

Italy - Food

Results driven by distribution - Compelling valuation

21<sup>st</sup> March 2018

FY-17 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

FY-17 results were characterized by the solid performance of the core business of distribution and the weak import and shipping results. The group remains a long term value player: in a sector characterized by a deep trend of consolidation, it can play a prime role in this process.

Rating:

**Buy**

Price Target:

**€ 12.80 (€ 13.80)**

Upside/(Downside): 41.4%

Last Price: € 9.05

Market Cap.: € 160.0

1Y High/Low: € 14.26/€ 8.81

Free Float: 62.7%

Major shareholders:

FIF Holding	31.6%
Grupo Fernández	5.6%
Global Portfolio Investments	5.3%
Praude Asset Management	5.3%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	0.3%	-2.8%	-13.4%
<b>Rel.to AIM Italia</b>	0.7%	-2.5%	-27.4%
<b>Rel.to EU Sector</b>	3.0%	3.5%	-17.8%

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**Buy recommendation confirmed, new PT of € 12.80/s (€13.80)**

Following the publication of 2017 results, we have updated our model factoring in: 1) a slightly better performance of the Distribution business unit (3.3% organic growth and stable 3.5% EBITDA margin), 2) a further cut in the Import & Shipping numbers (EBITDA almost unchanged YoY in 2018 with only a marginal improvement in 2019-20, but still lower than 10Y average profitability (\$ 15-17m EBITDA); 3) a tax rate at 23% (19%); 4) a diminishment in the cash absorption of the Service-Holding division of some € 1.0m per year; 5) a dividend pay-out similar to 2017 also in 2018-20 and 6) the introduction of 2020 estimates. The result is a 10% average cut in EBITDA forecasts for 2018-19. Since the shipping division contribution to net profit is basically inconsequential in our model in 2018-20, the systematically lighter tax burden vs. peers thanks to the application of the 5% *tonnage tax* regime to the profits stemming from the shipping arm of the group, is missing. That is why we now confidently consider that the most suitable multiple to look at is EV/EBITDA. After a residual 10.0% discount due to the smaller size, 2018 EV/EBITDA derived equity value totals € 226.0m, i.e. € 12.80/s (€ 13.80), implying a 41.4% upside at current prices.

**Top line soared 36.9% to almost € 1.0bn, +3.2% like-for-like**

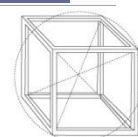
FY-17 pro-forma revenues totalled € 935m, better than our € 899m forecast, mainly as a result of higher sales in the distribution business. The distribution division revenues increased 53.2% to € 852m mainly thanks to the 100% consolidation the JV previously held 50:50. Organic growth was a solid 6.6%, much higher than market growth. The increase in the distribution business unit more than counterbalanced the decline in the Import & Shipping division, afflicted by 1) lower profitability for bananas; 2) increase in Bunker price (+45% YoY to \$ 313/ton from \$ 216/ton); 3) lower loading factor (84% vs. 92%); 4) some changes in vessel voyage schedule generating higher consumption, extra maintenance and transportation costs. The import & shipping business unit generated sales of € 218m, down by 6.8% YoY.

**FY-17 EBITDA at € 31.0m, 3.3% margin - € 0.12/s dividend**

Adjusted (excluding non-recurring items) pro-forma EBITDA totalled € 31.0m, 3.3% margin, better than our € 29.3m expectation. Distribution EBITDA adj. reached € 29.1m, 3.4% margin, with an increase of 85% YoY, thanks to the combined effect of the JV minorities buy-out and the like-for-like € 3.4m growth. Import & shipping adj. EBITDA collapsed to € 7.1m, vs. € 24.9m in FY-16, being afflicted by the aforementioned factors. Net profit declined 18.2% to € 14.9m, slightly lower than our € 15.6m forecast. Unexpectedly but consistent to group current well balanced financial structure, the BoD will propose to the next AGM (scheduled for the next April 20, 2018 - second call) an € 0.12/s dividend (1.3% yield): ex-dividend date May 7, 2018, record date on May 8, 2018 and with payment on May 9, 2018. The Net Financial Position at Dec-17 improved to € 46.5m from € 49.1m at end-16.

**Orsero, key financials and ratios**

€ m	2016	2017	2018e	2019e	2020e
Sales	685.0	937.8	968.1	1,000.9	1,034.7
EBITDA adj	35.2	31.3	34.5	39.4	40.8
EBIT adj	17.6	11.3	18.9	23.9	25.4
Net profit	18.2	14.9	12.3	16.1	17.3
Net profit adj	23.7	18.7	12.3	16.1	17.3
NFP (cash)/debt	49.1	46.5	39.1	24.9	8.0
EPS adjusted FD	1.34	1.06	0.70	0.91	0.98
EPS adj. FD growth	45.0%	-21.0%	-34.4%	31.3%	7.0%
DPS ord. €/s	0.00	0.12	0.12	0.15	0.16
Dividend yield	0.0%	1.3%	1.3%	1.7%	1.8%
Free Cash Flow Yield	27.0%	-7.0%	5.9%	10.2%	12.3%
PER x	6.7	8.5	12.9	9.8	9.2
EV/Sales x	0.30	0.22	0.20	0.18	0.16
EV/EBITDA x	5.9	6.6	5.7	4.7	4.1
EV/EBIT x	11.8	18.2	10.5	7.7	6.6



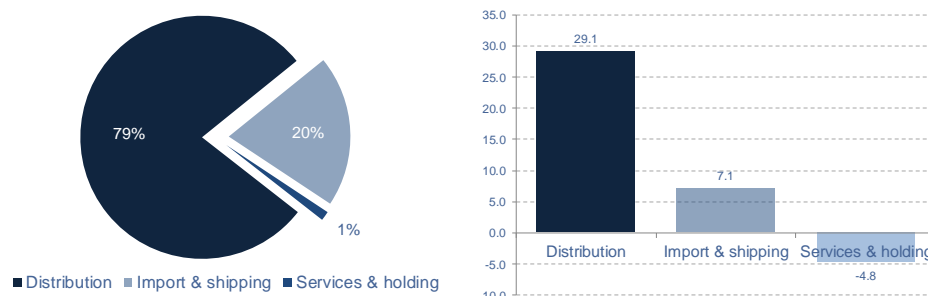
## Orsero at a glance

Orsero is an international group headquartered in Albenga (Savona), **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 structure entails besides import and distribution of fresh fruit and vegetables, 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.

Every year, Orsero sells more than 550,000 tons of fruit and vegetables by selecting only the best, at the right time, in every corner of the planet, through a network of more than 1,500 suppliers in over 70 countries.

During 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.

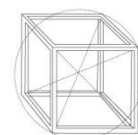
Chart 1 – Orsero, 2017 gross revenues and EBITDA adj. breakdown by division



Source: Company data

### Main milestones from 1940 to date

- 1940s Beginning of the fruit distribution business in Italy
- 1970s Launch of a relationship with Del Monte, in order to develop exotic and counter season fruit import and distribution
- 1980s Purchase of plantations in Costa Rica and investments in the banana ripening and distribution business in France
- 1990s Beginning of the shipping business with the construction of "Cala Bianche", the first reefer fleet. Major investments in the Italian, Portuguese and Greek distribution arenas.
- 2000-2006 Acquisition of stakes in certain retail sector businesses in order to expand activities in the Spanish and Italian markets.
- 2007-2013 Diversification into adjacent businesses.  
Introduction of the "Fratelli Orsero" brand and interruption of the commercial partnership with Del Monte.  
The crisis.
- 2014-2015 Start of the divestment policy to refocus on the group's core business.  
In 2015, management reinforcement and organisational review.
- 2016-2017 Acquired by Glenalta Food and listed on AIM Italia



The top management of the group comprises 4 people, with an average age of 44.

