

Italy - Food

Strong H1-22 prompts an improvement in FY guidance

15th September 2022

Q2/H1-22 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Another more than satisfactory set of results in Q2-22, a quarter characterised by a complex macroeconomic environment, a reference market that sees the consumption of fruit and vegetables in contraction in terms of volumes and significant increases in prices linked to inflationary phenomena. The robust performance prompted the company to improve FY-22 guidance.

Rating:

Buy

Price Target:

€ 21.00 (21.40)

Upside/(Downside): 29.3%

Last Price: € 16.24

Market Cap.: € 287.2m

1Y High/Low: € 17.34 / € 9.26

Avg. Daily Turn. (3M, 6M): € 556k, € 403k

Free Float: 57.3%

Major shareholders:

FIF Holding 33.4 %
Grupo Fernández 6.7%



Stock price performance

	1M	3M	12M
Absolute	-1.7%	36.2%	65.0%
Rel.to FTSE IT STAR	7.6%	40.0%	94.2%
Rel.to EU Sector	6.1%	36.4%	78.6%

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Strong interim numbers lead Orsero to improve FY-22 guidance: Buy rating reiterated

As expected, another more than satisfactory set of results in Q2-22, a quarter characterised by a complex macroeconomic context, a reference market that sees the consumption of fruit and vegetables in contraction and significant increases in prices linked to inflationary. On the back of its remarkable performance, Orsero decided to improve its FY-22 guidance. We have updated our model: the result is a 3.0% and 12.5% rise in EBITDA and Net Profit, respectively, in 2022. As a consequence of the slight estimate revision and the update in the valuation criteria, new PT stands at € 21.00/s (€ 21.40), 29.3% upside. The finetuning is entirely due to the recent sharp increase in the free risk rate. Buy rating reiterated.

Top line grew by 14.4% in Q2-22...

Q2-22 revenues increased by 14.4% to € 312.2m, driven by the Import & Distribution business unit. The Import & Distribution segment totalled revenues of € 283.8m, up by 10.5% YoY, showing slightly declining volumes but significantly improving price and, to a lesser extent, mix effects. Orsero's strategy was aimed at reflecting the cost increases in selling prices. This in addition to the implementation of the strategy of revising the product portfolio with a reduction in the weight of commodities products (i.e. banana) vs. an increase in products with higher added value, namely avocado, mango, table grapes, and kiwi. The Shipping segment generated sales to the tune of € 39.0m, up 51.7% YoY as a result of higher volumes, increasing freight rates in addition to the more favourable €/€ exchange rate.

...and EBITDA jumped by 76.5% to € 22.6m, 7.2% margin, up 250bps YoY

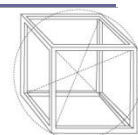
Adj. EBITDA jumped by 76.5% to € 22.6m, margin of 7.2% vs. 4.7% in Q2-21 despite the significant inflation pressure on costs, also supported by the solid profitability of the Shipping division. The Adj. EBIT reached € 15.4m vs. € 5.3m recorded in Q2-21. The Adj. Net Profit jumped from € 3.5m to € 12.4m as a consequence of the increase in EBITDA in the period and the higher contribution of the Shipping division, characterised by a favourable tax rate ('Tonnage Tax'). NFP diminished to € 80.4m from € 81.3m at Dec-21 as a net result of 1) the € 7.1m capex, 2) € 11.2m capex related to higher rights of use linked to the application of IFRS 16), 3) € 5.2m dividend paid to shareholders and 4) the remarkable € 25.0m operating cash flow generation, linked to the positive contribution of operating activities and enduring WC containment measures.

Strong H1-22 prompts an improvement in FY guidance

On the back of its remarkable operating performance, Orsero decided to improve its FY-22 guidance: I) Net Sales: € 1,130m - € 1,160m (€ 1,100m - € 1,130m previously), CFO € 1,171m; II) Adj. EBITDA: € 67m - € 70m (€ 65m - € 68m previously), CFO € 67.9m; III) Net Profit: € 21m - € 34m (€ 30m - € 32m previously), CFO € 27.8m, IV) NFP: € 68m - € 63m (unchanged, on a like-for-like basis), CFO € 154.8m (including the recent acquisitions in France) and V) Capex: € 13m - € 14m (€ 12m - € 13m previously), CFO € 13.0m.

