

Italy - Food

Rising distribution returns drove group interim results

1st October 2018

H1-18 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Interim results showed rising profitability in the Distribution segment and still poor performance in the Import & Shipping division. Orsero is focusing on enlarging distribution reach and reducing dependence on bananas. Move to the STAR segment likely in H1-19.

Rating:

Buy

Price Target:

€ 10.20 (€ 11.90)

Upside/(Downside): 35.6%

Last Price: € 7.52

Market Cap.: € 133.0

1Y High/Low: € 10.88/€ 6.43

Free Float: 62.7%

Major shareholders:

FIF Holding 31.6%
Grupo Fernández 5.7%



Stock price performance

	1M	3M	12M
Absolute	7.4	0.0%	-26.8%
Rel.to AIM Italia	5.8%	2.2%	-25.2%
Rel.to EU Sector	8.5%	-0.8%	-22.6%

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Long term value stock: Buy, PT of € 10.20 (11.90), 35.6% upside

We have updated our model factoring in: 1) slightly weaker performance of the Distribution BU in 2018 in terms of top line growth (+2.0% our estimate was 3.5%) and increased EBITDA margin by some 10bps to 3.6%, 2) a further downgrade in the Import & Shipping numbers with top line foreseen to drop by 7.0% and EBITDA at 3.5% on sales. We left unchanged 2019-20 assumptions. The result is a 2.5% average trim in EBITDA for 2018-20. Since our update dated 2-Jul, comparable stock prices declined dramatically, thus resizing sample multiples: in the last 3M, peers dropped by 23.9% on average whilst Orsero was flat. We have updated our PT to € 10.20 (€ 11.90): Buy rating confirmed.

Interim revenues basically unchanged at € 470m, distribution at 74% of total

H1-18 turnover remained basically unchanged at € 469.7m, down 0.8% YoY. The Distribution business arm was flat at € 427.0m (-0.1% vs. H1-17) and represented 73.5% of total (was 72.0% last year): the Spanish market and the good performance of the avocado operation in Mexico entirely counterbalanced the decline in Italy and France tied to the delay of some seasonal campaigns and in Portugal linked to volume repositioning vs. more profitable product families. The Import & Shipping division dropped by 7.6% to € 111.3m and totalled 19.2% of consolidated revenues. More specifically, the Import arm declined by 7.6%, affected by lower prices for bananas and pineapples (mostly in the second quarter). The Shipping BU dropped by 8.0% YoY, and was forex negative (for some 11.0%).

EBITDA rose 7.8%, 3.6% margin +30bps

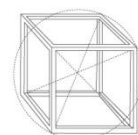
Adjusted EBITDA totalled € 16.8m, 3.6% margin, an increase of 7.8% vs. € 15.6m reported in the same period of last year, margin of 3.3%. Distribution soared 20.0% to € 15.6m, 3.6% margin vs. 3.0% in H1-17, thanks to the good performance in France and Spain and to the strong contribution of the avocado in Mexico. Import & Shipping further declined YoY, reaching € 3.3m down from € 4.9m: despite better profitability of Import, results were affected by Shipping which dropped YoY. Profitability in the Shipping was impacted by 1) declining freight rate, 2) 17% increase in bunker fuel costs (\$ 367/mton vs. \$ 314/mton in H1-17) and 3) loading factor up to some 90% from 84% in H1-17.

Focus on distribution via internal and external growth opportunities

Orsero is focusing on enlarging distribution reach and reducing dependence on bananas. More specifically, on distribution, Orsero aims to introduce value added products and create a new service approach to customers (namely fresh cut and perfectly ripened and ready to eat exotic fruit). The group is active on M&A: targets could operate in the dried fruit and processed fresh produce sector exploiting branding opportunities and leveraging the wide distribution network to increase coverage. The highly likely move to the STAR segment in H1-19 adds appeal to the investment case.

