

## Italy - Food

## Robust outlook calls for a further stock re-rating

3<sup>rd</sup> February 2022

### FY-22 GUIDANCE RELEASE

RIC: ORSO.MI  
BBG: ORS IM

2022 outlook shows growing top line and further massive margin progression driven by a favourable mix and the boost stemming from the integration and synergies between the two business units. The Shipping arm continues to generate a lot of value. A defensive, cash-flow generative, long-term value player, which is still unjustifiably cheap: the stock needs a further massive re-rating.

#### Rating:

**Buy**

#### Price Target:

**€ 20.00 (13.50)**

Upside/(Downside): 62.6%

Last Price: € 12.30

Market Cap.: € 217.5m

1Y High/Low: € 12.85/€ 6.26

Avg. Daily Turn. (3M, 6M): € 457k, € 484k

Free Float: 60.0%

#### Major shareholders:

FIF Holding 32.5%  
Grupo Fernández 6.3%



#### Stock price performance

|                      | 1M    | 3M    | 12M   |
|----------------------|-------|-------|-------|
| Absolute             | 4.7%  | 28.1% | 95.2% |
| Rel. to FTSE IT STAR | 12.6% | 37.1% | 65.0% |
| Rel. to EU Sector    | 7.7%  | 28.4% | 83.7% |

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#### Estimates and PT up: BUY recommendation reiterated, 63% upside

The enduring favourable current market dynamics prompted the company to announce unexpectedly strong FY-22 guidance, far above CFO SIM's and consensus estimates. We revised our model: the result is a massive upgrade, 26% and 87% at EBITDA and Net Profit levels in 2022-23, on average. The € 13m increase in EBITDA for 2022-23 entirely comes from the upgrade in the Shipping assumptions. As a consequence of the updated valuation methodology and new estimates, we set a new DCF-based PT of € 20.00 (€ 13.50), 62.6% upside. On our new numbers, share trades at 4.4x EV/EBITDA<sub>22e</sub>, 6.7x PER<sub>22e</sub> and offers 16.8% Free Cash Flow Yield in a 'normalised' year. Orsero represents a defensive, cash-flow generative, long-term value player, which is still unjustifiably cheap. The stock needs a further re-rating: CFO Sim confirms the Buy rating on the share.

#### Robust FY-22 guidance, far above CFO's and consensus projections

Like at the beginning of 2020 and 2021, the company has announced FY-22 guidance. FY-22 revenues are expected to be between € 1,100m and € 1,130m (€ 1,097m CFO projection), implying a progression of more than 4% on 2021e. EBITDA is projected to be between € 65m and € 68m (€ 52m CFO estimate), 5.9-6.0% margin, i.e. an improvement of more than 100bps. Net Profit is expected to be between € 30m and € 32m (€ 16m CFO expectation). Net Financial Position should be between € 68m and € 63m (€ 53m CFO assumption), which means an improvement of some € 10m compared to FY-21. Capex should amount to between € 12m and € 13m (€ 10m CFO forecast).

#### Import & Distribution: improved price/mix and cost inflation absorbed by customers

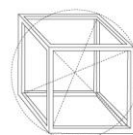
The Import & Distribution is projected to be characterised by an improved price/mix effect due to the implementation of a strategy aimed at revising the product portfolio by reducing the weight of commodities (e.g. bananas) and increasing higher added value products, namely avocados, mangos, table grapes, and kiwis. The inflationary dynamics along the agricultural and production chains, seem to be absorbed, to a certain extent, by customers, thus relieving their impact on group economics, i.e. sustaining top line growth and preserving profitability.

#### Shipping: long-lasting extremely favourable momentum boosts return in the medium term

The Shipping segment proved to be a strong strategic asset, even more so in this market framework. There is a chronic shortage of reefer capacity worldwide, which is sustaining spot shipping rates, which have grown by 200-250% in the last year. In addition, due to the seniority of the current world fleet (over 30 years, on average) and the lack of new ships arriving in the short-medium term, the favourable momentum is set to last for at least the next two years. The business unit is anticipated to show significant volumes, high load factors (above 95%) and enduring operational efficiencies stemming from the navigation schedule with 5 ships (4 owned and 1 chartered) employed since 2019.

#### Orsero, key financials and ratios

| € m                  | 2019    | 2020    | 2021e   | 2022e   | 2023e   |
|----------------------|---------|---------|---------|---------|---------|
| Sales                | 1,005.7 | 1,041.5 | 1,070.0 | 1,126.7 | 1,154.1 |
| EBITDA adj           | 38.7    | 48.4    | 50.5    | 65.1    | 66.5    |
| EBIT adj             | 13.0    | 22.4    | 24.6    | 39.1    | 40.6    |
| Net profit           | 2.0     | 12.2    | 15.0    | 31.4    | 32.5    |
| Net profit adj       | 5.3     | 15.1    | 15.9    | 32.3    | 33.5    |
| NFP (cash)/debt      | 126.9   | 103.5   | 76.0    | 66.5    | 37.9    |
| EPS adjusted FD      | 0.30    | 0.85    | 0.90    | 1.83    | 1.89    |
| EPS adj. FD growth   | -58.4%  | 185.0%  | 5.0%    | 103.8%  | 3.6%    |
| DPS ord. €/s         | 0.08    | 0.20    | 0.25    | 0.45    | 0.45    |
| Dividend yield       | 0.6%    | 1.6%    | 2.0%    | 3.7%    | 3.7%    |
| Free Cash Flow Yield | -7.5%   | 12.1%   | 14.3%   | 6.4%    | 16.8%   |
| PER x                | 23.9    | 6.9     | 13.7    | 6.7     | 6.5     |
| EV/Sales x           | 0.25    | 0.20    | 0.27    | 0.25    | 0.22    |
| EV/EBITDA x          | 6.6     | 4.3     | 5.8     | 4.4     | 3.8     |
| EV/EBIT x            | 19.6    | 9.3     | 11.9    | 7.3     | 6.3     |



