

Italy - Food

Weak interim results impact short-medium term only

12th September 2019

H1-19 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Interim results showed an unexpected decline in Distribution profitability, due to the temporary poor performance in France and a margin increase at Import & Shipping. IFRS 16 first time adoption had a positive effect on EBITDA (€ 4.5m) and negative on NFP (€ 61.2m). Estimates and PT downgraded: 26.9% upside still supports the long term Buy.

Rating:

Buy

Price Target:

€ 8.40 (€ 10.30)

Upside/(Downside): 26.9%

Last Price: € 6.62

Market Cap.: € 117.1

1Y High/Low: € 8.12/€ 6.62

Free Float: 62.7%

Major shareholders:

FIF Holding	31.6%
Grupo Fernández	5.7%
Global Portfolio Investments	5.6%
Praude Asset Management	8.6%



Stock price performance

	1M	3M	12M
Absolute	-11.7%	-10.1%	-4.7%
Rel.to AIM Italia	-14.4%	-2.0%	10.6%
Rel.to EU Sector	-13.7%	-12.9%	-18.1%

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Estimates and PT downgraded: 26.9% upside still supports the long term Buy

We have updated our model factoring in: 1) a weaker performance of the Distribution business unit on the back of the temporary poor performance in H1-19 in France, 2) a stabilization of the results in the Import & Shipping division in terms of EBITDA to some € 9.5m on average in 2019-21, 3) higher capex in 2019, mainly due to the recent acquisitions (€ 17.2m) and 4) the consolidation of Fruttital Cagliari (acquired in Jul-19). The result is a 5.6% and 14.1% average 2019-21 decline in EBITDA adj. and Net Profit adj., respectively. As a consequence, and magnified by the reduction of peers multiples, PT drops to € 8.40 (€ 10.30), 26.9% upside, based on a market multiple comparison, applying a 20% size-discount, corresponding to an implied 6.6x EBITDA_{19e} and 14.3x PER_{19e} vs. 7.9x and 14.0x of peers. The 26.9% upside still justifies the long term positive stance on the stock.

Revenues were up by 4.9% to € 492.2m, almost entirely organic

H1-19 net revenues grew by 4.9% to € 492.2m, thanks to the contribution of both Distribution and Import & Shipping business units. The Distribution business arm turnover increased to € 448.2m (+5.0% vs. H1-18), of which 3.3% organic and additional € 7.3m from M&A (Sevimpor consolidated from Jan-19 and Fruttica from Apr-19). The growth reported in the Italian, Spanish and Mexican markets more than counterbalanced the poor performance of France. The Import & Shipping division grew by 6.9% to € 118.9m, thanks to the increase in third parties volumes and the load factor improvement from 90% to 97% YoY.

EBITDA adjusted ex. IFRS 16 effect at € 14.8m, -12.0% YoY

EBITDA adj. was € 19.3m, 3.9% margin, including a € 4.5m positive impact stemming from the IFRS 16 application. Excluding this effect EBITDA adj. was € 14.8m, vs. € 16.8m in H1-18. Distribution EBITDA dropped by € 3.7m to € 11.8m, mainly as a result of an unexpected decline in profitability in France due to lower prices, flat volumes and some temporary operational issues. Import & Shipping EBITDA increased by € 2.2m to € 5.5m, driven by more favourable freight rates, higher volumes (+6.8%) and a more efficient schedule.

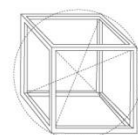
Mid-long term strategy based on the strengthening of competitive position

Orsero is focusing on strengthening of its competitive position in southern Europe, with particular focus on fresh fruit and vegetables. On distribution, Orsero aims to increase fresh-cut, portioned, prewashed and exotic fruit (namely via the M&A process, already ongoing following the acquisitions of Fruttital Cagliari, Sevimpor and Fruttica), in order to reduce its dependence on bananas and pineapples. The import activity will be driven by maintaining the current position in importation of green bananas and pineapples and the search for new attractive partnerships with farmers.

