

Italy - Food

2023: focus on consolidation and cash generation

6th February 2023

FY-23 GUIDANCE RELEASE

RIC: ORSO.MI
BBG: ORS IM

Orsero announced good expected figures for 2023, both in terms of top line progression and in terms of profitability, including the recent acquisitions. The company announced expected adj. EBITDA slightly above consensus at the high-end of the guidance. In 2023 the group will consolidate the two large M&As in France which were recently completed and will focus on cash flow generation.

Rating:

Buy

Price Target:

€ 21.00

Upside/(Downside): 31.7%

Last Price: € 15.94

Market Cap.: € 281.9m

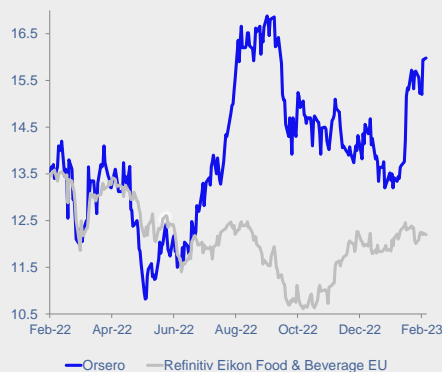
1Y High/Low: € 17.34 / € 10.70

Avg. Daily Turn. (3M, 6M): € 320k, € 365k

Free Float: 57.3%

Major shareholders:

FIF Holding 33.4%
Grupo Fernández 6.7%



Stock price performance

	1M	3M	12M
Absolute	18.8%	13.7%	19.4%
Rel. to FTSE IT STAR	11.1%	-1.7%	30.4%
Rel. to EU Sector	18.1%	3.5%	29.7%

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Estimates, valuation and PT confirmed: positive stance reiterated

FY-23 company targets are slightly above CFO estimates in terms of both top line and adj. EBITDA. At current economic conditions, the group strives to take advantage of its resilient vertically-integrated business model. The Distribution BU will focus on the integration of the two acquired France-based companies Blampin and Capexo, while the Shipping BU is expected to confirm, to a certain extent, the brilliant profitability numbers projected in FY-22, acting as more than just a key strategic asset able to create synergies between the various business units. Moreover, for the first time, Orsero has disclosed annual ESG targets, proving its firm commitment to implementing the multi-year Sustainability Plan announced last year. Estimates and valuation confirmed: Orsero is a value player poised to continue generating a significant amount of cash and thus to seize additional opportunistic targets in adjacent segments/markets in the medium-long term. Buy, PT offers 31.7% upside.

Robust FY-23 guidance, slightly above CFO's and consensus' projections

Like at the beginning of 2020, 2021 and 2022, the company has announced FY-23 guidance. FY-23 turnover is projected to be between € 1,440m and € 1,510m (CFO SIM € 1,430m – consensus € 1,411m), implying a progression of some 20% (broadly unchanged organically). Adj. EBITDA is expected between € 82m and € 87m, margin of 5.7%-5.8% (CFO SIM € 84.1m, 5.9% margin – Consensus € 84.0m, 6.0% margin), almost unchanged on a like-for-like basis. Net Profit is anticipated to be between € 38m and € 42m (CFO SIM € 42.2m – Consensus € 41m), Net Financial Position between € 140m and € 148m (CFO SIM € 120.0m – Consensus € 137m), and Capital Expenditures between € 12m and € 14m (CFO SIM € 15m).

Distribution: cost inflation continues to be reflected in selling prices

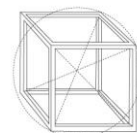
The Distribution segment is showing slightly declining volumes but still improving in terms of price and, to a lesser extent, mix effects. Orsero's strategy is aimed at reflecting to a certain extent the cost increases in selling prices. This is in addition to the implementation of the strategy of revising the product portfolio with a reduction in the weight of commodities (i.e. bananas) while increasing products with higher added value, namely avocado, mango, table grapes, and kiwis.

Shipping: still a relevant cash generator

The Shipping segment is still benefitting from higher volumes and a more favourable €/€ exchange rate, currency in which freight rates are typically denominated. Margins are anticipated to remain in line thanks to 1) a strong load factor above 95% and 2) additional operational efficiencies stemming from the navigation schedule with 5 ships (4 owned and 1 chartered) implemented from 2019. In 2023, dry freight rates regarding the return of ships to South America are anticipated to cool down compared to the record levels recently reached, whilst reefer quotes are seen to remain not too far from the level registered in 2022.

