

Italy - Food

Two transformational acquisitions in France

1st August 2022

FRENCH ACQUISITION CAMPAIGN

RIC: ORSO.MI
BBG: ORS IM

Orsero announced two sizeable/fairly priced acquisitions, assuming a bolder presence in the wholesale market and in the lucrative exotic fruit niche. The two companies bring incremental turnover in excess of some € 260.0m, € 17.0m EBITDA and 285 employees, doubling the size of the group's presence in the key French market. The deals produce € 83m additional value for Orsero.

Rating:

Buy

Price Target:

€ 21.40 (20.00)

Upside/(Downside): 48.4%

Last Price: € 14.42

Market Cap.: € 255.0m

1Y High/Low: € 15.02 / € 9.18

Avg. Daily Turn. (3M, 6M): € 334k, € 420k

Free Float: 59.3%

Major shareholders:

FIF Holding 32.5%
Grupo Fernández 6.3%



Stock price performance

	1M	3M	12M
Absolute	13.5%	16.3%	50.8%
Rel. to FTSE IT STAR	6.9%	21.6%	65.7%
Rel. to EU Sector	9.9%	21.6%	59.9%

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Two value-accretive transformational acquisitions. Buy reiterated, new PT of € 21.40 (€ 20.00)

We welcome this impeccable move: two fairly priced acquisitions, which allow Orsero to 1) attain a bolder presence in the French wholesale market and 2) enlarge its penetration of the lucrative exotic fruit niche. We have updated our model, assuming the consolidation of the two companies as of Nov-22. The result is a 16.6% and 19.0% average rise in Sales and EBITDA, respectively, in 2022-24. As a consequence of the estimate revision and the updated valuation criteria, new PT stands at € 21.40/s (€ 20.00), 48.4% upside. The additional value brought by the acquisitions has been partially outweighed by the sharp increase in the free risk rate from 1.05% to 2.05% (200d moving average) since our last publication. Buy rating reiterated.

A specialised wholesaler and top player in the exotic fruit and vegetable market in France...

Blampin Groupe operates in the distribution of fresh fruit and vegetables in France's wholesale markets, through a network of 12 wholesale platforms. The company in the last 10 years has doubled its turnover also thanks to an acquisition campaign of small operators. Blampin 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. Capexo imports and markets exotic fruit and vegetables in France. It distributes to wholesalers and general wholesale markets, as well as to specialised and generalist food supermarkets. Capexo boasts a network of suppliers located in 50 countries. It sells over 150 references from about 50 families of exotic fruits and vegetables. 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.

...acquired at an entry multiple of some 5.0-5.5x EV/EBITDA₂₁

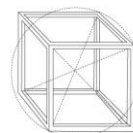
Orsero acquires 80% of Blampin for € 32.0m cash. The deal includes earn-outs up to € 8.0m subject to the achievement of certain profitability targets set for 2023-24-25-26. The deal envisages put & call options for an additional 13.4% stake to be exercised starting from 1-Jan-27 until 31-Dec-28, for a total consideration of some € 7.0m. Orsero buys 100% of Capexo for € 44.6m, o/w € 33m cash and € 11.6m earn-out to be paid in 3 equal annual instalments subject to the achievement of certain profitability targets set for 2023-24-25.

The move allows for a bolder presence in France and in the exotic niche

Thanks to its direct presence in the main general wholesale markets, with its 12 sales platforms, 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. Capexo acquisition 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.

Orsero, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	1,041.5	1,069.8	1,171.3	1,419.3	1,454.0
EBITDA adj	48.4	52.9	67.9	84.0	86.0
EBIT adj	22.4	25.5	33.4	49.8	51.9
Net profit	12.2	18.3	25.0	40.1	41.9
Net profit adj	14.0	19.1	27.8	41.6	43.4
NFP (cash)/debt	103.5	84.3	154.8	120.8	82.4
EPS adjusted FD	0.79	1.08	1.57	2.35	2.46
EPS adj. FD growth	164.2%	36.4%	45.8%	49.5%	4.3%
DPS ord. €/s	0.20	0.30	0.45	0.60	0.65
Dividend yield	1.4%	2.1%	3.1%	4.2%	4.5%
Free Cash Flow Yield	10.3%	8.5%	-25.7%	16.2%	19.1%
PER x	7.4	8.2	9.2	6.1	5.9
EV/Sales x	0.20	0.23	0.35	0.26	0.23
EV/EBITDA x	4.3	4.6	6.0	4.5	3.9
EV/EBIT x	9.3	9.5	12.3	7.5	6.5