Orsero, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	937.9	952.8	993.4	1,015.2	1,041.5
EBITDA adj	31.4	32.9	33.2	39.6	41.5
EBIT adj	16.1	17.5	15.8	22.3	24.5
Net profit	14.9	8.0	8.0	15.3	17.1
Net profit adj	18.8	12.7	10.4	15.3	17.1
NFP (cash)/debt	46.5	36.1	70.4	55.7	39.0
EPS adjusted FD	1.06	0.72	0.59	0.86	0.96
EPS adj. FD growth	-20.8%	-32.1%	-18.2%	46.5%	11.8%
DPS ord. €/s	0.12	0.12	0.12	0.12	0.12
Dividend yield	1.8%	1.8%	1.8%	1.8%	1.8%
Free Cash Flow Yield	-9.4%	10.2%	-27.6%	14.3%	16.0%
PER x *	6.2	9.2	11.2	7.7	6.9
EV/Sales x *	0.17	0.16	0.19	0.17	0.15
EV/EBITDA x *	5.2	4.7	5.9	4.8	4.3
EV/EBIT x *	10.2	8.8	15.0	10.1	8.6

* Multiples are calculated including the IFRS 16 effects on economics and NFP



Mixed interim results

Orsero reported H1-19 results characterised by 1) a 4.9% increase in revenues, almost entirely organic, 2) EBITDA negatively affected by the lower profitability of Distribution, 3) Import & Shipping reported a progression of EBITDA margin to 5.9% (vs. 3.0% in H1-18) and 4) the first time adoption of IFRS 16 positive impact on EBITDA (€ 4.5m) and negative on NFP (€ 61.2m).

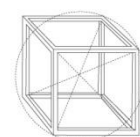
Table 1 – Orsero, H1-19 results summary

P&L € m	H1-19	H1-18	% YoY
Revenues	492.9	469.7	4.9
COGS	(453.4)	(430.2)	
Gross Profit	39.5	39.6	(0.1)
% margin	8.0	8.4	
SG&A	(33.5)	(31.4)	
Other	(1.4)	1.1	
EBIT	4.7	9.3	(49.9)
% margin	0.9	2.0	
Financials	(2.1)	(1.3)	
Results from investments	0.0	0.2	
Pre Tax Profit	2.6	8.2	(68.4)
% margin	0.5	1.7	
Taxes	(1.5)	(2.7)	
Tax Rate	57.3%	32.5%	
Minorities	(0.2)	(0.2)	
Net Profit	0.9	5.4	(83.0)
% margin	0.2	1.1	
D&A	(10.7)	(6.4)	
Provisions	(0.9)	(0.9)	
Non recurring income	0.6	0.2	
Non recurring expenses	(3.6)	(0.5)	
Adjusted EBITDA	19.3	16.8	14.6
% margin	3.9	3.6	
Adjusted EBIT	7.7	9.5	(19.6)
% margin	1.6	2.0	
Adjusted Net Profit	4.0	5.7	(30.1)
% margin	0.8	1.2	
IFRS 16 Effect	4.5	0.0	
Adjusted EBITDA excl. IFRS 16	14.8	16.8	(12.0)
% margin	3.0	3.6	

Source: Orsero, CFO Sim

H1-19 net revenues grew by 4.9% to € 492.2m, thanks to the contribution of both Distribution and Import & Shipping business units.

- The **Distribution business arm turnover increased to € 448.2m** (+5.0% vs. H1-18), of which 3.3% organic and additional € 7.3m from M&A (Sevimpor consolidated from Jan-19 and Fruttica from Apr-19). The growth in the Italian, Spanish and Mexican markets more than counterbalanced the poor performance of France.
- The **Import & Shipping division grew by 6.9% to € 118.9m**, thanks to the increase in third parties volumes and the load factor improvement from 90% to 97% YoY.
- The **Services segment achieved revenues of € 6.3m**, in line with the previous year (-0.2% vs. H1-18).



EBITDA was positively impacted by IFRS 16 first time adoption: **EBITDA adj. was € 19.3m (3.9% margin)**, including a € 4.5m impact stemming from the IFRS 16 application. Excluding the positive contribution of the IFRS 16 EBITDA adj. was € 14.8m (vs. € 16.8m in H1-18).

