

## Italy - Food

## Solid FY-21 results pave the way for growth into 2022

18<sup>th</sup> March 2022

### FY-21 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

A good set of results, better than CFO SIM's projections, consensus and company guidance. In this current uncertain scenario, ORS feels confident in confirming 2022 guidance. A defensive, cash-flow generative, long-term value player, which is still trading at single digit PER and 4x undemanding EV/EBITDA.

#### Rating:

**Buy**

#### Price Target:

**€ 20.00**

Upside/(Downside): **52.7%**

Last Price: **€ 13.10**

Market Cap.: **€ 231.6m**

1Y High/Low: **€ 14.40/€ 6.96**

Avg. Daily Turn. (3M, 6M): **€ 521k, € 480k**

Free Float: **59.3%**

#### Major shareholders:

FIF Holding 32.5%  
Grupo Fernández 6.3%



#### Stock price performance

	1M	3M	12M
Absolute	-6.4%	8.3%	89.9%
Rel.to FTSE IT STAR	-4.2%	21.1%	77.7%
Rel.to EU Sector	-1.6%	14.7%	85.8%

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#### Buy confirmed, more than 50% upside to PT

Orsero reported a good set of results, better than our projections, consensus and company guidance. The enduring favourable current market dynamics prompted the company to announce strong FY-22 guidance last February: 2022 numbers offer growing top line and further massive margin progression driven by a favourable mix and the boost stemming from the integration and synergies between the two business units. Following the FY-21 results release, we are mainly not changing our estimates, massively revised upwards at the time of the FY-22 guidance announcement last-Feb. We are introducing FY-24 projections, postponing the first estimated year to 2022. According to our estimates, share trades at 4.6x EV/EBITDA<sub>22e</sub> and 7.0x PER<sub>22e</sub>. Orsero represents a defensive, long-term value player: CFO Sim confirms the Buy rating on the share, PT of € 20.0.

#### Top line grew by 2.7% to € 1,070m, bang in line with our estimate

Net Revenues totalled € 1,070m, up 2.7% YoY, bang in line with our forecast. The figure reported exceeded the high-end of the company guidance announced one year ago and revised upwards on Sep-21. The improvement is driven by prices and is related to 1) the solid growth of the Import & Distribution business unit on the back of the positive performance of the Italian, French and Spanish companies as well as 2) the positive contribution of the Shipping division. Import & Distribution division's sales increased by 1.8% to € 1,000m, thanks to good sales momentum in Italy and Spain and the complete resolution of French operational issues. The Shipping business unit generated sales of € 104m, rising by 9.0% YoY, driven by the freight rate increase linked to the implementation of IMO 2020. The loading factor remained unchanged at an excellent level of some 95%.

#### Adj. EBITDA rose by almost 10% to € 53m beating CFO SIM's projections and consensus

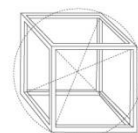
Adj. EBITDA increased by 9.3% to € 52.9m, margin of 4.9% up by 30 bps YoY, higher than our estimate and company guidance (€ 50.5m and € 51.0m, respectively). The solid performance of the Shipping division drove the outperformance of the estimate. Import & Distribution EBITDA adj. declined by 3.3% to € 35.4m, 3.5% margin. The good performance in Italy, France, Greece and Mexico was more than offset by 1) higher costs for bananas and pineapples at import stage due to fuel prices and 2) profitability normalisation of some basic products compared to the extraordinary performance in FY-20. Shipping EBITDA adj. totalled € 24.4m, vs. € 17.7m in FY-20, thanks to a better freight rate, higher volumes and stable loading factor.

#### Massive cash flow generation, NFP/EBITDA down from 2.1x to 1.6x

Adj. EBIT came in at € 25.5m, 2.4% margin, up 13.9% vs. € 22.4m in 2020. Adj. Net Profit jumped from € 14.0m to € 19.1m as a consequence of the abovementioned increase in margins and a lighter tax rate, driven by the application of the Tonnage Tax scheme to the profit coming from the shipping activity. NFP was € 84.3m from € 103.3m in Dec-20, broadly in line with our forecast. The decrease of € 19.0m, is a net effect of: 1) the generous CF generation of € 55.1m driven by the positive contribution of operating activities and the release of WC resources thanks to tight controls, namely regarding receivables; 2) the increase due to the purchase value of properties instrumental to the core business, carried out at the beginning of the year, for € 17.7m; and 3) capex for € 13.5m.

#### Orsero, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	1,041.5	1,069.8	1,126.7	1,154.1	1,182.2
EBITDA adj.	48.4	52.9	65.1	66.5	68.0
EBIT adj.	22.4	25.5	39.2	40.7	41.7
Net profit	12.2	18.3	31.4	32.6	33.5
Net profit adj	14.0	19.1	32.9	34.1	35.1
NFP (cash)/debt	103.5	84.3	66.5	37.8	9.5
EPS adjusted FD	0.79	1.08	1.86	1.93	1.98
EPS adj. FD growth	164.2%	36.4%	72.3%	3.7%	2.8%
DPS ord. €/s	0.20	0.30	0.45	0.45	0.50
Dividend yield	1.5%	2.3%	3.4%	3.4%	3.8%
Free Cash Flow Yield	11.3%	9.4%	9.9%	15.7%	15.6%
PER x	7.4	8.2	7.0	6.8	6.6
EV/Sales x	0.20	0.23	0.26	0.23	0.20
EV/EBITDA x	4.3	4.6	4.6	4.1	3.5
EV/EBIT x	9.3	9.5	7.6	6.6	5.8



## The company in a nutshell

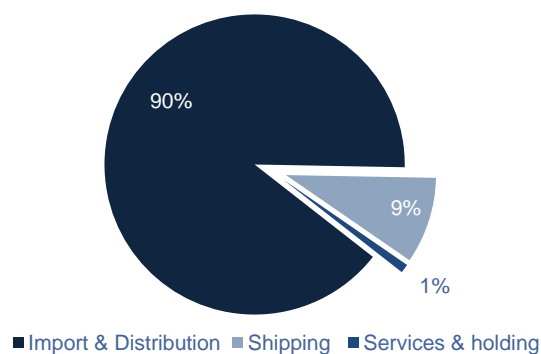
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit 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 "Flli Orsero" brand for bananas and pineapples, which expresses a large Italian family company's sense of tradition and passion for top-quality fruit and vegetables.

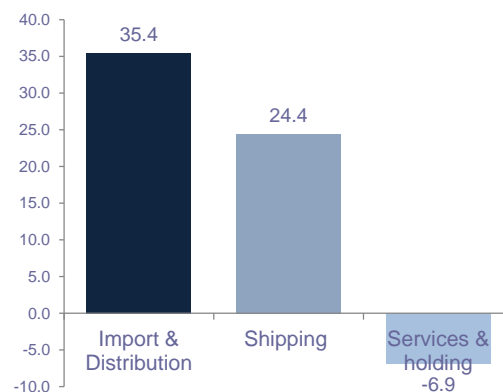
2021 Orsero highlights: revenues of € 1.070m, adj. EBITDA. of € 52.9m (4.9% margin), adjusted net profit equal to € 19.1m and net financial position of € 84.3m (1.6x adj. EBITDA)

Orsero was listed on Euronext Growth Milan 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 Euronext Star Milan segment of Borsa Italiana since 23-Dec-19.

