

## Italy - Food

## Results support the long-term value generation approach

20<sup>th</sup> March 2023

### FY-22 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

Another good set of results, better than CFO SIM's projections, consensus and company guidance. In this current uncertain scenario, ORS feels confident in confirming 2023 guidance. With its unique business model which combines fruit & vegetable distribution and shipping, Orsero remains a cash-flow generative, long-term value player.

#### Rating:

**Buy**

#### Price Target:

**€ 19.00 (€ 21.00)**

Upside/(Downside): 38.1%

Last Price: € 13.76

Market Cap.: € 243.3m

1Y High/Low: € 17.34 / € 10.70

Avg. Daily Turn. (3M, 6M): € 364k, € 300k

Free Float: 57.3%

#### Major shareholders:

FIF Holding 33.4%  
Grupo Fernández 6.7%



#### Stock price performance

	1M	3M	12M
Absolute	-9.5%	-3.5%	5.0%
Rel.to FTSE IT STAR	-4.2%	-7.0%	17.1%
Rel.to EU Sector	-9.0%	-5.4%	11.8%

#### Analysts:

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

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

Luca Solari  
+39 02 30343 397  
luca.solari@cfosim.com

#### Estimates fine-tuned, new DCF-based PT of € 19.00/s (€ 21.00): Buy confirmed

Orsero reported another good set of results, better than CFO SIM projections, consensus and company guidance too. 2022 was characterised by a complex macroeconomic context, a reference market that saw the consumption of fruit and vegetables in contraction and significant increases in prices linked to inflationary phenomena. We have updated our model, fine-tuned estimates, with a different mix distribution/shipping, introduced FY-25 projections and postponed the first estimated year to 2023. The result is an average downgrade of 5.6% in EBITDA in 2023-24. As a consequence of the estimate revision and the updated valuation criteria, new PT stands at € 19.00/s (€ 21.00), 38.1% upside. The fine-tuning of the PT is mainly related to the sharp increase in the free risk rate from 2.46% to 4.00% (200d moving average) since our last valuation update published in Sep-22. Buy recommendation maintained.

#### Top line grew by 11.8% to € 1,196.3m, bang in line with our estimate

Net Revenues totalled € 1,196.3m, up 11.8% YoY, bang in line with our forecast. The figure exceeded the high-end of the company guidance. The improvement is mainly driven by prices and is related to 1) the solid growth of the Distribution BU on the back of the positive performance in Italy, France and Spain as well as 2) the positive contribution of the Shipping division. The Distribution division increased by 9.1% to € 1,091.7m, thanks to good sales momentum in Italy, France and Spain. The Shipping BU totalled € 142.4m, rising by 37.2% YoY, driven by the strong freight rate increase linked to the implementation of IMO 2020. The loading factor remained unchanged at an excellent level, in excess of 95%.

#### The jump in profitability exceeded CFO SIM's projections and company guidance

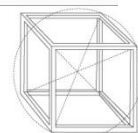
Adj. EBITDA jumped by 43.7% to € 76.1m, 6.4% margin, up by 250bps YoY, higher than our estimate and company guidance (€ 69.9m and € 67.0-70.0m, respectively). Distribution adj. EBITDA remained basically unchanged at € 35.0m, 3.2% margin. The division's performance was characterised by: 1) the good momentum of platano canario and pineapples, 2) avocados at the same level as 2021, 3) banana prices improved in Q4 after a some pressure in 9M-22, 4) kiwis' lower volumes and higher prices not offsetting the cost increase. Energy costs more than doubled in 2022 to € 14.6m, peaking in Q3. Shipping adj. EBITDA totalled € 48.3m (€ 24.4m in FY-21), thanks to sustained freight rate, higher volumes and relevant loading factor. In addition, dry containers margins were up thanks to the strong improvement of volumes and rates.

#### Significant cash flow generation, NFP/EBITDA down from 1.6x to 0.9x

Adj. EBIT came in at € 39.9m, 3.3% margin, and adj. Net Profit jumped from € 19.1m to € 36.9m as a consequence of the abovementioned increase in margins and a lighter tax rate. NFP was € 67.4m from € 84.3m in Dec-21. Our estimate of € 153.9m takes into consideration the € 89.1m cash out related to the acquisition of Capexo and Blampin. The decrease of € 17.0m, is a net effect of: 1) CF generation of € 54.9m, 2) the increase due to the purchase value of properties which are instrumental to the core business, carried out at the beginning of the year, for € 15.4m, 3) capex for € 14.0m, 4) dividend payment to the tune of € 5.2m and 5) share buy-back for a total consideration of € 2.2m.

#### Orsero, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Sales	1,069.8	1,196.3	1,477.2	1,498.4	1,521.6
EBITDA adj.	52.9	76.1	84.1	76.4	73.3
EBIT adj.	25.5	45.7	47.4	40.1	37.4
Net profit	18.3	32.3	35.2	27.6	24.8
Net profit adj.	19.1	36.9	37.9	30.2	27.3
NFP (cash)/debt	84.3	67.4	142.2	114.8	90.4
EPS adjusted FD	1.08	2.09	2.14	1.71	1.54
EPS adj. FD growth	36.4%	93.2%	2.7%	-20.3%	-9.6%
DPS ord. €/s	0.30	0.35	0.40	0.40	0.40
Dividend yield	2.2%	2.5%	2.9%	2.9%	2.9%
Free Cash Flow Yield	8.9%	9.8%	-28.4%	14.1%	12.8%
PER x	8.2	6.5	6.4	8.1	8.9
EV/Sales x	0.23	0.26	0.26	0.24	0.22
EV/EBITDA x	4.6	4.0	4.6	4.7	4.6
EV/EBIT x	9.5	6.7	8.1	8.9	8.9





## The company at a glance

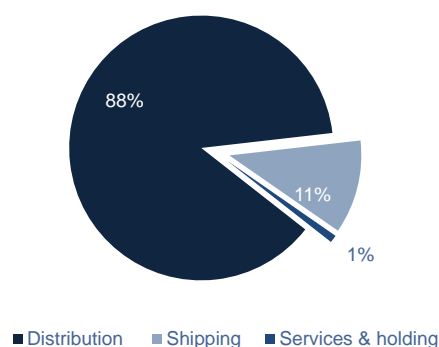
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit 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 "F.lli 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.

2022 Orsero highlights: revenues of € 1.196m, adj. EBITDA of € 76.1m (6.4% margin), adjusted net profit equal to € 36.9m and net financial position of € 67.4m (0.9x 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.