- **Distribution EBITDA declined by € 3.7m to € 11.8m**, vs. € 15.6m in H1-18, mainly due to a result of the drop in profitability in France due to lower prices coupled with flat volumes in addition to some operational issues. Moreover, profitability was negatively affected by unfavourable weather conditions in Italy during Q2 and by the increase in operating expenses partially linked to Italian fresh cut activity start-up costs. **The impact from the IFRS 16 adoption was positive for € 2.8m.**
- **Import & Shipping EBITDA soared by € 2.2m to € 5.5m**, vs. € 3.3m in H1-18, driven by the recovery of the shipping activity, as a result of more favourable freight rate in USD, higher volumes (+6.8%) and a more efficient sailing schedule. The Import & Shipping activity was only partially affected by the decrease recorded in the import of banana in the H1-19. **The impact from the IFRS 16 adoption was positive for € 1.5m.**
- The **Services division showed a moderate deterioration of profitability**: EBITDA adj. recorded a negative € 2.6m vs € 2.1m negative in H1-19, mainly due to higher promotion linked to fresh-cut products and higher holding costs. **The impact from the IFRS 16 adoption was positive for € 0.2m.**

Net Profit adj. (excluding the non-recurring items and their tax effect) **was € 4.0m** (vs. € 5.7m in H1-18). Adjustments were € 2.9m and include 1) one-off costs related to Simba duty litigation, 2) non-recurring item for the STAR listing process and 3) non-recurring costs for the M&A activity.

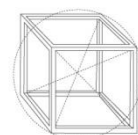
NFP was € 72.7m, up by € 36.6m vs. FY-18, as a result of: 1) € 11.2m CAPEX; 2) € 12.1m acquisitions of Sevimpor and Fruttica; 3) € 2.0m dividends and 4) € 17.8m NWC absorption related to the typical business seasonality. **Operating Cash Flow was € 6.5m. Including € 61.2m negative impact of the IFRS 16 adoption, NFP reached € 133.9m.**

Recent developments: M&A and STAR uplisting

Orsero closed two acquisitions in H1-19. In March the group signed an agreement for the purchase of **Fruttica group**, an importer and wholesale distributor of fruit and vegetables in France, focused on Italian grapes, melons, pears and vegetables. The deal was closed in May 2019 **for a total consideration of € 10m** (€ 8m paid at the closing date and the remainder in two tranches in 12 and 24 months), **corresponding to 4x 2018 EV/EBITDA** (the company was cash positive). In addition an earn out based on some 2020-21 goals is provided for a maximum of € 0.4m. In 2018 Fruttica group recorded revenues for € 24m and EBITDA of € 2.5m.

In June Orsero acquired the remaining 75% not held of **Fruttital Cagliari**, a firm focused in the wholesale distribution of fruit and vegetables in Sardinia. The deal was closed in July 2019 **for a total consideration of € 5.1m** (€ 4.05m paid at the closing date and the remainder in the next 12 months), **corresponding to 6x average 2017-18 EV/EBITDA** (NFP of € 2.0m, debt). The company totalled in 2017-18 average revenues in excess of € 16m and average EBITDA of € 1.2m.

Orsero is finishing the procedures required for the **uplisting to the MTA market, STAR segment, expected by the end of 2019.**



Estimates, valuation & risks

Following the publication of H1-19 results, we have updated our model factoring in: 1) **a weaker performance of the Distribution** business unit on the back of the temporary poor profitability performance in H1-19, 2) **a stabilization of the results in the Import & Shipping** division in terms of EBITDA to some € 9.5m on average in 2019-21, 3) **higher capex in 2019**, mainly due to the recent acquisitions (€ 17.2m), 4) **the consolidation of Fruttital Cagliari** (acquired in July). **The result is a 5.6% and 14.1% downgrade in EBITDA adj. and Net Profit adj. 2019-2021 respectively.**

Moreover we have estimated the impact stemming from IFRS 16 first time adoption for FY-19: € 9.0m in terms of additional EBITDA and € 61.2m in terms of increased NFP and kept this effect flat in 2020-21.

