

## Italy - Food

## Distribution is confirmed as the growth driver for the future

29<sup>th</sup> March 2019

### FY-18 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

FY-18 shows a growing set of results, broadly in line with our projections, with the Distribution division more than counterbalancing the persistent weakness of the Import & Shipping sector. The group remains a long term value player: in a sector characterised by a deep trend of consolidation, it can play a prime role this process.

#### Rating:

**Buy**

#### Price Target:

**€ 10.30 (€ 10.20)**

Upside/(Downside): 37.2%

Last Price: € 7.51

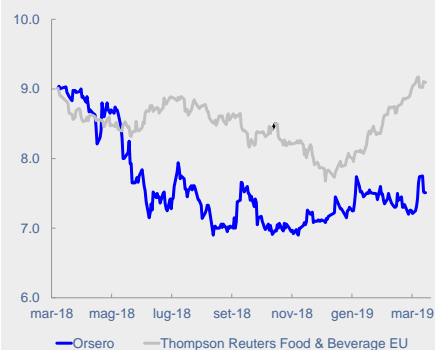
Market Cap.: € 132.8

1Y High/Low: € 9.10/€ 6.43

Free Float: 62.7%

#### Major shareholders:

FIF Holding	31.6%
Grupo Fernández	5.7%
Global Portfolio Investments	5.3%
Praude Asset Management	5.3%



#### Stock price performance

	1M	3M	12M
<b>Absolute</b>	0.1%	4.0%	-16.6%
<b>Rel.to AIM Italia</b>	-0.3%	-2.4%	-9.2%
<b>Rel.to EU Sector</b>	-4.9%	-14.5%	-20.4%

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#### Buy confirmed, PT of € 10.30 (€10.20), 37.2% upside

We have updated our model factoring in: 1) the effect of the consolidation as of May-19 of the recently acquired Fruttica (€ 24.0m sales, 10% EBITDA, zero debt and paid € 10.0m), 2) a further downgrade in the Import & Shipping numbers also on the back of a lower than expected performance reported in 2018 and 3) € 1.0m extraordinary costs in 2019 linked to the uplisting to the MTA segment and a few M&A consultancy fees. The result is a 4% downgrade in net profit adj. in 2019-20. We introduced also 2021 estimates. We have updated our PT to € 10.30 (€ 10.20) based on a market multiple comparison, applying a 20% size-discount, corresponding to an implied 7.9x EBITDA19e and 11.1x PER19e vs. 9.3x and 13.0x of peers. Our DCF model corroborates the value obtained by the multiple comparison.

#### Top line reached € 953m, better than our forecast

FY-18 sales totalled € 953m, better than our € 940m forecast, mainly as a result of higher sales in the distribution business. The distribution division revenues increased 2.1% to € 869m, after a general slowdown in consumption in the first months of the years, mainly thanks to the Spanish market where revenues grew by 18%, driven by higher volumes (+200,000 tons of goods sold) and average unit prices. Italy was substantially stable. Revenues decreased in Portugal and France for a different commercial strategy that led to a significant recovery in profitability. The increase in the distribution business unit more than counterbalanced the decline in the Import & Shipping division, afflicted by lower selling prices of bananas and pineapples and volumes substantially stable, partly offset by higher shipping revenues thanks to the increase in volumes transported. The import & shipping business unit generated sales of € 211m, decreasing by 3.4% YoY.

#### FY-18 EBITDA adjusted at € 32.9m, 3.4% margin - € 0.12/s dividend

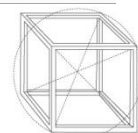
Adj. EBITDA totalled € 32.9m, 3.4% margin, slightly lower than our € 33.7m projection. Distribution EBITDA adj. reached € 31.1m, 3.6% margin, with an increase of 7% YoY, thanks to the increase of commercial activity in Spain, the better performances of France, Portugal and Greece (in terms of profitability). Italian and Mexican avocado operations realised satisfactory results even if lower than the remarkable ones of last years. Import & shipping adj. EBITDA declined to € 5.7m, vs. € 7.1m in FY-17, affected by subdued results of seaborne transportation services. As last year, the BoD will propose to the next AGM (scheduled for April 24, 2019 - second call) an € 0.12/s dividend (1.6% yield and 25.5% pay-out): ex-dividend date May 6, 2018, record date on May 7, 2019 and with payment on May 8, 2019. The Net Financial Position at Dec-18 improved to € 36.1m from € 46.5m at end-17.

#### Mid-long term strategy based on the strengthening of competitive position

Orsero is focusing on strengthening of its competitive position in southern Europe, with particular focus on fresh fruit and vegetables. On distribution, Orsero aims to increase fresh-cut, portioned and prewashed fruit and exotic fruit (namely via the M&A process, already started with the acquisition of Fruttital), in order to reduce its dependence on bananas and pineapples. The import activity will be driven by the maintaining of the current position in importation of green bananas and pineapples and the search for new attractive partnerships with growers.

#### Orsero, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	937.9	952.8	993.4	1,015.2	1,041.5
EBITDA adj	31.4	32.9	37.8	40.5	42.7
EBIT adj	16.1	17.5	21.2	23.9	26.5
Net profit	14.9	8.0	13.5	16.5	18.5
Net profit adj	18.8	12.7	14.3	16.5	18.5
NFP (cash)/debt	46.5	36.1	50.7	36.6	21.5
EPS adjusted FD	1.06	0.72	0.81	0.93	2.09
EPS adj. FD growth	-20.8%	-32.1%	12.2%	15.1%	125.1%
DPS ord. €/s	0.12	0.12	0.13	0.16	0.17
Dividend yield	1.6%	1.6%	1.7%	2.1%	2.3%
Free Cash Flow Yield	-8.3%	9.0%	-9.5%	12.2%	13.4%
PER x	7.1	10.4	9.3	8.1	3.6
EV/Sales x	0.19	0.18	0.18	0.17	0.15
EV/EBITDA x	5.7	5.1	4.9	4.2	3.6
EV/EBIT x	11.2	9.7	8.7	7.1	5.8



