

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	70.1	70.1	70.1	70.1	70.1	70.1	70.1	70.1	70.1
PV of terminal value	206.6	215.6	225.5	236.3	248.0	261.0	275.2	291.1	308.8
Total value	276.7	285.8	295.7	306.4	318.2	331.1	345.4	361.2	378.9
NFP FY-16e	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)
Pension provision H1-16	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)
Equity value	175.9	185.0	194.8	205.6	217.3	230.3	244.6	260.4	278.1

Source: CFO Sim

Table 13 – GF Group, equity value sensitivity to changes in free risk rate

€ m	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
Present value of CF	71.2	70.9	70.7	70.4	70.1	69.9	69.6	69.4	69.1
PV of terminal value	294.0	281.2	269.3	258.3	248.0	238.4	229.4	221.0	213.1
Total value	365.1	352.1	340.0	328.7	318.2	308.3	299.1	290.4	282.2
NFP FY-16e	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)
Pension provision H1-16	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)
Equity value	264.3	251.3	239.2	227.9	217.3	207.5	198.2	189.6	181.4

Source: CFO Sim

Table 14 – GF Group, equity value sensitivity to changes in risk premium

€ m	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
Present value of CF	71.4	71.1	70.8	70.5	70.1	69.8	69.5	69.2	68.9
PV of terminal value	306.1	289.5	274.4	260.7	248.0	236.4	225.6	215.7	206.5
Total value	377.5	360.6	345.2	331.1	318.2	306.2	295.2	284.9	275.4
NFP FY-16e	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)	(96.5)
Pension provision H1-16	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)
Equity value	276.7	259.8	244.4	230.3	217.3	205.4	194.4	184.1	174.6

Source: CFO Sim

11.2. Market multiples

We have included 3 peers in the sample, operating in global fresh fruit and vegetable production and distribution. Our sample comprises **Fresh Del Monte Produce, Fyffes and Total Produce**. Size varies quite a bit in terms of market capitalization and figures, as well as profitability: 1) Fresh Del Monte shows a € 3.2bn market value, € 3.6bn sales with an 8.7% EBITDA margin expected for 2016; 2) Total Produce has a size of € 550m, has € 3.4bn revenues and a 2.0% EBITDA margin, and 3) Fyffes with a market capitalization of € 478m delivers € 1.2bn revenues and an EBITDA margin of 5.5%.

GF Group is the smallest in the list in terms of turnover, has a **profitability in line** with the peer median but **offers much more growth**: EBITDA, EBIT and Net Profit CAGR₁₅₋₁₈ of 13.9%, 53.6% and 26.5%, respectively vs. 11.9%, 12.5% and 5.7% of the peer median.

Purchasing multiples for GF Group are calculated according to 1) the € 80m equity value consideration for GF Group, 2) CFO estimates and 3) the inclusion of GF Group pro-quota amount of the 50-50 JVs (consolidated according to the equity methodology in our figures). **JVs 2016-18 figures have been maintained conservatively flat** to 2016e.

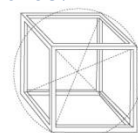


Table 15 – GF Group, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₅₋₁₈	EBITDA CAGR ₁₅₋₁₈	EBIT CAGR ₁₅₋₁₈	EPS CAGR ₁₆₋₁₈	NFP FY1	NFP /EBITDA
Fresh Del Monte Produce Inc	3,237	3,616	314	8.7%	2.8%	11.9%	16.9%	-9.2%	135	0.4
Fyffes PLC	478	1,176	64	5.5%	9.3%	12.4%	11.5%	8.0%	135	2.1
Total Produce PLC	550	3,355	67	2.0%	6.9%	3.9%	12.5%	5.7%	35	0.5
Median	550	3,355	67	5.5%	6.9%	11.9%	12.5%	5.7%	135	0.5
GF Group (CFO Sim estimates)		680	37	5.4%	5.6%	13.9%	53.6%	26.5%	97	2.6