As a consequence of the downgraded estimates, and magnified by the decline in peer market multiples (median EV/EBITDA_{19e} is 7.9x, it was 9.3x in our previous update), **PT declines to € 8.40 (€ 10.30). It is based on a market multiple comparison and calculated on IFRS 16 compliant figures for Orsero**, applying a 20% size-discount, corresponding to an implied 6.6x EBITDA_{19e} and 14.3x PER_{19e} vs. 7.9x and 14.0x of peers, respectively. The **DCF model corroborates the value obtained by the multiple comparison: € 9.80/s** (€ 11.60) with a risk-free rate brought up-to-date to 1.10% and with other assumptions left unchanged (long-term growth rate of 1%, risk premium at 10%, D/E structure target at 30%).

The 26.9% PT potential upside to current price prompts us to confirm the Buy rating. We believe Orsero remains an interesting long term value player, with short-medium term affected by disappointing interim results, which prompted to the perception of a decrease of short-medium term visibility, coupled with consensus downgrade and related volatility. The group is characterised by 1) an **increasing focus on the core business of the Distribution** of fruit and vegetables, 2) **further room for increasing market share also via M&A** and 3) a **high volatility of the Import & Shipping** division results. The group is completing the uplisting process to the STAR: the debut on the new segment is projected for year-end.

Market multiples

We have included 3 peers in the sample, operating in global fresh fruit and vegetable production and distribution. Our sample comprises of **Fresh Del Monte Produce, Total Produce and Greenyard**. Size varies in terms of market capitalization and figures, as well as profitability: 1) Fresh Del Monte shows a € 1.4bn market value, € 4.2bn sales with an 4.9% EBITDA margin expected for 2019; 2) Total Produce has a market size of € 511m, has € 3.9bn revenues and a 2.4% EBITDA margin projected for 2019 and Greenyard boasts a € 128m market value, € 3.9bn sales with an 1.9% EBITDA margin expected for 2019.

Orsero is the smallest in the list in terms of turnover, however has a **profitability higher** than the peer average and **offers higher top line growth**: Sales, EBITDA and Net Profit CAGR₁₈₋₂₁ of 3.0%, 15.4% and 28.1%, respectively vs. 1.3%, 15.2% and 12.4% of the peer median.

Orsero trades at a double digit discount vs. peers considering price and enterprise value multiples at all metrics in 2019-21. We believe this gap is only to a degree explained by a difference in size.

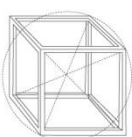


Table 2 – Orsero, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₈₋₂₁	EBITDA CAGR ₁₈₋₂₁	EBIT CAGR ₁₈₋₂₁	EPS CAGR ₁₉₋₂₁	NFP FY1	NFP /EBITDA
Fresh Del Monte Produce Inc	1,390	4,190	204	4.9%	4.7%	15.2%	25.5%	16.8%	628	3.1
Total Produce PLC	511	3,901	93	2.4%	1.3%	3.4%	10.1%	8.1%	223	2.4
Greenyard NV	128	3,875	75	1.9%	1.2%	91.1%	n.m.	n.m.	406	5.4
Median	511	3,901	93	2.4%	1.3%	15.2%	17.8%	12.4%	406	3.1
Orsero Spa	117	993	42	4.2%	3.0%	15.4%	13.1%	28.1%	132	3.1

Source: Thomson Reuters Eikon, CFO Sim

Table 3 – Orsero, peer group multiples table

EV & Price multiples x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Fresh Del Monte Produce Inc	9.9	9.1	8.3	17.0	14.8	12.5
Total Produce PLC	7.9	7.6	7.0	10.9	10.0	9.3
Greenyard NV	7.1	5.6	4.5	n.m.	13.0	10.6
Median	7.9	7.6	7.0	14.0	13.0	10.6
Orsero Spa	5.9	4.8	4.3	11.3	7.7	6.9
% (Discount)/Premium to peers	-25.5%	-36.5%	-38.1%	-19.0%	-40.7%	-35.0%