## 2022 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	%	# m
FIF Holding	33.4%	5.90
Grupo Fernandez	6.7%	1.18
Treasury Shares	2.7%	0.48
<b>Free Float</b>	<b>57.3%</b>	<b>10.13</b>
o/w Praude Asset Management	9.9%	1.75
Global Portfolio Investments	5.7%	1.01
First Capital	5.5%	0.98
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

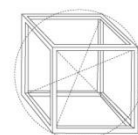
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(2.5)	(5.3)	(1.0)	13.7	33.4	17.5
Fresh Del Monte Produce Inc	(3.1)	(3.8)	1.7	16.6	17.8	12.0
Greenyard NV	1.0	(3.5)	(2.2)	6.4	(16.6)	(5.1)
<b>Peers Median</b>	<b>(2.5)</b>	<b>(3.8)</b>	<b>(1.0)</b>	<b>13.7</b>	<b>17.8</b>	<b>12.0</b>
<b>Orsero SpA</b>	<b>(2.7)</b>	<b>(5.5)</b>	<b>(9.5)</b>	<b>(3.5)</b>	<b>(16.2)</b>	<b>3.3</b>
FTSE Italia STAR	(1.4)	(2.6)	(5.2)	3.5	11.8	3.3
EU Sector	(0.4)	0.8	(0.5)	1.9	6.5	1.2
Orsero SpA to peers	(0.2)	(1.7)	(8.5)	(17.2)	(34.0)	(8.7)
Orsero SpA to FTSE Italia STAR	(1.3)	(2.9)	(4.2)	(7.0)	(28.0)	0.0
Orsero SpA to EU Sector	(2.3)	(6.3)	(9.0)	(5.4)	(22.7)	2.1

## Peer group multiples table

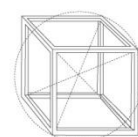
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	13.5	10.5	8.6	4.7	4.4	3.7	5.9	5.4	5.9
Fresh Del Monte Prod. Inc	14.8	13.2	n.a.	7.4	7.0	n.a.	n.a.	n.a.	n.a.
Greenyard NV	14.7	10.3	8.2	2.6	2.4	2.2	4.5	4.0	3.5
<b>Median</b>	<b>14.7</b>	<b>10.5</b>	<b>8.4</b>	<b>4.7</b>	<b>4.4</b>	<b>3.0</b>	<b>5.2</b>	<b>4.7</b>	<b>4.7</b>
<b>Orsero SpA</b>	<b>6.4</b>	<b>8.1</b>	<b>8.9</b>	<b>3.3</b>	<b>3.7</b>	<b>3.8</b>	<b>4.6</b>	<b>4.7</b>	<b>4.6</b>
% (Disc.)/Prem. to peer	-56.3%	-23.0%	6.1%	-31.1%	-16.2%	29.7%	-12.4%	-0.8%	-3.5%

Sources: CFO Sim, Refinitiv Eikon





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Revenues	1,069.8	1,196.3	1,477.2	1,498.4	1,521.6
COGS	(975.6)	(1,077.4)	(1,336.4)	(1,364.5)	(1,389.9)
Gross Profit	94.2	118.8	140.8	133.9	131.8
SG&A	(71.1)	(78.9)	(96.4)	(96.8)	(97.3)
EBIT	23.1	39.9	44.4	37.1	34.4
Financials	(3.3)	(5.9)	(6.3)	(6.6)	(6.6)
Results from investments	1.0	2.0	2.3	2.3	2.3
Pre Tax Profit	20.8	36.1	40.3	32.8	30.1
Taxes	(2.3)	(3.7)	(4.8)	(4.9)	(5.1)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	18.3	32.3	35.2	27.6	24.8
D&A and Provisions	(27.4)	(30.4)	(36.8)	(36.3)	(35.9)
Non recurring items	(2.4)	(5.8)	(3.0)	(3.0)	(3.0)
EBITDA adj.	52.9	76.1	84.1	76.4	73.3
EBIT adj.	25.5	45.7	47.4	40.1	37.4
Net Profit adj.	19.1	36.9	37.9	30.2	27.3
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	30.2	31.7	41.1	40.6	40.7
Net Fixed Assets	221.7	222.2	317.0	302.1	287.6
Equity Investments	14.8	19.4	19.8	20.2	20.6
Other M/L Term A/L	(6.4)	(4.4)	(5.0)	3.3	10.7
Net Invested Capital	260.2	268.9	372.8	366.1	359.6
Net Financial Debt/(cash)	84.3	67.4	142.2	114.8	90.4
Minorities	0.7	0.4	0.6	0.9	1.1
Group's Shareholders Equity	175.2	201.1	230.0	250.5	268.1
Financial Liabilities & Equity	260.2	268.9	372.8	366.1	359.6
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	18.3	32.3	35.2	27.6	24.8
Depreciation	25.0	28.1	34.0	33.5	33.1
Other non-cash charges	4.1	(4.0)	0.2	(8.3)	(7.4)
Cash Flow from Oper. (CFO)	47.3	56.4	69.4	52.8	50.4
Change in NWC	7.7	(1.5)	(9.4)	0.5	(0.1)
FCF from Operations (FCFO)	55.1	54.9	60.0	53.2	50.2
Net Investments (CFI)	(33.4)	(31.1)	(129.1)	(19.0)	(19.0)
Free CF to the Firm (FCFF)	21.7	23.8	(69.1)	34.2	31.2
CF from financials (CFF)	(7.2)	(10.0)	14.6	1.0	(6.9)
Free Cash Flow to Equity (FCFE)	14.6	13.8	(54.5)	35.3	24.4
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA adj. margin	4.9%	6.4%	5.7%	5.1%	4.8%
EBIT margin	2.2%	3.3%	3.0%	2.5%	2.3%
Net profit margin	1.7%	2.7%	2.4%	1.8%	1.6%
Tax rate	11.2%	10.2%	12.0%	15.0%	17.0%
Op NWC/Sales	2.8%	2.6%	2.8%	2.7%	2.7%
Interest coverage x	0.14	0.15	0.14	0.18	0.19
Net Debt/EBITDA adj. x	1.59	0.89	1.69	1.50	1.23
Debt-to-Equity x	0.48	0.34	0.62	0.46	0.34
ROIC	7.0%	12.0%	9.4%	7.5%	6.9%
ROCE	7.6%	12.8%	11.6%	9.1%	8.2%
ROACE	7.7%	13.2%	12.3%	9.5%	8.4%
ROE	10.4%	16.0%	15.3%	11.0%	9.2%
Payout ratio	28.2%	18.8%	19.5%	24.9%	27.8%
Per share figures	2021	2022	2023e	2024e	2025e
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 €	1.03	1.82	1.99	1.56	1.40
EPS adjusted FD €	1.08	2.09	2.14	1.71	1.54
EBITDA €	2.99	4.30	4.76	4.32	4.15
EBIT €	1.31	2.26	2.51	2.10	1.95
FCFO €	3.12	3.10	3.39	3.01	2.84
FCFF €	1.23	1.35	(3.91)	1.94	1.77
FCFE €	0.82	0.78	(3.08)	1.99	1.38
Dividend €	0.30	0.35	0.40	0.40	0.40

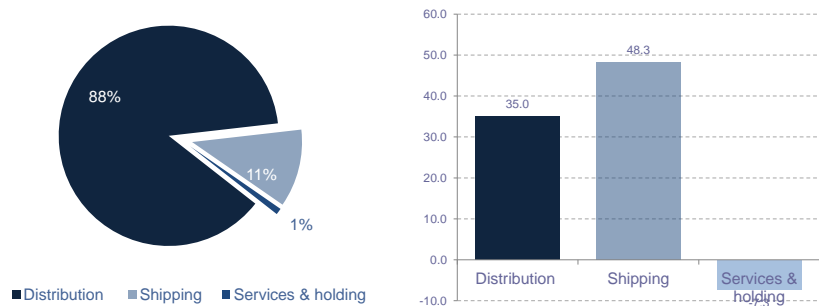


## Orsero in a nutshell

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 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.