## 2021 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	%	# m
FIF Holding	5.75	32.5%
Grupo Fernandez	1.12	6.3%
Treasury Shares	0.33	1.9%
<b>Free Float</b>	<b>10.49</b>	<b>59.3%</b>
o/w Praude Asset Management	1.69	9.5%
Global Portfolio Investments	1.01	5.7%
First Capital	0.92	5.2%
<b>Total</b>	<b>17.68</b>	<b>100.0%</b>

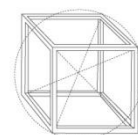
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(2.4)	1.9	(6.3)	4.1	(6.4)	4.1
Fresh Del Monte Produce Inc	0.9	4.8	(9.0)	(0.6)	(14.4)	(4.7)
Greenyard NV	0.1	2.9	(9.1)	(14.1)	(9.2)	(17.5)
<b>Peers Median</b>	<b>0.1</b>	<b>2.9</b>	<b>(9.0)</b>	<b>(0.6)</b>	<b>(9.2)</b>	<b>(4.7)</b>
<b>Orsero Spa</b>	<b>(4.0)</b>	<b>8.7</b>	<b>(6.4)</b>	<b>8.3</b>	<b>32.1</b>	<b>10.5</b>
FTSE Italia STAR	0.3	7.4	(2.3)	(12.9)	(12.4)	(15.9)
EU Sector	2.1	5.2	(4.8)	(6.4)	(2.2)	(8.6)
Orsero Spa to peers	(4.2)	5.8	2.6	8.9	41.3	15.3
Orsero Spa to FTSE Italia STAR	(4.4)	1.3	(4.2)	21.1	44.5	26.4
Orsero Spa to EU Sector	(6.1)	3.5	(1.6)	14.7	34.3	19.1

## Peer group multiples table

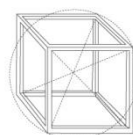
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	9.8	8.3	7.5	4.8	4.3	3.8	6.6	5.8	5.6
Fresh Del Monte Prod. Inc	19.8	13.7	n.a.	7.8	6.6	n.a.	n.a.	n.a.	n.a.
Greenyard NV	18.0	13.0	9.9	3.6	3.3	3.0	5.0	4.6	4.1
<b>Median</b>	<b>18.0</b>	<b>13.0</b>	<b>8.7</b>	<b>4.8</b>	<b>4.3</b>	<b>3.4</b>	<b>5.8</b>	<b>5.2</b>	<b>4.8</b>
<b>Orsero Spa</b>	<b>7.0</b>	<b>6.8</b>	<b>6.6</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>	<b>4.6</b>	<b>4.0</b>	<b>3.5</b>
% (Disc.)/Prem. to peer	-60.9%	-47.8%	-24.0%	-17.4%	-10.1%	11.1%	-21.1%	-22.1%	-26.9%

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	1,041.5	1,069.8	1,126.7	1,154.1	1,182.2
COGS	(953.7)	(975.6)	(1,014.8)	(1,039.9)	(1,066.1)
Gross Profit	87.8	94.2	111.9	114.2	116.1
SG&A	(69.0)	(71.1)	(74.5)	(75.3)	(76.1)
EBIT	18.8	23.1	37.5	38.9	40.0
Financials	(2.9)	(3.3)	(2.8)	(2.8)	(2.8)
Results from investments	0.8	1.0	1.5	1.6	1.6
Pre Tax Profit	16.7	20.8	36.2	37.7	38.8
Taxes	(4.4)	(2.3)	(4.6)	(4.9)	(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	12.2	18.3	31.4	32.6	33.5
D&A and Provisions	(26.0)	(27.4)	(25.8)	(25.9)	(26.3)
Non recurring items	(3.7)	(2.4)	(1.8)	(1.8)	(1.8)
EBITDA adj.	48.4	52.9	65.1	66.5	68.0
EBIT adj.	22.4	25.5	39.2	40.7	41.7
Net Profit adj.	14.0	19.1	32.9	34.1	35.1
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	37.9	30.2	39.1	45.9	50.4
Net Fixed Assets	222.3	221.7	220.5	209.2	201.5
Equity Investments	6.2	14.8	15.0	15.3	15.7
Other M/L Term A/L	(2.7)	(6.4)	(6.2)	(5.9)	(5.6)
Net Invested Capital	263.7	260.2	268.5	264.6	261.9
Net Financial Debt/(cash)	103.5	84.3	66.5	37.8	9.5
Minorities	0.5	0.7	0.9	1.1	1.4
Group's Shareholders Equity	159.6	175.2	201.1	225.6	251.1
Financial Liabilities & Equity	263.7	260.2	268.5	264.6	261.9
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	12.2	18.3	31.4	32.6	33.5
Depreciation	24.2	25.0	23.9	24.0	24.4
Other non-cash charges	8.2	4.1	(0.3)	(0.4)	(0.3)
Cash Flow from Oper. (CFO)	44.6	47.3	55.0	56.2	57.6
Change in NWC	(7.3)	7.7	(9.0)	(6.8)	(4.5)
FCF from Operations (FCFO)	37.2	55.1	46.0	49.4	53.1
Net Investments (CFI)	(11.0)	(33.4)	(23.0)	(13.0)	(17.0)
Free CF to the Firm (FCFF)	26.2	21.7	23.0	36.4	36.1
CF from financials (CFF)	(42.3)	(7.2)	(5.2)	(7.8)	(7.8)
Free Cash Flow to Equity (FCFE)	(16.1)	14.6	17.7	28.6	28.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA adj. margin	4.6%	4.9%	5.8%	5.8%	5.8%
EBIT margin	1.8%	2.2%	3.3%	3.4%	3.4%
Net profit margin	1.2%	1.7%	2.8%	2.8%	2.8%
Tax rate	26.4%	11.2%	12.8%	13.0%	13.0%
Op NWC/Sales	3.6%	2.8%	3.5%	4.0%	4.3%
Interest coverage x	0.15	0.14	0.07	0.07	0.07
Net Debt/EBITDA adj. x	2.14	1.59	1.02	0.57	0.14
Debt-to-Equity x	0.65	0.48	0.33	0.17	0.04
ROIC	4.6%	7.0%	11.7%	12.3%	12.8%
ROCE	6.9%	7.6%	10.8%	10.5%	10.1%
ROACE	6.6%	7.7%	11.2%	10.9%	10.5%
ROE	7.7%	10.4%	15.6%	14.4%	13.3%
Payout ratio	28.6%	28.7%	24.9%	24.0%	25.9%
Per share figures	2020	2021	2022e	2023e	2024e
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 # m	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	0.69	1.03	1.77	1.84	1.90
EPS adjusted FD €	0.79	1.08	1.86	1.93	1.98
EBITDA €	2.74	2.99	3.68	3.76	3.85
EBIT €	1.06	1.31	2.12	2.20	2.26
FCFO €	2.10	3.12	2.60	2.80	3.00
FCFF €	1.48	1.23	1.30	2.06	2.04
FCFE €	(0.91)	0.82	1.00	1.62	1.60
Dividend €	0.20	0.30	0.45	0.45	0.50

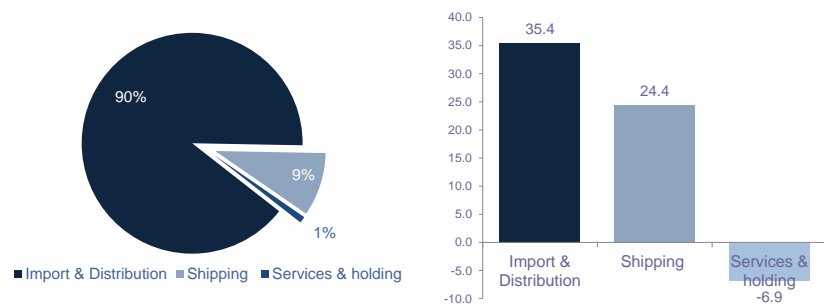


## Orsero at a glance

Orsero is an international group headquartered in Milano, **operating in the fresh fruit and vegetable import and distribution business** in the Mediterranean area of Europe. The group was founded some 80 years ago by the Orsero family. The current business structure includes the distribution of fresh fruit and vegetables as well as the import, production and export of fruit together with chilled maritime transportation. Orsero boasts a significant presence in southern Europe, namely in Italy, France, Spain, Portugal, and Greece, and production facilities in Costa Rica, Colombia and Mexico.

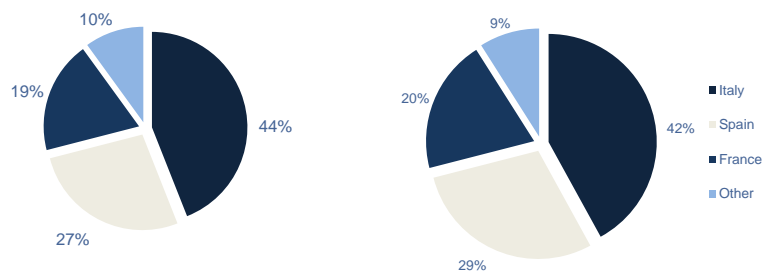
Every year, Orsero sells more than 750,000 tons of fruit and vegetables by selecting only the best, at the right time, in every corner of the planet, through a network of more than 1,500 suppliers in over 80 countries. In 2012, the group launched the "F.lli Orsero" brand for bananas and pineapples, which expresses the sense of tradition and the passion of a large Italian family company for fruit and vegetables of the highest quality.