Source: Thomson Reuters Eikon, CFO Sim

Table 4 – Orsero, equity value assessment

x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Median peers	7.9	7.6	7.0	14.0	13.0	10.6
Orsero metrics	42.2	48.6	50.5	0.59	0.86	0.96
NFP	131.6	116.9	100.2			
% discount applied	20%					
Orsero Equity Value	135.6	177.9	180.7	116.7	159.1	145.0
Orsero Equity Value €/s	7.70	10.10	10.20	6.60	9.00	8.20
% upside/(downside)	16.3	52.6	54.1	(0.3)	36.0	23.9

Source: Thomson Reuters Eikon, CFO Sim

The most suitable multiples to look at are EV/EBITDA and PER. We highlight this due to the systematically lighter tax burden Orsero enjoys vs. peers thanks to the application of the **5% tonnage tax regime** to the profits stemming from the shipping arm of the group, representing a valuation strength point that has to be priced into the stock. We are valuing the stock on **2019-20 IFRS 16 compliant figures**, in order to not overweight a temporary weak 2019 distribution performance. After having applied a 20.0% discount factoring in the smaller size, **2019-20 average EV/EBITDA and PER derived equity value totals € 148.1m, corresponding to € 8.40/s (10.30/s), 26.9% upside to current price.**

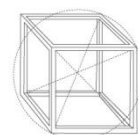
DCF

In the valuation via the DCF method explicit estimates until 2023 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)	1.10%
Beta levered (x)	0.80
Required ROE	9.1%

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 0.80x** 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	2019e	2020e	2021e	2022e	2023e Term.	Val.
EBIT	16.6	23.1	25.3	25.6	25.8	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	12.3	17.1	18.7	18.9	19.1	
Change working capital	(18.3)	0.4	(1.5)	(0.5)	(0.1)	
Depreciation	25.6	25.5	25.2	20.0	10.0	
Investments	(37.2)	(14.0)	(11.5)	(10.0)	(10.0)	
Free Cash Flows	(17.6)	29.0	30.9	28.4	19.0	323.9
Present value	(17.2)	26.6	26.6	22.9	14.3	242.9
WACC	6.9%	6.9%	6.9%	6.9%	6.9%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 7 – Orsero, DCF equity value derived from:

Total EV present value € m	316.1
<i>thereof terminal value</i>	76.8%
NFP last reported	(133.9)
Pension provision last reported	(8.8)
Equity value € m	173.4
#m shares	17.68
Equity value €/s	9.80
% upside/(downside)	48.0%

Source: CFO Sim

The application of the model produces an equity value of € 173.4m, corresponding to € 9.80/share. CFO uses IFRS 16 compliant figures in the building of the appraisal model.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 7.71-12.76/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 € 7.93-12.18/s (risk free range of between 2.10% and 0.10%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 6.99-13.93/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	73.2	73.2	73.2	73.2	73.2	73.2	73.2	73.2	73.2
PV of terminal value	205.7	214.0	222.9	232.5	242.9	254.2	266.6	280.1	295.1
Total value	279.0	287.2	296.1	305.7	316.1	327.4	339.8	353.3	368.3
NFP last reported	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Equity value	136.3	144.5	153.4	163.0	173.4	184.7	197.1	210.7	225.6
Equity value/share €	7.71	8.17	8.68	9.22	9.80	10.45	11.15	11.91	12.76

Source: CFO Sim

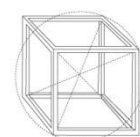


Table 9 – Orsero, equity value sensitivity to changes in free risk rate

€ m	0.10%	0.35%	0.60%	0.85%	1.10%	1.35%	1.60%	1.85%	2.10%
Present value of CF	74.7	74.3	73.9	73.6	73.2	72.9	72.5	72.1	71.8
PV of terminal value	283.3	272.2	261.8	252.0	242.9	234.2	226.1	218.4	211.2
Total value	358.0	346.5	335.7	325.6	316.1	307.1	298.6	290.6	283.0
NFP last reported	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Equity value	215.3	203.8	193.0	182.9	173.4	164.4	155.9	147.9	140.3
Equity value/share €	12.18	11.53	10.92	10.35	9.80	9.30	8.82	8.37	7.93