The company in a nutshell

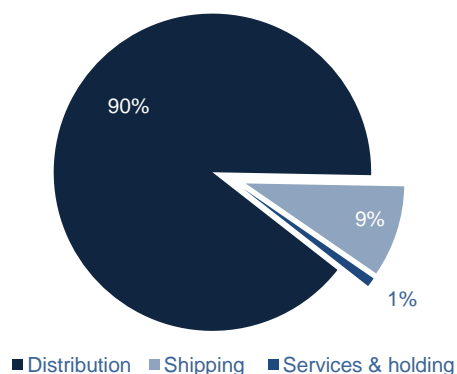
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

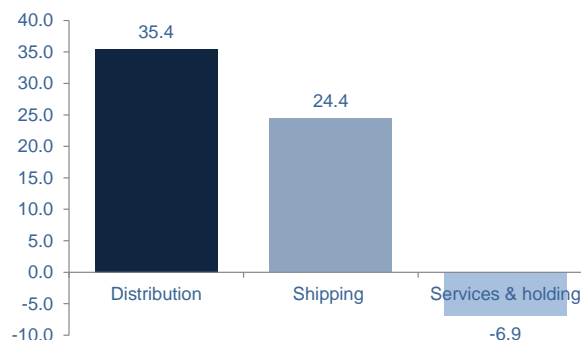
2021 Orsero highlights: revenues of € 1.070m, adj. EBITDA. of € 52.9m (4.9% margin), adjusted net profit equal to € 19.1m and net financial position of € 84.3m (1.6x adj. EBITDA).

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	32.5%	5.75
Grupo Fernandez	6.3%	1.12
Treasury Shares	1.1%	0.20
Free Float	60.0%	10.62
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.2%	0.92
Total	100.0%	17.68

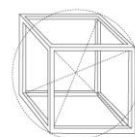
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(1.0)	0.2	5.6	(21.3)	(30.5)	(29.7)
Fresh Del Monte Produce Inc	(1.9)	1.7	(2.3)	14.0	7.6	7.6
Greenyard NV	0.9	5.3	15.1	11.7	(5.0)	(12.5)
Peers Median	(1.0)	1.7	5.6	11.7	(5.0)	(12.5)
Orsero Spa	0.8	8.6	13.5	16.3	33.5	21.7
FTSE Italia STAR	1.3	1.8	6.6	(5.3)	(13.6)	(24.2)
EU Sector	0.2	1.4	3.6	(5.3)	(6.4)	(11.9)
Orsero Spa to peers	1.8	6.9	7.9	4.5	38.5	34.2
Orsero Spa to FTSE Italia STAR	(0.5)	6.8	6.9	21.6	47.1	45.8
Orsero Spa to EU Sector	0.6	7.2	9.9	21.6	39.9	33.6

Peer group multiples table

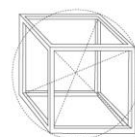
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	7.4	6.2	5.4	3.3	3.0	2.8	5.7	4.9	4.5
Fresh Del Monte Produce Inc	23.3	15.2	n.a.	n.a.	7.6	n.a.	n.a.	n.a.	n.a.
Greenyard NV	12.5	9.6	8.2	3.2	2.9	2.7	4.6	4.0	3.5
Median	12.5	9.6	6.8	3.3	3.0	2.7	5.2	4.5	4.0
Orsero Spa	9.2	6.1	5.9	4.1	3.4	3.3	6.0	4.5	3.9
% (Discount)/Premium to peer median	-26.7%	-36.4%	-13.7%	25.1%	12.6%	19.7%	17.2%	0.1%	-1.9%

