

Italy - Food

A defensive value stock

18<sup>th</sup> March 2020

FY-19 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

Orsero reported weak FY-19 results: profitability showed persisting operational issues in the French subsidiary also in H2-19. In the current market turmoil, Orsero confirms as a medium-long term defensive value player. However, short-term volatility remains high and visibility low.

Rating:

**Buy**

Price Target:

**€ 7.00 (€ 8.40)**

Upside/(Downside): 40.8%

Last Price: € 4.97

Market Cap.: € 87.9

1Y High/Low: € 8.12/€ 4.30

Free Float: 58.0%

Major shareholders:

FIF Holding	32.0%
Praude Asset Management	8.6%
Grupo Fernández	5.7%
Global Portfolio Investments	5.6%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>-26.9%</b>	<b>-19.6%</b>	<b>-31.4%</b>
<b>Rel.to FTSE STAR</b>	<b>7.7%</b>	<b>12.5%</b>	<b>-7.7%</b>
<b>Rel.to EU Sector</b>	<b>-5.9%</b>	<b>-0.1%</b>	<b>-15.6%</b>

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**A defensive stock in a high-volatility and low-visibility storm: new PT € 7.00 (€ 8.40)**

The current necessary severe restrictions on people mobility in order to contain the dramatic rapid expansion of COVID-19 will certainly have a significant impact on production, trade and consumption. However, since operating in a sector that is rather defensive and resilient to short-term downturns, Orsero should be less impacted by current market uncertainties compared to other stocks. CFO updated its model: we believe H1-20 might be hit by a certain consumption slowdown and impacted by some logistic and operating inefficiencies related to the latest impositions aimed at containing the virus contagion. The result is a 16% downgrade in EBITDA adj. in 2020-21. New PT of € 7.00, (€ 8.40), now based on DCF rather than on a market multiple comparison, confirming the Buy. In this market turmoil, Orsero represents a log-term defensive player even if short-term volatility remains high and visibility low.

**Top line grew by 5.6% reaching € 1.0bn (+2.9% like-for-like)**

FY-19 revenues totalled € 1,006m, better than our € 993m forecast, increasing by 5.6% YoY (+2.9% like-for-like), mainly as a result of higher sales in the distribution business and the consolidation of the companies acquired during the year. The distribution division increased by 6.7% to € 928m, including M&A activity (+3.5% YoY like-for-like), thanks to good sales momentum in Italy and Spain, only partially offset by the downturn of French operations. The import & shipping business unit generated sales of € 215m, growing by 1.9% YoY, thanks to the increased transported volumes for shipping services of third parties.

**Adj. EBITDA dropped to € 28.9m, dragged down by a weak performance of Distribution BU**

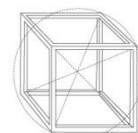
Adj. EBITDA excl. IFRS 16 totalled € 28.9m, 2.9% margin, lower than our € 33.2m projection. Distribution EBITDA adj. declined by 16% YoY to € 26.0m, 2.8% margin, mainly due to an unexpected low profitability of AZ France. The French subsidiary reported a shortfall of some € 5.0m vs. FY-18 in terms of EBITDA: the poor H1-19 performance was followed by lower than expected results in the last part of the year. Import & shipping adj. EBITDA totalled € 7.7m, vs. € 5.7m in 2018, thanks to better USD freight rates and to increased volumes (loading factor 94% vs. 91% in 2018). NFP excl. IFRS 16 effect increased to € 66.9m from € 36.1m at end-18, after: 1) cash generation from operations of € 11.6m and a positive contribution of NWC of € 1.9m; 2) € 25.3m capex; 3) € 2.0m dividends and 4) € 17.0m for the M&A campaign. Including € 60.0m of additional net debt stemming from the IFRS 16 application, NFP reached € 126.9m.

**Three fairly paid acquisitions in 2019**

As part of the strategy of consolidating and strengthening its competitive position as a distributor in Southern Europe, the group closed three acquisition in 2019: 1) 100% of Sevimpor, a Spanish company running banana ripening and distribution of fresh F&V, paid € 1.5m (4.8x EBITDA adj.); 2) 100% of Fruttica Group, a French company integrated in the supply-chain of imported fresh fruit, mainly importing and distributing in France Italian fruits and vegetables, paid € 10.0m (4.0x EBITDA); 3) 75% of Fruttital Cagliari, a Sardinia based company running banana ripening and distribution of fresh F&V, paid € 5.1m (5.7x EBITDA).

**Orsero, key financials and ratios**

€ m	2018	2019	2020e	2021e	2022e
Sales	952.8	1,005.7	1,014.0	1,040.2	1,067.1
EBITDA adj	32.9	38.7	40.1	43.0	44.1
EBIT adj	17.5	13.0	14.4	18.5	20.8
Net profit	8.0	2.0	8.3	11.4	13.1
Net profit adj	12.7	5.3	8.3	11.4	13.1
NFP (cash)/debt	36.1	126.9	115.8	94.7	73.1
EPS adjusted FD	0.72	0.30	0.47	0.64	0.74
EPS adj. FD growth	-32.1%	-58.4%	56.8%	36.6%	15.0%
DPS ord. €/s	0.12	0.08	0.12	0.13	0.14
Dividend yield	2.4%	1.5%	2.4%	2.6%	2.8%
Free Cash Flow Yield	13.6%	-18.5%	14.1%	26.3%	27.2%
PER x	6.9	23.9	10.6	7.7	6.7
EV/Sales x	0.19	0.25	0.20	0.18	0.15
EV/EBITDA x	5.4	6.6	5.1	4.3	3.6
EV/EBIT x	10.1	19.6	14.2	9.9	7.7



## The company in a nutshell

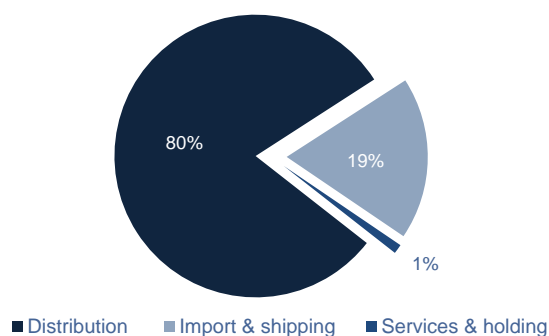
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and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

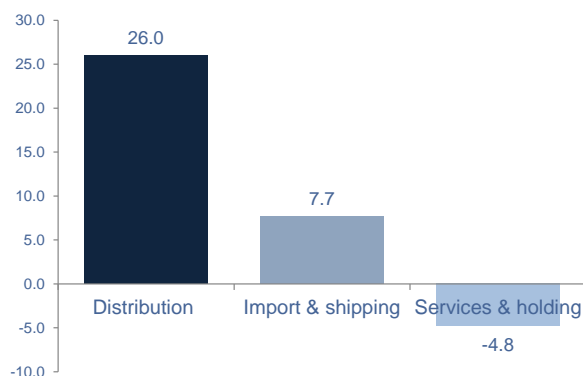
2019 Orsero highlights: € 1.0bn revenues, EBITDA adj. of € 28.9m (2.9% margin), € 5.3m adjusted net profit and € 66.9m net financial position (2.31x EBITDA adj.). Including IFRS 16 effect EBITDA adj. was € 38.7m and net financial position stood at € 126.9m

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. Orsero has been trading on the STAR segment of MTA market of Borsa Italiana since last 23-Dec-19.