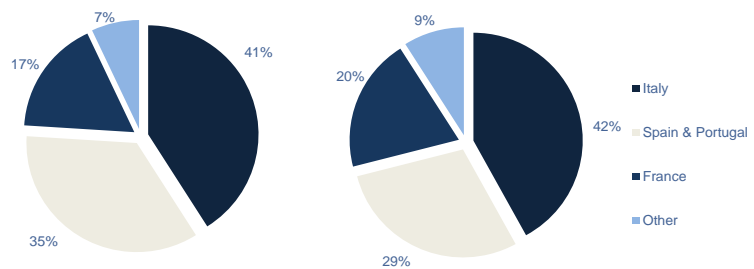
Every year, Orsero sells more than 760,000 tons of fruit and vegetables by selecting only the best, at the right time, in every corner of the planet, through a network of more than 1,800 suppliers in over 80 countries. In 2012, the group launched the "F.lli Orsero" brand for bananas and pineapples, which 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, 2022 gross revenues and EBITDA adj. breakdown by division



Source: Company data

Chart 2 – 2022-2021 Distribution sales by country

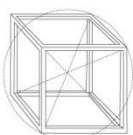


Source: Company data

Chart 3 – Orsero, 2022 business segment structure

SHIPPING	DISTRIBUTION		HOLDING & SERVICES
COSIARMA -ITALY-	FRUTTITAL -ITALY-	AZ FRANCE -FRANCE-	ORSERO SPA -ITALY-
ORSERO CR -COSTARICA-	GALANDI -ITALY-	BLAMPIN -FRANCE-	FRESCO FORW. AGENCY -ITALY-
	AGRICOLA AZZURRA (*) -ITALY 50%-	CAPEXO -FRANCE-	ORSERO SERVIZI -ITALY-
	SIMBA -ITALY-	FRUTTICA -FRANCE-	FRUPOINT (*) -SPAIN 49%-
	SIMBACOL -COLOMBIA-	H.NOS FERNÁNDEZ LÓPEZ -SPAIN-	
	BELLA FRUTTA -GREECE-	BONAIRO (*) -SPAIN 50%-	
	EUROFRUTAS -PORTUGAL-	COMM. DE FRUTA ACAPULCO -MEXICO-	

Source: Company data, Blampin and Capexo consolidated as from 1<sup>st</sup> January 2023



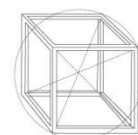
### Main milestones from 1940 to date

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-seasonal 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 termination 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 remaining 50% minority stake of Moncada Frutta
2021	Acquisition of 50% of Agricola Azzurra, a local leading distributor of native niche fruit and vegetable
2022	Acquisition of 80% of Blampin (France), a specialised wholesaler, and 100% of Capexo (France), an importer and distributor of exotic fruit and vegetables.

The Group's top management comprises 4 people, with an average age of 50.

**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. In 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 of Reefer Terminal. She was Managing Director of Orsero Group from September 2013 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.

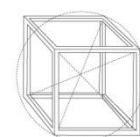
**Tommaso Cotto (COO)** Born in Biella in 1986. He has a degree in Management Engineering from the Polytechnic of Turin and in Business Economics from ESCP-Europe. He started his professional experience at Bain & Company Italy Inc. as a consultant in 2010. He joined Orsero Group as Chief Operating Officer 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>5.899</b>	<b>33.4%</b>
Anna Chiara Orsero	1.788	10.1%
Raffaella Orsero	1.788	10.1%
Pierangelo Ottonello	0.801	4.5%
Antonio Orsero	0.681	3.8%
Lorenzo Ighina	0.420	2.4%
Leonardo Ighina	0.420	2.4%
<b>Grupo Fernandez</b>	<b>1.180</b>	<b>6.7%</b>
<b>Treasury Shares</b>	<b>0.478</b>	<b>2.7%</b>
<b>Free Float</b>	<b>10.126</b>	<b>57.3%</b>
o/w Praude Asset Management	1.747	9.9%
Global Portfolio Investments	1.014	5.7%
First Capital	0.980	5.5%
<b>Total</b>	<b>17.683</b>	<b>100.0%</b>

Source: Company data, CFO SIM



## Business activities: 1) Distribution

Table 2 – Orsero, Distribution division

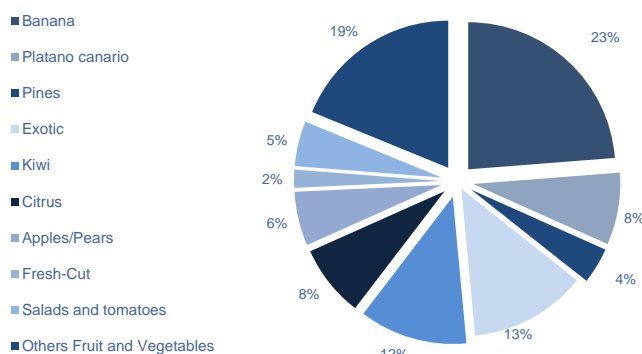
€ m	2022	2021	% YoY
Revenues	1,091.7	1,000.5	9.1
COGS	(1,056.7)	(965.0)	
EBITDA adj.	35.0	35.4	(1.2)
% margin	3.2	3.5	

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 760,000 tons/y taking advantage of its platforms specialised in fresh product storage and handling. The group has 26 warehouses for storage, re-packing and handling of F&V, with a total storage capacity of over 35,000 pallets, 22 ripening centres in Europe, 38 stalls in the main European fruit and vegetable markets and 4 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 (88% of total sales in 2022) and stable return generation, at above 3% in terms of EBITDA on average over the last few years.

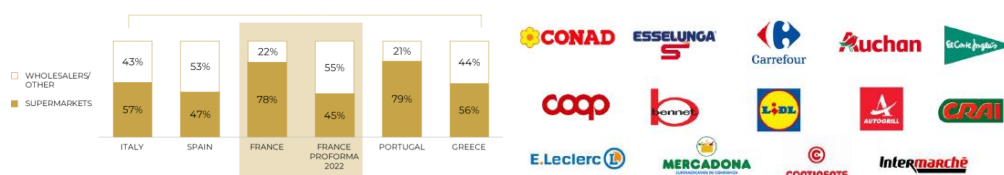
Chart 4 – 2022 revenues by product



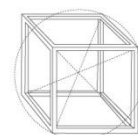
Source: Company data

The division serves all market channels: in 2022, 50% 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 57%, 47% in Spain, 45% in France (on a pro-forma basis), 79% in Portugal and 56% in Greece.

