

Italy - Food

Q1-24 results in line with expectations

8th May 2024

Q1-24 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Orsero reported Q1-24 results characterised by almost unchanged revenues and a reduction in profitability which reflects the trend the company anticipated in the FY-24 guidance, namely a back-to-normal of the shipping activity and lower margins concerning bananas, after an exceptional FY-23. In light of the Q1-24 results and the business seasonality, Orsero confirmed the FY-24 guidance announced on 6-February.

Rating:

Buy

Price Target:

€ 24.00

Upside/(Downside): 76.7%

Last Price: € 13.58

Market Cap.: € 240.5m

1Y High/Low: € 17.56 / € 11.80

Avg. Daily Turn. (3M, 6M): € 525k, € 684k

Free Float: 55.7%

Major shareholders:

FIF Holding 33.4%
Grupo Fernández 6.7%



Stock price performance

	1M	3M	12M
Absolute	-3.7%	-21.1%	7.1%
Rel.to FTSE IT STAR	-5.5%	-23.4%	8.2%
Rel.to EU Sector	-3.9%	-15.3%	24.4%

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Estimates, Rating and PT unchanged. FY-24 guidance confirmed

Q1-24 results represented 21.4% and 22.8% of CFO SIM's FY projections regarding revenues and EBITDA, respectively. The figures are broadly in line with the group's historical seasonality: considering the 2019-23 period, on average Q1 accounted for 22.5% and 22.2% of FY revenues and EBITDA, respectively. Moreover, Orsero confirmed its FY-24 guidance. As a consequence, we left our estimates unchanged. Rating and PT are confirmed.

Revenues broadly unchanged YoY: distribution almost flat, shipping back-to-normal

Total revenues were € 337.9m, down by 2.7% YoY, as a result of the progressive normalisation of the shipping activity coupled with adverse climatic conditions, which affected some campaigns, and a weak consumption. The Distribution BU reported revenues of € 320.3m and EBITDA of € 11.7m, 3.7% margin (€ 323.1m and € 15.6m, 4.8% margin, respectively, in Q1-23), as a result of the weak consumption of a few winter campaigns' products coupled with the normalisation of the profitability of bananas from the exceptional level achieved in 2023. Furthermore, adverse weather conditions in some countries of origin negatively affected the quantity and quality of some products. The Shipping BU registered revenues of € 28.1m, down by 18.6% YoY (€ 34.5m in Q1-23), continuing the gradual normalisation towards its historical level after the exceptional 2022-23 two-year period. The Shipping BU's adjusted EBITDA was € 7.2m, 25.6% margin, compared to € 12.9m, 37.4% margin, in Q1-23. The decrease is mainly ascribable to the lower profitability of the dry cargo business on the westbound route and the unfavourable EUR/USD exchange rate. However, the BAF clause included in the contracts allowed the group's profitability to be unaffected by the fuel cost increase.

Margins are still strong despite the normalisation of the Shipping and banana business

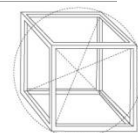
Adjusted EBITDA was € 16.8m, 5.0% margin, compared to € 26.2m, 7.6% margin, in Q1-23, as a result of the aforementioned dynamics concerning the two BUs. After broadly stable D&A, adjusted EBIT came in at € 8.6m, 2.6% margin (€ 18.2m, 5.2% margin in Q1-23). The group's adjusted Net Profit totalled € 4.6m, compared to € 13.0m in Q1-23, after almost unchanged financial charges but a higher tax rate because of the lower contribution of the Shipping BU, which benefits from the tonnage tax scheme.

NFP slightly increased due to the business seasonality

Net Financial Position was € 139.0m compared to € 127.8m at year-end 2023, mainly as a consequence of higher NWC (+ € 11.8m) due to business seasonality. Capex was € 3.6m, € 0.5m of which for the banana and avocado ripening rooms in Cavailon (France), € 0.8m for the new market stands in Milan and Verona and € 2.3m concerning several minor recurring investments into distribution platforms. By excluding the figurative debt stemming from the application of the IFRS-16 accounting principle, Net Financial Position was € 77.3m compared to € 67.1m at year-end 2023.

