

Italy - Food

Top notch results prompt a further stock rerating

19th March 2021

FY-20 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Orsero reported outstanding FY-20 results, at profitability levels, better than our forecasts, consensus and company guidance. EBITDA values are almost one year ahead. The company confirms its 2021 guidance, released at the beginning of February, which is certainly undemanding in our view.

Rating:

Buy

Price Target:

€ 11.50 (€ 8.50)

Upside/(Downside): 55.0%

Last Price: € 7.42

Market Cap.: € 131.2

1Y High/Low: € 7.66/€ 4.65

Free Float: 60.3%

Major shareholders:

FIF Holding 32.5%
Grupo Fernández 6.3%



Stock price performance

	1M	3M	12M
Absolute	17.0%	15.9%	53.0%
Rel.to FTSE STAR	13.7%	4.9%	-31.3%
Rel.to EU Sector	16.3%	17.4%	23.2%

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Remarkable 2020 results. Estimates and valuation upgraded: 55% upside to PT

Orsero reported outstanding FY-20 results, at profitability levels, which proved to be better than our forecasts, consensus and company guidance. We have updated our model by factoring in 2020 performance and moderate business growth for 2021 and beyond, mainly driven by volumes at stable prices. The results show an average upgrade of 4.8% and 13.9% in EBITDA and Net Profit adj. for 2021-22, respectively. We introduced 2023 estimates too. As a consequence of the upgraded estimates and the updated valuation methodology assumptions, we set a new PT of € 11.50 (€ 8.50), 55.0% upside. Orsero showed to be less impacted by current market uncertainties compared to other stocks and should offer some sort of protection to investor portfolios. CFO Sim reiterates the Buy rating on the stock: in this scenario, Orsero represents a defensive, poised, long-term value player. Last but not least, according to our Shipping unit valuation, the market is currently expressing an implicit valuation of Import and Distribution of 5.0x EBITDA₂₁, i.e. at a 40% discount with respect to the peer median.

Top line grew by 3.6% reaching € 1.042m, bang in line with our estimate

Net Revenues totalled € 1,042m, up 3.6% YoY, bang in line with our forecast. The figure reported corresponds to the high-end of the company guidance announced one year ago. The improvement is driven mainly by prices and is related to 1) the solid growth of the Import & Distribution business unit as well as 2) the positive contribution of the Shipping division. The Import & Distribution division's revenues increased by 3.4% to € 983m, thanks to a good sales momentum in Italy and Spain and the complete resolution of the French subsidiary's operational issues. The Shipping business unit generated sales of € 95m, rising by 11.8% YoY, driven by a freight rate increase linked to the implementation of IMO 2020. The loading factor remained unchanged at an excellent level of 94%.

Adj. EBITDA rose by 25% to 48.4m beating CFO Sim projections and consensus

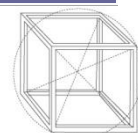
The adj. EBITDA soared by 25% to € 48.4m, margin of 4.6% up by 80 bps YoY, higher than our estimate and company guidance (€ 45.5m and € 46.5m, respectively). The completion of the recovery of the French subsidiary drove the beat in the estimate. As for the Import & Distribution division, EBITDA adj. rose by 25.4% to € 36.7m, 3.7% margin. The outstanding performance in Italy, the good improvement in Spain and the strong recovery in France, more than counterbalanced the poor import trend of bananas and pineapples and of Mexican avocado exports to the USA. As to the Shipping division, EBITDA adj. was € 17.7m, vs. € 14.0m in FY-19, thanks to better freight rates, stable volumes and the loading factor.

Dividend proposal for € 0.20/s and considerable CF generation

Net profit adj. stood at € 14.0m, vs. € 5.3m last year. The BoD will propose the distribution of a dividend of € 0.20/s, significantly higher than our € 0.12/s expectation and corresponding to a 2.7% yield. NFP was € 103.3m from € 126.9m in Dec-19, slightly better than our € 106.3m forecast. The decrease of € 23.6m is a net effect of: 1) the increase in NFP due to the purchase value of properties instrumental to the core business, carried out at the beginning of 2020, for € 17.8m, more than offset by the write-off of the related right-of-use value pursuant to IFRS 16 for € 27.5m; 2) capex for € 21.7m; 3) the generous CF generation of € 38m driven by the positive contribution of operating activities only partially mitigated by WC increase mainly due to the significant top line growth.

Orsero, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	1,005.7	1,041.5	1,070.0	1,097.2	1,123.9
EBITDA adj	38.7	48.4	49.0	50.4	51.7
EBIT adj	13.0	22.4	23.1	25.0	26.5
Net profit	2.0	12.2	13.9	15.3	16.3
Net profit adj	5.3	15.1	14.8	16.1	17.2
NFP (cash)/debt	126.9	103.3	81.3	59.8	36.4
EPS adjusted FD	0.30	0.85	0.84	0.91	0.97
EPS adj. FD growth	-58.4%	185.0%	-2.2%	8.9%	6.7%
DPS ord. €/s	0.08	0.20	0.25	0.27	0.29
Dividend yield	1.0%	2.7%	3.4%	3.6%	3.9%
Free Cash Flow Yield	-12.4%	20.0%	19.6%	19.7%	21.4%
PER x	23.9	6.9	8.9	8.2	7.6
EV/Sales x	0.25	0.20	0.20	0.17	0.15
EV/EBITDA x	6.6	4.3	4.3	3.8	3.2
EV/EBIT x	19.6	9.3	9.2	7.7	6.3



The company in a nutshell

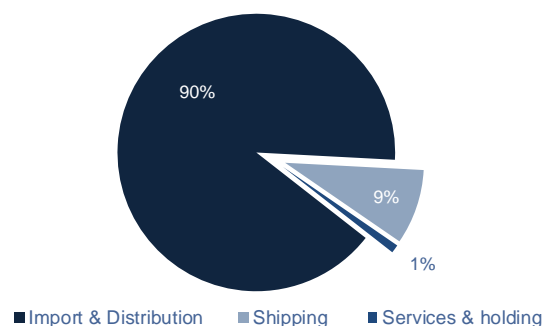
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit and vegetables as well as the production and export of fruit together with chilled maritime transportation. Orsero boasts a presence mainly in Italy, France, Spain, Portugal, Greece, Costa Rica and Colombia.

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

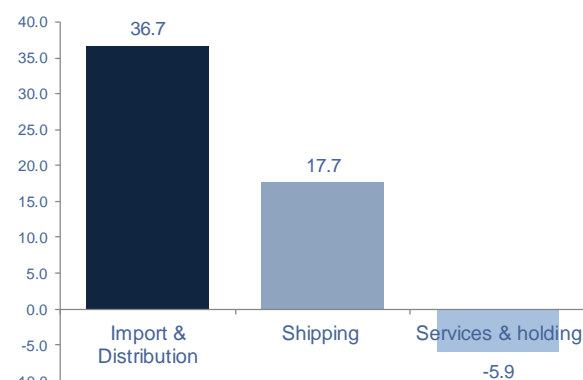
2020 Orsero highlights: € 1.042m revenues, EBITDA adj. of € 48.4m (4.6% margin), € 15.1m adjusted net profit and € 103.5m net financial position (2.1x EBITDA adj.)

Orsero was listed on 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 23-Dec-19.