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

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

**Matteo Colombini (MD and CFO)** - Born in Bologna in 1983. After graduating in Law and Business Administration and a master's course in General Management at Bocconi University in Milan, he started his career at the Bank of Ireland. In 2008, he went to work at Bain & Company Italy Inc. until 2015 when he joined 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. in 2010 as a consultant. He joined Orsero Group in November 2015 as Chief Operating Officer.

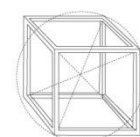
Orsero was listed on the **AIM Italia** (Alternative Investment Market) **on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. The merger was the final step in the business combination between Glenalta Food and Orsero Group, as regulated by the agreement signed and announced last 28<sup>th</sup> October 2016.

Glenalta Food implemented the merger by means of a net capital increase of € 55.0m through the issue of 5,590,000 new ordinary shares without par value, assigned to the sole shareholder of Orsero Group, FIF Holding, at an exchange ratio of 43 ordinary shares in Glenalta Food for every 50 ordinary shares in Orsero Group. Orsero share capital as of today therefore amounts to a nominal € 64.7m, divided into 16,682,500 ordinary shares (including 712,687 treasury shares).

**Table 1 – Orsero, shareholders structure**

Shareholders	#m shares	%
<b>FIF Holding</b>	<b>5.590</b>	<b>31.6%</b>
Anna Chiara Orsero	1.695	9.6%
Raffaella Orsero	1.695	9.6%
Pierangelo Ottonello	0.759	4.3%
Antonio Orsero	0.645	3.6%
Lorenzo Ighina	0.398	2.3%
Leonardo Ighina	0.398	2.3%
<b>Grupo Fernandez</b>	<b>1.000</b>	<b>5.7%</b>
<b>Free Float</b>	<b>11.093</b>	<b>62.7%</b>
o/w treasury shares	0.713	4.0%
<b>Total</b>	<b>17.683</b>	<b>100.0%</b>

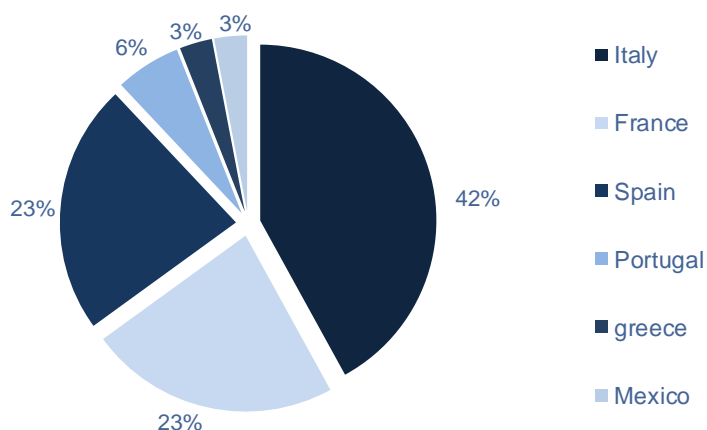
Source: Company data, Glenalta Food, CFO Sim



## Business activities: 1) Distribution

The group distributes **more than 300 key products (of a total of some 2,000 items)**, mainly bananas, pineapples and citrus fruits, in the five most important markets in Southern Europe (Italy, France, Spain, Portugal and Greece) thanks to eight local distributors.

Chart 2 – 2017 revenues by country



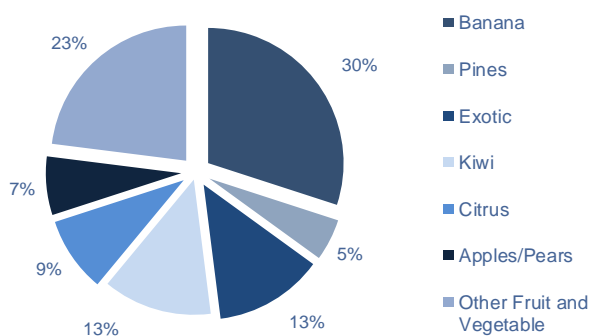
Source: Company data

Orsero boasts a consolidated network of wholesalers and large-scale retail chains where it distributes more than 500,000 tons/y exploiting its platforms specialised in fresh product storage and handling.

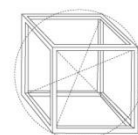
In addition to its own brands, F.lli Orsero and Simba, Orsero is one of the largest distributors in Europe of key fruit and vegetable brands.

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 (79% of total revenues in 2017) and stable return generation at around 2-3% in terms of EBITDA on average in the last years.

Chart 3 – 2017 revenues by product



Source: Company data



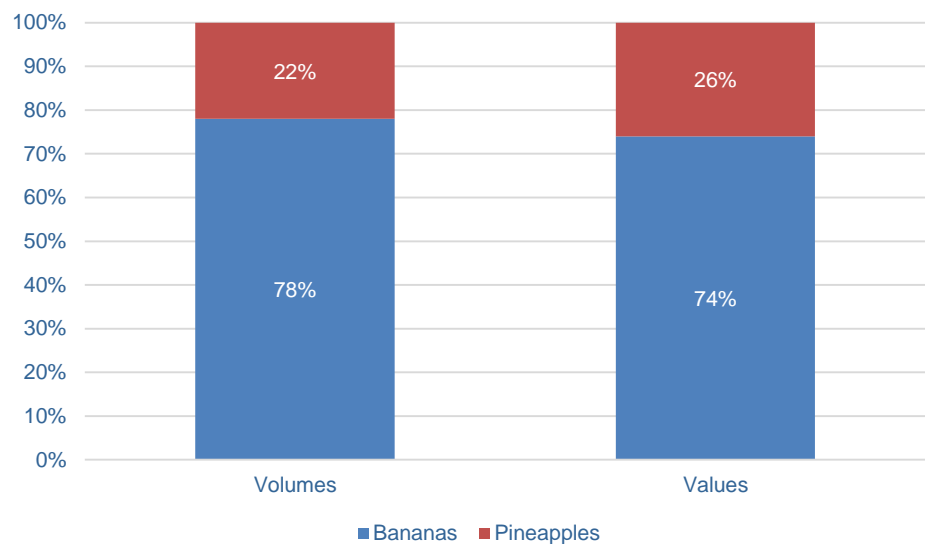
## Business activities: 2) Import and Shipping

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

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

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

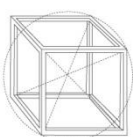
**Chart 4 – 2016 products breakdown by volumes/values**



Source: Company data

The group is also active in the production of avocados through a wholly owned subsidiary in Mexico.

After the spinoff of the production company in Argentina, Mono Azul, which reported heavy losses during recent years, the production business unit will be marginal in terms of revenues (5% of total revenues) with decent margin and profit levels.