Orsero, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	1,041.5	1,069.8	1,200.4	1,430.7	1,465.6
EBITDA adj	48.4	52.9	69.9	84.1	86.1
EBIT adj	22.4	25.5	36.1	50.4	52.4
Net profit	12.2	18.3	28.4	40.6	42.4
Net profit adj	14.0	19.1	31.3	42.2	43.9
NFP (cash)/debt	103.5	84.3	153.9	120.0	81.7
EPS adjusted FD	0.79	1.08	1.77	2.39	2.48
EPS adj. FD growth	164.2%	36.4%	64.0%	34.6%	4.1%
DPS ord. €/s	0.20	0.30	0.45	0.60	0.65
Dividend yield	1.2%	1.8%	2.8%	3.7%	4.0%
Free Cash Flow Yield	9.1%	7.6%	-22.5%	14.4%	17.0%
PER x	7.4	8.2	9.2	6.8	6.5
EV/Sales x	0.20	0.23	0.37	0.28	0.25
EV/EBITDA x	4.3	4.6	6.3	4.8	4.3
EV/EBIT x	9.3	9.5	12.2	8.1	7.0



The company in a nutshell

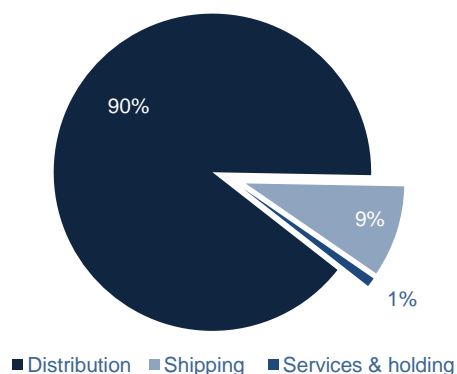
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

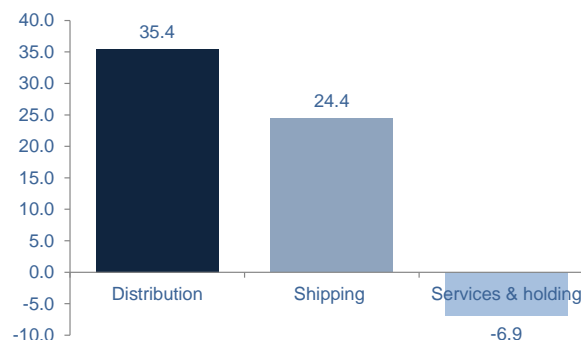
2021 Orsero highlights: revenues of € 1.070m, adj. EBITDA. of € 52.9m (4.9% margin), adjusted net profit equal to € 19.1m and net financial position of € 84.3m (1.6x adj. EBITDA).

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	33.4%	5.90
Grupo Fernandez	6.7%	1.18
Treasury Shares	2.7%	0.48
Free Float	57.3%	10.13
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.5%	0.98
Total	100.0%	17.68

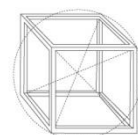
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(0.8)	1.9	1.4	(0.3)	(35.0)	(30.7)
Fresh Del Monte Produce Inc	(2.3)	(4.0)	(14.8)	4.7	(4.8)	(10.1)
Greenyard NV	(2.6)	(0.4)	(12.5)	(5.3)	(6.1)	(22.6)
Peers Median	(2.3)	(0.4)	(12.5)	(0.3)	(6.1)	(22.6)
Orsero Spa	0.1	(1.3)	(1.7)	36.2	19.0	37.0
FTSE Italia STAR	(1.2)	(0.0)	(9.3)	(3.8)	(18.8)	(31.9)
EU Sector	(2.0)	(0.3)	(7.8)	(0.1)	(8.8)	(18.4)
Orsero Spa to peers	2.4	(1.0)	10.8	36.6	25.0	59.6
Orsero Spa to FTSE Italia STAR	1.3	(1.3)	7.6	40.0	37.8	69.0
Orsero Spa to EU Sector	2.1	(1.0)	6.1	36.4	27.8	55.4