2020 Gross Turnover...



...and EBITDA by business



Shareholder structure

	%	# m
FIF Holding	32.5%	5.75
Grupo Fernandez	6.3%	1.12
Treasury Shares	1.7%	0.30
Free Float	59.5%	10.52
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.1%	0.90
Total	100.0%	17.68

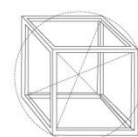
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Prod. Inc	0.1	(1.1)	17.9	16.5	24.9	24.1
Total Produce PLC	0.4	(0.3)	(2.0)	44.5	70.4	45.3
Greenyard NV	(2.6)	(3.9)	4.8	19.5	32.9	23.7
Peers Median	0.1	(1.1)	4.8	19.5	32.9	24.1
Orsero Spa	7.5	13.5	17.0	15.9	20.5	18.5
FTSE STAR Italia	0.0	0.9	3.3	11.0	22.7	8.5
EU Sector	(0.6)	0.9	0.7	(1.4)	3.5	(1.9)
Orsero to peers	7.4	14.5	12.2	(3.6)	(12.4)	(5.6)
Orsero to FTSE STAR Italia	7.5	12.6	13.7	4.9	(2.2)	10.0
Orsero to EU Sector	8.2	12.6	16.3	17.4	17.0	20.4

Peer group multiples table

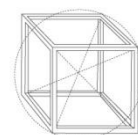
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Fresh Del Monte Produce Inc	19.0	15.1	n.a.	8.3	7.4	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	12.8	12.2	n.a.	10.2	9.2	n.a.	10.5	9.5	n.a.
Greenyard NV	30.7	17.6	12.9	3.8	3.4	3.0	6.2	5.6	5.1
Median	19.0	15.1	12.9	8.3	7.4	3.0	8.4	7.5	5.1
Orsero Spa	8.9	8.2	7.6	3.2	3.2	3.1	4.3	3.8	3.2
% (Discount)/Premium to peer median	-53.3%	-45.9%	-40.6%	-61.1%	-57.6%	2.9%	-48.1%	-49.8%	-36.7%

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	1,005.7	1,041.5	1,070.0	1,097.2	1,123.9
COGS	(927.9)	(953.7)	(978.1)	(1,002.6)	(1,027.1)
Gross Profit	77.8	87.8	91.9	94.6	96.8
SG&A	(69.4)	(69.0)	(69.9)	(70.7)	(71.4)
EBIT	8.4	18.8	22.0	23.9	25.4
Financials	(3.9)	(2.9)	(2.8)	(2.8)	(2.8)
Results from investments	1.0	0.8	0.8	0.8	0.8
Pre Tax Profit	5.5	16.7	20.0	21.9	23.4
Taxes	(3.2)	(4.4)	(6.0)	(6.6)	(7.0)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Net Profit	2.0	12.2	13.9	15.3	16.3
D&A and Provisions	(25.8)	(26.0)	(25.9)	(25.5)	(25.2)
Non recurring items	(4.6)	(3.7)	(1.1)	(1.1)	(1.1)
EBITDA adj.	38.7	48.4	49.0	50.4	51.7
EBIT adj.	13.0	22.4	23.1	25.0	26.5
Net Profit adj.	5.3	15.1	14.8	16.1	17.2
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	30.6	37.9	39.6	42.2	43.2
Net Fixed Assets	233.7	222.3	208.1	194.4	181.1
Equity Investments	8.1	6.2	6.3	6.4	6.6
Other M/L Term A/L	5.5	(2.7)	(2.2)	(1.8)	(1.4)
Net Invested Capital	277.8	263.7	251.8	241.2	229.4
Net Financial Debt/(cash)	126.9	103.5	81.3	59.8	36.4
Minorities	0.7	0.5	0.5	0.6	0.7
Group's Shareholders Equity	150.2	159.6	170.0	180.8	192.4
Financial Liabilities & Equity	277.8	263.7	251.8	241.2	229.4
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	2.0	12.2	13.9	15.3	16.3
Depreciation	23.7	24.2	24.0	23.6	23.2
Other non-cash charges	(1.8)	8.2	(0.4)	(0.4)	(0.4)
Cash Flow from Oper. (CFO)	24.0	44.6	37.5	38.4	39.2
Change in NWC	1.9	(7.3)	(1.7)	(2.5)	(1.0)
FCF from Operations (FCFO)	25.9	37.2	35.8	35.9	38.1
Net Investments (CFI)	(42.1)	(11.0)	(10.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	(16.3)	26.2	25.8	25.9	28.1
CF from financials (CFF)	(3.5)	(42.3)	(3.5)	(4.4)	(4.7)
Free Cash Flow to Equity (FCFE)	(19.7)	(16.1)	22.3	21.5	23.4
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA adj. margin	3.8%	4.6%	4.6%	4.6%	4.6%
EBIT margin	0.8%	1.8%	2.1%	2.2%	2.3%
Net profit margin	0.2%	1.2%	1.3%	1.4%	1.5%
Tax rate	58.6%	26.4%	30.0%	30.0%	30.0%
Op NWC/Sales	3.0%	3.6%	3.7%	3.8%	3.8%
Interest coverage x	0.46	0.15	0.13	0.12	0.11
Net Debt/EBITDA adj. x	3.28	2.14	1.66	1.19	0.70
Debt-to-Equity x	0.84	0.65	0.48	0.33	0.19
ROIC	0.7%	4.6%	5.5%	6.3%	7.1%
ROCE	3.7%	6.9%	6.9%	7.3%	7.4%
ROACE	4.1%	6.6%	7.0%	7.4%	7.6%
ROE	1.3%	7.7%	8.2%	8.4%	8.5%
Payout ratio	63.2%	28.7%	31.4%	31.0%	31.1%
Per share figures	2019	2020	2021e	2022e	2023e
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 €	0.11	0.69	0.79	0.86	0.92
EPS adjusted FD €	0.30	0.85	0.84	0.91	0.97
EBITDA €	2.19	2.74	2.77	2.85	2.92
EBIT €	0.47	1.06	1.24	1.35	1.44
FCFO €	1.46	2.10	2.02	2.03	2.16
FCFF €	(0.92)	1.48	1.46	1.46	1.59
FCFE €	(1.12)	(0.91)	1.26	1.22	1.32
Dividend €	0.08	0.20	0.25	0.27	0.29



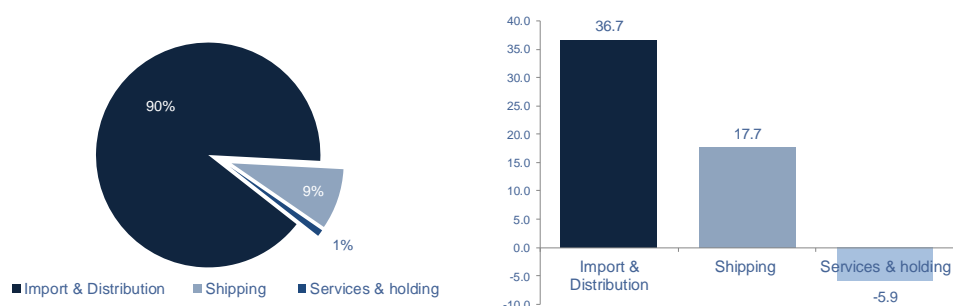
Orsero in a nutshell

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 some 80 years ago by the Orsero family. The current business structure includes the distribution of fresh fruit and vegetables as well as the import, production and export of fruit together with chilled maritime transportation. Orsero boasts significant presence in southern Europe, namely in Italy, France, Spain, Portugal, and Greece, and production facilities in Costa Rica, Colombia and Mexico.

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 1,500 suppliers in over 80 countries.

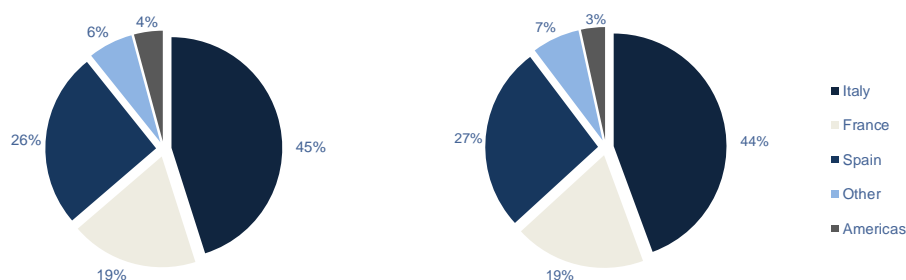
In 2012, the group launched the "F.lli Orsero" brand for bananas and pineapples, which expresses the sense of tradition and the passion of a large Italian family company for fruit and vegetables of the highest quality.