Orsero, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Net Revenues	1,196.3	1,540.8	1,580.4	1,597.2	1,614.4
Adjusted EBITDA	76.1	107.1	83.1	82.0	81.9
Adjusted EBIT	45.7	72.8	47.9	46.1	45.8
Net Profit	32.3	47.3	28.9	28.2	27.9
Adjusted Net Profit	36.9	54.1	31.6	30.9	30.6
Y/E net debt (net cash)	67.4	127.8	109.2	99.2	85.0
EPS adjusted FD	2.09	3.06	1.79	1.75	1.73
EPS adj. FD growth	93.2%	46.7%	-41.6%	-2.3%	-0.9%
DPS ord. €/s	0.35	0.60	0.60	0.60	0.60
Dividend yield	2.6%	4.4%	4.4%	4.4%	4.4%
Free Cash Flow Yield	9.9%	5.0%	17.8%	14.2%	15.9%
PER x	6.5	4.6	7.6	7.8	7.9
EV/Sales x	0.26	0.24	0.22	0.21	0.20
EV/EBITDA x	4.0	3.5	4.2	4.1	4.0
EV/EBIT x	6.7	5.2	7.3	7.4	7.1



The company at a glance

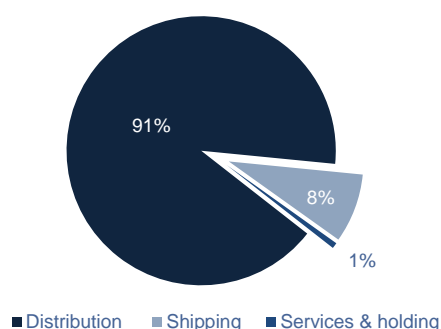
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded some 80 years ago by the Orsero family. The current business structure includes the distribution of fresh F&Vs 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.

During 2012, the group launched the "Flli Orsero" brand for bananas and pineapples, which expresses a large Italian family company's sense of tradition and passion for top-quality fruit and vegetables.

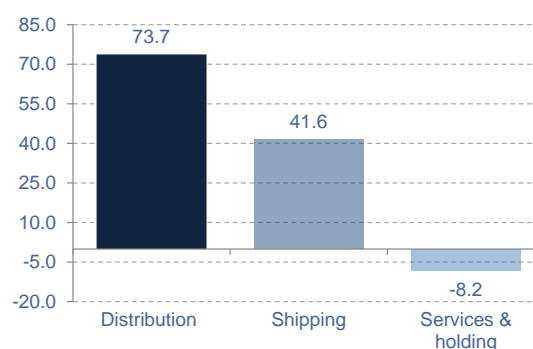
2023 Orsero highlights: revenues of € 1.541m, adj. EBITDA of € 107.1m (7.0% margin), adjusted net profit equal to € 54.1m and net financial position of € 127.8m (1.2x adj. EBITDA).

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 28-Oct-16. Orsero has been trading on the Euronext STAR Milan segment since 23-Dec-19.

2023 Gross Turnover...



...and EBITDA by business



Shareholder structure

	%	# m
FIF Holding	33.4%	5.90
Grupo Fernandez	6.7%	1.18
Treasury Shares	4.3%	0.75
Free Float	55.7%	9.85
o/w Praude Asset Management	9.7%	1.71
Global Portfolio Investments	5.5%	0.97
First Capital	5.6%	1.00
Total	100.0%	17.68