Chart 5 – 2022 distribution channel sales mix by country 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 2022, the group's sales of fresh-cut products totalled approximately € 22m, some 2% of total Distribution division sales, vs. € 13.0m in 2021.

## Business activities: 2) Shipping

**Table 3 – Orsero, Shipping division**

€ m	2022	2021	% YoY
<b>Revenues</b>	<b>142.4</b>	<b>103.8</b>	<b>37.2</b>
COGS	(94.1)	(79.4)	
<b>EBITDA adj.</b>	<b>48.3</b>	<b>24.4</b>	<b>97.9</b>
% margin	33.9	23.5	

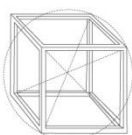
Source: Company data

The division is responsible for the transportation of bananas and pineapples from five different countries of Central America to Europe. The 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.

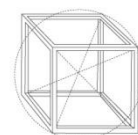
## Business activities: 3) Services

**Table 4 – Orsero, Services division**

€ m	2022	2021	% YoY
<b>Revenues</b>	<b>11.6</b>	<b>10.6</b>	<b>9.6</b>
COGS	(18.8)	(17.5)	
<b>EBITDA adj.</b>	<b>(7.3)</b>	<b>(6.9)</b>	<b>4.8</b>
% margin	(62.6)	(65.4)	

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 3.2% 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 26 warehouses in Southern Europe for product storage and control;

**Ripening:** Orsero owns and runs 22 specialised centres in Southern Europe dedicated to banana ripening;

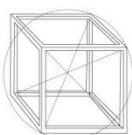
**Fresh-cut:** 4 processing plants to make fresh-cut, portioned and prewashed fruit, exotic fruit and fresh smoothies;

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

**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 bolt-on acquisitions of some sizeable distributors of F&V 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. There is a **chronic shortage of reefer capacity worldwide**, which sustained spot shipping rates, which grew significantly in 2022.



## Acquisitions of Blampin and Capexo

Orsero finalised **two sizeable/fairly priced acquisitions in France** in Jan-23. Both deals rebalance the geographic mix of the Distribution Business Unit, bringing sales in France to a weight comparable with Italy, thus more appropriate to the economic and demographic importance and outlook of France. With Blampin and Capexo, Orsero assumes **a bolder presence in the wholesale market and in the lucrative exotic fruit niche**, respectively.

### 1) Blampin Groupe

Founded in 1902, Blampin Groupe operates in the **distribution of fresh fruit and vegetables in the wholesale markets** in France, through a network of 12 wholesale platforms, located in eight key cities (Marseille, Paris, Toulouse, Tour, Nice, Rouen, Lyon and Perpignan). The company in the last 10 years has doubled in turnover also thanks to an acquisition campaign of small operators. Blampin Groupe has over 1,100 suppliers, both producers and importers, with a focus on high-end seasonal and off-season products, handling over 400 product references and serving over 2,500 customers every day in the traditional channel. In 2021, the company recorded total **sales to the tune of € 195m, EBITDA adj. margin of 5.5% and 230 employees**.

Orsero **acquired 80% of Blampin for € 32.0m**, in addition to **earn-outs of up to € 8.0m** subjected to the achievement of certain targets in terms of EBITDA in 2023-24-25-26. The deal also envisages **put & call options** for an additional 13.3% stake to be exercised starting from 1-Jan-27 until 31-Dec-28, **whose value is expected to be ca. € 7.0m**. The remaining 6.7% stake will remain with a few managers of Blampin. According to Orsero, the entry multiple is in the region of **5-5.5x adj. EBITDA<sub>22e</sub>** considering the base price.

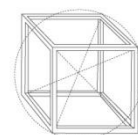
Thanks to its direct presence in the main general wholesale markets, the acquisition of Blampin allows Orsero to **take a bolder position in a key sales channel currently not well covered** (AZ France, Fruttica are more concentrated in the distribution to large-scale retailers), and brings further product diversification towards high-end/lucrative fruit segments.

### 2) Capexo

Founded in 1996, **Capexo imports and markets exotic fruit and vegetables in France** and is a leading player in the exotic category at MIN of Rungis (Marchè International, the largest wholesale fresh product market in the world). It distributes to wholesalers and general wholesale markets (34% of the business), as well as to specialised and generalist food supermarkets (66% of total). Capexo boasts a network of suppliers located in 50 countries. **It sells over 150 references from about 50 families of exotic fruits and vegetables, including, in particular, avocado, mango, lime, passion fruit, lychee and Victoria pineapple**. 60% of the products are imported by air and the remainder arrive in Europe by sea. Capexo runs a recently renewed (leased) warehouse of 5,300 sqm with conservation, maturation (avocado, mango), packaging and dispatching facilities. In 2021, the company recorded total **sales to the tune of € 66m, EBITDA adj. margin of 9.0% and 50 employees**.

Orsero **bought 100% of Capexo for € 33.0m**, in addition to a maximum earn-out of € 11.6m to be paid in three equal annual instalments upon the achievement of certain EBITDA targets in 2023-24-25. According to Orsero, the entry multiple is in the region of **5-5.5x adj. EBITDA<sub>22e</sub>** considering the base price.

Capexo allows Orsero to expand its selling proposition, **further strengthening its positioning and expertise in exotic fruits**, a niche characterised by significantly above-average **growth and prices and, consequently, a particularly lucrative** market segment.



## 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 achieving 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

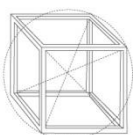
- ❑ Currently still **limited F.lli Orsero brand awareness** among end consumers
- ❑ **Exposure to USD/EUR**, in particular for the maritime transport segment
- ❑ **Market share expansion** may be more complicated than expected

#### 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 **profitability** to a certain extent
- ❑ Maritime transportation is **highly related to freights** and ancillary business lines



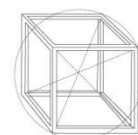
## ESG Profile

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>✓ 100% recycled, recyclable, reusable or compostable packaging 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 its 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-22 results

Orsero reported another good set of results, better than CFO SIM projections, consensus and company guidance too. In this current scenario, Orsero feels confident to confirm 2023 guidance.