**Chart 1 – Orsero, 2021 gross revenues and EBITDA adj. breakdown by division**



Source: Company data

**Chart 2 – 2020-2021 Distribution sales by country**



Source: Company data

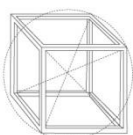
**Chart 3 – Orsero, 2021 business segment structure**

SHIPPING	DISTRIBUTION	SERVICES & HOLDING
COSIARMA -ITALIA-	FRUTTITAL -ITALIA-	H.NOS FERNÁNDEZ LÓPEZ -SPAGNA-
ORSERO CR -COSTA RICA-	FRUTTITAL FIRENZE -ITALIA-	AZ FRANCE -FRANCIA-
	GALANDI -ITALIA-	FRUTTICA -FRANCIA-
	AGRICOLA AZZURRA (*) -ITALIA- 50%	EUROFRUTAS -PORTOGALLO-
	SIMBA -ITALIA-	BELLA FRUTTA -GRECIA-
	SIMBACOL -COLOMBIA-	COMM. DE FRUTA ACAPULCO -MESSICO-
		BONAORO (*) -SPAGNA- 50%
		ORSERO SPA -ITALIA-
		FRESCO FORW.AGENCY -ITALIA-
		ORSERO SERVIZI -ITALIA-
		FRUPOINT (*) -SPAGNA- 49%

Please note: Moncada Frutta has been merged into Fruttital effective from Jan 2022.

(\*) Equity Method

Source: Company data



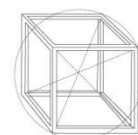
### Main milestones from 1940 to date

1940s	Beginning of the fruit distribution business in Italy
1970s	Start of a partnership with Del Monte, in order to develop import and distribution of exotic and counter-season fruits
1980s	Purchase of plantations in Costa Rica and investments in the banana ripening and distribution business in France
1990s	Beginning of the shipping business with the construction of "Cala Bianche", the first reefer fleet. Major investments in the Italian, Portuguese and Greek distribution arenas.
2000-2006	Acquisition of stakes in certain retail sector businesses in order to expand activities in the Spanish and Italian markets.
2007-2013	Diversification into adjacent businesses. Introduction of the "Fratelli Orsero" brand and interruption of the commercial partnership with Del Monte. The crisis.
2014-2015	Start of a divestment policy to refocus on the group's core business. In 2015, management reinforcement and organisational review.
2016-2017	Acquisition by Glenalta Food and listing on AIM Italia
2017-2018	Full integration of JVs in Spain and Italy: Hermanos Fernández López, Fruttital Firenze and Galandi.
2018-2019	Acquisition of Sevimpor (Spain), Fruttica (France) and Fruttital Cagliari (Italy), to enlarge the group distribution activity.  Strengthening of fresh-cut activity: opening of three new cutting centres in Molfetta (Bari), Verona and Cagliari and widening of the one in Florence.
2019	As of Dec-19 Orsero moved to the STAR segment of Borsa Italiana dedicated to high requirement firms.
2020	Acquisition of the 50% remaining minority stake of Moncada Frutta
2021	Acquisition of 50% of Agricola Azzurra, a local leading distributor of native niche fruit and vegetable

The Group's top management comprises 4 people, with an average age of 49.

**Paolo Prudenziati (Chairman)** - Born in Milan (Italy) in 1956. After graduating in Agricultural Sciences, in 1981 he began his career at Cargill. In 1989, he joined Chiquita Brands International with various management responsibilities at international level, to then become Senior Vice President of Trading and Emerging Markets and CEO of Chiquita Italia. He joined Orsero in 2016 and was appointed CEO. From Feb-17 he became Chairman, Managing Director and Chief Commercial Officer.

**Raffaella Orsero (Deputy Chair and CEO)** - Born in Savona in 1966, after graduating in law, she started her career in 1993 at Simba, an Orsero Group company, becoming Managing Director in 2002. From 2003 to 2007, she was also Managing Director at Reefer Terminal. From September 2013, she was Managing Director of Orsero Group until July 2015. In February 2017, she became Deputy Chair, Managing Director and Chief Executive Officer of Orsero.



**Matteo Colombini (CFO and Co-CEO)** - Born in Bologna in 1983. After graduating in Law and Business Administration and taking a master's course in General Management at Bocconi University in Milan, he started his career at the Bank of Ireland. In 2008, he joined Bain & Company Italy Inc. until 2015 when he started working at Orsero as Group Chief Financial Officer. Since February 2017 he has been Managing Director and Chief Financial Officer of Orsero.

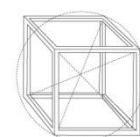
**Tommaso Cotto (COO)** Born in Biella in 1986. He has a degree in Management Engineering from the Polytechnic of Turin and in Business Economics from ESCP-Europe. He started his professional experience at Bain & Company Italy Inc. as a consultant in 2010. He joined Orsero Group as Chief Operating Officer in November 2015.

Orsero was listed on Euronext Growth Milan 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 Orsero Group, as regulated by the agreement signed and announced on 28<sup>th</sup> October 2016. **As of Dec-19 Orsero moved to the STAR segment** of Borsa Italiana dedicated to high requirement firms.

**Table 1 – Orsero, shareholder structure**

Shareholders	#m shares	%
<b>FIF Holding</b>	<b>5.746</b>	<b>32.5%</b>
Anna Chiara Orsero	1.742	9.9%
Raffaella Orsero	1.742	9.9%
Pierangelo Ottonello	0.780	4.4%
Antonio Orsero	0.663	3.7%
Lorenzo Ighina	0.410	2.3%
Leonardo Ighina	0.410	2.3%
<b>Grupo Fernandez</b>	<b>1.116</b>	<b>6.3%</b>
<b>Treasury Shares</b>	<b>0.328</b>	<b>1.9%</b>
<b>Free Float</b>	<b>10.493</b>	<b>59.3%</b>
o/w Praude Asset Management	1.687	9.5%
Global Portfolio Investments	1.014	5.7%
First Capital	0.920	5.2%
<b>Total</b>	<b>17.683</b>	<b>100.0%</b>

Source: Company data, CFO Sim



## Business activities: 1) Import & Distribution

**Table 2 – Orsero, Import & Distribution division**

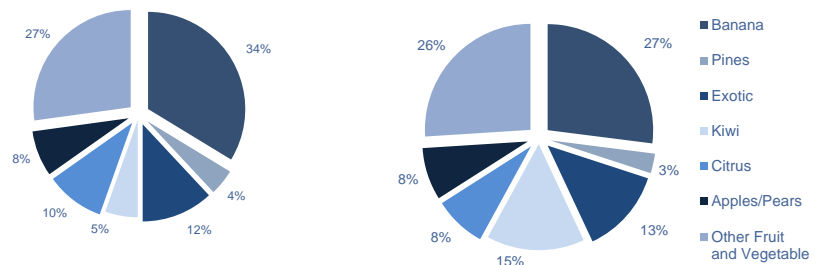
€ m	2021	2020	% YoY
<b>Revenues</b>	<b>1,000.5</b>	<b>982.8</b>	<b>1.8</b>
COGS	(965.0)	(946.2)	
<b>EBITDA adj.</b>	<b>35.4</b>	<b>36.7</b>	<b>(3.3)</b>
% margin	3.5	3.7	

Source: Company data

The group distributes **more than 300 products (a few thousand items)**, mainly bananas, pineapples, kiwis and citrus fruits, in the five most important markets in Southern Europe via eight local distributors: Italy, France, Spain, Portugal and Greece.

Orsero boasts a consolidated network of wholesalers and large-scale retail chains whereby it distributes more than 750,000 tons/y taking advantage of its platforms specialised in fresh product storage and handling. The group has 24 warehouses for storage, re-packing and handling of F&V, with a total storage capacity of over 35,000 pallets, 21 ripening centres in Europe, 26 stalls in the main European fruit and vegetable markets and 5 fresh-cut processing centres. In addition to its own brands, F.lli Orsero and Simba, Orsero is one of the largest distributors in Europe of key fruit and vegetable brands. The Distribution business has been the main and oldest activity of the group since 1940. This business unit is truly strategic for Orsero thanks to its size (90% of total sales in 2021) and stable return generation, at above 3% in terms of EBITDA on average over the last few years.

