

Italy - Food

High quality results prompt an estimate upgrade

16th September 2020

H1-20 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Orsero reported a good set of results, characterised by a marked resiliency: mid-single-digit top line growth and a more than proportional progression of profitability. The company reiterates FY-20 guidance. Estimates and PT upgraded. Positive stance confirmed.

Rating:

Buy

Price Target:

€ 8.50 (€ 7.00)

Upside/(Downside): 37.1%

Last Price: € 6.20

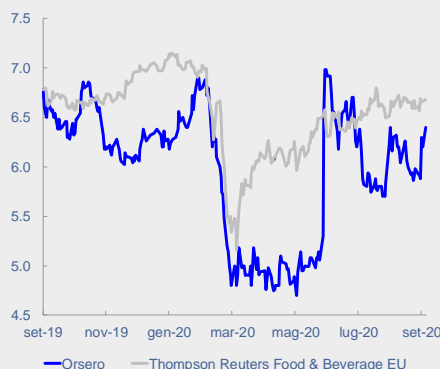
Market Cap.: € 109.6m

1Y High/Low: € 7.66/€ 4.30

Free Float: 59.5%

Major shareholders:

FIF Holding	32.5%
Grupo Fernández	6.3%
Praude Asset Management	9.5%



Stock price performance

	1M	3M	12M
Absolute	0.0%	-8.0%	-8.6%
Rel.to FTSE STAR	-3.6%	-20.2%	-21.5%
Rel.to EU Sector	-0.2%	-11.7%	-8.3%

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Gianluca Mozzali
+39 02 30343 396
gianluca.mozzali@cfosim.com

Estimates and PT upgraded: 37.1% upside

On the back of H1-20 results, the H2-20 performance implied in our estimates is too penalising. We have updated our model factoring in - for the second part of the year - an acceleration of the business compared to our previous estimates and a lower than anticipated impact of the pandemic on profitability in terms of logistic/operating inefficiencies and consumption mix. We left our assumption for 2021-22 basically unchanged. The result is a 3.4% and 10.9% upgrade turnover and EBITDA adj. in 2020-22, respectively. Our new 2020 estimates are now broadly in line with company guidance. Thus, we set a new PT of € 8.50 (€ 7.00), 37.1% upside. CFO Sim confirms the Buy rating on the stock: in this scenario, Orsero represents a defensive player and a poised long-term value player.

Revenues were up by 5.7% to € 520.8m, almost entirely organic

H1-20 net revenues grew by 5.7% to € 520.8m, or 4.1% like-for-like. Globally volumes were flat, mixing positive effects in basic fruits (citrus fruits, apples and pears) with declining volumes in expensive out-of-home consumption items like pineapples, avocados and fresh-cut fruits. The group's operations adapted to the changed market demand during the lockdown: in the first part of the emergency, sales shifted from wholesale to supermarkets, then sales mix rebalanced. The Import & Distribution segment's turnover increased to € 488.0m (+5.4% vs. H1-19), up 3.7% like-for-like. The Shipping division grew by 16.9% to € 52.7m and the Services segment achieved revenues of € 5.6m, down 10.8% YoY).

EBITDA adjusted at € 23.5m, up 13.9% YoY

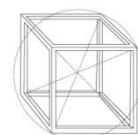
EBITDA was positively impacted by a more favourable mix and prices and the recovery of the French subsidiary. EBITDA adj. rose 13.9% to € 23.5m, 4.5% margin. Import & Distribution EBITDA increased by 14.4% to € 16.3m, vs. € 14.3m in H1-19, driven by a crystal-clear performance in Italy and also by the recovery in France. Shipping EBITDA soared by 37.2% to € 10.2m, vs. € 7.4m in H1-19, as a result of more favourable freight rates, a load factor at 95% and a more efficient sailing schedule. The Services division showed a negative EBITDA adj. of € 3.0m vs. € 2.4m in H1-19.

Net profit at € 7.5m vs. € 4.0m in H1-19, NFP reached € 119.1m

Net Profit adj. (excluding non-recurring items and their tax effect) was € 7.5m (vs. € 4.0m in H1-19). Adjustments were € 1.3m, vs. € 2.9m in H1-19 and were mainly due to the costs related to the pandemic and a few litigation and way-out incentives at the French subsidiary. NFP was € 119.1m, down vs € 126.9m in FY-19, as a result of: 1) the purchase price of € 17.8m of a few properties instrumental to the core business carried out at the beginning of the year; 2) capex for some € 7.1m (o/w € 2.5m related to the refurbishment of the Verona warehouse); 3) cash generation for some € 17.7m partially eroded by € 14.0m WC absorption due to the seasonal nature of the business.