Peer group multiples table

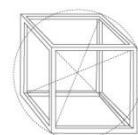
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	8.8	7.4	6.0	3.6	3.3	2.9	6.1	5.3	4.6
Fresh Del Monte Produce Inc	19.9	13.1	n.a.	7.8	6.5	n.a.	n.a.	n.a.	n.a.
Greenyard NV	13.3	9.6	7.6	3.0	2.7	2.4	4.3	3.7	3.2
Median	13.3	9.6	6.8	3.6	3.3	2.7	5.2	4.5	3.9
Orsero Spa	9.2	6.8	6.5	4.4	3.8	3.7	6.3	4.8	4.3
% (Discount)/Premium to peer median	-31.0%	-29.1%	-4.1%	20.9%	14.6%	39.7%	21.1%	7.8%	10.7%

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	1,041.5	1,069.8	1,200.4	1,430.7	1,465.6
COGS	(953.7)	(975.6)	(1,088.3)	(1,288.4)	(1,320.1)
Gross Profit	87.8	94.2	112.2	142.2	145.5
SG&A	(69.0)	(71.1)	(79.4)	(93.6)	(94.9)
EBIT	18.8	23.1	32.8	48.7	50.6
Financials	(2.9)	(3.3)	(1.8)	(2.8)	(2.8)
Results from investments	0.8	1.0	1.6	1.7	1.8
Pre Tax Profit	16.7	20.8	32.6	47.6	49.6
Taxes	(4.4)	(2.3)	(3.9)	(6.7)	(6.9)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Net Profit	12.2	18.3	28.4	40.6	42.4
D&A and Provisions	(26.0)	(27.4)	(33.8)	(33.7)	(33.7)
Non recurring items	(3.7)	(2.4)	(3.3)	(1.8)	(1.8)
EBITDA adj.	48.4	52.9	69.9	84.1	86.1
EBIT adj.	22.4	25.5	36.1	50.4	52.4
Net Profit adj.	14.0	19.1	31.3	42.2	43.9
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	37.9	30.2	41.8	57.7	63.2
Net Fixed Assets	222.3	221.7	302.8	286.2	273.7
Equity Investments	6.2	14.8	15.0	15.3	15.7
Other M/L Term A/L	(2.7)	(6.4)	(6.6)	(7.3)	(7.0)
Net Invested Capital	263.7	260.2	353.0	352.0	345.6
Net Financial Debt/(cash)	103.5	84.3	153.9	120.0	81.7
Minorities	0.5	0.7	0.9	1.2	1.5
Group's Shareholders Equity	159.6	175.2	198.2	230.8	262.4
Financial Liabilities & Equity	263.7	260.2	353.0	352.0	345.6
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	12.2	18.3	28.4	40.6	42.4
Depreciation	24.2	25.0	31.7	31.3	31.2
Other non-cash charges	8.2	4.1	(0.0)	0.3	(0.3)
Cash Flow from Oper. (CFO)	44.6	47.3	60.1	72.3	73.3
Change in NWC	(7.3)	7.7	(11.6)	(15.9)	(5.6)
FCF from Operations (FCFO)	37.2	55.1	48.5	56.4	67.7
Net Investments (CFI)	(11.0)	(33.4)	(113.1)	(15.0)	(19.0)
Free CF to the Firm (FCFF)	26.2	21.7	(64.6)	41.4	48.7
CF from financials (CFF)	(42.3)	(7.1)	(5.2)	(7.8)	(10.4)
Free Cash Flow to Equity (FCFE)	(16.1)	14.6	(69.8)	33.5	38.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA adj. margin	4.6%	4.9%	5.8%	5.9%	5.9%
EBIT margin	1.8%	2.2%	2.7%	3.4%	3.5%
Net profit margin	1.2%	1.7%	2.4%	2.8%	2.9%
Tax rate	26.4%	11.2%	12.0%	14.0%	14.0%
Op NWC/Sales	3.6%	2.8%	3.5%	4.0%	4.3%
Interest coverage x	0.15	0.14	0.06	0.06	0.06
Net Debt/EBITDA adj. x	2.14	1.59	2.20	1.43	0.95
Debt-to-Equity x	0.65	0.48	0.78	0.52	0.31
ROIC	4.6%	7.0%	8.1%	11.5%	12.3%
ROCE	6.9%	7.6%	10.0%	12.8%	12.3%
ROACE	6.6%	7.7%	10.4%	13.4%	12.8%
ROE	7.7%	10.4%	14.3%	17.6%	16.1%
Payout ratio	28.2%	28.2%	27.5%	25.6%	26.6%
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	1.61	2.30	2.40
EPS adjusted FD €	0.79	1.08	1.77	2.39	2.48
EBITDA €	2.74	2.99	3.95	4.76	4.87
EBIT €	1.06	1.31	1.86	2.75	2.86
FCFO €	2.10	3.12	2.74	3.19	3.83
FCFF €	1.48	1.23	(3.65)	2.34	2.75
FCFE €	(0.91)	0.83	(3.95)	1.90	2.17
Dividend €	0.20	0.30	0.45	0.60	0.65