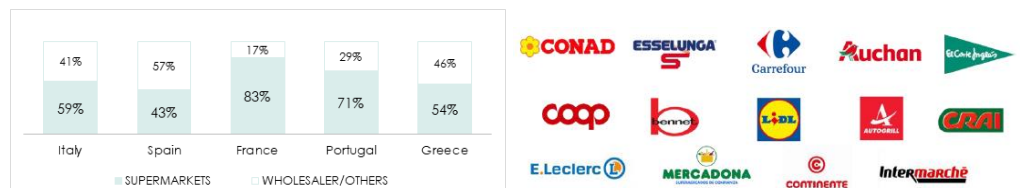
**Chart 4 – 2020-2021 revenues by product**



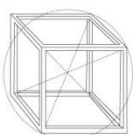
Source: Company data

The division serves all market channels: in 2021, 60% of revenues were generated through large retail chains and the remainder through wholesale and other minor channels. From a geographical viewpoint, in Italy large retail chains accounted for 59%, 43% in Spain, 83% in France, 71% in Portugal and 53% in Greece.

**Chart 5 – 2021 distribution channel sales mix and main large clients**



Source: CFO Sim elaboration on Company data



A few of the key drivers of food consumption are **bio, ready-to-eat and healthy** fruits and vegetables. In this context, out-of-home consumption and the demand for products with a service content are strategic, with significant growth potential. In 2014, Orsero launched its fresh-cut project, further strengthening operations in 2019. Today, the group's processing rooms are located in Spain (1) and Italy (4), adjacent to first class facilities, and have a total of 4,000sqm dedicated to the production of sliced fruit. In 2021, the group's sales of fresh-cut products totalled some € 13m, some 1% of total the Distribution division's sales, vs. € 8.0m in 2020, as a result of the return of at-home consumption due to the pandemic.

## Business activities: 2) Shipping

Table 3 – Orsero, Shipping division

€ m	2021	2020	% YoY
<b>Revenues</b>	<b>103.8</b>	<b>95.3</b>	<b>9.0</b>
COGS	(79.4)	(77.6)	
<b>EBITDA adj.</b>	<b>24.4</b>	<b>17.7</b>	<b>38.2</b>
% margin	23.5	18.5	

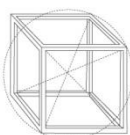
Source: Company data

The division is responsible for the transportation of bananas and pineapples from five different countries of Central America to Europe. The Import & Distribution division buys the products from local producers who can supply a constant amount of fruit all year long, then bananas and pineapples begin a one-week trip to Europe on the **four fully-owned reefer vessels**. In the eastbound/front haul trip, vessels transport refrigerated loads of bananas and pineapples from Costa Rica and Colombia to southern Europe. Some **50% of the available load volumes belong to the group's products**. In the westbound/back haul trip, dry cargo containers are transported from Spain and Italy and unloaded in the Dominican Republic and Costa Rica.

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

These features make **the fleet a strategic asset for the group**, which ensures the high profitability of the business unit. The ownership of the reefer vessels makes Orsero a cost and service leader and enables it to 'control' its competitors to a certain extent.

In 2019, the group introduced a rented vessel in addition to the four owned ships, in order to **improve the fuel consumption of the fleet**. The fifth vessel allowed it to reduce the speed of all the ships, whilst maintaining a weekly arrival schedule in Southern European ports and increasing the loading factor. The fuel economy more than covered the cost for the rental of the additional vessel. Furthermore, Orsero reintroduced the **freight rate adjustments clauses on fluctuation of fuel costs (BAF clause)**.





During Q3-21, Orsero signed a **two-year (2022-23) lease contract with the aim of stabilising the use of the fifth non-owned ship** used in fruit transportation. According to IFRS 16 accounting standards, this will entail the recognition of the 'right of use' value of the asset, basically equal to the two-year charter costs, and the corresponding financial debt, for approximately € 9.6m. This increase in NFP will be offset by a significant increase in adj. EBITDA by some € 4.8m per annum. As a result, the cost of ship chartering will be replaced by higher depreciation and financial charges, without significantly affecting the bottom line.

All of the 4 owned vessels have 28-30y useful life and are ultimately free of debt and generating an adequate amount of cash. Orsero decided to **extend the residual lifespan to 2029** (previously, the depreciation would have ended in 2024). At that point, Orsero will have a few options:

- 1) **entirely replace the fleet** on its own with new vessels, for a total consideration of approximately € 150m;
- 2) **share the building process of new ships** through JVs by talking and joining up with Del Monte, Chiquita or other players sharing investments and ship capacity;
- 3) **rent new vessels** from Hapag Lloyd or Merks, limiting its bargaining power to a certain extent since the market is likely to shift to a sort of monopoly as smaller players are being squeezed out and others are merging;

All these three options have something in common: the projected cash-in of the four ships' scrap value to the tune of € 11m.

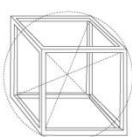
## Business activities: 3) Services

Table 4 – Orsero, Services division

€ m	2021	2020	% YoY
<b>Revenues</b>	<b>10.6</b>	<b>10.5</b>	<b>0.4</b>
COGS	(17.5)	(16.4)	
<b>EBITDA adj.</b>	<b>(6.9)</b>	<b>(5.9)</b>	<b>17.0</b>
% margin	(75.8)	(56.1)	

Source: Company data

This division includes activities related to the parent Orsero SpA as well as those related to customs services and the IT sector carried out by some minor companies. The sector at adj. EBITDA level typically shows a negative figure given the nature of Orsero SpA's holding company, whilst the bottom line is linked to the dividend flows received by the group subsidiaries.



## Business model & strategy

The business model here is plain: Orsero is a leading producer and distributor of fresh fruit and vegetables in Mediterranean Europe, firmly controlling the entire value chain of the business, from sourcing to end customer distribution. The aim is to increase the weight of higher value-added product categories in the distribution segment (namely the "F.lli Orsero" branded items, the new perfectly ripened and ready-to-eat line of exotic fruit, the collaboration with a primary e-commerce platform and the fresh-cut category) are anticipated to boost EBITDA margin for the Distribution division from current 3.5% (already a best-in-class level and compared to 3.0% of peer median) to exceed 4.0% in the next five years, mainly thanks to a few bolt-on acquisitions.

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

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

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

**Storage:** the group owns 24 warehouses in Southern Europe for product storage and control;

**Ripening:** Orsero owns and runs 21 specialised centres in Southern Europe dedicated to banana ripening;

**Fresh-cut:** 4 processing plants to make fresh-cut, portioned and prewashed fruit, exotic fruit and fresh smoothies;

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

**Import & Distribution:** daily deep-rooted distribution and custom-made solutions. The import activity will be driven by the consolidation of the company's current position in the green banana and pineapple import market as well as by the search for new attractive partnerships with growers. The distribution's **mid-/long-term strategy** is based on the strengthening of its competitive position in southern Europe, with particular focus on fresh fruit and vegetables. As for the **distribution segment**, the growth drivers for the future will be:

- **Organic growth**, driven by 1) the limited but steady increase in consumption of F&V, 2) the consolidation of the European distribution market in favour of structured big players, 3) the further development of higher value-added products such as fresh-cut fruit, portioned and prewashed fruit, exotic fruit and fresh smoothies.
- **External growth** through the acquisitions of some sizeable distributors of F&V possibly located in central Europe and/or companies specialised in new high-potential market segments, such as bio, berries or dried fruit.
- **Reduction of the dependence on bananas and pineapples**, by increasing the weight of other products, in particular the new higher value-added product families. The medium-/long-term target is to increase the share of these product families from 1% to 10% in the total group's turnover.

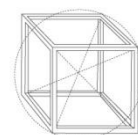
**The shipping activity** proved to be a strong strategic asset, even more so in this market framework. There is a **chronic shortage of reefer capacity worldwide**, which is sustaining spot shipping rates, which have grown by 200-250% lately. In addition, due to the **seniority of the current world fleet** (over 30 years, on average) and the **lack of new ships** coming in the short-medium term, the **favourable momentum is set to last** for at least the next two years. The business unit is anticipated to show significant volumes, high load factors (above 95%) and enduring operational efficiencies stemming from the navigation schedule with 5 ships (4 owned and 1 chartered) implemented since 2019.