**Table 5 – Orsero, FY-22 results summary**

€ m	2022	2021	% YoY	2022e	% Diff.
<b>Revenues</b>	<b>1,196.3</b>	<b>1,069.8</b>	<b>11.8</b>	<b>1,200.4</b>	<b>(0.3)</b>
COGS	(1,077.4)	(975.6)		(1,088.3)	
<b>Gross Profit</b>	<b>118.8</b>	<b>94.2</b>	<b>26.1</b>	<b>112.2</b>	<b>5.9</b>
% margin	9.9	8.8		9.3	
SG&A	(75.8)	(71.1)		(78.8)	
Other	(3.1)	(0.0)		(0.6)	
<b>EBIT</b>	<b>39.9</b>	<b>23.1</b>	<b>72.7</b>	<b>32.8</b>	<b>21.7</b>
% margin	3.3	2.2		2.7	
Financials	(5.9)	(3.3)		(1.8)	
Results from investments	2.0	1.0		1.6	
<b>Pre Tax Profit</b>	<b>36.1</b>	<b>20.8</b>	<b>73.4</b>	<b>32.6</b>	<b>10.9</b>
% margin	3.0	1.9		2.7	
Taxes	(3.7)	(2.3)		(3.9)	
Tax Rate	10.2%	11.2%		12.0%	
Discontinued	0.0	0.0		0.0	
Minorities	(0.2)	(0.2)		(0.2)	
<b>Net Profit</b>	<b>32.3</b>	<b>18.3</b>	<b>76.4</b>	<b>28.4</b>	<b>13.5</b>
% margin	2.7	1.7		2.4	
D&A	(28.1)	(25.0)		(31.7)	
Provisions	(2.2)	(2.4)		(2.1)	
Top Management incentives	(3.0)	(1.8)		(1.8)	
Non recurring (expenses)/income	(2.7)	(0.6)		(1.5)	
<b>EBITDA adj.</b>	<b>76.1</b>	<b>52.9</b>	<b>43.7</b>	<b>69.9</b>	<b>8.8</b>
% margin	6.4	4.9		5.8	
<b>EBIT adj.</b>	<b>45.7</b>	<b>25.5</b>	<b>79.0</b>	<b>36.1</b>	<b>26.7</b>
% margin	3.8	2.4		3.0	
<b>Net Profit adj.</b>	<b>36.9</b>	<b>19.1</b>	<b>93.2</b>	<b>31.3</b>	<b>17.8</b>
% margin	3.1	1.8		2.6	

Sources: Orsero, CFO SIM estimates

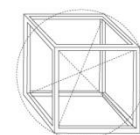
**Net Revenues totalled € 1,196.3m, up 11.8% YoY, bang in line with our forecast.** The figure reported exceeded the high-end of the company guidance announced one year ago. The improvement is mainly driven by prices and is related to 1) the solid growth of the Distribution business unit on the back of the positive performance in particular of the Italian, French and Spanish companies as well as 2) the positive contribution of the Shipping division.

**Table 6 – Orsero, FY-22 revenues breakdown**

€ m	2022	2021	% YoY	2022e	% Diff.
Distribution	1,091.7	1,000.5	9.1	1,132.5	(3.6)
Shipping	142.4	103.8	37.2	105.5	35.0
Service/holding	11.6	10.6	9.6	10.6	8.9
Inter segment	(49.4)	(45.1)	(9.6)	(48.2)	2.5
<b>Total revenues</b>	<b>1,196.3</b>	<b>1,069.8</b>	<b>11.8</b>	<b>1,200.4</b>	<b>(0.3)</b>

Sources: Orsero, CFO SIM estimates

**The revenues of the Distribution division increased by 9.1% to € 1,091.7m,** thanks to good sales momentum in Italy, France and Spain. **The Shipping business unit generated sales of € 142.4m, rising by 37.2% YoY,** driven by the strong freight rate increase linked to the implementation of IMO 2020. The loading factor remained unchanged at an excellent level, in excess of 95%.



Adj. EBITDA jumped by 43.7% to € 76.1m, margin of 6.4% up by 250 bps YoY, higher than our estimate and company guidance (€ 69.9m and € 67.0-70.0m, respectively). The solid performance of the Shipping division drove the outperformance of the estimates.

**Table 7 – Orsero, FY-22 EBITDA adj. breakdown**

€ m	2022	2021	% YoY	2022e	% Diff.
Distribution	35.0	35.4	(1.2)	41.1	(14.9)
Shipping	48.3	24.4	97.9	34.7	39.1
Service/holding	(7.3)	(6.9)	(4.8)	(6.0)	21.5
<b>EBITDA adj.</b>	<b>76.1</b>	<b>52.9</b>	<b>43.7</b>	<b>69.9</b>	<b>8.8</b>

Sources: Orsero, CFO SIM estimates

**Distribution EBITDA adj. remained basically unchanged at € 35.0m, 3.2% margin**, lower than our € 41.1m projection. The division's performance was characterised by: 1) the good momentum of platano canario and pineapples, 2) avocados at the same level as 2021, 3) banana prices improved in Q4 after a few pressure phenomena in the first nine months of the year, 4) kiwis' lower volumes and higher prices not counterbalancing the cost increase. From an operational point of view, energy costs more than doubled in 2022 to € 14.6m from € 7.0m in 2021, peaking in Q3-22.

**Shipping EBITDA adj. totalled € 48.3m, vs. € 24.4m in FY-21**, thanks to a better freight rate, higher volumes and sustained 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. In addition, dry containers margins were up thanks to strong improvement of volumes and rates.

It is worth noting that EBITDA adj. excluding IFRS 16 totalled € 62.3m, up 37.5% from € 45.3m last year, margin of 5.2%, up 100bps YoY.

As a consequence of higher EBITDA, adj. EBIT came in at € 39.9m, 3.3% margin, up 56.3% vs. € 25.5m in 2021. Adj. Net Profit jumped from € 19.1m to € 36.9m 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.

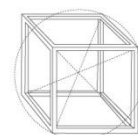
Reported net profit was € 32.5m (€ 18.3m at the end-21). Non-recurring adjustments accounted for € 4.5m (net of estimated tax) and are related to one-off costs mainly stemming from the € 1.2m M&A expenses related to the two French acquisitions finalised in Jan-23 and € 2.3m senior management incentives.

The BoD will propose a cash dividend of € 0.35 per share to the next AGM: ex-dividend date May 8, 2023, record date on May 9, 2023 and payment on May 10, 2023. The dividend proposed is lower than our € 0.45/s expectation and corresponds to a 2.4% yield.

**NFP was € 67.4m from € 84.3m in Dec-21**. Our estimate of € 153.9m takes into consideration the € 89.1m cash out related to the acquisition of Capexo and Blampin. The decrease of € 17.0m, is a net effect of: 1) the generous CF generation of € 54.9m driven by the positive contribution of operating activities, 2) the increase due to the purchase value of properties instrumental to the core business, carried out at the beginning of the year, for € 15.4m, 3) capex for € 14.0m, 4) dividend payment to the tune of € 5.2m and 5) share buy-back for a total consideration of € 2.2m.