Orsero, key financials and ratios

€ m	2016	2017	2018e	2019e	2020e
Sales	685.0	937.8	939.8	971.6	1,004.5
EBITDA adj	35.2	31.3	33.7	38.3	39.7
EBIT adj	17.6	11.3	18.2	22.9	24.4
Net profit	18.2	14.9	11.3	15.4	16.5
Net profit adj	23.7	18.7	11.3	15.4	16.5
NFP (cash)/debt	49.1	46.5	39.7	25.5	9.2
EPS adjusted FD	1.34	1.06	0.64	0.87	0.93
EPS adj. FD growth	45.0%	-21.0%	-39.6%	36.3%	7.2%
DPS ord. €/s	0.00	0.12	0.11	0.15	0.16
Dividend yield	0.0%	1.6%	1.5%	2.0%	2.1%
Free Cash Flow Yield	32.2%	-8.3%	6.7%	12.1%	14.1%
PER x	5.6	7.1	11.8	8.6	8.1
EV/Sales x	0.27	0.19	0.18	0.16	0.14
EV/EBITDA x	5.2	5.7	5.1	4.1	3.6
EV/EBIT x	10.3	15.9	9.5	6.9	5.8



Interim results, driven by rising distribution margins

Table 1 – Orsero, H1-18 results summary

P&L € m	H1-18	H1-17	% YoY	H2-18e	H2-17	% YoY
Revenues	469.7	473.4	(0.8)	470.0	464.4	1.2
COGS	(430.2)	(435.3)		(424.2)	(423.9)	
Gross Profit	39.6	38.1	3.9	45.8	40.5	13.1
% margin	8.4	8.0		9.7	8.7	
SG&A	(31.4)	(30.9)		(35.0)	(35.5)	
Other	1.1	(1.0)		(1.9)	0.0	
EBIT	9.3	6.2	49.8	8.9	5.0	76.2
% margin	2.0	1.3		1.9	1.1	
Financials	(1.3)	(1.6)		(1.3)	(1.1)	
Results from investments	0.2	18.2		(0.2)	(7.3)	
Pre Tax Profit	8.2	22.9	(64.1)	7.4	(3.3)	n.m.
% margin	1.7	4.8		1.6	(0.7)	
Taxes	(2.7)	(2.8)		(1.4)	(1.7)	
Tax Rate	32.5%	12.4%		18.8%	-50.8%	
Minorities	(0.2)	(0.2)		(0.1)	(0.0)	
Net Profit	5.4	19.8	(72.9)	5.9	(5.0)	n.m.
% margin	1.1	4.2		1.3	(1.1)	
D&A	(6.4)	(6.1)		(6.6)	(6.7)	
Provisions	(0.9)	(1.1)		(1.7)	(1.4)	
Non recurring income	0.2	0.5		(0.2)	0.1	
Non recurring expenses	(0.5)	(2.7)		0.5	(2.7)	
Adjusted EBITDA	16.8	15.6	7.8	16.9	15.7	7.5
% margin	3.6	3.3		3.6	3.4	

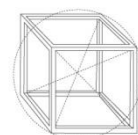
Source: Orsero, CFO Sim

H1-18 turnover remained basically unchanged at € 469.7m, down 0.8% YoY.

- The **Distribution business arm was flat at € 427.0m** (-0.1% vs. H1-17) and represented 73.5% of total (was 72.0% last year): the Spanish market and the good performance of the avocado operation in Mexico entirely counterbalanced the decline in Italy and France tied to the delay of some seasonal campaigns and in Portugal linked to volume repositioning vs. more profitable product families.
- The **Import & Shipping division dropped by 7.6% to € 111.3m** and totalled 19.2% of consolidated revenues. More specifically, the Import arm declined by 7.6%, affected by lower prices for bananas and pineapples (mostly in the second quarter). The Shipping BU dropped by 8.0% YoY, and was hit by the translation of sales from US\$ to EUR: currency translation effect was negative for some 11.0%.

Adjusted EBITDA totalled € 16.8m, 3.6% margin, an increase of 7.8% vs. € 15.6m reported in the same period as last year, a margin of 3.3%.