## 2019 Gross Turnover...



## ...and EBITDA by business (excl. IFRS 16)



## Shareholder structure

	# m	%
FIF Holding	5.66	32.0%
Grupo Fernandez	1.00	5.7%
Treasury Shares	0.76	4.3%
<b>Free Float</b>	<b>10.26</b>	<b>58.0%</b>
o/w Praude Asset Management	1.52	8.6%
Global Portfolio Investments	1.00	5.6%
<b>Total</b>	<b>17.68</b>	<b>100.0%</b>

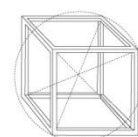
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	25.2	9.9	(1.7)	(3.6)	6.3	(4.5)
Total Produce PLC	(2.7)	(27.2)	(36.6)	(41.1)	(36.6)	(42.0)
Greenyard NV	0.1	(17.4)	(24.4)	(29.0)	18.0	(29.2)
<b>Peers Median</b>	<b>0.1</b>	<b>(17.4)</b>	<b>(24.4)</b>	<b>(29.0)</b>	<b>6.3</b>	<b>(29.2)</b>
<b>Orsero Spa</b>	<b>(0.6)</b>	<b>(3.3)</b>	<b>(26.9)</b>	<b>(19.6)</b>	<b>(24.7)</b>	<b>(22.1)</b>
FTSE STAR Italia	0.7	(11.5)	(34.6)	(32.1)	(23.6)	(31.8)
EU Sector	1.3	(10.0)	(21.0)	(19.5)	(19.7)	(21.3)
Orsero Spa to peers	(0.7)	14.1	(2.5)	9.4	(31.0)	7.1
Orsero Spa to FTSE STAR Italia	(1.3)	8.2	7.7	12.5	(1.1)	9.7
Orsero Spa to EU Sector	(1.9)	6.7	(5.9)	(0.1)	(5.0)	(0.8)

## 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	12.3	n.a.	8.8	6.6	n.a.	9.5	7.0	n.a.
Total Produce PLC	5.0	4.7	n.a.	4.5	4.1	n.a.	6.4	5.9	n.a.
Greenyard NV	nm	nm	15.8	2.8	1.9	1.8	6.1	5.0	4.4
<b>Median</b>	<b>9.7</b>	<b>8.5</b>	<b>15.8</b>	<b>4.5</b>	<b>4.1</b>	<b>1.8</b>	<b>6.4</b>	<b>5.9</b>	<b>4.4</b>
<b>Orsero Spa</b>	<b>10.6</b>	<b>7.7</b>	<b>6.7</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>5.1</b>	<b>4.3</b>	<b>3.6</b>
% (Discount)/Premium to peer median	9.4%	-8.8%	-57.3%	-42.7%	-40.8%	34.3%	-20.8%	-28.5%	-17.7%

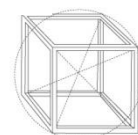
Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2018	2019*	2020e	2021e	2022e
Revenues	952.8	1,005.7	1,014.0	1,040.2	1,067.1
COGS	(874.8)	(927.9)	(931.3)	(952.7)	(976.5)
Gross Profit	78.0	77.8	82.6	87.5	90.5
SG&A	(66.6)	(69.4)	(68.2)	(69.0)	(69.8)
EBIT	11.4	8.4	14.4	18.5	20.8
Financials	(2.5)	(3.9)	(3.9)	(3.9)	(3.9)
Results from investments	2.4	1.0	1.0	1.0	1.0
Pre Tax Profit	11.2	5.5	11.4	15.5	17.8
Taxes	(3.2)	(3.2)	(3.0)	(4.0)	(4.6)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.0)	(0.2)	(0.1)	(0.1)	(0.2)
Net Profit	8.0	2.0	8.3	11.4	13.1
D&A and Provisions	(15.4)	(25.8)	(25.7)	(24.5)	(23.3)
Non recurring items	(6.1)	(4.6)	0.0	0.0	0.0
EBITDA adj.	32.9	38.7	40.1	43.0	44.1
EBIT adj.	17.5	13.0	14.4	18.5	20.8
Net Profit adj.	12.7	5.3	8.3	11.4	13.1
Balance sheet (€ m)	2018	2019*	2020e	2021e	2022e
Net Working Capital	32.4	30.6	19.3	20.0	20.5
Net Fixed Assets	141.2	233.7	240.2	226.9	214.9
Equity Investments	8.9	8.1	8.3	8.4	8.6
Other M/L Term A/L	3.7	5.5	6.0	6.6	7.2
Net Invested Capital	186.3	277.8	273.7	262.0	251.2
Net Financial Debt/(cash)	36.1	126.9	115.8	94.7	73.1
Minorities	0.5	0.7	0.9	1.0	1.2
Group's Shareholders Equity	149.7	150.2	157.1	166.3	177.0
Financial Liabilities & Equity	186.3	277.8	273.7	262.0	251.2
Cash Flow statement (€ m)	2018	2019*	2020e	2021e	2022e
Total net income	8.0	2.0	8.3	11.4	13.1
Depreciation	13.7	23.7	24.4	23.1	21.9
Other non-cash charges	2.3	(1.8)	(0.5)	(0.6)	(0.6)
Cash Flow from Oper. (CFO)	23.9	24.0	32.2	33.8	34.4
Change in NWC	10.6	1.9	11.3	(0.7)	(0.5)
FCF from Operations (FCFO)	34.5	25.9	43.4	33.1	33.9
Net Investments (CFI)	(22.5)	(42.1)	(31.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	12.0	(16.3)	12.4	23.1	23.9
CF from financials (CFE)	(15.5)	(3.5)	13.7	(2.0)	(2.2)
Free Cash Flow to Equity (FCFE)	(3.6)	(19.7)	26.1	21.1	21.7
Financial ratios	2018	2019*	2020e	2021e	2022e
EBITDA adj. margin	3.5%	3.8%	4.0%	4.1%	4.1%
EBIT margin	1.2%	0.8%	1.4%	1.8%	1.9%
Net profit margin	0.8%	0.2%	0.8%	1.1%	1.2%
Tax rate	28.8%	58.6%	26.0%	26.0%	26.0%
Op NWC/Sales	3.4%	3.0%	1.9%	1.9%	1.9%
Interest coverage x	0.22	0.46	0.27	0.21	0.19
Net Debt/EBITDA adj. x	1.10	3.28	2.89	2.20	1.66
Debt-to-Equity x	0.24	0.84	0.74	0.57	0.41
ROIC	4.3%	0.7%	3.0%	4.3%	5.2%
ROCE	6.3%	3.7%	3.8%	4.8%	5.3%
ROACE	6.2%	4.1%	4.0%	4.9%	5.3%
ROE	5.3%	1.3%	5.3%	6.8%	7.4%
Payout ratio	25.5%	63.2%	24.4%	19.4%	18.1%
Per share figures	2018	2019*	2020e	2021e	2022e
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 €	0.45	0.11	0.47	0.64	0.74
EPS adjusted FD €	0.72	0.30	0.47	0.64	0.74
EBITDA €	1.86	2.19	2.27	2.43	2.49
EBIT €	0.64	0.47	0.81	1.05	1.17
FCFO €	1.95	1.46	2.46	1.87	1.92
FCFF €	0.68	(0.92)	0.70	1.31	1.35
FCFE €	(0.20)	(1.12)	1.48	1.19	1.23
Dividend €	0.12	0.08	0.12	0.13	0.14