Orsero, key financials and ratios

€ m	2018	2019*	2020e	2021e	2022e
Sales	952.8	1,005.7	1,048.2	1,075.2	1,103.0
EBITDA adj	32.9	38.7	45.5	47.2	48.4
EBIT adj	17.5	13.0	19.7	21.7	23.3
Net profit	8.0	2.0	10.6	13.0	14.1
Net profit adj	12.7	5.3	11.6	13.0	14.1
NFP (cash)/debt	36.1	126.9	106.3	85.4	66.8
EPS adjusted FD	0.72	0.30	0.66	0.73	0.80
EPS adj. FD growth	-32.1%	-58.4%	119.6%	11.6%	8.8%
DPS ord. €/s	0.12	0.08	0.12	0.13	0.14
Dividend yield	1.9%	1.2%	1.9%	2.1%	2.3%
Free Cash Flow Yield	10.9%	-14.8%	19.9%	21.0%	19.0%
PER x	8.6	23.9	9.4	8.4	7.8
EV/Sales x	0.19	0.25	0.21	0.18	0.16
EV/EBITDA x	5.4	6.6	4.8	4.1	3.6
EV/EBIT x	10.1	19.6	11.0	9.0	7.6



The company in a nutshell

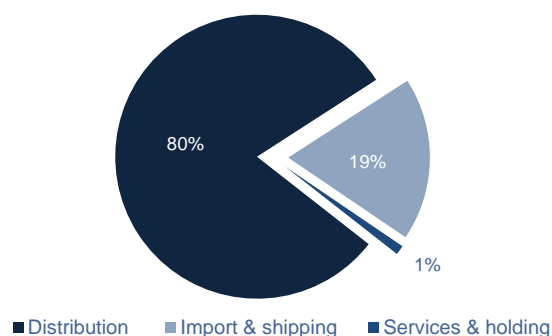
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution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

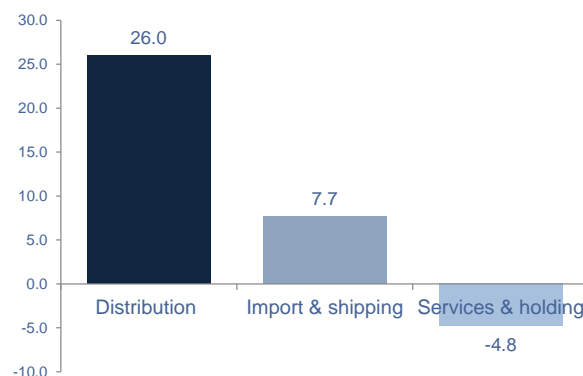
2019 Orsero highlights: € 1.0bn revenues, EBITDA adj. of € 28.9m (2.9% margin), € 5.3m adjusted net profit and € 66.9m net financial position (2.31x EBITDA adj.). Including IFRS 16 effect EBITDA adj. was € 38.7m and net financial position stood at € 126.9m

Orsero was listed on 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 has been trading on the STAR segment of MTA market of Borsa Italiana since 23-Dec-19..

2019 Gross Turnover...



...and EBITDA by business



Shareholder structure

	%	# m
FIF Holding	32.5%	5.75
Grupo Fernandez	6.3%	1.12
Treasury Shares	1.7%	0.30
Free Float	59.5%	10.52
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.1%	0.90
Total	100.0%	17.68

Source: Company data

Peer group absolute performance

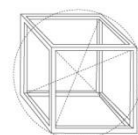
	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	0.0	(0.4)	(0.6)	(2.9)	(29.1)	(32.3)
Total Produce PLC	0.9	0.3	11.1	1.6	41.9	(17.6)
Greenyard NV	0.8	(1.2)	(7.9)	(1.2)	53.9	8.9
Peers Median	0.8	(0.4)	(0.6)	(1.2)	41.9	(17.6)
Orsero Spa	(1.0)	4.7	0.0	(8.0)	24.7	(2.8)
FTSE AIM Italia	0.2	2.4	3.6	12.2	48.4	1.2
EU Sector	0.5	2.1	0.2	3.7	22.1	(3.9)
Orsero Spa to peers	(1.7)	5.1	0.6	(6.9)	(17.2)	14.8
Orsero Spa to FTSE AIM Italia	(1.2)	2.3	(3.6)	(20.2)	(23.6)	(4.1)
Orsero Spa to EU Sector	(1.4)	2.6	(0.2)	(11.7)	2.7	1.1