- **Distribution soared 20.0% to € 15.6m, 3.6% margin** vs. 3.0% in H1-17, thanks to the good performance in France and Spain and to the strong contribution of the avocado in Mexico.
- **Import & Shipping further declined YoY**, reached € 3.3m down from € 4.9m: despite of better profitability of Import, results were affected by Shipping which dropped YoY vs. a semester which seemed at that time the very bottom in terms of results. Profitability in Shipping was impacted by 1) declining freight rate, 2) 17% increase in bunker fuel costs (\$ 367/mton vs. \$ 314/mton in H1-17) and 3) loading factor up to some 90% from 84% in H1-17.



EBIT was € 9.3m, 2.0% of turnover vs. € 6.2m in H1-17, 1.3% margin. **Net Profit reached € 5.4m** vs. € 19.8m in H1-17. Excluding the effect of IFRS 3 in H1-17, net profit increased by € 3.5m YoY.

NFP reached € 52.7m, this compares with € 46.7m at end-17. The worsening was due to: 1) cash flow generation, almost zero entirely due to the seasonal absorption of WC of some € 12.0m vs. € 18.8m of H1-17 (excluding M&A for € 10.0m); 2) capex for € 6.0m mostly in the distribution business; 3) other effects including the distribution of some € 2.0m dividends.

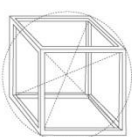
We compared H1-18 figures with H1-17 pro-forma figures, factoring in the 100% consolidation of the Spanish and Italian JVs **as of 1-Jan**. The main difference vs. the reported results, apart from the € 120m increase in top line, is the € 18m non-recurring income due to the revaluation, pursuant to IFRS 3 "Step Acquisition" principle, of fair value of the shareholdings already owned by Orsero in the acquired JVs (i.e. increase in goodwill). **Pro-forma net financial position was € 76.8m**, and reflects the € 20.4m acquisition cash out, net of the capital increase and the cash flow from operations.

Estimates, valuation & risks

Following the publication of H1-18 results, we have updated our model factoring in: 1) **a slightly weaker performance of the Distribution** business unit in 2018 in terms of top line growth (2.0%, our estimate was 3.5% YoY) and increased profitability by some 10bps to 3.6% EBITDA margin was 3.5%, 2) **a further downgrade in the Import & Shipping numbers** with top line anticipated to drop by 7.0% and EBITDA at 3.5% on revenues. We left unchanged 2019-20 assumptions. The result is a 2.5% average trim in EBITDA forecasts for 2018-20.

Since our last update on the company dated 2-Jul, comparable stock prices declined dramatically, thus resizing sample multiples: in the last 3M, peers dropped by 23.9% on average whilst Orsero remained unchanged. **We have updated our PT to € 10.20 (€ 11.90) based on a market multiple comparison**, applying a 15% size-discount, corresponding to an implied 6.0x EBITDA_{18e} and 17.3x PER_{18e} vs. 7.0x and 20.4x of peers (was 8.5x and 20.8x respectively at the time of our last update). Our **DCF model corroborates the value obtained by the multiple comparison: € 11.10/s** with a risk-free rate brought up-to-date to 3.0% and with other assumptions left unchanged (long-term growth rate of 1%, risk premium at 10%, D/E structure target at 30%).

CFO Sim confirms the Buy rating on the stock. We think Orsero remains an interesting long term value player, characterised by an **increasing focus on the core business of the Distribution** of fruit and vegetables, **further room for increasing market share also via M&A** and a **compelling valuation** even if the high volatility of the Import & Shipping division results clouds the visibility of group figures.



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, Total Produce and Greenyard**. Fyffes was bought out in Dec-16 by Sumitomo at 13.8x EBITDA. Size varies quite a bit in terms of market capitalization and figures, as well as profitability: 1) Fresh Del Monte shows a € 1.4bn market value, € 3.9bn sales with an 6.6% EBITDA margin expected for 2018; 2) Total Produce has a size of € 821m, has € 4.0bn revenues and a 2.2% EBITDA margin projected for 2018 and Greenyard boasts a € 351m market value, € 3.9bn sales with an 2.7% EBITDA margin expected for 2018.