## The company in a nutshell

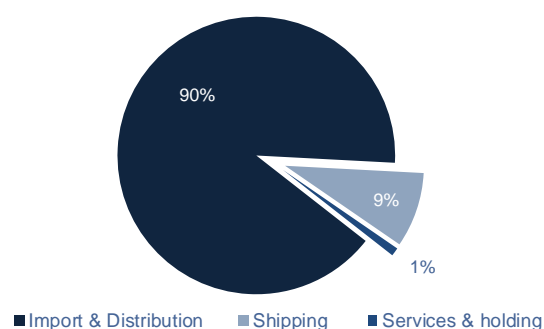
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit 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 "Flli Orsero" brand for bananas and pineapples, which expresses a large Italian family company's sense of tradition and passion for top-quality fruit and vegetables.

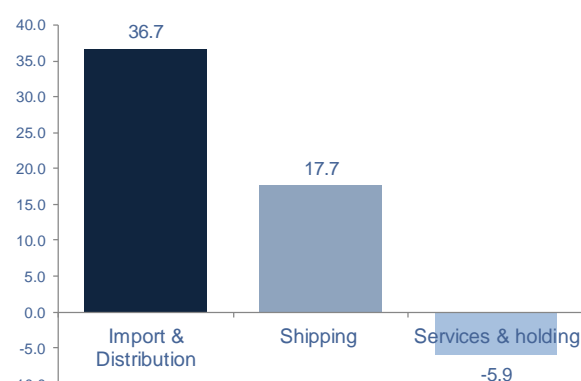
2020 Orsero highlights: revenues of € 1.042m, adj. EBITDA. of € 48.4m (4.6% margin), adjusted net profit equal to € 15.1m and net financial position of € 103.5m (2.1x adj. EBITDA)

Orsero was listed on Euronext Growth Milan on 13-Feb-17 as a result of the merger between Glenalta Food and Orsero. The merger was the final step in the business combination between Glenalta Food and GF Group, as regulated by the agreement signed and announced on 28th October 2016. Orsero has been trading on the Euronext Star Milan segment 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              | 1.1%          | 0.20         |
| <b>Free Float</b>            | <b>60.0%</b>  | <b>10.62</b> |
| o/w Praude Asset Management  | 9.5%          | 1.69         |
| Global Portfolio Investments | 5.7%          | 1.01         |
| First Capital                | 5.2%          | 0.92         |
| <b>Total</b>                 | <b>100.0%</b> | <b>17.68</b> |

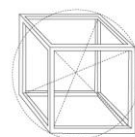
## Peer group absolute performance

|                                | 1D           | 1W          | 1M           | 3M          | 6M           | YTD        |
|--------------------------------|--------------|-------------|--------------|-------------|--------------|------------|
| Dole PLC                       | (0.4)        | 9.5         | 11.5         | 1.0         | (3.8)        | 8.9        |
| Fresh Del Monte Produce Inc    | (0.2)        | 1.5         | (2.6)        | (6.5)       | (9.7)        | 1.0        |
| Greenyard NV                   | 1.0          | 0.2         | (10.5)       | 9.1         | 2.0          | (8.7)      |
| <b>Peers Median</b>            | <b>(0.2)</b> | <b>1.5</b>  | <b>(2.6)</b> | <b>1.0</b>  | <b>(3.8)</b> | <b>1.0</b> |
| <b>Orsero Spa</b>              | <b>7.9</b>   | <b>12.8</b> | <b>4.7</b>   | <b>28.1</b> | <b>28.9</b>  | <b>3.8</b> |
| FTSE Italia STAR               | 0.6          | 2.9         | (7.9)        | (9.0)       | (0.1)        | (8.7)      |
| EU Sector                      | 1.6          | 2.3         | (3.1)        | (0.3)       | 0.9          | (2.6)      |
| Orsero Spa to peers            | 8.1          | 11.4        | 7.3          | 27.2        | 32.8         | 2.8        |
| Orsero Spa to FTSE Italia STAR | 7.3          | 10.0        | 12.6         | 37.1        | 29.1         | 12.5       |
| Orsero Spa to EU Sector        | 6.3          | 10.5        | 7.7          | 28.4        | 28.0         | 6.4        |

## Peer group multiples table

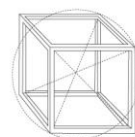
| Price & EV multiples x              | PER FY1     | PER FY2     | PER FY3    | PCF FY1    | PCF FY2    | PCF FY3    | EBITDA FY1 | EBITDA FY2 | EBITDA FY3 |
|-------------------------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|
| Dole PLC                            | 9.9         | 9.0         | 8.2        | 4.8        | 4.8        | 4.5        | 6.7        | 6.2        | 5.7        |
| Fresh Del Monte Produce Inc         | n.a.        | n.a.        | n.a.       | n.a.       | n.a.       | n.a.       | n.a.       | n.a.       | n.a.       |
| Greenyard NV                        | 15.6        | 11.7        | 11.4       | 4.1        | 3.6        | 3.5        | 5.1        | 5.0        | 4.8        |
| <b>Median</b>                       | <b>12.8</b> | <b>10.4</b> | <b>9.8</b> | <b>4.5</b> | <b>4.2</b> | <b>4.0</b> | <b>5.9</b> | <b>5.6</b> | <b>5.3</b> |
| <b>Orsero Spa</b>                   | <b>13.7</b> | <b>6.7</b>  | <b>6.5</b> | <b>5.2</b> | <b>3.7</b> | <b>3.7</b> | <b>5.8</b> | <b>4.4</b> | <b>3.8</b> |
| % (Discount)/Premium to peer median | 7.5%        | -35.1%      | -33.7%     | 16.9%      | -10.9%     | -9.2%      | -1.9%      | -21.7%     | -27.4%     |