H1-22 results

As expected, another more than satisfactory set of results in Q2-22, a quarter characterised by a complex macroeconomic context, a reference market that sees the consumption of fruit and vegetables in contraction in terms of volumes and significant increases in prices linked to inflationary and sometimes even speculative phenomena. The robust operating and Cash Flow generation performance prompted the company to improve FY-22 guidance, exceeding market consensus.

Table 1 – Orsero, Q2-22 result summary

€ m	Q2-22	Q2-21	% YoY	H1-22	H1-21	% YoY
Revenues	312.2	272.8	14.4	576.2	513.1	12.3
Import & Distribution	283.8	256.7	10.5	526.2	481.8	9.2
Shipping	39.0	25.7	51.7	69.3	49.7	39.4
Services	2.9	2.5	17.4	5.7	4.9	15.1
Intercompany	(13.5)	(12.1)	(11.5)	(25.0)	(23.3)	(7.2)
EBITDA adj	22.6	12.8	76.5	40.3	26.6	51.4
Import & Distribution	10.0	8.9	12.1	18.0	18.6	(3.2)
Shipping	14.6	6.0	n.m.	26.1	11.7	n.m.
Services	(2.0)	(2.1)	6.7	(3.9)	(3.8)	(2.6)
EBITDA adj %	7.2	4.7		7.0	5.2	
Import & Distribution %	3.5	3.5		3.4	3.9	
Shipping %	37.3	23.3		37.6	23.6	
Services %	(69.2)	(87.1)		(67.9)	(76.2)	
EBIT adj.	15.4	5.3	n.m.	26.0	12.6	n.m.
% margin	4.9	1.9		4.5	2.5	
Net Profit adj.	12.4	3.5	n.m.	21.3	8.6	n.m.
% margin	4.0	1.3		3.7	1.7	
NFP	80.4	91.4	(12.0)	80.4	91.4	(12.0)
NFP/EBITDA adj. (x)	1.2	1.8		1.2	1.8	

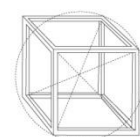
Source: Orsero

Q2-22 revenues increased by 14.4% to € 312.2m. In Q2-22 the group's growth was driven by the Import & Distribution business unit, which represented 91% of total revenues. The Shipping division soared by 51.7% to € 39.0m and represented 12% of total top line. **Adj. EBITDA jumped by 76.5% to € 22.6m**, margin of 7.2% vs. 4.7% in Q2-21 despite the significant inflation pressure on costs, also supported by the solid profitability of the Shipping division.

The Import & Distribution segment totalled revenues of € 283.8m, up by 10.5% YoY, showing slightly declining volumes but significantly improving price and, to a lesser extent, mix effects. Orsero's strategy was aimed at reflecting 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 products (i.e. banana) vs. an increase in products with higher added value, namely avocado, mango, table grapes, kiwi. The Adj. EBITDA was € 10.0m, up from € 8.9m in the same period of 2021. Margin unchanged at 3.5%, thanks to the aforementioned reasons.

The Shipping segment generated sales to the tune of € 39.0m, up 51.7% YoY as a result of higher volumes, increasing freight rates in addition to the more favourable €/€ exchange rate, currency in which freight rates are typically denominated. The Adj. EBITDA was € 14.6m, from € 6.0m in Q2-21, with a further significant improvement in EBITDA margin from 23.3% to 37.3%, thanks to 1) the 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 and 3) sustained freight rates regarding the return of the ships to South America.