Orsero is the smallest in the list in terms of turnover, has a **profitability higher** than the peer median and **offers slight higher growth**: EBITDA, EBIT and Net Profit CAGR₁₇₋₂₀ of 8.2%, 15.0% and 20.9%, respectively vs. 2.7%, 10.0% and 26.9% of the peer median.

Orsero trades at a double digit discount vs. peers considering price and enterprise value multiples at all metrics in 2018-20. We believe this gap is only to a degree explained by a difference in size, but **has to be abridged** to a certain extent considering 1) slightly higher than peer growth perspectives and 2) the active role that Orsero can play in this unavoidably consolidating disciplined oligopoly.

Table 2 – Orsero, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₇₋₂₀	EBITDA CAGR ₁₇₋₂₀	EBIT CAGR ₁₇₋₂₀	EPS CAGR ₁₈₋₂₀	NFP FY1	NFP /EBITDA
Fresh Del Monte Produce Inc	1,424	3,888	259	6.6%	6.1%	12.1%	10.0%	26.9%	135	0.5
Total Produce PLC	821	3,985	86	2.2%	2.3%	2.7%	24.0%	23.7%	211	2.5
Greenyard NV	351	3,919	105	2.7%	-1.2%	-0.7%	-3.0%	104.9%	385	3.7
Median	821	3,919	105	2.7%	2.3%	2.7%	10.0%	26.9%	211	2.5
Orsero Spa	133	940	34	3.6%	2.3%	8.2%	15.0%	20.9%	40	1.2

Source: Thomson Reuters Eikon, CFO Sim

Table 3 – Orsero, peer 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	0.40	0.39	0.37	6.0	5.8	5.4	17.8	13.5	11.1
Total Produce PLC	0.26	0.25	0.25	12.0	11.8	11.3	20.4	14.7	13.3
Greenyard NV	0.19	0.18	0.16	7.0	5.7	4.6	52.0	19.9	12.4
Median	0.26	0.25	0.25	7.0	5.8	5.4	20.4	14.7	12.4
Orsero Spa	0.18	0.16	0.14	5.1	4.1	3.6	11.8	8.6	8.1
% (Discount)/Premium to peers	-29.0%	-35.5%	-44.2%	-27.2%	-28.7%	-33.7%	-42.2%	-41.1%	-35.0%

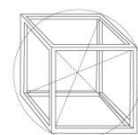
Source: Thomson Reuters Eikon, CFO Sim

Table 4 – Orsero, equity value assessment

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Median peers	0.26	0.25	0.25	7.0	5.8	5.4	20.4	14.7	12.4
Orsero metrics	939.8	971.6	1,004.5	33.7	38.3	39.7	0.64	0.87	0.93
NFP	39.7	25.5	9.2	39.7	25.5	9.2			
% discount applied	15.0%								
Orsero Equity Value	167.1	183.5	207.6	162.1	163.6	173.1	196.3	192.7	173.3
Orsero Equity Value €/s	9.50	10.40	11.70	9.20	9.30	9.80	11.10	10.90	9.80
% upside/(downside)	26.3	38.3	55.6	22.3	23.7	30.3	47.6	44.9	30.3

Source: Thomson Reuters Eikon, CFO Sim

We confidently consider that the most suitable multiples to look at are EV/EBITDA and PER, since the systematically lighter tax burden vs. peers thanks to the application of the **5% tonnage tax regime** to the profits stemming from the shipping arm of the group, represents a valuation strength point that has to be priced into the stock. We are valuing the stock to fairly visible **2018 figures**, factoring in the poor contingent Import & Shipping results. After having applied a residual 15.0% discount factoring in the smaller size, **2018 average EV/EBITDA and PER derived equity value totals € 180.4m, corresponding to 10.20/s, 35.6% upside to current price.**



DCF

In the valuation via the DCF method explicit estimates until 2022 and a long term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 5 - Orsero, WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	26.0%
Int. costs, after taxes	1.9%
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 2W average)	3.00%
Beta levered (x)	0.80
Required ROE	11.0%

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 0.80x** has been calculated taking peer group specific levered beta for each competitor, deleveraging it using each peer precise D/E structure, then leveraging it for Orsero 30/70 debt/equity long term sustainable balance sheet structure.