On the back of the numbers just released and the current scenario, Orsero confirms FY-23 guidance:

- **Revenues € 1,440 - 1,510m;**
- **EBITDA € 82 - 87m;**
- **Net Profit € 38 - 42m**
- **Net Financial Position € 140 - 148m**
- **Capex € 14 - 16m**



## Estimates, valuation & risks

At current mixed economic conditions, the group strives to take advantage of its resilient vertically-integrated business model. The Distribution BU will focus on the integration of the two acquired France-based companies Blampin and Capexo, while the Shipping BU is expected to confirm, to a certain extent, the brilliant profitability numbers projected in FY-22, acting as more than just a key strategic asset able to create synergies between the various business units.

**The Distribution segment** is showing slightly declining volumes but still improving in terms of price and, to a lesser extent, mix effects. Orsero's strategy is aimed at reflecting, to a certain extent, the cost increases in selling prices. This is in addition to the implementation of the strategy of revising the product portfolio with a reduction in the weight of commodities (i.e. bananas) while increasing products with higher added value, namely avocado, mango, table grapes, and kiwis.

**The Shipping segment** is still benefitting from higher volumes and a more favourable €//\$ exchange rate, currency in which freight rates are typically denominated. Margins are anticipated to remain in line thanks to 1) a strong load factor above 95% and 2) additional operational efficiencies stemming from the navigation schedule with 5 ships (4 owned and 1 chartered) implemented from 2019. In 2023, dry freight rates regarding the return of ships to South America are anticipated to cool down compared to the record levels recently reached, whilst reefer quotes are seen to remain not too far from the level registered in 2022.

**Table 8 – Orsero, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Turnover</b>	<b>1,477.2</b>	<b>1,430.7</b>	3.3	<b>46.5</b>
<b>EBITDA adj.</b>	<b>84.1</b>	<b>84.1</b>	(0.0)	<b>(0.0)</b>
% margin	5.7	5.9		
<b>EBIT adj.</b>	<b>47.4</b>	<b>50.4</b>	(6.1)	<b>(3.1)</b>
% margin	3.2	3.5		
<b>Net Profit adj.</b>	<b>37.9</b>	<b>42.2</b>	(10.2)	<b>(4.3)</b>
% margin	2.6	2.9		
<b>Y/E net debt (net cash)</b>	<b>142.2</b>	<b>120.0</b>	18.5	<b>22.2</b>

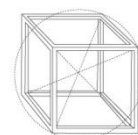
Source: CFO Sim

**Table 9 – Orsero, 2024e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Turnover</b>	<b>1,498.4</b>	<b>1,465.6</b>	2.2	<b>32.8</b>
<b>EBITDA adj.</b>	<b>76.4</b>	<b>86.1</b>	(11.2)	<b>(9.6)</b>
% margin	5.1	5.9		
<b>EBIT adj.</b>	<b>40.1</b>	<b>52.4</b>	(23.5)	<b>(12.3)</b>
% margin	2.7	3.6		
<b>Net Profit adj.</b>	<b>30.2</b>	<b>43.9</b>	(31.2)	<b>(13.7)</b>
% margin	2.0	3.0		
<b>Y/E net debt (net cash)</b>	<b>114.8</b>	<b>81.7</b>	40.5	<b>33.1</b>

Source: CFO Sim

Following the FY-22 results release, we have updated our model, fine-tuned estimates, with a different mix distribution/shipping, introduced FY-25 projections and postponed the first estimated year to 2023. The result is an average downgrade of 5.6% in EBITDA in 2023-24.





As a consequence of the estimate revision and the updated valuation criteria, **new PT stands at € 19.00/s (€ 21.00), 38.1% upside. The finetuning of the PT is mainly related to the sharp increase in the free risk rate** from 2.46% to 4.00% (200d moving average) since our last publication dated Sep-22. Buy confirmed.

In February 2022, Orsero 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.

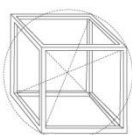
The company has identified 4 strategic action areas: 1) **development of sustainable supply chains**, 2) **reduction of the impact on the planet**, 3) **promotion of healthy eating**, 4) **recognition of the value of people**. The goals aim to:

- 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.

In addition to the multi-year sustainability plan, Orsero disclosed the ESG targets for FY-23, which do not include the recently acquired French companies Blampin and Capexo. In detail:

- energy consumption index per refrigerated cubic meter to 80.39 Kwh/m<sup>3</sup> (-3.9% YoY);
- percentage of market stands involved in activities fighting food waste rising from 35% to 60% of the total;
- amount of employees involved in sustainability training growing from 44% to 60% of the total;
- extent of warehouses certified for food safety increasing from 55% to 59% of the total.

The efforts towards the achievement of the aforementioned targets envisage a total investment of € 2.0m.



## DCF

In the valuation via the DCF method explicit estimates until 2027 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 10 - Orsero, WACC derived from:**

Interest costs, pre-tax	3.0%
Tax rate	17.0%
<b>Int. costs, after taxes</b>	<b>2.5%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	4.00%
Beta levered (x)	0.70
<b>Required ROE</b>	<b>10.3%</b>

Source: CFO Sim

**Risk premium at 9.0%** factors in the minute size of the company and basically all small capitalisation-related concerns and disquiet that an investor might have. **Beta at 0.70x** corresponds to Orsero's 5Y levered beta (source: Refinitiv Eikon). The **risk-free rate at 4.00%** (previously 2.46%) corresponds to the 200-day moving average of the 10Y Italian Government Bond yield. The WACC is computed using the current 30/70% debt/equity balance-sheet structure.

**Table 11 - Orsero, DCF model**

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	44.4	37.1	34.4	36.2	37.8	
Tax rate	12.0%	15.0%	17.0%	17.0%	17.0%	
<b>Operating profit (NOPAT)</b>	<b>39.0</b>	<b>31.5</b>	<b>28.6</b>	<b>30.0</b>	<b>31.4</b>	
Change working capital	(9.4)	0.5	(0.1)	(0.1)	(0.0)	
Depreciation	34.0	33.5	33.1	26.0	19.0	
Investments	(104.1)	(19.0)	(19.0)	(19.0)	(19.0)	
<b>Free Cash Flows</b>	<b>(40.5)</b>	<b>46.5</b>	<b>42.5</b>	<b>37.0</b>	<b>31.3</b>	<b>455.1</b>
Present value	(38.1)	<b>40.6</b>	<b>34.4</b>	<b>27.7</b>	<b>21.7</b>	<b>315.6</b>
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

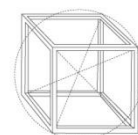
**Table 12 – Orsero, DCF equity value derived from:**

Total EV present value € m	401.8
<i>thereof terminal value</i>	78.5%
NFP last reported	(67.4)
Pension provision last reported	(8.3)
<b>Equity value € m</b>	<b>326.1</b>
#m shares (ex. treasury shares)	17.20
<b>Equity value €/s</b>	<b>19.00</b>
<i>% upside/(downside)</i>	38.1%

Source: CFO Sim

**The application of the model produces an equity value of € 326.1m, corresponding to € 19.00/share (€ 21.00), 38.1% upside.**

The following tables illustrate that **sensitivity 1)** compared to changes in the **terminal growth rate**, produces an equity value of between **€ 16.49-22.24/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 **€ 14.71-25.32/s** (free risk range of between 6.00% and 2.00%) and 3) if compared to changes in the **risk premium**, including small size premiums, it results in an equity value of **€ 15.83-23.10/s** (risk premium range of between 11.00% and 7.00%).