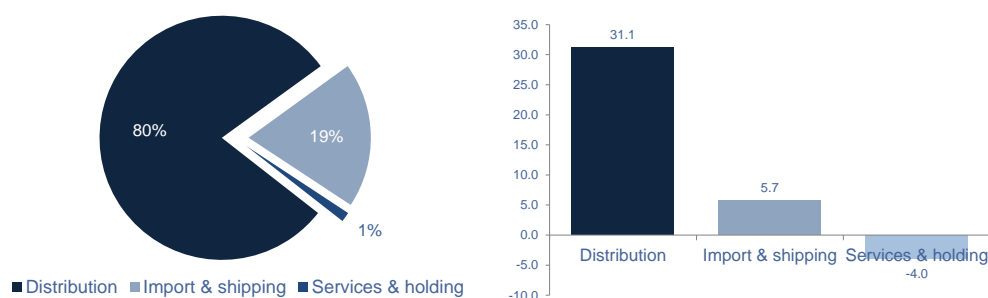
## Orsero at a glance

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 700,000 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 2,500 suppliers in over 70 countries.

In 2012, the group launched the "F.lli Orsero" brand for bananas and pineapples, which expresses the sense of tradition and the passion of a large Italian family company for fruit and vegetables of the highest quality.

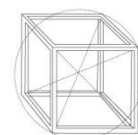
Chart 1 – Orsero, 2018 gross revenues and EBITDA adj. breakdown by division



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 46.

**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.

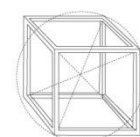
Orsero was listed on the **AIM Italia** (Alternative Investment Market) **on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. The merger was the final step in the business combination between Glenalta Food and Orsero Group, as regulated by the agreement signed and announced last 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 € 69.2m, divided into 17,682,500 ordinary shares (including 752,387 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	0.752	4.2%
<b>Total</b>	<b>17.683</b>	<b>100.0%</b>

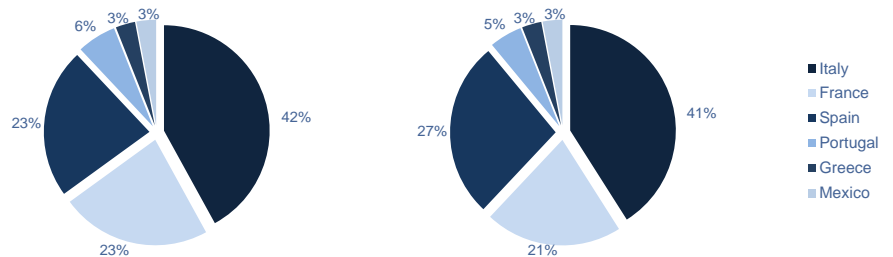
Source: Company data, Glenalta Food, CFO Sim



## Business activities: 1) Distribution

The group distributes **more than 300 key products (of a total of some thousands of 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 – 2017-2018 revenues by country



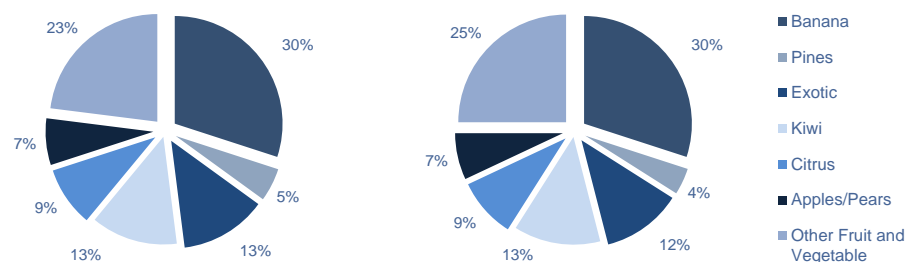
Source: Company data

Orsero boasts a consolidated network of wholesalers and large-scale retail chains where it distributes more than 700,000 tons/y exploiting its platforms specialised in fresh product storage and handling.

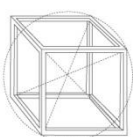
In addition to its own brands, F.lli Orsero and Simba, Orsero is one of the largest distributors in Europe of key fruit and vegetable brands.

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 (80% of total revenues in 2018) and stable return generation at around 2-3% in terms of EBITDA on average in the last years.

Chart 3 – 2017-2018 revenues by product



Source: Company data



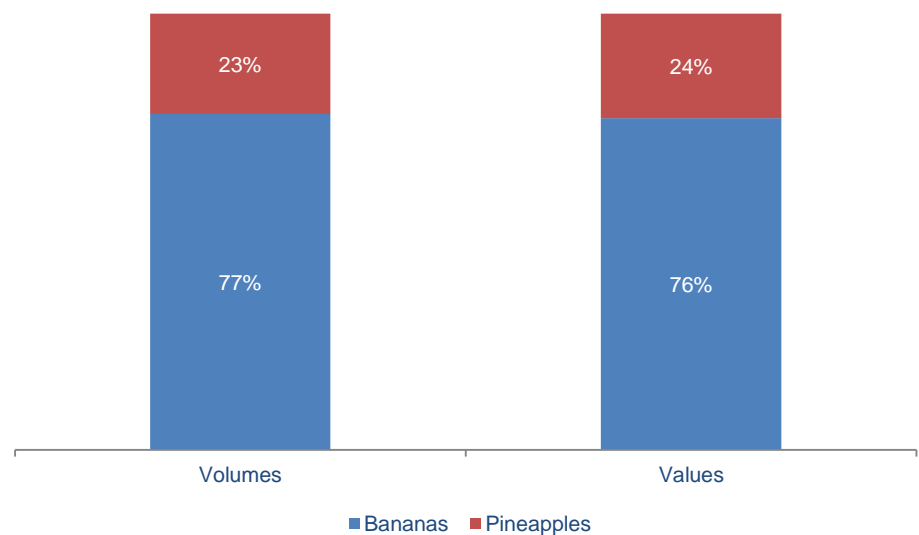
## Business activities: 2) Import and Shipping

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.

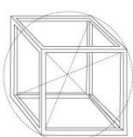
These features make the fleet a strategic asset for the group, which ensures high profitability of the business unit. The ownership of the reefer vessels makes Orsero a cost and service leader and allow "control" of competitors to a certain extent.