Source: Thomson Reuters Eikon, CFO Sim

Table 16 – GF Group, peers group multiples table

EV & Price multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Fresh Del Monte Produce Inc	0.93	0.88	0.82	10.7	10.8	11.2	14.6	16.3	17.7
Fyffes PLC	0.52	0.46	0.43	9.6	7.8	7.2	11.1	9.9	9.5
Total Produce PLC	0.17	0.16	0.16	8.7	7.9	7.6	19.6	18.2	17.5
Median	0.52	0.46	0.43	9.6	7.9	7.6	14.6	16.3	17.5
GF Group (CFO Sim estimates)	0.22	0.19	0.16	4.4	3.8	3.1	9.9*	8.6*	7.6*

Source: Thomson Reuters Eikon, CFO Sim

* Adjusted PER post-money fully diluted, hp. zero withdrawals and warrant conversion at € 10.0/s

11.3. Stock performance

Glenalta Food was listed on the AIM Italia (Alternative Investment Market) on 10th Nov 2015 at € 10.0/share, corresponding to a market capitalization € 80.0m. Glenalta Food now trades **broadly in line with the IPO price**, and reached the 1Y maximum of € 10.45/s on 14th Nov and the 1Y minimum of € 9.50 on 30th Mar. The stock has outperformed the FTSE AIM Italia and the European sector and marginally underperformed the peer median.

Table 17 - Glenalta Food, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Fresh Del Monte Produce Inc	(0.0)	3.8	9.7	12.2	26.4	69.6	49.1
Total Produce PLC	0.6	1.2	0.0	9.6	0.6	16.3	17.7
Fyffes PLC	0.0	0.0	(2.4)	(5.3)	(9.7)	(4.6)	(8.3)
Peers Median	0.0	1.2	0.0	9.6	0.6	16.3	17.7
Glenalta Food SpA	(0.4)	(1.1)	0.2	3.7	2.1	0.1	1.6
FTSE AIM Italia	(0.5)	(1.2)	(2.3)	(0.5)	(8.6)	(19.4)	(20.3)
Thomson Reuters Food & Beverage EU	(0.5)	(1.2)	(7.7)	(15.2)	(12.9)	(10.7)	(11.2)

Source: Thomson Reuters Eikon

Table 18 – Glenalta Food, relative performances

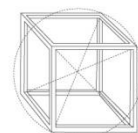
%	1D	1W	1M	3M	6M	YTD	1Y
Glenalta Food SpA to peers	(0.4)	(2.3)	0.2	(5.9)	1.6	(16.2)	(16.1)
Glenalta Food SpA to FTSE AIM Italia	0.1	0.1	2.4	4.2	10.8	19.5	22.0
Glenalta Food SpA to EU Sector	0.1	0.1	7.8	19.0	15.1	10.8	12.8

Source: Thomson Reuters Eikon

11.4. Risks

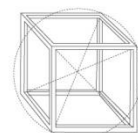
The principal investment **risks** in GF group include:

- impacts on economics and balance sheet profile triggered by a deep decline in local and global economic growth,
- Dilution on profitability stemming from the acquisition campaign,
- Impact of sharp fluctuation in the US\$ and bunker.