Sources: CFO Sim, Thomson Reuters Eikon





| Income statement (€ m)                 | 2019    | 2020    | 2021e   | 2022e     | 2023e     |
|--|---------|---------|---------|-----------|-----------|
| Revenues                               | 1,005.7 | 1,041.5 | 1,070.0 | 1,126.7   | 1,154.1   |
| COGS                                   | (927.9) | (953.7) | (976.5) | (1,016.1) | (1,041.2) |
| Gross Profit                           | 77.8    | 87.8    | 93.5    | 110.7     | 112.9     |
| SG&A                                   | (69.4)  | (69.0)  | (69.9)  | (72.6)    | (73.4)    |
| EBIT                                   | 8.4     | 18.8    | 23.5    | 38.0      | 39.5      |
| Financials                             | (3.9)   | (2.9)   | (2.8)   | (2.8)     | (2.8)     |
| Results from investments               | 1.0     | 0.8     | 0.8     | 1.3       | 1.4       |
| Pre Tax Profit                         | 5.5     | 16.7    | 21.5    | 36.5      | 38.0      |
| Taxes                                  | (3.2)   | (4.4)   | (6.5)   | (5.1)     | (5.4)     |
| 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    | 15.0    | 31.4      | 32.5      |
| D&A and Provisions                     | (25.8)  | (26.0)  | (25.9)  | (25.9)    | (26.0)    |
| Non recurring items                    | (4.6)   | (3.7)   | (1.1)   | (1.1)     | (1.1)     |
| EBITDA adj.                            | 38.7    | 48.4    | 50.5    | 65.1      | 66.5      |
| EBIT adj.                              | 13.0    | 22.4    | 24.6    | 39.1      | 40.6      |
| Net Profit adj.                        | 5.3     | 15.1    | 15.9    | 32.3      | 33.5      |
| Balance sheet (€ m)                    | 2019    | 2020    | 2021e   | 2022e     | 2023e     |
| Net Working Capital                    | 30.6    | 37.9    | 35.4    | 53.5      | 60.1      |
| Net Fixed Assets                       | 233.7   | 222.3   | 208.1   | 207.0     | 196.0     |
| Equity Investments                     | 8.1     | 6.2     | 6.3     | 6.4       | 6.6       |
| Other M/L Term A/L                     | 5.5     | (2.7)   | (2.2)   | (1.9)     | (1.5)     |
| Net Invested Capital                   | 277.8   | 263.7   | 247.6   | 265.1     | 261.1     |
| Net Financial Debt/(cash)              | 126.9   | 103.5   | 76.0    | 66.5      | 37.9      |
| Minorities                             | 0.7     | 0.5     | 0.5     | 0.6       | 0.7       |
| Group's Shareholders Equity            | 150.2   | 159.6   | 171.1   | 198.0     | 222.6     |
| Financial Liabilities & Equity         | 277.8   | 263.7   | 247.6   | 265.1     | 261.1     |
| Cash Flow statement (€ m)              | 2019    | 2020    | 2021e   | 2022e     | 2023e     |
| Total net income                       | 2.0     | 12.2    | 15.0    | 31.4      | 32.5      |
| Depreciation                           | 23.7    | 24.2    | 24.0    | 24.0      | 24.0      |
| Other non-cash charges                 | (1.8)   | 8.2     | (0.4)   | (0.4)     | (0.4)     |
| Cash Flow from Oper. (CFO)             | 24.0    | 44.6    | 38.6    | 55.0      | 56.1      |
| Change in NWC                          | 1.9     | (7.3)   | 2.5     | (18.1)    | (6.6)     |
| FCF from Operations (FCFO)             | 25.9    | 37.2    | 41.1    | 36.9      | 49.5      |
| Net Investments (CFI)                  | (42.1)  | (11.0)  | (10.0)  | (23.0)    | (13.0)    |
| Free CF to the Firm (FCFF)             | (16.3)  | 26.2    | 31.1    | 13.9      | 36.5      |
| CF from financials (CFF)               | (3.5)   | (42.3)  | (3.5)   | (4.4)     | (7.9)     |
| Free Cash Flow to Equity (FCFE)        | (19.7)  | (16.1)  | 27.6    | 9.5       | 28.6      |
| Financial ratios                       | 2019    | 2020    | 2021e   | 2022e     | 2023e     |
| EBITDA adj. margin                     | 3.8%    | 4.6%    | 4.7%    | 5.8%      | 5.8%      |
| EBIT margin                            | 0.8%    | 1.8%    | 2.2%    | 3.4%      | 3.4%      |
| Net profit margin                      | 0.2%    | 1.2%    | 1.4%    | 2.8%      | 2.8%      |
| Tax rate                               | 58.6%   | 26.4%   | 30.0%   | 14.0%     | 14.3%     |
| Op NWC/Sales                           | 3.0%    | 3.6%    | 3.3%    | 4.7%      | 5.2%      |
| Interest coverage x                    | 0.46    | 0.15    | 0.12    | 0.07      | 0.07      |
| Net Debt/EBITDA adj. x                 | 3.28    | 2.14    | 1.50    | 1.02      | 0.57      |
| Debt-to-Equity x                       | 0.84    | 0.65    | 0.44    | 0.34      | 0.17      |
| ROIC                                   | 0.7%    | 4.6%    | 6.1%    | 11.8%     | 12.5%     |
| ROCE                                   | 3.7%    | 6.9%    | 7.4%    | 10.8%     | 10.5%     |
| ROACE                                  | 4.1%    | 6.6%    | 7.5%    | 11.2%     | 10.8%     |
| ROE                                    | 1.3%    | 7.7%    | 8.8%    | 15.8%     | 14.6%     |
| Payout ratio                           | 63.2%   | 28.6%   | 29.1%   | 25.1%     | 24.2%     |
| 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    | 0.85    | 1.77      | 1.84      |
| EPS adjusted FD €                      | 0.30    | 0.85    | 0.90    | 1.83      | 1.89      |
| EBITDA €                               | 2.19    | 2.74    | 2.86    | 3.68      | 3.76      |
| EBIT €                                 | 0.47    | 1.06    | 1.33    | 2.15      | 2.23      |
| FCFO €                                 | 1.46    | 2.10    | 2.32    | 2.08      | 2.80      |
| FCFF €                                 | (0.92)  | 1.48    | 1.76    | 0.78      | 2.06      |
| FCFE €                                 | (1.12)  | (0.91)  | 1.56    | 0.54      | 1.62      |
| Dividend €                             | 0.08    | 0.20    | 0.25    | 0.45      | 0.45      |