**Table 13 – 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	86.2	86.2	86.2	86.2	86.2	86.2	86.2	86.2	86.2
PV of terminal value	273.2	282.7	293.0	303.9	315.6	328.1	341.7	356.3	372.2
<b>Total value</b>	<b>359.4</b>	<b>368.9</b>	<b>379.1</b>	<b>390.1</b>	<b>401.8</b>	<b>414.3</b>	<b>427.9</b>	<b>442.5</b>	<b>458.4</b>
NFP last reported	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)
Pension provision last reported	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
<b>Equity value</b>	<b>283.7</b>	<b>293.2</b>	<b>303.4</b>	<b>314.4</b>	<b>326.1</b>	<b>338.6</b>	<b>352.2</b>	<b>366.8</b>	<b>382.7</b>
<b>Equity value/share €</b>	<b>16.49</b>	<b>17.04</b>	<b>17.64</b>	<b>18.27</b>	<b>19.00</b>	<b>19.68</b>	<b>20.47</b>	<b>21.32</b>	<b>22.24</b>

Source: CFO Sim

**Table 14 – Orsero, equity value sensitivity to changes in free risk rate**

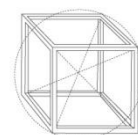
€ m	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%
Present value of CF	90.8	89.6	88.5	87.3	86.2	85.1	84.0	82.9	81.8
PV of terminal value	420.5	389.4	362.0	337.5	315.6	295.8	278.0	261.8	247.0
<b>Total value</b>	<b>511.3</b>	<b>479.1</b>	<b>450.4</b>	<b>424.8</b>	<b>401.8</b>	<b>380.9</b>	<b>362.0</b>	<b>344.7</b>	<b>328.8</b>
NFP last reported	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)
Pension provision last reported	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
<b>Equity value</b>	<b>435.6</b>	<b>403.4</b>	<b>374.7</b>	<b>349.1</b>	<b>326.1</b>	<b>305.2</b>	<b>286.3</b>	<b>269.0</b>	<b>253.1</b>
<b>Equity value/share €</b>	<b>25.32</b>	<b>23.45</b>	<b>21.78</b>	<b>20.29</b>	<b>19.00</b>	<b>17.74</b>	<b>16.64</b>	<b>15.63</b>	<b>14.71</b>

Source: CFO Sim

**Table 15 – Orsero, equity value sensitivity to changes in risk premium**

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	89.4	88.6	87.8	87.0	86.2	85.4	84.6	83.9	83.1
PV of terminal value	383.7	364.6	346.9	330.7	315.6	301.5	288.5	276.3	264.9
<b>Total value</b>	<b>473.1</b>	<b>453.1</b>	<b>434.7</b>	<b>417.6</b>	<b>401.8</b>	<b>386.9</b>	<b>373.1</b>	<b>360.2</b>	<b>348.0</b>
NFP last reported	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)
Pension provision last reported	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
<b>Equity value</b>	<b>397.4</b>	<b>377.4</b>	<b>359.0</b>	<b>341.9</b>	<b>326.1</b>	<b>311.3</b>	<b>297.4</b>	<b>284.5</b>	<b>272.3</b>
<b>Equity value/share €</b>	<b>23.10</b>	<b>21.94</b>	<b>20.87</b>	<b>19.87</b>	<b>19.00</b>	<b>18.09</b>	<b>17.29</b>	<b>16.53</b>	<b>15.83</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 cap of € 1.0bn, € 8.6bn revenues and a 3.9% EBITDA margin projected for 2023, 2) Fresh Del Monte shows a € 1.3bn market cap and € 4.3bn sales with a 5.3% EBITDA margin expected for 2023; 3) Greenyard boasts a € 326m market value and € 4.6bn sales with a 3.6% EBITDA margin expected for 2023.

**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 PER multiples in 2023-24. 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 16 – Orsero, peer group summary table**

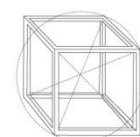
€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA % CAGR <sub>22-25</sub>	Sales CAGR <sub>22-25</sub>	EBITDA CAGR <sub>22-25</sub>	EBIT CAGR <sub>22-25</sub>	EPS CAGR <sub>23-25</sub>	NFP FY1	NFP /EBITDA
Dole PLC	1,009	8,628	334	3.9%	0.8%	21.3%	35.3%	25.7%	978	2.9
Fresh Del Monte Produce Inc	1,316	4,258	227	5.3%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	326	4,622	165	3.6%	4.4%	7.7%	15.5%	33.6%	418	2.5
<b>Median</b>	<b>1,009</b>	<b>4,622</b>	<b>227</b>	<b>3.9%</b>	<b>2.6%</b>	<b>14.5%</b>	<b>25.4%</b>	<b>29.6%</b>	<b>698</b>	<b>2.7</b>
<b>Orsero SpA</b>	<b>243</b>	<b>1,477</b>	<b>84</b>	<b>5.7%</b>	<b>8.3%</b>	<b>-1.2%</b>	<b>-6.4%</b>	<b>-15.1%</b>	<b>142</b>	<b>1.7</b>

Sources: Refinitiv Eikon, CFO Sim

**Table 17 – 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	5.9	5.4	5.9	13.5	10.5	8.6	4.7	4.4	3.7
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	14.8	13.2	n.a.	7.4	7.0	n.a.
Greenyard NV	4.5	4.0	3.5	14.7	10.3	8.2	2.6	2.4	2.2
<b>Median</b>	<b>5.2</b>	<b>4.7</b>	<b>4.7</b>	<b>14.7</b>	<b>10.5</b>	<b>8.4</b>	<b>4.7</b>	<b>4.4</b>	<b>3.0</b>
<b>Orsero Spa</b>	<b>4.6</b>	<b>4.7</b>	<b>4.6</b>	<b>6.4</b>	<b>8.1</b>	<b>8.9</b>	<b>3.3</b>	<b>3.7</b>	<b>3.8</b>
% (Discount)/Premium to peer median	-12.4%	-0.8%	-3.5%	-56.3%	-23.0%	6.1%	-31.1%	-16.2%	29.7%

Sources: Refinitiv 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 18 – Orsero Shipping Division, ships dismissed in 2030, DCF model**

€ m	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Term. V.
EBIT	36.0	25.8	21.5	17.3	17.0	16.8	16.5	
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
<b>NOPAT</b>	<b>30.6</b>	<b>21.9</b>	<b>18.3</b>	<b>14.7</b>	<b>14.5</b>	<b>14.3</b>	<b>14.0</b>	
D&A	7.9	7.9	7.9	7.9	7.9	7.9	7.9	
Capex	(0.5)	(4.5)	(4.5)	(0.5)	(0.5)	(0.5)	(0.5)	
<b>Free Cash Flow</b>	<b>38.0</b>	<b>25.3</b>	<b>21.7</b>	<b>22.1</b>	<b>21.9</b>	<b>21.7</b>	<b>21.4</b>	<b>11.0</b>
<b>Present value</b>	<b>35.2</b>	<b>21.3</b>	<b>16.5</b>	<b>15.2</b>	<b>13.7</b>	<b>12.3</b>	<b>11.0</b>	<b>8.4</b>
WACC	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	

Source: CFO SIM

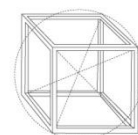
**The model produces an EV of € 133.6m for the Shipping division.** This number should be compared with the € 33m book value of the four owned ships and the € 52m impairment (end-20) valuation of the division assessed for the participation appraisal.