Chart 4 – 2018 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.

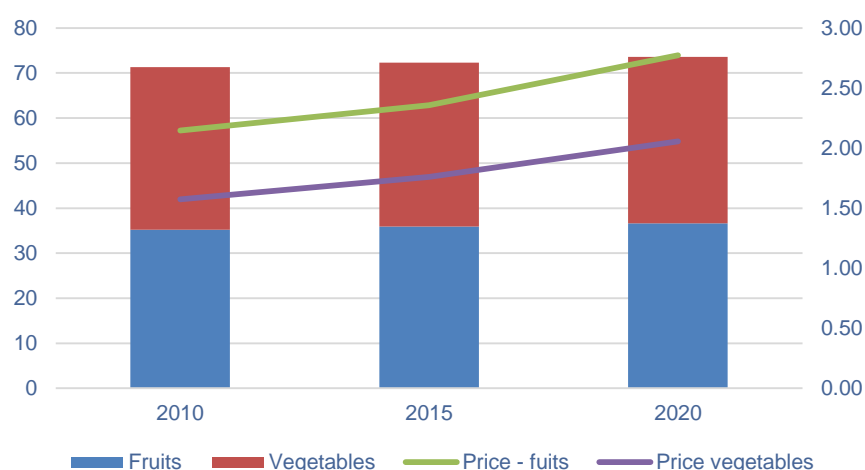


## The reference market

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%.

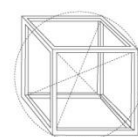
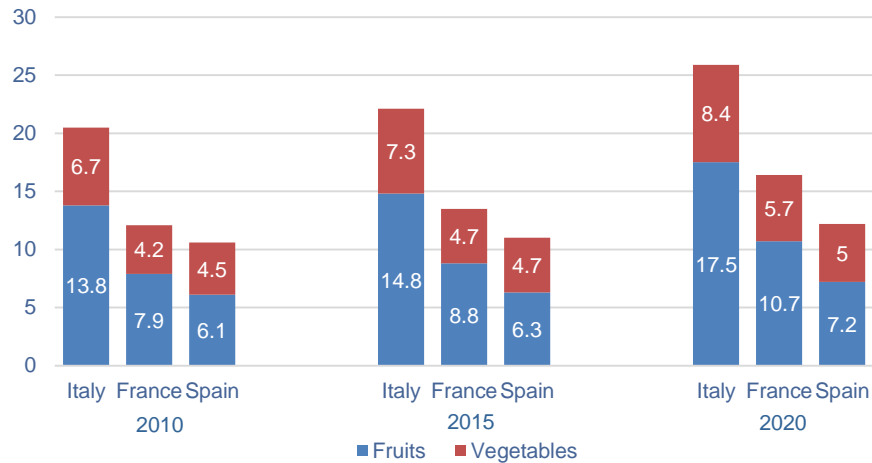


Chart 6 – Fruit & vegetable consumption (€ bn) trend in Southern European key areas



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.

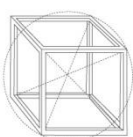
**Italy imports almost 130mtons of pineapples** per annum, with Spain and France following suit. **The pineapple market in Europe is expanding rapidly:** consumption showed a +5.0% CAGR<sub>13-15</sub>. In particular, consumption in Greece and Spain is growing more than twice the average of countries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

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.**



## 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 EBITDA margin for the Distribution division from the current 3.5% (already a best-in-class level and compares to 2.2% 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;

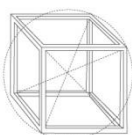
**Distribution:** daily deep-rooted distribution and custom made solutions.

The group's **mid-long term strategy** is based on the strengthening of its competitive position in southern Europe, with particular focus on fresh fruit and vegetables. Relating to the **distribution segment**, the growth drivers for the future will be:

- **Organic growth** driven by 1) the limited but steady increase in consumption of F&V, 2) the consolidation of the European distribution market in favour of structured big players, 3) the increase of fresh-cut, portioned and prewashed fruit and exotic fruit, already started with the acquisition of the JV Fruttital Firenze in July-17 and continued starting from the beginning of 2019 with the opening of a new processing plant in Molfetta (Bari) and two other planned openings in Verona and Cagliari.
- **External growth** through the acquisitions of some distributors of F&V and/or companies specialised in new high potential market segments, such as berries or dried fruit. 2019 started with the closing of the deal for the acquisition of Sevimport (Spain) and the agreement for the acquisition of Fruttica group (France). In addition the opening of new logistic facility in Sevilla is planned for Q2-19.
- **Reduction of the dependence on bananas and pineapples**, by increasing the weight of other products, in particular the new higher added-value product families.

**The Import & Shipping division** will be impacted by a new international environmental regulation, the IMO – MARPOL 2020, which will come into force from 1<sup>st</sup> January 2020. The maximum sulfuric content of ship engine emissions will be reduced from 3.5% to 0.5%, so the operators will have two alternatives: use more refined fuel or install an exhaust gas cleaning system (ECGS or scrubbers) continuing to use the 3.5% bunker fuel. Orsero has said that from the end of 2019 its fleet will deploy bunker fuels with sulfuric content within the regulatory limits, not installing scrubbers on its vessels.

The **import activity** will be driven by the maintaining of the current position in importation of the green banana and pineapples and the search for new attractive partnerships with growers.





## 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

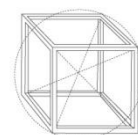
- ❑ Currently still **limited F.Ili Orsero brand awareness** on end consumers
- ❑ **Exposure to USD/EUR**, in particular for maritime transport segment
- ❑ **Market share recovery**, may be more complicated than expected

#### OPPORTUNITIES

- ❑ **Penetration and aggregation prospects** in the domestic market
- ❑ 360-degree **developments of F.Ili 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-18 results

Orsero reported a growing set of results, broadly in line with our projections looking at adjusted numbers, with the Distribution division more than counterbalancing the persistent weakness of the Import & Shipping sector. The increase in the Distribution top line and profitability was driven by an outstanding growth in Spain and Greece. The decline in the Import & Shipping division was the result of lower selling prices and volumes of bananas and pineapples.