## FY-22 company guidance far above forecasts

Orsero announced **booming FY-22 guidance, far above CFO SIM's and consensus estimates**. In a context characterised by a **sharp cost increase along the agricultural and production chains** and substantial **shortage of reefer cargo**, Orsero is proving to be able to **impeccably manage this situation**, generating a lot of value. The favourable mix and the boost stemming from the integration and synergies between the two business units, are set to represent a solid backing to sustained free cash flow generation.

**Table 1 – Orsero, FY-21/22 guidance**

| € m             | FY-21e ORS  | FY-21e CFO | FY-22e ORS  | FY-22e CFO |
|-----------------|-------------|------------|-------------|------------|
| Turnover        | 1,040-1,060 | 1,070      | 1,100-1,130 | 1,097      |
| EBITDA adj.     | 49-51       | 50         | 65-68       | 52         |
| % margin        | 4.7%-4.8%   | 4.7        | 5.9%-6.0%   | 4.7        |
| Net Profit adj. | 14-16       | 16         | 30-32       | 16         |
| CAPEX           | -           | -          | 12-13       | 10         |
| NFP             | 78-75       | 76         | 68-63       | 53         |

Source: Company data, CFO SIM estimates

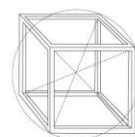
The company has announced FY-22 guidance. FY-22 revenues are expected to be between € 1,100m and € 1,130m (€ 1,097m CFO projection), implying a progression of more than 4% on 2021e. EBITDA is projected to be between € 65m and € 68m (€ 52m CFO estimate), 5.9-6.0% margin, i.e. an improvement of more than 100bps. Net Profit is expected to be between € 30m and € 32m (€ 16m CFO expectation). Net Financial Position should be between € 68m and € 63m (€ 53m CFO assumption), which means an improvement of some € 10m compared to FY-21. Capex should amount to between € 12m and € 13m (€ 10m CFO forecast).

**The Import & Distribution** is projected to be characterised by an **improved price/mix effect** due to the implementation of a strategy aimed at revising the product portfolio by reducing the weight of commodities (e.g. bananas) and increasing higher added value products, namely avocados, mangos, table grapes, and kiwis. **The inflationary dynamics** along the agricultural and production chains, seem to be **absorbed, to a certain extent, by customers**, thus relieving their impact on group economics, i.e. sustaining top line growth and preserving profitability.

The **Shipping segment** proved to be a strong strategic asset, even more so in this market framework. There is a **chronic shortage of reefer capacity worldwide**, which is sustaining spot shipping rates, which have grown by 200-250% in the last period. In addition, due to the **seniority of the current world fleet** (over 30 years, on average) and the **lack of new ships** coming in the short-medium term, the **favourable momentum is set to last** for at least the next two years. The business unit is anticipated to show significant volumes, high load factors (above 95%) and enduring operational efficiencies stemming from the navigation schedule with 5 ships (4 owned and 1 chartered) implemented since 2019.

The guidance released **entails the extension of the useful life of the four ships owned** until 2029 (previously set at 2024). This should result in some **€ 3m lower D&A per annum**. In addition, the application of the **Tonnage Tax scheme** to the profit coming from the shipping activity and the rising importance of this division in terms of profit contribution, are set to significantly sustain the consolidated bottom line.

During Q3-21, Orsero signed a **two-year (2022-23) lease contract with the aim of stabilising the use of the fifth non-owned ship** employed in fruit transportation. According to IFRS 16 accounting standards, this will entail the recognition of the 'right of use' value of the asset, basically equal to the two-year charter costs, and the corresponding financial debt, for approximately € 9.6m. This increase in NFP will be counterbalanced by a significant increase in adj. EBITDA by some € 4.8m per annum. As a result, the cost of ship chartering will be replaced by higher depreciation and financial charges, without generating any significant effect on the bottom line.