\*as of 2019 figures include IFRS 16 effect



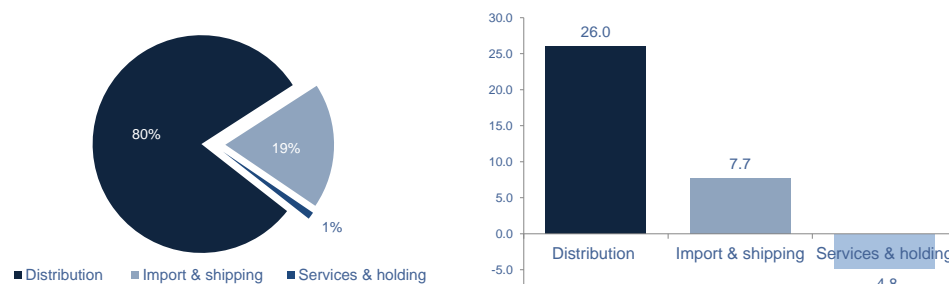
## Orsero in a nutshell

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.

Every year, Orsero sells more than 750,000 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 80 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.

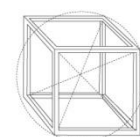
**Chart 1 – Orsero, 2019 gross revenues and EBITDA adj. breakdown by division**



Source: Company data, excluding IFRS 16 effect

### 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 "Cal 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 "Frate 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
- 2017-2018 Full integration of JV's in Spain and Italy: Hermanos Fernández López, Fruttital Firenze and Galandi.



- 2018-2019 Acquisition of Sevimpor (Spain), Fruttica (France) and Fruttital Cagliari (Italy), to enlarge the group distribution activity.
- Strengthening of fresh-cut activity: three new cutting centres in Molfetta (Bari), Verona and Cagliari and the widening of the Florence one.
- 2019 As of Dec-19 Orsero moved to the STAR segment of Borsa Italiana dedicate to high requirement firms.

The top management of the group comprises 4 people, with an average age of 47.

**Paolo Prudenziati (Chairman, MD and CCO)** - 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 become 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.

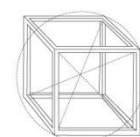
**Tommaso Cotto (COO)** Born in Biella in 1986. He has a degree in Management Engineering from the Polytechnic of Turin and in Business Economics from ESCP-Europe. He started his professional experience at Bain & Company Italy Inc. in 2010 as a consultant. He joined Orsero Group in November 2015 as Chief 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. **As of Dec-19 Orsero moved to the STAR segment** of Borsa Italiana dedicate to high requirement firms.

**Table 1 – Orsero, shareholders structure**

Shareholders	#m shares	%
<b>FIF Holding</b>	<b>5.664</b>	<b>32.0%</b>
Anna Chiara Orsero	1.717	9.7%
Raffaella Orsero	1.717	9.7%
Pierangelo Ottonello	0.769	4.3%
Antonio Orsero	0.654	3.7%
Lorenzo Ighina	0.404	2.3%
Leonardo Ighina	0.404	2.3%
<b>Grupo Fernandez</b>	<b>1.000</b>	<b>5.7%</b>
<b>Treasury Shares</b>	<b>0.756</b>	<b>4.3%</b>
<b>Free Float</b>	<b>10.262</b>	<b>58.0%</b>
o/w Praude Asset Management	1.515	8.6%
Global Portfolio Investments	0.997	5.6%
<b>Total</b>	<b>17.683</b>	<b>100.0%</b>

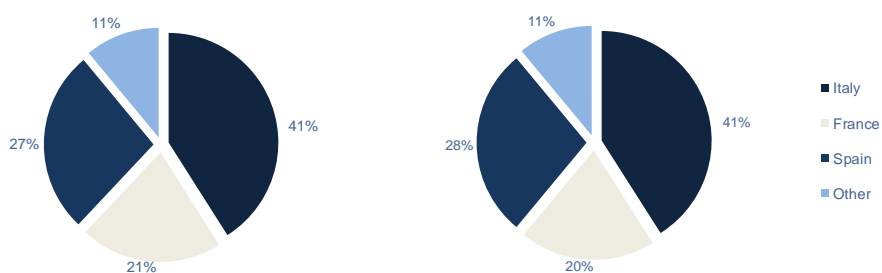
Source: Company data, CFO Sim



## 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 – 2018-2019 revenues by country



Source: Company data

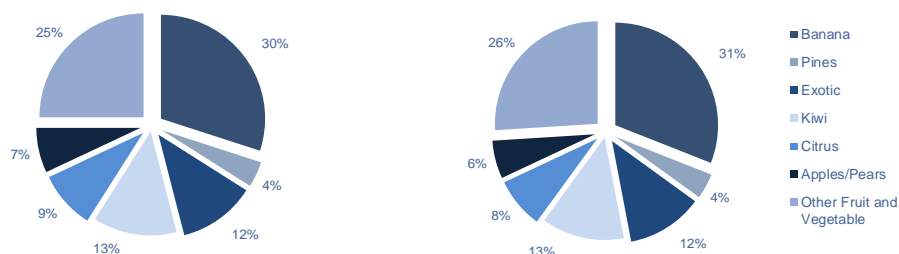
Orsero boasts a consolidated network of wholesalers and large-scale retail chains where it distributes more than 750,000 tons/y exploiting its platforms specialised in fresh product storage and handling.

The group has 25 warehouse for storage, re-packing and handling of F&V, with a total storage capacity of over 35,000 pallets, 22 ripening centres in Europe, 26 stalls in the main European fruit and vegetable markets and 4 fresh-cut processing centres.

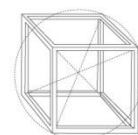
In addition to its own brands, F.lli Orsero and Simba, Orsero is one of the largest distributors in Europe of key fruit and vegetable brands.

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 2019) and stable return generation at around 2-3% in terms of EBITDA on average in the last years.

Chart 3 – 2018-2019 revenues by product



Source: Company data



## Business activities: 2) Import and Shipping

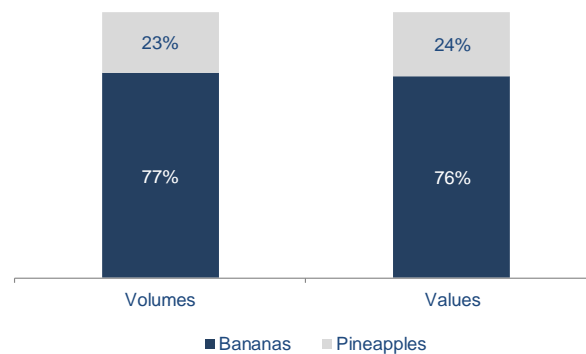
The division is responsible for the import and transportation of bananas and pineapples from five different countries of Central America to Europe. The subsidiary Simba buys the products from local producers who can supply a constant amount of fruit all year long, then bananas and pineapples begin a 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.