Table 6 - Orsero, DCF model

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	18.2	22.9	24.4	25.3	26.1	
Tax rate	26.0%	23.0%	23.0%	23.0%	23.0%	
Operating profit (NOPAT)	13.5	17.6	18.8	19.5	20.1	
Change working capital	0.5	(1.3)	0.4	(0.5)	(0.1)	
Depreciation	13.0	12.8	12.6	8.0	6.5	
Investments	(15.5)	(10.5)	(10.5)	(6.5)	(6.5)	
Free Cash Flows	11.4	18.6	21.3	20.5	20.0	256.0
Present value	11.2	16.6	17.4	15.3	13.6	178.3
WACC	8.9%	8.9%	8.9%	8.9%	8.9%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 7 – Orsero, DCF equity value derived from:

Total EV present value € m	252.3
<i>thereof terminal value</i>	70.7%
NFP last reported	(46.5)
Pension provision last reported	(8.8)
Equity value € m	197.0
#m shares	17.68
Equity value €/s	11.10
<i>% upside/(downside)</i>	47.6%

Source: CFO Sim

The application of the model produces an equity value of € 197.0m, corresponding to € 11.10/share.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 9.92-12.72/s (perpetuity range of between 0.00% and +2.00%), while 2) compared to changes in the free risk rate produces an equity value of € 9.90-12.65/s (free risk range of between 4.00% and 2.00%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 9.26-13.72/s (risk premium range of between 12.00% and 8.0%).

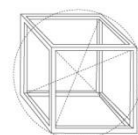


Table 8 – Orsero, equity value sensitivity to changes in terminal growth rate

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0	74.0
PV of terminal value	156.6	161.6	166.8	172.4	178.3	184.6	191.3	198.5	206.2
Total value	230.7	235.6	240.8	246.4	252.3	258.6	265.3	272.5	280.2
NFP last reported	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Equity value	175.4	180.3	185.5	191.1	197.0	203.3	210.0	217.2	224.9
Equity value/share €	9.92	10.20	10.49	10.81	11.10	11.50	11.88	12.28	12.72

Source: CFO Sim

Table 9 – Orsero, equity value sensitivity to changes in free risk rate

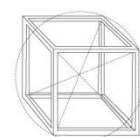
€ m	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
Present value of CF	75.3	75.0	74.7	74.4	74.0	73.7	73.4	73.1	72.7
PV of terminal value	203.6	196.7	190.2	184.1	178.3	172.7	167.5	162.4	157.6
Total value	278.9	271.7	264.9	258.5	252.3	246.4	240.8	235.5	230.4
NFP last reported	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Equity value	223.6	216.4	209.6	203.2	197.0	191.1	185.5	180.2	175.1
Equity value/share €	12.65	12.24	11.86	11.49	11.10	10.81	10.49	10.19	9.90

Source: CFO Sim

Table 10 – Orsero, 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	76.2	75.6	75.1	74.5	74.0	73.5	73.0	72.5	72.0
PV of terminal value	221.7	209.3	198.1	187.8	178.3	169.5	161.5	154.0	147.0
Total value	297.8	284.9	273.1	262.3	252.3	243.0	234.5	226.5	219.0
NFP last reported	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Equity value	242.5	229.7	217.9	207.0	197.0	187.8	179.2	171.2	163.7
Equity value/share €	13.72	12.99	12.32	11.71	11.10	10.62	10.13	9.68	9.26

Source: CFO Sim



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 of € 80.0m. Its target Orsero was listed on the **AIM Italia** (Alternative Investment Market) **on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. Orsero stock reached the 1Y maximum of € 10.88/s on 24th Oct 2017 and the 1Y minimum of € 6.43 on 28st Aug 2018. The stock has consistently outperformed the FTSE AIM Italia, the European sector and the peer in the last 3M.

