

## Italy - Food

## 2024: consolidation of the group's size and profitability profile

7<sup>th</sup> February 2024

### FY-24 GUIDANCE RELEASE

RIC: ORSO.MI  
BBG: ORS IM

After brilliant 2023 projections, FY-24 expectations confirm Orsero to be a leading player in F&V distribution in southern Europe, leveraging on an extremely wide product range, with a strong focus on the most lucrative products which sustain a best-in-class profitability level. Furthermore, the excellent financial discipline coupled with a strong capital structure allows the group to continue its growth path, both organically and via M&A.

### Rating:

**Buy**

### Price Target:

**€ 25.00**

Upside/(Downside): 45.2%

Last Price: € 17.22

Market Cap.: € 304.1m

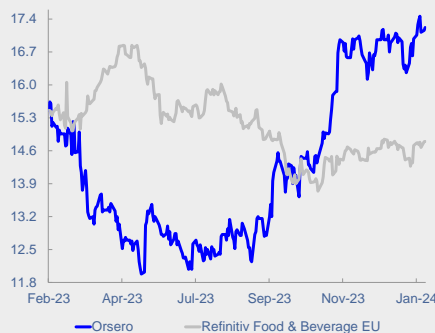
1Y High/Low: € 17.56 / € 11.80

Avg. Daily Turn. (3M, 6M): € 679k, € 679k

Free Float: 55.7%

### Major shareholders:

FIF Holding 33.4%  
Grupo Fernández 6.7%



### Stock price performance

	1M	3M	12M
<b>Absolute</b>	0.7%	14.8%	8.4%
<b>Rel.to FTSE IT STAR</b>	0.9%	3.0%	16.4%
<b>Rel.to EU Sector</b>	0.3%	11.9%	12.6%

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### FY-24 guidance broadly in line with our forecasts: estimates, rating and PT unchanged

Orsero announced its FY-24 guidance, which envisages the consolidation of the group's dimension and the progressive normalisation of the profitability of the shipping activity following more than two years of buoyant performance, in line with market trends. The guidance 2024 shows turnover in line with consensus estimates, but profitability lower than expected (ca. 10% and 19% concerning adj. EBITDA and Net Profit, respectively, considering the mid-point of the guidance). CFO SIM 2024e estimates are lower than consensus in terms of profitability, thus, we are closer to the high-end of the guidance. Estimates, rating and PT unchanged.

ORS FY-24 guidance	Low	High	CFO 2024e	Low vs CFO	High vs CFO
Net Revenues	1,530.0	1,590.0	1,547.8	-1.2%	2.7%
Adj. EBITDA	77.0	84.0	86.1	-10.6%	-2.5%
% margin	5.0	5.3	5.6	-60bps	-30bps
Adj. Net Profit	28.0	32.0	36.5	-23.3%	-12.3%
CAPEX	21.0	23.0	19.0	10.5%	21.1%
NFP	110.0	105.0	108.9	1.0%	-3.6%

### High-end of the guidance broadly aligned with our forecasts

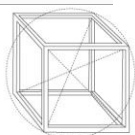
The FY-24 guidance includes turnover between € 1,530-1,590m (cons. € 1,547m, CFO SIM € 1,548m), implying a YoY growth between -0.5% and 3.4% vs FY-23 consensus; adj. EBITDA between € 77-84m (cons. € 89m, CFO SIM € 86m), implying a YoY decline between 22.9% and 29.4% vs FY-23 consensus, thus reflecting the progressive normalisation to pre-pandemic levels of the Shipping BU's profitability (partially already incorporated in the pre-guidance consensus estimates); adj. EBITDA margin between 5.0-5.3% (cons. 5.8%, CFO SIM 5.6%); adj. Net Profit between € 28-32m (cons. € 37m, CFO SIM € 36m); capex between € 21-23m, of which € 7.8m for the expansion of the Verona site and € 4.0m for the periodic dry-docking of two vessels (CFO SIM € 19m); NFP between € 105-110m (cons. € 98m, CFO SIM € 109m), including € 10m dividends (CFO SIM € 6.8m) but not considering the execution of the buyback program. By excluding the IFRS-16 effect, NFP is anticipated between € 52-47m.

### Distribution still growing with remarkable profitability. Shipping definitive normalisation

The Distribution BU is expected to grow organically at single-digit with profitability at high levels (sustained by higher added value products, namely avocado, mango, table grapes, and kiwis), although it will be impacted by lower expected margins for bananas, after the record levels reached in 2023. The Shipping BU is anticipated to continue the progressive normalisation of the activity started in 2023, following two years of freight rates at very high levels. Nevertheless, the BU is expected to maintain a good level of revenues and profitability, despite the latter being affected by the reduction in freight rates due to the increased availability of shipping capacity in the market, in line with the pre-pandemic levels.