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	75.6	75.0	74.4	73.8	73.2	72.6	72.1	71.5	71.0
PV of terminal value	313.3	292.7	274.3	257.8	242.9	229.3	217.0	205.7	195.3
Total value	388.9	367.7	348.7	331.6	316.1	302.0	289.0	277.2	266.3
NFP last reported	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)	(133.9)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Equity value	246.2	225.0	206.1	188.9	173.4	159.3	146.4	134.5	123.6
Equity value/share €	13.93	12.73	11.65	10.68	9.80	9.01	8.28	7.61	6.99

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 € 8.12/s on 14th Jun 19 and the 1Y minimum of € 6.62 on 11th Sep 2019. The stock has underperformed the FTSE AIM Italia, the European sector and the peers in the last month.

Table 11 - Orsero, peers group and indexes absolute performance

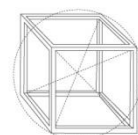
%	1D	1W	1M	3M	6M	YTD	1Y
Fresh Del Monte Produce Inc	4.0	15.2	20.2	14.1	18.0	12.0	(15.6)
Total Produce PLC	(0.6)	(1.6)	(3.5)	(13.2)	(23.3)	(7.3)	(38.4)
Greenyard NV	(0.7)	(1.4)	7.1	(10.3)	(14.1)	(60.6)	(61.2)
Peers Median	(0.6)	(1.4)	7.1	(10.3)	(14.1)	(7.3)	(38.4)
Orsero Spa	(2.1)	(9.8)	(11.7)	(10.1)	(8.8)	(11.1)	(4.7)
FTSE AIM Italia	(0.2)	1.0	2.6	(8.1)	(6.7)	(3.2)	(15.4)
Thomson Reuters Food & Beverage EU	0.7	(2.1)	1.9	2.8	7.5	22.8	13.4

Source: Thomson Reuters Eikon

Table 12 – Orsero, relative performances

%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	(1.5)	(8.4)	(18.8)	0.3	5.3	(3.9)	33.7
Orsero Spa to FTSE AIM Italia	(1.9)	(10.8)	(14.4)	(2.0)	(2.1)	(7.9)	10.6
Orsero Spa to EU Sector	(2.7)	(7.7)	(13.7)	(12.9)	(16.3)	(33.9)	(18.1)

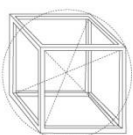
Source: Thomson Reuters Eikon



Risks

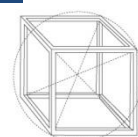
The principal investment **risks** in Orsero include:

- 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

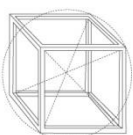




Income statement (€ m)	2017	2018	2019e	2020e	2021e
Revenues	937.9	952.8	993.4	1,015.2	1,041.5
COGS	(859.2)	(874.8)	(912.2)	(923.9)	(947.2)
Gross Profit	78.6	78.0	81.2	91.3	94.2
SG&A	(67.3)	(66.6)	(68.4)	(68.9)	(69.7)
EBIT	11.3	11.4	12.8	22.3	24.5
Financials	(2.7)	(2.5)	(2.8)	(2.6)	(2.3)
Results from investments	11.0	2.4	0.9	0.9	0.9
Pre Tax Profit	19.6	11.2	10.9	20.7	23.1
Taxes	(4.5)	(3.2)	(2.8)	(5.4)	(6.0)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Net Profit	14.9	8.0	8.0	15.3	17.1
D&A and Provisions	(15.3)	(15.4)	(17.4)	(17.3)	(17.0)
Non recurring items	(4.8)	(6.1)	(3.0)	0.0	0.0
EBITDA adj. excl. IFRS 16	31.4	32.9	33.2	39.6	41.5
EBIT adj. excl. IFRS 16	16.1	17.5	15.8	22.3	24.5
Net Profit adj. excl. IFRS 16	18.8	12.7	10.4	15.3	17.1
EBITDA adj. incl. IFRS 16	-	-	42.2	48.6	50.5
EBIT adj. incl. IFRS 16	-	-	16.6	23.1	25.3
Net Profit adj. incl. IFRS 16	-	-	10.4	15.2	17.0
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	43.0	32.4	50.7	50.3	51.9
Net Fixed Assets	144.0	141.2	162.5	160.8	156.9
Equity Investments	8.0	8.9	9.1	9.3	9.5
Other M/L Term A/L	(2.7)	3.7	4.3	4.8	5.2
Net Invested Capital	192.2	186.3	226.6	225.2	223.5
Net Financial Debt/(cash)	46.5	36.1	70.4	55.7	39.0
Minorities	1.1	0.5	0.5	0.5	0.6
Group's Shareholders Equity	144.7	149.7	155.7	168.9	183.9
Financial Liabilities & Equity	192.2	186.3	226.6	225.2	223.5
Net Financial Debt/(cash) incl. IFRS 16	-	-	131.6	116.9	100.2
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	14.9	8.0	8.0	15.3	17.1
Depreciation	12.8	13.7	15.7	15.5	15.2
Other non-cash charges	1.5	2.3	(0.6)	(0.5)	(0.5)
Cash Flow from Oper. (CFO)	29.1	23.9	23.1	30.3	31.8
Change in NWC	(15.6)	10.6	(18.3)	0.4	(1.5)
FCF from Operations (FCFO)	13.6	34.5	4.9	30.7	30.3
Net Investments (CFI)	(24.6)	(22.5)	(37.2)	(14.0)	(11.5)
Free CF to the Firm (FCFF)	(11.0)	12.0	(32.3)	16.7	18.8
CF from financials (CFF)	34.5	(15.6)	(2.0)	(2.0)	(2.0)
Free Cash Flow to Equity (FCFE)	23.4	(3.6)	(34.3)	14.7	16.7
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA adj. margin	3.3%	3.5%	3.3%	3.9%	4.0%
EBIT margin	1.2%	1.2%	1.3%	2.2%	2.4%
Net profit margin	1.6%	0.8%	0.8%	1.5%	1.6%
Tax rate	22.9%	28.8%	26.0%	26.0%	26.0%
Op NWC/Sales	4.6%	3.4%	5.1%	5.0%	5.0%
Interest coverage x	0.24	0.22	0.22	0.11	0.09
Net Debt/EBITDA adj. x	1.48	1.10	2.12	1.41	0.94
Debt-to-Equity x	0.32	0.24	0.45	0.33	0.21
ROIC	7.7%	4.3%	3.5%	6.8%	7.6%
ROCE	5.5%	6.3%	5.5%	7.5%	7.8%
ROACE	6.1%	6.2%	5.6%	7.6%	8.0%
ROE	10.3%	5.3%	5.2%	9.0%	9.3%
Payout ratio	13.7%	25.5%	25.3%	13.3%	11.9%
Per share figures	2017	2018	2019e	2020e	2021e
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 €	0.84	0.45	0.45	0.86	0.96
EPS adjusted FD €	1.06	0.72	0.59	0.86	0.96
EBITDA €	1.77	1.86	1.88	2.24	2.35
EBIT €	0.64	0.64	0.72	1.26	1.39
FCFO €	0.77	1.95	0.28	1.74	1.71
FCFF €	(0.62)	0.68	(1.83)	0.94	1.06
FCFE €	1.32	(0.20)	(1.94)	0.83	0.95
Dividend €	0.12	0.12	0.12	0.12	0.12



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The company in a nutshell

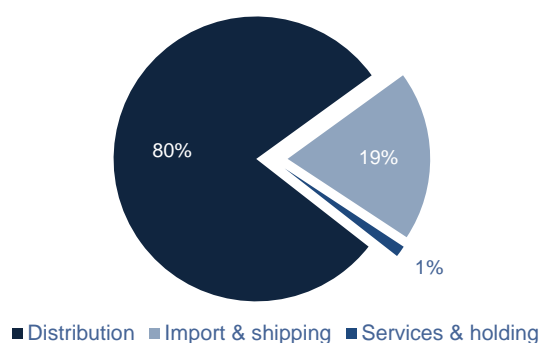
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and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