Table 11 - Orsero, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Fresh Del Monte Produce Inc	(0.6)	(3.6)	(9.5)	(23.9)	(25.1)	(28.9)	(26.2)
Total Produce PLC	(0.5)	(1.9)	(1.9)	(5.0)	(12.1)	(17.6)	(7.6)
Greenyard NV	(2.5)	(4.1)	(2.1)	(36.0)	(56.5)	(60.8)	(59.0)
Peers Median	(0.6)	(3.6)	(2.1)	(23.9)	(25.1)	(28.9)	(26.2)
Orsero Spa	(0.5)	1.9	7.4	0.0	(16.5)	(18.7)	(26.8)
FTSE AIM Italia	(0.9)	(0.5)	1.6	(2.2)	(0.0)	(0.2)	(1.7)
Thomson Reuters Food & Beverage EU	(0.3)	(0.7)	(1.0)	0.8	(2.3)	(9.3)	(4.2)

Source: Thomson Reuters Eikon

Table 12 – Orsero, relative performances

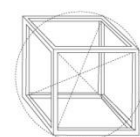
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	0.1	5.5	9.5	23.9	8.6	10.2	(0.6)
Orsero Spa to FTSE AIM Italia	0.3	2.4	5.8	2.2	(16.5)	(18.5)	(25.2)
Orsero Spa to EU Sector	(0.2)	2.5	8.5	(0.8)	(14.3)	(9.4)	(22.6)

Source: Thomson Reuters Eikon

Risks

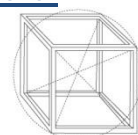
The principal investment **risks** in Orsero include:

- 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



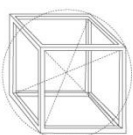


Income statement (€ m)	2016	2017	2018e	2019e	2020e
Revenues	685.0	937.8	939.8	971.6	1,004.5
COGS	(612.3)	(859.2)	(854.4)	(880.2)	(910.4)
Gross Profit	72.7	78.6	85.4	91.4	94.1
SG&A	(55.0)	(67.3)	(67.2)	(68.5)	(69.8)
EBIT	17.6	11.3	18.2	22.9	24.4
Financials	(1.4)	(2.7)	(2.6)	(2.6)	(2.6)
Results from investments	4.9	11.0	0.0	0.0	0.0
Pre Tax Profit	21.1	19.6	15.6	20.3	21.8
Taxes	(2.9)	(4.5)	(4.1)	(4.7)	(5.0)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	18.2	14.9	11.3	15.4	16.5
D&A	(9.8)	(12.8)	(13.0)	(12.8)	(12.6)
Provisions	(1.5)	(2.5)	(2.6)	(2.6)	(2.7)
Non recurring items	(6.3)	(4.8)	0.0	0.0	0.0
Adjusted EBITDA	35.2	31.3	33.7	38.3	39.7
Adjusted EBIT	23.9	16.0	18.2	22.9	24.4
Adjusted Net profit	23.7	18.7	11.3	15.4	16.5
Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	27.4	43.0	42.5	43.8	43.4
Net Fixed Assets	95.9	144.0	146.4	143.9	141.6
Equity Investments	39.2	8.0	8.1	8.3	8.4
Other M/L Term A/L	3.0	(2.7)	(2.3)	(1.9)	(1.6)
Net Invested Capital	165.6	192.2	194.7	194.1	191.9
Net Financial Debt/(cash)	49.1	46.5	39.7	25.5	9.2
Minorities	0.7	1.1	1.3	1.6	1.8
Group's Shareholders Equity	115.8	144.7	153.7	167.1	180.9
Financial Liabilities & Equity	165.6	192.2	194.7	194.1	191.9
Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	18.2	14.9	11.3	15.4	16.5
Depreciation	9.8	12.8	13.0	12.8	12.6
Other non-cash charges	9.1	1.5	(0.4)	(0.4)	(0.3)
Cash Flow from Oper. (CFO)	37.0	29.1	23.9	27.8	28.8
Change in NWC	(4.9)	(15.6)	0.5	(1.3)	0.4
FCF from Operations (FCFO)	32.2	13.6	24.4	26.5	29.2
Net Investments (CFI)	10.7	(24.6)	(15.5)	(10.5)	(10.5)
Free CF to the Firm (FCFF)	42.8	(11.0)	8.9	16.0	18.7
CF from financials (CFF)	(32.7)	34.5	(2.0)	(1.8)	(2.5)
Free Cash Flow to Equity (FCFE)	10.1	23.4	6.8	14.2	16.3
Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA adj. margin	5.1%	3.3%	3.6%	3.9%	4.0%
EBIT margin	2.6%	1.2%	1.9%	2.4%	2.4%
Net profit margin	2.7%	1.6%	1.2%	1.6%	1.6%
Tax rate	13.6%	23.0%	26.0%	23.0%	23.0%
Op NWC/Sales	4.0%	4.6%	4.5%	4.5%	4.3%
Interest coverage x	0.08	0.24	0.14	0.11	0.11
Net Debt/EBITDA adj. x	1.39	1.48	1.18	0.66	0.23
Debt-to-Equity x	0.42	0.32	0.26	0.15	0.05
ROIC	11.0%	7.7%	5.8%	7.9%	8.6%
ROCE	7.5%	5.5%	6.1%	7.4%	7.5%
ROACE	7.2%	6.1%	6.2%	7.5%	7.6%
ROE	15.7%	10.3%	7.4%	9.2%	9.1%
Payout ratio	0.0%	13.7%	16.0%	16.0%	16.0%
Per share figures	2016	2017	2018e	2019e	2020e
Number of shares # m	17.68	17.68	17.68	17.68	17.68
Number of shares Fully Diluted # m	17.68	17.68	17.68	17.68	17.68
Average Number of shares Fully Diluted	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	1.03	0.84	0.64	0.87	0.93
EPS adjusted FD €	1.34	1.06	0.64	0.87	0.93
EBITDA €	1.99	1.77	1.91	2.17	2.25
EBIT €	1.00	0.64	1.03	1.30	1.38
FCFO €	1.82	0.77	1.38	1.50	1.65
FCFF €	2.42	(0.62)	0.50	0.91	1.06
FCFE €	0.57	1.32	0.39	0.80	0.92
Dividend €	0.00	0.12	0.11	0.15	0.16

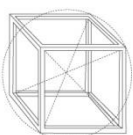




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The company in a nutshell

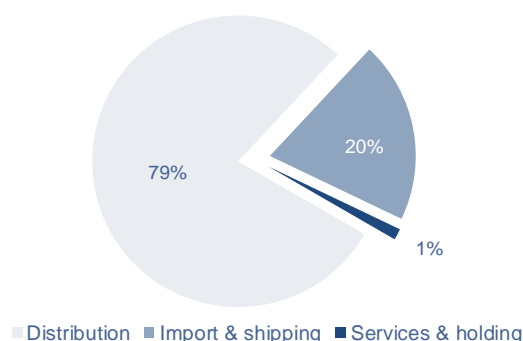
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and distribution of fresh fruit and vegetables, production and export of fruit together with chilled maritime transportation. Orsero 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.

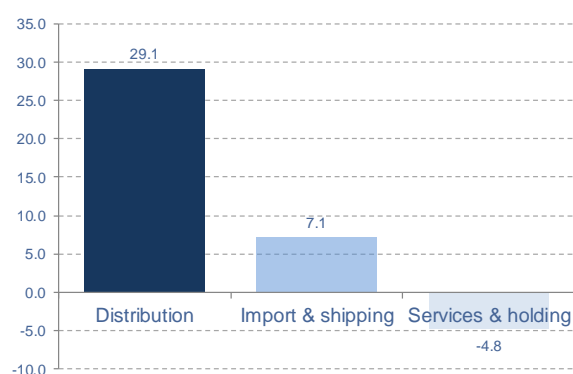
2017 Orsero pro-forma highlights: € 937.8m revenues, EBITDA adj. of € 31.3m (3.3% margin), € 14.9m net profit and € 46.5m net financial position (1.48x EBITDA).