**Table 3 – Orsero, FY-18 results summary**

€ m	2018	2017	% YoY	2018e	% Diff.
<b>Revenues</b>	<b>952.8</b>	<b>937.9</b>	<b>1.6</b>	<b>939.8</b>	<b>1.4</b>
COGS	(874.8)	(859.2)		(854.4)	
<b>Gross Profit</b>	<b>78.0</b>	<b>78.6</b>	<b>(0.9)</b>	<b>85.4</b>	<b>(8.7)</b>
% margin	8.2	8.4		9.1	
SG&A	(67.0)	(66.4)		(66.4)	
Other	0.4	(1.0)		(0.8)	
<b>EBIT</b>	<b>11.4</b>	<b>11.3</b>	<b>0.5</b>	<b>18.2</b>	<b>(37.6)</b>
% margin	1.2	1.2		1.9	
Financials	(2.5)	(2.7)		(2.6)	
Results from investments	2.4	11.0		0.0	
<b>Pre Tax Profit</b>	<b>11.2</b>	<b>19.6</b>	<b>(42.7)</b>	<b>15.6</b>	<b>(27.9)</b>
% margin	1.2	2.1		1.7	
Taxes	(3.2)	(4.5)		(4.1)	
Tax Rate	28.8%	22.9%		26.0%	
Minorities	(0.0)	(0.2)		(0.2)	
<b>Net Profit</b>	<b>8.0</b>	<b>14.9</b>	<b>(46.5)</b>	<b>11.3</b>	<b>(29.7)</b>
% margin	0.8	1.6		1.2	
D&A	(13.7)	(12.8)		(13.0)	
Provisions	(1.7)	(2.5)		(2.6)	
Non recurring income	0.0	0.7		0.0	
Non recurring expenses	(6.1)	(5.4)		0.0	
<b>EBITDA adj.</b>	<b>32.9</b>	<b>31.4</b>	<b>4.9</b>	<b>33.7</b>	<b>(2.5)</b>
% margin	3.5	3.3		3.6	
<b>EBIT adj.</b>	<b>17.5</b>	<b>16.0</b>	<b>9.4</b>	<b>18.2</b>	<b>(3.8)</b>
% margin	22.4	20.3		21.3	

Source: Orsero, CFO SIM estimates

**FY-18 revenues totalled € 953m**, better than our € 940m forecast, mainly as a result of higher sales in the distribution business. 2017 figures are pro-forma, factoring in the consolidation of the companies acquired during 2017 (Hermanos Fernández Lopes, Fruttital Firenze and Galandj). Our projections are consistent with this approach. The comparison with FY-17 reported data is misleading.

**Table 4 – Orsero, FY-18 revenues breakdown**

€ m	2018	2017	% YoY	2018e	% Diff.
Distribution	869.1	851.6	2.1	868.6	0.1
Import & shipping	210.6	218.0	(3.4)	202.7	3.9
Service/holding	14.0	13.4	4.5	13.7	2.4
Inter segment	(141.0)	(145.1)	(2.8)	(145.3)	(2.9)
<b>Total revenues</b>	<b>952.8</b>	<b>937.9</b>	<b>1.6</b>	<b>939.8</b>	<b>1.4</b>

Source: Orsero, CFO SIM estimates

**The distribution division revenues increased 2.1% to € 869m**, after a general slowdown in consumption in the first months of the years, mainly thanks to the Spanish market where revenues grew by 18%, driven by higher volumes (+200,000 tons of goods sold) and average unit prices. Italy was substantially stable. Revenues decreased in Portugal and France for a different commercial strategy that led to a significant recovery in profitability.

The increase in the distribution business unit more than counterbalanced the decline in



the Import & Shipping division, afflicted by lower selling prices of bananas and pineapples and volumes substantially stable, partly offset by higher shipping revenues thanks to the increase in volumes transported. **The import & shipping business unit generated sales of € 211m, decreasing by 3.4% YoY.**

**Adjusted** (excluding non-recurring items) **EBITDA totalled € 32.9m, 3.4% margin**, slightly lower than our € 33.7m projection.

**Table 5 – Orsero, FY-18 EBITDA adj. breakdown**

€ m	2018	2017	% YoY	2018e	% Diff.
Distribution	31.1	29.1	6.9	31.0	0.3
Import & shipping	5.7	7.1	(19.6)	7.1	(19.5)
Service/holding	(4.0)	(4.8)	(17.4)	(4.4)	(9.3)
<b>Total</b>	<b>32.9</b>	<b>31.4</b>	<b>4.6</b>	<b>33.7</b>	<b>(2.6)</b>

Source: Orsero, CFO SIM estimates

**Distribution EBITDA adj. reached € 31.1m, 3.6% margin**, with an increase of 7% YoY, thanks to the increase of commercial activity in Spain, the better performances of France, Portugal and Greece (in terms of profitability). Italian and Mexican avocado operations realized satisfactory results even if lower than the remarkable ones of last years.

**Import & shipping adj. EBITDA declined to € 5.7m, vs. € 7.1m in FY-17**, affected by subdued results of seaborne transportation services. During 2018 we can see a recovery of carried out volumes (+10% YoY, with a loading factor higher than 90%) but higher fuel costs (the avg. bunker fuel increased by 32% to about \$ 414/ton).

**EBIT totalled € 11.3m**, 1.2% margin, substantially in line with 2017.

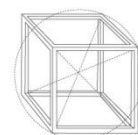
**Net profit adjusted** for non-recurring items and their tax effect, **soared by 36% to € 11.8m**, slightly better than our expectation. Reported net profit was € 8.0m (€ 15.1m at the end-17). Non-recurring adjustments are related to 1) € 3.8m loss in 2018 mainly due to an extraordinary vessel hiring; 2) in 2017 € 6.4m profit including a positive impact of IFRS 3 revaluation on JV fair value and a contingent loss related to the Intesa Guarantee.

As last year, **the BoD will propose to the next AGM** (scheduled for April 24, 2019 - second call) **an € 0.12/s dividend** (1.6% yield and 25.5% pay-out): ex-dividend date May 6, 2018, record date on May 7, 2019 and with payment on May 8, 2019.