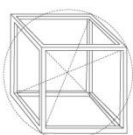
In 2019, the group introduced a rented vessel in addition to the four owned ships, in order to improve the fuel consumption of the fleet. The fifth vessel allowed to reduce the speed of all the ships, whilst maintaining the weekly arrival schedule in the Southern Europe ports and increasing the loading factor. The fuel economy more than covered the cost for the rental of the additional vessel. Furthermore, Orsero reintroduced the freight rate adjustments clauses on fluctuation of fuel costs (BAF clause).

**Chart 4 – 2019e products breakdown by volumes/values**



Source: CFO SIM estimates

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

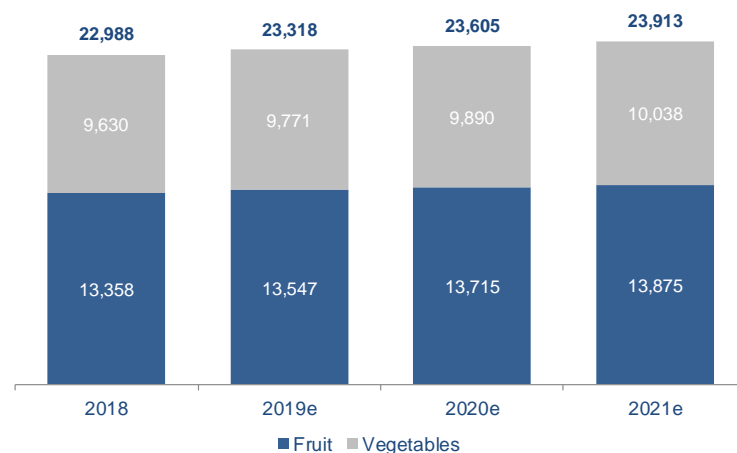


## The reference market

Over the last three years, the production and consumption of fresh fruit and vegetables in Italy, Spain and France has been stable (CAGR<sub>16-18</sub> 0.3%), but **market volumes are expected to grow slightly to 23.9mtons in 2021**, of which 13.9mtons of fruit, representing almost 60% of the total market (CAGR<sub>18-21</sub> 1.3%).

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 & Vegetables consumption (ktons)



Source: Euromonitor International Limited, Fresh Food 2019

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.

In **Italy**, the fruit market is forecasted to grow from 5.7mtons in 2018 to 6.0mtons by 2021, with an increase in consumption of exotic and organic fruit, with bananas and pineapples account for approximately 9% and 2% respectively. Looking at the channel of fresh fruit distribution, almost 50% of Italian fruit is sold by domestic producers with direct access to the market.

On the other hand, in **France** approximately 90% of the fruit trade is controlled by the large retail chains. Bananas account for 22% of the total fruit market, expected to reach a peak of 624ktons by 2021. 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 consumption of fruits is anticipated to grow with 1.1% CAGR<sub>18-21</sub>. Oranges and mandarins have the largest share and account for almost 26% of the Spanish fruits market, whereas bananas total 12%.

With regards to the **vegetable market**, its value is expected to increase by 1.4% CAGR<sub>18-21</sub> in the countries considered, thanks to the increased popularity of healthy natural products, as well as the increased importance of corporate social responsibility.

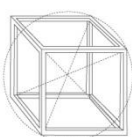
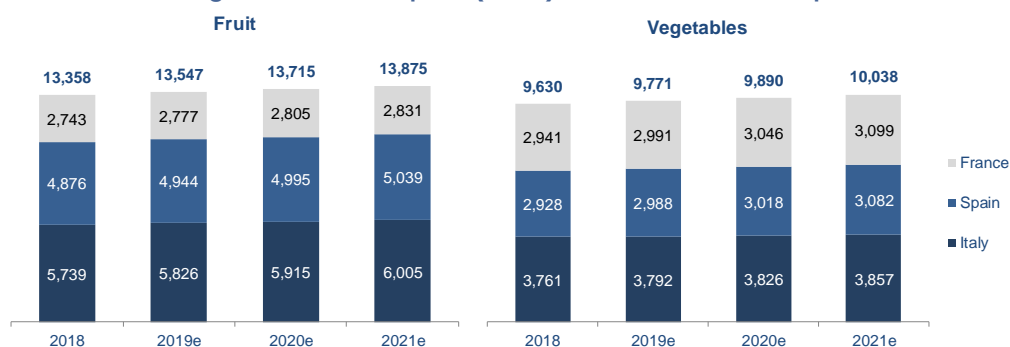




Chart 6 – Fruit & Vegetables consumption (ktons) trend in Southern Europe



Source: Euromonitor International Limited, Fresh Food 2019

## 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.

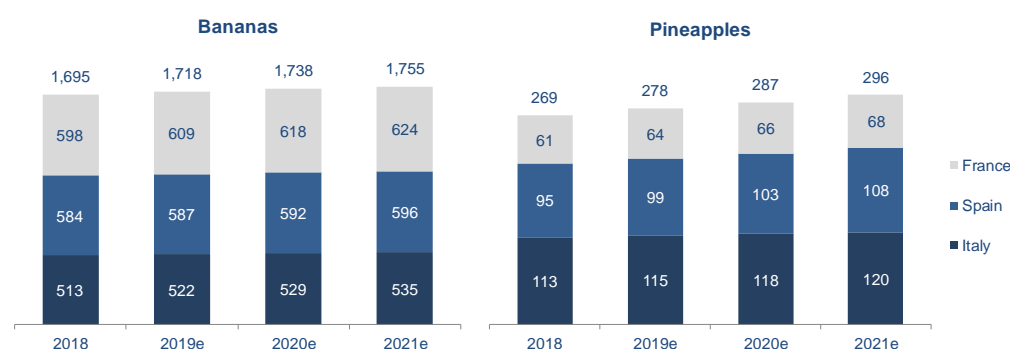
**In Italy almost 120ktons of pineapple** was sold in 2018, with Spain and France following suit. **The pineapple market in Southern Europe is expanding rapidly:** consumption showed a 4.4% CAGR<sub>16-18</sub> in Spain, followed by France (2.4%) and Italy (2.2%). In 2019-21 period, pineapples consumption is anticipated to grow with 4.5% CAGR<sub>18-21</sub> in Spain, 3.6% in France and 1.8% in Italy.

**Fresh Del Monte is the world's largest dealer of pineapples**, distributing nearly 40% of all cases exported worldwide. The second player is Dole, with almost 20% of all cases, whereas all the other players hold significantly lower market shares.

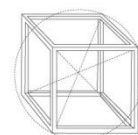
**The vast majority of bananas come from Central and South America:** Ecuador, Colombia and Costa Rica are the main producers, accounting for more than 60% of world production. In Europe, almost 6mtons of green bananas are sold in 2018; Italian consumption accounted for 513ktons, while Spanish and French ones accounted for almost 600ktons.