The Services segment generated revenues of € 2.9m and a negative Adj. EBITDA of € 2.0m vs € 2.8m and negative € 2.1m, respectively, in Q2-21.



The Adj. EBIT reached € 15.4m vs. € 5.3m recorded in Q2-21. The Adj. Net Profit jumped from € 3.5m to € 12.4m as a consequence of the increase in EBITDA in the period and the higher contribution of the Shipping division, characterised by a favourable tax rate ('Tonnage Tax').

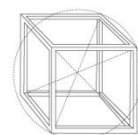
NFP fell to € 80.4m from € 81.3m at Dec-21 as a net result of:

- € 7.1m capex,
- € 11.2m capex related to higher rights of use linked to the application of IFRS 16,
- € 5.2m dividend paid to shareholders and
- outstanding € 25.0m operating cash flow generation, linked to the positive contribution of operating activities and enduring WC containment measures.

Table 2 – Orsero, H1-22 Balance Sheet highlights

€ m	H1-22	H1-21	FY-21
Capital Invested	275.0	257.7	260.2
Shareholders' Equity	194.7	166.3	175.9
Net Financial Position	80.4	91.4	84.3
<i>NFP/Shareholders' Equity</i>	0.41	0.55	0.48
<i>NFP/EBITDA adj.</i>	1.21	1.78	1.59
Net Financial Position ex. IFRS16	36.8	63.0	45.3
<i>NFP/Shareholders' Equity</i>	0.19	0.38	0.26
<i>NFP/EBITDA adj.</i>	0.66	1.44	1.00

Source: Company data



Estimates, valuation and risks

As expected, another more than satisfactory set of results in Q2-22, a quarter characterised by a complex macroeconomic context, a reference market that sees the consumption of fruit and vegetables in contraction in terms of volumes and significant increases in prices linked to inflationary and sometimes even speculative phenomena. On the back of the remarkable operating CF performance achieved, **Orsero decided to improve its FY-22 guidance:**

- **Net Sales: € 1,130m - € 1,160m** (€ 1,100m - € 1,130m previously), CFO SIM € 1,171m
- **Adj. EBITDA: € 67m - € 70m** (€ 65m - € 68m previously), CFO SIM € 67.9m
- **Net Profit: € 21m - € 34m** (€ 30m - € 32m previously), CFO SIM € 27.8m
- **Net Financial Position: € 68m - € 63m** (unchanged, on a like-for-like basis), CFO SIM € 154.8m (including the recent acquisitions in France)
- **Capex: € 13m - € 14m** (€ 12m - € 13m previously), CFO SIM € 13.0m

We have updated our model. The result is a 3.0% and 12.5% rise in EBITDA and Net Profit, in 2022. We have left 2023-24 numbers basically unchanged. It should be noted that Orsero's guidance does not include the recent M&A campaign in France. Our estimates take into consideration the consolidation of the two acquisitions as of Nov-22.

Table 3 – Orsero, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m	Diff.
Turnover	1,200.4	1,171.3	2.5	29.1	
EBITDA adj.	69.9	67.9	3.0	2.0	
% margin	5.8	5.8			
EBIT adj.	36.1	33.4	8.0	2.7	
% margin	3.0	2.9			
Net Profit adj.	31.3	27.8	12.5	3.5	
% margin	2.6	2.4			
Y/E net debt (net cash)	153.9	154.8	(0.6)	(0.9)	

Source: CFO Sim

Table 4 – Orsero, 2023e new/old estimates

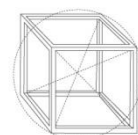
€ m	New	Old	% Diff.	€ m	Diff.
Turnover	1,430.7	1,419.3	0.8	11.4	
EBITDA adj.	84.1	84.0	0.1	0.1	
% margin	5.9	5.9			
EBIT adj.	50.4	49.8	1.3	0.6	
% margin	3.5	3.5			
Net Profit adj.	42.2	41.6	1.3	0.5	
% margin	2.9	2.9			
Y/E net debt (net cash)	120.0	120.8	(0.7)	(0.8)	