## Estimates, valuation & risks

The enduring favourable current market dynamics prompted the company to announce unexpectedly strong **FY-22 guidance, far above CFO SIM's and consensus** estimates. Our new projections take into consideration:

**Import & Distribution:** 1) improved price/mix effect and 2) cost inflation absorbed by customers, sustaining growth and stabilising margins.

**Shipping:** 1) long-lasting extremely positive momentum for shipping rates, allows for the optimisation of the load factor on the way back from Europe to South America, making significant returns, 2) extension of the useful life of the four ships owned, 3) application of the Tonnage Tax regime and 3) operational efficiencies stemming from the navigation schedule with 5 ships.

**NFP:** includes the financial debt, for a value of approximately € 10m, equal to the two-year charter costs of the fifth ship.

The result is a **massive upgrade of 26% and 87% on average at EBITDA and Net Profit** levels in 2022-23. **The € 13m increase in EBITDA for 2022-23 entirely comes from the upgrade in the Shipping** assumptions.

**Table 2 – Orsero, 2022e new/old estimates**

| € m                            | New            | Old            | % Diff. | € m Diff.   |
|--------------------------------|----------------|----------------|---------|-------------|
| <b>Turnover</b>                | <b>1,126.7</b> | <b>1,097.2</b> | 2.7     | <b>29.5</b> |
| <b>EBITDA adj.</b>             | <b>65.1</b>    | <b>51.8</b>    | 25.7    | <b>13.3</b> |
| % margin                       | 5.8            | 4.7            |         |             |
| <b>EBIT adj.</b>               | <b>39.1</b>    | <b>26.3</b>    | 48.8    | <b>12.8</b> |
| % margin                       | 3.5            | 2.4            |         |             |
| <b>Net Profit adj.</b>         | <b>32.3</b>    | <b>17.0</b>    | 89.8    | <b>15.3</b> |
| % margin                       | 2.9            | 1.6            |         |             |
| <b>Y/E net debt (net cash)</b> | <b>66.5</b>    | <b>53.4</b>    | 24.5    | <b>13.1</b> |

Source: CFO Sim

**Table 3 – Orsero, 2023e new/old estimates**

| € m                            | New            | Old            | % Diff. | € m Diff.   |
|--------------------------------|----------------|----------------|---------|-------------|
| <b>Turnover</b>                | <b>1,154.1</b> | <b>1,123.9</b> | 2.7     | <b>30.2</b> |
| <b>EBITDA adj.</b>             | <b>66.5</b>    | <b>53.0</b>    | 25.5    | <b>13.5</b> |
| % margin                       | 5.8            | 4.7            |         |             |
| <b>EBIT adj.</b>               | <b>40.6</b>    | <b>27.8</b>    | 45.7    | <b>12.7</b> |
| % margin                       | 3.5            | 2.5            |         |             |
| <b>Net Profit adj.</b>         | <b>33.5</b>    | <b>18.1</b>    | 84.7    | <b>15.3</b> |
| % margin                       | 2.9            | 1.6            |         |             |
| <b>Y/E net debt (net cash)</b> | <b>37.9</b>    | <b>28.9</b>    | 30.9    | <b>8.9</b>  |

Source: CFO Sim

**Table 4 – Orsero, 2022e new/old estimates Import & Distribution division**

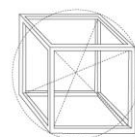
| € m                | New            | Old            | % Diff. | € m Diff.    |
|--------------------|----------------|----------------|---------|--------------|
| <b>Turnover</b>    | <b>1,058.8</b> | <b>1,035.6</b> | 2.2     | <b>23.2</b>  |
| <b>EBITDA adj.</b> | <b>38.3</b>    | <b>39.7</b>    | (3.4)   | <b>(1.3)</b> |
| % margin           | 3.6            | 3.8            |         |              |

Source: CFO Sim

**Table 5 – Orsero, 2023e new/old estimates Import & Distribution division**

| € m                | New            | Old            | % Diff. | € m Diff.    |
|--------------------|----------------|----------------|---------|--------------|
| <b>Turnover</b>    | <b>1,085.7</b> | <b>1,061.9</b> | 2.2     | <b>23.8</b>  |
| <b>EBITDA adj.</b> | <b>39.8</b>    | <b>40.7</b>    | (2.1)   | <b>(0.8)</b> |
| % margin           | 3.7            | 3.8            |         |              |

Source: CFO Sim



**Table 6 – Orsero, 2022e new/old estimates Shipping division**

| € m         | New   | Old  | % Diff. | € m Diff. |
|-------------|-------|------|---------|-----------|
| Turnover    | 105.5 | 98.4 | 7.2     | 7.1       |
| EBITDA adj. | 32.7  | 18.1 | 80.7    | 14.6      |
| % margin    | 31.0  | 18.4 |         |           |

Source: CFO Sim

**Table 7 – Orsero, 2023e new/old estimates Shipping division**

| € m         | New   | Old   | % Diff. | € m Diff. |
|-------------|-------|-------|---------|-----------|
| Turnover    | 107.2 | 100.0 | 7.2     | 7.2       |
| EBITDA adj. | 32.7  | 18.4  | 77.9    | 14.3      |
| % margin    | 30.5  | 18.4  |         |           |

Source: CFO Sim

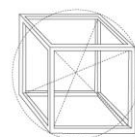
As a consequence of the updated valuation methodology assumptions and Cash Flow generation, we set a **new DCF-based PT of € 20.00** (€ 13.50), 62.6% upside.