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.**

Chart 7 – Bananas & Pineapples consumption (ktons) trend in Southern Europe



Source: Euromonitor International Limited, Fresh Food 2019



## 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 sourcing to end customer distribution. The aim is 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 3.8% (already a best-in-class level and compares to 2.2% of Total Produce) to exceed 4.0% 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 22 specialised centres in Southern Europe dedicated to banana maturation;

**Fresh-cut:** 4 processing plants to make fresh-cut, portioned and prewashed fruit, exotic fruit and fresh smoothies;

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

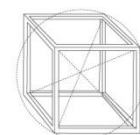
**Distribution:** daily deep-rooted distribution and custom made solutions.

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 further development of higher value-added products such as fresh-cut fruit, portioned and prewashed fruit, exotic fruit and fresh smoothies.
- **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.
- **Reduction of the dependence on bananas and pineapples**, by increasing the weight of other products, in particular the new higher value-added product families. The medium-long term target is to increase from 1% to 10% the share of these product families on total group turnover.

**The shipping activity** has been impacting by a new international environmental regulation, the IMO – MARPOL 2020, which came into force since 1<sup>st</sup> January 2020. The maximum sulfuric content of ship engine emissions must be reduced from 3.5% to 0.5%, so the operators have two alternatives: to use more refined fuel or to install an exhaust gas cleaning system (ECGS or scrubbers) whilst continuing to use the 3.5% bunker fuel. Orsero said that since the end of 2019 its fleet has been deploying 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.



## Recent acquisitions

As a part of the strategy of consolidation and strengthening of its own competitive position in the distribution in Southern Europe, the group closed **three acquisition in a row in 2019**: Sevimpor, Fruttica Group and Fruttital Cagliari.

- **Sevimpor** is a Spanish company running **banana ripening and distribution of fresh F&V**. The firm operates a logistic platform of about 2,000 m<sup>2</sup>, equipped with 19 ripening cells, several cool rooms and a packing area. The deal was finalised in Jan-19, when Hermanos Fernández López (HFL), the Spanish subsidiary of Orsero group, acquired **100% of Sevimpor for € 1.5m (4.8x EBITDA adj.)**. In 2018 the company recorded € 12m revenues, with an EBITDA adj. of € 450k and a NFP of € 650k (net debt).

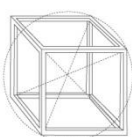
**Sevimpor is fully integrated within the group**, also thanks to an additional new logistic platform in Seville, which was completed in 2019. The group will merge Sevimpor into HFL by year end 2020.

- **Fruttica Group** is a French company integrated in the supply-chain of imported fresh fruit, mainly **importing and distributing in France Italian fruits and vegetables** (about 50% of volumes is composed by grapes, while the remainder by melons, pears and vegetables). The firm operates a logistic platform of about 1,450m<sup>2</sup>, equipped with 150m<sup>2</sup> of cool storage. In May-19 AZ France, the French subsidiary of Orsero group, acquired **100% of Fruttica for € 10m (4.0x EBITDA)**, of which € 8m already paid and € 2m to be paid in two tranches in May 2020 and 2021, in addition to an earn-out of € 0.4m based on 2020-21 results. In 2018 the company recorded € 24m revenues, with an EBITDA adj. of € 2.5m and a neutral net financial position.

**The integration within the group is ongoing**. Furthermore, after a deep operating and commercial reorganisation in France, Fruttica and AZ France now are sharing the same leadership team, **with the aim to exploit synergies both on products and customer base**.

- **Fruttital Cagliari** is based in Sardinia (Italy) and runs **banana ripening and distribution of fresh F&V**. The firm operates a logistic platform and a point-of-sale in a General Wholesale Market. In Jul-19 Fruttital Srl, the main Italian subsidiary of Orsero group, acquired **75% of Fruttital Cagliari** (the remaining 25% was already held by Fruttital Srl) **for € 5.1m (5.7x EBITDA)**, of which € 4.05m was already paid and the remainder to be paid after 12 months (Jul-20). The average 2017-18 sales of the company was about € 16m, with an average EBITDA adj. of € 1.2m and neutral NFP.

**The company is fully integrated within the Italian distribution business unit** and the merger into Fruttital Srl is planned by the end of 2020.



## 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

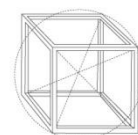
- ❑ Currently still **limited F.lli Orsero brand awareness** on end consumers
- ❑ **Exposure to USD/EUR**, in particular for maritime transport segment
- ❑ **Market share recovery**, may be more complicated than expected

#### 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
- ❑ **COVID-19 contagion** might put under pressure consumption for longer than expected



## FY-19 results

Orsero reported weak FY-19 results: top line and NFP are bang-in-line with CFO SIM estimates, while profitability came in weaker than our projection, mainly as a result of persisting operational issues in the French subsidiary in H2-19. However, the company implemented in the course of the second part of 2019 a deep reorganisation in France, operationally and commercially, and is confident to return to their standard margins, with the effects visible already in 2020.

**Table 3 – Orsero, FY-19 results summary**

€ m	2019	2018	% YoY	2019e	% Diff.
<b>Revenues</b>	<b>1,005.7</b>	<b>952.8</b>	<b>5.6</b>	<b>993.4</b>	<b>1.2</b>
COGS	(928.4)	(874.8)		(912.2)	
<b>Gross Profit</b>	<b>77.3</b>	<b>78.0</b>	<b>(0.8)</b>	<b>81.2</b>	<b>(4.8)</b>
% margin	7.7	8.2		8.2	
SG&A	(67.9)	(67.0)		(68.9)	
Other	(2.0)	0.4		0.4	
<b>EBIT</b>	<b>7.3</b>	<b>11.4</b>	<b>(35.3)</b>	<b>12.8</b>	<b>(42.6)</b>
% margin	0.7	1.2		1.3	
Financials	(2.5)	(2.5)		(2.3)	
Results from investments	1.0	2.4		0.9	
<b>Pre Tax Profit</b>	<b>5.8</b>	<b>11.2</b>	<b>(48.0)</b>	<b>11.4</b>	<b>(48.6)</b>
% margin	0.6	1.2		1.1	
Taxes	(3.2)	(3.2)		(3.0)	
Tax Rate	54.8%	28.8%		26.0%	
Minorities	(0.2)	(0.0)		(0.0)	
<b>Net Profit</b>	<b>2.4</b>	<b>8.0</b>	<b>(70.0)</b>	<b>8.4</b>	<b>(71.4)</b>
% margin	0.2	0.8		0.8	
D&A	(15.0)	(13.7)		(15.7)	
Provisions	(2.0)	(1.7)		(1.8)	
Non recurring income	0.8	0.0		0.0	
Non recurring expenses	(5.4)	(6.1)		(3.0)	
<b>EBITDA adj.</b>	<b>28.9</b>	<b>32.9</b>	<b>(12.0)</b>	<b>33.2</b>	<b>(12.9)</b>
% margin	2.9	3.5		3.3	
IFRS 16 Effect on EBITDA	9.8			9.0	
<b>EBITDA adj. incl. IFRS 16</b>	<b>38.7</b>			<b>42.2</b>	
% margin	3.8			4.2	
<b>EBIT adj.</b>	<b>13.0</b>	<b>17.5</b>	<b>(25.7)</b>	<b>15.8</b>	<b>(17.7)</b>
% margin	1.3	22.4		1.6	
<b>Net Profit adj.</b>	<b>5.7</b>			<b>10.8</b>	<b>(47.2)</b>
% margin	0.6			1.1	

Source: Orsero, CFO SIM estimates

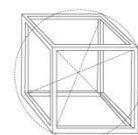
**FY-19 revenues totalled € 1,006m**, better than our € 993m forecast, increasing by 5.6% YoY (+2.9% like-for-like), mainly as a result of higher sales in the distribution business and the consolidation of the companies acquired during the year.