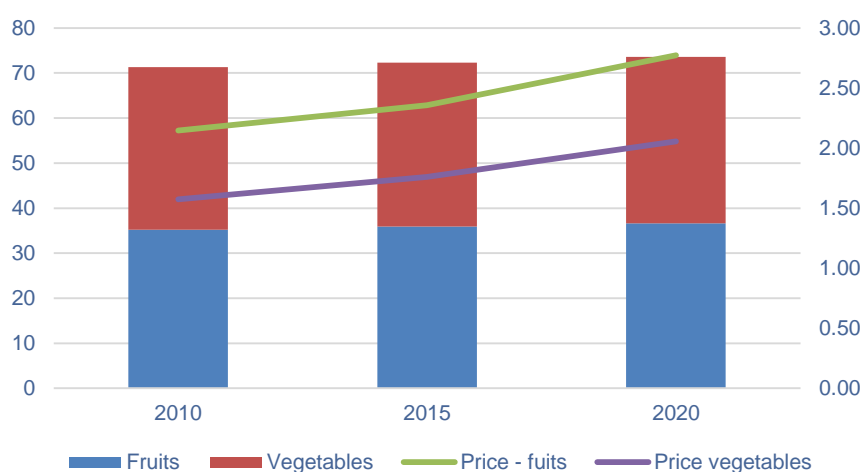


## The reference market

Over the last five years, European production and consumption of fresh fruit and vegetables has been stable, but **market volumes are expected to grow slightly to 73.6mtons in 2020**, of which 36.6mtons of fruit, representing almost 50% of the total market (+0.4% CAGR<sub>15-20</sub>).

In the coming years, major **shifts in dietary patterns are expected to occur in Europe**: with diets becoming lighter and lower in fats, even in relation to the consumption of staples. In fact, **people are becoming more and more interested in food and health related issues**, as they try to pay attention to a safe and healthy diet.

**Chart 5 – Fruit & vegetable consumption (mtons) and prices (€/kg) in Europe**



Source: Orsero, Euromonitor

In addition, there is a new concern for environmental issues, which leads to a more conscious way of eating. Average life expectancy has increased too, and **people eat more frequently during the day**, encouraging the consumption of fresh fruit, which represents 62% of the global snacks market.

Due to the aforementioned reasons, even if market volumes are expected to remain basically stable, **prices are set to increase at 3.3% pa**, also because of the more favourable product mix.

In Italy, the market is forecasted to grow from € 14.8bn to € 17.5bn by 2020, with an increase in consumption of exotic and organic fruit. Apples are the most popular fruit item consumed, representing 17% of the overall market, whereas bananas account for approximately 9%. Looking at the channel of fresh fruit distribution, 40% of Italian fruit is sold by domestic producers with direct access to the market.

On the other hand, 91.7% of the fruit trade is controlled by the large retail chains in France. Bananas account for 20% of the total fruit market, expected to reach a peak of € 10.7bn by 2020. Furthermore, **organic food represents a key emerging trend**, as consumers are willing to pay a more elevated price for local and natural products.

The same trend can be observed in Spain, where the demand for organic products increased by 3% last year. Oranges and mandarins have the largest share and account for almost 26% of the Spanish market, whereas bananas total 10%.

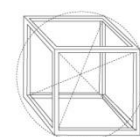
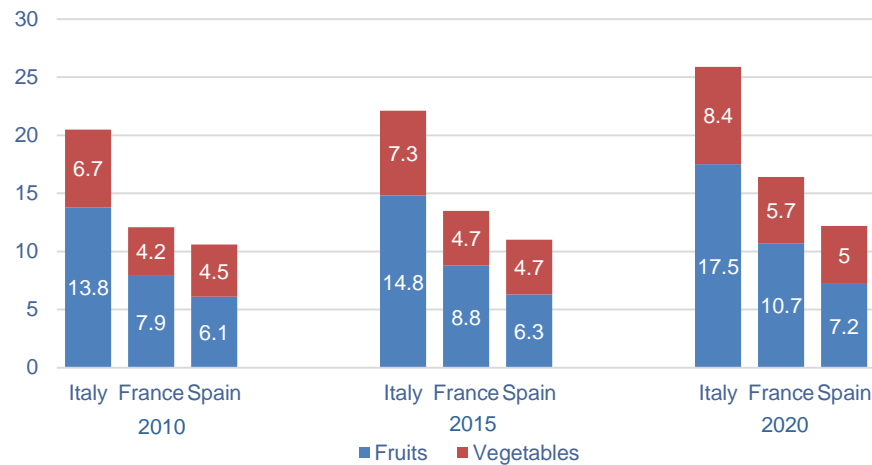


Chart 6 – Fruit & vegetable consumption (€ bn) trend in Southern European key areas



Source: Orsero, Euromonitor

With regards to the vegetable market, its value is expected to increase by 2-3% in all the countries considered, thanks to the increased popularity of healthy natural products, as well as the increased importance of corporate social responsibility.

Finally, the total volume of fruit and vegetables produced in Portugal and Greece, account for 1.9 and 2.4 mtons respectively, with a slight increase in the consumption of fruit forecasted in Greece (+0.1% CAGR 15-20).

## Pineapple and banana markets

**The world pineapple and banana markets can be labelled as oligopolies.** In fact, four companies Fyffes, Chiquita, Del Monte and Dole hold the vast majority of the pie and are vertically integrated all over the chain. **The remainder is highly fragmented** and divided among a plethora of several other small fruit companies.

**Italy imports almost 130mtons of pineapples** per annum, with Spain and France following suit. **The pineapple market in Europe is expanding rapidly:** consumption showed a +5.0% CAGR<sub>13-15</sub>. In particular, consumption in Greece and Spain is growing more than twice the average of countries served by Orsero.

**Fresh Del Monte is the world's largest dealer of pineapples,** distributing nearly 53% of all cases exported worldwide. The second player is Dole, with almost 31% of all cases, whereas all the other players hold significantly lower market shares.

**The vast majority of bananas come from Central and South America:** Ecuador, Guatemala and Costa Rica are the main producers, accounting for more than 70% of world production.

In Europe, nearly 3mtons of bananas are consumed each year; Italian consumption accounts for almost 700,000tons, with Spain and France following with 500,000tons.

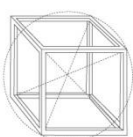
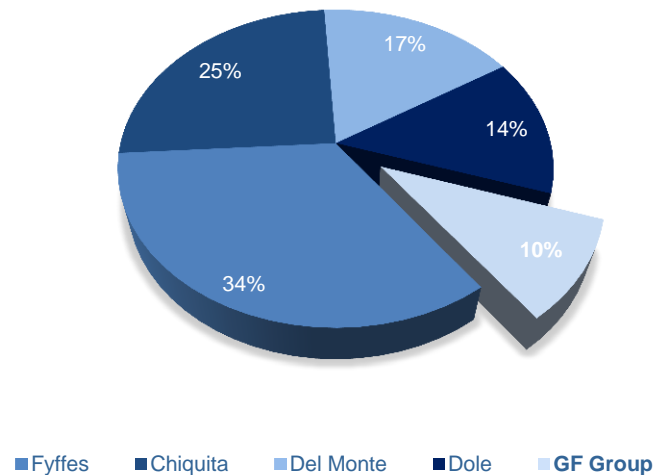


Chart 7 – The five largest banana importers in Southern Europe



Source: Orsero, Euromonitor

**Orsero is the fifth largest banana importer in Europe**, with the other major fruit companies ruling the world supply chain.

