

## Italy - Food

## Brilliant interim results led Orsero to upgrade guidance

18<sup>th</sup> September 2023

### H1-23 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

Orsero reported an excellent set of results in H1-23, significantly better than expected, especially in terms of profitability. The group benefited from a strong performance of the Distribution BU driven by a more lucrative product mix as well as higher prices and volumes of selected items. The Shipping BU reported broadly stable results. Orsero revised upwards its FY-23 guidance.

#### Rating:

**Buy**

#### Price Target:

**€ 22.50 (€ 19.00)**

Upside/(Downside): 59.1%

Last Price: € 14.14

Market Cap.: € 250.0m

1Y High/Low: € 16.66 / € 11.80

Avg. Daily Turn. (3M, 6M): € 388k, € 333k

Free Float: 57.3%

#### Major shareholders:

FIF Holding 33.4%  
Grupo Fernández 6.7%



#### Stock price performance

	1M	3M	12M
Absolute	9.3%	11.5%	-13.5%
Rel.to FTSE IT STAR	10.6%	22.7%	-13.3%
Rel.to EU Sector	11.0%	16.7%	-15.0%

#### Analysts:

Gianluca Mozzali  
+39 02 30343 396  
gianluca.mozzali@cfosim.com

Luca Solari  
+39 02 30343 397  
luca.solari@cfosim.com

#### Estimates upgraded: new PT of € 22.50/s, 59.1% upside. Buy reiterated

Orsero reported outstanding interim results driven by an excellent organic performance coupled with a fruitful consolidation of Blampin and Capexo, both in terms of economic results and operations. Following H1-23 results and the revised company's guidance, we upgrade our estimates by factoring in: 1) broadly unchanged revenues, 2) a better profitability of the Distribution BU on the back of the brilliant results reported in H1 driven by the increased value of the product mix and 3) a weaker performance of the Shipping BU as a consequence of an expected decline, already visible in Q2-23, in volumes and freight rates with respect to dry cargoes, whilst reefer rates are set to remain not too far from the level registered in 2022. The combined result is an average 14.2%, 22.3% and 22.9% increase in adjusted EBITDA, EBIT and Net Profit in 2023-25, respectively. Because of the estimate upgrade and the updated valuation criteria, new PT stands at € 22.50/s (€ 19.00), 59.1% upside. Buy reiterated.

#### Outstanding organic growth driven by the Distribution business unit

Revenues totalled € 763.4m, up by 32.5% YoY thanks to organic growth of 8.6% coupled with the consolidation of Blampin and Capexo. In terms of business units: 1) Distribution grew by 36.1% YoY (10% organically) as a combined effect of a higher value of the product mix, price increases and greater volumes of selected items (i.e. platano canario, exotics and citrus); 2) Shipping remained broadly stable YoY, totalling € 69.0m, on the back of slightly lower volumes with respect to the 'reefer', which reflects a similar production trend, and stable freight rates of CAM Line. Furthermore, the BU benefited from a favourable EUR/USD exchange rate.

#### Margins improved thanks to a more lucrative product mix and declining energy costs

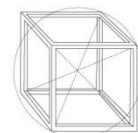
Adj. EBITDA increased to € 59.2m, 7.8% margin (€ 40.3m, 7.0% margin, in H1-22), as a result of an outstanding performance of both the business units. Organically, adj. EBITDA improved by 21% (i.e. + € 8.4m). The Distribution BU's EBITDA was € 38.7m, 5.4% margin, more than doubling compared to H1-22 also thanks to the consolidation of the companies acquired. Organically, the improvement was driven by 1) higher banana prices due to a more balanced supply and demand, 2) better returns on exotic fruits, and 2) decreasing energy costs. The Shipping BU's EBITDA was € 25.1m, 36.3% margin, down by € 1.0m YoY, on the back of a gradual normalisation of the shipping activity.

#### Strong CF generation absorbed by M&As, ordinary capex and dividend payment

Net Profit reached € 32.4m, 4.2% margin (€ 19.8m, 3.4% margin in H1-22), thanks to increased profitability which more than counterbalanced higher D&A due to the enlarged perimeter and increasing financial costs. NFP totalled € 136.0m compared to € 67.4m at year-end 2022 as a consequence of 1) cash-flow generation of € 41.9m, 2) M&As for € 91.2m, 3) NWC absorption of € 0.2m, 4) ordinary capex of € 6.1m, 5) dividend payment of € 6.0m and 6) increased IFRS16-related liabilities of € 48.6m. The updated guidance envisages: revenues € 1,470-1,520m (+ € 30/10m); adj. EBITDA € 92-97m (+ € 10m); adj. Net Profit € 44-48m (+ € 6m); NFP € 138-142m (- € 10/8m); Capex € 14-16m (unchanged).