**The Net Financial Position at Dec-18 improved to € 36.1m** from € 46.5m at end-17. The figure includes: 1) significant **cash generation** from operations in the period (€ 20.3m) and a positive effect on the NWC of € 5.0m; 2) **€ 12.8m capex** almost entirely in Distribution business unit, of which € 3.0m for the fresh-cut project in Italy, € 1.4m for the cooling machinery in France and € 1.5m for the implementation of the new ERP software; 3) about **€ 2.0m of dividend paid by the parent company**.

**In October 2018 the Group refinanced a medium-long term debt of Orsero SpA** in order to diversify the sourcing of financing and stabilise the cost of debt. In details, 1) issuance of € 30m related to 10y Senior Unsecured Notes with repayment in 6 instalments from October 2023 through October 2028; 2) € 60m of loan with repayment from mid-2019 to end-2024. Consequentially a couple of MLT loans was reimbursed.

**M&A activity has continued also in 2018** with the purchase of 100% of Sevimpor Distribuidora De Frutas De importacion by the Spanish subsidiary Hermanos Fernández Lòpez for € 1.65m (Enterprise Value as of € 2m with a NFP of € 650k of debt). The deal was completed in January 2019, while in March 2019 Orsero signed an agreement for the purchase of Fruttica Group, an importer and wholesale distributor of F&V in France, focused on Italian grapes, melons, pears and vegetables. The deal will be closed by the end of May 2019, after the necessary due diligence, for a consideration equal to € 10m.



## Estimates, valuation & risks

Following the publication of FY-18 results, we have updated our model factoring in: 1) **the effect of the consolidation as of May-19 of the recently acquired Fruttica** (€ 24.0m sales, 10% EBITDA, zero debt and paid € 10.0m), 2) a **further downgrade in the Import & Shipping** numbers also on the back of a lower than expected performance reported in 2018 and 3) factored **€ 1.0m extraordinary costs in 2019** linked to the uplisting to the MTA segment and a few M&A consultancy. The result is a **4% downgrade in Adjusted net profit in 2019-20**. We introduced also 2021 estimates.

**We have updated our PT to € 10.30 (€ 10.20) based on a market multiple comparison**, applying a 20% size-discount, corresponding to an implied 7.9x EBITDA<sub>19e</sub> and 11.1x PER<sub>19e</sub> vs. 9.3x and 13.0x of peers. Our **DCF model corroborates the value obtained by the multiple comparison: € 11.60/s** with a risk-free rate brought up-to-date to 2.5% and with other assumptions left unchanged (long-term growth rate of 1%, risk premium at 10%, D/E structure target at 30%).

**CFO Sim confirms the Buy rating on the stock.** 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 **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 € 1.2bn market value, € 4.2bn sales with an 4.9% EBITDA margin expected for 2019; 2) Total Produce has a market size of € 675m, has € 4.0bn revenues and a 2.3% EBITDA margin projected for 2019 and Greenyard boasts a € 148m market value, € 3.9bn sales with an 1.4% EBITDA margin expected for 2019.

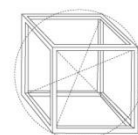
**Orsero is the smallest** in the list in terms of turnover, has a **profitability higher** than the peer average and **offers higher growth**: EBITDA, EBIT and Net Profit CAGR<sub>18-21</sub> of 9.1%, 14.8% and 13.8%, respectively vs. 0.5%, 0.1% and 16.8% of the peer median.

**Orsero trades at a double digit discount** vs. peers considering price and enterprise value multiples at all metrics in 2019-20. 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) higher than peers growth perspectives and profitability 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>18-21</sub>	EBITDA CAGR <sub>18-21</sub>	EBIT CAGR <sub>18-21</sub>	EPS CAGR <sub>19-21</sub>	NFP FY1	NFP /EBITDA
Fresh Del Monte Produce Inc	1,169	4,190	204	4.9%	4.7%	15.2%	29.8%	16.8%	628	3.1
Total Produce PLC	675	4,000	91	2.3%	n.a.	n.a.	n.a.	n.a.	222	2.4
Greenyard NV	148	3,867	54	1.4%	-2.0%	-14.2%	-29.5%	n.a.	351	6.6
<b>Median</b>	<b>675</b>	<b>4,000</b>	<b>91</b>	<b>2.3%</b>	<b>1.3%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>16.8%</b>	<b>351</b>	<b>3.1</b>
<b>Orsero Spa</b>	<b>133</b>	<b>993</b>	<b>38</b>	<b>3.8%</b>	<b>3.0%</b>	<b>9.1%</b>	<b>14.8%</b>	<b>13.8%</b>	<b>51</b>	<b>1.3</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	0.43	0.42	0.41	8.8	8.1	7.4	14.3	12.4	10.5
Total Produce PLC	0.22	0.22	n.a.	9.9	9.6	n.a.	13.0	11.9	n.a.
Greenyard NV	0.13	0.13	0.12	9.3	6.9	5.5	(1.7)	(16.8)	29.7
<b>Median</b>	<b>0.22</b>	<b>0.22</b>	<b>0.26</b>	<b>9.3</b>	<b>8.1</b>	<b>6.4</b>	<b>13.0</b>	<b>11.9</b>	<b>20.1</b>
Orsero Spa	<b>0.18</b>	<b>0.17</b>	<b>0.15</b>	<b>4.9</b>	<b>4.2</b>	<b>3.6</b>	<b>10.4</b>	<b>9.3</b>	<b>8.1</b>
% (Discount)/Premium to peer median	-17.5%	-22.9%	-44.0%	-48.0%	-48.1%	-43.8%	-20.1%	-21.7%	-59.9%