Orsero was listed on the AIM Italia (Alternative Investment Market) on 13-Feb-17 as a result of the merger between Glenalta Food and Orsero. The merger was the final step in the business combination between Glenalta Food and GF Group, as regulated by the agreement signed and announced on 28th October 2016.

2017 Gross Turnover...



...and EBITDA by business



Shareholder structure

	%	# m
Orsero family	31.6%	5.59
Grupo Fernandez	5.7%	1.00
Free Float	62.7%	11.09
o/w treasury shares	3.6%	0.64
Total	100.0%	17.68

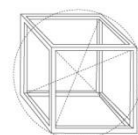
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	(0.6)	(3.6)	(9.5)	(23.9)	(25.1)	(28.9)
Total Produce PLC	(0.5)	(1.9)	(1.9)	(5.0)	(12.1)	(17.6)
Greenyard NV	(2.5)	(4.1)	(2.1)	(36.0)	(56.5)	(60.8)
Peers Median	(0.6)	(3.6)	(2.1)	(23.9)	(25.1)	(28.9)
Orsero Spa	(0.5)	1.9	7.4	0.0	(16.5)	(18.7)
FTSE AIM Italia	(0.9)	(0.5)	1.6	(2.2)	(0.0)	(0.2)
EU Sector	(0.3)	(0.7)	(1.0)	0.8	(2.3)	(9.3)
Orsero Spa to peers	0.1	5.5	9.5	23.9	8.6	10.2
Orsero Spa to FTSE AIM Italia	0.3	2.4	5.8	2.2	(16.5)	(18.5)
Orsero Spa to EU Sector	(0.2)	2.5	8.5	(0.8)	(14.3)	(9.4)

Peers group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Fresh Del Monte Produce Inc	17.8	13.5	11.1	6.4	6.5	6.1	6.0	5.8	5.4
Total Produce PLC	20.4	14.7	13.3	16.0	16.6	17.0	12.0	11.8	11.3
Greenyard NV	52.0	19.9	12.4	4.4	3.9	3.5	7.0	5.7	4.6
Median	20.4	14.7	12.4	6.4	6.5	6.1	7.0	5.8	5.4
Orsero Spa	11.8	8.6	8.1	5.0	4.3	4.2	5.1	4.1	3.6
% (Discount)/Premium to peer median	-42.2%	-41.1%	-35.0%	-22.6%	-33.8%	-31.8%	-27.2%	-28.7%	-33.7%

Source: CFO Sim, Thomson Reuters Eikon



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This is to certify that the views expressed on the companies mentioned in this document reflect the analyst's personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

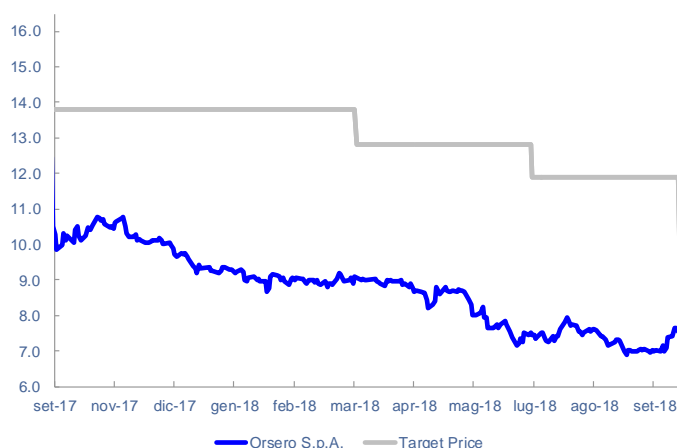
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DATE	TARGET PRICE	RATING
01/10/2018	€10.20	BUY
02/07/2018	€11.90	BUY
21/03/2018	€12.80	BUY
01/02/2018	€13.80	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

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.