Income statement (€ m)	2015 PF	2016e	2017e	2018
Total Revenues	627.8	680.0	707.3	739.5
Material expenses	(426.5)	(461.6)	(480.0)	(498.3)
Services	(111.1)	(118.9)	(123.5)	(130.9)
Personnel expenses	(43.9)	(44.8)	(46.6)	(49.7)
Other operating (expenses)/income	(18.8)	(18.1)	(19.3)	(19.9)
EBITDA	27.5	36.6	37.9	40.6
D&A	(21.0)	(18.5)	(17.3)	(17.2)
EBIT	6.5	18.2	20.7	23.4
Financials	(4.8)	(2.6)	(2.8)	(2.7)
Re/(Devaluation) of financial assets	0.8	2.6	2.7	2.8
Extraordinary	6.3	(3.5)	0.0	0.0
Pre-Tax profit	8.7	14.7	20.6	23.5
Income taxes	7.1	(2.9)	(4.1)	(4.7)
Minorities	0.0	0.0	0.0	0.0
Net Profit	15.9	11.7	16.5	18.8
Net Profit Adjusted	10.8	14.4	16.5	18.8
Balance sheet (€ m)	2015 PF	2016e	2017e	2018
Net Working Capital	22.2	29.0	36.6	42.9
Net Fixed Assets	79.5	74.2	64.1	53.9
Equity Investments	42.3	43.1	44.0	44.9
Other M/L Term A/L	8.1	7.2	4.5	4.7
Net Invested Capital	152.1	153.5	149.1	146.5
Net Financial Debt	106.9	96.5	75.7	54.2
Minorities	0.8	0.8	0.8	0.8
Group's Shareholders Equity	44.5	56.2	72.7	91.5
Financial Liabilities & Equity	152.1	153.5	149.1	146.5
Cash Flow statement (€ m)	2015 PF	2016e	2017e	2018
Total net income	-	11.7	16.5	18.8
Depreciation	-	18.5	17.3	17.2
Other non-cash charges	-	0.9	2.7	(0.2)
Cash Flow from Oper. (CFO)	-	31.2	36.4	35.9
Change in NWC	-	(6.8)	(7.5)	(6.4)
FCF from Operations (FCFO)	-	24.4	28.8	29.5
Net Investments (CFI)	-	(14.0)	(8.0)	(8.0)
Free CF to the Firm (FCFF)	-	10.4	20.8	21.5
CF from financials (CFF)	-	12.5	0.0	0.0
Free Cash Flow to Equity (FCFE)	-	22.9	20.8	21.5
Financial ratios	2015 PF	2016e	2017e	2018
EBITDA margin	4.4%	5.4%	5.4%	5.5%
EBIT margin	1.0%	2.7%	2.9%	3.2%
Net profit margin	2.5%	1.7%	2.3%	2.5%
Tax rate	n.m.	20.0%	20.0%	20.0%
Interest coverage x	0.74	0.14	0.14	0.12
Net Debt/EBITDA x	3.89	2.63	1.99	1.33
Debt-to-Equity x	2.40	1.72	1.04	0.59
ROIC	10.4%	7.7%	11.0%	12.8%
ROCE	3.1%	7.8%	8.3%	8.7%
ROACE	3.1%	8.2%	8.5%	9.0%
ROE	35.7%	20.9%	22.7%	20.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%
Per share figures	2015 PF	2016e	2017e	2018
Number of shares # m	13.94	13.94	13.94	13.94
Number of shares Fully Diluted # m*	14.24	14.24	14.24	14.24
Average Number of shares Fully Diluted # m	14.24	14.24	14.24	14.24
EPS stated FD €	1.11	0.82	1.16	1.32
EPS adjusted FD €	0.75	1.01	1.16	1.32
EBITDA €	1.93	2.57	2.66	2.85
EBIT €	0.45	1.28	1.45	1.64
FCFO €	n.a.	1.71	2.02	2.07
FCFF €	n.a.	0.73	1.46	1.51
FCFE €	n.a.	1.61	1.46	1.51
Dividend €	0.00	0.00	0.00	0.00

* Number of shares fully diluted, hp. zero withdrawals and warrant conversion at € 10.0/s



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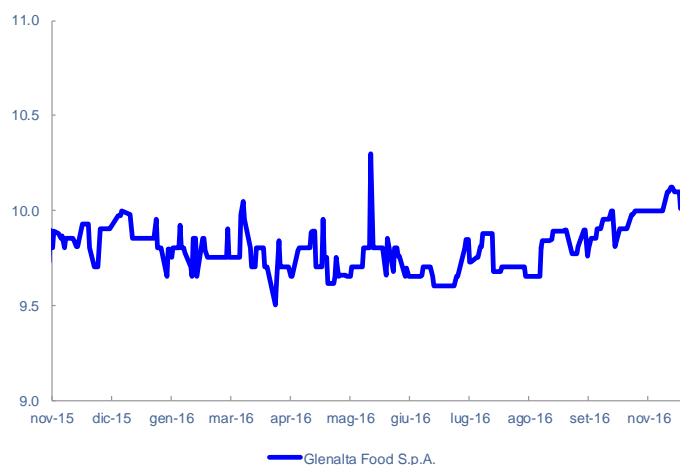
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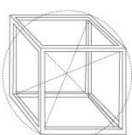
DATE	TARGET PRICE	RATING
25/11/16	-	Not Rated

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The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.



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