Orsero, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	1,041.5	1,069.8	1,200.4	1,430.7	1,465.6
EBITDA adj.	48.4	52.9	69.9	84.1	86.1
EBIT adj.	22.4	25.5	36.1	50.4	52.4
Net profit	12.2	18.3	28.4	40.6	42.4
Net profit adj.	14.0	19.1	31.3	42.2	43.9
NFP (cash)/debt	103.5	84.3	153.9	120.0	81.7
EPS adjusted	0.79	1.08	1.77	2.39	2.48
EPS adj. growth	164.2%	36.4%	64.0%	34.6%	4.1%
DPS ord. €/s	0.20	0.30	0.45	0.60	0.65
Dividend yield	1.3%	1.9%	2.8%	3.8%	4.1%
Free Cash Flow Yield	9.3%	7.7%	-22.9%	14.7%	17.3%
PER x	7.4	8.2	9.0	6.7	6.4
EV/Sales x	0.20	0.23	0.36	0.28	0.25
EV/EBITDA x	4.3	4.6	6.2	4.8	4.2
EV/EBIT x	9.3	9.5	12.1	8.0	6.9



The company in a nutshell

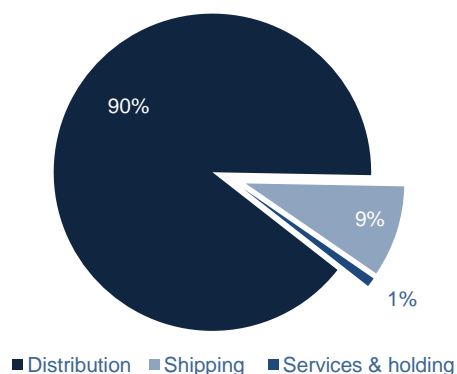
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit 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 "F.lli 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.

2021 Orsero highlights: revenues of € 1.070m, adj. EBITDA. of € 52.9m (4.9% margin), adjusted net profit equal to € 19.1m and net financial position of € 84.3m (1.6x 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.

2021 Gross Turnover...



...and EBITDA by business



Shareholder structure

	%	# m
FIF Holding	33.4%	5.90
Grupo Fernandez	6.7%	1.18
Treasury Shares	2.7%	0.48
Free Float	57.3%	10.13
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.5%	0.98
Total	100.0%	17.68

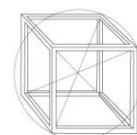
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(0.3)	7.9	15.8	33.1	26.8	19.1
Fresh Del Monte Produce Inc	0.6	5.8	7.4	5.1	(1.6)	10.3
Greenyard NV	(1.3)	0.0	1.6	(2.6)	(24.4)	1.5
Peers Median	(0.3)	5.8	7.4	5.1	(1.6)	10.3
Orsero Spa	4.9	1.5	18.8	13.7	2.7	19.7
FTSE Italia STAR	0.5	3.5	7.7	15.4	4.5	10.4
EU Sector	(0.3)	1.6	0.7	10.2	(0.0)	2.9
Orsero Spa to peers	5.2	(4.3)	11.4	8.6	4.3	9.4
Orsero Spa to FTSE Italia STAR	4.4	(2.0)	11.1	(1.7)	(1.8)	9.2
Orsero Spa to EU Sector	5.1	(0.1)	18.1	3.5	2.7	16.8

Peer group multiples table

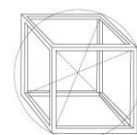
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	12.4	10.0	8.2	4.5	4.3	3.9	7.1	5.7	5.2
Fresh Del Monte Prod. Inc.	17.8	13.9	n.a.	7.6	6.7	n.a.	n.a.	n.a.	n.a.
Greenyard NV	14.2	10.8	7.9	2.8	2.6	2.3	4.8	4.3	3.8
Median	14.2	10.8	8.1	4.5	4.3	3.1	5.9	5.0	4.5
Orsero Spa	9.0	6.7	6.4	4.3	3.7	3.6	6.2	4.8	4.2
% (Disc.)/Prem. to peer	-36.5%	-38.1%	-20.3%	-4.6%	-13.9%	17.4%	5.4%	-4.5%	-6.0%