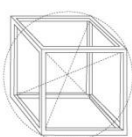
## M&A track record and recent developments

As a part of the strategy of consolidation and strengthening of its own competitive position in distribution in Southern Europe, the group closed **three acquisitions in a row in 2019**, Sevimpor, Fruttica Group and Fruttital Cagliari, **one minority buy-out in 2020** and the acquisition of **50% of Agricola Azzurra in 2021**. Said strategy also included the streamlining of reporting, combining Import and Distribution and leaving aside the Shipping business in addition to the acquisition of a few instrumental logistic platforms at the beginning of 2020.

- **Sevimpor** is a Spanish company operating in the **banana ripening and fresh F&V distribution business**. The company operates a logistic platform of about 2,000 sqm, equipped with 19 ripening cells, several cool rooms and a packaging area. The deal was finalised in Jan-19, when Hermanos Fernández López (HFL), the Spanish subsidiary of Orsero group, acquired **100% of Sevimpor for € 1.5m (4.8x EBITDA adj.)**. In 2018, the company recorded € 12m in revenues, with an EBITDA adj. of € 450k and a NFP of € 650k (net debt).
- **Fruttica Group** is a French company integrated in the supply-chain of imported fresh fruit, mainly **importing and distributing Italian fruits and vegetables to France** (about 50% of volumes are composed of grapes, while the remainder of melons, pears and vegetables). The firm operates a logistic platform of about 1,450 sqm, equipped with a 150-sqm cool storage area. In May-19, AZ France, the French subsidiary of Orsero group, acquired **100% of Fruttica for € 10m (4.0x EBITDA)**, of which € 8m already paid and € 2m to be paid in two tranches in May 2020 and 2021, in addition to an earn-out of € 0.4m based on 2020-21 results. In 2018 the company recorded € 24m in revenues, with an EBITDA adj. of € 2.5m and a neutral net financial position.
- **Fruttital Cagliari** is based in Sardinia (Italy) and operates in the **banana ripening and fresh F&V distribution business**. The company runs a logistic platform and a point-of-sale in a General Wholesale Market. In Jul-19, Fruttital Srl, the main Italian subsidiary of Orsero group, acquired **75% of Fruttital Cagliari** (the remaining 25% was already held by Fruttital Srl) **for € 5.1m (5.7x EBITDA)**, of which € 4.05m was already paid and the remainder was paid in Jul-20. The average 2017-18 sales of the company were about € 16m, with an average EBITDA adj. of € 1.2m and neutral NFP.
- **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 was renamed "Shipping", now concentrated exclusively on ship owning, serving both the group and third parties (50-50). The Service & Holding business unit (unchanged) comprises the parent and some other ancillary services.
- In Jan-20, **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 it 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 paid previously (€ 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.



- In Jul-20 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.
- In Oct-21, **Orsero purchased 50% of Agricola Azzurra**, specialised in the distribution of fruit and vegetables of domestic origin. The aim is to achieve a leading position in the distribution of products from an Italian agricultural chain. The price of the acquisition is € 7.3m cash. Azzurra is consolidated using the equity method.



## SWOT Analysis

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

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

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

### S.W.O.T. ANALYSIS

#### STRENGTHS

- ❑ Well-established business model **vertically integrated** from production to distribution-logistic. **Strong trade brand**
- ❑ Substantial **cash flow generation** and **sound balance** sheet allow for external growth opportunities
- ❑ **Vessel ownership** is to a certain extent a competitive advantage with significant 10+Y residual life

#### WEAKNESSES

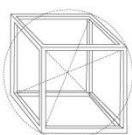
- ❑ Currently still **limited F.lli Orsero brand awareness** among end consumers
- ❑ **Exposure to USD/EUR**, in particular for the maritime transport segment
- ❑ **Market share expansion** may be more complicated than expected

#### OPPORTUNITIES

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

#### THREATS

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



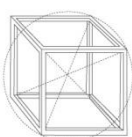
## ESG Profile

Orsero pays **considerable attention to Environmental, Social and Governance factors**, and, since 2019, has been publishing the NFS (non-financial statements) in compliance with Legislative Decree no. 254/2016. The products are certified with internationally recognised standards and pass strict quality and safety controls before being marketed. Furthermore, Orsero boasts an **ESG rating** issued by Gaia Rating and has announced a **Strategic Sustainability Plan** comprising several goals about carbon footprint reduction, as well as welfare programmes for employee wellbeing. The company is publishing FY-21 NFS at the end of Mar-22.

Chart 6 – Orsero, ESG Profile

<p><b>E</b> Environmental</p>	<ul style="list-style-type: none"> <li>❑ In 2020, Orsero reduced GHG emission by 20% compared to 2018 thanks to the introduction of a new navigation programme</li> <li>❑ About 1,985 MWh of energy generated by 8004 photovoltaic panels in 2020</li> <li>❑ Warehouses possess the IFS, BRC, ISO 22000 certifications</li> <li>❑ <u>A Strategic Sustainability Plan for the medium-long term:</u> <ul style="list-style-type: none"> <li>✓ 100% involvement of suppliers on ESG issues by 2025</li> <li>✓ 20% decrease in energy consumption in warehouses by 2028</li> <li>✓ 100% of storage and processing warehouses certified for food safety in 2025</li> <li>✓ packaging 100% recycled, recyclable, reusable or compostable by 2025</li> </ul> </li> <li>❑ <u>ESG Rating:</u> 66/100 (vs. benchmark 51/100) assigned by Gaia Rating</li> </ul>
<p><b>S</b> Social</p>	<ul style="list-style-type: none"> <li>❑ Orsero provides information about the composition of workforce, of which 30% are women</li> <li>❑ Whistleblowing Procedure rolled out in 2021</li> <li>❑ Most Orsero suppliers possess the Global Gap and Rainforest Alliance certifications (85% for bananas, 90% for pineapples)</li> <li>❑ Warehouses certified ISO 9001 and FAIRTRADE</li> <li>❑ <u>The Welfare Programme</u> provides employees with a benefit package such as supplementary pension and health insurance funds, promotions, repayment of interest expense on mortgages</li> <li>❑ Orsero adheres to the <b>UN's Global Compact</b>, an international network aimed at promoting the achievement of the SDGs</li> </ul>
<p><b>G</b> Governance</p>	<ul style="list-style-type: none"> <li>❑ Publication of the NFS in compliance with Legislative Decree no. 254/2016</li> <li>❑ Organisational Model pursuant to Legislative Decree no. 231/2001</li> <li>❑ Orsero adopts a specific anticorruption policy</li> <li>❑ Code of Ethics</li> <li>❑ List voting: 2.5%</li> <li>❑ 9 Members in the BoD, 5 Independent Directors, 3 women</li> <li>❑ Minority shareholders have the opportunity to appoint 2 members of the BoD</li> </ul>

Source: CFO Sim analysis on company data



## FY-21 results

Orsero reported a good set of results, better than our forecasts, consensus and company guidance. In this current uncertain scenario, the company feels confident in confirming its 2022 guidance, released at the beginning of February.

**Table 5 – Orsero, FY-21 results summary**

€ m	2021	2020	% YoY	2021e	% Diff.
<b>Revenues</b>	<b>1,069.8</b>	<b>1,041.5</b>	<b>2.7</b>	<b>1,070.0</b>	<b>(0.0)</b>
COGS	(975.6)	(953.7)		(976.5)	
<b>Gross Profit</b>	<b>94.2</b>	<b>87.8</b>	<b>7.3</b>	<b>93.5</b>	<b>0.8</b>
% margin	8.8	8.4		8.7	
SG&A	(71.1)	(67.7)		(68.5)	
Other	(0.0)	(1.4)		(1.4)	
<b>EBIT</b>	<b>23.1</b>	<b>18.8</b>	<b>23.2</b>	<b>23.5</b>	<b>(1.8)</b>
% margin	2.2	1.8		2.2	
Financials	(3.3)	(2.9)		(2.8)	
Results from investments	1.0	0.8		0.8	
<b>Pre Tax Profit</b>	<b>20.8</b>	<b>16.7</b>	<b>24.9</b>	<b>21.5</b>	<b>(3.2)</b>
% margin	1.9	1.6		2.0	
Taxes	(2.3)	(4.4)		(6.5)	
Tax Rate	11.2%	26.4%		30.0%	
Discontinued	0.0	0.0		0.0	
Minorities	(0.2)	(0.1)		(0.1)	
<b>Net Profit</b>	<b>18.3</b>	<b>12.2</b>	<b>49.7</b>	<b>15.0</b>	<b>21.8</b>
% margin	1.7	1.2		1.4	
D&A	(25.0)	(24.2)		(24.0)	
Provisions	(2.4)	(1.8)		(1.9)	
Top Management incentives	(1.8)	(1.1)		(1.1)	
Non recurring (expenses)/income	(0.6)	(2.6)		0.0	
<b>EBITDA adj.</b>	<b>52.9</b>	<b>48.4</b>	<b>9.3</b>	<b>50.5</b>	<b>4.8</b>
% margin	4.9	4.6		4.7	
<b>EBIT adj.</b>	<b>25.5</b>	<b>22.4</b>	<b>13.9</b>	<b>24.6</b>	<b>3.6</b>
% margin	2.4	2.2		2.3	
<b>Net Profit adj.</b>	<b>19.1</b>	<b>14.0</b>	<b>15.2</b>	<b>15.9</b>	<b>20.5</b>
% margin	1.8	1.3		1.5	