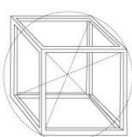
Banana pricing, both to purchase and to sell, is seasonal and depends on several factors, including its availability and quality in relation to competing fresh fruit items. As a result, **prices are typically stronger during the first half of the year and lower in the second half to correspond with the seasonal supply-and-demand dynamics.**

Due to the strength of the "Chiquita" brand, the company obtains a premium price for its products: 18,85 EUR/box compared to 16,00 EUR/box charged by F.lli Orsero. As a result, **F.lli Orsero pricing is 15% lower than Chiquita's, but it is still higher than Del Monte** (€ 15.25/box) and in line with Dole (€ 16.15/box). The cheapest brands are subject to higher periodical price fluctuations than price leaders.

Table 2 – Orsero, price positioning vs. competitors (bananas)

€/box	Price per unit			Price index (Chiquita=100)		
	2013	2014	2015	2013	2014	2015
Chiquita	18.11	18.33	18.85	100	100	100
Dole	15.53	16.01	16.15	86	87	86
<b>F.lli Orsero</b>	<b>15.47</b>	<b>15.75</b>	<b>16.00</b>	<b>85</b>	<b>86</b>	<b>85</b>
Del Monte	14.45	14.87	15.25	80	81	81
Bonita	14.76	14.89	15.24	81	81	81
<b>Simba</b>	<b>13.56</b>	<b>14.30</b>	<b>14.66</b>	<b>75</b>	<b>78</b>	<b>78</b>
Other brands	12.84	13.41	13.48	71	73	71

Source: Orsero, Euromonitor





## 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 production to end customer distribution. The aim 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 actual EBITDA margin for the Distribution division from the current 3.5% (already a best-in-class level and compares to 2.5% of Total Produce) to 4.5% in the next five years, also via bolt-on acquisitions.

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

**Import:** logistic efficiency thanks to the reefer fleet directly owned 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 25 warehouses in Southern Europe for product storage and control;

**Ripening:** Orsero owns and runs 20 specialised centres in Southern Europe dedicated to banana maturation;

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

**Distribution:** daily deep-rooted distribution and custom made solutions.

The group strategy can be structured in three major pillars: organic growth, acquisitions and increased operating efficiency.

### 1) Organic growth

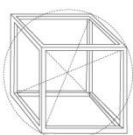
- **Market share recovery** in Italy and in Europe, lost during the years of group crisis 2008-13
- **Further development in the Italian market** in particular in the regions in which Orsero is still not yet at full potential.
- **"F.lli Orsero" brand extension** into new promising higher margin segments, for instance fresh cut, dried fruit, exotic products and berries, characterised by a marked consistency with main consumer trends (namely, fresh cut and dried fruit).
- **Scouting and development of new channels**, that is to say vending machines for fresh cut and bananas and HORECA.

### 2) External growth

- **Consolidation of key markets**, namely Italy and Spain.
- In Italy, a highly fragmented market and in the course of consolidation, Orsero can **leverage its leading position to grab market opportunities**.
- In Europe development of **partnerships with local producers** of specific items characterised by outlier growth rates.
- Possible **targets in adjacent but consistent bio-vegan product categories** with the aim to expand the current group product portfolio.

### 3) Increase operating efficiency

- **Redefinition and reorganisation of procedures**, with the aim of standardising them at group level.
- Implementation of a **new performing integrated ERP software**, to the benefit of central management control.
- **Focus on logistics:** appropriate centralised management and dimensioning of distribution platforms



## 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, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

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

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's 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 external growth opportunities
- ❑ **Vessel ownership** is to a certain extent a competitive advantage with significant 15Y residual life

#### WEAKNESSES

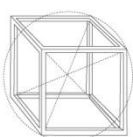
- ❑ Currently still **limited F.lli Orsero brand awareness** on end consumers
- ❑ **Exposure to USD/EUR**, in particular for maritime transport segment
- ❑ **Market share recovery**, may be more complicated than expected

#### 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
- ❑ **Foreign markets** further expansion
- ❑ Increase in **fruit consumption frequency, times, occasions, places**

#### THREATS

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



## FY-17 results

Orsero reported FY-17 results, better than our projections at EBITDA adj. level and slightly lower at net profit. The increase in the Distribution top line and profitability was driven by Italy and France. The decline in the Import & Shipping division was due to tensions on banana prices, a decline in volume shipped and weak freights.

**Table 3 – Orsero, FY-17 results summary**

€ m	2017	2016	% YoY	2017e	% Diff.
<b>Revenues</b>	<b>937.8</b>	<b>685.0</b>	<b>36.9</b>	<b>898.8</b>	<b>4.3</b>
COGS	(859.2)	(612.3)		(806.7)	
<b>Gross Profit</b>	<b>78.6</b>	<b>72.7</b>	<b>8.2</b>	<b>92.1</b>	<b>(14.6)</b>
% margin	8.4	10.6		10.2	
SG&A	(66.4)	(49.5)		(62.4)	
Other	(1.0)	(5.6)		(6.9)	
<b>EBIT</b>	<b>11.3</b>	<b>17.6</b>	<b>(36.1)</b>	<b>22.7</b>	<b>(50.5)</b>
% margin	1.2	2.6		2.5	
Financials	(2.7)	(1.4)		(2.2)	
Results from investments	11.0	4.9		0.5	
<b>Pre Tax Profit</b>	<b>19.6</b>	<b>21.1</b>	<b>(7.3)</b>	<b>21.0</b>	<b>(6.9)</b>
% margin	2.1	3.1		2.3	
Taxes	(4.5)	(2.9)		(5.3)	
Tax Rate	23.0%	13.6%		25.0%	
Minorities	(0.2)	(0.1)		(0.1)	
<b>Net Profit</b>	<b>14.9</b>	<b>18.2</b>	<b>(18.2)</b>	<b>15.6</b>	<b>(5.0)</b>
% margin	1.6	2.7		1.7	
D&A	(12.8)	(9.8)		(12.6)	
Provisions	(2.5)	(1.5)		(2.0)	
Non recurring income	0.7	1.6		18.0	
Non recurring expenses	(5.4)	(7.9)		(10.0)	
<b>Adjusted EBITDA</b>	<b>31.3</b>	<b>35.2</b>	<b>(11.0)</b>	<b>29.3</b>	<b>6.8</b>
% margin	3.3	5.1		3.3	

Source: Orsero, CFO SIM estimates

**FY-17 revenues totalled € 935m**, better than our € 899m forecast, mainly as a result of higher sales in the distribution business. Organic growth was 3.2%. This number is pro-forma, factoring in the consolidation of the JVs minorities purchased in Jul-17 as of 01-Jan-17. Our projections are consistent with this approach. The comparison with FY-16 data is misleading.

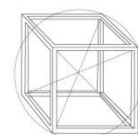
**Table 4 – Orsero, FY-17 revenues breakdown**

€ m	2017	2016	% YoY	2017e	% Diff.
Distribution	851.6	555.7	53.2	800.6	6.4
Import & shipping	218.0	233.8	(6.8)	239.9	(9.1)
Service/holding	13.4	13.5	(0.7)	13.3	1.1
Inter segment	(145.1)	(118.0)	23.0	(155.0)	(6.4)
<b>Total revenues</b>	<b>937.8</b>	<b>685.0</b>	<b>36.9</b>	<b>898.8</b>	<b>4.3</b>

Source: Orsero, CFO SIM estimates

**The distribution division revenues increased 53.2% to € 852m** mainly thanks to the 100% consolidation the JV previously held 50:50. **Organic growth was a solid 6.6%**, much higher than the underlying market increase. We believe the growth in distribution was driven by Italy and France also in the second half of the year. In Italy, in particular, Orsero enlarged the product range under the “F.lli Orsero” brand, launched the new ready-to-eat line of exotic fruit, started a collaboration with a primary e-commerce platform and increased “fresh cut” sales.