According to our new estimates, share trades at 4.4x EV/EBITDA<sub>22e</sub> and 6.7x PER<sub>22e</sub>. Orsero represents a defensive, poised, long-term value player and the stock needs a further re-rating: **CFO Sim confirms the Buy rating on the share.**

Orsero has recently announced its **first Strategic Sustainability Plan**, with the purpose of combining business growth in the medium-long term along with the integration of ESG issues, inspired by the Sustainable Development Goals outlined by the United Nations.

The company has identified 4 strategic action areas: 1) **development of sustainable supply chains**, 2) **reduction of the impact on the planet**, 3) **promotion of healthy eating**, 4) **recognition of the value of people**. The goals aim to:

- Involve 100% of group's fruit and vegetable suppliers in social and environmental issues by 2025;
- Implement technological solutions aimed at reducing energy consumption of the group's warehouses by 20% by 2028;
- Continue the battle against food waste along the value chain;
- Assess solutions aimed at making packaging 100% recycled, recyclable, reusable or compostable by 2025;
- Inspire people via projects dedicated to the promotion of healthy and sustainable lifestyles;
- Adopt of a Welfare programme in order to increase the well-being of group employees;
- Increase food safety certifications in all the group's facilities;
- Involve the local communities via dedicated projects by 2030.



## 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 in accordance with the following parameters:

**Table 8 - Orsero, WACC derived from:**

|   |              |
|---|--------------|
| Interest costs, pre-tax                       | 2.5%         |
| Tax rate                                      | 14.0%        |
| <b>Int. costs, after taxes</b>                | <b>2.2%</b>  |
| Risk premium, incl. small size premium        | 10.0%        |
| Risk-free (10Y Gov. Bond 200d moving average) | 0.87%        |
| Beta levered (x)                              | 1.00         |
| <b>Required ROE</b>                           | <b>10.9%</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 disquiet that an investor might have. **Beta at 1.00x** has been calculated taking into consideration the peer group's specific levered beta for each competitor, then deleveraging it by using each peer's precise D/E structure. It was finally re-calculated by assuming Orsero's debt to equity leverage ratio to be 30:70 and sustainable in the long run.

**Table 9 - Orsero, DCF model**

| € m                             | 2021e       | 2022e       | 2023e       | 2024e       | 2025e       | Term. Val.   |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| EBIT                            | 23.5        | 38.0        | 39.5        | 39.5        | 39.5        |              |
| Tax rate                        | 30.0%       | 14.0%       | 14.3%       | 14.3%       | 14.3%       |              |
| <b>Operating profit (NOPAT)</b> | <b>16.5</b> | <b>32.7</b> | <b>33.8</b> | <b>33.8</b> | <b>33.8</b> |              |
| Change working capital          | 2.5         | (18.1)      | (6.6)       | (5.0)       | (0.5)       |              |
| Depreciation                    | 24.0        | 24.0        | 24.0        | 22.0        | 20.0        |              |
| Investments                     | (10.0)      | (13.0)      | (13.0)      | (20.0)      | (20.0)      |              |
| <b>Free Cash Flows</b>          | <b>33.0</b> | <b>25.6</b> | <b>38.2</b> | <b>30.8</b> | <b>33.3</b> | <b>450.7</b> |
| Present value                   | 33.2        | <b>23.8</b> | <b>32.7</b> | <b>24.3</b> | <b>24.3</b> | <b>328.1</b> |
| WACC                            | 8.5%        | 8.5%        | 8.5%        | 8.5%        | 8.5%        |              |
| <b>Long-term growth rate</b>    | <b>1.0%</b> |             |             |             |             |              |

Source: CFO Sim

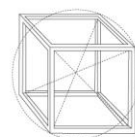
**Table 10 – Orsero, DCF equity value derived from:**

|                                 |              |
|---------------------------------|--------------|
| Total EV present value € m      | 466.4        |
| <i>thereof terminal value</i>   | 70.3%        |
| NFP last reported               | (103.5)      |
| Pension provision last reported | (9.9)        |
| <b>Equity value € m</b>         | <b>353.0</b> |
| #m shares                       | 17.68        |
| <b>Equity value €/s</b>         | <b>20.00</b> |
| <i>% upside/(downside)</i>      | 62.6%        |

Source: CFO Sim

**The application of the model produces an equity value of € 353.0m, corresponding to € 20.00/share, 62.6% upside.**

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 17.61–23.04/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 € 18.20-22.22/s (free risk range of between 1.67% and 0.00%) and 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 15.98-25.86/s (risk premium range of between 12.0% and 8.0%).



**Table 11 – 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             | 138.3        | 138.3        | 138.3        | 138.3        | 138.3        | 138.3        | 138.3        | 138.3        | 138.3        |
| PV of terminal value            | 286.5        | 296.0        | 306.0        | 316.7        | 328.1        | 340.3        | 353.4        | 367.4        | 382.6        |
| <b>Total value</b>              | <b>424.8</b> | <b>434.2</b> | <b>444.3</b> | <b>455.0</b> | <b>466.4</b> | <b>478.6</b> | <b>491.7</b> | <b>505.7</b> | <b>520.9</b> |
| 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)        |
| <b>Equity value</b>             | <b>311.4</b> | <b>320.8</b> | <b>330.9</b> | <b>341.6</b> | <b>353.0</b> | <b>365.2</b> | <b>378.3</b> | <b>392.3</b> | <b>407.5</b> |
| <b>Equity value/share €</b>     | <b>17.61</b> | <b>18.14</b> | <b>18.71</b> | <b>19.32</b> | <b>20.00</b> | <b>20.65</b> | <b>21.39</b> | <b>22.19</b> | <b>23.04</b> |