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>0.22</b>	<b>0.22</b>	<b>0.26</b>	<b>9.3</b>	<b>8.1</b>	<b>6.4</b>	<b>13.0</b>	<b>11.9</b>	<b>20.1</b>
Orsero metrics	993.4	1,015.2	1,041.5	37.8	40.5	42.7	0.72	0.81	0.93
NFP	50.7	36.6	21.5	50.7	36.6	21.5			
% discount applied	20.0%								
<b>Orsero Equity Value</b>	<b>127.3</b>	<b>139.3</b>	<b>199.1</b>	<b>231.6</b>	<b>224.8</b>	<b>198.3</b>	<b>132.6</b>	<b>136.2</b>	<b>265.2</b>
<b>Orsero Equity Value €/s</b>	<b>7.20</b>	<b>7.90</b>	<b>11.30</b>	<b>13.10</b>	<b>12.70</b>	<b>11.20</b>	<b>7.50</b>	<b>7.70</b>	<b>15.00</b>
% upside/(downside)	(4.1)	5.2	50.5	74.4	69.1	49.1	(0.1)	2.5	99.7

Source: Thomson Reuters Eikon, CFO Sim

We confidently consider that the most suitable multiples to look at are EV/EBITDA and PER, since 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, represents a valuation strength point that has to be priced into the stock. We are valuing the stock to fairly visible **2019 figures**, factoring in the still poor contingent Import & Shipping results. After having applied a residual 20.0% discount factoring in the smaller size, **2019 average EV/EBITDA and PER derived equity value totals € 182.1m, corresponding to 10.30/s, 37.2% upside to current price.**

## DCF

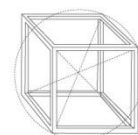
In the valuation via the DCF method explicit estimates until 2023 and a long term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

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

Interest costs, pre-tax	2.5%
Tax rate	26.0%
<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)	2.50%
Beta levered (x)	0.80
<b>Required ROE</b>	<b>10.5%</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 0.80x** 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	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	20.2	23.9	26.5	26.7	26.7	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
<b>Operating profit (NOPAT)</b>	<b>14.9</b>	<b>17.7</b>	<b>19.6</b>	<b>19.8</b>	<b>19.8</b>	
Change working capital	(12.5)	(1.5)	(4.2)	(0.5)	(0.1)	
Depreciation	14.9	14.7	14.4	8.0	6.5	
Investments	(28.0)	(13.0)	(10.5)	(6.5)	(6.5)	
<b>Free Cash Flows</b>	<b>(10.6)</b>	<b>18.0</b>	<b>19.3</b>	<b>20.8</b>	<b>19.7</b>	<b>287.8</b>
Present value	(10.0)	15.5	15.3	15.2	13.3	<b>200.4</b>
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	
<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	249.7
<i>thereof terminal value</i>	80.2%
NFP last reported	(36.1)
Pension provision last reported	(8.6)
<b>Equity value € m</b>	<b>205.1</b>
#m shares	17.68
<b>Equity value €/s</b>	<b>11.60</b>
<i>% upside/(downside)</i>	54.5%

Source: CFO Sim

**The application of the model produces an equity value of € 205.1m, corresponding to € 11.60/share.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 10.07–13.65/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 € 10.17-13.35/s (free risk range of between 3.50% and 1.50%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 9.43-14.60/s (risk premium range of between 12.0% and 8.0%).

**Table 12 – Orsero, equity value sensitivity to changes in terminal growth rate**

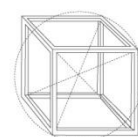
€ m	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Present value of CF	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4	49.4
PV of terminal value	173.3	179.4	185.9	192.9	200.4	208.4	217.1	226.4	236.6
<b>Total value</b>	<b>222.6</b>	<b>228.8</b>	<b>235.3</b>	<b>242.2</b>	<b>249.7</b>	<b>257.8</b>	<b>266.4</b>	<b>275.8</b>	<b>286.0</b>
NFP last reported	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)
Pension provision last reported	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)
<b>Equity value</b>	<b>178.0</b>	<b>184.1</b>	<b>190.6</b>	<b>197.6</b>	<b>205.1</b>	<b>213.1</b>	<b>221.8</b>	<b>231.2</b>	<b>241.3</b>
<b>Equity value/share €</b>	<b>10.07</b>	<b>10.41</b>	<b>10.78</b>	<b>11.18</b>	<b>11.60</b>	<b>12.05</b>	<b>12.54</b>	<b>13.07</b>	<b>13.65</b>

Source: CFO Sim

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

€ m	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%
Present value of CF	50.7	50.4	50.0	49.7	49.4	49.0	48.7	48.4	48.1
PV of terminal value	230.0	221.9	214.3	207.2	200.4	193.9	187.8	182.0	176.4
<b>Total value</b>	<b>280.7</b>	<b>272.3</b>	<b>264.4</b>	<b>256.9</b>	<b>249.7</b>	<b>242.9</b>	<b>236.5</b>	<b>230.3</b>	<b>224.5</b>
NFP last reported	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)
Pension provision last reported	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)
<b>Equity value</b>	<b>236.0</b>	<b>227.7</b>	<b>219.7</b>	<b>212.2</b>	<b>205.1</b>	<b>198.3</b>	<b>191.8</b>	<b>185.7</b>	<b>179.8</b>
<b>Equity value/share €</b>	<b>13.35</b>	<b>12.87</b>	<b>12.43</b>	<b>12.00</b>	<b>11.60</b>	<b>11.21</b>	<b>10.85</b>	<b>10.50</b>	<b>10.17</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	51.5	51.0	50.4	49.9	49.4	48.8	48.3	47.8	47.3
PV of terminal value	251.3	236.8	223.5	211.4	200.4	190.2	180.8	172.2	164.1
<b>Total value</b>	<b>302.9</b>	<b>287.7</b>	<b>273.9</b>	<b>261.3</b>	<b>249.7</b>	<b>239.0</b>	<b>229.1</b>	<b>220.0</b>	<b>211.4</b>
NFP last reported	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)	(36.1)
Pension provision last reported	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)	(8.6)
<b>Equity value</b>	<b>258.2</b>	<b>243.1</b>	<b>229.3</b>	<b>216.7</b>	<b>205.1</b>	<b>194.4</b>	<b>184.5</b>	<b>175.3</b>	<b>166.8</b>
<b>Equity value/share €</b>	<b>14.60</b>	<b>13.75</b>	<b>12.97</b>	<b>12.25</b>	<b>11.60</b>	<b>10.99</b>	<b>10.43</b>	<b>9.92</b>	<b>9.43</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 € 9.10/s on 03<sup>rd</sup> Apr 19 and the 1Y minimum of € 6.43 on 08<sup>th</sup> Aug 2018. The stock has consistently overperformed the FTSE AIM Italia, the European sector and the peers in the last month.