Source: CFO Sim

Table 5 – Orsero, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m	Diff.
Turnover	1,465.6	1,454.0	0.8	11.6	
EBITDA adj.	86.1	86.0	0.1	0.1	
% margin	5.9	5.9			
EBIT adj.	52.4	51.9	1.0	0.5	
% margin	3.6	3.6			
Net Profit adj.	43.9	43.4	1.1	0.5	
% margin	3.0	3.0			
Y/E net debt (net cash)	81.7	82.4	(0.9)	(0.7)	

Source: CFO Sim



As a consequence of the slight estimate revision and the updated valuation criteria, **new PT stands at € 21.00/s (€ 21.40), 29.3% upside. The finetuning of the PT is entirely due to the sharp increase in the free risk rate** from 2.05% to 2.46% (200d moving average) since our last publication dated Jul-22.

DCF

In the valuation via the DCF method, explicit estimates until 2027 and a long-term growth of 1.0% were used. **We decided to start our model from 2023** (2022 in our previous publications), **the first year of full consolidation of the two acquisitions**. 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%
Int. costs, after taxes	2.2%
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 200d moving average)	2.46%
Beta levered (x)	1.00
Required ROE	12.5%

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	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	48.7	50.6	52.7	52.7	52.7	
Tax rate	14.0%	14.0%	14.0%	14.0%	14.0%	
Operating profit (NOPAT)	41.9	43.6	45.3	45.3	45.3	
Change working capital	(15.9)	(5.6)	(5.0)	(4.5)	(0.6)	
Depreciation	31.3	31.2	25.1	19.0	19.0	
Investments	(15.0)	(19.0)	(19.0)	(19.0)	(19.0)	
Free Cash Flows	42.2	50.2	46.4	40.8	44.7	522.8
Present value	41.1	44.6	37.6	30.1	30.1	352.2
WACC	9.6%	9.6%	9.6%	9.6%	9.6%	
Long-term growth rate	1.0%					

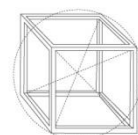
Source: CFO Sim

Table 10 – Orsero, DCF equity value derived from:

Total EV present value € m	535.8
<i>thereof terminal value</i>	65.7%
NFP FY1	(153.9)
Pension provision last reported	(9.8)
Equity value € m	372.1
#m shares	17.68
Equity value €/s	21.00
<i>% upside/(downside)</i>	29.3%

Source: CFO Sim

The application of the model produces an equity value of € 372.1m, corresponding to € 21.00/share, 29.3% upside.



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate, produces an equity value of between € 18.80-23.88/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 € 16.97-26.77/s (free risk range of between 4.46% and 0.46%) and 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 16.96-26.78/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	183.5	183.5	183.5	183.5	183.5	183.5	183.5	183.5	183.5
PV of terminal value	312.6	321.7	331.3	341.5	352.2	363.6	375.7	388.6	402.3
Total value	496.1	505.2	514.8	525.0	535.8	547.2	559.3	572.1	585.8
NFP FY1	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
Equity value	332.5	341.6	351.2	361.4	372.1	383.5	395.6	408.5	422.2
Equity value/share €	18.80	19.32	19.86	20.44	21.00	21.69	22.38	23.10	23.88

Source: CFO Sim

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

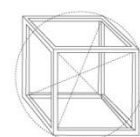
€ m	0.46%	0.96%	1.46%	1.96%	2.46%	2.96%	3.46%	3.96%	4.46%
Present value of CF	188.7	187.4	186.1	184.8	183.5	182.3	181.0	179.8	178.6
PV of terminal value	448.2	420.6	395.6	372.9	352.2	333.3	315.9	299.9	285.1
Total value	636.9	608.0	581.7	557.7	535.8	515.6	496.9	479.7	463.7
NFP FY1	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
Equity value	473.3	444.4	418.1	394.1	372.1	351.9	333.3	316.1	300.1
Equity value/share €	26.77	25.13	23.64	22.29	21.00	19.90	18.85	17.87	16.97

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	188.8	187.4	186.1	184.8	183.5	182.3	181.0	179.8	178.6
PV of terminal value	448.4	420.7	395.7	373.0	352.2	333.3	315.8	299.8	285.0
Total value	637.1	608.1	581.8	557.8	535.8	515.5	496.9	479.6	463.5
NFP FY1	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)	(153.9)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
Equity value	473.5	444.5	418.2	394.2	372.1	351.9	333.2	316.0	299.9
Equity value/share €	26.78	25.14	23.65	22.29	21.00	19.90	18.85	17.87	16.96

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 € 878m, € 9.2bn revenues and a 3.7% EBITDA margin projected for 2022, 2) Fresh Del Monte shows a € 1.2bn market value and € 4.4bn sales with a 4.2% EBITDA margin expected for 2022; 3) Greenyard boasts a € 398m market value and € 4.6bn sales with a 3.8% EBITDA margin expected for 2022.