Source: CFO Sim

**Table 12 – Orsero, equity value sensitivity to changes in free risk rate**

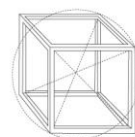
| € m                             | 0.00%        | 0.27%        | 0.47%        | 0.67%        | 0.87%        | 1.07%        | 1.27%        | 1.47%        | 1.67%        |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Present value of CF             | 139.7        | 139.3        | 138.9        | 138.6        | 138.3        | 138.0        | 137.6        | 137.3        | 137.0        |
| PV of terminal value            | 366.6        | 353.9        | 344.9        | 336.4        | 328.1        | 320.2        | 312.6        | 305.3        | 298.2        |
| <b>Total value</b>              | <b>506.3</b> | <b>493.2</b> | <b>483.9</b> | <b>475.0</b> | <b>466.4</b> | <b>458.1</b> | <b>450.2</b> | <b>442.6</b> | <b>435.2</b> |
| 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)        |
| <b>Equity value</b>             | <b>392.9</b> | <b>379.8</b> | <b>370.5</b> | <b>361.6</b> | <b>353.0</b> | <b>344.7</b> | <b>336.8</b> | <b>329.2</b> | <b>321.8</b> |
| <b>Equity value/share €</b>     | <b>22.22</b> | <b>21.48</b> | <b>20.95</b> | <b>20.45</b> | <b>20.00</b> | <b>19.50</b> | <b>19.05</b> | <b>18.61</b> | <b>18.20</b> |

Source: CFO Sim

**Table 13 – 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             | 141.7        | 140.8        | 140.0        | 139.1        | 138.3        | 137.5        | 136.7        | 135.9        | 135.1        |
| PV of terminal value            | 429.1        | 399.4        | 373.0        | 349.4        | 328.1        | 308.9        | 291.4        | 275.5        | 260.9        |
| <b>Total value</b>              | <b>570.7</b> | <b>540.2</b> | <b>513.0</b> | <b>488.5</b> | <b>466.4</b> | <b>446.4</b> | <b>428.1</b> | <b>411.4</b> | <b>396.0</b> |
| 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)        |
| <b>Equity value</b>             | <b>457.3</b> | <b>426.8</b> | <b>399.5</b> | <b>375.1</b> | <b>353.0</b> | <b>332.9</b> | <b>314.7</b> | <b>297.9</b> | <b>282.6</b> |
| <b>Equity value/share €</b>     | <b>25.86</b> | <b>24.14</b> | <b>22.60</b> | <b>21.21</b> | <b>20.00</b> | <b>18.83</b> | <b>17.80</b> | <b>16.85</b> | <b>15.98</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 **Dole, Fresh Del Monte Produce and Greenyard**. Sizes vary in terms of market capitalisation and figures as well as profitability: 1) Dole has a market size of € 1.2bn, € 8.2bn revenues and a 4.2% EBITDA margin projected for 2021, 2) Fresh Del Monte shows a € 1.2bn market value and € 3.7bn sales with a 5.1% EBITDA margin expected for 2021; 3) Greenyard boasts a € 469m market value and € 4.5bn sales with a 3.6% EBITDA margin expected for 2021.

**Orsero is the smallest** on the list in terms of turnover and has **higher profitability** than the peer median.

**Orsero trades at a double-digit discount** vs. peers considering PCF and EV/EBITDA multiples in 2022-23. We believe this gap can be explained only in part by the size difference, but it somehow needs to be bridged considering 1) Orsero's higher profitability than its peer group's median and 2) the active role it can play in the medium and long term in this unavoidably consolidating disciplined oligopoly.

**Table 14 – Orsero, peer group summary table**

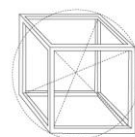
| € m                         | Mkt Cap      | Sales FY1    | EBITDA FY1 | EBITDA %    | Sales CAGR <sub>20-23</sub> | EBITDA CAGR <sub>20-23</sub> | EBIT CAGR <sub>20-23</sub> | EPS CAGR <sub>21-23</sub> | NFP FY1    | NFP /EBITDA |
|-----------------------------|--------------|--------------|------------|-------------|-----------------------------|------------------------------|----------------------------|---------------------------|------------|-------------|
| Dole PLC                    | 1,217        | 8,231        | 343        | 4.2%        | 3.5%                        | 5.0%                         | 11.2%                      | 10.1%                     | 1,085      | 3.2         |
| Fresh Del Monte Produce Inc | 1,173        | 3,686        | 188        | 5.1%        | n.a.                        | n.a.                         | n.a.                       | n.a.                      | n.a.       | n.a.        |
| Greenyard NV                | 469          | 4,456        | 162        | 3.6%        | 2.9%                        | 6.9%                         | 21.3%                      | 16.9%                     | 366        | 2.3         |
| <b>Median</b>               | <b>1,173</b> | <b>4,456</b> | <b>188</b> | <b>4.2%</b> | <b>3.2%</b>                 | <b>6.0%</b>                  | <b>16.3%</b>               | <b>13.5%</b>              | <b>726</b> | <b>2.7</b>  |
| <b>Orsero Spa</b>           | <b>217</b>   | <b>1,070</b> | <b>50</b>  | <b>4.7%</b> | <b>3.5%</b>                 | <b>11.2%</b>                 | <b>21.9%</b>               | <b>45.3%</b>              | <b>76</b>  | <b>1.5</b>  |