Source: Thomson Reuters Eikon

Peers group multiples table

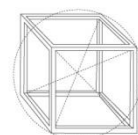
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Fresh Del Monte Produce Inc	19.0	12.7	n.a.	7.5	5.7	n.a.	8.3	6.8	n.a.
Total Produce PLC	10.3	9.1	8.4	10.0	9.0	9.1	8.4	7.9	7.5
Greenyard NV	47.1	18.2	10.1	2.8	2.6	2.2	5.8	5.5	5.0
Median	19.0	12.7	9.3	7.5	5.7	5.7	8.3	6.8	6.2
Orsero Spa	9.4	8.4	7.8	2.9	2.9	2.8	4.8	4.1	3.6
% (Discount)/Premium to peer median	-50.4%	-33.4%	-16.5%	-60.7%	-50.3%	-50.6%	-42.6%	-39.3%	-41.4%

Source: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2018	2019*	2020e	2021e	2022e
Revenues	952.8	1,005.7	1,048.2	1,075.2	1,103.0
COGS	(874.8)	(927.9)	(959.2)	(982.1)	(1,007.4)
Gross Profit	78.0	77.8	89.0	93.1	95.6
SG&A	(66.6)	(69.4)	(70.6)	(71.4)	(72.3)
EBIT	11.4	8.4	18.4	21.7	23.3
Financials	(2.5)	(3.9)	(3.9)	(3.9)	(3.9)
Results from investments	2.4	1.0	1.0	1.0	1.0
Pre Tax Profit	11.2	5.5	15.4	18.8	20.4
Taxes	(3.2)	(3.2)	(4.6)	(5.6)	(6.1)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	8.0	2.0	10.6	13.0	14.1
D&A and Provisions	(15.4)	(25.8)	(25.8)	(25.5)	(25.1)
Non recurring items	(6.1)	(4.6)	(1.3)	0.0	0.0
EBITDA adj.	32.9	38.7	45.5	47.2	48.4
EBIT adj.	17.5	13.0	19.7	21.7	23.3
Net Profit adj.	12.7	5.3	11.6	13.0	14.1
Balance sheet (€ m)	2018	2019*	2020e	2021e	2022e
Net Working Capital	32.4	30.6	12.0	15.3	21.6
Net Fixed Assets	141.2	233.7	240.2	226.0	212.3
Equity Investments	8.9	8.1	8.3	8.4	8.6
Other M/L Term A/L	3.7	5.5	6.2	6.8	7.4
Net Invested Capital	186.3	277.8	266.6	256.6	249.9
Net Financial Debt/(cash)	36.1	126.9	106.3	85.4	66.8
Minorities	0.5	0.7	0.9	1.0	1.2
Group's Shareholders Equity	149.7	150.2	159.4	170.2	181.9
Financial Liabilities & Equity	186.3	277.8	266.6	256.6	249.9
Cash Flow statement (€ m)	2018	2019*	2020e	2021e	2022e
Total net income	8.0	2.0	10.6	13.0	14.1
Depreciation	13.7	23.7	24.4	24.0	23.6
Other non-cash charges	2.3	(1.8)	(0.7)	(0.6)	(0.6)
Cash Flow from Oper. (CFO)	23.9	24.0	34.3	36.4	37.1
Change in NWC	10.6	1.9	18.6	(3.3)	(6.3)
FCF from Operations (FCFO)	34.5	25.9	52.9	33.0	30.8
Net Investments (CFI)	(22.5)	(42.1)	(31.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	12.0	(16.3)	21.9	23.0	20.8
CF from financials (CFF)	(15.5)	(3.5)	13.7	(2.1)	(2.3)
Free Cash Flow to Equity (FCFE)	(3.6)	(19.7)	35.6	21.0	18.6
Financial ratios	2018	2019*	2020e	2021e	2022e
EBITDA adj. margin	3.5%	3.8%	4.3%	4.4%	4.4%
EBIT margin	1.2%	0.8%	1.8%	2.0%	2.1%
Net profit margin	0.8%	0.2%	1.0%	1.2%	1.3%
Tax rate	28.8%	58.6%	30.0%	30.0%	30.0%
Op NWC/Sales	3.4%	3.0%	1.1%	1.4%	2.0%
Interest coverage x	0.22	0.46	0.21	0.18	0.17
Net Debt/EBITDA adj. x	1.10	3.28	2.34	1.81	1.38
Debt-to-Equity x	0.24	0.84	0.67	0.50	0.37
ROIC	4.3%	0.7%	4.0%	5.1%	5.7%
ROCE	6.3%	3.7%	5.2%	5.6%	5.8%
ROACE	6.2%	4.1%	5.4%	5.7%	5.9%
ROE	5.3%	1.3%	6.7%	7.6%	7.8%
Payout ratio	25.5%	63.2%	19.6%	17.4%	17.2%
Per share figures	2018	2019*	2020e	2021e	2022e
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 €	0.45	0.11	0.60	0.73	0.80
EPS adjusted FD €	0.72	0.30	0.66	0.73	0.80
EBITDA €	1.86	2.19	2.57	2.67	2.74
EBIT €	0.64	0.47	1.04	1.23	1.32
FCFO €	1.95	1.46	2.99	1.87	1.74
FCFF €	0.68	(0.92)	1.24	1.30	1.18
FCFE €	(0.20)	(1.12)	2.01	1.19	1.05
Dividend €	0.12	0.08	0.12	0.13	0.14