### Orsero, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Net Revenues	1,069.8	1,196.3	1,544.0	1,547.8	1,564.3
Adjusted EBITDA	52.9	76.1	110.0	86.1	85.7
Adjusted EBIT	25.5	45.7	75.1	49.6	46.8
Net Profit	18.3	32.3	52.7	35.2	33.4
Adjusted Net Profit	19.1	36.9	56.3	36.5	34.7
Y/E net debt (net cash)	84.3	67.4	126.4	108.9	89.0
EPS adjusted FD	1.08	2.09	3.18	2.06	1.96
EPS adj. FD growth	36.4%	93.2%	52.5%	-35.1%	-5.0%
DPS ord. €/s	0.30	0.35	0.40	0.40	0.40
Dividend yield	1.7%	2.0%	2.3%	2.3%	2.3%
Free Cash Flow Yield	7.1%	7.8%	-12.4%	13.3%	14.0%
PER x	8.2	6.5	5.4	8.3	8.8
EV/Sales x	0.23	0.26	0.28	0.27	0.25
EV/EBITDA x	4.6	4.0	3.9	4.8	4.6
EV/EBIT x	9.5	6.7	5.7	8.3	8.4



## The company at a glance

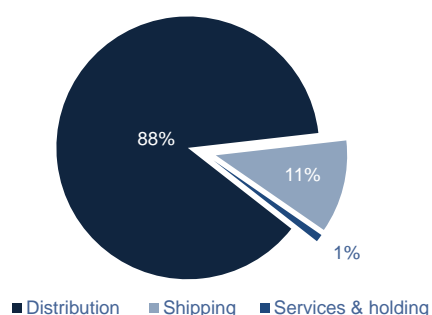
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

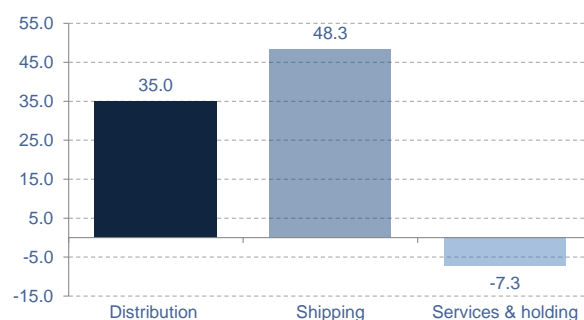
2022 Orsero highlights: revenues of € 1.196m, adj. EBITDA of € 76.1m (6.4% margin), adjusted net profit equal to € 36.9m and net financial position of € 67.4m (0.9x adj. EBITDA).

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.

## 2022 Gross Turnover...



## ...and EBITDA by business unit



## Shareholder structure

	%	# m
FIF Holding	33.4%	5.90
Grupo Fernandez	6.7%	1.18
Treasury Shares	4.3%	0.75
<b>Free Float</b>	<b>55.7%</b>	<b>9.85</b>
o/w Praude Asset Management	9.7%	1.71
Global Portfolio Investments	5.5%	0.97
First Capital	5.6%	1.00
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

Sources: company data

## Peer group absolute performance

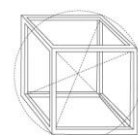
	1D	1W	1M	3M	6M	YTD
Dole PLC	0.0	(3.9)	(8.5)	(3.2)	(16.9)	(9.2)
Fresh Del Monte Produce Inc	2.0	(3.1)	(5.6)	1.9	(14.8)	(7.5)
Greenyard NV	0.9	(2.9)	(7.8)	(5.3)	(21.9)	(10.2)
<b>Peers Median</b>	<b>0.9</b>	<b>(3.1)</b>	<b>(7.8)</b>	<b>(3.2)</b>	<b>(16.9)</b>	<b>(9.2)</b>
<b>Orsero SpA</b>	<b>0.3</b>	<b>(0.3)</b>	<b>0.7</b>	<b>14.8</b>	<b>35.6</b>	<b>1.5</b>
FTSE Italia STAR	0.2	(0.8)	(0.2)	11.8	4.7	(1.6)
EU Sector	0.0	0.2	0.4	2.9	(3.5)	(0.3)
Orsero SpA to peers	(0.6)	2.7	8.5	18.0	52.5	10.7
Orsero SpA to FTSE Italia STAR	0.1	0.4	0.9	3.0	30.9	3.1
Orsero SpA to EU Sector	0.3	(0.5)	0.3	11.9	39.1	1.8

Sources: Refinitiv Eikon

## Peer group multiples table

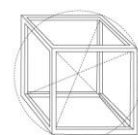
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	9.8	8.8	8.3	4.5	4.3	3.8	5.4	4.8	4.5
Fresh Del Monte Prod. Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	9.4	7.4	5.7	2.1	2.0	1.8	3.8	3.4	3.0
<b>Median</b>	<b>9.6</b>	<b>8.1</b>	<b>7.0</b>	<b>3.3</b>	<b>3.1</b>	<b>2.8</b>	<b>4.6</b>	<b>4.1</b>	<b>3.7</b>
<b>Orsero SpA</b>	<b>5.4</b>	<b>8.3</b>	<b>8.8</b>	<b>3.3</b>	<b>4.2</b>	<b>4.1</b>	<b>3.9</b>	<b>4.8</b>	<b>4.6</b>
% (Disc.)/Prem. to peer	-43.7%	2.8%	25.3%	1.5%	32.5%	46.2%	-15.1%	16.4%	22.4%