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	1,041.5	1,069.8	1,171.3	1,419.3	1,454.0
COGS	(953.7)	(975.6)	(1,063.7)	(1,278.5)	(1,309.8)
Gross Profit	87.8	94.2	107.6	140.9	144.2
SG&A	(69.0)	(71.1)	(77.4)	(92.8)	(94.1)
EBIT	18.8	23.1	30.2	48.0	50.1
Financials	(2.9)	(3.3)	(2.8)	(2.8)	(2.8)
Results from investments	0.8	1.0	1.6	1.7	1.8
Pre Tax Profit	16.7	20.8	28.9	47.0	49.1
Taxes	(4.4)	(2.3)	(3.7)	(6.6)	(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	25.0	40.1	41.9
D&A and Provisions	(26.0)	(27.4)	(34.5)	(34.3)	(34.2)
Non recurring items	(3.7)	(2.4)	(3.3)	(1.8)	(1.8)
EBITDA adj.	48.4	52.9	67.9	84.0	86.0
EBIT adj.	22.4	25.5	33.4	49.8	51.9
Net Profit adj.	14.0	19.1	27.8	41.6	43.4
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	37.9	30.2	40.7	56.7	62.2
Net Fixed Assets	222.3	221.7	301.1	283.9	270.8
Equity Investments	6.2	14.8	15.0	15.3	15.7
Other M/L Term A/L	(2.7)	(6.4)	(6.5)	(7.2)	(6.9)
Net Invested Capital	263.7	260.2	350.4	348.7	341.8
Net Financial Debt/(cash)	103.5	84.3	154.8	120.8	82.4
Minorities	0.5	0.7	0.9	1.2	1.5
Group's Shareholders Equity	159.6	175.2	194.7	226.7	257.9
Financial Liabilities & Equity	263.7	260.2	350.4	348.7	341.8
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	12.2	18.3	25.0	40.1	41.9
Depreciation	24.2	25.0	32.4	31.9	31.7
Other non-cash charges	8.2	4.1	(0.1)	0.4	(0.3)
Cash Flow from Oper. (CFO)	44.6	47.3	57.2	72.4	73.3
Change in NWC	(7.3)	7.7	(10.6)	(16.0)	(5.5)
FCF from Operations (FCFO)	37.2	55.1	46.7	56.4	67.8
Net Investments (CFI)	(11.0)	(33.4)	(112.1)	(15.0)	(19.0)
Free CF to the Firm (FCFF)	26.2	21.7	(65.4)	41.4	48.8
CF from financials (CFF)	(42.3)	(7.2)	(5.2)	(7.8)	(10.4)
Free Cash Flow to Equity (FCFE)	(16.1)	14.6	(70.6)	33.6	38.4
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%	2.6%	3.4%	3.4%
Net profit margin	1.2%	1.7%	2.1%	2.8%	2.9%
Tax rate	26.4%	11.2%	12.8%	14.0%	14.0%
Op NWC/Sales	3.6%	2.8%	3.5%	4.0%	4.3%
Interest coverage x	0.15	0.14	0.09	0.06	0.06
Net Debt/EBITDA adj. x	2.14	1.59	2.28	1.44	0.96
Debt-to-Equity x	0.65	0.48	0.79	0.53	0.32
ROIC	4.6%	7.0%	7.1%	11.5%	12.3%
ROCE	6.9%	7.6%	9.4%	12.8%	12.3%
ROACE	6.6%	7.7%	9.7%	13.4%	12.8%
ROE	7.7%	10.4%	12.8%	17.7%	16.2%
Payout ratio	28.4%	28.5%	31.3%	26.0%	26.9%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	17.68	17.68	17.68	17.68	17.68
Number of shares Fully Diluted # m	17.68	17.68	17.68	17.68	17.68
Average Number of shares Fully Diluted # m	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	0.69	1.03	1.41	2.27	2.37
EPS adjusted FD €	0.79	1.08	1.57	2.35	2.46
EBITDA €	2.74	2.99	3.84	4.75	4.86
EBIT €	1.06	1.31	1.71	2.72	2.83
FCFO €	2.10	3.12	2.64	3.19	3.83
FCFF €	1.48	1.23	(3.70)	2.34	2.76
FCFE €	(0.91)	0.82	(3.99)	1.90	2.17
Dividend €	0.20	0.30	0.45	0.60	0.65



Doubling in size in the key French market

Orsero announced **two sizeable/fairly priced acquisitions in France**. 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. According to 2021 numbers, the two acquisitions bring in additional turnover in excess of € 260.0m, EBITDA to the tune of some € 17.0m and 285 employees, literally doubling the size of the group's presence in the key French market.