Chart 1 – Orsero, 2020 gross revenues and EBITDA adj. breakdown by division



Source: Company data

Chart 2 – 2019-2020 consolidated revenues by country

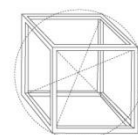


Source: Company data

Chart 3 – Orsero, 2020 new business segment structure



Source: Company data



Main milestones from 1940 to date

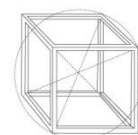
1940s	Beginning of the fruit distribution business in Italy
1970s	Start of a partnership with Del Monte, in order to develop import and distribution of exotic and counter-season fruits
1980s	Purchase of plantations in Costa Rica and investments in the banana ripening and distribution business in France
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 a divestment policy to refocus on the group's core business. In 2015, management reinforcement and organisational review.
2016-2017	Acquisition by Glenalta Food and listing on AIM Italia
2017-2018	Full integration of JVs 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: opening of three new cutting centres in Molfetta (Bari), Verona and Cagliari and widening of the one in Florence.
2019	As of Dec-19 Orsero moved to the STAR segment of Borsa Italiana dedicated to high requirement firms.
2020	Acquisition of the 50% remaining minority stake of Moncada Frutta

The Group's top management comprises 4 people, with an average age of 48.

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 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, an Orsero Group company, 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 taking a master's course in General Management at Bocconi University in Milan, he started his career at the Bank of Ireland. In 2008, he joined Bain & Company Italy Inc. until 2015 when he started working at Orsero as Group Chief Financial Officer. Since February 2017 he has been Managing Director and Chief Financial Officer of Orsero.



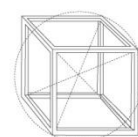
Tommaso Cotto (COO) Born in Biella in 1986. He has a degree in Management Engineering from the Polytechnic of Turin and in Business Economics from ESCP-Europe. He started his professional experience at Bain & Company Italy Inc. as a consultant in 2010. He joined Orsero Group as Chief Operating Officer in November 2015.

Orsero was listed on **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 on 28th October 2016. **As of Dec-19 Orsero moved to the STAR segment** of Borsa Italiana dedicated to high requirement firms.

Table 1 – Orsero, shareholder structure

Shareholders	#m shares	%
FIF Holding	5.746	32.5%
Anna Chiara Orsero	1.742	9.9%
Raffaella Orsero	1.742	9.9%
Pierangelo Ottonello	0.780	4.4%
Antonio Orsero	0.663	3.7%
Lorenzo Ighina	0.410	2.3%
Leonardo Ighina	0.410	2.3%
Grupo Fernandez	1.116	6.3%
Treasury Shares	0.153	0.9%
Free Float	10.668	60.3%
o/w Praude Asset Management	1.687	9.5%
Global Portfolio Investments	1.014	5.7%
Total	17.683	100.0%

Source: Company data, CFO Sim



Business activities: 1) Import & Distribution

Table 2 – Orsero, Import & Distribution division

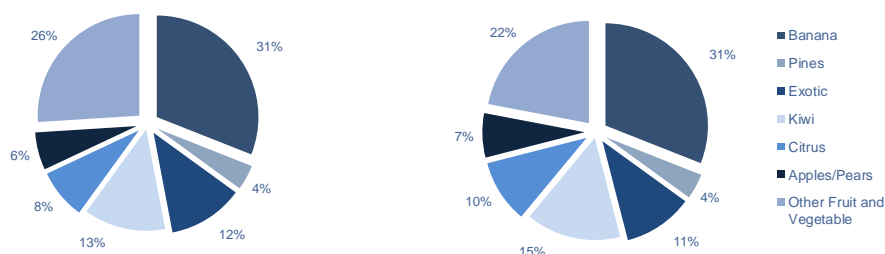
€ m	2020	2019	% YoY
Revenues	982.8	950.9	3.4
COGS	(946.2)	(921.6)	
EBITDA adj.	36.7	29.2	25.4
% margin	3.7	3.1	
Net Profit	13.3	6.0	121.7
% margin	1.4	0.6	

Source: Company data

The group distributes **more than 300 products (of a total of a few thousands of items)**, mainly bananas, pineapples, kiwis and citrus fruits, in the five most important markets in Southern Europe via eight local distributors: Italy, France, Spain, Portugal and Greece.

Orsero boasts a consolidated network of wholesalers and large-scale retail chains whereby it distributes more than 750,000 tons/y exploiting its platforms specialised in fresh product storage and handling. The group has 24 warehouses for storage, re-packing and handling of F&V, with a total storage capacity of over 35,000 pallets, 21 ripening centres in Europe, 26 stalls in the main European fruit and vegetable markets and 5 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 (90% of total sales in 2020) and stable return generation, at around 2-3% in terms of EBITDA on average over the last years.

Chart 4 – 2019-2020 revenues by product



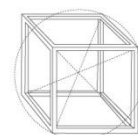
Source: Company data

The division serves all market channels: in 2020, 60% of revenues were generated through large retail chains and the remainder through wholesales and other minor channels. From a geographical viewpoint, in Italy large retail chains accounted for 59%, 43% in Spain, 83% in France, 71% in Portugal and 53% in Greece.

Chart 5 – 2020 distribution channel sales mix and main large clients



Source: CFO Sim elaboration on Company data



A few of the key drivers of food consumption are **bio, ready-to-eat and healthy** fruits and vegetables. In this context, the consumption outside home and the demand for products with a service content represent a strategic segment with significant growing potential. In 2014, Orsero launched its fresh-cut project, further strengthening operations in 2019. Today, the group's processing rooms are located in Spain (1) and Italy (4), adjacent to first class facilities, and have a total of 4,000sqm dedicated to the production of sliced fruit. In 2020, the group's sales of fresh-cut products totalled some € 8.0m, some 1% of total the Distribution division's sales, vs. € 9.0m in 2019, as a result of the shift from out-of-home to home consumption caused by the pandemic.

Business activities: 2) Shipping

Table 3 – Orsero, Shipping division

€ m	2020	2019	% YoY
Revenues	95.3	85.2	11.8
COGS	(77.6)	(71.2)	
EBITDA adj.	17.7	14.0	26.2
% margin	18.5	16.4	
Net Profit	5.2	1.9	178.6
% margin	5.4	2.2	

Source: Company data

The division is responsible for the transportation of bananas and pineapples from five different countries of Central America to Europe. The Import & Distribution division 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**. In the eastbound/front haul trip vessels transport refrigerated loads of bananas and pineapples from Costa Rica and Colombia to southern Europe. Some **50% of the available load volumes belong to the group's products**. In the westbound/back haul trip dry cargo containers are transported from Spain and Italy and unloaded in the Dominican Republic and Costa Rica.

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

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 enables it to "control" its 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 a weekly arrival schedule in Southern European 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)**.

All of the 4 owned vessels have 28-30y life time and are ultimately free of debt and generating an adequate amount of cash, from € 5m to € 20m according to the period. **In 2024, the amortisation life will be over and EBITDA will directly translate into pre-tax profit**. On that occasion, but even beyond since the vessels will still be fully operating,



Orsero will have a few options:

- 1) **entirely replace the fleet** on its own with new vessels, i.e. a game for a total consideration of approximately € 150m;
- 2) **share the building process of new ships** through JVs by talking and coaching up with Del Monte, Chiquita or other players sharing investments and ship capacity;
- 3) **rent new vessels** from Hapag Lloyd or Merks, limiting its bargaining power to a certain extent since the market is likely to shift to a sort of monopoly as smaller players are being squeezed out and others are merging;
- 4) continue to **utilise the fleet until 2030**, making the appropriate mandatory scheduled dry-docking maintenance.