*as of 2019 figures include IFRS 16 effect



Profitability grew more than proportionately to top line

Orsero reported a good set of results, characterised by mid-single-digit top line growth and a more than proportional progression of profitability. The company confirms FY-20 guidance: sales of € 1,030/1,050m, EBITDA adj. of € 44.5/46.6m and NFP of € 100/105m.

Table 1 – Orsero, H1-20 results summary

P&L € m	H1-20	H1-19	% YoY
Revenues	520.8	492.9	5.7
COGS	(477.4)	(453.4)	
Gross Profit	43.3	39.5	9.6
% margin	8.3	8.0	
SG&A	(33.3)	(33.5)	
Other	(0.9)	(1.4)	
EBIT	9.1	4.7	95.0
% margin	1.7	0.9	
Financials	(1.3)	(2.1)	
Results from investments	0.5	0.0	
Pre Tax Profit	8.3	2.6	n.m.
% margin	1.6	0.5	
Taxes	(2.1)	(1.5)	
Tax Rate	25.5%	57.3%	
Minorities	(0.2)	(0.2)	
Net Profit	6.0	0.9	n.m.
% margin	1.2	0.2	
Adjusted EBITDA	23.5	19.3	22.0
% margin	4.5	3.9	
Adjusted EBIT	10.9	7.7	42.0
% margin	2.1	1.6	
Adjusted Net Profit	7.5	4.0	89.2
% margin	1.4	0.8	
PFN	119.1	133.9	(11.1)

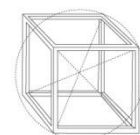
Source: Orsero, CFO Sim

H1-20 net revenues grew by 5.7% to € 520.8m, or 4.1% like-for-like, driven by the contribution of the Import & Distribution division and, to a lesser extent, of the Shipping business unit. Globally volumes were flat, mixing positive effects in basic fruits (citrus fruits, apples and pears) with declining volumes in expensive out-of-home consumption items like pineapples, avocados and fresh-cut fruits. The group's operations adapted to the changed market demand during the lockdown: in the first part of the emergency, sales shifted from wholesale to supermarkets, then sales mix rebalanced.

- The **Import & Distribution segment's turnover increased to € 488.0m** (+5.4% vs. H1-19), up 3.7% like-for-like, driven by a good momentum in all key markets which more than counterbalanced the decline in Mexican avocado sales and banana/pineapple imports.
- The **Shipping division grew by 16.9% to € 52.7m**, thanks to the good load factor at some 95% and the increase in freight rates linked to the cost of fuel following the application of the IMO 2020 regulation.
- The **Services segment achieved revenues of € 5.6m**, down 10.8% YoY).