#### Orsero, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Revenues	1,069.8	1,196.3	1,477.2	1,502.3	1,531.2
Adjusted EBITDA	52.9	76.1	96.7	85.6	84.8
Adjusted EBIT	25.5	45.7	59.7	47.5	45.8
Net Profit	18.3	32.3	43.8	33.9	31.7
Adjusted Net Profit	19.1	36.9	46.4	36.5	34.3
Y/E net debt (net cash)	84.3	67.4	134.5	114.6	96.5
EPS adjusted FD	1.08	2.09	2.62	2.06	1.94
EPS adj. FD growth	36.4%	93.2%	25.8%	-21.4%	-6.7%
DPS ord. €/s	0.30	0.35	0.40	0.40	0.40
Dividend yield	2.1%	2.5%	2.8%	2.8%	2.8%
Free Cash Flow Yield	8.7%	9.5%	-18.2%	17.1%	16.4%
PER x	8.2	6.5	5.4	6.9	7.3
EV/Sales x	0.23	0.26	0.26	0.24	0.23
EV/EBITDA x	4.6	4.0	4.0	4.3	4.1
EV/EBIT x	9.5	6.7	6.4	7.7	7.6





## The company at a glance

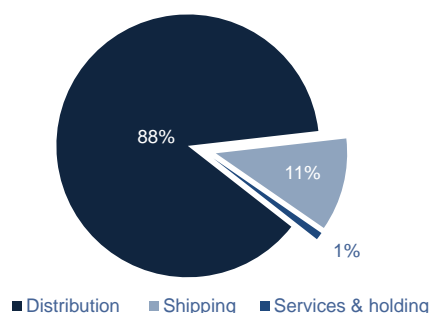
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

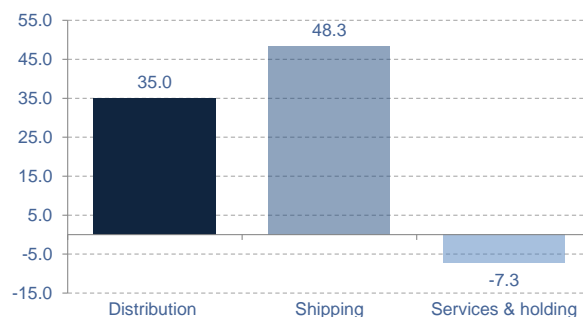
2022 Orsero highlights: revenues of € 1.196m, adj. EBITDA of € 76.1m (6.4% margin), adjusted net profit equal to € 36.9m and net financial position of € 67.4m (0.9x adj. EBITDA).

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	2.7%	0.48
<b>Free Float</b>	<b>57.3%</b>	<b>10.13</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

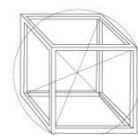
	1D	1W	1M	3M	6M	YTD
Dole PLC	1.2	6.6	(4.2)	(13.7)	5.6	24.1
Fresh Del Monte Produce Inc	(0.2)	0.9	(4.6)	(5.3)	(13.3)	(2.8)
Greenyard NV	(1.3)	(0.2)	(9.1)	(12.9)	(3.8)	(8.7)
<b>Peers Median</b>	<b>(0.2)</b>	<b>0.9</b>	<b>(4.6)</b>	<b>(12.9)</b>	<b>(3.8)</b>	<b>(2.8)</b>
<b>Orsero SpA</b>	<b>1.3</b>	<b>10.5</b>	<b>9.3</b>	<b>11.5</b>	<b>2.8</b>	<b>6.2</b>
FTSE Italia STAR	(0.7)	(1.2)	(1.4)	(11.2)	(9.0)	(6.0)
EU Sector	0.2	(0.3)	(1.7)	(5.2)	(3.2)	(2.0)
Orsero SpA to peers	1.4	9.6	13.8	24.5	6.5	9.0
Orsero SpA to FTSE Italia STAR	2.0	11.7	10.6	22.7	11.7	12.2
Orsero SpA to EU Sector	1.1	10.8	11.0	16.7	6.0	8.2

Sources: Refinitiv Eikon

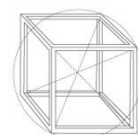
## Peer group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	12.4	10.5	9.3	5.2	5.0	4.1	6.0	5.4	5.7
Fresh Del Monte Prod. Inc	11.4	10.9	n.a.	6.3	6.1	n.a.	n.a.	n.a.	n.a.
Greenyard NV	10.8	8.9	7.3	2.4	2.2	2.0	4.0	3.6	3.3
<b>Median</b>	<b>11.4</b>	<b>10.5</b>	<b>8.3</b>	<b>5.2</b>	<b>5.0</b>	<b>3.1</b>	<b>5.0</b>	<b>4.5</b>	<b>4.5</b>
<b>Orsero SpA</b>	<b>5.4</b>	<b>6.9</b>	<b>7.3</b>	<b>3.0</b>	<b>3.4</b>	<b>3.4</b>	<b>4.0</b>	<b>4.3</b>	<b>4.1</b>
% (Disc.)/Prem. to peer	-52.8%	-34.5%	-12.1%	-42.6%	-32.6%	10.7%	-19.9%	-4.6%	-9.4%