All these three options have something in common: the cash-in of the four ships' scrap value projected to the tune of € 11m.

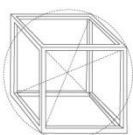
Business activities: 3) Services

Table 4 – Orsero, Services division

€ m	2020	2019	% YoY
Revenues	10.5	12.4	(14.9)
COGS	(16.4)	(16.9)	
EBITDA adj.	(5.9)	(4.5)	31.1
% margin	(56.1)	(36.4)	
Net Profit	4.8	2.3	105.6
% margin	45.3	18.8	

Source: Company data

This division includes activities related to the parent company Orsero SpA as well as those related to customs services and the IT sector carried out by some minor companies. The sector at adj. EBITDA level typically shows a negative figure given the nature of Orsero SpA's holding company, whilst the bottom line is linked to the dividend flows received by the group subsidiaries.

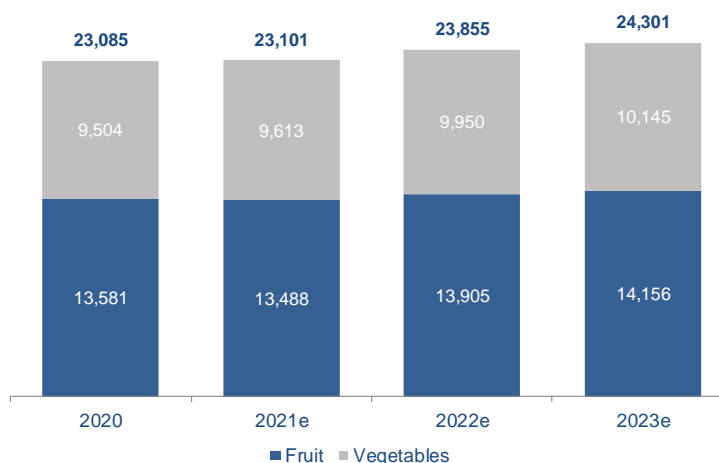


The reference market

Over the last three years, the production and consumption of fresh fruit and vegetables in Italy, Spain and France has been stable (CAGR₁₈₋₂₀ 0.4%), but **market volumes are expected to grow slightly and to exceed 24.3mtons in 2023**, of which 14.2mtons of fruit representing almost 60% of the total market (CAGR₂₀₋₂₃ 1.7%).

In the coming years, major **shifts in dietary patterns are expected to occur in Europe**: diets are 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 6 – Fruit & Vegetables consumption (ktons)



Source: CFO SIM elaboration on Euromonitor 2019 data

In addition, there is a new concern about 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 forecast to grow from 5.8mtons in 2020 to 6.2mtons by 2023, with an increase in consumption of exotic and organic fruit, with bananas and pineapples accounting 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 large retail chains. Bananas account for 20% of the total fruit market, expected to reach 540tons by 2023. 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 at a 2.5% CAGR₂₀₋₂₃. Oranges and mandarins have the largest share and account for almost 26% of the Spanish fruit market, whereas bananas total 12%.

With regards to the **vegetables market**, its value is expected to increase at a 2.1% CAGR₂₀₋₂₃ in the countries considered, thanks to the increased popularity of healthy natural products, as well as the increased importance of corporate social responsibility.

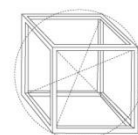
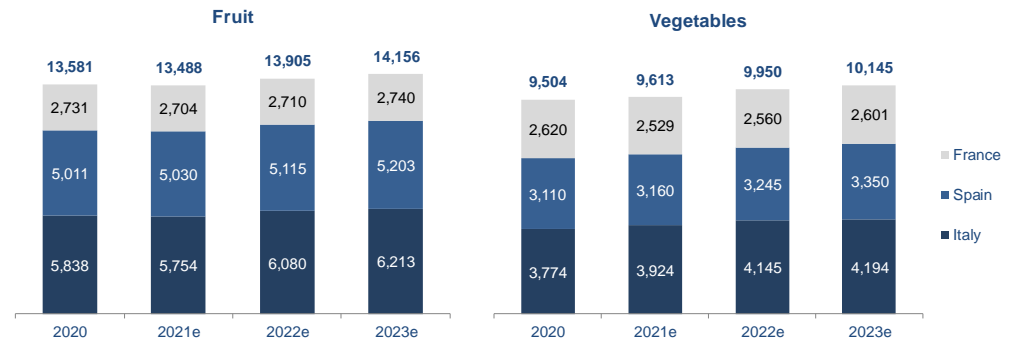


Chart 7 – Fruit & Vegetables consumption (ktons) trend in Southern Europe



Source: CFO SIM elaboration on Euromonitor 2019 data

Pineapple and banana markets

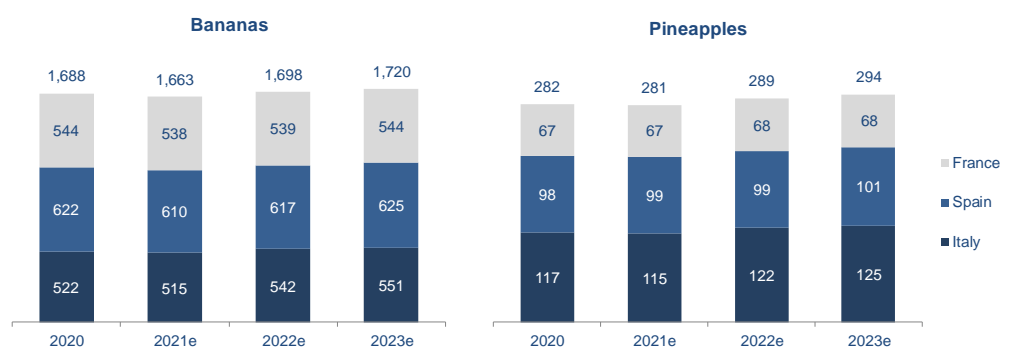
The world's pineapple and banana markets can be labelled as oligopolies. In fact, four companies Fyffes, Chiquita, Del Monte and Dole hold the vast majority of the pie and are vertically integrated all over the chain. **The remainder is highly fragmented** and divided among a plethora of several other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

In Italy we estimate almost 116ktons of pineapple were sold in 2020, with Spain and France following suit. **The pineapple market in Southern Europe is expanding rapidly:** consumption showed a 4.3% CAGR₁₈₋₂₀ in France, followed by Spain (2.3%) and Italy (1.5%). In the 2020-23 period, pineapples consumption is anticipated to grow at a 2.5% CAGR₂₀₋₂₃ in Italy, 1.0% in Spain and in France.

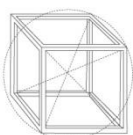
Fresh Del Monte is the world's largest dealer of pineapples, distributing nearly 40% of all cases exported worldwide. The second player is Dole, with almost 20% of all cases, whereas all the other players hold significantly lower market shares.

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 global production. In Europe, almost 6mtons of green bananas were sold in 2020; Italian consumption accounted for 520ktons, Spanish consumption for more than 620ktons and French consumption for almost 550ktons. Banana pricing, both in terms of purchasing and selling prices, is seasonal and depends on several factors, including the product's availability and quality in relation to competing fresh fruit items. As a result, **prices are typically higher in the first half of the year and lower in the second half corresponding to the seasonal supply-and-demand dynamics.**

Chart 8 – Banana & Pineapple consumption (ktons) trend in Southern Europe



Source: CFO SIM elaboration on Euromonitor 2019 data



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 current 3.7% (already a best-in-class level and compares to 3.0% of peer median) to exceed 4.0% in the next five years, mainly thanks to a few bolt-on acquisitions.