The increase in the distribution business unit, as shown by H1-17 top line trend, more than counterbalanced the decline in the Import & Shipping division, afflicted by tensions on banana prices, a decline in volume shipped and weak freights. **The import & shipping business unit generated sales of € 218m, decreasing by 6.8% YoY.**



**Adjusted** (excluding non-recurring items) **pro-forma EBITDA totalled € 31.0m, 3.3% margin**, better than our € 29.3m expectation.

**Table 5 – Orsero, FY-17 EBITDA adj. breakdown**

€ m	2017	2016	% YoY	2017e	% Diff.
Distribution	29.1	15.7	85.4	26.8	8.5
Import & shipping	7.1	24.9	(71.5)	8.0	(10.8)
Service/holding	(4.8)	(5.4)	(11.1)	(5.4)	(11.7)
<b>Total</b>	<b>31.4</b>	<b>35.2</b>	<b>(10.8)</b>	<b>29.3</b>	<b>7.0</b>

Source: Orsero, CFO SIM estimates

**Distribution EBITDA adj. reached € 29.1m, 3.4% margin**, with an increase of 85% YoY, thanks to the combined effect of the JVs minorities buy-out and the like-for-like € 3.4m growth. The positive trend of the distribution segment is almost entirely attributable to the **Italian and Spanish distribution activity lively performance**.

**Import & shipping adj. EBITDA collapsed to € 7.1m, vs. € 24.9m in FY-16**. The division was afflicted by lower profitability for bananas, tied to the prolonged excess on offer which prompted a decline in selling prices; 2) increase in Bunker price (+45% YoY to \$ 313/ton from \$ 216/ton); 3) lower loading factor (84% vs. 92%); 4) some changes in vessel voyage schedule generating higher consumption, extra maintenance and transportation costs.

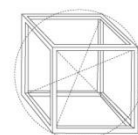
**EBIT totalled € 11.3m**, 1.2% margin, declining from € 17.6m reported in 2016 due to lower operating profitability and higher amortization related to changes in the scope of consolidation.

**Results from investments were € 11.0m** (€ 4.9m in FY-16). The data includes the share of profit pertaining to the parent company in the associated companies and in JV's, in addition to two non-recurring effects stemming from 1) the recognition in the income statement, pursuant to IFRS 3 "step acquisition", of the higher fair value of 50% already held in the acquired companies and 2) the charges related to the enforcement of the Intesa San Paolo Guarantee.

**Net profit declined 18.2% to € 14.9m**, slightly lower than our € 15.6m forecast.

Unexpectedly but consistent to group current well balanced financial structure, **the BoD will propose to the next AGM** (scheduled for the next April 20, 2018 - second call) **an € 0.12/s dividend** (1.3% yield): ex-dividend date May 7, 2018, record date on May 8, 2018 and with payment on May 9, 2018.

**The Net Financial Position at Dec-17 improved to € 46.5m** from € 49.1m at end-16 and already takes into account the € 8m related to the Intesa guarantee that was enforced in Jan-18. The figure includes: 1) **M&A net cash impact of € 20.8m** (€ 33.4m already settled, plus € 0.4m deferred consideration, less the € 13.0m reserved rights issue); 2) **€ 20.1m proceeds stemming from the Acorsa disposal** (banana farming business in Costa Rica); 3) the aforementioned **€ 8.0m Intesa guarantee**; 4) **€ 2.8m financial items** (€ 2.4m interests expenses, the € 0.2m warrant exercise capital increase and the € 0.7m repurchase of own shares) and 5) **operating free cash flow generation of € 14.1m (8.9% FY-17 free cash flow yield)** including some € 8.6m recurring capex.



## Estimates, valuation & risks

Following the publication of 2017 results, we have updated our model factoring in: 1) **a slightly better performance of the Distribution business** unit (3.3% organic growth and stable 3.5% EBITDA margin), 2) **a further cut in the Import & Shipping numbers** (EBITDA almost unchanged YoY in 2018 with only a marginal improvement in 2019-20, but still lower than 10Y average profitability (\$ 15-17m EBITDA); 3) a **tax rate at 23%** (19%); 4) **a diminishment in the cash absorption of the Service-Holding division** of some € 1.0m per year; 5) **a dividend pay-out similar to 2017** also in 2018-20 and 6) **the introduction of 2020 estimates**. The result is a 10% average cut in EBITDA forecasts for 2018-19.

Since the shipping division contribution to net profit is basically inconsequential in our model in 2018-20, the systematically lighter tax burden vs. peers thanks to the application of the **5% tonnage tax regime** to the profits stemming from the shipping arm of the group, is missing. That is why, **we now confidently consider that the most suitable multiple to look at is EV/EBITDA**. After having applied a residual 10.0% discount factoring in the smaller size, **2018 EV/EBITDA derived equity value totals € 226.0m, corresponding to € 12.80/s (€ 13.80)**, implying a **41.4% upside at current prices**.

We think Orsero remains an interesting long term value player, characterised by an **increasing focus on the core business of the Distribution** of fruit and vegetables, **further room for increasing market share also via M&A** and a 2019-20 **compelling valuation** even if the high volatility of the Import & Shipping division results clouds the visibility of group figures.

## Market multiples

We have included 3 peers in the sample, operating in global fresh fruit and vegetable production and distribution. Our sample now comprises **Fresh Del Monte Produce, Total Produce and Greenyard**, since Fyffes was bought out in Dec-16 by Sumitomo at 13.8x EBITDA. Size varies quite a bit in terms of market capitalization and figures, as well as profitability: 1) Fresh Del Monte shows a € 1.9bn market value, € 3.7bn sales with an 6.3% EBITDA margin expected for 2018; 2) Total Produce has a size of € 920m, has € 3.9bn revenues and a 2.2% EBITDA margin projected for 2018 and Greenyard boasts a € 805m market value, € 4.2bn sales with an 3.5% EBITDA margin expected for 2018.

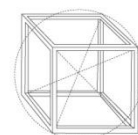
**Orsero is the smallest** in the list in terms of turnover, has a **profitability in line** with the peer average but **offers slight higher growth**: EBITDA, EBIT and Net Profit CAGR<sub>17-20</sub> of 9.2%, 16.5% and 18.5%, respectively vs. 9.5%, 15.5% and 10.8% of the peer median.

**Orsero trades at a double digit discount** vs. peers considering price and enterprise value multiples at all metrics in 2018-19. We believe this gap is only to a degree explained by a difference in size, but **has to be abridged** to a certain extent considering 1) slightly higher than peers growth perspectives and 2) the active role that Orsero can play in this unavoidably consolidating disciplined oligopoly.