Sources: Orsero, CFO SIM estimates

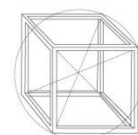
**Net Revenues totalled € 1,070m, up 2.7% YoY, bang in line with our forecast.** The figure reported exceeded the high-end of the company guidance announced one year ago and revised upwards on Sep-21. The improvement is mainly driven by prices and is related to 1) the solid growth of the Import & Distribution business unit on the back of the positive performance of the Italian, French and Spanish companies as well as 2) the positive contribution of the Shipping division.

**Table 6 – Orsero, FY-21 revenues breakdown**

€ m	2021	2020	% YoY	2021e	% Diff.
Import & Distribution	1,000.5	982.8	1.8	1,008.4	(0.8)
Shipping	103.8	95.3	9.0	96.8	7.3
Service/holding	10.6	10.5	0.4	10.6	(0.6)
Inter segment	(45.1)	(44.7)	0.9	(45.8)	(1.6)
<b>Total revenues</b>	<b>1,069.8</b>	<b>1,044.0</b>	<b>2.5</b>	<b>1,070.0</b>	<b>(0.0)</b>

Sources: Orsero, CFO SIM estimates

**The revenues of the Import & Distribution division increased by 1.8% to € 1,000m**, thanks to good sales momentum in Italy and Spain and the complete resolution of French operational issues. **The Shipping business unit generated sales of € 104m, rising by 9.0% YoY**, driven by the freight rate increase linked to the implementation of IMO 2020. The loading factor remained unchanged at an excellent level of some 95%.



Adj. EBITDA increased by 9.3% to € 52.9m, margin of 4.9% up by 30 bps YoY, higher than our estimate and company guidance (€ 50.5m and € 51.0m, respectively). The solid performance of the Shipping division drove the outperformance of the estimate.

**Table 7 – Orsero, FY-21 EBITDA adj. breakdown**

€ m	2021	2020	% YoY	2021e	% Diff.
Import & Distribution	35.4	36.7	(3.3)	36.8	(3.7)
Shipping	24.4	17.7	38.2	19.6	24.5
Service/holding	(6.9)	(5.9)	17.0	(5.9)	16.9
<b>EBITDA adj.</b>	<b>52.9</b>	<b>48.4</b>	<b>9.3</b>	<b>50.5</b>	<b>4.8</b>

Sources: Orsero, CFO SIM estimates

**Import & Distribution EBITDA adj. declined by 3.3% to € 35.4m, 3.5% margin**, slightly lower than our € 36.8m projection. The good performance in Italy, France, Greece and Mexico was more than offset by 1) higher costs for bananas and pineapples at import stage due to fuel prices and 2) profitability normalisation of some basic products compared to the extraordinary performance in FY-20.

**Shipping EBITDA adj. totalled € 24.4m, vs. € 17.7m in FY-20**, thanks to a better freight rate, higher volumes and stable loading factor. Furthermore, the deployment of a time-chartered vessel in addition to the 4 owned ships, allowed the group to improve its operational efficiency, keeping the same service conditions while reducing both speed and, as a consequence, fuel consumption. Last but not least, dry containers margins were up thanks to double digit improvement of volumes and rates.

It is worth noting that EBITDA adj. excluding IFRS 16 totalled € 45.3m, up 12.0% from € 40.4m last year, margin of 4.2%, up 40bps YoY.

As a consequence of higher EBITDA, adj. EBIT came in at € 25.5m, 2.4% margin, up 13.9% vs. € 22.4m in 2020. Adj. Net Profit jumped from € 14.0m to € 19.1m as a consequence of the abovementioned increase in margins and a lighter tax rate, driven by the application of the **Tonnage Tax scheme** to the profit coming from the shipping activity.

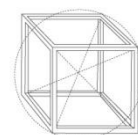
Reported net profit was € 18.3m (€ 12.2m at the end-20). Non-recurring adjustments accounted for € 0.6m and are related to one-off costs mainly stemming from senior management incentives.

The BoD will propose to the next AGM (scheduled for April 28, 2022 - single call) a cash dividend of € 0.30 per share: ex-dividend date May 9, 2022, record date on May 10, 2022 and payment on May 11, 2022. The dividend proposed is higher than our € 0.25/s expectation and corresponds to a 2.4% yield.

**NFP was € 84.3m from € 103.3m in Dec-20, broadly in line with our forecast.** The decrease of € 19.0m, is a net effect of: 1) the generous CF generation of € 55.1m driven by the positive contribution of operating activities and the release of WC resources thanks to tight controls, namely regarding receivables; 2) the increase due to the purchase value of properties instrumental to the core business, carried out at the beginning of the year, for € 17.7m; and 3) capex for € 13.5m.

On the back of the numbers just released and the current scenario, Orsero confirms FY-22 guidance:

- **Revenues € 1,100 - 1,130m** (€ 1,127m CFO projection);
- **EBITDA € 65 - 68m** (€ 65m CFO estimate);
- **Net Profit € 30 - 32m** (€ 32m CFO expectation)
- **Net Financial Position € 63 - 68m** (€ 66m CFO assumption)
- **Capex € 12 - 13m** (€ 13m CFO forecast)





## Estimates, valuation & risks

The enduring favourable current market dynamics prompted the company to announce strong **FY-22 guidance** last February: 2022 estimates offer growing top line and further massive margin progression driven by a favourable mix and the boost stemming from the integration and synergies between the two business units. The Shipping arm continues to generate a lot of value, also in this uncertain inflationary context.

Following FY-21 results release, we are mainly not changing our estimates, massively revised upwards at the time of FY-22 guidance announcement last-Feb. We are introducing FY-24 projections, postponing the first estimated year to 2022.

**Import & Distribution:** 1) improved price/mix effect and 2) cost inflation absorbed by customers, supporting growth and stabilising margins.

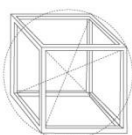
**Shipping:** 1) long-lasting extremely positive momentum for shipping rates, allows for the optimisation of the load factor on the way back from Europe to South America, making significant returns, 2) extension of the useful life of the four ships owned, 3) application of the Tonnage Tax regime and 3) operational efficiencies stemming from the navigation schedule with 5 ships.

According to our estimates, share trades at 4.6x EV/EBITDA<sub>22e</sub> and 7.0x PER<sub>22e</sub>. Orsero represents a defensive, poised, long-term value player: **CFO Sim confirms the Buy rating on the share, PT of € 20.0.**

Orsero has recently announced its **first Strategic Sustainability Plan**, with the purpose of combining business growth in the medium-long term along with the integration of ESG issues, inspired by the Sustainable Development Goals outlined by the United Nations.

The company has identified 4 strategic action areas: 1) **development of sustainable supply chains**, 2) **reduction of the impact on the planet**, 3) **promotion of healthy eating**, 4) **recognition of the value of people**. The goals aim to:

- Involve 100% of the group's fruit and vegetable suppliers in social and environmental issues by 2025;
- Implement technological solutions aimed at reducing energy consumption of the group's warehouses by 20% by 2028;
- Continue the battle against food waste along the value chain;
- Assess solutions aimed at making packaging 100% recycled, recyclable, reusable or compostable by 2025;
- Inspire people via projects dedicated to the promotion of healthy and sustainable lifestyles;
- Adopt of a Welfare programme in order to increase the well-being of group employees;
- Increase food safety certifications in all the group's facilities;
- Involve the local communities via dedicated projects by 2030.