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

Import: logistics 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 24 warehouses in Southern Europe for product storage and control;

Ripening: Orsero owns and runs 21 specialised centres in Southern Europe dedicated to banana maturation;

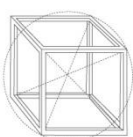
Fresh-cut: 4 processing plants to make fresh-cut, portioned and prewashed fruit, exotic fruit and fresh smoothies;

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

Import & Distribution: daily deep-rooted distribution and custom-made solutions. The import activity will be driven by the consolidation of the company's current position in the green banana and pineapple import market as well as by the search for new attractive partnerships with growers. The distribution'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. As for 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 bio, 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 the share of these product families from 1% to 10% in the total group's turnover.

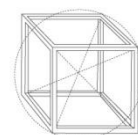
The shipping activity was impacted by a new international environmental regulation, the IMO – MARPOL 2020, which came into force on 1st January 2020. As the maximum sulfuric content of ship engine emissions is to be reduced from 3.5% to 0.5%, operators have two alternatives: use more refined fuel or install an exhaust gas cleaning system (ECGS or scrubbers) whilst continuing to use the 3.5% bunker fuel. Since late 2019 Orsero's fleet has been deploying bunker fuels with sulfuric content within the regulatory limits.



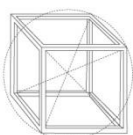
M&A track record and recent developments

As a part of the strategy of consolidation and strengthening of its own competitive position in distribution in Southern Europe, the group closed **three acquisitions in a row in 2019**, Sevimpor, Fruttica Group and Fruttital Cagliari, and **one minority buy-out in 2020**. Said strategy also included the rationalisation of reporting, combining Import and Distribution and leaving aside the Shipping business in addition to the acquisition of a few instrumental logistic platforms at the beginning of 2020.

- **Sevimpor** is a Spanish company operating in the **banana ripening and fresh F&V distribution business**. The firm operates a logistic platform of about 2,000 sqm, equipped with 19 ripening cells, several cool rooms and a packaging 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 in revenues, with an EBITDA adj. of € 450k and a NFP of € 650k (net debt).
- **Fruttica Group** is a French company integrated in the supply-chain of imported fresh fruit, mainly **importing and distributing Italian fruits and vegetables to France** (about 50% of volumes are composed of grapes, while the remainder of melons, pears and vegetables). The firm operates a logistic platform of about 1,450 sqm, equipped with a 150-sqm cool storage area. 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 in revenues, with an EBITDA adj. of € 2.5m and a neutral net financial position.
- **Fruttital Cagliari** is based in Sardinia (Italy) and operates in the **banana ripening and fresh F&V distribution business**. 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 was paid in Jul-20. The average 2017-18 sales of the company were about € 1.6m, with an average EBITDA adj. of € 1.2m and neutral NFP.
- **As of 1-Jan-20, the group implemented a rationalisation of the business units**, 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 banana and pineapple import activity too**, while the old Import & Shipping division was renamed "Shipping", being now concentrated exclusively on ship owning, serving both the group and third parties (50-50). The Service & Holding business unit (unchanged) comprises the parentco and some other ancillary services.
- In Jan-20, **Orsero announced the purchase of real estate assets for € 17m** (four logistic platforms, already in use) from NBI, a related party of Orsero since all NBI's shareholders are also shareholders of FIF Holding, Orsero's 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 NFP, which will be lower due to the difference between the 'right of use' value of the assets (€ 27.5m) and the € 17.8m 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 has 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.



- In Jul-20 Orsero announced the **acquisition of the remaining 50% of the share capital of Moncada Frutta**, based in Sicily and active in banana ripening and distribution of fresh fruits and vegetables in the region. The company has a logistic platform of 1,800 sqm, equipped with ripening rooms, cool storages and a packaging area. It reported FY-19 revenues of € 16.8m, with an EBITDA adj. of € 0.7m and NFP basically at zero. The consideration of the move is partially in cash and in Orsero shares: a total amount of 1476,825 stocks were assigned at the execution date and a variable and deferred component of max € 0.5m will be paid in 3 equal annual instalments subject to certain profitability targets.



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, a place, an industry or a 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 60s/70s 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 10+Y residual life

WEAKNESSES

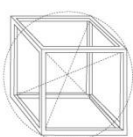
- ❑ Currently still **limited F.lli Orsero brand awareness** on end consumers
- ❑ **Exposure to USD/EUR**, in particular for the maritime transport segment
- ❑ **Market share expansion** may be more complicated than expected

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
- ❑ Further expansion into **foreign markets**
- ❑ 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-20 results

Orsero reported outstanding FY-20 results, at profitability levels, better than our forecasts, consensus and company guidance. EBITDA is almost one year ahead. In the current scenario, the company confirms its 2021 guidance, released at the beginning of February, which is definitely undemanding in our view.

Table 5 – Orsero, FY-20 results summary

€ m	2020	2019	% YoY	2020e	% Diff.
Revenues	1,041.5	1,005.7	3.6	1,048.2	(0.6)
COGS	(953.7)	(927.9)		(959.2)	
Gross Profit	87.8	77.8	12.9	89.0	(1.3)
% margin	8.4	7.7		8.5	
SG&A	(67.7)	(67.7)		(69.6)	
Other	(1.4)	(1.7)		(1.0)	
EBIT	18.8	8.4	124.0	18.4	2.2
% margin	1.8	0.8		1.8	
Financials	(2.9)	(3.9)		(3.9)	
Results from investments	0.8	1.0		1.0	
Pre Tax Profit	16.7	5.5	205.3	15.4	8.2
% margin	1.6	0.5		1.5	
Taxes	(4.4)	(3.2)		(4.6)	
Tax Rate	26.4%	58.6%		30.0%	
Discontinued	0.0	0.0		0.0	
Minorities	(0.1)	(0.2)		(0.2)	
Net Profit	12.2	2.0	504.5	10.6	14.8
% margin	1.2	0.2		1.0	
D&A	(24.2)	(23.7)		(24.4)	
Provisions	(1.8)	(2.0)		(1.4)	
Top Management incentives	(1.1)	0.8		0.0	
Non recurring (expenses)/income	(2.6)	(5.4)		(1.3)	
EBITDA adj.	48.4	38.7	25.1	45.5	6.5
% margin	4.6	3.8		4.3	
EBIT adj.	22.4	13.0	73.0	19.7	14.0
% margin	2.2	1.3		1.9	
Net Profit adj.	15.1	5.3	185.0	11.6	29.8
% margin	1.5	0.5		1.1	

Source: Orsero, CFO SIM estimates

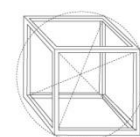
Net Revenues totalled € 1,042m, up 3.6% YoY, bang in line with our forecast. The figure reported corresponds to the high-end of the company guidance announced one year ago. The improvement is driven mainly by prices and is related to 1) the solid growth of the Import & Distribution business unit on the back of the positive performance of the Italian, French and Spanish companies as well as 2) the positive contribution of the Shipping division.

Table 6 – Orsero, FY-20 revenues breakdown

€ m	2020	2019	% YoY	2020e	% Diff.
Import & Distribution	982.8	950.9	3.4	988.0	(0.5)
Shipping	95.3	85.2	11.8	94.1	1.3
Service/holding	10.5	12.4	(14.9)	10.7	(2.0)
Inter segment	(47.1)	(42.7)	10.5	(44.7)	5.5
Total revenues	1,041.5	1,005.8	3.6	1,048.2	(0.6)

Source: Orsero, CFO SIM estimates

The revenues of the Import & Distribution division increased by 3.4% to € 983m, thanks to a good sales momentum in Italy and Spain and the complete resolution of French operational issues. **The Shipping business unit generated sales of € 95m, rising by 11.8% YoY,** driven by the freight rate increase linked to the implementation of IMO 2020. The loading factor remained unchanged at an excellent level of 94%.