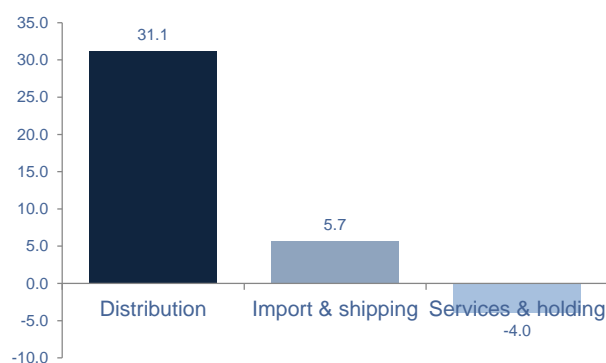
2018 Orsero highlights: € 952.8m revenues, EBITDA adj. of € 32.9m (3.4% margin), € 11.8m adjusted net profit and € 36.1m net financial position (1.10x EBITDA adj.).

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. Orsero is finishing the up-listing process to the STAR segment of MTA market of Borsa Italiana.

2018 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	4.3%	0.75
Total	100.0%	17.68

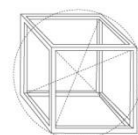
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	4.0	15.2	20.2	14.1	18.0	12.0
Total Produce PLC	(0.6)	(1.6)	(3.5)	(13.2)	(23.3)	(7.3)
Greenyard NV	(0.7)	(1.4)	7.1	(10.3)	(14.1)	(60.6)
Peers Median	(0.6)	(1.4)	7.1	(10.3)	(14.1)	(7.3)
Orsero Spa	(2.1)	(9.8)	(11.7)	(10.1)	(8.8)	(11.1)
FTSE AIM Italia	(0.2)	1.0	2.6	(8.1)	(6.7)	(3.2)
EU Sector	0.7	(2.1)	1.9	2.8	7.5	22.8
Orsero Spa to peers	(1.5)	(8.4)	(18.8)	0.3	5.3	(3.9)
Orsero Spa to FTSE AIM Italia	(1.9)	(10.8)	(14.4)	(2.0)	(2.1)	(7.9)
Orsero Spa to EU Sector	(2.7)	(7.7)	(13.7)	(12.9)	(16.3)	(33.9)

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	17.0	14.8	12.5	6.6	7.3	6.5	9.9	9.1	8.3
Total Produce PLC	10.9	10.0	9.3	7.5	7.6	7.0	7.9	7.6	7.0
Greenyard NV	n.m	13.0	10.6	2.6	1.9	1.8	7.1	5.6	4.5
Median	14.0	13.0	10.6	6.6	7.3	6.5	7.9	7.6	7.0
Orsero Spa	11.3	7.7	6.9	3.3	2.9	2.8	5.9	4.8	4.3
% (Discount)/Premium to peer median	-19.0%	-40.7%	-35.0%	-50.9%	-60.5%	-57.6%	-25.5%	-36.5%	-38.1%

Source: CFO Sim, Thomson Reuters Eikon



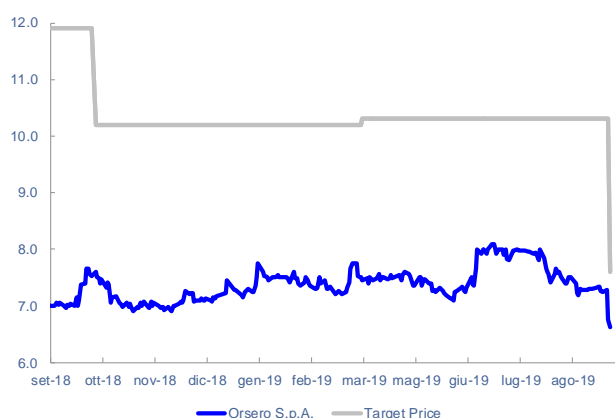
ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' 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
12/09/2019	€8.40	BUY
29/03/2019	€10.30	BUY
01/10/2018	€10.20	BUY

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- 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.