Sources: CFO SIM, Refinitiv Eikon



Income statement (€ m)	2021	2022	2023e	2024e	2025e
Revenues	1,069.8	1,196.3	1,477.2	1,502.3	1,531.2
COGS	(975.6)	(1,077.4)	(1,324.1)	(1,360.7)	(1,390.5)
Gross Profit	94.2	118.8	153.1	141.6	140.7
SG&A	(71.1)	(78.9)	(96.4)	(97.1)	(97.9)
EBIT	23.1	39.9	56.7	44.5	42.8
Financials	(3.3)	(5.9)	(7.1)	(6.6)	(6.6)
Results from investments	1.0	2.0	2.3	2.3	2.3
Pre Tax Profit	20.8	36.1	51.8	40.2	38.5
Taxes	(2.3)	(3.7)	(7.8)	(6.0)	(6.5)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	18.3	32.3	43.8	33.9	31.7
D&A and Provisions	(27.4)	(30.4)	(37.1)	(38.1)	(39.0)
Non recurring items	(2.4)	(5.8)	(3.0)	(3.0)	(3.0)
Adjusted EBITDA.	52.9	76.1	96.7	85.6	84.8
Adjusted EBIT	25.5	45.7	59.7	47.5	45.8
Adjusted Net Profit	19.1	36.9	46.4	36.5	34.3
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	30.2	31.7	39.2	38.3	38.8
Net Fixed Assets	221.7	222.2	319.7	319.1	317.5
Equity Investments	14.8	19.4	19.8	20.2	20.6
Other M/L Term A/L	(6.4)	(4.4)	(5.0)	3.3	10.7
Net Invested Capital	260.2	268.9	373.7	380.8	387.5
Net Financial Debt/(cash)	84.3	67.4	134.5	114.6	96.5
Minorities	0.7	0.4	0.6	0.9	1.1
Group's Shareholders Equity	175.2	201.1	238.6	265.3	289.9
Financial Liabilities & Equity	260.2	268.9	373.7	380.8	387.5
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	18.3	32.3	43.8	33.9	31.7
Depreciation	25.0	28.1	34.3	35.3	36.2
Other non-cash charges	4.1	(4.0)	0.2	(8.3)	(7.5)
Cash Flow from Oper. (CFO)	47.3	56.4	78.3	60.8	60.4
Change in NWC	7.7	(1.5)	(7.5)	0.9	(0.4)
FCF from Operations (FCFO)	55.1	54.9	70.8	61.7	59.9
Net Investments (CFI)	(33.4)	(31.1)	(116.2)	(19.0)	(19.0)
Free CF to the Firm (FCFF)	21.7	23.8	(45.4)	42.7	40.9
CF from financials (CFF)	(7.2)	(10.0)	(1.4)	(15.0)	(22.9)
Free Cash Flow to Equity (FCFE)	14.6	13.8	(46.8)	27.8	18.1
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA adj. margin	4.9%	6.4%	6.5%	5.7%	5.5%
EBIT margin	2.2%	3.3%	3.8%	3.0%	2.8%
Net profit margin	1.7%	2.7%	3.0%	2.3%	2.1%
Tax rate	11.2%	10.2%	15.0%	15.0%	17.0%
Op NWC/Sales	2.8%	2.6%	2.7%	2.5%	2.5%
Interest coverage x	0.14	0.15	0.13	0.15	0.15
Net Debt/EBITDA adj. x	1.59	0.89	1.39	1.34	1.14
Debt-to-Equity x	0.48	0.34	0.56	0.43	0.33
ROIC	7.0%	12.0%	11.7%	8.9%	8.2%
ROCE	7.6%	12.8%	14.3%	10.5%	9.6%
ROACE	7.7%	13.2%	15.4%	10.9%	9.8%
ROE	10.4%	16.0%	18.4%	12.8%	10.9%
Payout ratio	28.2%	18.8%	15.7%	20.3%	21.7%
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 #	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	1.03	1.82	2.48	1.92	1.79
EPS adjusted FD €	1.08	2.09	2.62	2.06	1.94
EBITDA €	2.99	4.30	5.47	4.84	4.80
EBIT €	1.31	2.26	3.20	2.52	2.42
FCFO €	3.12	3.10	4.00	3.49	3.39
FCFF €	1.23	1.35	(2.57)	2.42	2.32
FCFE €	0.82	0.78	(2.65)	1.57	1.02
Dividend €	0.30	0.35	0.40	0.40	0.40



## 2023 Interim Results

Orsero reported an excellent set of results in H1-23, significantly better than expected, especially in terms of profitability. The group benefited from a strong performance of the Distribution business unit driven by the combined effect of a higher value of the product mix, an overall increase in prices and higher volumes of selected items. Organic growth was coupled with the consolidation of Blampin and Capexo. The Shipping business unit reported broadly stable results.

H1-23 revenues and adjusted EBITDA represented approximately 52% and 70% of CFO SIM's FY-23 expectations, respectively.