Adj. EBITDA soared by 25% to € 48.4m, margin of 4.6% up by 80 bps YoY, higher than our estimate and company guidance (€ 45.5m and €46.5m, respectively). The completion of the recovery of the French subsidiary drove the beat in the estimate.

Table 7 – Orsero, FY-20 EBITDA adj. breakdown

€ m	2020	2019	% YoY	2020e	% Diff.
Import & Distribution	36.7	29.2	25.4	34.7	5.5
Shipping	17.7	14.0	26.2	15.3	15.2
Service/holding	(5.9)	(4.5)	31.1	(4.6)	28.4
EBITDA adj.	48.4	38.7	25.1	45.5	6.5

Source: Orsero, CFO SIM estimates

Import & Distribution EBITDA adj. rose by 25.4% to € 36.7m, 3.7% margin, better than our € 34.7m projection. The outstanding performance in Italy, the good improvement in Spain and the strong recovery in France, more than counterbalanced the unfortunate trend of bananas and pineapples at import stage and of Mexican avocado exports to the USA.

Shipping EBITDA adj. totalled € 17.7m, vs. € 14.0m in FY-19, thanks to a better freight rate, stable volumes and the loading factor. Furthermore, the deployment of a time-chartered vessel in addition to the 4 owned ships, allowed the group to improve its operational efficiency, keeping the same service conditions while reducing both speed and, as a consequence, fuel consumption.

Worthy of notice is that EBITDA adj. excluding IFRS 16 totalled € 40.4m, up 39.8% from € 28.9m last year, margin of 3.9%, up 100bps YoY.

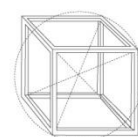
As a consequence of higher EBITDA, adj. EBIT came in at € 22.4m, 2.2% margin, up 73% vs. € 13.0m in 2019. Adj. Net Profit jumped from € 5.3m to € 14.0m as a consequence of the abovementioned increase in margins.

Net profit adjusted for non-recurring items and their tax effect and also excluding the IFRS 16 effect, **stood at € 14.0m, vs. €5.3m last year**. Reported net profit was € 12.2m (€ 2.0m at the end-19). Non-recurring adjustments accounted for € 1.7m and are related to one-off costs stemming from: 1) senior management incentives for a total consideration of € 800k and 2) Covid-19 extraordinary expenses, in addition to employee and other litigation/one off costs.

The BoD will propose to the next AGM (scheduled for April 29, 2021 - single call) **a dividend of € 0.20 per share**: ex-dividend date May 10, 2021, record date May 11, 2021 and payment on May 12, 2021. The dividend proposed is significantly higher than our € 0.12/s expectation and corresponds to a 2.9% yield.

NFP was € 103.3m from € 126.9m in Dec-19, slightly better than our €106.3m forecast. The decrease of € 23.6m, is a net effect of:

- 1) The increase in NFP due to the purchase value of properties instrumental to the core business, carried out at the beginning of the year, for € 17.8m more than offset by the write-off of the related right-of-use value pursuant to IFRS 16 for € 27.5m;
- 2) Capex for € 21.7m (of which € 3.7m related to higher right- of-use values pursuant to IFRS 16);
- 3) The generous CF generation of € 38m driven by the positive contribution of operating activities only partially mitigated by WC increase mainly due to significant top line growth.



Estimates, valuation & risks

Last year's strengthening of the business model and its focus on the expansion of the distribution division as well as the consolidation and normalisation of the shipping activities are consistently bringing their tangible fruits. **Orsero reported outstanding FY-20 results, better than our forecasts, consensus and company guidance** at profitability level. **In terms of EBITDA is almost one year in advance.** In the current scenario, the company confirms 2021 guidance, released at the beginning of February, which is definitely undemanding in our view. **Company guidance for 2021 entails another growing and profitable year** in a difficult environment. Orsero's 2021 guidance:

- FY-21 revenues are expected to be between € 1,040m and € 1,060m, implying a progression of some 1.8% on 2020 at the top of the range.
- EBITDA is projected between € 47m and € 49m, 4.5-4.6% margin, i.e. a 10-20bps improvement.
- Net Profit is foreseen between € 13m and € 15m.
- Net Financial Position should come between € 82m and € 87m, which means an improvement of more than € 20m on FY-20, considering the high-end of the range.
- After a period characterised by a significant amount of investment expenditure, also weighed down by four periodic ship dry-dockings, capex should amount to between € 9m and € 10m.

We have updated our model factoring in the better-than-expected performance in 2020 and a moderate business growth for 2021 and beyond, mainly driven by volumes at stable prices. **The results show an upgrade of 4.8% and 13.9% in EBITDA and Net Profit adj.** for 2021-22, on average respectively. **Our new 2021 estimates are positioned at the high-end of the company guidance range.** We introduced 2023 estimates too.

Table 8 – Orsero, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Turnover	1,070.0	1,075.2	(0.5)	(5.2)
EBITDA adj.	49.0	47.2	3.8	1.8
% margin	4.6	4.4		
EBIT adj.	22.0	21.7	1.5	0.3
% margin	2.1	2.0		
Net Profit adj.	14.8	13.0	13.8	1.8
% margin	1.4	1.2		
Y/E net debt (net cash)	81.3	85.4	(4.8)	(4.1)

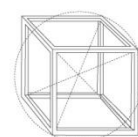
Source: CFO Sim

Table 9 – Orsero, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Turnover	1,097.2	1,103.0	(0.5)	(5.8)
EBITDA adj.	50.4	48.4	4.2	2.0
% margin	4.6	4.4		
EBIT adj.	23.9	23.3	2.4	0.6
% margin	2.2	2.1		
Net Profit adj.	16.1	14.1	13.9	2.0
% margin	1.5	1.3		
Y/E net debt (net cash)	59.8	66.8	(10.5)	(7.0)

Source: CFO Sim

As a consequence of the upgraded estimates and the updated valuation methodology assumptions, in particular compared to our previous valuation update, the 200-day moving average of the free risk rate moved from 1.37% to 0.86%. We set a **new DCF based PT of € 11.50** (€ 8.50), 55.0% upside.



For the first time, in this report we conducted an appraisal of the Shipping division stand alone. It has always been **understood as a 'problematic, worrisome' unit, characterised by relevant volatility**. However, a few **recent business adjustments mitigated to some extent this wide fluctuation potential**. According to our business unit's valuation, based on detailed and supportable assumptions, the market is currently expressing an **implicit valuation of Import and Distribution of 5.0x EBITDA₂₁, i.e. at a 40% discount with respect to the peer median**. In our opinion it is an interesting point of view, which further corroborates our positive stance on the stock.

Orsero showed to be **less impacted** by current market uncertainties compared to other stocks and should **offer some protection to investor portfolios**. **CFO Sim confirms the Buy rating on the stock**: in this scenario, Orsero represents a defensive, poised, long-term value player.

DCF

In the valuation via the DCF method explicit estimates until 2025 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 10 - Orsero, WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	30.0%
Inf. costs, after taxes	1.8%
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 2W average)	0.86%
Beta levered (x)	0.85
Required ROE	9.4%

Source: CFO Sim

Risk premium at 10.0% factors in the minute size of the company and basically all small capitalisation-related concerns and disquiet that an investor might have. **Beta at 0.85x** has been calculated taking the peer group specific levered beta for each competitor, deleveraging it using each peer precise D/E structure, then leveraging it for Orsero's 30/70 debt/equity long term sustainable balance sheet structure.