Sources: CFO SIM, Refinitiv Eikon





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Net Revenues	1,069.8	1,196.3	1,544.0	1,547.8	1,564.3
COGS	(975.6)	(1,077.4)	(1,373.6)	(1,400.1)	(1,418.3)
Gross Profit	94.2	118.8	170.4	147.7	146.0
SG&A	(71.1)	(78.9)	(99.3)	(99.6)	(100.6)
EBIT	23.1	39.9	71.0	48.1	45.3
Financials	(3.3)	(5.9)	(11.1)	(7.5)	(6.6)
Results from investments	1.0	2.0	2.3	2.3	2.3
Pre Tax Profit	20.8	36.1	62.3	43.0	41.1
Taxes	(2.3)	(3.7)	(9.3)	(7.5)	(7.4)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Net Profit	18.3	32.3	52.7	35.2	33.4
D&A and Provisions	(27.4)	(30.4)	(34.9)	(36.5)	(38.9)
Non recurring items	(2.4)	(5.8)	(4.1)	(1.5)	(1.5)
Adjusted EBITDA	52.9	76.1	110.0	86.1	85.7
Adjusted EBIT	25.5	45.7	75.1	49.6	46.8
Adjusted Net Profit	19.1	36.9	56.3	36.5	34.7
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	30.2	31.7	38.1	39.2	39.5
Net Fixed Assets	221.7	222.2	322.1	323.1	321.7
Equity Investments	14.8	19.4	19.8	20.2	20.6
Other M/L Term A/L	(6.4)	(4.4)	(5.4)	3.0	10.4
Net Invested Capital	260.2	268.9	374.5	385.4	392.2
Net Financial Debt/(cash)	84.3	67.4	126.4	108.9	89.0
Minorities	0.7	0.4	0.6	0.9	1.1
Group's Shareholders Equity	175.2	201.1	247.5	275.7	302.1
Financial Liabilities & Equity	260.2	268.9	374.5	385.4	392.2
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	18.3	32.3	52.7	35.2	33.4
Depreciation	25.0	28.1	32.0	33.6	35.9
Other non-cash charges	4.1	(4.0)	0.4	(8.4)	(7.4)
Cash Flow from Oper. (CFO)	47.3	56.4	85.1	60.4	61.9
Change in NWC	7.7	(1.5)	(6.4)	(1.1)	(0.3)
FCF from Operations (FCFO)	55.1	54.9	78.6	59.3	61.7
Net Investments (CFI)	(33.4)	(31.1)	(116.2)	(19.0)	(19.0)
Free CF to the Firm (FCFF)	21.7	23.8	(37.6)	40.3	42.7
CF from financials (CFF)	(7.1)	(9.9)	(1.4)	(14.8)	(22.8)
Free Cash Flow to Equity (FCFE)	14.6	13.9	(39.0)	25.5	19.9
Financial ratios	2021	2022	2023e	2024e	2025e
Adjusted EBITDA margin	4.9%	6.4%	7.1%	5.6%	5.5%
EBIT margin	2.2%	3.3%	4.6%	3.1%	2.9%
Net profit margin	1.7%	2.7%	3.4%	2.3%	2.1%
Tax rate	11.2%	10.2%	15.0%	17.5%	18.0%
Op NWC/Sales	2.8%	2.6%	2.5%	2.5%	2.5%
Interest coverage x	0.14	0.15	0.16	0.16	0.15
Net Debt/EBITDA adj. x	1.59	0.89	1.15	1.26	1.04
Debt-to-Equity x	0.48	0.34	0.51	0.39	0.29
ROIC	7.0%	12.0%	14.1%	9.1%	8.5%
ROCE	7.6%	12.8%	17.6%	10.7%	9.6%
ROACE	7.7%	13.2%	19.1%	11.1%	9.8%
ROE	10.4%	16.0%	21.3%	12.8%	11.1%
Payout ratio	27.8%	18.8%	12.9%	19.2%	20.3%
Per share figures	2021	2022	2023e	2024e	2025e
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 €	1.03	1.82	2.98	1.99	1.89
EPS adjusted FD €	1.08	2.09	3.18	2.06	1.96
EBITDA €	2.99	4.30	6.22	4.87	4.85
EBIT €	1.31	2.26	4.02	2.72	2.56
FCFO €	3.12	3.10	4.45	3.35	3.49
FCFF €	1.23	1.35	(2.13)	2.28	2.41
FCFE €	0.83	0.78	(2.20)	1.44	1.12
Dividend €	0.30	0.35	0.40	0.40	0.40



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DATE	TARGET PRICE	RATING
07/02/2024	€25.00	BUY
17/11/2023	€25.00	BUY
18/09/2023	€22.50	BUY
16/05/2023	€19.00	BUY
20/03/2023	€19.00	BUY
06/02/2023	€21.00	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.