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 5.3x EBITDA<sub>24e</sub>.**

**Table 19 – Orsero, implied market valuation of Import & Distribution sensitivity to Shipping value**

Shipping EV, € m (a)	0	16	35	54	73	92	112	134
Orsero Mkt Cap (b)	243.3	243.3	243.3	243.3	243.3	243.3	243.3	243.3
NFP FY2 (c)	114.8	114.8	114.8	114.8	114.8	114.8	114.8	114.8
<b>Group EV (d=b+c)</b>	<b>358.1</b>	<b>358.1</b>	<b>358.1</b>	<b>358.1</b>	<b>358.1</b>	<b>358.1</b>	<b>358.1</b>	<b>358.1</b>
<b>Import &amp; Distribution EV (e=d-a)</b>	<b>358.1</b>	<b>342.0</b>	<b>322.9</b>	<b>303.8</b>	<b>284.7</b>	<b>265.7</b>	<b>246.6</b>	<b>224.5</b>
EBITDA Import & Distr. (Group-Shipping) FY2 (f)	42.7	42.7	42.7	42.7	42.7	42.7	42.7	42.7
<b>Impl. EV/EBITDA Import &amp; Distr. (x, e/f)</b>	<b>8.4</b>	<b>8.0</b>	<b>7.6</b>	<b>7.1</b>	<b>6.7</b>	<b>6.2</b>	<b>5.8</b>	<b>5.3</b>
Peers' EV/EBITDA median (x) FY2	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Premium/(discount) to peers' median	77.3	69.4	59.9	50.5	41.0	31.6	22.1	11.2

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 € 17.34/s on 6<sup>th</sup> Sep 22 and a 1Y minimum price of € 10.70 on 12<sup>th</sup> May 2022. The stock underperformed the FTSE Italia STAR index, the EU Sector and its peers in the last 3/1/6M.

**Table 20 - Orsero, peers group and indexes absolute performance**

%	1D	1W	1M	3M	6M	YTD	1Y
Dole PLC	(2.5)	(5.3)	(1.0)	13.7	33.4	17.5	(18.2)
Fresh Del Monte Produce Inc	(3.1)	(3.8)	1.7	16.6	17.8	12.0	11.6
Greenyard NV	1.0	(3.5)	(2.2)	6.4	(16.6)	(5.1)	(22.9)
<b>Peers Median</b>	<b>(2.5)</b>	<b>(3.8)</b>	<b>(1.0)</b>	<b>13.7</b>	<b>17.8</b>	<b>12.0</b>	<b>(18.2)</b>
<b>Orsero SpA</b>	<b>(2.7)</b>	<b>(5.5)</b>	<b>(9.5)</b>	<b>(3.5)</b>	<b>(16.2)</b>	<b>3.3</b>	<b>5.0</b>
FTSE Italia STAR	(1.4)	(2.6)	(5.2)	3.5	11.8	3.3	(12.0)
Refinitiv Food & Beverage EU	(0.4)	0.8	(0.5)	1.9	6.5	1.2	(6.7)

Source: Refinitiv Eikon

**Table 21 – Orsero, relative performances**

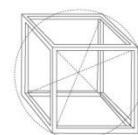
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero SpA to peers	(0.2)	(1.7)	(8.5)	(17.2)	(34.0)	(8.7)	23.2
Orsero SpA to FTSE Italia STAR	(1.3)	(2.9)	(4.2)	(7.0)	(28.0)	0.0	17.1
Orsero SpA to EU Sector	(2.3)	(6.3)	(9.0)	(5.4)	(22.7)	2.1	11.8

Source: Refinitiv Eikon

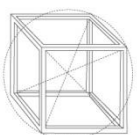
## Risks

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 and of the war in the Ukraine,
- profit margin dilution stemming from the acquisition campaign,
- impact of sharp US\$ and bunker price fluctuations.



*This page has been intentionally left blank*



## ANALYST CERTIFICATION

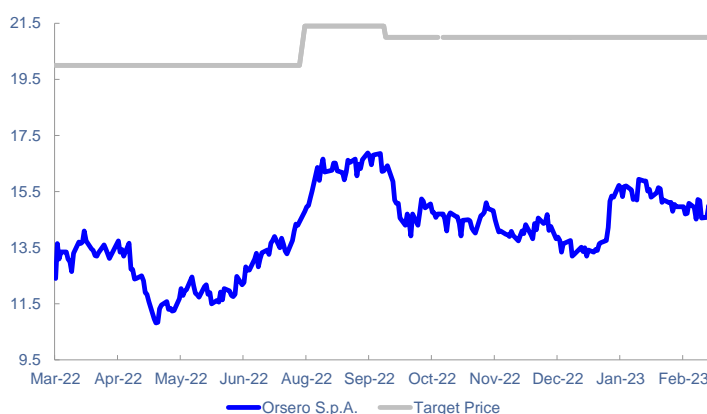
This publication was prepared by Corporate Family Office SIM S.p.A. ("CFO SIM"), namely by **LUCA ARENA**, Head of the Equity Research Department, **GIANLUCA MOZZALI** and **LUCA SOLARI**, Equity Analysts. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and no direct or indirect reward has been, or will be, received by the analysts further to the views expressed herein.

## DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. Luca Arena and Gianluca Mozzali are ordinary members of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document, be held liable (culpably or otherwise) for any damage resulting from use of the information or opinions set out therein. This document is for information purposes only. It cannot be reproduced directly or indirectly or redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to comply with the obligations indicated above. CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, as often as circumstances considered to be important dictate (corporate events, changes in recommendations, etc.). CFO SIM acts as Corporate Broker for Orsero stock, listed on Euronext Star Milan. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
20/03/2023	€19.00	BUY
06/02/2023	€21.00	BUY
15/11/2022	€21.00	BUY
04/11/2022	€21.00	BUY
15/09/2022	€21.00	BUY
01/08/2022	€21.40	BUY
17/05/2022	€20.00	BUY
18/03/2022	€20.00	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format on CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or on Borsa Italiana's Internet site.

## RATING SYSTEM

- 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.