Table 6 – Orsero, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>17-20</sub>	EBITDA CAGR <sub>17-20</sub>	EBIT CAGR <sub>17-20</sub>	EPS CAGR <sub>18-20</sub>	NFP FY1	NFP /EBITDA
Fresh Del Monte Produce Inc	1,869	3,682	234	6.3%	6.1%	12.1%	15.5%	10.8%	135	0.6
Total Produce PLC	930	3,911	86	2.2%	7.3%	9.5%	16.6%	8.5%	136	1.6
Greenyard NV	813	4,236	153	3.6%	1.1%	6.1%	8.3%	19.1%	363	2.4
<b>Median</b>	<b>930</b>	<b>3,911</b>	<b>153</b>	<b>3.6%</b>	<b>6.1%</b>	<b>9.5%</b>	<b>15.5%</b>	<b>10.8%</b>	<b>136</b>	<b>1.6</b>
<b>Orsero Spa</b>	<b>160</b>	<b>968</b>	<b>34</b>	<b>3.6%</b>	<b>3.3%</b>	<b>9.2%</b>	<b>16.5%</b>	<b>18.5%</b>	<b>39</b>	<b>1.1</b>

Source: Thomson Reuters Eikon, CFO Sim



**Table 7 – Orsero, peer group multiples table**

EV & Price multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Fresh Del Monte Produce Inc	0.54	0.50	0.48	8.6	7.5	7.0	15.0	13.3	12.2
Total Produce PLC	0.27	0.26	n.a.	12.3	11.9	n.a.	23.3	19.1	19.8
Greenyard NV	0.28	0.26	0.24	7.7	6.7	6.2	20.6	16.3	14.5
<b>Median</b>	<b>0.28</b>	<b>0.26</b>	<b>0.36</b>	<b>8.6</b>	<b>7.5</b>	<b>6.6</b>	<b>20.6</b>	<b>16.3</b>	<b>14.5</b>
Orsero Spa	<b>0.21</b>	<b>0.18</b>	<b>0.16</b>	<b>5.8</b>	<b>4.7</b>	<b>4.1</b>	<b>13.0</b>	<b>9.9</b>	<b>9.3</b>
% (Discount)/Premium to peer median	-25.9%	-29.8%	-55.2%	-32.7%	-37.4%	-37.6%	-36.7%	-39.0%	-36.2%

Source: Thomson Reuters Eikon, CFO Sim

**Table 8 – Orsero, equity value assessment**

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
<b>Median peers</b>	<b>0.28</b>	<b>0.26</b>	<b>0.36</b>	<b>8.6</b>	<b>7.5</b>	<b>6.6</b>	<b>20.6</b>	<b>16.3</b>	<b>14.5</b>
Orsero metrics	968.1	1,000.9	1,034.7	34.5	39.4	40.8	1.06	0.70	0.91
NFP	39.1	24.9	8.0	39.1	24.9	8.0			
% discount applied	10.0%								
<b>Orsero Equity Value</b>	<b>202.7</b>	<b>212.2</b>	<b>329.5</b>	<b>227.0</b>	<b>241.1</b>	<b>234.5</b>	<b>346.6</b>	<b>180.4</b>	<b>210.4</b>
<b>Orsero Equity Value €/s</b>	<b>11.50</b>	<b>12.00</b>	<b>18.60</b>	<b>12.80</b>	<b>13.60</b>	<b>13.30</b>	<b>19.60</b>	<b>10.20</b>	<b>11.90</b>
% upside/(downside)	27.1	32.6	105.5	42.5	50.3	47.0	116.6	12.7	31.5

Source: Thomson Reuters Eikon, CFO Sim

Since the shipping division contribution to net profit is basically inconsequential in our model in 2018-20, the systematically lighter tax burden vs. peers thanks to the application of the **5% tonnage tax regime** to the profits stemming from the shipping arm of the group, is missing. That is why **we now confidently consider that the most suitable multiple to look at is EV/EBITDA**. After having applied a residual 10.0% discount factoring in the smaller size, **2018 (FY1) EV/EBITDA derived equity value totals € 227.0m, corresponding to € 12.80/s (€ 13.80)**, implying a **41.5% upside at current prices**.

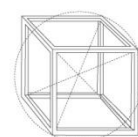
## Recent sector deal at 13.8x EBITDA

The sector is in the midst of a **deep consolidation process**:

- 1) **Sumitomo purchased Fyffes** by for 13.8x EBITDA in Dec-16,
- 2) **Total Produce acquired Dole** for 9x EBITDA at the end-Jan and
- 3) **Del Monte bought Mann Packing** (fresh-cut, USA) in mid-Feb.

In an industry where volumes are a key aspect to leveraging well-structured distribution platforms, this trend seems to be accelerating further. Orsero with the JV minorities buy-outs of last Jul-17, has started to use the fresh resources injected by Glenalta Food together with its cash flows to accelerate growth via acquisitions.

We believe the group **might grab some local opportunities in Italy**, develop **partnerships in Europe with local producers** and **target prey** in adjacent but consistent bio-vegan, dried fruit and juices/puree product categories.



## DCF

In the valuation via the DCF method explicit estimates until 2022 and a long term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 9 - Orsero, WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	23.0%
<b>Int. costs, after taxes</b>	<b>1.9%</b>
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 2W average)	1.90%
Beta levered (x)	0.73
<b>Required ROE</b>	<b>9.2%</b>

Source: CFO Sim

**Risk premium at 10.0%** factors in the minute size of the company and basically all AIM Italia market segment related concerns and disquiets that an investor might have. **Beta at 0.73x** has been calculated taking peer group specific levered beta for each competitor, deleveraging it using each peer precise D/E structure, then leveraging it for Orsero 30/70 debt/equity long term sustainable balance sheet structure.

**Table 10 - Orsero, DCF model**

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	18.9	23.9	25.4	26.1	26.9	
Tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	
<b>Operating profit (NOPAT)</b>	<b>14.5</b>	<b>18.4</b>	<b>19.5</b>	<b>20.1</b>	<b>20.7</b>	
Change working capital	0.0	(1.9)	0.5	(0.5)	(0.1)	
Depreciation	13.0	12.8	12.6	10.0	10.5	
Investments	(15.5)	(10.5)	(10.5)	(10.5)	(10.5)	
<b>Free Cash Flows</b>	<b>12.1</b>	<b>18.8</b>	<b>22.1</b>	<b>19.1</b>	<b>20.6</b>	<b>319.1</b>
Present value	11.3	16.3	17.7	14.2	14.1	<b>225.7</b>
WACC	7.5%	7.5%	7.5%	7.5%	7.5%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO Sim

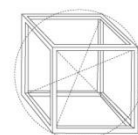
**Table 11 – Orsero, DCF equity value derived from:**

Total EV present value € m	299.4
<i>thereof terminal value</i>	75.4%
NFP last reported	(46.5)
Pension provision last reported	(8.8)
<b>Equity value € m</b>	<b>244.1</b>
#m shares	17.68
<b>Equity value €/s</b>	<b>13.80</b>
<i>% upside/(downside)</i>	52.5%

Source: CFO Sim

**The application of the model produces an equity value of € 244.1m, corresponding to € 13.80/share.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 12.00–16.26/s (perpetuity range of between 0.00% and +2.00%), while 2) compared to changes in the free risk rate produces an equity value of € 11.98-16.11/s (free risk range of between 2.90% and 0.90%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 11.27-17.39/s (risk premium range of between 12.00% and 8.0%).