**Table 1 – Orsero, quarterly results summary**

€ m	Q1-23	Q1-22	% YoY	Q2-23	Q2-22	% YoY	H1-23	H1-22	% YoY
<b>Revenues</b>	<b>347.3</b>	<b>264.0</b>	<b>31.6</b>	<b>416.1</b>	<b>312.1</b>	<b>33.3</b>	<b>763.4</b>	<b>576.1</b>	<b>32.5</b>
Distribution	323.1	242.5	33.2	393.3	283.8	38.6	716.4	526.2	36.1
Shipping	34.5	30.3	13.9	34.5	39.0	(11.5)	69.0	69.3	(0.4)
Services	2.8	2.8	1.3	2.6	2.9	(11.3)	5.4	5.7	(5.1)
Intercompany	(13.1)	(11.6)	(12.9)	(14.3)	(13.5)	(5.9)	(27.4)	(25.1)	(9.2)
<b>Adjusted EBITDA</b>	<b>26.2</b>	<b>17.7</b>	<b>48.4</b>	<b>33.0</b>	<b>22.5</b>	<b>46.3</b>	<b>59.2</b>	<b>40.2</b>	<b>47.2</b>
Distribution	15.6	8.0	94.7	23.1	10.0	n.m.	38.7	18.0	n.m.
Shipping	12.9	11.5	12.2	12.1	14.6	(16.6)	25.1	26.1	(3.9)
Services	(2.3)	(1.9)	(23.4)	(2.2)	(2.0)	(11.4)	(4.5)	(3.9)	(17.2)
<b>Adjusted EBITDA %</b>	<b>7.6</b>	<b>6.7</b>		<b>7.9</b>	<b>7.2</b>		<b>7.8</b>	<b>7.0</b>	
Distribution %	4.8	3.3		5.9	3.5		5.4	3.4	
Shipping %	37.4	38.0		35.2	37.3		36.3	37.6	
Services %	(81.1)	(66.6)		(86.8)	(69.2)		(83.8)	(67.9)	
<b>EBIT</b>	<b>17.7</b>	<b>9.9</b>	<b>78.9</b>	<b>23.4</b>	<b>14.1</b>	<b>65.7</b>	<b>41.1</b>	<b>24.0</b>	<b>71.1</b>
% margin	5.1	3.7		5.6	4.5		5.4	4.2	
<b>Net Profit</b>	<b>13.0</b>	<b>8.4</b>	<b>54.9</b>	<b>19.4</b>	<b>11.4</b>	<b>70.0</b>	<b>32.4</b>	<b>19.8</b>	<b>63.6</b>
% margin	3.7	3.2		4.7	3.7		4.2	3.4	
<b>NFP debt/(cash)</b>							<b>136.0</b>	<b>67.4*</b>	<b>n.m.</b>

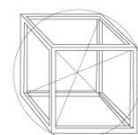
Sources: CFO SIM elaboration on company data \* FY-22 data

**Revenues totalled € 763.4m, up by 32.5% YoY** thanks to **organic growth of 8.6%** coupled with the consolidation of Blampin and Capexo. In terms of business units:

- **Distribution grew by 36.1% YoY (10% organically)** as a combined effect of the higher value of the product mix, overall price increase and higher volumes of selected items, such as platano canario, exotics and citrus. The business unit reached **€ 716.4m in revenues**, representing approximately 94% of total revenues.
- **Shipping remained broadly stable YoY**, totalling **€ 69.0m in revenues**, on the back of slightly lower volumes with respect to the 'reefer', which reflects a similar production trend, and stable freight rates of CAM Line. Furthermore, the BU benefited from a favourable EUR/USD exchange rate. The progressively normalisation of the shipping business following the peak recorded in 2022 is visible on a quarterly basis, as revenues and EBITDA started to decline slightly in Q2-23.

**Adjusted EBITDA increased to € 59.2m, 7.8% margin**, compared to € 40.3m, 7.0% margin, in H1-22, as a result of the outstanding performance of both the business units. **On a like-for-like basis adjusted EBITDA improved by 21%** (i.e. + € 8.4m).

- **Distribution EBITDA was € 38.7m, 5.4% margin**, more than doubling compared to H1-22 also thanks to the consolidation of the companies acquired. Organically, the improvement was driven by 1) higher banana prices due to a more balanced supply and demand, 2) better returns on exotic fruits, mainly avocados, apples, pears and citrus, and 3) decreasing energy costs, which amounted to € 4.9m in H1-23, down by € 1.3m compared to H1-22.



- **Shipping EBITDA was € 25.1m, 36.3% margin**, down by € 1.0m YoY, on the back of a gradual normalisation of the shipping activity. Nevertheless, returns on transportation services are still good.

**Net Profit reached € 32.4m, 4.2% margin**, compared to € 19.8m, 3.4% margin in H1-22, thanks to increased profitability which more than counterbalanced higher D&A due to the enlarged perimeter and increasing financial costs.

It is worth noting that the recent increase in interest rates has just partially affected the group thanks to its decision to switch most of its debt to banks from variable to fix rates: **80% of the group's gross debt has a duration of over 2.5 years and approximately 62% is at fixed rates.**

**Net Financial Position totalled € 136.0m** compared to € 67.4m at year-end 2022 as a consequence of 1) cash-flow generation of € 41.9m, 2) M&As for € 91.2m (€ 65.7m as upfront outlays, € 8.0m as earn-out and € 5.9m as estimated value of the Put & Call option on Blampin), 3) NWC absorption of € 0.2m, 4) ordinary capex of € 6.1m, 5) dividend payment of € 6.0m (€ 0.35/s) and 6) increased IFRS16-related liabilities of € 48.6m. NFP excluding IFRS-16 was € 87.5m, compared to € 25.8m at year-end 2022.