## DCF

In the valuation via the DCF method explicit estimates until 2026 and a long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated in accordance with the following parameters:

**Table 8 - Orsero, WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	14.0%
<b>Int. costs, after taxes</b>	<b>2.2%</b>
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 200d moving average)	1.01%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>11.0%</b>

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 1.00x** has been calculated taking into consideration the peer group's specific levered beta for each competitor, then deleveraging it by using each peer's precise D/E structure. It was finally re-calculated by assuming Orsero's debt to equity leverage ratio to be 30:70 and sustainable in the long run.

**Table 9 - Orsero, DCF model**

€ m	2022e	2023e	2024e	2025e	2026e	Term. Val.
EBIT	37.5	38.9	40.0	40.0	40.0	
Tax rate	12.8%	13.0%	13.0%	13.0%	13.0%	
<b>Operating profit (NOPAT)</b>	<b>32.7</b>	<b>33.8</b>	<b>34.8</b>	<b>34.8</b>	<b>34.8</b>	
Change working capital	(9.0)	(6.8)	(4.5)	(4.5)	(0.6)	
Depreciation	23.9	24.0	24.4	19.0	17.0	
Investments	(13.0)	(13.0)	(17.0)	(17.0)	(17.0)	
<b>Free Cash Flows</b>	<b>34.6</b>	<b>38.1</b>	<b>37.7</b>	<b>32.3</b>	<b>34.2</b>	<b>454.9</b>
Present value	32.4	32.9	30.0	23.6	23.0	306.6
WACC	8.6%	8.6%	8.6%	8.6%	8.6%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

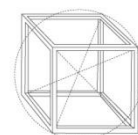
**Table 10 – Orsero, DCF equity value derived from:**

Total EV present value € m	448.5
<i>thereof terminal value</i>	68.4%
NFP last reported	(84.3)
Pension provision last reported	(9.8)
<b>Equity value € m</b>	<b>354.4</b>
#m shares	17.68
<b>Equity value €/s</b>	<b>20.00</b>
<i>% upside/(downside)</i>	52.7%

Source: CFO Sim

**The application of the model produces an equity value of € 354.4m, corresponding to € 20.00/share, 52.7% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate, produces an equity value of between € 17.87-22.87/s (perpetuity range of between 0.00% and +2.00%), while, 2) if compared to changes in the free risk rate, it produces an equity value of € 18.30-22.68/s (free risk range of between 1.81% and 0.00%) and 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 16.09-25.86/s (risk premium range of between 12.0% and 8.0%).



**Table 11 – 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	141.9	141.9	141.9	141.9	141.9	141.9	141.9	141.9	141.9
PV of terminal value	268.2	276.9	286.2	296.1	306.6	317.8	329.9	342.8	356.6
<b>Total value</b>	<b>410.1</b>	<b>418.8</b>	<b>428.1</b>	<b>438.0</b>	<b>448.5</b>	<b>459.7</b>	<b>471.7</b>	<b>484.6</b>	<b>498.5</b>
NFP last reported	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
<b>Equity value</b>	<b>316.0</b>	<b>324.8</b>	<b>334.0</b>	<b>343.9</b>	<b>354.4</b>	<b>365.7</b>	<b>377.7</b>	<b>390.6</b>	<b>404.5</b>
<b>Equity value/share €</b>	<b>17.87</b>	<b>18.37</b>	<b>18.89</b>	<b>19.45</b>	<b>20.00</b>	<b>20.68</b>	<b>21.36</b>	<b>22.09</b>	<b>22.87</b>

Source: CFO Sim

**Table 12 – Orsero, equity value sensitivity to changes in free risk rate**

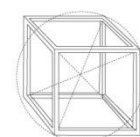
€ m	0.00%	0.41%	0.61%	0.81%	1.01%	1.21%	1.41%	1.61%	1.81%
Present value of CF	144.4	143.4	142.9	142.4	141.9	141.4	140.9	140.4	139.9
PV of terminal value	350.7	331.5	322.9	314.6	306.6	298.9	291.6	284.5	277.7
<b>Total value</b>	<b>495.1</b>	<b>474.9</b>	<b>465.8</b>	<b>457.0</b>	<b>448.5</b>	<b>440.3</b>	<b>432.5</b>	<b>424.9</b>	<b>417.6</b>
NFP last reported	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
<b>Equity value</b>	<b>401.0</b>	<b>380.9</b>	<b>371.7</b>	<b>362.9</b>	<b>354.4</b>	<b>346.3</b>	<b>338.4</b>	<b>330.9</b>	<b>323.6</b>
<b>Equity value/share €</b>	<b>22.68</b>	<b>21.54</b>	<b>21.02</b>	<b>20.52</b>	<b>20.00</b>	<b>19.58</b>	<b>19.14</b>	<b>18.71</b>	<b>18.30</b>

Source: CFO Sim

**Table 13 – 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	146.9	145.7	144.4	143.1	141.9	140.7	139.5	138.3	137.1
PV of terminal value	404.4	375.7	350.1	327.2	306.6	288.0	271.0	255.6	241.5
<b>Total value</b>	<b>551.4</b>	<b>521.3</b>	<b>494.5</b>	<b>470.3</b>	<b>448.5</b>	<b>428.6</b>	<b>410.5</b>	<b>393.9</b>	<b>378.6</b>
NFP last reported	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)	(84.3)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
<b>Equity value</b>	<b>457.3</b>	<b>427.3</b>	<b>400.4</b>	<b>376.3</b>	<b>354.4</b>	<b>334.6</b>	<b>316.4</b>	<b>299.8</b>	<b>284.5</b>
<b>Equity value/share €</b>	<b>25.86</b>	<b>24.16</b>	<b>22.65</b>	<b>21.28</b>	<b>20.00</b>	<b>18.92</b>	<b>17.90</b>	<b>16.96</b>	<b>16.09</b>

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 **Dole, Fresh Del Monte Produce and Greenyard**. Sizes vary in terms of market capitalisation and figures, as well as profitability: 1) Dole has a market size of € 1.2bn, € 8.8bn revenues and a 3.9% EBITDA margin projected for 2022, 2) Fresh Del Monte shows a € 1.1bn market value and € 4.0bn sales with a 4.4% EBITDA margin expected for 2022; 3) Greenyard boasts a € 423m market value and € 4.4bn sales with a 3.7% EBITDA margin expected for 2022.

**Orsero is the smallest** on the list in terms of turnover and has **higher profitability** than its peers.

**Orsero trades at a double-digit discount** vs. peers considering PCF and EV/EBITDA multiples in 2022-23-24. We believe this gap can be explained only in part by the size difference, but it needs to be bridged somehow considering 1) Orsero's higher profitability than its peer group's median and 2) the active role it can play in the medium and long term in this unavoidably consolidating disciplined oligopoly.

**Table 14 – Orsero, peer group summary table**

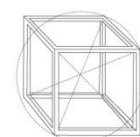
€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>21-24</sub>	EBITDA CAGR <sub>21-24</sub>	EBIT CAGR <sub>21-24</sub>	EPS CAGR <sub>22-24</sub>	NFP FY1	NFP /EBITDA
Dole PLC	1,186	8,775	344	3.9%	17.6%	84.6%	-863.3%	14.6%	1,083	3.1
Fresh Del Monte Produce Inc	1,129	3,953	175	4.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	423	4,423	165	3.7%	2.9%	9.1%	22.5%	34.9%	404	2.5
<b>Median</b>	<b>1,129</b>	<b>4,423</b>	<b>175</b>	<b>3.9%</b>	<b>10.2%</b>	<b>46.8%</b>	<b>-420.4%</b>	<b>24.7%</b>	<b>743</b>	<b>2.8</b>
<b>Orsero Spa</b>	<b>232</b>	<b>1,127</b>	<b>65</b>	<b>5.8%</b>	<b>3.4%</b>	<b>8.7%</b>	<b>17.8%</b>	<b>3.2%</b>	<b>66</b>	<b>1.0</b>

Sources: Thomson Reuters Eikon, CFO Sim

**Table 15 – Orsero, peer group multiples table**

EV & Price multiples x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3
Dole PLC	0.26	0.24	0.24	6.6	5.8	5.6	9.8	8.3	7.5
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.8	13.7	n.a.
Greenyard NV	0.19	0.17	0.16	5.0	4.6	4.1	18.0	13.0	9.9
<b>Median</b>	<b>0.22</b>	<b>0.21</b>	<b>0.20</b>	<b>5.8</b>	<b>5.2</b>	<b>4.8</b>	<b>18.0</b>	<b>13.0</b>	<b>8.7</b>
<b>Orsero Spa</b>	<b>0.26</b>	<b>0.23</b>	<b>0.20</b>	<b>4.6</b>	<b>4.0</b>	<b>3.5</b>	<b>7.0</b>	<b>6.8</b>	<b>6.6</b>
% (Discount)/Premium to peer median	18.8%	11.8%	0.9%	-21.1%	-22.1%	-26.9%	-60.9%	-47.8%	-24.0%