The targets: Blampin and Capexo

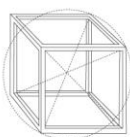
Founded in 1902, Blampin Groupe operates in the **distribution of fresh fruit and vegetables in the wholesale markets** in France, through a network of 12 wholesale platforms, located in eight key cities (Marseille, Paris, Toulouse, Tour, Nice, Rouen, Lyon and Perpignan). The company in the last 10 years 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. The company recorded total **sales to the tune of € 195m, EBITDA adj. margin of 5.5% and 230 employees**.

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. The company recorded total **sales to the tune of € 66m, EBITDA adj. margin of 9.0% and 50 employees**.

The deals: entry multiples of some 5.0-5.5x EBITDA₂₁

Orsero **acquires 80% of Blampin from the Blampin and Colin families for € 32.0m cash** with the closing feasibly expected in Q4-22, assuming a positive NFP of € 500k. The deal includes **earn-outs up to € 8.0m** subject to the achievement of certain profitability targets set for 2023-24-25-26. The deal envisages put & call options for an additional 13.4% stake to be exercised starting from 1-Jan-27 until 31-Dec-28. The same criteria used for the earn-outs will be applied to fix the values of the **put & call options, for a total consideration of some € 7.0m**. The remaining 6.6% stake will remain in the hands of a group of a few managers of Blampin. According to Orsero, the entry multiple is in the region of 5-5.5x adj. EBITDA_{22e} considering the base price.

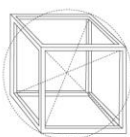
Orsero **buys 100% of Capexo from Vincent Soler and Jean Luc Maury for € 44.6m**, o/w € 33m cash and € 11.6m earn-out to be paid in 3 equal annual instalments subject to the achievement of certain profitability targets set for 2023-24-25. The price is subject to possible adjustment if NFP (cash) as of 31-Aug-22 is over € 2.0m cash at the signing. Also in this case, according to Orsero, the entry multiple is in the region of 5-5.5x adj. EBITDA_{22e} considering the base price.



The rationales: a bolder presence in France and the exotic

Thanks to its direct presence in the main general wholesale markets, with its 12 sales platforms, 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.

Capexo acquisition 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.



Our view, estimates, valuation and risks

We welcome this impeccable move: two fairly priced acquisitions, which allow Orsero to 1) **attain a bolder presence in the French wholesale market** and 2) enlarge its **penetration of the lucrative exotic fruit niche**. This move brings in some **€ 83.0m (€ 4.70/s) value to Orsero** and additional turnover in excess of € 260.0m, EBITDA to the tune of some € 17.0m and 285 employees, literally doubling the size of the group's presence in the key French market. For both acquisitions, the key managers have provided **medium-term business continuation agreements**, in addition, the current major shareholders have agreed the continuation of their active roles in business management. The **expertise and know-how about the products and customer service** of the two acquisitions, are anticipated to **generate future commercial synergies** in particular with the group's subsidiaries already present in France (AZ France and Fruttica) as well as in Europe.

We have updated our model, assuming the **consolidation of the two companies as of Nov-22** and **leaving unchanged Orsero's stand-alone projections**. For the two acquisitions, we have applied the same top line growth projections assumed for Orsero's Import & Distribution division and maintaining unchanged the adj. EBITDA margin, thus conservatively **not implying any sales/cost synergies**. The result is a 16.6% and 19.0% average rise in Sales and EBITDA, respectively, in 2022-24.

Table 1 – Orsero, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Turnover	1,171.3	1,126.7	4.0	44.6
EBITDA adj.	67.9	65.1	4.3	2.8
% margin	5.8	5.8		
EBIT adj.	33.4	39.2	(14.8)	(5.8)
% margin	2.9	3.5		
Net Profit adj.	27.8	32.9	(15.4)	(5.1)
% margin	2.4	2.9		
Y/E net debt (net cash)	154.8	66.4	n.m.	88.3