Source: company data

Peer group absolute performance

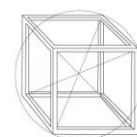
%	1D	1W	1M	3M	6M	YTD
Calavo Growers Inc	2.1	6.0	10.6	6.0	14.1	(2.9)
Dole PLC	0.2	2.2	6.1	11.5	7.9	1.2
Fresh Del Monte Produce Inc	(0.8)	(4.8)	(5.2)	0.3	2.2	(7.3)
Greenyard NV	(0.4)	(1.5)	2.3	0.2	(5.1)	(10.1)
Mission Produce Inc	0.8	4.9	0.6	16.7	31.3	18.0
Omer Decugis & Cie SA	(2.0)	(4.3)	(6.5)	(13.0)	(3.1)	(3.1)
Peers Median	(0.1)	0.4	1.4	3.1	5.1	(3.0)
Orsero SpA	(5.2)	(6.6)	(3.7)	(21.1)	(9.5)	(19.9)
FTSE Italia STAR	1.3	1.3	1.8	2.3	14.4	0.7
EU Sector	0.9	1.0	0.2	(5.9)	(3.1)	(6.2)
Orsero SpA to peers	(5.1)	(7.0)	(5.1)	(24.3)	(14.5)	(16.9)
Orsero SpA to FTSE Italia STAR	(6.5)	(7.9)	(5.5)	(23.4)	(23.9)	(20.6)
Orsero SpA to EU Sector	(6.0)	(7.6)	(3.9)	(15.3)	(6.4)	(13.8)

Source: Refinitiv Eikon

Peer group multiples table

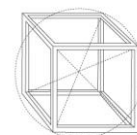
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Calavo Growers Inc	27.2	18.5	16.2	17.8	14.0	12.9	n.a.	n.a.	n.a.
Dole PLC	10.8	9.1	7.8	4.8	4.4	3.8	5.2	4.6	5.1
Fresh Del Monte Produce Inc	10.4	9.3	n.a.	6.1	5.6	n.a.	n.a.	n.a.	n.a.
Greenyard NV	11.8	7.9	6.0	2.2	2.0	1.9	3.7	3.4	3.1
Mission Produce Inc	37.8	33.8	n.a.	12.4	12.8	n.a.	n.a.	n.a.	n.a.
Omer Decugis & Cie SA	7.9	4.5	n.a.	5.4	3.5	n.a.	5.2	2.8	n.a.
Median	11.3	9.2	7.8	5.8	5.0	3.8	5.2	3.4	4.1
Orsero SpA	7.6	7.8	7.9	3.6	3.6	3.6	4.2	4.1	4.0
% (Disc.)/Prem. to peer	(32.7)	(15.3)	0.9	(37.5)	(28.2)	(5.7)	(18.6)	21.5	(3.0)