**Table 4 – Orsero, FY-19 revenues breakdown**

€ m	2019	2018	% YoY	2019e	% Diff.
Distribution	927.7	869.1	6.7	909.2	2.0
Import & shipping	214.7	210.6	1.9	216.9	(1.0)
Service/holding	12.4	14.0	(11.4)	14.3	(13.2)
Inter segment	(149.0)	(141.0)	5.7	(147.0)	1.4
<b>Total revenues</b>	<b>1,005.8</b>	<b>952.8</b>	<b>5.6</b>	<b>993.4</b>	<b>1.2</b>

Source: Orsero, CFO SIM estimates

**The distribution division revenues increased by 6.7% to € 928m**, including M&A activity (+3.5% YoY like-for-like), thanks to a good sales momentum in Italy and Spain, only partially offset by the downturn of French operations.



**The import & shipping business unit generated sales of € 215m, growing by 1.9% YoY**, thanks to the increased transported volumes for shipping services of third parties.

**Adjusted EBITDA** (excluding IFRS 16 effect and non-recurring items) **totalled € 28.9m, 2.9% margin**, lower than our € 33.2m projection. The **positive effect on EBITDA stemming from the IFRS 16** first time adoption is worth about **€ 9.8m** (o/w € 6.2m related to distribution business unit, € 3.3m to import & shipping and € 0.3m to service/holding).

**Table 5 – Orsero, FY-19 EBITDA adj. breakdown, excl. IFRS 16**

€ m	2019	2018	% YoY	2019e	% Diff.
Distribution	26.0	31.1	(16.4)	29.5	(12.0)
Import & shipping	7.7	5.7	34.9	8.7	(11.3)
Service/holding	(4.8)	(4.0)	21.0	(5.0)	(4.0)
<b>Total</b>	<b>28.9</b>	<b>32.9</b>	<b>(12.0)</b>	<b>33.2</b>	<b>(13.0)</b>

Source: Orsero, CFO SIM estimates

**Distribution EBITDA adj. declined to € 26.0m, 2.8% margin**, with a decrease of 16% YoY, mainly due to the unexpected and unsatisfactory profitability of AZ France. In particular, the French subsidiary reported a shortfall of some € 5.0m vs. FY-18 in terms of EBITDA, as the poor performance recorded in H1-19 was followed by lower than expected results in the last part of H2-19. In terms of profitability, **French market lost € 3.5m YoY** as the disappointing results of AZ France were partially offset by the positive contribution of Fruttica (acquired in May-19). Furthermore, **Spanish market profitability declined by € 1.5m** because of lower but still good performance of the Spanish subsidiary HFL (adj. EBITDA margin 3%), only partially balanced by the incremental EBITDA stemming from Sevimpor (acquired in Jan-19). All in all, **M&A activity contributed with € 3.0m additional EBITDA in distribution in FY-19**. Italy and other countries (Portugal, Greece and Mexico) were substantially unchanged compared to 2018.

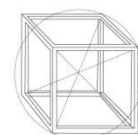
**Import & shipping EBITDA adj. totalled € 7.7m, vs. € 5.7m in FY-18**, thanks to a better freight rate in USD and to the increased carried volumes (loading factor 94% vs. 91% in 2018). Furthermore, the deployment of a time chartered vessel in addition to the 4 owned ships, allowed the group to improve the operational efficiency, keeping the same service condition while reducing both the speed and, as a consequence, the fuel consumption. **EBIT adj. totalled € 7.3m, 1.7% margin** (€ 7.3m reported EBIT, 0.3% margin).

**Net profit adjusted** for non-recurring items and their tax effect and also excluding IFRS 16 effect, **stood at € 5.7m**. Reported net profit was € 2.4m (€ 8.0m at the end-18). Non-recurring adjustments accounted for € 3.0m and they are related to one-off costs stemming from: 1) Simba duty litigation (€ 1.6m), 2) MTA/Star listing process (€ 1.1m) and 3) M&A activity (€ 0.3m). IFRS 16 adoption negatively impacted the bottom line for € 0.4m.

**The BoD will propose to the next AGM** (scheduled for April 27, 2020 - second call) **a maximum € 1.3m ordinary dividend in kind**, corresponding to max. 250,000 treasury shares that will be allocated to the shareholders in the measure of 1 share for every 69 shares held: ex-dividend date May 11, 2020, record date on May 12, 2020 and with payment on May 13, 2020.

**The Net Financial Position at Dec-19 increased to € 66.9m** from € 36.1m at end-18, excluding IFRS 16 effect. The figure includes: 1) a decent **cash generation** from operations in the period (€ 11.6m) and a tiny positive effect on the NWC of € 1.9m; 2) **€ 25.3m capex** almost entirely in Distribution business unit; 3) **€ 2.0m of dividend paid by the parent company** and 4) **€ 17.0m** for the **M&A** campaign. Including € 60.0m of additional net debt stemming from the IFRS 16 application, NFP reached € 126.9m.

The aforementioned **€ 25.3m capex** includes: 1) € 1.8m for the **fresh-cut** project in Italy; 2) € 3.3m for **dry-docking** of 2 vessels; 3) € 3.2m for **new ripening rooms and cooling equipment** in France; 4) € 2.2m (included taxes) for the **purchase of an instrumental property** in France; 5) € 3.2m for **a new warehouse** in Spain; 6) € 4.3m as first tranche of **Verona warehouse enlargement and refurbishment**; 7) € 1.0m related to the **ERP** project.



## Recent developments

Last mid-Jan **Orsero announced the purchase for € 17m real estate assets** (four logistic platforms, already used) from a NBI, a related party of Orsero since all the shareholders of NBI are also shareholders of FIF Holding, Orsero controlling company. **The move allows to acquire properties which are strategically significant for the core business** with assumptive positive operational and economic/financial impacts. From an accounting viewpoint (according to IFRS 16), the move brings in a € 10.5m positive impact on consolidated Net Financial Position, which will be lower due to the difference between the 'right of use' value of the assets (€ 27.5m) and the € 17m deal appraisal. In addition, on the back of the cost reduction related to the ownership of the four logistic platforms vs. the cost connected to the rent previously paid (€ 2.1m/year), the asset acquisition is anticipated to have positive effects on group profitability too. The four buildings have a total area of some 34,500 sqm and are located in Milan, Verona, Rome and Molfetta (Apulia region). Each of the four logistic platforms consists of a controlled temperature warehouse, a banana ripening centre, a processing and packaging area, a receiving and shipping area and related offices. Additionally, Verona and Molfetta boast brand new centres for fresh-cut fruit preparation too.