Sources: Thomson Reuters Eikon, CFO Sim



## Shipping: a few interesting considerations

The Shipping division, has always been **understood as a 'problematic, worrisome' unit, characterised by volatility in results** due to the fluctuation of the bunker price (i.e. ultimately the price of oil) and the EUR/USD exchange rate. In 2019, Orsero reintroduced the **freight rate adjustment clauses on fluctuation of fuel costs (BAF clause)**. The effect of these clauses is essentially to mitigate volatility in results due fuel price fluctuations. However, considering the way they are set out, they cannot achieve total neutralisation but they are very close. Risk mitigation, therefore also involves giving up possible earning opportunities in very bearish fuel contexts but it avoids major repercussions in bullish phases, such as those seen in 2017, 2018 and currently. **The only remaining variable which can really influence the division's results is represented by the loading factor.** It is worth remembering that some 50% of the available volumes on the ships is filled with the group's products, the remainder with other players' items.

We have assessed the division separately. In our view, the most appropriate methodology is the **DCF**, since the unit offers a **generous cash flow generation**, has **no debt** and the terminal value is definitely measurable as **the scrap value** of the four owned ships. This approach is **conservative, since it does not take into consideration any future cash flows beyond 2029** (as well as any investment), **except for the cash-in from the pure ship scrap value.** The WACC is calculated by applying the same parameters we use to value the group as a whole, except for the D/E, set at 100% equity.

**Table 16 – Orsero Shipping Division, ships dismissed in 2030, DCF model**

€ m	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Term. V.
EBIT	24.8	24.8	24.8	23.0	20.3	17.7	14.2	11.8	
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
<b>NOPAT</b>	<b>21.1</b>	<b>21.1</b>	<b>21.1</b>	<b>19.6</b>	<b>17.3</b>	<b>15.1</b>	<b>12.1</b>	<b>10.0</b>	
D&A	7.9	7.9	7.9	7.9	7.9	7.9	6.2	4.5	
Capex	(0.5)	(0.5)	(4.5)	(4.5)	(0.5)	(0.5)	(0.5)	(0.5)	
<b>Free Cash Flow</b>	<b>28.5</b>	<b>28.5</b>	<b>24.5</b>	<b>23.0</b>	<b>24.7</b>	<b>22.5</b>	<b>17.8</b>	<b>14.0</b>	<b>11.0</b>
<b>Present value</b>	<b>26.2</b>	<b>23.6</b>	<b>18.3</b>	<b>15.5</b>	<b>14.9</b>	<b>12.3</b>	<b>8.7</b>	<b>6.2</b>	<b>7.4</b>
WACC	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	

Source: CFO Sim

**The model produces an EV of € 133.1m for the Shipping division.** This number should be compared with the € 33m book value of the four owned ships and the € 52m impairment (end-20) valuation of the division assessed for the participation appraisal.

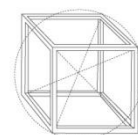
The following sensitivity table shows the implied valuation of the Import & Distribution division according to the different value taken into consideration for the Shipping business unit. In other words, according to our valuation, **the current market capitalisation implicitly values the Import & Distribution business 5.1x EBITDA<sub>22</sub>, i.e. at a 12% discount compared to the peer median multiple.** Ultimately, the most appropriate valuation might be chosen to figure out its implied Import & Distribution multiple.

In our view, this is another additional **aspect supporting our positive stance on Orsero.**

**Table 17 – Orsero, implied market valuation of Import & Distribution sensitivity to Shipping value**

Shipping EV, € m (a)	0	10	30	50	70	90	110	133
Orsero Mkt Cap (b)	231.6	231.6	231.6	231.6	231.6	231.6	231.6	231.6
NFP FY1 (c)	66.4	66.4	66.4	66.4	66.4	66.4	66.4	66.4
<b>Group EV (d=b+c)</b>	<b>298.1</b>	<b>298.1</b>	<b>298.1</b>	<b>298.1</b>	<b>298.1</b>	<b>298.1</b>	<b>298.1</b>	<b>298.1</b>
<b>Import &amp; Distribution EV (e=d-a)</b>	<b>298.1</b>	<b>287.9</b>	<b>267.9</b>	<b>247.9</b>	<b>227.9</b>	<b>207.9</b>	<b>187.9</b>	<b>164.9</b>
EBITDA <sub>22</sub> Imp. & Distr. (Group-Ship.) (f)	32.4	32.4	32.4	32.4	32.4	32.4	32.4	32.4
<b>Implied EV/EBITDA Imp. &amp; Distr. x (e/f)</b>	<b>9.2</b>	<b>8.9</b>	<b>8.3</b>	<b>7.7</b>	<b>7.0</b>	<b>6.4</b>	<b>5.8</b>	<b>5.1</b>
Peers' EV/EBITDA median (x) FY1	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
<i>Prem.(disc.) to peers' median</i>	58.7	53.3	42.6	32.0	21.4	10.7	0.1	(12.2)

Source: CFO Sim



## Stock performance

Glenalta Food was listed on Euronext Growth Milan on 10<sup>th</sup> Nov 2015 at € 10.0/share, corresponding to a market capitalisation of € 80.0m. Its target, Orsero, was listed on **Euronext Growth Milan on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. **As of Dec-19 Orsero moved to the Euronext Star Milan**, the STAR segment of Borsa Italiana dedicated to high requirement stocks. Orsero stock reached an intraday 1Y maximum level of € 14.40/s on 16<sup>th</sup> Feb 22 and a 1Y minimum price of € 6.96 on 18<sup>th</sup> Mar 2021. The stock consistently outperformed the FTSE Italia STAR index, the EU Sector and its peers.

**Table 18 - Orsero, peers group and indexes absolute performance**

%	1D	1W	1M	3M	6M	YTD	1Y
Dole PLC	(2.4)	1.9	(6.3)	4.1	(6.4)	4.1	NULL
Fresh Del Monte Produce Inc	0.9	4.8	(9.0)	(0.6)	(14.4)	(4.7)	(11.9)
Greenyard NV	0.1	2.9	(9.1)	(14.1)	(9.2)	(17.5)	8.6
<b>Peers Median</b>	<b>0.1</b>	<b>2.9</b>	<b>(9.0)</b>	<b>(0.6)</b>	<b>(9.2)</b>	<b>(4.7)</b>	<b>(1.7)</b>
<b>Orsero Spa</b>	<b>(4.0)</b>	<b>8.7</b>	<b>(6.4)</b>	<b>8.3</b>	<b>32.1</b>	<b>10.5</b>	<b>89.9</b>
FTSE STAR Italia	0.3	7.4	(2.3)	(12.9)	(12.4)	(15.9)	12.2
Thomson Reuters Food & Beverage EU	2.1	5.2	(4.8)	(6.4)	(2.2)	(8.6)	4.1

Source: Thomson Reuters Eikon

**Table 19 – Orsero, relative performances**

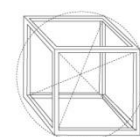
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	(4.2)	5.8	2.6	8.9	41.3	15.3	91.5
Orsero Spa to FTSE STAR Italia	(4.4)	1.3	(4.2)	21.1	44.5	26.4	77.7
Orsero Spa to EU Sector	(6.1)	3.5	(1.6)	14.7	34.3	19.1	85.8

Source: Thomson Reuters Eikon

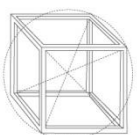
## Risks

The principal investment **risks** associated with Orsero include:

- impacts on the P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth,
- long-term effects of the spread of COVID-19,
- profit margin dilution stemming from the acquisition campaign,
- impact of sharp US\$ and bunker price fluctuations



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## ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
18/03/2022	€20.00	BUY
11/03/2022	€20.00	BUY
03/02/2022	€20.00	BUY
12/11/2021	€13.50	BUY
15/09/2021	€13.50	BUY
15/05/2021	€12.80	BUY
19/03/2021	€11.50	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% range identified using the preceding criteria.

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

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