Sources: CFO SIM, Refinitiv Eikon





Income statement (€ m)	2022	2023	2024e	2025e	2026e
Net Revenues	1,196.3	1,540.8	1,580.4	1,597.2	1,614.4
COGS	(1,077.4)	(1,369.3)	(1,426.4)	(1,443.8)	(1,460.2)
Gross Profit	118.8	171.5	154.0	153.4	154.2
SG&A	(78.9)	(106.5)	(109.3)	(110.4)	(111.6)
EBIT	39.9	64.9	44.7	42.9	42.6
Financials	(5.9)	(10.4)	(10.3)	(9.1)	(9.1)
Results from investments	2.0	1.6	1.6	1.6	1.7
Pre-Tax Profit	36.1	56.1	36.1	35.4	35.1
Taxes	(3.7)	(8.0)	(6.3)	(6.4)	(6.3)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.9)	(0.9)	(0.9)	(0.9)
Net Profit	32.3	47.3	28.9	28.2	27.9
D&A and Provisions	(30.4)	(34.3)	(35.2)	(35.9)	(36.1)
Non-recurring items	(5.8)	(7.9)	(3.2)	(3.2)	(3.2)
Adjusted EBITDA	76.1	107.1	83.1	82.0	81.9
Adjusted EBIT	45.7	72.8	47.9	46.1	45.8
Adjusted Net Profit	36.9	54.1	31.6	30.9	30.6
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	31.7	37.4	26.6	27.0	27.2
Net Fixed Assets	222.2	322.7	325.9	326.6	323.0
Equity Investments	19.4	20.6	21.0	21.4	21.8
Other M/L Term A/L	(4.4)	(14.3)	(6.2)	1.2	8.6
Net Invested Capital	268.9	366.3	367.3	376.2	380.7
Net Financial Debt/(cash)	67.4	127.8	109.2	99.2	85.0
Minorities	0.4	1.7	2.6	3.5	4.4
Group's Shareholders Equity	201.1	236.8	255.5	273.6	291.3
Financial Liabilities & Equity	268.9	366.3	367.3	376.2	380.7
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	32.5	48.1	29.8	29.1	28.8
Depreciation	28.1	31.5	32.3	32.9	33.1
Other non-cash charges	(4.2)	1.3	(8.1)	(7.4)	(7.4)
Cash Flow from Oper. (CFO)	56.4	80.9	54.0	54.6	54.5
Change in NWC	(1.5)	(5.7)	10.8	(0.5)	(0.2)
FCF from Operations (FCFO)	54.9	75.2	64.8	54.2	54.3
Net Investments (CFI)	(31.1)	(63.1)	(22.0)	(20.0)	(16.0)
Free CF to the Firm (FCFF)	23.8	12.1	42.8	34.2	38.3
CF from financials (CFF)	(10.1)	9.2	(13.2)	(24.2)	(24.2)
Free Cash Flow to Equity (FCFE)	13.8	21.2	29.5	10.0	14.2
Financial ratios	2022	2023	2024e	2025e	2026e
Adjusted EBITDA margin	6.4%	7.0%	5.3%	5.1%	5.1%
EBIT margin	3.3%	4.2%	2.8%	2.7%	2.6%
Net profit margin	2.7%	3.1%	1.8%	1.8%	1.7%
Tax rate	10.2%	14.2%	17.5%	18.0%	18.0%
Op NWC/Sales	2.6%	2.4%	1.7%	1.7%	1.7%
Interest coverage x	0.15	0.16	0.23	0.21	0.21
Net Debt/EBITDA adj. x	0.89	1.19	1.31	1.21	1.04
Debt-to-Equity x	0.34	0.54	0.43	0.36	0.29
ROIC	12.0%	12.9%	7.9%	7.5%	7.3%
ROCE	12.8%	15.3%	9.5%	8.8%	8.4%
ROACE	13.2%	17.5%	9.8%	9.0%	8.6%
ROE	16.0%	20.0%	11.3%	10.3%	9.6%
Payout ratio	18.8%	21.5%	35.2%	36.0%	36.4%
Per share figures	2022	2023	2024e	2025e	2026e
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 €	1.82	2.67	1.63	1.59	1.58
EPS adjusted FD €	2.09	3.06	1.79	1.75	1.73
EBITDA €	4.30	6.06	4.70	4.64	4.63
EBIT €	2.26	3.67	2.53	2.43	2.41
FCFO €	3.11	4.25	3.66	3.06	3.07
FCFF €	1.35	0.68	2.42	1.93	2.17
FCFE €	0.78	1.20	1.67	0.57	0.80
Dividend €	0.35	0.60	0.60	0.60	0.60



Q1-24 results

Orsero reported Q1-24 results characterised by almost unchanged revenues and a reduction in profitability which reflects the trend the company anticipated in the FY-24 guidance, namely a back-to-normal of the shipping activity and lower margins concerning bananas, after an exceptional FY-23. Q1-24 results represented 21.4% and 22.8% of CFO SIM's FY projections regarding revenues and EBITDA, respectively. The figures are broadly in line with the group's historical seasonality: considering the 2019-23 period, on average, Q1 accounted for 22.5% and 22.2% of FY revenues and EBITDA, respectively.