Source: CFO Sim

Table 2 – Orsero, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Turnover	1,419.3	1,154.1	23.0	265.2
EBITDA adj.	84.0	66.5	26.3	17.5
% margin	5.9	5.8		
EBIT adj.	49.8	40.7	22.5	9.1
% margin	3.5	3.5		
Net Profit adj.	41.6	34.1	22.0	7.5
% margin	2.9	3.0		
Y/E net debt (net cash)	120.8	37.8	n.m.	83.1

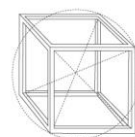
Source: CFO Sim

Table 3 – Orsero, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Turnover	1,454.0	1,182.2	23.0	271.8
EBITDA adj.	86.0	68.0	26.4	18.0
% margin	5.9	5.8		
EBIT adj.	51.9	41.7	24.3	10.1
% margin	3.6	3.5		
Net Profit adj.	43.4	35.1	23.9	8.4
% margin	3.0	3.0		
Y/E net debt (net cash)	82.4	9.4	n.m.	73.0

Source: CFO Sim

As a consequence of the estimate revision and the update in the valuation criteria, **new PT stands at € 21.40/s (€ 20.00), 48.4% upside**. The **additional value brought by the acquisitions has been partially outweighed by the sharp increase in the free risk rate** from 1.05% to 2.05% (200d moving average) since our last publication.



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 publication), **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 4 - 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)	2.05%
Beta levered (x)	1.00
Required ROE	12.1%

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 5 - Orsero, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	48.0	50.1	52.1	52.1	52.1	
Tax rate	14.0%	14.0%	14.0%	14.0%	14.0%	
Operating profit (NOPAT)	41.3	43.1	44.8	44.8	44.8	
Change working capital	(16.0)	(5.5)	(5.0)	(4.5)	(0.6)	
Depreciation	31.9	31.7	25.4	19.0	19.0	
Investments	(15.0)	(19.0)	(19.0)	(19.0)	(19.0)	
Free Cash Flows	42.2	50.3	46.2	40.3	44.2	535.5
Present value	40.7	44.3	37.2	29.7	29.8	360.8
WACC	9.3%	9.3%	9.3%	9.3%	9.3%	
Long-term growth rate	1.0%					

Source: CFO Sim

Table 6 – Orsero, DCF equity value derived from:

Total EV present value € m	542.4
<i>thereof terminal value</i>	66.5%
NFP FY1	(154.8)
Pension provision last reported	(9.8)
Equity value € m	377.9
#m shares	17.68
Equity value €/s	21.40
<i>% upside/(downside)</i>	48.4%

Source: CFO Sim

The application of the model produces an equity value of € 377.9m, corresponding to € 21.40/share, 48.4% upside.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate, produces an equity value of between € 19.01-24.38/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 € 17.07-27.48/s (free risk range of between 4.05% and 0.05%) and 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 17.07-27.49/s (risk premium range of between 12.0% and 8.0%).

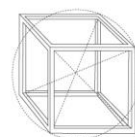


Table 7 – Orsero, equity value sensitivity to changes in terminal growth rate

€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	181.6	181.6	181.6	181.6	181.6	181.6	181.6	181.6	181.6
PV of terminal value	319.0	328.6	338.7	349.4	360.8	372.9	385.7	399.4	414.0
Total value	500.6	510.2	520.3	531.1	542.4	554.5	567.4	581.0	595.7
NFP FY1	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
Equity value	336.1	345.7	355.8	366.5	377.9	390.0	402.8	416.5	431.1
Equity value/share €	19.01	19.55	20.12	20.73	21.40	22.05	22.78	23.56	24.38

Source: CFO Sim

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

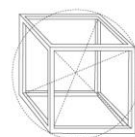
€ m	0.05%	0.55%	1.05%	1.55%	2.05%	2.55%	3.05%	3.55%	4.05%
Present value of CF	187.1	185.7	184.4	183.0	181.6	180.3	179.0	177.7	176.4
PV of terminal value	463.2	433.6	406.9	382.8	360.8	340.8	322.4	305.5	290.0
Total value	650.4	619.4	591.3	565.8	542.4	521.1	501.4	483.2	466.4
NFP FY1	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
Equity value	485.9	454.8	426.8	401.2	377.9	356.5	336.9	318.7	301.9
Equity value/share €	27.48	25.72	24.13	22.69	21.40	20.16	19.05	18.02	17.07