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

%	1D	1W	1M	3M	6M	YTD	1Y
Fresh Del Monte Produce Inc	(0.4)	(0.4)	(2.2)	(4.0)	(20.7)	(4.3)	(40.0)
Total Produce PLC	0.6	0.3	(6.7)	24.8	(18.2)	22.6	(27.7)
Greenyard NV	(0.6)	(2.9)	(0.6)	(54.2)	(59.0)	(54.4)	(81.5)
<b>Peers Median</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(2.2)</b>	<b>(4.0)</b>	<b>(20.7)</b>	<b>(4.3)</b>	<b>(40.0)</b>
<b>Orsero Spa</b>	<b>0.0</b>	<b>(1.8)</b>	<b>0.1</b>	<b>4.0</b>	<b>(0.7)</b>	<b>0.8</b>	<b>(16.6)</b>
FTSE AIM Italia	0.1	0.0	0.5	6.4	(8.2)	5.0	(7.3)
Thomson Reuters Food & Beverage EU	0.0	(0.8)	5.1	18.5	5.6	16.2	3.8

Source: Thomson Reuters Eikon

**Table 16 – Orsero, relative performances**

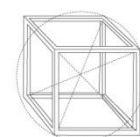
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	0.4	(1.5)	2.4	8.0	20.0	5.1	23.4
Orsero Spa to FTSE AIM Italia	(0.1)	(1.8)	(0.3)	(2.4)	7.5	(4.2)	(9.2)
Orsero Spa to EU Sector	(0.0)	(1.0)	(4.9)	(14.5)	(6.3)	(15.4)	(20.4)

Source: Thomson Reuters Eikon

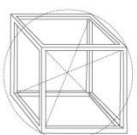
## Risks

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

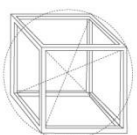


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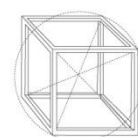


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Income statement (€ m)	2017	2018	2019e	2020e	2021e
Revenues	937.9	952.8	993.4	1,015.2	1,041.5
COGS	(859.2)	(874.8)	(904.8)	(922.3)	(945.3)
Gross Profit	78.6	78.0	88.6	92.9	96.2
SG&A	(67.3)	(66.6)	(68.4)	(68.9)	(69.7)
EBIT	11.3	11.4	20.2	23.9	26.5
Financials	(2.7)	(2.5)	(2.8)	(2.5)	(2.3)
Results from investments	11.0	2.4	0.9	0.9	0.9
Pre Tax Profit	19.6	11.2	18.3	22.3	25.1
Taxes	(4.5)	(3.2)	(4.8)	(5.8)	(6.5)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Net Profit	14.9	8.0	13.5	16.5	18.5
D&A	(12.8)	(13.7)	(14.9)	(14.7)	(14.4)
Provisions	(2.5)	(1.7)	(1.8)	(1.8)	(1.9)
Non recurring items	(4.8)	(6.1)	(1.0)	0.0	0.0
Adjusted EBITDA	31.4	32.9	37.8	40.5	42.7
Adjusted EBIT	16.1	17.5	21.2	23.9	26.5
Adjusted Net profit	18.8	12.7	14.3	16.5	18.5
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	43.0	32.4	44.9	46.4	50.6
Net Fixed Assets	144.0	141.2	154.1	152.2	148.1
Equity Investments	8.0	8.9	9.1	9.3	9.5
Other M/L Term A/L	(2.7)	3.7	4.3	4.8	5.2
Net Invested Capital	192.2	186.3	212.4	212.6	213.4
Net Financial Debt/(cash)	46.5	36.1	50.7	36.6	21.5
Minorities	1.1	0.5	0.5	0.5	0.6
Group's Shareholders Equity	144.7	149.7	161.1	175.4	191.3
Financial Liabilities & Equity	192.2	186.3	212.4	212.6	213.4
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	14.9	8.0	13.5	16.5	18.5
Depreciation	12.8	13.7	14.9	14.7	14.4
Other non-cash charges	1.5	2.3	(0.6)	(0.5)	(0.5)
Cash Flow from Oper. (CFO)	29.1	23.9	27.8	30.7	32.4
Change in NWC	(15.6)	10.6	(12.5)	(1.5)	(4.2)
FCF from Operations (FCFO)	13.6	34.5	15.4	29.2	28.2
Net Investments (CFI)	(24.6)	(22.5)	(28.0)	(13.0)	(10.5)
Free CF to the Firm (FCFF)	(11.0)	12.0	(12.6)	16.2	17.7
CF from financials (CFF)	34.5	(15.6)	(2.0)	(2.2)	(2.6)
Free Cash Flow to Equity (FCFE)	23.4	(3.6)	(14.6)	14.1	15.1
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA adj. margin	3.3%	3.5%	3.8%	4.0%	4.1%
EBIT margin	1.2%	1.2%	2.0%	2.4%	2.5%
Net profit margin	1.6%	0.8%	1.4%	1.6%	1.8%
Tax rate	22.9%	28.8%	26.0%	26.0%	26.0%
Op NWC/Sales	4.6%	3.4%	4.5%	4.6%	4.9%
Interest coverage x	0.24	0.22	0.14	0.11	0.09
Net Debt/EBITDA adj. x	1.48	1.10	1.34	0.91	0.50
Debt-to-Equity x	0.32	0.24	0.31	0.21	0.11
ROIC	7.7%	4.3%	6.4%	7.7%	8.7%
ROCE	5.5%	6.3%	7.3%	7.8%	8.3%
ROACE	6.1%	6.2%	7.4%	8.0%	8.5%
ROE	10.3%	5.3%	8.4%	9.4%	9.7%
Payout ratio	13.7%	25.5%	16.0%	16.0%	16.0%
Per share figures	2017	2018	2019e	2020e	2021e
Number of shares # m	17.68	17.68	17.68	17.68	0.00
Number of shares Fully Diluted # m	17.68	17.68	17.68	17.68	0.00
Average Number of shares Fully Diluted	17.68	17.68	17.68	17.68	8.84
EPS stated FD €	0.84	0.45	0.76	0.93	2.09
EPS adjusted FD €	1.06	0.72	0.81	0.93	2.09
EBITDA €	1.77	1.86	2.14	2.29	4.83
EBIT €	0.64	0.64	1.14	1.35	2.99
FCFO €	0.77	1.95	0.87	1.65	3.19
FCFF €	(0.62)	0.68	(0.71)	0.92	2.01
FCFE €	1.32	(0.20)	(0.83)	0.80	1.71
Dividend €	0.12	0.12	0.13	0.16	0.17