Table 11 - Orsero, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	22.0	23.9	25.4	25.7	25.9	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	15.4	16.7	17.8	18.0	18.1	
Change working capital	(1.7)	(2.5)	(1.0)	(0.5)	(0.2)	
Depreciation	24.0	23.6	23.2	16.6	10.0	
Investments	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	
Free Cash Flows	27.7	27.8	30.0	24.1	17.9	293.0
Present value	26.2	24.5	24.7	18.5	12.9	210.2
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	
Long-term growth rate	1.0%					

Source: CFO Sim

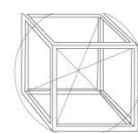


Table 12 – Orsero, DCF equity value derived from:

Total EV present value € m	317.0
<i>thereof terminal value</i>	66.3%
NFP last reported	(103.5)
Pension provision last reported	(9.9)
Equity value € m	203.6
#m shares	17.68
Equity value €/s	11.50
<i>% upside/(downside)</i>	55.0%

Source: CFO Sim

The application of the model produces an equity value of € 203.6m, corresponding to € 11.50/share, 55.0% upside.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 9.76–13.95/s (perpetuity range of between 0.00% and +2.00%), while, 2) if compared to changes in the free risk rate, it produces an equity value of € 10.16-13.15/s (free risk range of between 1.66% and 0.06%) and 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of € 8.88-15.42/s (risk premium range of between 12.0% and 8.0%).

Table 13 – 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	106.8	106.8	106.8	106.8	106.8	106.8	106.8	106.8	106.8
PV of terminal value	179.2	186.1	193.5	201.5	210.2	219.6	229.8	241.0	253.2
Total value	286.0	292.9	300.4	308.4	317.0	326.4	336.7	347.8	360.1
NFP last reported	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)
Pension provision last reported	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)
Equity value	172.6	179.5	186.9	195.0	203.6	213.0	223.3	234.4	246.7
Equity value/share €	9.76	10.15	10.57	11.03	11.50	12.05	12.63	13.26	13.95

Source: CFO Sim

Table 14 – Orsero, equity value sensitivity to changes in free risk rate

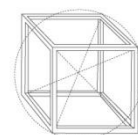
€ m	0.06%	0.26%	0.46%	0.66%	0.86%	1.06%	1.26%	1.46%	1.66%
Present value of CF	108.3	107.9	107.5	107.2	106.8	106.5	106.1	105.8	105.4
PV of terminal value	237.6	230.2	223.2	216.5	210.2	204.1	198.4	192.9	187.6
Total value	345.9	338.1	330.8	323.7	317.0	310.6	304.5	298.6	293.0
NFP last reported	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)
Pension provision last reported	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)
Equity value	232.5	224.7	217.4	210.3	203.6	197.2	191.1	185.2	179.6
Equity value/share €	13.15	12.71	12.29	11.89	11.50	11.15	10.81	10.48	10.16

Source: CFO Sim

Table 15 – 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	109.9	109.1	108.4	107.6	106.8	106.1	105.4	104.6	103.9
PV of terminal value	276.2	256.8	239.5	224.1	210.2	197.7	186.3	175.9	166.5
Total value	386.1	365.9	347.9	331.7	317.0	303.8	291.7	280.6	270.4
NFP last reported	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)
Pension provision last reported	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)
Equity value	272.7	252.5	234.5	218.3	203.6	190.4	178.3	167.2	157.0
Equity value/share €	15.42	14.28	13.26	12.34	11.50	10.77	10.08	9.45	8.88

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**. Sizes vary in terms of market capitalization and figures as well as profitability: 1) Fresh Del Monte shows a € 1.2bn market value, € 3.6bn sales with an 4.8% EBITDA margin expected for 2021; 2) Total Produce has a market size of € 779m, € 4.1bn revenues and a 2.3% EBITDA margin projected for 2021; 3) Greenyard boasts a € 330m market value and € 4.1bn sales with a 3.0% EBITDA margin expected for 2021.

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

Orsero trades at a double-digit discount vs. peers considering PCF and EV/EBITDA multiples in 2021-23. We believe this gap can be explained by the size difference only to a degree, but it **has to be abridged** to a certain extent considering 1) Orsero's higher profitability than its peer group and 2) the active it can play in the medium-/ long-term in this unavoidably consolidating disciplined oligopoly.

Table 16 – Orsero, peer group summary table

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP FY1	NFP /EBITDA
Fresh Del Monte Produce Inc	1,188	3,590	171	4.8%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	779	4,090	96	2.3%	n.a.	n.a.	n.a.	n.a.	224	2.3
Greenyard NV	330	4,490	135	3.0%	4.9%	17.6%	299.0%	54.5%	509	3.8
Median	779	4,090	135	3.0%	4.9%	17.6%	299.0%	54.5%	366	3.1
Orsero Spa	131	1,070	49	4.6%	2.6%	2.2%	5.7%	7.8%	81	1.7

Source: Thomson Reuters Eikon, CFO Sim

Table 17 – 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	n.a.	n.a.	n.a.	19.0	15.1	n.a.	8.3	7.4	n.a.
Total Produce PLC	10.5	9.5	n.a.	12.8	12.2	n.a.	10.2	9.2	n.a.
Greenyard NV	6.2	5.6	5.1	30.7	17.6	12.9	3.8	3.4	3.0
Median	8.4	7.5	5.1	19.0	15.1	12.9	8.3	7.4	3.0
Orsero Spa	4.3	3.8	3.2	8.9	8.2	7.6	3.2	3.2	3.1
% (Discount)/Premium to peer median	-48.1%	-49.8%	-36.7%	-53.3%	-45.9%	-40.6%	-61.1%	-57.6%	2.9%

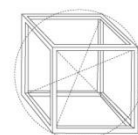
Source: Thomson Reuters Eikon, CFO Sim

Table 18 – Orsero, equity value assessment

x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3
Median peers	8.4	7.5	5.1	19.0	15.1	12.9	8.3	7.4	3.0
Orsero metrics	49.0	50.4	51.7	0.85	0.84	0.91	2.10	2.02	2.03
NFP	81.3	59.8	36.4						
% discount applied	20%								
Orsero Equity Value	246.1	244.3	175.6	229.9	178.6	166.2	247.6	212.2	86.6
Orsero Equity Value €/s	13.90	13.80	9.90	13.00	10.10	9.40	14.00	12.00	4.90
% upside/(downside)	87.3	86.0	33.4	75.2	36.1	26.7	88.7	61.7	(34.0)

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 **2021 figures**. After having applied a residual 20.0% discount factoring in the smaller size, **2021 EV/EBITDA derived equity value totals € 246.1m, corresponding to 13.90, 87.3% upside.**



Shipping: a few interesting considerations, in our view

The Shipping division, i.e. the former Import & Shipping division as it was called before the rationalisation process of the business units implemented as of Jan-20, has always been **understood as a 'problematic, worrisome' unit, characterised by volatility in results** due to the fluctuation of the bunker price (i.e. ultimately the price of oil) and the EUR/USD exchange rate. However, in 2019 Orsero reintroduced the **freight rate adjustment clauses on fluctuation of fuel costs (BAF clause)**. The effect of these clauses is essentially to mitigate volatility in results due fuel price fluctuations. However, considering the way they are set out, they cannot achieve total neutralization but a very strong one. Risk mitigation, therefore also involves giving up possible earning opportunities in very bearish fuel contexts but it avoids major repercussions in bullish phases, such as those occurred in 2017 and 2018. **The only remaining variable which can really influence the division's results is represented by the loading factor.** It is worth remembering that some 50% of the available volumes on the ships is filled with the group's products, the remainder with other players' items.

We have assessed the division separately. In our view, the most appropriate methodology is the **DCF**, since the unit offers a **generous cash flow generation**, has **no debt** and the terminal value is definitely measurable as **the scrap value** of the four owned ships. This approach is **conservative, since it does not take into consideration any future cash flows beyond 2024** (as well as any investment), **except for the cash-in from the pure ship scrap value**. The WACC is calculated by applying the same parameters we use to value the group as a whole, except for the D/E, set at 100% equity.