Source: CFO Sim

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

€ m	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
Present value of CF	187.2	185.8	184.4	183.0	181.6	180.3	179.0	177.7	176.4
PV of terminal value	463.5	433.8	407.0	382.8	360.8	340.7	322.3	305.4	289.9
Total value	650.7	619.5	591.4	565.8	542.4	521.0	501.3	483.1	466.3
NFP FY1	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)	(154.8)
Pension provision last reported	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)
Equity value	486.1	455.0	426.9	401.3	377.9	356.5	336.8	318.6	301.8
Equity value/share €	27.49	25.73	24.14	22.69	21.40	20.16	19.05	18.02	17.07

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 € 870m, € 9.4bn revenues and a 3.8% EBITDA margin projected for 2022, 2) Fresh Del Monte shows a € 1.4bn market value and € 4.1bn sales with a 4.6% EBITDA margin expected for 2022; 3) Greenyard boasts a € 450m market value and € 4.6bn sales with a 3.9% 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 and 2) the active role it can play in the medium and long term in this unavoidably consolidating disciplined oligopoly.

Table 10 – Orsero, peer group summary table

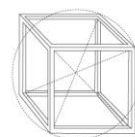
€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₁₋₂₄	EBITDA CAGR ₂₁₋₂₄	EBIT CAGR ₂₁₋₂₄	EPS CAGR ₂₂₋₂₄	NFP FY1	NFP /EBITDA
Dole PLC	870	9,354	353	3.8%	19.9%	85.7%	n.m.	16.9%	1,149	3.3
Fresh Del Monte Produce Inc	1,390	4,144	190	4.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	450	4,631	181	3.9%	5.0%	11.3%	22.7%	23.6%	381	2.1
Median	870	4,631	190	3.9%	12.4%	48.5%	22.7%	20.2%	765	2.7
Orsero Spa	255	1,171	68	5.8%	10.8%	17.6%	26.6%	24.9%	155	2.3

Sources: Thomson Reuters Eikon, CFO Sim

Table 11 – Orsero, peer group multiples table

EV & Price multiples x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3
Dole PLC	5.7	4.9	4.5	7.4	6.2	5.4	3.3	3.0	2.8
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	23.3	15.2	n.a.	n.a.	7.6	n.a.
Greenyard NV	4.6	4.0	3.5	12.5	9.6	8.2	3.2	2.9	2.7
Median	5.2	4.5	4.0	12.5	9.6	6.8	3.3	3.0	2.7
Orsero Spa	6.0	4.5	3.9	9.2	6.1	5.9	4.1	3.4	3.3
% (Discount)/Premium to peer median	17.2%	0.1%	-1.9%	-26.7%	-36.4%	-13.7%	25.1%	12.6%	19.7%

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 12 - Orsero, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Dole PLC	(1.0)	0.2	5.6	(21.3)	(30.5)	(29.7)	NULL
Fresh Del Monte Produce Inc	(1.9)	1.7	(2.3)	14.0	7.6	7.6	(2.9)
Greenyard NV	0.9	5.3	15.1	11.7	(5.0)	(12.5)	(7.8)
Peers Median	(1.0)	1.7	5.6	11.7	(5.0)	(12.5)	(5.4)
Orsero Spa	0.8	8.6	13.5	16.3	33.5	21.7	50.8
FTSE Italia STAR	1.3	1.8	6.6	(5.3)	(13.6)	(24.2)	(14.8)
Thomson Reuters Food & Beverage EU	0.2	1.4	3.6	(5.3)	(6.4)	(11.9)	(9.1)

Source: Thomson Reuters Eikon

Table 13 – Orsero, relative performances

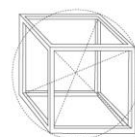
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	1.8	6.9	7.9	4.5	38.5	34.2	56.2
Orsero Spa to FTSE Italia STAR	(0.5)	6.8	6.9	21.6	47.1	45.8	65.7
Orsero Spa to EU Sector	0.6	7.2	9.9	21.6	39.9	33.6	59.9

Source: Thomson Reuters Eikon

Risks

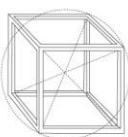
The principal investment **risks** associated with Orsero include:

- 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
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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- 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.