## The company in a nutshell

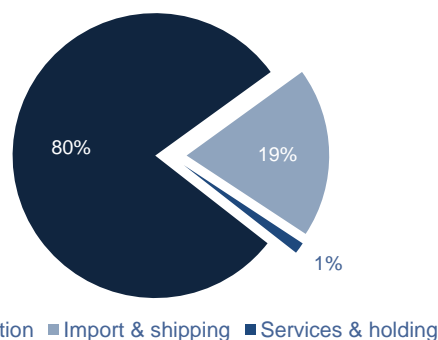
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and 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.

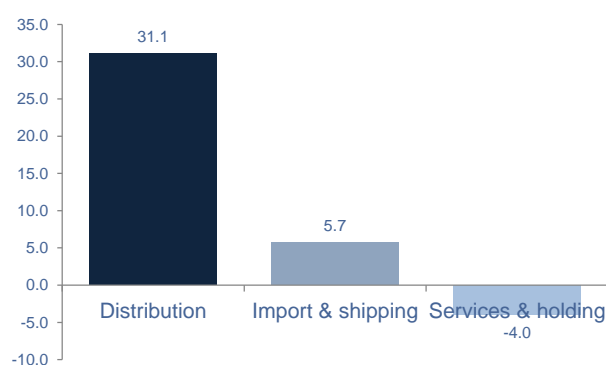
2018 Orsero highlights: € 952.8m revenues, EBITDA adj. of € 32.9m (3.4% margin), € 11.8m adjusted net profit and € 36.1m net financial position (1.10x EBITDA adj.).

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.

## 2018 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	%	# m
Orsero family	0.0%	0.00
Grupo Fernandez	5.7%	1.00
Free Float	94.3%	16.68
o/w treasury shares	4.3%	0.75
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

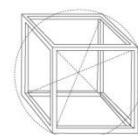
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	(0.4)	(0.4)	(2.2)	(4.0)	(20.7)	(4.3)
Total Produce PLC	0.6	0.3	(6.7)	24.8	(18.2)	22.6
Greenyard NV	(0.6)	(2.9)	(0.6)	(54.2)	(59.0)	(54.4)
<b>Peers Median</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(2.2)</b>	<b>(4.0)</b>	<b>(20.7)</b>	<b>(4.3)</b>
<b>Orsero Spa</b>	<b>0.0</b>	<b>(1.8)</b>	<b>0.1</b>	<b>4.0</b>	<b>(0.7)</b>	<b>0.8</b>
FTSE AIM Italia	0.1	0.0	0.5	6.4	(8.2)	5.0
EU Sector	0.0	(0.8)	5.1	18.5	5.6	16.2
Orsero Spa to peers	0.4	(1.5)	2.4	8.0	20.0	5.1
Orsero Spa to FTSE AIM Italia	(0.1)	(1.8)	(0.3)	(2.4)	7.5	(4.2)
Orsero Spa to EU Sector	(0.0)	(1.0)	(4.9)	(14.5)	(6.3)	(15.4)

## 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	14.3	12.4	10.5	7.3	6.6	5.9	8.8	8.1	7.4
Total Produce PLC	13.0	11.9	n.a.	13.0	12.8	n.a.	9.9	9.6	n.a.
Greenyard NV	-1.7	-16.8	29.7	-5.3	2.9	2.2	9.3	6.9	5.5
<b>Median</b>	<b>13.0</b>	<b>11.9</b>	<b>20.1</b>	<b>7.3</b>	<b>6.6</b>	<b>4.1</b>	<b>9.3</b>	<b>8.1</b>	<b>6.4</b>
<b>Orsero Spa</b>	<b>10.4</b>	<b>9.3</b>	<b>8.1</b>	<b>4.5</b>	<b>4.3</b>	<b>4.0</b>	<b>4.9</b>	<b>4.2</b>	<b>3.6</b>
% (Discount)/Premium to peer median	-20.1%	-21.7%	-59.9%	-38.3%	-35.7%	-0.8%	-48.0%	-48.1%	-43.8%

Source: CFO Sim, Thomson Reuters Eikon



#### ANALYST CERTIFICATION

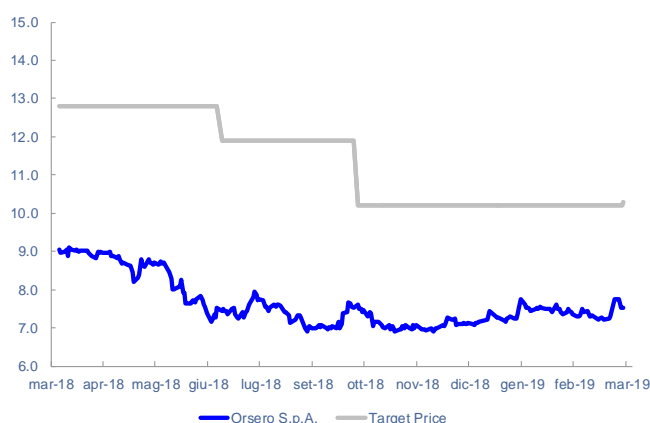
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DATE	TARGET PRICE	RATING
29/03/2019	€10.30	BUY
01/10/2018	€10.20	BUY
02/07/2018	€11.90	BUY
21/03/2018	€12.80	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% 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.