EBITDA was positively impacted by a more favourable mix, prices and the recovery of the French subsidiary, since in the first half of 2019 it experienced a few operational issues which depressed profitability. **EBITDA adj. rose 13.9% to € 23.5m, 4.5% margin.**

- **Import & Distribution EBITDA increased by 14.4% to € 16.3m**, vs. € 14.3m in H1-19, driven by a crystal-clear performance in Italy as well as by the recovery in France. On the other hand, bananas, pineapples and Mexican avocados at import stage experienced lower margins.



- **Shipping EBITDA soared by 37.2% to € 10.2m**, vs. € 7.4m in H1-19, as a result of more favourable freight rates, a load factor at 95% and a more efficient sailing schedule (5 vessels instead of 4, 35 days for the round trip instead of 28).
- **The Services division** showed a negative EBITDA adj. of € 3.0m vs. € 2.4m in H1-19, due to lower intercompany rebilling. The sector result physiologically shows a negative EBITDA since, given the nature of holding company of Orsero SpA, the revenues and the results are linked to the dividends received by the group companies.

Net Profit adj. (excluding non-recurring items and their tax effect) **was € 7.5m** (vs. € 4.0m in H1-19). Adjustments were € 1.3m, vs. € 2.9m in H1-19 and were mainly due to the costs related to the pandemic and a few litigation and way-out incentives at the French subsidiary.

NFP was € 119.1m, down vs € 126.9m in FY-19, as a result of: **1)** the purchase price of € 17.8m of a few properties instrumental to the core business carried out at the beginning of the year; **2)** capex for some € 7.1m (o/w € 2.5m related to the refurbishment of the Verona warehouse); **3)** cash generation for some € 17.7m partially eroded by a € 14.0m WC absorption due to the seasonal nature of the business and the growth in revenues.

Table 2 – Orsero, Q1-20 results summary

P&L € m	Q1-20	Q1-19	% YoY
Net Sales	240.9	223.2	7.9
EBITDA adj.	9.6	6.8	41.2
% margin	4.0	3.0	
EBIT adj.	3.3	1.1	n.m.
% margin	1.4	0.5	
Net Profit adj.	2.3	(1.1)	n.m.
% margin	1.0	(0.5)	
NFP	102.5	n.a.	-

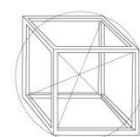
Source: Orsero, CFO Sim

Table 3 – Orsero, Q2-20 results summary

P&L € m	Q2-20	Q2-19	% YoY
Net Sales	279.9	269.7	3.8
EBITDA adj.	13.9	12.5	11.6
% margin	5.0	4.6	
EBIT adj.	7.6	6.6	15.6
% margin	2.7	2.4	
Net Profit adj.	5.2	5.1	2.7
% margin	1.9	1.9	
NFP	119.1	133.9	(11.1)

Source: Orsero, CFO Sim

Looking at the quarterly numbers, the main difference between the first two quarters of the year is the growth rate: in Q2-20 the effect of the lock-down is fully manifest, with a less pronounced top line growth. However, profitability grew much more than proportionately in Q2-20 too.

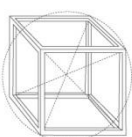


Recent developments

As of 1-Jan-20, the group implemented a rationalisation of the business units, in order to simplify the representation of the economic and financial data and to reduce the amount of intercompany revenues. In particular **the Distribution business unit now includes the banana and pineapple import activity too**, while the old Import & Shipping division is renamed "Shipping", being now concentrated exclusively on ship owning, serving both the group and third parties (50-50). The Service & Holding business unit (unchanged) comprises the parentco and some other ancillary services.

Last mid-Jan **Orsero announced the purchase of real estate assets for € 17m** (four logistic platforms, already in use) from NBI, a related party of Orsero since all NBI's shareholders are also shareholders of FIF Holding, Orsero's controlling company. **The move allows to acquire properties which are strategically significant for the core business** with assumptive positive operational and economic/financial impacts. From an accounting viewpoint (according to IFRS 16), the move brings in a € 10.5m positive impact on consolidated NFP, which will be lower due to the difference between the 'right of use' value of the assets (€ 27.5m) and the € 17.8m deal appraisal. In addition, on the back of the cost reduction related to the ownership of the four logistic platforms vs. the cost connected to the rent previously paid (€ 2.1m/year), the asset acquisition has positive effects on group profitability too. The four buildings have a total area of some 34,500 sqm and are located in Milan, Verona, Rome and Molfetta (Apulia region). Each of the four logistic platforms consists of a controlled temperature warehouse, a banana ripening centre, a processing and packaging area, a receiving and shipping area and related offices.