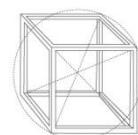
**Table 2 – Orsero, H1-23 balance sheet highlights**

€ m	H1-23	FY-22
Capital Invested	<b>365.4</b>	<b>268.9</b>
Shareholders' Equity	229.4	201.5
<b>Net Financial Position</b>	<b>136.0</b>	<b>67.4</b>
<i>NFP/Shareholders' Equity</i>	0.59	0.33
<i>NFP/EBITDA adj.</i>	1.43	0.89
<b>Net Financial Position ex. IFRS-16</b>	<b>87.5</b>	<b>25.8</b>
<i>NFP/Shareholders' Equity</i>	0.38	0.13
<i>NFP/EBITDA adj.</i>	1.09	0.41

Source: CFO SIM elaboration on company data

On the back of the brilliant numbers released, Orsero revised upwards its FY-23 guidance:

- **Revenues € 1,470 - 1,520m (+ € 30 - 10m);**
- **Adjusted EBITDA € 92 - 97m (+ € 10m);**
- **Adjusted Net Profit € 44 - 48m (+ € 6m);**
- **Net Financial Position € 138 - 142m (- € 10 - 8m);**
- **Capex € 14 - 16m (unchanged)**



## Estimates, valuation & risks

In H1-23, Orsero reported outstanding results driven an **excellent organic performance** coupled with the fruitful consolidation of Blampin and Capexo, both in terms of economic results and operations. In a still complex macroeconomic context with a reference market that saw a decline in the consumption of fruit and vegetables and an increase in prices linked to inflationary phenomena, **Orsero was able to grow both in terms of volumes and prices** thanks to a higher value of the product mix and the extensive product portfolio.

**Following H1-23 results and the revised company's guidance for FY-23, we upgrade our estimates** by factoring in: 1) broadly unchanged revenues, 2) a better profitability of the Distribution BU on the back of the brilliant results reported in H1 driven by the increased value of the product mix and 3) a weaker performance of the Shipping BU as a consequence of an expected decline, already visible in Q2-23, in volumes and freight rates with respect to dry cargoes, whilst reefer rates are seen to remain not too far from the level registered in 2022. **The combined result is an average 14.2%, 22.3% and 22.9% increase in adjusted EBITDA, EBIT and Net Profit in 2023-25, respectively.**

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

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>1,477.2</b>	<b>1,477.2</b>	0.0	<b>0.0</b>
<b>Adjusted EBITDA</b>	<b>96.7</b>	<b>84.1</b>	15.0	<b>12.6</b>
% margin	6.5	5.7		
<b>Adjusted EBIT</b>	<b>59.7</b>	<b>47.4</b>	26.0	<b>12.3</b>
% margin	4.0	3.2		
<b>Adjusted Net Profit</b>	<b>46.4</b>	<b>37.9</b>	22.4	<b>8.5</b>
% margin	3.1	2.6		
<b>Y/E net debt (net cash)</b>	<b>134.5</b>	<b>142.2</b>	(5.4)	<b>(7.7)</b>

Source: CFO SIM

**Table 4 – Orsero, 2024e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>1,502.3</b>	<b>1,498.4</b>	0.3	<b>3.9</b>
<b>Adjusted EBITDA</b>	<b>85.6</b>	<b>76.4</b>	12.0	<b>9.2</b>
% margin	5.7	5.1		
<b>Adjusted EBIT</b>	<b>47.5</b>	<b>40.1</b>	18.4	<b>7.4</b>
% margin	3.2	2.7		
<b>Adjusted Net Profit</b>	<b>36.5</b>	<b>30.2</b>	20.8	<b>6.3</b>
% margin	2.4	2.0		
<b>Y/E net debt (net cash)</b>	<b>114.6</b>	<b>114.8</b>	(0.1)	<b>(0.2)</b>

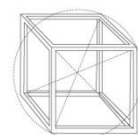
Source: CFO SIM

**Table 5 – Orsero, 2025e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>1,531.2</b>	<b>1,521.6</b>	0.6	<b>9.6</b>
<b>Adjusted EBITDA</b>	<b>84.8</b>	<b>73.3</b>	15.7	<b>11.5</b>
% margin	5.5	4.8		
<b>Adjusted EBIT</b>	<b>45.8</b>	<b>37.4</b>	22.3	<b>8.4</b>
% margin	3.0	2.5		
<b>Adjusted Net Profit</b>	<b>34.3</b>	<b>27.3</b>	25.4	<b>6.9</b>
% margin	2.2	1.8		
<b>Y/E net debt (net cash)</b>	<b>96.5</b>	<b>90.4</b>	6.8	<b>6.1</b>

Source: CFO SIM

As a consequence of the estimate upgrade and the updated valuation criteria, **new PT stands at € 22.50/s (€ 19.00), 59.1% upside. Buy recommendation reiterated.**