Orsero is the smallest on the list in terms of turnover and has by far the **highest profitability** compared to its peers.

Orsero trades at a double-digit discount vs. peers considering PER 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, 2) the still active role it can play in the medium and long term in this unavoidably consolidating disciplined oligopoly and 3) the consistency of reported results vs. consensus estimates.

Table 14 – Orsero, peer group summary table

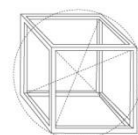
€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₂₋₂₄	NFP FY1	NFP /EBITDA
Dole PLC	878	9,180	335	3.7%	19.2%	86.6%	-871.1%	21.2%	1,179	3.5
Fresh Del Monte Produce Inc	1,190	4,353	185	4.2%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	398	4,565	175	3.8%	4.6%	11.0%	21.3%	32.0%	352	2.0
Median	878	4,565	185	3.8%	11.9%	48.8%	-424.9%	26.6%	766	2.8
Orsero Spa	287	1,200	70	5.8%	11.1%	17.6%	27.1%	18.4%	154	2.2

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	6.1	5.3	4.6	8.8	7.4	6.0	3.6	3.3	2.9
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	19.9	13.1	n.a.	7.8	6.5	n.a.
Greenyard NV	4.3	3.7	3.2	13.3	9.6	7.6	3.0	2.7	2.4
Median	5.2	4.5	3.9	13.3	9.6	6.8	3.6	3.3	2.7
Orsero Spa	6.3	4.8	4.3	9.2	6.8	6.5	4.4	3.8	3.7
% (Discount)/Premium to peer median	21.1%	7.8%	10.7%	-31.0%	-29.1%	-4.1%	20.9%	14.6%	39.7%

Sources: Thomson Reuters Eikon, CFO Sim



Stock performance

Glenalta Food was listed on Euronext Growth Milan on 10th 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 € 15.02/s on 28th Jul 22 and a 1Y minimum price of € 9.18 on 26th Aug 2021. The stock overperformed consistently the FTSE Italia STAR index, the EU Sector and its peers.

Table 16 - Orsero, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Dole PLC	(0.8)	1.9	1.4	(0.3)	(35.0)	(30.7)	(37.3)
Fresh Del Monte Produce Inc	(2.3)	(4.0)	(14.8)	4.7	(4.8)	(10.1)	(18.5)
Greenyard NV	(2.6)	(0.4)	(12.5)	(5.3)	(6.1)	(22.6)	(14.9)
Peers Median	(2.3)	(0.4)	(12.5)	(0.3)	(6.1)	(22.6)	(18.5)
Orsero Spa	0.1	(1.3)	(1.7)	36.2	19.0	37.0	65.0
FTSE Italia STAR	(1.2)	(0.0)	(9.3)	(3.8)	(18.8)	(31.9)	(29.2)
Thomson Reuters Food & Beverage EU	(2.0)	(0.3)	(7.8)	(0.1)	(8.8)	(18.4)	(13.6)

Source: Thomson Reuters Eikon

Table 17 – Orsero, relative performances

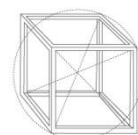
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	2.4	(1.0)	10.8	36.6	25.0	59.6	83.5
Orsero Spa to FTSE Italia STAR	1.3	(1.3)	7.6	40.0	37.8	69.0	94.2
Orsero Spa to EU Sector	2.1	(1.0)	6.1	36.4	27.8	55.4	78.6

Source: Thomson Reuters Eikon

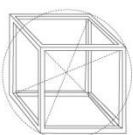
Risks

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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DATE	TARGET PRICE	RATING
15/09/2022	€21.00	BUY
01/08/2022	€21.40	BUY
17/05/2022	€20.00	BUY
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

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