Source: Thomson Reuters Eikon, CFO Sim

**Table 15 – 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    |
|-------------------------------------|------------|------------|------------|-------------|-------------|------------|------------|------------|------------|
| Dole PLC                            | 6.7        | 6.2        | 5.7        | 9.9         | 9.0         | 8.2        | 4.8        | 4.8        | 4.5        |
| Fresh Del Monte Produce Inc         | n.a.       | n.a.       | n.a.       | n.a.        | n.a.        | n.a.       | n.a.       | n.a.       | n.a.       |
| Greenyard NV                        | 5.1        | 5.0        | 4.8        | 15.6        | 11.7        | 11.4       | 4.1        | 3.6        | 3.5        |
| <b>Median</b>                       | <b>5.9</b> | <b>5.6</b> | <b>5.3</b> | <b>12.8</b> | <b>10.4</b> | <b>9.8</b> | <b>4.5</b> | <b>4.2</b> | <b>4.0</b> |
| <b>Orsero Spa</b>                   | <b>5.8</b> | <b>4.4</b> | <b>3.8</b> | <b>13.7</b> | <b>6.7</b>  | <b>6.5</b> | <b>5.2</b> | <b>3.7</b> | <b>3.7</b> |
| % (Discount)/Premium to peer median | -1.9%      | -21.7%     | -27.4%     | 7.5%        | -35.1%      | -33.7%     | 16.9%      | -10.9%     | -9.2%      |

Source: Thomson Reuters Eikon, CFO Sim



## Stock performance

Glenalta Food was listed on Euronext Growth Milan on 10<sup>th</sup> Nov 2015 at € 10.0/share, corresponding to a market capitalisation of € 80.0m. Its target, Orsero, was listed on **Euronext Growth Milan on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. **As of Dec-19 Orsero moved to the Euronext Star Milan**, the STAR segment of Borsa Italiana dedicated to high requirement stocks. Orsero stock reached an intraday 1Y maximum level of € 12.85/s on 2<sup>nd</sup> Feb 22 and a 1Y minimum price of € 6.26 on 23<sup>rd</sup> Feb 2021. The stock consistently overperformed the FTSE Italia STAR index, the EU Sector and its peers.

**Table 16 - Orsero, peers group and indexes absolute performance**

| %                                  | 1D           | 1W          | 1M           | 3M          | 6M           | YTD        | 1Y          |
|------------------------------------|--------------|-------------|--------------|-------------|--------------|------------|-------------|
| Dole PLC                           | (0.4)        | 9.5         | 11.5         | 1.0         | (3.8)        | 8.9        | NULL        |
| Fresh Del Monte Produce Inc        | (0.2)        | 1.5         | (2.6)        | (6.5)       | (9.7)        | 1.0        | 13.4        |
| Greenyard NV                       | 1.0          | 0.2         | (10.5)       | 9.1         | 2.0          | (8.7)      | 48.5        |
| <b>Peers Median</b>                | <b>(0.2)</b> | <b>1.5</b>  | <b>(2.6)</b> | <b>1.0</b>  | <b>(3.8)</b> | <b>1.0</b> | <b>30.9</b> |
| <b>Orsero Spa</b>                  | <b>7.9</b>   | <b>12.8</b> | <b>4.7</b>   | <b>28.1</b> | <b>28.9</b>  | <b>3.8</b> | <b>95.2</b> |
| FTSE STAR Italia                   | 0.6          | 2.9         | (7.9)        | (9.0)       | (0.1)        | (8.7)      | 30.2        |
| Thomson Reuters Food & Beverage EU | 1.6          | 2.3         | (3.1)        | (0.3)       | 0.9          | (2.6)      | 11.5        |

Source: Thomson Reuters Eikon

**Table 17 – Orsero, relative performances**

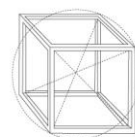
| %                              | 1D  | 1W   | 1M   | 3M   | 6M   | YTD  | 1Y   |
|--------------------------------|-----|------|------|------|------|------|------|
| Orsero Spa to peers            | 8.1 | 11.4 | 7.3  | 27.2 | 32.8 | 2.8  | 64.3 |
| Orsero Spa to FTSE STAR Italia | 7.3 | 10.0 | 12.6 | 37.1 | 29.1 | 12.5 | 65.0 |
| Orsero Spa to EU Sector        | 6.3 | 10.5 | 7.7  | 28.4 | 28.0 | 6.4  | 83.7 |

Source: Thomson Reuters Eikon

## Risks

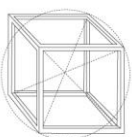
The principal investment **risks** associated with Orsero include:

- impacts on the P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth,
- long-term effects of the spread of COVID-19,
- profit margin dilution stemming from the acquisition campaign,
- impact of sharp US\$ and bunker price fluctuations





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## ANALYST CERTIFICATION

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

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| DATE       | TARGET PRICE | RATING |
|------------|--------------|--------|
| 03/02/2022 | €20.00       | BUY    |
| 12/11/2021 | €13.50       | BUY    |
| 15/09/2021 | €13.50       | BUY    |
| 15/05/2021 | €12.80       | BUY    |
| 19/03/2021 | €11.50       | BUY    |
| 26/02/2021 | €8.50        | BUY    |
| 02/02/2021 | €8.50        | BUY    |

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## RATING SYSTEM

- 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% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