**As of 1-Jan-20, the group implemented a business unit reporting standard reshuffle**, in order to simplify the representation of the economic and financial data and to reduce the amount of intercompany revenues. In particular **the Distribution business unit now includes the bananas and pineapples import activity too**, while the old Import & Shipping division is renamed "Shipping", being now concentrated exclusively on ships owning, serving both the group and third parties (50-50). The Service & Holding business unit (unchanged) comprises the parentco and some other ancillary services.

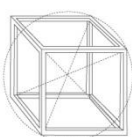
## Estimates, valuation & risks

The current necessary severe restrictions on people mobility in order to contain the dramatic rapid expansion of COVID-19 will certainly have a **significant impact on production, trade and consumption**. The damage caused by the epidemic will be **serious and widespread** and a reconstruction plan will be needed at local level but above all at European level. However, since operating in a **sector rather defensive and resilient** to short-term downturn events, Orsero should be **less impacted** by current market uncertainties compared to other stocks and should **offer to a certain extent protection to investor portfolios**.

After the publication of the FY-19 results, we updated our model. CFO estimates take into consideration last mid-Jan real estate asset purchase. We adopt a **more cautious stance on projections compared to the recently confirmed company guidance**, namely 2020 sales and EBITDA range of € 1,030-1,050m and € 44.5-46.5m. We believe H1-20 might be hit by a certain **consumption slowdown and impacted by some logistic and operating inefficiencies** related to the latest impositions aimed at containing the virus contagion. The result is a 16% downgrade in EBITDA adj. in 2020-21 vs. our previous forecasts. We introduced also 2022 estimates.

**We have updated our PT to € 7.00, (€ 8.40) now based on DCF rather than on a market multiple comparison**, to better factor in the medium-long term value of the stock. The beginning of COVID-19 irrepressible contagion in China caused markets nervousness and volatility: in the last 3M peers median stock performance plummeted by 29.0%, FTSE STAR by 32.1% and European sector by 19.5%.

**CFO Sim confirms the Buy rating on the stock:** in this market turmoil, Orsero represents a defensive player even if volatility remains high and visibility low in the short term.



## DCF

In the valuation via the DCF method explicit estimates until 2024 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>Inf. costs, after taxes</b>	<b>1.9%</b>
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 2W average)	1.75%
Beta levered (x)	0.80
<b>Required ROE</b>	<b>9.8%</b>

Source: CFO Sim

**Risk premium at 10.0%** factors in the minute size of the company and basically all small capitalisation 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	2020e	2021e	2022e	2023e	2024e	Term. Val.
EBIT	14.4	18.5	20.8	21.2	21.6	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
<b>Operating profit (NOPAT)</b>	<b>10.6</b>	<b>13.7</b>	<b>15.4</b>	<b>15.7</b>	<b>16.0</b>	
Change working capital	11.3	(0.7)	(0.5)	(0.5)	(0.1)	
Depreciation	24.4	23.1	21.9	15.0	10.0	
Investments	(31.0)	(10.0)	(10.0)	(10.0)	(10.0)	
<b>Free Cash Flows</b>	<b>15.3</b>	<b>26.0</b>	<b>26.8</b>	<b>20.2</b>	<b>15.9</b>	<b>247.2</b>
Present value	14.4	<b>22.9</b>	<b>21.9</b>	<b>15.3</b>	<b>11.2</b>	<b>174.9</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

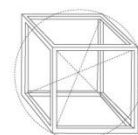
**Table 11 – Orsero, DCF equity value derived from:**

Total EV present value € m	260.6
<i>thereof terminal value</i>	67.1%
NFP last reported	(126.9)
Pension provision last reported	(9.4)
<b>Equity value € m</b>	<b>124.3</b>
#m shares	17.68
<b>Equity value €/s</b>	<b>7.00</b>
<i>% upside/(downside)</i>	40.8%

Source: CFO Sim

**The application of the model produces an equity value of € 124.3m, corresponding to € 7.00/share, 40.8% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 5.62–8.95/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 € 5.69–8.70/s (free risk range of between 2.75% and 0.75%) and 3) compared to changes in the risk premium, including small size premium results into an equity value of € 5.00–9.91/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	85.8	85.8	85.8	85.8	85.8	85.8	85.8	85.8	85.8
PV of terminal value	150.0	155.6	161.6	168.0	174.9	182.3	190.4	199.2	208.8
<b>Total value</b>	<b>235.8</b>	<b>241.4</b>	<b>247.3</b>	<b>253.7</b>	<b>260.6</b>	<b>268.1</b>	<b>276.2</b>	<b>284.9</b>	<b>294.5</b>
NFP last reported	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)
Pension provision last reported	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)
<b>Equity value</b>	<b>99.5</b>	<b>105.0</b>	<b>111.0</b>	<b>117.4</b>	<b>124.3</b>	<b>131.8</b>	<b>139.8</b>	<b>148.6</b>	<b>158.2</b>
<b>Equity value/share €</b>	<b>5.62</b>	<b>5.94</b>	<b>6.28</b>	<b>6.64</b>	<b>7.00</b>	<b>7.45</b>	<b>7.91</b>	<b>8.40</b>	<b>8.95</b>

Source: CFO Sim

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

€ m	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
Present value of CF	87.3	86.9	86.5	86.1	85.8	85.4	85.0	84.6	84.3
PV of terminal value	202.9	195.2	188.0	181.3	174.9	168.9	163.2	157.8	152.6
<b>Total value</b>	<b>290.1</b>	<b>282.1</b>	<b>274.5</b>	<b>267.4</b>	<b>260.6</b>	<b>254.2</b>	<b>248.2</b>	<b>242.4</b>	<b>236.9</b>
NFP last reported	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)
Pension provision last reported	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)
<b>Equity value</b>	<b>153.8</b>	<b>145.8</b>	<b>138.2</b>	<b>131.1</b>	<b>124.3</b>	<b>117.9</b>	<b>111.8</b>	<b>106.1</b>	<b>100.6</b>
<b>Equity value/share €</b>	<b>8.70</b>	<b>8.24</b>	<b>7.82</b>	<b>7.41</b>	<b>7.00</b>	<b>6.67</b>	<b>6.32</b>	<b>6.00</b>	<b>5.69</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	88.2	87.6	87.0	86.4	85.8	85.2	84.6	84.0	83.4
PV of terminal value	223.4	209.4	196.7	185.3	174.9	165.4	156.7	148.7	141.4
<b>Total value</b>	<b>311.6</b>	<b>296.9</b>	<b>283.7</b>	<b>271.6</b>	<b>260.6</b>	<b>250.6</b>	<b>241.3</b>	<b>232.7</b>	<b>224.8</b>
NFP last reported	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)	(126.9)
Pension provision last reported	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)	(9.4)
<b>Equity value</b>	<b>175.3</b>	<b>160.6</b>	<b>147.3</b>	<b>135.3</b>	<b>124.3</b>	<b>114.2</b>	<b>104.9</b>	<b>96.4</b>	<b>88.4</b>
<b>Equity value/share €</b>	<b>9.91</b>	<b>9.08</b>	<b>8.33</b>	<b>7.65</b>	<b>7.00</b>	<b>6.46</b>	<b>5.93</b>	<b>5.45</b>	<b>5.00</b>

Source: CFO Sim

## Market multiples

We have included 3 peers in the sample, operating in global fresh fruit and vegetable production and distribution. Our sample comprises of **Fresh Del Monte Produce, Total Produce and Greenyard**. Size varies in terms of market capitalization and figures, as well as profitability: 1) Fresh Del Monte shows a € 1.5bn market value, € 4.3bn sales with an 4.4% EBITDA margin expected for 2020; 2) Total Produce has a market size of € 328m, has € 4.0bn revenues and a 2.1% EBITDA margin projected for 2020 and Greenyard boasts a € 151m market value, € 4.0bn sales with an 2.4% EBITDA margin expected for 2020.