Last 29-Jul Orsero announced the **acquisition of the remaining 50% of the share capital of Moncada Frutta**, based in Sicily and active in banana ripening and distribution of fresh fruits and vegetables in the region. The company has a logistic platform of 1,800 sqm, equipped with ripening rooms, cool storages and a packaging area. It reported FY-19 revenues of € 16.8m, with an EBITDA adj. of € 0.7m and NFP basically at zero. The consideration of the move is partially in cash and in Orsero shares: a total amount of 1476,825 stocks were assigned at the execution date and a variable and deferred component of max € 0.5m will be paid in 3 equal annual instalments subject to certain profitability targets.



Estimates, valuation & risks

The company reiterates its guidance for 2020: sales to the tune of € 1,030-1,050m, EBITDA adj. of € 44.5-46.5m and NFP of € 100-105m. On the back of H1-20 results, the H2-20 performance implied in our estimates is too penalising. We have updated our model factoring in - for the second part of the year - an acceleration of the business compared to our previous estimates and a lower than anticipated impact of the pandemic on profitability in terms of logistic/operating inefficiencies and consumption mix. We left our assumption for 2021-22 basically unchanged. **The result is a 3.4% and 10.9% upgrade turnover and EBITDA adj. in 2020-22**, respectively. **Our new 2020 estimates are now broadly in line with company guidance.**

As a consequence of the upgraded estimates and the update in assumptions on the valuation methodology, we set a **new PT of € 8.50** (€ 7.00), 37.1% upside. **CFO Sim confirms the Buy rating on the stock:** in this scenario, Orsero represents a defensive long-term value player.

DCF

In the valuation via the DCF method explicit estimates until 2024 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 4- Orsero, WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	30.0%
Int. costs, after taxes	1.8%
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 200d moving average)	1.37%
Beta levered (x)	0.85
Required ROE	9.9%

Source: CFO Sim

Risk premium at 10.0% factors in the minute size of the company and basically all small capitalisation-related concerns and disquiet that an investor might have. **Beta at 0.85x** has been calculated taking the peer group specific levered beta for each competitor, deleveraging it using each peer precise D/E structure, then leveraging it for Orsero's 30/70 debt/equity long-term sustainable balance sheet structure.

Table 5 - Orsero, DCF model

€ m	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	18.4	21.7	23.3	23.8	24.1	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	12.9	15.2	16.3	16.6	16.9	
Change working capital	18.6	(3.3)	(6.3)	(0.5)	(0.1)	
Depreciation	24.4	24.0	23.6	15.0	10.0	
Investments	(31.0)	(10.0)	(10.0)	(10.0)	(10.0)	
Free Cash Flows	24.8	25.8	23.6	21.1	16.8	259.0
Present value	24.3	23.5	20.0	16.6	12.3	189.5
WACC	7.6%	7.6%	7.6%	7.6%	7.6%	
Long-term growth rate	1.0%					

Source: CFO Sim

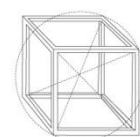


Table 6 – Orsero, DCF equity value derived from:

Total EV present value € m	286.2
<i>thereof terminal value</i>	66.2%
NFP last reported	(126.9)
Pension provision last reported	(9.4)
Equity value € m	149.9
#m shares	17.68
Equity value €/s	8.50
<i>% upside/(downside)</i>	37.1%

Source: CFO Sim

The application of the model produces an equity value of € 149.9m, corresponding to € 8.50/share, 37.1% upside.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 6.97–10.53/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 € 7.08-10.21/s (free risk range of between 2.37% and 0.37%) and 3) compared to changes in the risk premium, including small size premium, results in an equity value of € 6.26-11.70/s (risk premium range of between 12.0% and 8.0%).