## DCF

In our DCF valuation, we reckoned explicit estimates until 2027 and a long-term growth of 1.0%. Cash flows were discounted back at a weighted average cost of capital calculated in accordance with the following parameters:

**Table 6 - Orsero, WACC derived from:**

Interest costs, pre-tax	3.5%
Tax rate	17.0%
<b>Int. costs, after taxes</b>	<b>2.9%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	4.20%
Beta levered (x)	0.70
<b>Required ROE</b>	<b>10.5%</b>

Source: CFO SIM

**Risk premium at 9.0%** factors in the minute size of the company and basically all the small capitalisation-related concerns and disquiet that an investor might have. The **risk-free rate at 4.20%** (previously 4.00%) corresponds to the 200-day moving average of the 10Y Italian Government Bond yield. The WACC is computed using the current 30/70% debt/equity balance-sheet structure.

**Table 7 - Orsero, DCF model**

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	56.7	44.5	42.8	42.9	43.0	
Tax rate	15.0%	15.0%	17.0%	17.0%	17.0%	
<b>Operating profit (NOPAT)</b>	<b>48.2</b>	<b>37.8</b>	<b>35.5</b>	<b>35.6</b>	<b>35.7</b>	
Change working capital	(7.5)	0.9	(0.4)	(0.5)	(0.5)	
Depreciation	34.3	35.3	36.2	27.6	19.0	
Investments	(116.2)	(19.0)	(19.0)	(19.0)	(19.0)	
<b>Free Cash Flows</b>	<b>(41.3)</b>	<b>55.0</b>	<b>52.2</b>	<b>43.7</b>	<b>35.2</b>	<b>491.7</b>
Present value	(40.3)	49.7	43.6	33.7	25.1	350.5
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

Source: CFO SIM

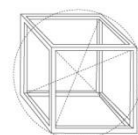
**Table 8 - Orsero, DCF equity value derived from:**

Total EV present value € m	462.2
<i>thereof terminal value</i>	75.8%
NFP last reported	(67.4)
Pension provision last reported	(8.3)
<b>Equity value € m</b>	<b>386.5</b>
#m shares (ex. treasury shares)	17.20
<b>Equity value €/s</b>	<b>22.50</b>
% upside/(downside)	59.1%

Source: CFO SIM

**The application of the model produces an equity value of € 386.5m, corresponding to € 22.50/share (€ 19.00), 59.1% upside.**

The following tables illustrate that **sensitivity**, 1) compared to changes in the **terminal growth rate**, produces an equity value of between **€ 19.81-25.98/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 **€ 17.97-29.10/s** (free risk range of between 6.20% and 2.20%) and, 3) if compared to changes in the **risk premium**, including small size premiums, results in an equity value of **€ 19.16-26.80/s** (risk premium range of between 11.00% and 7.00%).



**Table 9 – 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	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7
PV of terminal value	304.9	315.2	326.2	338.0	350.5	364.0	378.5	394.1	410.9
<b>Total value</b>	<b>416.6</b>	<b>426.9</b>	<b>437.9</b>	<b>449.7</b>	<b>462.2</b>	<b>475.7</b>	<b>490.2</b>	<b>505.8</b>	<b>522.6</b>
NFP last reported	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)
Pension provision last reported	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
<b>Equity value</b>	<b>340.9</b>	<b>351.2</b>	<b>362.2</b>	<b>374.0</b>	<b>386.5</b>	<b>400.0</b>	<b>414.5</b>	<b>430.1</b>	<b>446.9</b>
<b>Equity value/share €</b>	<b>19.81</b>	<b>20.41</b>	<b>21.05</b>	<b>21.74</b>	<b>22.50</b>	<b>23.25</b>	<b>24.09</b>	<b>25.00</b>	<b>25.98</b>

Source: CFO SIM

**Table 10 – Orsero, equity value sensitivity to changes in free risk rate**

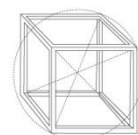
€ m	2.20%	2.70%	3.20%	3.70%	4.20%	4.70%	5.20%	5.70%	6.20%
Present value of CF	116.6	115.4	114.1	112.9	111.7	110.5	109.3	108.2	107.0
PV of terminal value	459.8	427.7	399.1	373.6	350.5	329.8	310.9	293.7	277.9
<b>Total value</b>	<b>576.4</b>	<b>543.0</b>	<b>513.2</b>	<b>486.5</b>	<b>462.2</b>	<b>440.3</b>	<b>420.2</b>	<b>401.8</b>	<b>384.9</b>
NFP last reported	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)
Pension provision last reported	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
<b>Equity value</b>	<b>500.7</b>	<b>467.3</b>	<b>437.5</b>	<b>410.8</b>	<b>386.5</b>	<b>364.6</b>	<b>344.5</b>	<b>326.1</b>	<b>309.2</b>
<b>Equity value/share €</b>	<b>29.10</b>	<b>27.16</b>	<b>25.43</b>	<b>23.87</b>	<b>22.50</b>	<b>21.19</b>	<b>20.02</b>	<b>18.96</b>	<b>17.97</b>