Table 1 – Orsero, Q1-24 results summary

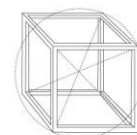
€ m	Q1-24	Q1-23	% YoY
Net Revenues	337.9	347.3	(2.7)
COGS	(306.4)	(307.0)	
Gross Profit	31.5	40.4	(22.0)
% margin	9.3	11.6	
SG&A	(24.0)	(24.1)	
Other	1.1	1.4	
EBIT	8.7	17.7	(50.8)
% margin	2.6	5.1	
Financials	(2.6)	(2.6)	
Results from investments	0.3	0.2	
Pre-Tax Profit	6.5	15.3	(57.9)
% margin	1.9	4.4	
Taxes	(1.5)	(2.4)	
Tax Rate	23.0%	15.5%	
Discontinued	0.0	0.0	
Minorities	(0.4)	(0.5)	
Net Profit	4.6	12.5	(63.0)
% margin	1.4	3.6	
D&A	(7.9)	(7.7)	
Provision	(0.3)	(0.3)	
Top Management Incentives	0.0	(0.2)	
Non-recurring income/expenses	0.1	(0.4)	
Adjusted EBITDA	16.8	26.2	(35.9)
% margin	5.0	7.6	
Adjusted EBIT	8.6	18.2	(52.7)
% margin	2.6	5.2	
Adjusted Net Profit	4.6	13.0	(65.0)
% margin	1.3	3.7	

Sources: company data

Total revenues were € 337.9m, down by 2.7% YoY, as a result of the progressive normalisation of the shipping activity coupled with adverse climatic conditions which affected some campaigns and a weak consumption.

The Distribution BU reported revenues of € 320.3m and EBITDA of € 11.7m, 3.7% margin (€ 323.1m and € 15.6m, 4.8% margin, respectively, in Q1-23), as a result of the weak consumption of a few winter campaigns' products coupled with the normalisation of the profitability of bananas from the exceptional level achieved in 2023. Furthermore, adverse weather conditions in some countries of origin negatively affected the quantity and quality of some products.

The Shipping BU registered revenues of € 28.1m, down by 18.6% YoY (€ 34.5m in Q1-23), continuing the **gradual normalisation** towards its historical level after the exceptional 2022-23 two-year period. **The Shipping BU's adjusted EBITDA was € 7.2m, 25.6% margin**, compared to € 12.9m, 37.4% margin, in Q1-23. The decrease is mainly ascribable to the lower profitability of the dry cargo business on the westbound route and the unfavourable EUR/USD exchange rate.



However, the BAF clause included in the contracts allowed the group's profitability to be unaffected by the fuel cost increase.

Table 2 – Orsero, Q1-24 revenues breakdown

€ m	Q1-24	Q1-23	% YoY
Net Revenues	337.9	347.3	(2.7)
Distribution	320.3	323.1	(0.9)
Shipping	28.1	34.5	(18.6)
Services	2.6	2.8	(8.6)
Intercompany	(13.1)	(13.1)	(0.0)
Adjusted EBITDA	16.8	26.2	(35.9)
Distribution	11.7	15.6	(25.0)
Shipping	7.2	12.9	(44.3)
Services	(2.1)	(2.3)	9.7
Adjusted EBITDA %	5.0	7.6	-257 bps
Distribution %	3.7	4.8	-118 bps
Shipping %	25.6	37.4	-1182 bps
Services %	(80.1)	(81.1)	96 bps

Sources: company data

Adjusted EBITDA was € 16.8m, 5.0% margin, compared to € 26.2m, 7.6% margin, in Q1-23, as a result of the aforementioned dynamics concerning the two BUs.

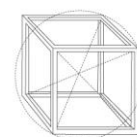
After broadly stable D&A, **adjusted EBIT came in at € 8.6m, 2.6% margin** (€ 18.2m, 5.2% margin in Q1-23). The **group's adjusted Net Profit totalled € 4.6m**, compared to € 13.0m in Q1-23, after almost unchanged financial charges but a higher tax rate because of the lower contribution of the Shipping BU, which benefits from the tonnage tax scheme.

Net Financial Position was € 139.0m compared to € 127.8m at year-end 2023, mainly as a consequence of higher NWC (+ € 11.8m) due to business seasonality. Capex was € 3.6m, € 0.5m of which for the banana and avocado ripening rooms in Cavaillon (France), € 0.8m for the new market stands in Milan and Verona and € 2.3m concerning several minor recurring investments into distribution platforms. By excluding the figurative debt stemming from the application of the IFRS-16 accounting principle, NFP was € 77.3m compared to € 67.1m at year-end 2023.