Table 7 – 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	96.7	96.7	96.7	96.7	96.7	96.7	96.7	96.7	96.7
PV of terminal value	162.8	168.8	175.2	182.1	189.5	197.5	206.2	215.6	225.9
Total value	259.5	265.5	271.9	278.8	286.2	294.3	302.9	312.3	322.6
NFP last reported	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)
Pension provision last reported	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)
Equity value	123.2	129.2	135.6	142.5	149.9	157.9	166.6	176.0	186.3
Equity value/share €	6.97	7.31	7.67	8.06	8.50	8.93	9.42	9.95	10.53

Source: CFO Sim

Table 8 – Orsero, equity value sensitivity to changes in free risk rate

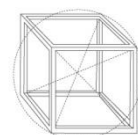
€ m	0.37%	0.62%	0.87%	1.12%	1.37%	1.62%	1.87%	2.12%	2.37%
Present value of CF	98.0	97.7	97.4	97.0	96.7	96.4	96.1	95.8	95.5
PV of terminal value	218.9	210.9	203.3	196.2	189.5	183.2	177.2	171.5	166.1
Total value	316.9	308.6	300.7	293.3	286.2	279.6	273.3	267.3	261.6
NFP last reported	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)
Pension provision last reported	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)
Equity value	180.6	172.2	164.4	156.9	149.9	143.3	136.9	130.9	125.2
Equity value/share €	10.21	9.74	9.29	8.87	8.50	8.10	7.74	7.41	7.08

Source: CFO Sim

Table 9 – 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	98.9	98.4	97.8	97.3	96.7	96.2	95.7	95.1	94.6
PV of terminal value	244.3	228.3	214.0	201.2	189.5	179.0	169.3	160.5	152.4
Total value	343.2	326.7	311.8	298.4	286.2	275.1	265.0	255.6	247.0
NFP last reported	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)
Pension provision last reported	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)
Equity value	206.8	190.3	175.5	162.1	149.9	138.8	128.6	119.3	110.6
Equity value/share €	11.70	10.76	9.92	9.17	8.50	7.85	7.27	6.75	6.26

Source: CFO Sim



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**. Sizes vary in terms of market capitalization and figures as well as profitability: 1) Fresh Del Monte shows a € 947m market value, € 3.7bn sales with a 4.3% EBITDA margin expected for 2020; 2) Total Produce has a market size of € 459m, € 4.0bn revenues and a 2.0% EBITDA margin projected for 2020; 3) Greenyard boasts a € 229m market value and € 4.2bn sales with a 2.9% EBITDA margin expected for 2020.

Orsero is the smallest in the list in terms of turnover and has by far higher **profitability** than the peer average.

Orsero trades at a double-digit discount vs. peers considering PER and EV/EBITDA multiples in 2020-23. We believe this gap can be explained by the size difference but only to a degree but it **has to be reduced** to a certain extent considering Orsero's higher profitability than its peer group.

Table 10 – Orsero, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₁₉₋₂₂	EBITDA CAGR ₁₉₋₂₂	EBIT CAGR ₁₉₋₂₂	EPS CAGR ₂₀₋₂₂	NFP FY1	NFP /EBITDA
Fresh Del Monte Produce Inc	947	3,742	161	4.3%	n.a.	n.a.	9.7%	n.a.	381	2.4
Total Produce PLC	459	4,039	80	2.0%	0.9%	-5.1%	20.7%	10.6%	216	2.7
Greenyard NV	229	4,172	121	2.9%	2.9%	13.1%	n.m.	n.m.	475	3.9
Median	459	4,039	121	2.9%	1.9%	4.0%	15.2%	10.6%	381	2.7
Orsero Spa	110	1,048	45	4.3%	3.1%	7.7%	21.6%	10.2%	106	2.3

Source: Thomson Reuters Eikon, CFO Sim

Table 11 – 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	8.3	6.8	n.a.	19.0	12.7	n.a.
Total Produce PLC	8.4	7.9	7.5	10.3	9.1	8.4
Greenyard NV	5.8	5.5	5.0	47.1	18.2	10.1
Median	8.3	6.8	6.2	19.0	12.7	9.3
Orsero Spa	4.8	4.1	3.6	9.4	8.4	7.8
% (Discount)/Premium to peers	-42.6%	-39.3%	-41.4%	-50.4%	-33.4%	-16.5%