Source: CFO SIM

**Table 11 – Orsero, equity value sensitivity to changes in risk premium**

€ m	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
Present value of CF	115.1	114.2	113.4	112.5	111.7	110.9	110.0	109.2	108.4
PV of terminal value	421.7	401.8	383.4	366.4	350.5	335.8	322.0	309.1	297.0
<b>Total value</b>	<b>536.8</b>	<b>516.1</b>	<b>496.8</b>	<b>478.9</b>	<b>462.2</b>	<b>446.6</b>	<b>432.0</b>	<b>418.3</b>	<b>405.4</b>
NFP last reported	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)	(67.4)
Pension provision last reported	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)	(8.3)
<b>Equity value</b>	<b>461.1</b>	<b>440.4</b>	<b>421.1</b>	<b>403.2</b>	<b>386.5</b>	<b>370.9</b>	<b>356.3</b>	<b>342.6</b>	<b>329.7</b>
<b>Equity value/share €</b>	<b>26.80</b>	<b>25.60</b>	<b>24.48</b>	<b>23.44</b>	<b>22.50</b>	<b>21.56</b>	<b>20.71</b>	<b>19.91</b>	<b>19.16</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 **Dole, Fresh Del Monte Produce, and Greenyard**. Sizes vary in terms of market capitalisation and figures, as well as profitability: 1) Dole has a € 1.1bn market cap, € 8.1bn revenues and a 4.1% EBITDA margin projected for 2023, 2) Fresh Del Monte shows a € 1.1bn market cap and € 4.1bn sales with a 6.0% EBITDA margin expected for 2023; 3) Greenyard boasts a € 315m market value and € 4.9bn sales with a 3.6% EBITDA margin expected for 2023.

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

**Orsero trades at a double-digit discount** vs. peers considering PCF and PER multiples in 2023-24. We believe this gap can be explained only in part by the size difference, but it needs to be bridged somehow 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 12 – Orsero, peer group summary table**

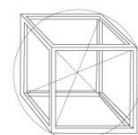
€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA % CAGR <sub>22-25</sub>	Sales CAGR <sub>22-25</sub>	EBITDA CAGR <sub>22-25</sub>	EBIT CAGR <sub>22-25</sub>	EPS CAGR <sub>23-25</sub>	NFP FY1	NFP /EBITDA
Dole PLC	1,067	8,091	332	4.1%	0.9%	21.0%	36.0%	15.1%	910	2.7
Fresh Del Monte Produce Inc	1,149	4,061	243	6.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	315	4,893	178	3.6%	4.6%	7.1%	13.0%	21.7%	389	2.2
<b>Median</b>	<b>1,067</b>	<b>4,893</b>	<b>243</b>	<b>4.1%</b>	<b>2.7%</b>	<b>14.0%</b>	<b>24.5%</b>	<b>18.4%</b>	<b>650</b>	<b>2.5</b>
<b>Orsero SpA</b>	<b>250</b>	<b>1,477</b>	<b>97</b>	<b>6.5%</b>	<b>8.6%</b>	<b>3.7%</b>	<b>0.1%</b>	<b>-14.1%</b>	<b>134</b>	<b>1.4</b>

Sources: Refinitiv Eikon, CFO SIM

**Table 13 – 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	6.0	5.4	5.7	12.4	10.5	9.3	5.2	5.0	4.1
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	11.4	10.9	n.a.	6.3	6.1	n.a.
Greenyard NV	4.0	3.6	3.3	10.8	8.9	7.3	2.4	2.2	2.0
<b>Median</b>	<b>5.0</b>	<b>4.5</b>	<b>4.5</b>	<b>11.4</b>	<b>10.5</b>	<b>8.3</b>	<b>5.2</b>	<b>5.0</b>	<b>3.1</b>
<b>Orsero SpA</b>	<b>4.0</b>	<b>4.3</b>	<b>4.1</b>	<b>5.4</b>	<b>6.9</b>	<b>7.3</b>	<b>3.0</b>	<b>3.4</b>	<b>3.4</b>
% (Discount)/Premium to peer median	-19.9%	-4.6%	-9.4%	-52.8%	-34.5%	-12.1%	-42.6%	-32.6%	10.7%

Sources: Refinitiv Eikon, CFO SIM



## Shipping: a few interesting considerations

The Shipping BU, has always been **understood as a 'problematic, worrisome' one, characterised by volatile performance** due to the fluctuation of the bunker price (i.e. ultimately the price of oil) and the EUR/USD exchange rate. In 2019, Orsero reintroduced the **freight rate adjustment clauses on fluctuation of fuel costs (BAF clauses), whose aim** is essentially to mitigate performance volatility due to fuel price fluctuations. However, considering the way they are set out, they cannot achieve total neutralisation but they are very close. 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 seen in 2017, 2018 and currently. **The only remaining variable which can really influence the BU's results is 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 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 (or investment) beyond 2029, 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 14 – Orsero Shipping Division, ships dismissed in 2030, DCF model**