**Table 12 – 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	73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7
PV of terminal value	193.7	200.8	208.5	216.8	225.6	235.2	245.6	256.8	269.1
<b>Total value</b>	<b>267.4</b>	<b>274.6</b>	<b>282.2</b>	<b>290.5</b>	<b>299.3</b>	<b>308.9</b>	<b>319.3</b>	<b>330.5</b>	<b>342.8</b>
NFP last reported	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
<b>Equity value</b>	<b>212.1</b>	<b>219.3</b>	<b>226.9</b>	<b>235.2</b>	<b>244.0</b>	<b>253.6</b>	<b>264.0</b>	<b>275.3</b>	<b>287.5</b>
<b>Equity value/share €</b>	<b>12.00</b>	<b>12.40</b>	<b>12.83</b>	<b>13.30</b>	<b>13.80</b>	<b>14.34</b>	<b>14.93</b>	<b>15.57</b>	<b>16.26</b>

Source: CFO Sim

**Table 13 – Orsero, equity value sensitivity to changes in free risk rate**

€ m	0.90%	1.15%	1.40%	1.65%	1.90%	2.15%	2.40%	2.65%	2.90%
Present value of CF	75.4	75.0	74.6	74.1	73.7	73.3	72.9	72.5	72.1
PV of terminal value	264.7	254.0	243.9	234.5	225.6	217.3	209.5	202.0	195.1
<b>Total value</b>	<b>340.1</b>	<b>328.9</b>	<b>318.5</b>	<b>308.6</b>	<b>299.3</b>	<b>290.6</b>	<b>282.3</b>	<b>274.5</b>	<b>267.1</b>
NFP last reported	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
<b>Equity value</b>	<b>284.8</b>	<b>273.7</b>	<b>263.2</b>	<b>253.3</b>	<b>244.0</b>	<b>235.3</b>	<b>227.0</b>	<b>219.2</b>	<b>211.8</b>
<b>Equity value/share €</b>	<b>16.11</b>	<b>15.48</b>	<b>14.88</b>	<b>14.33</b>	<b>13.80</b>	<b>13.31</b>	<b>12.84</b>	<b>12.40</b>	<b>11.98</b>

Source: CFO Sim

**Table 14 – 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	76.2	75.6	74.9	74.3	73.7	73.1	72.5	71.9	71.3
PV of terminal value	286.6	269.0	253.1	238.7	225.6	213.6	202.6	192.5	183.1
<b>Total value</b>	<b>362.8</b>	<b>344.6</b>	<b>328.1</b>	<b>313.1</b>	<b>299.3</b>	<b>286.7</b>	<b>275.1</b>	<b>264.4</b>	<b>254.5</b>
NFP last reported	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)	(46.5)
Pension provision last reported	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
<b>Equity value</b>	<b>307.5</b>	<b>289.3</b>	<b>272.8</b>	<b>257.8</b>	<b>244.0</b>	<b>231.4</b>	<b>219.8</b>	<b>209.1</b>	<b>199.2</b>
<b>Equity value/share €</b>	<b>17.39</b>	<b>16.36</b>	<b>15.43</b>	<b>14.58</b>	<b>13.80</b>	<b>13.09</b>	<b>12.43</b>	<b>11.83</b>	<b>11.27</b>

Source: CFO Sim

## Stock performance

Glenalta Food was listed on the AIM Italia (Alternative Investment Market) on 10<sup>th</sup> Nov 2015 at € 10.0/share, corresponding to a market capitalization of € 80.0m. Its target Orsero was listed on the **AIM Italia** (Alternative Investment Market) **on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. Orsero stock reached the 1Y maximum of € 14.26/s on 10<sup>th</sup> May and the 1Y minimum of € 8.81 on 28<sup>th</sup> Sept 2016. The stock has consistently underperformed the FTSE AIM Italia, the European sector and the peers in the last three months.

**Table 15 - Orsero, peers group and indexes absolute performance**

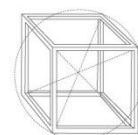
%	1D	1W	1M	3M	6M	YTD	1Y
Fresh Del Monte Produce Inc	(0.9)	(1.1)	0.9	(1.2)	1.1	(1.4)	(19.5)
Total Produce PLC	(0.4)	(0.8)	(2.5)	(5.6)	8.2	(7.0)	19.9
<b>Peers Median</b>	<b>0.0</b>	<b>(1.3)</b>	<b>(3.9)</b>	<b>(7.3)</b>	<b>(9.7)</b>	<b>(9.5)</b>	<b>2.6</b>
<b>Orsero Spa</b>	<b>0.2</b>	<b>(0.4)</b>	<b>(0.6)</b>	<b>(4.3)</b>	<b>(33.9)</b>	<b>(2.9)</b>	<b>(14.1)</b>
FTSE AIM Italia	(0.1)	0.2	(0.3)	(0.5)	(3.2)	(0.4)	14.7
Thomson Reuters Food & Beverage EU	(0.7)	(2.3)	(2.4)	(5.8)	(3.7)	(7.2)	5.1

Source: Thomson Reuters Eikon

**Table 16 – Orsero, relative performances**

%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	0.6	0.7	1.9	1.3	(34.9)	4.1	(16.6)
Orsero Spa to FTSE AIM Italia	0.3	(0.6)	(0.2)	(3.8)	(30.7)	(2.5)	(28.7)
Orsero Spa to EU Sector	0.9	1.8	1.8	1.5	(30.2)	4.3	(19.2)

Source: Thomson Reuters Eikon

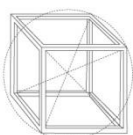




## Risks

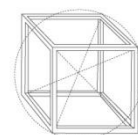
The principal investment **risks** in Orsero include:

- impacts on economics and balance sheet profile triggered by a deep decline in local and global economic growth,
- Dilution on profitability stemming from the acquisition campaign,
- Impact of sharp fluctuation in the US\$ and bunker