**Orsero is the smallest** in the list in terms of turnover and has by far a **profitability higher** than the peer average.

**Orsero trades at a double digit discount** vs. peers considering PCF and EV/EBITDA multiples in 2020-23. 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 profitability and 2) the active role that Orsero can play in the medium long term in this unavoidably consolidating disciplined oligopoly.

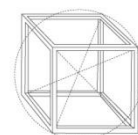


Table 6 – Orsero, peer group summary table

€ 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	1,460	4,298	190	4.4%	n.a.	n.a.	19.8%	n.a.	342	1.8
Total Produce PLC	328	3,950	85	2.1%	n.a.	n.a.	n.a.	n.a.	215	2.5
Greenyard NV	151	3,934	96	2.4%	2.6%	98.4%	n.m.	n.m.	437	4.6
<b>Median</b>	<b>328</b>	<b>3,950</b>	<b>96</b>	<b>2.4%</b>	<b>2.6%</b>	<b>98.4%</b>	-	-	<b>342</b>	<b>2.5</b>
<b>Orsero Spa</b>	<b>88</b>	<b>1,014</b>	<b>40</b>	<b>4.0%</b>	<b>2.0%</b>	<b>4.5%</b>	<b>17.0%</b>	<b>25.3%</b>	<b>116</b>	<b>2.9</b>

Source: Thomson Reuters Eikon, CFO Sim

Table 7 – Orsero, peer group multiples table

EV & Price multiples x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3
Fresh Del Monte Produce Inc	9.5	7.0	n.a.	14.3	12.3	n.a.	8.8	6.6	n.a.
Total Produce PLC	6.4	5.9	n.a.	5.0	4.7	n.a.	4.5	4.1	n.a.
Greenyard NV	6.1	5.0	4.4	nm	nm	15.8	2.8	1.9	1.8
<b>Median</b>	<b>6.4</b>	<b>5.9</b>	<b>4.4</b>	<b>9.7</b>	<b>8.5</b>	<b>15.8</b>	<b>4.5</b>	<b>4.1</b>	<b>1.8</b>
Orsero Spa	<b>5.1</b>	<b>4.3</b>	<b>3.6</b>	<b>10.6</b>	<b>7.7</b>	<b>6.7</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>
% (Discount)/Premium to peer median	-20.8%	-28.5%	-17.7%	9.4%	-8.8%	-57.3%	-42.7%	-40.8%	34.3%

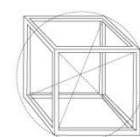
Source: Thomson Reuters Eikon, CFO Sim

Table 8 – Orsero, equity value assessment

x	EBITDA FY1	EBITDA YY2	EBITDA FY3	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3
<b>Median peers</b>	<b>6.4</b>	<b>5.9</b>	<b>4.4</b>	<b>9.7</b>	<b>8.5</b>	<b>15.8</b>	<b>4.5</b>	<b>4.1</b>	<b>1.8</b>
Orsero metrics	40.1	43.0	44.1	0.30	0.47	0.64	1.46	2.46	1.87
NFP	115.8	94.7	73.1						
% discount applied	20.0%								
<b>Orsero Equity Value</b>	<b>90.0</b>	<b>109.6</b>	<b>83.4</b>	<b>40.7</b>	<b>56.6</b>	<b>143.2</b>	<b>93.7</b>	<b>143.2</b>	<b>47.7</b>
<b>Orsero Equity Value €/s</b>	<b>5.10</b>	<b>6.20</b>	<b>4.70</b>	<b>2.30</b>	<b>3.20</b>	<b>8.10</b>	<b>5.30</b>	<b>8.10</b>	<b>2.70</b>
% upside/(downside)	2.6	24.7	(5.4)	(53.7)	(35.6)	63.0	6.6	63.0	(45.7)

Source: Thomson Reuters Eikon, CFO Sim

We confidently consider that the most suitable multiple to look at is EV/EBITDA. We are valuing the stock to **2020 figures**, factoring in a certain consumption decline linked to the current COVID-19 impact. After having applied a residual 20.0% discount factoring in the smaller size, **2020 EV/EBITDA derived equity value totals € 90.0m, corresponding to 5.10/s**, broadly in line to current level as a result of the dramatic recent drop in stock prices due to uncertainties related to the impact and the magnitude of COVID-19 on the economy.



## 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. **As of Dec-19 Orsero moved to the STAR segment** of Borsa Italiana dedicate to high requirement stocks.

Orsero stock reached an intraday 1Y maximum of € 8.12/s on 14<sup>th</sup> Jun 19 and the 1Y minimum of € 4.30 on 16<sup>th</sup> Mar 2020. The stock has overperformed the FTSE STAR Italia, the EU 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	25.2	9.9	(1.7)	(3.6)	6.3	(4.5)	19.1
Total Produce PLC	(2.7)	(27.2)	(36.6)	(41.1)	(36.6)	(42.0)	(51.3)
Greenyard NV	0.1	(17.4)	(24.4)	(29.0)	18.0	(29.2)	(3.9)
<b>Peers Median</b>	<b>0.1</b>	<b>(17.4)</b>	<b>(24.4)</b>	<b>(29.0)</b>	<b>6.3</b>	<b>(29.2)</b>	<b>(3.9)</b>
<b>Orsero Spa</b>	<b>(0.6)</b>	<b>(3.3)</b>	<b>(26.9)</b>	<b>(19.6)</b>	<b>(24.7)</b>	<b>(22.1)</b>	<b>(31.4)</b>
FTSE STAR Italia	0.7	(11.5)	(34.6)	(32.1)	(23.6)	(31.8)	(23.7)
Thomson Reuters Food & Beverage EU	1.3	(10.0)	(21.0)	(19.5)	(19.7)	(21.3)	(15.9)

Source: Thomson Reuters Eikon

**Table 16 – Orsero, relative performances**

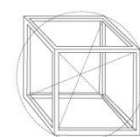
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	(0.7)	14.1	(2.5)	9.4	(31.0)	7.1	(27.6)
Orsero Spa to FTSE STAR Italia	(1.3)	8.2	7.7	12.5	(1.1)	9.7	(7.7)
Orsero Spa to EU Sector	(1.9)	6.7	(5.9)	(0.1)	(5.0)	(0.8)	(15.6)

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,
- impacts of deep and long COVID-19 diffusion,
- Dilution on profitability stemming from the acquisition campaign,
- Impact of sharp fluctuation in the US\$ and bunker



## ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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DATE	TARGET PRICE	RATING
18/03/2020	€7,00	BUY
13/02/2020	U.R.	BUY
12/09/2019	€8,40	BUY
29/03/2019	€10,30	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.