€ m	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Term. V.
EBIT	31.0	22.2	20.1	19.5	19.3	19.0	18.7	
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
<b>NOPAT</b>	<b>26.4</b>	<b>18.9</b>	<b>17.1</b>	<b>16.6</b>	<b>16.4</b>	<b>16.1</b>	<b>15.9</b>	
D&A	7.9	7.9	7.9	7.9	7.9	7.9	7.9	
Capex	(0.5)	(4.5)	(4.5)	(0.5)	(0.5)	(0.5)	(0.5)	
<b>Free Cash Flow</b>	<b>33.8</b>	<b>22.3</b>	<b>20.5</b>	<b>24.0</b>	<b>23.8</b>	<b>23.5</b>	<b>23.3</b>	<b>11.0</b>
<b>Present value</b>	<b>32.8</b>	<b>19.6</b>	<b>16.3</b>	<b>17.3</b>	<b>15.5</b>	<b>13.9</b>	<b>12.5</b>	<b>8.8</b>
WACC	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	

Source: CFO SIM

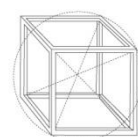
**The model produces an EV of € 136.7m for the Shipping BU.** This figure should be compared with the € 33m book value of the four owned ships.

The following sensitivity table shows the implied valuation of the Distribution business unit according to the different value taken into consideration for the Shipping business unit. In other words, according to our valuation, **the current market capitalisation implicitly values the Distribution business unit 3.5x EBITDA<sub>24e</sub>.**

**Table 15 – Orsero, implied market valuation of Distribution sensitivity to Shipping value**

Shipping EV, € m (a)	0	17	36	56	75	95	114	137
Orsero Mkt Cap (b)	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
NFP FY2 (c)	114.6	114.6	114.6	114.6	114.6	114.6	114.6	114.6
<b>Group EV (d=b+c)</b>	<b>364.6</b>	<b>364.6</b>	<b>364.6</b>	<b>364.6</b>	<b>364.6</b>	<b>364.6</b>	<b>364.6</b>	<b>364.6</b>
<b>Distribution EV (e=d-a)</b>	<b>364.6</b>	<b>348.1</b>	<b>328.6</b>	<b>309.1</b>	<b>289.6</b>	<b>270.0</b>	<b>250.5</b>	<b>228.0</b>
EBITDA Distribution FY2 (f)	65.6	65.6	65.6	65.6	65.6	65.6	65.6	65.6
<b>Impl. EV/EBITDA Distribution (x, e/f)</b>	<b>5.6</b>	<b>5.3</b>	<b>5.0</b>	<b>4.7</b>	<b>4.4</b>	<b>4.1</b>	<b>3.8</b>	<b>3.5</b>
Peers' EV/EBITDA median (x) FY2	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
<i>Premium/(discount) to peers' median</i>	24.5	18.8	12.2	5.5	(1.2)	(7.8)	(14.5)	(22.2)

Source: 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 Euronext Star Milan**, the STAR segment of Borsa Italiana dedicated to high requirement stocks. Orsero stock reached an intraday 1Y maximum level of € 16.66/s on 16<sup>th</sup> Sep 22 and a 1Y minimum price of € 11.80 on 15<sup>th</sup> May 2023.

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

%	1D	1W	1M	3M	6M	YTD	1Y
Dole PLC	1.2	6.6	(4.2)	(13.7)	5.6	24.1	35.5
Fresh Del Monte Produce Inc	(0.2)	0.9	(4.6)	(5.3)	(13.3)	(2.8)	3.5
Greenyard NV	(1.3)	(0.2)	(9.1)	(12.9)	(3.8)	(8.7)	(20.3)
<b>Peers Median</b>	<b>(0.2)</b>	<b>0.9</b>	<b>(4.6)</b>	<b>(12.9)</b>	<b>(3.8)</b>	<b>(2.8)</b>	<b>3.5</b>
<b>Orsero SpA</b>	<b>1.3</b>	<b>10.5</b>	<b>9.3</b>	<b>11.5</b>	<b>2.8</b>	<b>6.2</b>	<b>(13.5)</b>
FTSE Italia STAR	(0.7)	(1.2)	(1.4)	(11.2)	(9.0)	(6.0)	(0.1)
Refinitiv Food & Beverage EU	0.2	(0.3)	(1.7)	(5.2)	(3.2)	(2.0)	1.6

Source: Refinitiv Eikon

**Table 17 – Orsero, relative performances**

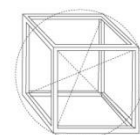
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero SpA to peers	1.4	9.6	13.8	24.5	6.5	9.0	(17.0)
Orsero SpA to FTSE Italia STAR	2.0	11.7	10.6	22.7	11.7	12.2	(13.3)
Orsero SpA to EU Sector	1.1	10.8	11.0	16.7	6.0	8.2	(15.0)

Source: Refinitiv 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 and of the war in the Ukraine,
- profit margin dilution stemming from the acquisition campaign,
- impact of sharp US\$ and bunker price fluctuations.



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DATE	TARGET PRICE	RATING
18/09/2023	€22.50	BUY
16/05/2023	€19.00	BUY
20/03/2023	€19.00	BUY
06/02/2023	€21.00	BUY
15/11/2022	€21.00	BUY
04/11/2022	€21.00	BUY
15/09/2022	€21.00	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% 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.