Sources: CFO Sim, Refinitiv Eikon





Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	1,041.5	1,069.8	1,200.4	1,430.7	1,465.6
COGS	(953.7)	(975.6)	(1,088.3)	(1,288.4)	(1,320.1)
Gross Profit	87.8	94.2	112.2	142.2	145.5
SG&A	(69.0)	(71.1)	(79.4)	(93.6)	(94.9)
EBIT	18.8	23.1	32.8	48.7	50.6
Financials	(2.9)	(3.3)	(1.8)	(2.8)	(2.8)
Results from investments	0.8	1.0	1.6	1.7	1.8
Pre Tax Profit	16.7	20.8	32.6	47.6	49.6
Taxes	(4.4)	(2.3)	(3.9)	(6.7)	(6.9)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Net Profit	12.2	18.3	28.4	40.6	42.4
D&A and Provisions	(26.0)	(27.4)	(33.8)	(33.7)	(33.7)
Non recurring items	(3.7)	(2.4)	(3.3)	(1.8)	(1.8)
EBITDA adj.	48.4	52.9	69.9	84.1	86.1
EBIT adj.	22.4	25.5	36.1	50.4	52.4
Net Profit adj.	14.0	19.1	31.3	42.2	43.9
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	37.9	30.2	41.8	57.7	63.2
Net Fixed Assets	222.3	221.7	302.8	286.2	273.7
Equity Investments	6.2	14.8	15.0	15.3	15.7
Other M/L Term A/L	(2.7)	(6.4)	(6.6)	(7.3)	(7.0)
Net Invested Capital	263.7	260.2	353.0	352.0	345.6
Net Financial Debt/(cash)	103.5	84.3	153.9	120.0	81.7
Minorities	0.5	0.7	0.9	1.2	1.5
Group's Shareholders Equity	159.6	175.2	198.2	230.8	262.4
Financial Liabilities & Equity	263.7	260.2	353.0	352.0	345.6
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	12.2	18.3	28.4	40.6	42.4
Depreciation	24.2	25.0	31.7	31.3	31.2
Other non-cash charges	8.2	4.1	(0.0)	0.3	(0.3)
Cash Flow from Oper. (CFO)	44.6	47.3	60.1	72.3	73.3
Change in NWC	(7.3)	7.7	(11.6)	(15.9)	(5.6)
FCF from Operations (FCFO)	37.2	55.1	48.5	56.4	67.7
Net Investments (CFI)	(11.0)	(33.4)	(113.1)	(15.0)	(19.0)
Free CF to the Firm (FCFF)	26.2	21.7	(64.6)	41.4	48.7
CF from financials (CFF)	(42.3)	(7.1)	(5.2)	(7.8)	(10.4)
Free Cash Flow to Equity (FCFE)	(16.1)	14.6	(69.8)	33.5	38.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA adj. margin	4.6%	4.9%	5.8%	5.9%	5.9%
EBIT margin	1.8%	2.2%	2.7%	3.4%	3.5%
Net profit margin	1.2%	1.7%	2.4%	2.8%	2.9%
Tax rate	26.4%	11.2%	12.0%	14.0%	14.0%
Op NWC/Sales	3.6%	2.8%	3.5%	4.0%	4.3%
Interest coverage x	0.15	0.14	0.06	0.06	0.06
Net Debt/EBITDA adj. x	2.14	1.59	2.20	1.43	0.95
Debt-to-Equity x	0.65	0.48	0.78	0.52	0.31
ROIC	4.6%	7.0%	8.1%	11.5%	12.3%
ROCE	6.9%	7.6%	10.0%	12.8%	12.3%
ROACE	6.6%	7.7%	10.4%	13.4%	12.8%
ROE	7.7%	10.4%	14.3%	17.6%	16.1%
Payout ratio	28.2%	28.2%	27.5%	25.6%	26.6%
Per share figures	2020	2021	2022e	2023e	2024e
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 # m	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	0.69	1.03	1.61	2.30	2.40
EPS adjusted FD €	0.79	1.08	1.77	2.39	2.48
EBITDA €	2.74	2.99	3.95	4.76	4.87
EBIT €	1.06	1.31	1.86	2.75	2.86
FCFO €	2.10	3.12	2.74	3.19	3.83
FCFF €	1.48	1.23	(3.65)	2.34	2.75
FCFE €	(0.91)	0.83	(3.95)	1.90	2.17
Dividend €	0.20	0.30	0.45	0.60	0.65



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DATE	TARGET PRICE	RATING
06/02/2023	€21.00	BUY
15/11/2022	€21.00	BUY
04/11/2022	€21.00	BUY
15/09/2022	€21.00	BUY
01/08/2022	€21.40	BUY
17/05/2022	€20.00	BUY
18/03/2022	€20.00	BUY
11/03/2022	€20.00	BUY

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