Table 19 – Orsero Shipping Division, ships dismissed in 2025 case, DCF model

€ m	2021e	2022e	2023e	2024e	Term. Val.
EBIT	6.2	6.5	6.7	6.7	
Tax rate	15.0%	15.0%	15.0%	15.0%	
NOPAT	5.2	5.5	5.7	5.7	
D&A	10.9	10.9	10.9	4.5	
Capex	(0.5)	(0.5)	(0.5)	(4.5)	
Free Cash Flow	15.6	15.9	16.1	5.7	11.0
Present value	14.6	13.5	12.6	4.1	7.2
WACC	9.4%	9.4%	9.4%	9.4%	

Source: CFO Sim

The model produces an EV of € 52.0m for the Shipping division. This number compares with the € 41m book value of the four owned ships and the € 52m recent impairment valuation of the division assessed for the participation appraisal.

In addition, we tried to assess the Shipping business unit cash flow generation potentialities beyond 2024 too, **extending the use of the ships throughout their useful life, i.e. until 2030**, estimating D&A and capex in order to take into account mandatory scheduled maintenance. This supplementary valuation approach produces and EV **of € 79.5m for the Shipping division.**

Table 20 – Orsero Shipping Division, ships used until 2030 case, DCF model

€ m	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	T. Val.
EBIT	4.1	4.1	10.5	10.5	13.4	13.4	13.4	13.4	11.4	11.4	
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
NOPAT	3.5	3.5	8.9	8.9	11.4	11.4	11.4	11.4	9.7	9.7	
D&A	10.9	10.9	4.5	4.5	1.6	1.6	1.6	1.6	3.6	3.6	
Capex	(0.5)	(0.5)	(0.5)	(4.5)	(4.5)	(0.5)	(0.5)	(0.5)	(4.5)	(4.5)	
Free Cash Flow	13.9	13.9	12.9	8.9	8.5	12.5	12.5	12.5	8.8	8.8	11.0
Present value	12.9	11.8	10.1	6.4	5.5	7.4	6.8	6.2	4.0	3.7	4.6
WACC	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	

Source: CFO Sim

The following sensitivity table shows the implied valuation of the Import & Distribution division according to the different value taken into consideration for the Shipping business unit. In other words, according to our conservative valuation (ships dismissed in 2025), **the current market capitalisation implicitly values the Import & Distribution business 5.0x EBITDA₂₁, i.e. at a 40% discount compared to the peer median multiple.** Ultimately,



the most appropriate valuation might be chosen to discover its implied Import & Distribution multiple. Absurdly, **valuing the Shipping division at zero, the implied multiple of the remaining part of the business still trades at a 20% discount compared to peers.** Instead, if we use the valuation approach with the ships used until 2030, **the current market capitalisation implicitly values the Import & Distribution business 4.2x EBITDA₂₁, i.e. at a 50% discount compared to the peer median multiple.**

In our view, this is another additional **aspect supporting our positive stance on Orsero.**

Table 21 – Orsero, implied market valuation of Import & Distribution sensitivity to Shipping value

Shipping EV, € m (a)	0.0	7.4	14.8	22.3	29.7	37.1	44.5	52.0*	79.5**
Orsero Mkt Cap (b)	131.2	131.2	131.2	131.2	131.2	131.2	131.2	131.2	131.2
NFP FY1 (c)	81.3	81.3	81.3	81.3	81.3	81.3	81.3	81.3	81.3
Group EV (d=b+c)	212.5	212.5	212.5	212.5	212.5	212.5	212.5	212.5	212.5
Import & Distribution EV (e=d-a)	212.5	205.1	197.6	190.2	182.8	175.4	168.0	160.5	133.0
EBITDA ₂₁ Imp. & Distr. (Group-Ship.) (f)	31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9
Implied EV/EBITDA Imp. & Distr. x (e/f)	6.7	6.4	6.2	6.0	5.7	5.5	5.3	5.0	4.2
Peers' EV/EBITDA median (x) FY1	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
<i>Prem.(disc.) to peers' median</i>	<i>(20.3)</i>	<i>(23.1)</i>	<i>(25.9)</i>	<i>(28.6)</i>	<i>(31.4)</i>	<i>(34.2)</i>	<i>(37.0)</i>	<i>(39.8)</i>	<i>(50.1)</i>

Source: CFO Sim, * Ships dismissed in 2025, **Ships used until 2030

Stock performance

Glenalta Food was listed on AIM Italia (Alternative Investment Market) on 10th Nov 2015 at € 10.0/share, corresponding to a market capitalization of € 80.0m. Its target, Orsero, was listed on **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 dedicated to high requirement stocks. Orsero stock reached an intraday 1Y maximum level of € 7.66/s on 11th Jun 20 and a 1Y minimum price of € 4.65 on 14th May 2020. The stock overperformed the FTSE STAR Italia, the EU Sector and its peers last week and last month.

Table 22 - Orsero, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Fresh Del Monte Produce Inc	0.1	(1.1)	17.9	16.5	24.9	24.1	(18.5)
Total Produce PLC	0.4	(0.3)	(2.0)	44.5	70.4	45.3	152.4
Greenyard NV	(2.6)	(3.9)	4.8	19.5	32.9	23.7	105.6
Peers Median	0.1	(1.1)	4.8	19.5	32.9	24.1	105.6
Orsero Spa	7.5	13.5	17.0	15.9	20.5	18.5	53.0
FTSE STAR Italia	0.0	0.9	3.3	11.0	22.7	8.5	84.3
Thomson Reuters Food & Beverage EU	(0.6)	0.9	0.7	(1.4)	3.5	(1.9)	29.8

Source: Thomson Reuters Eikon

Table 23 – Orsero, relative performances

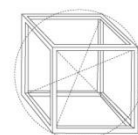
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	7.4	14.5	12.2	(3.6)	(12.4)	(5.6)	(52.6)
Orsero Spa to FTSE STAR Italia	7.5	12.6	13.7	4.9	(2.2)	10.0	(31.3)
Orsero Spa to EU Sector	8.2	12.6	16.3	17.4	17.0	20.4	23.2

Source: Thomson Reuters Eikon

Risks

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

- impacts on P&L account and balance sheet profiles triggered by a deep decline in local and global economic growth,
- effects of the COVID-19 wide, long spread,
- dilution on profitability stemming from the acquisition campaign,
- impact of sharp fluctuation in the US\$ and bunker prices



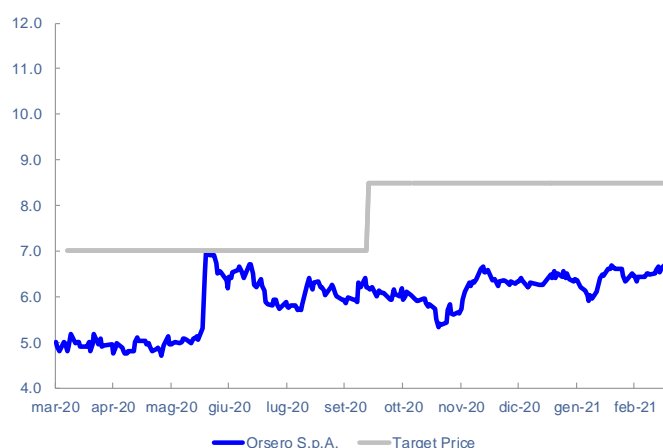
ANALYST CERTIFICATION

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
19/03/2021	€11.50	BUY
26/02/2021	€8.50	BUY
02/02/2021	€8.50	BUY
16/11/2020	€8.50	BUY
16/09/2020	€8.50	BUY
15/05/2020	€7.00	BUY
18/03/2020	€7.00	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.

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