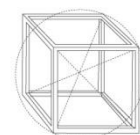
Source: Thomson Reuters Eikon, CFO Sim

Table 12 – Orsero, equity value assessment

x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Median peers	8.3	6.8	6.2	19.0	12.7	9.3
Orsero metrics	45.5	47.2	48.4	0.66	0.73	0.80
NFP	106.3	85.4	66.8			
20% discount applied						
Orsero Equity Value	194.5	171.6	174.2	176.8	130.9	104.3
Orsero Spa	11.00	9.70	9.90	10.00	7.40	5.90
% upside/(downside)	77.4	56.5	59.7	61.3	19.4	(4.8)

Source: Thomson Reuters Eikon, CFO Sim

We confidently consider that the most suitable multiple to look at is EV/EBITDA. We are valuing the stock to **2021 figures**, in order to avoid factoring in the certain consumption decline linked to the current COVID-19 impact. After having applied a residual 20.0% discount factoring in the smaller size, **2021 EV/EBITDA derived equity value totals € 171.6m, corresponding to 9.70/s, 56.5% upside.**



Stock performance

Glenalta Food was listed on 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 **AIM Italia** (Alternative Investment Market) **on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. **As of Dec-19 Orsero moved to the STAR segment** of Borsa Italiana dedicated to high requirement stocks.

Orsero stock reached an 1Y maximum of € 7.66/s on 11th Jun 20 and a 1Y minimum of € 4.30 on 16th Mar 2020. The stock overperformed the FTSE STAR Italia, the EU Sector and its peers' the last week.

Table 13 - Orsero, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Fresh Del Monte Produce Inc	0.0	(0.4)	(0.6)	(2.9)	(29.1)	(32.3)	(25.3)
Total Produce PLC	0.9	0.3	11.1	1.6	41.9	(17.6)	(9.8)
Greenyard NV	0.8	(1.2)	(7.9)	(1.2)	53.9	8.9	84.2
Peers Median	0.8	(0.4)	(0.6)	(1.2)	41.9	(17.6)	(9.8)
Orsero Spa	(1.0)	4.7	0.0	(8.0)	24.7	(2.8)	(8.6)
FTSE STAR Italia	0.2	2.4	3.6	12.2	48.4	1.2	12.9
Thomson Reuters Food & Beverage EU	0.5	2.1	0.2	3.7	22.1	(3.9)	(0.3)

Source: Thomson Reuters Eikon

Table 14 – Orsero, relative performances

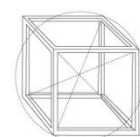
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	(1.7)	5.1	0.6	(6.9)	(17.2)	14.8	1.2
Orsero Spa to FTSE STAR Italia	(1.2)	2.3	(3.6)	(20.2)	(23.6)	(4.1)	(21.5)
Orsero Spa to EU Sector	(1.4)	2.6	(0.2)	(11.7)	2.7	1.1	(8.3)

Source: Thomson Reuters Eikon

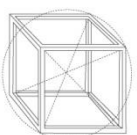
Risks

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

- impacts on profit and loss and balance sheet profile triggered by a deep decline in local and global economic growth,
- effects of the COVID-19 wide, long spread,
- dilution on profitability stemming from the acquisition campaign,
- impact of sharp fluctuation in the US\$ and bunker prices



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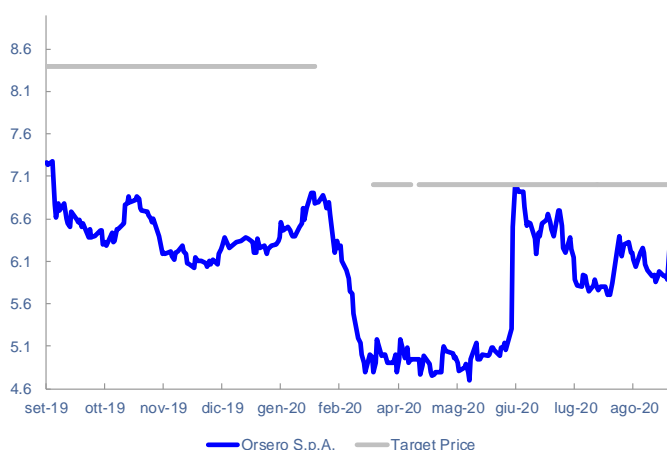
ANALYST CERTIFICATION

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
16/09/2020	€8.50	BUY
15/05/2020	€7.00	BUY
18/03/2020	€7.00	BUY
13/02/2020	U.R.	BUY
12/09/2019	€8.40	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.