Table 3 – Orsero, Q1-24 KPIs balance sheet

€ m	Q1-24	FY-23	% YoY
Shareholders' Equity	245.6	238.5	3.0
Net Financial Position	139.0	127.8	8.8
NFP/Shareholders' Equity	0.57	0.54	
NFP/Adjusted EBITDA	n.m.	4.87	
Net Financial Position ex. IFRS16	77.3	67.1	15.4
NFP/Shareholders' Equity excl. IFRS-16	0.31	0.28	
NFP/Adjusted EBITDA excl. IFRS-16	n.m.	2.55	

Sources: company data



FY-24 guidance confirmed

In light of the Q1-24 results and the business seasonality, **Orsero confirmed the FY-24 guidance** announced on 6 February, which envisages the consolidation of the group's dimensions and the progressive normalisation of the profitability of the shipping activity following more than two years of buoyant performance, in line with market trends.

Table 4 – Orsero, FY-24 guidance

€ m	FY-23	FY-24e Low	% YoY	FY-24e High	% YoY
Net Revenues	1,540.8	1,530.0	(0.7)	1,590.0	3.2
Adj. EBITDA	107.1	77.0	(28.1)	84.0	(21.6)
% margin	7.0	5.0	-192bps	5.3	-167bps
Adj. Net Profit	54.0	28.0	(48.1)	32.0	(40.7)
CAPEX	13.2	21.0	58.9	23.0	74.0
NFP debt/(cash)	127.8	110.0	(13.9)	105.0	(17.8)
NFP debt/(cash) excl. IFRS-16	67.1	52.0	(22.4)	47.0	(29.9)

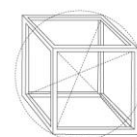
Sources: company data

The FY-24 guidance includes:

- ✓ Net Revenues of € 1,530-1,590m, implying YoY growth of -0.7% and 3.2% vs FY-23;
- ✓ Adj. EBITDA of € 77-84m, adj. EBITDA margin between 5.0-5.3%;
- ✓ Adj. Net Profit of € 28-32m;
- ✓ capex of € 21-23m;
- ✓ NFP of € 110-105m, including € 10m dividends but not considering the execution of the buyback program.

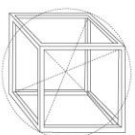
Furthermore, Orsero confirmed the **annual ESG targets**:

- ✓ energy consumption index per refrigerated cubic meter decreasing to 80.35 Kwh/m³;
- ✓ % of market stands involved in activities fighting food waste increasing to 80% of the total;
- ✓ % of employees engaged in sustainability training increasing to 80% of the total;
- ✓ % of warehouses certified for food safety increasing to 86% of the total.





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ANALYST CERTIFICATION

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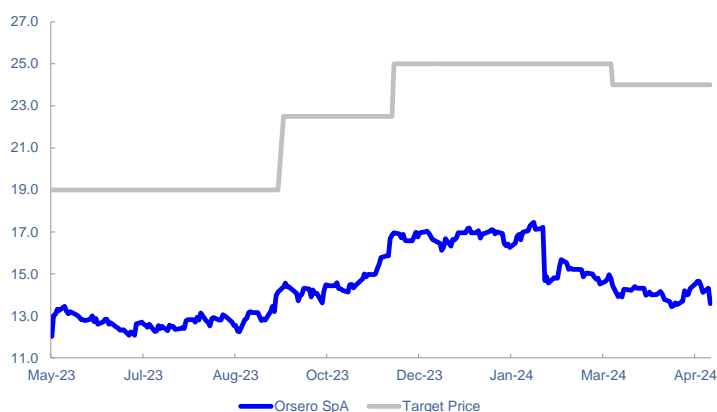
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DATE	TARGET PRICE	RATING
08/05/2024	€24.00	BUY
15/03/2024	€24.00	BUY
07/02/2024	€25.00	BUY
17/11/2023	€25.00	BUY
18/09/2023	€22.50	BUY
16/05/2023	€19.00	BUY

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- 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.