Income statement (€ m)	2016	2017	2018e	2019e	2020e
Revenues	685.0	937.8	968.1	1,000.9	1,034.7
COGS	(612.3)	(859.2)	(880.0)	(906.4)	(937.4)
Gross Profit	72.7	78.6	88.1	94.4	97.3
SG&A	(55.0)	(67.3)	(69.2)	(70.6)	(71.9)
EBIT	17.6	11.3	18.9	23.9	25.4
Financials	(1.4)	(2.7)	(2.6)	(2.6)	(2.6)
Results from investments	4.9	11.0	0.0	0.0	0.0
Pre Tax Profit	21.1	19.6	16.3	21.3	22.8
Taxes	(2.9)	(4.5)	(3.7)	(4.9)	(5.2)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Net Profit	18.2	14.9	12.3	16.1	17.3
D&A	(9.8)	(12.8)	(13.0)	(12.8)	(12.6)
Provisions	(1.5)	(2.5)	(2.6)	(2.7)	(2.8)
Non recurring items	(6.3)	(4.8)	0.0	0.0	0.0
Adjusted EBITDA	35.2	31.3	34.5	39.4	40.8
Adjusted EBIT	23.9	16.0	18.9	23.9	25.4
Adjusted Net profit	23.7	18.7	12.3	16.1	17.3
Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	27.4	43.0	43.0	44.8	44.4
Net Fixed Assets	95.9	144.0	146.4	143.9	141.6
Equity Investments	39.2	8.0	8.1	8.3	8.4
Other M/L Term A/L	3.0	(2.7)	(2.3)	(2.0)	(1.7)
Net Invested Capital	165.6	192.2	195.1	195.1	192.8
Net Financial Debt/(cash)	49.1	46.5	39.1	24.9	8.0
Minorities	0.7	1.1	1.3	1.6	1.8
Group's Shareholders Equity	115.8	144.7	154.7	168.6	183.0
Financial Liabilities & Equity	165.6	192.2	195.1	195.1	192.8
Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	18.2	14.9	12.3	16.1	17.3
Depreciation	9.8	12.8	13.0	12.8	12.6
Other non-cash charges	9.1	1.5	(0.4)	(0.4)	(0.3)
Cash Flow from Oper. (CFO)	37.0	29.1	24.9	28.6	29.5
Change in NWC	(4.9)	(15.6)	0.0	(1.9)	0.5
FCF from Operations (FCFO)	32.2	13.6	24.9	26.7	30.0
Net Investments (CFI)	10.7	(24.6)	(15.5)	(10.5)	(10.5)
Free CF to the Firm (FCFF)	42.8	(11.0)	9.4	16.2	19.5
CF from financials (CFF)	(32.7)	34.5	(2.0)	(2.0)	(2.6)
Free Cash Flow to Equity (FCFE)	10.1	23.4	7.4	14.2	16.9
Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA adj. margin	5.1%	3.3%	3.6%	3.9%	3.9%
EBIT margin	2.6%	1.2%	2.0%	2.4%	2.5%
Net profit margin	2.7%	1.6%	1.3%	1.6%	1.7%
Tax rate	13.6%	23.0%	23.0%	23.0%	23.0%
Interest coverage x	0.08	0.24	0.14	0.11	0.10
Net Debt/EBITDA adj. x	1.39	1.48	1.13	0.63	0.20
Debt-to-Equity x	0.42	0.32	0.25	0.15	0.04
ROIC	11.0%	7.7%	6.3%	8.3%	9.0%
ROCE	7.5%	5.5%	6.3%	7.6%	7.7%
ROACE	7.2%	6.1%	6.4%	7.8%	7.9%
ROE	15.7%	10.3%	7.9%	9.6%	9.4%
Payout ratio	0.0%	13.7%	16.0%	16.0%	16.0%
Per share figures	2016	2017	2018e	2019e	2020e
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	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	1.03	0.84	0.70	0.91	0.98
EPS adjusted FD €	1.34	1.06	0.70	0.91	0.98
EBITDA €	1.99	1.77	1.95	2.23	2.31
EBIT €	1.00	0.64	1.07	1.35	1.43
FCFO €	1.82	0.77	1.41	1.51	1.70
FCFF €	2.42	(0.62)	0.53	0.92	1.10
FCFE €	0.57	1.32	0.42	0.80	0.96
Dividend €	0.00	0.12	0.12	0.15	0.16



## The company in a nutshell

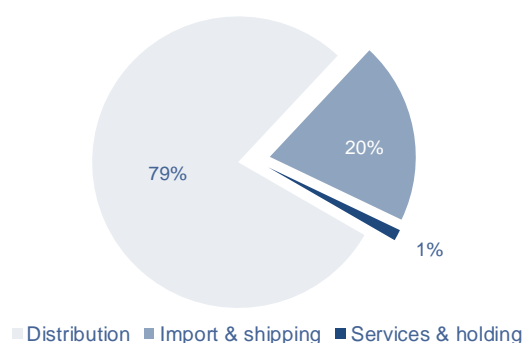
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and distribution of fresh fruit and vegetables, 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 the sense of tradition and the passion of a large Italian family company for fruit and vegetables of the highest quality.

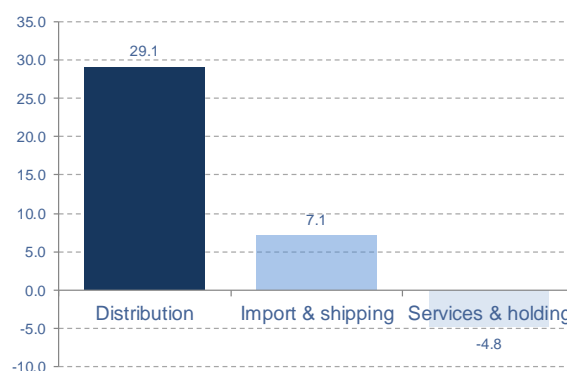
2017 Orsero pro-forma highlights: € 937.8m revenues, EBITDA adj. of € 31.3m (3.3% margin), € 14.9m net profit and € 46.5m net financial position (1.48x EBITDA).

Orsero was listed on the AIM Italia (Alternative Investment Market) 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.

## 2017 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	%	# m
Orsero family	31.6%	5.59
Grupo Fernandez	5.7%	1.00
Free Float	62.7%	11.09
o/w treasury shares	4.0%	0.71
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

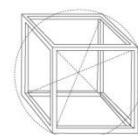
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	-0.2	-1.3	3.3	-1.2	1.1	-1.6
Total Produce PLC	0.0	-0.8	-2.5	-5.0	7.2	-7.0
Greenyard NV	-0.1	-1.5	-4.2	-6.9	-8.8	-9.6
<b>Peers Median</b>	<b>-0.1</b>	<b>-1.3</b>	<b>-2.5</b>	<b>-5.0</b>	<b>1.1</b>	<b>-7.0</b>
<b>Orsero Spa</b>	<b>0.8</b>	<b>-1.4</b>	<b>0.3</b>	<b>-2.8</b>	<b>-33.1</b>	<b>-2.2</b>
FTSE AIM Italia	0.0	0.1	-0.4	-0.3	-3.3	-0.4
EU Sector	-0.6	-2.1	-2.7	-6.3	-4.1	-7.8
Orsero Spa to peers	0.9	-0.1	2.8	2.2	-34.2	4.9
Orsero Spa to FTSE AIM Italia	0.8	-1.5	0.7	-2.5	-29.8	-1.8
Orsero Spa to EU Sector	1.4	0.7	3.0	3.5	-29.0	5.6

## Peers 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
Fresh Del Monte Produce Inc	15.0	13.3	12.2	9.4	8.7	8.1	8.6	7.5	7.0
Total Produce PLC	23.3	19.1	19.8	17.0	15.7	13.7	12.3	11.9	n.a.
Greenyard NV	20.6	16.3	14.5	7.2	6.6	6.5	7.7	6.7	6.2
<b>Median</b>	<b>20.6</b>	<b>16.3</b>	<b>14.5</b>	<b>9.4</b>	<b>8.7</b>	<b>8.1</b>	<b>8.6</b>	<b>7.5</b>	<b>6.6</b>
<b>Orsero Spa</b>	<b>13.0</b>	<b>9.9</b>	<b>9.3</b>	<b>5.7</b>	<b>5.1</b>	<b>4.9</b>	<b>5.8</b>	<b>4.7</b>	<b>4.1</b>
% (Discount)/Premium to peer median	-36.7%	-39.0%	-36.2%	-39.1%	-42.1%	-39.8%	-32.7%	-37.4%	-37.6%

Source: CFO Sim, Thomson Reuters Eikon



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DATE	TARGET PRICE	RATING
21/03/2018	€12.80	BUY
01/02/2018	€13.80	BUY
27/09/2017	€13.80	BUY
28/07/2017	U.R.	BUY
18/04/2017	€16.20	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% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. 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.

